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State, labour and market in post-revolution Serbia

Martin Upchurch

Workers played a key role in the October 2000 revolution in Serbia that overthrew Milošević and his Socialist Party regime. Since then, the trade union movement has begun to consolidate itself into three separate union federations, each with its own distinct orientation. Serbia's economic problems have persisted, leading to heavy dependence on privatisation, foreign direct investment and loans and grants from international financial institutions. This environment has both constrained and shaped the strategies of the unions. This labour experience is difficult to compare with those of advanced western democracies, and is still conditioned by legacies from the past.

*A place where there isn't any trouble. Do you suppose there is such a place, Toto? There must be. It's not a place you can get to by a boat or a train. It's far, far away. Behind the moon, beyond the rain. (Dorothy in *The Wizard of Oz*, 1939)*

Introduction

Studies of the transformation of work and labour in the countries of central and eastern Europe (CEE) have concentrated on two key developments. First, the establishment of forms of tripartism and social dialogue; and second, on the emergence of different forms of employee–relations regimes within states (Thirkell et al., 1998; Casale, 1999; Martin & Cristescu-Martin, 2001, 2004; Đurić, 2002; Kohl & Platzer, 2003; Mailand & Due, 2004). A key factor shaping and responding to these two important variables has been the trade unions. Studies on this subject have drawn attention to the development of trade unions under post-Communism, as new, independent unions emerge and old, 'official' unions either collapse or reform. They point in

particular to the resultant pluralism and fragmentation of unions (Smith & Thompson, 1992; Thirkell et al., 1998; Pollert, 1999). However, the role of organised labour remains something of a paradox. On the one hand, it forms a large interest bloc in a new but unstable 'civil society', and has potential influence and associative power beyond its mass. In two cases, for example, trade union leaders have risen to become leaders of their countries. In others, the political parties formed or favoured by trade unions have taken or shared power. On the other hand, CEE labour has been described as 'weak' and fragmented by ideological differences, with its market power suppressed by unemployment, and as subject to negative public perceptions inherited from the past (Ost & Crowley, 2001; Crowley, 2004). While considerable attention has been focused on trade unions, less attention has been paid to the role of employers or to that of the state, and so an incomplete analysis has resulted. Other important actors in the process of regime formulation have been the international financial institutions, which have been able to construct agendas and influence policy as they distribute aid and loans in return for neoliberal market reform (Gowan, 1995; Gradev, 2001).

In assessing the transformation experience, both in terms of labour's role and influence and in broader terms, it is clear that the interplay between state, labour and the market is more complicated than the original proponents of 'shock therapy' had anticipated. This approach was based on a belief that the clearance of market rigidities, including those of the labour market, would be enough to encourage a positive economic take-off leading to endogenous growth fed by profit-seeking. Trade unions had little role in this framework. In reality, many of the old inefficiencies of the previous command economy have persisted, and insufficient foreign investment has been attracted. Production levels fell substantially throughout the CEE in the decade after transformation, and only in recent years has some stabilisation and recovery been effected. A long trail of unemployment has persisted in the wake of restructuring. What has occurred has been a complex interplay between the forces of *market* (in the form of neoliberal restructuring); the actions of the *state* (in terms of its regulating the market and tempering its effects); and *society* (in terms of the activities and agendas of the affected actors and interest groups). Within this more complex scene, organised labour has indeed had a

role and function, as more sophisticated analyses have shown. Some commentators, for example, have argued for the primacy of path-dependent outcomes factored by history and culture (Stark, 1992; Whitley, 1998). In this framework, old work practices and labour relationships have an influence on new trajectories. Others have emphasised the conflictory nature of transformation, and point in particular to the role of organised labour in shaping, adapting or contesting the new environment (Clarke et al., 1993; Hardy & Rainnie, 1996; Pollert, 1999, 2001; Toth, 2001).

While the states of central and eastern Europe have accumulated almost seventeen years of experience, relative newcomers to the stage have been the new states of the former Yugoslavia.¹ That country is in many ways a special case within the transformation story, having opened up its economy to foreign direct investment in the late 1960s under the Tito regime, only for transformation to be stalled in the 1980s and in the ensuing period of civil war. Within the former Yugoslavia, the experience of Serbia has also been the most dramatic, since it was additionally affected by UN sanctions, NATO bombing and, finally, by the revolution of 5 October 2000. This paper seeks to explore the emerging relationship between market, state and society in this new Serbia, focusing in particular on the role and influence of organised labour in shaping new trajectories of industrial relations. Preliminary research data has been gathered from union documents, interviews with union officials and from an indicative survey of union activists and managers. The sample of trade union activists surveyed was taken from the three main union federations in the summer of 2004. A parallel survey of managers was undertaken from a sample drawn from postgraduate management students on a Masters course at the Belgrade-based European Center for Peace and Development.² All the managers surveyed and interviewed were employed in establishments in Serbia.

