

# The transformation of industrial relations in Romania at the micro level<sup>1</sup>

## 1. Introduction

Subsequent to the collapse of the communist regime in 1989, Romania has undergone political and economic changes which have determined radical changes in industrial relations (IR). Nevertheless, ten years after the fall of the communist regime, the old and new elements still exist side by side, although labour legislation and an institutional framework similar to those in developed countries has been adopted.<sup>2</sup>

It appears that communist legacies, such as the specific economic and political context which exists in Romania, the lack of experience of all the actors involved in IR and also the current international context have all had an important impact on the emerging IR system in Romania. Nevertheless, there has been very little empirical research into how the IR system works in practice and how terms and conditions of employment are established and implemented at company level.<sup>3</sup>

The aim of this paper is, firstly, to present a new perspective on Crouch's exchange theory of IR (1993) and, secondly, to use this approach to analyse empirical findings regarding the changes which have occurred in IR at the company level in Romania since 1989. The empirical findings will be presented for each of the six categories investigated,<sup>4</sup> analysing the development of IR since 1989. After that, a synthesis of the findings will be presented in an attempt to answer the research questions indicated in the next section.

## 2. Research questions

This study aims to answer the following questions:

- a) at which stage of development is industrial relations in different types of company?
- b) how do changes in the IR system at company level take place?
- c) what influence does the company context (ownership, size and type of product: manufacturing or services) have upon the emerging IR system in the companies investigated?

1 I am extremely grateful to my supervisor, Prof. Karl Koch, for having encouraged and supported me to carry out this research. In addition, I wish to thank all the respondents who provided valuable information without which I could not write this article. Also, I wish to acknowledge the helpful comments of participants in the Crete Seminar (2000), particularly to Roland Erne. Nevertheless, the views expressed are my own.

2 See OECD (2000), p. 3.

3 Most of the studies focus on labour legislation, trade unions and miners' strikes (e.g. Croucher (1998); Moarcas (1999); Popescu (1999); and Stefanescu (1997)).

4 See Table 1, page 3.

- d) how do employees and their representatives, and employers and their representatives, perceive the outcome of the transformation of IR in the companies investigated?

### 3. Methodology

#### 3.1 Theoretical remarks

Dunlop's systems theory (1958) is used to identify the macroeconomic inputs which have an important impact on an IR system (e.g. the political, economic and legal contexts), as well as on its structure, which consists of the actors (workers and their organisations, employers and their organisations, and government) and the interactions between them at the different levels.

The environmental inputs at the macro level, such as the political, economic, legal, social and historical contexts, have been similar for most of the companies investigated,<sup>5</sup> but the company environment varies from one to another, depending mainly on the owner (which may be considered as the "political context" at the micro level), size ("technical context") and type of product – manufacturing or services – (the "economic context"). Considering these three factors identified by Dunlop (1958), the companies have been classified in six categories presented in Table 1.

As regards ownership, the companies investigated were classified into two types:

- (a) state-owned companies (categories 1 and 2 in Table 1); and
- (b) privately-owned companies (categories 3-6).

The private ones were sub-divided into four categories: new national companies set up since 1989 (category 3); national privately-owned companies which belonged to the state before 1989 and which are now Romanian-owned private companies (category 4); foreign-owned companies based in Romania (category 5); and multinational foreign-owned companies (category 6).

Regarding size, the companies investigated were also classified into three categories, along the lines of their classification in official records in Romania:

- (a) large companies, which have more than 200 employees;
- (b) medium companies, which have between 50 and 200 employees; and
- (c) small companies, which have up to 50 employees.

As regards the type of product, the companies investigated were classified in two separate categories:

- (a) the manufacturing sector, which included all those companies which primarily make products; and
- (b) the service sector, which includes companies which mainly provide services.

A range of different companies were investigated,<sup>6</sup> because the aim of the study is to obtain an overview of the changes which have occurred in IR at the company level

<sup>5</sup> Apart from the Hungarian company.

<sup>6</sup> See Table 1 for details.

since 1989. Therefore, a series of factors mentioned by Dunlop as being important are have been neglected, such as the characteristics of the labour force and the competitive position of the company or the sector of industry in which it operates. These are considered less important for the purpose of this experiment.

### 3.2 Research methodology

The primary data was collected using semi-structured interviews, largely in Romanian companies (15 organisations) but also in one Hungarian company. An interview lasted around one hour, in the first half of which the respondent discussed the main changes in IR in general and within their company (organisation) while, in the second, the researcher asked specific questions.

The interview comprised questions concerning the main actors identified by Dunlop (1958) and the relations between them: the mechanisms for establishing terms and conditions of employment, such as collective and individual bargaining; the implementation of rules agreed at different levels; and conflict between employers and employees. In addition, it included a question concerning the main issues in IR and one which inquired on ways of improving IR.

The sample covered all the main actors involved: employees and their representatives; managers and employers; trade union and employers association officials; and specialised labour agencies. It also attempted to cover all main types of organisation, comprising 16 organisations and five institutions, as follows:

**Table 1 – Classification of companies included in the survey**

Code	Categories of companies	Manufacturing, product	Services	Total
1. S-L	Large state-owned companies	1-steel	1-railway	2
2. S-SME	Small and medium state-owned companies	-	2-R&D (geophysics, sports); 1-education	3
3. P(S)-L	Large privatised companies – pre-1989 state-owned	3-furniture, textiles, glass	1-consultancy (energy)	4
4. P-SME	New private national SME	1-printing	2-consultancy (IT, survey)	3
5. Pf-SME	Foreign-owned SME	1-brewery	1-distribution dye	2
6. Pf-MNC	MNC (foreign-owned)	1-electrical meters	1-IT	2
Total	5 – state owned, 11 – private	7	9	16

