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From Workers' Self-management in Socialism to Trade Unions Marginalisation in "Wild Capitalism": A Case Study of ArcelorMittal in Bosnia and Herzegovina

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This paper explores the largest steel producer in Bosnia and Herzegovina as it shifted from a state-owned company to a foreign-owned private company. The impact of the transition on industrial relations, effect of new management on employment conditions within the company and the changing role of trade unions is explored. The extent to which the findings can be considered a typical consequence of the inexorable encroachment of capitalism and privatisation across Eastern Europe is considered. The paper commences with brief summary of the historical and political context of the transitional economies. This is followed by a brief history of the steel industry in general, and in Yugoslavia and Bosnia and Herzegovina in particular, detailing the main features of industrial relations. The background to the specific case study is then presented, providing a short history of Mittal Steel and its restructuring challenges in the transitional post-communist period. This provides the foundation for the analysis, which explores the impact of privatisation on industrial relations in the company, looking in particular at the effect of new management and its culture, and the concomitant effects on employment contracts, working conditions and the changing role of trade unions. The paper concludes with a discussion of the extent to which the transformations can be explained by the various theories of post-communist capitalism.

Key words: steel industry, transitional economies, post-communist capitalism, wild capitalism, ArcelorMittal, Mittal Steel

Introduction

A broad range of studies has explored industrial relations systems in South Eastern Europe in the context of crisis and institutional change.* This paper seeks to contribute by exploring the situation in Bosnia and Herzegovina, one of the six independent republics to emerge from the breakup of Yugoslavia, and one which has so far received relatively little scholarly attention.

An understanding of the historical and political context of this country is essential to understanding the current state of its industrial relations, as each of the six new countries has pursued a very different path in its transition from a socialist to a market economy. The different trajectories of development stem from a range of internal and external factors that characterise the different geographical regions, factors that create unique critical junctures through which political, economic and social orders are created and (re)negotiated. These factors prompt important questions relating to the impact of privatisation on state-owned companies, especially given the legacy of Yugoslavian self-management. Using a case study of the largest steel producer in Bosnia and Herzegovina, the transition from a state-owned company to a private company owned by foreigners is detailed, and the impact of the transition on industrial relations and employment conditions within the company is explored. The extent to which the findings can be considered a typical consequence of the inexorable encroachment of capitalism and privatisation across Eastern Europe is considered.

The paper commences with brief summary of the historical and political context of the transition economies. This is followed by a brief history of the steel industry in general, and in Yugoslavia and Bosnia and Herzegovina in particular, detailing the main features of industrial relations. The background to the specific case study is then presented, providing a short history of Mittal Steel and its restructuring challenges in the transitional post-communist period. This provides the foundation for the analysis, which explores the impact of privatisation on industrial relations in the company, looking in particular at the effect of new management and its culture, and the concomitant effects on employment contracts, working conditions and the changing role of trade unions. Data have been collected from a variety of primary and secondary sources and include the analysis

* We are grateful to two anonymous referees for useful and constructive comments and suggestions. The usual disclaimer applies.

of press reports and other publicly available information, along with interviews with key stakeholders from the local and national trade union. The paper concludes with a discussion of the main issues raised, and the extent to which the transformations can be explained by the various theories of post-communist capitalism.

The transition from a socialist to a market economy and industrial relations

Following the breakdown of the Soviet Union and the transition from a socialist to a market economy across the former communist world, we have witnessed the accelerated formation of a global production system as well as regional and national configurations of the global political economy. This process, however, has been far from uniform, nor has it been smooth.

Attempts have been made to analyse the different trajectories of economic development resulting from the interplay between the range of factors characterising each of the regions of Central and Eastern Europe (CEE), although comparisons are hindered by the limited availability of relevant information / data. Recent attempts to map, order and analyse these developments in post-communist economies draw on the "variety of capitalisms" (VoC) approach (Hall and Soskice, 2001) that identifies two broad types of political economies in the advanced capitalist world. These are "liberal market economies" (LMEs), exemplified by the Anglo-American business model, and "coordinated market economies" (CMEs) exemplified by German and Swedish business models. However, the use of these models of developed capitalism to analyze emerging post-communist capitalisms has proved inadequate (Bohle and Greskovits, 2007; Lane, 2005; Williams and Nadin, 2011).

The most important methodological problem is that the original VoC concept assumed the pre-existence of established and stable national institutions managing the economy, either more like the LME or the CME type of capitalism. Such institutions had not existed in the transitional economies (Bohle and Greskovits, 2007). Some scholars have tried to modify the VoC model by introducing the "hybrid" variety of capitalism as a combination of LME and CME (see for instance Hancké, Rhodes and Thatcher, 2007), which would be appropriate to use in studying transitional economies. But this does not resolve the above-mentioned methodological problem (Myant and Drahokoupil, 2012).