Serbia within the Yugoslav context

The Yugoslav economy slid into a debt crisis in the 1980s, and this was a major factor in creating political factionalism within the federation, leading eventually to nationalist-based secessionism and civil war. The resultant turmoil left a host of difficulties for the establishment of regional stability or forms of social dialogue based on liberal-democratic values (Woodward, 2001). To make matters worse, the wastefulness

of the wars, together with UN sanctions and NATO bombardment, left the Serbian rump of the former federation in an extremely precarious economic position. For example, GDP per capita in Serbia fell from US\$2,696 in 1990 to US\$1,965 in 1999,³ while the 'grey economy' as a proportion of GDP increased to as much as 53.4 per cent in 1994.⁴ The collapse of the former republic also destroyed the internal 'common market', thus increasing dependence on more expensive (mostly western) imports. Prospects for a 'successful' transformation are consequently more dependent on foreign aid and investment than is the case in most CEE comparators, given the difficulties that the Serbian economy may have in creating internally led capital accumulation. The economic indicators given in Table 1 illustrate the problems.

The depressed nature of the Serbian economy (as well as that of Montenegro) is discernible in Table 1, with a combination of high inflation and unemployment, and an excessive debt/GDP burden likely to restrict opportunities for seeking external credit options. The ability of the state to extract credit from the international financial institutions (IFIs), and indeed, to progress down the road to potential EU and NATO accession, has been further constrained by political objections to the continued delay in 'handing over' former Serbian military commanders to the Hague court. Political instability and gangsterism are apparent, as evidenced by the assassination of Prime Minister Zoran Djindjic in 2003, and by uncertainty over the future of the confederation of Serbia and Montenegro, and over the status of Kosovo. As in all cases of transformation, the state has sought to adjust to a market-led economy in three ways. First, by introducing a programme of privatisation; second, by attempting to remove labour-market 'rigidities'; and third, by seeking foreign aid (in the form of both real and human capital) and investment. The consequences of this market adjustment, and its effects on and interplay with labour and society, are reviewed in the next section.

State and market in the new Serbia

A thorough review of the Serbian privatisation programme has already been provided by Hadžić (2002) and Ristić (2004). Laws to allow privatisation were passed in 1989, 1990 and 1994, and strongly favoured domestic investors and employees through a system of preferential discounts

Table 1: Economic indicators for Serbia and Montenegro and selected transformation states

	Serbia/ Montenegro	Croatia	Romania	Poland	Czech Republic	Slovenia	Bulgaria
GDP per capita in euros, 2002, at exchange rate (i)	1878	5451	2221	5299	7683	11771	2101
Gross external debt per capita in euros, 2002 (ii)	1368	3334	694	2120	2522	5755	1373
Gross external debt as percentage of GDP, 2001 (iii)	114	57.9	31.1	39.2	39.1	34.4	78.3
Rate of price inflation over previous year, 2003 (iv)	16.5	1.7	22.5	1.9	1.8	7.5	5.8
Registered unemployment rate, end 2003 (v)	31.2	21.3	8.4	20.0	9.8	11.3	16.3

(i), (ii), (iv), (v) Vienna Institute for International Economic Studies, *Handbook of Statistics*, 2003(iii) UNECE, *Statistical Yearbook of the Economic Commission in Europe*, 2003

Table 2a: Trade union activists' perceptions of self-management in Serbia (n=23)

	Strongly disagree	Disagree	Don't know	Agree	Strongly agree
Workers' self management in Yugoslavia was democratic	5 (25.0%)	8 (40.0%)	2 (10.0%)	5 (25.0%)	-
Self-management increased productivity in the enterprise	4 (21.1%)	7 (36.8%)	5 (26.3%)	3 (15.8%)	-
Self-management increased workers' wages too much	1 (4.8%)	5 (23.8%)	5 (23.8%)	6 (28.6%)	4 (19%)
Self-management led to unemployment	2 (9.6%)	8 (38.0%)	4 (19.2%)	4 (19.2%)	1 (4.8%)
Self-management is useful for enterprises today in Serbia	5 (25.0%)	8 (40.0%)	6 (30.0%)	1 (5.0%)	-

Table 2b: Managers' perceptions of self-management in Serbia (n=18)

	Strongly disagree	Disagree	Don't know	Agree	Strongly agree
Workers' self-management in Yugoslavia was democratic	4 (22.2%)	4 (22.2%)	6 (33.3%)	4 (22.2%)	-
Self-management increased productivity in the enterprise	8 (44.4%)	6 (33.3%)	4 (22.2%)	-	-
Self-management increased workers' wages too much	6 (33.3%)	2 (11.1%)	2 (11.1%)	4 (22.2%)	4 (22.2%)
Self-management led to unemployment	8 (44.4%)	-	8 (44.4%)	2 (11.1%)	-
Self-management is useful for enterprises today in Serbia	12 (66.7%)	2 (11.1%)	2 (11.1%)	2 (11.1%)	-