	Employees or their representatives (e)	e-Ro	Employers or managers (E)	E-Ro	Total
1 S-L	1 employee, 1 shop steward	2	1 HRM, 1 MM	2	4
2 S-SME	2 employees	2	1 HRM, 2 TM, 2 MM	5	7
3 P(S)-L	2 employees, 3 shop stewards	5	1TM, 1 MM	2	7
4 P-SME	1 ex-employed (unemployed)	1	3 Employers	3	4
5 Pf-SME	1 employee	1	1 MM	1	2
6 Pf-MNC	1 employee <sup>1</sup>		1 HRM, 1 HRM <sup>1</sup> , 1 TM <sup>1</sup> , 1 MM <sup>1</sup>	1	5
Total	12 – 7 employees, 4 shop stewards and 1 unemployed	11	17 – 3 employers, 4 HRM, 4 TM, 6 MM	14	29

	Institutions	No. interviews
1	Trade union official – national level	2
2	Employers association official – national level	2*
3	The Ministry of Labour – the Legislative Council	1
4	Social Dialogue – ESC	1
5	ILO-Romania	1
	Total	7(6)

#### Legend

R&D – research and development; consultancy  
 HRM – human resource manager  
 MM – middle manager  
 TM – top manager  
 ESC – the Economic and Social Council  
 ILO – International Labour Organisation

1 – MNC from Hungary

\* – 1 employers association official is an employer as well

Nevertheless, the sample had a series of limitations: there is only a small number of interviews in each category; in some organisations only employees and/or their representatives were interviewed, in others only the employer and/or the management, while in yet others, both groups were interviewed. Another shortcoming is that the sample does not cover all the regions of the country; companies investigated came only from two areas: Bucharest (south-east – 12 organisations); and Bistrița (north-west region – 4 companies).

However, most categories of companies and specific institutions are covered, while many respondents talked about what was happening in other categories of firms and about IR at the national level. Moreover, many times they discussed macro issues which were not directly related to IR, such as corruption, economic recession or financial blockages.

#### 4. Conceptual framework – Crouch's exchange theory (1993) revised

Crouch's exchange approach (1993) provides a theoretical framework for analysing the dynamic behaviour of IR, having as a focal point changes in the power relationship between labour and capital which are involved in a rational exchange, or choice. Taking into account the exchange relationship between labour and capital, Crouch distinguishes four types of IR systems as follows:

- (a) *contestation* refers to an unformed relationship between labour and capital, where a change to the benefit of one party can be achieved only through the disadvantage of the other and the result of the exchange between them is a zero-sum game
- (b) *pluralist bargaining* refers to an established relationship between labour and capital (e.g. institutionalised collective bargaining) where the exchange relationship between labour and capital leads to the development of a minor substantive positive-sum
- (c) *bargained corporatism* refers to a tripartite relationship involving organised labour, organised capital and the state (specialised governmental agencies), which establishes the main rules of employment relationships at the national level, seeking to spread the positive-sum game throughout the entire country on the basis of centralised collective bargaining
- (d) *authoritarian corporatism* refers to the end-point of the bargained corporatist stage as theoretically being the reduction of all transactions between labour and capital to a positive-sum game, which implies an identity between capital and labour.

In order to explore IR in Romania, Crouch's approach has been revised. First, as can be seen in Figure 1, it is considered that a negative-sum game of the exchange between labour and capital ( $l+c<0$ , where  $l<0$ ,  $c<0$ ) may be registered.<sup>7</sup> This goes, in a way, against the rational choice theory on which the sum game approach is based but, in practice, there are not only positive- and zero-sum games in an exchange relationship; it may be possible for both parties to lose. Sometimes, a third party can manipulate them to create advantages for itself (this being their rational choice) and, sometimes, people do not behave rationally and they prefer to lose rather than let the other party win.

7 Crouch (1993: 32) acknowledges that the sum game of the exchange between labour and capital can also be negative (e.g. a strike in which both labour and capital have a net loss), but he does not consider this case another type of IR, incorporating it in the *contestation* type.

Figure 1 – Capital-labour exchange outcomes

		CAPITAL INTEREST	
Outcome of the exchange		Positive	Negative
LABOUR INTEREST	Positive	I Positive-sum game $\Delta l + \Delta c > 0$ , where $\Delta l > 0$ , $\Delta c > 0$	III Zero-sum game pro-labour $\Delta l + \Delta c = 0$ , where $\Delta l \geq 0$ , $\Delta c \leq 0$
	Negative	II Zero-sum game pro-capital $\Delta l + \Delta c = 0$ , where $\Delta l \leq 0$ , $\Delta l \geq 0$	IV Negative-sum game $\Delta l + \Delta c < 0$ , where $\Delta l < 0$ , $\Delta c < 0$

Legend: (c, l = shares of capital and labour as defined by Croucher (1993: 32)

Cases (I) and (II) are viable in the long term, because they permit capital accumulation, while cases (III) and (IV), when the outcome of the exchange is negative for capital, may be viable only in the short-term, where the capacity of capital is limited (i.e. the company goes bankrupt). Nevertheless, if the company is subsidised by an external source (e.g. the state), a negative outcome for capital may be maintained over a longer period, for as long as it receives a subsidy equal to or higher than its losses from the external source.

The phenomena that has occurred since 1989 in public-owned companies in many CEECs may be considered as part of the rational choice of a third party – top managers – who, in the particular context of transition, have the potential to manipulate both labour and capital (as represented by the state) into losing positions. They have a rational interest in making the company non-profitable so that they can buy its assets cheaply, or they just use the company to serve their own personal interests.

