

*Magdolna Leveleki*

**LES FLEURS DU MAL: "AS VIDEOTON WAS FALLING TO PIECES MORE AND MORE OF THEM CAME TO US..."**

The gradual run-down of VIDEOTON in Székesfehérvár has been accompanied by a revival of the electronics sector in private workshops in the town. Employees of VIDEOTON, who had worked in the electronics industry for many years, have been leaving as a result of lay-offs, terminations and on their own volition in an effort to secure better employment. Outside of VIDEOTON, they utilise their knowledge, skills and experience as well as personal contacts that they acquired while still working in the factory.

Over the past several decades approximately ten thousand people were involved in the electronics industry, nearly half of them working in direct production at VIDEOTON's Székesfehérvár facility. The local technical schools and corporate training centre prepared a great number of the area's residents for careers in the electronics industry. Nonetheless, the electronics market began to decline, losses began to mount, 'restructuring' attempts were largely unsuccessful in reversing these trends, and VIDEOTON's decline was imminent. The doors of other local manufacturers were closed to the unemployed already in 1991, especially as they, too, launched staff reduction programmes.<sup>1</sup> Thus the unemployed were left with the two narrow but still possible ways of finding employment - going abroad or forming their own private electronics business.

When in summer 1991 I began to make interviews about these matters,<sup>2</sup> a skilled worker told me he was absolutely not worried about his future in VIDEOTON because he would continue his part-time occupation, namely, producing printed circuit boards (PCB) contracted out by a private business. My interviewee lives in an eleven-storey tower block. The production of printed circuit boards or the limited operations of the process including cutting and drilling are performed in a basement storage area of 6 square metres. B - let us call him by this initial<sup>3</sup> - is an outworker whose work is commissioned by a limited partnership called BOARD, a family business with the owner-representative A managing the PCB operations, doing certain processes (screen printing and plating) himself and marketing the finished goods.

Most business organisations engaged in electronics production in Székesfehérvár are customers of BOARD. Through this channel I was able to get acquainted with a particular sector of the electronics business.

I noted that these firms are concealed and hidden. This is suggested by the fact that the name of the business is often not shown on the building where it operates, and that there are no name boards and no advertisements for either the businesses or the products in the town. On the contrary, they prefer to arrange their relations without disclosing them to anybody except the parties they need for their activities. Growth is contained and profits are spent on less visible investments.

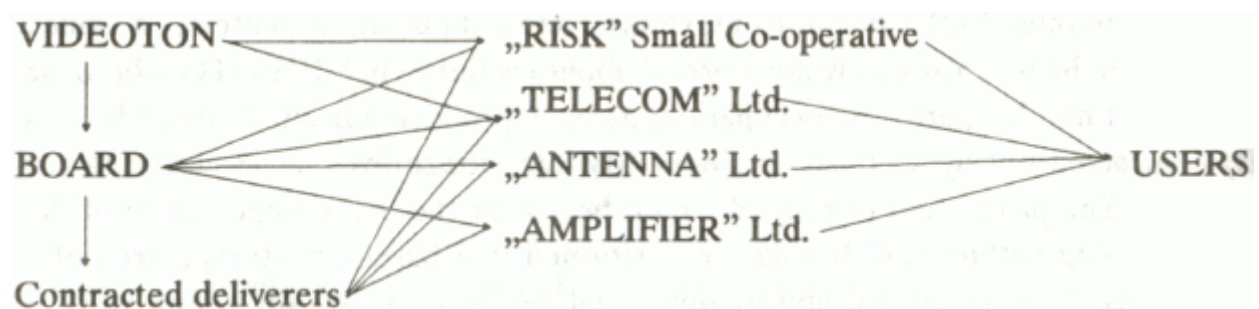
They are hidden because:

- a) the very rudimentary production environment can adversely affect the image of the manufacturer itself; moreover, the conditions often do not meet environmental specifications;
- b) they feel that the rules of the game are uncertain, and their advantages deriving partly from informal relations may be put at risk;
- c) they should like to acquire the other party shares in their business (e.g., the share of a state-owned enterprise) and they cannot benefit from their right of preemption, unless there is no better bid than theirs.

This requires invisibility.

