

THE DEVELOPMENT OF THE PERSONNEL FUNCTION IN TRANSITION COUNTRIES: SLOVENIAN AND ESTONIAN EXPERIENCE

Ivan Svetlik¹, Tõnu Kaarelson², Ruth Alas², Andrej Kohont¹

¹University of Ljubljana, ²Estonian Business School, Tallinn

Abstract. In international comparative studies of personnel management/HRM, one of the central issues is to identify similarities and differences in approaches to this specific function in organisations. The driving forces in a market economy lead HRM practices in different countries down more or less a similar path. In this case it is assumed that the best methods and practices that have proven themselves indeed exist, and these have therefore been found in use wherever a market economy works. The same trend is noticeable when talking about the influence of institutional forces in European Union that result in HRM practices becoming increasingly similar in different countries. At the same time, developments in HRM in different countries are influenced by deeply rooted value systems and cultural traditions that act as forces creating and maintaining divergence. The comparison of Slovenia and Estonia offers specific insights into how and why the HRM function has changed in organisations in two new European Union member countries.

Keywords: organisation, personnel management, human resource management, personnel function, personnel manager, personnel department, personnel policy

1. Introduction

Discussions of the origins of personnel management (PM) and human resource management (HRM) go back to the end of the nineteenth century (Torrington and Hall 1987, Springer and Springer 1990, Rojot 1990). Torrington and Hall speak about British social reformers, such as Robert Owen and Lord Shaftesbury, as predecessors of PM. Rojot mentions Saint Simon and Fourier having the same role in France. The development of PM is described in terms of newly appearing concepts and theories, such as Taylor's scientific management (1911), Fayol's scientific administration (1949), Mayo's social relations school (1933), Maslow's humanist psychology (1954), McGregor's Human side of the Enterprise (1960), Herzberg's dual motivation theory (1966), Likert's human resource accounting

system (1967) and Becker's (1964) and Schultz's (1978) theory of human capital. Along with the appearance of new theories and concepts, PM was expanding in terms of new sub-functions and tasks that were singled out from general management practices and/or developed as special professional practices. These practices started out as unemployment benefit schemes, sick pay and subsidised housing; they went on to role specification, job design, and personnel selection including testing, training and placement procedures; and finally complemented by the practice of negotiating with trade unions and other workers' representatives, and manpower planning (Torrington and Hall 1987). Personnel managers represented a new occupation, which was practiced by specialists of various backgrounds, including organisational theory, psychology, law, economics, sociology, industrial relations and others.

The development of PM accelerated after the Second World War, when the professional associations were established for personnel managers, for example, in France in 1947, when consultants started to offer specialised PM services, when research in the PM field began and when finally the first degrees in PM were awarded, in France in 1968 (Rojot 1990). Professionalism in the field of PM began to be associated with growing criticism of the function as being too focused on narrow PM issues without taking into account the wider organisational context, without support for line and general management and without any focus on strategic organisational issues (Legge 1978). Personnel Management was then upgraded to Human Resource Management – its history goes back to the 1950s in the USA and received wider recognition from the 1980s onwards (Beardwell and Holden 2001). This turned attention not only towards related and wider PM issues, but also towards non-professional players, such as line and top management, workers' representatives and others. HRM has often been seen as an alternative to trade union representation of and communication with workers.

On examining various analyses of the development of PM and HRM, it seems that it can be observed from at least three different perspectives:

- the business function
- the occupational/professional perspective
- the division of responsibilities and authority

The business function focuses on questions such as:

- How much awareness of the importance of human resources has been observed in the business process and among owners and managers
- How much attention has been paid to specific HRM issues in relation to other business issues, such as capital
- Have there been specific HRM tasks, activities and functions singled out in the business process as distinctive in comparison to the other business tasks and activities, such as job analysis and design, setting of performance standards and performance appraisal, systematic training, testing of potential employees, recruitment and performance interviewing, remuneration, career planning and development, employee-management relations, competence identification and development, etc

- How strong an emphasis has been put on human resources and on HRM in the business process, e.g., has HRM been part of strategic management; have human resources issues been dealt with equally alongside other issues in the organisations' business strategies

The above questions are as important in identifying the emergence of the HRM function as contemporary debates about the status of HRM within organisations. Nowadays, the most frequent question is whether the HRM function is, could or should be strategic in organisations. The answer always depends on the other business and managerial functions. However, it is important because it turns our attention away from the person performing HRM tasks and activities to the presence of these tasks and activities themselves in the business process. From this perspective, the HRM function could be integrated into, and is very important for the business process irrespective of it being singled out as a separate organisational department. Contemporary discussions of the HRM devolution process (Brewster and Larsen 1992, MacNeil, 2002, Mesner-Andolšek and Štebe, 2005) clearly demonstrate the relevance of this thesis.

The occupational/professional perspective has frequently been adopted, as indicated by the literature at the beginning of this paper. It discusses when, in the process of the division of labour, specific and similar tasks started to be performed by a special profession often placed within specialist personnel departments. Several indicators have been used to describe this process:

- the appearance of new personnel specialists, such as those for recruiting, training, remuneration, career planning, industrial relations
- the appearance and growth of special PM and HRM units/departments within organisations
- the appearance of specialised training courses for different fields of PM
- the appearance of schools and faculties offering systematic education and training programs at the post-secondary level enabling graduates of bachelor and master degrees to enter personnel and HRM profession(s)
- the appearance of PM and HRM focused research
- the appearance of special articles, books and journals focused on PM and HRM issues
- the appearance of professional associations of PM and HRM at national and international levels including their codes of ethics, conferences and other activities
- the appearance of consultants and market organisations rendering services in the fields of PM and HRM to other organisations

This perspective points to the existence of PM (or HRM) as a special profession, as well as to special scientific disciplines in the division of labour. Therefore, it goes beyond the organisations where PM and HRM are usually practiced. It offers criteria that indicate the strength and development of PM and HRM professions in certain societies and economies.

