

WORLD

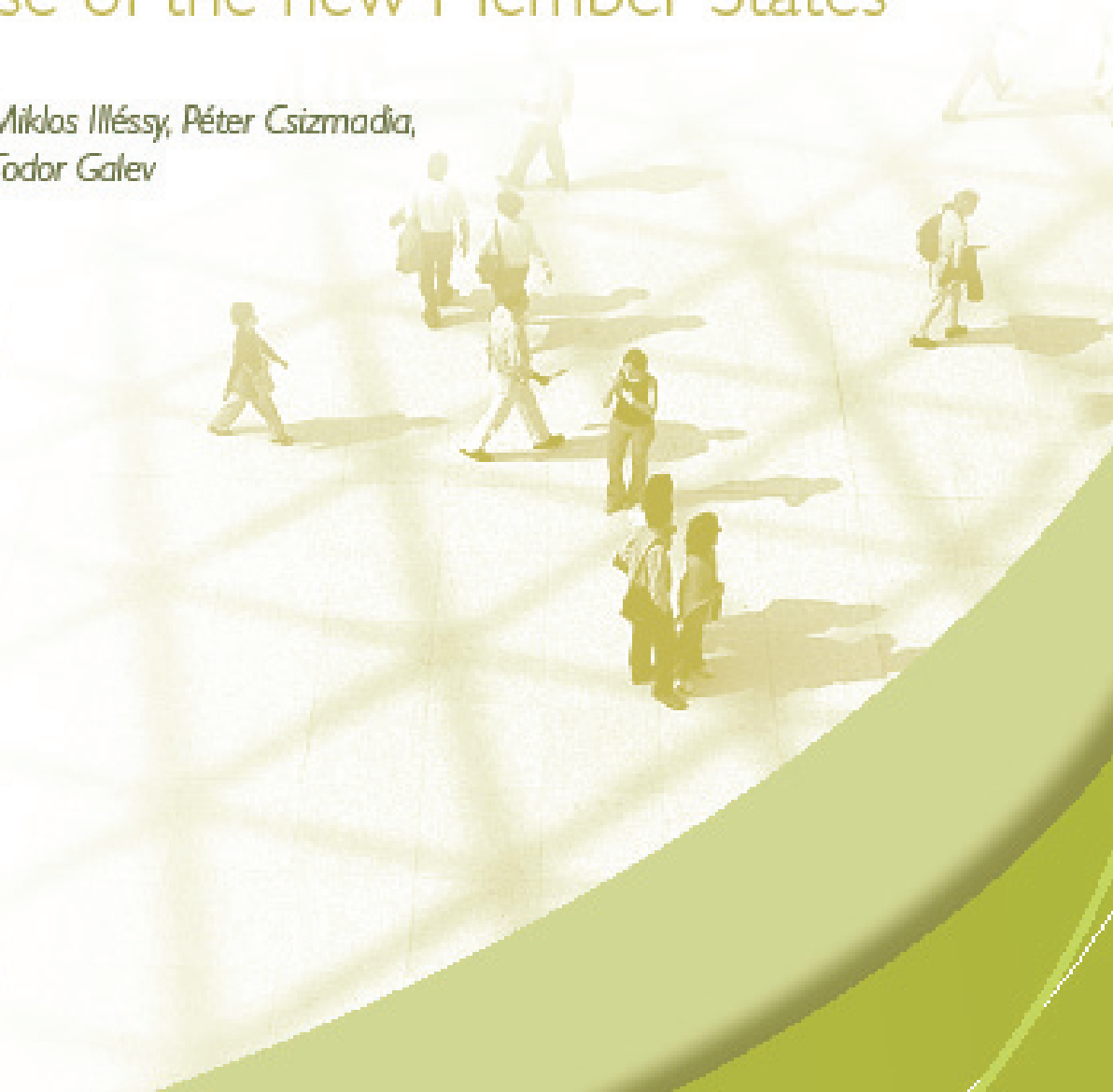
IN

CHANGES

# Changes in work in transformation economies

## The case of the new Member States

*Csaba Makó, Miklós Illéssy, Péter Csizmadia,  
Vassil Kirov & Todor Galev*



# Changes in work in transformation economies

## The case of the new Member States

Csaba Makó, Miklos Illéssy & Péter Csizmadia (ISB)  
Vassil Kirov & Todor Galev (IS)

Funded under the Sixth Research Framework Programme of the European Union



KATHOLIEKE UNIVERSITEIT  
**LEUVEN**



Makó, Csaba

Changes in work in transformation economies. The case of the new Member States /  
Csaba Makó, Miklos Illéssy, Péter Csizmadia, Vassil Kirov & Todor Galev. – Leuven:  
Katholieke Universiteit Leuven. Higher institute of labour studies, 2009, 95 p.

ISBN 978-90-8836-016-9.  
D/2009/4718/17.

Cover design by Koloriet.

Copyright (2009) Work organisation and restructuring in the knowledge society  
WORKS project - Project number: CIT3-CT-2005-006193  
<http://www.worksproject.be>  
Higher institute of labour studies (K.U.Leuven)  
*Hoger instituut voor de arbeid (K.U.Leuven)*  
Parkstraat 47, B-3000 Leuven, Belgium  
[hiva@kuleuven.be](mailto:hiva@kuleuven.be)  
<http://www.hiva.be>

All rights reserved. No part of the report may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording; and may not be quoted or cited, without prior permission in writing from the Project Co-ordinator.

The authors are solely responsible for the content of this report. It does not represent the opinion of the Community. The Community is not responsible for any use that might be made of data/information appearing therein.

# Contents

<b>1</b>	<b>Introduction</b>	<b>5</b>
1.1	Theories and concepts	6
1.2	Quantitative research	7
1.3	Qualitative research on organisations	8
1.4	Qualitative research on individuals	10
1.5	The policy pillar	10
<b>2</b>	<b>Introduction to this report</b>	
	<i>Csaba Makó / Miklos Illéssy / Péter Csizmadia</i>	13
2.1	Multidimensional version of the varieties of capitalism models	14
2.2	Different cycles of the transformation process: the case of the post-socialist economies	16
<b>3</b>	<b>Restructuring of global value chains: theoretical and methodological foundations</b>	
	<i>Vassil Kirov / Todor Galev</i>	21
3.1	Value chain concept development	22
3.2	GVC governance	23
3.3	Studying value chains in CEE countries	25
3.4	The restructuring of value chains and its impact on organisations in Central and Eastern Europe	26
<b>4</b>	<b>Changes in work organisations</b>	
	<i>Csaba Makó / Miklos Illéssy / Péter Csizmadia</i>	31
4.1	Varieties in the European work organisation models: an underestimated dimension of the social-economic regimes	31
4.2	Internal and external 'push' factors of the organisational changes	37
4.3	Individual and collective learning process related to the organisational changes	40
4.4	Moving and 'freezing' within global value chain: facilitators and inhibitors	42
4.5	Conclusion	43
<b>5</b>	<b>Flexibility and its multidimensional character</b>	
	<i>Todor Galev / Vassil Kirov</i>	45
5.1	Numerical (internal and external) flexibility	47
5.1.1	Numerical-internal flexibility	47
5.1.2	Numerical-external flexibility	53
5.2	Functional (internal and external) flexibility	54
5.2.1	Organisational flexibility	54
5.2.2	Functional-external flexibility - subcontracting, outsourcing	59

5.3	Introduction of 'imported' flexibility models via GVC	60
5.4	Conclusions	60
<b>6</b>	<b>Skills and internal labour markets: shifting importance of skill use the location in the global value chain</b>	
	<i>Csaba Makó / Miklos Illéssy / Péter Csizmadia</i>	63
6.1	Work organisation models and training policy of the firms	63
6.2	Formal education based skill formation and use	64
6.3	Growing importance of the practice-related – or situational – knowledge	66
6.4	Relations between location in the GVC and the move or lack of move in the scale of the 'low' and 'high-skill' equilibrium	68
6.5	Conclusion	69
<b>7</b>	<b>Career trajectories and work-life balance (quality of working life)</b>	
	<i>Todor Galev / Vassil Kirov</i>	71
7.1	Career trajectories and development of new professions/occupations in New Member States' public sector	71
7.2	Career trajectories and occupational identities in emerging knowledge-based economy/society in New Member States	73
7.2.1	Transition to market economy and its direct effect on career trajectories	74
7.2.2	New career opportunities/barriers, imposed by MNE that enter into NMS	78
7.3	Work-life balance	79
7.3.1	Work-life balance in MNEs	79
7.3.2	Work-life balance in private and public sector	80
7.4	Conclusions	81
<b>8</b>	<b>Conclusions and further research challenges</b>	
	<i>Csaba Makó / Miklos Illéssy / Péter Csizmadia / Vassil Kirov / Todor Galev</i>	83
	<i>Bibliography</i>	89

# 1 Introduction

It is generally agreed that major upheavals are taking place in the organisation of work as corporate structures are transformed in the context of economic globalisation and rapid technological change. But how can these changes be understood? And what are the impacts on social institutions and on workers? The 'Work organisation and restructuring in the knowledge society (WORKS)' project was funded by the European Commission in 2005 under its 6th Framework Programme to investigate these questions. With partners in seventeen different institutions in fourteen EU Member States, this ambitious research project has combined theoretical work and a detailed analysis of a wide range of statistics with in-depth case studies to analyse the forces that bring about these changes, including global value chain restructuring and the policy environment.

One of the underlying assumptions of the WORKS project is that the reorganisation of work can only be understood fully in the context of a global restructuring of value chains, entailing a simultaneous decomposition and recomposition of sectors, organisations, labour processes and skills. However, the considerable heterogeneity within Europe of skill supply, levels of employment, welfare systems, and economic sectors makes it especially difficult to disentangle the causes and effects of such processes and to isolate the primary drivers of change. Yet it is particularly important for Europe both to understand the factors that will enable firms to sustain their competitive edge, to ensure a future supply of jobs that is satisfactory both quantitatively and qualitatively and to examine the impact of these changes on the quality of life. At the heart of this is a single issue: how are employment practices adapting to change and with what effect? If we can answer this more effectively on a Europe-wide basis we will be able to propose practical solutions to real problems.

Starting in June 2005, the WORKS consortium, involving partners from seventeen different institutes across fourteen EU Member States, carried out an ambitious programme of theoretical and empirical work. These were carried out under five main pillars: 'theories and concepts', 'quantitative research', 'policy', 'qualitative research on organisations' and 'qualitative research on individuals'. The work of these pillars is summarised more fully below.

This is one of eleven thematic reports that brings together the results of all five pillars to deepen our insights into the topic of working time, gender and work-life balance.

The other reports will focus on the topics of: value chain restructuring in Europe in a global economy; changes in work organisation and representation at the workplace; strategies to reach flexibility in the organisation; skills and qualification policies and HRM; new career trajectories and biographies; changing gender and ethnic relations in the workplace; change processes and future perspectives; changes in work in transitional economies; health, safety and the quality of working life; and employers' use of technology and the impact on organisational structure.

The material on which this report draws is summarised below.

## 1.1 Theories and concepts

In the first stage of its work the WORKS partners collectively carried out a review of the very large body of literature with relevance to the project's research questions, in order to map the field, formulate hypotheses to be tested in the empirical work and develop a clear conceptual framework for the research. This was no easy task. There are many lenses through which one can view the restructuring of work in a global knowledge economy. There are the lenses of different academic disciplines, for instance the sociology of work, economic geography, organisational theory, social psychology, ethnography, gender studies, industrial relations or political science. Then there are the lenses of different social perspectives, for instance those of international development agencies, of national governments in developed and developing countries, of technology providers, of statisticians, of employers, of trade unions, of educators, of civil society, of skilled professional workers who are may be beneficiaries of change, and of those groups that are potential losers. There are also differences deriving from different national research traditions, different ideological approaches and many other variables. In each of these many fields, a body of literature has grown up, trying to make sense of the changes taking place and supplying fragments of evidence. Piecing all this evidence together was a major challenge. The very disparity of the origins of this literature means that it is difficult to find a common frame of reference. Even when the same terms are used, they may be used with different meanings and the lack of commonly-agreed definitions can make the refracted pieces of evidence difficult to compare, often giving them a contradictory and anecdotal character.

Nevertheless, in its first six months, the project managed to bring together in a single report (Huws, 2006) a remarkably comprehensive overview of the available evidence, thanks to the large collective efforts of the interdisciplinary WORKS team. This evidence was carefully sifted with the aim of distilling insights that could help to produce a clear conceptual framework in order to develop hypotheses and research questions to guide the empirical research to be undertaken by the WORKS project. This programme of work was, however, highly ambitious, encompassing the aims of: improving our understanding of the major changes in work in the knowledge-based society, taking account both of global forces and of the regional diversity within Europe; investigating the evolving division of labour within and between companies and the related changes at the workplace; exploring the implications for the use of skills and knowledge, for flexibility and for the quality of working life; and examining the impact on occupational identities; time use and learning; as well as the impact on the social dialogue and the varieties of institutional shaping. Balancing the need to take account of these many dimensions whilst still retaining a focus on clear research questions that could be addressed feasibly within a coherent research design in a relatively short space of time was a major challenge, and we begin by presenting the methodology that was adopted to achieve this.

The first task was to achieve a division of labour that on the one hand took full advantage of the specialist subject expertise of partners whilst also recognising the diversity of national research traditions across Europe and the need to take account of the literature in all major European languages. Once topics had been assigned to partners, in a second stage, these partners were asked to produce a list of 'key concepts' for inclusion in a glos-

sary.<sup>1</sup> The purpose of the glossary was to ensure that all partners could share a common understanding and make visible any differences of interpretation or definition of key terms so that they could be discussed and agreed, in a process whereby, in its contribution to the cohesion of the whole group, the dialogue involved in producing the entries was as valuable as the end result. The next stage involved the production of draft reports covering the main concepts and the associated literature. Despite the authors' broad knowledge of their chosen topics, and the fact that each report included inputs from institutes in more than one country, it was felt that the only way to ensure that each report covered the full range of relevant European scholarship was to add a further, vital stage in the work. This involved circulating each draft report as it was completed to all the other WORKS partners, including those who had not been involved in the actual process of report-writing. In this stage, partners were asked to draw on their knowledge of the literature in their own language or national setting, as well as their specific subject knowledge, to comment on the reports, point to issues that might be regarded as contentious and add references to relevant sources. This process of peer review enriched and refined the report which was then used by all partners as an input to the development of research questions, methodologies and research instruments for the empirical research.

## 1.2 Quantitative research

The 'quantitative research' pillar of the WORKS project studied the changes in work in Europe on the basis of comparative analyses of data from existing organisation and individual surveys. In a first step, major European organisation surveys and individual and household surveys relevant for changes in work were mapped and benchmarked in order to assess their relevance and their strengths and weaknesses for comparative analyses on changes in work. Next, and more important for the thematic reports, the research focused on the secondary analysis of the results of the organisation and individual/household surveys. For the organisation surveys, a thematic analysis of thirteen major national and international organisation surveys, focusing on the major results with respect to the key issues of the WORKS project, resulted in an overview report 'Comparative analysis of organisation surveys in Europe' (Ramioul & Huys, 2007). The key issues addressed in this report are:

- new forms of work organisation, organisational and technological innovation, changes in work. Here in particular some findings with respect to skill-biased organisational change and the role of employee involvement and participation are relevant;
- changes in skills and qualification and vocational training policies at establishment level;
- work-life balance and working time arrangements. Here conclusions from EU wide research on working time arrangements and flexibility policies are of particular interest;
- quality of the working life as measured in organisation surveys.

---

<sup>1</sup> Available online on [http://www.worksproject.be/Glos\\_and\\_defint.htm](http://www.worksproject.be/Glos_and_defint.htm).

For each of these issues, the most relevant conclusions from the organisation surveys were summarised, thus leading to a comprehensive overview of organisational changes in Europe based on this particular data source.

For individual surveys, three major sources of individual and household data made it possible to carry out longitudinal and EU comparative analysis on the issues relevant for the WORKS project: the Community Labour Force Survey (CLFS); the European Working Conditions Survey (EWCS) and the European Community Household Panel (ECHP). Based on these three key data sources, four different reports were published, each focusing on the EU comparative analysis and on the identification of trends with respect to key WORKS issues. The reports focused on the following issues:

- tracing employment in business functions: a sectoral and occupational approach: in this report an innovative method was used to measure changes in employment related to value chain restructuring (Geurts, Coppin & Ramioul, 2007);
- trends in work organisation and working conditions. For this report, three waves of the European Working Conditions Survey were analysed in a longitudinal and EU comparative perspective, shedding light on changes in task complexity, autonomy, working time independency, health and safety issues and working conditions (Greenan, Kalugina & Walkowiak, 2007);
- work flexibility in Europe: a sectoral and occupational description of trends in work hours, part-time work, temporary work, and self-employment was carried out based on this important European data source (Birindelli & Rustichelli, 2007);
- occupational change in Europe: based on longitudinal data, aspects of work satisfaction, occupational mobility and over qualification were investigated (Brynin & Longhi, 2007).

### 1.3 Qualitative research on organisations

The organisational case studies within the WORKS project covered a number of generic business functions that represent a wide variety of activities and labour processes in the 'knowledge society' ranging from highly skilled 'knowledge work' to semi-skilled manual tasks. The research also aimed to focus on those business functions that feature prominently in the external restructuring of companies and thus in the restructuring of global value chains. The selected business functions were: research and development; production; logistics; customer service; and information technology.

To study the restructuring of value chains these business functions need to be located in specific sectors. The selection of sectors reflected the emergence of global value chains in different historical stages: sectors where vertical disintegration and internationalisation is already a rather old fact, and sectors where these have developed only very recently. The sectors under study were:

The *clothing industry* is an example of an 'old' industry where restructuring of global commodity chains was already an issue in the 1970s. Recently, the integration of Central and Eastern Europe in pan-European production networks and the phasing out of the Multi-Fibre Arrangement and the WTO Agreement on Textiles and Clothing considerably changed the trade regimes and resulted in a new wave of restructuring mainly affecting production in Southern Europe and the CEE countries. This sector also provides interesting examples of 'head and tail' companies which concentrate high-skilled work within Europe but carry out the rest elsewhere.

The *food industry* is the largest manufacturing sector in terms of employment in the EU. It was subject to major restructuring after the completion of the single market in the European Union in the early 1990s which allowed companies to replace their country-by-country organisation with a pan-European structure. In contrast with parts of the clothing industry, food production is by and large highly automated. Both industries are interesting as examples of buyer-centred value chains in which the demands of the retail trade play a pivotal role.

The *IT industry* is a growing industry that saw a major wave of restructuring during and after the boom years in the late 1990s and around 2000, partly associated with offshoring. Internationally, this has contributed to the emergence of a 'new breed of TNCs', global companies that supply services to other companies. To a large extent the IT service provider companies have grown through large outsourcing contracts that include the transfer of personnel from their public or private sector client organisations, a tendency highly relevant for the research questions of WORKS.

*Public sector organisations and services of general interest* are currently subject to far-reaching restructuring because of liberalisation and privatisation policies and budgetary constraints. In these sectors the lengthening of value chains through large scale outsourcing is a very recent phenomenon. The consequences for the quality of work are highly influenced by traditional differences in the regulation of work between the public and private sectors.

Each business function located in a particular sector was studied in a range of countries with diverse employment and welfare regimes (liberal, conservative, socio-democratic *etc.*). This made it possible to analyse the influence of institutional frameworks on the consequences of restructuring. Overall, 58 case studies were conducted in fourteen countries. The following overview shows the distribution of case studies.

**Table 1.1** Sample of case studies

	R&D design	Production	Logistics	Customer service	IT
Clothing	BE; FR; DE; IT; PT	BE; HU; IT; PT; GR	FR; DE; NL; HU; PT		
Food		IT; GR; DE; BU; NO; UK	BE; BU; GR; UK; NO		
IT	AU; FR; DE; UK; NO; BE	AU; BU; DE; HU; SE			
Public administration				AU; BE; BU; HU; IT; SE; UK	NL; UK
Services of general interest: post and rail				AU; NL; SE; GR; DE	BE; FR; NO; DE; PT; SE

For each case study, eight to ten interviews with management, key employees, and shop stewards (in the selected business functions) were conducted. The interviews were complemented by company documents and other material that made it possible to produce a comprehensive picture. Researchers in the respective countries synthesised the individual

case studies from the interview data. On the basis of the individual case study reports, comprehensive comparative analyses were carried out to compose this report. The authors of the report are deeply indebted to the researchers who carried out the case studies in the various countries and to the respondents who devoted their time to our research and helped us to understand the developments in their companies and sectors. For the presentation in this report, all company names have been changed to assure anonymity.

## 1.4 Qualitative research on individuals

The organisational case studies were complemented by case studies designed to investigate the impacts of changes at work on individuals and their households. Thirty of these occupational case studies were achieved in fourteen countries, between June 2006 and May 2007; in total 246 in-depth individual interviews were carried out, according to common interview guidelines elaborated in May 2006.

These occupational case studies are closely related to the organisational case studies that were carried out in a selected number of business functions, during the same time span. In the WORKS project, the concept of the 'business function' lies at the core of the qualitative empirical research, since these business functions provide the most useful unit of analysis for studying value chain restructuring and changes in work. In order to study changes in work at the individual level, individual workers were selected within specific occupational groups linked to key business functions.

Six occupational groups were selected: designers in the clothing industry; researchers in information and communication technology; IT professionals in software services; production workers in food or clothing; logistics workers in food or clothing; front-office employees in customer relationships in public services. In each occupational group, three to seven case studies were conducted in different countries, covering a variety of socio-economic and institutional contexts. Each case study relied on seven to nine in-depth individual interviews, including a biographical dimension.

The analysis of the interviews was structured around five themes that grouped together the WORKS research questions. These were: career trajectory, occupational identity, quality of work, knowledge and learning, and work-life balance.

Particular attention was paid to gender issues. Gender was treated as a transversal theme in the analysis of changes in work at the individual level. The principle of gender mainstreaming (*i.e.* taking systematically into account the differentiated experiences of men and women in all items of data collection and analysis), formed one of the basic guidelines for the individual interviews.

## 1.5 The policy pillar

A central task in WORKS is to examine what effect policy initiatives and regulation at various levels - international, European, national, regional, sectoral and company - actually have on work-life and work experience. Especially relevant in this regard is the role of institutions in the determination, implementation and enforcement of policy. We began with the question: can we expect divergences in the ability to regulate changes in

work due to restructuring according to different types of production or employment regimes, different types of industrial relations models, diverse institutional frameworks? Toward this end, all of the organisational case studies included a section on industrial relations and regulation of work. Within each company that was investigated, data was collected on the forms that worker representation took, which issues were negotiated, the role of workplace representation in restructuring (information, consultation, active intervention), the impact of European or national regulations, and the pressures on regulations and institutions due to restructuring. Additional interviews with trade union representatives and works councillors were carried out where possible.

The research agenda motivating this line of inquiry was to examine what role the institutions and actors of industrial relations play in restructuring across value chain in diverse settings and across diverse institutional contexts. A further issue is what role workers' representatives have in tempering the effects at the workplace that result from this restructuring, including the terms and conditions of employment, fragmentation and segmentation, gender equality, training and skilling, and quality of work-life. Existing studies have shown that there are major challenges for existing institutions and forms of social dialogue to deal with current trends in restructuring and changes at work. Therefore, the case studies also investigated the impact of restructuring on the strategies or effectiveness of workers' representation and workers' voice.



## 2 Introduction to this report

CSABA MAKÓ / MIKLOS ILLÉSSY / PÉTER CSIZMADIA

The core aim of this thematic report on the New Member States (NMS) participating in the WORKS project, is to locate these countries and the selected company case studies within the global value chains (GVC).

Before presenting and assessing the impact of the GVC in the NMS countries, focusing especially on the Bulgarian and Hungarian empirical experiences, it is necessary to present the theoretical inspiration drawn from various literatures stressing the importance of the 'institutions' within the context of the globalisation. Changes related to the globalisation are often considered as generic ones in contrast to the 'system specific changes' like for example the transformation from state-planned to market economy. Analysing the impacts of these generic changes, we would like to stress the important 'filtering role' of the macro level national institutions. The mainstream literature emphasises a strong convergence of the institutional patterns in the process of globalisation, whether they are of business or cultural or cultural-ideological in character (Ritzer, 1996). However, there is another trend in literature carrying various labels, like 'societal approach' or the 'French regulation school', whose representatives differentiate between micro- and macro-institutional patterns of society (such as *e.g.* the labour relations systems, education, legal and financial systems, various elements of the welfare state, *etc.*) which transform or change in the long run or in a historical perspective only. In this context, the 'path-dependent' model of institutional development has strong relevance (Grabher-Stark, 1997; Zysman, 1994). Namely, the effects of globalisation are absorbed or mediated by these macro-patterns of institutions, and the various trajectories or paths of economic development are actually their outcomes. As Hage puts it: 'What makes these systems *macro* is that they apply to the entire society and typically have been institutionalised for long time periods. A very common element is that there are multiple organisations involved, in which a variety of complex social roles are enacted. In contrast, simple *micro-institutional patterns*, ... represent relatively simple patterns or norms and/or laws, involving few actors with relatively simple and frequently repetitive social roles, and these patterns have been relatively recent, ... Simple institutional patterns such as, ... quality work circles may diffuse throughout the advanced industrialised countries but complex patterns will not (Hage, 2000: 213).<sup>2</sup>

It seems to be obvious that the 'filtering function' of these micro- and macro-level institutions has a significant effect on the behaviour of organisation which will vary from country to country. Among the literature dealing with institutions we will focus on the

---

<sup>2</sup> It is also worth stressing the following: macro or '... complex institutional patterns are strategic for two central problems current in social theory today. First, they systematically relate macro-institutional analysis to the meso-level of organisational analysis. Second, they explicate why there are path-dependencies in some aspects of society and not in others' (Hage, 2000: 313).

'transformation economy' literature as well as the current debate on the European social model(s).

## 2.1 Multidimensional version of the varieties of capitalism models

Several attempts tried to overcome the shortcomings of the briefly outlined dichotomy views presented above. For example, ten years before Hall-Soskice's seminal work Esping-Andersen, (1990), and later Boyer, (1997), Rhodes & Apeldoorn, (1997), Ebbinghaus, (1999), Schmidt, (2002), Amable, (2005), Sapir, (2005a). These authors tried to identify a variety of institutional complementarities which generates a diversity of capitalism models. Among the authors listed above, Amable's (2005, 1997) and Sapir's (2005a) approaches represent - in our view - a suitable analytical tool to better understand the significance of different social models. Both authors went beyond the dichotomy or binary classification and made an attempt to identify four or five versions of the European social models. In his original work on 'Globalisation and the reform of European social models (2005), Sapir's main goal is to compare the performance of the 'four European models' in terms of 'efficiency' and 'equity'. Firstly, we present the Sapir (2005a) four models and then Amable's five types of capitalism. There is a variety of the social models and development trajectories in the emerging post-socialist economies in Central and Eastern Europe; however, just recently we assist an effort of economists to study the institutional arrangements or specialisation and their impact on the competitiveness in these economies (Lane, 2006; Berlou-Carrincazeux, 2005).

