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CHAPTER THREE

Legitimacy

Petr Mareš

3.1 INTERPRETATIVE SCHEME

This chapter is an attempt to ascertain the legitimacy¹ of the new private enterprise ownership. From the point of view of various concepts of legitimation in sociological theory the problem of the legitimation of privatization may be understood as:

- Support of privatization in the dimension of everyday life as its explanation and justification, or as legitimation practices (Berger and Luckman, 1985).
- The degree of the rationality of privatization from the point of view of the functionality of the social (in this case especially the economic) system of society (as a counterpoint to Habermas's theory of the crisis of legitimation as a crisis of rationality).
- Enforcement of the change of standards and rules both for those who are subordinated to the (new) power and for holders of the (new) power (Offe, 1989).

As Berger and Luckmann (1985:111) predicate: "Legitimation is the process of 'explaining' and 'justifying'. Legitimation explains the institutional order by ascribing cognitive validity to its objectivated meanings. It justifies the institutional order by giving a normative dignity to its practical imperatives". What does legitimate the new private ownership of enterprises in the eyes of employees (both workers and white collar workers) in recent Czech society? Our findings support the view that the legitimacy of privatization in the post-Communist

¹ The Latin word "Legitimus" allows various interpretations: rightful, recognized, lawful etc.. The introduction of the category "legitimacy" into sociology is connected with the name of Max Weber. Müller (1991) points out that "legitimacy" as a key problem occurs in sociology at three basic levels:

- At the level of legitimation practices (Berger and Luckmann 1985).
- At the level of relations between social system (civic society) and state (Habermas 1975).
- At the level of the function (working) of the political system (Held, Offe).

Czech society is derived from the crises of the old Communist regime. In Habermas' notion (1976) the crisis of the Communist regime was a systemic crisis (crisis of economics and crisis of rationality) and an identity crisis (crisis of motivation and crisis of legitimacy²).

Thus, the Communist regime seemed to be irrational both from the point of view of the élites and of the masses. As Možný states (1991), the regime did not enable the Communist elite to transform the uncertain social capital (a tangle of old obligations, reciprocal favours, and mutual relations of the type known as "having each other over a barrel") into safe economic capital like e.g. a lawful account with a reliable bank. On the other hand, the regime did not make it possible even for the elite growing out of the grey or informal economy to legitimate and ostentatiously make use of their – initially modest but afterwards constantly growing – economic capital (the grey economy elite had no institutional base for its power). But the regime appeared as irrational to the masses as well, for the value of money kept falling and the hunt for general run articles by means of social ties (because they were unavailable on the market) was more and more tiring.

This collapse of legitimacy of the old regime owing to the crisis of its rationality is, at the same time, one of the important elements of the legitimacy of the new system based on private ownership and, consequently, one of the important elements of the legitimacy of the private ownership itself. Public opinion polls show that the privatization of state-owned enterprises is seen most often by nearly the entire population as an attempt to resolve the crisis of legitimacy as the crisis of the system's rationality: a generally held belief that private ownership is valid and justified as regards this reason.

3.2 LEGITIMATION

Berger and Luckmann (1985:82) argue that the edifice of legitimations is built upon language and uses language as its principal instrumentality. The 'logic' thus attributed to the institutional order is part of the socially available stock of knowledge and taken for granted as such. It is important to understand that legitimation has a cognitive as well as a normative element. In other words, legitimation is not just a matter of 'values'. It always implies knowledge, as well. Legitimation produces new meanings that serve to integrate the meanings already attached to disparate institutional processes. In Habermas's (1975) notion it means "interpretative schemata susceptible to consensus". What is the basis of such an interpretative schema in Czech industrial enterprises? On the

² Legitimation crisis as the failure of a political order to generate a sufficient level of commitment and involvement on the part of its citizens to be able properly to govern.

surface, there is an accord between management and workers concerning the change of ownership in the process of privatization. The legitimacy of this change is not questioned even by trade union representatives. This general agreement of employees rests on their faith in the omnipotence of market mechanisms. After a deeper analysis, however, the legitimacy of this change does not appear so unequivocal.

The findings that we gathered in two enterprises privatized in two different ways show a basically identical element in the legitimation of privatization seen both with workers and managers (Mareš, Musil, 1994). In agreement with the conviction of the entire population, workers and managers in *DOMUS FACTORY* and *MECHANICA CORPORATION* are convinced that privatization means a radical increase in the rationality and effectiveness of society's economic and social systems. The legitimacy of the new private ownership is derived primarily from the failure of the mechanisms of planned economy under "really existing socialism", and from the expected capacity of private ownership to correct the consequences of this failure³. The incapability of the socialist planned economy to satisfy the consumption aspirations of the population was one of the reasons why the legitimacy of the Communist regime eventually became so weak that it could not provide needed support in the dimension of everyday life experience.

