

The Legitimacy of Privatisation*

Two Case Studies of Privatised Enterprises

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Abstract: Two case studies of privatised industrial enterprises provide information on employees' attitudes towards privatisation as recorded at the time of the survey in February 1993. The article considers the question: „What is the impact of the current privatisation of Czech industry on the legitimacy of private ownership?“

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Changes in ownership¹ are connected with the economic, political and social changes in Czech society. This article is an attempt to establish the legitimacy of these changes (and the legitimacy of enterprise ownership) as perceived by employees. As Berger and Luckmann [1985: 111] predicate: „Legitimation is the process of ‚explaining‘ and ‚justifying‘. Legitimation explains the institutional order by ascribing cognitive validity to its objectivated meanings. It justifies institutional order by giving a normative dignity to its practical imperatives“. What for both blue collar and white collar workers legitimates the new private ownership of enterprises in current Czech society? Our findings support the assumption that the crisis of the old Communist regime has formed the background to privatisation legitimacy in post-Communist Czech society.

Privatisation as a response to the crisis in society

The crisis of the Communist regime can be analogically related to Habermas' notion [1976] of a systemic crisis (a crisis of economics and a crisis of rationality) and an identity crisis (a crisis of motivation and a crisis of legitimacy²). From this point of view, the current privatisation constitutes one element of a broader attempt to resolve both the economic and rationality crises within Czech society. In this context, the privatisation of state-owned enterprises raises questions regarding the legitimacy of privatisation as a generally held belief that a given system of ownership can be valid and

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1) State-owned enterprises were sold through direct sale, auction or in coupon privatisation. The buyers in coupon privatisation were represented by adult citizens of the Czech Republic, who had the option of buying a coupon booklet for the symbolic price of 1,000 Kč. The coupon booklet owners could invest their 1,000 Kč coupon in the purchase of stocks of „on sale“ enterprises themselves, or they could specially entrust newly appearing investment funds (PIFs) with the purchase. PIFs, which are mostly ruled by big financial capital, then became the real owners of many companies, by acquiring their controlling interest.

2) The legitimacy crisis is the failure of a political order to generate a sufficient level of commitment and involvement on the part of its citizens to be able to be properly given.

justified. In this respect, it is possible to analyse „the content of particular contributions of reproduction processes to maintaining the structural components of the lifeworld“.³ We will adhere to the legal-rational concept of authority where the position of basic social actors is legitimised by explicit rules and procedures defining both their rights and obligations.

The case studies of two privatised industrial enterprises (we will refer to them as „the *DOMUS* factory“ and „the *MECHANICA* corporation“) provide information on the employees' attitudes towards privatisation as recorded at the time of the survey in February-March 1993. We draw a concrete picture of the particular processes connected with specific features of both scrutinised enterprises undergoing privatisation. We have sought to avoid conceptual simplifications which can arise from any attempt to interpret the emergent processes of industrial reorganisation through the description of the specific histories of these enterprises. The goal of our theoretical interpretation is to elaborate some empirical suppositions contained within the question: „What is the impact of the current privatisation of Czech industry on the legitimacy of private ownership?“ We shall adopt these hypotheses in the proposed research of future steps in the privatisation.

Privatisation's legitimacy can be measured both in the context of public opinion and in the context of its contribution to the management of societal problems. Legitimacy can also be viewed from the perspective of its correspondence to the particular interests of various social actors. Here we will focus on regular employees'⁴ opinions on privatisation. Their ideas as to the privatisation's legitimacy are expressed at several levels, from the structure of regular spoken language to interpretative schemes. In this article, these modes of expression are not ordered according to abstract concepts: in employing them, we have followed the logic of the industrial companies' culture in the two sections devoted to the description of the specific processes which have occurred in both the *DOMUS* factory and the *MECHANICA* corporation. In the conclusion to this article, we have sought to summarise the rationality of employees' attitudes towards privatisation as well as some important differences between both enterprises⁵.

The Method

To study regular employees' views on privatisation we have adopted the „case study“ method. We understand „the case study“ to be an attempt to describe and understand

³) This means:

- Interpretative schemes susceptible to consensus, legitimations and behavioural patterns influential in self formations in the cultural reproduction process;
- Obligations, legitimately ordered interpersonal relations and social membership in the process of social integration;
- Interpretative accomplishments, motivation for non-conformist actions and capability to interact in the socialisation process.

