

## Trade unions and transition

### Abstract

*This article is based on the assumption that trade unions have not gone beyond their social role in protecting workers' rights and interests. Thus, in the transition from state and public property to private, unions have been pushed aside from their main role at a very critical moment in the interests of workers: unions' occasional involvement has only, in the post-privatisation period, been through the compilation and adoption of lists of redundant employees. The world economic crisis continues to deepen and has led to problems in the exercise of the collective rights of workers and employers and a further marginalisation of the principles of social partnership and the roles of trade unions. This article presents a brief history of the development of trade union organisations at home and abroad, as well as an assessment of their performance during the above-mentioned conditions and changes in Serbia. It concludes that commentators on the Serbian scene cannot speak of influential or credible unions during the twenty-year wandering that has marked the transition in Serbia.*

**Keywords:** role of trade unions, transition, growth of working class, privatisation, market economics, company re-orientation, economic and business rationalisation, the future of trade unions, social partnership, social dialogue, union organisation

What are trade unions and what has been their role through history?

According to the point of view of the noted management theorist, Peter Drucker, trade unions were the most successful organisations of the twentieth century. Formal union organising took on serious proportions during the second half of the nineteenth century, following the emergence of major-scale capitalists and industrialists, primarily in the US and in Europe. Reaction to the high-powered capitalist employer-entrepreneurs lay in the creation of trade unions and in workers coming together to organise themselves so as to protect their rights.

The development of technology and the general economic progress made during the twentieth century, which resulted in a significant degree of social development, saw the intensive and comprehensive organisation of workers grow in parallel. According to Galbraith, the unions of the 20<sup>th</sup> century have successfully encouraged the state to control and destroy the tools of power that employers can use to fight trade unions: trade unions have fought for the protection of the state against the arbitrary use of state police; protection against the compensational use of power in the form of the provision of cash bonuses to strike-breakers; and the assurance of protection from various forms of abuse in the workplace. At the same time, employers have also sought to join together, while the notion of the need for labour law has arisen as a result of trade union activities in combination.

Thus, the reaction to the power of the employer was the formation of strong trade unions, and the reaction of the increasing power of the trade unions was the adoption of labour laws. It is certain that, during the second half of the twentieth century, unions have become a key factor in negotiating with employers on working conditions and workers' rights and interests. In addition to activities on a local, sectoral or national basis, unions have made significant steps in connecting and organising globally. Hence, there are various associations of trade unions on a global level, with the aim of being included as an important factor in the process of the globalisation of the economy.

For example, the International Trade Union Confederation (ITUC) has five main priorities for action:

- employment and labour standards
- multinational companies
- protection of trade union rights
- equality and increasing the number of trade unions
- encouraging young workers to become union leaders.

With regard to these priorities, the ITUC defends the right of workers to form trade unions as an extension of basic human rights, with the latter seen as a notion that automatically encompasses workers' rights.

The beginnings of unionisation were marked by the struggle for freedom and trade union organisation and association. Observing the path of this process, which lasted from the first half of the 19<sup>th</sup> century, it may be concluded that it was not at all an easy one. In opting for freedom of association, it was necessary to define the objectives of that association, which is still an important task of any trade union.

From the perspective of the history of more serious and organised forms of associations, we can talk more about the second half of the 19<sup>th</sup> century, first in Great Britain, followed by France and Germany and other European countries. In the Kingdom of Yugoslavia, freedom of association was recognised in 1922.

### History of trade unions in Serbia

The emergence of the labour movement in Serbia is related to developments in the final thirty years of the 19<sup>th</sup> century. At that time, Serbia was a vassal state of the Ottoman Empire – Serbia was paying tribute to Turkey until 1878, when the decision of the Berlin Congress proclaimed it as an independent and sovereign state.

Consciousness started to develop in the reign of the last Obrenović, when the working class was living in very difficult conditions. In the years after 1895, it began to build further, becoming independent as a proletarian class and breaking in the process its previous relationship with artisans as well as employers.

The economy of the country could not be developed in the desired way. Serbia was entirely dependent on the export trade of the Austro-Hungarian Empire, which managed to block with the use of railway tariffs Serbia's entire export and import trade, not only with the Austro-Hungarian Empire but also with other European countries. The politics of Austria-Hungary was oriented to its desire for Serbia to remain an agricultural country from which it would purchase agricultural and livestock products, and mineral resources for its industrial businesses, at cheap prices.

At the beginning of the 1880s, industry was very modest. The first steam engine had emerged only in 1863. The largest industrial company at the time was a weapons and pyrotechnics factory in Kragujevac which, in 1870, had about 600 employees.

The development of capitalism in Serbia brought tangible class disintegration not only of farmers but of the entire Serbian society. In the late 19<sup>th</sup> and early 20<sup>th</sup> century in Serbia, there had been pure capitalist industrial and mining enterprises and fairly well developed capitalist-based relations among artisans, especially in Belgrade. Towards the end of this period, however, there was an increasing number of wage earners. In 1890, there were 63 469 such registered in Serbia while, by 1900, this had grown to 81 411, although other estimates show about 100 000. So, over the course of a single decade, the increase in wage workers was greater than one-quarter, i.e. 28.3 per cent.