Industrial corruption related to the privatisation process appears to be a phenomenon widespread in many CEECs.<sup>8</sup> According to Popescu-Birlan (1994), those holding key positions in state-owned companies in Romania have started their own businesses using company assets, transferring funds and goods to their own firm or acting as a distributor of the products of the state-owned company. The legislation does not allow this, but they have registered relatives as owners of the company and, in many cases, managers have bribed state department directors:

In December 1993, the newspaper *Adevărul* reported that there had been 1200 cases of ‘serious illegal acts’ by managers of [Romanian] state-owned enterprises. (Croucher, 1998: 34)

This phenomenon is likely to persist in publicly-owned companies as long as property rights are not clearly defined, there is a lack of legislation and/or insufficient institutional capacity to enforce it and top managers have autonomy whilst not being firmly accountable to anyone.

8 See Croucher (1998).

The new type of IR in which the sum game of the exchange between capital and labour is negative is named "Stage 0". In the particular case of the transition from communism to the market economy, it includes a series of features met during the communist period but which now occur in the context of the pluralist framework. This results in an undefined relationship between capital and labour: sometimes the power of capital is lower than, or equal to, that of labour, at others capital has more power; the extent of government intervention is high; and there is still a big difference between the 'formal' and the 'practical' roles played by the actors (e.g. that played by the top managers).

The second adjustment of Crouch's theory refers to the division of each type of IR identified in four phases: transition; development; maturity; and decline. Important differences between these phases were noticed in the companies investigated, even though the power relationship between labour and capital may not have changed dramatically.

The *transition* phase is considered to be the period in which fundamental change takes place and where the basis for that particular stage is determined. The *development* phase is the period after the transition when there are still major changes occurring, but in the direction established in the transition period. Following this, the *maturity* phase is characterised by more stability when the IR system has settled down. The *decline* phase is considered to occur when the power of the stronger actor (capital or labour) decreases and the power of the weaker one increases. However, these descriptions do not clearly define each phase; hence, the inclusion of an IR system from one company in a particular phase may be influenced by the subjective perceptions of the researcher.

The third adjustment of Crouch's theory concerns the category of positive-sum games. Crouch included in his *authoritarian corporatism* all types of IR which seek to have a positive-sum game, although he recognised that these are very different in other respects (1993: 48). In this study, authoritarian corporatism, human resource management (HRM) and the marxist approach are considered as distinct types of IR due to the differences in many other parameters apart from the sum game of the exchange between labour and capital, which is 'theoretically' similar.<sup>9</sup> Taking into account that there is a pluralist legislation in Romania, the only possible type of IR at the company level in this category is HRM.

This revised exchange theory of Crouch is used to identify the type of IR in the Romanian companies investigated, as outlined in Figure 2. The main parameters taken into consideration are: the level of power of capital *vis-à-vis* that of labour; and the sum game of the exchange between capital and labour as they were subjectively perceived and outlined by the respondents. In addition, other parameters mentioned by Crouch are also taken into consideration, such as the mechanism of exchange between labour and capital, the type of relations between labour and capital (adversarial or co-

9 For instance, the abstract principles of authoritarian corporatism, the ideology adopted by the fascists, are totally opposed to those of the marxist, the ideology adopted by the communists, although both claim to have a positive outcome for all.

operative) and the level where the exchange takes place. Nevertheless, the categorising of the type of IR is likely to be influenced by the subjective perceptions of the researcher.

## 5. Data analysis and discussion

### 5.1. Large state-owned companies – S-L

The law on State Enterprise Reorganisation (Law No. 15/1990) divided state-owned companies into two groups with different legal status:

- (a) the first group consist of ‘autonomous regies’, which include companies from the ‘strategic domains’ of the economy, such as the armaments industry, water supply, energy supply and the railways, which are intended to remain under state ownership; and
- (b) the second group, ‘commercial companies’, which include all other state-owned companies eligible for privatisation.

The S-L category in the sample includes one “commercial company” in manufacturing (S-Lm), and one in services (S-Ls), which belongs to the “autonomous regies” group. Both companies have been restructured; the commercial company retained 16% of the labour force; while the other kept 48%. It appears that both companies did not have a clear human resource strategy nor objective criteria to select the personnel who were to be made redundant, although some improvements have been made since 1996. A trade union operates within each company; the one in S-Lm has around 70% membership, while that in S-Ls around 90%, according to the respondents, but they are considered to be weak because they do not have the support of their members.

It appears that, even though the formal mechanisms specific to a market economy have been introduced, such as collective and/or individual bargaining, they do not operate properly in practice within the large state-owned companies, either in manufacturing or in the service sector. According to the respondents, in reality there is frequently no bargaining because the management has much more power than labour: they say ‘there are  $n$  other people waiting to take your job if you do not like these terms and conditions of employment’. Top management impose most of the decisions without a strategy to make the companies more efficient, in many cases seeking just to achieve personal gain. On the other hand, many employees are used to receiving ‘orders’ from their superiors, are able to take no initiative and are accustomed to working as little as possible. However, middle management appears to be the ‘driving force’ towards real change, and they have experienced positive change, but they do not seem to have been delegated enough power to act.

It also appears that, even though institutionalised collective bargaining has been introduced, the state still has a high degree of intervention in IR. In addition, the interaction between capital and labour at the top level remains important, the sum game of the exchange between them is largely negative and the market orientation is not clearly defined, so the S-L companies investigated appeared to be in *Stage 0*. Nevertheless, S-Lm seems to be in a transition phase because the state of the company is not yet clear (it ought to be privatised). Consequently, the basis of the IR set-up could not



be established, while S-Ls appears to be in a development phase where a mechanism of collective bargaining was set up, but there are still large differences between the legal situation and the actual roles being played by the actors, particularly by the state in its double role as employer and government.

