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## **A Case Study of the Evolution of Post-Soviet Labour Processes and the Hollowing Out of Paternalism**

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# A Case Study of the Evolution of Post-Soviet Labour Processes and the Hollowing Out of Paternalism

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## Abstract

During the Soviet era, directors and workers derived mutual benefits from concealing true capacity, hoarding labour and just fulfilling an enterprise's plan. In an environment of labour shortages and guaranteed markets, managers used informal mechanisms to reward and retain good workers given the absence of unemployment and meaningful wage differentials as mechanisms to discipline workers. This cultivated a paternalistic set of relations between enterprise managers and workers that, it is argued, are being hollowed out in the post-communist era. This is explored in a case study of evolving labour relations in Moldova. Casualisation of the workforce has been used as a buffer against greater instability in both the supply of raw materials and demand. Such a strategy has become feasible as enterprises, such as the case study firm, now have a large pool of external surplus labour on which they can draw. However paternalism has not been hollowed out fully but rather a split-level realignment is documented.

## Key Words

Labour relations, Moldova, paternalism

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## **1. Introduction**

Since the break-up of the USSR, post-Soviet economies have been characterised by a decline in output, rising unemployment and a growth in poverty (World Bank, 2002). With the collapse of central planning, enterprises have had to develop appropriate human resource management (HRM) practices in an environment of falling real incomes. A decade on from the collapse of the Soviet Union, it is therefore appropriate to explore the nature of post-Soviet labour processes and identify how transition to a more market-based economy has reconfigured labour relations. However, despite lengthy discussions on the problems of transition in post-Soviet States and notwithstanding some notable exceptions (Clarke, 1995), little is known or recorded about the nature of contemporary labour processes in these countries (Pollert, 1999). While secondary data does give an indication of macroeconomic performance and registered unemployment, it gives little insight into the evolution of the labour process at an enterprise level.

Within this context, the paper seeks to contribute to two debates. First, it adds to the literature on the reconfiguration of labour processes in post-Soviet economies by presenting an in-depth case study of the evolution of HRM practices in one Moldovan food processing enterprise. Moldova has undergone a particularly painful transition and is currently classified as the poorest country within Europe (World Bank, 2002). Despite a huge contraction in production there have been few attempts to document transition at the enterprise level. Second, the paper seeks to contribute to a wider debate on the viability of paternalistic labour relations in contemporary economies.

The article is organised as follows. Section 2 places the research in the context of Soviet labour processes, theories of paternalism and then summarises the main features of labour markets in post-Soviet Moldova. An overview of the case study enterprise is presented in Section 3. This is

followed by an analysis of the evolution of labour processes in Section 4 and conclusions on the hollowing out of paternalism are drawn in Section 5.

## **2. Research Context: Soviet Labour Processes, Theories of Paternalism and Labour Markets in Post-Soviet Moldova**

The Soviet system was based on a view of the enterprise 'not as the physical form of capital to which the minimum necessary number of workers are attached for as long as they can be profitably employed, but a view of the enterprise as a labour collective' (Schwartz, 2002, p.3). This led to a very different form of labour relations than that which is present in market-based economies and the specific features of labour processes during the communist era have been documented extensively elsewhere (Arnot, 1988; Filtzer, 1994). These features will not be discussed in depth here but it is useful to outline certain characteristics to put later discussions in context.

During the Soviet era returns to labour could be divided into three main components:

- a) *Basic wages subject to wage levelling.* Under the Soviet constitution all citizens were guaranteed employment and this was a central pillar of ideological arguments that 'actually existing socialism' was superior to capitalism. Wage levels were determined by the state. For example, manual workers had their jobs classified according to centrally set scales with, usually, six skill grades. Within each scale, the grade determined the basic wage. For white-collar workers, there was a similar, but more complex, system of grading and a range within which firms could set the wage (Katz, 1999). There were also different scales for different sectors so that in high-priority branches, like heavy industry and mining, rates for similar jobs were higher than in low-priority sectors, such as services.