All this shows that the spread of capitalist production relations changed the social structure of the population by increasing the number of wage earners, while the deepening of class relationships created the preconditions for the organised struggle of the proletariat and the start of the development of the workers' and trade union movement.

The demonstrations of 1876 in Kragujevac at the 'red flag' factory, with the participation of cannon and foundry workers, pointed to a new force that would become the standard-bearer for progress – the emergence of a working class in specific socio-economic and political circumstances in Serbia – at the start of its own capitalist development.

### Trade unions in transition

Economic transition as a concept involves the crossing of an inefficient and under-developed economy to the market-oriented system used in developed economies. The process of creating a market economy system involves a process in which key elements of the system are based on the principles of the replaced elements of socialist market economics.

Thus defined, macroeconomic transition indicates a transition which is assumed to focus on the structural adjustment of the economy, in contrast to the micro-economic transition involving the transformation and restructuring of enterprises in these economies.

The goal of the transition is the realisation of an integrated market model and, in the process, the resolution of economic problems. The central transition technique is privatisation – a condition of the formation of a private economy around which is wrapped all the important aspects of the market economy. Therefore, privatisation causes a chain reaction of changes through which the institutions and mechanisms of the economy are crystallised.

The transition of an economy to a market economy concept involves many changes which are coercive as regards the previous state of the system and management, as well as the changing economic space and the establishment of new business standards.

The range of changes involved in this includes a wide array of options encompassing change management, the introduction of strong central financial control, changes in organisational structure and the strengthening of a decentralised management structure

through the re-orientation of products and markets, reducing costs and debt rescheduling.

The processes of adaptation to the new circumstances of domestic companies include a recognition of the role of international competition as regards market interventions and organisational and managerial restructuring; while performance would necessarily require the definition of ownership forms and the forms of organised enterprises.

In this sense, the market-based restructuring of a company can be described as the determining of a target market and a re-arranging of the supply chain structure in order to achieve and maintain competitive advantage and market attractiveness, thus improving the market position of the company.

During the rapid privatisation process of Serbia and former Yugoslavia, there were many mistakes made because what was not taken into account was whether the customer would want a company to continue operations, which is why there is a problem of high unemployment in transition countries.

Transition involves a change in society in all its aspects – in the political, economic and social spheres. When it comes to the economy, transition involves multiple transformations in the field of legislation, property rights, markets, organisations, businesses, etc. Transition entails a significant restructuring of the economy, which carries with it the following consequences: economic decline, employment decline and the closure of unprofitable enterprises. In other words, the transition from a planned to a market economy implies the rationalisation of enterprise resources whose use does not bring results.

In the event of seeing the workforce as a business resource, rationalisation implies redundancy and a change in the structure of the labour force. All this points to a significant role for trade unions in the development of the transition process. Trade unions in all developed economies constitute the deployment of an active problem-solving component in the area of employment in which trade union representatives, as negotiators and participants in the formation of collective agreements, act essentially and above all to protect workers' rights.

The role of trade unions as partners in collective bargaining is especially important in conditions of economic unemployment. On the other hand, in countries in transition, the apparent under-development of trade unions has had a negative impact on the protection of workers' rights, especially in the early stages of the transition process.

Trade unions in Serbia were not ready for the market and the new ownership structure of capitalism. Whether the cause was a misunderstanding of the forthcoming changes at the time, or the pacification of management structures, remains an open question. This was definitely, however, the ultimate moment for unions to take on their historical role and responsibility in stopping the collapse not only of the working class but also of the state of Serbia.

The cause of this condition was that the government was in some confusion about the role of trade unions in the transition period. The state's leading role in the implementation of the privatisation process saw to it in this context that workers and their organisations were effectively reduced to passive observers of the process.

The Privatisation Law of July 2001 provided for the mandatory and majority (70 %) sale of a company's capital. The whole amount of public property was practically declared to be that of the state because the sale of a company was determined by the Privatisation Agency, as a state institution. This was not decided by workers or their union organisation, and the role of trade unions during the sale was completely undefined.

Trade union organisations remain currently in some sort of clearance house; passive observers and participants, they are awaiting new owners with whom to start a struggle.

Currently, we can only discern activity in the setting of compliance rules for the determination of redundancies in companies undergoing restructuring; that is, a developing of the conditions under which losing a job forms a less bad set of circumstances. The normal role of trade unions would, in contrast, take into account the improvement of the terms and conditions in which a worker may find a job where the union is operating.

In general, unions are weak and divided by numerous disagreements over the definition of common objectives for the transition; the relationship between trade unions and political parties; structural representativeness; the division of the assets of the union; membership figures; etc. In this situation, unions can not fully perform their function of protecting workers during this time of great social fracture.

One hears a frequent argument for the making of some unpopular decisions in that these were necessary sacrifices on the road to the European Union.

