

By Invitation

New Social Inequality in Work Organisations: Challenges for the Eastern EU Member States

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Today, Eastern European economies face the challenge to create a dynamic labour market. New forms of inequality accompany a still incomplete post-socialist transformation. They are aggravated by shortcomings in setting up modern industrial relations systems and advanced human resource management practices. The transformation of work organisations has been largely a “top-down” development marked by massive governmental interference, guidelines by imported managerial staff and widespread fragmented worker representation. Market-oriented transformation in these states we find a dual structure of social inequality in work organizations: the emergence of social partnership in liberalized zones of growing prosperity and negotiable inequality patterns, co-existing with still large areas of rather moderate social and economic progress. This co-existence is likely to persist, argues the author.

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Eastern European Economies after Affiliation

After their formal affiliation to the EU, Eastern European economies face the challenge to create a dynamic labour market in order to redress still substantial misallocation and at the same time to grant basic worker protection against the risks of a market economy. Generally, real wages declined and wage inequality increased while at the same time there was a re-allocation of jobs between the economic sectors as well as the growth of the informal sector, due to increased self-employment (as an alternative to unemployment). The reduction of employment was somewhat cushioned by social protection programs. But there are great regional differences. While in Estonia labour legislation imposes low termination costs for labour contracts with the result of higher labour flows and possibly higher job creation rates, in Poland and Slovenia labour market institutions are much more restrictive.

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But though the lack of market power is a collective phenomenon for large segments of the labour force, it is mainly perceived in terms of individual challenge within organisational bonds and not in terms of class antagonism. Up to date, no formation of new mass movements or at least the strengthening of collectively operating mass organisations such as trade unions is in view. Instead, co-operative patterns of crisis-management and private attempts prevail to counterbalance loss of control through informal network-building.

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In such a situation, research focusing upon social inequality in work organisations is concerned with two problems: First, which are the mechanisms in working life, especially the changes of work organisations to bring about new types of social inequality? Second, which

groups are affected and which patterns of actions answer the challenges they meet in pursuing goals related to work? This topic shall be treated against the background of German experience which still serves in many ways as a guideline for ongoing modernisation of work organisations.

New Types of Work-related Social Inequality

There is a general consensus about the factors and trends challenging the social organisation of work:

- Technological factors: Ongoing mechanisation, automation and informatisation with the effect of substantially increasing labour productivity and establishing globally operating communication networks.
- Economic factors: Within the context of increasing global competition the ratio between capital and labour input has been deeply affected by continuous rationalisation. Drastically diminishing transaction costs have contributed to a flexible allocation of economic activities, responding to market pressures.
- Socio-cultural factors: The growth of high-tech industries has increased the necessary qualification of input and the need for continuous adaptation through learning. Consumerism as a consequence of increased labour productivity has raised individual demand levels and at the same time has fostered the awareness of personal risks.

- Socio-political consequences: We witness the emergence and flexibility of individualised work preferences, especially among female employees. They support the introduction of flexible work arrangements while traditional, standardised forms of industrial and employment relations loosen their general validity.

Though all European societies are affected by these general trends, their actual state reflects different phases in societal modernisation, marked by market integration, democratisation and individualisation as well as different levels of prosperity. The following analysis shall focus upon the impact of these changes upon the main patterns of inequality in working life: employment structures, working conditions and career prospects.

Growing Segmentation of Employment Structures

Employment in modern societies is structured according to a significant segmentation of labour markets which reflects mobility barriers between non-competing groups, already mentioned in 19th century by J.E. Cairnes. These are marked by differing features related to work performance and therefore establish restricted and unequal employment and remuneration chances (Sengenberger 1978, 1987). It has become common to typify segmented employment forms according both to the relevant organization of partial labour markets and to the level of employment quality. We arrive here theoretically at the following labour mar-

ket sections (Oschmiansky/Oschmianski 2003, 7f.):