- b) *Premia and piecework payments*: these were based on norms with bonuses for plan fulfilment (Rofe *et al.* 1991). Incentive systems varied from group-based schemes (centred on the brigade) or more individualistic systems, such as embodied in the Stakhanovite experiments of the 1950s and 1960s.
- c) *Non-monetary benefits* such as access to housing and social services. In an environment of shortages where money was not a universal means of exchange, and direct provision through enterprises was very important.

As premia payments were linked to fulfilling targets laid down in an enterprise's plan, which was formed through a bureaucratic dialogue between state planning agencies, ministries and enterprises, it was rational for both the enterprise directorate and workers to negotiate as favourable (i.e. low) targets as possible. To negotiate low targets there was thus an incentive to conceal the real capacity of a plant and hoard excess labour to make it easier to meet the enterprise's plan. It was also rational in most cases for workers to only just fulfil the plan rather than exceeding targets dramatically as in the latter case it was more likely for future targets to be uprated (the ratchet principle). Fulfilling the plan may therefore have been a better indication of the ability of a directorate's ability in negotiating the bureaucratic process of plan compilation rather than their ability to manage and stimulate production (Arnot, 1988)

Given the incentive to hoard labour, labour shortages abounded so that the number of employees called for in enterprise plans consistently exceeded the actual number of workers (Arnot, 1988). For example, to give an indication of the scale of the issue, Cherevan (1982) estimated that during the period of the Ninth (five-year) Plan over two million workplaces never reached their full complement of staff. In this environment it was rational for enterprise managers to curtail labour turnover. This meant that managers would be both less inclined to raise the intensity of

work norms (on which premia were based) and also disposed to manipulate norms in order to ensure that workers received the premia in order to retain them. Enterprises would particularly hoard auxiliary, service, repair and maintenance workers to help ensure that the typically frequent breakdowns of production lines were not be too costly.

During the Soviet era, wages were also subject to levelling (a reduction in the differentials between skilled and unskilled workers). For example, Manevich (1985) noted that in 1940 highly qualified workers in the USSR received wages twice that of the average worker, but by 1983, the differential had fallen to approximately 10 per cent. This meant that returns from higher education were typically low and the gap in payments to 'good' and 'bad' workers was insufficient (Bunich, 1980). In this situation, managers would often attempt to retain 'good workers' by selective access to non-monetary benefits such as scarce housing and the health care and recreational facilities controlled by the enterprise. With very few formal incentives and disciplinary powers, as Morrison and Schwartz (2002), note managers had to make use of their ability to selectively allocate these social and welfare benefits to motivate and discipline the workforce.

It is argued that at the enterprise level that this system promoted a paternalistic set of labour relations between enterprise managers and their workers. Paternalism may be defined as:

A system of management under which...a workforce [is] dependent for more than just the wages exchanged for work. It is a system that must always be seen in terms of a method of worker control gained through obscuring the commodity status of labour as workers are treated less impersonally and receive more in exchange for their labour than the free market alone would supply (Wray 1996: p.175).

Paternalistic labour relations are therefore a mixture of coercion and consent, based on economic dependence and ideological deference (Joyce, 1980). Managers legitimatise economic and political inequalities by claiming that they act in the best interests of workers so that work itself

is not only perceived as a 'cash relationship, but also engenders a sense of obligation and gratitude to the employer' (Chou, 2002, p.561). Paternalism therefore presupposes unequal access to resources so that the paternalistic employer provides access to goods and services that employees would be unable to gain on their own, which as Abercrombie and Hill (1976: p.418) note 'is the basis of their dependence.'

