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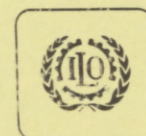
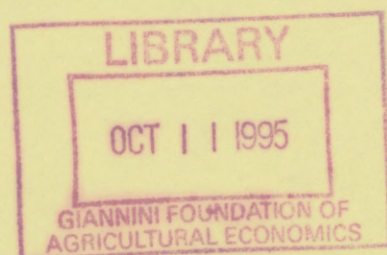
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Occasional Paper 20

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**Public sector adjustment through
employment: Retrenchment policies
and practices in Poland**



Interdepartmental Project on Structural Adjustment

The aim of the Interdepartmental Project on Structural Adjustment is to strengthen ILO policy advice in relation to structural adjustment policies in order to make those policies more consistent with ILO principles and objectives.

The project investigates various options to give a different focus to adjustment policies, emphasizing major objectives as equitable growth, improved human resource development and social acceptability and it tries to establish how various ILO policies and policy instruments can contribute to such a different focus of adjustment policies.

The range of policy instruments encompasses labour market regulation, social security, wages policies, training policies, industrial relations as well as the employment and income effects of monetary, fiscal and price policies. Greater involvement of the ILO in the area of structural adjustment needs therefore to reflect the interdisciplinary nature of the adjustment problem by combining activities from different departments in the ILO.

During the 1992-93 biennium, the project concentrates on developing policies for the following five main areas:

- the role of the public and private institutions in structural adjustment;
- the role of fiscal policy in generating employment and favouring equitable growth in a process of adjustment;
- the role and function of compensatory programmes and social safety nets during adjustment;
- public sector adjustment, including issues pertaining to privatization;
- the role and function of the social partners in the adjustment process.

Further information can be obtained from the Project Manager (Rolph van der Hoeven) or the Project Officer (Andrés Marinakis).

**Public sector adjustment through
employment: Retrenchment policies
and practices in Poland**

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1. Introduction

Among the most important distortions of employment in the pre-reform Polish economy are:

- (1) substantial overmanning (hidden unemployment) in the public sector;
- (2) a distorted structure, with agriculture, heavy industries and the state sector having too large a share in total employment, and consumer goods industries, services and the private sector all having too small a share;
- (3) sizeable excess demand in the labour market.

Transition to a market economy necessitates changes in the three areas. Employment adjustment, resulting in reducing labour inputs, plays a crucial role in these changes. There are various methods of adjusting employment. Retrenchment (lay-offs and dismissals) is undoubtedly an important one. However, one should also include here a set of alternative policy measures, more compatible with the objectives of human resource-oriented adjustment policies (cuts in working time, transfers of the labour force within enterprises, early retirement, involuntary leave etc.).

The main goal of this paper is to present and analyse methods of employment adjustment in the public sector in Poland in the transition period (1990-1992). Special emphasis is put on:

- (1) legal regulations and policies in the field of employment adjustment;
- (2) assessing the extent of labour shedding in the public sector and identifying common features among those being discharged;
- (3) alternative methods of employment adjustment.

All these issues are analysed in the light of relevant legislation, macroeconomic evidence, and microeconomic evidence based upon five case-studies.

Legal regulations consist of the Polish Labour Code, Acts passed by Parliament and governmental decrees. The macroeconomic evidence is based upon statistical data which consists of national aggregated data on labour market trends, especially relating to employment and unemployment, hires and discharges, and national disaggregated data on employment and unemployment in selected groups in the labour force (the two kinds of data used come from registration and labour force surveys). The microeconomic evidence is based upon five case-studies of public enterprises (institutions) engaged in the following activities: transport, health care, education, the wool industry and the knitting industry. The enterprises studied were all located in the city of Łódź. The case-studies were carried out at the end of 1992.

The structure of the paper is as follows. Section 2 describes the main elements of the Polish transformation programme. Section 3 analyses the legal aspects of employment adjustment. Section 4 presents macroeconomic evidence on the size and effects of employment adjustment. Section 5 looks at retrenchment practices in the light of five case-studies. Section 6 offers some conclusions.

2. Transformation of the Polish economy

The economic behaviour of enterprises depends largely on the socioeconomic environment in which they operate. The period of 1990-92 in Poland which is analysed here can be characterized as one of significant (in some cases even revolutionary) changes in the field of social, political and economic relations. Building a democratic society and the transition to a market economy play a crucial role in these changes. Enterprises' decisions on employment adjustment are undoubtedly closely connected with the transformation process taking place in the Polish economy.

Prior to the transformation, the Polish economy exhibited the common features of a centrally planned economy such as: ineffective utilization of resources, internal and external disequilibrium, and deep repressed inflation; the field of employment was characterized by severe shortages of labour,¹ sizeable hidden unemployment² and a distorted employment structure.³ All these negative features of the pre-reform economy were a big challenge for the transformation programme, initiated on 1 January 1990.