## 5.2 Small and medium-sized state-owned organisations (S-SME)

This sample comprises three types of organisations, all from the service sector, but in different markets:

- (a) one belongs to the public administration sector (education) – S-SMEs1;
- (b) one to the ‘autonomous regies’ group – S-SMEs2; and
- (c) one is included in the ‘commercial companies’ group – S-SMEs3.

The main difference between them in terms of IR is that, in S-SMEs1, the government determines the wage levels after consulting with trade unions at the national level; in S-SMEs2, government establishes the lower and upper limits of salaries, but there can still be bargaining between these limits; and in S-SMEs3, there is total flexibility to establish salaries. Nevertheless, none of these organisations have reduced their personnel, the level being largely similar to that of 1989.

The S-SMEs1 organisation, which belongs to public administration, is the only one which has almost complete trade union membership, including amongst management, but it is not really active because the salary is established at national level, leaving very little room for manoeuvre at the local level. Within the other organisations, it seems that they have been unable to organise a union because of the divergent interests of the workers.

Therefore, it appears that the IR system in S-SMEs1 is in a development phase of *institutionalised collective bargaining*, where the basis for a new model has been set up, and there is more delegation of power to, and more flexibility at, the local level, but, according to the respondents, the system is still rigid and not working properly. Salaries and other terms and conditions of employment are established through negotiations between trade unions and the government at the sectoral level, leaving few options open to the local unions.

The IR system within S-SMEs2 seems to be in the maturity phase of *Stage 0*, because it has not really changed since 1989. The mechanism for collective and individual bargaining has been set up and there is a collective contract signed at the company level, but the top management, more or less, impose the terms and conditions of employment. According to the respondents, the legacy of the communist period is quite strong in this company, while the gap between the ‘formal’ situation and ‘reality’ is still large and efficiency takes second place after the social dimension.

IR within S-SMEs3 appears to be in a development stage of *HRM*, because there is a clear market orientation policy, the interaction between capital and labour takes place at the local level and representation is mainly individual. A collective agreement exists at the local level, but it only sets the procedural rules. The intervention of the state is very low, the market being the main factor which influences the salary of employees. The system is considered in a development phase because the mechanism was set up in 1999, the relations between managers and employees, and between em-

ployees, are largely conjunctive and often adversarial, and it seems that more experience is needed to deal with the new system in order that it may mature.

Therefore, the experiences in small and medium-sized organisations in the state sector vary greatly from *Stage 0* to *HRM*. All of them have more decentralised structures and more flexibility than before 1989, but each are confronted with problems of the lack of experience of managers and employees, individualisation and the lack of a sense of real collaboration.

### 5.3 Large privatised companies – state-owned pre-1989 – P(S)-L

This sample comprises of four organisations which are ‘commercial companies’, three of them from different industries in the manufacturing sector (textiles, furniture and glass industry) and one from the service sector. All of them had been restructured with massive reductions of personnel in 3-4 rounds (between 30% and 75% of the total number of employees was made redundant), but each one still has at least 1000 employees. There is at least one local trade union in each of them and the membership is over 60%, according to the respondents. The trade unions were not involved in the privatisation process. Those from the manufacturing sector were not informed or consulted about privatisation; in the service sector they were consulted but they retained a passive attitude in the sense that, while they were not against the privatisation process, neither did they support it. Collective bargaining at the company level is the main mechanism for establishing terms and conditions of employment in all four of the companies. Individual ‘bargaining’ exists, but it is largely a formality; the majority of the employees just sign their contracts.

The general opinion of the respondents was that the three organisations had experienced changes in IR since 1989 that were to a certain extent positive, but one company in the manufacturing sector reported that employment relations had worsened since 1989. The main positive aspects were that top managers are more open to communication with employees, they are no longer ‘dictators’, there has been decentralisation of the decision-making process and more power and authority has been delegated to middle managers, and there is more flexibility and more individual responsibility.

Nevertheless, many respondents mentioned a series of negative aspects, such as job insecurity, social atomisation, no objective criteria for restructuring or dismissal and that managers and employees were not prepared for a market economy system. It appears that management experienced the more positive changes while ordinary employees experienced the more negative aspects of the restructuring process.

It appears that all P(S)-L companies developed their IR in stages, but the duration of the stages was not the same for each and, by 2000, they have not reached the same phase of development. Respondents identified a different number of stages or phases, but they largely described similar experiences:

- (a) there was a stage in which labour had more power than capital, followed by
- (b) a stage when capital regained power and become more stronger than labour.

The P(S)-Lm1 company was privatised in 1990 and experienced just a short ‘chaos’ stage. This was because management took advantage of the lack of legislation

and set up an order-based relationship. However, the relationship between the power of labour and that of capital followed the same trend as in the other companies: the power of the trade union was higher until 1994, before decreasing later and becoming lower than that of capital by 2000. The company seems to be in the second stage described above, but still in a phase of development.

Companies P(S)-Lm2 and P(S)-Ls1 experienced a longer period of ‘chaos’, starting in 1990 and continuing until their privatisation in 1996 and 1997. Presently, they also seem to be in the second stage described above, in a phase of development similar to P(S)-Lm1. The state of IR in P(S)-Lm3 looks very different to that of other three companies, having no positive developments. This, too, is at the second stage, although it remains in the first phase of adversarial relations (transition), which were experienced in the other companies immediately after privatisation. This phase seems to be longer for P(S)-Lm3, probably because of more difficult problems with the sheer survival of the company.<sup>10</sup>

The IR system in P(S)-L companies may be considered as being in the *institutionalised collective bargaining* stage:

- (a) collective bargaining at company level is the main mechanism for establishing the terms and conditions of employment;
- (b) there is a market and a social orientation, and the intervention of the state is reduced;
- (c) the power of capital is higher than that of labour; and
- (d) relations between capital and labour are broadly either adversarial or co-operative.

