

STAFF ON STRIKE – A SOLUTION? EVIDENCE FROM THE STATE-OWNED ENTERPRISES (SOEs)

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Abstract: *The paper proceeds to a journey on the history of work conflicts in the public sector, a less confrontational environment as compared to other milieus. As the lack of work conflicts in the public sector is a hypothesis based on the nature of the latter, the existence of such manifestations of discontent is linked to a few circumstances that are analysed from a managerial point of view. The outcome is challenging and rather unclear as compared to the initial hypothesis and leaves room for further investigations and discussion.*

Key words: *workforce, work conflict, State-owned Enterprises, public sector*

1. General Context

Mass media announces periodically the entry into strike of employees of large public companies. The announcement highlights, as a rule, the significant disturbances generated by such events in the daily life of a state's population.

In Romania, but also in other countries where such events take place with a higher frequency, the emphasis falls on the emotional aspects and political implications of this kind of manifestations. The strike therefore appears as a kind of show that inflates the ratings of news channels. The economic and managerial aspects associated with the theory of the public sector are, however, completely ignored in the mass media and media outlines that succeed them.

A special significance may be attributed to such strikes in the large Western states, especially in the European Union area. The strikes in France and Germany induce attention both as media events, as mentioned earlier, as well as economic and managerial facts for the field theory.

Sufficiently well-covered by media but having especially obvious consequences on the everyday life of the populations that serve as clients, the strikes touching SOEs are extremely well implanted as mechanism and occurrence in the collective mentality. Similar events in Italy, Spain or the UK should not be neglected. Synchronizing these

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strikes with major events (winter holidays, sports meetings, etc.) in these countries accentuates the interest in studying these events.

2. Primary Milestones on State-Owned Enterprises (SOEs)

The State-Owned Enterprises label indicates that the main stakeholder is the state. It may be the sole or majority owner. It should not be neglected that there may be companies in which a shareholder with significant weight is the state, but not the main one (such as Groupe Renault in France); however, this particular case of structure does not fall into the area of interest of the present study. Still, it is worth mentioning that the actual stake of the State in the capital of a company does not automatically tie with the strike behaviour of its personnel (Bös, 2014 and Boyne, 2002).

The position of the State as owner in many such companies is related to the political and economic interest to obtain a certain type of effect at the society level. The cultural and historical determination of this interest is specific to each state or components of a federal state. This root, which sometimes goes as far as the Middle Ages, generates in some states a bizarre configuration of the State-Owned Enterprises list in relation to what the current EU Member States present as structure.

By reporting to the studied event, the strike presents a major interest in SOEs that have a noticeable and significant impact on the everyday lives of circumscribed populations. If this visibility increases through the TV and the Internet, then the interest in the event in question is further increased.

A noticeable and significant impact is more likely in the case of utilities companies that go on strike, being all the more important as the market structure in which they operate is closer to the monopoly and the product/service they provide is associated with a natural monopoly (example of distribution using a „physical” network) with few substitute products or none at all. In analysing the market position of such an economic agent, one can quickly justify its SOE status as being generated by the desire and concern of the State to control possible negative effects of its activity; in the State’s vision, such negative effects might be generated by the build-up of an exaggerated influence of the company, as creator of essential goods and services or on the contrary, the cessation of its activity for various reasons, particularly of financial nature.

On the other hand, SOE status could be the result of the initial investment process imposed by the creation of such utility, which includes the political and/or military security aspects of that investment. Such a special position is held by transport companies or those supplying and/or distributing public utilities (gas, water, electricity, heat, and communications).

As a number of substitution products have arisen in the same area that constituted the primary backyard of the SOEs, their utility in providing classical products as well as the type of their associated market structure began to be questioned by the public and as a result the number of state-owned firms has diminished.

Even if some industries have moved from a political monopoly structure to a competitive one, we may observe the existence of some states that retain their ownership and interest in these companies.

