

The transformation of HRM in the Eastern European region and in Hungary

In Eastern European countries¹ – including Hungary – the characteristics of modern HRM could only be found in traces under the previous regime. One of the first big challenges the HR departments of transition countries had to face was to cope with the massive layoffs after privatisation. International companies have redrawn the characteristics of the labour market and the HR practice in the former socialist countries. Empirical researches unequivocally confirm that HR has become obviously strategic in international companies. There is no comprehensive management and HR knowledge about the countries in this region. Courses presenting this region are missing from the university education and periodic trainings. The express purpose of this study is to contribute, non-exhaustively, to the further reduction of this lack of knowledge².

INTRODUCTION

The development of human resource management can be overviewed in several different ways:

- One very common way of presentation is when different authors (Armstrong 1999, and Mathias–Jackson 2003, and many others) overview the development of the role of HR within the different *management trends* (scientific management, human relations, HR at time of appearance and today's HR).
- The existence of human resource management as a separate function can be economical only over a certain company size therefore this field had been the privilege of *large companies* alone for a long time. Most HR books discuss the development of this discipline in relation to large companies. In these books authors present the main functions of HR and the factors affecting it (Bohlander–Snell 2007).
- The different sectors (e.g. state, private and local) set different demands to HR. The public service (central and local administrative) sector employs a significant number of workforces. Pressures for modernization affect as well the traditional HR solutions in the public sector. Thus, there is an increasing interest within this field in *HR methods successfully applied in the public sector* (Poór 2008).
- Due to the internationalization and globalization, *international human resource management (IHRM)* as a separate science came into existence in the '80s (Evans et al. 2002, Dowling et al. 2008). Many discuss the development of HR connected to the more significant management cultures (American, Asian and European) (Brewster et al. 2004). In the present work we follow this conception.

Who attempts to process the HR practice of the region from a historical point of view is not in an easy situation. It is difficult enough to define what belongs to the Eastern European region. As we have pointed out previously, we mean by this the former socialist countries in Europe. It is a further difficulty that at present it is very complicated to carry out

¹ In this article we mean by this the former socialist countries of Europe.

² The country analyses presented in this article are largely based on studies prepared within the research program „HR in Eastern Europe” coordinated by us. Special thanks to Pál Boday, who provided significant support for the Hungarian National Association of Human Policy in preparation and publication of the studies presenting the HR situation of the certain Eastern European countries. The other sources of our research work were the database of and the several publications prepared within the Cranet research being carried out at the University of Pécs, Faculty of Business and Economics, Department of Management Consulting.

such kind of work due to the lack of sources. We have initiated therefore within the framework of the OTKA³ (Hungarian Scientific Research Fund) research conducted at our department that the HR practices characteristic to the certain countries of the region be processed in cooperation with the foreign (Bulgarian, Czech, Estonian, Croatian, Polish, Romanian, Serb, Slovenian) coauthors in 2006–2007. In addition, a separate study was carried out on the characteristics of the Russian HR based on literature sources. In certain cases the foreign authors also processed the period before the change of system but in other cases they discussed only the years after 1989. The Soviet Union, Yugoslavia and Czech-Slovakia were federal states under the old regime and they included several countries that our foreign research partners treated as separate historical entities. In this article we could confine ourselves only to the most common observations. We rarely include special considerations arising from the form of ownership (state and foreign) and company size (e.g. large companies and SMEs). Our way of discussion is qualitative rather than quantitative. Other publications made by the members of our department (Farkas et al. 2007, and Poór et al. 2008) provide large amount of reading material on the empirical investigation of the topic. In view of the above concerning the Eastern European region, we provide a non-exhaustive review of the regional characteristics and development tendencies of HR.

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THE PAST

There are differences in the development of the HR practices of the certain Eastern European countries due to the traditions and stage of economic development of the certain countries and the different levels of centralization under the previous regime. Modern HR could only be found in traces in these countries under the previous regime. Approaches within *scientific management* were mostly dominant.

The experience of other former socialist countries
The following review presents the HR practices typical of the certain former socialist countries.

