Enterprises in Yugoslavia as a Specialty of Workers' Self-Management System During Socialism (1945-1990)

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Abstract

In Socialist Federal Republic of Yugoslavia (hereinafter: SFRY) many laws were approved that regulated the legal capacity of economic organizations (Dobias, 1969); however, no law regulated the concept of the enterprise (Stipetić, 1982). The constitution of 13.1.1953 transformed in its Art 4 “state property” to “social property”. In addition, workers’ self-management of enterprises (economic organizations) was proclaimed as the basis of the social and political order. The work collective managed the assets of the companies on behalf of the company, while the state was responsible for day-to-day management and the funds needed for production (Prasnikar, Svejnar, Mihaljek & Prasnikar, 1994). In this sense, the implementation of participative management systems reflects the intentions of the political leadership to decentralize and liberalize economic life (Zeffane, 1988). The company was not a commercial company, as it is known in the West, but a production cooperative that was not in a membership relationship with the workers (because then they would be equal to a public company), but in an employment relationship (Spaić, 1960). The company was self-sufficient in terms of its internal organization and management, planning its economic activity, the distribution and use of income, the signing of contracts and the formation of economic associations (Pretnar, 1961). The self-administration law, ie the right of the work collectives to the administration of the commercial enterprises, could be called civil-law or property-law authority, because the work collectives would not have possessed a real self-administration right, without such a competence. In this sense, main objective of this manuscript is the analysis of enterprises in Yugoslavia as a specialty of both systems, capitalism and socialism. Main objective of this manuscript is the Analysis of Enterprises in Yugoslavia as a specialty of workers’ self-management system from 1963 -1990

Keywords: enterprises, Yugoslavia, Commercial Law, Constitution

1Economic organizations (privredne organizacije) were understood as state and cooperative organizations. Business organizations with more than 30 employees in the commercial sector, catering and crafts with less than 30 workers were referred to as shops (radnje).
1. Introduction

This article is about the Enterprises in Yugoslavia as the basic form of self management socialism. This process will be analysed in an economic- and legal view. The Yugoslav constitution of 1963 regulated the legal position of workers in the economic organizations and laid down the social property as the basis of the corporate constitution, but did not define the concept of economic organization (Borić, 1996). According to Article 13 of this Constitution, business organizations as enterprises and other economic organizations could be established for economic activities. In this sense, the 1963 Constitution allowed any form of private employment, unless it had the character of exploitation.

With the amendment XXI of 1971, the Organization of Associated Labour (hereinafter: OAL), which was the specialty of workers' self-management system, was established as an institutional framework for the autonomous regulation of labor and production relations (Spaskovska, 2018). It was created to dissolve and replace the classic forms of economic organization. Each production unit of a company should form an OAL, which was responsible for the autonomous decision on business matters.

The merger of the workers under the "Law on Associated Work" of 25.11.1976 was understood as a union of work and not as a joint capital investment. Therefore, every attempt to compare the OAL with western commercial companies and corporations fails (Höcker-Weyand, 1980).

According to Höcker-Weyand (1980) the definition in Article 10 of the 1974 Constitution can be considered the "most appropriate". It defines the company as:

"An economic organization that is self-governing, independent and decides on a part of the social wealth itself, with the workers of these organizations being responsible for dealing with societies' means of production"