- Type I: Occupation-based segments, generated by differential certified qualifications, valid for similar jobs within the whole economy. Here standardized, regular employment forms prevail, mainly in small and medium-sized establishments (for a summary see Fuerstenberg 2000).
- Type II: Enterprise-based segments, generated by organisation-specific qualifications, valid only within the relevant (usually large-scale) enterprises. Permanent staffing is the prevailing employment form (Doeringer/Piore 1971, Koehler/Preisendoerfer 1989).
- Type III: Unstructured segments, marked by unspecific labour supply suited for discretionary work assignment. Employment forms are "a-typical" when compared with regular long-term labour contracts. Examples are agency work, part-time work and temporary work.
- Type IV: "Buffer"-segments supplying rather unqualified labour for short-term tasks. "A-typical" labour contracts for temporary and auxiliary work prevail, resulting in marginalisation, even stigmatisation of persons concerned.

When applying this typology, one needs to keep in mind that labour market segmentation also corresponds with characteristic personal properties of the relevant labour force such as gender, ethnicity, age and performance handi-

caps. They often bias the evaluation of labour supply by potential employers, mainly in unstructured and buffer segments of the labour market.

Empirical evidence from Germany shows a gradual shifting of gainfully employed persons between the different employment types (Oschmiansky/Oschmiansky 2003, 10ff.). Between 1985 and 2001 the share of gainfully employed persons in the total employable population increased from 68 % to 75.1 % (female persons: 52.7 % to 66.9 %). While the percentage of full-time and permanently employed persons only marginally changed from 37 % to 36.7 % (female employees: 29.7 to 33.2 %), part-time occupations increased from 7.1% to 12.8 % (female employees: 12.4% to 22.4%). Self-employment diminished from 7.3% to 6.6 %. Unemployment (extended concept including non-registered job seekers) rose from 5.7% to 8.5 % (female employees: 5.1% to 7.5 %), recently followed by steep increases and now a moderate reduction.

While employment chances have substantially increased for female labour, the available jobs, however, are often marked by non-standard work arrangements, resulting in rather marginal remuneration and promotion chances and greater employment risks. The widespread acceptance of such inferior working conditions is partly due to the fact that female motivation to work still is largely guided by the idea of providing additional household income and by the necessity to find a suitable timing between household and workplace requirements. Recent changes

in unemployment are marked by rapidly decreasing employment chances for unqualified and ageing persons, especially when showing continuous sub-standard performance.

Where statistical figures show a growth of total employment, measured by its share in the total employable population, this growth was mainly due to the creation of part-time jobs. From the point of view of regular employment, the divide between "insiders" and "outsiders" is getting more rigorous (Kalleberg 2003). In order to assess the meaning of this trend for changes in patterns of inequality, we have to consider working conditions within given employment patterns.

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Regarding emerging labour market structures within the new EU member states, socio-economic transformation was largely accompanied by a severe breakdown of employment structures, resulting in migration and attempts of self-employment. After a period of slow reconstruction of job chances in a privatised economy, we find lines of differentiation similar to those in the West, but also the persistence of some peculiarities of state socialist economies where female labour participation rates had been traditionally larger and internal, com-

pany- or government-based labour markets prevailed due to the absence of open job competition in external labour markets.

New Disparities of Working Conditions

Within modernised work organisations we witness changes with far-reaching consequences for the quality of working life:

- Growing intellectualisation of work functions.
- Growing project organisation of work tasks with tendencies of outsourcing and trans-organisational network formation.
- Resulting flexibilization of work assignments and reduction of permanent employment.

Increasing use of IT and the relative growth of the high-tech sector are accompanied by a growing “intellectualisation” of work functions, which are exposed to permanent change. Knowledge necessary for “rationalisation” of work procedures becomes obsolete to the extent that this process proves successful. Therefore, professionalism loosens its traditional meaning. It is no longer connected with know-how accumulated as a kind of “work capital” for lifetime use but depends upon a process of continuous learning in rapidly changing work situations. As a result we witness a new segmentation within work organisations between highly qualified and motivated key personnel, being able to adapt to changing challenges, and

a rather immobile workforce with moderate training and motivation, depending upon routine training and order-giving.