The perspective of the division of responsibilities and authority builds on the previous two perspectives and sheds additional light on the development of

PM and HRM. It takes into account various players in these fields and not just professionals and managers. The question is not only how tasks and responsibilities, but also authority and influence are distributed among such groups as PM, HRM and other professions, line and top management, employees and their representative bodies (trade unions, work councils), owners and in some cases also politicians – in short, the question of the distribution of authority and influence between various stakeholders (Beer et al. 1984).

These three perspectives could all be used when observing the development of PM and HRM. Nonetheless, it is quite likely that they vary with respect to economic, cultural and historic factors in place in different countries. It is also likely that one can shape a kind of periodisation of PM and HRM development on the basis of the first two perspectives, while the third may vary over time. We will be checking for these perspectives and factors in the case of PM and HRM developments in Slovenia and Estonia.

To examine the recent development of PM and HRM, certain periodisation seems appropriate. It should include time breaks, of which each denotes distinctive features of PM and HRM. There is not an abundance of periodisation in PM and HRM literature. However, we can start with the classification presented by Vanhala (1995), who refers to a distinction made by Finnish authors between the following five stages: the initiation, pioneering, self-criticism, strategic HRM and decentralisation phases. This periodisation does not go so far in time as that presented by Torrington and Hall (1987) in which the following can be found: the social reformer, acolyte of benevolence, humane bureaucrat, consensus negotiator, organisation man and manpower analyst. However, it focuses in greater detail on the developments of the last five decades, in which most of the development of PM and HRM in countries like Slovenia and Estonia can be observed.

On the following pages we will try to identify certain periods of PM and HRM development in two of the new EU member states, Slovenia and Estonia. Each period will be described in terms of the characteristics of social and economic environments and in terms of the three perspectives described above. Due to different courses of development, the length of the periods in the two countries may vary. First, some common features and differences between the two countries will be briefly presented.

2. Slovenia and Estonia

Estonia and Slovenia are two small young countries situated in quite different parts of Europe (Alas and Svetlik 2004). Before discussing HRM policy and practice in these countries, some common and contrasting historical, economic and social characteristics are worth highlighting.

Historically, both countries belonged to larger multi-ethnic states – Slovenia to the former Yugoslavia for more than 70 years and Estonia to the Soviet Union for 50 years. Both experienced a communist regime (Slovenia for 45 years and Estonia

50 years), which influenced the culture of today's active population and the structure of organisations. Both countries became independent at the beginning of the 1990s – Slovenia for the first time in modern history and Estonia for the second time (previously it was independent in 1918–1940). Both countries have established democratic political regimes and market economies. The identity of both countries has been primarily cultural. Both countries became members of the EU in 2004.

In the last decade, the two countries have enjoyed stable and favourable economic growth leading towards a service economy where Estonia leads with respect to the share of its active population in the service sector.

There are also some significant differences between Estonia and Slovenia worth outlining. Estonia has a larger geographical area and a smaller population, which accentuates the issue of low regional mobility. In Estonia, the population is concentrated in the main cities, while in Slovenia it is rather evenly dispersed. In Estonia, the dominant religion is Lutheran and during the Soviet occupation the population became more heterogeneous with respect to ethnic composition. Conversely, the Slovenian population is predominantly Catholic and remains broadly homogeneous with regard to ethnicity.

The experiences with the communist regime and large state affiliations also differ between Slovenia and Estonia. Slovenia enjoyed quite a high degree of autonomy within the rather decentralised Yugoslav state, where quasi-markets and strong links with Western economies existed. This made the first steps to independence easier since the main social, economic and political institutions were already in place. Among the communist regimes, Yugoslavia was known as rather liberal, which means that there was less interference in personnel policies from outside organisations. The situation in Estonia was different as it enjoyed less autonomy within the Soviet state – the economy was more strictly planned and less oriented towards the West. There was also less autonomy for personnel policies within organisations.

The transition towards the market economy in Estonia was rather quick and radical compared to the softer and slower approach in Slovenia. In Estonia, the reforms were based on a weaker economy with less medium and large enterprises than in Slovenia, and Estonia also started with a lower standard of living. As a consequence, Estonia has attracted considerable direct foreign investment.

3. Periodisation of the development of PM/HRM in Estonia and Slovenia

3.1. Before World War II

Estonia had a democratic government and market economy before its incorporation into the Soviet Union in 1940, enjoying living standards comparable to the Scandinavian nations (Zamascikov 1987). The values held by people during independence were individual self-reliance and social responsibility (Barnowe et al. 1992). The Soviet occupation in 1940 brought a significant decline in the standards of living (Misiunas and Taagepera 1983). This was accompanied by the imposition of sovietization, which most heavily affected the entrepreneurial

elements of the Baltic population. In the Stalinist era of the Soviet Union, people had few economic incentives to work (Paalberg 1989).

Before WW II **Slovenia** belonged to the Kingdom of Yugoslavia, which was economically rather undeveloped. The Slovenian economy was characterised by a strong agricultural sector engaging about two thirds of the labour force. The private industrial sector consisted of small enterprises, where the division of internal functions was rather undeveloped – the personnel function being primarily in the hands of line managers and decisions concerning employment and remuneration being made by the management (Zupan 1999). The few personnel officers that there were dealt mostly with administrative tasks. This situation was not a Yugoslavian particularity and could be seen in many other European countries at that time.