Furthermore, Nölke and Vliegenthart (2009) tried to enlarge the VoC by a third variety of capitalism, "dependent market economy" (DME). The DME is based on institutional complementarities between skilled yet cheap labour on the one hand and the provision of capital and technology via foreign direct investment (FDI) on the other. Thus, integration with more developed countries is secured through dependency on the foreign ownership of major industrial capacities and financial institutions (Myant and Drahokoupil, 2012).

A final type of capitalism that is relevant for this paper is described as "wild capitalism", although it falls outside the traditional VoC model. This concept has been employed for studying the less successful transition processes in CEE countries (see Bruner, 2002, for the case of Russia; Harper, 2006, for the case of Hungary; Upchurch and Marinković, 2011, for the case of Serbia). Wild capitalism is defined as a process of degradation of values and institutions of social solidarity, reduction of labour rights, deregulation of economic activity, corruption, weak civil society, and a weak state unresponsive to labour union claims (cf. Upchurch and Marinković, 2011).

Regardless of the varieties of post-communist trajectories, it is possible to identify some common features of emerging post-communist political economies that structure the trends in industrial relations. These are: de-industrialisation, increasing unemployment and socio-economic inequality coupled with a concomitant informalisation of the economy, a dual and segmented labour market, and precarious work and migration pressures (Likic-Brboric, 2011; Williams and Nadin, 2011).

This is the general context in which the changes of industrial relations and the role of trade unions in transitional economies need to be observed. Trade union weakness in the former CEE countries has often been explained primarily by their communist legacies, both institutional and ideological (Ost, 2000; Crowley and Ost, 2001). However, the "legacy of the past" is not the same in all CEE countries. The Yugoslavian model of socialism was quite different from other CEE countries, thanks to the self-management and the social ownership of companies. Self-management provided political power relations such that trade unions had considerable influence, especially at the company level, while the institution of social ownership made workers identify with their companies, giving a feeling of attachment and often resulting in higher productivity (Stanojević, 2003; Grdešić, 2008: 138). Admittedly, the dynamics between implementation of the Yugoslav self-management model on the one hand and market liberalisation, on the other hand, had not been equally efficient in all Yugoslav republics, contingent on their historically configured structural and cultural traits (Likić-Brborić, 2003).

There have been opposite appraisals of the legacy of Yugoslav self-management on emerging industrial relations and worker empowerment in the post-communist former Yugoslavia successor states. While Arandarenko (2001) pointed to workers' self-management as the main explanatory factor of labour weakness in Serbia, Stanojević (2003) questioned this assessment by pointing to its positive role in Slovenian post-communist transformation. Grdešić (2008), for one, attempted to cross this divide in terms of respective political elites' choices at the moment of critical juncture (Collier and Collier, 1991), i.e., times of extreme uncertainty in the late 1980s and war during the 1990s.

As regard Bosnia and Herzegovina, this war meant not only terrible human and material destruction but also devastation of the industrial, energy and communications infrastructure of the country. After the war, Bosnia and Herzegovina was confronted with the challenge of making three sorts of transition: from socialism to capitalism, from war to peace, and from contested to consolidated statehood (Donais, 2002). Rapid and consequent privatisation was proposed by the so-called international community, led by USAID, as a most effective medicine for both democratisation and economic recovery and development. What happened, however, was protracted socio-economic and political instability, marked by ethnic party politics and corruption, high unemployment rates and weak trade unions. The overall result of political and economic reforms was a type of capitalism that most closely resembled the "wild capitalism" described above.

Today, more than twenty years from the inception of "transition" in CEE countries, these explanations of trade union weakness seem less relevant. There is a growing consensus that the complex processes of transition and their consequences cannot be separated from the broader forces of globalisation (Upchurch, 2009; Upchurch and Marinković, 2011). It is clear that the role of International Financial Institutions, the IFIs (the World Bank and IMF), EU and other relevant international actors promoting the neoliberal recipe of transition and industrial restructuring was at least as important as the legacy of the past. Governments have continuously been encouraged to further privatisation of publicly-owned companies and services and deregulation of labour markets, resulting in additional marginalisation of trade unions and increased polarisation between the highest and lowest incomes (Upchurch, 2009). Previously strategic industrial sectors such as the steel industry have become an easy target for acquisitions by multinational companies (MNCs) from emerging economies, such Indian Mittal Steel, and an important instrument in their global expansion strategies, resulting in global industrial restructuring and related transformation of industrial relations further exacerbating the position of labour. In the next sections we present the main features of the global restructuring of the steel industry with a focus on the ArcelorMittal Steel and its acquisitions in CEE countries. We then present the fate of the Yugoslav steel industry in order to situate the case of ArcelorMittal in Zenica. ArcelorMittal has, without doubt, demonstrated structural power and capacity to internalise and reshape industrial relations in the steel sector across different locations, involving governance at local, regional and global levels. Exploring its impact may contribute to a better understanding of post-communist transformations that attend the interplay between international and intra-national dynamics and mechanisms of change (Pickel and True, 2002).

