

# RADIO FREE EUROPE *Research*

## EAST EUROPE

CZECHOSLOVAKIA

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### THE THREAT OF UNEMPLOYMENT IN CZECHOSLOVAKIA

Summary: One of the major problems at present facing the Czechoslovak economy is the effect caused by the closing down of inefficient factories and production lines. Closures have been carried out over the past two years. Now, however, the issue has become more pressing in connection with the economic reforms. Obsolete and inefficient factories were also abandoned in the more distant past. But, then, the instances were sporadic and caused no serious problems, because the extensive type of production then being applied absorbed the labor thus freed with no difficulty. At present, however, with the slow turn toward an intensive type of economy, the situation has changed. There is a growing concern in the country over workers who may find themselves out of a job as a result of the closures. It has been suggested recently that a so-called "social allowance" be introduced, an obvious replacement for unemployment compensation.

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Very recent trade union deliberations over the closure of inefficient factories, workshops and production lines have added a new emphasis to this problem in Czechoslovakia and to all its implications. In a commentary broadcast over Radio Prague on May 5, an economic commentator claimed that ten per cent of the existing production units could justifiably be closed because of inefficiency. While intimating that the physical liquidation caused no major problem, since the factories could be dismantled, buildings adjusted for other purposes and raw materials used elsewhere, the commentator frankly admitted that the question of what to do with the workers thus affected was giving real ground for great worries. In fact, concerns over the fate of "thousands of people" was said to be the major single reason why some 80 per cent of the factories selected for closure were still in operation. The Radio Prague commentator implied that the whole idea of closure still faced stiff opposition from both the employees affected and from the trade unions who fear that large numbers of people may find themselves unemployed and that the standard of living in whole regions may decline. The unions have proposed that a legal assurance of employment and of the retaining of one's job classification be given to all personnel affected before any enterprise is liquidated. (This latter safeguard would mean that a worker transferred to another job because of redundancy would enjoy,

in his new job, the same pay rates which he enjoyed in the old.) The unions are also asking that the factories being closed should assume the responsibility for and carry the costs of re-training their employees should this be necessary for their further employment.

One should, at this point, make two observations. The first is that the regime seems genuinely concerned to try to solve this problem without undue hardship. The second -- perhaps much more striking -- is that, for the first time in the last 18 years, the trade unions are acting in the interests of those they are intended to represent. This is a promising development which should be watched closely.

But however laudable the administration's effort to solve this problem without unnecessary hardship, and however encouraging the concern of trade unions over the individual, it will obviously be impossible to redeploy all the redundant labor, at least not within a comparatively short period. Significantly, a term entirely new in the "socialist" vocabulary, i.e. "social allowances," has entered the discussion about this problem. The euphemism will hardly deceive anyone: what the public is being slowly prepared for is unemployment -- and unemployment compensation. (1)

#### Immediate Background of the Problem

One of the postulates for discussion at the 12th Party Congress (December 1962) was that "concentration of factories and production units should continue." (2) The new Central Committee elected by the 12th Congress passed a resolution which called for the construction of "modern, highly concentrated sites of production" with which to replace obsolete and inefficient factories. (3)

- 1) In this connection, it is worth noting the following definitions: "Unemployment -- a phenomenon inevitable in a capitalist system.... Unemployment renders the position of workers employed in production insecure, curbs their wages and exerts a negative influence on the living standard of the entire working class.... Unemployment is completely and forever liquidated by replacing the capitalist system of production with a socialist one." (Soviet Economic Dictionary (Short Economic Dictionary) Prague 1963, p. 334) compiled and amended by a collective of Czech authors after the Short Economic Dictionary edited by G.A.Korlov and S.P.Pervushin).
- 2) "Prospects for Further Development of Our Socialist Society," August 1962; CPSC CC Resolutions and Documents, Prague 1962, vol. 2, p. 375.
- 3) Radio Praha, 10 December 1962.

Bound by this Central Committee resolution, the government ministries began compiling lists of enterprises considered inefficient, and gradually entered upon the practical implementation of the project. The action, unpopular under any system, has, since the very beginning, met with a stiff opposition in Czechoslovakia. What, indeed, must have been most alarming for the Party, was the fact that the transfer of production lines and the closing of whole factories was "vigorously opposed" even by Party members. (4) But pressing economic necessity evidently compelled the Party to disregard the misgivings, and to push on the scheme even more vigorously. To this end, a Central Committee plenum, held between 21 and 22 January 1964 directed that the liquidation of inefficient production units be executed "more consistently in harmony with the basic trends of concentration and specialization." (5) Again, the government complied and, at its session on 7 February 1964, ordered a concentration of production in technically developed plants. At the same time, it called for the closure of obsolete and inefficient factories to be carried out in a "determined manner." (6)

Many closures seem to have been carried out without the right amount of coordination. Enterprises were being closed with precipitate speed, more often than not without prior consultation with local administration, i.e. national committees, and, in a number of cases, the decision was kept secret to the last moment. A typical case was reported from the Ostrava region, the industrial heart of the Republic. There, a trust director summoned a factory manager to inform him "confidentially" about the decision to close his enterprise. At the same time, the manager was "bound to secrecy" on the grounds that the decision, if made public, would jeopardize the success of National Front candidates nominated for the general election. This was admittedly an extreme case and the responsible regional Party committee subsequently submitted such methods to criticism in its own daily. (7)

