

Exceptionalism and its limits:

The legacy of self-management in the former Yugoslavia

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Introduction

A sizable literature has investigated the impact of communist legacies in Eastern Europe, whether in general (Jowitt 1992; Millar and Wolchik 1994; Ekiert and Hanson 2003; Pop-Eleches 2007) or in the context of labor politics (Crowley and Ost 2001; Crowley 2004; Kubicek 2004; Chen and Sil 2006). Crowley and Ost have put forward the thesis that labor has emerged as a weak political and socio-economic actor in much of the region and have adopted the legacy of the communist regime as their central explanation. In reaction to this, a body of work emerged which has asked whether the Yugoslav system of socialist self-management, as distinct from Soviet state socialism, presents an exception (Stanojević 2003; Grdešić 2008; Meszmann 2008). A small controversy has developed in which the impact of the Yugoslav legacy is seen either as negative (Arandarenko 2001) or positive for labor (Stanojević 2003). This chapter will offer a re-assessment of the Yugoslav legacy and trace its workings throughout the post-communist period in three successor countries, Slovenia, Croatia and Serbia.

The chapter makes two main points. First, the legacy of self-management was important in shaping the fate of labor, but it did so in interaction with certain political and economic factors. The legacy of self-management combined with the character of the political regime and the relative economic strength and international competitiveness of each country to produce three distinct transitional stories. Slovenia, Croatia and Serbia share the same legacy but their fates diverged because of the ways that the legacy combined with different economic and political factors. Therefore, the same legacy can be either a plus or a minus: it can operate differently depending on its context. The comparison is especially stark for Slovenia and Serbia. While Slovenia is a transitional success story and the only East European corporatist or “coordinated” economy (Bohle and Greskovits 2007; Crowley and Stanojević 2011), Serbia presents a case of an “aborted” transition (Arandarenko 2001) in which labor has become quite weak. Croatia presents an in-between case. The legacy was not the sole culprit for these outcomes, but it is part of the explanation: the workings of legacies are best seen in an interactive manner. In other

words, the legacy of self-management separates former Yugoslavia from countries like Russia and Poland, but the legacy itself works differently depending on its context.

And second, issues of timing matter. The early transitional period can be seen as a critical juncture (Collier and Berins Collier 1991), an unsettled period which increased the relevance of elite agency. The choices made by political elites in the late 1980s and early 1990s have sent the three countries on three distinct paths when it comes to patterns of labor politics. It was during this period that a decision had to be made regarding the institutional framework of the old regime and elites in each country chose differently. The legacy mattered more directly in this period too. Yugoslav workers' councils, the key institutional innovation of the regime, were still around. So was “social ownership” of the economy, the Yugoslav alternative to Soviet-style state ownership. Furthermore, workers who were socialized within the old institutional context had clear expectations regarding the direction of the transition. In other words, both formal institutions and ideological orientations, each connected to the legacy of the old regime, were still firmly in place. As the transitional period progressed, early transitional choices constrained future possibilities for both elites and labor.

This chapter proceeds in the following way. Following this volume's common points of emphasis, it looks at the following dimensions that matter for historical legacies: labor incorporation, legacy unions, ideology and labor law. In each section both the Yugoslav practice and the subsequent trajectories of Slovenia, Croatia and Serbia are discussed. The final section discusses the two main points outlined above: first, the interactions of the legacy with other factors, notably economic constraints and political choices and, second, the relevance of timing and the critical juncture of the late 1980s and early 1990s.

Labor incorporation

How was labor incorporated in the political regime of Yugoslavia, and how has this changed since the transition to liberal democracy? Most of the contours of the Yugoslav system would be familiar to any student of communism. In the area of labor politics, this included universal membership in unions subservient to the party. The unions thus differed little from unions elsewhere in the region, including countries such as Poland and Russia. On the other hand, workers' councils were the main innovation of the Yugoslav system. They were introduced after Yugoslavia's leader and dictator Josip Broz Tito

decided to oppose Stalin and the Soviet Union in 1948. Prior to Tito's conflict with Stalin, economic policy had been run in accordance with Stalinist principles of central planning.

After the break with the Soviet Union, reforms of some sort, preferably reforms with Marxist motivations, had to be introduced. Workers' councils, the key component of a broader ideology of worker self-management, were seen as an ideologically acceptable way to differentiate the country from the Soviet Union. This innovation made it possible for the regime's chief ideologues to claim that it was actually the USSR, not Yugoslavia, who betrayed the cause of communism. From the beginning, the self-management project was torn between the partially contradictory goals of giving workers voice and influence, ensuring labor discipline and increasing productivity, and promoting economic development while opening up to the world market (Woodward 1995; Upchurch and Marinković 2013; Unkovski-Korica 2014).

While the trade union was more easily controlled as a centralized bureaucracy, workers' councils were not. What workers would demand in factory meetings was never fully predictable. On the one hand, the regime forbade independent forms of worker organization, just as in other communist countries like Poland and the Soviet Union. On the other hand, the existence of workers' councils meant that workers always had an institutionally available platform they could use to voice their discontent. The increased autonomy of workers' councils was ideologically compatible with efforts to decentralize the economy and allow for market stimuli. As it developed, the Yugoslav model of “market socialism” developed certain traits which are basic to western capitalism but which did not exist in the Eastern bloc: firms were free to set prices and sell their products to whomever they wished. Furthermore, they operated in an environment of open inflation and unemployment. This separates the Yugoslav experience from other communist countries.

