

# The socio-historical consequences of privatisation in Serbia

## Introduction

The process of privatisation in eastern Europe has not been accompanied by the process of the mass-based and solid organisation of the working class (through the consolidation of trade union organisations in trade union centres) and, hence, neither has it been accompanied by the emergence of authentic labour (socialist) parties based on a mass membership.\* Trade union pluralism and a low membership of labour organisations,\*\* the absence of collective confidence within the working class in trade unions\*\*\* and the undeveloped forms and unappreciable effects of social dialogue, as well as a political system based on clientelist parties and a criminalised state, reflect the structural disintegration of east European societies in transition.

## National economic development and the 'free market' mantra

The First World War raised the issue of the political integration of the periphery into the world capitalist system as the great ideological antinomy of the 20<sup>th</sup> century, i.e. Wilsonianism vs. Leninism, which had, in fact, a common denominator in the idea of the self-determination of people (that is, in the right to self-determination to the point of separation). World War II, on the other hand, raised the issue of the model of internal social integration in the peripheral zones of the global capitalist economy. US Presidents Roosevelt and Truman offered 'economic development of underdeveloped nations', a structural equivalent on the world scale of the 'welfare state' at the national level within the central zone,<sup>1</sup> while USSR President Stalin offered national communism as a form of national 'socialist construction'. Thus, the ideology of development became a factor in the shaping of three aspects of social integration as an important dimension of social development. Three kinds of mobilisation – political, economic and cultural – became prerequisites for the construction of a national economy.

The shaping of national communism in eastern Europe started with the winning of political power by communist parties and the establishment of party states.<sup>2</sup> Eco-

- 1 During the Second World War, a group of economists in Great Britain was entrusted with the task of making a study of the industrialisation of east European countries. The study was not completed but, in 1943, the team co-ordinator P. Rosenstein-Rodan published an article in which he attempted to give an answer to the question of how to employ 100 million people in eastern Europe. He proposed that the economic strategy of east European countries should focus on processing industries, which employ the highest live labour per unit of invested capital. The author assumed that east European countries would be able to secure only half the necessary capital for this model of industrialisation while, for the other half, he suggested foreign capital as a source. Rosenstein-Rodan (1943) 'Problems of Industrialization in Eastern and South-Eastern Europe' *Economic Journal* Vol. LIII, June - September. NB For the notes in the Introduction, see the end of this article.
- 2 See: Marija Obradović (1995) 'Narodna demokratija' u *Jugoslaviji 1945-1952* ['People's democracy' in *Yugoslavia 1945-1952*] Belgrade: INIS.

conomic mobilisation was achieved by way of the nationalisation of private property, the establishment of state-ownership monopolies and a concentration of capital formation through the siphoning of surplus value from agriculture into industrial production.<sup>3</sup> Heavy industry projects, whose development was intended to enable the completion of independent, autarchic national economies, enjoyed investment priority. A self-sufficient national economy, on the other hand, should have served as a basis for military industry and the military power of the country, enabling the national emancipation of east European nations and making them significant factors in the international community. Thus, economic independence, particularly independence from the international institutions of financial capital, was regarded as a prerequisite of political independence and of the possibility for the development of socialism in a country/region unified within Comecon and the Warsaw Pact. That was also a motive for declining the economic aid and loans offered by the Marshall Plan to all European countries after World War II for post-war reconstruction. The ideology of national communism converted Marxism, as an ideology of the global proletarian revolution, into an ideology of the development of the world periphery on the basis of autarchic economy and investment in base industry ('capital construction' facilities), with selective participation in the international division of labour mainly via international trade.

The model of national communism enabled the industrialisation of eastern Europe, as well as its significant economic and social development, particularly in education and health, contributed to a rise in living standards and also solved the problem of agrarian over-population and unemployment, employing 100 million people, but it nevertheless failed to make east European economies internationally competitive and neither did it provide significant capital that could take these countries out of the peripheral zone of the global economy.

At the end of the 1960s, most east European countries had balance of payments problems and a need for foreign capital simply in order to be able to continue investment cycles. Global economic stagnation, which started in the 1970s following the rise in oil prices and culminated in the 1980s with the debt crisis, contributed to the unfavourable economic position of the world periphery and, hence, of eastern Europe.

In the early 1970s, OPEC countries, led by Iran and Saudi Arabia, dramatically raised the price of oil and thus took a considerable share of global surplus value. The greatest part of the proceeds was deposited in American and European banks (so-called petro-dollars). Money from these banks has been channelled towards the peripheral zones of the world capitalist system, including communist east European countries. These loans solved the immediate balance of payments problems of these countries, which were in particularly bad shape due to the rising oil prices. With them, governments were able to maintain imports for some time (even if exports were not successful). This induced a demand for goods from OECD countries and minimised the impact on them of global economic stagnation. The first great manifestation of the debt crisis was in Poland in 1980 and was followed in other east European coun-

- 3 See: Marija Obradović (1999) 'Promena svojine i ekonomske strukture u istočno evropskim zemljama posle Drugog svetskog rata (1945-1952)' ['Changes in Ownership and Economic Structure in East European Countries after World War II (1945-1952)'] *Istorijski zapisi* Podgorica, Volume LXXII No. 3-4.

tries.<sup>4</sup> The time had come to collect on the bills and the Polish government sought to reduce its exposure by increasing prices on the domestic market, implying that the burden was to be borne by the Polish working class. The result was Gdansk and Solidarność.

Immanuel Wallerstein stresses that people's discontent with the regimes in power was accompanied by political disappointment and that the pressure for political transformation was more negative than positive. Changes were introduced not so much out of hope as out of despair. Faced with their own difficulties, Organisation for Economic Cooperation and Development countries showed little patience for the financial dilemmas of third world and socialist governments. The latter, in particular, have struggled to meet the tough requirements of the International Monetary Fund, they have been given little help and have had to listen to lectures on the virtues of the market and privatisation. However, Wallerstein warned quite a long time ago that socialist countries which were embracing the market economy in the 1990s would not be able to improve the standards of living of their populations. He also emphasised that there were no significant chances for the economic transformation of the periphery within global capitalism.<sup>5</sup>

Wallerstein suggests that the end of communism in eastern Europe also marked the end of the ideology and practice of national development defined as 'keeping pace' – that is, increasing people's wealth and modernising infrastructure.

Wallerstein sees the cause of this in the permanent division of the world into centre, semi-periphery and periphery, which is an inherent characteristic of the global

- 4 See Marija Obradović (2003) 'Political Elite and Community Modernisation in post-1989 Eastern Europe' *Tokovi istorije* No. 3-4, Belgrade, p. 80.
- 5 Immanuel Valernštajn (2005) *Posle liberalizma* [Immanuel Wallerstein *After Liberalism*] Belgrade: Službeni glasnik, pp. 101, 102, 105. Similar to Immanuel Wallerstein, A.G. Frank in late 1960, analyzing the economic history of Latin America, presented a view according to which under-development has not been the initial social status of the periphery but a situation produced by the development of capitalism. Capitalism expanded and developed as a global system precisely by producing under-development in colonial and semi-dependent countries. Frank has shown that the industrial output of colonial Brazil at the beginning of the 17<sup>th</sup> century was higher than the output of England at the same time and, in the 18<sup>th</sup> century, was higher than the industrial production of the USA. Thus, Frank observes the development of capitalism as a global system through the historical dynamics of the polarising of relations between a metropolitan centre and peripheral satellites. Frank explains the under-development of the periphery as a consequence of the immanent law of expansion and the functioning of the capitalist global system through polarisation between the metropolis and satellites. Frank emphasises as arguments periods of industrial growth in Brazil, Mexico and Argentina and other dependent states at the time of the great economic depression 1929-1932 and at the time when metropolitan countries were occupied during World War II. See: A.G. Frank (1967) *Capitalism and Underdevelopment in Latin America, Historical Studies of Chile and Brazil* New York. Economic reforms carried out during the 1990s in Latin America according to the model of the Washington consensus, based on free market ideology and theory, failed to produce the expected results. The average growth rate in the region in the 1990s, at 2.9 per cent after the reforms, was just over half that of the 1960s, at 5.4%. Even in countries that managed some growth, such as Mexico, the benefits accrued largely to the top 30 per cent and have been even more concentrated in the top 10 per cent. Joseph Stiglitz (2002) *Globalization and Its Discontents* London, New York: W.W. Norton & Company, p. 86.