*Summer 1991: in cellars, stores, barns...*

In this town loudspeakers, amplifiers, automatic telephone equipment, printed circuits, gaming machines and TV aerial systems are manufactured using artisan processes in artisan workshops situated in cellars, stores or cow-sheds. I had the opportunity to study the following set of small electronics firms:



BOARD (or the artisan, A) has manufactured PCB since 1988. This represents 75% of its activities. From the three key phases of the process, the 'mechanical operations' of cutting and drilling are performed at three external workshops. Each has their own workshop or garage and employs more or less 'do-it-yourself' style equipment such as drills and saws. Screen printing is done in the workshop of a faraway family cottage leased in the outskirts of Székesfehérvár. The plating equipment made by the employees of A alone is located in a town centre cellar. (The 'plating workshop' will be moved soon to a flat inherited by the family in the same building.) In addition to electronics production, the BOARD organisation, staffed by no more than two full-timers, also deals with screen printing and general printing and it tries to manufacture screen printing accessories. These latter lines emerged from the PCB operations. "If we tried to live from the electronics business alone we would be dead by now," A admits.

"ANTENNA" has been manufacturing central TV aerial systems since January 1991. Production is performed in a room of 5 by 6 metres. The panels are prepared and assembled manually on a bench. The manager, C, has a staff of eight full-timers in his department. This organisation also accepts assignments of metal cutting and it has an outlet which sells tools.

"RISK" Small Co-operative located in an old cow-shed belonging to a manor house near Székesfehérvár manufactures gaming machines, also since January 1991. RISK has six employees and two outworks. However, the gaming machines represent only 5% of RISK's

turnover. The majority of its income is earned by dangerous waste treatment and by distribution and retailing.

"AMPLIFIER" was registered in October 1990. This organisation, consisting of two shareholders and two full-time employees, manufactures and sells custom-built loudspeakers and amplifiers. Batches of 10 to 20 units are produced exclusively for Western users. The loudspeakers and repeaters are assembled in a leased apartment jammed with desks, soldering irons, all sorts of components, tools and cables in boxes and heaps. Quality control is ensured by VIDEOTON in the background through quality inspection and measuring of finished goods (i.e., by providing the facilities and instruments not available at AMPLIFIER because it cannot afford an investment of several million forints).

"TELECOM" has been a manufacturer of car radio phones and cordless telephones since 1989. Most parts are imported. The tasks of TELECOM are limited to assembling and adapting the sets, and after-sales support. The products are marketed locally, mainly to public transport organisations. In addition to its 20 full-time employees, TELECOM has about ten outworks it can mobilise if required by an order. The facilities are located in two leased family cottages in the suburbs.

*"I was doing the same as at the enterprise but now on a small scale and in my own way"*

A, owner-representative of BOARD, is a man of 43 with a family. He graduated in 1971 as a chemical engineer and began his career at VIDEOTON. Spending ten years with the enterprise, he participated in the implementation of the PCB department. Then he tried a number of small private firms and cooperatives. The one where he worked in 1988 was terminated and he could not find any other employment (there was actually no chemical business in the neighbourhood) and, additionally, he felt that "he cannot have a safe job but in a business managed by himself". He set to work as a full-time artisan. He began to develop his PCB business. "I was doing the same as at the enterprise but now on a small scale and in my own way. In the enterprise everything was Western made. In my business I tried to use local products because it's cheaper and it means lower exposure." Since he has become a businessman he hardly sees his family. Even his summer holidays must be utilised - he wants to use this time to move the 'shop' from the basement to a ground floor flat. He is aware that a town centre flat is not the best location for a plating shop but he cannot help it. This flat has been inherited and he does not have any other funds to invest.

C, 46, is the managing director of ANTENNA. He obtained his electrical engineering degree through evening courses in 1965. Previously he had studied in a telecommunications technical secondary school in Budapest. "I lived away from my family and that was where I learned independence." He was tied to the army for more than two decades by his full-time job. In 1982 he purchased a metal cutting machine and began to do metal fabricating at home. This second job proved to be profitable. At that time contracting out to outside firms or private entrepreneurs was a cost-saving practice of state enterprises. The income earned in this second job laid the grounds for going independent and for expansion. In 1990 C quit his full-time employment. However, in the meantime the metal cutting business declined and the orders of big enterprises abated because, C assumes, currently the state-owned enterprises want to keep their people working, without any regard to profitability. As against 10 to 20 people in earlier years, the crew of ANTENNA's metal cutting operations has dropped to two. The metal cutting equipment has now been moved away from the workshop of the family cottage to a building which also accommodates the ANTENNA facility. The loss of metal

cutting contracts was followed by launching the TV aerial operations. The licence for manufacturing this system was bought from VIDEOTON. The engineer who had developed the system in VIDEOTON took charge of line management and he also trained the crew who similarly came from VIDEOTON. They left voluntarily without any severance pay, in the hope of job security.