Additionally, where economic conditions were favorable, labor incorporation occurred through company level “micro-corporatism.” Those companies that were smaller in size, more capital-intensive, and export-oriented were often characterized by an alliance of workers and management. This alliance could provide a basis for insider privatization once the transition began. Yet, the size of this sector varied: it was strongest in Slovenia and grew progressively weaker as one moved towards the southeast (Woodward 1995). The goal of the insider coalition was to prevent politicians from “meddling” in their

internal affairs, i.e. prevent redistributive flows to other, less successful companies (Comisso 1979). Where the insider coalition was weaker, i.e. in domestically-oriented labor-intensive companies with many employees, workers were more prone to strike.

Industrial conflict slowly became a regular feature of the Yugoslav economy. Strikes were relatively rare in the 1960s and 1970s, but increased in number in the 1980s (see Table 1; Lowinger 2009; Musić 2013). Faced with an economic crisis, rising inflation and stagnating incomes, workers engaged in a series of strikes, triggering a large protest wave. This wave of mobilization was occurring in the context of the country's break-up. Very soon, the relevant political contours were those of independent Slovenia, Croatia and a rump Yugoslavia headed by Serbia. Each new state approached the problem of labor incorporation differently. It is during this brief time window that labor stood to gain the most as the key decisions on privatization and on industrial relations were not yet made. Elite decisions stood to make the most impact too, but how elites handled this increased influence varied from country to country.

In Slovenia and Croatia the first multi-party elections were won by right wing nationalist elites. In Slovenia, it was a loose right wing coalition called “Demos” led by the Christian-democratic SKD (Slovenian Christian Democrats). This new elite attacked the union movement, and especially the old, but now reformed, trade union confederation ZSSS (The Association of Free Trade Unions of Slovenia). A similar trajectory occurred in Croatia with Franjo Tuđman's nationalist and conservative HDZ (Croatian Democratic Union). Although elected in democratic elections, new right wing elites had clear authoritarian tendencies which manifested themselves most clearly when they had to interact with actors from society, such as unions. As in Slovenia, the Croatian trade union confederation SSSH (Union of Autonomous Trade Unions of Croatia) reformed and struck an independent course.

For a time, the new course of the central union confederations placed them under considerable political pressure, as politicians attacked them for their supposed “union unitarism” or condemned them as “Bolshevik residues” (Stanojević and Krašovec 2005, 7; Zakošek 1996, 215). The difference between the two countries was that in Slovenia the nationalist episode was much shorter. While the nationalist and conservative HDZ went on to rule for a full decade in Croatia, in Slovenia power was seized in 1992 by LDS (Liberal Democracy of Slovenia), a centrist and pragmatic party. They ruled for roughly

the next decade. As LDS had very little ideology of its own and did not rely on nationalism to legitimate itself, it welcomed the cooperation of actors such as unions. A practice of social pacts developed, with the first such agreement being signed in 1994, followed again in 1995 and 1996. Initially, the agreements regulated only pay policy but the scope of the documents has grown over time. No such practice of social pacts took hold in Croatia and Serbia.

In Serbia, the first elections brought to power the former communist party of Slobodan Milošević, now renamed SPS (Socialist Party of Serbia). It blended a nationalist agenda with a socialist one, claiming to be both the political force that will defend Serbs outside of Serbia and maintain a high degree of social security. Its authoritarianism was visible in the way it frowned on social and political pluralism, and quickly accused autonomous actors, such as the new unions, of treachery and national betrayal. Economically, Milošević's SPS proved disastrous, leading to hyperinflation and a steep decrease in real wages. The party had warm relations with the old trade union confederation, SSS (Confederation of Trade Unions of Serbia), mostly because the union did not reform and never tried to challenge the government in any major way (Arandarenko 1997, 134-141; 2001, 171-173). Yet, throughout the 1990s, both Milošević's SPS and Tuđman's HDZ enjoyed strong support from voters, including working class voters.

Interactions between the government and the unions were different in each case. Although the Croatian government backed down from its authoritarian approach when faced with large union protests, it never warmed to the idea of bringing the unions on board the reform process, as occurred in Slovenia. In Serbia, the picture was more similar to Russian labor relations under Putin. The official union SSS was included in tripartite bargaining, but independent unions were not, leading to a kind of authoritarian corporatism. Therefore, both Slovenia and Serbia achieved a form of corporatist incorporation: in the former, this occurred in the context of stable liberal democracy and a union movement that had an independent source of social legitimacy, while in the latter it occurred in the context of authoritarianism, international isolation following war, and a trade union that never divorced itself from the party. In Croatia, a third scenario took hold: an independent union movement frequently battled an obstinate nationalist government, resulting finally in fragmentation and internecine conflicts between labor leaders.

Therefore, the same legacy combined with different structural conditions and different political choices to produce three different outcomes. In Slovenia, workers' councils were being replaced with German-style works councils and a developed system of collective bargaining. A relatively favorable economic situation made it possible to extend cooperation to unions, and a stable democratic setting facilitated the new coordinated system of industrial relations. In Serbia, workers' councils were kept in place, but meant little for the daily lives of workers. A dramatic deterioration of the economy, international isolation, politically authoritarian and economically inept elites all combined to produce truly disastrous consequences. Croatia was an in-between case, both in terms of the deterioration of the economy and the damaging impact of the elite. The new regime did away with workers' councils and was reluctant to offer cooperation – whether it be real as in Slovenia or fictitious as in Serbia – to the unions.