Global restructuring of the steel industry and industrial relations

The steel industry has traditionally been characterised by state-ownership/support/protection and a primary national focus, regardless of the political system in the particular host countries (Bacon and Blyton, 2000). Reasons for this include the strategic importance of the steel industry, combined with factors such as high capital costs, the need for additional investments in infrastructure and a notorious vulnerability to changes in the economic cycle. This is also why the development of multinational companies in this sector has been inhibited, protecting the steel industry from globalisation, unlike other industrial sectors. Over the past three decades, however, the steel industry has undergone radical changes in terms of intensive privatisation, internationalisation and the employment of new technologies requiring new kinds of skill and changes in the organisation of production (Fairbrother, Stroud and Coffey, 2004b; Dawley, Stenning and Pike, 2008; Stroud, 2010). Helping to fuel these changes is the less capital-intensive nature of steel production, as well as the removal of international trade barriers (Bacon and Blyton, 2000). In addition, most of the national steel companies were badly managed when state-owned, constituting as they did large, rigid, inefficient and unprofitable economic actors. Today, the world steel market is becoming increasingly dominated by privately owned multinational companies.

This has, of course, had far-reaching consequences for the trade unions. Their power and position/role in industrial relations was challenged from different directions and by different actors and factors. Privatisation and internationalisation taking place during the past three decades have been worldwide processes resulting in the world steel industry being concentrated in a small number of large MNCs. Traditionally, the most important partners of trade unions in the steel industry were national Governments, which under the new circumstances, lost their importance (Bacon and Blyton, 2000). New international owners were not so reluctant to get rid of less profitable plants than previous owners, which, combined with lower global demand for steel during the 1980s and 1990s, resulted in many plants being closed, as well as a radical reduction of manpower in the remaining plants. The work force in the EU's steel industry was reduced by almost 40% during this period (Fairbrother, Stroud and Coffey, 2004a). The process was followed by an equally great increase in productivity, partly thanks to the new technologies, and partly because of the increase in workloads (Bacon and Blyton, 2007). Even if the steel industry remained highly unionised, the consequence of all these changes was a weakening of the influence of trade unions (Bacon and Blyton, 2000; Stroud, 2010).

The steel industry is today dominated by MNCs from emerging economies. The largest companies are Chinese, Russian and Indian. Mittal Steel has emerged as the world's largest (and most globalised) steel producer even before its merger with Arcelor (2006). It started (at that time under the name Ispat Indo (*ispat* meaning steel in Hindi) in 1976 as a small steel producer in Indonesia, founded by a young Indian businessman Lakshmi Mittal, who just had left his father's Calcutta based Ispat Group (one of the Indian larger steel producer). His international expansion started as late as 1989 when Ispat Indo acquired Trinidad's state-owned Iscot. The essence of Mittal's acquisition strategy, from the beginning, was to negotiate low acquisition prices for companies that were state-owned, badly managed and in acute need of restructuring (Sull, 1999; Dawley, Stenning and Pike, 2008).

This strategy was broadly supported by the favourable loans extended by the World Bank and other international financial institutions. In the case of the acquisitions of plants from Eastern Europe (former Soviet Bloc) the most significant financial support came from World Bank development project funds and: "*The World Bank's enthusiasm for Ispat knows few bounds*" (Murphy, 2006). This made it possible for Mittal to buy the largest steel plant in Kazakhstan with production capacity of almost 5 million metric tonnes/year (1995), Romania (2001), Czech Republic (2003), Macedonia, Bosnia and Herzegovina, three more plants in Romania as well as Poland's largest steel producer with 7.6 million mt/year capacity (2004), and Ukraine's leading producer with more than 9 million mt/year capacity (2005).[1]

The other important feature of acquisition strategy in the context of neoliberal privatisation of state-owned companies was the unusually close relation with governments, as well as rather controversial financial support to political parties (Murphy, 2006; Dawley, Stenning and Pike, 2008). Mittal, for one, was the largest donor to the UK's Blair government for a rather long time, culminating with a £2m donation in 2005 (Woolf, 2005). However, the £125,000 donation of 2001 was most illustrative of this problematic "co-operation" between politics and capital, because it was followed by Blair's immediate intervention to help Mittal buy a Romanian steel company (Milner, 2004; Woolf, 2005). In sum, "*Mittal's companies operate across the globe, and have geographically shifting corporate identities, inclusive use of offshore registrations*". [At the same time] "[t]*he company continues to be managed almost exclusively by people of Indian origin, though it has no operations in India*" (Murphy, 2006: 141).

An illustration of this management strategy is the fact that all the above-mentioned acquisitions had been managed by two separate divisions of the Mittal group. Ispat International had mostly managed low-risk plants in Western Europe and the US, while LNM Holdings had managed riskier and more complicated plants in the "emerging markets" of Eastern Europe and rest of the world (Dawley, Stenning and Pike, 2008).

In order to be able to control the whole organisation, Mittal developed from the very beginning (1992, when Mexican Imexa was acquired) the so-called Knowledge Integration Program (KIP). Representatives from all Ispat plants started their four-day meetings twice a year. The purpose was to review their performance, present their problems and exchange their ex-

[1] http://www.aacsb.edu/resources/globalization/globecourse/contents/cases/mittal-steel-in-2006.pdf.

periences (Sull, 1999). The purpose was also to transfer knowledge and experiences to the newly acquired companies (Sull, 1999: 372). This is presumably an answer to the question as to how Mittal Steel has managed to deal with so many companies from so many different countries, with so different historical and political/economical background.

