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WORKER MANAGEMENT OF INDUSTRY IN YUGOSLAVIA--

HOW IT OPERATES AND HOW IT IS CONTROLLED

A Letter from Fred Warner Neal

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The new system of worker management of industry is in many ways the kingbolt of the enormous internal changes in Yugoslavia since 1948.

According to Marxist theory, ownership of the means of production is the determining fact in any society. The Yugoslav revisionists have declared that it is not only ownership that counts but control as well. They insist that the major difference between their country and the Soviet Union lies in this point.

Prior to 1950, the Yugoslav economy was closely patterned after that of the USSR, whose experts, indeed, helped to organize it. All factories had been nationalized and were under the absolute control of state ministries and the ministries' agent, the state-appointed director. Production, prices, and wages were all rigidly controlled from Belgrade according to the Five Year Plan. Although the workers were told that they now owned the factories, they had in fact no voice whatsoever in their operation. Nor could the manager himself take any real initiative on most matters, so complete were the centralized state controls.

Post-Cominform Yugoslav theory holds that this system is only the first and lowest form of socialism. In the Soviet Union especially, it is contended, the natural further development of socialism was sidetracked by the Communist Party bureaucracy under Stalin, which established a dictatorship not of but over the proletariat and masses of people. It was, according to the Yugoslavs, simply "state capitalism" in which the lot of the workers was no better and in some ways was worse than under "private capitalism." Under such a system, instead of the state apparatus "withering away," as Marxist theology foretells, the bureaucracy of the Soviet Union has perpetuated itself and has become stronger and bigger, with no end to the growth in sight.

The Yugoslavs began to reverse this trend in 1950 with

the introduction of the management of industry by workers' councils, followed later by a sweeping decentralization of the economy through measures that were as drastic as were those that had instituted the previous state controls. In taking these measures, Tito has declared Yugoslavia is "passing gradually to a higher form of socialist ownership in which the state is in fact withering away." This he regards as a return to real Leninism--from which Soviet direction has taken the Communist movement--"and the only right road" to socialism.

The workers' council of a factory, according to the law, consists of from 15 to 120 members, depending on the size of the enterprise; and in factories employing fewer than 30 persons, the workers' council embraces the entire working force. All employees vote by secret ballot for members of the workers' council. The law provides that not more than one-fourth of the membership can consist of administrative or nonworker employees.

Since the workers' councils were first introduced, their functions and powers have been extensively broadened. For instance, the workers' council elects from among its members a management board which acts as its executive committee in running the factory. The council can dismiss members of the management board and must ratify its more important decisions. The management board consists of from three to seventeen members, including the plant director *ex officio*. The first law foresaw that the management board would exercise much of the actual authority lodged in the workers' council. Further, it provided for workers' councils and management boards for an entire industry--say the textile industry--which could in many cases overrule decisions of the workers' organs in an individual factory.

Today, these industrywide organs have been abolished. To an extreme degree, each individual enterprise is legally autonomous. And the workers' councils have been playing a more and more active part in management. Since in practice almost all decisions of the management boards--other than those concerned with day-to-day administrative questions--are ratified by workers' councils, and since the councils themselves initiate many proposals, it is possible to speak of worker-management without differentiating in detail between the two organs. Since the ultimate authority is that of the workers' council in any event, reference is made here only to workers' councils, except in particular cases where it may be useful to mention the management boards.

The workers' councils' competence under the law is complete except where it is subject to the republic parliaments or the city councils, known as People's Committees or Narodni odbori. Generally speaking, the workers' councils' authority and functions fall into several categories, such as:

1. Choosing and dismissing the manager (here the Narodni odbor also has a part, although small);

2. Fixing wages and prices, and working conditions;
3. Making operating plans and supervising the balance sheets;
4. Distributing income to wages, investment amortization, etc.

How this autonomy of workers' councils fits into the general pattern of Yugoslavia's free but planned (as contradictory as the terms are) economy is reserved for a following report.

The new Yugoslav system also gives the workers a direct say not only in running industry but also in running government. One body of the two-house legislatures at each level--federal, republic, and local--is a Council of Producers, elected by the various workers' councils. The Councils of Producers operate as equal houses of the legislative bodies, but with special say in matters relating to the economy.