Author's survey, conducted in 2003–2004

on shares. Not until 1997 did a law come into force that opened the path for foreign investors to buy up enterprises. The later legislation also restricted insider ownership to existing employees and pensioners of enterprises, and this, Ristić(2004: 123) argues, created some hostility to privatisation from the excluded sections of the population. Concern was also expressed that managers of previously 'failing' enterprises could remain in charge through shareholding options, with potential attendant problems of transparency. The first privatisation law after the October 2000 revolution was enacted in 2001, and enabled the privatisation of all 'socially owned capital', as opposed to the existing state-controlled public services and enterprises. A stipulation that social welfare programmes should be attached to the privatisation was included in the legislation. Privatisation, in this instance, followed the model of tender in order to gain new majority owners, who might be domestic or foreign individuals. With both forms of privatisation—insider share-ownership and open-tender—concerns were raised about the ability of individuals to obtain property at bargain prices through a combination of legal and illegal means. Serbia ranked 97th of 146 countries at the bottom of the 'corruption perception index' produced by Transparency International in October 2004—an index that measures business leaders', academics' and other analysts' perceptions of the levels of public-sector corruption.⁵ Between 2002 and 2004, over 1,100 enterprises, employing over 150,000 employees, had been sold off (Ristić 2004: 126). Key sales have been those of steel works (to US Steel) and breweries, tobacco manufacturers and petrol stations. The Slovenian company Mercator has also bought up many retail establishments and stores. Full privatisation of the Serbian telecommunications network has proved difficult because of problems of infrastructure. Many smaller and medium-sized enterprises in the 'socially-owned' sector have been sold to domestic investors.⁶ The large but troubled Zastava arms and automobile combine (which was heavily bombed by NATO) has been linked with various European car manufacturers with a view to establishing either a full sale or a franchise/joint-venture arrangement. In terms of foreign direct investment (FDI), the former Yugoslav federation had opened the doors to it as early as 1967, under Tito. Externally sourced investment stalled in the 1990s because of the war and sanctions, and since October 2000, the new Serbian

regime has been obviously anxious to attract FDI again. In 2003, it liberalised the law in order to allow the transfer of profits out of the country, and to provide guarantees against expropriation (or nationalisation). The level of FDI in 2003 exceeded US\$1.2bn; this was comparable, at the time, to levels flowing into most CEE countries, but remained significantly lower when assessed on a per-capita basis.

After the fall of Milošević in 2000, Serbia was quickly integrated into the international financial community and signed agreements with the IMF, the World Bank and the European Bank for Reconstruction and Development (EBRD). Serbia's long-term debt remains high; but in July 2004, an agreement was made with the 'London Club' of donors to write off outstanding debts of US\$2.8bn. However, the price that must be paid for such write-offs and for new credit is that internal restructuring must follow the agendas of the IFIs. Two-thirds of the World Bank's operations are linked to internal policy reforms, many of which shape the employee-relations environment, such as pension reform, labour-code amendment or public-sector restructuring and pay (EBRD, 2004; World Bank, 2004). Amendments to labour codes have been common throughout the comparator CEE countries. An analysis of labour codes throughout the region suggested that the former Yugoslav countries have 'relatively flexible regular employment legislation', but higher-than-average inflexibility with respect to temporary contracts (Micevska, 2004). All the CEE countries and those of the former Yugoslavia are regarded as having more 'restrictive' labour laws than is the case in the EU (Foteza & Rama, 2001). Given the neoliberal imperative of the IFIs, it is not surprising that the liberalisation of labour codes becomes an important point of pressure on the transformation states. The Serbian government has ratified a series of International Labour Organization (ILO) core conventions, but heavy restrictions remain on trade unions' right to bargain, including the need to pass a qualification hurdle of fifteen-per-cent 'representativeness', and to obtain the signature of the enterprise director before they are recognised (this hurdle is set at twenty per cent in local government and the civil service). Interestingly, the new Labour Law adopted in 2001 removed the exclusive bargaining rights of the Confederation of Trade Unions of Serbia [sss—Savez Sindikata Srbije], which operated 'officially' during the Milošević period, and opened the door for a pluralist system of representation. As with

most other transformation states, employers' and unions' social dialogue has been a feature of change in Serbia and the former Yugoslavia, despite the often conflictory objectives of the state. This will be examined following a brief review of the social and political nature of the social-dialogue discourse.

Society, labour and social dialogue in transformation

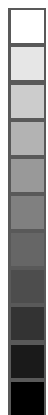
The prime consideration of social-dialogue initiatives has been to fulfil the conditions for accession to the EU, under what can be termed the 'Brussels Consensus' of future development in the wider European arena. In the states of the former Yugoslavia, EU influence has been transmitted through the 'initiative for social cohesion' of the Stability Pact for South Eastern Europe.⁷ Part of the process of transformation states' entry into liberal democracy has also been the ratification of various ILO conventions, which again stipulate the development of social-dialogue mechanisms. However, there are other, social sources of social dialogue that are equally important. First, centre-left opinion in the opposition movements under the old regimes, including that of Milošević, was fired by an alternative vision to the communist command-economy model. This vision appeared as a social-democratic society based on the west European model, with labour-oriented parties operating on a consensus basis with employers within a 'market democracy'. A strong intellectual current developed around this theme, and crossed over from academics to trade union leaders and political leaders (see Marković, 1996).⁸ Second, the turmoil of 1989 and the years that followed created a fear of social instability throughout the region, and a desire to reconstruct society within the general framework of liberal democracy. Social dialogue is considered to be the vehicle for social peace through the development of incorporative political mechanisms, as a bulwark against the return of Communism, and as a possible guarantor of social justice (Marinković, 2004). External agents, once again, play a role in developing this approach, and particularly US-based agencies such as USAID [United States Agency for International Development] and the United States Institute of Peace (USIP, 2001). Some placatory reports from the World Bank and EBRD now recognise the importance of 'institution building' alongside



market reform.⁹ In this case, social dialogue is used by states in order to incorporate labour into the process of market reform and to neutralise opposition. The outcome is close to the liberal corporatism earlier described by Katzenstein (1984), and equates to what Kolodko (1999) has termed a 'post-Washington Consensus' that seeks to incorporate agents in civil society (see also Haynes & Husan, 2002). Third, for the trade unions, social dialogue simply means 'finding somebody to talk to', as a means to establishing social legitimacy in order to bargain over collective issues. This motive might correspond to that of governments, who wish to talk to somebody about their reform plans in order to legitimise the political process. As Ost (2000) observes,

tri-partite agreements with unions helped bring social peace and stability at a low cost—lower than might have to have been paid when dealing with the worst societal losers, who tend to be rural and unemployed, or with new radical groups pretending to speak for such constituencies.