⁴) We use the word „regular employees“ to designate those people who hold a position in the selected companies.

⁵) The different traditions and corporative cultures of the both enterprises implied different privatisation methods. The *DOMUS* factory was privatised through sale of the enterprise to a small group of individuals. The privatisation of the *MECHANICA* corporation through coupon privatisation led to the concentration of the decisive portion of enterprise's stock issues in the hands of several PIFs.

regular employees, attitudes towards social change (i.e. the privatisation of Czech industry in the 1990s) in the context of the selected industrial companies' culture.⁶ Both the sample selection and the data collection were organised in accordance with the „case study“ method.

We identified two „cases“ – two industrial enterprises⁷ formally privatised a few months before our visit to them in February 1993. In both cases, we divided the lists of the enterprises' employees into four partial samples: 1. „top managers“ (the general director and directors of specific sections), 2. „middle-level managers“ (employees – excepting the members of top management – with a varying number of employees under them), 3. „the labour union representatives“, and 4. „blue collar workers“. The members of these four groups were selected separately and systematically.⁸

The findings were collected by means of „semistructured interviews“, the specific typology of data collection illustrated in this approach by the distinction between two „ideal types“ of interviewing: „catechising“, and „talking“. The principle of statistical representativeness and the questionnaire are employed in the first case. Interviewing is oriented by the logic of the researcher's hypotheses, such that the researcher is able to „catechise“ the interviewed person according to his or her own intentions. To understand the respondent's „way of thinking“ is the main principle of „talking“. So-called „free“ or „open“ questions are posed and the interview follows the logic of the communication between the researcher and the interviewed person. The researcher tries to understand the respondents' answers by applying examples of their own life experience.

The „semistructured interview“ used to collect our data is – typologically speaking – something between „catechising“ and „talking“. We respected the principle of statistical representativeness (see the mode of selection), posing a standard set of „open“ questions derived from carefully formulated hypotheses. We posed „open“ questions in order to understand the ideas and concepts stated by interviewed employees more fully. We „catechised“ our respondents to use representative, reliable, and valid data. We „talked“ with them to understand the meaning of their customs, their preconceptions, prejudices, and concepts as stated by them. Our intention was to understand the significance of the „survey findings“.

The *DOMUS* Factory – the Emergence of „Manager-Owners“

Attitudes toward privatisation are influenced by the manner in which the company is privatised. In contrast to the corporation *MECHANICA*, which was privatised under the coupon method (see later), the *DOMUS* factory was privatised through the direct sale of the majority of the stock to a small group of owners. The members of this group had been top managers or external collaborators of the company establishment from the 1960s through to the 1980s. They took part in the development of its investment policy

⁶) By „culture“ we mean values, goals and rules shared by the industrial company's community.

⁷) The first case, „the *DOMUS* factory“, manufactures household furniture. There were about 1,300 employees in this industrial factory at the time of our „survey“. The second case, „the *MECHANICA* corporation“, is a machine-tool company which, as of February 1993, had about 3,000 employees.

⁸) The number of selected employees: in *DOMUS* – top managers 5, middle-level managers 10, labour unionists 5, blue-collar workers 15; in *MECHANICA* – top managers 7, middle-level managers 17, labour unionists 5, blue collar workers 20.

and were strongly identified with its strategy. As a well-informed group, they were able to compete successfully with other latent proprietors. Hence, the company became the possession of a section of the top managers.

The continuity of the previous leadership and the present owners has strengthened the employees' reliance on the new owners. The fact that the new owners have a thorough knowledge of the enterprise makes people feel that the owners understand the problems of the enterprise, feel responsible for its fate, and will have an interest in keeping its traditional production strategy along with the work opportunities for the professions currently represented.

The personal union of the management and the new owners means the concentration of power is in the hands of a few people. Employees' attitudes towards this power centre is ambiguous. On the one hand, they would like the owners to be enlightened and wise „rulers“ who will solve the problems left by the former „despots“. On the other hand, they are afraid of their almost unrestricted power over the enterprise and the people involved. Both the respect and the fear towards the „enlightened rulers“ limits openness in the interaction between the owners and the employees. It also negatively influences the frankness between employees and management. *„People are afraid that they would have to leave if they spoke the truth.“*

What is the attitude towards privatisation under these conditions? Two thirds of the enterprise staff prefer the company's full independence from government decisions. Managers prefer the company's full independence from the government more often than workers. The workers' attitude towards the privatisation is influenced by fears of the new owners' wilfulness and social insensitivity. Hence, two thirds of them recommend that the government guarantee the possibility of correcting the social consequences of owners' decisions. The fear that company owners would make irreversible decisions is counterbalanced by the belief that the privatisation would strengthen the owners' and management's responsibility for the company's fate, its market stability and ensure improvement in work organisation.

