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FINANCIAL PARTICIPATION:

The Hungarian Case

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by

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Phenomena of financial participation¹ do exist in Hungary. The Parliament passed the Law No. XLIV of 1992, on the Munkavállalói Résztulajdonosi Program (MRP) adapted some principles of ESOP. Yet, similarities between Hungarian phenomena and the new practice which is transforming industrial relations in the developed market economies, are often only apparent.

Financial participation is a concomitant of privatization, that is, the selling of state property (the dominant sector of the economy thus far). For the time being, the internationally accepted focus on higher productivity is not really considered in the present Hungarian economic environment.

Theoretically speaking, employees could be important actors of privatization as potential majority or even full owners of companies owned, today, by the state. (Many people argue that state assets should be passed on to employees free so that they could run it, on their own risk, as market actors.) So far, however, very little of the state's assets have been transferred into majority employee ownership. Other, less ambitious property forms of employee ownership - e.g., property notes or equity shares, which entitle their owners to a dividend and, thus, work to supplement salaries - are spreading. Employees obtain some percentage of the company's assets in almost all instances of privatization. There are, however, serious limits to the extent of employee share ownership.

The transformation of the entire economy could, at least theoretically, provide an excellent opportunity for the emergence of employee ownership so popular in some other countries. They could certainly increase the employees' stakes in the success of their enterprise.

Why is it, then, that financial participation is not playing a more important part in Hungary?

In this study we will sketch some of the conditions of the transition from a planned economic system to a market economy. These conditions will, at least partly, explain the various forms and specific conditions of financial participation in Hungary.

There exist hardly any data in this regard. (The systemic change of the Hungarian society has seriously disarranged many fields of statistical data collection and reporting: some of the phenomena taken account of earlier with great meticulousness have become irrelevant while observation of new phenomena has not been arranged yet.) Our analysis is based primarily on data at our disposal, coupled with information extracted from official documents and the press. In addition, several case studies have been performed with a number of enterprises. The project has

1. In our interpretation, financial participation is connected to partial ownership. Non-ownership based forms of profit sharing are unknown in the Hungarian economy.

relied on the expertise -- primarily as researchers and trade union specialists -- of György Lajtai and László Neumann. The case studies were made by György Lajtai and János Hóvorka.

1. The historical process:

Transition from a Planned to a Market Economy -- from the Viewpoint of Employee Ownership

1.1. Decentralization of State Assets

As it is well known, Hungary underwent a political transition during the Spring of 1990. For the economy, this put an end to a long series of attempts to reform the planned economy. Hungary set out to create a market economy.

Privatization -- the transfer of state assets (previously the dominant form of property in all spheres of the economy) to real owners who bear all consequences of their economic decisions -- plays a crucial part in this process. Privatization is the only possible tool to replace what Kornai calls the bureaucratic coordination of the economy by market coordination (According to the data of The Economist, the share of state ownership amounted to 86% in Hungary in the mid-eighties. This share was somewhat more favourable than in most other former socialist countries recording, for example, 97% in Czechoslovakia and East Germany, 96 in the Soviet Union, 87 in Yugoslavia, and 82% in Poland alone. At the same time this share was not more than 17% in France, 14% in Italy, 11% in West Germany and the U.K., 6% in Denmark and 1% in the U.S.A. (The Economist, September 21, 1991, Survey P.10).

The Economist data quoted above also include cooperative shares. The cooperative sector, its name notwithstanding, assimilated to state ownership. The members were only nominal owners of the assets of the many cooperatives active in agriculture as well as industry and services. The larger part of the assets was controlled by regional or national central authorities and not by the cooperatives. The operations of cooperatives and state owned companies were defined by similar rules, e.g. wage regulations.

This predominant ownership structure was also reflected by employment data. In 1988, from about 4,010 earners 69% were employed by state owned companies, 23% by cooperatives and only 8% in the private sector. (The situation, working conditions and possibilities of further development of small ventures in Hungary, CSO, Budapest 1990.) According to 1990 statistical data, 14,5% of earners found employment in private business without entity including agricultural sole traders and their employees and assisting family members. (Macroeconomic labour statement January 1, 1991. CSO, 1991 P.12.)

Today, this proportion would be somewhat higher due to transfers of companies to foreign ownership, small cooperatives which had in fact functioned since the very beginning as de facto private enterprises, and the emergence of newly formed private companies, particularly limited liability companies. However, no data are available on these at the moment. (According to our estimate, at the end of 1991 about 20% of earners worked in the private sector.)

State (and cooperative) owned assets were usually pooled in over-concentrated large organizations (often with several tens of thousands of employees).

The confiscated and nationalized facilities of different sizes were amalgamated in gargantuan organizations tailored to the needs of central planned economy control. Retail outlets, laundries, hairdresser salons, banks, lawyers and all other sorts of business were also networked in big organizations. Decentralization of organizations was a reform objective for several decades, however, the organizations resisted till 1988. By the Company Act effective since 1988, several forms of business well known in market economies have been reinstated in the Hungarian economy. The Transformation Act enacted in 1989 offered the opportunity to state owned companies to transform. As from 1991, this opportunity of transformation has become an obligation: each state owned company must go public. An Act adopted in January 1992 contains similar provisions with respect to cooperatives. The assets of the cooperatives shall be returned to members. The future cooperatives will have to adopt the principles of the International Association of Cooperatives. Good many a current cooperatives are expected to transform to business organizations.

This change of form has been accompanied by massive decentralization of companies. Units of various sizes (facilities, locations) belonging to large organizations have formed "autonomous" companies (joint stock companies, limited liability companies, etc.) contributed from their state owned assets. Spin-offs have formed by the dozen from several big organizations. However, organization change has not necessarily meant owner change. Most new companies are partly owned by a (state owned) banker as the owner of their principal debts as well as by their important subcontractors and (state owned) supplier and customer organizations through debt to equity swaps, etc. Some new companies have also involved international and local private finance, in most cases once again from the business partners of the company.

Since 1988, tens of thousands of companies have been formed. It is impossible to decipher from the data just who exactly the founder is. Expert estimates say that a decisive majority of new corporate units is not private but organizations formed through the decentralization of state property.

Table 1.**Number of Joint-Stock Companies and Ltd-s**

	1988	1989	1990	1991
Joint-Stock Companies	116	307	646	1072
Ltd-s	451	4,485	18,317	41,206

Source: Statisztikai Havi Közlemények (Monthly Statistical Bulletin), CSO.

