

## Chapter 4

# Introducing American labor-management relations concepts in Poland, Hungary and Bulgaria

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After the momentous and historic breakup of the Soviet Union and the fall of the Iron Curtain in 1989, the U.S. Congress passed the Support for Eastern European Democracy (SEED) Act in 1989. The primary goal of the SEED Act was to promote democratic and free market economies by providing technical assistance and other projects to create the infrastructure needed to accomplish those objectives in former communist countries of Central and Eastern Europe, and thereby enabling them to become reliable, productive members of the Euro-Atlantic community of Western democracies. (source: [www.usaid.gov](http://www.usaid.gov))

Under the SEED Act, Congress authorized \$300 million to provide funds to form two Enterprise Funds in Poland and Hungary. Later, SEED Act funding was expanded to include five additional funds. In 1992, Congress expanded the SEED Act by passing the FREEDOM Support Act, bringing the total SEED authorized funding to nearly \$1.2 billion that could be used to finance 10 Enterprise Funds in that region. Those two Acts used Congress appropriated American taxpayer funds to provide all the technical assistance and training projects carried out by the U. S. Department of Labor (USDOL) and other U.S. government agencies in Central and Eastern Europe.

Under the provisions of the SEED and FREEDOM Acts, along with other U.S. government agencies through an interagency agreement with USAID, the USDOL developed and implemented projects in several CEE countries to carry out two SEED ACT actions :

5. Labor market-oriented technical assistance -- technical assistance programs directed at promoting labor market reforms and facilitating economic adjustment.
6. Technical training Programs to provide technical skills to assist in the development of a market economy.

## Part 1: Introducing American-style labor-management relations training in Poland

In the early 1990s my friends and associates in USDOL turned to people like me to help them provide assistance and carry out assignments for them in foreign countries, particularly Central and Eastern Europe. For nearly 25 years I had worked as a consultant on a variety of USDOL projects primarily in the United States. This was my first opportunity to engage in such work for them in the international arena.

To fulfill its responsibility under the SEED Act, the USDOL was commissioned to provide labor-management relations (LMR) training and technical assistance to relevant Polish ministries, industries, and trade unions that supported private sector development and improved the business climate. The USDOL interpreted its mission as helping Poland establish a non-adversarial industrial foundation for labor-management relations (LMR) that supported workplace democracy, helped speed Poland's economic transformation, and provided a good foundation for its future economic strength in the highly competitive global economy.

In June 1992 a USDOL team was sent to Poland to start a pilot program designed to focus on the development of a restructured, tripartite industrial relations system based on the rights of management and labor to determine their own economic relationships without unwarranted government intervention. Afterwards the team prepared a report and recommendations to initiate LMR training and technical assistance. An outline of the proposed project was presented to the Polish government and Solidarity Trade Union for their consideration.

## **Training leaders in new LMR concepts**

In May 1993, John Fiscella and several other trainers from the USDOL went to Poland and conducted the first IBN training for a select group of FSO (automobile manufacturing firm) managers and Solidarity union leaders. Based on the positive responses to the IBN training at FSO, a team of trainers recruited from the U.S. Railroad industry and Federal Mediation and Conciliation Service (FMCS) was sent to Poland to conduct the initial training at PKP (Polish State Railway), Poland's largest employer and Europe's largest freight railroad. The training was held Nov. 12-21, 1993, at Zacopane, Poland, a resort area in Southern Poland. (Feb 14, 1994 Report from C. W. Mann to Gedeon Werner on their training at PKP, Nov. 12-21, 1993 at Zacopane, Poland.)

My involvement in Poland began on January 27, 1994 when I received my first request from the USDOL to participate in a LMR training project at PKP in Poland using funds appropriated under the 1989 SEED Act. That request came in the form of a letter from Gedeon Werner, the project manager for the USDOL's Bureau of International Labor Affairs training assistance project in Poland. (That letter was my first written contact with Gedeon Werner, and it began a long friendship and close working relationship that lasted for a number of years. It was also the basis for my first visit to Poland.)