The Polish transformation programme has three main elements:

- (1) institutional changes in the economy;
- (2) economic stabilization;
- (3) microeconomic restructuring.

The first two elements of the programme are already under way, largely in the form of privatization; implementation of the third has barely begun.

As far as the institutional aspects are concerned, the programme introduced a wide range of changes supporting the creation of a market economy. The most important related to privatization of state-owned enterprises. By the end of June 1992, 22.1 per cent of state-owned firms had been privatized (Balicka, 1993, p. 25). So far, two methods of privatization have been mainly used: capital privatization and privatization through liquidation. Up to June 1992, 6 per cent of state-owned firms were subject to capital privatization (Balicka, 1993, p. 25). Capital privatization consist of three stages:

- (1) transformation of state enterprises into joint stock companies with full treasury ownership;
- (2) assessment of the value of assets in such a company;
- (3) sale of the company's shares on a public tender.

¹ Suffice it to say that in 1988 the overall ratio of unfilled vacancies to job-seekers was 86 (*Rocznik Statystyczny*, 1990).

² Empirical research shows that, in the late 1980s, hidden unemployment amounted to 25 per cent of Polish industrial employment (Rutkowski, 1990).

³ In 1987 the share of the primary sector in total employment amounted to 28.7 per cent, the share of the secondary sector was 36.5 per cent and the share of services was 32.8 per cent (*Rocznik Statystyczny* 1990, pp. 93-94).

The vast majority of firms involved in capital privatization have so far gone through the first stage of privatization; in fact, only 23 companies had been fully privatized in this way by the end of 1992 (Masa Krytyczna, 1993, p. 1). More state-owned firms had been privatized through liquidation (9.1 per cent of state-owned firms up to June 1992 — see Balicka, p. 25). (Table 1 presents the most recent information on the progress in privatization.) Privatization through liquidation means either that the whole firm, or some parts of it, is sold on a public tender or that the firm (or some part of it) is handed over for utilization for a given period against a payment, usually in the form of a lease. It is hoped that privatization will be accelerated in 1993, when the programme of general privatization (assuming the distribution of shares to all adult members of society), which is still under discussion, will be approved by Parliament. It is worth noticing that in spite of the remarkable progress in privatization in the last three years (the share of the private sector in GDP increased from 30.1 per cent in 1989 to 45.3 per cent in 1991,⁴ the public sector still remains the largest element in the Polish economy.

Table 1. The number of enterprises by method of privatization (1 January 1990-30 March 1993)

Method of privatization	Number	%
Capital privatization	491	16.9
- Already privatized	51	1.8
Privatization through liquidations	1 551	53.2
Other methods	870	29.9
Total	2 912	100.0

Source: Ministry of Ownership Transformation.

As far as other institutional changes are concerned, the following are particularly significant:

- (1) transformation of state-owned enterprises into autonomous units, subject to a "hard budget" constraint, which means that they must be self-financing;
- (2) the introduction of anti-monopoly legislation and promotion of competition;
- (3) establishment of a capital market;
- (4) reform of the banking system with the aim of creating business banks;
- (5) reform of the tax system: corporate and personal income taxes were introduced on 1 January 1992, and a uniform value-added tax to replace the differentiated (positive and negative) turnover taxes will be introduced in the second half of 1993;
- (6) adjustment of Polish customs law and foreign trade quantitative barriers to EC standards, according to the Association Agreement with the EC.

The main goals of the stabilization programme were to restore equilibrium in the goods market and reduce inflation. To this purpose a few economic measures were taken (Dąbrowski, 1991; Kołodko, 1992). First, most prices were liberalized in order to create conditions conducive to the working of the market-clearing price mechanism and to create the right signals for economic decisions concerning allocation of resources. The few exceptions where prices are still controlled by the state are in the energy, housing, transportation and pharmaceutical sectors. Second, various measures were taken to ensure a balance in the public finance system; the most significant of these were drastic reductions in subsidies to unprofitable production, significant reductions in so-called "preferential

⁴ See "Sytuacja gospodarcza kraju w październiku 1992" in *Rzeczpospolita*, No. 11, 1992, p. 3.

credits", and tax exemptions and efforts to change the structure of budgetary revenues by shifting some taxes from the production sector to the consumption sector. Third, a more restrictive monetary policy was adopted, involving more rigorous control over changes in the money supply and establishing positive real interest rates, both of which had the effect of reducing enterprises' financial liquidity. Fourth, a restrictive tax-based incomes policy was introduced, imposing punitive taxes on enterprise wage increases above a certain government-set norm (the norm assumed relatively low indexation coefficients).⁵ Fifth, internal convertibility of the Polish currency and a stable exchange rate were introduced. In the last three years there were two drastic devaluations of the Polish zloty (in January 1990 and May 1991). However, apart from these two devaluations, the change in the exchange rate was very slow, much slower than the change in general price levels, so the exchange rate could act as a kind of nominal anchor.