2. Literature Review

Analysing the issue required adequate knowledge especially of commercial law, specifically concerning the legal forms of enterprises, such as: State business enterprises, Economic units (ekonomske jedinice), Working units (radne jedinice), Independent organizations of the United Work (samostalne organizacije udruženog rada), Basic Organizations of the associated work (OAL: osnovne organizacije udruženog rada), Work organizations (radna organizacija), Joint Unified Labor Organizations (slozena organizacija udruženog rada) and community services (zajedničke službe) and Agricultural cooperatives. The Yugoslav state was making an experiment, based on autonomous Socialism and as such concepts of Marxism were needed for the analysis. In this sense it wasn't aware of the difficulty that was going to face as a consequence of self management economy, because this new economic order required for some enterprises the full transformation, for others a restructuring and some had to be completely liquidated. Yugoslav Self-management was a bad mix of two worlds, namely socialism and free market economy. Another problem with Self-management was closely connected with two questions: the question of economics and the question of politics. In fact, it can be argued that what happened in Yugoslavia, is historically unique (Papajorgji, 2013; Papajorgji, 2014). In order to better understand the evolution of Self Management in Yugoslavia it was necessary to analyze in a comparative view the socialism system in other countries as well (Pacukaj, Tokrri, 2021). The literature proposed to develop the theme is of a legal, economical, historical, political philosophy, with an insight into international and comparative commercial law, with the aim of comparing different ideas (Pacukaj, Tokrri, 2021). Other aspects of the analysis include the legal, social and economic literature regarding Yugoslav Self Management System.
3. Research Method

The analysis carried out is based in a legal, economical, historical, political method with a focus in the Yugoslav Self Management System. The study is conceptually divided into two parts: the first examines the legal Types of Business Organizations during Workers Self-Administration. The second part focuses on the analysis of the Yugoslav Self Management System. At the same time, the intent of the analysis aims to understand how the Self Management System influenced the transformation process in a free market economy.

4. Types of Business Organizations during Workers Self-Administration

The system of workers' self-management in Yugoslavia was very often called an "experiment" (Pusić, 1989). The establishing of workers' self-management by the "direct producers" was the primary objective in Yugoslavia since the early 1950s (Stojanović, 1981). The economic organization was in the time of the planned economy during 1947-1952 the basic unit of economic life. The system of workers self-management followed, and with the constitutional amendments of 1968 and 19712 with the OAL a new form of direct self-administration of workers in the economic organizations was established (Lokshin & Jovanovic, 2003). The development and types of economic organizations in socialist Yugoslavia can be divided as follows:

- State business enterprises;
- Economic units (ekonomske jedinice);
- Working units (radne jedinice);
- Independent organizations of the united work (samostalne organizacije udruženog rada);
- Basic Organizations of the associated work (OAL: osnovne organizacije udruženog rada);
- Work organizations (radna organizacija);
- Joint Unified Labor Organizations (složena organizacija udruženog rada) and community services (zajedničke službe);
- Agricultural cooperatives;

Disputes between the business organizations were resolved by: a. the economic courts;3 b. the courts of the associated labor;4 c. state arbitration5 or d. the special courts of associated work.6

In contrast to other socialist countries, where only regular jurisdiction or arbitration could be invoked, the conduct of disputes between the economic organizations, the regulation of judicial responsibilities and their practical implementation were very complicated (Reilly & Krstic, 2003).

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2 "The immediate producer "was placed at the center of self-government relations in economy and society and the OAL was highlighted in Art 2 of the 1971 Constitutional amendment XXXI. In the 1974 Constitution and in the "Law on associated Labor" of 25.11.1976, the OAL finally became the basic form of workers' self-government.

3 The Commercial Courts have been responsible for enforcing claims arising from contracts between business organizations, the protection and exploitation of scientific discoveries, disputes over technical and technological issues, waterways and procedures for the liquidation of economic organizations.

4 The Courts of associated Labor were responsible for relations between workers and business organizations, the organization of OALs, applications to protect social work and the protection of social property, decisions on OAL allocation and merger, and approval of municipal contracts.

5 State arbitration was established under Art. 40 of the Law on the associated Labor. Under Article 372, it was responsible for interpreting the self-reliance arrangements, certain disputes, arbitration and other types of disputes.

6 In accordance with Article 14 (2) of the Law on associated Labor, special courts of associated Labour were established. They were responsible for the sectors of: education, science, culture, health care, social security, road transport, economics, post and telecommunications etc. in connection with the self-government agreement.
4.1 State business enterprises

As in all socialist states, the state-owned commercial enterprise was the basic unit of economic life in Yugoslavia until 1950 (Adamović, 1982). It was established on the principles of the central economy and, according to its economic importance and size, was administratively under the operational management of the state organs of the Federation, the Republics, Provinces, Counties and Municipalities. From 1950, state-owned enterprises no longer complied with the new system of workers' self-management (McFarlane, 1972). It turned out in practice that state-owned enterprises were run by the director of the company rather than the legally competent workers council and that the influence of the "direct producers" on the decisions of the companies remained very small.