- **Bulgaria:** Before the political changes at the end of the 80s, Bulgarian HR activity was under strict state control. Within enterprises HR departments were in operation performing different, traditional functions, such as personnel department, payroll department, training and staff development, social affairs department, health and safety departments. However, staff planning was centralized at enterprises and wages were set at national level. Interest reconciliation was limited mainly to welfare and social issues. Employment registration and position classification were also carried out at a national level (Vatchkova et al. 2006).
- **Czech-Slovakia:** The heads of the personnel departments elected the directors of enterprises (Brewster 1991). Besides these departments, other divisions were also in operation within Czech-Slovakian enterprises that performed traditional personnel and HR functions, namely, inter alia, payroll, training and personnel development, social affairs, health and safety departments. Staff planning was within the competence of the Central Planning Office. Wages were set at national level within the limits of the central plan. Interest reconciliation was limited basically to welfare and social issues (Koubek-Brewster 1995).
- **Estonia:** By this time, the activity of personnel departments was used by the governmental bodies and public authorities for keeping people under complete control. Compared to other management functions, the personnel field had a low level of acceptance. This had eased at the end of the 50s and in the following decade, a moderate economic reform began in the country. In order to raise the standard of organization of soviet enterprises, „scientific” workshops were formed for improving the working environment, developing working processes and establishing wage systems. Some industrial enterprises began to deal with assessment and career planning of professionals and managers. However, performing these kinds of tasks required not only administrative competencies known in personnel departments but also greater expertise. Therefore at the University of Tartu psychologists were begun to get trained also to

³ Between 2005–2008 our research team not fully examined the specific problem indicated in this article within the framework of the OTKA (62169) research „Convergences and divergences in HR”.

be able to solve the problems mentioned. Graduate psychologists became the first personnel specialists at Estonian enterprises and development centres. Primary managers of larger enterprises appointed deputies engaged in human resource and development to assist them. In the 70s connection with the Finnish management and personnel specialists was managed to be set up. The personnel knowledge thus gained was used in the industry.

- **Poland:** In the centrally planned economy the key positions at enterprises were mostly reserved for professionals loyal to the Socialist Party. Even lower level managerial positions opened rarely to non-member of the Party. Filling managerial positions was not in accordance with objective selection criteria, it was rather based on an agreement between a particular candidate, the enterprise management (mostly the chief executive officer) and the party organization. Before the change of system no efforts were made to rationalize staff planning (Listwan-Stor 2007).
- **Russia:** In the previous soviet period the primary activity of typical human resource departments was personnel administration or record keeping. These departments were very often headed by retired soviet military officers by bureaucratic, often exploiting military methods (Overmann 1991).
- **Serbia:** The present practice of human resource management is highly influenced by the worker self-management system developed in the second half of the 20th century. This system, that concentrates the decision making power in the hands of workers, didn't deal with the proper motivation of workers thus productivity fell to a very low level which finally resulted in the failure of the economic and the political systems (Szlávicz 2006).
- **Slovenia:** The key positions at enterprises were filled by people who were reliable not only professionally but also politically. In this period the main personnel function was to eliminate those people from the enterprises who cooperated with the invaders or proved politically unreliable. Due to the introduction of the Yugoslavian self-management system and the social partnership, enterprise management was theoretically shared between enterprise managers and the work collective. The local depositaries of the latter were the enterprises' work councils. The most important decisions, including personnel decisions, were also made by these councils. After that,

enterprises became somewhat more independent from the party-state in practice. Although laws substantially restricted the room to manoeuvre for the personnel field, enterprises could decide e.g. how many people they employ but rules of employment and compensation were defined by the law. From the end of the 50s training courses were organized for personnel managers. Even so, worker participation in solving personnel problems was insufficient enterprises employed very few personnel specialists (Svetlik et al. 2006).

HUNGARIAN PRACTICE IN SOCIALISM

The philosophy of traditional human resource management in Hungary was industry and production oriented (Kővári 1995). The production of industrial goods was in the focus of social objectives, for that bureaucratic processes were applied to improve the specialization of workers. The resulting job description covering a wider scope and the higher level personal commitment were novelties for people working for Western style joint ventures.

The key positions of enterprises were kept under strict review by the Socialist Party and the state bureaucracy (Poór and Wolfe 1992). Management was not considered a profession, promotion decisions were not based on performance (Pearce 1991). In many cases the selection of professionals and the personnel decisions were highly influenced by the party and government politics and the objectives of the party-state⁴. Managers were ordered by the party to combine the characteristics of sole management and collective management.

Traditional Hungarian personnel function consisted of two separate fields. A separate division, the personnel department dealt with the selection, employment and promotion of managers and cadres. The labour department dealt with the employment, wage and allowances of employees, workers. This department managed also the payroll and labour tasks for the above mentioned cadres (Bangert and Poór 1995). In succeeding years, ensuring the professional development of personnel staff gained special attention, they had to attend external training programs every year (Gazdag 1989, Kővári 1995).