The interviewed persons do not ask themselves whether the enterprise should or should not be privatized. All of them – either managers or workers – asked only whether the new employers would be able to manage the company towards prosperity and a growth in wages (improve the economic rationality of enterprise). The interviewed persons almost without exception expressed their agreement with the transfer of enterprises into private hands. However, a substantial number of workers qualified their assent in their answers to probing questions. Workers expressed their agreement with privatization and explained their opinion with the same interpretation schema as did the managers – the effectiveness of private ownership. Nevertheless, an in-depth interview revealed in their statements (in language partly taken over from the mass media where liberal rhetoric prevails) a hidden conflicting notion. The workers in *MECHANICA CORPORATION* especially expressed in their answers to additional questions their conviction that enterprises as large as their own one should remain state-owned.

This contradictory attitude of the workers indicates an inner conflict in the mind of the interviewed between the idea of economic effectiveness (at the cost

³ Keller (1993:81) characterizes the era of really existing socialism: "Resources had been turned to ashes and dust. However, without corresponding levels of consumerism this has not strengthened the legitimacy of the regime. The result was a widespread feeling of relative deprivation among masses that knew hamburgers and beer in cans only from American movies." In his interpretation, the whole system collapsed "when the rich were no longer able to pay the poor and the poor were no longer to be proud of their being poor."

of insecurity) ascribed by them to private ownership and the idea of social security (at the cost of both a lower efficiency and a lower income) associated by them with state ownership. Thus, in the workers' minds the new legitimacy of private ownership is being mixed with the old legitimacy of state ownership. The legitimacy of private ownership derives from the conviction that it is able to ensure higher standards of living by means of increasing the efficiency of the economy. The legitimacy of state ownership derives from the conviction that it is able to guarantee absolute job security. The main motive behind the wish to preserve state influence or state ownership of large enterprises is the belief that state influence would preserve the traditional "social certainties" (absolutely stable jobs connected with a low intensity of work and income ensuring a middle-class standard of living). The state is seen as an institution capable and duty-bound to guarantee the social security. In the background there is a vague notion of the state as the only guarantor of life certainties that the population acquired over the course of several generations under the conditions of the socialist regime when the state was the sole employer. Under the Communist regime, when everyone was an employee of the state, workers learned to associate with the state the security of their jobs.

The whole process of privatization is being associated by the workers with expectations of reciprocity. As one of responding workers expressed this, *"it is not bad that companies will be transferred to private hands but workers should be then paid better"*. Workers expect that "they will work more but they will also earn more". Because workers related this expectation to the sacrifice they will have to make (loss of job security), they may think of it as their natural right. This is a reasonable exception, but there is a hidden conflict in the reality of post-Communist society. Wages paid out in state enterprises were often not proportional neither to the outputs of enterprises nor to the intensity of work of the employees (both workers and management). The production of a considerable part of state enterprises found a market only thanks to the monopoly position of these firms and the lack of supply of comparable goods. Similarly, there was a complicated system of redistribution of profit from more successful enterprises by means of which many loss-making enterprises were kept going. This fact not only ruined the economy and demotivated the workers but it had another consequence which gains importance today. It led the workers to believe that stability of their jobs does not depend on the enterprise's success in the market. They associate it with state interventions and at the most with their "good work" (achievement). They make light of the fact that "good work" may not be in great demand, that there may be little demand for their products.

White collar workers legitimate private ownership in an analogous way. The privatization process is understood by white collar workers as a non-political process of the state societal reorganization aimed at an effective functioning of an enterprise. White collar workers derived the legitimacy of privatization from

the effectiveness which is expected to result. The process of privatization is thus understood as a widening of the space for the economic maneuvering of enterprises which will guarantee the rise of their employees' living standards. Nevertheless, white collar workers in *MECHANICA CORPORATION* demand some state intervention as a support. The workshop foremen, in particular, have a relatively distinct notion about the necessity of strategic interventions by the state into the economic policy of enterprises (to advise and guide them in the competitive environment within the context of a state economic policy as a whole). White collar workers are the most frequent advocates of continuation of state interventions in the economy (although not state ownership). They mostly understand this intervention as "guidance" of the firms in the market and creation of advantageous conditions in competition with foreign firms. Some opinions, however, quite clearly indicate unclear notions regarding both privatization and the functioning of the market ("the state must partially influence the companies so that no shortage of goods appear on the market"). In addition, white collar workers in *MECHANICA CORPORATION* are afraid of the large and uncontrolled power that has been concentrated in the hands of the management.

The managers understand the privatization quite differently than do the workers and white collar workers. For managers the privatization unambiguously means introduction of rationality and competence. That means, above all, their own rationality and competence (in contrast with both the workers and – at least in *MECHANICA CORPORATION* – the owners represented by impersonal PIFs connected with big banks). Managers understand privatization primarily as a chance to behave "economically". The management of *MECHANICA CORPORATION* as in many other enterprises is excited with new opportunities given by the removal of centralized state controls and does not yet feel the control of the owners. "Above us, there is only God," claims one of the top managers and understands it both as an obligation and as a potentiality. Recently old political powers have lost their influence on the enterprises and owners only now strive for control over enterprises. The PIFs as owners have to negotiate for their influence with "competent" management.