D, 45, the chairman of RISK small cooperative is a mechanical engineer. This cooperative was formed in January 1989 with 16 members. In the same year VIDEOTON bought back a faulty, dangerous batch of TV sets from users which were then bought by the cooperative at 400 forints a unit. The hope was to extract precious metals in higher value. While this was a miscalculation, the cooperative found another business. In 1990 it began to pack and transport dangerous waste and subsequently it expanded into retailing and distribution. The production of gaming machines was started in 1991 as a result of a fusion with a VIDEOTON team. Before joining RISK, this team had made some abortive attempts with a French firm.

"TELECOM" was formed in February 1989. Its manager, E, is a middle-aged technician. He began his career at VIDEOTON but he only spent two years there. After his service in the army he joined another state enterprise. Since then he has been in the (radio telephone) business. As soon as it was possible at his enterprise he founded a Business Partnership within the Enterprise (VGMK) and then organised his own Business Partnership (GMK) independent of the enterprise. TELECOM was formed in 1989 by this GMK and the enterprise together; and later the GMK managed to acquire a majority share in the business. Prior to the creation of ANTENNA, E was the head of the most profitable department of the enterprise. "The complete staff of the department marched out. We abandoned a convenient facility for a hut". (It is important to note that the GMK consists of two members. The staff also participate in ANTENNA but only with a symbolic share of 10,000 forints each.) ANTENNA is doing the same as the old profitable department but now as a mainly privately owned organisation. Its twenty full-time employees include five engineers while the others are technicians. The amount of outwork varies. "Once in his life each member of the staff was a VIDEOTON employee. Each professional career started there. Three people came over directly from VIDEOTON."

For example the custom-built PCBs are designed in a part-time job by F, who has worked for 14 years at VIDEOTON as a technician. An enthusiast of his profession, F collects and builds microprocessor circuits. He was contacted when TELECOM received orders for a special PCB. F created an office and shop under the stairs of his two-storey home. Beside designing he also manufactures pilot products. He will move soon to a nearby garage. F is a key person for TELECOM also because the more complex boards originate from VIDEOTON's PCB department. F has good relations in the enterprise and he is well placed to oversee the manufacturing process.

G, the managing director of AMPLIFIER, is a sober man of 52 with a family. When he began to work VIDEOTON employed only 100 engineers, all of whom knew each other personally. G got his engineering degree in 1963. In the last few years he was the technical manager of a VIDEOTON subsidiary. "I could see that the enterprise was going down in a spiral while its managers were chasing unrealistic and futile ambitions and expectations." In early 1990 G quit and joined a limited company as technical manager. "This was a useful six-month period of learning to avoid the mistakes I saw there. I could also use the fax and phone of that enterprise to organise my own business."

AMPLIFIER was registered in October 1990. Since its inception it has been manufacturing and marketing custom-built loudspeakers and repeaters. G spends most of his working hours at the desk of his tight office. He still applies the VIDEOTON work schedule of 6 a.m. to 2.30 p.m.

H, the second owner-manager of AMPLIFIER got to know G as the Hungarian representative of a Danish company. The idea of the joint business was suggested by his international business contacts. The two full-time staff, an engineer and a technician, are also former VIDEOTON employees. They were dismissed from the enterprise with severance pay at the end of the previous year. One of them is occasionally upset for having left VIDEOTON because of the uncertainty of his pay month after month. Moreover, "technically unreasonable solutions must be used to meet the silly requests of silly people". The requirements are set by H: "More complex work and more professional challenge are the only benefits of this business."