In the view of the Sapir (2005a: 2) such notions as the 'European social model', 'Social Europe' or 'European model' are rather misleading. ... in fact, there is no such thing. Europe is home to different social models, with different features and different performances in terms of efficiency and equity. In this perspective a model is considered as efficient if it provides sufficient incentives to work and generates relatively high employment rates. Equity is the model's capability to keep the risk of poverty relatively low. The different social models which belong to four broad categories are illustrated by the Table 2.1.

**Table 2.1** The four European social models: the typology

		EFFICIENCY	
		Low	High
EQUITY	High	'Continental' (AT, BE, DE, HU, FR, LU)	'Nordic' (DK, FI, NL, SE)
	Low	'Mediterranean' (ES, GR, IT, PT, PL)	'Anglo-Saxons' (IE, UK)

\* The classification of the two NMS countries based on the interview given by Sapir for the Hungarian Economic Weekly ('Heti Világgazdaság, HVG) on 29th October 2005. According to his assessment on the NMS countries, the social system of Hungary looks like a 'continental', not really efficient, e.g. the rate of employment is lower than the average of the NMS. On the other side, 'solidarity' characterises the Hungarian social system - at least until the changes, which has been started in 2007. Poland, in the opinion of the Belgian economist, has 'low equity' and 'low efficiency' social system and belongs into the Mediterranean country cluster of the EU-15.

\*\* A content of the four social models of the European capitalism can be found in Sapir (2005a).

Source: Sapir, 2005a: 9

Table 2.2 has at least two possible types of reading. The first one informs us on the well-known 'trade-off' between efficiency and equity. From this 'static' point of view, in the case of the countries classified into the 'Nordic' and 'Mediterranean' country cluster, have no such kind of 'trade-off'. As Sapir (2005a) notes, 'Nordics enjoys an envious position, with a social system that delivers both efficiency and equity, whereas Mediterraneans live in a social system that delivers neither efficiency nor equity. On the other hand, *Anglo-Saxon* and *continental* countries both seem to face a trade-off between efficiency and equity. Anglo-Saxons have an efficient but inequitable social model, while continentals enjoy for more equity but far less efficiency.'

The other possible reading of Table 2.2 may indicate the 'sustainability' of the social models. Models which can not supply appropriate answers to the challenges of decreasing public finances, increased competition from the globalisation and the fast technological and organisational innovations are not sustainable. In the opinion of Sapir, the less efficient continental and Mediterranean models have significant sustainability constraints. For example, the share of the public debts in the GDP is visible higher in the continental (73 per cent) and Mediterranean (81 per cent) countries in comparison with both Anglo-Saxon (36 per cent) and Nordic (49 per cent) countries. However, the non-equitable social models can survive, if they are efficient. Quoting Sapir (2005a: 10) '... both Nordic and Anglo-Saxon models are sustainable, while continental and Mediterranean models are not and must be reformed in the direction of greater efficiency by reducing disincentives to work and to grow. On the other hand, there is no reason a priori to assume that such reforms must go hand-in-hand with changes in terms of equity. It is perfectly possible for the continental model to become more like the Nordic one, and for the Mediterranean model to become more like the Anglo-Saxon model. Nonetheless, one cannot reject the possibility that a reform towards greater efficiency may also unleash a change towards more or less equity if the previous political equilibrium were itself affected by the drive towards more efficiency.'

Amable's work (2005) represents another multidimensional varieties of capitalism (VoC) approach. Amable in his efforts to develop typology of capitalism is focusing on the social systems of innovation and production (SSIP) and integrates into his model the role of education too. The empirical data used to build the main types of the SSIP are related to scientific and technological fields, economic structure, the educational system and the labour market. Amable (2005: 19), added the 'Asian capitalism' to the Sapir's four distinctive social models. He distinguished the following five ideal types of capitalism.

1. liberal market economies or the Anglo-Saxon model;
2. social-democratic economies;
3. Asian capitalism;
4. continental European capitalism;
5. South-European capitalism.

In relation to the briefly presented types of capitalism of Sapir and Amable, we have to note that no single developed market economy is accurately characterised by any of the four or five models. These are 'stylised models' or 'ideal-type', as Amable (2005: 20) rightly mention that 'They may possess characteristics which makes them close to one or the other model, without being fully identifiable with the model itself'.

## 2.2 Different cycles of the transformation process: the case of the post-socialist economies

Comparing the impacts of the GVC in such NMS countries as Bulgaria and Hungary, we have to be aware, that these post-socialist economies are representing different level of social-economic performance or success according to the various cycle of the transformation process. In the recent literature on the transformation economies, the authors make distinction between various 'cycles' of the transformation process (O'Dwyer & Kovalcik, 2007; Makó & Illéssy, 2007; Fink, 2006; Frye, 2002; O'Donnell, 1999).

The first cycle of the transformation process refers to the shift from the state-socialist political-economic regime into the market-capitalist one. This period covers the 1990s when Hungary together with the Czech Republic were among the winners. For example the FDI-based Hungarian economic development strategy of the early 1990s resulted in a fast 'destruction' of the institutional-organisational structures of the former state socialist economy and in a fast creation of the market economy institutions. These changes have resulted – among others – in the high productivity growth of the manufacturing sector, relatively low level of unemployment rate, high share of export, *etc.* International organisations (like OECD, IMF, World Bank) considered Hungarian economy as a kind of 'best practice' of the CEE region and was often compared to Ireland within the EU (see Table 2.3).

**Table 2.2** Comparison of the most important economic indicators of the CEE countries

Countries	GDP growth (2001) (1990=100)	GDP/capita (2001) (PPS)	Productivity growth (1989-2001)	Productivity growth in manufacturing sector (1989-2001)	Unemployment rate (2002) ( <i>per cent</i> )	Share of export (2002) ( <i>per cent</i> )
Czech Republic	102	60	2.15	3.09	7.3	65
Poland	145	41	3.09	6.65	19.9	30
Slovakia	108	49	2.39	2.05	18.7	73
Slovenia	124	74	3.07	3.17	6.0	58
Hungary	113	54	4.05	7.68	5.9	64
Bulgaria						
EU-15	125	100	1.54	-	7.6	34

Source: Fink, 2006: 8

One of the most important drivers of the economic modernisation in Hungary is the multinational companies (MNCs), compared to which the Hungarian-owned firms performs relatively poor: at the end of the 1990s 90 *per cent* of the Hungarian export and 80 *per cent* of the Hungarian import were performed by foreign-owned firms. Recent trends in FDI inflows indicate that the share of Hungary in FDI targeting the CEE region is decreasing from the year 2000. More important, the structure of FDI is also changing: labour-

intensive production activities are replaced by capital-intensive ones, the share of services and R&D activities are also growing at the expenses of the manufacturing.

The mainstream view among the Hungarian economists is the following: 'The reserves of once successful attractive factors were exhausted. Investors' interest turned to other investment targets. Under the conditions that pertained, the capital absorption capacity of the country may also have become saturated. The decline on both the demand and supply sides is interpreted here as an end of a period of capital attraction. To revive the capital inflows will require the establishment and strengthening of new attraction features' (Szanyi, 2003: 10).

Unfortunately, the Hungarian economic modernisation strategy failed to integrate the Hungarian SME sector into the activities of MNCs. This failure produced further inequalities in the performance of the Hungarian economy. For example, firms with mixed ownership (including both Hungarian and foreign owners) and firms owned by foreigners are significantly more active both in product and process innovations in comparison to the Hungarian-owned companies. In order to diminish this asymmetric character of the Hungarian modernisation process based on FDI, the so-called first cycle of the transformation process should pave the road to the new or creative path of the development.<sup>3</sup> The success of this new cycle of economic development depends largely on the more active participation of the SMEs in the GVC. However these second generation reforms do not consist only of economic policy measures but they have to deal with broader concepts of social and welfare system, education, labour relations, *etc.*

If Central European countries, including Hungary, have been taken as examples of successful reforms in the 90s, Bulgaria and Romania were always among the bad performers all this decade. As a matter of fact, according to many observers the actual reforms in Bulgaria started really in 1997. After the severe crisis on 1996-1997 and an upheaval, the country introduced a Currency Board and number of reforms that contributed to a financial stabilisation and continuous growth since then. The stabilisation was an important factor in order to attract significant amount of FDIs since the years 1999 and 2000. Taxes and social security reforms during the last years (flat taxes, cuts in the social security, *etc.*) and the relatively cheap labour compared to Central Europe made Bulgaria and Romania among the most attractive destinations for FDI and sustained the high.

After the brief presentation of various cycles of the transformation process, we may raise the following questions: are the NMS representing one single country cluster of the political and economic system or do they represent competing models derived from different role of the state, market, labour relations embedded into the historically shaped national economies. The views dealing with the social and economic development of the post-socialist countries can be largely classified into the following two groups of theories. The first one is stressing the generic features of the emerging capitalist system in the post-socialist countries. The advocates of this universal modernisation approach often suggest a relatively simple policy menu which may serve as a guideline or manual for the economic and social measures to be taken in the transformation economies in the CEE

---

<sup>3</sup> The word 'creative' refers here to the emergence of a new or learning economy and to the importance of eliminating the asymmetric economic structure sketched above.

region.<sup>4</sup> The second approach stresses the importance of the national business systems or the importance of path dependency in shaping national varieties in the post-socialist development.<sup>5</sup>

One of the most important intellectual challenges of the present paper is to attempt to answer the following questions:

1. Are the NMS representing a single or homogenous new system of capitalism?
2. Are the NMS adopting one or other of the four abovementioned social models of capitalism (*i.e.* Mediterranean, Anglo-Saxon, Nordic, Continental)?
3. Are the NMS creating a hybrid version of the already existing social models of capitalism?

Unfortunately, this report can not cope with these extremely challenging ambitions due to the following limitations of the available research evidences and materials. Firstly, only two post-socialist countries were involved in the WORKS project. Secondly, the empirical data collected focuses mainly on qualitative type resources. Thirdly, this analysis is based on such important characteristics of the firms' activity as work organisation, flexibility, skill formation, career trajectories. Beside these micro-level dimensions of GVC we were able to analyse only partially the effects of such macro-level elements of the social models as labour relations, national education and training systems, social welfare and labour market regulation.

The key ambition of this report is to map the location and movement of the firms surveyed in the WORKS project within the GVCs. For this purpose we found extremely useful the so-called 'system-society-dominance' (SSD) model elaborated by Smith (2006). In his view Smith is calling attention to the interplay between the universal-generic and national institutions. The system approach stresses the homogenisation trend of organisational practices and policies the final result of which would be the gradual termination of national diversities (S=system). The societal view is focusing on the forces of heterogenisation and on the key role of the national system of institutions. This approach supports durability of national differences and continuation of variety of capitalism (the 'society' refers here to the second S of the acronym SSD). Finally, the so-called 'dominance-effects' are calling attention to '... the uneven nature of economic power, and the tendency for one society to take the lead in evolving work organisation or business practices considered more efficient than those operating in other countries. These lead societies create dominance-effects which circulate as best practices or standards that are emulated by other societies.' (Smith, 2006: 615). Instead of attributing priority to any of these three driving forces (system, society, dominance), Smith intends to better understand the sources or drivers of changes or continuity within the global economy and within its core nucleus, that is the firm. The SSD view may help us to assess the functioning and role of the GVC

---

<sup>4</sup> For example, O'Dwyer and Kovalcik (2007: 8) suggest the following measures as a general recipe for the social and economic crisis of the early 2000s: steep tax cuts for business, simplification of the tax code, and a preference for flat-tax systems; generous incentives to foreign investors, including long tax holidays and land grants; loosening labour regulations with little consultation from organised labour; funding tax cuts and incentives through a reduction in the state's commitment to the social welfare system.

<sup>5</sup> Contrary to the neo-liberal views, Smith is stressing the importance of the following subsystems in the economic development: national innovation systems, national business systems, training systems, education systems and management styles and philosophy (Smith, 2006: 605).

in the restructuring of the work organisations and occupation in the knowledge society and to locate firms operating in the NMS within this global restructuring of value chains.

Following the 'introduction', the second part of this research report is dealing with the methodological and theoretical foundations related to the restructuring process of the GVCs. The third part of the report is outlining the results of the organisational and occupational case studies carried out in the two post-socialist countries. By doing so, we intend to evaluate the results of the organisational (company) and occupational case studies by the following issues:

- changes in work organisations (Chapter 4);
- flexibility and its multidimensional character (Chapter 5);
- skills and internal labour markets: shifting importance of skill use in the location of GVC (Chapter 6);
- career trajectories and work-life balance and quality of working life (Chapter 7).

During the analysis of the empirical data, the authors are focusing mainly on the qualitative results of the organisational (company) and occupational case studies carried out in the two post-socialist countries. However, we intend to enrich – when data are available – our analysis with other experiences learned from different quantitative surveys (*e.g.* 4th European Working Conditions Survey - EWCS-2005, Continuing Vocational Training Survey - CVTS-2005, European Survey on Working Time and Work-Life Balance - ESWT-2005). In some sectors (*i.e.* clothing industry) we also compare lessons drawn from the case studies in the NMS with other results gained from other WORKS project countries.



### 3 Restructuring of global value chains: theoretical and methodological foundations<sup>6</sup>

VASSIL KIROV / TODOR GALEV

The originality of the global value chains approach has multiple dimensions but among them there is the possibility to conciliate the global and the local perspectives. This approach allows going into the 'black box' of the company restructuring in order to understand how decisions are taken, where, with what impact on organisations and individuals. If for a long time the sociology of the enterprise has been interested in the analysis of the realities and processes within the enterprise, *e.g.* the rules, the contingencies, the strategic games between actors, the cultures and identities of work, *etc.* (Crozier, 1977; Sainsaulieu, 1997) it is not any more possible to understand the social processes in the unit without to examine it in the perspective of the value chain. In the framework of the growing international division of labour the global companies shift the locations and the content of work executed in the frames of different business functions within and outside the enterprise. But this process impacts not only the big and the global players, it is also very important for many small and medium size companies acting at different markets.

The historical change in Central and Eastern Europe in 1989 contributed not only to the start of the democratisation process but also to deep economic reforms part of which was the entry of these economies to the global market economy. In parallel with the demonopolisation,<sup>7</sup> after the collapse of the former socialist economic cooperation, the Central and Eastern European countries (CEECs) open their economies and during a short period of time they experienced a serious reorientation of their commercial exchanges: if before 1989 the main partner of those countries was the USSR, already during the 1990s more than half of the exchanges have been with EU reaching 71.2 *per cent* of exports to EU in the case of Hungary in 2001 (European Commission, 2002). Together with the commercial reorientation, Foreign Direct Investment (FDI) benefited from the openness of the CEE economies. From the very beginning of the post socialist transition FDIs have been seen as necessity for the modernisation of the former socialist enterprises and economies, speaking in a broader sense. However, countries in the region adopted different approaches to privatisation and in some contexts foreign investment was clearly supported and promoted since the end of the 1980s, in other as in South-Eastern Europe the massive inflows started at the end of the 1990s and the very beginning of the current decade (UNECE, 2005: 85). Only in Bulgaria the FDI in the year 2000 already equal about 8 *per cent* of the GDP - which gives idea about the scope of this process. In 2002, on a UN index based on

---

<sup>6</sup> We are thankful to Svetla Stoeva (IS) for her considerable contribution in commenting and reviewing the various draft versions of this chapter.

<sup>7</sup> The demonopolisation means the division of the former socialist monopolies into autonomous enterprises. *E.g.* all the factories producing beer were part of a state-owned economic group 'Balgarsko pivo' (in translation 'Bulgarian beer').

an average of four key measures (share of FDI in gross capital formation, FDI and value added of foreign affiliates as *per cent* of GDP, and employment of foreign affiliates as *per cent* of total employment), Hungary averaged 30 *per cent*, Bulgaria 20 *per cent* and Poland 16 *per cent* (UNCTAD, 2005). Since then, FDI's importance has grown dramatically. By 2006 FDI stocks made up 73 *per cent* of the Hungarian and 66 *per cent* of the Bulgarian and 31 *per cent* of the Polish GDPs (UNCTAD, 2007). The local enterprises often entered into the international production chains as subcontractors of large Western multinationals or as subcontractors of their subcontractors. Something more, this process of enterprise transformation and internationalisation was supported also by national policies and EU projects.<sup>8</sup> These three processes, of commerce, privatisation/foreign investment and subcontracting, led to growing involvement of the transformation economies firms into the global value chains.

The following chapter will present the theoretical and methodological foundations of the value chain concept, question its relevance while studying organisations in the transformation economies and finally come back to the concrete value chains where case studies are located in order to point out important elements of analysis, needed for the understanding of the impacts of the restructuring.

### 3.1 Value chain concept development<sup>9</sup>

What is a value chain? The definition of the global value chain initiative (GVCI) says that the 'value chain describes the full range of activities that firms and workers do to bring a product from its conception to its end use and beyond. This includes activities such as design, production, marketing, distribution and support to the final consumer. The activities that comprise a value chain can be contained within a single firm or divided among different firms. Value chain activities can produce goods or services, and can be contained within a single geographical location or spread over wider areas.'<sup>10</sup> With the increasing globalisation more and more often the activities go beyond the individual firm and country.

The value chain analysis, focuses on the 'dynamics of inter-linkages within the productive sector, especially the way in which firms and countries are globally integrated takes us a great deal further than traditional modes of economic and social analysis' (Kaplinsky & Morris, 2000: 2). A number of concepts emerged in social sciences while attempting to analyse the linkages and the relations of (global) dependence and integration in the economy - value chains, value streams (Womack & Jones, 1996), value systems, filieres (in French) and global commodity chains (GCC).

We will stress here shortly only on the concept of GCC, introduced into the literature by Gereffi during the mid-1990s as being the mostly related to the concept of GVC. This concept was developed by Gary Gereffi and others within the framework of an analysis of the political economy of development and underdevelopment, originally derived from

<sup>8</sup> The CEECs developed policies aiming at the development of the SMEs, including contributing to their internationalisation. At the same time the EU pre-accession funds also supported internationalisation.

<sup>9</sup> The value chain concept is analysed in details in Huws *et al.* (2009).

<sup>10</sup> <http://www.globalvaluechains.org/concepts.html> (accesses 8th of January 2008).

world systems theory and dependency theory (Gereffi & Korzeniewicz, 1994).<sup>11</sup> Gereffi refers to four dimensions, which can become an object of analysis: (1) the input-output structure of the chain; (2) the territory it covers; (3) its governance structures which affect barriers to entry and coordination within the chain; (4) the local, national and international institutional framework which shape the conditions under which key agents incorporate subordinate agents through their control of market access and information (Gereffi, 1994).

### 3.2 GVC governance<sup>12</sup>

The first analyses of the value chain governance were based on empirical evidences. As it is declared by Sturgeon (2008), the work of the GVC was for a long time practically oriented, in order to help policy makers explain and predict governance patterns in cross-border production networks.

According to Gereffi it is necessary to watch closely and to study the difference between producer-driven global commodity chains like the automobile and aircraft industries where barriers to entry occur because of the need for large-scale high-technology production involving heavy investment and economies of scale and buyer-driven global commodity chains (GCC) like agriculture, garments, footwear and toys (these have low barriers to entry in production). In the second case producers are subordinated to the key agents (named lead firms or co-ordinating firms) controlling design and marketing, specifically the control of international brand names and retailing, where barriers to entry are higher profits concentrated. A number of empirical studies about large lead firms, producers such as *General Motors* and *IBM* or buyers such as *WalMart*, *JC Penny*, *etc.* have been held in the late 90s and the beginning of the current decade. However Gereffi does not question in detail why those GCC are dominated by buyers or by producers but rather let the empirical evidence about the role of capital intensity or labour intensity to speak for itself (Sturgeon, 2008).

The theory of the governance of value chains have been further developed recently. There is a growing shift in the global organisation of production towards external networks through outsourcing and externalisation. This change challenged the duality of the governance forms of value chains with the emergence of different networks. Gereffi, Humphrey and Sturgeon (2005) try to identify three variables that play a large role in determining how global value chains are governed and changed: (1) the complexity of transactions, (2) the ability to codify transactions, and (3) the capabilities in the supply-base. In this theoretical framework the authors distinguish five types of global value chain governance – hierarchy, captive, relational, modular, and market – which range from high to low levels of explicit coordination and power asymmetry (see Figure 3.1). This typology allows explaining among other why some value chain activities could be more easily relocated than other (Sturgeon, 2008).

<sup>11</sup> The original discussion of dependency theory from which this originated can be found in Wallerstein, 1974 and Hopkins and Wallerstein, 1994.

<sup>12</sup> The GVC governance is also analysed in Huws *et al.*, WP 12 Report. Huws *et al.*, WP 12 Report 'Value Chain Restructuring in Europe in a Global Economy', (Work in progress).

According to this classification there are five ideal types in the continuity from market to hierarchy:

- *simple market linkages*, governed by price – in this case the complexity of transactions is low, but the ability to codify transactions and the capabilities in the supply-base high;
- *modular linkages*, where complex information regarding the transaction is codified and often digitised before being passed to highly competent suppliers;
- *relational linkages*, where tacit information is exchanged between buyers and highly competent suppliers;
- *captive linkages*, where less competent suppliers are provided with detailed instructions;
- *linkages within the same firm*, governed by management hierarchy.

Figure 3.1 The global value chains framework

Key Variable	Complexity of transactions	Ability to codify transactions	Capabilities in the supply-base	Degree of explicit coordination and power asymmetry
Market	Low	High	High	Low High
Modular	High	High	High	
Relational	High	Low	High	
Captive	High	High	Low	
Hierarchy	High	Low	Low	

Note: There are eight possible combinations of the three variables. Five of them generate global value chain types. The combination of low complexity of transactions and low ability to codify is unlikely to occur. This excludes two combinations. If the complexity of the transaction is low and the ability to codify is high, then low supplier capability would lead to exclusion from the value chain. While this is an important outcome, it does not generate a governance type *per se*.

Source: Gereffi, Humphrey & Sturgeon (2005) as adapted by Dicken (2007: 158)

The authors of these ideal types acknowledge themselves that these five types of governance proposed in 2005 (Gereffi *et al.*, 2005) are replacing the producer-driven and buyer driven dichotomy with an industry-neutral, nonempirical framework. The changes observed by the GVC actors seemed to require more network types than the simple buyer-driven chain (Sturgeon, 2008). This framework allows some predictability in the analysis of the cross-border linkages that could be useful in the analysis of GVC restructuring. To all this we need to add the aspect of the modularity – as it could be shown by different examples, there are functions that can be performed in different locations. Something more, for authors such as Lane and Probert (2006): ‘The manner of fragmenting the value chain and its distribution of functions across different locations depends not

only on available competencies and cost considerations, but also on the nature of the final product’.

There have been attempts to overcome the dichotomy of producer-driven and buyer-driven chains governance. One of them is made by Lane and Probert, (2006) – they try to connect the institutional influences of the country of origin to the governance of the global production networks (GPN). Analysing sourcing strategies of German and UK clothing companies they found that ‘However, although institutional influences of country of origin remain pronounced even in the construction and governance of networks, GPNs also enable firms to ‘shake off’ some of their constraints and, in a few cases, to develop strategies in a more voluntaristic manner’. The question of the embeddedness of the coordinating firms (as Lane and Probert call the lead firms) in the national institutional environment and its impact on the value chain governance is a very interesting one but it is not sure if there will be enough empirical evidence from the WORKS project in order to analyse it.

### 3.3 Studying value chains in CEE countries

The approach of the value chain analysis is still not well-known and present within the academic debate in Central and Eastern Europe.<sup>13</sup> As already said, a lot of studies relate to a globalisation as an anonymous factor but not as a logic embedded in the governance of sectoral or enterprise value chain.

From this point of view it seems really important to attract attention to the value chain analysis and to the value chain restructuring process that could explain not only a number of events such as for example the massive move of Greek textile to Bulgaria during mid-1990s or the opening of development centre in Asia by a Bulgarian software company two years ago, but also the impacts of these events on the organisation and work.

One of the underlying assumptions of the study in the framework of the WORKS project is that the reorganisation of work can only be understood fully in the context of a global restructuring of value chains, entailing a simultaneous decomposition and re-composition of sectors, organisations, labour processes and skills.<sup>14</sup> From that perspective there was an attempt to point out a number of considerations while discussing global value chain analysis applied to organisational realities in the transformation economies.<sup>15</sup>

The first one is the need of a *multidisciplinary approach*. The value chain understanding requires the participation of various disciplines (political economy, management, sociology, cultural anthropology, network analysis, etc.). For that purpose the value chain structure and the recent processes of restructuring could mean the examination of multidisciplinary sources. An example concerning the sector of the food industry says that there could be a need to examine materials revealing the processes of ‘consolidation and concentration, the desire for cheap food, the moving up in the food value chain, the technological trends - novel food and ICT introduction, the evolving safety and environmental norms and regulations, the changing consumer demand (diets, organic food), etc. (Black-

<sup>13</sup> See a detailed bibliography prepared by the Global Value Chain Initiative - [http://www.globalvaluechains.org/form\\_search\\_publications.php?sort=Date&like=&exact=](http://www.globalvaluechains.org/form_search_publications.php?sort=Date&like=&exact=).

<sup>14</sup> WORKS, see <http://www.worksproject.be>.

<sup>15</sup> These considerations, among others, are developed in the paper of Kirov and Jeleva (2006b).

man, 2005). In the case of CEE regions we insist on the fact that this multidisciplinary should take into account the 'transitology' (*post-socialist transformation studies*) or to say it in other words, the specificity of the post-socialist transformation. In these countries markets and enterprises became autonomous and entered the global economy since the beginning of the 1990s. Numerous studies highlighted the presence of heritages in the post socialist companies, both privatised and newly established. For a long time during the 1990s the academic debate about the transformation was divided between the blueprint approach and the path dependency approach.<sup>16</sup> Finally there are more and more evidences about the process of long term transformation not only by outsiders but also by the insiders. The GVC approach could be useful one in explaining the concrete mechanisms that played in this transformation.

The second consideration concerns the way of investigating the value chain power distribution. One of the most relevant questions while analysing organisational change is related to the decision-taking process in the chain. In other words who is deciding and where along the value chain. The question of the power in the value chains is extremely important in order to understand why some decisions leading to their recomposition have been taken. However, in the frame of an empirical research there is a problem, related to the need to question respondents along the value chain. For example it is impossible to understand the restructuring of SAP Bulgaria only by studying the Bulgarian case, there is also a need to study it in Germany, interviewing SAP managers upward in the GVC. It means that the social sciences research needs to 'follow' the chains in order to understand their logic. But such an approach requires new logistics of the research.