It results in the penetration of the management onto boards of directors of affiliated companies, and in management's effort to form a social coalition with workers and trade unions to maintain the position of the real owners of the enterprise. PIFs very often gathered a large capital in privatization vouchers and, due to the rule that any particular PIF can own no more than 20 percent of any privatized enterprise, the biggest PIFs had to divide their capital between hundreds of different enterprises. Being established ad hoc and very hastily only a few months before, PIFs lacked the effective power (in know-how and qualified personnel) to realise ownership rights in enterprises they partially own.

In this situation, the management has its own concept of the rational functioning of the company. Managers are not interested in sharing the freedom of decision which has come along with the social change with anyone – neither state nor trade unions, neither workers nor PIFs as new owners (in *MECHANICA CORPORATION*). This notion is economically oriented. The possibility that economic rationality may not always mean social rationality is not being considered. When confronted with the choice between authoritarian management, bargaining and participation as three conceptual models for the design of organizational structures, the authoritarian model is preferred by the management. During the transformation toward market economy, the enterprise pursues the modernist concept of rationality and any criticism of rationality (actually authoritarian management) can only be perceived as a legitimation of irrationality.

3.3 LOSS OF JOB SECURITY IN CONSEQUENCE OF PRIVATIZATION

In the communist regime there was absolute job security. One had to commit a crime to be dismissed. Under the totalitarian system the universal (and obligatory) character of employment served to maintain political control over the society. Full employment was maintained at the expense of efficiency was connected with the low intensity of work. As Možný (1991:43) says: “In the Communist society, rationality of manageability was preferred over rationality of productivity”. It did not only mean low efficiency of the economy but low effectiveness in all spheres of social life. Thus, in many cases the new owners of privatized enterprises will have to resort to dismissals and enhancement of labour productivity while keeping up the level of the purchasing power of wages or levelling it downwards. In any case, workers’ purchasing power (after the price liberalization in 1992 the per capita real incomes fell by almost 30 %) and job security are menaced. That means there is a latent risk that social peace will be undermined in the near future because of the unmet aspirations of workers.

The fact that privatization is not being rejected as illegitimate probably is a consequence of workers’ aspirations toward a higher living standard that privatization is expected to fulfill. It may also be related to the fact that workers so far have not associated their loss of job security with the loss of the position of their company on the market. They derive the legitimacy of the entitlements they got used to (right to work given by fulfilment of their duties), as they did in the past, from their performance and time in which they accomplish their task. Why should they lose jobs when they work hard and well? Why should their products not sell if they are good and if the workers toiled hard to make them? If they do not sell, the government is responsible. Problems exist only because the

government has not honored its “duties” to the workers. “*Big companies with thousands of workers are going under and the government is not dealing with it, cares nothing about the people and simply shuts the business down,*” summarizes one of the workers how he and his companions understand the situation. Thus the legitimacy of privatization can be easily put in doubt at the moment when the unemployment rate grows to the level common in EU countries now and when job insecurity, now latent, becomes real.

Workers base the legitimacy of privatization on an exchange of hitherto guaranteed “security for all workers” for the “future higher welfare for those who get on with their work” (Možný, 1991). They guess their security lies in being a good worker, better than the others. This change indicates a collapse of the idea of “common gain compensated by renunciation of effort to maximize individual gain” – so that all may gain equally even at the cost that some will have less than in the case when gains would not be limited by redistribution. It is also, perhaps temporarily, an expression of the individualization of workers and weakening of their sense of class solidarity. This is indicated by the hope widely shared among workers that each reduction of the company workforce increases job security for those who remain employed. Such an understanding of the situation is facilitated by the fact that there were no massive lay-offs in *MECHANICA CORPORATION* nor in *DOMUS FACTORY*. “Only” foreigners (the Vietnamese) were laid off in large numbers but this was understood as a strengthening of the position of native workers.

Others who left were either the highly qualified, who sought better opportunities elsewhere, or the incompetent or the redundant, who the companies have got rid of individually. Thus, in the workers’ interpretation the only workers laid off so far are those who did not belong to the enterprise, were strangers there, unproductive, disloyal – their work morale was not good (however, under the Communist regime the work morale of most workers was not very high and performance was based on rather low standards). Layoffs have been presented and understood in the company as the letting go of useless employees whose work had only been necessary for the maintenance of the centralized planned economy. This was a specific way in the communist economy of providing social security and access to consumption for a number of both workers and white collar workers. In the market economy, however, their work appears not only unproductive but outright nonsensical. Elimination of these positions therefore created no tensions. Among workers, convinced about the centrality of production, the layoff of white collar workers met with satisfaction. It was seen as a reduction in the overblown administrative apparatus. The firings thus far generated a bonding ritual among the remaining company employees (in a critical situation) rather than a stimulus toward greater solidarity of workers. More layoffs that would affect certain groups (women, pensioners, foreign workers – an

indication of discrimination), therefore, may not elicit any meaningful resistance among workers.