From this evidence we may conclude that there is a tendency to widen the gap between “central” and “peripheral” employment with an increasing share of persons and groups marked by precarious positioning (Kreckel 1992). Within this context and in view of widespread unemployment, “inclusion” and “exclusion” in terms of labour market access are often discussed (Zilian 2004).

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In European transition countries, education has become the key factor in explaining wage differentials and wage inequality. Like in Western Europe, the less educated are highly represented amongst the unemployed. Active Labour Market Programs also are found in most transition countries. They comprise training, wage subsidies and public works programs in order to foster re-entry into the labour market. However, they appear to reach their objectives only when the relevant economies are achieving economic growth and when they are targeted to particular groups. The latter holds especially true for job search programs. Public works programs do not provide greater employment or earning chances (Rashid/Rutkowski 2002: 26). In the long run,

higher qualification and work competence by providing general skills and ability of analytical problem-solving will improve the human capital of a region better than the training in narrow vocational skills, as increased labour flexibility will be a main requirement for necessary structural adjustments.

Striking examples for positive trends in terms of “upgrading” are the spreading multifunctional teams for the design and operation of high-tech equipment. Within larger projects they often become quasi-independently operating parts of extended trans-organizational networks. Their social climate is marked by the need for co-operation, combined with the need for competitiveness. Members with permanent sub-standard performance tend to be eliminated. Basically, these multifunctional teams are not stable. They shift from project to project and change their composition (Ekstedt et al. 1999). This leads to another process of segmentation: between stable and transitory work arrangements. At high qualification levels we observe gradual changes from employee status to the status of risky self-employed in the course of “outsourcing” as well as the hiring of experts for terminated functions. Within this context individually negotiated part-time working arrangements are possible. At lower levels non-standard work arrangements become widespread. They are marked by contracts limited for a given period, and by auxiliary and part-time employment.

Within new EU member states this

process is brought about mainly through foreign investors, especially large multinational firms. Therefore, a major social divide exists between their slowly upgraded indigenous employees and high-tech foreign expatriates in key positions. But even greater is the emerging social distance between privileged employees in foreign-owned companies and those working in more traditional low capital/low wage sectors of the economy, employment in government being often at the bottom.

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Unstable Career Prospects

In order to assess the inherent dynamics of work-centred inequality, mobility patterns within and between labour market segments need to be investigated. From the available data we witness the emergence of new disparities in work careers. Continuity is gradually being replaced by flexibility and mobility. In his analysis of positional changes, based upon data from the Socio-economic Panel (SOEP West), a basically still valid observation by Peter A. Berger (1996) found a significant diminishment of both the extent and stability of work careers for unqualified German workers (types III and IV). Decline into unemployment was frequent. Within the occupation-based segment (type I) high stability (about two thirds of male and female

employees) was documented. Stability was even higher in the organisation-based segment. About three quarters of male, and two thirds of female employees did not leave this segment. This shows that for the period of investigation (end-80s) employment stability significantly increased with higher levels of qualification and membership in large enterprises.

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Based upon the German Employment Statistic Register Sample 1975-1995 Bender, Konietzka and Sopp (2000) reconstructed individual work careers. Their analysis shows that the former work life has an independent influence on the risk of interrupting work or to become unemployed. Furthermore, qualified persons who experienced job shifts within their last firm and who are working in larger firms investing in the qualification of their employees, have greater chances to move directly to another employer. These results indicate a "reproduction" of discontinuous employment patterns over the work life with less qualified personnel being the looser.

Career patterns within organisations change in the course of their re-engineering. This mostly means the gradual replacement of central hierarchical control by de-centralised self-administration of operative units (project teams and profit centres) within the limits of negotiated goals and budgets. In such project-based

organisations the traditional ladder of promotion is replaced by varying task assignments with performance-bound gratification as part of the remuneration. This means an enrichment of the employment status by quasi-entrepreneurial elements with corresponding risk taking. But traditional seniority rights are as much at stake as their basis: long-term working contracts.