Paternalism has been evoked to describe labour relations in a diverse set of contexts ranging from factory towns in mid-Victorian Britain to the contemporary human resource management practices of certain multinationals (Ackers, 1998; Chou, 2002). However, as Newby *et al.* (1978) noted, paternalism does not exist within a social vacuum - it is embedded in a particular system of social stratification so that certain structural conditions are more conducive to paternalism. In market-based economies, the viability of paternalistic labour relations have been perceived to have waned during the Twentieth Century as the state has taken on the role of providing universally available education, housing and health, undermining the importance of company based social services. Moreover, paternalism often depended on weak or on-existent trade unions (Ackers, 1998; Ackers and Black, 1991) and strong family ownership, conditions that have become successively less prevalent. In the UK, the decline of paternalistic practices in specific workplaces has often been sudden and traumatic, catalysed by major redundancies or a strike (Ackers, 1998).

It is argued in this paper that Soviet central planning provided a set of structural conditions that were conducive to the development of paternalistic relationships between enterprise managers and workers. This notion has been explored by Clarke (1995) for labour relations in Russian industrial enterprises although it is important to note that paternalism was still 'a system of control' (Fox, 1985). In return for guaranteed employment and low labour turnover, managers

would attempt to ensure that enterprise plans could be easily fulfilled and that 'good' workers could be rewarded with access to scarce housing, health care and other benefits. In an environment of a shortage of skilled workers, wage levelling and many social services being controlled by enterprises, informal control mechanisms became critical. Trade unions, rather than undermining paternalism, did not challenge the political legitimacy of the ruling elite or the enterprise directorate. While the primary function of the trade union was supposed to be the mobilisation of workers to intensify production, its main managerial activity became the administration of social and welfare provisions (Borisov *et al.* 1994). The trade unions thus rather than challenging paternalistic relations acted to reinforce them.

Transition in Moldova has been particularly painful. In 2002, the average nominal wage per month amounted to 691.9 lei (€60.0)<sup>1</sup>. Considering variations in wages, the average monthly wage was higher in the private sector (€68.6) compared to the state (€48.2) and returns to labour in agriculture (€34.7 per month) were particularly low. Expenditure on food and beverages accounts for around 60 per cent of average disposable income. The *Departamentul Statistica si Sociologie* (2002) estimated that the subsistence minimum income required per person to obtain a basket of the food and non-food goods necessary to satisfy the most basic needs was equivalent to around 530 lei per month (€46.0) in 2002. Using this benchmark, around 78.3 per cent of the population were living below the subsistence minimum.

Registered unemployment in Moldova is, however, low. The official unemployment rate in 2002 was just 2 per cent and if the International Labour Organization definition is applied unemployment stood at 5.8 per cent during the third quarter of 2002. However, in this year the average unemployment benefit was only 122.4 lei per month (€10.6). This is equivalent to about

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<sup>1</sup> *Leu* - Moldovan currency unit (plural form *Lei*). 1 euro (€) was worth 11.53 lei (2002).



20 per cent and 30 per cent of the average salary and subsistence minimum respectively. It is likely that the very low level of unemployment benefit in part explains low registration and a more telling figure may be that in 2002 some 244,000 persons were officially declared as working or looking for work abroad (*Tendinte în Economia Moldovei*, 2002). Unofficial estimates put the level of unemployment and out-migration as much higher, with the latter biased to the better-educated and younger cohorts of the population (Prohntichi, 2002).

### **3. The Case Study**

The Moldovan Fruit Company (MFC) is the principal focus of this paper.<sup>2</sup> MFC was chosen because it is a domestically owned, medium sized company that illustrates the evolution of labour processes in the post-Soviet era. The company gave the research team access to interview a 'vertical slice' of employees (Greene *et al.* 2001) from senior managers to auxiliary staff and examine documentary records over an eighteen-month period.

MFC was founded in the late-1940s and expanded in the late-1970s when, on a new site, a more technologically advanced factory was built to process, can and bottle a range of fruits, vegetables and juices. During the Soviet era, Moldova became an important net exporter of agri-food products to other republics of the USSR and the agri-food industry was by far the most important branch of the economy. The importance of this sector is still apparent. Unlike most transitional economies, Moldova has witnessed a sharp increase in the numbers employed in the agri-food industry during transition. This has been accounted for by a collapse in manufacturing and engagement in farming as a 'buffer' against absolute destitution. By 2001, 50.9 per cent of the total labour force in Moldova was engaged in agriculture and related industries (*Tendinte în Economia Moldovei*, 2002).

