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Attitudes Towards Work and the Market Economy in Hungary

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Attitudes Towards Work and the Market Economy in Hungary

Abstract

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Keywords

employment, education, work, market, economy, Hungary, attitude, behavior, economic, system, free-market

Comments

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ATTITUDES
TOWARD WORK
AND THE MARKET
ECONOMY IN
HUNGARY

Working Paper 92-25

S. A. Ruiz Quintanilla

Attitudes Towards Work and the Market Economy in Hungary

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Report prepared under DOL grant E-9-K-1-0058

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May 16, 1992

Attitudes Towards Work and the Market Economy in Hungary

by

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1. Introduction

A common approach in describing countries in Eastern and Central Europe is to focus on similarities among them currently and in their past but to neglect differences. This approach utilizes broad categories as in seeing their economic systems as copies of the "soviet model" versus a "Western free-market model". The principal focus is on delineating "East-West" differences. But to help Eastern and Central European countries overcome obstacles in this transition era, we need to understand distinctive country-characteristics and idiosyncrasies.

Therefore, economic systems are more accurately mapped as lying along a continuum with different degrees of market influence and bureaucratic intervention. On this continuum the Hungarian system since the 1980s is best characterized as allowing some (although weak) market influence and by having some private business (e.g. small cooperatives employing less than 100 people, small production companies with less than three employees, and in the service sector individual entrepreneurs like private drivers). This is why, following Oskar Lange¹, the Hungarian Model is frequently referred to as "market socialism".

¹ Lange, O. (1963). Political Economy. New York: Pergamon Press.

2. Understanding human behavior in periods of change

The guidelines followed in this report are similar to the ones used for the Polish data analysis and report (draft report to the DOL March 14). We concentrate on factors influencing the acceptance of change derived from innovation research, like perceived fairness of the change process (procedural fairness), confidence, involvement, support, knowledge, goal congruence and the individual evaluation of change in terms of what the person has to give and what is received in return (referred to as input/output relation in equity-theory).

The equity model enables us to predict individuals resistance to change. Simply stated, the basic idea of equity theory is that individuals evaluate outcomes of change and that those changes considered favorable will be welcomed, while those seen as unfavorable ones will be resisted.

Individuals are concerned about their own inputs and outcomes, and the fairness of the exchange between them. If due to a change, the inputs and outcomes shift, the net gain or loss is assessed. If this assessment results in a decline of the net gain, a person will feel distressed and is likely to resist the change. Resistance to change also results when a person perceives inequity compared to others. Those who perceive an increase in the net gain (of the input/outcome function) and/or in equity are likely to welcome the change.

Resistance to change can be expressed by minimizing one's own inputs and/or outcomes of others as well as by trying to increase the inputs of others.

3. Identification of Equity Concerns in Hungarian Society

3.1 Preferred Economic System

About two in five (43%) respondents prefer a free-market economy, somewhat more than those who prefer a mixed-type economy (33%). Only two percent of the respondents prefer the communist economic system and eight percent a socialist type (Q87). This suggests that only a few Hungarians (8%) would prefer to remain with the former socialist system, while a majority prefers either a free-market economy or the benefits of both systems (mixed economy). Nevertheless, interpretations should be made cautiously because most respondents have a limited understanding of these models and only vague ideas about their possible implications (see 3.2). This limited understanding is also reflected in the relative high percentage (14%) of "don't know-answers".

Further evidence comes from the question concerning effects of a free-market economy (Q88). A majority (61%) of the respondents believe that it will make a few people rich instead of providing a better living standard for all (30%). If we analyze separately the group of respondents preferring the free-market economy on this question (figure 1), we find that 54 percent believe that this type of economy will yield a better standard of living for all. By contrast, in the case of respondents who do not prefer the free-market model, only between four percent (communist) and twenty percent (mixed model) believe that everybody will gain in a free-market system, while a strong majority (80% and 96% respectively) believe that only a few people will get rich.