capitalist economy. In an era of globalisation, this growing division between those who have and those who have not is increasingly visible. In the last decade, the number of poor living on less than \$1 per day in the countries of the world periphery rose by nearly 100 million while, at the same time, the average annual income growth rate was about 2.5%.<sup>6</sup>

The ideology of national communism identified the working class with the people and relied on an authentic paradigm (the idea of national self-determination and national economic development) which was operationalised through the political programme of 'socialist construction' by way of the centrally-planned economy based on state ownership of the means of production. Thus, the primary goal of government policy was national economic development. This development policy failed in eastern Europe at the end of the 1980s which was first reflected in the disintegration of the Communist Party and then of state and society.

The policy of the development of national communism was replaced with a neo-liberal strategy of transformation via the market, operationalised through the IMF's policy of structural adjustment and in international conditions of globalisation. However, this policy did not result in the economic growth of east European countries while the process of transition opened numerous political and social contradictions and resulted in structural social disintegration.<sup>7</sup> Like the policy of the development of national communism, the neo-liberal model of structural adjustment did not manage to ensure export-driven growth in east European countries on the periphery, which is the main instrument of the industrial policy of the centre, nor did it result in the introduction of new technologies, open access to new markets or create new industries. The very course of the transition process in conditions of the global financial crisis which started in 1997 has undoubtedly contributed to its many contradictions becoming manifest in a particularly grave form. The problem of balancing the balance of payments, so characteristic of communist economies, was not overcome – moreover, it was aggravated, as was the problem of indebtedness. At the end of 1998, the foreign debt of the Višegrad group of countries (Poland, the Czech Republic and Hungary) was \$107.4bn and it was exhibiting a continuously growing tendency.<sup>8</sup>

At the end of 2005, Serbia's debt exceeded \$15bn. Despite significant write-offs, its debt had increased by more than 40 per cent. Indeed, \$4bn of its foreign debt have been written off – but Serbia has borrowed a further \$8bn, so the (net) balance of its debt has risen by some \$4bn.<sup>9</sup>

The magnitude of Serbia's foreign debt at the beginning of the 21<sup>st</sup> century can be shown by comparing it with the \$20bn which was the amount of foreign debt of the Socialist Federal Republic of Yugoslavia at the time of the outbreak of the debt crisis in 1984. Federal agencies had borrowed from foreign creditors \$5.6bn, or 28% of the total debt. The republics and provinces accounted for a much higher share of debt (the remaining 72%), from which a share of 34% was taken by organisations of associated

6 Joseph Stiglitz, *op. cit.*

7 See: Marija Obradović (2003), *op. cit.*

8 *The Economist* Intelligence Unit (1999): *Economies in Transition, 4th quarter 1998* London.

9 Nebojša Katić (2006) 'Neko greši u računu' ['Someone is Making a Wrong Calculation'] *Politika* 17 February, p. 6.

labour and the other 38% by banks and other establishments and institutions. One part of the foreign debt created by organisations of associated labour within the economy was mainly used for the import of equipment and, to a lesser extent, for the purchase of production inputs. The biggest share of debt was used by government agencies and banks to refinance former debts and for the liquidity of banks. Out of the total foreign debt, more than two-thirds was used for non-economic purposes.<sup>10</sup>

Thus, in Serbia, like in other east European countries, the growth in foreign debt was perpetuated throughout the 20<sup>th</sup> century as a basic cause of economic crisis and stagnation, along with the inability of the state to guarantee foreign-exchange liquidity on the outbreak of crisis.

Discussing the issue of the relationship between the process of globalisation and the process of transition in post-communist countries, Joseph Stiglitz stresses that globalisation has managed neither to reduce poverty nor to ensure stability.

Globalization and the introduction of a market economy have not produced the promised results in Russia and most of the other economies making the transition from communism to the market. These countries were told by the West that the new economic system would bring them unprecedented prosperity. Instead, it brought unprecedented poverty: in many respects, for most of the people, the market economy proved even worse than their Communist leaders had predicted.

... The West has driven the globalization agenda, ensuring that it garners a disproportionate share of the benefits, at the expense of the developing world. It was not just that the more advanced industrial countries declined to open up their markets to the goods of the developing countries – for instance keeping their quotas on a multitude of goods from textiles to sugar – while insisting that those countries open up their markets to the goods of the wealthier countries; it was not just that the more advanced industrial countries continued to subsidize agriculture, making it difficult for the developing countries to compete, while insisting that the developing countries eliminate their subsidies on industrial goods.<sup>11</sup>

Unlike Wallerstein, Stiglitz does not see the cause of the economic and social stagnation of east European transition countries as lying in the very structure of the global capitalist system, but in the inadequate economic policy of the international financial institutions (the International Monetary Fund and the World Bank) and the existing methods of globalisation, i.e. the elimination of barriers to free trade and the stronger integration of national economies. Stiglitz sees the problem in the abandonment by the International Monetary Fund of its Keynesian orientation, which emphasised the failures of the market and the role of government in creating employment, and its replacement with ideology and the 'sacred formula' of the free market during the 1980s, as a part of the new 'Washington consensus' agreement between the International Monetary Fund, the World Bank and the US Treasury on the 'correct' policies for developing countries. The three supporting pillars of the Washington consensus during the 1980s and 1990s were financial scrutiny, privatisation and market liberalisation. Stiglitz stresses that the policy of liberalisation (of the capital market and of trade) in east European countries after 1998 failed to bring about sustainable growth

10 Dr. Radiša Jovanović (1992) *Politička moć i tradicionalno komuniciranje u Srbiji* Belgrade: Institut za političke studije, pp. 83 and 84.

11 Joseph Stiglitz, *op. cit.* pp 6-7.

due to the very internal contradictions of the market economy (i.e. asymmetric information, limited competition and the monopolistic structure of multinational corporations) which were particularly pronounced in insufficiently developed countries, as well as the undeveloped social security network (the social security system). The result was that those who lost their jobs were forced into poverty.

Privatisation, in turn, did not result in higher efficiency or growth but led instead to the loss of property and declining output. Stiglitz concludes:<sup>12</sup>

The Czech Republic received accolades early on from the IMF and the World Bank for its rapid reforms; it later became apparent that it had created a capital market which did not raise money for new investment, but allowed a few smart money managers (more accurately, white-collar criminals – if they did what they did in the Czech Republic in the United States, they would be behind bars) to walk off with millions of dollars of others' money. As a result of these and other mistakes in its transition, *relative to where it was in 1989*, the republic has fallen behind – in spite of huge advantages in location and the high level of education of its population...

Privatization, accompanied by the opening of the capital markets, led not to wealth creation but to asset stripping. It was perfectly logical. An oligarch who has just been able to use political influence to garner assets worth billions, after paying only a pittance, would naturally want to get his money out of the country.