3.2. Administrative-ideological period (1945-1960)

After World War II and up to the end of the 1950s, the personnel function or the so-called staffing function was administrative by nature. Between the second half of the 1940s and the end of the 1950s, **Estonia** witnessed periods where the country's economy was subjected to pan-soviet interests, a centralised command economy and an influx of Russian labour. The Communist Party managed the economy as a whole. Because demand for labour was greater than supply, a general obligation to work was imposed. During that period, Soviet institutions were also established on Estonian territory. Regarding organisational management, this meant the implementation of a unitary administrative-authoritarian standard. Because of these circumstances, the administrative phase was greatly influenced by political-ideological factors. Therefore this period is known as the administrative-ideological period.

Human resources or staffing policy at that time was characterised by accounting and reporting for different purposes: recruitment procedures, the application of strict working hours, compulsory military service, etc. Personnel departments served the state and administered total control over the people. Compared to other specialists and employees, people employed in personnel departments had the lowest qualifications (Skorobogatov 1981).

In the first post war years of state socialism, personnel functions in **Slovenia** also had a very specific role. Personnel policy consisted of employment, payroll and the assurance of social standard among the employees. This was determined by the state and implemented through legislation. Within enterprises the personnel function had to recruit employees for key positions, where the successful candidate had to be professionally as well as politically suitable. Gasparovič (1981) writes that the mission of the personnel function at that time was to "clean" the enterprises of people who collaborated with the occupiers or were considered politically incompatible so that they could not work in socialist enterprises and could not train and develop workers for socialist production. The director of personnel was to be politically reliable, though without any special training in the field. He/she dealt with the personnel function in a rather administrative manner – keeping employee records, including information about political affiliations, and setting salaries.

Another characteristic of the first period after WW II was rapid industrialisation, characterised by the foundation of several new industrial enterprises, a flow of labour from the agricultural to the industrial sector and the development of new public services in the fields of education, health care, child care and others. The task of personnel managers was to bring enough new employees from the agricultural sector to the new industrial establishments.

A special characteristic of the personnel function in Slovenia after WW II was its development within the framework of a system of self-management. This was initiated in the fifties after Tito's dispute with Stalin, when Yugoslavia left the Soviet block. The system of self-management reached its peak in the mid-seventies with the formal delegation of power to the workers. However, throughout the whole period, the Communist Party as the leading political power more or less interfered with the management of organisations including personnel issues. Recruitment of top managers, remuneration and employee relations came under particular scrutiny.

With the implementation of the system of self-management and social ownership, it was assumed that the management of enterprises would be shared between the state, represented by managers and workers' collectives, who were represented by work assemblies and work councils. The important decisions, including personnel decisions, were to be made by the work councils. Gradually, personnel departments started to introduce some professional methods, such as task design, work assessment, personnel planning and staffing, planning and organizing training, promoting safety at work and organizing social assistance for employees. However, the personnel function was rather rudimentary in comparison to the other business functions and occupied a subordinate position. There were no trained personnel professionals and the Communist Party representatives retained the key personnel decisions.

3.3. Initiation 1960–1970/80

In **Estonia**, the initiation phase covers approximately two decades, beginning in the 1960s and ending in the early 1980s. This was the period of “arousing interest in personnel issues” (Vanhala 1995). The main feature of this phase was that the personnel or staffing function retained its administrative character.

The end of the 1950s and the following decade could be characterised as a mild “period of thaw” and the need for moderate economic reforms. The economy underwent some decentralisation, as a result of which Estonia, among other countries, received more scope for developing its local economy. The improvement of the country's economy brought about increased efficiency and motivational systems were implemented. This was also accompanied by the demand for a qualified workforce, which was increasingly provided by the system of higher education.

Striving for increased productivity resulted in the emergence of industry-related training centres. The primary role of these centres was to train workers and upgrade their qualifications. Within a short time, complementary training became extremely popular among specialists and from the beginning of the 1970s also among managers of different levels.

As the fear of repercussions decreased, workers increasingly pushed for improved working conditions and solutions to social problems. A five-day working week was introduced.

At the third conference on the theoretical problems facing socialist economic organisations, held in Tallinn in 1972, one of the three main sets of problems was personnel management (TPI 1986). In 1975, the topic was further discussed at the next conference. The starting point was how to achieve better quality of labour resources and to increase productivity.

Personnel and staffing questions were similarly discussed at the pan-soviet level, especially by institutions using foreign management expertise, e.g. Institute of the USA and Canada at the Soviet Union Academy of Sciences. What brought about the need to discuss these issues was associated with the difficulties in finding qualified personnel and the intention to increase efficiency and guarantee social development. It has been pointed out that the work of staffing departments within the economic organisations of the 1970s was characterised by the following (Tšižov and Tšurmantsejeva 1975):

- their work was mainly routine and connected to accounting activities
- staffing within organisations was dealt with in an uncoordinated manner
- enterprises lacked the ability to develop and implement staffing policies
- enterprises did not undertake employee planning and appraisal or qualification development for managerial staff.

These were also the characteristics of enterprises in Estonia.

In order to improve the organisational activities of an enterprise, units for the “scientific organisation of work” were developed in order to make the working environment, working processes and pay systems perfect. Some enterprises even undertook the appraisal of specialists and managers, as well as career planning. Such tasks, however, required the staff in the personnel department to possess not only administrative competency, but also professional skills. Therefore, Tartu University started to prepare industrial psychologists through distance learning. Graduates in psychology were the first professionals to work in personnel departments in various Estonian enterprises and industry level development centres.

