

WORKERS MANAGEMENT IN YUGOSLAVIA AND
SOCIALIST DEMOCRACY

A Short Account of the way in which self-government in industry is organised and closely integrated into Yugoslavia's system of direct socialist democracy.

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"The common Western European picture of Yugoslav home policy," said Edvard Kardelj, when at Oslo he offered the Norwegian Labour Party an analysis of the Yugoslav concept of socialist democracy, "is that up to 1948 Yugoslav policy and outlook were modelled on the Soviet system, and it was only Soviet hostility in 1948 which set the country on the road of opposition to bureaucratic rule and of support of the democratic idea... But that is a faulty and unobjective picture," he continued, "it puts the cart before the horse... No attempt to explain the specific features of Yugoslav internal development as the exclusive result of a clash in the international field... can explain Yugoslavia's post-1948 developments in the home field."

In all this much obviously depends on the sense with which one imbues the word "socialism". It would seem, roughly speaking, that all the many schools and roads of socialism fall into two groupings. The testing stone is the ultimate aim, that is to say, how socialism is primarily expected to affect the community as a whole.

By one school, socialism is felt primarily to be a matter of alleviating poverty, a system of insurance of the highest possible standard of living for everyone, a more equitable distribution of the national income. This is the time-honoured Fabian conception, that of so-called "bread-and-butter socialism".

The other view of socialism is that it should bring about a vital change in the whole social set-up. According to this school - or rather, the various schools of this grouping - the ultimate aim is to free labour from its present subordination to capital, so that, instead of being merely a tool which carries out the orders of others, the worker becomes an active factor in the making of all decisions which concern the enterprise or service in which he works, whereby democracy is extended from the purely political sphere to that of labour. It is over thirty years now since a well-known socialist thinker said that without the transference of industrial power to the workers any change in the set-up of society "must remain a bureaucratic fraud." This thinker was not a Yugoslav, but an Englishman, namely, Mr. G.D.H. Cole, writing about the system he called Guild Socialism.

Here, from the Yugoslav angle, it may be observed that though the Russian Revolution initially aimed at socialism of this latter type, Soviet realities, as created by Stalinism and admitted by the Fabian Webbs, are much more on the lines of the first school - a system in which a minority of socialist organisers - or, more exactly, a state apparatus - paternalistically re-shapes society, with a minimum of call on

the participation of the masses in that work.

For, Kardelj argued, is it right to assume – as do so many Western observers – that “by abandoning what had looked like the Soviet system, Yugoslavia must therefore, “sooner or later move towards the classical forms of Western bourgeois democracy. This indeed does seem to be a very persistent assumption in the West. At the same time exponents would see in the system of workers’ management of industry merely a sort of socialist icing added to a cake more and more indistinguishable from their own, and not – as it is – an integral part of the general fabric of the country.

Matters are not nearly so simple or even so static in the field of socio-economic change and evolution, and, since in the past generation it has undergone far-reaching transformation, the Yugoslav system of democracy, (and with it the Yugoslav way of life generally), will continue to be completely miscomprehended, so long as there is incomplete realisation of the key position occupied by workers’ management of industry.⁽¹⁾ For in fact the mines, factories, farms and public services of transport and distribution have as working entities undergone a complete metamorphosis. They have developed from mere adjuncts of the social order into its very backbone.

All this is not intended ever to suggest that the Yugoslav trend is towards Guild Socialism. The system which the Yugoslav peoples are evolving is in many respects far from this. But yet it does agree with Guild Socialism in the fundamental premise that self-management of industry by the workers is fundamental and necessary.

The root idea of workers’ management of industry is, of course, by no means new. It is, however, a significant novelty when a country actually makes a consistent effort to put the idea into practice, and – the proof of the pudding, after all, is in the eating – can already show some good results. It is in view of the fact that practical experience of workers’ management of industry has now been gained that this account of the system in Yugoslavia is offered though more in the sense of an interim collection of informative notes than as the elaboration of a thesis.