4.2 Economic Units (ekonomske jedinice)

Since the 1960s, with the introduction of the "new economic system of workers' self-management", attempts were made to redefine the state economic organizations through the increased influence of the working collective (independent distribution of income) (Dobias, 1969). The newly created structures were part of the companies (Bertsch, 1973). Because they were not legal entities, the economic units could not develop into a unit of order of the self-governing economy. In conclusion, it can be stated that these organs did not achieve the political objective of ensuring direct influence of workers in company decisions.

4.3 Work Units (radne jedinice)

The "work units" were established by the "Law on the Economic Organizations" of 4.4.1965 to replace the economic units and to enable the direct self-administration of the workers. The new law sought to eliminate the inconsistency of responsibilities in the corporate micro-sector and in the macro-sector instruments (Furtak, 1975). In practice, the formation of the work units did not change the corporate structure and did not exert an increased influence on the company management. The relationships within the "work units" were further regulated by the institutions of the enterprise.

4.4 Independent organizations of the united work (samostalne organizacije udruženog rada)

The changes made by the "Law on Business Organizations" of 1968 aimed to promote the economic and administrative independence of workers' organizations. They were regulated by constitutional amendments of 26.12.1968, which included a detailed organizational structure of workers' self-administration to the work collectives: a. for the establishment of independent organizations of the unified legal entity (samostalne organizacije udruženog rada bez svojstva pravnog) and b. for the independent organization of the united work with a different amount of self-governing rights (samostalne organizacije udruženog rada sa drugičim obimom samoupravnih prava).

This organization was the only one that represented another step towards a new self-governing organization in the economy; not because of the possibility of participating in economic exchange relations, but because of the position of "direct producers" towards the basic subject of the respective organization.

4.5 Basic Organization of the Associated Labour (osnovne organizacije udruženog rada)

The legal framework created by the constitutional amendments of 1968 and 1971 was marked by many

7 Izmena i dopuna Osnovnog zakona o produsceima, Sl l SFRJ 1968/8.
ambiguities in connection with the new system of workers' self-government and the 1963 constitution. This led to the adoption of the new 1974 Constitution and the "Law on the associated labour". The legal basis of the OAL was Article 36 (1) of the 1974 Constitution and Article 13 of the forementioned Law (Gruenwald, 1983). According to Article 13 of the "Law on the associated Labour", the OAL was:

"the basic form of associated labor, in which the workers directly and equally regulate their relations at work, in the management and administration of the means of social reproduction, and decide on the income and other questions of their socio-economic status."

This provision stated that the "direct producer" was placed at the centre of self-government relations in business and society, and that OAL was declared the basic form of company law.

The workers exercised their self-governing rights through three structural elements of the Yugoslavian economy: a. through social ownership of the means of production, b. through the regulatory mechanism of market economy and c. through the frame planning.

The initiative to establish the OALs came from the workers, the union or the administrative organs of the workers' organization. The establishing decision of the OAL should be sent to all other basic organizations (all workers) in the same field of activity. The registration of these organizations was governed by Art 448-460 of the "Law on the associated labour" (Šefer, 1982). The founding decision had to be registered in the commercial register of the court in whose district the seat of the organization was located. All the characteristics of each OAL had to be specified, ie name, domicile, activity, obligations of the parent organization to other basic organizations, authorized representatives and any limitations on their powers. The OAL was liable for the obligations of the workers' organization resulting from the self-government agreement; also, for the merger with the workers organization. In addition to the obligations of the OAL, the other OAL of the same workers' organization were also liable, as regulated in the respective self-governing agreement.

