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*The role and task of the ILO and the ILO Office in Budapest  
in the transition period*

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I have been asked to look at the historical context in which the ILO Office in Budapest was set up. In doing so I am not going to limit myself to Hungary but rather look at the situation in Central and Eastern Europe at the time 20 years ago when the Iron Curtain was cut open.

During the Cold War, the European Region did not really exist in the ILO. The divisions that caused this were as deep as the history of the Organization. Quite possibly 1919 would not have happened without 1917-18 in Russia, Germany, Hungary and Finland. These were the four theatres for radical revolution.

Throughout the years, and certainly since the early 1950s, the constituents were divided by a number of factors. They included totalitarianism; the practice of tripartism which was not allowed by single-party rule; absence of private employers and their organizations; and labour administrations without independence and no role in dealing with conflicts of interest, as by definition conflicts of interest did not exist.

Trade unions were “transmission belts” and “schools of Communism”. Hungary probably was the only one where the head of the trade unions, SZOT, Sandor Gaspar, had some experience of real trade union work in a capitalist system. At the same time, he was a Party politburo member, too.

Central and Eastern European societies were “welfare societies” – but the difference with Western welfare states was significant. They had growing economies, an expanding middle class, and a relatively solid rights base. The Eastern welfare state was based on shared scarcity, forced equality and a top-down consensus.

In retrospect, twenty years after the Iron Curtain was cut on the border between Hungary and Austria, and when the Berlin wall came down, it is interesting to see when and why this Eastern model actually stopped working.

The first answer, of course, is the growing desire for freedom and democracy. There was Berlin 1953, Budapest 1956, Poland 1956 and the early 1980s, Czechoslovakia

1968. For the sake of political correctness (and the important political mythology), the democracy factor has to be given due and entirely respectful credit.

However, there is a further answer. It had become increasingly clear that the existing socialist system did not deliver. Not only did it not deliver, but as time went on, the socialist societies and economies lagged further and further behind.

I know as a fact that in the Kremlin, Yuri Andropov said already in 1982 to a Socialist International delegation that the Communist system did not work; the relative distance to the West kept on growing; and it had to be “radically transformed”.

And thus we come to a third answer, which is a continuation of the second one: the effect of the technological gap. Managers were not allowed to manage. The party-controlled system could not allow the managers of the economy decide in real time on production, inputs and resource allocations. An information-based production and management system cannot be run if the Party Secretary stands between the manager and his or her computer. And yet, for instance in Romania in the late 1980s, individuals were not even allowed to own a typewriter.

We also have to remember what the role of enterprises was in the socialist system. They provided employment, to guarantee full employment. They provided material protection and social security, including kindergartens but also products – food, clothing – so that the workers did not have to spend hours in queues.

The local trade union leader was part of management, as the distribution of all the benefits depended on him and the trade union committee. Looking back, I keep on wondering why all these trade union leaders were not recycled into personnel managers, as that obviously was what they could have done best. That would have increased management capacity and also forced trade union reform.

Trade unions used the same concepts, the same language, as unions in the capitalist world. A number of functions were identical or close, such as occupational health and safety, social services and social insurance. On the front of promoting productivity they tended to become tools of management.

With transition, there was one key question which continues to be relevant in China and Viet Nam. The workers’ representative was more a representative of management towards the workers than the other way round. In the region at the time, this was illustrated by the Soviet miners’ strike in 1988. The Chairman of the central Soviet trade union body sat automatically down on the side of the Government during the negotiations in Donbass. Arguably, that led into the first realization that something was wrong, as was Gorbachev’s criticism that trade union leaders and managers were “dancing krakowiak” with one another.

And, as noted earlier, the manager was in no way independent – and could not be – of the Party. The manager was an apparatchik.

This was the situation that we all started undoing in the late 1980s. Hungary started earlier, others followed later. When change came to the whole region, Hungary and

Poland had already started moving ahead. There was a degree of private property; foreign investment had started coming in; and within limits there was pluralism.

How well was the ILO equipped to deal with this? The answer is not obvious. All European activities were exclusively technical, weak or non-existent. My own first ILO meeting was the European Regional Conference in 1974, which was only the second Conference since 1955. In all, only four Regional Conferences took place before the Cold War ended (1955, 1974, 1979 and 1987). The European office structure in Geneva was minimal and more formal than substantive.

The agendas of European meetings had to be non-political, such as occupational safety and health and the working and general environment. These were also the agreed topics for the European trade union conferences, which took place within an ILO framework from 1975 until the European missile crisis and reactions to the Soviet involvement in Afghanistan ended them in the 1980s.

For the employers, Central and Eastern Europe was a wasteland. Whatever their limitations, there were trade unions but no employers' organizations. The Communist model was much more prohibitive for free enterprise. At the time of change, some employer representatives noted that until then they had been fighting in the ILO "with one hand tied behind their back". They were condemned to work with the democratic trade unions against a joint opponent. After 1991 many employers felt that it now was their time to see what they could get out of the ILO, and some of them called for a radical rethinking of the role and functions of the Organization.

In the following, I shall try to characterize the situation as it was when the ILO started establishing a new presence in Central and Eastern Europe. These elements, however, do not amount to a full-fledged analysis.

The old model had exploded, but many of the things this produced came from within it. In the early 1990s the Russian elite was seen to consist of transformed bureaucrats and apparatchiks, new businessmen, and the mafia. All these groups had developed within the old system.

The roots of the mafia was in the black market of the Communist time, which few looked at negatively. Rather, it had helped people to cope. At that time, on some occasions I heard here in Budapest that I should not be surprised if some of the new businessmen had a criminal record. After all, now they were only doing legally what they had done before the change of the system. Anders Aslund has noted on Ukraine that the reason there are so many businessmen in the Rada apparently is parliamentary immunity.