Up to the Second World War, Yugoslavia was largely an undeveloped country with a capitalist economy. This was

¹ The word industry in this article is used in its broad sense of “productive activity”, and covers not only manufacture, but also publicly-owned transport, handicrafts the distributive trades and agriculture – the working economy, in fact, as a whole.

basically agrarian (over 80%), and almost totally devoid of heavy industry. The war then shattered the little machine industry that did exist; it was of course the Nazi-Fascist intention completely to reduce Yugoslavia to the level of a colonial land producing cheaply primary agricultural products and also, eventually, (again as cheap raw materials) the many nonferrous raw materials of modern industries in which the Yugoslav mountains abound.

Quite apart from any "imitation" by Yugoslavia of the Soviet experiment in nationalisation of the means of production, the mere task of restoring the war devastations in the immediate post-war period dictated vigorous state intervention. For in Yugoslavia, a liberation war which, other causes apart, by mere reason of the unreality of the old Yugoslav social structure, became a revolutionary war by 1945 brought socialist forces to power. The only way at this time in which production could be got going again - and at the same time socialist authority be maintained - was that of creating a nation-wide socialist industry. This in practice, - quite apart from the circumstance that a large section of the old bourgeoisie had played a quisling role - necessarily meant extensive measures of nationalisation, which in the early stages quite simply meant management of the nationalised property by state officials. The machinery of state was in fact the only instrument by which after the Second World War industry could at first be brought into adequate productive activity, and to this extent, in the first stage of development of the new Yugoslavia, it might be said that state management of industry was a practical sine qua non.

In 1945-6, industry, transport, banking and the wholesale distributive trade were nationalised and administration of these by the state apparatus was introduced.

There was a factor of a purely social-political order in the centralism of the early days of the new Yugoslavia, to which Edvard Kardelj particularly drew attention in his Oslo lecture. He pointed out, namely, that "Yugoslavia is a multi-national country," and also that "between some of its parts there are great differences in economic development."

Like the war-time destruction of industry, this factor too worked in favour of socialism in Yugoslavia being understood not in the Fabian sense, but in that of a total re-construction of the community. For, as Kardelj observed, only "a revolutionary socialist movement" could be capable of the far-reaching changes essential to bring so unevenly developed and nationally divided a country "on to the new road of a successful struggle for liberation from backwardness."

In other words, realities equally with theories resulted in

nationalisation of the basic means of production in Yugoslavia being a very radical, a far-reaching process. All the means of production in all forms of industry, transport and distribution are today the common property of the nation. It is only a part - the larger part - of agriculture (about 80%) of handicraft production today that is in private hands.

When this vigorous process of nationalisation was complete, once again realities created policy far more forcibly than policy could ever affect realities. The rapid establishment of the basic pre-requisite of socialism (nationalisation) and the simultaneous rapid development, inevitable and necessary, of a totally new heavy industry on a socialist basis, most acutely focussed attention on the basic problem of socialism according to the other - the non-Fabian - school, namely - who was to manage this nationalised industry, and how?. Was Yugoslavia to continue indefinitely to develop her industries through a centralised state bureaucracy? Or was she to start up some other road?

Here the time factor played a great part. A country starting from scratch late in world industrial development had to hurry. It was not a matter merely of "taking over" existing industry. Nation-wide basic industries, not to speak of secondary industries, had to be created. This brought very sharply into focus the human factor - what in Yugoslavia, is often called "the subjective factor" - that factor which is in Britain largely discussed today under the concept incentive.

By hard realities the Yugoslavs were driven to choose that path which seemed likely to develop to the fullest every individual's initiative and purpose, an aspect of recent Yugoslav developments was given much attention by Kardelj at Oslo.

"Instructions and supervision... in themselves are not a creative force," he said. "The only possible such force under conditions of nationalisation of the means of production is the conscious will to work of the individual, arising from his personal interests, both material and spiritual".

Addressing the Norwegian Labour Party, the Yugoslav Vice-President spoke further of "the long familiar experience of man that a high quality of individual workmanship, spiritual or physical, can never be promoted by outside interference and inspection, but is primarily and principally to be sought in the metal of the producer as a man, the quality and strength of his creative will." Kardelj added that it was up to a socialist society not merely to set that creative will free or ensure its training, but also "to set it on a firm foundation of men's interests, as individuals, as a community, both economically and morally." It was "to be given encouragement by the realisation

of those interests."