Table 2. Macroeconomic indicators, Poland, 1990-1992 (%)

Indicators	1990	1991	1992
GDP growth	-11.6	-7.5	0.5
Industrial output growth	-24.2	-11.9	4.0
Inflation rate (Consumer Price Index)	585.0	70.3	44.0 ¹
Real wage growth	-27.4	0.9	-3.0
Ratio of budget balance to GDP	0.4	-3.8	-5.6 ¹
Ratio of current account balance to GDP	1.0	-1.8	-0.4 ¹
Employment growth	-3.6	-5.4	1.2 ¹
Labour productivity growth	-8.0	-2.1	1.7
Unemployment rate at the end of the year	6.3	11.8	13.5

¹ Preliminary estimate

Sources: *Employment Observatory*, 1992, No. 2, pp. 20-26; Kolodko, 1992, p. 37; *Sytuacja*, 1992, pp. i-iii; *Rocznik Statystyczny*, p. 151.

Economic adjustments connected with the institutional changes and the stabilization programme were of considerable significance for the macroeconomic performance of the country. Some macroeconomic indicators are given in table 1. They show the general economic conditions in which Polish enterprises have operated over the last three years. A few points arising from the table should be stressed here. First, one should note the decreasing level of inflation over time, although the rate of inflation was still very high in 1992. Second, the period of transition coincided with a deep recession, characterized by remarkable declines in GDP and industrial output. Some increase in industrial output at the end of 1992 may promise a recovery in the near future. Third, the recession was linked with substantial declines in real wages (except in 1991). Fourth, the recession was accompanied

⁵ The government-set wage norm can be defined by the equation:

$$W_t = W_{t-1} (1 + I_t P_t)$$

where W_t is the wage norm in month t , W_{t-1} is the norm in the previous month, I_t is the indexation coefficient and P_t is the inflation rate in month t .

The indexation coefficients amounted to 0.2 between February and April 1990 and 0.6 in most of the later months.

If the sum of actual monthly wages in an enterprise exceeded the sum of norm wages up to that month, a tax penalty was levied with highly progressive rates of up to 500 per cent of the wage increase above the norm.

Recently some modifications in these regulations have been introduced: (1) Those enterprises reducing average employment in 1992 are entitled to increase the annual wage norm by half of the wage norm lost due to the employment reductions (the law was retroactive to 1 January 1992). (2) Since 1 October 1992 the Council of Ministers has specified the percentage wage norm increase for each month in every quarter before the 15th of the first month. In this way, automatic indexing to inflation has in fact been dropped. (3) On 1 January 1993 punitive maximum tax rates were lowered (to 300 per cent when the norm is exceeded by 6 per cent).

by an increasing state budget deficit, suggesting the difficulties of overcoming inflation and recession simultaneously. Fifth, the period of transition was connected with a worsening in the state of the labour market, with unemployment rising fast and employment declining substantially. The decline in employment was, however, less than that in GDP, implying a reduction in labour productivity. Some changes in 1992 promise more favourable tendencies in labour productivity in the near future.

Table 3. Profitability rates* of state-owned enterprises by selected industries, Poland, 1990-1992 (%)

Industry	1990 (Jan.-Sep.)	1991	1992 (Jan.-June)
Fuel and power	33.6	6.6	6.3
— Coal	24.3	3.4	-4.8
Metallurgical	52.4	5.2	0.2
— Iron and steel	—	-2.4	-6.4
— Non-ferrous metals	—	23.3	13.4
Electro-engineering	39.6	-0.8	-2.2
— Metal products	—	4.8	5.1
— Engineering	—	5.8	2.3
Chemicals	40.4	12.4	7.9
Minerals	34.8	8.8	3.7
Wood and paper	23.5	-0.4	2.0
Light industry	20.2	-8.2	-4.0
— Textiles	—	-13.1	-7.4
— Clothing	—	3.5	5.4
Food	22.4	8.0	4.8

* Relation of gross financial result (balance) to cost of total income acquisition.

Source: *Biuletyn Statystyczny*, No. 6, pp. 65-67.

The recession in Poland was especially deep in the public sector. As table 3 shows, the average profitability rate of state-owned enterprises was negative in some industries. It is worth emphasizing that in spite of the near monopoly position of state enterprises, it was becoming more and more difficult for them to pass their increasing costs on to consumers. This resulted partly from a demand barrier which appeared in the goods market; there was also strong pressure from foreign competition, and a tendency on the part of Polish buyers to prefer foreign goods (those of better quality) to domestic ones. All these factors made it vital for the state-owned enterprises to increase productivity. Employment adjustment is one way of doing this.