### *Changing relations: large enterprises vs artisans*

In the eighties the state-owned enterprises had an inclination to contract out to other firms or private business because the performance of these contractors including wages and salaries could be charged to costs without increasing the wage bill or wage level of the enterprise. Following the shrinking of markets and loss of contracts in the early 1990s the first response of the state-owned enterprises was to reduce their subcontractors. As C p4t it, "the state-owned enterprises wanted to keep their people working, without any regard to profitability". Occasionally, in cases of pressing delivery deadlines or peaks of work, some tasks are still contracted out. However, co-operation is initiated and marketing is performed mainly by small organisations and not the large enterprises. TELECOM, ANTENNA, RISK and AMPLIFIER purchase components and semi-finished products such as sound boxes, VDUs and PCBs from VIDEOTON or its spin-offs and then sell them: to final users or dealers. The former subcontractors become customers of the large corporation.

While the roles were swapped, small business and the majors are still walking hand in hand. The exposure and dependence of the small ones continues. Compared to the capacity of the large enterprise the contracts of small organisations in the electronics industry are negligible. However, these small firms could not survive or produce competitive goods without the corporate background. Cooperation is not smooth due to this uneven situation. The large enterprise is highly inflexible and it is generally a problem to produce the small batches or meet the specific requirements of small business. This way is usually paved by old personal contacts (as shown, for example, by the relations between the VIDEOTON PCB department and TELECOM). On the other hand, some processes are impossible to perform without the instruments available to large enterprises. The provision of such equipment would be too expensive for the small organisations to pay off, even if they had the necessary finance. (For example, measuring tasks are assigned by AMPLIFIER and ANTENNA to VIDEOTON.)

The relations between small businesses and corporations are also interesting in other respects. Previously many 'privateers' were moonlighting inside the fence and took products or parts to sell or use themselves. This opportunity was removed in the late eighties by the more rigorous internal disciplinary regulations of VIDEOTON. This process was helpful from the point of view of the registered small businesses. Unsatisfied demand was met in these organisations (see PCB production). At the same time, along with the decay of the enterprise in the last year

or two, a legal opportunity has been given for many tiny workshops to be equipped with affordable equipment, tools or instruments. This opportunity was utilised through auctions in which equipment and written-off raw materials or additives were sold by the kilo.

In 1988 A received his first order from one of the small departments of VIDEOTON. Once the PCB operations started up, several customers were found among the private manufacturers of security equipment and entry-phones. These were followed by private and individual local manufacturers of electronics equipment. "As VIDEOTON was falling to pieces more and more of them came to us." Up to 1991 A supplied PCB to state-owned enterprises and private businesses alike. The state-owned enterprises bought the products because subcontracting was more cost efficient than production in the enterprise. A produces the boards more cheaply (by 20-30%) than the VIDEOTON PCB department. Moreover, the then effective regulations made it more favourable for the enterprise to assign a third party than its own employees even at comparable costs.

In the past, the boards required by private business were supplied by 'moonlighters' in VIDEOTON's PC department. At the end of 1990 moonlighting was prevented by more rigorous internal control. Private business was forced to find other suppliers. Compared to the costs of moonlighting products, private businesses were unhappy with the costs of BOARD. "They told me that I was too expensive - but I cannot steal my own materials," A lamented. The competitive edges of BOARD include its flexibility in serving specific requirements and short terms of delivery as against a six-week deadline with VIDEOTON.

However, the small electronics firms continue to obtain their more sophisticated items from VIDEOTON. This is because the artisan processes and primitive equipment limit the capacity of BOARD and its technology is not suitable for high precision tasks. A tries to purchase his equipment and materials from the cheapest possible sources. He buys scrapped but still operating equipment from state-owned enterprises. Occasional sales are also organised by VIDEOTON, which gives him the opportunity to buy 'disposables' in as large amounts as he can afford.

Last year BOARD sold 30-40% of its PCB production to state-owned enterprises. Currently VIDEOTON owes BOARD about 400,000 forints, in effect without any hope of settlement. Sometimes the private customers do not pay either. They are also in trouble, either because they supply state-owned enterprises or because of limited demand in the consumer market. A predicts that anything can happen in the future: "I stand an equal chance of becoming either an owner of a profitable business or of going bankrupt."