Indeed, theories apart, Yugoslavia's practical experience of industrial development by centralised administrative means had rapidly revealed the obverse of the above, namely, what a negative factor bureaucratic control could be, the way it operated as a 'disincentive.' Centralised control, indeed, exercised through a state administrative apparatus, was rapidly blanketing initiative and choking men's will. Nor was this process without ill consequences, rapidly perceived, in the political field. It was not long before the state apparatus instituted to run industry began to exert a dictatorial influence in the political field.

Everything, in short, pointed to the need for a radically fresh start, and on June 27th, 1950, a remarkable and perhaps epoch-making step was taken, by the promulgation of the truly revolutionary - and audacious - law of workers' management of industry.

This law declared a sudden renunciation of state authority on an unprecedented scale. Hostile critics said that such a step, if taken at all, could only be taken very gradually, and preferably in a country which already had a fully developed, well-running industry. The Yugoslav peoples replied that only by such a step could they prosper, hold together, and build up industry. Moreover, they wanted democracy, by which they mean as direct a voice as possible in all decisions affecting them, and they claimed that industrial democracy could never be meted out piecemeal, but solely built up organically, as a living thing.

The working of Yugoslavia's industrial democracy is to be understood through the working of the individual enterprises of all its industries. The starting point is the individual producer, - it is of course assumed that every healthy citizen plays his part in the productive processes of the community.

Here in brief outline is what the new system introduced.

The individual enterprise in Yugoslavia constitutes an entity on its own, and has its own legal entity. All who work in it are a single team. Apart from the one controlling factor that the federal state lays down a general annual economic plan which gives emphasis to any industries which for any reason need stimulating and serves generally as a regulatory factor to inhibit the over-production of any product, what any enterprise produces and very largely how much the men earn individually, depends on its team.

To manage its affairs, the employees of the enterprise workers as well as other staff annually, by secret vote, elect a Workers' Council, numbering from 30 to 12, according to the size of the undertaking. Any employee may be a candidate, with the proviso that the administrative and technical staff may not be

represented by more than one-quarter of the total Council. (If the enterprise numbers less than 30 persons, all employees automatically constitute the Council). Service as a Councillor is unpaid. The Council is responsible for the production plans of the enterprise and the annual account for working conditions, for rules and regulations and order, and also for the distribution of that part of the annual profits which remain at the disposal of the enterprise, (i. e., after various forms of taxation have been paid).

The actual day to day running of the enterprise is in the hands of a Management Board and a "Direktor", or General Manager. The management Board is of a secretly elected committee of the Council, consisting of 7-11 members of this, (but exclusive of the Chairman of the Council), and with the provisos that (a) three-quarters of the Board must be workers engaged in actual production and (b) one-third of the Board is renewed annually, no man standing for election twice in succession. Figures dating from 1953 show that there were then 7,583 workers' councils, with a total of 157,874 members, and 7,573 management boards with 42,561 members.

The Direktor, or General Manager, is chosen by a commission set up by the local government authority, in whose district the enterprise is situated. Candidates for the post of Direktor are found by public competition, and the appointing commission must include representatives of the Workers' Council. The Direktor's status is that of the senior employee of the enterprise, (or senior member of the team), chosen for his ability as an administrator working within the framework of the decisions of the Council and Management Board. He represents the enterprise in all outside dealings. He appoints personnel, and is also responsible for disciplinary sanctions. Though generally expected to carry through all the Workers' Councils decisions, he is also expected to see to the legality of these and in case of dispute may refer what he considers wrong decisions or proposals to the local government body. In practice, decisions of Council and Management Board regarding production policy, marketing and so forth are customarily the subject of discussion between these and the Direktor, who is of course chosen partly for his competence in these matters.

Thus the individual enterprise becomes a self-contained, democratically governed unit which is further democratically linked up with and to some extent controlled by the local government body, on which, it may here be remarked, the opinion of the workers is also represented through that twin part of the People's Committee which is known as the Producers' Council. (The general effect of this interesting innovation will be discussed below).