The real range of measures companies are taking to address the problem of unemployment is difficult to discuss because the period of their operation has been too short and they constitute mostly *ad hoc* rather than systemic solutions. In addition, the processes of privatisation and restructuring are still ongoing, with an ever-increasing number of workers declared redundant in factories that are undergoing restructuring or preparing for their sale at auction, so it is difficult to assess the relative impact of these measures.

### The role of trade unions in social dialogue

Social dialogue is a specific, planned and goal-oriented type of communication between participants, as a starting and major phase of a process which, through negotiation and agreement between the participants, achieves a common attitude and elements for social consensus and agreement.

In the existing situation, where representative associations of both employers and employees formally exist, but *de facto* do not, there also do not exist the necessary conditions for a fundamental application of the principle of tripartism, i.e. the institutional arrangement for negotiations between representatives of employees, employers and the government on important issues concerning the social and economic sphere. There is no consensus in society on the important issue of relationships in the labour market; rather, the decisions are being forced, mainly unilaterally, by the government, i.e. the state.

The trade union, as an association of employees, has, in its essence, direction and activities from its inception until today, been directly concerned with the fate of em-

ployees in a mainly social manner while, in the after-war period, it also received a political characteristic. The consequence of its former status is that, after re-organisation, the union has been organisationally and operatively further developed, largely politicised, with a pragmatic and frequently heterogeneous set of activities.

In the newer transitional conditions, the union still has an important place and a role to play in achieving the interests and rights of workers, but with significantly altered contents and methods of operation.

To begin with, through adequate organisation and education, the union should generate a new awareness of employees about the features of employment and work, and their existence and social security in a privatised and market economy, in a unique, programmed, non-politicised, objective and human manner.

Social dialogue is, furthermore, an extremely important phase in the process of social negotiation and agreement for accomplishing social peace. With that in mind, the role of the union, as a partner in that process, remains particularly significant and effective, with functions and organisation which must correspond to the new economic conditions.

The existing difficulties, especially the matter of resolving questions of worker redundancy and the consequential social tensions, are conditioning an affirmation of social dialogue, both as a way of behaving and as a basis for maintaining the social peace. In order to resolve these problems, it is necessary, among other things, to achieve a socio-political agreement between the players in privatisation, which are: the state; employees, i.e. the union as their representative association; and employers.

According to this,<sup>1</sup> as well as other similar research, however, Serbian citizens have little faith in their unions, which can be seen in the following table:

**Table 1 – What is the level of your trust in unions?**

	<b>%</b>
High	0.5
Medium	17.6
Low	31.9
None	34.9
No response	15.1

The data can be characterised as extremely unfavourable. Only a symbolic 0.5 % of respondents have a high level of trust in unions, while the number of those with a medium level of trust is less than one-fifth. At the same time, around two-thirds, or 66.8 %, of respondents have little or no trust in unions. These numbers, which represent a very telling confirmation of the low social power of unions, can easily be traced back to the generally unfavourable financial and social position of the workforce in Serbia. At the same time, they can also be related to the experiences of successful countries in

1 Agency for Public Opinion Research ‘Faktor Plus’, Belgrade, 2008.

transition in order to confirm that the success of transition and the social power of unions, i.e. their active participation and influence in the process of economic and social reforms, stand in direct correlation.

## Conclusion

Today in Serbia it is very difficult to speak of movements and institutions (legal, political, etc.) since the profile of Serbia is a socially, emotionally, economically and legally disfigured country.

As far as unions are concerned, we may only conclude by pointing at the problems, which are alarming and which require attention.

In the existing environment, which is not at all conducive to unions, the key issues for any union cannot be entrusted only to union leaders. Negotiating or lobbying without the participation of members can be a grave error. The power of unions stems from the membership – a large number of active members guarantees opportunities to organise union actions in the fight for the rights of employees, as well as financial and operative independence from the government, employers and political parties.

For this reason, the ability to gain and keep members is crucial for unions, because an organisation which does not grow not only stagnates but moves backwards until it is forced to close down as a player on the social scene.

One thing is for certain: the union is the only power in society which stands in the way of the political power or employers from completely turning employees into servants or slaves. If we take this fact lightly, we stand alone before those who are much stronger than us and who are not interested in our existence but exclusively in profits.

The natural need of people to organise themselves in their common interest is also confirmed by international labour standards and national legislature. The right to form unions is one of the most fundamental human rights. Let us be aware of that, and let us use it for the good of present and future generations of workers.

The situation for unions is miserable and sad – a situation where there is no increase in salaries, or improvement in working conditions, or increase in employment – but this is the situation in which Serbia has long been living. One need not speak too much of the power of unions, or the lack of it, in such a situation.

In methodological approaches developed in the ‘political economy of unions’, it is stated that unions are successful if they increase real wages and improve working conditions, under conditions of maintained or even increased general employment, i.e. if they accomplish within concessional negotiations at least one of these two strategic goals. If there is neither, and this is, with rare exceptions, the case of a twenty-year transitional wandering in Serbia, then – regardless of intentions or attempts – one cannot speak of influential and credible unions.

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