From the demise of the USSR until 1994, MFC remained in state ownership, operating under the organisational form of an 'enterprise under rented ownership'. In 1994, MFC was reorganised into a joint stock company and included in the state programme of mass privatisation. Under this programme shares were divided between employees (45.7 per cent), the suppliers of the factory (32.8 per cent) and the Ministry of Privatisation (21.5 per cent). The amount of shares issued to employees varied according to the period of time they had worked in the factory and their salary level. The management team remained chiefly the same as in the Soviet period. The suppliers of the factory were principally large state (*sovkhoz*) and collective (*kolkhoz*) owned farms. *Sovkhoz* and *kolkhoz* farms dominated agricultural production during the Soviet era in Moldova with their directors having considerable political clout. MFC was typical of other privatisations in Moldova in that 'insider led' privatisation predominated (Djankov, 1999).

By the end of the 1990s, the company was processing around 100,000 tonnes of raw material per annum, including 10,000 tonnes of vegetables per year. The company produces juices, jams, compotes, tinned fruits, pickled vegetables and tomato paste. Whilst it has a broad product range, around 80 per cent of its final output is derived from the processing of apples (into juice and preserved goods). The factory can process approximately 40 tonnes of apples per hour and it produces about 11,000 tonnes of concentrated apple juice per annum. In most years, in excess of 70 per cent of the concentrated juices manufactured are exported.

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<sup>2</sup> The fictitious name of MFC has been adopted to preserve the anonymity of respondents.

#### **4. The Evolution of Labour Processes at MFC**

##### *Labour Processes at the end of the Soviet Era*

By the end of the Soviet period the mixture of guaranteed employment, wage levelling and low real salaries, led to a situation, according to both managers and production workers, of staff lacking adequate motivation. At this time, the factory had approximately 667 employees of which 102 were administrative personnel. The permanent staff was supplemented by the use of students as seasonal labour and the allocation of such resources was directed by the state. The level of salaries depended on the classification of an employee into one of three bands:

- a) Administration;
- b) Workers involved in main production;
- c) Workers involved in auxiliary activities and services.

The salaries of the administrative personnel were calculated according to a set of tariffs and grades that were linked to educational achievement and the number of years worked. Administrative personnel received a premium once a trimester depending on whether planned production and sales targets had been fulfilled.

During the Soviet period, employees in category *b* (workers involved in main production) received their salaries in conformity with the collective agreement, i.e. the brigade received a sum for basic wages and this was divided among members. In addition, at the end of each month or trimester an additional payment was available according to the quantities produced and sold. Workers involved in production also received a payment for unproductive time (*prostoi*) e.g. when the production line was not working due to reasons beyond their control. Workers involved in auxiliary services received their salary according to the amount of time worked

(*povremennaia*). Once a year (as a rule in March), a 13<sup>th</sup> month of salary was paid depending on the calculated final results for the production year.

These procedures continued to operate in the first year after the break-up of the Soviet Union, but by 1993-1994 the factory faced serious problems as the sales of its products fell due to its old-fashioned packaging and labelling. As a result of declining sales, the real value of salaries decreased drastically. In this period many employees left the factory, which ameliorated the problem of over employment. This restructuring based on voluntary job quits can be seen as piecemeal adaptation, or to use Carlin *et al.*'s (1995) term 'reactive restructuring.' It did not initially involve 'deep restructuring' incorporating major changes in technology or managerial reorganisation.