Nevertheless, three of the companies are in a development phase while one is in a state of transition.

#### 5.4 New small and medium-sized private companies created after 1989 – P-SME

Of the four organisations sampled, one is from the manufacturing/production sector (printing) and three are from the service sector, all of them having operated for more than five years. There are two small organisations, P-SEs1 and P-SEs2, in the service sector; and two medium-sized organisations, one in the service sector, P-MEs1, and one in manufacturing/production sector, P-MEm1, having around 100 employees. None of them has a trade union and there is no collective bargaining at the company level. Generally, the employer in all four companies unilaterally establishes terms and conditions of employment, the only exception being for some core employees who may have an individually-bargained contract.

The relations between employers and employees do not seem to differ much from one company to another. In all the organisations a unitarist approach applies where employers do not accept trade unions, collective bargaining and conflict, do not delegate much power to middle management and are able to carry on virtually as they please. According to the employers, their attitude *vis-à-vis* employees is: ‘If you are not happy with the terms and conditions that I offer, you can leave.’ There seems to be

10 Many respondents mentioned that there are not enough contracts and that they have no work.

consultation with employees on technical matters, but this proceeds from a top-down perspective. Recruitment of employees is carried out mainly on the strength of 'recommendations', and relatives and friends are often the first employed, irrespective of their competence. The training of employees is carried out at the workplace by the more experienced employees. Employees have to work properly in these companies, but their salary is generally low and only for core employees is it usually higher than in the public sector.

It appears that IR in all the P-SME companies investigated may be considered to be in the *contestation* stage. This is because collective bargaining and industrial conflict are not accepted and so capital has considerably more power. This situation has persisted in these companies since their establishment. The style of relations between employers and employees may vary from co-operation to adversarial, depending on the employer's style of management. Therefore, even though there is a pluralistic legal framework for IR, a unitarist approach still applies in the new small and medium-sized private companies.

### 5.5 Private foreign-owned companies – Pf-E

There are two organisations in this sample; a large company (Pf-Lm1) from the production sector (a brewery) and one medium-sized company (Pf-SMEs1) from the service sector, both of them having been operating for more than five years. In Pf-Lm1, there is a trade union and the main mechanism for establishing terms and conditions of employment is collective bargaining at the company level. In Pf-SMEs1, the employer unilaterally establishes terms and conditions. As for Pf-SMEs1, there is, rarely, individual bargaining for some core employees. However, salaries in both companies are generally much higher than in Romanian-owned companies.

The style of the relationship between employers and employees is co-operative or conjunctive co-operative, depending mainly on the IR system of the native country of the owner and, also, on the style of management of the top managers. For instance, Pf-Lm1 has experienced two foreign owners from different countries and, since the change of ownership, there has been more communication and co-operation between employers and employees. Furthermore, this company has subsidiaries and, in one of them, the relationships between managers and employees, and between employees, are actually better than in the parent company. Within Pf-SMEs1, the employer-employee and inter-employee relationships are largely co-operative.

The main differences between foreign and Romanian-owned companies appears to be that in foreign companies, the salaries are higher, there is more delegation of power to middle management, the recruitment of staff is carried out more professionally and there is more training provided, particularly for the middle managers.

Nevertheless, there are a series of similarities between foreign and Romanian-owned companies. For instance, in Pf-SMEs1 and Romanian SMEs alike, there is no trade union or collective bargaining and, hence, the IR system is at a *contestation* stage while, in Pf-Lm1, there is a trade union and collective bargaining is at the stage of *institutionalised collective bargaining*, similar to its Romanian counterparts. However, in both foreign-owned companies investigated, the relationships between em-

ployees appear to be more co-operative and more stable than in their Romanian counterparts and employees have more job satisfaction. Therefore, IR in the foreign-owned companies investigated seems to be in a more mature phase than in their Romanian counterparts, although both types are at a similar stage of development.

### 5.6 Multinational companies – private foreign-owned – Pf-MNC

Pf-MNCm1, from the production sector,<sup>11</sup> and Pf-MNCs1, from the service sector, constitute this group. Both of them began operating in the early 1990s. They both have a particular mechanism to establish terms and conditions of employment – collective bargaining at the company level; in Pf-MNCm1, the collective agreement is concluded between the trade union and the management; while employees in Pf-MNCs1 do not have a trade union and the collective agreement is concluded by employee representatives and management. In both companies, individual bargaining is rare and mainly occurs over fringe benefits. Salaries in both companies are much higher than in nationally-owned companies, while top managers have salaries more comparable to those of the parent company than is the case for employees and, therefore, there is a large difference in the size of the salaries between management and employees. Both organisations provide much training for employees at all levels, not only for their middle managers.

Both companies have experienced a process of restructuring and reduction in employee numbers: by 2000, Pf-MNCm1 had 16% of the number of employees it had before privatisation; while Pf-MNCs1 had 36%. Both companies have tried to help redundant employees to find other jobs in similar companies. The process of restructuring took place in stages and the development of employment relations has followed a similar pattern. The relationship between employers and employees remains generally co-operative after the completion of the restructuring.

Therefore, both MNCs have experienced a similar development of IR, allowing them to be characterised as *institutionalised collective bargaining*, at the beginning of a maturity phase which, according to the respondents, started in 1999. Terms and conditions of employment are established through collective bargaining at the local level: capital seems to have more power than labour; the relations between them are mainly co-operative and the result of the exchange is, to an extent, positive.