Employees expect innovation to come from „above“. According to them, the „redress of the issues“ is to be secured by the owner and manager elite. According to the people „from the bottom“, top managers should apply „pressure“ to improve work quality and labour discipline. Employees continue to wait for the above-mentioned pressure to „descend“ on their workshop or division. Rather, they see themselves as passive recipients of external impulses toward change.⁹ Respondents do not ask themselves whether the enterprise should or should not be privatised. They ask whether the new employers will be able to lead the company towards prosperity and secure sales, work and wage growth. They hope that the new owners will develop an organisational pressure which will bring about strengthened responsibility, an improvement in both morale and the quality of work. Three months after the transfer of the enterprise into the hands of its new owners, most of the respondents claimed that the expected changes had not taken place. Most of the employees said that the expected changes could not be fully

⁹) The circumstances underlying the rise in the tradition of „innovation from above“, characteristic of societies of the so-called German cultural area, are analysed by for instance the Czech historian Urban [1978] and the social philosopher, Střítecký [1990]. See also [Mareš et al. 1994].

implemented in such a short time. However, their responses often contained an unvoiced doubt rooted in a form of historical scepticism specific to the Czech nation.¹⁰

From the perspective of enterprise's organisation, the respondents can be divided into three broad groups. The first believes that the enterprise is capable of withstanding competition with its organisational structure unchanged; the second assumes that it is possible after certain improvements have been implemented; while the remaining third is sceptical.

When evaluating the status of separate groups within the enterprise, the employees interviewed seemed to apply two criteria: the stability of the group's work opportunities and wage increases. With respect to the first criterion, most respondents believed that hardly anyone had lost out under the recent developments in the economic transformation and privatisation. The enterprise had overcome the 1991 sale crisis without extensive dismissals.

The assessment is more diverse if income changes are taken into account. About 40 percent of the respondents stated that nothing had changed, with nobody having gained nor lost anything. One fifth draws attention to the fact that workers in the production departments received a wage increase. In the support service department there was no comparative raise, such that this situation has become a source of uncertainty. One third of the respondents assume that the new owners and management have gained financially. This attitude is evenly distributed at all levels of the enterprise's organisational hierarchy.

The employees see investment in modern technology as an optimal way of stabilising work opportunities and bringing about wage increases. About three quarters of respondents reasoned that the best way to use the firm's profits is to reinvest in modern technical equipment. Only 10 percent of respondents considered it a priority to use profits as means of increasing wages. Employees seemed to be oriented toward job security. They therefore prefer the long-term stability of work opportunities ensured by the enterprise's increasing capacity to withstand competition. This strategy is compatible with the leadership's orientation toward efficiency. The problem is that the leadership has not discussed this topic with the employees so that mutual accommodation has become difficult.

The extent to which different groups are mutually informed about their problems is manifested by the emphasis they place on different dimensions of the company organisation and operation. With the exception of the top management, employees see two problematic issues: the stability of their employment and the guarantee of production regularity as a precondition for a good income. The top management is fully focused on the reorganisation of the wage system as a means of increasing labour productivity. By

¹⁰) Several times this century the Czech nation supported radical changes. In all cases, expectations were disappointed. This experience is present in the attitude of *DOMUS* employees towards the economic transformation. Historical scepticism is clearly expressed in the statements of those who find the reasons for the „delay“ either in the owners' almost unfathomable postponement of the changes or the middle management's inability to transfer the expected organisational pressure of the company leadership „down“ to the workshops. A small percentage of the employees explain the absence of the expected pressure as a result of personal continuity between the former communist leadership and the present group of owners. Such statements were usually accompanied by complaints about the unchangeability of old habits.

blocking strategic information and introducing stricter procedures to personnel management, they increase employee insecurity. Interviews with the top managers show that the leadership is not aware of this split in priorities.