#### *Labour Systems A Decade Later*

During the mid-1990s, MFC adopted a new set of HRM goals. It sought to reduce the fluctuation of workers and more effectively motivate seasonal workers so that they worked on a regular, annual basis for the company. This provided the factory with access to qualified personnel but on a seasonal basis and thus reduced labour costs. Unlike during the Soviet era, MFC is no longer supplied with seasonal workers and students by the state. To deal with these challenges it was felt that an adjustment was required and as a result the number of employees fell. By mid-2002, the factory had 557 employees, of which 78 had a university or college degree. All employees are classified into the categories of employees that were in place during the Soviet era (Table 1). Most production workers are employed on a casual and seasonal basis.

TABLE 1 ABOUT HERE

## *Wage Systems*

A mixture of continuity and change from the Soviet era can be witnessed in the calculation of salaries. Managers receive fixed salaries according to a set of tariffs and grades that depends on their level of education and professional experience. For managers, every trimester a premium is paid according to fulfilment of production targets and sales figures. This premium cannot exceed 30 per cent of the basic salary.

Workers engaged in 'main production' receive a basic salary that is linked to the quantity of goods produced. At the end of each month or trimester they receive an additional payment based on output and sales figures and this payment cannot exceed 50 per cent of their basic salary. Key production workers are still paid for their time when the production line is stopped due to reasons beyond their control. However, this payment cannot exceed two thirds of the basic salary. Regarding overtime, workers are paid at one and half times the basic salary for the first hour and for any subsequent hours at twice the basic salary rate. Any work during designated holidays is also paid at twice the standard wage rate. Workers engaged in auxiliary services are paid a basic wage but they no longer receive an annual bonus (the 13<sup>th</sup> monthly wage).

In 2001, the average salary was 1,000 *lei* per month (€6.7 euros), compared against 240 *lei* in 1996 (€1.7 using contemporary exchange rates). This rose to an average of €147.4 in 2002. In 2002, the highest salary was €242.8 (2,800 *lei*), excluding the salary of the general manager who is paid on the basis of an individual contract and not disclosed to researchers. The lowest salary, which is paid to cleaners, is 450 *lei* per month (€39). The latter salary is below the official subsistence minimum but the wages paid by MFC compare well against alternatives in the same district (Table 2). The average wage only includes permanent employees and therefore does not account for the casualisation of the workforce.

## TABLE 2 ABOUT HERE

The differential between the highest and lowest salaries has widened since privatisation, reversing the communist policy of wage levelling. Thus, before privatisation the lowest paid employees received the equivalent of 30 per cent of the salary of the highest paid employee, however after privatisation, the lowest paid only receive 15 per cent of the salary of the best-paid employee.

### *Bonuses and other monetary payments*

Additional payments are available to managers and workers engaged in 'main production' linked to production targets and sales figures as discussed above. These payments accrue to employees based on their employment position and there is no scheme of individual bonuses. Most of the main production workers are still organised into brigades. In addition, every employee receives for each day worked 6 lei (€0.52) as a payment for food.

The factory does not have its own pension scheme, although on official holidays the factory's pensioners receive a cash payment. A designated fund was created to financially support these retired employees and also young graduates that are currently employed. This fund was created as part of the collective work agreement and the general manager together with the representatives of the trade union administers this fund. From this fund, payments are made to the employees on special occasions with the amounts ranging from 50 to 450 lei (€4.3 to €39). Employees are also entitled to holiday pay on a par with their salary.

### *Non-monetary benefits*

Non-monetary benefits, especially housing provision, remain an important part of MFC's HRM policy. Since 1993, it has constructed three buildings with 160 apartments each, 31 individual houses, and a hostel with 98 flats. The last building was constructed in 1999. As a rule, higher qualified specialists have received access to accommodation in this manner. A certain number of apartments were also reserved for young specialists employed after their graduation from technical or other universities. For those young specialists not accommodated in apartments, a hostel was built. This was seen to be essential to attract newly employed given that the price of an apartment with a single room was approximately 16,000 lei (€1,387) on the open market. However, specialists receive these one, two and three room apartments rent-free.

Several other non-monetary benefits should be noted. MFC provides a factory bus to transport night-shift workers to and from their houses. Meals are sold at cost in the factory's canteen and this benefit is popular with employees. Employees' children also qualify for a 10 per cent reduction in the cost of special summer vacation camps.