High level performance was seldom, the expectation was average level performance (Kovach 1994). Performance-based wage hardly existed, preference was given

⁴ It is important to point out here that besides the general tendencies described in the article, since the 70s and especially the 80s performance was increasingly dominant in appointments to managerial positions.

to egalitarian pay structures. A very complex world of performance bargain (Héthy–Makó 1972) evolved in this environment. We can mention, inter alia, those employees who were able to retain their jobs simply by going to work and if their superior wanted them to carry out an important task, he had to compensate them with bonuses. These bonuses could be even as high as 200% of the basic salary of the employee. As the level of bonuses was determined through private negotiations, this gave ground for suspicion and distrust because people were afraid that the other colleagues could bargain a better remuneration for themselves (Bob et al. 1992).

However, it is important to point out that under well-defined circumstances indeed real and properly compensated performances were made. It is worth to refer non-exhaustively to different central party and government decrees⁵ and local efforts related to organization of work and industrial engineering at enterprises, due to which performance improving methods – MTM⁶, rationalization methods (Susánszky 1974), special factory-level reorganizations (Ladó 1986), employment of foreign consultants (Poór 1989) – got into Hungary from Western countries. Due to the indicated methods, significant performance improvement (Dobay et al. 1981) was achieved at several places and as a result of this, concerned workers gained rather significant additional incomes. In this context it is important to point out that in most cases centrally controlled wage management wasn't able to properly integrate the indicated successful initiatives in the longer term therefore wage management solutions applied before the performance improvement were very often reintroduced.

Trade unions, that included more than 90% of workers, more likely tried to meet the expectations of the Party than protecting the rights of workers. Of course, there was a single exception, but not in Hungary: the Polish „Solidarity” trade union. The trade union representatives were part of the state bureaucracy (László 1995).

AFTER THE POLITICAL CHANGES

In the Eastern European transition countries HR transformed or was in the process of transformation along with other fields of management. The following re-

view, non-exhaustively, as we have previously indicated, presents the HR trends observed in the countries of the region.

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The practice of other transition countries

- **The Czech Republic:** A survey carried out in the country in 1995 showed that most specialists of newly created HR departments have little experience (1–3 years) in this field. Many moved from another field to this one (Koubek-Brewster 1995). The change, transformation of the HR function seemed a long process by that time because too many obstacles had to be faced. First of all, top managers' conception of the HR function had to be changed. Second, the number of people receiving HR education had to be raised and managers and employees inadequate within this field had to be replaced. It should be ensured that personnel consultants are real professionals not only „money makers”. Last but not least, it should be ensured that international companies not only respect Czech laws but also apply the HR methods used in more developed countries. Experience has shown that Czech and foreign experts, the books and articles published in this topic and the existence of numerous specialist periodicals made a positive contribution to the development of the field of HR. There is a relatively wide selection of different trainings and staff development courses. In short, good opportunities are available for companies and their managers to help overcome the obstacles indicated.
- **Estonia:** As a result of the different foreign major investments and the opening of foreign market opportunities Estonia experienced a fast economic and technological development. Weak trade unions have become characteristic of the labour market that had no influence on industrial relations. (Note: With this statement we don't intend to suggest that trade unions had a great influence under the previous regime. We indicate rather that their organization had fallen back and they were unable to carry

⁵ Non-exhaustively, here we think of the government decree no. 1003 of 1972 on organizational development.

⁶ MTM = Method Time Measurement

out their will even in social issues.) Enormous layoffs were carried out at private companies. At the beginning of the 90s new laws came into force concerning the most important personnel fields. The most significant were: the employment act, the collective wage agreement, the public servants act, the adult education act, etc. This period was characterized by the remarkable development of the personnel profession. The first headhunting companies were established to find appropriate managers and professionals. These companies applied selection methods that were accepted also by Western companies. Organizations and personnel managers started to develop own personnel policies in order to reach strategic goals. The personnel field improved to a level that made it possible for personnel managers to move to the forefront of management (Svetlik et al. 2006).