Thus, while actors on both sides of the industrial divide may have been keen to establish social dialogue, their motives and hoped-for outcomes have differed. This leads to an impasse whereby the intended consensus outcome is tempered by an underlying difference of interests. The paradoxical nature of the consensus in the transformation states has undermined social dialogue as an effective mechanism. The paradox is exacerbated when one of the main institutional vehicles of social dialogue—national and sectoral collective bargaining—is either absent from the scene or superseded by enterprise-level initiatives. Lado and Vaughan-Whitehead (2003), for example, estimate that as many as three-quarters of CEE employees are not covered by collective agreements at all. As a result, both employers and state have little need to contain wage-based conflict through institutional mechanisms. In addition, employers' organisations are often observed to be weak or absent, and consequently, norms of behaviour are poorly established and their manifestation in institutional form dormant or embryonic. Indeed, the likelihood of employer hostility to unions, based on the need to seek competitive advantage through low labour costs, can be a dominant motive for avoiding unions. In both Romania and Bulgaria, for example, there is evidence of employers asking new employees to agree that they will not join a union;



and in the Czech Republic, employees are informed that trade union membership is not company policy (Winterton, 2004). The resultant fragility of tripartite institutions has also been interpreted in similar fashion by Thirkell et al. (1998: 166) as a product of state attempts to legitimise neo-liberal economic agendas, or as simple window-dressing by regimes with a unitarist heritage shaped by command-economy authoritarianism (Hethy, 1994: 94). In reviewing the region, Ost (2000) has described the result as 'illusory corporatism'. Pollert (1999, 2001) depicts a 'fragile shell of tri-partism', and Tatur (1995) refers to a 'paternalist neo-corporatism' that marginalises trade unions. Indeed, where unions have attempted to adopt a strategy based on a social-democratic model of corporatism, such as in Hungary, they have also been disappointed (Toth, 2001). Case studies of bipartite approaches of union-employer cooperation paint a similarly depressing picture for labour in Russia (Ashman, 2004).

The Serbian case: The ambivalent role of labour

The role of labour in Serbia's recent history can be described as one of class-based worker opposition to the Milošević regime, which has been deflected at key junctures by national chauvinism. During the late-1980s, popular opposition to the regime was fed by a combination of economic deprivation and the desire for political democracy. This general political feeling was reflected in a 'golden age' of strikes, in which they were accepted within society as a legitimate expression of grievance (Arandarenko, 2001). Protest culminated in a demonstration in Belgrade in 1990, at which Milošević made a belligerent Serb nationalist speech, urging everyone 'to go back to work'. In effect, as one leading trade union activist observed, 'we came to the rally as workers and left as Serbs'.¹⁰ The change in workers' mood following the rise of nationalism led Arandarenko (2001) to argue that the triumph of nationalism was a product of Serbian labour's *weakness*, which, he argues, was a particular legacy of collaborative self-management. In contrast, Stanojević (2003) offers the alternative explanation that the Serbian Socialist Party faction led by Milošević had played a nationalist card precisely because of labour's *strength*. Nationalist divisions were certainly exacerbated by the ensuing wars of the following decade, and many trade unions in the wider region accommodated themselves to nationalism and have continued

to have 'ethnically'-based membership in the post-war years (see Đurić, 2002 for a general review of unions in the former Yugoslavia). Trade union leaders who did not abide by the nationalist creed in the 1990s were in danger, as evidenced by the dismissal of the president of the Union of Autonomous Unions of Croatia, who was purged in 1993 for daring to talk to his counterpart in the Serbian-based independent union *Nezavisnost* (Đurić, 2002). It is notable, however, that major industrial disputes continued to take place in Serbia during the war. In the early period of the war, the number of strikes fell significantly under the countervailing influences of nationalism, rapid inflation and unemployment (Marinković, 1995). But from the middle of the decade on, the number of disputes began to increase. Teachers, for instance, went on strike in 1996, 1997 and 1998; electricity-supply workers in 1993; the Belgrade transport workers in 1993 and 1998; and medical workers in Nis in 1998 (Marinković, 2001). Major strikes and street demonstrations took place in the winter of 1996–1997 in Belgrade, which, according to Nikolić (2002: 82–83), were significant for their focus on demands for political democracy in contrast to the more national-chauvinist demands to be heard in the demonstrations of 1991 and 1993. By the end of the decade, under the impact of years of sanctions, the mood had changed to one of solid opposition to Milošević and his policies within the wider region. Workers' action was central to the final overthrow of the regime in October 2000, following the major strike by the 17,500 miners and electrical-supply workers of the Kolubara complex, which began in September (Marinković, 2003). In the immediate aftermath of the revolution, many disputes arose whose objective was, as described by Marinković (2001), to allow 'freedom of organisation, elimination of harassment of trade union activists and fraud and robbery of the enterprise assets by management'.