While we have seen the integration of knowledge on the managerial level, on trade union level it is possible to identify a lack of knowledge about each other and a concomitant lack of any coordination and collaboration. Generally speaking, it may be stated that trade unions have not managed to adapt their organisation and strategies to these new trends of privatisation, internationalisation and globalisation in the steel industry. Co-operation and coordination between trade unions still takes part in the first place at the national level, and less at the company level (Bacon and Blyton, 2000). The labour union themselves explain this by the language barriers, an inadequate communication network and not knowing whom to contact (Bacon and Blyton, 2000: 29). Such lack of co-operation and coordination at the company level facilitates the management in negotiating separate and different contracts with labour representatives from different plants within the company (Dawley, Stenning and Pike, 2008). This has sometimes led to conflict between different national labour unions, in which, for example, workers from Western Europe blame workers from Eastern Europe for "stealing jobs" (Dawley, Stenning and Pike, 2008: 280). This presumably further improves the negotiating position of the management in this context. In terms of changes in working conditions, the main consequences of privatisation and internationalisation of the steel industry include decrease in available jobs, less favourable pension protection, reduction of job security and increased workloads.

There are a number of examples from Mittal's history that support these findings (Dawley, Stenning and Pike, 2008). The intention of this article is to show what concrete form these changes and these trends have taken in the case of the acquisition and management of Mittal Steel Zenica (now ArcelorMittal Zenica). We introduce this with a short history of the Yugoslavian iron and steel industry.

Yugoslavian iron and steel industry

Although the socialist self-management system allegedly differentiated Yugoslavian socialism from state socialism in the CEE countries, they shared the socialist developmental model, especially in the 1950s and 1960s. The backbone of such a strategy was investment in heavy industry, especially iron and steel. After new estimates were made of considerable resources of iron ore, the government decided that central Bosnia would be developed into "the heavy industrial 'core' region of Yugoslavia" (Hamilton, 1964: 47). Hamilton (1964) identified three trends in the development of the iron and steel industry in socialist Yugoslavia: further, yet slower development of already well-established plants in Slovenia; the establishment of a main metallurgical centre in Zenica, Bosnia and Herzegovina; and the building of new plants in Croatia, Bosnia, Montenegro and Macedonia. The global crisis of the steel industry in the 1980s and 1990s seriously affected plants in Yugoslavia. Following the disintegration of Yugoslavia and the outbreak of conflict, the various republics pursued different restructuring and privatisation strategies. The Slovenian state supported the modernisation of the steel industry and simultaneously improved the production of high quality steel, while investing in energy-saving and ecologically friendly methods. Two state-owned steel works, Jesenice and Ravne, as well as the Store steel works, privatised by Slovenian firms, operate successfully, thanks to a smaller, more flexible production strategy. However, since 2007, the Slovenian state has sold the majority stake in the Slovenian steel group (SIJ) to the Russian group Koks, in spite of trade union protests.[2] In Montenegro the Željezara Nikšić steel mill, which was initially to follow the Slovenian approach to restructuring, was purchased by Montenegro Specialty Steels B.V. (MNSS), a UK company registered in The Netherlands. While the owners and their origin have not been disclosed, the restructuring plans involving huge redundancies have led to trade union protests.[3] In Croatia, the Italian Danieli Group bought the steel mill in Sisak and restarted production in 2012. In Serbia, the government is still looking for a strategic partner following the unsuccessful sale of the Smederevo Steel Mill to US Steel, which sold the mill back to the state for One US Dollar. One of the potential buyers is ArcelorMittal, previously strongly opposed by Serbian trade unions.

However, Mittal Steel has succeeded in the acquisition of steel mills in Bosnia and Herzegovina and the FYR of Macedonia, in two of the weak-

[2] http://www.radio.cz/en/section/ice_special/slovene-steel-workers-say-russian-sale-has-cheated-them.

[3] http://www.eurofound.europa.eu/eiro/country/montenegro_8.htm.

est of former Yugoslav successor states. Both Bosnia and Herzegovina and the FYR of Macedonia had already been politically divided and economically weakened by violent interethnic conflicts, and became the object of EU development programmes. Furthermore, Mittal Steel obtained EBRD (European Bank for Reconstruction and Development) financial support in restructuring projects in the FYR of Macedonia and Bosnia and Herzegovina, just as in Ukraine, Romania and Kazakhstan.[4]

Steel industry in Zenica

Steel production in Zenica has a 118 years long tradition. During the period after WWII, Zenica became Yugoslavia's largest steel producer, with the integrated production of steel at a capacity of ca. 2 million mt/year (it had never produced more than 1.5 million mt/year).