Transformation is also a means to prepare for the privatization process or the sale of shares and business units. However, most of the several hundreds of new joint stock companies have been formed by closed-end transformation. At the beginning of 1992, only 21 public companies were quoted at the Budapest Stock Exchange.

International investors are active in Hungary since the late eighties. According to CSO data, in 1991 1,499 business fully owned by international investors and 1,578 with majority foreign ownership were formed, but usually with insignificant assets and with less than 300 employees. Like the 8,258 joint ventures with Hungarian majority, these organizations were formed with the minimum capital specified by law for transformation and they work with less than 20 people.

1.2 Privatization of State Owned Assets

Since 1990, the task of selling state assets has been assigned to the State Property Agency -- set up at that time for this purpose. Beyond that, the control and approval of all other ongoing company-initiated acts of privatization have been made the Agency's task. The rules of privatization are passed by Parliament year after year.

Employee share in the assets of the state has been promised by the biggest party of the cabinet ever since the elections.¹ However, facing the heavy debt services of Hungary, this party has been trying to implement an unusually rigorous restrictive

 1. "The state and the state owned companies will massively offer their property, outlets, restaurants, maintenance shops etc. to the employees, to the outplaced ones, and to any enterprising member of this society", said an invitation to the MDF election meeting in September 1990.

fiscal policy for maximum revenue and minimum expenditure. (The 1991 budget of 851 billion forints included a debt service of more than 110 billion and the budget ended up with a deficit of more than 110 billion as against the planned amount of 78 billion. In the middle of 1992 the deficit of the central budget reached some 100 billion forints again.) Maximizing the privatization income for the sake of reducing the debts of the state has become a number one objective. Consequently the chances of employee participation have been thinned by the so-called Property Policy Guidelines adopted by Parliament and by the available credit facilities.

It has become a declared philosophy of privatization to sell the assets at market value and minimize the state debts. This philosophy could accept employee share ownership only as a component of the incentive wage system of actual employees especially where employee skills, knowledge and commitment are vital factors of corporate success. However, the current Hungarian ideas do not really adopt this long-term approach. (Neumann, L.: Privatization, Employees, Trade Unions. Research Institute of Labour, 1991.) The policy actually pursued by the administration is reflected in figures. In 1991, the fiscal revenue of privatization of 40,1 billion forints only included 5,2 billion forint sales and 1,4 billion worth of credit sales. (Privatization. Enhance the investment propensity. Népszabadság, January 25, 1992.) These two amounts also include the value of contributions to employee ownership.

In 1992, the rate of preferential employee share ownership is further curtailed by the Property Policy Guidelines. On the other hand, considering the poorer than expected results of the privatization process, there are plans to offer more favourable credit facilities to support the employee buy-out of state assets and the self employing potentials of individuals and companies.

2. Existing and Planned Forms of Financial Participation

The two established schemes of employee financial participation in Hungary include property notes and equity shares allocated to employees at discount. The third ESOP type scheme will exist in the near future.

Investment by employees in their companies is an internationally accepted form of participation. The debenture scheme was one of the first forms of this system in Hungary.

a) Property notes

The securities called "property notes" in this paper are the instruments of corporate fund raising. Issuance of property notes by Hungarian enterprises was made possible by a governmental decree¹ which went into effect on January 1, 1989 -- that is, before the beginning of the system's transformation and before any political decision about privatization.

The purpose of these securities was, no doubt, to provide avenues for financial participation in state and cooperative enterprises. The decree stipulates that "The state enterprise, trust, [...] or cooperative [...] can issue property notes in order to increase its own financial means and to create long-term property-based interest [...]." ²

Property notes could be purchased by so-designated employees of state and cooperative enterprises. The debenture entitled its owner to an annual dividend depending on company profits.

The issuer was allowed to hand out property notes to designated employees for free. Free property notes could be issued against the taxed profits of the enterprise up to the equivalent of a maximum of 10% of company assets at the time of the issuance. The nominal value of the free property notes increased the principal capital of the enterprise.

Mainly prosperous organizations can benefit from issuing property notes. When the profit is allocated to raising the salaries, above a certain ceiling the company is liable to pay progressive wage tax. By distributing the profit in the form of bonus property notes the company escapes from wage tax payment and it can withhold funds to be used at its discretion.

The property notes distributed in lieu of raise did not offer any substantial benefits to employees except the payment of some insignificant and uncertain amounts of dividends. These bonds were not offered for sale anywhere, especially as, despite the assumptions, the employees did not show any propensity to contribute to the assets of their organization or to protect their jobs. It was not necessary their actual organization where the employees could expect higher income. Overall labour shortage was still considerable though diminishing and there was a fair chance to find a better employment.

We have no data on the volume of property notes. It has been found that till 1990 such bonds were issued only by some profitable companies after the full utilization of the opportunities of untaxed wage raises. The majority, the big state owned companies and cooperatives in growing financial uncertainty, were not in the position to use this tool.

1. 94/1988. (XII.22) Mt. rendelet. (Governmental Decree)

2. Article 1, paragraph (1).

Thus the free property notes remained in the domain of PR actions of a few companies. However, this situation showed a marked change after 1990. Issues as a way of employee ownership was encouraged at large companies facing transformation. Namely, issuing property notes does not require any permission from the State Property Agency. The bonds can be distributed free of charge and they can be converted into employee shares in the new company (this time, however, the permission of the SPA is required).

Property notes were issued in big volumes in 1991. Before the SPA had any chance to interfere, the companies distributed a part of their assets to employees. (The Automotive Repair Service Co. with extensive operations including single purpose tool production, car breakdown, etc., is one of the organizations where a substantial amount of property notes are held by its staff of about 200 people. From its 1989 profit of 50,5 million Forints ARS issued property notes in the value of 11 million Forints to be allocated to employees without any consideration followed by another issue in the value of 2 million Forints sold at discount. In 1990, another 2 million Forints issue was made from the profit of 43,6 million. On January 1, 1992, ARS was transformed to a joint stock company named Ferradial. 79% of its equity is owned by the state while the share of employees in the form of property notes amounts to 8%.) (Figyelô, January 16 1992.) Property notes were distributed in every sector including trade, construction, etc., practically by all transforming state owned companies showing a profit. Alas, there are no available data about the value and holders of property notes.

The growing losses of a considerable number of companies set the limits to the distribution of still more property notes. Many firms have been put into critical position by the abrupt collapse of the East European markets since the middle of the 1990s. Moreover, after a long period of artificially controlled insolvency, a cascade process of bankruptcies has been triggered in 1992.

b) Employee Shares

Employee share ownership is a form that accompanies privatization. Giving access to property to employees in the privatization of state assets was an important demand by almost all political parties during the campaign for the first free elections as well as some other organizations -- e.g., the Workers' Councils -- and other social groups.