Although data on the survival of the “micro-corporatist” alliance of workers and managers in successful export-oriented companies is scarce, it is relatively safe to say that the alliance survived in Slovenia but not in Croatia or Serbia. In Croatia, HDZ sacked those managers it saw as too “red.” In Serbia, Milošević managed to place his cronies in management positions already in the late 1980s (for some evidence on Croatia see Pusić 1992). In Slovenia, the coalition survived and was the basis of insider privatization which transformed social ownership into private property. In Croatia, the coalition was destroyed and social ownership proclaimed legally void with a stroke of the pen. In Serbia, the micro-corporatist coalition was not as common as in Slovenia and the economically successful parts of Croatia, yet there is good reason to think it was largely destroyed there too. Social ownership was allowed to live on, but it ultimately suffered the same fate as in Croatia: it *de facto* became state ownership which needed to be sold to the highest, or at least best-connected, bidder.

After 2000, the stark differences between Slovenia, Croatia and Serbia narrowed significantly. This is mostly due to the democratization that occurred in Croatia in early 2000, and more dramatically in Serbia later that the same year. Yet, out of the three countries, it is only Slovenia which had put in place a system of industrial relations that replaced Yugoslav workers' councils with institutions that resemble German co-determination councils. Further, it was only Slovenia that managed to transform social ownership into private ownership of workers and managers. Croatia and Serbia were still reeling from the choices they made in the early 1990s. Their nationalist detours had cost the working class

dearly.

Legacy unions

As mentioned before, the central union confederation under communism did not attempt to become an autonomous actor. The one exception was the early 1960s when Svetozar Vukmanović-Tempo was the union president. In 1958 the first large strike occurred in the country, in the mine of Trbovlje, Slovenia. In its aftermath, Tito decided to make Tempo, a close war time colleague, the new union president. His war reputation and legendary energy turned the union into an autonomous social force, independent from the party. Many in the party elite disliked the new autonomous and critical orientation of the union (Zukin 1981, 296). He frequently criticized political and economic elites of the time and was even willing to support spontaneous strikes. Despite being in frequent conflict with the federal government he enjoyed the support of the rank and file.¹

Additionally, Tempo put pressure on the federal government and the chamber of commerce to sign tripartite agreements to regulate wages and investment. This form of top level bargaining did not take hold following his departure from the union in 1967. Subsequent reforms moved away from a centralized system of tripartism and industrial policy to a system of decentralized bottom-up bargaining. Anything too centralized reminded politicians of the Stalinist period and was thus ideologically unpalatable. Additionally, regional elites were never able to agree on what the economic priorities should be. It was easier not to bring the issue up at all and depoliticize investment decisions by leaving them up to supposedly neutral and objective market forces. Reforms of the 1970s moved the system in the direction of more decentralization. This was agreeable to the union as it meant it did not have to take potentially controversial public stances. The top levels of the union hierarchy satisfied themselves with dull conferences while company level unions devoted themselves to service provision.

The union's slumber was broken in the late 1980s. As the various republics became independent states, the possibility of autonomous action presented itself. The practically confederal character of the Yugoslav state and all Yugoslav institutions also had repercussions for the trade unions. Slovenia's or Croatia's trade union confederation could cut their ties with the umbrella Yugoslav organization rather easily. All property, manpower and membership that was located on the territory of each successor state

simply became a resource of that particular confederation. In rump Yugoslavia, the Serbian and Yugoslav trade union confederation continued to coexist, though the latter grew increasingly irrelevant with time.

To what extent can the trade union confederations in Slovenia, Croatia and Serbia be compared to the legacy unions one sees in some postcommunist countries such as Russia? Are unions holdovers from the old regime which have not reformed and are holding a large membership captive? This was true only in Serbia during the 1990s. In Slovenia and Croatia, reforms of the old trade union confederation were successfully carried out. Reform-minded factions managed to gain a sufficiently strong base within both organizations and amass enough votes in the first union congresses held after state breakdown. These groups of enthusiastic unionists were crucial for the re-vitalization of unions in Slovenia and Croatia in the early 1990s.

In Slovenia, reforms began already in the late 1980s. In Croatia, they took place in 1990. When the strike wave began to occur in the late 1980s, the Slovenian trade union confederation was the first to recognize the need to support the strikes (Meszmann 2008, 12). Thus, when the first multi-party elections were held in 1990, the union already had a short period of autonomous activity. Even so, challenges were made by new unions, usually formed by breaking off from the old one. The largest of these was Neodvisnost KNSS (Independence – Confederation of Independent Trade Unions of Slovenia). This confederation was allied temporarily with the new right wing parties. Several smaller confederations were also established. Faced with a need for internal reform, ZSSS allowed its members to choose whether they would want to remain members or not. Most decided to stay (Stanojević and Krašovec 2005, 7). After the initial years of turbulence and inter-union conflict, the confederations detached themselves from political parties and, most of the time, acted jointly towards the government and employers.

A similar trajectory occurred in Croatia. In 1990, a reformist faction managed to take control of the old trade union, leading to the formal establishment of SSSH. Groups close to the right wing government manufactured a split and formed an alternative union federation KNSH (Confederation of Independent Trade Unions of Croatia). Not only the pattern, but also the name was the same as in Slovenia. When this confederation detached itself from the government, the ruling HDZ tried to manufacture another

split, creating yet another confederation (Kokanović 2001, 145). Ultimately, these attempts came to nothing and the union movement managed to maintain its autonomy from political parties. SSSH also allowed its members a choice to leave, but most decided to stay (Zakošek 1996, 215). Very soon, by 1992 or 1993, all confederations cooperated in their protests against the government. The unions supported the war effort, since the war was generally seen as a defensive one. This issue in itself did not lead to union divisions as it did in Serbia. However, the government used the war cleverly and cynically to demobilize and defuse discontent: any opposition during war-time could be labeled as unpatriotic and disloyal. This government strategy was also used in Serbia (Gagnon 2004). Since Slovenia was isolated from the war, this was not an option for Slovenia's elites.