We have already noted that the steel industry in general has traditionally consisted of large, badly managed state-owned companies, which have most often been rigid, inefficient, and unprofitable. Zenica's plant was one such industrial giant with over 20,000 employees. Besides the core business activity of steel production, the company was organised on the lines of a workers' self-management model and was involved in other activities including a hotel and restaurant, transport provision and many other businesses. As well as being the town's main job provider, Zenica steel was also the main contributor to the socio-economic development of the municipality.

Even prior to the War of 1992–1995, leaders of the company were increasingly aware that such a rigid and ineffective organisation did not have a future. Significant restructuring in the company were obviously needed, but radical changes were initiated only when the war started, during which time less than 50% of the employees remained in the plant. Steel production was scaled down significantly, the primary objective being to preserve and protect the plant's facilities. The coke plant was closed and preserved, as were all four blast furnaces. The war undoubtedly called for a comprehensive and innovative approach to post-conflict reconstruction, peacetime rebuilding and development. Initially, the international strategy for reconstruction, jointly supported by the World Bank, the European Commission and the European Bank for Reconstruction and Development (EBRD) (World-Bank 1996a, 1996b) was intended to combine the emergency reconstruction pro-

[4] http://www.ebrd.com/pages/news/press/2005/158nov28.shtml.

jects with conventional systemic transformation and reconstruction, in order to secure economic revival (Kreimer et al., 2000: 32). However, by 1998, because of the growing financial gap between "key objectives" and the funding resources, the concerted peace implementation was replaced by a strategy of rapid transition to a market economy inspired by the orthodox "shock therapy" approach (Likić-Brborić, 2009).

In Bosnia, this led to neo-liberal macroeconomic policy reforms followed by increasing financial liberalisation and the restructuring and privatisation of 11 state banks (Likić-Brborić, 2009). The state refrained from industrial restructuring and decided to go for privatisation by methods of direct sales and international tenders for strategic companies, instead of insider privatisations.

This implied the absence of a strategic state capacity to restructure the steel industry in Bosnia and Herzegovina in general, and the Zenica steel works in particular. BH Steel was one of the three companies in Bosnia and Herzegovina with FDIs, after Mittal Steel acquired a controlling share of BH Steel in 2004 (Holzner et al., 2006: 35). At the end of the 1990's significant restructuring began. Zenica first separated its core business of iron and steel production from all other businesses that operated in the company before the war. The core business was then taken over by the Government to be transferred into the newly established "BH Steel" in 1999. According to the new investment plan, the Government paid for the plant itself, which was 50% of the total cost, and the other 50% was provided by Kuwait's government. The ambition was to re-start integrated production, but it was not an easy task for the new company. The coke plant and blast furnaces had been closed for almost ten years; markets and distribution channels had been disrupted; and, the new Kuwaiti owner did not have any experience in the steel industry. After five years it became clear that the BH Company did not have a future. It was put out to tender in 2004, and three potential overseas buyers registered an interest. Austria's Alpina, which sent only a letter of intent, while LNM Holdings and Ispat International, both belonging to the Mittal Steel group, entered into more serious negotiations. Finally, the Government decided to sell its 51% share in the company to LNM Holdings Group. The newly acquired company was given the name Mittal Steel Zenica in 2004.

We now address the impact of the world's largest transnational steel producing company and the influence of its global strategy on local employment relations. Generally speaking, there are three competing theoretical views regarding the way in which MNCs manage organisation and human resources (HR) in their subsidiaries, as well as the local social, political and economic environment (Brewster, Wood and Brookes, 2008). One view is that globalisation results in convergence, with management practices across MNCs becoming increasingly similar. Secondly, theories state that companies operating within the same local market tend to adopt organisational practices that are dominant in that particular market, thus becoming "isomorphic" with other local organisations. Thirdly, there are so-called duality theories, which suggest that MNCs are simultaneously exposed to the pressure to adapt to the local conditions, yet have to preserve corporate integrity aligned with their global nature.

Industrial relations and people management at Mittal Steel

Acquisition and its consequences

This section focuses on the relationships that have been established between the three major actors in our case, i.e., the new owner of the Mittal Steel Zenica, the state (Bosnia and Herzegovina Government) and employees in the company represented by their trade union. Mittal Steel came to Zenica as a saviour. Its internet home page proclaimed it as the "*biggest ever investment in Bosnia by a foreign company*", placing it in a comfortable position both in terms of dealings with the government and with employees.

The whole acquisition/privatisation contract included about 20 documents. One of them was an agreement on the so-called social package that was agreed and signed by the new owner and the local trade union branch. This and other contract documents obliged the new owner to employ at least 4,514 employees, to start integral production in the plant as soon as possible, to pay delayed payroll taxes and compensate workers for accumulated unpaid wages from the previous period of employment. The new owner also promised to respect the existing collective agreement until the new one was signed. In return, the government made major investments in building an additional electric steel furnace plant with a capacity to produce 700,000 – 800,000 tons of steel per year.

