

The Round Table on Adjustment at Micro Level held in 1988

Background Information

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This round table, held under the chairmanship of the ILO Director General, Mr. Francis Blanchard in 1988, brought together a restricted number of ILO professionals together with policy makers and managers in countries experiencing structural adjustment, with the objective of discussing problems faced, opportunities and challenges.² The exchange of views that took place in an informal manner helped shape ILO programmes for years to come. A remarkable feat since the round table did not conform to traditional ILO meetings. There were no background papers, no formal agenda, no record of proceedings or final report, no tripartite representation or Governing Body prior approval.

To appreciate the context, one has to remember that several exogenous forces were changing the world of work in an unprecedented manner and the pace of change was gathering momentum at a much faster rate than the capacity of the organisation to respond to it in a timely manner. The ILO programmes of action were often conceived two to three years prior to execution, putting some of the proposals sometimes out of focus with respect to new emerging realities. To take an example, no one at the ILO, was able to foresee in 1985-86 the profound changes in the world of work that would result from the collapse of the communist system of managing the economy a year or two later. That change emerging in the USSR at the time triggered corresponding changes in Eastern Europe as well as several socialised developing countries. It also brought into question issues that were highly revered in these countries such as ownership of the enterprises, guaranteed employment schemes, central command of economic activities, and so on. Add to that, that rapid advances in technology were continuously inducing a revision in work organisation and calling for more flexibility in the utilisation of manpower.

The Director General at the time, Mr. Blanchard saw the need for the Organisation to incorporate these issues as a priority in its programme of action. In 1988, he asked me to organise a high level informal round table lasting two days for a discussion of these issues.

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2 Participating in the meeting were A. Aganbegyan, Economic Advisor to President Gorbachev, U. Agnelli, Vice President of the FIAT Group, A. Ebeid, Minister of Cabinet Affairs and Minister of Administrative Development, E. Savas, President of the Privatisation Research Institute and Professor of Management, City University of New York, V. Sherbakov, head of the Management Section, USSR Council of Ministers; and from the ILO, F. Blanchard, Director General, A. Gladstone, Director, Industrial Relations, G. Kanawaty, Director, Training Dept., V. Morozov, Assistant D.G., J. Prokopenko, Management Development Branch, G. Rodgers, International Institute for Labour Studies, W. van Ginneken, Labour Information and Statistics Dept.

The choice of outside participants was left to me, with one exception. The D.G. wanted the participation of the newly appointed economic advisor to Gorbachev, Mr. Aganbegyan. I was invited to make suggestions for participation from within the office keeping the numbers as small as possible. The D.G. felt that five outside participants would be adequate with a corresponding number from the office. Since this round table was not brought up for Governing Body approval, it had to be kept low key and rather confidential. I was to fly to Moscow as soon as possible to secure Mr. Aganbegyan's participation. I was given a carte blanche to make all the necessary arrangements, organisational, financial etc. I proposed and the D.G. agreed that the round table deals with four issues;

- ownership and control of enterprises.
- impact of rapidly changing technology.
- inducing flexibility.
- work organisation and motivation.

Like the D.G., I saw the participation of Aganbegyan at the round table as key, as he was likely to provide clues as how the USSR intended to deal with the huge impact of adjustments in the wake of the newly declared policies of Perestroika and glasnost. His presence would also entice other highly sought after personalities to attend. From the D.G.'s perspective, there was also a political dimension. He hoped through him to gain access to Gorbachev, who was very much in demand at the time, and thereby invite him to address the ILO conference.

I had been following the Russian scene for a number of years. In 1987, Gorbachev opened a crack in the controlled economy, by allowing the establishment of small enterprises, provided they were in a co-operative form. The first person to do so was Feydorov, who opened the first private restaurant in Moscow as a co-operative between him a waiter and a cook. He then proceeded to establish an association of entrepreneurs, which counted 120 members in 1987. He had to surmount tremendous difficulties, as no infrastructure was available to support such activities. For example no procurement of raw materials was possible except through state owned enterprises. As Feydorov told me he had to go to a budding black market to get his needs. When I was invited to address his association barely 3 months after its founding, I got to appreciate first hand, the great hurdles they had to overcome, from procurement to finance to finding space³ to exercise their activities, apart from the absence of anybody that could provide training and advisory services to them. Yet these problems paled by comparison to those that would be faced by large Russian enterprises, if they were to make the transition to market economies. Many of the State owned enterprises employed thousands and some in the Industrial Military complex tens of thousands of workers. Over-staffing was common, whole functions of management did not exist under the command economy, functions such as marketing, costing, procurement, behavioural sciences. The word surplus was used as a substitute for profit. Accounting practices, inventory control and similar techniques left much to be desired. In addition, there was the issue of strategic choice to liberalisation. The Chinese had allowed modest private activities in the agricultural sector to start with. In the USSR, that sector was dominated by powerful co-operatives such as the Kolhoz which in some cases employed thousands of workers and where several of them branched into agro-industries as well.