One can distinguish several forms of enterprise adjustment in the field of employment:

- (1) reducing the number of jobs by means of discharges; this mainly takes the form of lay-offs, but employers' raising disciplinary standards can also lead to dismissals;
- (2) freezing recruitment and the voluntary resignation of employees of working-age;
- (3) encouraging early retirement and encouraging workers of pension age to leave;
- (4) reductions in work time, cuts in overtime and increases in part-time work;
- (5) retraining and transfer of the labour force within an enterprise.

All these forms of employment adjustment can contribute — if they are carried out on a sufficient scale — to the reduction of unit labour costs,⁶ either by reducing the level of enterprise employment or by cutting the size of the wage bill. However, they differ significantly as far as their labour market implications are concerned. Taking this criterion into account, one can distinguish discharges and recruitment freezes on the one hand, which have direct negative consequences for the labour market, and the last three forms of adjustment, on the other hand, whose influence on the labour market is significantly less harsh.

⁶ A recent OECD report suggests that unit labour costs have increased in Poland over the last three years. It is not surprising if the data from table 2 are taken into account, especially the data concerning GDP, industrial output, employment and real wages. This implies that employment adjustments were too small to bring about a reduction in unit labour costs.

3. Legal aspects of employment adjustment

Before looking at the different existing forms of employment adjustment in practice, we will look at legal regulations concerning these phenomena. The stress is put here on the rights and duties of the two parties to the employment contracts, employers and employees. The regulations presented below describe the legal position at the end of 1992, though the vast majority of regulations were passed before the transformation programme started.

3.1 Terminating an employment contract

According to Article 30 of the Polish Labour Code (*Kodeks Pracy*, 1992, Vol. I, p. 10), there are several ways of terminating employment contracts. It is worth emphasizing three of them here:

- (1) by an agreement between the two parties to the contract;
- (2) by a statement by one of the parties, without prior notice;
- (3) by a statement by one of the parties with prior notice.

Any kind of contract can be terminated by mutual agreement between the parties at any point. The agreement is concluded if an offer made by one of the parties to the contract is accepted by the other party. This method of terminating a contract is of universal character, and its importance seems to have decreased in the period of transition.

Employers are allowed to discharge an employee without prior notice (*Kodeks Pracy*, 1992, Vol. I, p. 16) in so far as this is associated with disciplinary action, unsuitability for the job,⁷ or long-term illness.⁸ It is worth mentioning that an employee who has been discharged without notice on the grounds of misconduct may claim his/her return to work or financial compensation.

Legal regulations concerning the termination of contracts with prior notice are contained in the Polish Labour Code, Articles 32-51 (*Kodeks Pracy*, 1992, Vol. I, pp. 10-16). According to the Labour Code, either of the parties can terminate a contract by giving notice, whether the contract is fixed-term or permanent. The contract is then terminated when the period of notice expires. The period of notice depends on the type of contract and the length of service of the employee. It varies from three days to three months.⁹ If an employer

⁷ It can occur if: (1) an employee fails to discharge his/her main duties at the place of work; (2) an employee commits a crime which makes it impossible to carry on his/her employment; (3) an employee loses the competence required to do the job. In these cases, employment contracts can be terminated instantly, but plant-level trade union organizations have to be consulted first.

⁸ It can occur if an employee is not able to work owing to his/her illness for a certain period of time. This period amounts to (a) more than three months (if an employee has worked in the firm for less than six months) or (b) longer than the period of receiving sick benefit (if an employee has worked in the firm for six months or longer). Employers are not allowed to terminate contract without notice if an employee is absent from work because of needing to care for a child.

⁹ In the case of a contract for a fixed period (not longer than two weeks), the period of notice is three days. In the case of a permanent contract, the period of notice is longer:
 — 2 weeks, if an employee has worked for less than two months;
 — 1 month, if an employee has worked for at least one year;

wants to lay off a worker who has a permanent contract, they have to consult with the trade union and comply with the special procedures described in the Labour Code (Article 38).¹⁰ Furthermore, according to Polish law, certain groups of workers enjoy special job protection and their employment cannot be terminated.¹¹

A plant trade union organization can present its reservations to the manager of the firm within the period of 5 days, if it thinks that terminating contract would be unjustified. If the manager does not agree with the reservations, he presents the case to the national trade union organization and after receiving the trade union's opinion, the manager takes a decision concerning the termination of the contract.

The regulations outlined above do not apply to terminating employment contracts for reasons associated with the enterprise. Here special rules operate, set out in the Act of 28 December, 1989 (*Kodeks Pracy*, 1992, Vol. 2, pp. 209-217), to which a number of amendments were introduced in 1991 and 1992. These regulations relate to enterprises in which employment is reduced for economic reasons or in connection with organizational, production or technological changes, where within a period of up to three months, lay-offs encompass at least 10 per cent of employees in enterprises employing up to 1,000 people or at least 100 employees in enterprises employing more than 1,000 people. The regulations also apply to enterprises in which bankruptcy or liquidation is announced.