3.4 LEGITIMACY OF PARTICULAR OWNERS

If we can argue from our findings that the legitimation of privatization is based on its linkage to the rationality and efficiency of private ownership, what is the position of the legitimacy of concrete owners? In *MECHANICA CORPORATION* the owners of factory (powerfull PIF) appear to managers as well as workers as troublesome burdens, unfathomable elements which threaten rather than facilitate expected gains. This opinion is contrary to the common opinion that owners are a guarantee of the economic effectiveness of the enterprises they own (legitimacy of private ownership is its rationality). Thus, at the macrostructural level privatization seems to be a hope to most workers and managers, but at the level of “everyday-life” it causes apprehension. In *MECHANICA CORPORATION*, privatized in an impersonal way, this concern relates to the possibility that the owners (PIF) will pursue their narrow interests at the expense of the particular enterprise. In *DOMUS FACTORY*, privatized by concrete persons the attitude of workers towards the privatization is influenced by the fear of wilfulness and social insensitivity of the new owners. That is why 60 % of the interviewed recommended that government be given a possibility to correct for the social consequences of owners’ decisions. The fear that the company owners would take socially unfavorable decisions is counterbalanced by the belief that privatization would strenghten the owners’ and management’s responsibility for the company’s fate, its stability on the market and improvement of work organisation.

The dilemma between the responsibility of management toward the stock holders or toward the employees is being resolved by a majority of the management in favour of the interests of the employees. “*We have only 20 percent of the stock*” is how a member of the middle management formulates the shared opinion in *MECHANICA CORPORATION* when he speaks about the stock of employees and the association⁴ of small stockholders organized by the labor union. “*The association of stockholders should support the interest of employees so that the owners do not intervene in the strategy of the enterprise,*” is how one worker expresses the same notion. “*The main thing is for the company to maintain its influence*” (that is to say, against the decision-making of owners), de-

⁴ Associations of stockholders are organized groups of small holders who obtained their stock in the coupon privatization. In total, they own around 23 percent of all company stock issues in *MECHANICA CORPORATION*, but individually less than 10 pieces each. These stockholders were organized by the company labor union as a counterbalance against large stockholders, mainly investment funds organized primarily by financial capital.

mands another. The top management realize that they will have to manage the company on behalf of the owners but hope that the owners will give them a free reign. The middle management and the workers hope that the owners will identify with the management, not that the management will have to accommodate the owners. The workers think that owners should not intervene at all in the company management. In both explored enterprises, but especially in *MECHANICA CORPORATION*, both managers and workers do not deny the owners' right to profit. But they place their own claim for job security over it and therefore they demand that the greater part of this profit should be invested back in the enterprise's development. Its future is also their future.

There is agreement among all employees that they should establish their coalition as a counterweight against the owners in *MECHANICA CORPORATION*. This conviction makes room for the creation of social coalitions which tend to attract not only the top management but also the middle management and possibly also the workers. In accordance with top management trade union also attempt to create a coalition with small stockholders (trade unions are organizing them in an interest association). These small stockholders include owners of employee stock and individual owners of stock obtained in the coupon privatization. An admitted goal of this coalition is to strengthen the position of the management vis-a-vis the PIF's one. In contrast to some companies privatized through direct sale to individual owners (*DOMUS FACTORY*), the efforts are aimed at the creation of social coalitions across the whole vertical structure of the enterprise and even outside of it.

It is so because in the company, employees fear that PIF's behaviour and their "blind interest in high dividends" will threaten "the interests of the company" which are thus seen in contrast to PIF's interests. The survival strategies of companies and of PIF are perceived by the majority of respondents as mutually contradictory. Behind most of the largest PIFs stand the interests of big banks. Paradoxically this leads to support for privatization in parallel with the perception of owners as mere predators ("*because they privatized the company in order to profit from it rather than help it*"). In general, legitimacy for privatization is derived mainly from the interests of the company, or in the whole context, the interests of its employees (management and workers). One of the employees expressed it explicitly when he said that it is necessary that "*the gains of privatization are not exploited by other people outside of the company who have not contributed to it*". This attitude is close to the preference for employee ownership. In *MECHANICA CORPORATION* this attitude was relatively strong (especially in comparison with *DOMUS FACTORY*) and it manifested itself in frequent purchases of stock of their own enterprise through coupon privatization, particularly by managers and white collar workers.

3.5 OBLIGATIONS AND RIGHTS

As far as the duties of owners (PIF) are concerned, all employees (workers as well as white collar workers) in the company expect these owners to limit their claims on dividends. Instead of exploiting these claims they are expected to invest in the enterprise. That is to say, they will commit to “the future” of the enterprise employees and their job security. All employees prefer investment in their future over the present distribution of profits through wages and benefits. Among workers, this orientation towards the future is weaker than among managers and white collar workers. Workers demand greater investment at the present time. As far as investment is concerned, opinion among workers is undivided. All workers are convinced about the need to invest in new machinery. Workers associate this investment with the maintenance of their social security. However, with a sole exception, the idea of investment in human resources⁵ (primarily into training and education of employees) was completely absent from elicited responses.