## 6. Synthesis of the findings

### 6.1 Differences in industrial relations at the company level are determined by the company context

As can be seen in the synthesis of the findings presented in Figure 2, there are various types of IR systems operating at the company level. The differences in the industrial relations of the companies investigated can be analysed in terms of the company context identified by Dunlop (1958) which referred to ownership ('political context'), the

11 Based in Hungary.

size of the company ('technical context') and the sector to which the type of product belongs – manufacturing or services ('the economic context').

- a) Regarding ownership, there are important differences between IR within state-owned companies and that within private ones. For instance, three out of the five publicly-owned companies investigated are still at *Stage 0*, while none of the ten privately-owned companies have reached that stage; one state-owned company has an *HRM* type of IR; and only one has an *institutionalised collective bargaining* type, the same as half of the private companies investigated.

**Figure 2 – IR in Romanian companies in 2000**

Categories of companies	Capital (C)	Labour (L)	Extent of Govt. Intervention	Sum-game of exchange between Labour & Capital	Industrial relations types				
					Stage 0	Contestation	Institutionalised CB	Neocorporatist	HRM
					a, b, c, d	a, b, c, d	a, b, c, d	a, b, c, d	a, b, c, d
1	S-L	(	(	>	Neg.	1a*, 1b			
2	S-SME	>	<	<, >	0, pos.	1c		1b	1a
3	P(S)-L	>	<	<	Neg, 0, Pos.			1a, 3b	
4	P-SME	>>	<<	<<	Neg, 0		4b		
5	Pf-E	>>	<<	<<	0, Pos.		1c	1b	
6	Pf-MNC	>	<	<<	Pos			2c**	
	Total					3	5	8	1

*Legend:*

Govt. = government

Stage 0 = a new stage which includes a series of features met during the communist period, but in the context of a pluralist framework

S-L = large state-owned companies

S-SME = small and medium-sized state-owned companies

P(S)-L = large privatised companies – pre-1989 state-owned

P-SME = new privately-owned national small and medium-sized companies

Pf-E = private companies – foreign-owned

Pf-MNC = multinational companies – foreign-owned

Pos. = positive

Neg. = negative

a = transition phase

b = development phase

c = maturity phase

d = decline phase

\* = number of companies from that category in a particular phase

\*\* = one Hungarian company

Therefore, in over 60% of the state-owned companies investigated, the system of IR is not settled and is still heavily influenced by the period of communism. How-

ever, there is a great degree of variation between small and medium-sized state-owned companies, one of them (S-SMEs<sup>3</sup>) having a more market-oriented policy than any private company investigated. Nevertheless, there appears to have been less change in the IR system in most of the state-owned companies than in their privately-owned counterparts.

Examining the differences between the national and the foreign privately-owned companies investigated, there does not seem to be major differences in the stage at which these operate, but foreign-owned companies do appear to be in a more mature phase of evolution than their Romanian counterparts, as can be seen in Figure 2. This may be explained by most of the foreign employers having had more experience than their Romanian counterparts at dealing with employees in a market economy. Additionally, it appears that they have to delegate more power and to rely more on their middle managers because they are not familiar with Romanian business customs, including the labour market.

- b) Concerning the size of the companies investigated, there are important differences between large companies and SMEs, particularly in the private sector, as Figure 2 explains. In all the large companies investigated, there is regular collective bargaining at company level which is more or less effective, while in most SMEs there is no collective representation. Moreover, in all private SMEs a unitarist approach applies, which is not the case in any large private company. Nevertheless, the IR system in SMEs in the state sector varies greatly; one company investigated has collective bargaining at a local level and another at the sectoral level, while the third has been able to establish through collective bargaining only the rules of procedure.
- c) Looking at the type of product of the companies researched, there do not seem to be important differences between the manufacturing and the service sectors, as Figure 2 indicates. The IR system in both the manufacturing and the service sectors in state-owned large companies are at *Stage 0*, although the manufacturing operations are in a transition period while the service company is in a development phase. In the private sector, the IR system in both the manufacturing and the service sectors are at similar stages and phases of development. Nevertheless, there may be important differences between the manufacturing and service sectors in Romanian IR which the broad investigative methodology of this study was unable to reveal.

Therefore, the main environmental factors which determine differences in IR in the companies researched are the type of ownership and the size of the company. As the findings show, whether they belong to the manufacturing or the service sector does not seem to have an important influence on the type of IR in the companies investigated.

## 6.2 How changes in the Romanian industrial relations system at the company level take place

Since 1989, most Romanian companies have been confronted with the problems of survival and efficiency. It seems that, once they have resolved the problem of survival,

they start to look at efficiency and also try to improve relationships between employers and employees. The findings in the companies researched have shown that the solutions adopted by various companies are different. Most of the SMEs have adopted a unitarist perspective, depending mainly on the owner or top manager, while large companies have accepted a pluralist approach.

Considering the power relations between labour and capital, it appears that there have been two stages in the development of IR in most of the large companies which existed before 1989: in the first stage, labour had more power than capital, being supported externally by the government which was neo-communist and which had vested interests in workers supporting them in elections; and, in the second stage, capital regained power to make companies viable.

*The first stage*

The first stage had four phases which are more or less distinctive:

- (a) transition
- (b) development
- (c) maturity
- (d) decline

(a) The transition phase

The transition phase was characterised by the dismantling of the communist regime, when employees had many formal rights which did not operate in practice. It seems that, immediately after 1989, there was a short period when relations between management and employees and their representatives improved.<sup>12</sup> Many employees started to work more responsibly, because they believed that a market economy system would be introduced and that their quality of work mattered, but they soon realised that nothing had changed. Furthermore, the lack of legislation and a left-wing government created favourable conditions for labour to increase its power.