Gedeon asked me to participate in the development and implementation of the second round of IBN training scheduled as part of the LMR training for PKP. In his letter, Gedeon said, "The task of the team was to introduce the Poles to the step-by-step process of collective bargaining, contract administration, and, if possible, leave them with the "blueprint" copy of an agreement." Unfortunately, because PKP workers went on strike before my scheduled February 1994 trip to Poland could be carried out, the project was postponed until March and then again until May. Gedeon eventually used another team from the U.S. Railroad industry and Federal Mediation and Conciliation Service to conduct the second round of PKP training. My work in Poland would begin somewhat later.

Gedeon Werner, a native Pole who came to America as a young man after being involved in resistance activities against the Communist government at a large state-owned shipyard in Gdansk, Poland, is a fascinating person. His resistance activities forced him to leave Poland and go to Great Britain rather than going to jail. After coming to the United States, he obtained his college training in Michigan, first at a community college and subsequently obtained a Masters degree at the University of Michigan. In 1993 he began working as a project officer for the USDOL's Bureau of International Labor Affairs on SEED-funded projects. In the coming months and years, I worked closely with Gedeon Werner on a number of projects in several CEE countries, especially Poland and Hungary. My job soon expanded to become that of a technical advisor to him on all LMR projects under his direction, and actually helped him design LMR projects and write USDOL work plans for both Poland and Hungary.

After the second LMR training project for the PKP fell through twice because of the strike, Gedeon Werner asked me to make my first trip to Poland for the USDOL May 7-15, 1994, to conduct some LMR training for the Solidarity Trade Union. On May 7, I flew to Warsaw and met with Gedeon. Upon my arrival, I stayed at the Mercur Hotel in Warsaw. A day or two later, we took the train to Gdansk to meet with Solidarity Union leaders at their headquarters. On May 10, I presented a seminar titled "An Overview of Collective Bargaining in a Market Economy" to the leaders of the Solidarity Building and Construction Trades Dept. and Solidarity Foundation. I also conducted collective bargaining training and helped them learn how to draft a model collective bargaining agreement.

As I recall, we stayed at Hotel Hevelius in Gdansk, an old Communist era state run hotel that was adequate, but not much else. I remember walking to a local market nearby and buying my first Polish Sausage on a bun (like a large hot dog) for dinner. The next day I presented a seminar on "Introduction to drafting of collective bargaining agreements" to the leadership of the Solidarity Building and Construction Trades Dept. and several labor lawyers from the University of Gdansk.

Two American trade union leaders were also in Gdansk while I was there, but they came by the Solidarity Office only for the opening ceremonies and then left. I later learned that they were high-level union officials (as I recall, president or vice-president of the Plumbers Union and another one) and they were staying in a newly built private hotel in Gdansk, much nicer than the one where Gedeon and I were staying .

Gdansk is a port and shipbuilding city located in northern Poland on the Baltic Sea and was Gedeon's childhood home town. He took me on a tour of the city, showed me the waterfront, and took me to the gate of the shipyard where Solidarity was founded after Lech Walensa led a strike against the communist managers in 1989. We also visited a local Catholic Church with a wall containing plaques and other items honoring those who had opposed the Communist regime, including a Catholic Priest who had stood up to the Communist government and was eventually killed for his resistance efforts. As part of the tour, we ate lunch at a nice restaurant and walked around the shopping area where there were lots of shops selling amber jewelry.

At that time I did not know that my first trip to Warsaw and Gdansk was the beginning of a long and at times frustrating set of experiences working with the Solidarity leaders, Polish

employers, and other Government officials for more than 5 years, and covered a variety of people, projects and locations throughout Poland and a number of other countries in the CEE region.

During 1993 and 1994, the USDOL carried out several Labor Market Transition Program and LMR projects in Hungary and Poland, and one in Bulgaria. Other aspects of the USDOL labor market-oriented technical assistance in Poland and Hungary included helping to establish or improve the national and local Employment Services, establishing several construction skill training centers, introducing western style collective bargaining training, establishing labor dispute mediation services and facilitating the writing of new labor legislation.