The opinion of management regarding the change in the degree of worker’s rights is very fragmented. According to management, those who gained from the changes were the capable, dynamic and creative people who are loyal to the interests of the company. Those who lost were people who “*got the factory mixed up with the social security office*” and who “*don’t keep up*” – but also those whose work the company no longer needs. In this regard, management views the situation through the prism of performance (quantity and quality of an output). The most frequent opinion is, however, that the post-1989 changes have not harmed anybody. From the viewpoint of social rights, management admits its gain and workers’ loss in the process. Generally, however, this loss is understood by management as “assigning to workers the role that belongs to them”. According to management, workers have not lost their rights but are losing privileges accorded to them without justification by the previous political regime.

Workers see their rights mostly as undiminished at present. Their attitude is inconsistent in regard to their understanding of their rights primarily as a “right to job security” and a right to certain social benefits. Most workers paradoxically cite these two specific losses – job security and benefits – as the most felt outcome of privatization. According to foremen, a sizeable part of the workforce does not realize yet that “*nobody will take care of them*” and that “*they will have to defend their rights themselves*”. Interviews with workers confirm the validity of these assumptions. That workers are somewhat confused in this re-

⁵ The entry of foreign capital is accepted by employees mostly in the form of cultural capital (“knowhow”) and social capital (assistance in penetrating sophisticated markets through the sales networks and the image of the foreign partner) rather than in the form of financial capital.

spect can be seen in the resigned statement of one of them who said that he would *"have to know everything that I have a right to."* At present, workers do not even have a clear idea about how to defend their rights. *"Perhaps through the unions,"* say some. They do not trust the unions much, however.

Workers often express a conviction that *"those who have worked honestly will not be touched"*. *"I am doing my work like I did it before,"* expressed one respondent what was in the subtext of his colleagues' opinions. This notion can have the appearance of a purposeful construction that preserves the integrity of a threatened personality (*"I cannot lose out because I am a good worker"*). It can also signal a notion about a certain continuity of life that can be preserved even during the process of transformation (*"If I work honestly, everything that I have been used to will be guaranteed to me"*). This implies that workers do perceive the privatization process with certain worries, despite their verbal support for it. They tend to define it in terms of how it will not worsen their position rather than how it may improve it. If they do not talk about any losses, they do not admit any gains either. This applies to financial gains as well, because they judge wage increases in terms of purchasing power which has in fact decreased. The wage, in their opinion remains a social category derived from the cost of living rather than from the productivity of labor and demand for the products. This philosophy, widespread as it is in the company, has clearly surfaced as a union demand in the first half of 1993 during the tripartite negotiations among the entrepreneurs, the government and the trade unions.

The legitimacy of management is newly understood by workers as a duty to guarantee work to all employees of enterprise. (Under the past regime, this had also meant guarantees of wages comparable to wages in other enterprises). Workers tend to blame first the management for the potential failure of their company. They only rarely tend to assign responsibility to the owners for this failure, and they tend not to blame themselves at all. A substantial part of management legitimacy is still being associated not with its market activities but to its activities inside the enterprise. This means that work should be organized so that workers would not have to accept any other obligations that those that can be expressed in terms of performance (no decisions about it, no participation during the performance). In the eyes of management its own status and that of the workers is legitimized by the level of sales of the company output; in the eyes of the workers its status is legitimized by the very act of producing, unconnected with market demand for what is produced.

For most of management, the focus of activities in the company is the sales department plus research and development (new design ideas). The workers, however, cling to their conviction about the priority of production. In their eyes, **production alone creates the entire wealth from which all employees of enterprise live**, including those who do not directly produce and *"merely think up what to produce"* and *"whom to sell it once it has been produced"*. In various

ways, the workers express the opinion that they do not get a corresponding share of the money that becomes available if the enterprise succeeds on the market. Before this package of money gets down to the workers, "*those above will pick it apart*", that is to say, "*they take what truly belongs to the workers because the money was exchanged for what the workers have made by hard work of their hands*". This seems to confirm the presupposition that workers may understand that the distribution of gains from company profits will be made, as before, according to the principle of extreme equality ("*we all have the same stomachs*") and therefore shares in profits should not be too different) or through an arbitrary distribution determined by management, or according to principles of clientelism.⁶

3.6 LEGITIMATELY ORDERED INTERPERSONAL RELATIONS

Workers of *MECHANICA CORPORATION* today rather neglect the point of privatization as a restratification of the whole society (or they do not consider it as substantial) through the emergence of new owners' class. They rather understand restratification of the society connected to privatization through the prism of their narrow personal experience in terms of restratification of their company. It is evident from the whole context of interviews held with workers that they perceive the contradiction between workers and management as more real and antagonistic than the contradiction between employees (workers) and owners. They do not focus on the growing power of owners but they do on the growing power of management. The privatization seems to them as a rise of a new dominant social class out of the management.