Then there are the political versus bread-and-butter issues. Schematically speaking Poland, with Solidarnosc, was the "political" model. Hungary had more of a bread-and-butter approach. Maybe 1956 had made Hungarians more careful. Also, trade union pluralism was much greater in Hungary, and the debate concentrated on dividing the trade union assets. In Poland, the assets have not yet been divided.

In 1990 I visited a factory in Warsaw. Both unions, Solidarnosc and OPZZ, were represented. The OPZZ had remained in its old office; Solidarnosc had taken over the

office of the defunct Party. I met with Labour Minister Jacek Kuron, one of the historical Solidarnosc leaders. He said that both unions have to be dealt with. "With OPZZ we agree on wages and working conditions. With Solidarnosc we do the political compromises." This was a good analysis from one of the Solidarnosc heroes of the time.

If you look back at the early days of the ILO's Budapest Office, problems of poverty, low wages and lack of social protection were dominant. It is hardly surprising that bread-and-butter trade unionism had a better chance than those crusading for democracy.

Again in retrospect, it can appear surprising that there was no total post-Communist collapse with a really strong nostalgia for the relative security of the past. Probably some survival techniques from the Communist time carried on quite far into the transition. No doubt some of them are still there. I believe that planting potatoes and tomatoes on the balconies of apartment houses is again on the rise in Russia.

What, then, was the scope for carving out space for social dialogue?

As far as I see, social dialogue and tripartite cooperation were to replace the forced consensus and artificial unity of interests of the Communist time. Those were now obsolete key paradigms on which the Eastern welfare state rested.

It was a jump-start method, or maybe you could call it sweet shock therapy, in a situation where all three partners suffered from obvious imperfections. Employers' organizations were non-existent. The established position of trade unions, as they had existed, was gone. Some of their social functions were still there, but without sufficient funding. Still, they were propping up employment in deteriorating enterprises with diminishing resources. And no real strengthening of the resource or organizational basis of public labour authorities was done.

The ILO sometimes had a first-class blueprint, which did not always match the terrain.

Again, schematically speaking, there was an obvious flaw in the design. Ownership was privatized to a significant extent. But social protection measures were not nationalized – taken out of the privatized enterprise sphere – in a sufficiently robust way. Worse-off companies were left to cope with social responsibilities, and the better-off and growing ones did not transfer enough wealth to see to the basic needs of people in a society in transition.

Then there were the helpers who did not always know where they were. I am not going to survey all horror stories. Instead, I shall cover only one aspect: foreign direct investment and the role of multinational enterprises.

It was important, indeed essential, to get foreign capital. With it came also management know-how, including personnel policies. Unfortunately not many multinational enterprises are oriented towards negotiating agreements with their workforce, although the allegations of rampant anti-unionism is something of a myth, too.

As the OECD's advisory group in investment in Central and Eastern Europe clearly noted in the 1990s, labour concerns were not high on the investors' list of concerns.

That list started with political stability, predictability of economic and taxation policies, availability of local suppliers, local markets and so on. Labour relations, including wage-setting, were further down the list.

At that time, besides being a member of the above-mentioned and mainly business group, I also was chairing the ICFTU's Working Group on multinational enterprises. We arranged a joint meeting with the ICFTU Committee for Central and Eastern Europe, in Prague. The meeting had to conclude that views differed on the need for encouraging multinational investment in the region and the ways to do that.

In the late 1990s an ACTRAV seminar was organized here in Budapest. It had a session on multinationals, at which an international specialist on organizing explained how trade unions could effectively fight multinationals. When the time for questions came, after a somewhat prolonged silence a Lithuanian trade unionist got up and said: "Now that you have told us how to fight the multinationals, can you also tell us how to get them?"

Then there were structural issues, which affected the overall situation, including what the ILO could do.

The basic assumption of tripartite cooperation is that the process takes place between the representatives of employers, workers and governments. This of course presumes that there are methods of determining representation.

In the old system, the decisions on who was "representative" came from above. After the change, these decisions should have come from the basic level upwards. Organizations should have a leadership consisting on people who are elected, or selected, in a manner where they are answerable to those whom they represent and also have the authority to represent them. I am afraid that in many parts of the region, this process has not succeeded. Personal divergencies have grown into organizational divergencies. Mandates have not been clear. Other interests, including economic interests, have played a role. As a result, the integrity of the social dialogue process has suffered.

This certainly was true in the first part of the 1990s. Now, 10-15 years later, the situation may not be the same. But this contributed to social dialogue and tripartite cooperation getting to a less than perfect start.

And still, when we ask, has the region done well, I firmly believe that the answer is: yes. Under the circumstances, yes. The agenda was set – and this agenda was part of the process of membership in the European Union for a good part of the region.

Did someone expect a miracle? After all, the region was confronted with the "omelette problem": everyone knows how to make an omelette out of eggs, no-one knows how to make eggs out of an omelette. But I do believe that a somewhat deeper, more realistic approach – and a more pragmatic one – from everyone, in the region and outside it, would have helped to avoid some of the turbulence.

Certain social measures – and investments – could have been more bold and firm. More attention could have been paid by political leaders to the social and labour agenda (this

we could say for most countries in the world anyway). And institutional renewal could have been more systematic and sustained.

In the early 1990s, John Kenneth Galbraith was invited by the ILO's Institute for International Labour Studies to Geneva to speak on the economic and social changes in the world. In his lecture, he divided the world in three: the fortunate (by and large the industrialized and industrializing countries), the poor, and those in transition. His view was that those in transition should use all methods, old or new, which functioned, in a pragmatic, non-ideological way. Take the best of the old and the best of the new and make the best use of them, he said.

It would be interesting to hear to what extent those who pioneered the ILO's work in this region feel that this advice was heard and followed.