These particular disputes often involved demands for the dismissal of enterprise directors linked to the old regime. Many workers in formerly and currently state-owned or socially-owned enterprises have also not been paid, or have had delayed wage payments. This latter grievance has been the cause of many wildcat disputes throughout Serbia since October 2000. As well as these minor disputes over wage payments, more substantial disputes have included a strike in the chemical and rubber industry at Tigar Pirot in

December 2000, further disputes raised by teachers, and a strike at JAT, the state airline, in 2004–2005.

Unions

Challenges to the official union structure began in the 1990s, when new, independent unions (including the UGS Nezavisnost federation and a smaller, breakaway federation called the Association of Free and Independent Trade Unions—ASNS) were formed in opposition to the Milošević Socialist Party regime. The official union federation from the Milošević period, the Confederation of Trade Unions of Serbia (SSS), dominated the scene in the Milošević period, was loyal to the ruling Socialist Party, and has inherited the property (offices, real estate, etc.) from that time. Its leadership has also been in power for a long time, is both ageing and conservative, and clearly has a vested interest in preserving the union's income and wealth (if only to guarantee the leadership's pensions).

Faced with the new situation following the October 2000 revolution, the SSS clearly needed to adapt and reform if it was not to be threatened by the rise of independent unions. The union changed its name and successfully applied for membership of the World Confederation of Labour (WCL). In policy terms, the SSS initially opposed privatisation but has since changed its position to one of support, with the usual union caveat that the state should introduce welfare programmes to offset redundancies. There is little sign, however, of internal reform, and while the SSS has taken joint action with Nezavisnost over the Labour Law, it has also called independent demonstrations with nationalist overtones. In October 2003, for example, the SSS organised a protest march through Belgrade to demand early parliamentary elections and an end to the government-organised privatisation of state-run enterprises (Stojanović, 2003). The demonstration was attended by more than 4,000 people, but the closing rally was addressed by representatives of Serbian extreme nationalist parties, including that founded by the notorious (and since assassinated) Serbian warlord Arkan. As long as the union leadership maintains its links to Stalinist Communism of the Milošević variety, its strategy will continue to vacillate between class and nationalist identity. We can describe such a strategy as *conditional opportunist*, whereby opposition to neoliberalism is conditional on parallel support being given to authoritarian, reformed Communist

politics, and opportunist in that the ‘threat’ of class conflict may be opportunistically diverted or contained by nationalism.

The period of civil war formed the backdrop to the formation of UGS Nezavisnost (‘Independence’) in 1991, and it quickly began to challenge the SSS. Nezavisnost has adopted a deliberate strategy of autonomy from the state and independence from political parties. Its social roots were identified with opposition to both war and nationalism; and since the war, it has maintained within its membership minorities within Serbia such as the Hungarians in Vojvodina, as well as Croats and Albanians.

From its foundation, Nezavisnost fought a brave fight against a hostile regime, and was actively involved in organising the increase in disputes towards the end of 1993, and the wave of anti-regime demonstrations in the winter of 1996–1997. Membership grew after 1995 and up until the revolution of October 2000, when Nezavisnost played a key role in organising against the old regime and its corrupt handling of the election results. The union supported the Kolubara miners’ strike, in contrast with the SSS, which opposed it (Marinković, 2003). It sought alliances with other opposition groups during this period, including the G17 Group (a political opposition group), various NGOs and the student-based movement Otpor (‘Resistance’).¹¹ While opposing either a full merger or the creation of political parties, it has nevertheless sought alliances with parties by signing agreements on limited policy issues.

The most significant of these agreements was the ‘contract for a democratic and socially just Serbia’, signed in May 2000 by Nezavisnost and nineteen opposition parties. In effect, despite remaining independent of political parties, the union has developed a sophisticated political programme following internal debate.

Political debate within the union had been spurred by the publication of various documents discussed at a series of education schools for union activists. Assistance in financing the schools has been given by the European Trade Union Confederation (ETUC) and by the International Confederation of Free Trade Unions (ICFTU), to which the union is affiliated, as well as by the American AFL-CIO.

The process of politicisation culminated in the publication of *Platform for a Way Out of the Crisis* (Nezavisnost, 1999) and a conference in January 2002, sponsored jointly by the

ICFTU and the ETUC, after which a statement was issued containing, *inter alia*, the following significant goals:¹²

- a) EU membership
- b) the strengthening of social safety nets
- c) the re-establishment of links with Serbia's neighbours
- d) formal mechanisms to establish 'genuine' social dialogue
- e) full consultation and negotiations with IFIs
- f) increased resources for vocational training (especially for women)
- g) the establishment of independent labour courts
- h) the establishment of a tripartite Public Enterprise Council in order to examine in detail the social and economic effects of each case of privatisation
- i) the consideration of alternatives to privatisation, including reform and commercialisation of public companies
- j) a progressive tax system to fund a social safety net

Such a programme clearly goes 'beyond the workplace' in the issues it seeks to address, and characterises Nezavisnost as a social-movement-oriented union with a distinct oppositionist identity. Its independence from political parties and its reliance on industrial militancy gives the union a traditional syndicalist flavour, overlaid with a political programme that can be described as radical or left social-democrat.