## **Early attempts to promote “Rapid Response” displaced worker adjustment programs in Bulgaria, Hungary and Poland**

By early 1994 there was a real need for worker adjustment services in Central and Eastern Europe (CEE), but attempts to introduce western-style worker adjustment components into CEE countries had little impact because their governments lacked the will to undertake the needed measures to restructure and privatize their economies. In 1993 and 1994, the USDOL had conducted a worker adjustment training project for the Ministry of Labor in Bulgaria, but the government decided not to proceed with the proposed economic restructuring and privatization program. As a result, the worker adjustment component was never fully developed or implemented there. In 1995, as part of a World Bank funded Employment Promotion and Services Project in Poland, the British Department of Employment provided training on worker adjustment techniques to the staff at local employment offices of the Polish Ministry of Labor and Social Policy. But the Polish government failed to carry out the restructuring and privatization program so that component was not fully implemented or widely used.

Unlike the Bulgarians and the Poles, the Hungarian government moved forward with its economic restructuring and privatization program. In January 1994, a USDOL team, using SEED funds appropriated by Congress and made available through USAID to the USDOL as part of an Inter-Agency Agreement, visited Hungary at the request of the Hungarian Ministry of Labor to assess their need for a mass layoff rapid response project to assist workers displaced from enterprises that were downsizing or closing as part of the economic changes occurring in that nation.

William L. Batt, Jr., a long-time USDOL employee, served as a member of the assessment team. The USDOL team’s report was completed in January 1994 and recommended that the USDOL/USAID launch a SEED-funded pilot “Rapid Response” project in Hungary to see if the cooperative labor-management approaches for displaced worker adjustment implemented in the U.S. in the 1980s could work in Hungary. Bill Batt and I had become good friends some years earlier when I worked with him on a number of projects on productivity improvement in the U.S. Intermountain region in the 1970s and finding solutions to worker dislocations resulting from plant closures in the United States in the 1980s.

The USDOL team assessed the need for and feasibility of using the Rapid Response approach first developed and used in Canada and then widely implemented in the United States

in the 1980s. Following the USDOL assessment team's recommendations, a project proposal was prepared by USDOL staff in Washington and resulted in the approval of a "Rapid Response" project for Hungary in June 1994.

Beginning in July 1994, the USDOL hired Maria Heidkamp, an experienced Rapid Response Specialist who directed the Canadian-American Rapid Response Project for the National Governors Association in the mid-1980s and later served as an employee of the Wisconsin Labor-Management Relations Council, to be the full-time on-site Chief Technical Advisor whose job was to organize and run USDOL's first dislocated worker project in Central Europe. Maria later told me that at the outset and for quite a while afterwards she literally ran the project out of the trunk of her car, without any staff assistance and with no office.

Under Maria's leadership and direction, the USDOL's Hungary Rapid Response Project's Worker Adjustment component, emphasizing the creation and use of Labor-Management Adjustment Committees (LMACs) to address the issues of worker and community adjustment, was successfully introduced and tested at five pilot sites. As a result of the growing need for worker adjustment services in other communities and regions, in March 1995 the project was expanded nationwide.

The original design for the Hungary Rapid Response project included an LED component to be carried out by a consultant hired for that purpose. The duties of the USDOL's economic development and financial consultant were to help implement the economic development component by promoting economic development in the communities affected by economic restructuring, plant closures and worker displacement, including:

- Working to build a local economic development coordinating committee composed of representatives from the affected enterprise (labor and management), local business associations, local government, representatives from other economic development projects and others.
- Assisting those groups to identify potential sectors for economic growth and job creation, including possible spin-offs from the enterprise and new product or market development; and potential sources of finance.

Once the Rapid Response project was well underway, a U.S. consultant was recruited to help implement the economic development component. She came to Hungary, gave some lectures and visited three target communities to see if she could interest some people in each of the pilot communities to initiate LED programs. Unfortunately, her initial efforts were unsuccessful, leaving project director Maria Heidkamp without a viable LED component in the project.

The failure of the hired LED consultant's efforts led to my subsequent involvement in the Hungary Rapid Response Project and, together with Maria Heidkamp, the start of the first successful USDOL sponsored LED project in Hungary in June 1996 under the direction of Maria Heidkamp. The full story of how a successful LED component, one that I had developed for the International Labor Office, was first introduced with my help and tested in Hungary as part of the USDOL Rapid Response Project, is presented in Chapter 6.