Electric steel furnace plants (mini-mills) have increasingly supplanted the traditional integrated steel production plants around the world (see for example Crandall, 1996; Konzelmann Smith, 1997; Bacon and Blyton, 2001). They are more efficient, do not require such large investments and make possible the adoption of innovative work practices that result in lower labour costs and higher labour performance (Bacon and Blyton, 2001).

Having acquired the new plant, and in spite of the promises made, Mittal Steel repeatedly delayed integral production, with the excuse that it required new investments that were too high, whilst at the same time the new electrical plant was being used to full capacity. In response to the increasing price of electricity, Mittal's management sought to reduce further their costs by dramatically cutting the workforce and equally dramatically increasing workloads, even though this was in direct contravention of the acquisition contract that had been signed by the local trade union.

A major problem related to the honouring of the agreements was the persistent lack of transparency in the process of privatisation. Under the "old system", employment security (conditions of hiring and firing) and work security (safety and health rules, working time limits, night work etc.) were in general terms regulated by law and stipulated in the collective agreements between trade unions and employers. However, once the government of Kuwait acquired a 50% share of the company, the power of the union was severely undermined. According to law the collective agreements could only be applied to companies with a majority of state capital, but in this particular case there was no majority owner. The company was neither private nor state-owned. To use the words of one of our informants: "*Everyone was responsible and no one was responsible. It all depended on how you looked at it*".

The situation did not improve when Mittal took over as the majority owner, going on to pursue a HR strategy that limited their responsibilities to their employees and marginalised the trade unions.

Working conditions and work security

This had consequences in terms of work intensification, working conditions in general, and workers' health and safety in particular. Our informant explained that some production functions that used to depend on the manpower of 14–15 employees are today carried out by no more than 5–6 employees. In negotiations about wages, the new management drove a hard bargain. The old job classification register was ignored, as was the protection equipment register and the register of jobs with difficult working conditions. The latter was particularly important because workers doing these jobs qualified for retirement sooner than others.

Nevertheless, according to local trade union representatives, it was rarely openly manifested as a flagrant violation of the agreement, done on purpose or by use of force. Instead, the employer would always find an excuse, (for instance, it was a result of the Government failing in its obligations towards the company, or, that the situation in the world steel market was too tough, and so on). Regarding the "old" job classification registers, the new management argued that these were left over from old communist regulations, and were not relevant any more.

The trade union, however, sees the situation differently:

> *... at the moment we still do not have any kind of job register. We find this situation both unacceptable and illogical because the new system has not brought any automation and/or modernisation. Everything is practically the same as before and there is no need for the removal of the old job structure. And besides, the old jobs register was made by independent companies that were specialised and competent just for this kind of evaluation. What the actual management tries to do is contrary to this. By engaging an internal service, which is part of the company's own HRM office, to make a new job register they are, of course, going to protect the interests of the employer rather than the interests of the employees.*

This generates, according to our informant, not only excessive workloads but more risk-exposure, with work intensification resulting in a lack of concentration, and a general lack of protective equipment and safety routines. He continued:

> *... In 2007 three workers were killed at a steel mill... they were suffocated by argon. The fact was that it happened due to the catastrophic working and protection conditions. And we had complained about that all the time. They were lacking protective equipment. What was also lacking was a team that we called the draeger squad. Before the war there was always a draeger squad, which was ready to intervene at any moment ... they were always the first ones on the scene when there was an emergency because they had the necessary training and equipment for such situations. They used to clean installations, open up the gas, close the gas; and were there if the manpower was in difficulty and so on. They were re-introduced after the accident.*

The preceding quote is not only a good description of the deterioration in working conditions, but also illustrates management's sophisticated organisational strategies. They reduce their commitment to protecting employees to the barest minimum, but then give some concessions when they have gone too far, as in this case by re-introducing the emergency teams.

Another point that we need to make here is that the trade union is far from having a *weak sense of class interest* or *low self-confidence*, even though Ost (2000) sees these as important properties of East European labour. Representatives of Zenica's steel workers clearly support path dependence as opposed to shock therapy with regard to economic reforms in general and organisational changes in their company in particular.

These points are further illustrated below.

Marginalisation of the trade union and manipulation by HRM

One strategy deployed by management to overcome resistance to the changes imposed was to marginalise the local trade union, which seemed to be a stronger source of resistance than the new management had at first expected. The following quote is illustrative of the strategy deployed by the company:

> *And then they installed a new general manager, who came from South Africa, an Indian, who hardly knew what the union was. This caused a lot of trouble for us. We were forced to struggle for things that previously were self-evident; for example our right to collective bargaining, to sign a collective agreement. And then in the midst of it all they declared redundancies ... We, of course, tried to prevent it, and then they threatened to leave completely, with the consequence that we all would then lose our jobs. So the rights of workers were less and less respected; a particularly sensitive issue was work safety and health protection that dramatically worsened compared with the previous period. They, however, viewed their way of dealing with these issues as if it was completely normal and unproblematic...*

In their effort to belittle the local trade union, management even tried to establish English as the official language of communication between management and the trade union. Their argument was that as Mittal Steel Zenica had become part of a large global corporation where English is the official language, it was reasonable to expect all internal correspondence and oral communication to be in English. The trade union perceived this move as an attempt to dis-empower them in their negotiations. The resistance was so strong that the management failed in its attempt.