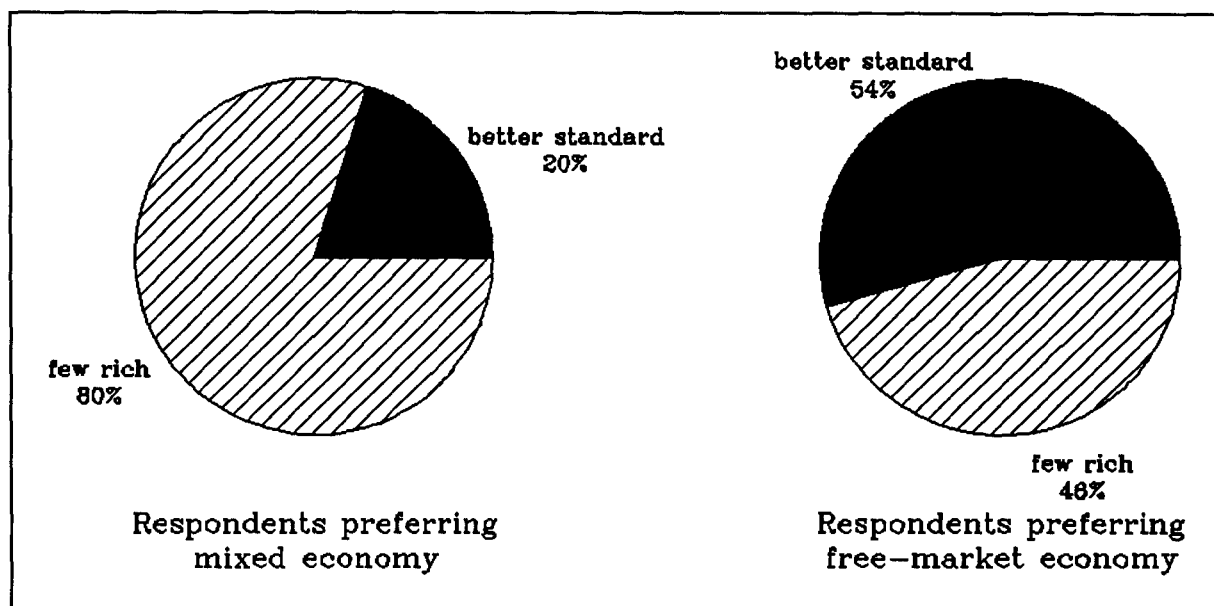


Figure 1 Free-market economy leads "to better standard of living for all" versus "makes only a few people rich" by preferred economic system (mixed and free-market).

3.2 Knowledge and Understanding of Market Issues

Not all respondents are likely to have a clear idea or understanding about the meaning and implications of different economic systems like the ones mentioned in question Q87. To obtain a better understanding of attitudes towards economic issues like privatization, ownership, and the redistribution of revenues, the interview addressed them at a more concrete level.

The respondents were asked which kinds of businesses they would like to see in private hands (Q89). Fifty-three percent of the Hungarians said that all or most business should become private. Eleven percent answered that no business should become private, and ten percent of the respondents declined to give an answer. Analyzing which groups tend to have less positive attitudes towards the privatization of business leads to this conclusion. Opposition to privatization is

more prominent among respondents who are less educated, older, living in rural areas, female, and are in lower income groups.

More specific questions concerning ownership cover the distinction between business ownership and ownership of land parcels, and between Hungarian and foreign ownership (Q90). Only thirty-seven percent of the respondents agreed that individual ownership of large businesses should be part of a future Hungarian economic system, while 48 percent were in opposition. Similar responses were obtained regarding the ownership of large land parcels, which is accepted by only 26 percent (62% against) and for the foreign ownerships of companies (22% support and 65% oppose). Finally, a substantial majority of the respondents (83%) oppose foreign ownership of real estate, with only seven percent agreeing that this should be part of the upcoming Hungarian economic system. These figures illustrate the limited desire for foreign ownership (particularly of real estate) that still exists among a majority of the Hungarian population. With the exception of opposition to the foreign ownership of real-estate, which is shared by most Hungarians, attitudes in opposition to private or foreign ownership are more frequent among less educated and older respondents, and among members of lower income groups.

An additional set of questions in the interview considered the issue of ownership for different types of businesses. Sixty-seven percent of the Hungarian respondents agree that all or most restaurants (Q105_1) should become private, and 29 percent think privatization should include most or all dental services. Still smaller numbers support private ownership of TV-stations (13%), postal services (10%) and secondary schools (10%), and only a few support it for public transportation (7%) and electric power plants (4%). As before, those generally

more in favor of privatization are the younger and better educated Hungarians, and those having higher incomes and living in cities or larger towns. Consistent with these views, we note the opinion given by 74 percent that secondary schools (Q112) should be free or mostly free and by 81 percent that this should also be the case for medical care (Q113).