(b) The development phase

Since 1991, the labour movement has been developing, based on old and new legislation which regulated trade union status, collective bargaining and dispute settlement procedures. Trade unions developed mainly on the basis of the old structures. Some new unions have emerged, but many use the assets of the old trade unions. On the other hand, capital had virtually no previous experience with employers' associations, the private sector developed very slowly and the state was still the main employer.

(c) The maturity phase

The maturity phase is considered to start when new IR legislation became operational and trade union officials, trained with external help from developed countries, started to negotiate collective agreements and to be involved in the tripartite bodies at a national level.

(d) The decline phase

12 Less than one year, according to the respondents.



However, trade union power started soon to decline, particularly at the local level. Trade unionists became more involved in politics at the national level than in protecting workers' interests at company level, and their legitimacy has declined – first at the local level but, to some extent, a decline of power has also followed at the national level. Furthermore, there have been external factors which have led to a decline in labour power. Firstly, restructuring has started at the local level and many workers were dismissed or companies closed down; unemployment exploded from virtually nil to around 11%.<sup>13</sup> Secondly, the new private sector has developed and they simply did not accept trade unions. Furthermore, there has been an economic recession and an important fall in the population's living standards.<sup>14</sup>

### *The second stage*

Privatisation and/or the restructuring of companies determined a new stage in the development of IR at the local level, with capital there having more power than the trade union. It seems that, immediately after privatisation and/or restructuring (1-2 years), each of the companies investigated experienced a deterioration in the relationship between top management and employees and their representatives.<sup>15</sup> This period of adversarial relations has been followed by some improvement.

In the case of private companies, this phenomenon might be related to the privatisation process starting only after the legal act has been signed. This clearly implies a difficult period for the private owner. On many occasions, owners have had to restructure the company, entailing massive reductions in personnel, while there has been the need to pay back the loans borrowed to buy the company, to obtain information about it and its market, to form a new management team and to work with new partners. Therefore, they first have to solve the problem of survival and, after that, to deal with the issue of efficiency, which includes the establishment of good relations with their employees. The solutions adopted by various large companies are different, as is shown by the findings in the companies investigated, but they do follow a similar pattern although the duration of each stage is dissimilar.

## 6.3 Similarities and differences in the opinions of employers and employees regarding the transformation of industrial relations in Romania

Generally, there are not important differences between the opinions of employees and their representatives, and those of employers and their representatives, but they do emphasise several different aspects. The main positive changes in IR mentioned by both employers and employees are as follows:

- (a) the emergence of market economy institutions, particularly collective labour agreements at the company level, the change in the role of trade unions and the emergence of employers' associations;

13 *Raporturi de munca*, No. 7, 2000: 5.

14 See *The National Medium-Term Development Strategy of the Romanian Economy*, 2000.

15 This happened in the Hungarian company as well, according to the respondents.

(b) the mentality of people has started to change and there is more individual responsibility.

In addition, employees and their representatives mentioned as a positive development the introduction of the right to strike, while employers and managers noticed that the decision-making process has become more decentralised, there is more power delegated to the lower levels and more training for top and middle management.

The main negative changes in IR mentioned by both employers and employees are as follows:

- (a) laws are not respected, which situation has caused chaos and corruption
- (b) legislation is often changed
- (c) job insecurity
- (d) increase of individualism and social atomisation
- (e) lack of communication
- (f) no real change in the mentality of workers (they still 'pretend to work') and of managers (who maintain a 'top-down' relationship with employees)
- (g) increased pay differences between workers, middle management and top management.

In addition, employees and their representatives mentioned that, in many restructured companies, an employee who has remained in the company has to do the job of between two and five employees made redundant, while many local trade unions remain dependent on management and the lack of managerial skills of senior managers. Employers and managers noticed as negative developments in IR the increase in the shadow economy, high payroll taxes, financial blockages and the confusion which has been wrought by changes in the system of values.

The main issues concerning IR which were mentioned by both employers and employees are as follows:

- (a) corruption, particularly of top managers and trade union leaders
- (b) maladministration of companies and of the whole economy, which has led to recession, macroeconomic instability and high inflation, which is an important contributory factor in the low salaries and poor working conditions of most employees
- (c) the lack of communication between managers and employees, between trade union officials and their members, and between employees
- (d) the lack of a market economy culture and experience in it of all the actors involved
- (e) discrimination against women with children and people over 40 years old
- (f) the migration of young skilled people to developed countries
- (g) external pressure from the IMF to close some of the most productive Romanian companies (e.g. *Clujana*) in order to open market share in Romania for developed countries.

In addition, employees and their representatives mentioned job insecurity as a principal issue, while employers and managers from the private sector noticed a tendency for people to become 'workaholics', working more than 10-12 hours per day

(the higher the position, the greater the number of hours spent at work) and neglecting of family and social life.

The main factors which may improve IR, as suggested by both employers and employees, are as follows:

- (a) a change in the mentality of all the actors in order that they become more responsible. However, according to the respondents, this may take some time because it is the experience of a market economy which is necessary to bring about a change in mentality and this cannot be learned theoretically;
- (b) to have clearer tasks and greater transparency and communication between employers and employees;
- (c) more training for all social actors, as well as better moral education, cultivating values such as honesty and respect for others, for the law and for the principle of mutual assistance in order to prevent social atomisation and individualism;
- (d) stable legislation.

In addition, employees and their representatives emphasised that a good management team is necessary to assure work for their employees, while employers and managers mentioned that, in order to find the right employee for a job, proper recruitment is the main solution to improvements in IR. They also mentioned that teamwork and better communication between managers is necessary in order to understand what each of them is doing and that these were other factors which may help to improve IR at the company level.