The positions – “deputy general directors for dealing with staff and social development” – were created in a number of large production companies. Unlike personnel managers in Western enterprises, the tasks of personnel managers in Estonia included helping employees with social problems, i.e. alleviating their lack of housing and consumer goods, creating opportunities for recreation, etc.

In the 1970s, contacts were made with Finnish specialists in the fields of management and personnel management. The information acquired was quickly used and implemented to develop personnel policies at industry and company level.

In the 1960s, industrialisation in **Slovenia** continued. The Yugoslav economy faced its first major crisis, which was tackled by the economic reform in the second half of the 1960s. Its intention was to introduce market forces in the economy and to give more autonomy to the management of enterprises – ‘market socialism’. Unfortunately the reform failed.

Analyses from the 1960s showed that long-term personnel planning in enterprises was poor, resulting in rather pronounced discrepancies between the competencies being acquired and those that were desired. This was one of the reasons why the first courses for personnel managers were already organised in the late 1950s, and in the 1960s these courses were offered at post-secondary level (Kamušič 1972). In spite of this, interest in resolving personnel issues was insufficient among workers and there were not enough personnel professionals working in enterprises. This was one of the reasons for the suggestion that personnel tasks should be centralised in the personnel department (Brekić 1968). Still, the personnel function remained rather administrative and personnel policy remained in the hands of the state, especially after the establishment of the Secretariat for Personnel Matters as one of the departments of the local Slovenian government. According to Možina (1974) and Kavran (1976), the development of personnel functions was even blocked in the mid-1960s.

The economic reform of 1965 did not include any development of the personnel function. Nevertheless, one could observe an increasing number of personnel departments in organisations and the first courses emerged for personnel managers, who had graduated from various disciplines, such as law, psychology and economics. Even the government observed the importance of the control of key positions by means of staff development and placement under its Secretariat. One could say that the personnel function in this period became visible although not yet professionalized (Svetlik et al. 1980). The main players in this field were the managers (who received some training and were still more or less under political influence) and self-management bodies, such as boards for personnel and social issues within enterprises and the Communist Party representatives. Although one could find some articles and monographs earlier in this period, the first credible papers began to appear later. These authors dealt with status and the role of personnel departments, the personnel function, personnel policy, induction and admission of workers, leadership, efficiency, work objectives and the psychology of work. An ideological bias could also be observed.

3.4. Pioneering 1970/80 – 1980/90

As a consequence of failed economic reform and political unrest at the beginning of the 1970s, Yugoslavia was seeking new directions for the organisation of economic and political life. In **Slovenia**, a new constitution (1974) and Associated Labour Law (1976) took the development of the self-managed system even further. The right to work was one of the constitutionally guaranteed rights. Therefore, a full employment policy was one of the main characteristics of the period, accompanied by the principles of equality and solidarity. Labour costs were largely disregarded. Reducing numbers of employees was not allowed even if there were economic difficulties or technological changes. There was a low unemployment rate and low labour productivity. The economy was regulated by social rather than market principles. Yugoslavia continued with the model of

labour intensive, technologically undemanding and industry focused development. Therefore, in Slovenia a labour shortage developed, which was compensated by an increasing influx of immigrants from the South.

In this period, questions concerning salaries, social standards and workers' rights were increasingly dealt with by the enterprises' work councils and their commissions. On the macro level, personnel policy was formally defined via social agreements, which were adopted by 'self-managed communities of interests' organised at local, regional and state levels in the form of associations of stakeholders interested in well-functioning employment systems. Social agreements regulated areas such as employment, wages and salaries, scholarships and education. The social agreements set common guidelines aiming to assure co-ordinated personnel and employment policies.

Since the new Constitution in 1974 delegated personnel decisions to the organisations themselves, the question of the proper organisation of the personnel function was raised. A model of personnel functions based on the principles of specialisation, centralisation and concentration of personnel tasks was evidently not commonly accepted. Therefore, Možina (1975) proposed a different concept of personnel management: a) connectedness between the personnel function and other business functions in enterprises and their environments (an open and adaptable system); b) the personnel function contributing to the organisation's aims; c) the flexible organisation of tasks; and, d) the focus of the personnel function moving from the specialists to the line managers in the sense that specialists assume the role of advisors, lecturers and analysts. It could be said that this concept led the way to HRM at that time.

Studies of personnel practices during that period were scarce. Kavran (1976) and Brekić (1983) indicated that the personnel function was still administrative, education and expertise among personnel officers remained relatively low and their role in decision-making about personnel matters was in principle unimportant. The personnel function was most often placed alongside the legal function in a single department, and was led by lawyers because the formal personnel regulations were numerous and complex.

In search of a better system of personnel management, some academics initiated personnel management undergraduate programs at Ljubljana University Faculty of Social sciences and the independent High School of Organisational Sciences. Part-time courses at the Faculty of Social Sciences started in 1972 and full-time courses followed in 1984. In 1978, the first research focusing on the personnel function within enterprises was carried out by Svetlik and others (Svetlik et al. 1980), although other research projects from the fields of organisational studies, psychology, education and training had addressed personnel issues before. In 1972, the Slovenian Personnel Management Association was established. Although it was politically influenced, it gathered together increasing numbers of graduates in personnel management, as well as other professionals and managers from the field.