The next important aspect of the value chain analysis is the value chain upgrading or the problem of dynamics in these complex networks. Global value chains are not static and the position of a given unit could be 'upgraded' within the chain. There are multiple examples of the upgrading of companies, regions, countries. Some of the most classical are the cases of clothing and textile sector which practically disappeared from Western Europe speaking about production activities but part of the enterprises specialised now in design, in logistics, *etc.* Countries such as Taiwan were reputed to be good assemblers of electronics, nowadays some of these countries are among the leading producers of electronics, having developed their own brands (Ernst, 2002). In other words there was a process of the absorption of high-value added function from other links of the chain or outsourcing of low value added activities. This logic is very important to be understood in CEE. The understanding of the specific value chains upgrading processes will contribute to better understand restructuring and its impact to work quality.

### 3.4 The restructuring of value chains and its impact on organisations in Central and Eastern Europe

The cases for the qualitative research in the WORKS project have been chosen according to a complex matrix which was aiming to ensure distribution of business functions and sectors all across Europe. The cases in the project, chosen in order to illustrate different European models are: Southern European, Scandinavian, Central European (Continental),

---

<sup>16</sup> The concept of path dependency is one of the principal explicative concepts of the post-communist transformation, see Stark and Bruszt (1998).

liberal economy and transitional economy (NMS). The cases from the two CEE (transitional economies) countries examined in WORKS, Bulgaria and Hungary, aimed to cover examples of business functions in old industries (such as production and logistic in food industry in Bulgaria and the production and logistics in clothing industry in Hungary), the new industries (software production in both countries) and customer service in the public administration (labour intermediary services in Bulgaria and in Hungary).<sup>17</sup> These examples illustrate some of the important processes that occurred not only in Bulgaria and in Hungary but also in the other CEEC. They give the opportunity of in-depth study of particular cases of national/institutional and value chain characteristics. In the framework of the transitional economies the comparison between Bulgarian and Hungarian cases would allow also to question the different national institutional impacts, following different types of transformation, discussed in the Introduction chapter.

The examined cases (that will be discussed further in the text) reflect different value chains and different value chain restructuring and we will sketch briefly some of the main elements of these chains in order to give the context and the elements that allow understanding the restructuring impacts on organisations and individuals.<sup>18</sup>

The first and second Bulgarian cases are about the production and the logistics of a beer producing company which was acquired by a MNE from this branch in the 1990s and experienced a number of restructuring since then. The acquisition of old industrial enterprises through the privatisation was the most important process of property change during the 1990s in CEECs. In this case we have an example of a *lengthening of a value chain* through acquisitions in a new market. The brewing plants which became ownership of the examined MNE have been merged in one enterprise with production units in different towns of the country and headquarters that moved to the capital Sofia. The restructuring process after the acquisition had multiple dimensions in the production and in the logistics of the company. The first aspect of the restructuring of the value chain to be noted is the radical change in the legal and ownership structure of the units in Bulgaria - the former state-owned enterprises became private companies that merged in one legal unit. The second important aspect of the restructuring of the value chain was the optimisation of the production capacity - part of the production units have been closed in order to concentrate resources in the still existing production units. This spatial consolidation in the production was accompanied by a serious reorganisation and centralisation of the logistics function. From the perspective of the GVC we could observe a centralisation of power resources at the level of the headquarters and at the level of the geographical region. The centre of the value chain stimulated policy of standardisation of working processes.

In the Hungarian cases of production and logistics of clothing there is a company based in Hungary, Copy Fashion, which participates in the global value chain principally via its German mother firm. According to Huws *et al.* (2009) this case is part of a group of WORKS cases, involving companies lower down the chain that 'were more focused on manufacture but were nevertheless in the process of subcontracting to other companies

<sup>17</sup> There was a centralised decision of the WORKS consortium to study cases representing variety of business functions in different sectors and industries, see more in Huws *et al.* (2009).

<sup>18</sup> The case studies have been carried out following a methodology and guidelines developed in the framework of the international project WORKS. For each case study about 10-12 interviews have been envisaged as well as analysis of secondary information. See more about the methodology at <http://www.worksproject.be>.

further down the chain, respectively in Romania and in Romania, Bulgaria, Ukraine and Turkey'. As a matter of fact, it can be considered as a 'turn-key supplier' (Sturgeon, 2001) in this relation since the German mother company, its main customer prescribes which products to produce, while it doesn't interfere with how and by which processes Copy Fashion should produce them, except for quality aspects. The former state-owned company was opened in 1953 in order to become partners of the German company in 1986 and part of this company - in 1987. The outsourcing of the production from Germany to Hungary has been followed by the outsourcing of other functions - such as development and know-how centres, as it is said in the report - because in 'Western countries now there are no tailors ...'. In fact, as it is pointed out in Huws *et al.* (2009: 59), the 'value chains in the clothing industry are highly dynamic as companies constantly try to improve their competitive position by outsourcing or insourcing, by forward integration ('verticalisation') or disintegration. The Hungarian case is interesting also because it allows to analyse the upgrade in the GVC, done by the CEE unit.

The cases of the 'new industries' are both from the software development sector. The third Bulgarian case study is about a Bulgarian software producer established in mid 1990s (*SoftServ*) that started a process of internationalisation. If at the beginning of its activity *SoftServ* was dealing with the original business of providing outsourced software development gradually it started itself to outsource. In this case we could observe an 'upgrade' within the value chain of software production where before the CEE companies used to be as the last level subcontractors. The upgrade consisted of vertical move and divide of the work between offices in Bulgaria and in South-Eastern Asia. While before the restructuring the examined company had limited margin of manoeuvre in terms of flexibility, with the opening of new units in the country or in Asia it increased its power to negotiate new contracts. It should be added that in the case of the *SoftServ* there are long term relationships with the majority of the givers of order that allowed the shift of some responsibilities from the customer to the supplier. The characteristics of the transactions suggest that this is a case of relational value chain governance.

*DomainSoft* Hungary was established in 1991 by a large Austrian company which is one of the most important European software development multinational companies. The parent company '*DomainSoft Austria*' was founded more than forty years ago, and currently is present in seven European countries. With its 6,500 developers the company has a yearly income of 500 million Euro. The number of engineers in Hungary has grown up to 700 in the last decade. Currently, *DomainSoft* Hungary is operating with two locations: one in Budapest and another in Szeged. It should be noted that *DomainSoft* Austria is a subsidiary of an even larger German multinational company (*LNG Co.*) which is one of the world's largest electrical engineering and electronics companies specialised especially in the areas of automation and control, power plants, transportation, medical equipments, information and communications, lighting, *etc.* having almost half million employees worldwide. In the field of software development, *LNG Co.* has several subsidiaries, only one of them is *DomainSoft* Austria.

Central and Eastern European countries have very different preconditions for restructuring of their public administration than their counterparts in old member states, due to their socialist past. Restructuring in these cases is often characterised by an orientation towards Western forms of customer relations management (Huws *et al.*, 2009). The cases of the state administration, illustrated by *NEA* in Bulgaria and *InterMed* in Hungary show the logic of modernisation that is still not comparable of the situation in the old member

state where customer service is subject to processes of modularisation and of outsourcing. In the cases of customer service in the public sector it is doubtful if we can use the notion global value chain, but there are a number of lessons to be learnt. In CEE countries, as in the old member states, through institutional and political pressures is ensured the diffusion of models of 'new public management'. In other words public administrations in Europe seem to restructure themselves in order to become more 'businesslike'.<sup>19</sup> While this is clear in the UK and elsewhere, these changes are piled on entirely new functions and a specific shape of bureaucratic tradition in CEE, right? However, the restructuring of the public sector is a more political and institutionally path-dependent process all over Europe than in the private sector. The role of the EU in this process of modernisation in the CEECs is important one. We need also to stress on the role of the consultancies - large European companies in both cases. Modernisation processes followed a logic coming in part by outside, but we do not have enough evidence to prove that this is a value chain restructuring caused by the European integration of both countries.

The examination of the value chains studied suggests that they illustrate a variety of possible cases that could describe the restructuring in CEEC. Something more, speaking about the restructuring of the GVC however we should raise a series of questions:

- How we can distinguish the internal and the external factors of the restructuring in the post socialist economies? To what extent GVC impacts changes in the business functions and to what extent there are changes, resulting from the post-socialist restructuring? In other words, does the process of externalisation of activities is driven by the GVC restructuring or by a managerial logic in the units?
- Although we were not able to find firm quantitative evidence for this in the statistics, it is clear from the qualitative case studies that the restructuring of value chains has a strong spatial dimension (Huws *et al.*, 2009). How the position of the CEEC changes over time in the framework of this restructuring? What are the perspectives for these economies in the future after years of massive FDI and entry in the global chains at lower level? To what extent upgrade is envisageable? For which sectors and enterprises?
- How control in terms of decision-making is exercised in the chain and how this control changes with the time? Could we claim that control functions are more and more distant from the CEE business functions?
- One of the conclusions of the WORKS report on value chain restructuring in Europe (Huws *et al.*, 2009) is that shifts in power relationships between different units along the value chain translate quickly into new pressures on workers within those units (Huws *et al.*, 2008). How these pressures are mediated by the representatives of the employees/unions.
- How careers are shaped in the context of GVC? Do business units in CEE need specific profiles (expats in BEER), foreign manager (example of a nomadic career) in IT case in Bulgaria in order to better integrate/upgrade in the respective GVC?
- How GVC perspective gives tools to interpret and explore the cultural differences among people from 'Western' and post-socialist enterprises from a same GVC?
- How GVC restructuring impacts strategies for dealing with workforce diversity (HR, interpersonal) within the GVC?

---

<sup>19</sup> Here we would like to thank Ursula Holtgrewe (Forba) for her valuable suggestions.

- Are there national institutional framework specifics that explain developments along the value chains? Are there elements in the case studies that suggesting existing differences between Hungary and Bulgaria?
- There is rich literature on GVC in the private sector. However there are few studies on the GVC in the public sector, especially in the public administration. Applying this concept we should ask to what extent the administrative reforms in the CEE countries follow the same logic and to what they are following rules in the EU. Finally we can make the hypothesis of the modularisation, but is it precondition to privatisation?

These questions will be further examined throughout the report in order to outline the value chain restructuring effects on the organisation of work and its interrelationship with the national institutional settings. In conclusion to this chapter we would like to underline the importance of the value chain concept that allows understanding what is happening in CEE economies, subject to a profound internationalisation since the fall of communism. The value chain perspective could be extremely useful in order to understand the changing organisations in Central and Eastern Europe. As it will be discussed in the following chapters, without going back to this perspective, it will be difficult to understand why one beer factory merged with other factories, how flexibility was introduced in the production world, *etc.*

The WORKS case studies, as it is pointed out by Huws *et al.* (2009) in IT, food and clothing also supplied evidence that countries and Central and Eastern Europe (and in Southern Europe) 'are to some extent moving up the value chain, becoming intermediaries, or outsourcing, either partially or fully, some of their activities to countries outside the EU'. This value chain moves are important because they could reveal future trends impacting individual job places in these countries.

## 4 Changes in work organisations

CSABA MAKÓ / MIKLOS ILLÉSSY / PÉTER CSIZMADIA

In this section, we will take a closer look on the case studies carried out in the two post-socialist countries and will try to identify the most important patterns in work organisation changes. For this purpose we will use the work organisation typology of Valeyre *et al.* (2007) as a theoretical basis. After a short presentation of this typology, we will shortly sketch the European landscape of the work organisation models using the quantitative analysis of the authors. Then, we will analyse our qualitative material (*i.e.* six case studies) according to three main dimensions: *internal and external push factors of organisational change; individual and collective learning processes related to organisational change; shifting within the GVC.* In our view one of the most important impacts FDI and the subsequent emergence of global value chains might have in the post-socialist countries is the dissemination of leading edge managerial practices and organisational innovations. These innovations represent that ‘soft technology’ which plays an invaluable role in modernising these economies and especially in increasing their competitiveness. We also argue that the work organisation typology based on quantitative analysis of the labour process to be presented in the first section of this chapter might be the missing link between macro and micro levels analysis of GVC by connecting the theory of variety of capitalisms and the results of the case studies. The institutional variety of capitalisms is reflected in the different work organisation models. That is why the crucial research question here will be how does *the GVC restructuring affect the work organisations of the post-socialist economies and vice versa the existing forms of work organisation may influence the linkages within the GVC.* Such quantitative analysis also serves well in complementing the empirical results of the qualitative case studies and to help to understand the general organisational contexts in which the individual cases are embedded.

### 4.1 Varieties in the European work organisation models: an underestimated dimension of the social-economic regimes (lessons from the 4th European Working Conditions Survey)

The growing importance of global value chains raises the issue of the co-existence different national work organisation regimes. The dominant form of work organisation may differ from country to country and it is a vital research question whether the emergence and restructuring of global value chains has any impact on the diffusion of the existing work organisation models either by creating new hybrid forms or changing the dominant patterns of them. In Hungary, for example, the so-called leading edge work organisation practices are more likely adopted by large multinational firms than domestic ones. Similarly, as it was mentioned in the introductory section, the share of multinational firms in the total exports reached almost 66 *per cent* in 2002 in Hungary. If during the 1990s the

inflow of FDI in Bulgaria was relatively modest in the last years it increase to represent a FDI stocks made up 66 per cent of the Bulgarian GDPs (UNCTAD, 2007). That means that these companies not only open the road for new opportunities in the international division of labour for the Bulgarian and Hungarian economies but they are also playing an important role in the modernisation of work organisation practices. At the same time, it is worth emphasising that the available pool of the various types of work organisations may facilitate or inhibit the delocalisation of different elements of GVC into the national economies.

Therefore we intend to extend the case study analysis with a brief summary of the relevant studies on work organisation models. By doing so, we will primarily rely on the data set provided by the European Working Conditions Survey (fourth wave, carried out in 2005) financed by the European Foundation for the Improvement of Living and Working Conditions. Valeyre *et al.* (2007) recently made a cross-country comparison and cluster analysis for the EU-27 countries in order to better understand the national specificities in the distribution of different work organisation forms. During the analysis, the authors distinguished four main types of work organisation models across European countries, that is:

1. the discretionary learning forms of work organisation;
2. the lean production;
3. the taylorist work organisation;
4. the traditional or simple forms of work organisation.

The basis of this categorisation was the following characteristics of the labour process (Valeyre *et al.*, 2007: 9):

- 'a 3-level variable measuring the use of *teamwork*, distinguishing autonomous teamwork (with decisions on division on tasks by team members), non-autonomous teamwork (without decision on division on tasks by team members), and no teamwork;
- a binary variable measuring *task rotation*;
- two binary variables measuring *autonomy* in work: autonomy in *the methods* used and autonomy in *the pace* or rate at which work is carried out;
- four binary variables measuring the factors or *constraints* which determine the pace or rate of work: '*automatic*' constraints linked to the rate as which equipment is operated or a product is displaced in the production flow; *norm-based* constraints linked to numerical production targets or performance targets; '*hierarchical*' constraints linked to the direct control which is exercised by ones immediate superiors; and '*horizontal*' constraints linked to way one person's work rate is dependent on the work of his or her colleagues;
- a binary variable measuring *repetitiveness of tasks* (less than a minute);
- a binary variable measuring the perceived *task monotony*;
- two binary variables measuring the way *quality is controlled*, which correspond to the use of precise *quality standards* and to *self-assessment* of quality of work;
- a binary variable measuring the *complexity of tasks*;
- and two binary variables measuring learning dynamics in work, which correspond to whether the individual *learns new things* in his or her work and to whether the work requires *problem-solving activity*.'

The content of this work organisation typology is as follows:

#### Discretionary learning forms

The first class (38 *per cent* of the employees) is characterised by the overrepresentation of the variables measuring autonomy in work, learning and problem-solving, task complexity, self-assessment of quality of work and, to a lesser extent, autonomous teamwork. The variables reflecting monotony, repetitiveness and work pace constraints are under-represented. This class, which we refer as the discretionary learning form of work organisation, would appear to correspond to the 'learning organisation' or the 'operating adhocracy' models and has many of the features of the 'Scandinavian socio-technical' model, notably a relative emphasis on autonomous team organisation for those employees involved in teamwork.

#### Lean production forms

The second class (26 *per cent* of the employees) is mainly defined by an overrepresentation of teamwork (autonomous or not) and job rotation (particularly multiskilling), the quality management variables (self-assessment of quality of work and quality norms), the indirect variable of just-in-time (measured by demand-driven constraints on work pace without or almost without direct customer dealings) and the various factors constraining work pace. This class, like the first, displays strong learning dynamics and relies on employees' contribution to problem-solving. One easily recognises here the classic attributes of the 'lean production' model. However, autonomy in work is only a little higher than in average and bracketed by the importance of work pace constraints linked to the collective nature of the work and to the requirement of respecting strict quantitative production norms. Thus, this class has much in common with what is described as a 'controlled autonomy' in work, reflecting employers' concern to balance the needs of exercising control over employees and encouraging their creativity (Coutrot, 1998; Edwards, Geary & Sisson, 2002).

#### Taylorist forms

The third class (20 *per cent* of the employees) corresponds in most respects to a classic characterisation of Taylorist or of 'mechanistic bureaucratic' forms of work organisation. The work situation is for the most part the opposite of that found in the discretionary learning class, with very low autonomy in work, particularly in the methods of work, low learning dynamics, low complexity and low assistance from colleagues or hierarchy, and an overrepresentation of the variables measuring constraints on the pace of work, repetitiveness and monotony of tasks, and quality norms. Interestingly, teamwork and job rotation are nearly at an average level in this class, confirming the importance of what some authors refer to as 'flexible Taylorism' (Boyer & Durand, 1993). However, team working is developed with a low level of self-organisation (on the division of tasks and the choice of the team leader) and, in the same way, workers rotating tasks do not choose often on the division of tasks and practice more multitasking and less multiskilling than in the discretionary learning and the lean production forms.

## Traditional and simple structure forms

The fourth class (16 *per cent* of the employees) is poorly described by the variables of work organisation which are all underrepresented. This class presumably groups traditional forms of work organisation where methods are for the most part informal and non-codified. This class would also appear to correspond to a certain extent to Mintzberg's (1979) notion of 'simple organisational structure' (Valeyre *et al.*, 2007: 13-15).

On the basis of this typology, the authors found that learning organisations are most diffused in Nordic countries (Sweden, Denmark, Netherlands), the lean production forms of work organisation are most spread in the UK, Ireland, many eastern European countries (Latvia, Estonia, Romania, Poland, Slovenia and Lithuania), while the taylorist and traditional or simple work organisation model is most in evidence in the southern European countries and many eastern European countries (mainly Slovakia, Bulgaria and Romania).

**Table 4.1** Distribution of work organisation classes in countries (*per cent*)

	Work organisation classes				Total
	Discretionary learning	Lean production	Taylorist	Traditional or simple	
Belgium	43,3	24,6	16,3	15,8	100,0
Czech Republic	28,0	26,7	22,5	22,9	100,0
Denmark	55,2	27,1	8,5	9,2	100,0
Germany	44,3	19,9	18,4	17,4	100,0
Estonia	40,7	33,4	11,2	14,7	100,0
Greece	24,0	29,1	22,6	24,3	100,0
Spain	20,6	24,6	27,5	27,3	100,0
France	47,7	23,8	17,5	11,0	100,0
Ireland	39,0	29,2	11,3	20,5	100,0
Italy	36,8	24,1	24,6	14,6	100,0
Cyprus	26,4	27,0	21,2	25,4	100,0
Latvia	33,4	34,5	17,1	15,0	100,0
Lithuania	23,5	31,1	22,0	23,4	100,0
Luxembourg	42,7	29,6	13,9	13,8	100,0
Hungary	38,3	18,2	23,4	20,1	100,0
Malta	45,6	34,2	12,1	8,2	100,0
Netherlands	51,6	24,3	11,4	12,7	100,0
Austria	47,3	22,4	18,3	12,0	100,0
Poland	33,3	32,6	18,9	15,2	100,0
Portugal	24,9	30,3	32,5	12,3	100,0
Slovenia	34,9	32,1	16,7	16,3	100,0
Slovakia	27,2	21,0	33,8	18,1	100,0
Finland	44,9	29,9	12,6	12,7	100,0
Sweden	67,5	16,0	6,9	9,6	100,0
UK	31,7	32,4	17,7	18,2	100,0
Bulgaria	20,6	27,2	32,7	19,5	100,0
Romania	24,0	33,4	27,6	14,9	100,0
EU-27	38,4	25,7	19,5	16,4	100,0

Source: Valeyre, 2007: 22

However, the presence of the different work organisation forms depends on structural characteristics other than the country in which a firm is operating. These include sectors, establishment's sizes, occupational and demographic categories. In order to measure the impact of the abovementioned structural effects, the authors used logit regression analysis.

Generally speaking, the estimates of the logit regressions do not differ greatly from the results of the descriptive statistics. On the basis of these data, the following five country clusters were distinguished:

1. the *discretionary learning forms* are dominating in Sweden and Denmark;
2. the share of *lean production forms* is relatively high in the UK, Ireland, in many eastern European countries (Poland, Romania, Latvia, Estonia and Slovenia), Finland, Luxembourg, Portugal and Malta;
3. Lithuania and Czech Republic can be characterised by the *combination of the lean production and traditional or simple structure forms* of work organisation;
4. the combination of the high share of both *Taylorist and traditional or simple structure forms* characterises mainly Southern and Eastern European countries (Greece, Cyprus, Spain, Bulgaria and Slovakia);
5. the rest of the countries form a fifth group where *no such clear patterns are observable*. Some of them (mainly such continental European countries as Austria, Belgium, France, Germany but also Italy and Hungary) can be characterised by a relatively high share of discretionary learning forms of work organisation.

As concerning the NMS countries, we may generally say that they are in an early phase of the new development path creation identified with the fast emergence of the learning economy. The generic and system specific changes mentioned in the Introduction can be detected at the work organisation level, too. Therefore it is not at all surprising that *the share of discretionary learning forms of work organisation is below the EU-27 average* in these countries with the exception of Estonia. However, *in spite of this similarity we can find significant differences also between the members of this country group which is often treated as a homogenous one*. Referring to the various development paths of these countries briefly presented in the Introduction, we may construct the following *country clusters*:

1. enterprises in Slovenia, Estonia, Latvia and Poland have made significant efforts to modernise their work organisation. In these countries either *the learning or the lean forms predominate*. These types of work organisation have the best learning capacities;
2. the other group of countries is composed by Slovakia, Romania and Bulgaria, where the taylorist or the traditional/simple work organisation forms are overrepresented. Slovakia and Bulgaria, *is characterised by a significantly higher share of taylorist work organisation compared to the EU-27 average* (however, it is interesting to note that in the case of Slovakia, the share of discretionary learning and traditional forms is higher than in Bulgaria where lean production is ranked at the second place). Romania is placed between these two countries with an extremely high rate of taylorist and lean production forms of work organisation;
3. the third country cluster is formed by Lithuania and Czech Republic where the highest share of *traditional or simple work organisation forms* was registered.

**Table 4.2** National differences in work organisation forms (logit estimates)

	Discretionary learning		Work organisation classes			Traditional or simple
			Lean production	Taylorist		
Belgium	0.05		0.16		-0.29	-0.03
Czech Republic	-0.37	**	0.15		-0.24	0.61 ***
Denmark	0.55	***	0.34	*	-1.02 ***	-0.79 ***
Germany	0.02		-0.18	*	-0.04	0.16
Estonia	0.07		0.59		-1.11 *	-0.05
Greece	-0.85	***	0.38		0.15	0.48 *
Spain	-0.86	***	0.07		0.20	0.71 ***
France	0.12		0.18		0.02	-0.57 ***
Ireland	-0.24		0.36		-0.50	0.30
Italy	ref.		ref.		ref.	ref.
Cyprus	-0.79		0.42		0.12	0.34
Latvia	-0.28		0.68	*	-0.34	-0.21
Lithuania	-0.64	*	0.48		-0.25	0.47
Luxembourg	-0.27		0.43		-0.13	-0.04
Hungary	0.00		-0.28		0.02	0.26
Malta	0.33		0.65		-1.07	-0.91
Netherlands	0.20		0.17		-0.46 **	-0.33 *
Austria	0.34	*	-0.06		-0.20	-0.38
Poland	-0.18		0.51	***	-0.47 ***	0.03
Portugal	-0.27		0.43	**	-0.02	-0.28
Slovenia	-0.10		0.42		-0.66	0.22
Slovakia	-0.42	*	-0.20		0.32	0.40
Finland	0.07		0.42	*	-0.61 *	-0.28
Sweden	1.17	***	-0.34		-1.25 ***	-0.87 ***
UK	-0.62	***	0.59	***	0.05	0.09
Bulgaria	-0.93	***	0.30		0.30	0.39
Romania	-0.46	***	0.53	***	-0.23	0.07

\* Logit regressions controlled by structural variables (sectors, establishment size, occupation, age and gender). Reference country: Italy.

\*\*\*, \*\* and \*: respectively significant at 1 per cent, 5 per cent and 10 per cent level.

It is necessary to note that this distribution of different work organisation models has to be evaluated in a dynamic perspective. This means that the share of these work organisation models may reflect the special institutional setting, working culture and tradition of a given country as well as the phase of its development process. For example, *Hungary represents a special case* being in the halfway of the modernisation: the share of discretionary learning forms is the second highest among the post-socialist countries (just after Estonia) with a relatively low share of lean production forms and a slight overrepresentation of traditional and taylorist forms of work organisation at the same time. *These results confirm what have been said on the asymmetric character of the modernisation of the Hungarian economy.*<sup>20</sup>

<sup>20</sup> This means on the one hand the existence of multinational companies with higher value-added activities, high level of innovation, while - on the other hand - large number of small and medium-sized Hungarian owned companies which are not integrated into the activities of MNCs. See also Makó & Illéssy (2007).

The case studies carried out in the framework of the WORKS project are illustrating well almost all types of work organisations. In fact, it seems that the sector (or more precisely: the *activity* that firms perform)<sup>21</sup> has visible influence on work organisation. For example, the Bulgarian IT company represents the case of learning organisation as well as the Hungarian one.

**Table 4.3** The work organisation typology and the cases investigated

SoftServ (BG)	Discretionary learning form
DomainSoft (HUN)	
BEER AD (BG)	Flexible Taylorist form
Copy Fashion (HUN)	Lean production form
National Employment Agency (BG)	Mixture of discretionary learning and Taylorist forms
Intermed (HUN)	

The typology reflects the qualitative assessment of the authors and therefore it is only hypothetical one. In the following paragraphs, we will present briefly some elements of this qualitative assessment using the examples of the case studies carried out in the two countries involved in the WORKS project.

## 4.2 Internal and external ‘push’ factors of the organisational changes

Analysing the case studies carried out in the two New Members States in the WORKS consortium (Bulgaria and Hungary, in such sectors as clothing, food and IT industries and public administration/services). In the case of the manufacturing and IT sectors, the restructuring can be associated with the outsourcing of various activities from the developed economies to the NMS. The labour market offices are representing a rather different situation. In modernising the labour market services with the support of IT, only some elements of VC were used as a tool of the restructuring process.