- **Croatia:** The country had to tackle remarkable economic, political and social problems after becoming autonomous in 1991. The establishment of modern human resource management was largely impeded by social and economic uncertainty, high unemployment and the low performance of the economy. Besides, the heritage of the socialist and worker self-management economic and political system that characterized the second half of the 20th century also made difficult for the modern company management methods to spread. During the past years the most important labour regulations have been formed (Labour Code, health insurance, pension insurance etc. acts). The characteristics of the Croatian labour market are very similar to that of Hungary. We would like to underline the following characteristics: inflexibility, the number of part-time and remote workers is low, cross-industry mobility isn't significant and no considerable expenditures are made on improving the knowledge, experience and skills of employees. Foreign companies settling down in Croatia at the beginning of the new millennium brought the system and principles of modern human resource management with them. By now, the majority of Croatian companies has realized that only those companies can survive in the fierce international competition that profess and apply the principles of modern HR as well at a strategic and operational level (Barasic 2008, and Szlávicz 2007).
- **Poland:** The results of empirical researches confirm the general view that despite the statements underlining its importance, HR still doesn't occupy an institutionally strong enough position at Polish companies. Assessing the realizations of the personnel function, it has to be stressed that most personnel

tasks, such as staff planning, performance assessment, remuneration and trainings are basically at an executional level in companies. Anyway, it is worth noticing that raising recognition of the importance of the right attitude towards HR can be observed in both fields (at privatised former state-owned companies and also at the newly established private companies). The referred study demonstrates that although 83% of the companies examined declare HR strategy important, 45% of them have nothing at all like this (Listwan–Stor 2007).

- **Russia:** The labour market of this country (similar to the Russian mentality) is still characterized by the „everything is very big” principle: the strongly hierarchical system, the power distance. It is acknowledged in work ethics that employees work the least possible, almost pretend working. Serious hierarchical relations prevail within companies but in the meantime the several divisions are remarkably separate. Due to the rigid, bureaucratic HR structure, career planning programmes are completely missing. It is namely typical to Russian employees that they consider the position indicated in their employment record book outstandingly important. Thus it is possible that employers are unable to employ a good worker in an actually better paying, much more creative position merely because the name of the position is one level below their occupied status. Unemployment almost doesn't exist in Moscow. Employers move from one position to another vacancy what is due mainly to extremely intense willingness to move. Moreover, it is characteristic of the Russian labour market that most top managers are typically in their thirties. Therefore it is difficult for them to accept if they have to follow the instructions of an „old” top manager. The inferiority of women is still strongly perceptible in the Russian society thus in the labour market as well. They are still more likely the representatives of maternal, familial care than equal employees. Therefore the acceptance of female managers is apparent and it is rather difficult to compensate this in everyday life (Shekshena 1998).
- **Romania:** Nowadays more than 3 million Romanian employees work in Europe and in the Middle East therefore a yearly 2–3 billion euros flow in the country without compensation – due to the transfers and expenditures at home. The large scale emigration had numerous negatives, lack of specialist became severe in several regions (e.g. Bucharest and the surrounding area, large cities of Transylvania). As a result of this trend – as we can read in the press –, Hungarian employees close to the Romanian borders (e.g. Békéscsaba and the surrounding

area) commute to the neighbouring frontier Romanian counties. Labour force has started to become more expensive, people in Timisoara and in other cities of Transylvania talk about unexpected cost increase. The international companies settled here begin to emphasize that due to the excessive cost increase they may consider to relocate their Romanian branches to Ukraine or to the Far East. Due to the indicated labour market trends, Romanian companies and public institutions are in a difficult situation. It is hard to find well-trained specialists in the critical professions (e.g. IT, communication, controlling, etc.). The situation is especially difficult in the mountain areas and backward regions. An increasing number of companies try to acquire, attract the necessary labour force (Corina et al. 2005, and Dobozi et al. 2008).

- **Slovenia:** At the beginning of the 90s the self-management systems of the former Yugoslavia ceased to exist. As a consequence, direct influence on personnel issues was taken from employees but the power of trade unions increased. Due to the development of market economy and democracy, politics got out of economy. However, the government retained its influence in companies in which it owned controlling interest, top managers were delegated by the government. These top managers were also forced to resign when the government changed, regardless of their past performance. Top managers, line managers and personnel specialist became the key actors of the personnel field. At this time it was impossible to find a single person who would have rejected an important personnel position. Training of personnel managers continued in the 90s. The personnel management major at the University of Ljubljana, Faculty of Social Sciences was completed with a master level course. Personnel management was taught at many universities and colleges. New researches were carried out and were connected to international researches, such as the Cranet⁷ research network. Increasingly more independent personnel consulting companies offer their services to companies. In the 90s the Personnel Management Association extended its scope of action, it reached a higher professional level (Svetlik 2006–7, Vaupot 2008, and Poór et al. 2008).
- **Serbia:** The democratic government coming to power in October 2000 in this war-struck country

