

# The Industrial Relations Still in Transition - A Commentary on Some Recent Studies on the Czech Case\*

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*This commentary aims to discuss some features of industrial relations development in the post-communist Czech Republic. The forming of new institutions will be considered, and legal frameworks, as well as the historical, cultural, political, and social context.. At enterprise level, some key issues are discussed: including the effects of privatisation and restructuring, the influence of foreign capital connected with new patterns of 'organisational culture', the position of trade unions, and the social climate. The analysis will conclude that in the Czech Republic social conflicts seem to be suppressed, whilst technocratic and economic priorities remain dominant.*

*In diesem Text sollen einige Aspekte der Entwicklung der industriellen Beziehungen in der postkommunistischen Tschechischen Republik erörtert werden. Ich beschäftige mich dabei mit neuen Institutionen und rechtlichen Rahmenbedingungen sowie mit dem historischen, kulturellen, politischen und sozialen Kontext. Auf der betrieblichen Ebene werden ebenfalls einige Schlüsselfragen diskutiert: Auswirkungen von Privatisierung und Restrukturierung, der Einfluß ausländischen Kapitals und damit verbundene neue Organisationskulturen, die Stellung der Gewerkschaften, das soziale Klima, etc. Fazit meiner Erörterung ist: In der Tschechischen Republik scheinen soziale Konflikte unterdrückt zu werden, während ökonomische und technokratische Aspekte immer noch dominieren.*

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## General outline

After the so-called velvet revolution in 1989, in Czechoslovakia a tripartite system was developed relatively quickly. There were no obvious or dramatic economic or political conflicts in society. During the following years, however, many changes occurred in the legal system, combined with other special events (e.g. the split of Czechoslovakia). To gain an adequate understanding of this, it is necessary to stress the significance of the previous experience of the old generation, especially the influence of resentments surrounding the pre-war years, which represent - from our point of view - the real and functioning cultural background.

A very important factor is the emerging labour market. However, the very low level of unemployment (3-4 % on average!) is continuing. This implies that changes in values are not highly significant and occurring slowly.

The position of the trade unions is important but not dominant by any means. In fact, there are signs of relative weakness as the process of membership decline is continuing (as it is in much of Western Europe). At the level of the enterprise, the role and the influence of trade unions was tended to be confined to the initial period of transformation when the transfer of management was carried out. Later, in connection with the so called

"prolonged pre-privatisation syndrome", some special forms of "gentleman's agreements" or "common interests" declaration between trade unions and management could be observed at plant level (Vlácil 1996:39). Naturally, continuing privatisation brought new styles and approaches to management, and these often took the form of technocratism and/or authoritarianism (with the risk of latent conflicts - see also studies of Vlácil).

In our secondary analysis (Buriánek 1995), the unexpected positive development of improved social climates in the organisations was indicated, partially due to the establishment of socially acceptable and "convenient" levels of participation. The social peace is still pertaining, yet there are some signs of dissatisfaction in several sectors of industry (including within tertiary employment, and - potentially - the middle class!). Strikes have occurred in the last year but have been restricted to the medical care system.

However, our international collaborations in this field, (Moerel 1994; Orenstein 1995) and our studies on social anomie (Buriánek 1994) have suggested - as an by-product - the conclusion that the situation in the Czech Republic is characterized generally by economic and political stability. The labour market is able to absorb pressures for liberalisation (especially in the private and service sector). Political attitudes retain a great distance from political radicalism, regarding, for example, the rejection of "wildcat" strikes. There is a stable,

slightly right-wing, orientation of the people and acquiescence with the government. This is repeatedly confirmed - independently of the results of the elections in 1996 which we can evaluate as a "warning signal" for the leading coalition - in the latest public opinion polls.

## Theoretical comments

Examination of the state of industrial relations after the year 1989 in Czechoslovakia provides the opportunity for various theoretical reflections. Although the transition has been led by a general vision, but not by any theoretically grounded model, actual solutions have been arrived at rather pragmatically.