The third federation, the Association of Free and Independent Trade Unions (ASNS), is the smallest of the three federations, and formed by breaking away from Nezavisnost in order to form a political wing allied to the Democratic Party. This was the party of the assassinated prime minister Zoran Djindjic, and critics in that period described the ASNS as 'Djindjic's in-house union' (Đurić, 2002). Its leader, Dragan Milovanović, became minister of labour in the Djindjic-led government. In a notorious incident, Milovanović, while he was minister of labour, dismissed twelve Nezavisnost trade-union activists from his tractor-making company in New Belgrade.¹³ While the ASNS has led a number of important disputes, it has also adopted a strategy of formalised and permanent political activity linked to a political party. The ASNS's strategy emphasises the potential dangers of co-option and incorporation of the union

movement, if it accommodates the political and economic imperatives of neoliberal market reform. The perils of this dual approach became apparent once the favoured political party was in power, and it utilised its trade union base in order to demobilise workers and suppress rival union groups. The demobilisation of workers, in this case, was deemed necessary in order to remove obstacles to neoliberal reform policies. As such, this strategy is even reminiscent of *authoritarian corporatism*, reflecting the state-sponsored and incorporated unionism typified by the Peronist example in Argentina (Valenzuela, 1992; Crouch, 1993). Similar examples of such an approach in central and eastern Europe have been noted in the cases of (the later) Solidarność in Poland (Ost, 2001) and KOZ in Slovakia (Stein, 2001). In October 2004 the ASNS, however, dropped its support for the Democratic Party and established its own party modelled on Britain's New Labour, called the 'Labour Party of Serbia'. Dragan Milovanović, the ex-president of the union and the former labour minister, was appointed president of the new party.¹⁴

Outside the main federations are a number of enterprise-based unions, most notably in the electricity-supply industry. Some of these unions began life as collaborative 'in-house unions' in the Milošević period, and others are newly independent unions. Union membership data in Serbia is unreliable, since membership reports from the federations may be exaggerated. An independent report estimated trade-union density at around 50 per cent in 1999 in Serbia (ISSA, 1999), but this is likely to have fallen slightly since then. Density is high in the state sector, at almost 70 per cent; but in the private sector, density is no higher than 6 per cent. In terms of the division of membership, a 2004 internal union estimate credits SSS with having between 280,000 and 380,000 members, Nezavisnost with 290,000, ASNS with 40,000, and as many as 100,000 others in various enterprise unions.¹⁵ Some workers might be members of more than one union. In some of the major workplaces, such as at US Steel, it is not uncommon to find membership from all three federations, with a degree of cooperation between the unions in their everyday dealings with the employer [author's interview notes]. However, such cooperation at the rank-and-file level is not necessarily replicated in the union leaderships. Particular rancour exists between the two independent federations and the SSS over union property rights

(offices, equipment, real estate, etc.), since all property from the pre-revolution period is still retained by the sss. The legislation on representativeness contained in the new Labour Law, requiring a 15 per cent trigger for union recognition, may help to encourage union cooperation at the local level in order to achieve the necessary critical mass in individual enterprises. Similarly, the proposed merger of the IGFTU and WCL in 2006 may smooth the way for further cooperation between the sss and Nezavisnost.

Social dialogue and workplace relations

The key focus of dispute between the unions and the state has been the implementation of the 2001 Labour Law, and the associated rights to representation and to strike. The right to strike is recognised, though it is restricted for those in 'essential services', who must give at least fifteen days' warning of a strike. 'Essential service' workers are very broadly defined, covering 60 per cent of all workers and including teachers and postal workers. The new law also makes it much easier to dismiss workers, in line with efforts to remove labour-market 'rigidities'. The 2001 law was constructed within a framework of social dialogue in so far as the trade union federations were informed of the nature of the new legislation in its draft form. However, both Nezavisnost and the sss complained of ineffective consultation mechanisms, and felt the need to resort to open protests and strikes against the law.

The World Bank and IMF had been active in drafting changes to the proposed legislation before it was issued to the unions, and when it was finally relayed to the unions by the labour minister, he claimed that it was 'very good law' because it would provide 'a friendly environment for investment'.¹⁶ The ILO had also made 170 observations on the new law, of which less than 10 per cent were accepted, further fuelling the suspicions and anxieties of the unions. The neoliberal intent of the 2001 Labour Law, and the ineffectiveness—from the union standpoint—of the process of social dialogue confirmed the weakness of social dialogue as a vehicle for progress by the unions. In May 2004, however, the new government made a move to strengthen the formal structures of social dialogue by introducing a draft law for a revamped Social and Economic Council, to

include representatives from the government, employers' organisations and the three union federations. Key union demands were the removal of a clause in the existing law that stipulated the need to gain the enterprise director's written approval before any claim for representativeness can be lodged.

Self-management?

One interesting feature of the former Yugoslavia was the framework of enterprise self-management established during the Tito period. It might be hypothesised, using a path-dependent framework, that self-management would be bound to have left a mark that would then go on to shape industrial-relations expectations in the transformation period (Tayeb, 1991; Mramor & Valentincic, 2001).

However, self-management, even during the Tito period, was criticised by leading dissidents for consolidating separate class interests within the enterprise (Djilas, 1983). Others have since pointed to the divide between the rhetoric and the reality of self-management, whereby employees had very little influence in decision-making (Molnar, 1996; Madžar, 2000). The legacy of self-management is thus complicated and clouded by negative associations with a failed economy. Such conclusions have since been affirmed by Watt (2001) in his report of the views of union activists from Serbia and Montenegro, canvassed at a trade union school hosted by the ETUC in 2001.¹⁷ Table 2, above, provides some additional data from a preliminary survey of trade union activists from the three union federations, and another of managers in Serbia. While the sample is small, it provides some insight into the complications surrounding perceptions of self-management.