The growing feeling of workers that managers form a new dominant class⁷ is associated with the conviction that this is happening primarily at their cost. This is very painful and complicated because in a certain sense workers take management as their own representatives and understand the expansion of managers' power and incomes that distances the two groups as an excessive exploitation of privatization by the management. They perceive the whole process as an expansion of the managements' position, as a "zero sum game" in which workers lose what the management gains. They feel a relative loss despite proclama-

⁶ In the planned socialist economy income from work bore no relation neither to market value (the labour market was regulated so strictly that it did not exist in the proper sense of the word) nor, in most cases, to performance (productivity). The extra part of income supposedly tied to performance was mostly allotted at random (in such a way that all members of the work group received it in their turn) or according to political or social capital (between the one who allotted it and the one who received it a relationship was established of a patron and a client).

⁷ A part of the management actively participates in this process by taking positions in the board-rooms and advisory bodies of new daughter companies that determine distribution of profits and other rewards to themselves.

tions that the changes really do not touch them. They feel that they have lost their old legitimacy in the process of change: physical performance completed in due time is no longer the key criterion of good work. They have not yet developed for themselves a new concept to legitimacy.

Most of the workers understand the rise of the new class of owners and managers as nothing more than a transformation of the old political elite. In their opinion, the old bosses are only transforming their former political and social capital under the new conditions. The middle management sees the situation analogically, but sees it less emotionally and, of course, without bitterness. Managers emphasize human and cultural capital which is based on their previous political and social capital. (*"Managers who have accomplished something manage to keep their posts despite of their communist past."*).

Workers' conviction that the top management uses privatization for its own benefit is widespread in the company. They suspect them of two things. First, workers understand privatization as uncontrollable manipulation of state property where managers take advantage of their cultural and social capital. It applies especially to suspicious sales of separate parts of the enterprise or to reorganizations incomprehensible to the workers. Second, workers perceive top managers as people who divide their activity (and interests) both inside and outside the company. A part of top management accepted memberships of managing boards of several companies. Workers interpret this as undue security measures on the part of managers in the case that the company should go bankrupt. In the opinion of the workers, this makes the managers lose interest in the company and invest their energies in activities outside of it. It is as if they tried to secure for themselves what the workers see vanishing from their reach, that is to say, job security. Workers are more sensitive to this than to the growing income of managers. In regard to the central concern for job security, workers understand this phenomenon as a threat to their own employment.

The deepening of status and other differences between workers and management is regarded as legitimate only up to a certain level. It is a general tendency in the Czech population. In one public opinion poll (Večerník, 1993), 20 percent of respondents demanded that the state determine the upper income limit that anyone can earn. Workers would accept as socially acceptable just relatively small differences between their wages and those of the management. Certain behaviours of the management, for example the use of company property such as cars, are understood by workers not as a part of manager's role but as an expression of their new high status and their wastefulness. An automobile brand name in reality does manifest such status for managers too.

3.7 SOCIAL MEMBERSHIP – TRADE UNIONS IN THE NEW SITUATION

Trade unions organizations both in *MECHANICA CORPORATION* and in *DOMUS FACTORY* are part of autonomous trade unions which together form a confederation of trade unions. These trade unions were established in 1990 after the break-up of united trade unions controlled by the Communist party. In the new situation it is difficult for the trade unions to find their position and legitimacy. Employees of the enterprise are for the most part members of the TU organization that was formed by transformation of the old TU structure. Most of them join the new trade unions out of force of habit. The prestige of trade unions is neither very high neither in *DOMUS FACTORY* nor in *MECHANICA CORPORATION*.

This corresponds to the sceptical view, widely held among the population, of the value and quality of trade unions. Public opinion polls suggest that the prestige of trade unions among the population is low. The public lack faith in the unions' ability to defend the rights of workers. People cannot imagine that employees could be protected against owners by something other than the bureaucratic state. The old regime politicized the trade unions and transformed them, together with the parliament and the press, into branches of the Communist party supporting first and foremost its interests. According to the majority of workers in both *DOMUS FACTORY* and *MECHANICA CORPORATION*, unions do a better job in supporting and organizing workers' leisure time than they do in defending the interests and rights of their members. Unions, they believe, carry little authority among the management of enterprises. Most union members do not appear to be interested in how their unions function.

Workers desire the unions to be a strong opponent of the management and defenders of workers' rights. There are, however, certain differences in the approaches to unions between *DOMUS FACTORY* and *MECHANICA CORPORATION*. These differences are connected with different forms of privatization. In *DOMUS FACTORY* the workers lay considerable stress on antagonism between trade unions and management. Opposed to *DOMUS FACTORY*, the notion of the union as a "collaborator of the management" is accepted at the *MECHANICA CORPORATION* with a tinge of resignation ("they will accommodate the management as they did before"). This is connected with the understanding of management as a new class but at the same time with the conviction of common interests of management and workers as regards the PIFs as impersonal owners, which is characteristic of *MECHANICA CORPORATION*. White-collar workers have a dual attitude toward trade unions. On the one hand, like blue-collar workers, they take unions as a guarantee of social securities. On the other hand, they consider them as blue-collar workers' business. They understand the cur-

rent social peace as useful but are sceptical about its maintenance over the long run.