made several steps to make the transition to market economy more efficient. Unfortunately, there was no survey carried out in Serbia in the past few years about the characteristics, method and spread of application of HR functions. According to the methodology of Cranet, a national level, representative survey is expected to be carried out in 2008. Due to reforms started at the beginning of the new millennium, increasingly more entrepreneurs and companies realize the importance of training and development of employees. Those foreign companies presumably contributed to this trend that followed the Western management principles as well in Serbia and put trainings into practice. Several companies and institutions pay scholarships to students who do well at university so that the well-trained young people, who the companies already got to know to some extent and who have already got familiar with the operating principles of the company, later take up employment at them. By now, professional consulting and training companies are already present as well in Serbia. Trainings improving different communication and managerial skills, special IT trainings and education programs on quality assurance are in highest demand from their service portfolio. Performance management is one of those fields of HR where most significant changes have to be faced in the future. Information on remuneration isn't completely transparent and public yet (Szlávicz 2006, and Poór et al. 2008).

HR AFTER THE POLITICAL CHANGES IN HUNGARY

Three significant trends concerning HR could be observed in Hungary in the 90s.

- Approval of the new *Labour Code (1992)*. Employees got rights that hadn't existed under the previous regime.
- *Working obligation* was abolished. Alongside with the right to change jobs another problem appeared, namely, that it was difficult for many employees to find jobs thus the unemployment increased in Hungary.
- *Egalitarian* pay structures lost the priority they were given in the socialist era (Thurow 1996).

The income difference between top managers and workers rocketed from a 5:1 ratio (Bob et al. 1992, Mer-

⁷ The Cranfield Network (CRANET) (European Human Resources Research Network established and operated by the Cranfield Business School, England). University of Pécs, Faculty of Business and Economics, Department of Management Consulting is a member of this network since 2004.

cer 2006) to 25:1. Finally, tax burdens were introduced both on the employers and the employees. Tax levied on wages made the earlier relatively cheap labour force expensive in case of those services that were previously provided by the state. The level of social security payments to be paid by employers, that cover health insurance and pension contributions, reached the 33% of the then gross wage (László–Poór 2003).

The economic performance of Hungary at the beginning of the 90s was weaker than before the change of system. *Inflation and unemployment* suddenly rocketed compared to the previous years. The most important feature of the Hungarian economic and labour processes at the millennium was being subordinated to EU accession processes. In this context, Hungary as an EU candidate country had to pay special attention to the following (Berki 2004):

- to keep economic processes on the previously determined way;
- to accomplish the harmonization of the legal environment;
- to ensure meeting the norms and expectations set by different organizations and representatives of the EU.

Due to the acceleration of privatization and structural changes, Hungary made a significant *increase in GDP* during the indicated period. Another characteristic of the Hungarian transition was that the country made this significant increase in GDP with decreasing employment rate. By way of digression we have to mention that the effects of these positive trends have unfortunately gone „out of breath” by now, Hungary has become from leader to the last country in the region.

The wave of the dramatic change of the Hungarian political, legal, social and economic system has created not only business opportunities but also many challenges. In order to meet these challenges, Hungarian business enterprises had to acclimatize new methods, systems, directives and expertise. Our opinion is that biggest new expectations and changes have taken place in the *human resource management* of organizations.

Nowadays the theory and practice of HR starts to outstrip the approach and practice of the traditional *instrumentalist, Taylorian scientific management*. Maslow's hierarchy of needs theory, the two factor theory of Herzberg, the motivation researches of McClelland and the approaches of the cognitive schools (expectation, objective, behavioural selection and market

value) tend to become increasingly well-known among the representatives of the Hungarian HR and analogous sciences (Kindler 2002, Pléh et al. 2003). Following Goleman, they argue that emotions have to be rehabilitated and the economy has to be turned joyful.