The case studies highlighted the fact that *various* factors play different roles in the organisational changes of the firms, during the restructuring of global value chains. Common motives in the outsourcing decisions are the relatively low wage level in the NMS (cost saving as a drive of the FDI in the CEE region) and the availability of the skilled and flexible labour force. However, the weight and combinations of the various factors are rather different in the different sectors. In addition the role of the different factors is *dynamically* changing in time (*e.g.* the changing content of knowledge and skills in the IT sector or the intensive competitive pressure in the clothing industry).

In the case of the *clothing industry* a radical restructuring of international value chain has been taking place during the 1990s mainly driven by the increased cost-competition and enabled by the liberalisation of EU trade with the Central and Eastern European (CEE) countries. The liberalisation allowed to export the materials to the CEE countries and to import the finished garments back to the EU with minimal trade tariffs charged on the value-added abroad. As a result of intensive outsourcing activities from the EU to the

<sup>21</sup> This is an important distinction because IT industry also has its own low value added segments.

CEE countries in the clothing industry, the CEE countries increased their exports to the EU from 3.170 million USD to 8.824 million USD between 1990 and 1999 (Flecker *et al.*, 2008). Since 2004, when the WTO (World Trade Organisation) quota restriction 'Agreement on textiles and clothing' (ATC) fell into abeyance, the European markets have been open for global competition (Lane & Probert, 2006).

According to the typology of clothing and fashion firms developed by Faust (2005) the Hungarian case *Copy Fashion* belongs to the category of 'manufacturing subcontractor' (see more in Flecker *et al.*, 2008). *Copy Fashion* was founded in 1953, as a bespoke tailor. At the beginning of the 1960s production co-operation in the form of subcontracting has been started with German owned Bäumler and in 1987 the German company became the majority owner. In 1989 *Copy Fashion* became a joint stock company, and in 1991 it was introduced into the Budapest stock exchange. On the 27 January 2005 a liquidation process was started. As part of the liquidation process (2005), the restructuring and rationalisation of work processes have been started. As a result *Copy Fashion* turned from a production-centred into a marketing-centred company (Flecker *et al.*, 2008).

As a result of the radical restructuring process under the pressure of strong austerity program, several changes were initiated in the work organisation. For example, in the cutting section women's and men's lines were separated. Changes were made in the different processes, as well: in spreading, the main fabric and the lining are not separately spread now, automated cutting machines were introduced, at women's lines the packaging of fittings and linings were eliminated. The strongest driver of the restructuring on the production lines was the manpower cut. Two shifts were introduced in the production and the role of employees in quality control increased and completed by the presence of the costumer representative at the production site.

*We definitely prefer it when the technicians of our customers are present. On the one hand it accelerates the decision process, as we can immediately communicate with them in case of any problem, sparing a lot of time. They can control the outgoing shipments of the finish products, this is also positive. In the past it was much easier, since as soon as the technicians of the customer had received the finished product, we declared that we couldn't accept any quality complaints. This is not so any longer.'* (export manager, cited in Makó, Illéssy, Csizmadia & Bácsi, 2007: 13).

The management hierarchy has been flattened and its supportive function was strengthening at the expense of its control function. In the changes of the work organisation in the last two decades there has been a shift from the Taylorist mass production system towards 'lean organisation'. This form of work organisation is characterised with strict production norms, controlled autonomy one hand and increased learning and problem solving capacity on the other.

In the *IT sector* the two cases investigated represent two different types of companies and VC restructuring. The Hungarian case, *DomainSoft* is the Hungarian branch of an Austrian software developer subsidiary of a German electrical engineering multinational (LNG). The company was founded in 1991 and after an intensive growing period now it employs 700 IT engineers in two, regionally different locations. The international network of *DomainSoft* comprises ten companies worldwide. The internationalisation of the company has begun in the early 1990s with the foundation of several subsidiaries in the neighbouring Central European countries, such as Hungary, Slovakia, Czech Republic

and Croatia. The main source of attractiveness of these countries for outsourcing activities was the lower production costs (in terms of hourly rates) and the availability of the highly skilled labour force.

*'I already have mentioned competitive prices which are also strategic reason in delocalisation. This is a precondition of survival for Western European firms. Perhaps, some employees at DomainSoft Austria think that Hungarian take away jobs from them, but the majority knows that they are allocating activities to other countries in order to maintain competitiveness and to avoid lay-offs. Production must be delocalised – not to delocalise is to suicide. Nowadays it is true for all sectors.'* (head of controlling department, cited in Makó, Illéssy & Csizmadia, 2007a: 8).

During the last fifteen years the company has undergone several waves of restructuring. These changes can be attributed to several factors. Firstly, due to the lower wages in the Central European countries, *DomainSoft Austria* could offer more competitive prices. A second reason of outsourcing activities with higher added value was the more efficient use of the knowledge pool. A third reason was the availability of a more flexible manpower in these countries compared to the Austrian employment practice.

The Bulgarian *SoftServ* is a specialised subcontractor, established in 1995 by three Bulgarian business specialists who still own the company. Now it focuses on high values outsourcing in software development while activities like system integration, web-development, and consulting were stopped. The new activity focuses on four key areas: (a) application development and maintenance, (b) complete product realisation services, (c) software quality assurance: automated and manual, and (d) service-oriented architectures. Regarding these key areas, the company concentrates its expertise on: Fleet management and transport solutions, Environmental management and emissions control systems, Security and data protection, Automotive embedded and multimedia solutions, Content management systems, Financial Applications. The company has its most costumers in the US and Canada. The *SoftServ* employs more than 180 people in Bulgaria and 20 employees in Southern-East Asia. The company is organised in a holding structure with branches in Bulgaria and South-East Asia, owned 100 per cent by the Western European parent, registered as an 'AG'. Its main shareholders, with about 93 per cent of the capital, are the three co-founders.

At the beginning of the 1990s brewing companies have started an expansion into the world's emerging markets. A Number of studies on CEE (Larimo, Marinov & Marinova, 2006) has have argued that market-seeking motives are the most important FDI motivators followed by resource-seeking motives. In the case of the Bulgarian *BEER AD* operating in the food industry a former state-owned large brewery was privatised and bought by a global brewer called *VEBIN*. The new owner carried out technological modernisation, quality improvement and restructuring of the work organisation. The hierarchical levels of management were diminished, while the work intensification at the shop floor level was increased. Integrated ICT tools were implemented in order to support and control both the production and logistic processes. The individual responsibility of employees in performing of their work task was enlarged. As a result a relatively flexible form of Taylorist work organisation was implemented.

In the case of the Hungarian employment agency, *Intermed* represents the modernisation process of *public services*. The national network of *Intermed* as a governmental institu-

tion was created in 1991 with the aim to administer the problems related with the fast growing unemployment. In the past fifteen years the labour market situation in Hungary did change radically: the two digit unemployment began to fall. These changes created a need for reorganisation of the *Intermed* nationally organised network. The reorganisation process targeted to standardise and improve the quality of service together with stronger customer orientation. As part of the reorganisation, the IT infrastructure of the *Intermed* was renewed and helped to standardise the service for both job seekers and employers. The core motive of the service standardisation was to guarantee equal access and higher quality service for all job-seekers independently from the significant regional inequalities. In order to realise these primary goals of the modernisation process, the so-called 'self-service model' was introduced where job seekers and employers are able to get access to the various labour market services without using personal help of the *Intermed* employees responsible for job intermediaries. In the case of Bulgarian National Employment Agency, a rather similar process of modernisation was taken place, with a special focus on dividing front-office and back-office work. Considerable improvements have been achieved in working conditions but at the same time, the impact of restructuring upon the employment conditions, working hours management or industrial relations are almost insignificant. In these areas it is either the old 'administrative culture' that is prevailing or the legal provisions are being strictly followed. It is more difficult to evaluate the results of these case studies in the same way because they represent the sector of personal service to which the abovementioned typology does not fit very much. In spite of these difficulties, it is interesting to note that in both agencies a rather similar modernisation has been taken place involving the improvement of working environment and the restructuring of the labour process as well. The aim of this restructuring was twofold: to improve the quality of the services offered by these public institutions and to standardise their activities. However, these attempts partially failed because of the nature of work (*i.e.* it is hard to formalise client service activities) and because of the heavy administrative workload. As a result, an interesting mixture of work organisation has been evolved in both cases. On the one hand, this work involves high level of autonomy and knowledge demand, and the tasks are rather complex. On the other hand because of the state-bureaucratic heritage, high level of legal-administrative regulation and heavy workload, these organisations remained at least partially Taylorist.

### 4.3 Individual and collective learning process related to the organisational changes

In case of the *clothing industry* the *Copy Fashion* represents the lean production form of work organisation using various tools of functional flexibility. For example, the use of 'qualification matrix' was introduced that contains the name of the employee, the numbers of operations (s)he can perform and his/her performance percentage by operation. Qualification matrix helps resolve occasional substitution and capacity shortage problems not only at the individual employee-level but also at the assembly line level, too. Seasonal fluctuation of market demands typical in the fashion driven industry require flexibility and support not only individual but assembly line level too. Another aspect of collective learning processes is the growing importance of the direct contacts with the costumers which is resulted in the radically increased quality requirements. It means that the clients'

permanent representatives help respect the high quality standards through the labour processes. The quality control staff has to be skilled employees. Usually they are selected from amongst the best-skilled workers (*i.e.* internal hiring is dominant because they not only have to supervise the quality but help them if necessary (this represents a kind of 'learning by interacting').

*BEER AD*, which is operating in the *food industry*, serves also as an emblematic case for a Taylorist work organisation. As a result of the restructuring of value chain, driven by the motive of the cost efficiency the work intensification increased radically, especially through the implementation of job enlargement. For example, prior to the privatisation an operator from the distillation was responsible only for setting on the brewage machines, now he is responsible for maintenance and to look for the safety/hygiene at the workplace, *etc.* The content of various jobs at the shop floor level changed but this did not lead to changes in skill requirements. This represents the phenomenon that is described as multitasking without multiskilling (Valeyre, 2007).

Both cases carried out in the *IT industry* in Hungary and in Bulgaria calls attention to the growing importance of the *project-based work organisation* and the increasing role of the *costumer* in collective learning processes. As it is typical in the IT sector software development work at *DomainSoft* is organised in projects and teams (Flecker *et al.*, 2008). The work organisation at the company follows the logic of a matrix organisation. That means that one structuring dimension of the matrix is the project-based work organisation which is combined with the line organisation. Projects are split up into subcomponents which may be further divided into smaller tasks depending on the specification of the project. The number of team members varies from three to ten persons. *DomainSoft* is usually involved in large projects where hundreds of software developers are working on different tasks and subcomponents of the same project. It means that dozens of teams work in parallel in a geographically distributed way (*i.e.* in different *DomainSoft* countries). A team member has to pay attention not only to his/her own work but has to be able to comprehend the whole projects or at least those work phases which are directly connected to his/her job. In general, a software developer works on two to three projects at the same time, except of the newcomers.

The combination of the different logics of project-based work and line organisation often leads to internal conflicts within the company because the interest of the project management and the line management are rather different. The line management supervises the professional work of the employees while the project management is responsible for keeping the deadlines and for organising knowledge flow. There is often rivalry between the various local subsidiaries of the company in applying for projects. The question is, however, how to motivate the various project members in order to share the knowledge acquired through participation in different project activities (see more on this in Chapter 5).

As a result of the restructuring, the content of work of *DomainSoft's* employees has enriched with managerial-co-ordination tasks and with such more challenging tasks as architectural planning. It means that the Hungarian *DomainSoft* managers and employees could enrich not just their professional but also their area-specific 'domain' knowledge and managerial skill. This involved also the transformation of the managerial control from a strictly hierarchical to a more horizontal one which also involves the delegation of more responsibilities. The restructuring brought changes in the relationship with the customers

as well. As *DomainSoft* Hungary became responsible for the full line of a product development it implies that it is getting in closer, direct relationship with the customers.

In case of the Bulgarian *SoftServ* parallel to the changes in business activities radical restructuring of the work organisation was introduced. The management structure of the company has been changed and *customer-oriented project teams* were conducted. The introduction of flat management aimed to increase the problem solving capacity of the organisation at the lowest possible management/organisational level. This led to increasing autonomy but also complicated the forms of managerial supervision.

#### 4.4 Moving and ‘freezing’ within global value chain: facilitators and inhibitors

The Hungarian *Copy Fashion* represents a classical case where production activity was outsourced into a low-wage country. There are significant wage differences between the single producers and countries as Romania, Bulgaria, Slovenia, and Hungary. However, the low cost producers often can’t perform at the high quality standards required by the ‘co-ordinating firms’. The most important factor behind stabilising the company’s position within the VC is its capability to produce high quality products at low cost. It requires keeping the wage-level low and a permanent investment in training (*i.e.* on-the-job training) of the skilled and semi-skilled workers. Maintaining high quality standards and at the same time being flexible are of crucial importance and the collective learning capacities of the organisation are fundamental in this respect. These are well-known features of the ‘lean-work organisation.’

Both the Bulgarian and Hungarian *IT* case studies illustrate the *growing importance of the project-based work and the client’s role in the restructuring of value chains*. *DomainSoft* represents a case where a subsidiary company holding a peripheral position within the international division of labour could move up within the GVC getting more valuable tasks. The case studies demonstrate well that cost saving through low wages is not the only motive of outsourcing, but quality, knowledge, flexibility and even geographical proximity matter. Another often neglected dimension of the GVC is the changing nature of power relations, as a source of its dynamism. As *DomainSoft* Austria is delegating more and more responsibility to its Hungarian subsidiary, its monopolised position along the GVC is eroding. Increasing participation in the project-based work organisation is playing key role in strengthening the position of the Hungarian *DomainSoft*. The experiences learned during the project-based work enriched not only the professional but managerial skills of the Hungarian managers and employees. An ‘unintended result’ of the common work was the emerging ‘trust relations’ which facilitate the even the sharing of tacit knowledge among the project team-members.

*Some ten years ago, when I started to work at this company we met the Austrian management twice a year. They came here to Hungary and we made some presentation to them. All this was totally formal. Nowadays, I attend all CEO meetings in Vienna. Things have been evolving gradually. First, we met more often, let’s say, four times a year only with people from the region and we discussed on rather neutral topics. Later on we attend every second CEO meeting and there was no hot or confidential topic, we got access to such decision supporting*

*tools through which we may have insights into their results, volume of sales, etc.* (head of department, cited in Makó, Illéssy & Csizmadia, 2007a: 16).

The *BEER AD* represents another strategy in delocalisation. The key motives behind the offshoring were cost saving and increasing market share that was a typical strategy that characterised the foreign direct investors in CEE in the first half of the 1990s in the post-socialist economies.

#### 4.5 Conclusion

An important outcome of the foreign direct investments in the post-socialist economies is the technology transfer. This is true not only for the use of the newest machines and equipments, but for the so-called organisational technologies (*i.e.* leading edge management techniques, team working methods, various forms of organisational innovations, *etc.*) as well. One form of this organisational technology transfer is certainly the emergence of the learning organisation. A vital question of the transformation process in the CEE region is to what extent can the newest forms of organisations spread in these countries and how can they adjust the traditional forms of work organisations to the changing social and economic environment, for example by making the Taylorist work organisation more flexible. The experiences of the 4th European Working Conditions Survey call the attention to the fact that there might be a correlation between the share of learning organisations and the post-socialist countries' performance in modernising their economies.<sup>22</sup>

The case studies call the attention to the fact that the newest work organisation models has appeared in the region not only in the most knowledge intensive sectors like the IT but – for a lesser extent – in such kind of traditional sectors as for example the clothing industry. This industry has almost completely disappeared from the Western European economic landscape, however, in certain market niches they begun to flourish in the CEE region. Of course, the post-socialist countries can not compete with the South-East Asian economies in prices and cost reduction, but they have visible competitive advantage as concerning quality, delivery deadlines and customer orientation. In order to take this opportunity, these companies have to be flexible and to continuously develop their knowledge pool and consequently, they are forced to renew their work organisation, too. In other cases, typically if the company is active only in the domestic market, companies may use an 'upgraded version' of the old work organisation models. This is best documented in the case of *BEER AD* operating in Bulgaria, where a more flexible version of Taylorist work organisation was found. Finally, the experiences of the two cases from the public sector also prove interesting results. They reflect the efforts of the post-socialist states to modernise their services and the difficulties to overcome the institutional heritage of the past in this modernisation. This was identified in the case of the Bulgarian National Employment Agency as the 'administrative culture' of this institution while in the Hungarian case the legal framework seemed to be the most important barrier of the modernisation representing an expansive and often changing regulatory environment in which the establishment of a client oriented service provision has failed.

<sup>22</sup> Of course, work organisation is only one dimension of this modernisation process, therefore we do not want to overestimate the importance of this correlation.



## 5 Flexibility and its multidimensional character<sup>23</sup>

TODOR GALEV / VASSIL KIROV

As Flecker, Papouschek & Gavroglou (2006: 55) state, one of the most important changes in work organisation in the last two decades has been the increased flexibility in the assignment of task or deployment of personnel. This trend is closely connected to globalisation and development of knowledge economy, and it is based on increasing standardisation and fragmentation of processes, mainly as result of the spread of ICT and the convergence in standards. Numerous studies have shown that companies use flexibility not only to adjust supply to varying demand, which in fact is the broad definition of flexibility, but also to cut labour cost in production as well as in service oriented organisations. According to the typology, used by the above-mentioned authors, the term flexibility refers to two basic dimensions of adjustment processes:

- numerical *versus* functional (quantitative *versus* qualitative). Numerical flexibility refers to quantifiable characteristics of labour input – number of workers or working hours, while functional flexibility deals with skills and tasks of a constant labour force;
- external *versus* internal. External flexibility relies on external labour force, which supports the core workers in various forms (subcontracting, freelance, outsourcing, fixed-term contracts, seasonal work, *etc.*) while internal flexibility relies on permanent staff (Flecker *et al.*, 2006: 54).

**Table 5.1** Types of flexibility

	Numerical	Functional
Internal	Part-time work, flexitime arrangements, annualised working hours, working time accounts	Multitasking, job enrichment, multiskilling, team working, project organisation
External	Fixed-term contracts, freelance work, temporary agency work, temporary layoffs/seasonal work, irregular work	Subcontracting, outsourcing, freelance work

Source: Atkinson & Meager, 1986; Wickham, 2005; Monastiriotis, 2003; Goudswaard & de Nanteuil, 2000, cited in Flecker *et al.*, 2006: 55

One of the conclusions of (Flecker *et al.*, 2006) derived from multiple studies is that flexibility measures in each particular case are subject of complex processes affected by both regional-institutional context and increased role of transnational corporations and global

<sup>23</sup> We are thankful to Svetla Stoeva (IS) for her considerable contribution in commenting and reviewing the various draft versions of this chapter.

division of labour (Flecker *et al.*, 2006). The extent and the type of flexibility is a complex result of company strategies, social, economic and technological development issues, personal decisions, sectoral and regional characteristics, *etc.* This conclusion is confirmed by various quantitative European-wide surveys that reveal differences between old (EU-15) and new member states as well as among the countries in both groups (Ramioul & Huys, 2007; Gavroglou, 2008). Qualitative studies on GVCs (incl. WORKS case studies) also show that particular units within a single GVC achieve flexibility through individual units' strategies even if they are coordinated and governed by power centre of the GVC (Flecker *et al.*, 2006: 57).

Another aspect of flexibility, which is quite controversial, must be mentioned – the differences in the perspectives towards flexibility at the side of employers and respectively – at the side of employees. In the first case, flexibility is desired as an organisational tool for adjusting intensification of work, technological change, global competition, marketisation of various niches, realisation of cost savings, outsourcing, global division of labour, *etc.*, whereas in the second case, employees assess flexibility more contradictory. Numerical-internal flexibility in most cases give the employees possibilities<sup>24</sup> for better work-life balance through flexitime arrangements, part-time work and working time accounts. On the other hand, functional-internal flexibility requires multiskilling and multitasking, intensification of work, higher commitment to organisation values or goals and often the overall result is destructive for employees' work-life balance. When external flexibility – both numerical and functional, is considered, the viewpoint of employees is even more negative. Permanent staff sees it as threat of lay-offs and sometimes of deskilling and routinisation of work because of fragmentation of processes and possible subcontracting, outsourcing or freelance work. Personnel, hired on seasonal or part-time basis also assess this type of flexibility quite contradictory – often it suffered from lack of social security and long-term stability, combined with low qualified work and respectively low wages.

However, there are indications that controversial tendencies in all above-mentioned cases of numerical and functional, internal and external flexibility exist. Especially, 'external flexibility, both in its numerical and functional form received new importance and a new meaning with the development of GVCs. [...] Consequently the existence of VCs puts into question the traditional distinction between core and periphery or between internal and external, which was developed for a single firm or independent business unit.' (Flecker *et al.*, 2006: 57).

In next paragraphs, these counter-tendencies and their relational character will be questioned with regard to the analysis of flexibility in two NMS - Bulgaria and Hungary - based mainly on qualitative data collected in frames of occupational and organisational case studies. However, where it is applicable, quantitative data regarding particular flexi-

---

<sup>24</sup> 'Giving possibility' does not obligatory mean that workers could benefit from it due to the pressure and the intensification of work. At the same time, there are examples that even in cases when there are no formal (prescribed in labour contracts) possibilities for flexible time arrangements, some companies take very seriously work-life balance issues of their employees who can benefit from considerable working time flexibility, which is informally negotiated with the immediate superior. This is the case of Bulgarian SoftServ, where most of the decisions about working time are granted to the project managers as part of the company's strategy for flat hierarchical governance - more detailed analysis of this issue is given in the next subheading (thank to Ursula Holtgrewe (Forba) who calls our attention to this point).

bility issues is used in order to confirm or reject possible tendencies, illustrated by the case study data.

## 5.1 Numerical (internal and external) flexibility

In WORKS case study matrix synthetic indicators of contractual flexibility and working-time flexibility were created that include forms of both internal and external but only numerical flexibility. These indicators aim at measuring the extent of flexibility that is regulated through employees' labour contracts, provided by the company and respective legal provisions on national level.

### 5.1.1 Numerical-internal flexibility

#### Part-time *versus* full-time work

In both Bulgarian and Hungarian cases of customer service in public sector, all employees are working on full-time jobs with open-ended employment contracts. All employees in the Hungarian case and 2/3 of them in the Bulgarian case are civil servants and their employment conditions are totally regulated in compliance with specific legal provisions. The status of a civil servant ensures stable employment security as compared to the private sector. Beside the status of civil servant, which gives to the Bulgarian employees some additional benefits,<sup>25</sup> their wages are lower than respective positions or the average wage in private sector. On the other hand, the Hungarian employees have relatively high wages. In both cases working hours are strictly fixed by the respective legislature, and there is no flexibility in the working time.<sup>26</sup> However, as it will be noted later, overwork was reported in the Hungarian case as a regular phenomenon due to changing workload intensity, but the amount of overwork is not registered officially, while in the Bulgarian case, overwork was not reported as a problem during the interviews.

According to case studies' results, part-time work in private companies (form of numerical-internal flexibility) in both Bulgaria and Hungary is not bigger than in public sector. In most cases, the employees are working on full-time jobs with open-ended labour contracts regulated according national legal provisions. There are no differences with respect to subject of activity – both service and production companies do not offer part-time labour contracts to their employees or their employees are not ready to accept such contracts.

The Hungarian<sup>27</sup> case studies' data do not confirm conclusions of the ESWT, that 'part-time work is one of the most widely known 'atypical' working time arrangements in Europe with an increasing share of part-time workers over the past decade' (European Foundation, 2006, cited in Ramioul & Huys, 2007: 34). According to this survey, organisa-

<sup>25</sup> Additional remuneration for length of service, for overtime work, for scientific degree, for extra work, as well as three types of additional paid holidays compared to the 'regular' employee in private business.

<sup>26</sup> In Hungary, the employees work 8.5 hours per day, except of Friday, when they work 7 hours, while in Bulgaria during the whole 5-day week they have 8-hour working day, which is stated in the Law for the civil servant, paragraph 49.

<sup>27</sup> ESWT data do not cover Bulgaria.

tions practicing part-time work account for about three quarters in the Scandinavian, Western European and Anglo-Saxon countries, roughly 40 *per cent* in the Mediterranean countries and about 60 *per cent* in the five new EU members from Central Europe (Ramioul & Huys, 2007: 34).

Contrary to the ESWT results there is also statistical data available for Bulgaria for the year 2006 that confirm the conclusions of WORKS case studies in two dimensions. On the one hand, 93.8 *per cent* of all employed were engaged on full-time jobs and only 1.9 *per cent* on part-time jobs. On the other hand, the share of full-time employed in public sector is bigger than the share in private sector<sup>28</sup> (see Table 5.2).

**Table 5.2** Employed by type of working time, sex and kind of ownership (in *per cent*)

	Total	By sex		By kind of ownership	
		Male	Female	In private sector	In public sector
Total	100.0	100.0	100.0	100.0	100.0
Full-time employed	93.8	93.4	94.4	92.5	97.4
Part-time employed	1.9	1.4	2.4	2.0	1.6
Not classified	4.3	5.2	3.2	5.5	1.0

Source: National Statistical Institute, 2007: 61 (originally in numbers – recalculated in *per cent*)

### Working time flexibility

Working time flexibility refers to all other forms of numerical-internal flexibility except for part-time work. It includes flexitime arrangements, working time accounts, and annualised working hours, even the last one are less popular in Bulgaria and Hungary according to case studies information. In both countries and in all WORKS selected business functions, there are two main models of working time flexibility that depend most on the type of ownership – public or private.

In the case of public sector, the working time is one of the subjects, strictly fixed and regulated by specific legal provisions. In both countries all employees in customer service in public sector, are working on full-time jobs and the only difference is the length of the working day within the 5-day week, as it was mentioned before. In both countries, there is only very limited possibility, given by specific legal provisions, for numerical-internal flexibility (flexible working time arrangements, unusual working hours or working time accounts). Nevertheless, as it was mentioned, in Hungarian case, due to the changing workload intensity there is a regular overwork, which is not registered officially. Both case studies demonstrate that working time flexibility in public administration was not influenced by the restructuring of the VC.<sup>29</sup>

<sup>28</sup> One of the possible reasons and a kind of an explanation of the extremely high share of full-time employment in Bulgaria could be path-dependant heritage from the socialist period when full-time employment was the dominant category.

<sup>29</sup> As far as WORKS case studies collect information about the restructuring of the VCs in last three to four years, there are not any data about working time flexibility in both studied organisations during that period.