Thirty-six percent of the respondents agree that allowing people to become rich should be part of the economic system (Q90_F), while 55 percent disagree. Therefore, nearly half (44%) of the Hungarian respondents express believes that there should be an upper limit for the money one can earn (Q114). Most respondents (57%) prefer some income differentials for different kinds of work (Q115_1), and 38 percent say there should be no limits to earning differences.

More respondents agree (48%) than disagree (38%) as to whether salaries should be determined by the market (Q90_E), . Still 16 percent think that the state should prescribe pay (Q107) in every case, 29 percent say they would like to see this in most cases, and 13% in some cases, but three-quarters of the respondents (75%) believe that a minimum wage should be set by the state.

Interesting information is also yielded by the question as to whether prices should be prescribed by the state (Q108). Thirty-seven percent of the respondents agreed strongly and 46% agreed somewhat that the state should prescribe prices. Thus, only eleven percent of the Hungarian population accepts prices determined by the law of the marketplace.

Finally most Hungarians (80%) agree with the policy of progressive taxation

(Q109).

In summary, these results suggest that there is considerable uncertainty about the meaning of different market models among Hungarians. Thus, answers to the straight-forward question of which economic system they would like to become reality are difficult to interpret. As yet, knowledge and understanding of the implications of different economic systems are not too well established.

3.3 Western Assistance

Sixty-two percent of the respondents believe that the U.S. has given a lot or at least some economic assistance to their country (Q93), and 69 percent are favorable to U.S. political attention (Q94). More than a majority of respondents (64%) said that the U.S. had continued its attention to Hungary after the communist lost power (Q95), while 18 percent believed that American engagement had stopped.

All four types of Western aid asked about are seen as very important by most of the respondents (Q92). Ninety-three percent rated the supply of advanced technologies as very important for the future of Hungary, slightly more than the rating for technical knowledge (88%), business assistance (87%), and educational assistance (81%). While slightly more than half of the respondents (56%) believe that increased Western economic aid will help the Hungarian economy (Q91), the greatest support centered on bringing in Western specialists (77%). The need for Western specialists was mentioned as important for helping the Hungarian economy more often than any other means; these others, in order of frequency,

were: "implementing free market policies" (73%), "remove nomenclature from management" (72%), "increased Western economic aid" (56%), and "cutting government spending" (54%).

Which are the areas in which the Hungarians would like to receive Western help? Of the four were included in the interview (Q96), two, development of the media (62%) and development of the parliament (54%), were cited by more than half of the respondents. Help in developing the judiciary system divided the respondents into two nearly equal halves. Forty-six percent endorsed Western involvement in the development of the judiciary system while 42 percent opposed it. Most frequently rejected was Western involvement in the development of political parties, with 58 percent of the respondents opposing this idea, and only 27 percent would accepting it.

In conclusion, we would expect a fairly strong negative reaction if Hungarians were to expect Western influence on their political parties or their judiciary system. This opposition seems to be less the case for assistance in the development of the Hungarian parliament, although one should not ignore the negative opinion expressed concerning this domain by one-third of the sample (33%).

3.4. Economic Situation of the Country

Only 10 percent see any improvement in the country's economic situation as yet, while 67 percent think that it has gotten worse since 1990 (Q99). Eighteen percent believe the economic situation of the country remained more or less the

same. Concerning the near-term future, 46 percent believe that the economic situation in Hungary will improve during 1992 (in the coming year) and 29 percent believe it will get worse during that period (Q100). Nineteen percent expect no changes in 1992.

Respondents with more education are also more likely to evaluate the economic situation of Hungary as having improved. The same is true for younger respondents as compared to older, urban respondents relative to the rural population, and higher income groups in comparison to lower ones. Men are also more likely than women to see the country's economic situation as improved.

Finally correlations with demographic variables follow a similar pattern in relation to the evaluation of the future economic situation of the country. Still, these correlation coefficients are generally smaller. But again it is the less educated, male, and older respondents who more often hold a pessimistic view concerning the economic future of Hungary in 1992. However, there are no significant differences between the rural and urban populations or relationships to the respondent's income.

3.5 Personal Economic Situation

When comparing one's own current economic situation to what it was before 1990, 60 percent see it as the same and 31 percent as worse (Q97). Only seven percent say that their personal economic situation had improved. These judgements are related to the respondent's income but not to their educational level, gender, age, or area of residence. However, those in the lower income group more often state that their personal economic situation has become worse since 1990.