Challenge of Welfare Corporatism & Co-operative Unionism

Work-related inequality manifests in pay differentials, different quality of work, different promotion chances, different employment security and generally a different degree of social integration within work organisations. The actual shape, however, is largely influenced by the socio-cultural framework, usually referred to as corporate culture.

We observe a variety of corporate cultures, which may be classified according to two basic types of underlying value orientation:

- The organization-oriented type is based upon work roles within co-operative units. The relevant status organization traditionally combines both work performance and membership attitude evaluation (length of service). This type may be combined with a more or less pronounced "professional orientation" focussing upon the certified quality of work performance. Accordingly the status organization is modified by stressing individual competence linked to profes-

sional standards instead to traditional seniority patterns. Organization-centred attitudes are fostered by prevailing fringe benefits.

- The market-oriented type refers to the dominance of interests directed towards the utilization of chances given by market conditions. The resulting high level of labour turnover results in lower levels of organizational integration and “company-mindedness”. Instead, pay incentives are predominant. A social orientation prevails focussing upon informal group solidarity and market-oriented networks, while organization-centred attitudes are motivated by prevailing pay incentives.

Within the German-speaking countries the organization-oriented employment type has served as fundamental for the development of a special variation of welfare capitalism which aimed at the social integration of employees by making inequality acceptable through decent work arrangements, extended participation rights and extended social security. In the planned economies of Eastern Europe, the enterprise even developed as an authoritatively run quasi-community with basic welfare functions. The introduction of a market economy loosened or abolished these regulative ties.

Shareholder-oriented Capitalism

The global emergence of a new form of shareholder-oriented capitalism suggests a shift towards an individualized and market-oriented employment type, prevailing in Anglo-Saxon countries. This

results in lessening the social bonds established by welfare corporatism. Increasing global competition results in the flexibilisation of manpower. Main features are: reduction of permanent employment, dilution of “normal” collective agreements and standard work arrangements by a mounting diversity of individual work contracts, and last but not least the spread of a shareholders’ value-ideology. There is a tendency to replace social components in human resources policies by the application of individualizing financial incentives and subsequent personal risk sharing.

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The new EU member states are rapidly entering this phase, marked by increasing social insecurity. However, socio-cultural barriers work against an overall transformation towards type III - employment relations. Probably they get transformed from “bureaucratic production communities” towards a conflictual, but nevertheless social partnership in industrial relations with some affinity to a more flexible version of the German (and Austrian) model of welfare capitalism.

In order to appreciate the persistence and popularity of welfare corporatism in central Europe, we have to keep in mind, that its establishment is founded as well in societal structures as in actors’ strat-

egies. Extensive labour legislation grants basic rights to all gainfully employed persons. Highly regulated or segmented labour markets constitute clusters of non-competing employee groups with distinct status expectations. Co-operation with management means not only sharing production goals but also participation in benefits deriving from their achievement. As long as this combination appears to be realistic, parting from these integrative patterns will not be considered feasible by the majority of those concerned.

Nevertheless, those advocating the German version of welfare corporatism, have to keep in mind, that this system, marked by a particularly high degree of professionalism (*Berufsorientierung*) among the employees and highly regulated industrial relations, resulting in a distinct system of "co-determination", underwent drastic changes. Under the pressure towards flexibilization of labour supply and work conditions, towards permanent re-qualification as the maintenance of pay incentives through individualized work arrangements, traditional traits of company welfare programs have been abolished. Programs for reducing surplus labour, e.g. through outsourcing, have been applied extensively. At present, new EU member economies still profit from such shifts in employment. But with rising pay levels their competitive advantage diminishes rapidly.

In Germany, according to the provisions of the Works Constitution Act, all relevant measures for structural change had to be applied in co-operation between management and the works council.

Thereby major conflicts at company level have been avoided. Generally, the basically co-operative structures have been preserved. Preferences of younger employees appear to be more individualized, also in view of less stable career prospects in the initially chosen occupation and with the first employer. This demonstrates a certain convergence of individual and corporate response patterns to the given structural challenges. The overall picture shows the German corporation as a highly complex organization marked by an institutionalized and legally sanctioned social framework, by consensus-oriented problem-solving through negotiations and by a well qualified labour force aiming in its majority at stable workplace relations and career prospects. Work arrangements, however, underwent a substantial flexibilization with the already discussed segmentation effects.