Practical possibilities have been outlined in the Government's so-called Property Policy Guidelines issued in 1990 and accepted by Parliament. The 1990 document specifies that no more than 15% of company assets could be transferred at preferential prices to employees. Prices and installment payment plans would be contingent upon permissions from the State Property Agency. The policy statement also provides for the conversion of property notes -- issued earlier -- into employee shares.

Permits from the State Property Agency have been obtained through individual negotiations between the Agency and the enterprise. A report by the State Property Agency to the Government indicates that twenty such permits had been issued to joint-stock companies until mid-1991. (The list of such permits is incomplete as it misses a few insignificant cases.) Four of the twenty permits included provisions for the conversion of property notes into shares. (An electric installation company, 5.9% employee-owned by way of property notes, wishes to issue free employee shares in addition to the conversion of property notes into shares. At the sugar works of Szolnok the property notes to be converted into shares amount to 3.1% of the total company assets. At a third, commercial company (distributor Amfora) about one-fourth of the new shares will be converted from property notes. A fourth company Richter Gedeon Pharmaceuticals,, will convert property notes into free preferential shares.)

The rest include issuance of new shares during the transformation of the enterprise into a joint-stock company. (To be noted is that only one of the twenty companies providing access to stocks to its employees at discount prices -- IBUSZ -- was quoted at the Budapest stock exchange.)

Permissions for preferential pricing have been requested, in these twenty cases, for shares in the amount of the equivalent of 1.15% to 16.3% of the respective company's principal capital. (Discounts range between 10% and 100%.) The most frequent scheme is the "pay-one-get-two" system that is, share purchases at a 50% discount. Employees are also offered installment plans for the payment. (E.g., a 10% down payment followed by a 3-year payment plan.)

This new system of employee shares has been supported by the liability of going public, especially in big organizations which the employees cannot afford to buy after decentralization. Its spread is supported by the trade unions echoing employee fears that (foreign) investors could simply buy the company above their heads. It appears that workers have begun caring about their workplace hoping that those who have company shares will be better protected. However, this is only an illusion.

Although there are no available data, the Newsletter of the Privatization Research Institute set up by the administration in 1991 collects and publishes the plans of prospective public companies to issue employee shares. For instance: the second hand distributor and pawnbroker transformed to Bizományi Kereskedôház és Záloghitel Rt. plans to issue employee shares in the face value of 200 million from its equity of 2,6 billion forints. "It has been considered to sell another issue of shares in the value of 60 million forints at 50% discount. The new company offering shares to its employees is hoped by its principal owner the SPA to be sold to an international investor as soon as possible. Or: With the consent of the SPA, EGIS Pharmaceutical Works may go public as of January 1, 1992. The EGIS equity of 5,400 million Forints is shared between SPA (90%) and the employees (10%). Or: The Kenderfonó és Bútorlapgyártó Vállalat (hemp weaving and furniture panel works) majority owned by the SPA was transformed to a one-man company. (It is a

general practice to allocate a modest share to the local government as the owner of the land.) "The 320 employees may buy shares up to 15% of the equity." At a baker company transformed from Cegléd Sütőipari Vállalat, "shares will be made available also to employees" (Privatization Monitor, November 8/r and November 15/21).

Only few cases of majority employee shareholding have been recorded (i. e. 200 employees of a commercial building design office bought out 54% of the shares of the company by buying shares for 100 to 300 thousand forints each [Üzlet, November 7 1991.]).

Financial motivation cannot quite be located in the arguments of either the issuers or the potential owners of shares. For those who give permission for these deals, preferentially priced employee shares are gestures to soften the bad climate of public opinion due to the worsening economic situation although discounted employee shares could drain potential incomes from the privatization of state assets. As far as the issuing state owned companies are concerned, the focus is on actual ownership as they can hardly expect the employees as shareholders to be able to influence the business of the company to any appreciable degree in an environment of import liberalization and dramatic recession following the loss of East-European export markets. For the new (would-be) share owners, the proportion of individual ownership is very modest. Even the sum total of all employee shares do not allow a real voice in company business. (Of course, this depends on what the trade unions are able to stipulate in the company contracts. The practice so far signals, with few exceptions, the weakness of the trade unions.) The chance of cutting part of the profits is fairly uncertain given the speeding inflation and the recession.

It is also a question unsupported by evidence to what extent employees themselves will demand access to shares. They will surely be ready to accept them handed out for free. Even cheap shares promise to be popular. (At Tisza Cipőgyár /shoes/ where employees could purchase shares at 10% of the nominal value at a 3% down payment, almost all -- 3481 people -- of the assumed 3500 buyers bought shares in the nominal value of 30 to 60 thousand Forints for 900 to 1800 Forints. For a comparison, mean monthly salaries in that sector of the economy was 12,549.00 Forints during the appropriate quarter of the year.) In some other examples, however, employees refused to purchase shares of 10 thousand Forints' nominal value at a 50% discount. Chinoín Gyógyszergyár (pharmaceuticals) offered 30 thousand shares to the employees (maximum 5 per employee) and the company's own retirees (maximum 3 per retiree). The offer also included an installment plan: of the 10 thousand Forints' nominal value, only 2,500.00 was the down payment and another 2500 would have to be paid in equal amounts during a period of three years. The total down payment of the maximum five shares that could be obtained was 12,500 Forints, less than the sector's mean wage (16,668 Forints). The shares entitled their owners to dividend after the full nominal value immediately after underwriting.

The discounts notwithstanding, about half of the employee shares offered could not be sold. The employees did not realize the role of the dividend -- whose presence or absence could not be predicted, of course. In addition, it was well known for the employees that, due to the collapse of the Soviet economy -- the main market of the company --, serious layoffs were to be expected and that share owners had no more job security than non-owners. All of these factors made the employees practically insensitive to shares. We have no information as to how well the more expensive shares would sell. It has been a conclusion of our case studies, however, that free transfers of stocks do not necessarily increase the employees' ambitions as owners. In one of the cases examined, a construction company with 550 employees issued free shares in the amount of 65 million Forints or, 35% of its total capital. (The joint-stock company formed on January 1, 1991, and used various loopholes of the previous legislation to achieve this high percentage. Those particular loopholes have been closed since.) In mid-1991, six months after the transformation of the company, the economic situation of the company was worse than before and there was a real threat of falling in the red by the end of the year. The employees -- that is, the 35%-owners of the company -- do not think they are responsible for the situation in any way. They are waiting idly for some kind of solution -- one that would not hurt employee interests such as job security.