The adequacy of workers' council management and the extent to which the workers take full advantage of it varies from plant to plant. In commenting on the problem of adjusting workers to the new system, Tito declared in 1950: "From poor peasants who have for centuries been vegetating at the lowest possible cultural level and standard of living, they are to become conscious workers, builders of a better life for themselves and for the whole socialist community. This will not be an easy or a rapid process...." Yet the development of worker self-management in the last four years has proceeded at a more rapid pace than Tito apparently believed possible. Recently Edvard Kardelj, the "Number 2" man in Yugoslavia, said that workers' councils "have taken such deep roots in social relations and have become such a powerful factor in our society...beyond our expectations."

In general, the workers' councils have both legal and actual responsibility for running their factories. More often than not, they are in fact guided by the management and by union and Communist Party leaders. But in some cases they have taken more advantage of their power than the state planners counted on; often these abuses are a result of the decentralization of the economic system, rather than of defects in the workers' councils as an institution. There have been instances, for example, of unemployment resulting from the decision of workers' councils to reduce the working staff in order to raise the wages of those employees who remained. There have been other cases of workers' councils pursuing a price policy that has resulted in a loss. In other cases, both prices and wages have been boosted unconscionably.

As might be expected, much workers'-council action is related in one way or another to wages. The present Yugoslav law on wages is extremely complicated and is often misunderstood, not only by workers but also by many others. The law attempts to deal

with both maximum and minimum wages, but it does not do it very effectively. In the first place profits are subject to fluctuating taxes which are designed to keep a ceiling on wages. These tax rates, applied by the local People's Committees, may be changed at any time. The effect is in some cases to prevent legitimate wage increases and in others to permit too large increases. In the second place, while there is in theory a minimum wage policy, in practice wages are cut if an enterprise fails to make a profit. The minimum wage system works like this:

In the annual plan, average minimum wages are fixed for various entire industries. In 1954, for example, the average minimum for the mining industry was 9,000 dinars a month. The individual plant, with a certain profit in mind, fixes its wages in terms of this minimum plus a certain amount extra--e.g., 9,100. A worker receives this minimum-plus, however, only when he meets all specifications for his particular job, such as age, length of training, time on the job, etc. The result is that some workers earn less than the minimum, say only 8,000 dinars, even when the planned profit is made. If the enterprise merely breaks even, it pays the bare minimum wage without the "plus" that is, the 9,100-dinar worker receives only 9,000. And if the enterprise operates at a loss, the worker's annual wage is cut still further. Under the law the national bank will contribute funds to an unprofitable enterprise to enable it to pay wages totaling 80 per cent of the average minimum wage. Payment in such an instance is prorated to the workers according to the scale that would have been in effect if the minimum wage rule had operated, and some workers inevitably receive wages far below the minimum. In 1953 only 46 enterprises incurred losses, but the 1954 number is several times that, and Yugoslav workers are often heard to complain about receiving below-minimum wages.

The workers' desire for good wages is frankly recognized as the driving force in the new system, and to it Yugoslav leaders credit much of the increased production since 1950. On the other hand, there is a natural tendency on the part of workers, once they have the power, to resist the type of speedup that the Soviet piecework system produces. Mr. Kardelj has recently complained of "anarchistic tendencies to level wages, regardless of productivity of work, that is to say, contrary to the socialist principle of 'to each according to capability, to each according to work done.'"

Natural also is the trend toward maximization of profits --and therefore wages--at the expense of other enterprises. This is especially true where enterprises are connected with a city government and try to confine the benefits of their production to that particular city. The Yugoslavs call this "economic particularism" and denounce it as "one of the vital shortcomings that arise from the system itself," to quote Mr. Kardelj. The tendency to pile up profits and accumulate uneconomic investment is another result of the program to decentralize the economic system, but the constant drive of the workers' councils for higher wages also plays a part. There are no meaningful Yugoslav wage statistics. Wages have risen perhaps 10 per cent since 1952 but, as might be

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expected, they have not kept up with prices.

Workers'-council activities designed to increase wages are worrying Yugoslav leaders, and it is likely that the power of individual plants to set prices without restriction may be curbed soon. Tito himself has warned that "the factory is the property of neither the working collective nor the commune," but of the whole country.

Another characteristic use by the workers of their new power has been in regard to plant managers. In general, these directors still are the bosses of their factories. However, the number of replacements has nearly tripled in the past three years chiefly because workers' councils have exercised their prerogative to fire managers. The Ivo Lola Ribar Zeleznik, the biggest machine factory in Yugoslavia, for instance, has had six directors since 1950. There was a considerable stir in Belgrade this fall when Yugopress, an officially unofficial news agency, fired its director, who happened to be prominent in Party affairs. It is officially denied that the workers' councils' power over managers interferes with operations, but it is difficult to see how it could be otherwise. The law is vague regarding the exact division of authority, and where there is friction between manager and workers this ambiguity is often a source of trouble.