Asked about the biggest personal problems they face (Q98), the respondents rank inflation first (51%), followed by salary (26%), and unemployment (17%). Compared to these concerns, other problems seem to play a minor role (6%).

3.6 Unemployment

Asked to indicate how much unemployment Hungary could bear (Q110), 39 percent answer no unemployment at all and 48 percent say that it should be less than the current level. Hungary had about a seven to eight percent unemployment rate during December 1991, the period during which the survey was conducted. Only 8 percent believe that Hungary can continue to accept that unemployment rate.

A total of 86 percent of the respondents fear that a further rise in unemployment in Hungary may create serious societal problems. This group is comprised of more than a third of the respondents (39%) who still favor the earlier situation without unemployment and another fifty percent of the respondents who believe that the advantages of a market economy outweighs some unemployment but believe that eight percent might be too high.

Sixty-seven percent of the Hungarians oppose the practice of keeping unemployment low by preserving inefficient work places (Q116). Only five percent strongly agree and 18 percent agree somewhat that this strategy should be used.

Substantial agreement (90%) is found with the practice of firing inefficient workers (Q118), however 45 percent opposed and 48 percent favored a policy of

providing low unemployment benefits as a means of encouraging people to seek jobs. A similar opinion is found concerning the statement that unemployment is a good way of encouraging positive attitudes towards work. Here 48 percent agree or strongly agree and 43 percent disagree or strongly disagree.

The following figure shows for different income groups their proposal how much money should be paid for regular work, as minimum income and as unemployment benefits. The difference between the minimum income and the unemployment benefits is rather small for all income groups and results to less than 5 thousand Hungarian Forint.

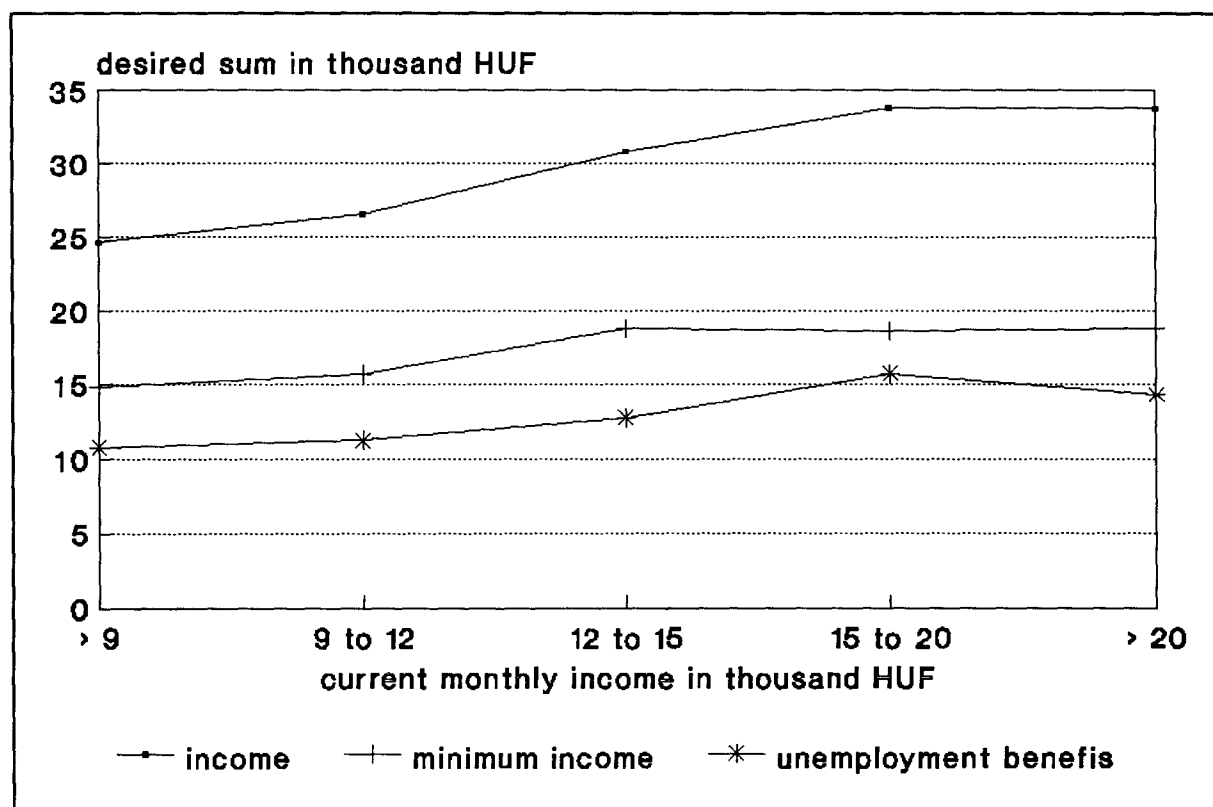


Figure 2 Desired average sum for regular work, minimum pay and unemployment benefits by respondents' current income.