### The social mechanism of privatisation in Serbia, 1990-2000

Privatisation in Serbia was carried out in conditions of the break-up of the country and civil war in Yugoslavia, firstly on the basis of federal legislation and then that adopted by the Republic. The transformation of social ownership into state ownership was the first step in the policy of privatisation in Serbia on the basis of republican legislation. Most enterprises were privatised by 1994 in the context of completely undeveloped market institutions, particularly the capital market, and the disintegration of the social infrastructure caused by galloping hyper-inflation. Between 1991 and 1993, a total of 1 566 enterprises (44.2% of the total) were privatised, of which 1 200 were privatised according to the federal law, 536 according to the republican law and 1 064 by the Development Fund. The transformation encompassed 2 388 enterprises or 70.2% of the total number of enterprises. According to the estimates of Veselin Vukotić, over 50% of social capital had been privatised in Serbia and Montenegro by 1994; in fact, all successful and prosperous companies had been. The estimate did not include one-third of companies scheduled for liquidation.<sup>13</sup>

The communist nomenclature in Serbia, as in other republics of the former Yugoslavia, considered civil war and hyperinflation, to the creation of which it amply contributed,<sup>14</sup> to be a very favourable social framework for the private appropriation of social capital. In this aim, it went so far as to abolish the self-management system, be-

12 Joseph Stiglitz, *op. cit.* pp. 185-186, 144.

13 Rajko Bukvić (1994) 'Proces svojinske transformacije u privredi Srbije i problem njegovog sagledavanja' in Veselin Vukotić (ed.) 'Privatizacija društvenog kapitala je u završnoj fazi' *Institucionalna infrastruktura u tranziciji ka tržišnoj ekonomiji* Belgrade: Institut društvenih nauka, Centar za ekonomska istraživanja, pp. 83, 261.

14 See: Marija Obradović (2000) 'The Ruling Party' in Nebojša Popov (ed.) *The Road to War in Serbia. Trauma and Catharsis* Budapest: Central European University Press.

cause self-management was the primary obstacle to the establishment of a labour market and/or for lowering the price of labour. On the other hand, the value of social capital was under-estimated so as to enable the members of the nomenclature, the new owners, to acquire property at minimum cost. The inflow of resources into state funds was symbolic. Privatisation did not encourage the mobilisation of capital while the sale of social assets absorbed available financial resources so that funds for new investment, i.e. for the development of production and modernisation, were reduced. An accelerated sale of social property rapidly increased supply, resulting in a falling price of social capital, thus allowing the nomenclature to get rich swiftly and easily. Enormous social resources (material and human) were spent on changing ownership relationships and ensuring the economic domination of the nomenclature.

Privatisation in Serbia between 1991 and 1994 took place in the conditions of EU economic sanctions (imposed in November 1991) and those introduced by the UN Security Council (in May 1992). GDP dropped to the level of 64.1% of the 1990 level, which amounted to \$26.6bn.

In addition to a reducing social product, there was a process of the transfer of property (capital and social wealth) into consumption, resulting in the reduction of the amount of capital available for development. Capital and reserves were spent on the payment of current wages, without coverage for these in net production. According to data on depreciation produced by the Payment Office for the period 1990-1993, on the assumption that the entire amount of the depreciation was transferred into consumption, it could be concluded that the loss of capital amounted to \$11bn.<sup>15</sup>

At the same time the unemployment rate in 1993 was about 23% (740 000 people) while, out of the 2.5m employed people, many were only ostensibly employed: it was estimated that surplus labour in the social sector was about one million workers. Despite such high levels of unemployment, there was no active labour market policy – an instrument of the modern state for achieving and maintaining employment. Indeed, workers who remained without work during the period of the UN Security Council sanctions were retained in employment but were ordered on paid leave – the so-called ‘involuntary leave of absence’ – but the allowances they received were below the subsistence minimum (65% of the guaranteed net wage).

Some people on involuntary leave of absence find informal employment in the shadow economy, where they earn additional income. Others who work in this (informal) sector are nowhere registered as employed. We are thus faced with a paradoxical situation. We have the formally employed who are actually unemployed and the actually employed who are not formally employed, being formally employed in one place and actually working in another (with another employer).<sup>16</sup>

- 15 Miša Jandrić (1994) ‘Gubici u SR Jugoslaviji nastali uvedenim sankcijama’ [‘Losses in FR Yugoslavia due to imposed sanctions’] *Sankcije-uzroci-legitimitet, legalitet i posledice* [Sanctions – Causes, Legitimacy, Legality and Consequences] Belgrade: SANU, pp. 97, 99.
- 16 Biljana Jovanović-Gavrilović (1994) ‘Politika tržišta rada i nezaposlenost u procesu tranzicije jugoslovenske privrede’ [‘Labour market policy and unemployment in the process of the transition of the Yugoslav economy’], *Institucionalna infrastruktura u tranziciji ka tržišnoj ekonomiji* [Institutional infrastructure in transition toward the market economy] Belgrade: Institut društvenih nauka, Centar za ekonomska istraživanja [Institute of Social Sciences, Economic Research Centre], pp. 212, 214.

Legislation in the area of labour law, employment and the exercise of the rights of unemployed people abolished the monopoly of employees over jobs, as a legacy of communism, and also provided the opportunity to dismiss workers. In other words, the dismissal of workers became liberalised. The costs of getting rid of so-called 'technologically redundant' workers, occurring as the result of technological, economic and organisational changes, were borne by the respective enterprises.

According to research by the Economic Institute in Belgrade concerning the performance of enterprises which carried out ownership transformation during 1992 (covering 113 enterprises) and the first half of 1993 (122 enterprises), no qualitative, let alone radical, changes in performance – i.e. in cost-effectiveness – were observed in this group of transformed enterprises; the group of observed transformed enterprises changed their behaviour in an almost identical manner and/or in almost the same intensity as in the economy as a whole.<sup>17</sup> However, neither in eastern Europe nor in Serbia was economic efficiency the goal of privatisation in the first place which was, instead, the change of the ownership structure. The nomenclature, the promoter of privatisation, was the only beneficiary of the change in ownership structure in east European societies. The illegitimacy of privatisation is its main historical characteristic.

Privatisation in eastern Europe was accompanied by a restrictive monetary policy, liberalisation of international trade and declining output and employment, as well as a higher trade balance deficit and foreign debt.

State-owned enterprises experienced 'wild privatisation', which started when their managers took away the best business deals and their connections with business partners. This enabled them to set up private companies under the name of family members or relatives. Deprived of the best jobs, enterprises soon started to operate at a loss, which became an additional reason for privatisation. It is a well-known practice for managers deliberately to produce losses, so as to create a motive for acquiring the company. The discrepancy between the enormous value of state property and the relatively low purchasing power of the population could not be resolved satisfactorily in any kind of privatisation. Toward the end of 1989, collective ownership in Yugoslavia accounted for over 90% of the value of capital, with total social capital being assessed at about \$250bn, while savings amounted to \$13bn, or about 5% of total social capital.

The insufficiency of capital and unpreparedness of buyers for privatisation are strong limitations to ownership transformation in socialism.<sup>18</sup>

In privatisation, the state did not get the full compensation that would serve its current and developmental needs. Its property therefore became the object of an enormously widespread looting and an unjustified accumulation of wealth, with the active participation of those actors who incited and implemented privatisation.