In short, one could say that in this period, an awareness of the personnel function as one of the key business functions that could significantly contribute to the success of organisations, became more fully developed. The number of published monographs increased substantially in this period and these dealt with a growing variety of personnel issues, such as the personnel function itself, personnel development, personnel policies, the position of individuals and different groups in enterprises, change in organisations, the systematization of work, work effectiveness and objectives, performance appraisal, work satisfaction and motivation, physical strain and work safety, admission and separation of workers and personnel planning. Professionalism in this field was growing in terms of the undergraduate programs for personnel managers and their professional organisations, although graduates from many other fields, such as law, psychology, economics, sociology, organisational development and others also often took the role of personnel managers. The influence of personnel professionals also grew in comparison with that of line managers, self-management bodies and especially the Communist Party, which in the 1980s was relinquishing power in general.

The period of searching and initiation in **Estonia** was followed by the pioneering phase from the beginning of the 1980s. The background factors leading to this phase consisted of political developments worldwide and within the Soviet Union, which led initially to careful and ultimately to bold radical changes in social and economic life. In the second half of the 1980s, enterprises were gradually given more autonomy in the Soviet Union. It became legally possible to develop small state enterprises, and even international joint ventures, which existed outside the central planning (Venesaar and Vitsur 1995). This provided the first opportunity to create economic incentive. In 1987, Estonia was at the forefront of reforms in the Soviet Union. In spring 1988, more than 600 production and service cooperatives were formed in Estonia. This represented the highest concentration of such enterprises in the USSR (Palm 1989).

Estonian companies now had more opportunities than ever before to communicate with companies on an international level and ideas of political independence as well as re-establishing the republic began to set in. By the end of the 1980s, the power of old institutions began to subside; new institutions, however, had not yet been established.

This was a period when the personnel function began to enjoy a stronger position. At the beginning of this period, the personnel function was still limited to performing administrative tasks. However, the real essence of the personnel function, especially the complementary training of existing competencies, was developing. Along with an increase in the volume of public courses, complementary in-company training began to gain in popularity and courses in teambuilding and organisational development took precedence. In addition to private companies emerging and an influx of foreign capital, joint ventures also began to appear. This necessitated employee search and selection as well as new methods of evaluation, and the first public advertising for managerial and specialist positions took place.

3.5. Personnel management 1980/90–2000

In the 1980s, economic difficulties and political conflict in **Slovenia** were deepening due to the inefficiency of the system of self-management and a lack of economic reforms. Yugoslavia was unable to pay back its foreign debts. Enterprises were cutting down their costs and many personnel activities were abolished or restricted (especially new employments, in-company training and support for part time study). The personnel field remained highly regulated by legal norms that defined employment, redeployment, payment and training of employees. Neither the legal system nor personnel managers were prepared to face the redundancies that occurred.

Economic and political crisis reached the highest point by the end of the 1980s. New political parties emerging out of civil and social movements and organisations influenced the democratisation of the political space. Voices calling for the federal Yugoslav state to be made into a confederation and provide the republics more say in political and economic decisions grew louder. Judging that agreement on such democratic reforms was impossible, Slovenia declared its independence on June 25 1991.

Along with independence, Slovenia lost a lot of former Yugoslav as well as other East European markets because all these countries sunk into a deep crisis. Enterprises had to find new, and on the whole more demanding markets, which was only possible on the basis of rapid and profound restructuring. Cost effective production had to be achieved, the quality of products and services increased, old equipment was sold, redundant workers were laid off, new technology introduced, etc. Enterprises started to outsource peripheral units and split into well-profiled core business units. The role of personnel departments in this process was very demanding. First, there were redundancies, including in the personnel departments. Later on more attention was given to employee skills and competences. Personnel departments had to adapt to the new employment and social legislation and to the changing labour market. They increasingly dealt with selection and staffing, development and training. There was a special focus on the development of managers.

These changes were reflected in the numerous monographs from that period. The authors focused on various aspects of personnel management: personnel policy, learning and employment, personnel planning and movement, personnel development, motivation, job satisfaction, quality of work, alternative forms of work, employment crisis, unemployment, developments in the labour market, apprenticeship, organisational development, productivity, efficiency, personnel information systems, socio-psychology, the humanization of work, leadership, conflict management, selection, career, evaluation and appraisal of work, personnel analysis, organisational culture, group/team work, human resources as a source of competitive advantage, change, business excellence, etc. According to Zupan's research from that period, formal and informal personnel programs and activities (e.g. development of personnel strategy, training and career planning) were working well. The

major changes seen at this time include the better-defined and standardised processes for reducing numbers of employees, the establishment of personnel information systems and the development of a personnel strategy (Zupan 1999). It could be said that approaches to strategy and the utilisation of professional personnel methods were developing throughout the personnel function.

During that period, it would have been difficult to find a general manager who would deny the importance of personnel. This was more difficult to demonstrate in practice, however. During the 1990s, the education of personnel managers continued. The Personnel Management undergraduate program at the Faculty of Social Sciences at Ljubljana University was complemented by an MA degree at the end of this period. Subjects on personnel management were taught at several faculties of all universities and post secondary private schools. New studies in this field were conducted and linked to international research networks, such as Cranet (Cranet-E). There have been an increasing number of independent personnel management agencies offering a variety of services. During the 1990s, the Association for Personnel Management intensified its activities, and the entire field of personnel management reached a high level of professionalism.

On the way back to capitalism during the 1990s, the self-management system was abolished. As a consequence, employees have been deprived of most of their direct influence on personnel issues. On the other hand, the influence of trade unions has increased (Ignjatović and Svetlik, 2005). The shift to the market economy and political democracy pushed the political parties out of organisations. However, in the organisations where the state has kept a majority share, the existing political establishment still controls the highest managerial positions. When the government changes, top managers are often changed irrespective of their performance. The main players in the personnel management field by the end of the 1990s were top and line managers and personnel management professionals.