A reform faction tried but failed to take over the Serbian union confederation SSS. The crucial congress of the union, which was held at about the same time as in Croatia, ended in a victory of the conservative faction. Worse even than the union's passivity in the face of a steep decline in living standards was the fact that they denounced multi-partyism and supported Serbia's military adventures (Arandarenko 1997, 137). Disappointed by this outcome, most of the reformists left the official union and began organizing new and independent unions. The most important of these was UGS Nezavisnost (Independence), which had an unequivocal anti-war attitude. However, SSS retained most of its members and property. This meant that, unlike in Slovenia and Croatia, the union with the most members and resources would keep itself out of political battles. Therefore, referring to SSS in the 1990s as a legacy union is indeed appropriate. After 2000, they initiated an internal reform and can no longer be called a legacy union.

It should be mentioned that in all three countries trade union membership is declining. This holds even in Slovenia. Currently, about a third of the employed are union members in all three countries. Membership clusters in the public sector, state owned companies and large companies in the private sector. Although inheriting a very large membership base from communist times was no doubt an advantage, this also meant that unions never tried to organize membership drives. In all three countries, most new unions have formed as break-away factions. Attempts to reach out to previously un-unionized workers have not been very successful. A partial exception is UGS Nezavisnost in Serbia, but even this union is rather small.² The new private sector of small and medium enterprises remains practically union-free.

Furthermore, union confederations do not exercise much control over local level unions, nor local unions over members. In Croatia, but even more in Serbia, the early 2000s witnessed a spike in unauthorized protest. Workers engaged in a series of strikes, occupations, demonstrations, marches etc. Most often, the problems had to do either with non-payment of wages or with corrupt privatization.³ The strikes and protests continued in Serbia in the mid to late 2000s. In these instances, the local union was often part of the problem, entangled in corrupt ties with company management. Whether the wave of mobilization was strong enough to reform the corrupt segments of the union movement is as of yet unclear.

Ideology

Yugoslav self-management was the official ideology of a regime that tried to differentiate itself from both Western capitalism and Soviet etatism. The goal of the Yugoslav communists was to navigate between “the Scylla of bureaucratization and the Charybdis of capital” (Kardelj 1983, 92). Even some renowned western scholars had their curiosity piqued by the Yugoslav “third way.” For example, Robert Dahl (1970, 130) called Yugoslavia “probably the most radical alternative to the American and Soviet status quo.” In similar fashion, Carole Pateman assessed to what extent Yugoslavia approximated a “blueprint for a participatory society” (Pateman 1970, 88). Of course, we should not believe that the regime implemented all of its proclaimed goals or that it completely abandoned its authoritarian foundations. As an essentially authoritarian regime with liberalizing and democratizing ambitions it was prone to periodic crack-downs and reversals of previous breakthroughs.

Self-management should above all be understood as an ideological and political promise. On the way towards this end-goal certain achievements were made that need to be pointed out. These achievements were often overlooked by domestic observers as well, as they frequently fell short of official ideology. This constant inability of reality to measure up to the ideals set up by the regime was a frequent source of criticism coming from domestic analysts. The fact that such criticism was possible speaks of the freedoms which existed in Yugoslavia. It is also a telling sign that many intellectuals were sympathetic to the goals of the regime. The grudge they had was that it failed to meet the standards that it set for itself. The story of Yugoslavia is thus a story of a regime continuously failing to meet criteria which it

set for itself. Furthermore, unlike Poland, Czechoslovakia and most of Eastern Europe, socialism in Yugoslavia had strong domestic roots. The communist-led resistance during World War II gave the Yugoslav communists a much stronger legitimation and made socialism much more popular with ordinary citizens and workers.

Workers' ideologies could most clearly be observed when it came to the operation of workers' councils. Luckily, there is a large body of empirical research, both domestic and international, that explored what went on in Yugoslav companies. The stated ideological goal of workers' councils was to give workers full control over the companies in which they worked. Measured by such a yardstick, the councils did not fulfill their role. More than twenty years of domestic research showed that workers' councils did not have the role that official ideology expected. Instead, the distribution of power was skewed in the direction of management in general and the general director in particular (Rus and Adam 1989; Županov 1983; Obradović 1972; Obradović 1974; Arzenšek 1984). Some observers despaired that workers' councils were only a “self-management ritual”, a mere “voting mechanism” (Rus and Adam 1989, 124).

Workers' councils did provide workers the chance for their opinion to be heard and consulted.⁴ They created a sphere of public discussion inside companies which guaranteed that all key decisions regarding the company's future would be discussed and that problems would become public knowledge within the company (Comisso 1979, 116; Pusić 1992, 136). Researchers described workers' councils as “some sort of parliament of informal groups in which interests are confronted more or less openly” (Rus and Adam 1989, 100-101), or as a “forum in which events and decisions important to the life of the company are assessed publicly” (Goldstein 1985, 80). The most systematic comparative research was conducted by the Industrial democracy in Europe research group (see IDE 1992). As Figure 1 suggests, Yugoslav companies did present something of a cross-national exception. Another three country comparison of worker participation, also based on employee surveys, again showed high scores for Yugoslavia (see DIO 1979).

The institution of “social ownership” was the flip-side of workers' councils. Legally, social ownership of the economy was impossible to define: factories belonged to “society”, simultaneously to everybody and nobody. Yet, for workers, this simply meant that they owned the factories they worked in. A strong

emotional connection to workplaces was created (Goldstein 1985, 131-133). To the workers, the company was the center of their identities (Comisso 1979, 62).