The manager of a furniture plant in Montenegro, Jajo Radunović, who has held his present post for three years, discussed with me his relations with his workers' council. He seemed well disposed toward the council although he complained that since its advent he has had to double the amount of time he spends on personnel relations. He said he had doubts about the workers'-council system when it started. Even now, he said, "there are some problems. My job is harder now, no doubt. But I get more cooperation. In any event, the proof is in our increased production and profits."

The weaknesses or abuses of the workers'-council system, generally speaking, are the exception rather than the rule. A big reason for this is that, despite all decentralization, the state, through the Communist Party, is able to exercise a good deal of control over the workers' councils. In the exercise of this control, the leading role is played by the trade unions.

The role of the unions in any communist country is different in theory and practice from the role of unions in a capitalist country. Since in theory the state owns industry and the proletariat runs the state, there is no need for an organization to protect the workers against "exploiters." In application, this theory reduces unions to zeros or to instrumentalities of state control over workers. Such was the case in Yugoslavia until the introduction of workers' councils in 1950-51.

With all factories run by workers' councils, elected by the workers themselves, the theory that unions are not needed

to protect the workers against management acquires a certain substance. Tito said in 1950 that since all the workers now unite in choosing their own bosses, "the trade union's task of protecting the workers weakens to a considerable extent."

The unions in Yugoslavia--welded into one general organization and geared to operate on all levels--do, however, have a new and vital role to play in the new system, a role that is more important the more the economy is decentralized. The unions, organized into one "Sindikato," operate, as does the Party, strictly on the principles of democratic centralism--and, as in the Party, this tends to be more central than democratic. The union officials in any factory represent not only the workers there but the whole union organization. It is on the unions that the State and Party depend to curb the excesses of workers' councils, to guard against uneconomic practices, to fight to increase production, and to help raise the level of efficiency.

The general union organization has a membership of more than 1.7 million out of some 2 million workers. Although there are only around 300,000 union members in the Communist Party, this includes all union officials and the more active union men. The Party itself is composed of more than 50 per cent of workers, and all Party men in factories belong to the Union organization.

The law on the workers' councils gives the trade unions special privileges in drawing up lists of nominees to the workers' councils, although independent nominations can be submitted and occasionally are. Further, having a working organization constantly in operation, and being looked on generally as representative of the workers' interests, the unions are in a strategic position.

It is no accident, therefore, that 100 per cent of the members of workers' councils are also members of unions. As Vojina Božičević, secretary general of the Yugoslav union organization, told me: "We draw up the nomination lists. If any non-union men get in, it's a mistake." No mistakes have been reported. In the last election of 5,050 workers' councils, 300 nonunion lists of nominees were placed before workers; none was successful.

The percentage of Party members on workers' councils varies greatly. From my own experience, I found it to average about 60 per cent. This insures a high degree of conformity.

In any event, the liaison between union and Party is direct and constant, as is the liaison between union and workers' council. As a rule, important matters scheduled to come before a workers' council are first discussed in the union organization. Tripto Sindik, secretary of the Montenegrin union organization, told me that in the past year he had arranged some 40 different seminars explicitly to prepare workers' council members for various problems.

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This role of the unions means that frequently the union organization is on the side of the manager and against the workers, often against higher wages, often for longer working hours. Still union membership has remained constant. Mr. Božičević admitted that recruitment is a more difficult task now, with the workers' councils in operation, but he attributed his organizations's success to the fact that it is the union itself which often handles the job of enticing peasants from farm to factory, and to the fact that the unions are active in education.

In every large city, the unions operate workers' gymnasia, or high schools, and workers' universities; and in smaller towns they conduct elementary school education and work on illiteracy. A total of some 45,000 workers in Yugoslavia is constantly attending school.

Workers' councils' meetings tend to be like any others. When there is good organization and leadership, there is good discussion, participated in by a few talkative and able souls; when there is not, discussion lags.