The issue of social choice is a key issue for the development of a community that is for the dynamic change of system structures with a view to achieving social wel-

17 Rajko Bukvić, *op. cit.* p. 98.

18 Prof. Dr Veselin Vukotić (1993) 'Privatizacija u programu reforme' ['Privatisation and the reform programme'] in *Privredna reforma 1990. - put u tržišnu ekonomiju [The 1990 economic reform – A road to the market economy]* Belgrade: Institut društvenih nauka, Centar za ekonomska istraživanja, p. 204.

fare. The function of social welfare provides a framework for the analysis of the distributive consequences of a certain policy. Individual policies (class interests) are articulated through political processes and their implementation in practice results in different consequences for the development of society as a whole and for the position of certain social groups. Analysis of the consequences of different policies, through models in contemporary economic science, is made from the perspective of different initial theoretical and methodological bases. Positive analysis proceeds from the consequences of a certain policy and normative analysis from values. Welfare economics, or normative economics, deals with the criteria for the evaluation of alternative economic policies. It also generally takes efficiency and fairness into account.<sup>19</sup>

An evaluation of the historical function of transitional east European systems has one meaning when observed through the 'theory of modernisation', i.e. as a theoretical system constructed within a liberal eschatology which places an accent on the development of pluralism (political and economic) in society. Quite a different meaning of the same historical process is revealed by the implementation of normative analytical models of the welfare economy. Research priorities are defined by focusing a concrete historical analysis of the transition process in eastern Europe after 1989 on the issue of the trade-off between efficiency and equality (and inequality). Proceeding from a Pareto-efficiency situation, in which no-one can win unless someone else loses, privatisation as a state activity is observed through changes in the distribution of national income and economic efficiency. We are not analysing and evaluating privatisation according to the utilitarian function of social welfare – social welfare is equal to the sum of the utilities of individuals – but according to Rols's (normativist) social welfare function – social welfare is equal to the utility for the poorest member of society.<sup>20</sup>

Therefore, an analysis of the historical processes of the fall of communism in eastern Europe and of the break-up of Yugoslavia must also focus on the issue of their structural conditionality and on the issue of social choice. The method and consequences of social choice raise, in turn, the issue of legitimacy. Defining the function of social welfare for the widest population categories (the working class) in the historical process of transition in eastern Europe, and its comparison with the structural situation of the communist system, can help in defining the historical meaning of the collapse of the given systems, as well as of the break-up of Yugoslavia.

The transition process, i.e. privatisation as its central part, is accompanied by enormous structural collapses, a drop in real social product, declining employment, rising inflation and weakening government institutions, particularly the justice system as reflected in a disrespect for the law and rising corruption and crime.

Privatisation in Serbia, like in other east European countries, contributed neither to a change in capital structure nor to increased exports, the application of new technologies or a higher level of employment. The level of industrial output in Serbia in 2001 and 2003 was only 44 per cent of the level achieved in 1990, while the employment level in 2001 was 66 per cent, and in 2003 only 52 per cent, of its 1990 level.

19 See: Joseph Stiglitz (2004) *Ekonomija javnog sektora [Economics of the Public Sector]* Ekonomski fakultet u Beogradu, Belgrade, p. 116.

20 *ibid.*, p. 117.

Exports of \$2.7bn in 2003 were higher compared to 2001 when the total was \$1.9bn, but were much lower compared to 1990, when the export of goods and services amounted to \$5.8bn. A low level of exports has been accompanied by a very pronounced growth in imports which, in 2003, amounted to almost \$8bn. This was substantially higher than in 2001, when imports equalled \$4.8bn, and higher than in 1990 when imports were about \$7.5bn. The economy in Serbia, like in other post-communist countries, has become characterised by a growing foreign trade deficit and a dramatic reduction in the export-to-import ratio. The foreign trade deficit in Serbia has been ranging between 11 and 13 per cent of GDP for many years. In 1990, the foreign trade deficit equalled \$1.6bn; in 2001 – \$2.9bn; in 2003 – \$5.3bn; and in 2004, as much as \$7.4bn. The growing deficit was matched by a sharp drop in the export-to-import ratio, from 78.0 in 1990 to only 33.3 per cent in 2003.

The average write-off of equipment at the level of the entire economy in Serbia equals as much as 83.3 per cent and is even higher in industry, where it reaches 86.6 per cent. Technological obsolescence is also very high since most equipment dates from the latter half of the 1970s and the first half of the 1980s. Buildings and the immovable property of enterprises in Serbia are now more valuable than machines and equipment (according to official data at the end of 2001, accumulated economic losses in Serbia reached \$12bn and are three times as high as the value of equipment). This means that losses have actually swallowed up the value of all the equipment and a good portion of the working capital. It is estimated that exports account for only 8.4 per cent of the total sale of goods and services, so that the low level of export capacity is, along with the high import dependence of the Serbian economy, reflected in the previously-mentioned growing foreign trade deficit.<sup>21</sup>

### Serbia, 1989-2003: a chronic, anomic state<sup>22</sup>

The absence of organisation among the socio-political forces and social movements that could be the agents of social change in Serbia over the past fifteen years has resulted in the anomy of social organisation.

The criminalisation of the formal economy developed in the period of socialist self-management in Yugoslavia. It shared a border with corruption and showed the tendency of a growing discrepancy between the official and the actual reality of economic life. The criminalisation of economic life was reflected in the abundance of semi-illegal activities and suspicious business deals, grouped or individual. Social inequalities were created on the basis of the acquisition of economic benefits (or privileges) through the violation of valid regulations and attacks on social ownership. Very

21 Prof. Dr. Pero Petrović (2005) 'Dometi i perspektive dalje privatizacije u Srbiji' ['Achievements and perspectives of further privatisation in Serbia'] *Srpska slobodarska misao* 6, Belgrade, November-December, pp. 25, 13.

22 For a theoretical-analytical pattern of the 'anomic state' of society, see: Miodrag Ranković (1989) 'Sociološka proučavanja deformacija i granice društvenog razvitka' ['Sociological study of the deformations and limits of social development'] in *Deformacije i granice društvenog razvitka. Prilozi sociološkoj teoriji* [Deformations and limits of social development. Contributions to sociological theory] Vol. I, Belgrade: Institut za sociološka istraživanja Filozofskog fakulteta u Beogradu [Institute of Sociological Study, Philosophy Faculty].

fluid borders between activities that are in accordance with the law and those which are fundamentally illegal became quite common.<sup>23</sup>

In the late 1980s, Yugoslavia was characterised by ‘social fragmentation’, while a process of ‘dissolution’ (collapse) pervaded the working class, the League of Communists of Yugoslavia (LCY), the Trade Union and professional associations. The ideological, organisational and personnel-based weakening of the LCY resulted in ‘large social groups’ remaining without an ‘organised force’.

It must have been clear that the former, although ‘loose’, social bloc of ‘working people’ employed in the social sector broke up, that workers have lost almost every real economic and political power due to the long-lasting economic crisis in the social sector and also due to the crisis of their ‘*avant garde*’ (LCY) and other ‘workers’ organisations’, and that the real *sources of power* (enforcement instruments, money, information) are quite beyond the reach of working people and their organisations.<sup>24</sup>

There were actually three systems at work in Yugoslavia in the late 1980s: one official, expressed in laws and other government regulations; another, expressed in the actual policy of the ‘power-mongers’ within government institutions; and a third, the ‘system of the evasion of regulations’, used by the ‘people’ to mitigate the consequences of the two formerly-mentioned systems. The resourcefulness of ‘ordinary’ people, in addition to mitigating certain adverse consequences of the ruling ‘order of things’, contributed to the continuation of both the ‘official’ system and that of the ‘power-mongers’.

After 1989, once the transition processes had started in eastern Europe, ‘nomenclature capitalism’ started gradually to emerge in Serbia under the auspices of Slobodan Milošević’s regime through the expansion of criminalised and informal economy structures, whose rudimentary forms had originated in the socialist self-management system. It is estimated that 31.1% of the registered social product was produced in the informal economy in Yugoslavia in 1991, and as much as 41.7% in 1992, while the share of the ‘shadow economy’ during the hyper-inflation of 1993 exceeded 50% of gross domestic product.<sup>25</sup> A significant increase in the illegal economy has been observed since 2003; estimates range from 30 to 50 per cent. According to 2002 data from the National Bank of Serbia, about €4bn is circulating (or kept treasured) outside the flows of the legal financial system.