### *The Collective of Employees*

All the obligations of MFC to its employees and the latter's rights are stipulated in a contract signed between the administration of the factory and what is still referred to as 'the collective of employees'. The contract is signed by the trade union on behalf of the collective, as during the Soviet era, and employees are members of the trade union of food processing industry workers. While the trade union's function in signing the collective agreement has remained the same its attitude has changed, as reflected by one production manager:

Definitely the role of trade unions changed compared to before privatisation, when the trade unions did nothing but to execute the will of the ruling party. Nowadays trade unions defend the interests of the employees and negotiate with owners more advantageous working conditions.

However, the power of trade unions has been blunted by the poor economic state of Moldova, and at MFC it has faced a difficult balancing act between improving workers' conditions and supporting reforms to make the plant viable in the long term. Given this environment the trade union has largely been seen as 'cautious', protecting core workers in combination with its traditional paternalistic role. For example, it continues to organise for employees reduced price treatment in sanatoriums and the vacations for the employees' children at summer camps. Its most important role is to monitor whether working conditions correspond to official norms and regulations, and mediate when conflicts arise between employees and the administration.

### *HRM and Market Instability*

The main changes in HRM policy at MFC has been (a) the growing casualisation of the workforce, (b) the loss of state allocated seasonal workers and (c) the selective withdrawal of paternalistic benefits. Temporary and seasonal labour has been used as a buffer to deal with the unstable supply of raw materials and demand. Decollectivisation and the loss of traditional markets in the USSR have disrupted fruit and vegetable supply chains in Moldova. During the Soviet era, *sovkhozi* and *kolkhozi* supplied MFC, with procurement governed by state orders so that there was no effective competition between processors for the available raw materials. Under Moldova's National Land Programme, however the *sovkhoz* and *kolkhoz* farms were broken-up with land and physical assets distributed to their members (Gorton, 2001). Land reform has therefore led to a much more fragmented structure of farming in which MFC has had to manage their own supply channels and contracting, in competition with others and within a much more uncertain environment.

Exports have also been highly variable as indicated in Table 3. Between 1998 and 2000, the value of exports decreased sharply from €3.5 million to €422,400 with only about 8 per cent of



total output being exported in 2000 compared with 67 per cent in 1998. The destination of exports has also been unstable. In 1998, Canada was the most important market but by 2000 all exports had ceased. Similarly sales to Germany and Austria fell sharply, leaving MFC to rely more on former USSR markets (Table 3).

TABLE 3 ABOUT HERE

The instability of exports has been caused by alterations to tariffs and food safety regulations by importing countries. MFC's main sales, like most of the agri-food sector in Moldova, have been based on cost advantages and a cheap and flexible labour force has been important for this strategy. Casualisation has thus in part been a response to unpredictable demand and competing internationally on the basis of cost. MFC has been able to pursue this strategy because of the growing pool of external surplus labour. Managers reported that it is not difficult to fill seasonal positions and that ratio of applicants to positions exceeds 2.5. As a rule workers which have worked at the factory during the previous seasons and who presented themselves as 'good workers' are re-employed. However, for senior management, marketing and certain skilled workers, casualisation has not been a plausible strategy. This has shaped the selective rather than wholesale retreat of paternalism. While the selective casualisation and withdrawal of paternalistic benefits has allowed MFC to compete based on cost, such a business strategy has been particularly sensitive to changes in import tariffs and food safety regulations. These instabilities have further reinforced the need for greater casualisation of the labour force.

## **5. Conclusion: The Hollowing Out of Paternalism**

This paper has sought to understand the evolution of labour relations in one case study enterprise. It is argued that paternalistic relationships are being hollowed out, where the latter refers to a process where by existing practices and institutions are being 'eroded or eaten away'

(Holliday, 2000: p.168). During the Soviet era, MFC provided workers with a basic standard of living and rewarded 'good' employees with preferential access to certain non-monetary benefits. In an economy of shortages the latter was particularly important but in itself did not guarantee a disciplined and well-motivated workforce. However, Soviet paternalism could be maintained through a guaranteed market for final products and acquiescent trade unions.

