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A COMMENT**

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WORKERS' MANAGEMENT IN YUGOSLAVIA: A COMMENT

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THE purpose of this comment is to clarify some points raised by Benjamin Ward in his article, "Workers' Management in Yugoslavia,"¹ and to correct and supplement the factual basis of Ward's article, primarily on the basis of firsthand information and personal participation in the events he discusses. Ward's article covers the period ending with 1955; to provide additional information, we shall comment on a few events since 1955 and shall attempt a brief extrapolation of the trend of development as viewed by participants in the system.

I

Ward reached the following conclusions:

It would seem that, under the procedures of the original election law, conditions were *not* such as to provide any real choice at the election. A secret ballot was provided, but the election was simply a matter of voting for or against a single list of candidates [p. 375].

It would seem . . . that the election itself is of relatively little significance and that the basic decision as to the composition of the workers' councils is made through the nomination procedure [p. 376].

The general picture of the workers as a whole under the new system does not seem to be that of a group that was really in control of its management organizations [p. 377].

These conclusions are illustrated by selected facts, extracted largely from the daily and weekly press, a procedure that permits Ward to say: "The evidence that has been cited points to the conclusion that, in general, Yugoslav workers are not in a position to control the policies of their firms either through the election procedures or through the agency of workers' councils" (p. 379).

¹ *Journal of Political Economy*, LXV (October, 1957), 373-86.

There is some evidence of independent action, but it is "not strong enough to permit the assertion that these bodies have acquired a large degree of initiative within the firm. To some extent actions reportedly taken by the workers' councils may simply represent the sort of rubber-stamp function exercised by parliamentary bodies in most Communist countries" (p. 381). There is little or nothing positive in the system; and the article ends with the conclusion that "the vast majority of workers play little or no role in the [decision-making] process" (p. 386). However, if the workers do not control the factories, what sense does it make to turn the whole economic organization upside-down to make them behave as if they did? Would it not be much easier to copy an already established system, say, the American or the Soviet one? Unfortunately, Ward does not ask himself this obvious question, and so we are left wondering about the rationale for the phenomenon he describes.

In the same concluding sentence Ward writes: "It would seem that important decisions in Yugoslav industry continue to be made at the level of the firm." By whom are decisions made? By managing bodies and technical and administrative experts. The former are elected by workers, the latter, including (with some qualifications) the general manager, are appointed by the former. To escape the contradiction, Ward tries to show that managing bodies—workers' councils and boards of management—are not *really* elected by the workers. But this is at variance with the facts. It was the intention of the original law and of all later amendments to enable the workers to manage their factories, "workers" meaning in this context not a particular privileged group but all workers. Therefore, we have the referendum and the assembly of the working collective

as the highest authority in the firm. It was the intention of the law to speed up the process by which workers get acquainted with business management through their *active participation in it*. Ward himself quotes the high turnover figure for members of workers' councils together with the fact that about 15 per cent of eligible employed persons were serving on workers' councils at any given time (p. 377). So far more than *one-third* of the total number of workers have passed through councils.² In a few years it will be a majority of them. This state of affairs compares more than favorably with that of a conventional political democracy or with the number of trade-union leaders, their election, and their turnover in other countries.

Let us also consider a few potential qualifications. The small management board, which is elected indirectly, that is, through the council, and which is concerned with the day-to-day affairs, may tend to perpetuate itself by converting its members into a sort of "managerial class." This is rendered impossible by the provisions that the members of the management board may be elected only twice in succession and that the period of office is only one year. Next, technical and administrative experts may try to influence less-educated workers to vote for them, constituting themselves as another sort of a "managerial class." This is rendered impossible by the provision that at least three-quarters of both managing bodies must consist of workers. The next difficulty is that the short period of office prevents council members from getting thoroughly acquainted with the affairs of the firm. This difficulty cannot be overcome by legal prescriptions. Faced with the alternatives of educating many workers to a lesser degree or few workers to a greater degree, legislators have wisely chosen the first alternative at the start. But the situation has already changed, and the demand for an extension of the period of office was one of the most fre-

² By 1957, over 600,000 workers had participated in management bodies (see A. Deleon and Lj. Mijatović [eds.], *Congress of Workers Councils of Yugoslavia* [Beograd, 1957], p. 14).

quent demands voiced at last year's Congress of Workers' councils. Thus the steps taken appear to be sensible and their explanation obvious.