The personnel management phase started a bit earlier in **Estonia** as the country restored its independence in August 1991. In Estonia, one of the main aims of the transition to a market economy was the formation of a competitive business sector based on private property with the intention of replacing the heavy state regulation with a combination of a strong market and minimal state regulation (Taaler 1995). There was no longer any room in enterprises for poorly used resources. The shift away from central planning increased endogenous activity substantially, as the transition forced employees to be more active and at the same time created more favourable conditions for employee self-realisation (Liuhto 1999).

The process of economic reform was radical and rapid (Laar, 2002). According to Taaler (1995), the government reduced its influence on economic and social life too quickly, since the rate of economic liberalization was faster than the emergence of market competition. This was accompanied by the shock of losing markets to the east. At the beginning of the 1990s there was a serious decline in the Estonian economy accompanied by the decrease of real incomes and the growth of income inequality (Rajasalu 1995). This increased uncertainty about the future. Stability started to return again by 1995.

This period was characterised by the appearance of new institutions. Democratic elections to parliament and local government were carried out and a principle of checks and balances was introduced. Economic decentralisation and privatisation quickly led to economic restructuring and changes in the labour market. Various and extensive direct foreign investment and the opening up of foreign markets provided a basis for rapid economic and technological development.

Labour relations were characterised by weak trade unions with no influence whatsoever on the arrangement of labour relations. A large number of employees were made redundant from privatised companies. New laws passed at the beginning of the 1990s played a crucial role in personnel management. The most important of these included the Employment Contracts Act, the Wages Act, the Public Service Act, the Adult Education Act, etc.

This period was characterised by a professionalisation of the personnel function. Three entrepreneurial psychologists established the HRM Association, PARE, and started to provide basic training in HRM through one-year courses. The first course started in 1993 and proved very popular. In addition to the complementary training in personnel management, business schools started providing studies of personnel management within the framework of business administration. The first recruitment agencies were established in order to find managers and specialists with knowledge of the market economy. These companies applied selection methods approved by Western firms. Organisations and personnel managers started to develop personnel policies and strategies in order to support their strategic objectives. Personnel functions developed to a level that enabled the first personnel managers or directors of personnel to join management boards.

3.6. HRM and devolution 2000–2004

Since 1993, there has been steady economic growth in **Slovenia**. Its economy has been in the process of permanent restructuring, characterised by labour saving measures and productivity growth, the introduction of new technologies, penetration of the global market niches, take-overs by foreign companies and by reorganisations in terms of outsourcing, making organisations slimmer and making or joining larger corporate networks. Personnel management has followed the course of this change and assisted from its perspective. New professional methods have been introduced, professional managers have been involved in the internationalisation of business activities and, in some cases, restrictions have been put on personnel management itself. The main themes in the monographs from this period cover HRM, motivation, the learning organisation, competence development, knowledge management, remuneration, devolution, employment policy, cultural diversity and HRM's contribution to efficiency.

In **Estonia**, the shift from personnel management to human resource management most likely started at the turn of the millennium. The Estonian economy was

on the increase, new institutions had been established and adapted to the requirements of the European Union. Some institutions of higher education started to provide majors in human resource management and local authors published study texts. The field of human resource management witnessed a growth trend in its strategic nature (Estonian Cranet report, 2004). The role of field managers within human resource management was growing. Companies invested greatly in the training of employees according to the needs of the business and in carefully selecting, recruiting and motivating managers and specialists.

The Cranet data compiled in the years 2001 and 2004 and presented in tables 1–3 indicate the devolution of personnel management (Brewster and Larsen 1992, MacNeil, 2002, Mesner-Andolšek and Štebe, 2005) and its shift towards human resource management. This development has been characterised by the increasing strategic role of HRM (the head of the HRM department has a place on the main Board of Directors; he/she takes part in forming the organisation's strategy from the outset; and organisations make distinctive HRM strategies).

Table 1. Changing strategic role of HRM in Slovenia (SLO) and Estonia (EST) (% of organisations).

Year	2001 SLO/EST	2004 SLO/EST
Head of HRM has a place on the main Board of Directors	56.2/34.3	66.9/50.0
Head of HRM involved from the outset in corporate strategy development.	58.4/40.7	55.8/44.2
Organisation has HRM strategy	53.8/37.9	62.7/57.4

It has also been observed that the responsibility for HRM decisions and tasks have shifted from HR departments to line managers.

Table 2. Sharing of responsibilities for HRM issues between line management and HRM professionals (% of organisations).

Year	2001 Primarily line managers SLO/EST	2001 Primarily HR professionals SLO/EST	2004 Primarily line managers SLO/EST	2004 Primarily HR professionals SLO/EST
Pay and benefits	68.3/85.0	31.7/15.0	72.8/77.6	27.2/22.4
Recruitment and selection	47.1/71.8	52.9/28.2	51.9/60.0	48.1/40.0
Training and development	45.1/67.1	54.9/32.9	49.4/43.1	50.6/56.9
Industrial relations	53.1/68.6	46.9/31.4	43.3/51.4	56.7/48.6
Workforce expansion/reduction	54.3/89.3	45.7/10.7	62.9/82.3	37.1/17.7

In addition, the number of employees in HR departments is shrinking while organisations partially outsource their HRM services and increasingly utilise HRM market services (Mayrhofer and Larsen, 2006).