From a paradigmatic point of view, the theory of industrial or labour relations can be strongly related to a systems approach. This position provides the opportunity to explain modernisation by the implementation of new institutions with "standard consequences". (Srubar 1994). Nevertheless, on the other side of the labour relations' field, conflict theory, (Dahrendorf 1957) and some neo-marxist reminiscences dominate, with the influence of functionalism is becoming weaker. There is a broad range of theoretical options; the interactionist approach could take up the nominalistic tradition of social exchange theory (G.C. Homans), which continues nowadays in the form of rational or strategic choice theory. There is also a fashionable wave of actionalism, which looks for its actors and powerful social movements everywhere (such as e.g. A. Touraine with his analyses of trade unions in the post-communist countries).

My basic proposition is that in the Czech Republic there does not exist an action-conflictual model of development (comparable with Solidarity in Poland). The recent social consensus is grounded on the rational evaluation of common interests, and on the principle of functional interdependence. The implementation of new institutions has incremental, yet positive effects. One can speculate that the process of establishing new, strong and powerful actors (or parties) has, in general, been a little slower and "anti-corporatist" than in other countries.

Nevertheless it is firstly necessary to register a variety of typologies of industrial relations in European countries (Ferner/Hyman 1992). A wide range of approaches from neo-corporatism on the one hand, and liberalism on the another hand exists. Then there is the question of which direction the post-communist countries will take in the process of democratisation (?) and particularisation of labour relations. Some authors (e.g. Dittrich 1994) present a model distinguishing pressure group politics from concerted politics (the polarity of conflict and/or consensus, of regulation and/or negotiation, etc.) (see Fig.1).

The development in the Czech Republic suggests a special combination of both views. On the one hand, the institutional basis (the system of tripartism) was remarkably quickly established in 1991 due to government initiation. Evidently an awareness of the danger of social conflict existed, as did a preference for its institutionalisation. Its displacement from politics has been quickly accepted. On the other hand, the governmental strategy has been strongly oriented towards the liberal market model, which is not favourable to trade unions' activities. Nowadays we observe repeated efforts to transfer collective negotiations to the enterprise level as well as the governmental effort to retreat from tripartism at national level. Thus, the recent strategy of government has been to diminish the role of the state in tripartism. This means a shift from centralised management of social conflicts to its decentralisation, giving more space for the game of free forces. Because there is not full establishment at a larger regional level, this space should be found at the sectoral, or more probably, enterprise level. The position of trade unions in the enterprises has stabilised, but the role of the management naturally dominates. The balance of power at this level contrasts with that at a national level.

*Figure 1: Theoretical approach to labour relations (applied on the Czech Case)*

|                      |                 |   |                 |
|----------------------|-----------------|---|-----------------|
| <b>RELATIONS:</b>    | FUNCTIONAL      | X | conflictual     |
| <b>ORGANISATION:</b> | corporativistic | X | PARTICULARISTIC |
| <b>STRATEGIES:</b>   | INTERDEPENDENCY | X | actionalism     |

## Methodological Problems

The empirical analysis of industrial relations in the Czech Republic is confronted with a certain dilemma. The description of the current situation can lose its relevance very quickly because the whole legal system is in a state of flux, the privatisation process and the complex economic transformation still continue, the labour market is being formed and the problem of unemployment is occurring. The injection of foreign capital and management makes the problem of transplantation, or maybe of revitalisation of elements or patterns of economic culture more real.

Therefore, we should aim at a sociological perspective which links the dynamic of the process and its concrete problems with the outline of an actual institutional

("referential") framework ( which is, more or less, incorporated into the question of a legal settlement). However, the main characteristics of industrial relations are currently characterised by:

1. their low stage of development and transparency in general,
2. a certain underestimation, or insufficient reflection of their importance, both from the bottom (by employees) and from the top (by the government),
3. the feverishness of legal changes which cannot always follow a homogenous and fully systematic line (which often leads towards repeated, single amendments of individual laws),
4. the prolongation of the transformation of society: since the basic political change in 1989, some profound economic processes (privatisation, bankruptcy law etc.) have only just begun. At the same time, the split of Czechoslovakia represents a completely new, and, in the case of regional establishment of the Czech Republic, an incomplete task.

From another point of view, however, smaller visibility of the problem can be considered a favourable symptom of the development.

## **Industrial Relations in the Czech Republic**

I will now sum up and discuss the results of some recent studies with regard to the development of the industrial relations' system in the Czech Republic.