The rules of employee share purchases at preferential rates tend to favor those in managerial positions.

One of the companies (KNER, a printing firm) is about to transfer to its employees 9500 shares at a nominal value of 10 thousand Forints each or, 10% of the total principal capital of the company, at a 50% discount. The cash down payment is 30% of the purchase price. The employees are entitled to buying shares by seniority. (That has been the rule at almost all companies using this model.) Those with over 35 years' employment at the company are entitled to as many as 19 shares while those with more than 5 years can buy a maximum of 3. It can be expected that many people will use the opportunity to buy especially because about half of the employees will be entitled to buy only 3 to 5 shares. Only 1.2% of the employees will be able to buy 19 shares.

Management, however, has a different system available for them. Instead of seniority, they will be entitled to purchases according to the size of their basic salary. The general manager can buy about 51 shares for six times his basic monthly salary, the business manager will be able to purchase 39 shares. Plant managers, chief foremen and department heads will be able to use 3 times their basic salary to buy 6 to 12 shares while foremen and section heads can purchase 6 to 8 shares for twice the amount of their basic salary. (Figyelô, July 4, 1991.)

At most companies, managerial discounts cause conflict even if the employees are uninterested in purchasing shares. Managers are likely to buy with no exception. For them, this investment promises serious cuts in their otherwise rather progressive income taxes.

This combination of employee shares plans with company transformations into joint-stock companies and with privatization is in a preliminary phase. Yet, it is already clear that unified and normative regulation is necessary and that the practice of separate bargains with the State Property Agency are to be replaced by rules that everybody should follow.

As it has been noted earlier in this paper, the 1992 guidelines of privatization (which has not passed by the Parliament till September 1992 !) are designed to restrict the maximum percentage of employee shares to 10% of the total capital value (allowing 15% only in special cases). The new plans do not permit free transfers of shares. Preferential pricing schemes must fit a unified system and they ought not to exceed equivalent of the employee's total basic annual salary.

This idea of clearly limiting employee ownership percentages before privatization has elicited heated debates. The plan is being attacked not so much along political lines but primarily by those that worry about the financial impact of preferential share allotments on the state budget. (They suggest that revenues from sales to "real buyers" may be drained because of discount-priced property transfer to employees.)

Besides the state owned candidates of privatization, various forms of financial participation can develop with existing private business and joint ventures. For the time being there are no data available on the employee share facilities if any offered by private organizations with international participation. (By the way, most firms founded by foreigners are new ones. In 1991, 230 such business organizations were recorded and another 492 were formed, usually of small size and only a few ones adopt the form of a joint stock company.)

In the existing joint ventures operating as of joint stock companies, employees could buy shares provided that they had already held property notes before the international partner entered into the scene. However, the leading international companies are willing to offer shares to employees, probably to gain their commitment. (However, the real incentive offered by international investors is immediate raise. Despite the substantial raises the wages and salaries paid to Hungarian employees is still much less than in the home country of the partner.)

The following "model cases" are quoted from the periodical Privatization Monitor:

- COMPACK Douwe Egberts Co.Ltd. was formed in 1991. The company 51% owned by the Dutch partner meets its social obligations. It has offered a part of the profit to employees in the form of bonus shares and another part can be subscribed by against 7 1/5% payment. The share of employees can amount to 5% of the equity of the company.
- In Julius Meinl Csemege Co.Ltd. is owned 51% by the Meinl Group and 10% by the employees. From the shares still in its possession, the SPA "will soon sell shares in the amount

of another 200 million Forints at 40% discount to employees."

- Styl Ruhagyár Co. (clothing), 84% internationally owned, was introduced on the Stock Exchange in 1990. In 1991, the employees of the company were given a portfolio of 55 million forints worth of shares and nearly 1900 of them became shareholders. The employee shares are transferable and quoted on the Stock Exchange. Thus the privatization of Styl has been practically completed. Currently the share of employees is 10 percent and the share of local private and institutional investors is 6%. (Privatization Monitor, November 15-21 1991.) Unfortunately, the majority of the employees sold their shares at the first possible occasion. More than 50 per cent of the shares were bought back by the firm itself. A few months later almost every employees sold his or her shares in spite of the fact that the value of the shares cost twice as much. "We have tried to develop a kind of ownership attitude, in vain, because the majority of the people concerned have financial problems in their everyday lives." - said an expert who was involved in the transformation program. (Népszabadság, June 18, 1992.)

c) Participation in Business Units

While employees of joint stock companies can buy shares at discount, the employees of limited companies have the opportunity to buy business units.

As mentioned above, large organizations have often transformed their units and areas of business which have been capable to support themselves, into limited liability companies. In some cases, large individual companies have produced a huge number of Ltd-s. The typical scenario is that the state enterprise brings productive machinery, used until then, into the new Ltd. Various foreign and domestic partners -- often including previous management and employees -- join the company with all kinds of dowry (cash, machines, know-how, etc.).

Unfortunately, there are no data on partial employee ownership in limited liability companies either. The following information has been compiled from newspapers and case studies performed at Ltd-s where majority ownership has been obtained by employees.

Perhaps the best-known case is VIDEOTON, one of the largest Hungarian electronic telecommunications companies with nearly twenty thousand employees. In 1989-90, VIDEOTON was broken up into 21 companies: 3 joint-stock companies, 17 Ltd-s and a joint venture. The VIDEOTON company headquarters is 51-to-100% owner of almost all companies, except for one where it owns only 17%. In this case -- the Precizió Szerszámgyártó KFT (Precision Tool Production Ltd) --, 6 million of the 7 million Forints' principal capital was put together by 230 of the 260 employees. The highest property share in any individual's hands is 150 thousand Forints.

(Figyelô, July 11, 1991.) The capital needed for joining in was assembled by the employees from their personal savings and loans from their families and friends. Free production capacities of the factory had already been utilized several years earlier through foreign orders. Employees had performed that extra work through an arrangement much freer than the state socialist enterprise organization, namely Enterprise Business Work Partnerships. After the transformation, the circle of foreign customers has been enlarged and employees started working in the limited liability company -- that is, their own property on which their existence had been based -- as owners. If deadlines so demanded, they were willing to spend their evening or weekend free time in the factory. The enterprise turned out to be successful. The employees have already paid their loans back in full and they were in the business of purchasing the buildings, machines and the land still owned by the state enterprise. For this, they were looking for a foreign partner with sufficient capital. It appeared they found a German firm in January 1992. The firm was transformed into a joint stock company in which the new partner has 74 per cent of the assets and promised that the needed amount of capital will be invested for the technical development during the next 3 years. (Figyelô, July 16, 1992.)