For example, in Skoplje, the workers' council of the Skopski Magazine, a textile wholesaling enterprise, met to discuss the current inventory. The director sat on the platform with the president, who conducted the meeting and read a report. There was little interest among the 27 members, who comprised 95 per cent of the entire working staff. Admittedly it was a dull subject, but when the report was finished and comment called for, there was a full two-minute silence before one man asked a question about warehousing space. Another man, from the warehouse department, spoke up with the answer. Then silence again. The president himself had to propose acceptance of the report, which was adopted without opposition, and the members straggled off without formal adjournment.

On the other hand, a meeting of the workers' council of a cement factory in Split, called to discuss the Plan for 1955 (a highly technical subject), was lively. A dozen questions were raised about investment matters and economic policy, in regard not only to the factory but also to the country in general. Six members of the management board sat at the front of the room and in effect conducted a forum. The biggest item of interest was a statement about wage policy. The meeting lasted from four until six o'clock in the afternoon.

More often than not directors take part in council meetings. And in the Djura Djakovic locomotive plant at Brod, the director plays a leading role. The president of the workers' council at a meeting I attended deferred to the director constantly, and at the end of the meeting--which dealt with the new Plan--the director was asked to sum up the discussion. This plant has a long tradition of successful operations. This director is a former worker, and evidently is recognized as being highly competent as well as personable.

I found the situation to be different at the big Ivo Lola Ribar machine tool plant. This factory, employing 2,000 workers, has been in operation only since 1948. The president of the workers' council, Sava Kostoabvović, is a man 40 years old, a former partisan and a Communist since 1930. As a child he left school before he had gone through the elementary grades, but since the war he has been graduated by the Belgrade Workers' University. He presided over the meeting of his council with assurance and poise. An assistant director for finance attended the meeting, but the director himself was absent. The question for consideration was whether or not to approve a proposal of the management board to allot 25.1 per cent of an increased quarterly income to wages and 74.9 per cent to the reserve fund. First Kostoabvović called on Miloš Vukalić, president of the management board, to explain the situation. Then he forcefully expressed himself in favor of the proposal. His simple eloquence could not have been just for me, as he did not know who I was until after the meeting.

There were but two comments from the 56 members of the workers' council, who, I was told, had informally discussed the proposal on the preceding day. One worker said that he had consulted economists who predicted that the factory's income would continue to increase. Therefore, he said, there was no need to allot so much to the reserve fund. He needed increased wages himself, he said, and he was sure others did. This was not "exploitation" because the factory was supplying a valuable product.

President Kostoabvović interrupted him. "And what if our main furnace cracks tomorrow?" he asked.

The dissenter said something about borrowing from the bank.

"We don't wish to be in debt," retorted the workers' council president. "We must be independent and take care of our needs ourselves. Besides, the financial sector of our directorate thinks our reserve funds should be increased."

Murmurs of approval ran through the group. Then a second man arose. He said he agreed that the reserve fund should be built up rather than that wages should be increased further. But he said he thought there should be an investment in more buses to take the factory workers to and from Belgrade, some seven miles away. At this the president of the management committee spoke up and said his group had looked into the problem but that it was a matter to be worked out with the Belgrade city government. The protester sat down.

The council president then put the question. The vote was 53 in favor, 3 against.

Afterward, Kostoabvović told me: "It isn't easy for us to make all these decisions. We usually defer to the advice of our experts but not always. If we seek independent information,

we can get it from our unions. As for general policy, our Party advises us about that, and there are no questions here."

The presidents of the workers' council and of the management board at the Ivo Lola Ribar plant earn 15,000 dinars a month as skilled machinists. These wages are high for Yugoslavia. The lowest wage paid in this particular plant is 6,000. The highest wage, 25,000 dinars a month, is paid to the director. Kostoabvović has a wife and two children. They live in a two-room apartment in Belgrade for which they pay 500 dinars a month, and which with utilities comes to around 650 to 700. His wife bought a new coat recently for 5,000 dinars. The children are taken care of for winter "if we have enough coal." He hopes to buy a new suit before the end of the year. His one good suit is now "in crisis." A man's suit of average quality costs 15,000 to 20,000 dinars.

At the Radoje Dakić metal works plant in Titograd, the workers' council was discussing a proposal that for a two-months' trial period the mid-morning rest period should be cut from fifteen to five minutes. Several workers objected that six months earlier the factory had incurred a loss and had reduced wages. They felt that no additional working time should be required until the normal pay scales had been restored. The president of the workers' council stated that a recent expansion in planned production would require more work. He said the director had assured him that increased profits in the future would more than compensate the workers for the extra time on the job. After two months, he said, he expected the rest period would again be 15 minutes.