- 23 E. Berković (1986) *Socijalne nejednakosti u Jugoslaviji* [Social inequalities in Yugoslavia] Belgrade: Ekonomski institute [Economic Institute] and *Ekonomika*.
- 24 Prof. Dr. Silvano Bolčić (1993) ‘O sociološkim i ekonomskim snagama i sociološkim “osloncima” reforme (sociološki komentar reforme 1990.)’ [‘On sociological and economic forces and the sociological “supports” of reform (sociological commentary of the 1990 reform)’] in *Privredna reforma 1990. – put u tržišnu ekonomiju* [The 1990 economic reform – A road to the market economy], Belgrade: Institut društvenih nauka [Institute of Social Sciences], Centar za ekonomska istraživanja [Economic Research Centre], p. 382.
- 25 Biljana Jovanović-Gavrilović, *op. cit.* p. 220; *Mladi i siromaštvo* [Youth and poverty] Belgrade: Grupa 484, 2005, p. 7.

'Political crime' (refined methods of fighting political opponents, various forms of fraud, conspiracy, protectionism, Manichaeism, etc.) and 'dirty wars', as the two main levers of Milošević's regime, witnessed a profound social crisis of development in Serbia but were, at the same time, the political framework for the creation of the new social structure of society. 'Self-management' and war profiteers gradually became the owner class, while the world of labour was gradually excluded from the process of social change through methods of extreme pauperisation (hyper-inflation, an embargo on the withdrawal of personal savings deposits, dismissals, the spiralling growth of retail prices accompanied by a declining wage rate, and the irregular payment of completely-depreciated pensions and social benefits, etc.).

With the withering away of the formal economy rose the speculative economy, financed through the transfer of social capital in a visible or less visible manner to the pockets of the 'nomenclature elite' and through the indirect state-sponsored robbing of the population. The basis of the speculative economy was 'trade' (smuggling) of oil, cigarettes, foreign currency, drugs and arms. By abusing its position, the 'power elite' in Serbia (bureaucratic, military and economic-technocratic) was the main organiser of the criminalised economy, from which it derived, for Serbian circumstances, huge profits and accumulated capital. The owner class, the 'nomenclature elite', which started to get rich during self-management socialism through so-called 'useful malfeasance', continuing through the criminalised economy in conditions of the systemic crisis of society, was not able to become a social agent of social development although it had already become the dominant social actor in Serbia at the beginning of the 1990s.

Nevertheless, national projects and Manichean nationalist propaganda, despite initial successes, was not able to preserve social cohesion in Serbia. The crisis in social solidarity became increasingly aggravated while the decline in unity increased. The anomic profile of the situation in Serbia on the eve of the '5<sup>th</sup> October changes' was reflected in the weakening of the value bases of unity, a loss of meaning and spontaneous collective consensus, internal moral conflicts, disorganisation, the absence of motivation and the violation of institutional patterns and standards. The anomy of social organisation reflected the disturbances in the social order and threatened the collapse of regulatory norms. The consequences of the anomic state in Serbia were strikes, growing crime, the devaluation of moral values, the moral disintegration of society and of individuals, inefficient rules of conduct, etc. Increasing alcoholism among the population, as well as prostitution, major crime, 'political crime', various forms of aggression and prejudices (religious, ethnic, generational) and scandals in political and economic life accompanied the anomic state in Serbia.

Historical research based on the model of the 'anomic situation', made on a broader analytical scale, would certainly shed more light on all the contradictions of social development in Serbia in the 1990s.

By 2002, the ownership structure of enterprises in Serbia had drastically changed. More than 70% of companies (or 141 956 out of the total of 172 551) were privately owned (21 230 enterprises did not have indicated ownership). In terms of the ownership of capital, most business companies were domestic capital companies (148 792), although there were 539 foreign capital companies and 1 790 founded with mixed capital.

Unemployment in Serbia became a central social problem. The index of the total number of employed people in Serbia and Montenegro fell in 2002, compared to 1990, to 79. Private companies, as we have seen, constitute more than 70% of the total number of companies, but they employ only 23.6% of the total number of employees in Serbia while companies in social and state ownership account for 66.5% (enterprises in co-operative and mixed ownership employ 8.3% of the total number of employees, while enterprises without indicated ownership employ 1.6%). In Serbia, just as across eastern Europe as a whole, newly-founded companies are unable to develop the volume of output and ensure the sales that would create higher employment for the population.

The structure of the unemployed in Serbia resembles the structure of unemployed across eastern Europe and is conversely proportionate to the structure of unemployed in western Europe: in west European countries, the highest unemployment rate is among unskilled and semi-skilled labour whereas in Serbia, people with university degrees, college diplomas and secondary education, according to the annual average for 2002, account for 34.1% of the unemployed. The next highest category are unskilled workers, who account for 32.8% of the unemployed, and then highly-skilled and semi-skilled workers, as well as people with lower levels of professional education. During the 1990s, however, unskilled, semi-skilled and workers with lower education accounted for more than 30% of those employed in the economy.

Thus, the privatisation process in Serbia has led to an irreversible change in the structure of the unemployed. More precisely, up until the beginning of privatisation, the structure of the unemployed in Serbia and Yugoslavia resembled that in Europe and then the share of skilled workers in it started to increase rapidly. In 2004 and 2005, unskilled workers (1<sup>st</sup> and 2<sup>nd</sup> degrees of professional qualification) accounted for 37% of all unemployed people in Serbia; skilled (3<sup>rd</sup> and 4<sup>th</sup> degrees) for 54.6%; while highly-skilled (5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> degrees) accounted for 8.4%. In 2005, the share of people receiving unemployment benefit in the total population of the unemployed was just 7.2%.<sup>26</sup>

The unemployment rate in Yugoslavia rose from a high of 12% at the beginning of the 1980s to over 17% at the beginning of the 1990s, while in the 2004-05 period it ranged from about 30% (officially) to 50% (unofficial estimates).

In October 2002, there were about 500 000 unemployed people<sup>27</sup> while, at the end of December 2005, there were 895 697 registered unemployed people. Out of that number, about half were persons seeking their first employment while the other half were people who had lost their jobs as technologically redundant or due to the liquidation of their companies.

The Belgrade League of the Unemployed, in its work with the unemployed through workshops, round tables, discussion clubs and open doors events, has noted the following major obstacles to the employment of young people:

- lack of information necessary for seeking employment
- lack of practical skills

26 For details of the most recent unemployment and related figures as at the writing of this article, please see Appendix.

27 *Statistički godišnjak Srbije i Crne Gore 2003* [Statistical Yearbook of Serbia and Montenegro] Belgrade: Zavod za statistiku [Statistical Office], 2003.

- employers' prejudices toward certain categories of the unemployed (young, women, refugees and displaced people, and those older than 50 years)
- a lack of jobs – an imbalance between requirements on the labour market and the education system
- discrimination in the employment of women, young people, those with disabilities and former addicts
- nepotism in government institutions
- corruption
- a lack of information among young people when selecting professions (poor professional orientation)
- a lack of government-sponsored incentive schemes for the employment of a higher number of trainees and volunteers
- insufficient information about the process of self-employment and about entrepreneurial initiatives
- insufficient education of entrepreneurs
- an absence of loans on favourable terms for starting one's own business
- passivity and apathy among young people when looking for work and a *lack of interest among the unemployed in unionisation*.<sup>28</sup> (emphasis added)

Serbia's GDP, expressed in constant 1994 prices, fell from 47 201 million dinars in 1989 to 20 693 million dinars in 2001 – it was practically halved. In the same period, national income expressed in constant 1994 prices was also halved, from 36 668 million dinars to 17 235 million dinars. The highest share in the structure of social product in Serbia and Montenegro during the 1999-2001 period was held by the processing industry (about 35%) and agriculture (about 25%). Agriculture, at a level of some 80%, accounts for the greatest share in the structure of private sector social product – thus, the structure of private sector social product remained unchanged compared to 1989. In addition to agriculture, construction activity and wholesale and retail trade also contribute to the social product of the private sector.