The number of examples that appear to be deviating from the competition rules set out by the States concerned is significant. Each of these may be the subject of a separate monograph or study on the causes of the current ownership structure, evolution of its performance or the political, social and economic rationale that guides its current management. Air France and SNCF in the field of transport are famous as to the repetitive strikes that regularly keep the front page of daily newspapers. In Germany State-owned companies like Lufthansa, Deutsche Post or Deutsche Bahn are emblematic as well.

Looking at technical and economic issues that arise when a deregulatory process of the sector along with the privatization of SOEs in that industry is put in place, examples can be found in the British railways or the US energy sector (California State). We will comment further on these cases in point as they provide a counter-example of the privatisation as the solution to (all) malfunctions in the public sector.

Paradoxically, there are companies and industries in which the State owner is pushing for remarkable technical performance, but with the sacrifice of economic performance. Cases of French or Japanese railways are in this line a school case.

The special market structure modelled around these SOEs is reinforced by distinctive political and legal arrangements. These include, in particular, regulations supervising the working regime of staff and the possibility of expressing their dissatisfaction through the strike. In France, the Air France personnel, for example, enjoyed a status similar to that of civil servants, but with the possibility of interrupting work by going on strike as the employees in the private sector could have done.

This duality is inappropriate for both the owner and the direct interests of society, because it inappropriately privileges a category of workers who are quick to respond to any work situation that may be unpleasant to them. The willing placement of a category of the workforce (especially the one paid from public funds) in such privileged situations will have immediate effects on the quality of services, service level agreements on one side and on disproportionate wage claims on the other side.

A closer look at wage conditions and terms defining job stability clearly shows (once again) a favourable position for public sector employees. Looking back at the historical roots of this situation, the favourable congenial conditions attributed to the public sector reflect, at least in terms of job stability, the management conception of King Frederick II of Prussia (aka Frederick the Great) conceived in the eighteenth century.

If these arrangements are accompanied by a style of employee-friendly working relationship, as is the case in most western states with a social market economy, then the issue of strike in SOE becomes even more interesting to study.

3. Strike in SOEs: Causes and Consequences

One of the elements that condition the existence of SOE is the continuity of activity. This often involves not the current financial process but the one associated with extremely short time intervals, such as seconds (in areas such as electricity, communications, etc.).

The effect is that the activity of the staff serving these domains acquires a higher

coherence that allows this level of valorisation of labour supply limitation. In other words, SOE staff can use the advantages of this organizational structure to stop their work by striking, for example, as the possibility to substitute products/services or workforce in the field is without significant effects in a useful range for the employer.

All these elements related to the business relations in the SOE are marked by the fact that the State-owner, for socio-political reasons, primarily targets a solidity effect in the society instead of the economic profit generated by the entity as any other actor in the private sector would pursue. More specifically, the State as owner sacrifices the profit to obtain/maintain a certain price of the product or the public service, namely a certain salary level of the personnel in this sector, these being social objectives that transcend economic rationality. This view has been supported by Bacanu (2008).

Last year, statistics and particularly the ones of the last two decades suggest that the trend of company value growth overall is more pronounced than that of wages, which appears to be a positive overall correlation.

On the other hand, top management executives' salaries have risen at a net rate higher than capitalization. If in the private sector the employees' reaction has no effect in order to limit the growth of these discrepancies, the situation in the public sector is different. In this context, the employees of the SOE regularly request a wage adjustment with a share in the increase in labour productivity in sectors that are not their own. In other words, they try and often manage to benefit from any positive value creation trend in society without having the risks associated with job loss as private sector staff do; they also often successfully avoid (exceptions are notable) negative trend correlations to the decrease of added value in society on account of the principle of the precedent earned wage rights. A recent and widely discussed exception was of course the fall in public sector wages in Romania in 2008.

Returning to public sector employees who request and generally obtain regular salary adjustments according to the performance of the economic environment in which they evolve, the case of Germany is emblematic. Even though the correction mechanism appears to be accepted at government level, there are situations where the mutual adjustment of the positions of the two actors involved (the State and the public-sector employee) relative to the target figure is not validated. The subsequent labour conflict results in the occurrence of injected losses in the state budget and the setting of a new target figure for any future strikes.