But the fact remained that there was not the right amount of warning or pre-planning and great unrest among the workers was caused. Pertinent evidence was supplied by the trade union daily Prace which warned that attempts to settle matters in an administrative way invariably caused conflicts and provoked opposition. (8)

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- 4) Reda Prava, 23 December 1963; Nová Svoboda, 27 February 1964.
  - 5) Reda Prava, 25 January 1964
  - 6) Reda Prava, 8 February 1964
  - 7) Nová Svoboda, 4 June 1964.
  - 8) For an example see article in Prace 3 January 1965 on resentment caused in the "Sigma" factory in Olomouc, central Moravia.

### Enterprises Affected

The authorities were obviously aware that there would be difficulties in abundance connected with the new policy. Indeed, Rada Pravo warned already in the early stages about "tremendous political and organizational work" ahead, as the scheme required a mass transfer of labor. (9) What they seem not to have fully appreciated was the rapid pace of industrial concentration. Thus, the necessary provisions for a smooth transition were not made, and this has led to the present situation where enterprises have to be closed for economic reasons while the labor market is not yet quite prepared to absorb the freed manpower.

In 1964 and 1965, a total of 1,300 production units with 33,000 employees were closed. This has left over 10,000 factories of various sizes dispersed over the country. Of these, 1,400 with 50,000 employees are to be closed between this year and 1970. (10) Some 40 per cent of the enterprises slated for closing employ less than 100 men; the rest are larger units. Production is to be discontinued in 62 per cent of woodworking enterprises, 69 per cent of polygraphic workshops, 33 to 40 per cent of glass and ceramic manufactures, and in 17.5 per cent of engineering factories. (11) Also contemplated is the closing of a number of bakeries. (There is a rumour about the bakeries not because of the number of personnel affected but because the closure would adversely influence the already insufficient supply of bread in the countryside. Obviously, this matter has not been given thorough consideration in the higher echelons. The situation in this particular sector is reminiscent of the period 1959-1961 when over 300 brick yards were closed only to be hurriedly reopened later when it became apparent that the "concentrated" enterprises were unable to meet the demand of construction material.)

An example from 1964 illustrates the fate of the redundant labor. In that year, 638 enterprises were closed. Of the 20,991 employees affected, 69 per cent found jobs in their profession, 16 per cent had to change occupation, and 15 per cent were "placed at the disposal of national committees" (i.e. became, at least temporarily, unemployed) or were pensioned off. (12) One may assume that this kind of trend will continue for the foreseeable future as economic efficiency will not stop at chocolate factories only. In Czechoslovak official sources admitted, even in the most modern enterprises there are production lines which, from the economic point of view, have no right to exist, and are a great burden to the state budget. (13) Since the new economic model stipulates that

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9) Rada Pravo, 18 December 1963

10) Rada Pravo, 24 March 1966

11) Zemelskate Noviny, 11 April 1964

12) Rada Pravo, 10 September 1965

13) Rada Pravo, 24 March 1966

factories are to pay their own way, no responsible manager will tolerate unprofitable lines for long.

#### Problems over Social Allowances

It is not yet clear who is to carry the costs of the "social allowance," i.e. the unemployment compensation. There is no law in Czechoslovakia regulating this issue because theoretically there is not supposed to be any unemployment and the Constitution guarantees everybody the right to work. In the First Republic, unemployment compensation was paid by the Ministry of Social Welfare out of state budget; member of trade unions received additional payment from their organizations. The deputy-speaker and Chairman of the State Planning Commission, Oldrich Cernik, has stated that the closing of inefficient factories is a "local matter." (14) If his statement is to be interpreted in the sense that the national committees are to be saddled with the costs, it would be a great burden. The payments would be a heavy drain on their budgets, and would negate the recent promises that their financial situation may improve through a tax reform and the right to impose levies. (15) What might well happen, however, is that the costs will be shouldered by other bodies, for example industry and/or trade unions.

#### Conclusion

One should not overestimate this problem of unemployment in Czechoslovakia. It affects and will affect relatively a very small proportion of the total work force, which numbers over six million people. The point is, however, that the problem seems more acute than it should have been because of bad planning. Moreover, the Czechoslovak economy as a whole is very short of labor. This can be seen from the fact that the next Five-Year Plan (1966-1970) stipulated that 85 per cent of the increase of production should be derived from increased productivity.

That the regime is now facing in the need to come to grips with a problem which doctrine had said could never exist and which has been stifled off still now by economic circumstances. Now, however, the need for economic efficiency is making this problem a very actual one and there is a need to produce another new aspect of "creative Marxism" to grapple with it. The "social allowance," a good socialist term, will be used instead of "unemployment compensation." But the content and the meaning of both terms will be precisely the same.

As for the Czechoslovak worker, faced with possible unemployment and hit by other infringements on his standard of living -- raises of rents, introduction fees for medical care, high factory canteen meals etc. etc. -- he may well be wondering what has happened to the "old socialism."

14) Radio Prague, 30 March 1966

15) Radio Praha, 20 March 1966