Identification with their companies was jumbled up with a sense of frustration about how the companies functioned. It was precisely the workers that were more actively involved that were also more frustrated (Comisso 1979, 175; Rus and Arzenšek 1984, 411). Two comments by workers can help to illustrate this: “When you get into self-management you can't stop. Many nights I couldn't sleep. I used to come home, toss and turn and worry how are we going to solve this, how are we going to solve that.” (Drezga 1982, 47). “I spend most of my free time on these meetings. I have already had problems with my wife. All you do is worry about these meetings [she says], these preparations, you lock yourself in the room. I read newspapers, various materials...” (Drezga 1982, 122). When these high hopes were not fulfilled a paradoxical blend of identification with the company and frustration with it emerged (Goldstein 1985, 73).

After the transition to liberal democracy began, social ownership had to be transformed into some form of private ownership. Since I discuss this policy area in the next section, I will make only brief comments here. Most workers had formed expectations according to which the privatization process should simply formalize that “their” companies belonged to them. A model of insider privatization was envisioned in the last federal reforms from 1989. After a lot of turmoil, a similar mixed model which privileged insiders (workers and managers) was adopted in Slovenia. In Croatia, all “socially owned” property was first turned into state property (i.e. etatized or nationalized) and then sold off to individual buyers. In Serbia, the pace of privatization was slowest, accelerating only after 2000. In both Croatia and Serbia, privatization violated the expectations of workers on what would have constituted a fair transformation process.

Unhappiness with the way privatization was handled led to a spike in labor protest in Croatia in the late 1990s and early 2000s and even more visibly in Serbia in the early and mid 2000s (Bahtijari 2001; Grdešić 2007). In these mobilizations the legacy of self-management is relevant as social ownership created the strong emotional attachments of workers to their firms. At the same time, it is impossible to say exactly how much of this activism is due to the legacy and how much to the new economic and political context, i.e. the double trend of corrupt privatization and democratization which characterized

the 2000s, most notably in Serbia. Protests took on the forms of factory occupations and wildcat strikes and share some similarities with the protests which took place in Russian company-towns in the 2000s (Crowley, this volume). As in Russia, many wildcat protests took place in smaller towns in Croatia and Serbia, where significant proportions of the local population depend on one large local firm.

The company level protests which have proliferated in Serbia, do not seem to have had much of an impact. They were mistimed: the moment to influence the key decisions had already passed. This contrasts starkly to Slovenia where labor protests happened at a more opportune moment, peaking in the early 1990s. The more recent protests have largely been ignored by the media and the government, especially in Serbia. For most of the 2000s, politics in Serbia has been dominated by DS (Democratic Party). Though nominally a center-left party it has proven to be rather disinterested in responding to labor's demands. The central union confederation has also not offered much leadership to the wave of wildcat strikes and factory occupations. In Croatia, the immediate result of the protests and occupations was the creation of the "Office for Social Partnership", a new institutional body which resolves industrial disputes and acts as a labor secretariat for the government. It was created by the reformed communists SDP (Social Democratic Party of Croatia) who won power in 2000. In Serbia, where protests were more numerous, there seems to be no result whatsoever.

The comparison between Slovenia and Serbia is still the starkest. An illustrative example can be used to showcase the differences in the settings which characterize these countries at the end of the second decade of transition. Following the global economic crisis of 2008 and 2009, reverberations were felt in all three countries. In Slovenia, there were two highly visible strikes. One was held at Mura, a bankrupt textile company in an economically depressed region of the country. The other took place at Gorenje, a high-end exporter of kitchen appliances. Elites quickly responded to the strikes. In Gorenje, a wage agreement was made which raised the salaries of workers in the lowest pay grade. In the case of Mura, legislation was passed to provide economic assistance to the region and a new government official was appointed to oversee the process.

In Serbia, the summer of 2009 was especially turbulent. The OECD reported that at the end of July 45 companies with about 30 thousand workers were on strike (SSSS 2010). Similarly to other post-communist countries such as Russia, the main reason for the strikes was non-payment or late-payment

of wages. In the most extreme cases wages were not paid for several years. Yet, the government did not offer much in terms of a policy response. Looking at volume alone, Serbian labor has produced more activism. However, the bar for successful mobilization seems to be much higher in Serbia than in Slovenia. Compared to Serbia, Slovenian labor can win more by mobilizing less, given that it operates in a more favorable economic context combined with a more responsive public sphere.

This would suggest that there is much more room for radical neoliberalism in Serbia than in Slovenia. Yet, on the whole, the rush towards neoliberalism was never as pronounced in the former Yugoslavia as it was in, for example, the Baltic countries. In the early 2000s, international financial institutions exerted pressures on governments to reform labor markets, which is a topic that I will discuss in the next section. But even here the changes were not radical. This may speak to the variation in ideological climate which, though subtle, still exists in Eastern Europe. Neoliberalism is present in the entire region, yet its severity varies across countries. One likely explanation is that observed differences in the severity of neoliberalism are connected to the countries' different legacies (see also Bohle and Greskovits 2007).