ANTENNA bought the licence of central TV aerial production from VIDEOTON. VIDEOTON was unable to sell its aerials because of high production costs. C supposes this is why it waived the right of production. The direct costs of ANTENNA are lower. Systems are installed mainly in neighbouring villages. Exports to neighbouring countries would be really good business. ANTENNA has a valid Czech contract and it has already supplied there, but payment is a problem. C expects that the Eastern economies will sooner or later rebound and then ANTENNA's products will have markets.

RISK also buys the VDUs for its gaming machines from VIDEOTON. RISK currently produces its machines which are cheaper than other available models assembled from imported components. Some parts and accessories are supplied by other local manufacturers

(such as BOARD). The finished products are sold directly to restaurants and similar customers.

TELECOM is built on the connections and the products of one facility of a state-owned enterprise. It has international trading authorisation and a contract with an international supplier. The complete walkie-talkies from this supplier are complemented by auxiliary equipment and repaired by TELECOM. The firm's outlook seems to be quite secure, especially as the lag of local telecommunications engineering is estimated by E at 20 years. If there is a full change-over, international technology will flow in and downgrade the local production. However, the imported technology needs to be adapted and supported according to local requirements. In the opinion of E the state-owned enterprises currently enjoy an advantage by having the buildings. Now that a property is leased from the enterprise, he hopes that they, as tenants, will have preemptive right in case of sale.

AMPLIFIER manufactures small batches of custom-built speakers and amplifiers for West-European customers. This organisation strongly depends on VIDEOTON, both in the production process and in ensuring the high technical quality of its products. VIDEOTON undertakes technical inspection and supplies boxes as well as other components to AMPLIFIER.

#### *Competition and co-operation in the small firms' market*

Ágnes Simonyi (1986) describes the specific features of small business in the Italian electronics industry proposing that, unlike traditional artisans or decentralised subsidiaries of large enterprises, this business is typically organised in a cooperative network actively and innovatively generating the necessary demand to be served - instead of meeting existing local needs or depending on the marketing support of a large enterprise. This form is called by her autonomous decentralisation or innovative small business.

The local small electronics manufacturers do not primarily serve large enterprises - they are not subcontractors of these enterprises. Nevertheless, they are strongly and technically dependent, because up to now the large enterprises have produced the high quality components or semi-finished products which determine the quality and competitive potentials of the artisan products. As long as other small organisations are unable to fulfill this function, the small organisations do not co-operate with each other but rather with large organisations or their decentralised subsidiaries. However, this relation is characterised by one-sided exposure and not by co-operation between equal parties. But there are limits to the extent to which one small business can be the supplier of another small business. This is only viable where the semi-finished products or components of a large enterprise can be replaced by products manufactured in less advanced processes (see PCB production). In the electronics industry the attempts of small business to eliminate its dependence on a large organisation failed in each case because the products supplied by another small business could not be used or did not meet the required standards. These new partners were also difficult with respect to terms of delivery, working discipline, deadlines or reliability. AMPLIFIER made such an attempt to find sound boxes. "Up till now there is no substitute for the production culture developed by state-owned large enterprises," manager G said. This is a considerable barrier to cooperation between small organisations.

The market supplied by the local electronics small businesses is another point to be considered. Do they serve existing local demand, do they subcontract to large enterprises or do they generate demand for their own production? Does the creation of small organisations qualify for autonomous decentralisation, are these organisations able to innovatively work the market - or do they simply utilise the opportunities of small scale manufacturers? Are they, perhaps, the extended arms of large enterprises?

In contrast to the decentralised subsidiaries of large enterprises, the small organisations active in the electronics sector serve markets found by themselves. However, according to the nature of this market they are closer to being artisans than innovative small businesses. They mainly serve local demand with their PCBs, satellite transceiver assembling and installation, entry-phones, transponder, or gaming machine operations and sales.

The competitors represent another segment of small business relations. The electronics manufacturers known to me manufacture different final products for different customers and thus they do not interfere with each other's markets. On the other hand, by 1992, tough competition had developed between manufacturers and distributors active in the same markets. Owing to relatively low customer demand this generally takes the form of cost competition. Local customers focus on low costs rather than product quality or after-sales support such as warranty or compatibility with other auxiliary equipment. Without any formal agreement between the parties this cost competition helps customers in the short run. Survival depends on manufacturing cheap products representing low technical standards and this type of cost competition implies the hazard of conserving the artisan standards of the existing small business.