The cases of private companies introduce various models, combining different flexibility instruments (flexible working time arrangements, overtime, unusual working hours, temporary work of permanent staff, home working, *etc.*) in the frameworks of the full-time jobs<sup>30</sup> of their employees. Each particular model, which combines different forms of numerical-internal flexibility, depends on various conditions, but some of them are more significant – type of activity (service or production-oriented), organisation of the workload (inclusiveness in a global value chain, 24-hour production cycle, company policy regarding decision making processes, *etc.*), introduction of specific models after the restructuring of a local business function as a result of acquisition by a MNE, *etc.*

- Flexible working-time arrangements

According to the case studies, there are two different models of numerical-internal flexibility in forms of flexible working time arrangements, working time accounts and annualised working hours in private sector. The main characteristics that differentiate them are the general qualification level of companies' staff and respectively, the companies' subject of activity.

- In the case of highly qualified and skilled professionals, like in the software development branch, the extent of these types of numerical-internal flexibility is extremely high. Like in other European countries working time arrangements in both Bulgarian and Hungarian IT companies are individually negotiated (Valenduc *et al.*, 2008: 90) and are taken on a very low hierarchical level (*e.g.* the teamleader). Often these arrangements are not entirely strictly regulated by the labour contract, but depend on personal judgement and rely on the strong self-responsibility of the employee. However, the extent of flexibility varies between both countries and respectively, between both studied companies in the IT branch.

In the Hungarian case, there is an advanced flexi time scheme in place, which allows on one hand, the start/finish time to be varied on the particular day if employees respect given basic working hours (between 9:00 a.m. and 3:00 p.m.) and set daily working time in the office (8 hours and 12 minutes). On the other hand, it allows the overwork to be compensated by paid full days off or by financial remuneration. The overwork is regular phenomenon, and due to specific workload at times of project closing deadlines it is usual for employees to work until late in the evenings, even at night or in the weekends. Because of specific activity – telecommunications and because some of customers are located on other continents, it is usual that the overwork is connected also with short-term business trips at any time in order to ensure customer support on place 24 hours, 7 days per week. This kind of flexible working time is also compensated by paid full days off or by financial remuneration. In addition, the company redistributes among regular weekdays the working hours of single days that come in between national holidays and weekends and between Christmas and New Year Day, and as a result, the set daily working time is 8 hours and 12 minutes. As the case study report states: 'Employees like this system - they con-

---

<sup>30</sup> As it was mentioned before, part-time jobs are not usual even for private business but in contrast to the public sector, there are exceptions from this rule. In all reported cases, these are only temporal, short-term exceptions – most often in order to fulfil family-related cares or due to training/education needs of the employee.

sider it a good deal to spend a little overtime every day and get long weekends and Christmas holiday free' (Makó, Illéssy & Csizmadia, 2007a).

The advanced flexitime scheme is considered by Hungarian employees as a competitive advantage in comparison with their colleagues from Austria and Germany that are part of the same MNE, which owns the Hungarian firm. The advantage is also subject of legal provisions that are in force in the above mentioned countries but not in Hungary – work councils in Austria and Germany do not allow working at weekends while there is not such a limitation in Hungary. Despite the high intensity of workload and the frequent needs for overwork, employees estimate the company's flexi time scheme as family friendly.

*Flexibility in time sequencing is a delicate competitive advantage for us when compared with a company with German working culture. For example, when our intelligent network system stops working in Indonesia, then somebody gives us a ring speaking in bad English and tells that 3 million people cannot use the wireless telephone service. In such a case there is a need for somebody who goes there immediately and does not ask first what will happen to his overtime money. (Makó, Illéssy & Csizmadia, 2007a)*

The Bulgarian case in the software development branch<sup>31</sup> presents much lower extent of formal (defined in labour contracts) numerical-internal flexibility and only in forms of flexitime arrangements and working time accounts. According to the labour contracts, all employees have to work eight hours per day, five days per week, and there are no any special provisions concerning flexible working time in the contracts. In fact, except for some of administrative units, most of the employees begin the working day after 10:00 a.m. – an hour later than usual time for the private business sector in Bulgaria and work until 6:00-7:00 p.m. The intensification of communication with customers in USA and Canada and with the company's branch in South East Asia imposes specific time scheduling for company's core activities.<sup>32</sup> Main categories of employees can set their own working time according to project requirements and commitments to other team members. Project managers and team leaders on lower positions in project teams have the main responsibility for overseeing the daily working time scheduling of team members. Even if formally employees have to stay in the office about 8 hours per day, in practice their start/finish time can vary according to their personal needs and habits. Additionally, if they are in the office they can spend some time in the company's gym or café. At the same time, after the restructuring, the overwork is very rare and working on Saturday is much more rarely and if it happens, it is strictly upon personal decision of the employee. There are no formal rules concerning compensation of extra hours, but if it happens it depends on the project manager or team leader to compensate it at the expense of next working days. In addition, the work-life balance is taken very seriously by both

---

<sup>31</sup> The analysis is based mainly on the organisational case study (SoftServ, Bulgaria) which collected more detailed and reliable data about working time and flexibility but the occupational case study's results (Stoilova, 2007) confirm generally the conclusions.

<sup>32</sup> There are four hours in the first half of the working day in Bulgaria that coincide with the working day of the South-East Asian branch of the company and about one to two hours at the end of the working day in Bulgaria that coincide with the working day of the customers in the USA and Canada.

company and project managers – needs of employees in cases of illnesses, maternity leave, continuation of university education, childcare, *etc.* has priority over fixed working time and the contract conditions.

In addition, the Bulgarian case shows that there are some differences between the working time of the project managers and the team leaders, and that of the regular software engineers, because the former have to communicate most intensively with customers and/or with the staff of remote offices. Both categories are more dependent on the temporal aspects of the distributed work/contact with customers in countries with big time zone differences. Nevertheless, they do not suffer from the lack of working time flexibility and they are aware of their positions mainly in view of career possibilities, higher remuneration, as well as bigger satisfaction at work.

- The second model of flexible working time arrangements in private sector is observable in industrial branches of material production (or so-called ‘old industries’) that characterise with both low and highly-qualified staff. The case studies in food industry (beer production and logistics) in Bulgaria and in clothing industry (production and logistics) in Hungary present an example of production enterprises where the restructuring of GVC led to high level of intensification of work. Especially in the case of food industry, at the present moment the core activities require 24 hours production process through the whole week. To fulfil these requirements, work in production and logistics departments is organised on 8-hour working shifts that ensure the 24 hours non-stop process.<sup>33</sup> In production department there are three shifts during the whole year, while in the logistics, during the ‘strong season’ (from April to November) there are four 8-hour shifts – three of them are covering the 24 hours of the day, the fourth rests. As a result, there is almost no room for temporal flexibility because the operations performed in the different departments have to be strictly synchronised. However, it does not mean that there are no flexible working time arrangements. On the contrary, two main forms of extra hours exist as a regular phenomenon, especially during the ‘strong season’. These are the demands for extra work in weekends and extra hours after the normal working time has been already finished. In both cases the company pay for them according given provisions, part of the labour contracts. The main problem, as expressed by workers, is not the demand for extra hours but the fact that usually it comes ‘at the very last minute’, which often brings troubles for private and family life of the workers. There is contradictory data about extra hours as concerning the middle and high management positions. According to some employees, the managers have smaller or even no overwork and this fact additionally increased the tensions against their ‘last minute decisions’. In contrast to the workers’ opinion, the managers themselves estimate that their extra hours are much more than average overwork of workers. A store manager in the logistics department declares that during the strong season he usually stays until

---

<sup>33</sup> Almost the same picture could be seen in clothing industry in Hungary. Due to the two-season production cycle it is quite important to fully utilise the capacities and numerical-internal flexibility in forms of flexitime arrangements (overtime and two shifts) was introduced as part of overall flexibilisation strategy. It includes also functional-internal flexibility in forms of multitasking and multiskilling (maintaining of qualifications and capabilities records through so-called qualification matrix, and the familiarity with more than one task).

10:00 p.m. instead of 6:00-7:00 p.m. and another middle-level manager claims that in this period he is staying often 15-16 hours per day and sometimes is coming also during weekends. At the same time, managers consider the fact that they have to be available 24 hours if some problem appears and respectively they never switch off their mobile phones. This kind of working time organisation impacts also the possibilities for staff's holidays; it is easier to have a leave during the winter (outside the 'strong season').

As a whole, in the case of food industry (beer production and logistics) in Bulgaria, the intensification of production after the restructuring leads to intensification of work, including the introduction of new position of a shift manager who has to control the whole 24 hours cycle of production. It must be underlined that the intensification of work impacts even the positions that are not directly connected with the production and logistics - like administration, highest management positions, *etc.* As the case study reports state 'during the busy season the situation in the logistics is characterised with strong pressure. It has impact on all the jobs in the business functions' (Kirov, 2007).

The same picture could be seen in the 'old industry' of clothing production and logistics in Hungary, where the result of the GVC restructuring is also constantly increasing work intensity. The main reasons that speed up the work intensification were reorganisation of the business functions through consolidation of activities and spatial centralisation, lay-off of personnel, and introduction of products' varieties (*e.g.* small-scale runs, customer-tailored products, use of different fabric types and raw materials). To meet these challenges the company introduced numerical- and functional-internal (multitasking and multiskilling) flexibility. Because of the massive lay-off due to the GVC restructuring,<sup>34</sup> overtime and shift-organisation of work become the main sources of numerical-internal flexibility, which means introduction of work in two shifts, 10-hour shifts instead of 8-hour ones, as well as weekend work. In addition, in both private and public sector, there are professions/branches where the level of workers' representation is higher and trade unions have negotiated collective labour agreements (CLA) that introduce some issues of numerical-internal flexibility in forms of flexitime arrangements and working time accounts, usually as part of additional social benefits. On the basis of the Bulgarian case we may say that unions are not well prepared to answer the challenge of the GVC restructuring and the following flexibilisation.<sup>35</sup> As a whole, the bargaining power of the trade unions is rather small and they seemed to have a restricted field of action.<sup>36</sup>

- Home working (working at home in normal working hours)  
Home working is a particular kind of flexitime arrangements, and respectively, in the private sector it is also mainly affected by the company's subject of activity. Among the studied

<sup>34</sup> For example from originally 250 employees, working at one of the production lines, today there are 143 left.

<sup>35</sup> For example see research on trade union in multinational companies in Bulgaria, ISTUR 'Multinazionalnite kompanii: predizvikatelstvata pred industrialnite otnoshenia i sindikatite pet godini po-kasno' (MNC: the challenges for the industrial relations and the trade unions five years later), Kirov (2005).

<sup>36</sup> All collected data show that trade unions are stronger within production branches of the private sector while in service companies, especially in the IT branch, there is any workers' representation. In both countries, trade unions play some role in negotiation of CLA in customer service in the public sector.

branches, it exists only within software development and its level coincides with the degree of working time flexibility. In the Hungarian case, where this flexibility is higher, home working is formally allowed and the employees are free to sequence their work in a specific part of the working hours or to take some work home. In the Bulgarian case with the lower level of working time flexibility, home work is possible only in exceptional conditions, *e.g.* short leaves due to need of child care or in cases when some tasks are performed in unusual time – very late in the evening/early in the morning, because of the requirements of communication with countries that have big difference in the time zone.

### 5.1.2 Numerical-external flexibility

Available quantitative data about share of temporary employment (numerical-external flexibility in forms of fixed-term contracts and seasonal work) show that in the last decade the percentage of temporary workers among employees steadily increased both in EU-15 countries (from 11.5 *per cent* of 1995 to 14.0 *per cent* of 2005), and in the NMS (from 5.6 *per cent* of 2000 to 12.5 *per cent* of 2005). In the cases of WORKS selected business functions in sectors such as clothing, food (production and logistics) and software industry, data about temporary employment vary but it seems quite spread in all NMS, including Bulgaria and Hungary (Birindelli & Rustichelli, 2007: 21-24).

However, qualitative data derived from the case studies in Bulgaria and Hungary that refer to the present state of the art, confirmed these quantitative data in most cases but there are also examples when case study information is quite contradictory as compared to quantitative data about share of temporary employment. For example, in 2004, the share of temporary employment in public administration in Bulgaria and Hungary is twice as much than the average for these countries at that time (BG: 12.3 *per cent* in PA versus 6.9 *per cent* in total and HU: 13.7 *per cent* versus 7.2 *per cent* in total)<sup>37</sup> (Birindelli & Rustichelli, 2007: 34). Contrary to these shares of temporary employment in general public administration, the data about temporary employment in the particular field of customer services in public administration is very contradictory. According to the data collected about 2004, its share is 0 *per cent* in Bulgaria and 9.9 *per cent* in Hungary (Birindelli & Rustichelli, 2007: 35). At the same time, WORKS case studies in Bulgaria and Hungary show that there are neither fixed-term contracts, nor seasonal work in customer service business function in public sector. Obviously, these results confirm the quantitative data about Bulgaria but there is disparity with quantitative data about Hungary.

As far as temporary employment in private business is concerned, there are also contradictory trends between available quantitative data and information from WORKS case studies. When considering WORKS-selected business functions in both countries, quantitative data about 2004 show that temporary contracts are quite equally spread in all of them (between 3 *per cent* and 6 *per cent* of total employees) but only one case study (Bulgarian food industry – beer production and logistics) finds evidences about this kind of temporary employment in form of seasonal contracts of lowest level blue-collar workers.

<sup>37</sup> One of the possible hypothesis is that the temporary employment in this case is the subsidised employment of unemployed persons, representatives of vulnerable groups, *etc.*

The case studies of clothing and software business functions did not record any presence of temporary employment.<sup>38</sup>

*At the company all employees have permanent contracts, and they work full-time (there is one person in the quality control area who works only 4 hours a day). Therefore tools of flexibility such as part-time work, seasonal work, or applying subcontractors are absolutely not typical. (Makó C., Illéssy M., Csizmadia P. & Bácsi K., 2007)*

As a whole, WORKS case studies show that numerical external flexibility is not typical for both public and private sector and the restructuring of the respective GVCs do not have any impact on it. Additional evidence is that the only case of registered seasonal work exists before, as well as after the restructuring (production and logistics in food production – *BEER AD*).

## 5.2 Functional (internal and external) flexibility

### 5.2.1 Organisational flexibility (functional, mainly internal but as well as external flexibility)

In order to carry out case studies, WORKS consortium has used a notion of organisational flexibility which covers various issues of functional flexibility – mainly internal but also external. The use of this notion instead of differentiation between internal and external forms of functional flexibility aims at underlining the fact that in companies' strategies both forms are interconnected and mutually complimented as result of company's pursuit of achieving higher extent of functional flexibility.

The degree of organisational/functional flexibility varies significantly in the business functions of the public and private sector. As a whole, the public sector characterises with a lower degree of organisational flexibility mainly due to administrative reasons – the services offered follow the logic of administrative procedures, and respectively – most of them are not client-oriented. The activities are strictly and in details regulated by specific and often with great number legal provisions and for that reason, the possibilities for organisational flexibility are very limited. As a result, the efforts for standardisation and more effective services in public sector can not often substantially improve the quality of these services in practice. At the same time, one of the goals of the VC restructuring in the public administration is to transform services into client-oriented ones. As far as practical changes (*e.g.* introduction of one-stop shop principle in the Bulgarian NEA) are step toward this goal, the possibilities for functional flexibility increased too. On the contrary, the introduction of various instruments of organisational/functional flexibility is one of the main principles for gaining economic competitiveness in the private sector. Especially in cases when private companies are included into business functions within GVCs, the potential for organisational flexibility increases as a result of imported models and restructuring processes.

---

<sup>38</sup> In the case of software development in Bulgaria, fixed-term contracts are used only for new employees during their 'trial' period, which usually takes two or three months. If the employee covers all requirements or he/she has previous experience, the trial period can be one month or to be skipped.

Beside the unique model, applied by each single company in its strive for organisational flexibility, the case studies reveal some stable trends that are common and the differences remain only in the extent of application of the flexibility instruments. These trends will be subject of detailed analysis in next paragraphs.

#### Standardisation and optimisation of functions

Standardisation and optimisation usually refer to a set of functional flexibility instruments, which is unique for each company. According to case studies most important among them are: multiskilling, multitasking, teamwork, project organisation, and outsourcing. Both public and private sector organisations apply different procedures aiming at standardisation and optimisation of their business functions as one of main sources of gaining economic competitiveness. One of common directions is the application of ICT for both optimisation of intra-firm processes and advancement in the end-product or service. Beside these features, common for all studied countries, there are some specific characteristics of the development of functional flexibility patterns in CEE countries, influenced mainly by deep economic, political and social transformations after the collapse of socialism. In the case of studied public organisations in Bulgaria and Hungary, the efforts for optimisation and standardisation are part of bigger reorganisation projects, performed under intensive foreign assistance – especially from European countries and usually funded by EU programmes. Nevertheless, the results up to the moment of the survey are controversial due to the various reasons. On one hand is the fact that both organisations are subject to continuous changes – most of them administrative and legislative, which hamper standardisation and optimisation efforts. On the other hand, the content of work and the skills acquired, limits the employees' opportunities for internal and external career mobility. As a whole, the employment conditions, HRM practices, and the functioning of internal labour markets have not changed substantially as result of restructuring. Especially in Bulgarian National Employment Agency, the introduction of one-stop shop model, which was main object of the change in last three years, also has questionable results from the viewpoint of standardisation and optimisation. As the report says 'the overall impact of the restructuring is limited and the changes insignificant' (Jeleva, 2007).

*One of our interviewees reported that dozens of laws have to be studied and kept in order to ensure the rightful operation of the INTERMED. This means that practically each of the services that the INTERMED offers has a detailed rule of procedure. If we take into consideration that there are 42 products/services offered by the INTERMED it is not at all surprising that the volume of the rules of procedure reach several hundred pages. Therefore, due to the dominance of the logic of administrative regulation instead of the clients' needs, the standardisation efforts could not substantially improve the quality of services. (Makó et al., 2007b)*

In private companies the degree of standardisation and optimisation of their business functions is rather high, especially after the GVC restructuring. Examples for procedures used are implementation of Quality Management Systems (like ISO) both for internal procedures and production of end-products and services, outsourcing of activities, use of subcontracting companies for ensuring non-core workforce, implementation of ICT, elaboration of training programs for acquisition of both core activities knowledge and soft

skills, *etc.* All these processes which influence skills and tasks requirements of the labour force are permanent factor of the existence of functional flexibility. The overall impact is higher level of standardisation and optimisation, usually accompanied with strong intensification of work. Their combination often leads to the emergence of new occupations and positions within the business function and as whole results in significant changes of the employment conditions and of the contents of labour. As case study reports demonstrate, changes usually result in need for/or intensification of already existing, multitasking, multiskilling, team working, job enrichment, outsourcing, project organisation of work, *etc.* The specific characteristic of these changes in Bulgaria and Hungary is that most of them are introduced or direct imposed due to the fact that business functions of the private companies under consideration become part of GVCs. Especially in cases, when local companies have been owned by MNE, the standardisation and optimisation of their functions follow strictly defined plans for restructuring in order to be more competitive on a global market.

*Most of the changes in the employment structure and employment conditions in BEER AD are subordinated to the decisions coming from the Zone or from the Central HQ in L..... For example the transfer of staff from one brewery to another was a result of the Central decision for optimisation of production and decrease of the production costs. (Stoeva, 2007)*

- Teamwork

One of the factors, which impact the degree of strictly functional-internal flexibility within the company, is the level of teamwork. Unlike case studies of public services in other European countries (Flecker *et al.*, 2008: 123), the Bulgarian and the Hungarian case studies reveal quite low level of teamwork in public sector organisations. Nevertheless, in both cases, there are examples of teamwork, introduced by reorganisation projects executed within both organisations in public administration. In Hungary, 'the guidebook of service model modernisation' proposes some multidimensional tasks, performed initially by individuals, to be coordinated and assigned to teams in order to be more efficiently fulfilled. However, the study finds that this kind of work organisation, which requires multitasking capabilities from the employees, is introduced only in a part of the local labour market offices. As the report states 'the internal division of labour in the local labour market offices differs significantly according to the local characteristics (*e.g.* number of employees, number of unemployed, nature of unemployment, characteristics of the local employers, managerial habits of the director of the office, *etc.*)' (Makó *et al.*, 2007b). In Bulgaria, so-called 'change management teams' were involved in the restructuring in each labour office, where the 'process model' and the one-stop stop service model were introduced through the modernisation project. The teams might consist of volunteers and are responsible for local planning with regard to the modernisation project in the respective labour office (deadlines, responsible persons and administrative positions). Teams are trained by experts from the NEA central administration and international consultants and they have to ensure the successful transfer of knowledge and implementation of the one-stop shop project in the respective labour office. 'By converting some of the local employees into vehicles of the restructuring process, the NEA has managed to reduce the 'bottom up' resistance against change' (Jeleva, 2007).

The picture in the private business is heterogeneous – in the branches of the so-called ‘new industries’, like the IT sector, the teamwork is a basic principle of organisation of the whole workload, while in material production branches of the ‘old industries’, like food and clothing, the teamwork is not broadly spread. For example in the case of BEER AD, Bulgaria, the restructuring in both production and logistics has contradictory results. The work there is organised in teams but the newly introduced work organisation, which leads to work intensification, reduced the level of personal communication with other teams; decreasing the sense of unity at work and the practices for joint celebrations – more frequently observed among the staff before the privatisation. As a result, there is a common feeling of alienation from the colleagues within a single department<sup>39</sup> and the loss of community affiliation. On the other side, in the case of Hungarian clothing business function (production and logistics) the familiarity with more than one task and the cooperation amongst the production lines have been intensified through introduction of qualifications and capabilities records (a qualification matrix), which became one of the main tools in the new company’s strategy for ensuring functional flexibility through multitasking and multiskilling.

- **Multitasking**

Like teamwork, the existence of multitasking differs significantly in public and private sector organisations. In contrast to other European countries, the case studies from Bulgaria and Hungary registered only very limited possibilities for replacement of one employee with another in the public sector,<sup>40</sup> attended by generally low level of multitasking among the staff. In the private sector, the multitasking is higher in cases of knowledge intensive jobs, usually connected with medium and high-level management functions. Especially in software development companies, project managers and team-leaders, as well as senior software engineers are appointed with multiple tasks – technical, administrative, training or supervision of newcomers or junior staff, *etc.* However, even in cases of old industrial sectors, like in food or clothing industry, the multitasking is quite higher than in the public sector and it is mainly result of standardisation and optimisation of functions.

- **Multiskilling: career mobility and training opportunities**

The degree of companies’ functional flexibility depends strongly on the level of qualification of the staff. Within particular company this dependence finds expression into opportunities for training and internal career mobility.

---

<sup>39</sup> The feeling of alienation was registered only in the production department.

<sup>40</sup> For example in the case of Bulgarian NEA, the VC restructuring granted a possibility for substitution of one employee with another (multitasking) in both front and back-offices that were clearly distinguished after the introduction of one-stop shop principle. Up to the time of the study, the change is still in its pilot stage and only 28 Labour Office Directorates take part into it, while the whole NEA consists of 109 LODs with additional 180 branches of them, 9 Regional Employment Service Directorates, Central Administration and Information and Services Centre. In Hungarian INTERMED, the ‘guidebook of the service model modernisation’ proposes not only introduction of teamwork but also rotation of the activities in order to reduce the workload on labour market intermediaries. Like the teamorganisation, ‘in some cases it worked, in other cases it did not depending on the habits of the headcount of the office and on the external environment’ (Makó *et al.*, 2007b).

As it was mentioned before, in the public sector customer service, there are only formal (set up by respective legal provisions) opportunities for internal (and external) career mobility but in practice, such cases are rare. As a result, most of the employees are tied to their workplace and respectively to a set of skills that do not required substantial multiskilling possibilities. It is mainly due to the fact that content of labour makes knowledge and skills of the employees hardly transferable and non-market oriented. At the same time, the 'training of trainers' practice in the Bulgarian *NEA* used since years, as well as the introduction of one-stop shop principle in some of its departments, increase possibilities for multiskilling among part of the employees. Something more, the new type of organisation and generally – the overall strategy behind the restructuring are suppose to encourage multiskilling and multitasking.

In private business companies, the level of internal career mobility and training opportunities, respectively multiskilling is higher, but the results could not be estimated only as positive. In material production, there are cases where training opportunities are seen from the blue collar workers as a new divide between low- and high-qualified staff and respectively, as producing 'losers' and 'winners'.<sup>41</sup> Despite all, various formal trainings, offered by private companies, especially for the middle- and high-qualified personnel, ensure bigger opportunities for career mobility – internal as well as external. Internal mobility is closely connected with the restructuring of the GVC of the company, which gives additional opportunities in several directions – international mobility (between branches/companies within MNE), changes of occupation/profession, vertical career path within the company in terms of management as well as professional (technical experience) hierarchy. However, this trend is stronger in branches where the core activity is highly knowledge-based like in the IT sector, and it is weaker in other branches, where the majority of the staff is characterising with more practical experience in combination with low- and middle-level qualification, like in the food production branches.

The case studies reveal many examples of multiskilling that are in place after the restructuring – *e.g.* the electric truck drivers in *BEER AD* logistics need to make by themselves the elementary repairs of their machines, something which before the restructuring was done by three persons in charge of the maintenance of the machines. They need to have also some basic IT skills in order to deal with the program used in the logistic department. Some IT skills are required from almost all other employees in the company too because after the restructuring all procedures should be entered into the IT system. The general trend is towards not a tight specialisation, but rather expansion of competencies of the permanent staff over the whole process with respect to the department under consideration.

In general, like in other European countries, IT skills in material production branches and soft skills in knowledge intensive branches are common requirements for multi-skilling of personnel, described in the case studies' reports.

---

<sup>41</sup> In both public and private sector, on the job training is quite broadly spread, especially in cases, when new ITs are introduced into the daily work. Especially in the case of low qualified workers in private companies from material production branches, there is not big difference between public and private sector.

*The lack of learning opportunities at the INTERMED and the special, hardly marketable knowledge needed for these jobs have a negative impact on the quality of work. It also decrease the employee's opportunities in terms of labour market mobility which is an important issue to be dealt with in a long run. As we mentioned earlier jobs at the INTERMED represent the low end of the market and does not offer much perspective for highly qualified people. (Makó et al., 2007b)*

### 5.2.2 Functional-external flexibility - subcontracting, outsourcing

Like other types of flexibility, the existence of subcontracting and outsourcing differentiate public and private sector in both NMS. Only one case of outsourced activities in public administration was registered (INTERMED, Hungary) while subcontracting is totally missing. As a result of the VC restructuring, INTERMED outsourced activities such as training, psychological counselling, *etc.* that need special human resources not available among the employees. The absence of functional-external flexibility in the customer services confirms once more the conclusion made before that as a whole, public administration in the two NMS is more resistant to any flexibility measures than the private business.