Labor law

Yugoslav labor law was centered around the “Law on Associated Labor.” This “little constitution” was the corner-stone of the decentralizing reforms of the mid 1970s. All companies were to be broken into smaller units or BOALs (basic organizations of associated labor), which correspond roughly to divisions. BOALs were then joined into larger units, i.e. companies. The system was very cumbersome and convoluted, and most of its provisions were honored in the breach. This refers especially to the complicated system of bottom-up bargaining according to which BOALs were expected to sign social compacts and self-management agreements with each other and other actors in society (see the blueprint in Kardelj 1983). As a relatively original idea on how to manage an economy from below, the concept of “associated labor” is not without theoretical appeal. But it proved impossible to implement in the Yugoslav context, and already by the late 1980s many were calling for the law to be revoked in favor of more conventional market relationships.

Changes to the basic legal framework began under the leadership of Ante Marković, the last federal

prime minister of Yugoslavia (on the reforms see Woodward 1995). Previously, workers did not sign employment contracts but “associated” their labor. The Law on Enterprises, passed in 1988, re-introduced the basic employment relationship. New labor codes adopted by states after independence went further still. Yet, all the labor codes tried to preserve a fair deal of employment protection. Table 2 gives the data for OECD's employment protection index, a measure (from 0 to 6) that takes into account regulation of dismissals, notice periods and severance pay. Along with Slovenia, Croatia and Serbia, a few other East European countries are included for comparison. There is relatively more employment protection in the countries of the former Yugoslavia than in Central Eastern Europe. However, there is also a trend towards deregulation in all countries, Slovenia included.⁵

Pressures to liberalize labor relations were strongest in the early 2000s. The kinds of neoliberal pressures that were immediately present in East European countries like Poland (Ost, this volume) now became important factors in the former Yugoslavia as well. Because of Croatia's and Serbia's nationalist detours, international organizations saw both countries as laggards in reform (Upchurch and Weltman 2008). Even Slovenia caught up with neoliberal trends, despite the fact that its macroeconomic performance was much better. Pressures to abandon the country's gradualist and labor-friendly path came from both foreign and domestic economists (Rojec et al. 2004).

After a long period of rule by center-left parties, a right-wing party, SDS (Slovenian Democratic Party) took control in 2004 and pushed for a series of reforms. The crown jewel of these reforms was supposed to be the flat-rate tax. Ultimately, labor protest and widespread social resistance diluted the reforms considerably. A large street protest was organized in the center of Ljubljana by the unions in order to attack the flat-rate tax. Similar large demonstrations took place over the course of the next few years to oppose various government policies. Indeed, the viability of the Slovenian “corporatist” or “coordinated” economy seems to depend on the unions' ability to organize street protests and mobilize enough public support to stop neoliberal reforms (see also Crowley and Stanojević 2011, 284). The dropping membership rates of (even) Slovenian unions puts into question the future ability of unions to oppose policy drift towards neoliberalism.

In Croatia and Serbia, the context was quite different. Loans from international financial organizations were made conditional on labor market reform. Severance pay was lowered and notice periods

shortened, making it easier for employers to dismiss employees. Yet, as Table 2 shows, even such liberalized labor relations still compare well with other countries in the region. Unions in both cases reacted with protests and managed to influence the final result to some degree. In Croatia, the conflict over labor market liberalization resulted in the cancellation of an already signed social pact, the first and thus far only such agreement signed in the country. Since the early 2000s the pace of labor market reform has slowed. Yet, the persistence of double digit unemployment rates in Croatia and Serbia makes employers' cries for the removal of labor market "rigidities" a constant factor. In the summer of 2010, Croatian unions scored a victory when they collected enough signatures for a referendum on the government's proposed changes to the collective bargaining system.

The central transition issue was, as already mentioned, privatization. Legally and politically, it was the most complex issue that former socialist countries faced. Given the attachment of workers to their companies, it was also a very personal issue to all workers. In Slovenia, a mixed privatization system gave some shares to insiders and some to the wider population (see Crowley and Stanojević 2011, 280; Mencinger 2004). Privatization turned striking workers into owners and thus had a clear anti-strike effect (Stanojević 2002, 9). Therefore, the large strike wave that began in the 1980s had its resolution in the privatization bill. The strike wave was interrupted in Croatia and Serbia by the outbreak of war, which made it possible for the governments of both countries to ask for social peace while military operations lasted. As already mentioned, war had an unexpected positive side-effect for the elites: they could use it to demobilize labor protest.

The privatization policy favored in Croatia was one of first nationalizing all previously socially owned property and then selling it off to the highest bidder through tenders. It was a highly non-transparent process which excluded workers and eventually led to their disillusionment with the ruling HDZ and long term frustrations with the transition process (Bičanić 1993; Franičević 1999). In Serbia, some insider buyouts occurred during the 1990s and were popular among workers. Yet, on the whole, privatization was slow as the Milošević regime attempted to promote a variety of ownership forms, from private to social ownership (Arandarenko 1997, 98-99). Even so, control of companies was frequently transferred to cronies of the regime, just as it was in Croatia. In the 2000s, privatization followed a course similar to the Croatian one: direct deals with individual buyers, often in a non-transparent way. With labor code reforms on the one hand and privatization on the other, any overt

institutional connection to self-management has been severed.

The relevance of interaction and timing

This chapter has emphasized two main points: first, the legacy is important but it interacted with other forces, most notably political and economic factors and, second, critical junctures are important for subsequent transitional opportunities and constraints. The comparison between the three cases is summarized in Table 3.

Legacies are important, but they never operate in isolation. The same historical legacy, evidenced in the same formal institutions and workers with very similar expectations, was present in all three cases. Yet, only Slovenia built what can be described as a “corporatist” economy. There, the legacy operated in the context of an internationally competitive economy, stable liberal democratic institutions, and isolation from war. This meant that unions could become partners of an elite that did not rely on nationalism to legitimate itself. Furthermore, because Slovenia was relatively well-off, the country could afford to extend cooperation to unions. The institution of workers' councils was transformed into German-style co-determination councils. The institution of social ownership was transformed in a way that respected the expectations workers developed under the old regime, namely that social ownership actually means that they own the factories they work in. The union movement reformed quickly and has since enjoyed strong public support.