#### *Artisans selling work and 'enterprising' workers*

The fact that the small organisations described here are not suppliers and customers of each other does not mean that the different organisations do not depend on a broad network of subcontractors. However, in this case the contractor network is not a set of business organisations working in electronics, but an array of enterprising individuals.

This touches on the issue of employment. Small organisations prefer to maintain a minimal permanent staff and contract out, full-time or part-time, specific tasks to self-employed people. The reasons are manifold. First of all there are cost savings as there are no social security costs or other charges. On the other hand, the income of the individual contractor is not accounted as net personal income but the costs of operations can be discounted and thus partly removed from taxable income.

Other reasons include flexibility and security. If there is a drop in production, the employer is free of any liabilities or wage costs in idle periods and he is saved the trouble of cutting redundancies. The self-employed also benefits because his labour capacity and working hours are fully at his own disposal. He is free to make his own calculations in accepting or refusing an assignment.

However, the electronics small businesses cannot be considered to be running the type of putting-out system described by K. Büchner (1984), who distinguishes between household-based artisanship, labour capacity sale, artisanship, putting-out system, and factories.

Using these terms, the electronics business studied by me seems to be dominated by labour capacity sale, and in this context by subcontract work. The latter essentially means that the contractor has his own workshop in his home and raw materials are put out to him for processing. (BOARD and TELECOM contract out tasks in this manner.)

However, there is still another form which formally involves hiring the self-employed but actually operates like a factory. Not considering the financial benefit, from the workers' point of view this is probably the most vulnerable position as they are deprived of the security of a written employment contract providing certain guarantees.

*One year later...*

In summer 1992 I visited each of the above small business organisations. Some of them had not been able to make any headway while others had been steadily growing. I recorded the following observations at the time.

I find TELECOM in a tidy and comfortable building. The new facility is leased from the parent enterprise. One of the old workshops in a family cottage has been closed, and the next planned step is to buy the other leased property. However, this is not a simple problem considering that the land is owned by the local government, the house by the large enterprise and the building in the backyard by TELECOM. The manager also expects to buy the new lease soon. "Sooner or later the state-owned enterprise will have to be privatised. In the meanwhile the current staff is interested in selling whatever they can and live off the income."

Thus TELECOM is not fully cut off from the umbilical cord of the state-owned enterprise. Indeed, it does not want to be completely separated. Separation is sought only in areas where it is a nuisance to be related with the large enterprise. Otherwise it penetrates new segments of business in order to fully dominate them later. This already has happened to a key area when TELECOM managed to acquire the share of the state-owned enterprise. "The management had two alternatives: we either buy the company or ruin it." They chose to sell. "The privatisation of this share forced us to hide and made us tired," E recalls the events of the last year. It was not easy to sell and expand in the market without being noticed. This was necessary to avoid any third party bidder and to disguise the fact that the company was profitable and an attractive investment. "We did our best to be unknown in Székesfehérvár."

The small business is struggling not only with the state-owned enterprise but also with competitors and the relevant authorities.

"I have 15 years" business experience but this is the worst situation I have ever seen. Customers' cash flow problems prevail. Unfortunately, users do not look at competence but they focus on prices. It does not matter to them whether we can afford any warranty or development. Short term thinking is also typical of the fiscal authorities: the government promptly collects whatever it can. Social security charges and personal income taxes are extremely high. Customs regulations require payment within three days... Business relations are unfair. We have a very strong competitor here. It is impossible to reach any understanding with him. Vulgar blows and kicks are exchanged. Our relations with the German partner are good but business is business. The German firm also cooperates with our competitor. It benefits from our inability to agree."

The full-time staff of TELECOM has increased from 20 to 30. The amount of outwork was reduced because the charges of employment and contracting do no longer differ. (It is quite possible that the still existing contract capacity is kept alive by the unemployment benefit scheme.) In the meantime F became a full-time employee of TELECOM and also another former VIDEOTON engineer was hired. "Valuable people are highly appreciated. These people from VIDEOTON have already found their place."