Table 3. Use of selected external HR services (% of organisations) and staffing of HR department.

Year	2001 SLO/EST	2004 SLO/EST
Pay and benefits	7.8/2.8	47.5/40.4
Training and development	62.3/55.0	92.8/95.3
Outplacement/reduction	4.7/6.4	51.6/35.0
Number of HR experts per 100 employees	1.1/1.3	0.9/0.8

In Slovenia the devolution thesis has been confirmed with only two exceptions. There have been slightly fewer organisations in 2004 where the heads of HR departments have been involved in the development of strategy, and the responsibility for industrial relations has been shifted back to the HR professionals. The last exception could be explained by the increasing power of trade unions that are rather centralised organisations and pass decisions at the branch or national level.

In the case of Estonia there is a major exception in the sense that the responsibility for HRM issues have increased for HR experts and decreased for line managers. This trend could be explained by the rather late but rapid professionalisation of the HRM function. HRM professionals seem to be continuing successfully with the expansion of their share of the division of labour, and the line managers are not showing any opposition.

4. Conclusions

The development of personnel and human resource functions in Estonia and Slovenia since WW II has followed a kind of exponential logic. In the first period, up to 1970 in Slovenia and 1990 in Estonia, the personnel function was gradually singled out as a distinctive business function in most of organisations. In the second period, up to 2000, which lasted 30 years in Slovenia and only 10 years in Estonia, the personnel function acquired its specific professional status, which included special training programs for personnel managers, their own professional organisations, focused research and publications, etc. Since 2000 there has been a clear shift towards a human resources management model associated with the devolution process, which is more pronounced in Slovenia than in Estonia.

The earlier development of the personnel function and the rise of its professional status in Slovenia could be attributed to its more liberal political regime and closer links between Slovenian companies and universities and their Western

counterparts. One feature also specific to Slovenia was the so-called self-management system, which gave formal and in some cases real power to the employees. Therefore, responsibilities and authority in the field of PM and HRM at the beginning were divided between Party representatives and line managers, and later on self-management bodies and professionals also took part. While the role of professionals was increasingly stressed, even at the expense of line management, the role of Party representatives and self-management bodies gradually diminished in the 1980s. In Estonia, responsibilities and authority were only divided between Party representatives and line management, with professionals joining them since the middle of the 1980s.

The differences between the two countries have decreased during transition and especially during the process of devolution since 2000. However, personnel managers continue to increase their influence in Estonian companies while in Slovenia they increasingly share it with line managers. Although self-management has vanished from Slovenian organisations, it is perhaps just for this reason that the power of trade unions has increased. Therefore, there are three players on the HRM scene in Slovenia, while in Estonia one can find only two: professionals and line managers.

Acknowledgement

The authors would like to thank Chris Brewster for his suggestions to this paper.

Addresses:

Ivan Svetlik
University of Ljubljana
Ljubljana, Slovenia
Tel.: 00 386 1 580 5206
E-mail: ivan.svetlik@fdv.uni-lj.si
Tõnu Kaarelson
Estonian Business School
Lauteri 3
10114 Tallinn, Estonia
Tel.: +372 665 1343
E-mail: tonu.kaarelson@ebs.ee
Ruth Alas, professor
Estonian Business School
Lauteri 3, 10114 Tallinn, Estonia
Tel.: +372 665 1346
E-mail: ruth.alas@ebs.ee
Andrej Kohont
University of Ljubljana
Ljubljana, Slovenia
Tel.: 00 386 1 580 5226
E-mail: andrej.kohont@fdv.uni-lj.si