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Within the new EU member states we observe a significant time lag, also due to the absence of a firmly established and institutionalized framework for industrial relations. German welfare corporatism as a model of long-term granting social status to core employees still finds advocates in Eastern Europe. But one has to realise that its realm diminishes. As a consequence, new ways of interest formation and interest presen-

tation within the labour force may be expected. In Germany, mounting social costs based upon vested interests call for more flexible industrial relations. The slogan "de-regulation" marks attempts to dilute normative patterns founded in the so-called area-covering collective bargaining which procured industry-wide standardized work conditions and options for improvements at company level. The trend to open or even abolish such standards, often called individualization, certainly widens the inter-firm disparity between different categories of employees. Large corporations with world-wide operations pursue their own strategies, Volkswagen with its extensive company bargaining being a prominent example. Thus we encounter a wide variety of patterns for adjustment to external (global) pressures and their combination with socially feasible ("sozialverträgliche") solutions. As a consequence, atypical and even marginal segments of the labour market increase. Initiatives at EU level, such as the quest for "flexicurity" (flexibility of work assignments and security of employment), aim at synchronizing and rendering more flexible existing regulations in the world of work with the ultimate goal of increasing employment chances.

Prospects of Social Partnership

The general outlook does not suggest the abolishment of strategies of social partnership in spite of major changes in their components. Corporate human relations management and union policies continue to be co-operative and to be directed towards working solutions. In or-

der to secure efficiency, profitability, achievement motivation and social acceptance, greater organizational flexibility needs to be combined with social risk management and the guarantee of basic participation rights. But there is an increased tendency to limit the advantages of welfare corporatism to those groups of employees who match best the image of "optimally efficient workers", and management determines the standards for such a classification.

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Fundamentally, changes in employment forms and actors' strategies appear as a test of the existing and widely institutionalized frame for transforming social inequality in the world of work into acceptable status systems. Within the new EU member states, such a frame still is under construction. Both flexibility in order to cope with globalized competition and security in order to grant decent ways of life are needed. The challenge may be brought into the formula: Social Darwinism with considerable gains for the winners and exclusion of the losers or social partnership with co-operative management and even joint risk sharing. Are there sustainable alternatives to American work ways?

Social partnership, open for both conflict and consensus, may be conceived as a problem-solving system largely depending upon available resources and their mobilization to match both internal and external pressures. As long as efficiency and utility can be maintained and even increased through joint efforts, zero-sum constellations for the negotiating parties may be avoided. If losses are unavoidable, their redistribution or compensation from external resources, e.g. by government subventions, may save the system at short sight. Also prospects of future gains may help to increase acceptance of joint strategies. But the more conflict management becomes hazardous and the incidence of burden results in increasing disparity and relative deprivation, the more social partnership runs the risk of deteriorating into a struggle for defending vested interests. Ultimately the system may collapse into modes of Social Darwinism. Such a cause of events, however, is not likely to occur simultaneously in all sectors of industrial relations unless there is a general societal crisis. Even then some joint activities are necessary for survival, especially during reconstruction periods.

The prospects of social partnership have been positive thus far when economic growth was accompanied by stable conflict management of partners mutually confirming their positions. The gradual transformation of wage-oriented unionism due to the challenge of participative managerial practices for employee promotion offers new chances to social partnership models. New patterns of social inequality due to structural changes

in employment and work cannot be made acceptable merely by representative negotiating the financial outcome but rather by participating in the problem solving process and by sharing relevant decisions at workplace level.

As a result of market-oriented transformation in the new EU member states we find a dual structure of social inequality in work organizations: the emergence of social partnership in liberalized zones of growing prosperity and negotiable inequality patterns, co-existing with still large areas of rather moderate social and economic progress, where governmental regulations grant minimum standards. This co-existence is likely to persist.

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