It should be mentioned that a similar behaviour is adopted by the employees who are syndicated in strong structures, even if their companies operate in competitive sectors, which is an unwanted and highly counterproductive effect, but a real effect nonetheless.

3.1. Case of SOE Privatization and Consequences on the Workforce

Privatization has been a key component of structural reform programs in both developed and developing economies. The aim of such programs is to achieve higher microeconomic efficiency and foster economic growth, as well as reduce public sector borrowing requirements through the elimination of unnecessary subsidies (Sheshinski and López-Calva, 2003).

In the public sector, both the specifics of work and the resulting collective agreements and salary scales allow employees to adopt positions of principle. They are adopted in the case of managers' interventions in the context of the activity carried out, interventions made especially for political reasons or by virtue of some passive fashion manifested in public management.

"Stage interventions" with significant effects in SOE management are always under the umbrella of the basic motivation of the commonly called economic efficiency. This generally translates into reductions in personnel packaged with "restructuring" labels. In essence, the well-known job stability for which, as the respondents are obsessively repeating, the state employees accept a lower salary than the private sector finally gets affected. If the restructuring referred to above is perceived as a major change in the rules of the game by SOE employees, then the prospect of strike becomes certain.

When economic efficiency translates into the privatization of the SOE but it is not accompanied by a change in the market structure, the stability of the workplace will be threatened more clearly and we will already be in a different paradigm.

In practice, this type of privatization means eliminating the state-owned social approach. Until achieving the desired "efficiency" of the newly privatized entity under the conditions mentioned by increasing the prices for the realized benefits, the new owner will use the handy leverage of the cost reduction by downsizing. As such mechanisms are already known by the employees affected by this arrangement, their reaction in the form of a strike is also predictable. The examples are specific to the energy and communication sectors.

Some authors have supported the claim that in the UK as in many other countries, the political pressure for privatization came from a combination of disillusionment with the results of state ownership and from a belief that private ownership would bring substantial economic benefits (Martin and Parker, 1997).

If privatization is accompanied by a deregulation of the sector, significant technical and economic disturbances may occur. The technical disturbances may refer to a decline in the safety standards of public products/services in question as in the case of British railways; economic issues may refer to significant cost and price disruptions such as the California energy crisis after the liberalization of the market in the sector (Weare, 2003).

Reflecting these changes in the media puts the State's decision to an obvious advantage, and the employees' reaction is blurred by the lack of popular support. Moreover, the government can react extremally by issuing penalty staff reductions, thereby affecting the illusion of public sector job stability. The dismissal of flight controllers in the case of the national strike during the Reagan presidency in the US is worth mentioning.

More complicated are the situations in which technical progress induces major changes in the production process by touching the public sector, a rare but possible situation. Consequently, there manifests change in the qualitative and quantitative configuration of the human resource.

From the employees' point of view, the change may result into the reduction of the staff sooner or later and sometimes in the intensification of the work effort by working overtime. When these transformations are not accompanied by material compensation, the prospect of the conflict of labor is quasi-certain.

Sometimes, adverse reactions to staff are initiated even in the private sector. The case of workers on American electric locomotives is anecdotal. Another illustrative case is the rivalry of unmanned taxis which is very current nowadays even though the public sector may not necessarily be involved as such.

If there is an economic justification for these solutions, at least in theory, there are many cases in which strikes in SOEs are caused by political reasons in a context determined by the political struggle in that state.

On that note, strikes that affect the entire public sector are fundamentally politically motivated.

3.2. Strike and Political Motivation

The establishment of an SOE and the coagulation of an associated employee structure provide an ideal basis for the display of political power in a wider or narrower sense. In a narrow sense, this means a counter positioning of the power of a certain specific group to other similar groups. In a broad sense, display means a positioning in relation to the great political doctrines of the moment, as well as establishing a connection with national political parties or international political structures, which may endorse future actions of the unions deciding on strikes.