## **Introducing displaced worker adjustment concepts in Bulgaria**

In early June 1994, I received a request from Sydney Smith, the USDOL project manager for Bulgaria, to be a member of a team going to Sofia, Bulgaria, to participate in a conference on mass layoffs and worker adjustment. On June 19, 1994, I participated in the joint conference organized by the Ministry of Labor and Social Welfare, Republic of Bulgaria, and the United States Department of Labor in Sofia. The title of the conference was "Social Partner Cooperation in Cases of Mass Layoffs in the Transition Period." It was held at a monastery about an hour's drive outside of Sofia June 20-24, 1994.

My first trip to Sofia was an interesting experience. Going to a former communist country like Bulgaria, that some said had a more orthodox form of communism than the Russians, was difficult at best. The airport in Sofia was small and antiquated, with all the control remnants of the old communist system still in place. This meant long lines and long waits to go through arrival procedures administered by unsmiling and unhelpful officials. The Sofia Sheraton Hotel, a former communist run hotel, was also a remnant of the old system as well. Service and food in the restaurants were equally unimaginative and had limited selections.

The USDOL began working in Bulgaria with the National Employment Service (NES) some time prior to my arrival. Unbeknownst to the USDOL, the Bulgarian NES had developed and promoted their own worker adjustment "model," somewhat similar to the Rapid Response approach later used in Hungary. Because the USDOL project manager wanted the American LMR-based rapid response approach discussed at that conference, the NES's model caused a bit of a problem at that conference because the Bulgarians were forced to use the USDOL model at the conference. I do not remember the other consultants who were employed to help implement the USDOL LMR-based worker adjustment model in Bulgaria. I only remember Lee Schore, a woman from California who had been involved in the GM layoffs and plant closure at their Fremont Assembly plant some years earlier.

On June 18, 1994, I flew to Sofia and met with Sydney Smith and the other members of the USDOL team. On June 19 we were taken in a van over potholed roads to the monastery where the conference was held. The monastery had been converted to become a conference center. As I recall, the surroundings were adequate but spartan, befitting a former monastery. The meals were plain but substantial.

On June 21, 1994, I made a presentation, "International Approaches to Worker Displacement and Programs for Assisting Displaced Workers." During the remainder of the conference we attended some work groups where various topics about dealing with displaced workers were discussed and assistance techniques presented.

(It is ironic, but not surprising, that nearly three years later in September 1997 Sydney Smith, the USDOL Project Manager for Bulgaria, decided to propose introducing a local economic development program in Bulgaria and asked me to help sell the idea to the USAID country director and then help design and implement the project once it was approved. The previous USDOL displaced worker program activities that had taken place in 1994-1995 had not succeeded for a variety of political or other reasons, e.g., a change in governments, etc.)

In addition to Sydney Smith and Lee Schore, Sydney also brought Francisco Arango who was being considered for a staff position in the USDOL's Office of Foreign Relations (OFR) to the June 1994 conference. Sydney asked me to observe him during the workshop and make my recommendations to her about whether they should hire him. He appeared to be nondescript, but personable. There was little I could say about him good or bad. But he was not equal to Gedeon or Sydney who were two first-rate individuals and very competent program managers.

Francisco Arango was eventually hired, and I did some work for him when he was the OFR project officer directing Quick Start vocational training projects in Hungary. At my suggestion and Arango's request, the OFR hired Gary Stewardson, a faculty member from USU, as a consultant to work on a Quick Start project in Hungary. On February 22, 1996, Stewardson submitted a "Report on Quick Start CNC Training at Gtb, Hungry, Jan. 20 to Feb. 3, 1996." Eventually, Gary Stewardson was replaced by Kurt Becker, also from USU, who worked for USDOL on some of our subsequent Quickstart projects in Bulgaria and Poland.

After the June 1994 conference in Bulgaria ended, I rode back to Sofia with a British diplomat. The road was full of potholes, reminding me of the badly maintained roads I had experienced some 33 years earlier on the East German Autobahn from Helmstat to Berlin during my first trip behind the Iron Curtain just after the Berlin wall was erected in October 1961. The diplomat began telling me about the criminal element and activity in post-communist Bulgaria and said that he had observed the results of some Bulgarian mob hits several blocks from the Sofia Sheraton during his stay in Sofia. His description of the situation in Sofia did not make the place sound inviting. He dropped me off at the Sheraton Hotel, where I stayed for a day or two until I flew from Sofia to Geneva to visit the ILO.