4.5.1 The legal status of the basic organization of the associated labour

Article 37 of the "Law on associated labour" and Article 45 (1) of the 1974 Constitution defined the status of the OAL as follows:

"The basic and other organizations of the associated labor, their communities and other forms of unification of unified labor organizations, banks, communities for the protection of assets and persons, as well as other financial organizations are legal entities with rights, duties and responsibilities that derive from the Constitution, Law on the associated labour or based on the Act establishing it. These organizations, communities and associations, as well as their rights, obligations and legal liabilities, shall be registered in the Register of the Associated Labor Organizations."

The legislative authority emphasized the legal personality of these organizations in legal relations and transmitted to the OAL the right to dispose over the resources. The working organizations, which consisted of two or more mergers of OALs, could regulate the right to dispose of the work equipment only by delegation from the OAL, through the self-administration agreement on the merger.

4.5.2 OAL institutions and their functions

The main organs of the OALs were: a. the workers' council; b. the executive body and c. the leading working body.

a. The workers' council

In all enterprises, the workers' council was the central and supreme administrative body of the working collective (Glueck & Kavran, 1972). All workers of the OAL had the right to vote
and stand for the workers’ council. Based on Art. 495 of the "Law on associated Labor", the Workers’ Councils were responsible for drawing up the proposal for the Statute, for the nomination and dismissal of the executive body and for the adoption of other self-government acts of a general nature (Čolanović, 1982). Its responsibilities also included drawing up orders on the distribution of net- and personal income, as well as the regulation of employment, labor standards, health and safety at work.

b. The executive body

The executive body was established in accordance with Art. 99 of the 1974 Constitution. After that, the executive functions in the OAL had to be exercised by the executive organs of the workers’ councils. In Art. 489 of the "Law on the associated work" it is said: "The OAL may have one or more executive bodies of the workers’ councils responsible for implementing executive functions." An analysis of both provisions shows that the executive organs were not organs of the OAL but organs of the workers' councils of these organizations. Their existence was not obligatory, they were established as Co-institutions.

c. The leading working body

Each OAL should have a leading working body. Its competencies were the execution and organization of work, the economic policy of the OAL and the measures for the realization and review of proposals for the realization of the plan and the distribution of income.

4.6 Work organization (radna organizacija)

The work organization consisted of several, at least two OALs (Gumpel, 1983). It operated in the field of industrial production. Article 35 of the 1974 Constitution and Article 346 of the "Law on associated Labour" defined the organization of work as an independent and self-governing organization of workers with equal interests, organized in the OAL or integrated into the work process (Gligorov, 1982). The work organization was established by the OAL, the trade union, the local union and other legal entities in accordance with Art 349 of the "Law on the associated Labour". The cooperation of the OALs with each other and with the work organization occurred through self-government agreements.

The establishing of the work organization was carried out in accordance with Article 371 (1) of the "Law on the associated labour" through:

- the conclusion of the Self-management Agreement on "Association to a Work Organization";
- the election of the workers’ council as well as
- by appointing a person to perform the function of the management body.

After its establishing, the work organization was registered in the court register.

4.7 Joint Unified Labor Organizations (slozena organizacija udruženog rada) and community services (zajedničke službe)

The "Joint Unified Labor Organization" was open to all sectors of economy, in contrast to the work organization, which served only in the industrial production (Macura, 1974). For example, agriculture, services, research and many others represented a merger of several work organizations. The purpose of setting up these organizations was to co-ordinate efficiency. Based on Articles 482 and 477 of the "Law on associated Labor", decisions of the "Workers' Council of the Joint Unified Labor Organization" also required the consent of the workers of the OALs. This meant that there was no hierarchical structure in the decision-making levels. The "community services" were a new kind of economic organization that was active not in production, but in research and administration. It was regulated in Art. 400 (2) of the "Law on associated Labor".
The agricultural cooperative

Simultaneously with the introduction of the system of workers’ self-management in the economy changes took place in the structure of agricultural cooperatives. Although the agricultural land was more than 70 percent privately owned, the constitution nevertheless tried to achieve and promote socialization by evolutionary means with the help of the so-called "Green Plan" (Allcock, 2000).[8]

The 1974 Constitution regulated the rights and obligations of the farmers and workers in terms of work and work equipment. According to Article 62 (2) of the Constitution, they were merged with the OAL, which led to a restriction of their rights and equal treatment of their obligations to industrial enterprises. Article 224 of the "Law on associated Labor" defined agricultural cooperatives as the independent organization of farmers, whose members combine their work and the means of production in the cooperative to their common interest. The organization was established by at least 30 farmers or economic organizations. It was necessary to conclude a "self-governing agreement on the unification of farmers". Pursuant to Article 286 of the "Law on the associated labour", the self-governing agreement should include the names of the founders, the seat, the activity of the agricultural organization, the establishing capital, the relations between the basic organizations of the cooperative (Bradley & Gelb, 1987).