As can be seen from the tables, both trade union activists and management would appear to have generally negative perceptions of self-management, with only 5 per cent of union activists and 11 per cent of managers agreeing that self-management would be 'useful for enterprises in Serbia today'. A greater proportion of the trade union activists (65 per cent) than managers (44 per cent) also disagreed with the statement that self-management was 'democratic'. The main reasons for the negative perception of self-management are highlighted in qualitative responses from the same survey, listed below, which confirm that self-management is

associated with the economic failures of the past, and is viewed cynically by some workers.

'Self-management had an impact during a particular period of history, but was condemned to failure in the long term because it conflicted with the goals of private ownership.' (Male aged 45–55, a legal consultant in the oil industry and a member of Nezavisnost)

'Self-management had positive values in the development of Yugoslav society, but in the end it failed to produce efficiency and stagnation set in.' (Male aged 45–55, an engineer at Zastava auto factory and a member of Nezavisnost)

'During the last fifteen years of transformation, the maladies of self-management have appeared, such as non-defined property rights, unemployment and technological backwardness.' (Male aged 36–45, a computer specialist in a car components factory, Kragujevac)

'Self-management was a burlesque of the time, an excuse skilfully used by management to fulfil its agenda.' (Male aged 46–55, a sales officer in the petroleum industry and a member of Nezavisnost)

'I think the period of self-management gave some formal rights to workers, and that the directors had most power. The current period reflects that.' (Male aged 56 or more, a deputy director of a hotel)

The general ambivalence is further confirmed by comments from within the leadership of Nezavisnost. General Secretary Slavko Luković, referring to the union's position on the possible creation of works councils at the enterprise level, states that the union neither supports nor rejects the creation of works councils.

He argues instead that the union should always maintain its independence where works councils exist, primarily because 'works councils are associated negatively with the self-management of the past' (author's interview notes). While remaining ambivalent towards a works-councils route, the union has kept the door open to partnership discourse with employers. Its industrial policy calls for both social dialogue at the national level, and for

*an equal partnership with [managers] and trade unions, to resolve possible industrial disputes through negotiations and, on the whole, encourage workers to express their creative abilities and initiative, to encourage them to give the most in their work and to develop a sense of attachment to the company.*¹⁸

As Fritz (2000) argues, such a collaborative strategy is probably an illusory path for industrial reform within the harsh economic Serbian environment. Despite such reservations, the process of demanding dialogue in transformation states may not be directly comparable to similar demands in the west. For unions in central and eastern Europe and the Balkans, the demand for dialogue with the state and employers is part of an emerging search for political legitimacy (Meardi, 2004), not easily placed within the traditional corporatist frameworks applied in the west, where neo-corporatism was developed in different socioeconomic conditions and within different state traditions (Crouch, 1993). Quite tellingly, the Serbian experience is in direct contrast to that of Slovenia, where self-management also existed, but where a system of works councils is now firmly established within the institutional framework. Arandarenko (2001) argues that the establishment of a works councils system in Slovenia is a response by the state to labour's relative 'strength' in that part of the former Yugoslavia, whereby the state has since sought to buy social peace with the creation of strong institutional mechanisms of social dialogue. However, Slovenia was historically (and still is) the wealthiest region per capita of the former federation; and both state and employers have more room for manoeuvre, and less need for a strategy of capital accumulation based on labour subordination than would be the case in Serbia. In the Slovenian case, institutional formation around the works councils model was a strategic choice made possible to the ruling political elite. This gradualist option was possible because of the relative strength of the economy, and was chosen to ensure societal consensus through labour incorporation (Šušteršič, 2000; Rojec et al., 2004). This contrasts with Serbia, where the political schism between Milošević and the popular opposition led to revolutionary calls for factory bosses who supported the regime to be cleared out of the enterprises. Transformation thus began within a conflictory framework. The dependence of Serbian capitalism on FDI also makes the state more

amenable to the agendas of multinational corporations, which may wish to engage labour on the basis of low cost and maximum management control of the labour process. Prospects for a consensus-based employee-relations regime are therefore less likely than in the case of Slovenia. In Montenegro, the Montenegro Confederation of Trade Unions (SSSCG) has taken a different course from those of the Serbian and Slovenian examples. The main union federation (SSSCG) has adopted a policy position of complete opposition to the works councils route. This decision has been taken in order to maintain the independence of the trade union from employer and state, with the union federation opting for the British model of independent unionism in preference to the German one (author's interview notes).

Conclusion: Where now for labour?

The Serbian economy faces particular difficulties in the post-war and post-revolution period. These difficulties are exacerbated, in economic terms, by poor prospects for internally generated capital accumulation, and a consequential heavy dependence on FDI to 'kick-start' the economy. On the political front there is continuing instability, made worse by uncertainty over Montenegro and Kosovo, and slowness in tackling corruption, crime and the black economy. The state has little room for manoeuvre in its approach to trade unions, constrained as it is by the demands of the international financial institutions and the need to attract FDI in a competitive market. The fact that there is no consistent offensive by labour against capital also reduces the state's and employers' need for social dialogue. Social dialogue, where it has been initiated, has so far proved a weak instrument for the trade unions in pursuance of their objectives. In addition, the development of unionism in the last two decades has been infected by nationalist diversions, which need to be overcome if a strong, independent form of unionism is to emerge. As Clarke (2005) suggests, it is difficult, under such circumstances, to conceptualise the developmental strategies of trade unions within the frameworks that are generally applied to social-democratic forms in western Europe. Frege and Kelly (2003), for example, identify six strategies pertinent to the debates on union revitalisation in advanced economies. These six