Of the three other limited liability companies included in our case studies, one had 50% and two 60% employee ownership at the time of the establishment of the Ltd.

An international freight transport company ltd was formed out of the transportation department of a large state enterprise with 37 employees in 1990. With the 1989 abolition of the state enterprises' monopoly in foreign trading, the company had lost quite a few of its customers. Management suggested cutting the workforce by half but it was willing to go along with the suggestions of the unit's managers and employees to take care of themselves. The company gave half of the start-up capital -- 1.4 thousand million Forints --, and 13 of the 37 employees and managers put together the same amount drawing on their savings and family loans. The company was ready to secure a certain amount's worth of orders and the floating capital necessary for the company's first month. The premises, the phones and the telefax machines are rented by the Ltd from the mother company. The Ltd charges the mother company for its orders at much more favorable rates than market prices. The main motivation of the employees to participate was preservation of the work organization and the workplace. On the basis of their long professional experience, they had been convinced of the feasibility of the company. Their expectations and hard work were crowned by success: they were able to broaden their market linkages notwithstanding tough competition and the general recession. (In 1990, they had 140 orders outside the mother company. During the first half of 1991, that figure went up to 600.) The basic salary of the members and employees of the Ltd increased by cca. 50%, from a range of 9 to 25 thousand Forints to 14 to 50 thousand Forints monthly. It is especially the managers who are trying to increase their share in the company by further investment. By July, 1991 - that is, one year after the establishment of the Ltd -, already 90% of the company was owned by employees. The managers' stakes have increased from 5% to 20%.

The other two limited liability companies were formed on January 1, 1991, from two sections of the same large state enterprise (building). One has 11, the other 7 employees. Both have been formed with the minimum base capital (1 million Forints). The source of the employee shares was a lump-sum settlement: the mother company laid off its employees. At one section, 6 of the 11 original employees, at the other 3 of the 5 purchased stakes in the range of 50 to 150 thousand Forints. 4 of the 9 buyers had occupied managerial positions before the purchase. (Note that the enterprise did not even need the injection of cash from all employees.)

The main purpose of forming the two limited liability companies -- involved in the construction-investment market basically through intellectual services -- was preservation of the work organization and the workplaces at the time when the mother company was placed on the list of state enterprises to be privatized by the State Property Agency. The formation of the Ltd was timed so as to precede the involuntary sale of the workplace. As the premises -- currently rented at discount rates from the mother company -- could also be sold to a new owner, the Ltd is forced to accumulate incomes so that if and when it becomes unavoidable to move, they could buy or rent another place or to buy the 40% share of the mother company. The latter is also a prime ambition of Ltd managers. (The above two are typical cases of managerial buyout. The spread of managerial buyouts is another notable new phenomenon of Hungarian privatization.)

These two cases quoted above are typical MBO transactions, though their management and funding was different from the accepted Western practice. The growing popularity of MBO is a remarkable new symptom of the privatization process.)

Again, there are no data on the spread of employee purchases of shares of business. Generally, experts estimate its size to be modest. To be noted is, however, that purchasing stakes in existing business may turn out to be the most promising way for employee ownership: it preserves existing productive capacities, workplaces, knowledge of markets and contacts through private ownership.

This is a realistic approach of small size organizations with low capital intensity and many employees try to follow it. (Cases quoted by Privatization Monitor: employees of a car repair facility in Budapest and another one in the countryside want to buy out 20 percent each of the business of the Ltd. 5 of the 8 outlets of Zala megyei Patyolat Vállalat (laundry) may be bought out by the employees at favourable terms of payment. There are 21 smaller or bigger firms now in our list where the potential buyers are the employees and the preparations of contracts are going well. Many other employees declared their intention to buy their firms.

It can be assumed that bankruptcies, closures and increasing unemployment may provide stronger incentives for the detachment of small units.

Theoretically, this is the kind of transformation that the so-called "Existence-Credit" has been supposed to lend assistance to. This is a special credit system for purchasing partial ownership in state enterprises, available since March. However, potential borrowers have been scared away by the very exacting conditions of raising this facility. The conditions of lending were somewhat relieved in January 1992.

d) The Employee Share Ownership Plan (ESOP)

The concept of Employee Shares Plans has been known in Hungary for quite a few years and Hungarian experts have long been in favor of its adaptation. After a long period of gestation, the Act was passed by the Parliament on June 9, 1992. Essentially, the program follows the principles of ESOP as developed in the United States. Thus, the ESOP transformation requires that more than 40% of the employees agree, that a feasibility study be made and that the ESOP transition be managed by an organization set up for this very purpose. Some items of the bill, especially the provisions of lending were discussed until the last moment. Now, the bill allows to finance ESOP shares or business shares with the required own resources as follows: 2% if the per capita purchase price is less than 5 million forints; 100,000 Ft plus 15% of the part above 5 million forints, if the per capita purchase price is between 5 and 10 million forints; 850.000 forints plus 25% of the part above 10 million if the per capita purchase price is more than 10 million forints. The bill also allows a two-year period of grace and a 10-year term of amortization and repayment.

Now, after the consent of Parliament the employees of several companies are ready for the realization.

New ideas of employees are reported by the media day after day. The staff of a bakery want to buy out a 25 to 67 percent stake the company in the ESOP scheme to be paid up in 6 to 10 years. They expect to become sufficient owners, receiving wages as employees and dividends as owners. (Pest Megyei Hírlap, November 11, 1991.)

There are numerous employee drives. Several international bids were made to buy a leading china manufacturer. The exquisite standards of its production has been maintained by the skills and knowledge of successive generations of labour. The employees have decided to buy the facility themselves. Other employees are worried for their jobs. The Debrecen Mezôgép Vállalat (farm equipment), once a group of six facilities, has lost the East European export market of 75 % of its production. Also a spin-off of this company Hajdúgép had to rationalize its staff. The remaining employees should like to buy out not less than a qualification share so that the owners of employee shares could have a say in strategic decisions. (Világgazdaság, November 1-2, 1991.)

The relevant legislation was expected to be passed in 1991, however, it was thwarted by the ambivalent interests of the

administration.