Serbia is the polar case. Here, the same formal legacy exists, with the same institutions of workers' councils and social ownership. Yet, the country's initial transition to liberal democracy was a failure and the economic situation – following hyper-inflation, war and international isolation – truly disastrous. The institutions of the old regime were kept in place: both workers' councils and social ownership continued to formally exist even as they slowly decayed. As this occurred, self-management institutions became tainted by their connection to Milošević. The working class in particular has been tainted due to the electoral support it gave to Milošević (although other groups supported him just as much). Therefore, self-management has gone from asset to liability: anything that has to do with workers' struggle is shunned by the public. From a setting that should be receptive to worker demands and initiatives, Serbia has become precisely the opposite.

Croatia presents an in-between case, but with some original twists. The economic situation was not as bleak as it was in Serbia, though the transformational depression was deep. Politically, liberal democracy advanced further than in Serbia, but the atmosphere of war and the nationalist ideology of the ruling party constantly lead to various authoritarian lapses. All institutions of the old regime, such as social ownership and workers' councils, were seen as economically inefficient, legally nebulous and possibly anti-Croatian. When the expectations of workers regarding involvement in company life and company ownership were not respected, long term frustrations on the part of ordinary workers were created. Politicians assumed that the legacy will disappear if all traces of it are struck from the relevant legislation. Yet, the legacy continued to exert its effects, most notably in worker protest driven by strong company-level attachments. Unlike in Slovenia where the legacy manifested itself through new co-determination bodies, in Croatia and Serbia the legacy became visible through factory occupations and street protests. Both cooperation in Slovenia and confrontation in Croatia and Serbia are driven in part by the same ideological orientations and company attachments that are consequences of the old regime's legacy.

In the last decade or so of the transition, actors have tried to undo some of the choices of the late 1980s and early 1990s. Yet, these choices have proven difficult to reverse: the key decisions have been made and have kept the three countries on distinct trajectories. It is important to emphasize that these were indeed choices. Milošević and his party could have chosen not to pursue military adventures in other Yugoslav republics and could have avoided hyperinflation with sound monetary policy. Similarly, Tuđman and his party in Croatia could have chosen not to attack unions as national traitors and could have chosen not to erase all legal traces of self-management. In Slovenia, the centrist LDS did not have to take the unions on board the reform process and did not have to pursue the privatization policy they chose.

Paradoxically, the beneficial aspects of self-management could only have been salvaged if elites acknowledged the need to leave socialism behind. At the same time, this process was a highly contentious and volatile one. In the countries of the former Yugoslavia it was occurring during the critical juncture of the early 1990s, the period when the country was breaking apart and war was beginning. During such moments labor's agenda may not be the only agenda to mobilize. In the

countries of the former Yugoslavia, the alternative agenda was nationalism. Pursuing nationalist paths has sent Croatia, and especially Serbia, on long detours.

All of these early choices constrain what is possible for future actors. With the economic pie now divided, there is little elites can do to address the perceived injustices of the privatization process. As the 1990s in Serbia and Croatia witnessed deep recessions, the space for politicians to extend cooperation to unions has proven limited: they could not afford to do so. For labor activists in Serbia and Croatia, any gains they could have won in the 2000s pale in comparison to what was at stake in the early 1990s, when privatization was only beginning. Slovenian labor had, in this respect, timed its wave of mobilization much better: strikes peaked just as the decision on privatization was being made.

Although the gains of Slovenian labor were substantial, it is not safe to assume that they are self-perpetuating. The coordinated system of labor relations in Slovenia depends on the ability of unions to oppose the drift towards neoliberal solutions. There is no equilibrium which would perpetuate the system – it needs to be fought for politically. Therefore, while crucial watersheds such as the early 1990s are vital, their passing does not signal a self-sustaining equilibrium.

This chapter has dealt with the Yugoslav legacy of socialist self-management, which presents something of an exception in the region of Eastern Europe. It has also aimed to show what the limits of this exceptionalism are. The initial starting point for the Yugoslav divergence from the Soviet Union, Tito's conflict with Stalin, was a highly contingent outcome of international rivalry and may have been possible only in the Cold War era, when defecting regimes could play one superpower off against the other. The self-management legacy offered certain advantages compared to other communist countries in the region, but for labor to truly profit from the transition to liberal democracy, the legacy needed to combine with other factors, both political and economic. Furthermore, these factors needed to come together during a very particular, and rather short time window, i.e. the early transitional years. In this respect, outcomes which are more favorable to labor, as exemplified by the Slovenian trajectory, appear to be highly contingent and difficult to imitate.