Another way the management tried to marginalise the unions was to move the direct negotiations from local to national trade union representatives. Our informant from the national trade union confederation said:

... local trade union reps in the steel plant were obviously annoying for them, because they were consistent in their claims and always insisted even on the little things, ... and then they [the management] tried to ignore them, and instead approached me, tried to negotiate a deal with me. But I always redirected them to the local union in the steel plant ... I never allowed them to negotiate with me about the issues that concerned the local trade union.

Yet another tactic was to try and divide labour by fragmenting the membership in the trade unions. The targets were foremen, who were obviously regarded as having a weaker labour class conscience than the ordinary workers.

They set up conditions for foremen which said they could either be foremen or members of a trade union... because a foreman is a member of the management. And they were even officially proclaimed managers. Imagine, ordinary foremen were promoted to managers,[5] *just to prevent them being members of the union. Just to reduce the membership...*

Our informant explained that the management went to great efforts to persuade foremen to denounce the union and join them. It was a full-scale campaign. People were called to private phones in their free time and told that since they belonged to the company's management, they would need to sign individual contracts with the company, which would, of course, be much better than the ones the trade union secured for them. Eventually, under relentless pressure, the majority of foremen agreed, but with damaging consequences in terms of their own employment conditions:

... they are now totally dependent on the employer's whims. The collective agreement is not valid for them and those individual contracts that they signed proved to be very bad. Employers can now give them whatever kind of wages they want. Their contracts guarantee only the minimum hourly pay and a free meal every day. And nothing more, which means that they must work both night shifts and overtime, they must be available any hour of the day or night without any compensation for this. It's terrible, but that is what they signed for…

Where local managers did succeed in advancing to the higher ranks of management at Mittal, with better contracts, they were seen by their employees as completely unscrupulous and remorseless in their treatment of shop-floor workers, and were clearly a source of bitter resentment for our informant:

[5] The English word manager refers in the Bosnian language only to high company leaders.

It is difficult to co-operate with them, they are worse than those foreign chiefs, who came with Mittal. I have a feeling that they would walk over corpses just to achieve their ends. I've said it publicly ... I've asked them, "How is it possible that you can live in Zenica, and walk this town and meet the people whom you have fired and left without a livelihood..."

As opposed to local managers, the few foreign senior managers who represent the Mittal corporation in Zenica, all of whom were from India, keep a low profile. They had real power over what was happening in the plant, but were almost invisible in the life of the local community:

... they act as if they do not live in this town at all, and it says a lot. There are not many of them here, four or five altogether. But they are not visible anywhere in the town, at the events, football matches for instance, or even at cultural events ... I wonder what they are doing, what they are so busy with, when they do not have time to appear out in the community...

What it is possible to conclude on the basis of the last two quotes is that Mittal did not and still does not want to be affected by local circumstances. The company apparently avoids having direct contact either with employees, the local community or with the Government. This job, sometimes sensitive and complicated, often difficult and characterised by conflict, is reserved for local managers. Meanwhile their foreign bosses, acting in the background, have the interests of the corporation as their priority.

Here we get an opportunity to address the relationship between actual corporate development within the steel industry and what is happening with trade unions. On the basis of the empirical evidence presented in this section of the paper, it is obvious that local trade unions face serious challenges in their efforts to protect the interests of their members. Most of the literature tends to seek the causes for this either in local political or historical circumstances or in the unsuccessful policy of the relevant international actors. Less attention is paid to the capital labour dynamics within the global steel industry as such. Research in this field shows, however, that the same kind of challenges face trade unions in the UK and Germany (Bacon and Blyton, 2007), England and Poland (Dawley, Stenning and Pike, 2008), in the whole EU (Stroud, 2010), and even globally (Bacon and Blyton, 2000). The main problem is that on-going sector restructuring has resulted in the establishment of a smaller number of global corporations controlling the global market, while the trade unions are still nationally focused on their organisation and strategies. The argument is made that steel unions need also to develop their international collective capacity in order to be able to meet their counterparts that already operate on a global scale (Stroud, 2010).

In the case of Mittal Steel Zenica, management cleverly use their global position to inform their approach to people management in Zenica. This is at least as important a factor in causing the weak and subordinated position of the local trade union as its local political and historical circumstances. Empirical material presented earlier supports this argument. There are signs however that the unions have managed to regain some power following the acquisition of another steel company, Arcelor.