In contrast to the public sector, subcontracting and outsourcing are among main sources of external functional flexibility in all case studies from the private sector. In the case of food production and logistics in Bulgaria, additional possibilities for intensification of work are ensured through temporary employment of seasonal workers, employed during the 'strong season'. In addition, during the whole year, intensification is achieved through subcontracting of some manual simple tasks to workers of an external company, which is specialised in offering non-core workforce in an extremely flexible, organised on daily basis manner. Both seasonal workers and these of the subcontracting company are of the Roma minority origin and with very low qualification status. According to the typology, created within the European Foundation study, the company belongs to the innovative type of organisations that develop 'a dual management of personnel, where a significantly large reserve of temporary employees coexists with a rather stable permanent workforce' (European Foundation, 2007, cited in Ramioul & Huys, 2007). Both examples of subcontracting, directly connected to the studied business functions of production and logistics, are only part of the general company's strategy to get free from non-core activities through subcontracting them to external firms.<sup>42</sup>

Outsourcing is quite well spread in private sector in both countries - examples from WORKS-selected business functions are cases of clothing production and logistics in Hungary and software industry in Bulgaria. In the first case, as a result of the reorganisation, several functions were outsourced. *E.g.* an external company is responsible for maintaining computer networks and for controlling (ITC Plc), the lower-quality products are completely outsourced to Romanian and Bulgarian companies. In the second case - software development in Bulgaria outsourcing to lower-wage countries is main company's strategy for cost savings and upgrading of the company's value chain; both

<sup>42</sup> *E.g.* planting and grassing of the company area and the maintenance of the canteen for the employees were subcontracted to external firms. Such a trend could be seen as common for restructuring processes in formerly state-owned socialist firms in Bulgaria due to the fact that during socialism they have been engaged with many functions, additional to their core activities.

implemented as means of gaining economic competitiveness on global market. Especially in this case, an important trend was registered. Initially, the company was established to work as a 'destination' of software development outsourcing but gaining experience and restructuring its VC, the company has started to outsource some of its own activities to other countries. Clearly observable in this case, the trend demonstrate the fact that NMS companies entering GVCs in the respective domains at a low position – usually as low-cost service suppliers but after years some of them upgrade substantially their positions in GVCs and become contractors that outsource part of their own activities to third parties.

### 5.3 Introduction of 'imported' flexibility models via GVC

As it is highlighted in above paragraphs, flexibility models, put into practice in all studied cases of local companies, are mainly introduced or direct imposed by the power centres of GVCs due to the fact that business functions of the private companies under consideration become part of GVCs, especially in cases, when local companies have been owned by MNE. Even in cases of customer service in public sector in both Bulgaria and Hungary, source of the impact was the external intensive foreign assistance and consultancy, especially from European countries and usually funded by EU programmes. There are some particular cases, when the MNE, which became an owner of the local company, introduced entire flexibility model, combining all forms of internal-external and functional-numerical flexibility. Such examples are case studies in Bulgarian food (beer production and logistics) and in Hungarian clothing (production and logistics) business functions.

### 5.4 Conclusions

On the basis of the qualitative study, there are significant differences into the flexibility patterns between public sector and private business companies in both Bulgaria and Hungary. The study provides evidences that large state organisations within the public sector are more 'resistant' to all types of flexibility - internal and external, numerical and functional, than the private companies, especially if the latter are included into a GVC of a MNE. However, the restructuring and modernisation processes in public sector usually involve the introduction of some flexibility measures, most of them resulting from the political decision of public administration aims to make its services client-oriented. There is a clear distinction of the types of flexibility, presented in public administration and of the extent of their presence. There are elements of internal - functional flexibility (multi-skilling, multitasking and teamwork), but only single case of external - functional flexibility. Both types of numerical flexibility (internal and external) do not exist in the studied cases.

In private business companies, the flexibility patterns are affected from company policies, imported from the headquarters of the MNE or from the power centres of the GVCs. Flexibility patterns of public organisations are affected mostly from strict and with large volume legal provisions, which regulate their activities (including special laws and other legal acts created especially for that reason). Nevertheless, in both private and public sector, the study reveals that the restructuring of the GVCs led to reinforcement of factors

that impact the extent of flexibility: increasing intensification of work,<sup>43</sup> positive changes in the quality of work and work-life balance and improvements in the employment conditions. The consequences for employees are in most cases positive but there are examples of negative trends too; the common characteristic is that in all cases the employees are simultaneously 'winners' and 'losers'.

From the viewpoint of the GVC restructuring, all case studies prove that the restructuring results in constantly increasing flexibility; in 'old' as well as in 'new' industries. Something more, in many cases, the VC restructuring aims at achieving higher level of flexibility as one of the main sources of economic efficiency and competitiveness. At the same time, often the employees also assess part of the flexibility patterns (mainly numerical-internal) as giving them competitive advantages or possibilities for better work-life balance.

---

<sup>43</sup> It must be considered that the intensification of work in the studied branches in Hungary and Bulgaria is not an exception but rather a part of a global process.



## 6 Skills and internal labour markets: shifting importance of skill use the location in the global value chain

CSABA MAKÓ / MIKLOS ILLÉSSY / PÉTER CSIZMADIA

In this section, we will briefly sketch the interrelationship between work organisation models and the characteristics of companies' skill development strategies. Then, we will also illustrate this with some case study examples.

### 6.1 Work organisation models and training policy of the firms

It is obvious that different work organisation models require different types of knowledge and different ways of knowledge producing and sharing within the members of the organisations. This dimension of knowledge use is not only reflected in such variables as training policy, extent of internal or external training but also embedded in the labour process and everyday practice of work organisation (*e.g.* problem-solving methods, teamwork, job rotation, monotony of tasks, opportunity to learn new things, *etc.*). As Valeyre *et al.*, (2007) puts it:

'Since learning and problem-solving capabilities are central to both of these [*learning and lean organisations*] models, it can be expected that firms adopting them will invest more in the training of their employees than those using more traditional Taylorist methods, characterised by low task complexity and high repetition'.

The interrelationship between work organisation and firms' knowledge use is supported by the earlier mentioned research results of Valeyre *et al.* (see next table). They distinguished three types of training: training paid for by the employer (including both external and on-site courses provided outside of working hours), on-the-job trainings and training paid for by the employee. The authors considered that training paid by the employer is aimed at 'develop more general and transferable skills' while on-the-job trainings are designed to develop task-related and organisation-specific (that is hardly transferable) knowledge. The results confirm the presumption that discretionary learning and lean production forms of work organisations are more likely associated with training regardless of its kind.

**Table 6.1** Type of further training, by work organisation class (*per cent*)

	Work organisation classes				Average or simple
	Discretionary learning	Lean production	Taylorist	Traditional or simple	
Training paid for by the employer	37.1	35.7	16.6	15.7	29.2
On-the-job training	35.0	38.7	24.2	17.3	30.9
Training paid for by oneself	4.2	4.4	2.7	2.6	3.7

*Source:* Valeyre *et al.*, 2007: 30. The calculation is based upon the secondary analysis of the 4th European Working Conditions Survey carried out in 27 European countries, among more than 29,000 employees, in 2005

Another characteristic of the relation between specific work organisation and corresponding training forms is that employees working in enterprises of discretionary learning forms have received more training paid for by the employer. At the same time, on-the-job training is more common in firms belonging into the category of lean production work organisation form. Taylorist type work organisation also correlates with on-the-job training but to a much lower extent. The authors explain this correlation by arguing that different types of work organisations are relying on different knowledge types: ‘As Lam (2006) has observed, the lean production or Japanese model of production relies on knowledge which is firm-specific and collectively embedded within team structures. On-the-job training is an integral mechanism for imparting this type of knowledge to employees. The discretionary learning forms of work organisation (...) tend to rely on individually embodied knowledge which combines formal elements with elements based on a rich experience of practical problem-solving (...) external and internal courses paid for by the employer are important mechanisms for renewing and up-grading the formal elements of this individual knowledge.’ (Valeyre, 2007: 30).

After a brief overview of the relations between work organisation models and training policy of firms in Europe, we will shortly present the case study experiences according to the following dimensions: formal education based skill formation and use, growing importance of situated knowledge and the position of firms in the GVC and their low or high-skill equilibrium.

## 6.2 Formal education based skill formation and use

As it was presented in Section 3 the various cases investigated both in Bulgaria and Hungary represent different work organisation models and parallel with this different knowledge use practices. In the *clothing industry* the Hungarian *Copy Fashion* represents the ‘lean production model’ which is characterised by strict production norms, controlled autonomy of employees and increased learning and problem solving capacity. At *Copy Fashion* the majority of the employees have no formal qualification related with the clothing industry. The recruitment of employees is based on skills and not on formal qualifications. The company employs eight trainers who are responsible for providing the necessary basic knowledge to the new employees in the form of the ‘on-the-job training’. Based on a test sewing the trainers try to find the operations that best suit to the new employees’

skills and capabilities. The company formerly maintained a good relation with a local vocational training school, but this relationship has weakened in the last few years. In relation to the vocational training the shortage of skilled labour is a general problem for the whole Hungarian clothing industry.<sup>44</sup> There are some special units at the company where formal qualification is needed, e.g. laboratory, design and quality control. For instance quality control staff is selected from amongst the best-skilled seamstresses, i.e. internal hiring is dominant.

Both IT cases represent the 'learning organisation model' that is based on intensive knowledge utilisation, autonomy and complex problem solving. The majority of employees are IT engineers or hold a relevant degree (physicist, mathematician, etc.). At *DomainSoft Hungary* the formal skill structure is adopted from the parent company (LNG Co.). A job classification has been introduced that consists of seventeen basic competences that are organised in five clusters. For each job it is defined in advance what type of competencies it requires. In parallel to this, training opportunities that belong to the different job clusters are defined in advance as well. This system planning of training ensures stability and visibility for employers in the trajectories of knowledge acquisition. As part of the training policy at *DomainSoft* new entrants participate in an 'orientation programme' where organisational procedures, basic administrative requirements, software development methodologies and safety regulations are introduced to them. The new employees receive a professional on-the-job training from the representatives of the different fields and some extra education from project leaders if it is necessary. Since there is a permanent need at the company for skilled software developers, *DomainSoft* maintains intensive contacts and co-operation with the Hungarian universities. The company organises 'learning teams' at the universities. These teams are provided special knowledge by *DomainSoft*, but also serve as selecting and screening tool to find and select the potential new colleagues.

*Szeged University produces now quite large numbers of graduates but they must be checked carefully since the quality level dropped quite substantially. Five-six years ago there were 15-20 graduates per year in the programmer or economic programmer programs. Today 100 to 120 graduate, but the number of potential entrants is the same 15-20 people. I mean, that quantity increased but the quality could not be maintained. (...) Students have no experience at all. They are not expected to have it either. Nevertheless, they should prepare at least a few obligatory programs, but most of them submit hired work and they graduate without having the faintest idea what this profession is all about. This is somehow bad for them too, because they have no imagination about work and then they drop in such an environment like ours and are flooded by tasks all of a sudden. (Specialised area-leader, Innovative Business Systems, Szeged, cited in Makó et al., 2007a: 14)*

In the Bulgarian case most of the employees hold a university degree mainly in the field of IT. At the same time the management of the *SoftServ* is not satisfied with the knowledge provided by Bulgarian universities and therefore the company trains its employees in order to meet the global requirements.

---

<sup>44</sup> This is a result of the decreasing number of apprentices in vocational training schools because of the declining popularity of this sector in the labour market.

*The main flow of personnel, exchanged between companies, consists of specialists that already have worked for a long time somewhere ... in another company. Of course, the company recruits also people who have recently graduated and do not have any experience but they started on lowest positions, usually with the goal to be trained and only after that they are able to become part of the team. [...] Especially for lower position the main thing that I have looked at, is for a person to be smart. Our training program is very good and we can teach him only in a few months – even from the beginning. But he must be able to think, because very often the tasks are not standard ... I give only logical tasks at the interview ... I do not even make the technical interview ... someone else from the team does. (interview with project manager, 30, male, cited in Galev, 2007: 25)*

At the Bulgarian *BEER AD* in case of the *food industry* representing the Taylorist work organisation with repetitive and monotonous work tasks, with low autonomy and learning dynamics at work. The employees at a shop floor level possess vocational or primary education and few of them are with higher education. The management is planning to restructure the production and therefore the improvement of the technological and technical skills of the staff is planned. In the training process a special focus is put and will continue to be put on the improvement of software and English skills. There has been a multitasking tendency in the labour process and parallel to this the management aims to extend the employees' competencies over the whole process of production.

In case of the modernisation of the Hungarian *Intermed* national employment service there was no systematic training programmes introduced. The increasing role of ICT tools and the standardisation process of services offered to both employers and job-seekers, however, would require an intensive investment into the knowledge development of the *Intermed* employees and therefore the importance of informal knowledge acquisition in the form of on-the-job training and group meeting discussion organised during off-ours, have gained a particular importance during the reorganisation.

In the case of Bulgarian National Employment Agency (NEA), the restructuring requires the acquisition of new professional skills for everybody. In this regard, all employees undergo a stage-by-stage training on the new process model and the larger part of them (more than a half) undergo a one-stop shop training course. The importance of improving employees' skills in terms of client service is recognised in the Agency. Among the other important skills that the EA employees need are those related to teamwork organisation, project development and management, and particular projects under the EU programmes.

### **6.3 Growing importance of the practice-related – or situational – knowledge**

In the case of *clothing industry* due to the lack of formal training opportunities on-the-job training or 'learning by doing' and 'learning by practicing' are the main sources of knowledge development. For an employee to be able to carry out three to four operations, several years of experience is needed. Growing time and quality pressure, the many kinds of fabrics, the differences between women's and men's products make it difficult to learn the necessary knowledge. The *presence of clients' technicians* provides a special learning opportunity through promoting quality performance.

*I'm pleased to work together with them because they are not infected by professional shortsightedness. We also try to make scales fall from our eyes, but they call our attention to many things. First of all to quality matters, secondly to organisational questions, and finally to production preparation points. So we can learn a lot from them. (Technical director, cited in Makó, Illéssy, Csizmadia & Bácsi, 2007: 23).*

In the *IT industry* at the *DomainSoft* there are three basic types knowledge necessary to execute work tasks:

- first is *professional* knowledge (*i.e.* knowing different programming languages and methods);
- second is '*domain*' knowledge which is related to the specific areas of software development (*e.g.* knowing local government systems);
- third is *management* skills.

The knowledge pool of a software developer or a project leader is a combination of these kinds of knowledge that are partly formal qualification- and partly competence-based. The most problematic areas of knowledge acquisition at the *DomainSoft* are the competence-based knowledge components that are mainly related to domain-specific skills and such soft skills like project management capabilities or customer orientation. These skills (competences) can only be acquired via informal learning, especially through experiences collected in the labour process (in the form of 'learning by doing' or 'learning by interacting'). The *DomainSoft* pays a particular attention to the improvement of the employees' knowledge pool. A special toolkit was developed for this purpose which is called Techno Web. It is an intranet-based application with the aim to integrate the *DomainSoft's* developer community. If an employee faces a professional problem in his or her work he or she has just to post a question on this interface and the response usually arrives in a few minutes. Employees' activity on Techno Web is regularly measured and positively influences their career opportunities. This form of knowledge management is an attempt to implement the developers' virtual 'communities of practice'. Same intranet- 'knowledge base' works in *SoftServ* too. It consists not only of questions/answers and specific problem-oriented discussions but also of all technical articles and documents about products and technologies in use, that are connected to the work of the company since many years. All entries are classified according to topics and problems.

In the case of Bulgarian *SoftServ* two basic problems occurred during the restructuring process. One is the company's permanent effort to standardise and formalise knowledge and the other one is the shortage of soft skill among software developers. The first problem is expected to be solved through the implementation of the company-level quality management system that contains protocols and manuals concerning the various modules of the software development. In order to overcome the second problem which is the shortage of soft skills like project management, cooperation skills and customer-oriented behaviour the company buys trainings from the market and through the implementation of client-oriented project teams strengthens the informal learning activities.

As we noted before in the case of *public services* the modernisation process of the *Inter-med* employment service was not accompanied by the implementation of systematic training activities although the work of job intermediaries requires a combination of qualification- and competence-based skills. The latter ones cover skills like feeling management, empathy with the clients, ability of coping conflicts and problem solving capacities.

There is no training for such kind of soft skills at the *Intermed*. The employees have to acquire these skills in the form of experience- and situation-based learning in the labour process. In contrast, training at the Bulgarian National Employment Agency is a crucial activity: it has developed a three-year plan for training its employees in the context of introducing the new process model (2003-2006).

#### 6.4 Relations between location in the GVC and the move or lack of move in the scale of the 'low' and 'high-skill' equilibrium

The case of *Copy Fashion* in the *clothing industry* illustrates a rather paradox situation. In this case the core question is how to produce and maintain high quality standards with relatively low skilled and low paid labour force in order to keep the positions in the GVC or even move upward. Due to the shortage of qualified workers and the intensive competitive pressure the company is forced to train the employees in-house. The relatively low level skill equilibrium is based on a combination of individual and collective learning process. In the latter one the intensive presence of clients' quality controllers plays a critical role through transferring not just precise quality standards but also technical and organisational skills. In addition the shift from Taylorist to lean work organisation is another driver of the skill improvement.

Both *IT* cases represent a 'high skill' strategy in skill acquisition which is based on intensive knowledge development and utilisation. Both the Hungarian *DomainSoft* and the Bulgarian *SoftServ* invest in the formal and informal training of their employees. The knowledge of IT workers is a combination of technical-professional and competence-based managerial skills that can be acquired mainly through practical experiences collected in various working situations. These soft or social skills that are related to the successful project participation/management and customer orientation are the key components in moving up in GVC. The case of *DomainSoft*, however, reflects to the difficulties that are concerned to the knowledge acquisition within the organisation and the importance of the interaction between the patterns of knowledge utilisation and the work organisation models. Learning in project-based work is of crucial importance in knowledge development in both of the IT cases but it does not function *automatically*. The core question is how to motivate employees to share their tacit knowledge even in situations when they are not interested in it at all. For example in such cases where they are competing with each other in winning and running successfully projects. This problem calls attention to the importance of trust-based social relations within the projects and teams.

The case of *BEER AD* serves as an example for Taylorist work organisation that represents a 'low skill equilibrium'. As a result of the restructuring of production process and work organisation at the shop floor level a quantitative enlargement of the working tasks were taken place which can be described as multitasking. The enlarged tasks structure however does not require any noticeable investments in employee training or any other forms of knowledge development. The training activities provided by the company are targeted to improve the basic technical and technological skills of employees, especially those that are related to the ICT use. Other trainings are dedicated to develop the English knowledge within the company. It calls attention to the importance of foreign language skills in the GVC. In the case of *BEER AD* the lack of English knowledge at the level of

middle management is a barrier in transferring best practices or other professional knowledge coming from other *VEBIN* breweries and to move up in the VC.

## 6.5 Conclusion

As the briefly summarised case study experiences suggest, the skill development is a strategic field in all companies investigated. It is worth stressing that the knowledge development and use is part of the firms' competitive advantage not only in such knowledge intensive sectors as IT but in the more traditional clothing industry also. The case study experiences confirm the original hypothesis that learning organisations are more apt to offer internal and external trainings, while in the case of learn organisations, informal and internal trainings prevail. At Copy Fashion the majority of the employees have no formal qualification related with the clothing industry. The recruitment of employees is based on skills and not on formal qualifications. The company employs eight trainers who are responsible for providing the necessary basic knowledge to the new employees in the form of the 'on-the-job training'. In relation to the vocational training the shortage of skilled labour is a general problem for the whole Hungarian clothing industry.<sup>45</sup> Both IT cases represent the 'learning organisation model' that is based on intensive knowledge utilisation, autonomy and complex problem solving. At *DomainSoft* Hungary there is a systemic knowledge planning system based on a job classification that consists seventeen basic competences that are further organised in competence clusters. Both the Hungarian and the Hungarian IT firms maintain good relationship with local universities in order to ensure highly skilled new labour force. At the Bulgarian *BEER AD* the technological development results in a demand for skill improvement of the employees. In the case of public service cases, competence-based skills like feeling management, empathy with the clients, ability of coping conflicts and problem solving capacities are as much important as qualification-based skills. In Hungarian *Intermed* case there is no systematic training activity to help employees in acquiring these skills, while in the case of Bulgarian National Employment Agency training is a crucial activity: it has developed a three-year plan for training its employees in the context of introducing the new process model. What is common in all cases investigated is the growing importance of on-the-job training and that of the so-called soft skills like teamwork organisation, project development and management, client service and English knowledge. The case studies also raise the question of the adequacy of the national training systems to the needs of the companies entering in GVC and experiencing organisational changes.

---

<sup>45</sup> This is a result of the decreasing number of apprentices in vocational training schools because of the declining popularity of this sector in the labour market.



## 7 Career trajectories and work-life balance (quality of working life)<sup>46</sup>

TODOR GALEV (IS) / VASSIL KIROV (IS)

As is stated in Ramioul and Huys (2007) social and cultural developments generate a growing diversity in individual life courses and consequently a growing heterogeneity of individual job careers. Organisational changes in the knowledge-based economy, some of them traced in previous chapters, have explicit links to the diversification of patterns of career trajectories and occupational identities. The diversity and the heterogeneity are even bigger in cases, when some profound societal transformations take place. This is the case of NMS countries that after 1989 underwent deep economic, social and political changes. These changes, drastic on macrolevel, also shaped significantly the processes on a micro- and meso-level (including restructuring of enterprises), and respectively, they have great impact on group and personal career trajectories and pattern of work-life balance. However, the impact of the macro-, meso and micro-level is not simultaneous and with equal intensity. Namely, some important characteristics of the changes and their impact will be subject of analysis in next paragraphs. The study of particular cases of value chain restructuring of selected business functions in the framework of WORKS project allows us to reveal some trends in career trajectories and work-life balance but it would be too ambitious to say that these cases might be descriptive for all the post-socialist complexity.

### 7.1 Career trajectories and development of new professions/occupations in New Member States' public sector

Both organisational and occupational case studies in Hungary and Bulgaria reveal the appearance of new professions/occupations in public sector that are based on imported into CEE countries professions' models. Usually these processes are accompanied with import of some features of career development paths and of respective occupational identity. However, these processes can not be described as a direct transfer of patterns from Western to CEE countries or from West to East in general. These patterns undergo serious transformations and they are shaped by particular local conditions, acting on all levels. Main factors are present state of art in economic, political and cultural aspect but also inherited traditions from the (totalitarian) past. As a result, unique mixture of new and inherited characteristics of new professions/occupations emerged in each particular case. In public sector, two cases were subject of analysis in WORKS project: the state agencies,

---

<sup>46</sup> We are thankful to Svetla Stoeva (IS) for her considerable contribution in commenting and reviewing the various draft versions of this chapter.

dealing with job brokerage services in Bulgaria and Hungary. Beyond differences of both countries, these cases reveal common development patterns related to career trajectories and occupational identities of their employees, and respectively – similar issues in work-life balance. Both agencies were created at the beginning of the post-socialist transformation period with the main aim to manage unprecedented level of unemployment after the collapse of communism. In order to satisfy urgently this need, both agencies recruited their staff in extremely short time among people with heterogeneous qualifications and biographical background. Both agencies created at its starting stage new professions/occupations that did not exist during the socialism - job intermediaries and job brokerage professionals. The establishment of new customer services in the public sector in Bulgaria and Hungary aimed at copying and importing western practices of contemporary HR management. At the same time, since the beginning both agencies were subject to continuous changes and restructuring, legislative as well as administrative, carried out under intensive external assistance from EU institutions, single European countries, and usually funded by EU programmes. However, the permanent restructuring did not develop market-oriented skills among the employees, and career perspectives of most of them remain locked in within agency borders. There are only few examples of movements of employee from regional office to the central HQs or among regional offices despite the fact, that in both cases, the formal legislative rules give opportunity for intra-agency career mobility.<sup>47</sup>

One of the main reasons for the lack of intra-agency mobility and market-oriented career development was that new professions of job intermediaries were ‘imported’ into heavy bureaucratised environment of post-socialist state administration, where the logic of administrative procedures prevailed over client-oriented culture, which builds the basis of HRM in Western countries. In addition, the lack of systematically design training and the fact that the services offered are regulated strictly and in details by numerous legal provisions, subject of constant changes, have negative impact on the career opportunities of the employees. Another important reason was that for long time, the main goal of both agencies was to deal with very high level of unemployment and a ‘kind of mass production model ... with routinised tasks as for example the administration and allocation of unemployment benefits’ was put into practice (Makó *et al.*, 2007b). As a result, without acquiring knowledge and skills of real contemporary HR managers, the employees – most of them female, remain usual clerks, unattractive on the free labour market of customer service providers.<sup>48</sup>

*The hierarchical promotion has its barriers within the INTERMED. The carrier channels provided by the INTERMED are rather vague, since on one hand the number of the*

---

<sup>47</sup> The lock in of possible career perspectives within both state agencies has also another aspect, which is related to the political decision making on a state level. Usually, the topmanagers of these agencies are recruited from outside the organisation in connection with external political factors, which restricts further the internal career opportunities.

<sup>48</sup> Some of the other case studies on customer service organisations in the public sector (German, Sweden, Belgium) confirm the specific character of this labour market and the tendency for long life career within a single public organisation mainly due to higher employment security and some additional benefits because of a specific status of a ‘state employee’. As Ursula Holtgrewe (Forba) commented this issue during the preparation stage of the report, the job brokerage service in the public administration provides a fairly specific internal labour market elsewhere in Europe as well.

*managerial positions is limited and the skills and knowledge that the intermediaries acquire in the organisation are not to convert outside the INTERMED. At the top of the organisational hierarchy where the strategic decisions are carried out the managers are recruited mainly from outside the organisation and this practice is further restricting the internal carrier opportunities. (Makó et al., 2007b)*

In terms of performance and trust, the organisation of work in both cases is much closer to low-trust, low-performance firm with standard form of employment, which is typical for non-knowledge based economy. It is confirmed also by the conclusions about the lack of numerical and very low extent of functional flexibility drew in one of previous chapters (see Chapter 4). As a whole, work in these organisations might be described with low levels of autonomy and responsibility, low levels of team-work and cooperation, low skill requirements (especially in terms of soft skills). In these circumstances, occupational identity of the employees is characterised with weak links to their employer and to the content of their work, and it is closed to so-called 'administrative model' of retreat identity (Valenduc et al., 2006: 134). Like the authors describe this model, employees 'use the routine of the established administrative rules and regulations as means of protection against change and any potential risk of exclusion' (Valenduc et al., 2006: 134). At the same time, their special status of 'civil servants', guaranteed by a law and the employment stability that it gives to them, makes them to identify themselves as 'civil servant professionals' even if they lack or have adopted on very low level, the value of client-oriented work. In this connection, possible career paths for most of them look as restricted within their 'home organisation' mainly due to their hardly marketable knowledge and skills.

However, one of the initial results of the restructuring of Bulgarian customer service in public sector was staff cut due either to closing or transformation of certain positions or due to downsizing of other positions. Nevertheless, employees that remain at work in offices where one-stop shop principle was introduced have expressed notable feeling of pride because of new 'innovative' image of their work. In combination with the status of 'civil servants' considered as 'helping to people', this feeling is used as self-explanation of the importance to built career within NEA beside all negative features of career development.