How are the unemployed viewed (Q124)? In order of importance, the most common view is that the unemployed are the victims of the economic situation, followed by the view that they are the victims of wrong politics. Less favored are the opinions that the unemployed are victims of their former employers, and, finally that the wrong qualifications and that one's own behavior are the causes of unemployment. Expressed as proportions, 69 percent of the respondents believe that the two most important sources for unemployment lie beyond individual responsibilities, i.e. wrong politics (32%) and the economic situation (37%). Individual reasons like the lack of qualifications (10%) and one's own behavior (9%) are less frequently mentioned as the most important. The same is true in attributing responsibility to the former employers, which was ranked as most important by 12 percent of the respondents. This general attitude (locus of control) is confirmed by the answers to the question (Q86_B) asking the respondents about the principal source of responsibility for unemployment. While only 11 percent cited the respondent's own responsibility, 48 percent would blame other persons or groups and 42 percent would consider unemployment as fate or bad luck.

This feeling of not being in control or having little power is also reflected in the answers to the question as to the extent the respondents think that their future working life lies in their own hands (Q120). About two-thirds (64%) answered to a very small (25%) or a small degree (39%), while only one fourth (24%) believe they can influence their future work life to a large (18%) or very large (6%) degree.

3.7 Future Outlook and Behavior Intentions

A substantial majority of the respondents (90%) express the believe that

locating another job similar to the current one (Q31) will be either very difficult (53%) or difficult (37%). Therefore, most (88%) do not intend to change jobs within the next 12 months, but will try to keep their current work, while only 12 percent intend to make a change. The difficulty in finding a similar job is more frequently mentioned by older respondents, but it is not related to gender, place of residence, education, or employment status.

While 28 percent of the respondents generally oppose the idea of undergoing retraining (Q33_1), 72 percent would be willing to invest in training if required by economic conditions (43%) or if other conditions (e.g. economic security during training, better job after training) would be guaranteed (29%). Among the groups more willing to accept the idea of retraining if forced by economic conditions are the 25 to 44 year old and the better educated respondents.

Q33_1 Willingness to be retrained by age-groups (column percentages) N=870.

	Age-groups				
	15-24	25-34	35-44	45-54	55-65
no, under no condition	12.7%	19.0%	23.0%	46.8%	57.4%
if forced by economic condition	35.7%	45.4%	47.9%	39.5%	35.2%
under certain other conditions	51.6%	35.6%	29.1%	13.6%	7.4%

No differences in preparedness to undergo retraining are found between the

gender groups and by community size. Comparing the kinds of organizations for which the respondent works, willingness to be retrained is found a little less frequently among employees of public offices (65%) as compared to those in private companies (76%), small scale and family business (72%), state companies (73%), and co-operatives (73%).

Concerning the utility of current skills for future employment (Q79), 12 percent feel that their skills will not be useful at all, while 29 percent believe that their skills might be somewhat useful. More common among those who think of their skills as useful or very useful for future employment we find younger respondents, more males, those living in urban areas, and the better educated. But there is no relationship between respondent's perceptions of the future usefulness of their skills and their willingness to undergo retraining.

Asked to judge the likelihood that any of eight different events might happen in the near future, the highest probability was given to "becoming unemployed" and "the company one works for changing ownership". Next in order of likelihood the respondents choose "improvement in the working conditions", "changing the occupation", and "starting an own business". Less likely seen are "increased standard of living", "difficulties coping with work demands", "poorer work relations", and "moving to a different region".

Among these events an increase in living standards and an improvement in working conditions are the most desired. One of the two events ranked most likely to occur, "becoming unemployed", is also the one most feared and disliked. Not liked in addition are the possibility of poorer working relations, moving to a

different region of the country, and difficulties with work demands. Changing occupations, changes in company ownership and starting one's own business are neither strongly preferred nor disliked.