The worker thus becomes a master-worker in a totally new sense, and on his well-being very directly depends the collective realisation of his individual interests and incentives and those of his mates. For, in the new Yugoslav set-up, labour rewards and commodity prices are not fixed monopolistically by the state on an all-national basis, but by each enterprise, subject to the workings of the free market and the fluctuations in consumer demand.

"All enterprises," Kardelj summarised at Oslo, "are in competition one with another, for the market is a free one. Success on the market is determined by the decisive factors of high quality production coupled with low prices. This pressure of market competition through more favourable prices and better quality, together with a degree of dependence of the material status, of the whole team of workers, indeed, of the whole local community, on market success, is a more powerful stimulus to high quality production than any state supervision could ever be."

This re-establishment of a free market for goods under totally different conditions of production is, it must be remarked, of prime importance in the new Yugoslav economy. There are today only about a dozen basic raw materials and very few commodities, still in very short supply, the maximum prices of which are fixed administratively. Generally speaking, every enterprise is absolutely free to buy whatever it requires where it will and to sell its products as best it may where it will.

Consequently, the success or failure of an enterprise is today very directly dependent on the men and women who actually work in it. It is not only the sheer productivity of their labour, quantitatively, that determines the fortunes of the enterprise, but its quality, namely, choice of the right line or style, the quality of production of this, a competitive price and also sheer marketing ability. This inevitably means that the worker's active interest in all of the policy of his enterprise is fully engaged. Indifference to any aspect of the enterprise's working is bound ultimately to have repercussions both on himself and the whole kollektiv.²

A don't care atmosphere is thereby reduced to a minimum. Flexibility in production is increased. The enterprise as a whole becomes duly sensitive to fluctuations in the market. The sheer wastefulness which seemed unavoidable under centralised planning and administration - inevitably rigid and slow to react

² *The total staff of an enterprise, (i.e., workers, engineers, clerical staff etcetera,) are in common parlance known in Yugoslavia as the kollektiv. The word has many of the implications of the English word team.

to changes in public taste - tends to be eliminated.

It was remarked above that the profits of an enterprise remaining after taxation has been dealt with are at the disposal of the Workers' Council. In barest detail, the following is the way in which the total income of an enterprise resulting from sale of its products, (or, in such enterprises as transport or distribution, from sale of its services), is distributed:

First come the material costs of production, the depreciation fund, and the basic minimum wages fixed by the enterprise for all employed in it. As far as possible, basic wages are based on productivity, i.e., on piece rates. They are drawn up by the workers themselves, through their Workers' Council, taking due allowance of skills and working conditions. Trade unions and local authorities are responsible for approving the scale of wages so proposed. An interesting general rule is that even if an enterprise fails to realise sufficient revenue, (i.e., has sufficient profit,) 60% of the enterprise's tariff of "basic wages" are payable, and, moreover, payment is backed by the community, which in such a case makes good any deficit in the treasury of the enterprise, by a special grant. Any surplus is regarded as the gross profit. But it is not the use of this which is at the free discretion of the Workers' Council. The kollektiv, through its elected organs, disposes only of the net profit. Before any net profit is available, various forms of taxation have to be paid.

In accordance with the basic principle of socialism, by which the means of production and natural resources of the country are regarded as the common property of the community as a whole, the increase of an enterprise, that is to say, its gross profit, is held to be subject in the first place to the common needs of the community. In the first place, then, there is a charge on the means of production (buildings, machinery, equipment and so forth - or rather, for their use). It is considered that not only this rate tends to stimulate good management within the enterprise but is advantageous to the country as a whole, by reducing the stock-piling of machinery and equipment to a minimum. The present rate generally is 6%, but the precise percentage varies and is in any case subject to periodic change of economic policy.

Next comes federal taxation. Latterly the high expenditure on armaments has brought this up to nearly 50% of the profit, though some reduction of this burden is hoped for in the near future.

The requirements of the community as a whole having been satisfied, it is considered proper for the enterprise to contribute more specifically also to more local public needs, and the proportion which local government shall levy as a rate,

to serve together with other local sources of revenue for the needs of the district, (the territory covered under the new system of local government by a commune or union of communes), is a matter for the local government body to decide.