It is interesting to note that savings are almost non-existent in the population's outflows. Out of the total expenditure of the population in Serbia and Montenegro in 2002, 79.9% related to expenditure on goods and services and 16.3% on taxes, contributions, dues, customs, etc. In the total receipts of the population, employees' gross wages and salaries accounted for 37.7% in 2002; receipts from the sale of goods and services for 34.3%; receipts from pensions, 16.7%; and other personal incomes, 8.2%. This means that, in the structure of incomes in Serbia and Montenegro, only slightly more than one-half of incomes (wages/salaries and pensions) result from work.<sup>29</sup>

This structure of the distribution of national product points not only to the enormous degree of the exploitation of the working class through a continuous lowering

28 *Kako doći do posla. Sedam neizbežnih koraka u borbi protiv nezaposlenosti* [How to find a job. Seven inevitable steps in fighting unemployment] Belgrade: Savez nezaposlenih Beograda [Belgrade Association of the Unemployed], 2005, p. 4.

29 *Statistički godišnjak Srbije i Crne Gore 2003* [Statistical Yearbook of Serbia and Montenegro], Belgrade: Zavod za statistiku [Statistical Office], 2003.

of the wage rate, but also to the disruption of an economically rational system of distribution.<sup>30</sup>

Privatisation in Serbia, like in other east European countries, has brought direct benefit to less than 2% of the population and indirect benefit to less than 8%. The average wage during 2004 was under € 200 and, at the beginning of the same year, was lower by some 17% compared to 2003.

We have about 0.25 per cent rich people, while the elite or stratum of well-off together encompasses some ten per cent of the population; the higher class (those with over €200 per family member) encompasses some 15 per cent; the higher middle class (more than €100 per family member), 15 per cent of the population...

This all shows that 40 per cent of the population are above the poverty threshold.

The lower middle class (more than €70 per family member) encompasses 20 per cent of the population; the upper lower class (more than €40 per family member) 20 per cent; the lower lower class (more than €20 per family member), ten per cent. The last group is faced with hunger as a more or less constant companion of life...

About 15 per cent of the population do not receive their wages regularly. These are the ones who are on various lists but have not worked for the past three years and have no income. Altogether, about 60 per cent of the population in Serbia lives below the poverty threshold.<sup>31</sup>

Thus, at the beginning of the 21<sup>st</sup> century, the economy in Serbia is at the level of 50% of what it was in 1989. Between 2000 and 2004, half a million jobs were lost and it is estimated that five jobs were lost for every new job created. Poverty is a new social phenomenon in Serbia, emerging towards the end of the 20<sup>th</sup> century and the beginning of the 21<sup>st</sup>, as a consequence of the drop in social product and the growth in income inequality.

At the beginning of the 1990s, poverty (particularly its extreme forms) was not significantly present in Serbia. Education, health, social care and other services were available to the vast majority of citizens. The beginnings of privatisation in Serbia brought about the rapid impoverishment of the vast majority of the population, on the one hand, but also enormous wealth to a small number of people owing to corruption, business crime, the shadow economy, etc.

Sociological research conducted by Cvetić and Babović in Serbia during July and August 2000 indicated that as much as 85 per cent of respondents thought that the life of their family had deteriorated since 1990. In such a situation, one of the basic and most widespread survival strategies noted is the pronounced reduction of one's needs.

According to data from the Survey of Living Standards (May-June 2002), about 800 000 people across the territory of Serbia (excluding Kosovo and Metohija) are

- 30 The main proportions of distribution define as an economic law that wages should account for three-quarters of national product while approximately one-quarter (which is 1/3 of wages) is the share of income from ownership. See: Paul Samuelson (1989) *Ekonomija [Economics]* Belgrade: Savremena administracija, p. 533.
- 31 Milan Nikolić (2004) 'Potraga za alternativom: o eksperimentu i pacijentu [In search of an alternative: on experiment and patience]' *Vreme* 713, Belgrade, 2<sup>nd</sup> September.

poor (10.6% of the population, or about 250 000 households). This was the biggest survey of this kind recently, encompassing a sample of 6 386 households and 19 725 individuals. Households were classified as poor if their consumption was less than 4 489 dinars, or \$72 per month (\$2.4 per day), which was defined as the national poverty line. It should be noted here that a shift in the poverty threshold from 4 489 to 5 507 dinars (from \$2.4 to \$2.9) increases the number of the poor to 1 600 000 (474 000 households), i.e. to 20%. It should also be noted that the analysis did not manage sufficiently to encompass refugees and internally displaced people, nor Roma, who are the most vulnerable categories and whose risk of poverty is much higher than among other parts of the population (Poverty Reduction Strategy, 2003).

The most important characteristics of poverty in Serbia correspond to the general characteristics of poverty in eastern Europe.

Poverty in Serbia is closely correlated with the level of education. The risk of poverty among those who have not completed elementary education is twice as high as the population average. Unemployed people are faced with the highest risk of poverty (59.4% higher than the population average). Old people (over 65 years of age) account for nearly one-quarter of the total number of the poor, while a high risk of poverty confronts strongest those who are without pensions. Young people are among the category with an above-average risk of poverty – 12.7 per cent of this age group is poor and their relative risk of poverty is 20 per cent higher than the average for the population. In terms of size of household, households with five or more members run the highest risk. Observed by household composition, poverty is most widespread among single and two-member elderly households. Poverty in Serbia has also become a rural phenomenon, as in most transition countries. South-eastern Serbia is the region with the highest share of the poor, particularly rural areas which are twice as much exposed to the risk of poverty as the population average.

According to economic and social position, refugees and internally displaced people are among the particularly vulnerable groups in Serbia. According to the Commissariat for Refugees, 278 000 refugees and over 200 000 displaced people from Kosovo and Metohija were living in Serbia in 2003. Estimates indicate that the number of the poor among such people is between 120 000 and 140 000 (Annexes to the Poverty Reduction Strategy, 2003).

Compared with other at-risk groups, Roma are the poorest and the most vulnerable. People with disabilities (whose number is estimated at about 350 000) are also among the groups most at-risk. The living standard survey points to an unequal poverty rate between men and women. However, a range of other indicators shows an unfavourable economic and overall position of women in Serbia. The greatest risk of poverty occurs among older women in rural areas, single mothers, housewives, Roma women, refugees, uneducated and unemployed women, sick women and those with disabilities, and women who are victims of violence (Poverty Reduction Strategy, 2003).

The 1990s can be designated as a decade of 'enforced extended youth', due to which over two-thirds of young people wanted to leave the country. A 'stampede generation' phenomenon was observed among young people and there is an increasingly pronounced problem of the 'brain drain', i.e. educated young people leaving Serbia permanently. (Nikolić, 2004)

'Enforced extended youth' and the overall 'procrastination of life' has moved the threshold of youth up to the age of 29 (Mojčić, 2004) and even to 35 (Mihailović,

2004). After 2000, surveys have shown that most young people would like to leave Serbia due to the length of the transition period and the slow rise in living standards.

An analysis of the specific position of young people shows that over 50 per cent of young people who work and over 70 per cent of unemployed young people live with their parents. Most young people (three out of four) assess the material position of their families to have considerably deteriorated during the 1990s, classifying their families in the category of households which manages to satisfy basic needs in food and clothing, but without the possibility of affording main household appliances.