There is poor mutual familiarity with the problems and objectives of the top management, on the one hand, and blue-collar workers and middle-level managers on the other. Different notions as to what the enterprise should accomplish, and the relative closeness of communication channels between the „top“ and the „bottom“ have created the potential for conflict. This conflict is for the moment suppressed by the *DOMUS* factory's ability to sell its products. Hence, respondents do not expect relations to flare up into open conflict. They do, however, describe relations as tense. Almost one half of the respondents mention increased dissatisfaction, nervousness, tension, uncertainty and fear. Respondents expect that the mentioned signs of instability will culminate in distrust among people in the workplace, the departure of capable workers, a decline in labour productivity, the search for alternatives outside the enterprise, increasing doubts as to the abilities of the leadership, and a distrust of the managers. Employees presuppose that their colleagues would preferably seek an individual solution in the case of an emergence economic problems for the enterprise. As yet, they do not expect any rupture in the relations between the groups and consider the possibility of collective action quite improbable.

The *MECHANICA* corporation – „the Owners as a Burden to Managers“

In one respect at least the process of privatisation is understood by managers and workers analogically, namely as a widening of the space for the economic manoeuvring of enterprises, a widening which will guarantee a rise in employees' living standards. Employees share their understanding of privatisation with the top management, although they loathe the large and uncontrolled power that has concentrated in the hands of the top management. The privatisation process is understood by white collar workers as a non-political process of great societal reorganisation, aimed at the enterprise's effective functioning. Privatisation legitimacy is derived from this notion of effectiveness that is expected to be a consequence of privatisation by white collar workers. Blue collar workers base privatisation legitimacy on an exchange of the hitherto guaranteed „security for all“ for the future „welfare for those who will prove themselves“ [Možný 1991]. This exchange indicates the collapse of the idea of „common gain compensated by the renunciation of effort to maximise individual gain“. It is also, perhaps temporarily, an expression of a certain individualisation of blue workers as a social class. This is also indicated by the widely shared hope among workers that each reduction in the company work force increases the job security of those who retain their positions.

Managers and workers alike perceive factory owners (PIFs as large stockholders) as burdensome, inscrutable elements which threaten rather than facilitate the expected gain. The dilemma between the responsibility toward stock owners, on the one hand, or employees, on the other, is currently being resolved by a majority of managers who put the interests of the employees before those of the stock owners. „*We only hold 20 percent of the stock*“ is how one member of the middle management formulated a commonly shared opinion when speaking about the stock of employees and the association of small stockholders organised by the labour union. „*The association of small stockholders should support the interest of employers so that the PIFs do not intervene in the strategy of the enterprise*“, is how one blue collar worker expressed the

same notion. „*The main thing for the company is to maintain its influence*“ (that is to say, against the owners' decision-making), demanded another. The members of the top management realise that they will have to manage the company on behalf of the owners, but hope that the owners will give them free reign. Both white and blue collar workers hope that the owners will identify with the management, rather than that the management will have to accommodate the owners. Workers think that the owners should not intervene at all in company management. The reason seems to be the employees' fear that stockowners' behaviour and their „blind interest in high dividends“ will threaten the „interests of the company“ which are thus seen in contrast with stockholder interests. The survival strategies of both companies and large stockholders (stockholder funds) are perceived by the majority of respondents as mutually contradictory. This leads to the paradoxical support of the privatisation and the perception of owners as mere predators („*because they privatised the company in to order to profit from it rather to than help it*“). In general, the company's interests are legitimate provided that they support the employees' interests (managers as well as workers). One of the employees gave explicit expression to this, stating that it is necessary that „*the gains from privatisation are not exploited by people outside the company who have made no contribution to it*“. This conviction allows for the creation of large social coalitions within the factory.

In contrast to those companies privatised through direct sale, the apparent efforts are aimed at the creation of social coalitions across the entire vertical structure of the enterprise and even outside it. There are attempts to create coalitions with small stockholders organised by the trade union into an interest association. One of the admitted goals of this coalition is to strengthen the position of the management vis-à-vis the PIFs.

As far as the duties of owners are concerned, all company workers expect the owners to limit their claims on dividends and, instead, to invest in the enterprise, that is to say, in the future of its employees and their job security. All employees prefer investment in their future to the present distribution of profits through wages and benefits. Among workers, this orientation towards the future is, of course, weaker than among managers and white collar employees. Workers demand greater investment in the present¹¹ (through partaking in profits). As far as investments are concerned, the opinion is undivided: both workers and managers are unanimously convinced of the necessity to invest in new machinery. Even workers associate this investment with the preservation of their social certainties (i.e. job security, a secure and growing income, family living standards etc.)

