

HUMAN RESOURCE MANAGEMENT UNDER CHANGES IN CENTRAL AND EASTERN EUROPEAN COUNTRIES – FOCUS HUNGARY AND SLOVAKIA

**Prof. Dr. József Poór, CSc. – Ing. et Bc. Ladislav Mura, Ph.D. – doc. habil
Zsuzsa Karoliny, Ph.D.**

Abstract

It is important to note that many publications on HRM in and outside the CEE region have studied this important management function rather superficially. Very few research attempts such as Cranet were conducted in the region. It could also be said that this is a single longitudinal research investigating HR issues of this region too. The primary aim of this article is to draw attention to the similarities in the historical background and transitional period of 9 post-socialist CEE countries, making this region a distinctive cluster in Europe in light of an international survey conducted round 2008/2010 and of newly implemented research project in Hungary and Slovakia in 2011.

Key words: CEE region, Hungary and Slovakia, HR department, performance management, training and development

JEL Code: J24, O15

Introduction

About the Cranet global sample

Some 6 039 organizations and institutions from 30 countries, which constitute the total sample, are represented in the analysis.

- € *Subsample I. of the CEE countries* in the focus of our investigation represents 9 countries (20% of total sample) (Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Russia, Serbia, Slovakia and Slovenia)

- € We classified those 16 European countries – including some others close to the geographical Europe – into our *Western European II. subsample* which are not former socialist countries. These are: Austria, Belgium, Cyprus, Denmark, Finland, France,

Germany, Greece, Iceland, Israel, Norway, Sweden, Switzerland, Turkish Cyprus, and United Kingdom. The total number of organizations in this subsample, called European Non Central and Eastern European (EU nonce). It represents 47% of the total sample.

- € The countries in the *Anglo-Saxon III. subsample* is Australia, South Africa and the USA which represents 22% of the total sample and it is called Non-European Anglo-Saxon (None AS).
- € *Asian subsample IV.* contains the answers given by 11% of organizations from the three South-East-Asian (SEA) countries (Japan, Philippines, and Taiwan).

About the Hungarian-Slovak sample of the 2011 survey

- € 99 organizations took part in the research. 62.6% of them were from Hungary and 37.4% from Slovakia.

1 Methodology

To point out the differences and similarities in HR with reference to a global Cranet survey (2008-2010) found in a Hungarian-Slovak SME research (2011).

Both researches were based on the same Cranet questionnaire that consisted of about 70 questions. The questionnaire was made up of seven main sections.

- € The first section is aimed at the study of HRM activities in the participating organizations.
- € The second part of the survey analyses the recruitment strategy of respondents.
- € The third part is aimed at performance evaluation, personnel development and career development.
- € The fourth section deals with the respondents' methods of motivation and remuneration.
- € The fifth section of the survey aims to find out information about the existence and forms of employee relations and staff communication.
- € In the sixth part there are questions regarding general organizational, corporate data.
- € The last section relates to the personal data of the responding person.

2 Results ad Discussion

€ **Global: The typical respondents were organizations, operating with 251-1000 employees**

With regard to the composition of the analyzed samples by *organizational size*, the EU nonCEE and the SEA samples show similarities to the total sample in which smaller organizations (fewer than 250 people) account for only a little more than one third of the respondents. The typical size within these samples is 251-1000 people but we can also find here a considerable proportion (~40%) of companies bigger than that size among the respondents. While two thirds of the respondents from the NonEU AS countries employ more than 250 people, about 60% of the CEE sample represents companies smaller than these.

Exhibit One: Size of the participating organizations (%)

Headcount (people)	I.	I.a	I.b	II.	III.	IV.	V.
	Central- Eastern European	Hungary	Slovakia	European Non- CEE	Non- European Anglo- Saxon	South- East Asian	All surveyed
1. - 250	60	74	86	33	25	34	35
2. 251-1000	27	16	9	39	54	36	40
3. 1001- 5000	10	5	0	19	12	22	17
4. 5001-	3	5	5	9	9	8	8
Total	100	100	100	100	100	100	100

Comments: (I,II,III,IV and V=2008-2010) and (I.a and I.b=2011)

Source: Authors' own research

€ **HU-SK: Participants were mainly businesses employing less. than 250 people.**

As it can be seen from the data in table three the vast majority of Hungarian respondent organizations were small and medium-sized businesses. Similarly, the vast majority of Slovak respondents were SMEs as well.