During one year, RISK did not change its profile, although gaming machines now represent only 1% of its turnover. Like in the electronics small business, in distribution and dangerous waste packing and transport RISK has problems with insolvent customers. Moreover, several competitors entered into the area of gaming machine production and sale. Prices are forced down by falling demand and new competitors. VIDEOTON continues to be the key supplier of this operation. RISIC pays off its Gabilities to VIDEOTON by transporting dangerous waste.

The staff of 20-22 did not change, but RISK actually employs many self-employed people under contract. Of the seven men working in the electronics workshop in the former cow-shed only three are still full-time employees.

ANTENNA has only one employee remaining for tool production. This operation was severely crippled because of the loss of contracts from the large enterprise, plus the fact that ANTENNA is not competitive in the international market. It is now trying to install satellite receiver systems in Romania. Despite the existing demand, there is no liquid demand, and nothing can be given in compensation, especially as barter, due to growing costs. Nowadays they install systems in some social services homes. The problem is the same as in the case of the tool shop: the customers cannot pay for the services and manufacturers consume their reserves.

ANTENNA has 15 full-time employees. This means an increase of two over the last year. They do not give assignments to self-employed people. "Employees are the easiest to control. Time is of the essence. If you must go you cannot say that you have no time. It would be logical to expect that people should be disciplined by unemployment but they are not! The problem is not the high amount of the unemployment benefit. The problem is that it is given for nothing."

BOARD moved to a new location. In addition to this new acquisition, the plating 'shop' is still operating in the town centre flat and cellar. No other considerable investment was made. BOARD continues afloat due to the mushrooming of electronics small business in Székesfehérvár. The full-time staff did not change, while the network of contractors was expanded. The staff dismissed from VIDEOTON's PCB department included many competent people. The amount of work provided to them by BOARD was not enough to earn a living. In most cases it is only sufficient as an addition to unemployment benefit. One outworker and BOARD were recently accused of 'black' employment in a letter with an unreadable signature sent to the local Jobs Centre. "The officers in the Centre made an inspection in a rush instead of checking their own records which showed that this person had earned complementary income within the allowed limits."

AMPLIFIER continued to work exclusively for the Western market supplying customers in France, Holland and Germany. However, this year they supplied regional distributors and not retailers. The staff was doubled to eight. It also engages other firms, self-employed, and gives

part-time outwork including to the unemployed. "The most critical problem is the limited availability of competent people. For example we tried a joiner but his output was not marketable. You cannot sell mediocre quality in Europe. On the other hand the shrinking of the domestic market is beneficial for us. It is increasingly rarely heard that a subcontractor does not have time and they have begun to take care of quality."

The growing staff required new investments. AMPLIFIER purchased five million forints worth of instruments and provided an acoustic measuring room. The lack of funds is the most critical obstacle to expansion. The registered capital of the firm is only eight million forints. From the banks' point of view this equity does not provide a sufficient credit rating. However, the firm did not wish to raise its capital, as the assets not contributed to the firm's equity are easier to mobilise. Instead, the production volume was maintained at a level it could afford to finance. It is also considering involving an investor. The firm wants to have premises of its own, and has already selected a suitable family cottage. This would require five million forints, but it would be worthwhile, considering the current rental fee of 60,000 forints a month.

Incidentally, G assumes that "you must be cautious with expansion. You must not go farther than doubling the present turnover. Above this, too many changes would be required. Now everything is transparent, everybody knows the implications of what he is doing. There is still full cost awareness here."

## References

Simonyi, Á., Nagyvállalatok alkalmazkodása, rugalmas kisvállalkozások Olaszországban (Corporate adaptation and flexible small business in Italy). MS. Budapest: ÁBMH MÜKI,1986.

Büchner, K., "Az ipari üzemformák történelmi fejlődése" (The historical development of operative forms of industry), in: Szociológiai Füzetek, No. 35. Budapest: MÜM, 1984.

1. According to the monthly reports issued by the Jobs Centre of Fejér County, unemployment increased from 1,996 in January 1990 to 11,029 in August 1992. In August 1992 the unemployment rates of the county and the county seat were 11.2% and 11.3%, respectively.

2. The interviews of this study were made for the documentary film series "Changes of Working Life II" by Pál Schiffer, Hungarian TV.

3. The names of my interviewees' firms are also substituted by fictive names in this report.