The above regulations describe detailed procedures for terminating an employment contract, which should be observed by the parties.¹² Where bankruptcy or liquidation of

⁹(...continued)

— 3 months, if an employee has worked for at least ten years.

It is worth stressing that the period of employment mentioned above relates to the total past employment history of an employee (and not only to the time spent working for the particular enterprise). In this way some preference is given to older employees.

¹⁰ First of all, the employer has to notify a plant-level trade union organization of his/her intention, giving the reason for terminating the contract. If only one trade union organization exists in the firm, the employer notifies this organization, even when the employee who is going to be discharged is not a trade union member. According to Polish law, several trade unions can operate in the same firm. In this case, the employer notifies the proper trade union organization. An employee, who is not a trade union member can ask one of the trade unions for protection; if his/her request is accepted, the employer has to notify this trade union organization of the intention to discharge the employee. A plant-level trade union organization can present its objections to the manager of the firm within a period of five days, if it thinks that terminating the contract would be unjustified. If the manager does not agree with the objections, he or she presents the case to the national trade union organization. After receiving the national union's opinion, the manager takes a decision about termination of the contract.

¹¹ The most important groups are;

- (1) officials of plant-level trade union organizations during the period of mandate and within the next year (Act on Trade Unions of 23 May, 1991, Article 32; see *Kodeks Pracy*, 1992, Vol. 1, p. 134);
- (2) members of workers' councils during the period of mandate and within the next year (Act on Self-Government of Employees in a State-Owned Enterprise of 25 September, 1981, Article 6; see *Kodeks Pracy*, 1992, Vol. 1, p. 96);
- (3) pregnant women, women on maternity leave and women on leave to care for children;
- (4) employees on leave without pay to enable them to help with elections;
- (5) employees who will reach retirement age in two years' time or sooner.

¹² First of all, lay-offs should be agreed with the trade unions. The director of an enterprise (or any person carrying out the administration on commission, such as an official receiver) must notify plant trade union organizations about the intended group lay-offs (not later than 45 days before the date of the lay-offs), stating the reasons and the number of employees and occupational groups to be laid off. The local labour office should also be informed about intended lay-offs. The plant trade union organization may (within a period of no more than 14 days) demand that the director present information about the financial performance of the enterprise and may also submit proposals that would allow the number of lay-offs to be reduced. Next (within a period of no more than 30 days after notification), the director must conclude a joint agreement with all trade union organizations operating in the enterprise on the scale of lay-offs, criteria concerning for selecting employees to be laid off, and the order and dates of lay-offs. If such an agreement is not concluded because the parties cannot agree upon its content, the decision about lay-offs is taken by the director, taking into account the stipulations made by the trade unions during discussion of the agreement. In enterprises where trade unions do not operate,

(continued...)

a firm is announced and the firm has no money to pay out wages (salaries), an official receiver may terminate an employment contract without notice provided the employee does not make any demur within five days of being notified about the intended termination of the contract. In this case, the employee being dismissed is entitled to additional compensation (in addition to severance pay) amounting to the sum of the wages that would have been paid during the whole period of notice.

An employee losing his job for reasons associated with the enterprise is usually entitled to:

- (1) severance pay;¹³
- (2) preferential treatment by the firm for a period of one year if the firm takes on employees again (the firm should re-employ its formerly laid-off employees);
- (3) the right to early retirement, irrespective of age, if the employee has worked for at least 35 years (women) and 40 years (men).

According to the Act of 28 December 1989, employees being laid off for reasons associated with the enterprise were also entitled to additional compensation if, after being discharged, they took a job in another enterprise and obtained pay lower than that in their previous place of work. Compensation covering the difference between their previous and present pay was to be paid by the enterprise in which the employee took the new job for a period of up to 6 months. The outlay was to be covered by the Labour Fund at the disposal of the Ministry of Labour and Social Policy. These regulations were changed in 1991. According to the new regulations, only ex-employees of firms in which bankruptcy or liquidation has been announced are entitled to this compensation. The main reason for the change in regulations was that they involved excessive expenditures from the Labour Fund.

It is apparent from the above that terminating contracts for reasons associated with the enterprise is costly for enterprises, especially in the case of group lay-offs. Enterprises may therefore abandon the idea of group lay-offs if their financial situation is too difficult.

3.2 Other methods of employment adjustment

We shall briefly discuss here legal regulations concerning some alternative methods of employment adjustment:

- (1) early retirement;
- (2) adjustment of working time;
- (3) adjustment of employees' qualifications through professional training;
- (4) programmes to help employees secure new employment;
- (5) labour mobility assistance programmes.