At this point Mihaile Ćurobić, an intense dark man of 26, arose. He was a member of both workers' council and the management committee. He said he agreed with the director, in whom he had great confidence. He recalled that three months ago he first proposed the firing of the man who was then manager and who, he thought, was responsible for the wage loss. He said that the faults of the former manager--who, he alleged, was often drunk--should not interfere with the plans of the present director.

On a vote, the proposal to cut the rest time for a two-months' period carried unanimously. Ćurobić told me later that this proposal had been discussed the preceding week in the plant union organization and the plant Party committee, as well as in the Titograd union headquarters. Ćurobić is secretary of the plant union committee and was a partisan. He has been a member of the Communist Party only since 1947.

At a Titograd furniture factory, a 30-year-old worker, Kiro Bladonović, took a leading part in the workers' council discussion on the problem of increasing prices. A price increase had been proposed by the management committee. Bladonović argued against it. He said that his basic wages were now 11,000 dinars a month, 1,000 dinars higher than last year, and that he was not sure a price increase would mean more business. It might even

mean less, he said. There followed a discussion after one worker had asked how higher prices could mean less profit.

Bladonović's reply was economics of a shirt-sleeve sort but sensible. "Besides," he added, "we are not profiteers." Bladonović is a union member but not a Party member. Only two other speakers, in addition to the president, offered comments. Bladonović then proposed that the matter keep until the next meeting, two weeks later. The president agreed. There was no formal vote.

A machine-repair shop near Mostar, in Hercegovina, was the scene of a workers' council discussion involving religion. Mostar once served as a Turkish headquarters, and some 65 to 70 per cent of its people are Muslims. One of the major mosques of the city needed repairs, and some of the workers had asked for time off to help repair it. They wanted the plant to pay at least part of their wages while they worked on the mosque. The director had turned them down. The president of the workers' council was Ahmet Tubarović, Muslim Slav. He said he was a believer in "Allah" and also a Party member but that he was not a devout Muslim. He told the workers' council that both his parents and a local mullah had asked him to help work on the Mosque and that he had agreed. However, he said he would work on it Sunday and after hours, and he did not think he should take off time from work for this purpose. He said that if other workers wanted to take time off from work, that was their responsibility but that they should not receive any wages for the time spent outside the factory. Another worker said that his family was Orthodox and that the Orthodox churches never asked for such favors. A third man said religion was against reason and against "the leaders of our country." No vote was taken, but it was apparent that the Muslims would not get what they asked for.

I asked Tubarović how he could claim to be a Muslim and a Communist Party member at the same time. He said:

"I am not against any parts of our socialist society. Here, Mohammedanism is still a strong force. I believe in Allah, but you may call it fate if you wish. However, I am against the reactionary clergy, both Muslim and Orthodox. Not all of the clergy is reactionary."

The impression I gained from attending some twenty workers' councils' meetings is that they do play an active part in the management of factories, that generally their decisions are heavily influenced by the director and one or two leading members, and that their policies are strongly shaped by the union organization in directions set by the Communist Party.

Some workers grumble about the workers' councils. A Belgrade mechanic who was formerly an employe of a machine shop in the Yugoslav capital declared: "They are all a front. It is still the management that counts." A Zagreb metal worker, who before the war was an active socialist, asserted that "workers'

councils are a joke because the Party tells them what to do and nobody dares go against the Party." He said that recently an employe in his factory who had repeatedly spoken out against the management at his factory was fired. He declared another man who opposed "the Party people" has been arrested by the UDBA, the Ministry of Interior secret police, and warned to "keep his mouth shut or go to jail."

One gets the impression, however, that most workers like the new system. A Ljubljana union official declared the main trouble was that the workers were slow to realize that the workers' councils really had power. My own experience was that most objections to the new system centered around charges of misuse of power by the workers' councils.

Tito has answered these critics by saying: "In the process of management, in the unceasing process of labor and running the enterprises, all the workers will gain in experience. The important thing is that a start has been made...."

The president of the workers' council at the Ivo Lola Ribar machine tool plant said that when Jules Moch, the French socialist leader, visited the factory last year, he expressed doubt that workers had the ability to manage industry. President Kostoabvović told M. Moch:

"One of the great prewar Yugoslav capitalists was Vlada Ilić. He was an unlettered man but he was a success at running factories. If he could do it, so can we."

Fred Warner Neal