These relationships are being hollowed out as enterprises now directly incur the costs of paternalism. A split-level realignment has occurred as low-skilled staff have lost benefits, and permanent positions have been replaced by casual work. The latter approach has been adopted by employers as a buffer against the more unstable supply of raw materials and demand. The more employers that adopt such an approach, the more attractive it becomes as the pool of surplus labour grows. What Rose (1994) observed in Western corporations as a growth in numerical flexibility with many non-wage benefits enjoyed by permanent staff being withheld from temporary or short-term staff is also appearing in Moldova.

In contrast, however, for higher-qualified technical staff and young graduates, continuity in paternalistic practices is witnessed. The provision of rent-free housing is a very important non-monetary benefit in an environment where markets can be thin, subject to considerable bureaucratic interference and volatile prices. The lack of a middle-class private housing market has reinforced the desirability of internal provision by employers. While the ratio between the highest and lowest paid workers is still low by Western standards (Aghion and Howitt, 2002) it is growing and if non-monetary benefits are taken into account the differential between the lowest and highest paid workers in Moldova is likely to accelerate. Adjustments have occurred gradually as HRM policy is shaped to match a new environment of a weak domestic economy and uncertain international markets.

Returning to the literature, a number of parallels with the rise and fall of paternalism in mid-Victorian Britain can be drawn. In the British case, paternalism was limited to relatively protected and highly localised economies, in which skilled labour was in short supply and training costs high, thus encouraging large corporations to attempt to 'domesticate' their labour force with an array of paternalistic welfare benefits (Martin and Fryer, 1973). These benefits were valued in an environment lacking the provision of social services by local authorities or national bodies. However, as international competition intensified, the costs of domestication rose while the benefits to workers diminished (Ackers, 1998). When unemployment rose, paternalism became less important as it was no longer necessary to fulfil the economic function of providing enterprises with an obedient and loyal workforce. It is argued that similar issues are being confronted in post-Soviet markets. With the demise of central planning, enterprises have had to bear the costs of paternalism themselves in an environment of far greater instability in supply and demand. Casualisation of the workforce has been used as a buffer against such instability and this has been a viable strategy as the pool of surplus workers has grown. In finding international markets Moldovan firms have attempted to capitalise on their low labour costs but have found it difficult to establish regular sales in cost based, commodity markets, further heightening the need for greater flexibility.

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**Table 1: Classification of Employees at MFC (2002)**

	Number of employees
Management	<b>31</b>
of which management of production sections	26
Middle-level management	<b>75</b>
Workers	<b>451</b>
of which involved in main production	356
of which workers in auxiliary services	55
Total	<b>557</b>
of which seasonal workers	360

Source: unpublished company data

**Table 2: A comparison of average wages paid by MFC**

	2001		2002	
	lei	€	lei	€
MFC	1,000	87.0	1,700	147.4
Other major employer in same district as MFC	438	38.1	522	45.3
Average for district	267	23.2	418	36.3

Source: unpublished company data, interviews

**Table 3: The Development of total sales and exports at MFC, 1998-2000 ('000 €)**

	1998		1999		2000	
	'000 €	%	'000 €	%	'000 €	%
Total Sales	5,131.2		4,662.6		5,143.6	
Total Exports	3,468.4		1,647.7		422.4	
of which to:						
Russia	207.8	6.0	202.2	12.3	176.6	41.8
Germany	911.9	26.3	468.3	28.4	91.9	21.8
Austria	485.6	14.0	161.8	9.8	92.8	22.0
Canada	1,576.2	45.4	710.6	43.1	0.0	0.0
Other countries	286.9	8.3	104.8	6.4	61.1	14.5
Total export	3,468.4	100.0	1,647.7	100.0	422.4	100.0

Source: unpublished company data