A brief description of how the elections are conducted may also be helpful. The organization of elections is placed within the sphere of competence of the trade unions, which, according to Ward, are one of the watchdog agencies of the state (p. 376). Trade unions have been intrusted with this job simply because somebody has to do it, and, to do it in the most democratic way, the organizers must be acquainted with the problem but must not be eligible for election themselves. Thus council members cannot organize the elections, while the members of the Trade Union Factory Committee cannot be elected. Next, the elections are an internal affair of every firm, and the firm's Trade Union Committee is in this respect completely autonomous. Further, this committee itself is elected by the workers of the firm with no interference from outside, has no paid officials, and consists of the workers working in the firm. Finally, the committee usually "nominates" candidates in the following way (our direct information applies to 1952). All departments and shops of the firm are informed that on a certain date the election will take place, and workers are invited to propose candidates. In order to secure fair representation, every productive unit usually nominates its own candidates; that is, ten, twenty, or a hundred people in a department or a shop nominate among themselves one or more of their number as candidates. The number of candidates is usually significantly greater than—say, twice—the number of vacancies, and every shop is therefore vitally interested in proposing the candidates most acceptable to the rest of the firm—the people with the greatest chance to be elected. It may be noted that this desire for fair representation acts also as a factor limiting the number of candidates to be put on the list. The Trade Union Committee combines all these proposals in a single list for the firm. Now, abuses are, of course, possible and do occur.

Therefore, there are safeguards against them. If for some reason one or more groups in the firm feel that the procedure has not been an absolutely correct one, they may add their own separate list or lists. And the voting itself is done for the individual candidates regardless of the list to which they belong. The legality of the procedure is supervised by courts. And any member of a managing body may be recalled at any time by the electors.³ Thus Ward's statistical conclusion that "in at most 11 per cent of the elections there was some choice of candidates" (p. 376) is very unfortunate, since it is based solely on the choice among lists.

Another misunderstanding of the role of trade unions is revealed by Ward's paper: "These [labor] norms had been dropped by most workers' councils, so that the fact that the unions played a major role in their reintroduction is suggestive of the direction of their primary loyalties" (p. 376). In fact, the real situation was a reverse one: the state was interested in dropping the norms, and the workers were interested in introducing them, and eventually the state yielded to the pressure of the workers. We have no space to elaborate the details of this admittedly unusual situation, but essentially it may be explained as follows. The taxation system was inadequate and was based on the excess of wages over the base of the labor norms. Workers' councils, being autonomous, could raise the labor norms and so lower the base of taxes on their own wages, with the obvious consequences for the economy. To prevent chaos, the state had to disregard the labor norms. If the trade unions really were "the primary agency used in reintroducing labor norms after early 1955" (p. 376), Ward has proved something different from what he set out to prove.

Ward measures the existence of choice in elections, as we have seen, by the amount of

³ In 1956 in one-third of enterprises this right was used in 3 per cent of all possible cases (*Prvi kongres radničkih savjeta* [Beograd, 1957]). For a discussion of the method of drawing up the lists see P. Kovač and Dj. Miljević, *The Self-government of Producers in the Economy* (Beograd, 1958), pp. 84-85.

dissatisfaction with the usual electoral procedures as expressed in separate lists. His measure of the freedom of already elected councils is similar and is related to the degree of irrationality in management decisions as expressed in the tendency to equalize the earnings of unskilled and highly skilled persons in some firms: "In [these] latter firms the voice of the workers' council . . . is apparently still making itself heard" (p. 385).

One more point. We are told that "the preservation of the over-all competence of the state and the retention and in some cases the strengthening of the authority of control organs, such as the trade unions, the League of Communists, the local government, the director, and the inspectorates, have left full power in the hands of the leaders of state and party" (p. 380). The only representative of the state in the enterprise is (or, perhaps more correctly, was) the director. It seems logical to expect that the state, to preserve "full power," would try to uphold the authority of the director, as, indeed, the Soviet state has done. Instead we read that the Yugoslav press, presumably also state-controlled, tries to do exactly the opposite: "In an effort to remove the aura of skill and knowledge surrounding the director, the Yugoslav press is reported to have launched something of a campaign against his 'omnipotence'" (p. 383). And then again in the next paragraph we read that "Davičo, a leading economist, came to the director's defense." We leave it to the reader to reconcile these three statements.

II

Now we come to the question: What is workers' management? What is its rationale? In this brief comment we cannot undertake a scholarly analysis of the problem and answer the question fully. Instead we shall make a few general and common-sense suggestions.

The basic answer to the question is a rather simple one: Workers' management is a product of a social revolution, as capitalist management was a century or two ago, and

as state management was at the beginning of this century. It came into existence as a reaction against the exploitation of workers in both the system of private ownership and in the economy run by the state bureaucracy. It represents the realization of an old humanitarian and socialist ideal, and, as such, it was met with general and genuine enthusiasm. Its vitality may be inferred from the fact that since 1950, when the original law was passed, national income has risen by more than 60 per cent and industrial production by about 80 per cent.⁴