The managers are intoxicated with the new opportunities arising from the collapsed centralised state controls and do not yet feel the owners' control. „*Above us, there is only God*“, claims one of the top managers, understanding this both as an obligation and a potentiality. In this situation, management has its own concept of the rational functioning of the company. This notion is modernist and economically oriented. When confronted with the choice of authoritarian, bargaining or community democracy as the three conceptual models available for the design of organisational structures, the

¹¹) Workers may understand their possible gains from company profits according to their past experience – hence either in the paternalist sense („*we all have the same stomachs*“ and therefore our shares in profits should not be too different) or in the sense of the arbitrary distribution of the management based on arbitrariness or according to principles of clientelism.

authoritarian model is preferred. This is true even in areas where the management strives to introduce elements of direct participation to the company. During the transformation toward the market economy, the enterprise pursues the modernist concept of rationality; any criticism of this type of rationality can only be perceived as a legitimization of irrationality. Managers take for granted that they form the most competent representatives of „rationality and economic effectiveness“ against both workers¹² and owners.

Workers today do not grasp the notion of privatisation as a restratification of society (or they do not consider it substantial). Through the prism of their limited personal experience, they understand the restratification as connected to the privatisation as the restratification of their company. In agreement with Dahrendorf's conception [1959] they perceive privatisation as the rise of a new dominant social class from out of the management. It is evident from the whole context of interviews held with workers that they understand the contradiction of „workers“ versus „management“ as more real and antagonistic than the contradiction of „employees“ (workers) versus „owners“. They perceive the whole process as an expansion of management's position, as a game in which workers lose what management gains. They have a feeling of relative loss despite proclamations that the changes really have not touched them. They feel that their previous status lost legitimacy in the process of change (physical performance within a given time is no longer the key criterion of „good work“) and themselves have not yet found grounds for the legitimacy of the new situation.

The growing feeling among workers that a new dominant class is emerging before their eyes¹³ is associated with the conviction that it is happening primarily at their cost. This is a very painful and complicated situation because, in a sense, workers perceive the management as their own representatives and understand that the expansion of its power and income, which establishes a distance between the two groups, as an excessive exploitation of privatisation by the management. The notion that the top management uses the privatisation for its own benefit is widespread throughout the company. Top managers are seen as people who are gaining possessions both inside and outside the company. Workers see this as an undue security that managers seek should the company go bankrupt. In the workers' opinion, the managers then lose interest in the company and invest their energies in external activities. It is as if they have tried to secure for themselves what the workers see vanishing from their reach, that is to say, job security. Workers are more sensitive to this than to the managers' growing income. With regard to the centrality of their job security, they understand this phenomenon as a threat to their own existence.

Most of the workers understand the rise of the new class merely as the transformation of an old political elite. In their opinion, the old bosses are simply transforming their old political and social capital in response to the new conditions. Management sees the situation analogically, but less emotionally and without bitterness. Managers emphasise human and cultural capital which is, of course, based on the

¹²) According to the management, workers have not lost their rights but are losing those excessive privileges accorded them by the previous political powers.

¹³) Part of the management actively participates in this process by taking positions in the boardrooms and advisory bodies of new daughter companies which guarantee the distribution of profits and other rewards to themselves.

previous political and social capital (Hence, we often heard: „*Managers who have accomplished something manage to keep their posts despite their communist past.*“).

The legitimacy of management is newly understood as a duty to guarantee work. (Under the past regime, this had meant guarantees of wages comparable to wages in other enterprises.) Workers are willing to first blame the management for the potential failure of their company, only rarely the owners, and never themselves. They still associate a substantial part of managers' legitimacy not with their market activities (to control the sales) but with inside activities (namely to control the production). This means that work should be organised in such a way that workers would not have to accept any other obligations than those that can be expressed in terms of performance. While in the eyes of management (and part of the blue collar workers) their own status, as well as that of the workers, is legitimised by company production sales, in the eyes of the blue collar workers it is the production itself, irrespective of the demand for what they produce.