In Hungary many people claim that traditional sources of *competitiveness* – including protected markets, technology, financial resources or economies of scale – are no longer enough to maintain competitive advantage. The representatives of the different Hungarian HR workshops – e.g. Kovács (1992), Kóvári (1995), Gaál (1999), Poór et al. (1999), Bakacsi et al. (2002), Gyökér (1999), Pálincás–Vámosi (2002), Roóz (2002), Karoliny et al. (2003), Makó et al. (2003), Újhelyi (2003), Fekete (2004), Tóthné (2004), and Bokor et al. (2005 és 2007) – argue that human resources (knowledge, skills, behaviour) and their management have become key conditions of long-term competitiveness. In literature we can meet many adjectives describing transformation and development of the HR profession in Hungary. With regard to our topic, it is worth referring that, besides the traditional administrative and interest reconciliation characteristics, the different authors (Fekete 2005) mention the increasing *strategic* and *consultation* role of HR. The work of HR specialists is to a large extent similar to the work of external consultant in such cases when they introduce different human resource systems or solve organizational development tasks. Based on the above, some argue that HR specialists act as internal consultants in such cases (Poór 2005).

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CONCLUSIONS

In general, before the political changes at the end of the 80s, HR activity in most Eastern European countries was under very strict state control. Personnel – meaning: HR – issues were closely supervised by the Party and the government. Certainly, there were significant differences between the certain countries in this respect. It is worth mentioning the surveys of Tung and Havlovic (1996) revealing that the influence of the socialist party and the home affairs authorities was much lower in the field of Polish HR than in the

case of human resource departments in the meanwhile split-up Czech-Slovakia. It is important to point out that in the 80 in Hungary „the view was given voice that economic reform should be accompanied by the reform of the organizational relations and personnel activity. Before, the renewal of the personnel function was a „top-down process” (Karoliny 2003). As a result of the referred surveys, a party decree was formed in 1985 ordering that professional management activity has to be separated from party political activity.

One of the first big challenges the HR departments of transition countries had to face was to cope with the massive layoffs after *privatisation* (Redman–Keithley 1998). According to the researches conducted in the Czech Republic and Poland, local managers and HR professionals followed more humane dismissal practices than those coming from the Western world (Koubek–Brewester 1995, Mroczkowski et al. 2005). One of the case studies presenting the Hungarian practice reported similar experience (Elbert–Karoliny 2006).

In his book about the role of international companies in Eastern Europe Lewis (2005) states that multinational companies have *redrawn* the labour market map of the former socialist countries in many respects. Among other things, they have finished egalitarianism and introduced basic salary system based on the importance of the type of job. Excessively high performances were rewarded with excessively high salaries. Besides technical knowledge, the importance of speaking foreign languages was emphasized. However, no progress could be made in a particular question for a long time: „local may manage local, Western may manage local but may local be managed by someone coming from another Eastern European country”. This issue seems to be solved now. Increasingly more Eastern European people obtain positions in other countries of the region where they become subordinates of local people working there. Multinational companies made Hungarian companies non-political. HR has become of key importance. In most cases these companies made better performance than the local ones. International companies were able to make a use of their so-called resource-based advantage against the relatively weak and unformed or transforming local institutional system. Therefore, in the case of most local subsidiaries that were created through acquisition or greenfield

investment, global convergence has won over national identity (Quintanilla–Ferner 2003). Researchers have defined significant differences between the HRM practices of privatized – in particular – foreign-owned companies and local state-owned companies (Björkman–Pavlovskaya 2000). In a number of instances, by sophisticated means international companies could prevent trade unions to be created at their local subsidiaries.

We non-exhaustively indicate that the Cranet research co-ordinated by our department and other researches (Karoliny et al. 2003, Bokor et al. 2005) have unequivocally confirmed that this function is a lot more than keeping a record of the data of the employees. By now, in most countries of the region HR has become a *top management function* (Karoliny et al. 2008) at large companies, at subsidiaries of international companies and at large local organizations.

Exhibit 1

The importance of HR

The distribution of the sample organizations (n=7952) in Hungary (n=97), Eastern Europe (n=864) and all the countries taking part in the research (%)