### **1 Data**

My commentary is based on a secondary analysis of the following empirical studies:

- 1 Research into the labour market situation in the Czech republic in 1992 together with P. Kuchar (representative sample of the Czech population (N = 1.597)). This Project focussed upon the changes which have already taken place at enterprise level and upon
- 2 Problems of participation in management and attitudes towards trade unions. A further study of industrial relations at the employee - enterprise level in the process of transformation has been developed from this data (Buriánek 1994).
- 3 A survey on criminological aspects of the social environment in Prague (June 1993, N = 486; co-ordinator: Buriánek). This specifies the attitude of inhabitants towards strike activity and describes the state of value orientation in the process of social change.
- 4 Research on the consequences of privatisation at the level of enterprises (grant holder: J. Vlacil (1995)), which characterises a general state of industrial relations in the enterprises by means of qualitative methods.

- 5 An international comparative survey "Employment conditions, uncertainty of the labour market and work motivation" (co-ordinated by D. Gallie and P. Kuchar (1994))
- 6 An international comparative study "Industrial Relations" (organised in the Czech Republic by the Ministry of Work and Social Affairs in collaboration with the Institute of Labour in Japan, head: P. Kuchar (1994).
- 7 Qualitative case-studies in Czech enterprises:
  - a. in South-Czech Milk Plants, Cesky Budejovice (together with U. Mense-Petermann (Magdeburg) and M. Heidenreich (Saarbrücken), Germany.)
  - b. in Skoda Pilzen (with the same partners)
  - c. in Prague Chocolate plants (a joint-venture with Nestlé and Danone, carried out with F.Traversaz, France).

### **Political participation and anti - radicalism**

Actually, in the Czech Republic we discuss the interest of people in participating in the elections. Absolutely positive attitudes, which included both the participation and conviction about the importance of elections, were expressed by 73 % of respondents (in our survey in Prague, 1993, N=486). But the position of political participation on the value-orientation scale was declining soon after the revolution. Level of participation in the last election to the Senate, in autumn 1996, was surprisingly low ( about 40 percent).

People are willing to attend demonstrations - a very positive attitude has been expressed by 35 % and negative attitude has been expressed by 17 % of respondents (in Prague, 1993). This declared willingness, however, contrasts with the reality, because demonstrations are organised rather rarely. The ratio of positive and negative attitudes towards illegal demonstrations is the converse (35 % never, 21 % always).

Participation in strikes organised by trade unions is definitely refused by 28 % of respondents, a possible involvement in the future has been accepted by 26 %. Approximately every ninth respondent has claimed an active participation in strikes. An involvement in wildcat strikes has been absolutely rejected by 51 % of those questioned. A relatively low involvement by the population, or a certain stability within the contemporary situation was proven in this respect.

Aversion to radicalism typifies public opinion. Most of the Prague population does not show a tendency towards such radical behaviour, especially if it means breaking the law. For example, even the relatively harmless drawing of slogans on walls (not meaning destroying historical objects) has been accepted by only 8 % of respondents.



To explore the tendency towards an active response to life events has also been the purpose of this survey. Only 28 % of respondents have stated, that their lives are almost fully influenced by other people and circumstances.

The tendency to accept some meritocratic principles in the value orientations of the Czech population is proven empirically (for example by P.Mateju and M.Tucek).

## **The changes of economic cultural patterns in spite of the influence of the labour market**

One of the more negative results of the socialist era was the loss of the individual's responsibility for his or her own fate. A universally penetrating state paternalism made

people rely on the protective 'umbrella' of state assistance in almost all crises. Security of employment, however false it might have been, retained its pervasive influence through the egalitarian principles ruling society. However, we can still observe some restoration of externalisation of decision-making and of its risks. People believe in technological systems, as well as the know-how and the skills of "professionals". Changes in this field are occurring relatively slowly. Reasons for this may be found in the postponed structural changes in production pending the clarification of ownership relations connected with the privatisation process. While there were roughly 1 500 joint-stock companies privatised during the so called first wave of share-vouchers privatisation (which was carried out in 1992), a shift in the employment structure in these companies might be expected only after 1994. Preconditions for further changes should be created by the second wave of share-vouchers privatisation which was initiated in 1994. Then, some rise of unemployment may be expected which could roughly double the present rate (i.e. up to approximately 6 - 7 per cent).