In both *DOMUS FACTORY* and *MECHANICA CORPORATION*, workers perceive unions as ineffective and weak in defending workers' rights. They perceive the diminishing power of the unions as a consequence of legislative changes and of privatization but also as a loss of trade unions' own initiative. The workers, however, are not very willing to support the increase of trade unions' power by their own activity. The employees' relation towards the trade unions is quite passive. Although they see the unions as an organization that should defend their rights, they find little in common with them. This is a residual of paternalistic attitudes in their thinking according to which unions play a role as a safety fuse in the system that begins to function at a time of crisis. This can be seen as a continuation of past stereotypes in the framework of which the unions were conceived as "organizations for workers" (which they did not identify with) rather than "organization of workers". Particularly in *DOMUS FACTORY* employees assign the unions the role of the "last instance". People take the trade unions as a specialized institution that reduces their "individual" powerlessness rather than a joint solidarity-bound partnership.

In both *DOMUS FACTORY* and *MECHANICA CORPORATION* the privatization process brought about a considerable decrease in the emphasis placed on the mutual solidarity of workers. The loss of certainty regarding worker's job should be an element of employee individualization in relation to the unions as well as the factory. A wider notion of solidarity claims a narrower circle of persons. The trade unions' task is perceived not to defend workers as a social class against lay-offs and suppression of their collective rights but rather to regulate particular conflicts between management and individual workers and smaller work groups. In this sense, defense of employee rights by unions is understood primarily as a defense of their individual rights (*"they [unions] should be heard when someone is dealt with unjustly"*).

In *MECHANICA CORPORATION*, in the minds of management the legitimacy of trade unions is given by their usefulness measured by the interest and the stability of the company. In this respect, the management here is different from the management of many other privatized businesses which understand trade unions as a powerful opponent with whom they compete for support of their employees and which they would like to banish beyond the gates of the company. The management in *DOMUS FACTORY* considers the matter similarly, but among its management the trade unions are after all considered as an opponent to whom one cannot show the cards. In *DOMUS FACTORY*, top management tends to prefer the stabilizing effect of the union's presence in the enterprise over their active representation of the employees' interests. They take the unions as a legitimate institution useful for the social stability of the enterprise. Simultaneously, they are afraid that the unions could become too influen-

tial an opponent. Top management considers the labour legislation and the collective contract to be a legitimate framework for dealing with the trade unions. They consider any consultations and consultation about a broader scale of problems to be risky. They try to limit the influence of the trade unions by restricting the supply of strategically important information to union foremen. They think it advantageous to keep the unions in a position of a not very influential stabilizer of the social situation in the enterprise. Unlike *DOMUS FACTORY*, where the management is convinced that it is advantageous to have unions that understand the situation of the enterprise and identify with its interests, in *MECHANICA CORPORATION*, however, the management does not have the notion that it should create such working conditions and mechanisms for the solution of interest conflicts or provision of social benefits that would render the unions unnecessary.

The management's willingness to accept compromise is manifested very broadly and is not limited only to the content of the collective contract in *MECHANICA CORPORATION*. Everything outside this contract should be subject to additional bargaining. This is a situation different from a number of enterprises (*DOMUS FACTORY* including) whose managements accept the collective contract agreed upon in collective bargaining with trade unions but stick strictly to its wording. What has not been specified in this contract is considered as a realm of free decision making by the management. The notion of the compromise includes consultations and negotiations between top management and trade unions with emphasis on cooperation and integration. Although the enterprise has been quite decentralized, the management does negotiate with the union and support union organization at the enterprise level rather than at plant one. This facilitates the standardization of conditions in workplaces and separates union negotiators from the shop floor. The role of shop stewards is thus restricted and the unity and power of the union is very difficult to maintain.

There are trade unions perceived by the top management as an opponent in the sense of a body which provides information about the shortcomings of management ("*they are closer to the people*") rather than as a true rival (antagonist) in *MECHANICA CORPORATION*. Unions are understood as an integral part of the enterprise structure and true co-operating body. For this reason, unions are preferred over other forms of employees' organization (for example works council – Betriebsrat in Germany). Shared interests make it possible and useful for the top managers to consult certain of their decisions with trade unions. They consult them to provide themselves with wide support and the cooperation of all workers. As managers often argued: "*trade unions should inform their members about these things and influence them*".

The concept of the collaborating union is related by top management to the notion of clear limits of the co-operation. The negotiating power of trade unions is accepted by top management primarily on wages, social affairs, time of work

and the working environment. Shared decision making with trade unions is accepted in regard to wage determination and personnel management, including individual as well as mass layoffs. It is symptomatic that even in the case of mass lay-offs the top management of *MECHANICA CORPORATION* does not see any reason for an inevitable conflict with the unions. On the contrary, even here they claim the cooperation of unions and their understanding of the “needs” of the enterprise. Top managers are convinced that: “*unions should help in finding new work and retraining possibilities*” or “*help with laying off redundant workers in the interest of other employees*”.