## **Assessing the status of USDOL's LMR training in Poland**

At the request of Gedeon Werner, I flew from Geneva to Warsaw on June 29, 1994 for my second experience with the Poles. It was really a fact-finding mission to assess the status of the various USDOL LMR projects and to make recommendations as to how the USDOL should restart the project or build on what had been done so far. My flight to Warsaw was uneventful, but my recollection is that the airplane I flew on was an old Russian jet without any amenities. Upon arriving in Warsaw, I took a taxi to the Mercure Hotel, a new hotel operated by a French company. It was a pleasant change from the Sheraton Hotel in Sofia.

Gedeon soon came and gave me a copy of my schedule for the coming days. It was very full, starting early the next morning. On June 30, we spent a full day making the rounds and meeting a variety of people. Our first meeting was with the regional Solidarity Vice President for the Mazosze (Warsaw) Region, who wanted USDOL to provide his staff with some training in business and financial matters. Since many of the government-owned enterprises were being privatized, he felt that his staff needed to better understand the financial dimensions of businesses, as well as learning how to manage their own resources as a union.

The next day I was driven across the river to meet with the union and management officials at the state-owned FSO Passenger Car Factory where I was briefed about how

successful the USDOL-provided training in IBN and productivity improvement during the previous year had been and how FSO management and their trade unions were institutionalizing these concepts in their factory. They talked very enthusiastically about the improvements they had achieved as a result of the previous USDOL training and outlined the training they wanted to receive during the coming year.

The following excerpts from my trip report to Gedeon and his superiors at USDOL provide a good summary of what I observed and learned:

**Where they [FSO and their unions] are now and where they want to go:**

From their perspective, the FSO management and unions are engaged in a process of internalizing the USDOL-sponsored training programs. Training is now underway at the FSO training center to teach the principles derived from the Juran [Quality Control] and the Saturn Excel programs, including workplace training, reforming their quality assurance, and building partnerships between unions and management.

Future plans include launching an 80-hour training program at their FSO training center in September 1994. They want to train FSO employees in all aspects of quality. This training will emphasize TQM [total quality management] and other subjects. Two days of Excel-type training, including practical exercises, will be given at their recreation site in Warsaw. Following those two days, subjects such as team development, theory of product and work quality, and other issues relating to quality according to Juran will be covered. (The FSO has received permission to use Juran training materials in Poland.)

During the first quarter they plan to train FSO employees. Thereafter they plan to train people from other Polish companies (including GM-Poland). Their plans include two week sessions to train approximately 800 people. (GBH Trip to Poland, June 1994)

Specific assistance that the FSO company and unions wanted in the coming year included: obtaining professional assistance to advise and monitor their implementation of “Excel” and other training programs provided by GM and others; facilitate employer-union and government cooperation; expand their training center’s capabilities and capacity to better serve their own training needs—and eventually those of outside groups; and, finally, share their training expertise and facilities with others.

At the time I was meeting with the FSO managers and union leaders, as a result of their previous USDOL training, the FSO company had adopted and wanted to continue using the “American way” in its labor-management-relations approach as GM was expected to buy FSO. However, as it turned out a Korean automaker outbid GM and purchased the company, and the new owners soon jettisoned the “American way” and implemented the “Korean way.”

In 1997 I wrote a paper about the USDOL experience in assisting FSO, and presented it at an International Industrial Relations Conference held in Dublin, Ireland. (“Introducing non-adversarial industrial relations concepts in Central and Eastern Europe: The FSO case in Poland.” Presentation at the Fifth IIRA European Regional Congress—The Employment Relationship on the eve of the Twenty-First Century—in Dublin, Ireland, 27 August 1997. That paper provides a good review and analysis of the early USDOL LMR work in Poland.

After my visit with FSO, I met with Elzbieta Sobotka, a bright, articulate young woman who was then an advisor to the Polish Minister of Labor. She was proud of being a Pole and



wanted me to know that she was not about to “kowtow” to anyone or let them tell her what she should be doing in her job. Fortunately, she was also very interested in obtaining training in Industrial Relations and other matters concerning the training needs of government ministries, businesses and unions in Poland. However, she made it clear that training should be provided for *all* unions, not just Solidarity, the darling of the U.S. labor movement at that time, and they did not want to involve the old communist-dominated unions. Her position caused problems for us in the conduct of our various LMR projects in Poland.