¹²(...continued)

procedures for discharging employees are determined by a director (or a person carrying out the administration on commission, such as an official receiver), following consultations with employees.

¹³ Severance pay amounts to:

- (a) one month's wages for employees who have worked for less than ten years;
- (b) two month's wages for employees who have worked for ten years or more, but less than 20 years;
- (c) three month's wages for employees who have worked for more than 20 years.

Severance pay can be at most 15 times higher than the minimum wages set by the Ministry of Labour and Social Policy.

As far as early retirement is concerned, two pieces of legislation are relevant. First, according to the Decree of the Minister of Labour and Social Policy of 26 January 1990 (*Kodeks Pracy*, 1992, Vol. 2, p. 235), employees being laid off for reasons associated with the enterprise have the right to early retirement, irrespective of age, if they have worked for at least 35 years (women) and 40 years (men). Early retirement schemes are financed by employers (financial compensation connected with retirement) and the Social Insurance Company (pensions). Second, the Act on Revalorization of Pensions of 17 October 1991 (*Dziennik Ustaw*, 1991, No. 104, poz. 450; *Dziennik Ustaw*, 1992, No. 21, poz. 84) sets out how much pensioners can earn without losing their pensions.¹⁴

Some regulations concerning working time are contained in the Labour Code. However, these regulations only establish the maximum working time. According to the Labour Code, working time cannot be more than 8 hours a day and 46 hours a week (*Kodeks Pracy*, 1992, Vol. 1, p. 37). This norm can, however, be reduced by the government, but only with the agreement of the national committee of the relevant trade union. According to the government Decree of 23 December 1988 which regulated working time in the period 1989-92, it could not be more than 8 hours a day and 42 hours a week (*Kodeks Pracy*, 1992, Vol. 2, p. 118). Working time can, however, be less than the maximum. Decisions about this are taken by managers of enterprises. The only restriction is that such decisions should be agreed with the plant trade union organization. The same procedure holds in the case of involuntary leave, except that the manager has to agree this with the workers' council (Article 131 of the Labour Code; see *Kodeks Pracy*, 1992, Vol. 1, p. 37). The use of short-time working in the period of transition is looked at later in the paper.

The legal regulations are favourable to employees who want to improve their professional qualifications. The Labour Code says that enterprises should make it easy for employees to improve their skills and qualifications (*Kodeks Pracy*, 1992, Vol. 1, p. 28). Employees who have been selected by the manager to participate in training or education are entitled to time off to attend courses and reimbursement of some costs connected with the training (*Kodeks Pracy*, 1992, Vol. 2, p. 150). Special attention is paid to young employees. According to the Labour Code, employers are obliged to improve the education and qualifications of employees who are under 18 and did not gain any qualifications at school (*Kodeks Pracy*, 1992, Vol. 1, p. 53). Taking these regulations into account, it seems that there are various institutional possibilities for employees to improve or even change their professional qualifications. However, the degree to which enterprises are interested in this form of employment adjustment will depend greatly on their financial situation, because training is a costly activity. Enterprises may be able to obtain financial aid if they organize enterprise-based training for employees who are threatened by lay-offs.

In many industrialized countries various assistance programmes exist for individuals who are going to be laid off to help them find a new job quickly. These include job search assistance, job counselling, training, etc. Similar "early actions" and assistance programmes are available for Polish workers. However, the vast majority of these programmes are situated outside enterprises, in local labour offices; moreover, the programmes are intended

¹⁴ According to this regulation, a pension is completely suspended if additional earnings are higher than 120 per cent of the base amount (that is, the average wage in the five main industries of the economy in the quarter before the valorization of pensions; the level of this wage is announced by the Central Statistical Office). If additional earnings are higher than 60 per cent of the base amount (but lower than 120 per cent of this amount), the pension is reduced by 24 per cent of the amount or by 18 per cent in the case of disabled people.

first and foremost for unemployed workers. According to the Act on Employment and Unemployment of 16 October 1991, local labour offices are responsible for:

- (1) giving advice and help to people seeking jobs as regards finding a job;
- (2) organizing training and retraining for unemployed people;
- (3) giving information about job vacancies to people who are seeking work.

Employment transfer and mobility assistance programmes also exist in Poland. They are regulated by the Instruction of the Minister of Labour and Social Policy, of 14 August 1990. These programmes are limited to employees working in construction and some branches of industry who are temporarily transferred to work elsewhere. Employees who have to live away from home are entitled to (a) reimbursement of the costs of travelling home (every second week); (b) extra compensation for separation from family, and (c) free lodgings or equivalent compensation. Employees who are able to return home every day are entitled to (a) one-third of the extra compensation for separation from family and (b) reimbursement of the costs of travelling home from work.