The long term commitment of lending required for the ESOP program is not in line with the short term ambitions of the government aimed at bringing down the deficit of the budget as far as possible. Like in many other countries, subsidy is a premiss of the proposed Hungarian ESOP program. (For example in the form of not more than 75% of the quoted lending rate.)

3. The attitudes of social partners toward financial participation

International experience indicates that financial participation is successful for the following reasons:

- a) **The employees** are ready to contribute with their savings (often supplemented by credits) to the material improvement of their firm. Sometimes this means the complete purchase of the company. They do so for several reasons: they expect (1) a return on their investment -- whose valorization they are able to control and increase through their own efforts --, and (2) protection of their workplace, at least in the short run. They purchase the company lest it should fall in the hands of an unknown new owner.
- b) **The owners** provide for employee financial participation on the basis of their own interests, out of their own will, because they trust that the dividend to be paid after the shares would bring the employees to work more efficiently, to cut costs and to handle their equipment more carefully. Hence, especially large organizations are willing to hand out free shares or, they make provisions for discount-priced purchases of a certain percentage of the shares. Profit-sharing, sometimes coupled with downward pressures on wages, allows to distribute risk between owners and employees. The owners of smaller companies -- which can be purchased from the employees' capital and with, mostly, preferential credits -- are more inclined to sell their property to employees than to an outsider.
- c) In some countries, **the Governments** oblige owners to resort to one or another form of financial participation. (For instance, the wide spread of financial participation in France is explained by the fact that profit sharing is obligatory in companies with more than 100 employees. In Denmark, it was compulsory to set up a Profit Fund as a financial backing to employee share purchases, etc.)

In Hungary, based on what we know so far, the situation is the following:

- a) **Employees** do not sense the potential advantages of financial participation under a steady recession of and a high inflation rate of 36-38 P.A.. They have little confidence in shares which promise an uncertain dividend. Shares -- securities that have been unknown for generations in the Hungarian economy -- carry no promise for the future. Neither wages, nor supplementary dividends have any power to mobilize efforts in an unstable economic environment.

Shares are not really worth investing in -- unless they are handed out free. Bank deposits promise more secure and higher incomes than the economic prospects of enterprises. The most important attraction of employee shares is their presumed role in preserving workplaces.

A 10% or 15% stake in a company does not assure any substantial say in the fate of the company. As a result, those with proprietary ambitions and abilities will opt for genuine ownership by purchasing entire plants or by establishing individual or corporate enterprises.

The assumed potential of job preservation is the most important perceived benefit of the employee shares.

This has become an important consideration especially as unemployment is growing. (By the end of 1991, in a matter of one or one and a half year, the rate of unemployment has increased to 8 percent and the forecasts are gloomy.) The debenture and the share originated from the debenture have become a symbol of hope: he who has shares might not be laid off. As it was noted above, however, this is merely an illusion.

The buy-outs of business units of limited companies are also motivated by the desire to keep jobs and the hope that after the present uncertainty the company might grow and become successful.

For the time being, this optimism has been limited to organizations planning to implement the ESOP program, and even these companies include several regarding the program simply as a way to escape bankruptcy.

The objectives and expectations of different employee strata do not show any appreciable differences. Typically, they are passive observers of what is going to happen to them. The case of managers is different.

The management is the first to be exposed to the new owner. On the other hand: the managers are the number one candidates to buy business units in spin-off limited companies and they have the necessary experience to keep the business going. This strata is the most likely to have money savings, solid family backgrounds, friends and acquaintances. Moreover, due to heir position in the

organization they can play a critical role in initiating the privatization, in the entire privatization process, and eventually in finding a new (co-)owner who is willing to consider their interests. The managers try to get as much property notes and shares as possible. In the limited companies formed as spin-offs of state owned companies the founding members surely include the managers whenever the employees can acquire a stake.

Although they are supposed to assert employee interest, the trade unions were for a long time unable to agree about the employee interests in the privatization process. Several dozens of trade unions are active, however, most of them are lacking a solid social base and their activities are laden by internal disagreements.

The most extreme point of view about privatization was represented by the Workers Councils. This organization named after an union of the 1956 revolution but representing only a fraction of labour demanded to distribute the state assets as a whole. However, this demand did not receive any appreciable support from the people.

The trade union association with the biggest membership did not address the problems surfacing along with the transformation and privatization process. This association formed from the old trade unions focused its actions on wage problems. True, the purchasing power was decreased by recession and inflation and the conditions of living were steadily worsened by growing taxation and the systematic withdrawal of subsidies from the companies (e.g. mines) and the people (e.g. cost of electric power), prompting considerable local and sectoral strains and warning strikes on several occasions.

The traditional trade unions, as historical representatives of industrial labour, supported the above claims. For a long period of time they did not form any opinion about employee participation. Moreover, they had good reasons to fear that their base could be eroded by the decentralization of large organizations and the autonomy of small ones. As the privatization process was slowly progressing and it became obvious that the state wanted to get rid of all or most of its organization at any rate, these trade unions began to support employee share ownership as an affordable scheme for industrial labour.

The League, a syndicate organized from former opponent trade unions, tried to assert employee interests in the entire privatization process. Namely, it wanted the new owners to acknowledge the existing rights, benefits and social allowances of employees; to participate in defining the rate of staff reduction and the liabilities towards the outplaced, and so on. Although such actions increased with the progress of privatization, the trade unions did not represent a considerable power because they did not have the necessary experience and professionals.

In 1991 the National Reconciliation Council was set up. Although it tries to work in a tripartite approach, for the time being its scope is limited and the partners misunderstand their roles. In addition to the position of trade unions outlined above, the roles of employers is also confused. It follows from the actual state of affairs that the employer is represented by managers of state owned companies with ambiguous interests, e.g. they are interested in paying the highest possible wages.

- b) Although for different reasons, the chances of financial participation are equally slim among the four groups of **owners** (i.e., individual-private, corporate-private, cooperative and state). A decisive majority of **individual-private** owners are self-employed or manage family operations. Larger enterprises are extremely rare. Share ownership is not a real alternative in this sphere yet. Among **corporate** private enterprises -- and cooperatives which continue to represent a fairly large percentage --, the concept of financial participation carries an entirely different meaning as, here, genuine shared ownership has been realized in full.

In the case of **state** ownership, where real owners are completely lacking, a bureaucratic organization has been appointed by the Government to determine the degrees and modes of financial participation. Its decisions are not determined by hopes to improve economic performance through employee ownership but an obligation to fulfill, at least formally, political promises made earlier. Due to discount share transfers, the agency is forced to lessen the load of the state budget by restricting the maximum percentage of employee shares at a rather low figure.