References

- Alas, R. and I. Svetlik, I. (2004) "Estonia and Slovenia: building modern HRM using a dualist approach". In *Human resource management in Europe: evidence of convergence?* Brewster, C., W. Mayrhofer, and M. Morley, eds. Amsterdam, Boston, Heidelberg etc.: Elsevier Butterworth-Heinemann.
- Barnowe, J. T., G. King, and E. Berniker (1992) "Personal values and economic transition in the Baltic States". *Journal of Baltic Studies* 23, 2, 179–190.
- Beardwell, I. and L. Holden, eds. (2001) *Human resource management: a comparative approach*. Harlow, London, New York etc.: Financial Times and Prentice Hall.
- Becker, G. S. (1964) *Human capital*. New York: Columbia University Press for the National Bureau of Economic Research.
- Beer, M., B. Spector, P. R. Lawrence, D. Q. Mills, and R. E. Walton (1984) *Managing human assets*. New York and London: Macmillan Publishers.
- Brekić, J. (1968) *Kadrovska politika u samoupravnim odnosima*. [Personnel policy in self-managing relations.] Zagreb: Informator.
- Brekić, J. (1983) *Kadrovska teorija i praksa*. [Personnel policy and practice.] Zagreb: Informator.
- Brewster, C. and H. H. Larsen (1992) "Human resource management in Europe: evidence from the countries". *The International Journal of Human Resource Management* 3, 3, 409–434.
- Cranet-E (s.a.) *The Cranfield network for the study of human resource management in Europe*. Cranfield University, School of Management.
- Department of Management and Planning (1986) *Creation and development of the major in industry planning*. Tallinn: TPI. (In Estonian.)
- Estonian Cranet Report (2004) Estonian Business School. Department of Management. <http://www.ebs.ee/dump.php?id=2606>. (In Estonian.)
- Fayol, H. (1949) *General and industrial management*. London: Pitman.
- Gasparović, V. (1981) *Personalna služba*. [Personnel department.] Zagreb: Centar za proizvodnost.
- Herzberg, F. (1966) *Work and the nature of man*. New York: Crowell.
- Ignjatović, M. and I. Svetlik (2005) "HRM of low intensity". In *HRM's contribution to hard work*. I. Svetlik and B. Ilič, eds. Bern, Berlin, Bruxelles, etc: Peter Lang.
- Kamušić, M. (1972) *Kadrovska funkcija in kadrovsко-socialne službe*. [Personnel function and personnel-social department.] Kranj: Zavod za izobraževanje kadrov in proučevanje organizacije dela.
- Kamušić, M. (1981) *Izobrazbeni kadrovski profili, delovne zahteve, perspektive, potrebe in fleksibilnost srednješolskih in visokošolskih kadrov*. [Educational personnel profiles, work demands, perspectives, needs and flexibility of under and higher-educated cadres.] Ljubljana: VUŠ.
- Kavran, D. (1976) *Kadrovska funkcija u udruženom radu*. [Personnel function in associated labour.] Beograd: Suvremena administracija.
- Laar, M. (2002) *Eesti uus algus*. [The new beginning of Estonia.] Tallinn: Tänapäev.
- Legge, K. (1978) *Power, innovation and industrial management*. London: McGraw-Hill.
- Likert, R. (1967) *The human organisation*. New York: McGraw-Hill.
- Liuhto, K. (1999) "The organisational and managerial transformation in turbulent business environments: managers' views on the transition of their enterprise in some of the European former Soviet Republics in the 1990's". *Publications of the Turku School of Economics and Business Administration*. Series A-9.
- Maslow, A. H. (1954) *Motivation and personality*. New York: Harper & Row.
- Mayo, E. (1933) The human problems of and industrial civilization. New York: Macmillan.
- Mayrhofer, W. and H. H. Larsen (2006) "European HRM: a distinct field of research and practice". In *Managing human resources in Europe: a thematic approach*. H. H. Larsen and W. Mayrhofer, eds. New York: Routledge.
- McGregor, D. (1960) *The human side of enterprise*. New York: McGraw Hill.
- Mesner-Andolšek, D. and J. Štěbe (2005) "The HRM function and line management in European organisations: how far has devolution gone?". In *HRM's contribution to hard work*. I. Svetlik and B. Ilič, eds. Bern, Berlin, Bruxelles, etc.: Peter Lang.

- Misiunas, R. J. and R. Taagepera (1983) *The Baltic states: years of dependence, 1940-1980*. London: Hurst; and Berkeley: University of California Press.
- Možina, S. (1975) *Kadrovska politika v pogojih samoupravljanja*. [Personnel policy in self-managing conditions.] Kranj: Moderna organizacija.
- Paalberg, H. (1989) "On the origins of Soviet economic mechanism and the need for radical reform". *Journal of Baltic Studies* 20, 2, 191–195.
- Palm, T. (1989) "Perestroika in Estonia: the cooperatives". *Journal of Baltic Studies* 20, 2, 127–148.
- Rajasalu, T. (1995) 'Macroeconomic stabilization and development'. In *Transforming the Estonian Economy*, 16–51. O. Lugas and G. A. Hachey, eds. Tallinn: Majanduse Instituut.
- Renwick, D. and M. C. MacNeil (2002) "Line manager involvement in careers". *Career Development* 7, 7, 407–414.
- Rojot, J. (1990) "Human resource management in France". In *Human resource management: an international comparison*. R. Pieper, ed. Berlin and New York: Walter de Gruyter.
- Schultz, T. W. (1978) *Economic analysis of investment in education*. Washington D. C.
- Skorobogatov, I. (1981) "Ways to reorganise personnel work". In Problems of managerial innovation and economic experimentation. Pan-soviet scientific-practical conference. Tallinn, Volume 2, 252–257. (In Russian.)
- Springer, B. and S. Springer (1990) "Human resource management in the U.S.: celebration of its century". In *Human resource management: an international comparison*. R. Pieper, ed. Berlin and New York: Walter de Gruyter.
- Svetlik, I., M. Pavliha, F. Aljaž, I. Kejžar, M. Sekirica, and S. Sirc (1980) *Naloge kadrovske dejavnosti v organizacijah združenega dela*. [Tasks of personnel function in associated labour organizations.] Ljubljana: CSND.
- Taaler, J. (1995) "Economic reforms: the main stages, programmes and evaluations". In *Transforming the Estonian economy*, 1–15. O. Lugas and G. A. Hachey, eds. Tallinn: Majanduse Instituut.
- Taylor, F. W. (1911) *Scientific management*. New York: Harper & Row.
- Torrington, D. and L. Hall (1987) *Personnel management: a new approach*. New York, London, etc.: Prentice Hall.
- Tšižov, E. and V. Tšurmantejeva (1975) "Theoretical and practical problems of personnel management". In *4th conference on problems of managing economic organisations*. Tallinn. (In Estonian.)
- Vanhala, S. (1995) "Human resource management in Finland". *Employee Relations* (Bradford) 17, 7, 31–57.
- Venesaar, U. and E. Vitsur (1995) "Development of entrepreneurship". In *Transforming the Estonian Economy*, 187–207. O. Lugas and G. A. Hachey, eds. Tallinn: Majanduse Instituut.
- Zamascikov, S. (1987) "Soviet methods and instrumentalities of maintaining control over the Balts". *Journal of Baltic Studies* 18, 3, 221–234.
- Zupan, N. (1999) *Ravnanje s človeškimi viri v slovenskih podjetjih*. [Human resource management in Slovene enterprises.] Doktorska disertacija. Ekonomika fakulteta. Ljubljana.