3 When I raised the issue of space with the Moscow Municipality, I was told that there were 300,000 families waiting for space allocation in Moscow. They would command a much higher priority than potential entrepreneurs.

Aganbegyan was expected to shed some light on these issues and the approaches proposed to deal with them, including the techniques chosen for privatisation e.g. total or partial divestiture, management contracts, auctioning etc. Two other persons invited to the round table were also expected to bring significant contributions to that area of privatisation. Dr. Savas, as a consultant to several governments in this field and perhaps more important, Dr. Ebeid. As an Egyptian Minister in charge of privatisation in Egypt, he had been struggling with this issue at the practical level for years, in a developing country environment. Apart from over-staffing, indebtedness and outdated technology, his two major problems were the choice of the enterprises destined to be privatised and their valuation. As he expressed it during the discussion, "If a state enterprise was indebted and losing money, who is going to buy it, and if it is making high profits like those in the oil sector, why sell it ? "

It appeared therefore, that with Aganbegyan, Savas and Ebeid, the issue of enterprise ownership and privatisation would be adequately addressed at the round table.

Using the informal channels of communication, through Russian colleagues at the office (as distinct from the more formal ILO Moscow Office), I was able to get an appointment with Aganbegyan. Apart from the usual discussion of fees, travel arrangements for him and his wife etc, he had one more suggestion. He wanted Mr. Sherbakov , head of the management section at the USSR Council of Ministers to accompany him. These demands were readily accepted. Sherbakov later on became Minister of Labour and attended several ILO meetings.

When it came to another item on the agenda, that of technology and work organisation, there was no doubt in my mind, Agnelli, the boss of FIAT was the person to aim for. For years, the FIAT car assembly plant at Mirafiori, was plagued with strikes, sabotage and even an attempt to set fire to the administration building. For years the Agnelli brothers have been working quietly to build another fully automated and robotised plant. When I visited that plant, the only workers I saw there, were those working on the maintenance of robots! When the new plant was ready, Agnelli fired the 20,000 workers at Mirafiori in one go. Only Agnelli, the King Maker in Italy could get away with that move. Pushing technology to the limit to substitute labour was one option Agnelli took. This was in sharp contrast to what Volvo was doing in Sweden. There, production was arranged so as to allow workers to work on one product at a time in groups, there was no repetitive work or assembly-like operations, and as each group terminated its assigned tasks, it retired to a small coffee place for a rest and a chat! I had visited that plant and was impressed by the emphasis given to job enlargement and enrichment. As motivating factors. I thought that that contrast in approach would be interesting to bring to the round table. However, during a coffee break at our meeting, I raised this issue with Agnelli in private. He dismissed the Volvo plant as "a toy like factory" and predicted that it would soon close down. Sadly, he was proven right a couple of years later.

In getting Agnelli to participate, I had two trump cards. First, to capitalize on the strong relation the Agnelli's had with the Turin Centre. Therefore, the Italian Deputy Director of the Centre, whose candidature had been proposed by Agnelli, was used as a channel of communication. Second, and perhaps more important was the relation FIAT had with Russia. In the 1950s, FIAT built a huge car assembly plant in Russia, the Togliatti plant. The car produced there was a version of the FIAT car and was called the Lada. If the USSR was now opening to private initiative, then FIAT could stand a good chance to enter into a business arrangement in that area of activity. Establishing contacts at the highest level, between the President of

FIAT and the economic advisor of Gorbachev was a good start. Highlighting this opportunity, secured the participation of Agnelli.

There were two other items on the informal agenda, that could have benefited from external participation, namely flexibility and motivation. The President of the French multinational Danone, was approached, but after a while, he suggested sending someone else from his organisation. I turned this offer down. The apology came too late to find a suitable replacement.

As for the ILO participation, I had put forward a few suggestions, and the D.G. made the final choice, aiming at a restricted, highly professional team.

The round table lasted one and a half days, was rated then and a few years later by the participants whom I met, as one of the most stimulating meetings they attended. The crux of the discussion, the problems and challenges faced by adjustment at the micro level were all summarised in an ILO publication.⁴

⁴ George Kanawaty, Alan Gladstone, Joseph Prokopenko, Gerry Rodgers, « Adjustment at the Micro Level, », International Labour Review, vol. 128, No.3. ILO. 1989.