In the joint ventures, an emerging fourth form of ownership, several types of financial participation can be implemented as a gesture of the new owners. In this sphere also the employees may take considerable efforts for higher efficiency.

- c) **The Government** is forced to maneuver between various interests and obligations by searching for possible compromises. It would like to fulfill political promises, made by practically all parties, to let employees become property owners while, at the same time, securing indispensable budget revenues from the sales of state assets. Revenue losses due to the unavailability of profits and/or taxes from ESOP companies, along with long-range credits, burden the state budget even further.

It appears likely that, in the unstable Hungarian economy burdened heavily by inflation, recession and the uncertainties of the transition, conditions are favorable only for free property notes or cheap shares. These, however, do not appear to bring about the favorable effects of financial participation known from international comparisons. In addition, financial participation is less promising than the transfer of state assets to responsible and fully empowered owners.

4. Employee stock ownership in a firm.

In what follows I present in broad outlines one of our case studies (prepared by János Hovorka).

The AMFORA glass and porcelain ware trading company was established in 1949 as a state firm. From its ten warehouses located in different cities of the country it offered the products of several domestic and foreign firms.

In the seventies, when the growth of its sales has stopped the firm began to build up a retail network. As a first step of this strategy shops specialized on one product group (on drinking glass, on crystal, on ceramics, on plastic etc.) were opened in the capital. Gradually, a network of retail outlets was built up in the countryside. At the end of the seventies an AMFORA department store was started in Budapest. The retail trade network improved the results of the firm considerably.

At the end of the eighties - under the new privatization regulation for the trade sector - retail outlets (rented premises) with less than 10 employees had to be sold. Employees themselves either could not or would not buy the shops (the fight to rental). The loss of outlets meant the loss of job for 45 employees. 15 of them could be employed at other departments of the firm, but the remaining 30 people had to be fired.

The loss of these outlets resulted in a considerable drop of sales.

The first signs of sales decrease in March of 1991 prompted management for cost reduction in order to maintain profitability. Two alternatives have been worked out: either to reduce both workweek and wages by 10 % or to fire 15 % of the workforce. The Enterprise Council opted for the first, solidarity alternative which entailed across the board wage reduction. Although the firm's performance improved in a few months, employees dissatisfied with the decision left the union. Union membership declined from 98 % to 75-80 %.

Despite the grave economic situation of the country AMFORA is profitable, its assets are increasing, it is financially sound.

For years it has steadily raised wages. In 1988 there was a 8 %, in 1989 30 %, in 1990 a 36 % rise. (For 1991 10 % wage rise was contemplated.)

Pm 1/ pf Ki;y 1001/ A<FORA transformed itself into a joint stock company. 79 % of its principal capital is state assets, 14,3 % is the contribution of the Austrian Landesbank and 6,7 % are set aside property notes (from 1992 as employees shares).

The issuing of employee property notes

AMFORA experimented first in 1986 with employee property notes. At that time it was not legal and the project failed.

The history of this venture is portrayed in the February 1991 issue of the bimonthly AMFORA. "In 1989 the intention of transforming the firm into a joint stock company and of handing out free employee shares was formulated. We set aside for this purpose Fts 35 million from our 1989 after tax profit." In 1990 the transformation could not be effectuated therefore the Fts 25 million were distributed in the form of property notes. When the results of the year 1990 have been handed out freely. The first, "A"-label series of property notes were obtained by employees after the end of 1990 decision, the "B"-series a couple of months later, in the first quarter of 1991. This time the firm issued Fts 5 million worth of payable property notes; the maximum allotment of one person being Fts 300 thousand. Management has several arguments for free property notes and employee shares.

AMFORA journal quotes the most important arguments: "it makes employees proprietors who are directly interested in profit for their dividend depends on it", and in case of termination of the work contract the repayment at face value "increases financial security". (AMFORA, February of 1991. p. 3).

Financial security is mentioned also by daily newspaper Népszava: "Part of financial security is that employees were paid dividend already after the first semester. True, the sum was not large, 4.000 Fts on average but it improved nevertheless the mood of the workers." (Népszava, 12. November 1991). Dividend was 8 % by the way.

The money equivalent of the property notes - Fts 70 million up to now - was left with the firm who can decide on its own how to spend it. The firm relies first of all on short term credits, and by drawing on the 70 million it can speed up repayment of principal and interest. Thereby the profitability of operation can be improved.

Regulations concerning property notes

The regulations concerning property notes determine first of all who may obtain such coupons: only active wage earners of the firm but no pensioners.

However, free property notes were distributed among those who after pension age were still in the employment of the firm. (The amount depending on the length of employment.) A lump sum 20.000 Ft was given in the form of property notes to those on maternity leave and on military service.

When determining the share of individual employees two factors were considered: the number of years in the firm's employment and wages of the previous year.

The starting point of calculation was establishing income brackets. 100 thousand Fts broad brackets were increased by 10 % for every year in employment what means that employment figured as a linear weighting factor.

The regulations concerning property notes tried to constrain differentiation between individual workers as to amount of property notes obtained. The rules on series "A" states that no employee should obtain more than ten times the per capita average. This does not mean that thirty-fold or even larger differences may not arise. Those in the lowest category obtained from series "A" property notes worth Ft 9 thousand, those in the highest notes worth Ft 368 notes thousand.

Beyond free property notes - as we have already told - a maximum Fts 300 thousand worth of property notes could be bought per person from a Fts 5 million fund. Members of the Enterprise Council and the CEO of the firm were obliged to buy property notes. Voluntary buyers too mostly belonged to the group of high ranking (and high income) managers. But payable property notes were not sold out - despite the prolonged period of subscription. Although payable notes earn fixed dividend - higher than other forms of investment. Dividend on payable notes is different from that of free notes. Dividend on free notes depends on the year-end ratio of taxed profit to year-end stock of own assets, bought notes however earn an interest 2 % above the deposit certificate of the National Savings Bank.

Other conditions of free and payable property notes are the same. Property notes - both the free and the bought - are named and endorsable only within the firm, among the employees of the firm. The firm buys back property notes at face value if the work contract is terminated or the worker dies. In this latter case the heirs obtain the money equivalent of the notes.

The principles of series "B" were more or less the same as those of series "A" with slight modifications. Thus, e.g. property notes could no more be bought. Income brackets were narrowed and the amount of property notes attached to individual brackets has also changed - in lower brackets downwards in higher brackets upwards. Distribution of notes was naturally based on 1990 year wages.