Next, it would be very misleading to regard workers' management as a sort of *deus ex machina* on an otherwise familiar scene. The scene itself has changed and will be changing for some time to come. The basic feature of the new scene consists in the idea of self-government in every sphere of social and political life. If this social system has to be labeled somehow, the most appropriate term seems to be "associationist socialism." Society is conceived as a federation of self-governing and interconnected associations. Self-government, on the basis of representation of all fundamental interests of the community, already exists in universities and schools, in hospitals and social insurance, in scientific institutions in the form of scientific councils, and in apartment houses in the form of councils of tenants. Factories with workers' management are just one link in the chain. Ward says correctly that workers' councils are not completely independent in appointing the director. In this matter the local authority has also its say—for the moment, even the decisive say. But he fails to realize that the "local authority" is not a governmental organ; that it is conceived as a *commune*, that is, as a basic unit of social (political) organization co-ordinating the activities of all associations on a certain territory. It enjoys a large degree of autonomy vis-à-vis state or federal government, even in such matters as police and issuing passports. Social control over the factory is exercised through market competition and

⁴ Source: Federal Planning Bureau for 1950-56 and newspaper reports for 1957.

through the commune. As to the appointment of the director, the competent organ is the commission of the Council of Producers (one-third of those members are representatives of the workers' council). Political bodies from the commune up to the Federal Assembly are composed of two houses, the second being the Council of Producers, whose members are farmers, artisans, trade-unionists, and workers and employees of business enterprises. Thus when the "local authority" through the Council of Producers interferes with the affairs of a particular factory, it is a very special kind of interference.

Now the whole system has only recently been born, and so it experiences all sorts of growing pains. Moreover, workers' management itself was introduced in a very poor country where the three factors—*primitivism*, *partikularizam*, and *egoizam*—rightly stressed by Ward, have been particularly operative. Workers' management as such involves a most spectacular reorganization of the economy, and it takes time for the appropriate legal system to be devised, for the new market relations to crystallize, and for workers to get acquainted with the techniques of business management in general and in these completely new circumstances in particular. It takes even more time to do all this in a country in which at the outset 20 per cent of the population was illiterate. This, then, is the source of all the troubles and difficulties reflected in the press extracts Ward has collected. The views of the mass of unskilled workers—that, because everyone has the same needs, everyone has to get the same pay (with which we may sympathize but which, for the time being, are economically disastrous)—have in a certain number of enterprises led to a leveling of wages and salaries. Indeed, this view was even impressed on the community as a whole when in 1952 the trade unions fixed the salaries of directors on the basis of the wages of unskilled workers multiplied by three in small enterprises and by five in the largest enterprises; this procedure set a limit for the highest salaries in the range of \$65 to \$110 per month! The consequences were lack of

responsibility, lack of initiative, lack of incentives, and, only after all this had become obvious, the radical correction of wage differentials in 1957. Similarly, there were tendencies to distribute all profits instead of investing them. Next, the administrative staff, to escape control or to preserve social prestige, tended to cast their reports in technical language incomprehensible to uneducated laymen. There was also a tendency for the councils to employ people with inadequate qualifications. The list of problems and difficulties, pushes and pulls, and mistakes and failures is a very long one. It seems fair to say that, if in spite of all these initial difficulties, the workers-management economy in its first seven years achieved *one of the highest growth rates in the world*, the system must be viable indeed.

The meaning of all the changes, reforms, and controversies since 1950 now becomes clear. Yugoslavia had to cope with a singularly difficult double task: to prevent the infringement of the genuine workers' control and to prevent workers from making decisions to the detriment of either their enterprises or of the economy as a whole. In solving this problem, all parties concerned have made numerous mistakes, for there was no textbook from which to learn. And these mistakes and illusions, together with the ways in which they were corrected or dispelled—in short, the birth of a new social system with all its intricacies—represent an extremely promising field of study for an economic sociologist. The workers-management economy is a unique social laboratory in which all sorts of economic and sociological hypotheses are being tested as a matter of daily practice. Without going more deeply into the problem, and confining ourselves to the narrow field of management, we may observe how the basic pattern of conduct is

gradually emerging. Since the very beginning, most of the activities of the firm—appointment of technical and administrative staff (excluding the director), organization of work, fixing of internal wage rates, distribution of profits after taxation—have been placed under the control of workers. But a few important restrictions were also imposed. These restrictions have been gradually relaxed. In 1950 the director was appointed by a state organ; now the state is eliminated, but, together with the workers council, the local authority participates in the appointment; in the future one may expect that even the appointment of the director will become an internal affair of the enterprise. At the beginning the funds left at the disposal of workers were extremely limited; now they are substantial; in the future one may expect all funds to be administered by the working collective. At the beginning there was much interference from the outside; there is still some interference, but, at the Congress of Workers' Councils held last year and the recent parliamentary debate (particularly in the Council of Producers show, whenever the interference goes beyond reasonable limits, it encounters unyielding opposition from workers. In the future this interference will practically disappear, and the enterprise will operate as an autonomous unit within a general legal framework. One is, of course, free to call this process ironically "democracy in small doses" (p. 379), but it is nevertheless true that even small doses should be regarded as *infinitely better than nothing* and that so far nobody has suggested a more efficient method. The Yugoslav system of workers' management is far from being perfect; yet, it is the first and, until now, the only nation-wide system of industrial democracy in the world.

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