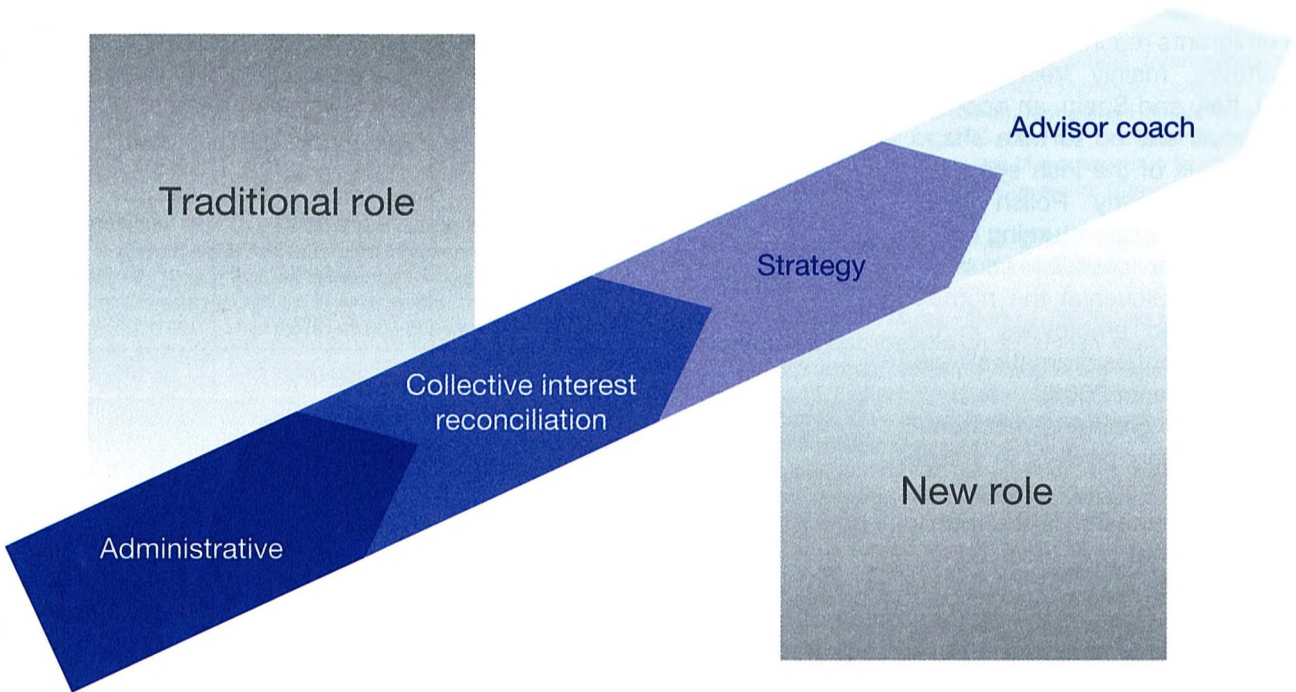
Country(ies), regions	HR manager in top management (%)	HR manager involved in strategy making (%)
Hungary	47	49
Eastern Europe	52	41
All participants	55	52

Source: Farkas, F. – Karoliny, M.-né – Poór, J. (2008), Nemzetközi összehasonlító vizsgálat fókuszában az emberi erőforrás menedzsment magyarországi és kelet-európai sajátossága (In focus: Hungarian and Eastern European characteristics of human resource management – an international comparative survey). (Research studies) Pécs, University of Pécs.

Based on the analysis of the Cranet sample it can be stated that the head of the personnel department is a member of the Board of Directors or the top management team at more than half of the respondents from all countries. This ration is somewhat lower in the Hungarian sample, only 47%. This is mainly due to the fact that in smaller Hungarian companies HR performs only an administrative role.

As we mentioned earlier, there are several names of roles in the literature in connection with the practice of the Hungarian and Eastern European HR. Exhibit 2 shows one of the most common role classifications.

The Eastern European transition has created a rather special situation in the development of the HR function, while local SMEs or traditionally managed local large companies have substantially neglected (Church 2003, Poór et al. 2007) this activity vital to development, although a gradual change in approach



can be observed in the case of the last-mentioned companies. On the contrary, foreign-owned multinational companies consider deliberate personnel activity highly important. It is also important to point out that many managers still don't concur our opinion described above (Gurkov 2002).

At the beginning of the change or system, the labour markets of the Eastern European countries were not able to satisfy the special needs (e.g. market-oriented management skills, new kind of marketing, financial and controlling knowledge, etc.) expected by international companies coming to different countries of the region. This situation described above had changed a lot by the end of the 90s. Shekshena (1998, 460) writes that „by this time the *Russian labour market had significantly transformed*, the business knowledge of local people had highly increased their concept of business ethics improved and ap-

plicants developed a more practical attitude". At the same time researchers of this field recognized that „Eastern-European – including Russian – tended to underestimate the new challenges and the complexity of tasks arising from the free market environment" (May et al. 1998, 450).