> *... in the meantime they acquired Arcelor, which unlike Mittal had a strong and well-organised trade union. And then they were forced to respect the existing collective agreement between the trade union and Arcelor, which also became a part of the deal between Mittal and Arcelor.... And we have used this agreement, too; it helped us in our negotiations. So the management gradually began to change their behaviour. Among other things, they removed the head manager and replaced him with another one, also Indian, but with whom we could negotiate better. They even installed a new head of the human resources office, with whom it is also easier to co-operate.*

Discussion

There are a number of issues that have been addressed in this paper. One of them is the consequences of transition. Bosnia and Herzegovina was widely devastated by the war, resulting in an ethnically divided, politically unstable and economically bankrupt society. What was not destroyed by the war, was declared irrelevant and abolished by neoliberal shock therapy, extensively deployed by the so-called international community after the war. All this resulted in Bosnia and Herzegovina being regarded as one of the least successful transitional countries, commonly described as illustrative of the "wild capitalism" model. The question is, however, whether "wild capitalism" accurately reflects the situation in Bosnia. Whilst wide-spread practices of ethnic politics, resulting in clientelism, corruption, and the rule of kleptocracy throughout the country are well documented in the literature (see Donais, 2002, 2003; Divjak and Pugh, 2008), these are not the most important characteristics of wild capitalism. More important is the fact that "corruption" and "criminal" social and economic practices and institutions exist side by side with "normal" capitalism characterised by *"legality, and 'western' codes and norms of behaviour"* (Upchurch and Marinković, 2011: 14). This clearly corresponds to our empirical story. Mittal as a corporation is very careful to keep away from corruption and criminal activity. Whilst government representatives may be involved in such practices, they do not transgress into their dealings with the steel industry in general, or even less in their relations with Mittal. In their treatment of trade unions, both Government and Mittal show a strong tendency to avoid their responsibility to labour, but they do not employ criminal methods as part of the strategy. Their approach is more akin to the strategies of avoiding existing rules and regulations related to work and employment adopted by both companies and states in the West, a process described as *informalisation from above* (Slavnic, 2010).

Mittal's organisational practices in Bosnia and Herzegovina may be described in this context as weak "institutional duality". They are certainly affected to a degree by local actors and practices, but in reality they believe that their own practices, which they regard as "universal", should be adopted by the host society, not the other way round. The story about their merger with Arcelor shows that they do not have the same attitude to relations with all their subsidiaries. The economic and political stability of the host society and organisational power of the subsidiary obviously play an important role in this context.

What can be said about the position of local trade unions? It is clear that they are not ashamed of their (socialist) past. They view themselves as responsible and loyal partners in the "old" system. (It was they that preserved and protected the plants' facilities during the war and they are proud if it.) They want to be equally responsible and loyal now. At the same time they are increasingly aware that their position constantly becomes weaker. We argue, however, that this weakness cannot be explained only by national causes. We need also to include the development trends within the steel sector, both nationally and internationally. The last quote in this paper shows, however, that trade unions in Zenica have also become aware that they can increase their power only by moving the focus away from the national scale, and developing their organisational capacity on a company level.

A final issue that needs to be addressed here is what alternative kind of capitalism is to be expected in Bosnia and Herzegovina. Mittal Steel would presumably prefer the dependent variant, which is at the moment impossible, firstly because FDI in Bosnia and Herzegovina is still an insufficient part of the economy, and secondly because wild capitalism is too dominant in the rest of the economy and society. Paradoxically, at the moment the Bosnia and Herzegovina economy is protected from being dependent because it is consistently corrupt. The alternative to an unstable and corrupt society is a stable but economically dependent society. The question is: Is there any third option, and who will expedite it? This paper cannot answer this question, but hints at the role of internationally organised labour in such a solution.

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Od radničkog samoupravljanja u socijalizmu do marginalizacije radničkih sindikata u »divljem kapitalizmu«: studija slučaja ArcelorMittala u Bosni i Hercegovini

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U radu se sustavno propituje preobrazba najvećeg proizvođača čelika u Bosni i Hercegovini iz državnog poduzeća u privatnu tvrtku u vlasništvu stranog kapitala. Istražuju se posljedice tranzicije na industrijske odnose, učinci novog načina upravljanja na radne uvjete u tvrtki te promijenjena uloga radničkih sindikata. Razmatra se u kojoj se mjeri nalazi mogu smatrati uobičajenim posljedicama neumoljivog prodiranja kapitalizma i privatizacije diljem istočne Europe. Na početku rada donosi se kratak pregled povijesnog i političkog konteksta tranzicijskih gospodarstava. Slijedi kratak pregled opće povijesti čelične industrije, posebice one u Jugoslaviji te Bosni i Hercegovini, zajedno s opisom glavnih obilježja industrijskih odnosa. Potom se pozadina studije slučaja predočava putem kratke povijesti Mittal Steela i izazova njegova restrukturiranja u trazicijskome postkomunističkom razdoblju. To čini osnovu za analizu kojom se propituje utjecaj privatizacije na industrijske odnose u tvrtki s naglaskom na snagu novog menadžmenta i njegove kulture, popratne učinke na radne ugovore, uvjete rada i promijenjenu ulogu radničkih sindikata. Zaključno se raspravlja o tome u kojoj mjeri različite teorije postkomunističkog kapitalizma mogu objasniti te promjene.

Ključne riječi: čelična industrija, tranzicijska gospodarstva, postkomunistički kapitalizam, divlji kapitalizam, ArcelorMittal, Mittal Steel