Structures which are necessary for maintaining the legitimacy and legality of the company rules and by-laws are being underestimated: There exist no institutionalized forms of arbitration of disputes inside the firm particularly to enable the workers to appeal against decisions of individual managers. Ad hoc negotiations are being relied on. The system of democratic communication inside firm (between workers and management) is weak so far. Consequently, employees are not interested in it.

3.8 CONCLUSIONS

Management, white collar workers and workers do not cast doubt on the legitimation of privatization. The justification of both privatization and private property is based on the fact that they interpret it as a solution to the crisis of rationality. To put it in a better way, both managers and employees interpret it as introduction of rationality. They all are aware of the price they have to pay: loss of former absolute job security. Managers understand it as a necessary precondition of the establishment of the long-desired rationality enabling them to make the most of their competence. Workers are forming for themselves an ideology whose gist is the conviction of the “good worker” who need not fear dismissal. This ideology protects them from fears but it is also an expression of their inability or unwillingness to admit to what extent their lives (careers) depend on the impersonal market forces that they cannot fully influence. While managers realize this dependence of the enterprise’s prosperity upon the market (on the sales of products), workers stick to their old idea. According to this idea production is the decisive factor (in the managers opinion marketing and the invention of designers responding to market requirements are the decisive factors).

As regards individual social actors in the explored enterprises, particularly owners (*DOMUS FACTORY*) and managers (*MECHANICA CORPORATION*) gain. In the privatization process the managers make good use of their social capital based, in many cases, on political capital of the past. In *MECHANICA CORPORATION* they pursue their own interests which they manifested as those

of the enterprise and, consequently, as interests of both employees and owners of the enterprise. Workers look suspiciously at the managers' active role in privatization and they are under the impression that managers gained control over the situation at their expense. Yet they consider the managers as a force protecting the workers from, in their opinion, the short-sighted greediness of PIF (its effort to obtain maximum dividends at the expense of development of the enterprise). The workers themselves feel weak and they consider the unions weak, too. Besides, they suspect the trade unions of a certain collaboration with management (indeed, the management is really sure that such collaboration would be in the interest not only of the trade unions but also of workers represented by trade unions).

Findings gathered in both enterprises contribute to the explanation of some findings of public opinion polls in the Czech Republic carried out after 1989. Public opinion polls document that people exult over free market (they proclaim the support for it) and at the same time demand extensive social securities, which the market itself cannot guarantee. On the contrary, the market sooner weakens them. The polls also point to the fact that both the proportion of strict supporters of free entrepreneurship and the proportion of strict defenders of state control are declining. The number of people who claim both the efficiency of free market and the old safety of state enterprises ownership is going up. Večerník (1993) sums up findings of these opinion studies and divides the population into three groups. The first (younger, better educated, urbane) prefer the free market namely for its efficiency. The second (people of middle age and secondary education) prefer social security to the effectiveness of free market but at the same time support democracy. The third (older persons, with little education) call for social security and authoritarian rule (they prefer the social security to democracy if democracy is connected with the uncertainty of free market). Most of the interviewed people probably did not realize or did not want to admit the real depth of the changes. This suggests how political actions and personalities will be predetermined in the near future by the inherited political culture and normative structures of social actors – no less than by immediate pragmatic and utilitarian motives of individuals.

According to public opinion polls in the Czech Republic more than a half of the population still expect guarantees of employment, stable prices and cheap housing (in the old system big factories as agents of state social policy provided flats to workers at rents below 10 % of their wages) as an obligation of the state (Večerník, 1993)⁸. Both the standard of consumption common in Germany and

⁸ It is a stigma that marked all of us. The communist regime had ignored some problems and attempted to solve others at the cost of future generations. The paradox is that this "future generation" that will have to pay the debt are "we ourselves", the generation that had lived on borrowed money (not our children only). We will be left with a live memory of a subsidized living standard which will awaken nostalgic longing for the good old times.

social securities similar to those found in Sweden thus become the prism through which employees judge the changes in ownership in the enterprise. They are not interested in the question of growing inequalities in ownership of wealth and the future flows of income and consumption. The class of owners is still thin and the workers consider both the owners and their level of consumption to be rather an excessive⁹. In addition, workers believe that it is in the owners' interests to increase the effectiveness of the enterprises they own. In other words, they demand from them asceticism in consumption and give-up of a considerable part of the profit for the benefit of the development of the enterprise as a condition of recognition of their legitimacy. In workers' minds this belief pushes into background the evidency of the growing power of owners and the growing differences in wealth and consumption.

⁹ Let us not forget that the Communist regime abolished the legitimacy of wealth and in egalitarian socialism not only wealth but also the possibility to gain it were criminalized. Actually, big money was associated only with misuse of power, utilization of political capital and criminal activities.