Another reason for the present low unemployment rate is the still considerable ability of the economy, particularly of the progressively formed private sector, to absorb a noticeable portion of the dismissed labour force.

Employees in enterprises do not reflect adequately the risks of transformation (in the longer term), as they ignore the need for requalification, in the context of a greater work efficiency. Their reactions are passive and suppressed. Some elements of a new economic culture can be seen in small private firms (for example, in the area of business services). But there are also some tensions apparent. (For example, conflicts between accumulation and/or consumption, between intensity of work and/or technological innovations, authoritarian leadership.)

At present, more than one million private entrepreneurs are owners of business licenses. They remain quite small businesses, mostly in the sphere of trade and

services (66 per cent), and transport (36 per cent). In industrial sectors they are represented particularly in construction (46 per cent). From the point of view of employment policy, their position is invaluable because they enable (up to the present day) the employment of considerable part of labour force gradually disengaged from non-prospective firms.

Nevertheless, the uneven distribution of economic sectors on the territory of the Czech Republic creates an accumulation of problems in certain regions. There is a complex set of questions of an economic, political, social, national and cultural nature, the resolution of which lies within the competency of local government administrative bodies, local and district authorities and labour offices. In many districts a lack of skilled workers is currently evident (Vlácil 1996). Prolonged privatisation has, in many cases, led to a lack of competent managers and highly skilled workers.

## Trade Unions

The Trade Union situation in the Czech Republic is rather complicated. Firstly, there is the Czech-Moravian Chamber of Trade Unions; and alongside this, exist some smaller unions. Although membership statistics are not very reliable, figures from sociological surveys show that about 60% of the economically active population is organised. A tendency towards further decline is also apparent. Although inertia or tradition will apply in some cases, generally, the results of research suggest a certain decline in trade unions' prestige and distrust on the part of workers toward them. Structure and segmentation of the trade union movement tends to relate to sectoral criteria rather than strongly political ones.

From time to time, attempts to politicise the Trade Unions' activity occur, yet radical factions do not prevail in the trade unions leadership. Even though, certain tensions can be observed between the trade unions and government, the suspicion exists that the government is about to restrict the activity of Trade Unions significantly (the most recent example is discussion is about the continued presence of trade unions in the state administration and concrete Labour Code restrictions of TU's rights). The analogy with the 'British solution' could be applicable in this respect.

Besides, it is also the case that scope for action is narrowed by the fact that in the elections, government parties have gained legitimacy for introducing radical economic reform, inevitable features of which including unemployment and temporary decrease in the standard of living. Action sometimes exerted by trade unions, however, are not supported by the majority of employees who understand them rather as the attempts of left oriented forces to impede economic reforms.



## The Enterprise Level

The idea of Work Councils has not found a significant response in the Czech Republic. The participation of the workers occurs through trade unions only. Some modern management principles (human resources management, etc.) are only gradually being absorbed. At the time of the revolutionary wave, strike committees and the specific institution of the Civic Forum played a significant role. Forms of political pressure on the solution of to resolve basic, mostly personal, issues ceased quite early (already in 1990).

The former tradition of the Production Meetings was quite often abandoned. Some enterprises have formed ad hoc committees to deal with concrete problems with trade unions as well as individual employees being represented.

The opportunity to participate in the decision making on important questions concerning workplaces is expressed in the following data (representing the Czech population of economically active people in 1992):

*Table 1: Have you got the opportunity to express your opinion on important questions concerning your work?*

|  |    |
|--|----|
| - yes, very large                        | 17 |
| - yes, we have got a certain opportunity | 50 |
| - only very little                       | 22 |
| - I have not got such an opportunity     | 11 |

(N=1597, 1992, %)

The use of meetings - as a means of informing people - is distributed around a medium level (regular information on meetings - 30 %, only sometimes - 44 %, none 25 %).

If the management of an enterprise organises such meetings, a considerably unrestrained opportunity to express one's own opinion arises, but often without a corresponding response:

48 %: management is interested in the opinions

44 %: opportunity to express oneself but without an interest from the management

8 %: without opportunity to express one's own opinion.