## **7.2 Career trajectories and occupational identities in emerging knowledge-based economy/society in New Member States**

Although there are several examples about changes in career trajectories and as a result, changing occupational identities in food and clothing (production and logistics) industries in Bulgaria and Hungary, the analysis deals with the case of software production because it represents the 'clearest' example, where most features of knowledge based economy find direct expression.

In fact, the studied cases of software production are quite different.<sup>49</sup> In Hungary, the company under consideration – *DomainSoft*, was established as one of the branches of a

<sup>49</sup> In addition to the organisational case studies, two occupational case studies on software production were carried out but only the Bulgarian case includes professionals recruited outside the organisational case study's company.

large Austrian multinational company, which is a subsidiary of an even larger German multinational company - one of the world's largest electrical engineering enterprises. In Bulgaria, the case study was carried out in a local company that upgraded its position in the value chain through geographically distributed work in three countries on two continents<sup>50</sup> and became one of the largest Bulgarian companies in the field of software production with more than 200 IT professionals. Beside these differences, both cases reveal patterns of career development and formation of occupational identity that are common for knowledge-intensive work in the ICT sector of 'old capitalist' countries (EU-15, USA, *etc.*). However, as it was mentioned in the introductory paragraph of the chapter, these patterns were transformed and shaped by local characteristics on macro-, meso- and micro- level. Development of these patterns and their transformations will be subject of analysis in next paragraphs.

### 7.2.1 Transition to market economy and its direct effect on career trajectories

The study of the occupational group of software developers in Bulgaria reveals that due to profound economic and political changes, the career path of most of them was shaped by macro-societal factors such as economic crisis, big emigration flows, high unemployment, economic and political stabilisation, FDI inflows, global processes of outsourcing, *etc.* In connection with these macro transformation processes, IT professionals might be divided into three stable generation groups: (1) people, who entered into the profession before the collapse of socialism; (2) those who graduated from universities immediately before/after the changes and who entered into labour market in the starting stage of post-socialist transformations; and (3) the youngest generation of IT professionals who have started their career after 2000-2001 in a period with stable economic growth, clear country's political orientation towards EU and NATO, massive FDI flows into the country (including IT world-wide companies), and outsourcing/offshoring of software development to Bulgaria, which have been followed in last two to three years by constantly increasing outsourcing, initiated from Bulgarian companies to other countries.

Within these stable generation groups one could distinguish three profiles of career trajectories that can be classified as organisational career, boundaryless career and involuntary nomadic career (Valenduc *et al.*, 2006). Linkages between particular generation groups and particular career profile are in some cases more direct than in other as for example between first and second groups and involuntary nomadic career or between boundaryless career and the third, youngest group of IT professionals. It must be mentioned that except for boundaryless career model, other two models were identified only in Bulgarian IT sector and there is no sufficient data about their presence in the Hungarian one.

#### Organisational career

In this case the career profile is least affected by transformations on macro-level and it might be described in terms of traditional organisational career, which is characterised by

---

<sup>50</sup> Bulgarian IT company with HQs in Western Europe, three development centres in two Bulgarian cities and a newly established development centre in an Asian country.

long-term employment, strong links with the company (with both company's management and one's colleagues), and high trust relations that offer stability and safety for the employee, as well as for the employer. Nevertheless, there are some specific characteristics due to the company's subject of activity that differentiate ICT branch from other industrial sectors. The focus in this type of organisational career is on employees' autonomy, responsibility and high personal involvement in the frames of teamwork and project-oriented work organisation. If insecurity<sup>51</sup> exists into this profile, it is mainly in form of labour market insecurity, which refers to not finding a job because of high level of general unemployment in the country (and respectively in the ICT branch) and in form of work insecurity, which refers to erosion of 'standard' work organisation due to introduction of flexibility as result of global processes in this field. However, the characteristics of this career profile limit the levels of insecurity. As career profile it is common for both oldest generation of Bulgarian IT professionals and the younger group of them, who entered into the labour market before the changes or during the first decade after them. The strong linkages, built with a single company, led them to preserve their career profile even after the year of 2000, when the new and youngest generation develops itself mainly following the boundaryless career model.

#### Involuntary nomadic career

Involuntary nomadic career could be assessed as a form of boundaryless career model which is affected mainly by external conditions irrespective of personal will and it is a result of one's efforts to cope with the situation. This career profile is directly linked to the macro-societal transformations and it is shaped by several changes of employer and weak links to companies under consideration, in situation of, generally speaking, weak environment. In these cases, personal career path was usually accompanied by work, for which one is overqualified, periods of unemployment, mid- or long-term emigration in looking for a suitable job, *etc.* At the same time, the specific features of the ICT branch and personal characteristics are decisive for building one's career path. In this case personal motivation plays a leading role in one's decisions concerning his/her career – he/she is innovative and dynamic; the autonomy is more important for him/her than collective solidarity and belonging to an organisation. Beside these common characteristics, the diversification of particular career paths in the occupational group is very strong. It may depend on family-related motives or just on occasional events that reshape one's career. This type of career profile affects mainly the middle-age generation within the occupational group. These are mostly people that graduated from the universities and/or entered into the labour market immediately before or after the changes. They do not have previous professional records that can ensure them better starting position and for that reason, they are more vulnerable of macro-societal conditions that shaped directly their career path at least for several years.

*R.W. graduated in 1995. He was employed in jobs that did not match his qualification, just to earn money. He also had periods of unemployment (for 3 months). After graduation he worked one year as a shop assistant in a computer and office equipment store, one year in an*

---

<sup>51</sup> For typology of different forms of insecurity see (Valenduc *et al.*, 2006: 121).

*insurance company. After that he found a job in a distribution centre for the Bulgarian branch of a Greek trading company. At that stage his activity became adequate to his qualification; database management. His next jobs were also in the field of IT, within a bank and within a pharmaceutical company. After the year 2000 his career has been marked by post-privatisation restructuring. In both cases he left jobs because the firms were reprivatised and the IT development units were centralised/outsourced due to the restructuring of the global value chain. (Stoilova, 2007)*

### Boundaryless career

In contrast to other two types of career profiles, described above, this is the case, which is characterised with the biggest diversification in personal career paths and in organisational environments. This is also the only career profile, that could be traced in the case studies information from both countries; Bulgaria and Hungary.<sup>52</sup> At the same time, this is the career profile, which might be described as the real 'occupational' one, because it is most widespread within the occupational group in both countries.

In general, software production companies offer two main career routes to their employees. The first one provides the opportunity of the traditional continuous advancement on the hierarchic ladder: engineer, senior engineer, group leader, project manager, company's unit manager, general manager. Promotions are usually not fixed in internal company's rules but depend mostly on professional experience and personal achievements on each particular stage. Positions in this hierarchical ladder could be different in number, names and content of work but they have direct link not only to one's professional (technical) experience but at high extent they depend on broad range of knowledge, skills and personal characteristics, too. Most important among them are: autonomy, responsibility, personal involvement, observing company's values, capabilities for dealing with teamwork, projectwork and distributed work, including administrative skills and soft skills, *etc.* The second career route is actually 'part' of the first one. It is intended for these employees that do not have leaders' qualities or personal motivation to deal with management tasks. They are able to participate in projects that demand increasing technical competence and levels of responsibility and the main differentiation between them is based on the pure 'technical' experience, usually distinguished as junior and senior level.

In this framework, they are some common features of the boundaryless career model in Bulgaria and Hungary that will be highlighted in next paragraphs.

In all cases university degree is not a precondition of employment, regardless the fact whether the employer is a local company (Bulgaria) or MNE (Hungary). It might be result of particular weaknesses of the formal education system (for example in Bulgaria the university education in the field of IT suffers from a weak market-orientation)<sup>53</sup> but it might be also result of global processes due to the fact that 'educational and training systems as they exist now do little to prepare employees for this new situation' (Valenduc *et al.*, 2006: 120). In addition, not only technical knowledge and skills, implemented into tradi-

<sup>52</sup> There are not sufficient data that could help us answer the question why only this career profile is common for both countries? Or at least, there are not sufficient data proving that other two career profiles could not be discovered in Hungarian IT sector.

<sup>53</sup> The opinion, expressed by two interviewees from the organisational case study of Bulgarian software development company, is confirmed also by other studies, *e.g.* Galev and Tchalakov (2006).

tional education system matter but also new customer- and team-oriented organisational patterns - soft skills, autonomy, responsibility and empowerment.

*University diploma is not a precondition of employment, since management is not satisfied with the quality of current higher education system and puts therefore more emphasis on real capabilities and knowledge that they also try to evaluate during the application procedure.*

*What matters more than university degree in the selection process is flexibility, system view and language knowledge, since English is the intrafirm contact language. (Makó et al., 2007a)*

The acquisition of highly convertible knowledge and skills of IT professionals has another aspect too. It gives them opportunities for cross-border mobility alongside or outside GVCs and potential career routes widened in parallel with the continuous growth of companies. In the case of *DomainSoft* (Hungary) the restructuring changed significantly these opportunities. Before it the work organisation was under the full control of the Austrian management with Hungarian team charged only with operational tasks without any professional autonomy or responsibility. In contrast to this, today certain branches are managed by the Hungarian team and in fact, their specialisation is now regarded within the whole company as a field of Hungarian competencies. The new work organisation provides significantly better career opportunities for Hungarian employees, including chances of having international career.<sup>54</sup>

*International career is only possible in case of professional careers, but not for management. It is not certain, however, if local management desires positions in Austria at all, since downsizing there and expansion in Hungary resulted in situation where Hungarian specialisation area-leaders commanded more staff – with higher responsibility and power – then an Austrian leader, who might be even placed higher in the hierarchy than his Hungarian colleague. (Makó et al., 2007a)*

In contrast to the Hungarian case, in Bulgaria the globalisation of the company value chain, raised a direct need for international short- and mid-term mobility (one week – six months) of local employees to company's offices in other cities in Bulgaria but also to its new office in Asia. However, the case study reveals an important aspect of this need - the unwillingness for mid- and long-term travel abroad among Bulgarian employees. In fact, only one of most experienced project-managers gave his consent to move to the Asian office for six months with an option for an extension. In his viewpoint, this move is the only possible way for improving his career path because he has already reached the highest possible position in the Bulgarian office.

<sup>54</sup> 'In this company participation in the projects is not determined by nationality or geographical location of employees, but by professional background and competencies in the given field of technology utilised in the project. If a project requires, Hungarian employees may be employed – typically on temporary basis with durations of several months or one to two years – in Austria or also in Germany. But working abroad is not as frequent any more, as it was five years ago' (Makó et al., 2007a).

### 7.2.2 New career opportunities/barriers, imposed by MNE that enter into NMS

In all cases, that have been studied, the acquisition of local company by a MNE results in standardisation and optimisation of work. Some of the consequences are higher qualification requirements to local labour force, sometimes attended by remuneration that does not correspond to the expectations of the local employees (*BEER AD*, Bulgaria). Standardisation and optimisation gave more career opportunity of young, qualified specialists, but on the other hand, it poses restrictions in career trajectories of older generation or workers with qualification insufficient to the actual requirements of the employers. In addition, in some cases of acquisitions of local companies by MNE there is an opening of a chance for career mobility beyond national borders. This opportunity is especially important in cases, when the required qualification is intended to satisfy the need of vacant high qualified positions, usually in the management bodies of the company, but also in the cases of specific professions or occupations as particular kind of engineers, IT specialists, and so on. In these cases, even if the remuneration offered is really high, the local labour market is not able to satisfy that need. There are two cases from different branches in Bulgaria that give such examples. In one of them, Bulgarian IT company (*SoftServ*) used to offer jobs of high-qualified experts in online marketing and sales, but it is not able to find enough skilled person on the local market and it was forced to use external consultants. In the second case, Bulgarian brewery (*BEER AD*), which is owned by a MNE, faced difficulties in recruiting high qualified technical specialists like brewage technologies engineers on the local market.

Additionally, standardisation and optimisation of activities, as result of the company's internationalisation, usually lead to decrease in power of informal contacts and relationships within the local units and career opportunities become more dependent on codified rules, knowledge and embedded practical skills. Nevertheless, the case study of the food production and logistics in Bulgaria proves that this is not always the case and that inherited traditions of patronage and informal networking, typical for socialism, often coexist simultaneously with new models of building career.

In most of the cases, when a MNE buy a local company, it introduces specific training policies in order to transfer knowledge and skills in top-down direction within its hierarchical structure. In addition to the specific training related to the particular field of activity, there are two spheres of knowledge that are perceived by the local staff as giving certain career perspectives - learning foreign language and ICT skills. Both increase the local staff's possibility to be more attractive for career mobility alongside the value chain of the MNE, as well as outside it.

The transfer of knowledge and skills not always cover all professions within a given company. In the case of food production and logistics in Bulgaria, there are positions in the 'bottling' and logistics departments, occupied predominantly by representatives of the Roma minority, who work there only on temporal or seasonal basis.<sup>55</sup> The content of their work is characterised with a low qualification and they are not included into the formal training programs of the company. As a result, these workers do not have almost any

---

<sup>55</sup> Before the restructuring, all temporal or seasonal workers had fixed-term contracts with the company but after the restructuring the company uses a subcontracting firm, which provides *BEER AD* with low qualified workers 'on demand', on a daily basis.

chances for career development or for acquisition of new knowledge and skills that could make them more attractive at the local labour market (Stoeva, 2007).

There is another aspect of the career opportunities, which is quite important in the NMS because it satisfies particular need that arose as result of macro-economic and macro-political changes in these countries. In cases of massive lay-offs of workers because of general restructuring (usually after privatisation) in both private<sup>56</sup> and public sector companies, the lay-offs are accompanied with measures such as orientation services (including requalification courses), support in starting new business, *etc.* Like in the case of the Bulgarian *BEER AD*, often it is accompanied with special financial rewards to each dismissed, usually in form of receiving of a sum, which is equal to a certain number of employee's gross salaries. The study did not collect sufficient data how many persons were benefited from these measures but the fact of offering it as an opportunity remains.

### 7.3 Work-life balance

The transfer of external models of work organisation and management, which are already elaborated and applied within other branches of the MNEs, leads to the development of new career trajectories and occupational patterns among local labour force and respectively, it changes significantly the work-life balance of local employees. Among the wide range of aspects, relevant to work-life balance of the employees, the study reveals that similarly to other West European countries (Ramioul & Huys, 2007), the employees in the NMS consider mainly family-related obligations and especially the responsibility for younger children as most important issue. The study did not identify considerable differences between cases of entering of a western MNE on the local market and cases of upgrading of local companies' value chain on a global level. However significant differences between public and private sector's companies were found.

#### 7.3.1 Work-life balance in MNEs

The most important change, which has direct implications over the work-life balance in MNEs that established their branches in NMS, is the introduction of project-oriented work, implemented mainly in software development companies in both countries.

In these cases the main change is redistribution of power and decision-making regarding rearrangement of working-time from top managers to middle-level management (project-managers) or even to lower levels (subgroup leaders within bigger project teams). In addition, project-based work is usually supported by various teambuilding activities, not only encouraged but also paid by companies that blurring the borders between professional and personal live (joint sport activities; organised holidays – with or without family members; company events, usually related to big official holydays like Christmas or company-related holydays; informal team activities like going to a restaurant or a nightclub, *etc.*).

---

<sup>56</sup> The WORKS project did not collect data about big private company, which dismissed significant part of its employees after it became private, but there is an indicative example in this direction - both orientation services and special rewards were offered to the employees from the Bulgarian telecommunication company immediately when it was privatised in 2006.

Another important change as result of the entering of MNEs into NMS is the introduction of a complex social/family friendly policy of the company, which is result of transfer of already elaborated social policy models in countries, where the company has had own units since years. These policies have different characteristics but in many cases they offer additional opportunities for employees than the national statutory provisions or the unions demand.<sup>57</sup> Particular characteristics of these policies are very different - organised company events that include employee's family members; additional rewards or day-off in case of children birthdays; adding overtime to holidays, *etc.* It must be noted, that some employees asses these kind of company policies or part of their measures as disadvantageous. For example, some employees in *DomainSoft*, Hungary 'claimed that spending two weeks holidays in one would be better for the family, than using the time in small pieces due to flexibility' (Makó *et al.*, 2007a).

Part of family-friendly policies is also the possibility for parental leave, which is the most frequent reason for long-term (from few months until year or even more) leaves in all studied cases. Both in Hungary and Bulgaria, there is a possibility for both parents to use the whole or only a part of the parental leave but it is exception when the husband takes it and in most of the cases, only the wife use it. Especially in Bulgaria, where the tradition of grand-parents care of children is very strong, sometimes the grandmother takes at least part of the leave, which is acceptable according to the national statutory provisions. In general, the case studies confirm the conclusion of the European foundation's quantitative analysis, that 'sector, organisation size and the gender composition of the workforce are major factors explaining the propensity for organisations to experience leave. However the 'country effect' is most important and relates to national variations in statutory provisions in addition to other societal differences such as public childcare provisions and labour market conditions' (European Foundation, 2007a, cited in Ramioul & Huys, 2007).

Only in the occupational case study of software development in Bulgaria was observed differences of the attitudes of women respondents about the work-life balance policies between MNEs and local companies in this sector.<sup>58</sup> According to the women-respondents, even when the MNE has well developed family friendly policy, it does not always answer local needs due to the big geographic distance and respective social, cultural and economic differences. On the other hand, local companies could not have formal policy toward work-life balance but managers are more close to the needs of the employees.

### 7.3.2 Work-life balance in private and public sector

Although the national statutory provisions, in combination with important societal differences are the most important factors for regulation and opportunities in terms of work-life balance of both private and public sector companies, there are significant differences between the both sectors.

<sup>57</sup> There are two examples for such 'imported' social policies: the MNE, which bought some of the Bulgarian breweries and the MNE in the IT sector that owns the Hungarian company.

<sup>58</sup> Thank to Svetla Stoeva (IS) for highlighting this important detail in the attitudes of women towards WLB issues.

On one hand, employees within public sector in both countries benefit from better employment and social advantages (bigger leaves, *etc.*) as ‘civil servants’ and at the same time they have relatively stable security as compared to the private business. On the other hand, in most cases, the state organisations have strict working time, which is fixed into the respective law. Nevertheless, both case studies show that the restructuring in customer service business functions have only limited impact and the changes are insignificant in terms of modernisation and efficiency improvement. In combination with the changing workload intensity, often the result is overwork, especially in order to fulfil required administrative duties. In both organisations there is not any possibility for flexible working-time but the Hungarian case provides data that the overwork is usual but it is never officially registered and respectively, there are no procedures for compensations.

*On the one hand it created a much more comfortable working environment with the renewal of the physical infrastructure. On the other hand, important issues remained unsolved. Firstly, the employees have no learning opportunities and rather limited capabilities of labour market mobility. Secondly, the administrative workload of the employees have not decreased significantly despite all efforts made within the framework of the restructuring. (Makó et al., 2007b)*

#### 7.4 Conclusions

The analysis of case study data from Bulgaria and Hungary reveal that upgrading company’s value chain on a global level raises only limited opportunities for ‘global career paths’ among employees in NMS. Another common pattern is that beside the differences in each particular case, GVC restructuring increases the diversification of both individual careers and labor market trajectories and respectively – the components of occupational identities. In combination with macro-, -economic, -political and -social changes in the NMS, the trends of diversification are even more complicated and contradictory. At least two main patterns could be described. On one hand, a rise in the demand for knowledge-intensive work shaped the possibilities for broadly defined and autonomous forms of work within high-trust, high-performance firms. On the other hand, the increasing formalisation, codification and standardisation of knowledge, skills and business processes emphasise new forms of work with low levels of autonomy, co-operation and participation. The level of polarisation between both trends differs in each particular empirical case but a common result might be observed – every single pattern of GVC restructuring produces its own ‘winners’ and ‘losers’ in terms of career development among the people that it had been affected. Thus, at the same time, there are contradictory tendencies at play even within these two subgroups. For example, one of the conclusions reveals that workers who deal with more autonomous and highly recognised work and usually are referred as ‘winners’ within the GVC restructuring processes ‘suffer’ from bigger work intensification and respectively weaker work-life balance.



## 8 Conclusions and further research challenges

CSABA MAKÓ / MIKLOS ILLÉSSY / PÉTER CSIZMADIA / VASSIL KIROV / TODOR GALEV

The current debate on the viability of a specific European social or socio-economic model<sup>59</sup> in the knowledge-based society is related with the structural reforms and the possibility of the convergence to a single or 'new-one-best' model, identified with such labels as the 'Anglo-Saxon', or 'neo-liberal' version of the capitalism. This discussion is even more important to better understand the economic modernisation in such post-socialist NMS as Bulgaria and Hungary. One of the most important questions is that which road of development will be taken by these countries during the transformation from the variety of state-socialisms to the variety of capitalisms. In this thematic report we tried to understand and assess the problems of transformation in an organisational level relying on the work organisation typology elaborated by Valeyre *et al.* (2007). It seems to be obvious that the post-socialist countries differ not only according to their national institutions, history and culture but also according to the dominant form of work organisations.

The empirical evidences of this research report are based upon six company case studies carried out within the WORKS project and on international organisational surveys related to the ongoing changes of the labour process and working conditions. The experiences of these case studies can not be generalised as a statistically representative database, but we may use it for the interpretation of this theoretical framework to understand the content and changes of such important dimensions of firms' characteristics as work organisation, manpower and skill use, *etc.* The main theoretical pillar of this report is the emergence of global value chains. This approach allows us to go into the 'black box' of the company restructuring within the context of global networks in order to better understand how decisions are taken, where, with what impact on organisations and individuals. If for a long time the sociology of organisations has been interested in the analysis of the changing processes within the individual enterprises, *e.g.* interest and power relations, strategic games between actors, cultures and identities in work, *etc.* (Crozier & Friedberg, 1977; Sainsaulieu, 1997). It is not any more possible to understand the social processes in the organisations without integrating the value chain concept into the perspective of the analysis. This is, again, can be extremely useful in understanding the content and nature of organisational changes that currently take place in the Central and Eastern European countries.

In relation to the globalisation, it is worth stressing the significant role of foreign direct investments (FDI) in speeding up the economic modernisation and transformation from central planned to market economy in the NMS countries. According to many experts, an

---

<sup>59</sup> We share the approach of scholars, who use the term 'model' without any normative implications.

important outcome of the FDI in the post-socialist economies is the technology transfer. However, this transfer mechanism was important not only for the use of the newest machines and equipments, but for the so-called organisational technologies (*i.e.* leading edge management techniques, team working methods, various forms of organisational innovations, *etc.*) as well. One indicator of this organisational technology transfer might be the emergence and the diffusion of the various forms of learning organisations. A key question of the transformation process in the CEE region is to what extent are the newest forms of work organisations spread in these countries and how can they adjust to the institutional heritage of the state-socialist past: for example by flexibilising the Taylorist-Fordist work organisations. The experiences of the 4th European Working Conditions Survey (2005) call the attention to the fact that there might be a correlation between the share of learning organisations and the post-socialist countries' success in modernising their economies.<sup>60</sup> The company case studies carried out within the WORKS project call the attention to the fact that the leading edge work organisation practices have been already appeared in the post-socialist economies, not only in the such knowledge intensive sectors as business services (IT production) but – to a lesser extent – in such matured industries as for example the food and clothing industry.

The theoretical framework of the WORKS project rightly stressed the interplay between the characteristics of value chains (*e.g.* role of institutional environment, role played by knowledge, governance and power, *etc.*) and the types of sectors (new versus old economy) in which they operate. Therefore before summarising the company case study evidences we make first a sector level assessment on the lessons learned. In the NMS of the WORKS project, company case studies were carried out in both the new economy and matured industrial sectors. The former is represented by software development (*SoftServ* in Bulgaria and *DomainSoft* in Hungary), while the latter is represented by the food industry (*BEER AD*, Bulgaria) and clothing industry (*Copy Fashion*, Hungary). In addition, two case studies were carried out in the public service sector (*National Employment Agency* in Bulgaria and *Intermed* in Hungary).

In the firms carrying out such 'new economy' activities as software production, the working practice is characterised by the 'discretionary form of learning organisation'. This work organisational model has the best learning potentials for both 'individual' and especially for the 'collective learning' within the firms investigated. In spite of the generally increasing importance of the practice-related learning or situational learning supported by the work organisational model functioning, it is necessary to mention that these firms had no significant problems with the available knowledge pool – at least not in quantitative term. (However, we have to note that, especially in the Hungarian case the supply of IT experts in the regional and national market often accompanied by the quality deficit.) This form of work organisation represents an ideal organisational space for such new organisational values or standards as 'teamworking', 'job rotation', 'community of practices', project-based firms (PBF), *etc.* It is not by chance, that for the employees of the *DomainSoft*, participation in the 'project based organisation' gives a particular chance to be involved in 'high-value-added' activities and to strengthen their positions within the GVC. The possibilities of participating in the higher valued added services or upgrading in the GVC in

---

<sup>60</sup> Of course, work organisation is only one dimension of this modernisation process, therefore we do not want to overestimate the importance of this correlation.

the business service sector is facilitated by the process of 'corporate function unbundling'. The key feature of this unbundling process – in comparison to the 'vertical disintegration' typical in the manufacturing sector – is that such business service provider as *DomainSoft* does not compete on the same market as its mother firm (the 'co-ordinating firm'). In addition, we have to note, that in both the Bulgarian and the Hungarian cases, the relatively fast diffusion of the 'leading-edge' management and organisation practices were facilitated by high flexibility and mobility of employees. Beside the individual motivation of employees to be flexible and be part of the project based team, it is necessary to mention the negligible role of the Labour Relations System (LRS) in setting standards on both working and employment conditions. In the context of the lack of regulation of LRS, the social consent between employers/management and employees was governed by the informal/direct social dialogue or the pattern of 'micro-co-operation' at the plant level. It is interesting to note that we could not find noticeable signs of social-discontent related with employment relations, work and life balance and working conditions in the firms operating in the new-economy sectors. The potential new path of development for the *SoftServ* company is based on the crucial importance of the proactive management strategy which is focusing exclusively on the high value added segment of IT outsourcing (e.g. software development) while ceasing to produce low value added or standardised services (e.g. webdevelopment).