4. The size and effects of employment adjustment: Macroeconomic evidence

As a result of the transformation programme, state-owned enterprises have found themselves in a new economic environment. A situation of excess demand in the goods market has been replaced by a situation of excess supply. As was underlined in section 2, output declined significantly in the period of transition. This drop in output was caused mainly by negative demand shocks, although negative supply shocks also contributed to it, as I found elsewhere (Kwiatkowski, 1992). Moreover, Polish firms were exposed to keen foreign competition. If we also take into account the principle of "hard budget constraint", which was adopted in the vast majority of state-owned enterprises, it becomes obvious why enterprises had to change their behaviour. Of course, there is always some inertia in behavioural changes; as well as the new market-oriented practices, there are also some traditional (socialist) elements in the present behaviour of enterprises (for example, a reluctance to reduce the enterprise wage bill), as was emphasized by Swaan and Lissowska (1992). Later in this section and in section 5, we shall see the effects of these behavioural changes on employment adjustment. Let us begin with the macroeconomic evidence.

4.1 Labour shedding

Reducing employment has been an important way for enterprises to adjust to the new economic circumstances. As can be seen from table 4, employment fell significantly in 1990 and 1991. On the whole, the pace of decline accelerated in 1991. As table 4 indicates, the largest declines occurred in the secondary sector (industry and construction), followed by the primary sector (agriculture and forestry); the decline in employment was least in the tertiary sector (services). This is in line with the received theory that vulnerability to the business cycle is significantly less in the service sector than in the other sectors of the economy (Fuchs, 1968). Another factor that probably contributed to this variation is the slower orientation towards the market in the services sector (especially the so-called "budgetary sector") than in the other sectors. The dynamic growth of some services (shops, restaurants, trade, etc.), connected with the so-called "small privatization" must also have played some role in minimizing the drop in employment in the services sector.

Table 4. Employment growth by sector, Poland, 1990-1991 (%)

Sector	1990	1991
Total economy	-3.6	-5.4
Primary	-2.4	-4.2
Secondary	-5.7	-8.3
Tertiary	-1.9	-0.9

Source: *Mały Rocznik Statystyczny 1992*, p. 151.

The decline in employment varied considerably between industries within the secondary sector. Although, as indicated by table 4, there was an overall decline in employment, there were some industries where employment increased. The largest drops in employment occurred in textiles, coal and engineering, while employment increased in food and clothing.

It is worth noticing that the latter industries both consist of a relatively high proportion of small firms.

Table 5. Hires and discharges of full-time workers, Poland, 1989-1991

	1989 ^a	1990 ^a	1991 ^b
Hires (000s)	1 908.0	1 452.6	1 722.2
Discharges (000s)	2 416.9	2 594.4	2 710.7
Hiring rate (%)	16.2	12.2	16.2
Discharge rate (%)	19.8	23.0	26.7

^a Data comprise state and cooperative enterprises.

^b Data do not comprise individual business establishments.

Source: *Mały Rocznik Statystyczny 1992*, p. 157.

The employment growth rate results from the ratio of hires to discharges over a given period. As table 5 shows, from 1989 to 1991 the number of full-time workers hired each year was much smaller than the number of discharges, including voluntary quits, lay-offs, disciplinary dismissals and persons retired. Hiring rates (the ratio of hires to total employment in the previous year) were similarly lower than discharge rates (the ratio of discharges to total employment in the previous year) in the years considered. Moreover, while discharge rates increased fast throughout the period, the hiring rate fell substantially in 1990. One can therefore say that reducing hires and increasing discharges were important means of adjusting employment in the period of transition.

Table 6. Discharge rates of full-time workers by selected industries, Poland, 1990-1991 (%)

Industry	Discharge rate (%)		Share of discharges associated with the enterprise, 1991
	1990 ^a	1991 ^b	
Total economy	23.0	26.8	24.4
Agriculture	21.5	30.6	44.3
Industry	22.0	25.2	27.4
Fuel and power	—	16.6	6.6
Metallurgical	—	16.9	12.2
Electro-engineering	—	28.4	33.5
Chemicals	—	20.5	24.1
Minerals	—	30.3	28.7
Wood and paper	—	30.9	28.4
Light industry	—	30.6	34.7
Food	—	22.2	19.9
Construction	34.8	47.9	21.8
Transport	21.5	29.4	22.3
Communications	14.5	12.8	7.6
Trade	36.6	35.3	31.5
Community services	23.7	30.6	12.8
Education	10.1	16.2	13.5
Health care	14.0	17.0	8.9
State administration and justice	27.6	18.5	14.5

^a Data comprise state and cooperative enterprises.

^b Data do not comprise individual business establishments.

Sources: *Zatrudnienie w gospodarce*, 1992, pp. 56-58; *Rocznik Statystyczny 1992*, table 14, p. 106.