From the above, it can be concluded that the opinions of employees and their representatives, and employers and managers and their representatives, does not differ fundamentally. Both had noticed similar changes in the Romanian IR system, while they also agreed on the issues which had arisen due to the transition to a market economy and suggested similar solutions to improve IR at company level. Nevertheless, there were some different aspects emphasised by the two parties, employees being mainly concerned with job insecurity, while employers and managers focused on the factors which limited the competitiveness of their company, as mentioned above.

## **5. Conclusion**

Since 1989, there has been a fundamental change in IR in Romania. This did not take place rapidly but developed in stages. The emerging system of IR has new institutions (e.g. trade unions, employers associations and a collective bargaining mechanism), but the old attitudes of the actors still have an important influence on IR at the company level, as these findings show. They are also in line with those of Vickerstaff et al (1998: 220), which suggest that the process of enterprise transformation in eastern Europe is not straightforward and that economic and political heritage, and the enterprise-specific legacies of the communist period, are still important. Hence, it appears that the Romanian IR system is path-dependent, as scholars have found in other CEECs.<sup>16</sup>

16 See A. Pollert (1999); S. Vickerstaff et al (2000).

A revision of Crouch's exchange theory proved to be very useful in explaining the great variety of IR practices at the company level. Differences in the type of IR are determined mainly by the ownership and size of the company,<sup>17</sup> while the behaviour of senior managers also has an important influence on the system of IR at the company level.<sup>18</sup> As can be seen from Figure 2, in most publicly-owned companies IR has not settled down and the influence of communist legacies is still important, while in most of the privately-owned companies there have been more fundamental changes. *Institutionalised collective bargaining* is the predominant type of IR among large companies, while most small companies have a *contestation* type of IR, which is the first stage in the historical perspective mentioned by Crouch (1993).

Therefore, it may take a long time until a system of IR becomes firmly established at the micro level in Romania and the IR actors will continue to gather experience in the meantime. Crouch (1993) demonstrates that the institutions characteristic of labour relations in western Europe have been built up over a long period of time. It appears that, in eastern Europe, this will also take time and that a degree of experience will be necessary before a pluralistic type of IR can become established.

## References

- Aro, P.O. and Repo, P. (1997): *Trade Union Experiences in Collective Bargaining in Central Europe*, Budapest: ILO-CEET.
- Casale, G. (1999): *Social Dialogue in Central and Eastern Europe*, Budapest: ILO-CEET.
- Ciobanu, A. and Parciog S. (1999): *Background Study on Employment and the Labour Market in Romania*, Bucharest: European Training Foundation.
- Crouch, C. (1993): *Industrial Relations and European State Traditions*, Oxford: Clarendon Press.
- Crouch, C. (1999): *Social Change in Western Europe*, London: Oxford University Press.
- Croucher, R. (1998): *Economic Development and Trade Unions in a Transitional Context: The Romanian Case*, London: Labour and Society International – Discussion Paper No. 4, March.
- Dunlop, J. (1958): *Industrial Relations Systems*, Carbondale Il: Southern Illinois University Press.
- Dunlop, J. (1993): *Industrial Relations Systems*, Boston, Mass: Harvard Business School Press (revised edition).
- Kochan, T. A., Katz, H. C., McKersie, R. (1994): *The Transformation of American Industrial Relations*, New York: ILR Press (2<sup>nd</sup> edition).

17 This is in line with the theory of Dunlop (1958).

18 Vickerstaff et al (1998: 220) also found that senior managers have an important influence on enterprises being restructured in their investigations in Bulgaria and Poland.

- Kochan, T. A., McKersie, R. B., and Cappelli, P. (1984): "Strategic Choice and Industrial Relations Theory", *Industrial Relations*, Vol. 23 No. 1, Winter.
- Moarcas, A. (1999): *Sindicatelor componente fundamentale ale societății civile*, Bucharest: Tribuna Economica.
- OECD (2000): *Economic Survey on Romania*, Paris: OECD.
- Pliszkiewicz, M. (1999): "Le développement du nouveau droit du travail en Europe centrale et orientale", *Revue internationale de Droit Compare*, No. 2, pp. 280-304.
- Pollert, A. (1999): *Transformation at Work in the New Market Economies of Central Eastern Europe*, London: Sage.
- Popescu, A. (1997) "Legislația română a muncii și protecției sociale – prezent și perspective" *Dreptul*, No. 10, Bucharest.
- Popescu-Birlan, L., (1994): "Privatisation and Corruption in Romania", *Crime, Law & Social Change*, No. 21, pp. 375-379.
- Raporturi de munca*, Bucharest, Ed. Tribuna Economica, No. 7, July 2000.
- Stefanescu, I. T. (1999): *Tratat elementar de drept al muncii*, Bucharest: Lumina Lex.
- The National Medium-Term Development Strategy of the Romanian Economy* (2000), internet site: <http://domino.kappa.ro/guvern/strategia.nsf>, July 2000.
- Ticlea, A. (1999): *Codul muncii – Contractul colectiv de munca unic la nivel național, pe anul 1999-2000*, Bucharest: Lumina Lex.
- Vickerstaff, S. and Thirkell J.E.M (2000): "L'importance de la continuité sociale et politique de l'entreprise en Europe centrale et orientale", in Lestrade, B. et Bontillier, S. (2000): *Les mutations du travail en Europe*, Paris: L'Harmattan.
- Vickerstaff, S., Thirkell J.E.M and Scase, R. (1998): "Enterprise Strategies and Labour Relations in Central and Eastern Europe", in Henderson, J., (1998): *Industrial Transformation in Eastern Europe in the Light of Asian Experience*, Basingstoke: Macmillan.