The companies operating in the so-called matured industrial sectors (often labelled as 'old-economy sectors') were the outcomes of the FDI. However, the motives of FDI were rather different. In the case of the Bulgarian food company (*BEER AD*) the key motives were market-seeking and cost efficiency. In the case of the Hungarian *Copy Fashion* (operating in the clothing industry) the core motives were the cost efficiency and the geographical proximity to the customer markets. In both cases the working practices were characterised by the presence of work organisations with limited learning potentials (i.e. Taylorist work organisation model in the Bulgarian case and lean version of work organisation in the Hungarian case). In relation to the training practices, we discovered visible differences in the two company cases. The Bulgarian *BEER AD* is focused to improve and invest mainly into such generic knowledge like language (English) and IT skill. Contrary to the Bulgarian case the training by practicing and on-the-job training were the key elements of the training policy of *DomainSoft* Hungary. Interestingly enough, the new organisational values such as job rotation, team working, employees' participation in quality supervision, skill matrix, etc. were found in the firms operating in these matured or 'old economy' sectors. However, we found the following varieties in the company practices: in the case of *BEER AD* the individual forms of organisational innovations (i.e. job enrichment and multitasking) were dominant while at *Copy Fashion* combination of individual and collective forms of new organisational practices were identified (i.e. individual and collective job rotation, skill matrix, joint participation of workers and customer representatives in the quality supervision, etc.). It is worth noting that the dominance of the informal forms of knowledge development and the use of variety of new organisational methods were the company answer to the erosion of the professional training institutions accompanied the privatisation and reconstruction of the Hungarian clothing sector. Similarly to the new economy sectors, the LRS did not play any visible influence in setting and maintaining working and employment standards in these firms of old economy sectors. Another common characteristic of these two company cases is that their aim is limited to keep or maintain the present position in the GVC.

The working environment of the third sector investigated (*i.e.* national employment agencies) are radically different compared to the situation of companies belonging in the new and old economy sectors. While the latter firms are operating within the context of market competition and international division of labour, the public employment agencies are providing their services within a bureaucratic-administrative institutional context in which the market regulation is playing a rather residual role. Therefore the concept of GVC does fit only partially for our analysis. Due to the significant differences in the institutional context, the patterns of regulations and power relations are so different that it is almost impossible to compare the lessons of the public employment agencies to the private sector cases.

Summarising the experiences of the company case studies carried out within the WORKS project and the lessons drawn from the available organisational surveys covering the topics investigated in company case studies (*i.e.* work organisation, skill development, flexibility, *etc.*) we would like to call attention to the following theoretical, methodological and policy orientated lessons. The concept of value chain restructuring in the global economy adopted by the WORKS project consortium is a convenient tool to better understand the present position and future potentials of the NMS in the international division of labour. This concept proved to be extremely useful in analysing the transfer, the diffusion and the impacts of the leading edge management and working practices in these countries which were representing dependent or subordinated positions in the world economy. In addition the empirical evidences based on the results of the company case studies and various organisational surveys may help us to understand both the enablers and inhibitors explaining the present location and future movement of these countries within the GVC.

Among the experiences learned from the participation of the NMS in the WORKS project, we would like to call attention to the crucial role of the individual and especially collective learning process taken place within the firms investigated. In this relation, it is necessary to note the complexity of activities delocalised into these countries from the 'mother company' or from the 'coordinating firm'. Complexity of the activities expressed by different work organisation models characterising the labour process may inform us about the learning potentials of the firm. The empirical lessons of the company case studies made in the NMS indicate the important role of learning potentials of the firms in absorbing the new organisational values and standards (*i.e.* teamwork, job rotation, project-based organisation, skill matrix, community of practices, new forms of quality supervision) and also their potentials to freeze or move within the GVC. Assessing the impacts of these factors, we may say that software development companies have the ability to move up within the GVC by producing higher value added services. Contrary to them, firms operating in the food and clothing industries are only able to keep their positions within the value chain. Location and changing position within the GVC are related to the resources available for the firms surveyed. Firms of the 'new economy' belonging to transnational or multinational corporations (TNS or MNS) may dispose so abundant resources which help them either to shape relations with the local institutions (*e.g.* higher education institutions, local and central government, *etc.*). These resources are crucially important in the CEE region where the 'institutional complementarities' have been weakened in the last two decades. In our interpretation 'complementary institutional configurations provide companies with specific opportunities and constraints that encourage or discourage specific product and also management and HR strategies' (Holtgrewe, 2008).

This weakening of the complementary institutions is visible in the fields of knowledge supply and labour relations. As concerning education and training we have to mention the erosion of professional training system especially in the declining sectors (*e.g.* clothing industry) accompanied by the privatisation and restructuring of the NMS economies. Similar institutional decline can be observed in the labour relations system where the most important outcome of this process is the weakened and fragmented trade unions. This means that they are unable to fulfil such traditional roles as setting norms and to develop and legitimate their new roles in the changing social, economic environments.

In the Introduction of this report we tried to understand the development cycles or patterns of the post socialist countries using the concept of variety of capitalism. After the analysis and assessment of empirical data we could only identify the institutional erosion related to the 'great transformation': shift from state-socialism to market economy. We were not able to map the emerging new institutions replacing the old one or representing the hybridisation of old and new ones. In other word, we do not know yet which model(s) of capitalism are emerging in this region. Until now we met mainly preliminary and hypothetical attempts to better understand the development paths of the post-socialist economies. In our view this new institutional arrangement may play an important role in conditioning (not determining) the development potentials of the firms and the GVC formation.



## Bibliography

- Alasoini T. (2003), *Promotion of workplace innovation on the public policy agenda. Reflections on the Finnish workplace development programme*, UKWON working paper, n° 5.
- Alasoini T. (2007), 'Sustainable productivity growth by means of workplace innovations. Experiences of the Finnish workplace development programme TYKES', *International Workshop on New Forms of Work and Workplace Innovation in Europe*, 9th November 2007, Institute of Sociology Hungarian Academy of Sciences, Budapest.
- Albert M. (1991), *Capitalisme contre capitalisme*, Le Seuil, Paris.
- Amable B. (2005), 'The diversity of socio-economic models', *Actes du GERPISE Research International, Á l'Est du nouveau?, Eastern Europe: What's New?*, n°39, p. 7-31.
- Amable B., Barré R. & Boyer R. (1997), *Les systèmes d'innovation à l'ère de la globalisation*, Economica, Paris.
- Atkinson J. & Meager N. (1986), *New forms of work organisation*, IMS report n° 121, Institute of Manpower Studies, University of Sussex.
- Berlou J.P. & Carrincazeux C. (2005), 'La Diversité des Capitalisms et des Pays de L'Europe Centrale et Orientale', *Actes du GERPISE Research International, Á l'Est du nouveau?, Eastern Europe: What's New?*, n° 39, p. 33-82.
- Blackman C. (2005), 'A healthy future for Europe's food and drink sector?', *Foresight*, vol. 7, p. 8-25.
- Birindelli L., Brynin M., Coppin L., Geurts K., Greenan N., Kalugina E., Longhi S., Ramioul M., Rustichelli E. & Walkowiak E. (2007), *The transformation of work? A quantitative evaluation of the shape of employment in Europe. Introduction and executive summaries*, WORKS report - D9.2.5, HIVA-K.U.Leuven, Leuven.
- Birindelli L. & Rustichelli E. (2007), *The transformation of work. Work flexibility in Europe: a sectoral and occupational description of trends in work hours, part-time work, temporary work, and self-employment*, WORKS report - D9.2.3, HIVA-K.U.Leuven, Leuven.
- Boyer R. (1997), 'French statism at the crossroads', in C. Crouch & W. Streeck (eds.), *Political economy of modern capitalism: mapping convergence & diversity*, CA: Sage, London and Thousand Oaks, p. 71-101.
- Boyer R. & Durand J.P. (1993), *L'après fordisme*, Syros, Paris.
- Boyer R. & Freyssenet M. (1996), 'Des modèles industriels aux stratégies d'internationalisation des firmes automobiles', *Quatrième Rencontre Internationale du GERPISE L'industrie automobile mondiale entre homogénéisation et hiérarchie*, Paris, 19-21 juin.
- Brynin M. & Longhi S. (2007), *The transformation of work. Occupational change in Europe*, WORKS report - D9.2.4, HIVA-K.U.Leuven, Leuven.
- Burchell B., Cartron D., Csizmadia P., Delcampe S., Gollac N., Illéssy M., Lorenz E., Makó C., O'Brien C. & Valeyre A. (2007), *Working time - Work intensity*, Final report, Contract n° 06-3030-65, Secondary Analyses on 4th European Working Condition Survey, Lot 2:

- Work Organisation in Europe, European Foundation of the Improvement of Living and Working Conditions, Dublin, p. 60.
- Coutrot T. (1998), *L'entreprise neo-liberale nouvelle utopie capitaliste*, La Decouverte, Paris.
- Crouch C. (2004), 'Skill formation systems', in S. Ackroyd, R. Batt, P. Thompson & P.S. Tolbert (eds.), *The Oxford handbook of work and organisation*, Oxford University Press, Oxford, p. 31-51.
- Crozier M. & Friedberg E. (1977), *L'acteur et le systeme: les contraintes de l'action collective*, Editions du Seuil, Paris.
- Ebbinghaus B. (1999), 'Does a european social model exist and can it survive?', in G. Huemer, M. Mesch & F. Traxler (eds.), *The role of employer associations and labour unions in the EMU. Institutional requirements for european economic policies*, Aldershot, Ashgate, p. 1-26.
- Edwards P., Geary J. & Sisson K. (2002), 'New forms of work organization in the workplace: transformative, exploitative, or limited and controlled?', in G. Murray, J. Bélanger, A. Giles & P.-A. Lapointe (eds.), *Work and employment relations in the high performance workplace*, Continuum, London/New York, p. 72-120.
- Ernst D. (2002), 'Global production networks and the changing geography of innovation systems: Implications for developing countries', *Journal of the economics of innovation and new technologies*, vol. 12, p. 1-27.
- Esping-Andersen G. (1990), *Three worlds of welfare capitalism*, Polity Press, Cambridge.
- European Foundation for the Improvement of Living and Working Conditions (2006), *Working time and work-life balance in European companies*, Office for Official Publications of the European Communities, Luxembourg.
- European Foundation for the Improvement of Living and Working Conditions (2007a), *Parental leave in European companies*, Office for Official Publications of the European Communities, Luxembourg.
- European Foundation for the Improvement of Living and Working Conditions (2007b), *Flexibility at the firm level: a typology of working time flexibility across Europe*, Office for Official Publications of the European Communities, Luxembourg.
- Faust M. (2005), 'Reorganisation and relocation in the german fashion industry', Paper presented at the conference *Organisational Configurations and Locational Choices of Firms: responses to globalisation in different industry and institutional environments*, University of Cambridge, Cambridge (UK), 14-15 April 2005.
- Fink Ph. (2006), 'FDI-led growth and rising polarisation in Hungary: quantity at the expense of quality', *New Political Economy*, vol. 11, n° 1, p. 42.
- Flecker J., Holtgrewe U., Schönauer A., Dunkel W. & Meil P. (2008), *Restructuring across value chains and changes in work and employment. Case study evidence from the clothing, food, IT and public sector*, WORKS report, HIVA-K.U.Leuven, Leuven.
- Flecker J., Papouschek U. & Gavroglou S.P. (2006), 'New forms of work organisation and flexibility in the knowledge-based society', in U. Huws (ed.), *The transformation of work in a global economy: towards a conceptual framework*, WORKS report, HIVA-K.U.Leuven, Leuven.
- Frenzel Baudisch A. (2006), 'A socially-conditioned desire for product variety and its industrial dynamics', paper presented at the *DRUID/DIME Winter Conference*, Aalborg, Denmark, 26-28 January 2006.
- Frye T. (2002), 'The perils of polarization: economic performance in the postcommunist world' *World Politics*, vol. 54, n° 3, p. 308-337.

- Galev T. (2007), *SoftServ. Organisational case study on software development in the IT industry - Bulgaria*, Internal working paper, WORKS project.
- Galev T. & Tchalakov Iv. (2006), 'Attitudes toward emigration among students in the field of information and communication technologies in Bulgaria', *Science (Nauka) Journal*, vol. 6, Union of the Scientists in Bulgaria, p. 21-27.
- Gavroglou S.P. (2008), *WP 12 Draft thematic report - Quantitative flexibility*, Internal working paper, WORKS project
- Gereffi G. (1994), *The organization of buyer-driven global commodity chains. How US re-tailers shape overseas production networks*, in G. Gereffi & M. Korzeniewicz (eds.), *Commodity chains and global capitalism*, Praeger Publishers, London, p. 95-122.
- Gereffi G. & Korzeniewicz (eds.) (1994), *Commodity chains and global capitalism*, Praeger Publishers, London.
- Gereffi G., Humphrey J. & Sturgeon T. (2005), 'The governance of global value chains', *Review of International Political Economy*, vol. 12, n° 1, p. 78-104.
- Geurts K., Coppin L. & Ramioul M. (2007), *The transformation of work? Tracing employment in business functions. A sectoral and occupational approach*, WORKS report - D9.2.1, HIVA-K.U.Leuven, Leuven.
- Goudswaard A. & de Nanteuil M. (2000), *Flexibility and working conditions: a qualitative and comparative study in seven EU Member States*, European Foundation for the Living and Working Conditions, Dublin,  
<http://www.eurofound.eu.int/publications/files/EF0071EN.pdf>.
- Grabher G. & Stark D. (1997), 'Organising diversity: evolutionary theory, network analysis, and post-socialism', in G. Grabher & D. Stark (eds.), *Restructuring networks in post-socialism* (Legacies, Linkages and Localities), Oxford University Press, Oxford, p. 1-32.
- Greenan N., Kalugina E. & Walkowiak E. (2007), *The transformation of work? Trends in work organisation*, WORKS report - D9.2.2, HIVA-K.U.Leuven, Leuven.
- Hage J. (2000), 'Path dependencies of education systems and the division of labour within organisations', in M. Maurice & A. Sorge (eds.), *Embedded organisations* (Societal analysis of actors, organisations and socio-economic context), John Benjamins Publishing Company, Amsterdam/Philadelphia, p. 311-324.
- Hall P.A. (2004), *The challenges facing Europe and varieties of Capitalism*, Harvard University Press, Harvard.
- Hall P.A. & Soskice D. (2001), *Varieties of capitalism, the institutional foundation of comparative advantage*, Oxford University Press, Oxford.
- Hall P.A. & Thelen K. (2005), 'Institutional change in varieties of Capitalism', Paper prepared for presentation to the *International Sociological Association*, Research Committee 19 Annual Conference, Chicago, Illinois, September 8.
- Holtgrewe U. (2008), *Changes in work in transformation economies*, Vienna: Forba.
- Hopkins T. & Wallerstein I. (1986), 'Commodity chains in the world economy prior to 1800', *Review*, vol. 10, n° 1, p. 157-170.
- Hopkins T.K. & Wallerstein I. (1994), 'Commodity chains: construct and research', in G. Gereffi & M. Korzeniewicz (eds.), *Commodity chains and global capitalism*, Praeger Publishers, London.
- Huws U. (ed.) (2006), *The transformation of work in a global knowledge economy: towards a conceptual framework*, WORKS report, HIVA-K.U.Leuven, Leuven.
- Huws U. (2008), *The globalisation glossary: a researcher's guide to understanding work organisation restructuring in a knowledge-based society*, WORKS report, HIVA-K.U.Leuven, Leuven (also available as internet tool).

- Huws U., Flecker J. & Dahlmann S. (2004), *Status report on outsourcing of ICT and related services in the EU*, European Foundation for the Improvement of Living and Working Conditions, Dublin.
- Huws U., Dahlmann S., Flecker J., Holtgrewe U., Schönauer A., Ramioul M. & Geurts K. (2009), *Value chain restructuring in Europe in a global economy*, WORKS report, HIVA-K.U.Leuven, Leuven.
- Jeleva R. (2007), *The Bulgarian national employment agency – the continuing change. Organisational case study on customer service in the public sector – Bulgaria*, Internal working paper, WORKS project.
- Kaplinski R. & Morris M. (2001), *Handbook for value chain research*, Prepared for the IDRC, ([www.ids.ac.uk/global](http://www.ids.ac.uk/global) & [www.centrim.bus.bton.ac.uk](http://www.centrim.bus.bton.ac.uk) & [www.nu.ac.za/csds](http://www.nu.ac.za/csds)).
- Kirov V. (2005), 'Facing EU accession: Bulgarian trade unions at the crossroads', in D. Dimitrova & J. Vilokx (eds.), *Trade unions strategies in Central and Eastern Europe: towards decent work*, ILO, Budapest, p. 111-152.
- Kirov V. & Jeleva R. (2006a), 'Global value chains analysis and understanding organisational change in South-Eastern Europe', *Sociological Problems*, p. 117-131.
- Kirov V. & Jeleva R. (2006b), *Value chains as a methodological challenge: some considerations for the qualitative research*, Internal working paper, WORKS project.
- Kirov V. (2007), *BEER AD. Organisational case study on logistics in the food industry - Bulgaria*, Internal working paper, WORKS project.
- Lam A. & Lundvall B.A. (2007), 'The learning organisation and national systems of competence building and innovation', in E. Lorenz & B.A. Lundvall (eds.), *How Europe's economies learn: coordinating competing model*, Oxford University Press, Oxford.
- Lane C. & Probert J. (2006), 'Domestic capabilities and global production networks in the clothing industry: a comparison of German and UK firm strategies', *Socio-Economic Review*, vol. 4, n° 1, p. 35-67.
- Lane D. (2006), 'Post-state socialism: a diversity of capitalisms?', in D. Lane & M. Myant (eds.), *Varieties of capitalism in post-communist countries*, Palgrave Macmillan, Basingstoke, p. 13-39.
- Larimo J., Marinov M. & Marinova S. (2006), 'The Central and Eastern European brewing industry since 1990', *British Food Journal*, vol. 108, issue 5, p. 371-384.
- Makó C. (2005), *A tőkés gazdaság modelljei, a munkaszervezeti paradigmák. Példák az Európai Munkafeltétel Felmérések alapján*, (Various models of the capitalist economy, paradigms of work organisation. Examples from the European Working Conditions Surveys, Institute of Sociology Hungarian Academy of Sciences, Budapest, p. 28.
- Makó C. & Illéssy M. (2007), 'Economic modernisation in Hungary: between path dependency and path creation', *Soochow Journal of Sociology*, April, n° 21, p. 89-122.
- Makó C., Moerel H., Illéssy M. & Csizmadia P. (eds.) (2007), *Working it out? The labour process and employment relations in the new economy*, Akadémiai Kiadó, Budapest, p. 240.
- Makó C., Illéssy M. & Csizmadia P. (2007a), *Domainsoft Ltd. Occupational case study on software development services – Hungary*, Internal working paper, WORKS project.
- Makó C., Illéssy M. & Csizmadia P. (2007b), *Modernisation of the 'Intermed' in the perspective of value chain approach: reorganisation of the internal value chain through task delegation. Organisational case study on customer service in the public sector – Hungary*, Internal working paper, WORKS project.
- Makó C., Illéssy M., Csizmadia P. & Bácsi K. (2007), 'Copy Fashion Clothing Factory Inc. (in liquidation)'. *International division of labour and co-ordination, and work conditions in the*

- global value chain of the clothing industry. Organisational case study on production in the clothing industry – Hungary*, Internal working paper, WORKS project.
- Makó C., Illéssy M., Csizmadia P. & Mazsu G. (2007), *Copy Fashion Clothing Factory Inc. (in liquidation). Organisational case study on logistics in the clothing industry – Hungary*, Internal working paper, WORKS project.
- Martin R. (2008), 'Post-socialist segmented capitalism: The case of Hungary. Developing business systems theory', *Human Relations*, vol. 61, n° 1, p. 131-159.
- Monastiriotes V. (2003), *A panel of regional indicators of labour market flexibility: the UK 1979-1998*, Department of Economics, Department of Geography and Environment, London School of Economics, London, <http://www.dise.unisa.it/AIEL/Monastiriotes.pdf>.
- Mintzberg H. (1979), *The structuring of organizations*, Prentice-Hall, Englewood Cliffs.
- Moniz A.B., Paulos M.R. & Bannink D. (2009), *Change processes and methodologies of future perspectives of work*, WORKS report, HIVA-K.U.Leuven, Leuven.
- National Statistical Institute (2007), *Statistical Yearbook 2007*, National Statistical Institute Press, Sofia.
- O'Donnel G. (1999), 'Horizontal accountability in new democracies', in A. Schedler, L. Diamond M. Plattner (eds.), *The self-restraining state*, Lynne Rienner, Boulder, p. 29-51.
- O'Dwyer C. & Kovalcik B. (2007), 'And the last shall be first: party system institutionalisation and second-generation economic reform in postcommunist Europe', *Studies in Comparative International Development*, Winter, vol. 41, p. 3-26.
- Ramioul M. & Huys R. (2007), *Comparative analysis of organisation surveys in Europe. Literature review of secondary analysis*, WORKS report - D8.2, HIVA-K.U.Leuven, Leuven.
- Rhodes M. & Apeldoorn B. (1997), *The transformation of West European capitalism? EU Working paper*, RSC, n° 97/60, European University Institute, Florence.
- Ritzer G. (1996), *The McDonaldization of society: an investigation into the changing character of contemporary social life*, Pine Forge Press, Thousand Oaks, CA.
- Sainsaulieu R. (1977), *Identité au travail, les effets culturels de l'organisation* (Work identity, structural effects of organisation), Presses de la Fondation Nationale des Sciences Politiques, Paris.
- Sako M. (2006), 'Outsourcing and offshoring: key trends and issues', Background Paper prepared for the *Emerging Market Forums*, Oxford University/Saïd Business School, Oxford.
- Sapir A. (2005a), 'Globalisation and reform of European social models', Paper presented at the *ECOFIN informal meeting of EU Finance Ministers and Central Bank Governors*, 9th September 2005, Manchester.
- Sapir A. (2005b), 'Rugalmasabbá kell tenniük munkaerőpiacukat' (You have to make more flexible your labour market), *Heti Világgazdaság*, Október 29, p. 50.
- Schmidt V.A. (2002), *The futures of European capitalism*, Oxford University Press, USA.
- Smith Ch. (2006), 'Beyond convergence and divergence' (Explaining varieties in organisational practices and forms), in S. Acroyd, R. Batt, P. Thompson & P.S. Tolbert (eds.), *The Oxford handbook of work and organisation*, Oxford University Press, Oxford, p. 602-625.
- Stark D. & Bruszt L. (1998), *Postsocialist pathways: transforming politics and property in East Central Europe*, Cambridge University Press, Cambridge.
- Stoeva S. (2007), *BEER Ad., Organisational case study on production in the food industry – Bulgaria*, Internal working paper, WORKS project.
- Stoilova R. (2007), *Occupational case study on software development services in Bulgaria*, Internal working paper, WORKS project.

- Streeck W. (2003), 'Taking uncertainty seriously: complementarity as a moving target', Paper presented at the *Workshop organised by Oesterreichische National Bank Eurosystem on The transformation of the European financial of the European financial system where do we go? Where should we go?*, June 20.
- Sturgeon T.J. (2001), 'How do we define value chains and production networks?', *IDS Bulletin*, vol. 32, n° 3, p. 9-18.
- Sturgeon T.J. (2008), *From commodity chains to value chains: interdisciplinary theory building in an age of globalization*, Working paper, Massachusetts Institute of Technology.
- Szanyi M. (2003), *An FDI-based development model for Hungary. New challenges?*, Working papers, Institute for World Economics - Hungarian Academy of Sciences, Budapest, December, n° 141, p. 10.
- UNCTAD (2005), *World Investment Report 2005*, [http://www.unctad.org/en/docs/wir2005\\_en.pdf](http://www.unctad.org/en/docs/wir2005_en.pdf).
- UNCTAD (2007), *World Investment Report 2007*, [http://www.unctad.org/en/docs/wir2007\\_en.pdf](http://www.unctad.org/en/docs/wir2007_en.pdf).
- UNECE (2005), *Economic Survey of Europe N2*, United Nations Economic Commission for Europe, Geneva.
- Valenduc G., Vendramin P., Flecker J. & Papouschek U. (2006), 'New career trajectories and occupational identities', in U. Huws (eds.), *The transformation of work in a global knowledge economy: towards a conceptual framework*, WORKS report, HIVA-K.U.Leuven, Leuven.
- Valenduc G., Vendramin P., Krings B.-J. & Nierling L. (2008), 'How restructuring is changing occupations. Case study evidence from knowledge-intensive, manufacturing and service occupations', WORKS report, HIVA-K.U.Leuven, Leuven.
- Valeyre A., Lorenz E., Cartron D., Csizmadia P., Gollac M., Illéssy M. & Makó C. (2007), *Work organisation in Europe*, Technical Report, Contract No. 06-3030-65, *Secondary Analyses on 4th European Working Condition Survey*, Lot 2: Work Organisation in Europe, European Foundation for the Improvement of Living and Working Conditions, Dublin, p. 63.
- Vermeylen G. (ed.) (2006), *Teamwork and its contribution to high performance workplace organisation*, European Foundation for the Improvement of Living and Working Conditions, Dublin.
- Wallerstein I. (1974), *The modern world-system I: capitalist agriculture and the origins of the European world-economy in the sixteenth century*, Academic Press, New York/London.
- Warhurst Ch., Grugulis I. & Keep E. (eds.) (2004), *The skills that matter. Critical perspectives on work and organisations*, Palgrave Macmillan, Basingstoke.
- Whitley R. (1998), 'Internationalisation and varieties of capitalism: the limited effects of cross-national coordination of economic activities on the nature of business systems', *Review of International Political Economy*, vol. 5, n° 3, p. 445-481.
- Whitley R. (1999), *Divergent capitalisms: the social structuring of business systems*, Oxford University Press, Oxford.
- Wickham J. (2005), *Technological and organisational choice*, INFOWORK report, Employment Research Centre, Dublin.
- Wickham J. (2007), 'The end of Atkinson's onion? Good and bad external labour markets reconsidered', Workshop *New forms of work and workplace innovations*, Budapest, 9th November 2007, Revised version of paper first presented at Workshop on *Good and Bad External Labour Markets*, Zentrum für Sozialforschung Halle e.V. an der Martin-Luther-Universität Halle-Wittenberg, 27-28 October 2006.

- Womack J.P. & Jones D.T. (1996), *Banish waste and create wealth in your corporation*, Simon & Schuster Audio, New York.
- Zysman J. (1994), 'How institutions create historically rooted trajectories of growth', *Industrial and Corporate Change*, n° 3, p. 243-283.

- The post-socialist countries of the new Member States do not represent an institutionally homogeneous country block in the Central Eastern European region and have followed different development trajectories in terms of efficiency and equity. Because of the importance of foreign direct investment in these states, a study of global value chain restructuring is particularly useful for understanding these differences.

This report draws on the WORKS results to shed light on these differences, demonstrating, for instance, that Bulgaria belongs to the country cluster characterised by significantly higher share of 'Taylorist' work organisation compared to the EU-27 whilst Hungary shows a more fragmented pattern in distribution of work organisation types, with a high share of 'discretionary learning organisations'. There are variations between sectors as well as countries.

The report concludes that the right mix, and appropriate control, knowledge and the extent of institutional complementarities are the key factors that determine whether a company will move up, move down or remain locked in its current position within a global value chain. Firms in the 'new economy' sectors seem to have the best potential for moving in the direction of the high value added economic activities, whilst firms in the old economy mostly appear to be stuck in their current position in the international division of labour.