Based on our discussion, Elzbieta stated that by August 1, 1994 she would submit a proposal to the USDOL that would include the following types of training to be provided by USDOL trainers in Poland during the remainder of 1994 and 1995:

(1) additional training for mediators; (2) expansion of the IBN training for the auto industry to other industries such as steel and railroads (restarting the training at PKP); (3) initiation of other forms of cooperative labor-management training in productivity improvement and cost-saving techniques for the railroad and steel industries and other firms undergoing restructuring; and (4) IBN training for the state budget ministries, starting with education and health. (Report of GBH Trip to Poland, June 30-July 7, 1994)

On July 1, I met with Henryk Pawlowski, Deputy General Director of PKP and Bogdan Kubiak, VP of Solidarity Union’s Railworkers’ Union. I reviewed the USDOL training that had been provided at Zaconane the previous year, and then enquired whether they wanted more training or help. Both of them said they were very pleased with the previous training and stated that in spite of the strike the previous training had been helpful in getting the parties back together and to begin working on some of the issues of concern. Consequently, they did want to resume the training in the coming year.

## **Evaluating the prospects for ESOPs and worker ownership in Poland**

After spending the weekend in Warsaw seeing some of the sights, on Monday Gedeon hired a car (with driver) and we drove to Ostrowiec Steelworks to meet with managers of the company and leaders of the local Solidarity union. Prior to our visit, a Polish government-hired Canadian consulting firm had written a report about the future of this Steelworks and recommended that it be closed. The seven or eight people we met with wanted to convert their division into an employee-owned company and wanted our help in learning how to manage their business as a private worker-owned enterprise. They said that the steelworks had been profitable and able to sell steel in the international market during the communist era, and they thought that they could do it again. But they did need some training on how to work together to manage their enterprise and market their products. In my report on that visit I recommended that the USDOL provide some help to them.

On July 6, I flew by air to Wroclaw in Western Poland with Gedeon and my translator. Marcin Zudmuki. Upon our arrival we met with Mr. Lazonowski, Vice President of the Solidarity National Building Trades Secretariat. Gedeon asked if they would like to participate in some LMR training seminars and workshops in the coming fiscal year that could be provided by the USDOL. They were very cordial and told us that they definitely would like USDOL to provide some training.

After our meetings, Gedeon, Marcin and I went to a local brew pub for lunch. It was fascinating to see Gedeon operate on his home turf and especially to hear his frustrations and running commentary about his former countrymen. During the meal there was a little container that resembled the bottom half of an egg cup set by each of our plates. It was filled to the top with something that looked like butter, but was grayish in color. As Gedeon was slathering it on a slice of bread, I asked him what it was. He said it was lard and that as a child it was a staple in his home. He also commented that as a child he had carried sandwiches to school with lard on them and had traded his sandwiches to some other children for food items that were different than his lard covered bread. (His exposition about eating lard-covered bread reminded me of the lard that we had rendered from a pig that I had raised when I was growing up. We had used our lard to cook donuts in.) Gedeon also told me about going to the railroad yards as a youngster and scavenging coal that had fallen off train cars and carrying it home in a burlap bag.

After we finished our meal and gave the waiter money to pay for it, he came back to return our change. Gedeon immediately proceeded to explain to him why it was important to give the customers some small change, not just a big bill. This way the customer would be more likely to leave him a tip. Gedeon was always trying to teach the locals how to function in a market economy, and he was frequently frustrated in his efforts. His actions reminded me of the same behavior that had been exhibited by Jurgen von Muralt, Head of the Enterprise Department of the ILO, when we were in Kiev, Ukraine in May 1993 conducting a training seminar on cooperatives. He too was always trying to teach the waiters in the hotel restaurant how to make their establishment more appealing and customer friendly by putting butter and jam on the table for breakfast, etc.

After lunch in Wroclaw, we drove around the city and Gedeon showed us where the German High Command had their headquarters during their WWII occupation of Poland. We then took a taxi to the airport and flew back to Warsaw. The next morning, on July 7, I took a taxi to the airport and flew home. Later, I wrote and submitted a trip report to Jim Perlmutter and USDOL about the results of my trip.