The method of Voucher Privatisation enables some employees to become shareholders in their own enterprise and to participate in its leadership in this way. ESOP, however, has not been applied in the Czech Republic.

Representatives of the trade unions will be on Supervisory Boards and also other representatives of the enterprise's employees can be present. The holding of the decisive amount of shares will, however depend upon the concrete situation of the enterprise. There is a visible connection between investment funds and biggest banks. Even though this is the case, it is not possible to foresee real consequences for the shareholder's approach.

Our qualitative approach offers very interesting results in the respect of implementation of new forms of corporate culture from abroad (in joint-ventures). In Czech enterprises we often have often observed the trend to underestimate personnel management and social policy. In contrast, our experience from Chocolate Plants in Prague confirms the great emphasis placed by foreign firms (Nestlé + Danone) on social aspects of transformation and positive attitudes of the Czech managers to the implemented changes.

Social conflicts at enterprise level are not very common. The difficult situation confronting most of the enterprises (and attitudes of employers in the private sector) restricts trade union activity and forces towards social consensus. The predisposition towards industrial action and strikes appeared in some economic sectors ( eg. coal mining and transportation particularly automobile and train transportation on the Prague subway). These actions go exceed the boundaries for legal prosecution, but to date, government or enterprise management have succeeded in curtailing a committed approach.

An important question is whether conflicts at enterprise level persist in a latent form. An alternative explanation could be formulated in the framework of the theory of functional interdependence, and the common interest to 'survive'. However, the key problem of creating a new economic or organisational culture seems to be greater and multidimensional. That is the reason why we are speaking in parallel of a patient and/or exhausted society. Naturally, the picture of patient Czechs keeping the order seems to be a little picturesque, taking into account the image of the brave soldier Sveik. On the other hand, we can suppose that the population are exploring the relatively great potential of 'patience, calculating adequately the diversified 'timing' of social change (Dahrendorf 1990). This is an important feature of political and economic culture. People do not favour mighty and well organised actors, nevertheless, they often overestimate the role of the state (in the sense of external expert structures or system technologies orientated to problem solving). This is the problem of risk-externalisation, which includes the danger of loss of individual activity and responsibility, of course.

## Conclusions

We can provide some preliminary findings concerning the recent development of the labour relations in the Czech Republic as follows:

**1. Labour Relations after 1989:**

- tripartism - the implementation of this new institutional framework in 1991
- new legal framework
- continually emerging labour market

incorporated into the additional and generally positive societal conditions:

- no dramatic social conflicts
- partial change in value - orientations
- revitalisation of the cultural background

**2. The dominating features on the enterprise level are:**

- exchange of management organised by the revolutionary strike-committees ('Civic Forum')
- the influence of Trade Unions being limited at an early stage (new Labour Code)
- 'gentleman's agreement'; bargaining/co-operation
- pre-privatisation syndrome
- technocratism or 'marketism' in the leadership
- the dual role of foreign capital:
  1. The pressure on the labour force, dequalification
  2. Soft social policy (in some cases)

**3. At macro-level following factors supported change:**

- absorption capacity for the free labour forces (tertiary, private sector)
- careful social policy of the government
- absence of political radicalism, the legitimacy of political power
- political stability

**4. Labour Relations development obstructions are:**

- low transparency, 'destructuralisation'
- continuing legal changes
- transformation, 'step by step', ownership structures in motion (the 'third wave')
- postponed regional set up
- underestimation of the role of human resources

The behaviour of the government is, in a way, ambivalent: on the one hand it establishes traditional European institutional structures, including unbelievably fast reforms of many legal regulations. On the other hand, the efforts towards limiting the influence of these structures and transferring them into a more free interplay of forces and decentralising negotiations are obvious. Concerning participative mechanisms, minimal interest in establishing some special enterprise boards, work councils, etc. is evident. There are practically no attempts to develop other forms of participation.

The result of this dynamic of "state initiated and ruled neo-liberal form of transition" manifests the functional, non-action-conflictual model, funnelling the dispersion of conflicts to the lower level, where mutual interdependency is needed and the balance of power is more stable. The other question is whether this kind of conflict reduction policy supports adequately the dynamic of economic growth, the increase of the efficiency of labour, the exploitation of the human capital.

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