The labour markets of Eastern European countries have significantly changed by now. The shortage in the case of managerial, legal, economic and administrative positions has notably decreased. However, there is severe shortage of technicians, IT engineers, doctors and skilled workers.

High amounts of workforce have migrated from many Eastern European countries to some Western EU countries. This has created an interesting situation e.g. in Romania, one of the neighbouring countries of Hungary, already mentioned above. The earlier very cheap labour force has suddenly become expensive

what has made life difficult for local employers seeking for labour force and for HR specialists. After the EU expansion in 2004, a new wave of emigrants set off from East towards the West. It is important to indicate that no sooner than the significant wave of emigrants reached the Western countries, mainly Ireland, England, Italy and Spain, an opposite trend has started to take shape. As a result of the Irish economic recession, many Polish guest workers consider returning home.

In former socialist countries (excluding Slovenia) the number of organized employees in the public sector has dramatically decreased (Cranet 2006).

Besides changing economic life, governing powers in transition countries sooner or later have started to transform the public sector (central and local administration). Among the indicated reform initiatives, priority was given to the modernization of human resource management in the public sector/administration (Karoliny–Poór 2007, and Poór 2008). The PHARE programmes provided by the EU and the financial and professional support from the World Bank and some foundations well-known also in Hungary played an essential role in this process.

With regard to the above, it is important to indicate that we shouldn't become HR sovinitists. As the new globalization challenges are right on us (at the same time the global, the energy, the food and the environmental crises) and this will presumably have a remarkable influence on the concept of traditional competition and efficiency of both the Hungarian and the foreign companies. One of the special local challenges of Hungarian HR is the group of new tasks arising from the low obtained level of education of Hungarian employees (especially within the gipsy population), the excessive masculinity of Hungarian employees and the specific European way of thinking of Hungarian people (Borgulya 2007, and Jarjabka 2008). Hungarian HR should also recognize the new requirements that at the same time present new opportunities for professionals working in this field while developing practical solutions.

With regard to the above, the need to develop and apply the so-called green HR begins to take shape.

Exhibit 3

The proportion (%) of organized employees in organizations in Hungary (n=97), Eastern Europe (n=864) and all participating countries (n=7952)

Percentage of trade union members	Hungary	Eastern Europe	All countries
0	34.70%	32.80%	20.23%
1-10	8.40%	6.70%	11.86%
11-25	11.60%	7.90%	9.81%
26-50	16.80%	15.00%	11.49%
51-75	17.90%	19.50%	14.33%
76-100	6.30%	10.00%	21.89%
No information	4.20%	8.10%	10.39%
Total	100.00%	100.00%	100.00%

Source: Farkas, F. – Karoliny, M.-né – Poór, J. (2008): Nemzetközi összehasonlító vizsgálat fókuszában az emberi erőforrás menedzsment magyarországi és kelet-európai sajátossága (In focus: Hungarian and Eastern European characteristics of human resource management – an international comparative survey). (Research studies) Pécs, University of Pécs.

Due to their complexity, the new globalization and local challenges can not be delegated into the exclusive competence of a certain field of management. Here is a new opportunity and in connection with it HR can play an integration role, especially for the reason that, besides applying new technologies, the mentioned challenges require a remarkable *change of competencies* (knowledge, experience, behaviour, values, etc.) of employees.

By now, the results of several *valuable researches* are available in connection with this topic as well by the Bulgarian Vatchkova (2005), Vatchkova et al. (2006); the Czech Koubek (1995, 2004); the Serbian – Hungarian-born – Susnjar, Zimanji (2005), and Szlávicz (2006); the Romanian Manolescu (2003), Chisu (2005) and Corina et al. (2006); the Slovenian Alas-Svetlik (2004). We mention only by way of digression that the first comprehensive work – written by most of the mentioned authors, including the author of this study – spanning several counties of the region will be published by the London publisher company, Routledge in the near future.

LIMITS AND FURTHER PLANS OF RESEARCH

As we have said earlier, trying to process the HR practice of the region from a historical point of view may turn out to be a difficult bit. We were and are aware of the

indicated difficulties but if we don't even try, we won't see what we have achieved and where it is necessary to carry out further research. Within the framework of a new research project, we plan to examine the functions, knowledge transfer and practical applications of HR, and the historical evolution of these factors, at the subsidiaries of the international companies settling down in Hungary and the Eastern European region. We try to find answer to the question how these functions and practical applications have adapted amidst the turbulent economic changes of the past years.

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