strategies—organising, organisational restructuring, coalition building, partnership with employers, political action and international links—are offered as choices to unions, and have resonance within a relatively stable social-democratic tradition in which unions have developed critical mass and social legitimacy (albeit now under attack). In the Serbian case, choices are severely constrained by the economic and political environment. While the example of Nezavisnost shows that it is possible to adopt elements of the six strategies, more pertinent is the political nature of the unions' task within a newly emerging 'civil society'. In this respect, divergences between the unions' strategic choices are apparent on a wider front, reflecting both ideological divisions and alternative social identities.

As in most other transformation countries, the unions are also faced with separate employee-relations regimes within different sectors of the economy (Pollert, 2000; Martin & Cristecu-Martin, 2004). Union membership is concentrated in the state-owned or newly privatised sector, where disputes over job losses or non-payment of wages create an ultra-defensive environment in which the union is forced to operate. There is little-to-no collective bargaining outside the individual enterprises, thus further restricting the unions' ability to utilise their associative power, and union membership in newly established enterprises is weak or non-existent. These constraints are exacerbated by the commitment of all three unions to privatisation as a necessary step in order to revive a failed economy. The unions' room for manoeuvre is thus restricted by the primacy of the market. It is not surprising, therefore, that the unions adopt political profiles that emphasise the need for both social dialogue and welfare programmes to aid the unemployed. Calls for social dialogue in this case reflect a perceived need to make demands on the state in order to temper the deleterious effects of the transformation to a market economy and its associated privatisations. The unions' anxiety to establish institutional frameworks of social dialogue echoes a social-democratic 'vision' of societal development based on the (faltering) west-European model, whereby the role of organised labour is legitimised with both the state and employers. However, working in the background is the power and influence of the international financial institutions—the 'fourth actor' in the chemistry of transformation. The post-Washington consensus of international financial institutions, state and

employer may favour institution-building and dialogue as a route to social peace. However, the restrained ability of the unions to turn their associative power into market power, and the continuing underlying commitment to the market as solution currently negates the creation of any form of social-democratic neo-corporatism. What is more likely to emerge is a weak transformation version of either liberal or authoritarian corporatism, rather than any social-democratic nirvana. The task for the unions remains not only that of overcoming fragmentation and ideological division, but also of utilising their potential power in order to challenge the political and economic hegemony of the market.

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Notes

1. The nomenclature proves complicated. Prior to the civil wars of the 1990s, the state was known as the Socialist Federal Republic of Yugoslavia (SFRY). After the secession of Croatia, Slovenia, Bosnia-Herzegovina and Macedonia, the rump state renamed itself the Federal Republic of Yugoslavia (FRY), which consisted of what is now Serbia, Montenegro and Kosovo. With the uncertain status of Kosovo, a loose Confederation of Serbia and Montenegro later replaced FRY. This article refers primarily to the state of Serbia, excluding Kosovo and Montenegro, but including Vojvodina. Some government statistics, however, are only given for Serbia and Montenegro combined, and this is stated where it applies in the paper.
2. The author is a visiting professor at the European Center for Peace and Development in Belgrade.
3. Vienna Institute for International Economic Studies, cited in Nikolić (2002) p. 85. Figures for 1999 do not include Kosovo.

4. Economic Institute in Belgrade, cited in Nikolić (2004) p. 85.
5. See Transparency International's 'corruption perceptions index' 2004, online at <http://www.transparency.org/policy_and_research/surveys_indices/cpi/2004>.
6. For information on past and present privatisation, see the Republic of Serbia Privatisation Agency website at <www.priv.yugo>.
7. See the Stability Pact for South Eastern Europe's annual report, 2004, online at <<http://www.stabilitypact.org/rt/041122-annualreport.pdf>>.
8. Strongly influential in this process were political organisations such as the Socialist International, and social-democratic research institutes such as the German-based Friedrich Ebert Stiftung.
9. See, for example, the EBRD's *Transition Report* no. 35, and *From Plan to Market* (World Bank, 1996).
10. Quoted in Đurić (2002).
11. Otpor grew to have a network of branches throughout Serbia. One of its leaders later became a government minister. Otpor has since formed its own political party.
12. 'Conclusions of the international conference on 'Trade Union Strategies in the Process of Economic Reform', Belgrade (UGS Nezavisnost) 24–25 January 2002.
13. See 'Serbia and Montenegro: Annual survey of violations of trade union rights 2004' (International Confederation of Free Trade Unions), online at <<http://www.icftu.org/displaydocument.asp?Index=991219435&Language=EN>>.
14. See Association of Free and Independent Trade Unions website, online at <<http://www.asns.org.yu/english/labour-party.htm>>.
15. Personal notes from interviews with union leaders.
16. Quoted by Slavko Luković, general secretary of Nezavisnost, in an interview with the author, June 2004.
17. Andrew Watt reports that 'for someone new to the Balkans, the prevailing cynicism about worker co-management was rather sobering ...'.
18. From *An Engineering Industry for the New Century* (2000) Nezavisnost conference report, Belgrade, available online at <<http://www.nezavisnost.org.yu>>.

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