None of the alternatives offered in question Q83 is strongly preferred by the majority of the Hungarian respondents. Most respondents evaluate work out of the city, physical work, self-employed work, sales work, and working in the city as comparably appreciated. Disliked are secretarial work and work as a miner.

4. Work Related Attitudes and Values

4.1 Important Work Goals

Assessing work goals serves to major goals: Predicting possible sources of distress arising from individual disappointments, and motivating employees through utilizing desired work goals in creating rewarding environments.

During the interview the respondents were asked to rank how important each of 16 work goals are for one's own working life (Q71 & Q72) . The total Hungarian sample ranked "good job security" as most important goal, followed by "good pay" and "a fair amount of recognition for doing a good job" as second in importance. These more important goals are followed by "relation to supervisors", "relation to co-workers", "interesting work", "good match between job requirements and individuals abilities", and "benefits. Following this are "physical working conditions", "contributing to society", "convenient hours", "autonomy", "possibilities to learn", and "variety". Finally only of limited importance are "an

influential position in the organization" and "good opportunities for upgrading or promotion".

In column two of the table are the work goal rankings of the younger

Table Importance of Work Goals (Q71-72 Mean-Ranks)

WORK GOAL	HUNGARY N=1355	Age 15-24 HUNGARY N= 259	Education below secondary HUNGARY N= 808	POLAND N=1064
SECURITY	12.7	12.5	13.0	11.0
PAY	12.6	12.6	13.2	12.0
RECOGNITION	12.6	12.6	12.7	11.4
RELATIONS TO SUPERVISOR	10.7	9.7	10.1	9.3
RELATIONS TO CO- WORKERS	10.5	10.5	10.4	9.3
INTERESTING WORK	10.2	10.8	9.8	10.3
MATCH	10.2	10.0	9.7	8.2
BENEFITS	10.1	9.9	10.5	10.4
PHYSICAL CONDITIONS	9.3	9.3	9.8	9.2
CONTRIBUTION TO SOCIETY	9.2	9.1	8.9	9.6
CONVENIENT HOURS	9.0	8.7	9.4	7.6
AUTONOMY	8.9	8.7	8.1	8.9
LEARN	8.3	9.0	7.6	8.3
VARIETY	7.0	7.4	6.5	8.0
INFLUENTIAL POSITION	6.3	6.9	5.9	8.4
PROMOTION	6.2	7.0	5.9	6.7

respondents (between 15 and 24 years old), and in column three the mean rankings of respondents who had less than a secondary education. Finally, the last column gives comparative data from the Polish survey conducted at the same time with a representative sample of the population.

Compared to the overall Hungarian sample, younger respondents put less emphasis on relations with the supervisor and more on interesting work, learning, and promotion opportunities. The less educated respondents stress security, pay, benefits, physical working conditions, and convenient hours more than the total sample. Relations with supervisors, interesting work, good match, autonomy, learning, variety, influential position, and promotion opportunities are seen as of lesser importance. Compared to the Polish results the Hungarian respondents put more emphasis on job security, social dimensions with regard to relations with coworkers and supervisors, recognition, and convenient hours. Less important for the Hungarians are work goals like a good match between abilities and job requirements, variety and an influential position.

4.2 Work Centrality

The relative importance respondents assigns to the domain of work was assessed by asking them to distribute 100 points according to the importance of five life domains. The points given can be interpreted like percentages. If a respondent assigns 100 points to an area, it means that this life area is of exclusive importance to that person. Similarly, 50 points would mean that half of the individual's attention is focused on that area. As previous research by the author

has shown, this measure can be used to assess an important condition for work involvement.

Q68 Points given to life areas to express their importance at the present time

	H U total Sample	N G A working one job	R Y working two jobs	POLAND total Sample	U.S.A total Sample
N	1395	827	98	1085	1002
Percentage of Sample	100%	58%	6.9%	100%	100%
<hr/>					
FAMILY	47.6	47.7	43.9	38.7	35.9
WORK	23.7	25.5	26.8	27.2	21.7
LEISURE	15.3	15.3	16.4	17.4	15.2
RELIGION	6.8	6.7	6.1	12.9	15.1
COMMUNITY	6.7	5.0	6.9	4.1	8.6

The total Hungarian sample ranked family (47.6 points) first in importance and work (23.7 points) second, followed by leisure (15.3 points). Of relatively little importance are religion (6.8 points) and community (6.7 points).