According to our calculations the share of the different employee groups from property notes distributed was the following. (Calculations refer to series "A" when the firm had 1005 employees.)

The breakdown of employees according to income brackets

Wages (Fts thousand)	Head	Value of property notes distributed (%)	Average for one employee (Ft)
- 100	358	14,0	13.687
100 - 200	520	52,0	35.000
200 - 300	69	13,2	66.957
300 - 400	26	7,1	95.577
400 - 500	14	4,4	110.000
500 - 600	8	3,4	148.750
600 - 700	5	2,6	182.000
700 - 800	1	0,7	245.000
800 - 900	-	-	-
above 900	4	2,6	227.500
Total:	1005	100,0	34.826

Source: Intra-firm materials

The breakdown of the workforce according to time
spent in employment

Number of years at the firms	Head
1 - 3	247
4 - 8	248
9 - 15	191
16 - 25	209
more than 25	110
Total	1.005

The share of individual worker categories in coupon allotment was more or less the same with the two series. With series "B" lower value allotted to individual income categories was compensated for by the increase of wages in 1990, and longer time spent in the firm's employment. Per capita average for both series was around Fts 35.000. In the lowest category employees obtained Fts 16.800 in the highest category Fts 287.500 worth of property notes.

The transformation of property notes into employees stock

Management contemplated already when issuing the first series of notes that will be transformed when creating a joint stock company into employee stocks. A statement to this effect is included in both Regulations.

The AMFORA Company was established at 1. July of 1991. At the 9. October general session of AMFORA Comp. it was announced that on 1. of January of 1992 property notes will be transformed at face value into employee stocks following the instructions of @ 244 of the law VI/1988. Employees may buy stocks over and above their initial allotment. State Property Agency wants to introduce Fts 600 million worth of AMFORA stock in 1992 on the stock exchange, through the broker firm of Landesbank. From this amount "workers may buy Fts 80 million worth of stock for half of their face value". (Népszabadság, 12. November 1991.) If the workers use the opportunity they may obtain almost 15 % of stocks.

Future employee shares will all be named and endorsable only within the firm the way as with property notes. The shares have a voting right in the general session.

The opinion of the employees

Employees do not appreciate stock ownership as yet. The idea of issuing property notes and employee stocks was advanced by the management. The conception worked out with the participation of trade union was accepted by the Enterprise Council. Information of employees was pursued on two parallel lines. On one hand trade union presented to its members the plans on the other the firm informed heads of departments in a circular about the decision of the Enterprise Council. Heads of department had to inform every employee. The firm's press disclosed the conditions of obtaining property notes.

Employees were only mildly enthusiastic about the news of debenture distribution. They would prefer cash. Employee stock was not needed even for half of its face value for want of savings.

Managers - unlike the rank and file - thought they obtained a larger share from notes because they deserved it by their work. That is why they are in a managerial position. They traditionally stick more to the firm and hope to obtain nice dividend on their stocks. Otherwise they too experience the less of sales and only hope that no further reductions in the workforce will be needed.

The case presented above - and also the others we know about - show only the beginning of a process. We have no true experience as yet. We need years to obtain them.

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OPPONENSI VÉLEMÉNY

KERTESI GÁBOR: Munkások a munkaerőpiacon című kandidátusi értekezéséről

Kertesi Gábor remek munkát végzett. A Munkások a munkaerőpiacon című kandidátusi értekezése probléma-érzékenységgel, a bizonyítási eljárás igényességével, szigorú logikával felépített sokoldalú következtetéseivel egyike a szakma legértékesebb teljesítményeinek.

Mindezért - opponensi tiszteből következően, a későbbi részletes indoklás alapján - fenntartás nélkül javaslom a kandidátusi cím odaítélését Kertesi Gábornak. A tudományos fokozat - esetében - egyúttal hivatalos megerősítése régtől megszerzett szakmai rangjának.

A dolgozat témája a nyolcvanas évek magyar munkaerőpiaca. Három fő fejezete: a vállalatok közötti, majd a foglalkozások közötti bérkülönbségek mértékének és okainak elemzése, valamint a dolgozók egyéni stratégiájának leírása, munkahely-választásuk és munkahelyi kereseti céljaik vizsgálata társadalmi-gazdasági helyzetük, esélyeik függvényében.

A dolgozat a benne tárgyalt kérdések sokaságával immár gazdaságtörténeti dokumentum.

Az igen nagy - Magyarországon a témában valószínűleg az egyetlen ilyen méretű, a vállalati adatokat és 300 ezer fizikai munkás kereseti adatait magában foglaló - adat**á**zison, a matematikai statisztika módszereivel elvégzett elemzések önmagukban is értéket jelentenek. Értéküket azonban növeli, hogy a szerző egyfelől a gazdaságpolitikai törekvések, másfelől a szakmában leggyakoribb, fontosabb hipotéziseket teszteli velük.

Az anyagi ágazatokban 50 fősnél nagyobb cégeknél
foglalkoztatottak számának alakulása
1992. I. és III. negyedévében

ezer főben

Ágazat	1992.I. negyedév fő	%	1992.III. negyedév fő	%
Ipar	920,4	47,0	867,1	46,9
Építőipar	118,7	6,1	111,5	6,0
Mező- és erdőgazd.	308,6	15,8	303,0	16,4
Közlekedés	208,8	10,7	191,5	10,3
Posta- és távközl.	71,7	3,7	73,7	4,0
Kereskedelem	265,5	13,5	240,8	13,0
Vízgazdálkodás	53,8	2,7	53,2	2,9
Egyéb tev.	9,9	0,5	9,7	0,5
EGYÜTT:	1.957,4	100,0	1.850,5	100,0

Adatforrás: Statisztikai Havi Közlemények, 10/1992. 3. old.

Az építőipar és a mezőgazdaság szezonális ingadozásaitól eltekintve, valamennyi népgazdasági ág 50 fősnél nagyobb szervezeteiben tovább csökkent a foglalkoztatás, mégpedig mintegy 100 ezer fővel, s ennek több mint felét az ipar nagyobb szervezetei bocsátották ki.

Az iparban foglalkoztatottak év elejei, 377,8 ezres létszáma az ötven fősnél nagyobb szervezetekben 949,7 ezer fő volt. 1992. első félévében az ipar nagyobb szervezeteiben a létszám 893,6 ezer főre, a harmadik negyedév végéig pedig 867,5 ezer főre csökkent. A szakágazati arányok némileg tovább módosultak.