

Trends in employee ownership in Eastern Europe

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Abstract

Employee owned companies where the broad group of employees own the majority of shares have been widespread in the early transition process in Eastern Europe. Why did this ownership type become so frequent in some countries? Why did the ownership in the following period change so fast to manager or outside ownership? Was employee ownership premature seen in relation to the special conditions in the transition process? The ten new East European members of EU and the candidate country Croatia are investigated.

The theoretical background for the different types of employee participation in ownership are first contrasted and then conditions favouring and hindering employee ownership is summarized at the society-, company- and individual levels. There were special conditions in the transition process in Eastern Europe that favoured employee ownership first of all privatization models which gave the employees the possibility to take over the majority of shares at low prices. This was especially the case in countries such as Lithuania, Poland, Romania and Slovenia. In countries such as Bulgaria, Estonia, Croatia, Latvia and Hungary employee ownership were established in some sectors, especially in small companies and in the very early stages of transition, while in the Czech Republic and Slovakia practically none were started up. The article gives an overview over the development in these countries and concludes that the privatization models have been the main determinants. However, the experience with workers self-management from the old Yugoslavia also played an important role in Croatia and Slovenia, and is probably the main reason why employee ownership is more stable in these countries. Similar tendencies can be observed in Poland and Hungary that also had some experience with employee involvement in earlier reforms. In the other countries dominated by a past of paternalistic leadership styles the managers dominated the employee companies from the start and soon took over the majority of ownership in most of them. In a later round, many of these companies were taken over by outside, often foreign, owners. The evidence does not point to lower efficiency in employee owned firms; but in most countries neither the institutions, the level of incomes nor the goals of the workers were ready for this type of ownership with a high degree of involvement from the employees both financially and mentally.