€ **Global: The typical size of the HR departments were 1-5 persons**

Exhibit Two: Size of HR Departments (%)

Size (people)	I.	I.a	I.b	II.	III.	IV.	V.
	Central- Eastern European	Hungary	Slovakia	European Non- CEE	Non- European Anglo- Saxon	South- East Asian	All surveyed
1. 0	35	49	65	14	7	13	17
2. 1 - 5	45	32	27	45	44	41	42
3. 6- 10	12	2	0	18	15	20	17
4. 11- 21	4	5	0	10	11	11	10
5. 21-	4	12	8	14	23	15	14
Total	100	100	100	101	100	100	100

Comments: (I,IV,V,VI and VII=2008-2010) and (II and III=2011)

Source: Authors' own research

€ HU-SK:

- o Same size if there is an HR department
- o Due to their small size many businesses do not have an HR Department

52% of all Hungarian businesses surveyed have a separate HR Department.

Interestingly, the corresponding figure in Slovakia turns out to be much lower: only 35% of the businesses surveyed have an HR Department. Responses clearly show that half of the Hungarian businesses do not employ HR staff. In 32% of the cases they employ four or fewer people in HR. The corresponding proportion in Slovakia is a little higher. Two thirds of the businesses surveyed do not employ HR staff at all, and 27% of them employ maximum four people in HR. It can be concluded that it is only large corporations that run larger HR Departments in both countries.

Exhibit Three: Role of HR Departments

Countries	HR gender division male:female (%)	Labor cost ration (%)	Head of HR in Board of Directors (%)	Involment of HR in strategy development (%)	Existence of	
					Business w+unw	HR w+unw
I. CEE	13:87	36	62	88	91	77
I.a Hungary	26:74	51	83	49	84	64
I.b Slovakia	22:78	38	83	53	81	70
II. European Non- CEE	25:75	47	69	91	94	84
III. Non-European	25:75	49	66	87	83	83
IV. South-East Asian	28:72	25	67	94	95	86
V. All	28:72	44	67	90	91	81

Comments: (I,II,III,IV and V=2008-2010) and (I.a and I.b=2011)

Source: Authors' own research

€ **Global: The Head of HR is also in the Board of Directors in two thirds of the businesses surveyed, HR has a strategic role in 90% of the cases.**

Two factors that supposed to be noticeably indicating the importance and role of the HR professionals or department in the organization are related to the position of the *people responsible for HR matters in the organizational hierarchy*. Whether he/she is:

- a member of the Board of Directors or the top management team,
- involved, and in which stages in developing the business strategy.

As the data in Exhibit 3, show, the role and importance of person in charge of HR in organizational life is substantial. Although the average numbers of the CEE region are slightly below the others, but the evolution of its figures can be considered remarkable. Different studies not only from mid 90s (Koubek and Brewster, 1995; Tung Havlovic, 1996), but also from the new century (Zupan and Kase, 2005 and Kohont, 2006) reported from Czech Republic, Poland and Slovenia much powerless position of HRM.

€ **HU-SK: If there is an HR Department, it also has a significant role.**

Personnel Development and Performance Appraisal System

Exhibit Four: Percentage of use of formal PA/PM

Regions/ count	Percentage of use of formal PA/PM (%)			
	Managers	Professionals	Clerical staff	Manual staff
I. CEE	57	61	55	48
I.a Hungary	44	48	37	22
I.b Slovakia	24	35	19	22
II. European Non- CEE	67	63	61	45
III. Non-European	90	90	88	68
IV. South-East Asian	91	92	91	24
V. All surveyed	71	70	68	54

Source: Authors' own research

Comments: (I,II,III,IV and V=2008-2010) and (I.a and I.b=2011)

€ **Global: Formal performance appraisals are used more on higher and professional levels**

Another investigated aspect of the appraisal process is who is expected to provide input data for the appraisal system, that is who is expected to evaluate employees. The typical appraisers in each sample (above 90 per cent) are the immediate supervisors. While in the Non-European Anglo Saxon and the South-East Asian samples also high levels of appraisal input comes from the employee's supervisor's superior (73 and 82 per cent respectively) and from the employee themselves (85 and 64 per cent, respectively), in CEE countries the companies are more often following the European Non-CEE trend of placing more emphasis on input from the supervisor's superior. Both the self- and the bottom up evaluations are comparably rare in the CEE sample.