Here it should be said in parenthesis that in the Yugoslav system local government is concerned with much more than mere social services as understood in the United Kingdom. It may establish new industries, it may allocate capital for the furthering of any industry considered advantageous in the area, and in all this it will strive to keep the economy in the area regionally planned and balanced. The latest legislation concerning the communes, (the law of June, 1955,) aims at making the commune the basic territorial self-governing unit of the community, the foundation cell of society, in and by which the citizen's right to participate directly in the affairs of the community - political, or economic, or in such concrete matters as education, health and so forth - is realised. By reason of radical steps towards decentralisation, now-confirmed by statute, the communes have acquired an extremely extensive ambit of jurisdiction, and in this they are autonomous. This has created the preconditions for the local community, or commune, being the social form through and in which the citizen learns self-government business, pursuing in this a road which leads him from being the subject of administration by others to becoming the active prime mover of the most important functions of public administration. At the same time the communes are not, nor may they be, cut off by any sort of barrier one from another or from the national community as a whole. In other words, the new Yugoslav society is not a mere association or federation of communes, but a society based to the maximum on direct democracy, one in which the total administrative-governmental process is realised through a lavishly proliferated system of local units, the communes, which through their self-governmental participation in the self-government of the whole have the role of basic cells.

The corollary to this is a close relationship between the commune and any industrial enterprise (in the widest sense) within its ambit. Neither the commune, or any other organ of public administration, has any right to interfere in the working of any enterprise, but at the same time it does enjoy the right of issuing definite prescriptions laying down the actual conditions within which the enterprise must work. It decides the distribution of profits after deduction of the forms of taxation already outlined, and, as has been pointed out, it is responsible for the appointment of the managing director, or head of the enterprise. Supervision of the legality of the enterprise's working, and resolution of any conflict which may

arise between the managing director and the workers' council, are also within its jurisdiction. At the same time it must be emphasised that the commune has no property rights regarding any enterprise within its territory. The rights and powers which a commune has vis-a-vis any enterprise are not those of a proprietor, but those of the basic organ of self-government of the community, to which alone the enterprise "belongs".

Understandably, this division of the remaining portion of the gross profit between public needs and the narrower needs of the kollektiv of the enterprise is a delicate matter, prone to give rise to much dissension. This however is minimised, and provided with a healthy forum for working out an agreed solution by frank discussion, by the inclusion in the system of democratic representation and government, at every level from the parish to the federal government, of the twin "council of producers" referred to above, a body which in the People's Committee sits side by side with a council representing the electorate directly and merely as citizens, and has an equal say in all economic matters, including the fixing of local rates on industry (i.e., the proportion of the remaining gross profit which the local government body is to make use of). In the Council of Producers all the electorate of the district who function in production are represented (including agriculture and the crafts), including representatives of the particular enterprise whose local rates are being determined. The number of representatives of the two basic branches of the economy, industry in the narrower sense, and agriculture, is determined in proportion to their relative contributions to the total revenue of the particular region. The various industries (in the narrower sense) are each represented proportionately to the number of persons employed in each.

Indeed, in Yugoslav theory the Council of Producers is not regarded as (we quote Kardelj's words) "an indispensable element of socialist democracy under all conditions," but precisely as an instrument which serves a useful purpose during the industrial development of a country both backward in this sense and, where developed, unevenly so. "The most important function of the councils, " said Kardelj, "is in a democratic way to balance the negative influence of retarded social relationships on the democratic self-government bodies..."

The sum remaining after the preceding deductions from the gross profit is the net profit of the enterprise, i.e., the annual revenue which is at the free disposal of the enterprise. This the enterprise may use in various ways on the one hand for modernisation and technical improvements of the particular enterprise - in which, under a system like this, the workers are directly interested - and on the other hand on the "social and

cultural needs of the workers" (i.e., health services, holidays, further education, the arts, sport and athletics activities and such-like purposes) while a portion of this net profit is usually set aside to furnish the supplementary portion of all emoluments. In this way the kollektiv of workers and other employees certainly stand to gain both indirectly and directly from efficient production.

And what, it may be asked, if an enterprise fails not merely to prosper, but even to pay its way? In an expanding economy such cases tend to be rare, but if there is failure, different degrees of decline are recognized. In the first, that is, if a set-back is held to be temporary at least 60% of the fixed wages are payable, and, if necessary, public funds are made available to meet this demand.