The financial squeeze is also related to the parallel process of the emancipation of young people (Tomanović and Ignjatović, 2004). It has become quite clear that the process of individualisation has slowed down in Serbia due to the lack of basic resources: jobs, living quarters and money. In such a situation, the specific 'denial of independence', 'systemic inhibition' and the 'creation of virtue out of necessity' clearly emerges (Tomanović and Ignjatović, 2004). Thus, a 'thwarted individualisation' results in the delayed completion of education, marriage, parenthood, permanent employment...

Finally, in social conditions of pervasive poverty, risky behaviour is very much present among young people. Survey results have shown that 36 per cent of young people get drunk at least once a month while one in three has tasted marijuana. Over one-half of the young smoke, while one-third gambles or engages in games of chance (Jugović, 2004).<sup>32</sup>

## Appendix

The structure of unemployed people according to the level of professional qualification in December 2005 was: I – 281 422 (31.4%); II – 50 032 (5.6%); III – 242 249 (27.0%); IV – 247 008 (27.6%); V – 10 565 (1.2%); VI – 32 065 (3.6%); VII – 32 312 (3.6%); and VIII – 44 people.

According to data from the Republic Statistical Office, there were 2 045 087 employed people in Serbia in December 2005, of whom 1 513 728 were in all forms of ownership and 531 359 were self-employed. At the end of December 2005, there were 990 669 registered people seeking employment of whom 542 376, or 54.7%, were women; while there were 895 697 registered unemployed people, of whom 486 378, or 54.3%, were women. The rate of officially registered unemployment in December 2005 equalled 27.19%.

At the end of December 2005, out of the total number of the unemployed, 466 924 people were registered as seeking their first employment, of whom 269 160, or 57.6%, were women. The remaining 428 773 people have been previously employed of whom 217 218, or 50.7%, were women. In December 2005, the share of people seeking their first employment in the total number of unemployed was 52.1% while the share of unemployed people with previous work experience equalled 47.9%.

The highest share in registered unemployment according to the duration of job search is held by people waiting up to one year (28.0%), followed by those who have been waiting 1-2 years (20.2%). 11.4% have been waiting 2-3 years; 15.1% 3-5 years; 9.9% 5-8 years; 3.9% 8-10 years; and 11.3% have been waiting more than 10 years. In terms of age, people in the 31-40 year age group have the highest share in regis-

32 *Mladi i siromaštvo* [Youth and poverty] Belgrade: Grupa 484, 2005, pp. 7-9.

tered unemployment (25.4%); followed by those who are 41-50 (21.4%); 50 and over (18.7%); 19-25 (18.4%); 26-30 (15.2%); and up to 18 years of age (0.9%). Out of the total number of unemployed, 463 369 people, or 51.7%, have been waiting for work for over two years (long-term unemployment). Among them, 267 762 people, or 57.8%, are women. Out of the total number of professionally qualified workers, 48.9% have been waiting for employment for more than two years while in the category of unskilled workers, this percentage is higher, equalling 56.6%.

Between January and December 2005, there were 602 558 registered vacancies, of which 60.1% were for a fixed term and 39.9% were open-ended. This is an increase of 18.7% compared to the same period in 2004. Out of the total number of reported vacancies, 69.8% refer to skilled workers and 30.2% to unskilled workers. According to reports on new hires submitted to employment offices, between January and December 2005, 537 139 people were employed, of whom 250 681 people, or 46.7%, were women. Out of the total number, 39.4% were employed on open-ended contracts and 60.6% on fixed-term ones. Employment rose by 22.2% compared to the same period in 2004.

Between January and December 2005, compared to 2004, an increase in vacancies was recorded in the following sectors: activities referring to land and property (49.1%); financial mediation (42.2%); construction business (33.2%); hotels and restaurants (27.6%); government administration and mandatory social security (21.6%); processing industry (20.6%); and trade (20.1%). Compared to 2004, fewer jobs were left vacant in education (5.5%); electricity, gas and water production and distribution (3.3%); and ore and stone extraction (1.7%). Between January and December 2005, compared to 2004, increased employment was recorded in the following sectors: activities referring to land and property (43.1%); financial mediation (39.8%); construction business (36.9%); hotels and restaurants (33.7%); processing industry (23.4%); transport and communications (22.2%); and trade (21.6%). Compared to the same period in 2004, lower employment was recorded in electricity, gas and water production and distribution (4.5%).

In terms of enterprise ownership, most vacancies in 2005 were reported in private ownership – 342 617 – while 209 942 vacant jobs were reported in public ownership. Compared with the same period in 2004, there was a 33.8% rise in the number of vacancies in private ownership and a 1.5% rise in vacancies in public ownership. The situation is similar when it comes to new employment: 309 100 persons were hired in the private sector in 2005 and 173 850 in the public sector. Compared to 2004, the recorded increase in new hires was 36.3% in the private sector and 5.63% in the public sector.

According to data for December 2005, there were 64 677 persons entitled to unemployment benefit, representing a reduction of 1.6% compared to 2004. Out of the total number of unemployment beneficiaries, 24 051 people (37.2%) used this benefit as technologically redundant workers and 6 569 people (10.2%) as the result of bankruptcy and liquidation.

At the end of December 2005, the greatest share in the total number of unemployed persons in the Republic of Serbia was recorded in the following counties: Belgrade (16.0%); South Bačka (9.2%); Mačva (5.62%); Nišava (5.4%); and Srem (5.2%); while the lowest share was recorded in the counties of: Braničevo (1.1%); Toplica (1.5%); Pirot (1.5%); Zaječar (1.6%); Bor (1.7%); and Kolubara (1.9%). *Mesečni statistički bilten [Monthly Statistical Bulletin] December 2005, No. 40.*

## Endnotes

\* In east European post-communist societies, trade union membership during the 1990s dropped by 50%. See Jasna Petrović (2000) *Kako spasti sindikate* [How to Save Trade Unions] Belgrade: Nezavisnost, No. 20, pp. 5-6. In addition, the state authorities have resorted to drastic forms of the violation of trade union freedoms and rights. According to the report of the International Confederation of Free Trade Unions for 1996:

In **Albania**, the authorities turned down the proposal of trade unions at the national level to open dialogue on solving economic problems of the country. The government encourages, in various ways, the founding of trade unions under its control and exerts pressure on workers to join these trade unions. The Teachers Union points out that the members of this trade union are discriminated on the grounds of political belief; more precisely, their employment is made contingent upon support for a certain political group. New labour legislation which provided the legal basis for trade union pluralism came into effect in 1995. The National Workers' Council pointed out that this law was passed without prior consultation with trade unions. In addition, the Council thinks that the law did not establish a sufficient and efficient system of protection against anti-union activity and that it does not provide adequate support for the process of collective bargaining. Police prohibited May Day celebrations organised by the trade unions in 1996.

In **Bulgaria**, which is faced with extremely grave economic difficulties and a declining living standard of the population, the government refused dialogue with trade unions on necessary structural changes, referring to compliance with the requirements of the International Monetary Fund and World Bank. Trade unions have initiated discussion of this issue in the tripartite council. The government responded to this by including non-representative trade unions in the work of the council. The collapse of the banking system has prevented trade unions from using their funds in bank accounts. By ministerial decree, the owners of bank accounts could withdraw only half the amount deposited in the account. This has blocked the operation of several trade union federations. Economic restructuring, particularly of large public companies, resulted in growing unemployment and declining standards. This increased social tensions and the Podkrepa and CITUB trade unions have organised a series of strikes and public protests. The government in this context accused trade unions of creating panic and confusion while national television broadcast incorrect information about these strikes with the intention of discrediting trade unions in public.