The last century is particularly illustrative for the connection of the public sector with the daily politics of the party system of the moment. In this context, the number of SOEs with political motivation is significant. For an analyst with a dominant political-globalist vision, it would be relatively easy to explain that all strikes, including those that bring to light only economic hopes, are caused by a certain political positioning. The demonstration would be easier as the unions that are orchestrating these strikes have clear political views, explicit political paths and affiliations. The situation is particularly clear in some founder states of the European Union: France, Germany and Italy.

In such political circumstances SOE strikes, as well as the entire evolution that precedes them, are in fact a political struggle. On one side there stands the government (of a certain political colour) and on the other side the unions, which represent a different vision. The case of the Thatcher government facing strikes in Great Britain is relevant to exemplify a classical political confrontation under the conditions of a Western democracy.

In the last two decades, the outstanding strikes are the ones whose political motivation is generated by various managerial fashion trends that affect governmental decision; these fashion trends represent political approaches specific to one historical moment: privatization, deregulation or the split of the national companies on a vertical or territorial level. These ones, accompanied by various technical-economic or social ingredients (such as the positive discrimination of some groups of employees), fall as well into the mentioned category. Even if there is no immediate prospect of changes of salaries or pensions of the public-sector employees, inducing a certainty of status generated by these policy experiments creates adverse reactions of the staff involved. Restructuring SNCF by President Macron in France nowadays seems to be part of this pattern.

Strikes in emerging economies are further affected by the political factor. Internal and external influences intertwine to create situations of the most controversial in terms of current economic theory. The less stable the economic milieu, the more politically driven will the public conduct be considered from the standpoint of increased efficiency on public expenditures.

4. Conclusions

The SOE strike study in suggests, even in a quick review mode, that a reference to the political context of the moment is inevitable. If the discussion on strikes is done only by reference to the economic theory of the public sector and some econometric modeling is used, the main causal elements will be ignored and the solutions that can be detached are relatively unfounded.

Current reality shows that SOEs, despite the tendencies of re-establishment of the public sector, enjoy a special economic regime. This results in the sacrifice of some economic performances in order to obtain continuity and stability of the activity at the national level. This approach puts the employees of these organizations in an advantageous position.

Essentially, since SOE outputs are related to special market contexts, similarly, the work of their employees will also be related to particular conditions. In practice, these conditions allow staff to pursue economic benefits for themselves in line with current conceptual and/or moral standards as to the staff's participation in the profit.

What is more important to achieving this goal is the fact that all the premises for the desired results have been de facto created by the non-substitute characteristics of the personnel in the SOEs, which entails using the strike as solution to any discontent. In other words, given the features of SOE management and the theoretical generic expectations of their employees, it is to be noticed that all the premises for the development of periodic conflicts (including going on strike) are created.

Ultimately, the public services client is still paying the price of this kind of confrontation. The price refers to both direct costs of confrontation and collateral costs. Direct costs refer to SOE losses. These are, in fact, minuses in the consolidated state budget. Collateral costs are represented by the sum of losses of all affected customers, as well as the costs of the new arrangements related to the post-conflict SOEs.

It remains to be discussed in each case and relative to the national context to what extent these actions of the SOE employees are moral under the conditions of a management primarily affected by the political factor.

The ethical factor is always under discussion when it comes to strikes in the public sector, but a clear attitude of the public-services customers has not been depicted. On one hand, the majority of the public supports unions as concept. On the other hand, the same people do not support unions and subsequently strike when it comes to public services that affect drastically their lives. However, the more the apparatus grows and becomes greedy in terms of public resources, the less favourable the public's perception when it comes to sustaining the public servants' rights to hold on to their privileges and go occasionally on strike when the State as employer actively opposes to these.

Whether that is a matter of public perception and subject to change with time remains to be seen. It could be discussed whether the public funded workforce can show the same strike appetite as the staff in the private sector, while being anyway privileged with job stability, extended vacation and finally, its status.

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