€ **HU-SK: Due to the size of the respondents, PA is less frequently used even on higher levels**

It can be concluded from the responses that the formal performance appraisal practice is widespread in Hungary in all surveyed categories: it is a common practice with the half of all technical and management staff. The role of performance evaluation is the lowest in the case of blue-collar jobs: the performance of 68% of blue-collar workers is not evaluated at all in

the framework of a formal appraisal system. In companies where there is a formal performance appraisal system in use, 80 to 90% of the staff is evaluated.

With regards to the survey in Slovakia it can be concluded that only 35% of businesses use performance evaluation with their staff in the category of professionals. The corresponding proportion in the other categories amounts only to 25%. The role of performance evaluation is the lowest in the category of clerical staff, since 65% of them are not evaluated at all in the businesses surveyed. In companies where there is a formal performance appraisal system in use, 80 to 90% of the staff is evaluated.

□ Global: The most typical use is the determination of pays and reward decisions

Performance appraisal systems can - and, as we can see in Table six, do - have an important role in determining training and human resource development needs. In summary the indicated characteristics of the performance appraisal in the surveyed CEE countries are also encouraging, while at the beginning of the 90s` the researches showed a total lack of modern performance evaluation (Pierce, 1991).

€

□ HU-SK: The most typical use is the determination of pay and reward decisions too, motivation, but to a lower extent

In the Hungarian businesses surveyed the results of performance appraisal were mostly used during the determination of pays (in 60% of businesses) and during the analysis of training and development needs (in 54% of businesses). Similarly to Hungary, the results of performance evaluation in Slovakia were mostly used during the determination of pays (in 65% of businesses) and during the analysis of training and development needs (in 46% of businesses).

Exhibit Five: Proportion of training costs

Training cost ratio (%)	Sample						
	I.	I.a	I.b	II.	III.	IV.	V.
	Central-Eastern European	Hungary	Slovakia	European Non- CEE	Non-European Anglo- Saxon	South-East Asian	All Surveyed
0-2	58	62	54	55	52	55	54
2,01-4	11	5	13	18	11	14	15
4,01-6	12	10	13	14	17	9	13
6,01-10	11	5	10	8	9	12	10
10,01-	8	18	10	5	10	8	8

Comments: (I,II,III,IV and V=2008-2010) and (I.a and I.b=2011)

Source: Authors' own research

€ Global: More than 50% of respondents spend less than 2% on training and development.

The importance of training and development in the life of the surveyed organizations can be presented through the analysis of what proportion of the organizations' annual payroll costs is spent on training. As table seven shows us, the proportion of the respondents with relatively low (0-2 per cent) ratio is above 50 percent in each samples, with the highest (58) in CEE. The share of the rest, spending more than 2 per cent is not worst in CEE than in the other regions. We can therefore conclude that there are a rather high proportion of organizations that spend relatively little on employee development worldwide, while there are less organizations, who spend relatively high proportion of their payroll cost on T&D.

€ HU-SK: Training costs tend to be similarly low in these countries as well.

The average training costs ratio at Hungarian respondents' amount to 4.8% of annual wage costs at present. The corresponding proportion in Slovakia is little lower, amounting to 4.5%. These averages are nice numbers in comparison of the global results.

Labor relations – unions

Exhibit Six: Percentage of Trade Union Members (%)

	I.	I.a	I.b	II.	III.	IV.	V.
	Central-Eastern European	Hungary	Slovakia	European Non-CEE	Non-European Anglo-Saxon	South-East Asian	All surveyed
1. 0	50	66	57	14	49	75	32
2. 1 - 10	10	8	5	21	14	3	16
3. 11- 25	7	11	5	9	7	2	7
4. 26- 50	13	13	11	11	10	2	11
5. 51- 75	11	2	8	16	9	5	13
6. 76- 100	9	0	14	29	11	13	21
Total	100	100	100	100	100	100	100

Comments: (I,II,III,IV and V=2008-2010) and (I.a and I.b=2011)

Source: Authors' own research

❑ Global: The average level of unionization covers deviated regional practices except a few ones.