If, in the last degree, however, an enterprise proves totally unsound, that is, if failure is absolute, the enterprise may be compulsorily liquidated. This basic economic reason, indeed, is the only cause by reason of which an enterprise may be wound up. Bankruptcy is thus not exclusively a capitalist institution, but may find, its place in a socialist economy like, that of Yugoslavia.

Two other aspects of the machinery of the new system call for notice. The first is the question of capital investment. The aim of Yugoslav socialism is to pass the initiative and burden of this increasingly to existing enterprises - in the sense of their enlargement or extension - and to the local government bodies - the communes or union of communes. Nevertheless, at present a considerable part of the necessary capital resources for new industrial projects is still being provided by the federal treasury or by the treasuries of the six constituent republics. The National Bank is empowered to furnish long and short-term loans, both to enterprises and to local government authorities for industrial expansion, and in this work is expected to apply strictly economic criteria.

The other matter of considerable interest is the position of the trade unions in the new society. These organisations of the workers have by no means been made superfluous by the introduction of workers' self-management of industry. In his Oslo lecture Edvard Kardelj summarised the reasons for the continued existence of trade unions under four heads.

First, they still to some extent function as protective organs. Basic wages are not fixed at one level throughout Yugoslavia, varying from region to region, to suit the highly variable local conditions, they are in all cases determined by the local government body, in consultation with the union of every enterprise concerned.

Secondly, the unions act as a regulating factor "harmonising

the direct economic interests of all workers with the interests of individual kollektivs, striving to ensure that material and other rights are respected equally everywhere..." In this, Kardelj said, "they fight against any tendency towards selfishness by which one kollektiv may try to gain advantages over others."

Thirdly, the unions have an educational role, helping workers to understand their rights and duties in the machinery of self-government in which they take part.

Fourthly, the unions have a general cultural part to play, and "should look after the every-day needs of the worker and employee, including their rest-time and the utilisation of their leisure, organising or instituting such social institutions as rest-houses, sanatoria,, summer hostels, athletics and sports institutions, and so forth."

It will be clear from this account that the Yugoslav system of workers management of industry goes very much further than any form of "co-partnership" or "workers consultation" in industry, and that such socialism is as different as chalk from cheese from Soviet system. Though through a system of direct democratic representation it is firmly and basically rooted in the concrete management of all aspects of an enterprise's functioning, in fact those democratic roots are seen to have much wider and indeed more profound ramifications. Above all, the enterprise is intimately rootgrafted into its local community. It is no system of industrial units, managed by their workers, but detached from the community, and coming into contact with it solely on the market through which it sells its products, but a, system of workers' management in which ever greater emphasis is placed on directness of democracy in local government, and the interests of the producers and those of the community as a whole are closely integrated in more than one way.

In the introductory passages of this paper it was stated that ten years ago the new Yugoslav statesmen found themselves responsible for a country in which even before the war devastation industry in the modern sense had been virtually non-existent. The progress to a socialist democracy has accompanied, not followed, the necessary industrialisation. Particularly those who are inclined to suspect that the direct democratic management of industry by the workers was a premature experiment, bound to hamper progress, it will perhaps be interesting to glance at the rise in production of only two of industry's most basic products. The figures used by Edvard Kardelj in his Oslo lecture may be used. "In 1939" he said, "Yugoslav industrial coke requirements were one quarter of a million tons. That coke was all imported. In 1953 coke requirements were half a million tons, but 53% of that was made

in Yugoslavia... In 1939 Yugoslavia imported 53% of her rolled and drawn steel, but in 1953 nearly twice that quantity was consumed. But only 22% of that greater amount was imported..."

Yugoslav political thinkers now have the conviction based on firm experience not only that state administration of industry leads to various features of state despotism, but also that the management of industry by the workers, when established in forms guaranteeing the maximum of direct democracy, really does seem to solve what at Oslo Kardelj described as "that most important problem of a new political system, namely, how to harmonise the individual interests of the man who works and the collective interests of the community in a system of social ownership of the means of production."