Looking now at the respondents who currently have a single (main) job of sixteen or more working hours per week (i.e. excluding students, pensioners, homemakers, and unemployed), presented in the second column of the table, we find much the same ranking of the domains, albeit with a slight increase in the points assigned to the domain of work. The third column of the table presents the values of respondents who have both a primary job and a secondary job (6.9% of the total sample). Here we again find a slightly higher value attributed to the work domain and a slightly lower one to family.

The fourth column of the table presents the values of the Polish sample in response to the same question. Again these values do not generally differ in the rankings of the domains, but they do show the greater importance of family in Hungary, the lesser one of the religious sphere, and the lower overall importance of work as compared to the Polish sample.

To add further meaning to these findings, we again offer a comparison in column five to similar data from a representative sample survey of the American working population which was administered in 1991 (England 1991). As we can see, the responses of the Polish and the American respondents are more similar, than those of the Hungarian respondents.

5. Conclusions

The ongoing changes in Eastern and Central European countries can be characterized as unique in their direction (from communism or socialism to a market economy and democracy), their comprehensiveness (embracing individual, institutional and societal aspects of political and economic life) and their speed. Two important factors which contribute to differences in each country's path are the cultural and ethnic background of the population and their recent political and economic history.

Hungary's changes from a Soviet form of central planning began as early as 1968. At that time a new type of economic management was introduced which sought to develop a more market-oriented economy. Industry was partly decentralized and the emphasis on monetarist policies was strengthened. In 1984 the ministries lost their right to appoint CEO's to the enterprise councils formed by representatives of workers and managers of the companies. New laws were enacted to encourage the establishment of small enterprises. Bond and stock markets were opened. In 1989 a reform of the personal and business taxation system was begun. Prices and wages were liberalized, and private and co-operative ventures were encouraged as well as joint ventures through the establishment of customs-free zones. A new government formed by the Conservative party was elected in the spring of 1990, pledged to effect a full transition to a Western-style market economy. According to recent estimates (Economist, 1991) the private economy in Hungary produced about 30% of GDP in 1990 as compared to 17% in 1980.

What are the impacts of these changes on the beliefs, attitudes, and

behaviors of individuals? Which kinds of behaviors had to be unlearned and replaced by alternative actions? What kinds of conditions facilitated this unlearning and new learning?

Individual learning is less likely to occur in circumstance of uncertainty. The dynamics of global change typically reduce the security of the individuals involved. This might result from an incomplete knowledge of the extent and nature of changes or their future direction, constraints on readily available alternative behaviors, and limited knowledge concerning the instrumentalities of different behavior patterns . In such a situation it is highly likely that well tried earlier practices and routines remain dominant, if only as a matter of caution. The likelihood of trying new ways of doing things is greater in situations where individuals have a reasonable degree of security and a good idea of what is expected of them.

We must identify and better understand the sources of old behavior patterns, beliefs, and attitudes in order to establish conditions which might encourage the use of new strategies and thus ease learning. The data from this survey can be seen as a major step towards this goal.

In addition, environmental conditions have to be analyzed to identify and then change factors which hinder the development of new strategies. This is far too complex a task to be included within the scope of this paper. Thus we will merely highlight an example to illustrate this line of thinking.

As discussed in the paper, the Hungarian respondents gave strong emphasis

to the social dimension of work, establishing good relationships with their supervisors and co-workers (4.1). This behavior can be interpreted as especially effective in the light of the informal rules still operative. Hungarian workers have learned to gain rewards by developing good personal connections to people in positions of power rather than through their own achievement. Consistent with this is their tendency to display servility towards authorities so as not to endanger their career possibilities and rewards. Assuming responsibility is avoided (see the low rating of "influential position"). Rather, the problem solving strategy is to complain about problems in order to negotiate additional resources.

Initiative and the adoption of new behavior patterns will be encouraged if no part of the old power structure is retained. Thus, managers and supervisors should not be selected from former power circles (see Q91_D). Furthermore, an additional source of uncertainty arises from the frequent lack of trust in contracts or other legal or ritualistic practices (in the former system, rules of the bargaining game often became objects of it). To change this, one has to establish a set of clear rules and regulations and insure that their instrumentalities are understood and that they are really followed. The technical assistance initiatives of the U.S. Department of Labor can play an important role in accomplishing this.