At the beginning of 1999, the **Croatian** government banned increases of wages in public companies and companies co-operating with them. Most companies are state-owned; as a result, the majority of employees have been deprived of the right to collective bargaining over wages. Five trade unions which founded the Croatian Trade Union bloc invited the government to dialogue, but it declined. The Confederation of Trade Unions of Croatia (SSS) organised a public protest. Special police forces prevented the participants from assembling outside the government building. In February, the same trade union organised demonstrations in Zagreb with the participation of some 7 000

workers. The government accused the trade union via state-controlled television of anti-government activity. A certain number of trade unions from European countries and international trade union institutions sent letters of support to the Confederation of Autonomous Trade Unions of Croatia and/or protest letters to the Croatian government. Among these trade unions was the trade union 'Nezavisnost', which is why the government accused the Croatian SSS of 'collaboration with Belgrade'. At the beginning of 1996, the government of Croatia attempted to usurp trade union property. It did this by issuing a decree trying to sequester trade union property for a period of one year and, within that period, to determine criteria for its division. This has caused discontent in the trade union, numerous protests and court proceedings. Numerous instances of the prohibition of strikes and the persecution of strike organisers and participants have also been recorded in Croatia.

A hostile attitude of authorities towards trade unions has been present in the **Czech Republic**. There were no negotiations at the tripartite body at national level for almost two years and the tripartite general collective agreement on minimum wages and working conditions was not signed in 1996. In 1993, parliament passed an anti-trade union law which greatly restricts trade union rights in public services. Collective bargaining at the industry level is discouraged by employers and government, and predominantly takes place at company level. Data confirm that the number of employees whose labour and trade union rights are protected by collective agreement is continuously declining. Likewise, employers in various ways exert pressure on employees to discourage them from joining trade unions. This is most often done by threats and the blackmailing of trade union members that they would be sacked, or introducing provisions in employment contracts in which an employee, when taken on, agrees that he/she will not join a trade union. In small enterprises, a very widespread phenomenon is that employers interfere in trade union affairs to destroy trade unions. Employers often do not observe the legal obligations defined by the law such as, for example, provisions concerning the appointment and rights of trade union observers who monitor the implementation of laws on labour and trade union rights.

An increase in the violation of trade union freedoms and rights at the level of the workplace is also evident in **Hungary**. This is particularly pronounced in large companies in foreign ownership, in which trade union organising is significantly hampered compared to locally-owned companies. The violation of trade union freedoms and rights often remains unpunished as a result of different interpretations of legal regulations. In addition, proceedings before judicial bodies are very complicated and long, often taking several years. It often happens that employees work without individual employment contracts. In companies in foreign ownership, the employment of women is made contingent on their producing a certificate from a gynaecologist that they are not pregnant. The following example is also typical: in a foreign-owned company, there was neither a trade union nor a workers' council. Instead, the company management tried to set up a works committee under its control. When a group of workers founded a trade union, the trade union leader and a number of chartered members were sacked on the pretext that their jobs were no longer required.

According to: Darko Marinković (1998) *Sindikati u Evropi [Trade Unions in Europe]* Belgrade: Gradjanske inicijative, pp. 37-41.

\*\* Following 1991, there have been two trade unions active in Albania – the Confederation of Trade Unions of Albania, with 90 000 members; and the Trade Union of Albanian Employees, with 84 585 members.

In Bosnia and Herzegovina, the Confederation of Autonomous Trade Unions of Bosnia and Herzegovina, with 267 354 members has operated since 1992 while in the Republika Srpska there is the Confederation of Workers Organisations of Republika Srpska, which gathers 200 000 workers.

In Bulgaria, the Independent Self-Managed Trade Union (KT 'Podkrepa'), which numbers 106 000 workers, was founded in 1989 and the Confederation of Independent Trade Unions of Bulgaria (KNSB), with 396 000 members, was established in 1990.

In Kosovo, there is the Confederation of Trade Unions of Kosovo, founded in 1990 with 100 000 members.

In Croatia, six trade unions operate: the Confederation of Independent Trade Unions of Croatia (founded in 1990), with 211 205 members; the Association of Workers Trade Unions of Croatia (founded in 1994), with 52 435 members; the Croatian Trade Union Association (founded in 1990), with 35 866 members; the Autonomous Croatian Trade Union (founded in 1999), with 87 313 members; the Centre of Croatian Public Services Trade Union (founded in 1993), with 49 875 members; and the Croatian Trade Union of Employees in Services (founded in 2003), with 20 099 members.

In Macedonia, two trade unions operate: the Confederation of Trade Unions of Macedonia, which gathers 300 000 workers (since 1989); and the Union of Autonomous and Independent Trade Unions of Macedonia, which numbers 180 000 members (since 1991).

In Hungary, there are six trade unions: the Democratic League of Autonomous Trade Unions, with 101 000 members (since 1989) and the Trade Union Association of the Intelligentsia, with 110 000 members. Since 1990, there have also been the Confederation of Autonomous Trade Unions, which gathers 150 000 employed workers, 70 000 pensioners and 50 000 unemployed workers; the Hungarian Trade Union Association, whose membership includes 254 000 employed workers and 150 000 pensioners; the National Association of Workers Councils, with 58 600 members; and the Trade Union Co-operation Forum, with a membership consisting of 280 000 employed workers and 150 000 pensioners.

There are four trade unions in Serbia. The biggest membership is in the Confederation of Autonomous Trade Unions, which numbers 847 219 workers. UGS 'Nezavisnost' was founded in 1991; and the Confederation of Free and Independent Trade Unions, with a membership of 300 000, in 1998. Finally, the Confederation of Free Trade Unions, which gathers 120 000 workers in the public sector, was founded in 2003.

After 1990, there have been six trade unions active in Slovenia: the Union of Free Trade Unions; the Confederation of Trade Unions '90 of Slovenia; the Slovene Union of Trade Union Alternatives; the Confederation of Trade Un-

ions of Slovenia; the Union of Workers Solidarity; and Independence – the Confederation of New Trade Unions of Slovenia.

According to some estimates, a drastic drop in trade union density has occurred in Romania since 1990: from 90%, to 70% in 1996/7 and to 30% in 2001. At present, there are five trade unions in Romania: the National Confederation of Free Trade Unions of Romania – *Fra ia* (founded in 1990), which numbered 800 000 members in 1996/7; the Democratic Federation of Trade Unions of Romania (founded in 1994), which numbered 600 000 members in 1996/7; Meridian, which gathered 600 000 workers in 1996/7; the National Trade Union Bloc (founded in 1991), which had 700 000 members in 1996/7; and Cartel Alfa (founded in 1990) with 325 000 members during 1996/7. In addition to these mentioned, there are branch trade unions in: mining; metals processing; civil engineering; trade; police; and health.

In Montenegro, the Confederation of Independent Trade Unions of Montenegro, with 90 000 members, has operated since 1991.

*Übersicht Über die Gewerkschaftslandschaft in Albanien, Bosnien-Herzegowina, Bulgarien, Kosovo, Kroatien, Mazedonien, Montenegro, Ungarn, Serbien, Slowenien und Rumänien* Stand: Juli 2004, Friedrich-Ebert-Stiftung: Belgrade, internal paper.

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A significant aggravation of the position of the working class in the transition process in east European countries compared with the period of actually existing socialism resulted in the loss of confidence of workers in the trade union. Thus, for example, the results of research conducted in the early 1990s in the Bor mining and metallurgical complex (Serbia) on a sample of 497 workers showed that only 5.2% of respondents had very high confidence in the trade union; 14.3% had high confidence; 34.4% medium; and 27.4% low; while 13.4% had no confidence; 3.5% did not know; and 1.7% did not give an answer. Only one in five workers thus had very high or high confidence in the trade union, while a majority of respondents stated that they had medium or low collective confidence in the trade union. Dr Radiša Jovanović (1992) *Politička moć i tradicionalno komuniciranje u Srbiji* [*Political Power and Traditional Communication in Serbia*] Belgrade: Institut za političke studije [Institute of Political Studies], pp. 88-89.