The grand average of the total sample is generated by two extremes of its different subsamples. Namely the European NonCEE organizations are the main creators of the highly unionized segments, while all the other samples are representing the non-unionized part of the investigated countries of the world. The generally known anti-unionism attitude of the Anglo-Saxon countries is confirmed by their higher than average proportion (49 per cent) of non-unionized organization (Table 8), but the extreme with the lowest unionization percentage (75%) is the South-East-Asian region

❑ HU-SK: The practice is in between the Anglo-Saxon non European and SE-Asian findings, representing very low level of unionization.

In 53% of the Hungarian organizations surveyed there are no labor unions, and the proportion of those companies where the majority of the staff is union member is only 2%.

In 40% of the Slovak businesses surveyed there are no labor unions; however, the proportion of those where the majority of the staff are union members reaches 22%.

Conclusion

The aim of this paper was to reveal the specifics of HRM in the CEE region. The findings of Cranet surveys show those twenty years after the fall of the Soviet regime differences in HRM between CEE and other European countries have started to decrease.

As to the strategic role of HRM, it is noteworthy that women still make a bigger part of HR employees in organizations in the CEE region in comparison to other countries, despite the fact gender still has a significant influence on status, education and experience that. In most cases a higher proportion of women are associated with lower status of this occupation. This could also be accounted for by a bigger proportion of small and medium-sized (under 250 employees) in the CEE sample of the survey. Other indicators of HRM strategic role and HRM practices in the CEE region are rapidly approaching those of the remaining European countries. CEE companies invest more in training and development than in other countries, especially at the managerial and professional level.

Taking into consideration that the modern methods of performance appraisal did not exist in the old system at all, their current levels of application also demonstrate a rapid

growth. The level of unionization remains pretty low level. Besides union developments in the CEE are radically different to those taking place in the West. In the CEE region trade unions had to transform their role at large thus taking on a classic role of trade unions, while in the remaining countries “ a general decline in membership density is observed”.

References

1. Cranet (2006): International Executive Report 2005, Cranet Survey on Comparative Human Resource Management. Cranet-Cranfield University, Cranfield.
2. Cranet (2011): International Executive Report 2011, Cranet Survey on Comparative Human Resource Management. Cranet-Cranfield University, Cranfield.
3. Farkas F.-Karoliny M.-né-Poór J. (2008): Regional Differences in HR Practices (In Hungarian). *Tér és Idő*, (2): 103-122.
4. Farkas F.-Karoliny M.-né-Poór, J. (2009): In Focus: Hungarian and Eastern European Characteristics of Human Resource Management - An International Comparative Survey. *Journal for East European Management Studies*, (1): pp.9-47.
5. Farkas, F.-Poór, J.-Engle, A. (Eds.) (2011): Human Resource Management Issues and Challenges in Multinational Companies: Central and Eastern Europe. (Research Monograph) University of Pécs, Pécs.
6. Kohont, A.-Poór J. (2011): Market Orientation and HRM. In: Svetlik, I.-Stavrou, E.-Aleksandra, C.-Mrčela, K. (Eds.) : Human Resources Management Practices in the Organisations of the Future. Ales Cenek Vidatelstvo, Plzen.
7. Koubek, J.-Brewster, C. (1995): Human resource management in turbulent times: HRM in the Czech Republic. *International Journal of Human Resource Management*, (2): pp.223-247.
8. Koubek, J.-Vatckova, E. (2004): Bulgaria and Czech Republic: Countries in Transition. In: Brewster, C.-Mayrhofer, W.-Morley, M. (Eds.): Human Resource Management in Europe Evidence of Convergence? Elsevier, London.

Contact

Prof. Dr. József Poór, CSc.

Department of Management, Faculty of Economics, J. Selye University in Komárno

Bratislavská cesta 3322, 945 01 Komárno, Slovakia

poorj@selyeuni.sk