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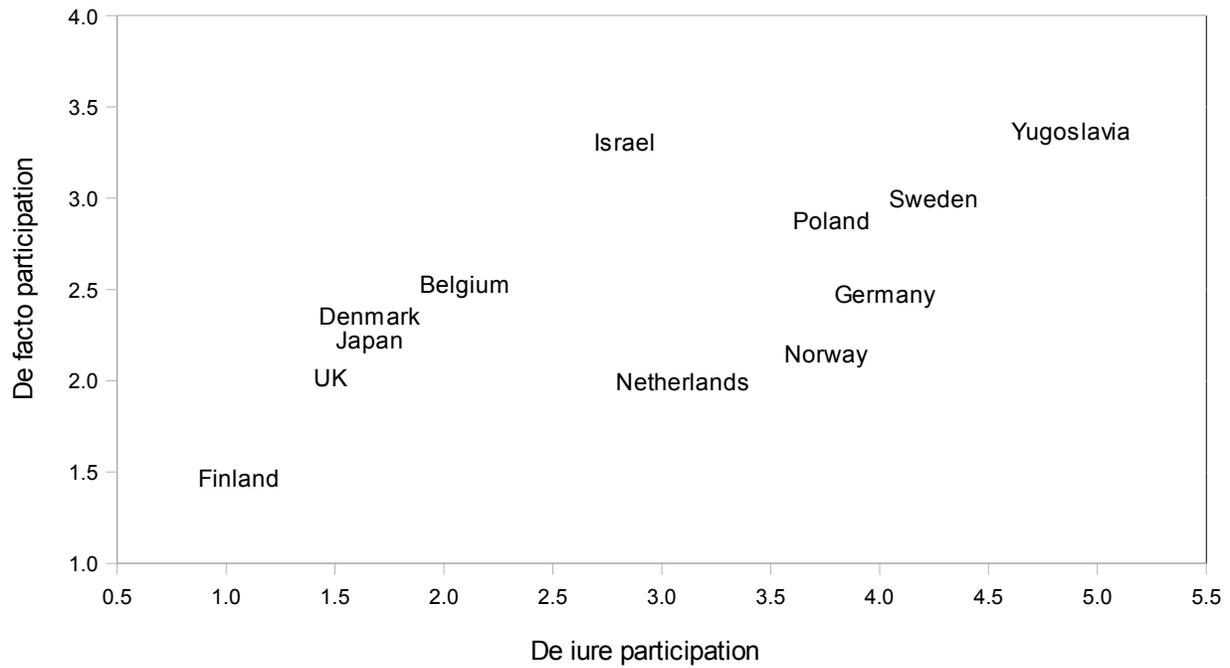
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Table 1 – Strikes in Yugoslavia

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Number of strikes	253	216	174	336	393	696	851	1,685	1,851
Number of participants	13,504	13,507	10,997	21,776	29,031	60,062	88,860	288,686	386,123

Source: Fočo (1989: 62).

Figure 1 – Power of company level representative bodies



Source: IDE (1993, 94). Note: *De iure* participation refers to formalized rules that regulate employee involvement. *De facto* participation is derived from respondents' ratings of how much actual influence exists. Data collected in 1987.

Table 2 – OECD Employment Protection Legislation Index

	EPL index (0–6)	
	1990s	2000s
Slovenia	3.3	2.7
Croatia	3.6	2.7
Serbia	2.9	2.9
Hungary	1.8	1.6
Poland	2.0	2.2
Slovakia	2.3	1.7

Sources: Micevska (2004), Romih and Festić (2008), DGEFA and WIIW (2008).

Table 3 – Similarities and differences between Slovenia, Croatia and Serbia

	Legacy of self-management			Critical juncture of early 1990s					Outcomes (late 2000s and early 2010s)
	Workers' councils	Social ownership	Micro-corporatism	War	Economic crisis	Nationalist elites	Labor protests	Legacy unions	
Slovenia	Yes	Yes	Yes	No	Favorable, after initial transformational crisis	No (only until 1992)	Yes (strike wave peaks in 1992)	No (reformed early)	Insider privatization, industrial relations inspired by German co-determination, social pacts.
Croatia	Yes	Yes	Yes (In richer regions and sectors)	Yes (on its territory)	Unfavorable, deep transformational crisis	Yes (until 2000)	Yes (more in late 1990s, early 2000s)	No (reformed early)	Crony privatization, nationalist detour, conflictual union-government relationship, labor progressively weakened.
Serbia	Yes	Yes	Yes (In richer regions and sectors)	Yes	Very unfavorable, very deep transformational crisis	Yes (until 2000)	Yes (more in mid and late 2000s)	Yes (until early 2000s)	Crony privatization, nationalist detour, labor tainted by Milošević, high threshold for successful labor protest

- ¹ Due to his “monstrous memory” Tempo was able to reproduce in his memoirs numerous statements, even entire conversations. He recalled how one unionist said: “When comrade Tempo was president of the union he would go on television, on the radio. The working class, that is the workers in the work organization, had incredible support for his positions. We were truly thrilled. Twenty workers would come to me in the factory and ask me: 'Did you hear comrade Tempo? Why do you not work like that? Why isn't it like that in reality?'" (Vukmanović-Tempo 1985, 235).
- ² According to Nezavisnost's self-reported numbers, the union organizes up to 10 percent of the employed in Serbia, but this is very likely a gross overstatement. Furthermore, many members are simultaneously members of SSSS. Even so, as Nezavisnost is the only union that tried to follow a more active unionization strategy, this figure puts an upper boundary to what unionizing new members has achieved in the region.
- ³ The most famous case is Jugoremedija, a pharmaceutical company in which workers took over the ownership and management of the firm after a lot of struggle (see Musić 2013: 50-69).
- ⁴ Circulation of information is usually mentioned as the key virtue of the German system of co-determination in industrial relations (see Eichengreen 2007, 32-33).
- ⁵ A further note of caution is that the EPL index considers only formal employment with no definite point of termination. Yet in all the countries of the former Yugoslavia fixed term contracts have become common, leading to a segmented labor market of insiders and outsiders. Slovenia is not exempt from this trend. In fact, in Slovenia the percentage of employees with a fixed term contract is around 17 percent, while in Croatia it is around 12. The leader in Europe is Poland with about 27 percent (data from Eurostat).