The assembly of the cooperative was the highest administrative body. The law did not contain any special competence provisions. But it could happen that the same rules were used as for the workers’ council of the OAL. The members were in solidarity for all debts in connection with the establishing of the cooperative. They were also liable for all liabilities incurred during their membership to the Cooperative, not only with their membership quota, but also with their personal assets.

5. Analysis of the Yugoslav Self Management System

The Yugoslav socialism started with the first five-year plan (1947-1951) and was based on planned economy. As in Albania, companies were legally independent legal entities. In fact, they were part of the state administration (Teichert, 1959). The basics of Self Management System, which were implemented in Yugoslavia after 1950, are based on publications by Kidrić (Hagemann and Klemencić, 1974). These included the introduction of new socialist concepts and methods, a drastic decentralization of the entire state structure, the abandonment of a Soviet-style economic plan, industrial self-employment in industry and a competitive but not private-sector system (Gruenwald, 1983). According to Yugoslavian legal theory, the mistake of Marx’s theory was that Marx regarded property only as an economic and not as a legal concept, as the “fullest right in an object in a particular social formation.” This mental starting point was the basis for the start of decentralization and the so-called workers’ self-management. The process began with the Federal Law on the Administration of Business Enterprises and Business Associations by Working Collectives, adopted on 26 June 1950.[9]

The law introduced for the first time the management and administration of the enterprises through work collectives. The tasks of each institution have been broadly outlined and clarified, modified and supplemented by other regulations and instructions in subsequent years. Although the system of "workers’ self-management" did not bring any real involvement of workers in decision-making processes, it was a prerequisite for extensive economic decentralization. It was ultimately a means of justifying the market by distinguishing it from capitalism in socialist theory (Lydall, 1986).

The 1974 Constitution was the last phase of Self Management System. It eliminated the

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[9] Zakon o administracii preduzeća i trOALčkih drustava kroz kolektivni rad, Sl I FVJ 1950/43.
contradictions of the previous constitutions of 1946 and 1963, comprised more than 400 articles and about 350 pages, making it the longest constitution in the world (Džaja, 2002). The Constitution of the SFRY stated in Art. 10 that the socialist socio-economic order of the SFRY consisted of the free "associated work" with means of production in social property and in the self-administration of the workers. This constitution tried to create a Pan-Yugoslav market. This was to be done through a union of labour and through the free sale of goods and services in a system of social planning through agreements of workers’ self-management and social agreements on economic development in the interest of the country as a whole. The new constitution increased cooperation in the higher level of labour organizations. More important for the further development of company law was the constitutional anchoring of the subunits of the companies, the Organizations of Associated Labour (hereinafter: OAL). The companies or workers' organizations were subdivided by the OAL into sub-areas, which had an autonomous working order as well as a direct management and income distribution.

6. Conclusions

This manuscript makes it clear how persistent Yugoslavia was in trying to make the "socialist experiment" a success. Even after state-owned enterprises and economic units proved ineffective, new developments were made in the course of the development of constitutional and commercial law in order to make the principle of worker s self-management a success and to permit market conditions to a limited extent. An essential form of organization proved to be the OAL, anchored in the constitutional amendments of 1968 and 1971 and in the 1974 constitution, which was to become the hallmark of the Yugoslav road between a planned and market economy. This economic enterprise showed no similarity with the state enterprises in all socialist countries or the commercial companies of Western countries. It was a true experiment that failed to fulfil the expectations of another experiment, namely the workers’ self-management system.

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