Conclusion

There are two levels to employees' ideas about privatisation – conceptions concerning the „right“ pattern for the privatisation of the whole economy and notions and evaluations concerning the privatisation of the individual enterprise.

The interviews we conducted suggest that, in general, trust in the current privatisation goes unquestioned. However, acceptance of the design of this process as proposed by the Czech government does not seem to be so unequivocal. Almost without exception, all persons interviewed expressed their agreement with the transfer of state enterprises into private hands. Nevertheless they often required a certain state influence that would facilitate the role of the company in the market (according to the white collar workers) or the preservation of previous employment advantages by the state (according to the blue collar workers) at the same time. This indicates an inner conflict between the economic effectiveness ascribed to private ownership and the social security related to state ownership.

Why, under these circumstances, privatisation is not rejected as illegitimate probably depends on workers' aspirations to higher living standards than the privatisation is expected to fulfil. It may also be related to the fact that, thus far, workers have not associated their loss of job security with their company's fall in position on the market. They derive the legitimacy of their own status (the right to work created by the fulfilment of their duties), as they did in the past: from their performance and the time taken to accomplish their task. They ask: „*Why should we lose jobs when we work hard and well?*“ „*Why should our products not sell if they are good and if the workers toiled hard to make them?*“¹⁴ As long as they do not sell, the government or the top management is considered responsible. According to some respondents, the problems exist because the

¹⁴) Workers often voice the conviction that „*those who have worked honestly will not be touched*“. This notion can appear to be a construction purposefully preserving the integrity of the threatened personality („*I cannot lose out because I am a good worker*“). It can also signal the notion of a certain continuity of life that can be preserved even within the transformation process („*If I work honestly, everything that I have been used to will be guaranteed*“). In their opinion, wages continue to constitute a social category derived from the cost of living rather than labour productivity and product demand.

government has not honoured its „duties“ to the workers. „Large companies with thousands of workers are going under and the government is not dealing with it, cares nothing about the people and simply shuts the business down,“ summarised one of the workers as to how he and his companions understand the situation. Thus the legitimacy of privatisation can be thrown into doubt at that moment when the unemployment rate rises to the level where job insecurity, until then latent, becomes real.

The employees' perception of individual enterprise privatisation depends on the manner in which the enterprise was privatised. The experience from the two examined enterprises signposts the decisive impact of the top management's efforts to maintain their strategic influence through the manner in which the enterprises were privatised. Top managers who had gained their influence in the second half of the 1980s and retained it after 1989 have chosen those privatisation methods that suit their economic possibilities and have enabled them to keep their power. This was probably possible because in the early 1990s, top managers had access to the best information concerning their enterprises. They therefore became the designers of the privatisation projects chosen by the government.

In both enterprises, employees perceived the top managers as the guarantors of the production programme's continuity, of the traditional job structure and of job security. The direct sale of the *DOMUS* factory led to the personal union of top managers and the new owners. Therefore, the continuity of power as well as the legitimacy of the new ownership were realised. The continuity of managerial status, perceived as the guarantee of social stability, have helped gain employees' trust in the new owners.

The top managers of the *MECHANICA* corporation were not able to buy „their“ enterprise. In accordance with their privatisation project, their corporation was privatised through the voucher method and managers have relied on their ability to unite their interests with the interests of those employees who became small shareholders in the enterprise. The employees' distrust – the fear of the social consequences of decisions „from outside“ – of the new external owners (the privatisation funds) helped the managers to reach their goal. The group of small shareholders, united with top managerial interests, has created a sufficiently influential share package, thus achieving the continuity of power as well as the legitimacy of the new ownership structure. Unlike the *DOMUS* factory, this has been done independent of the legitimacy of „real owners“ (PIFs).

Employees' attitudes towards privatisation – both in general and on the level of individual enterprise – have been influenced by the employees' aspirations concerning their „entitlement“ to a secure job. This aspiration has influenced the structure of the new ownership as well as the authority of the new owners in both enterprises under scrutiny. The emergent relationship structures among new owners, managers and workers have been influenced by two factors: first, by the managers' effort to secure the workers' loyalty, second, by the workers' claims to absolute job security and low level work intensity. This seems to be an unintended effect of the managers' effort to retain their power during the privatisation. In the next stage of the economic transformation the management will probably privilege economic goals. Managers' preference of economic effectiveness to employees' job security being a factor which will potentially shake workers' confidence in privatisation.

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