Discharge rates vary substantially by economic sector and industry, as table 6 shows. In 1991 the highest discharge rates were in construction, trade, community services, some branches of industry (light industry, wood and paper, minerals) and agriculture. The lowest rates were in some service industries (communications, education, health care, state administration and justice) and some branches of industry (fuel and power, metallurgical). It is worth noticing that there is a substantial, positive correlation between the discharge rates and the proportion of discharges associated with the enterprises (including individual and group lay-offs) in total discharges (see table 6). This indicates that enterprises' financial difficulties play an important role in determining the number of discharges.

Apart from the data about discharges by industry and the proportions of discharges associated with the enterprise, there are no aggregate data on the structure of discharges. Nevertheless, taking into account the information that does exist and our own observations, a few hypotheses can be formulated. First, discharges take place in all enterprises regardless of their size, but discharge rates seem to be higher in larger enterprises. Second, discharges mainly take the form of terminating labour contracts with prior notice. Third, as far as types of discharge are concerned, in the transition period one can notice some decline in voluntary quits and dismissals for disciplinary reasons and a substantial increase in lay-offs (individual and group). Fourth, discharge rates differ according to type of ownership; they are higher in recently privatized and state-owned enterprises (where hiring rates are relatively low) than in newly set-up private firms.

Some characteristics of people being discharged in the public sector can be drawn from an analysis of the unemployment stock, which is statistically better documented. One must remember, however, that any such description will be inaccurate to the extent that it is not possible to separate unemployed people who have been discharged in the public sector from the total number of unemployed (which is often the case).

Table 7. Unemployed by reason for terminating employment and sex, Poland, May 1992 (%)

Reason for terminating employment	Total	Men	Women
Total	100.0	100.0	100.0
Not employed before	15.0	13.6	16.4
Previously employed	85.0	86.4	83.6
— Retired	8.6	10.2	6.9
— Plant closure or job losses	46.2	47.7	44.7
— Discharged by enterprise for other economic reasons	8.4	11.0	5.9
— Failure to satisfy job requirements	5.9	8.6	3.2
— Termination of fixed-term contract or casual employment	2.8	3.2	2.2
— Personal or family reasons	10.4	2.4	18.5

Source: *Ludnosc czynna*, 1992, p. 23.

Table 7 presents data about reasons for terminating employment; the data come from the labour force survey conducted in May 1992. Three points are worth making here. First, plant closures and job losses were the main reasons for terminating employment (for both men and women). Together with discharges by the enterprise for other economic reasons, these accounted for more than 50 per cent of total unemployment. Second, personal or family reasons played a very important role in terminating employment for women and an

insignificant role for men. Third, failing to satisfy job requirements is a more important reason of terminating employment for men than for women.

Table 8. Unemployed who had previously been employed by reason for terminating employment and duration of work in last place of employment, Poland, May 1992 (%)

Reason for terminating employment	Total	Duration of work (years)				
		up to 1	2-3	4-9	10-19	20 and more
Retired	100	6.0	9.4	18.2	27.0	39.4
Plant closure or job losses	100	21.5	22.4	28.6	20.8	6.7
Discharged by enterprise for other economic reasons	100	31.8	25.1	26.2	11.7	5.2
Failure to satisfy job requirements	100	47.5	25.8	16.1	7.2	3.4
Termination of fixed-term contract or casual employment	100	72.2	18.6	5.5	1.9	1.8
Personal or family reasons	100	24.8	25.5	31.9	16.3	1.5

Source: *Ludnosc cywna*, 1992, p. 26.

Table 8 shows that duration of employment in present place of work has a substantial effect on the likelihood of labour contracts being terminated. With the exception of employees approaching retirement, employees with a shorter duration of employment are more likely to have their contracts terminated. This is especially the case where employment is terminated because of failure to satisfy job requirements, plant closures, or personal or family reasons.

Table 9. Proportions discharged as a result of group lay-offs in the total unemployment stock, Poland, March 1990-September 1992 (%)

Quarter*	1990	1991	1992
I	5.7	18.9	24.3
II	10.2	20.0	24.6
III	13.6	21.4	24.3
IV	16.3	23.1	—

* Data at the end of quarters.

Source: *Unemployment in Poland*,

Some conclusions concerning discharge procedures can be drawn from table 9, which presents data about proportions of people whose contracts were terminated as a result of group lay-offs in the total unemployment stock. As the table shows, the numbers were relatively low, indicating that alternative types of discharges played a bigger role.¹⁵ This means primarily individual lay-offs, because voluntary quits and dismissals for disciplinary reasons were comparatively low in the transition period. One must note, however, that the proportions discharged as a result of group lay-offs have been increasing over the last three years, which indicates some change in the structure of discharges. This also indicates that the financial situation of many state-owned enterprises is becoming more and more difficult and they are therefore forced to use this method of shedding labour.

¹⁵ Such a suggestion can be made because the share of people from outside the labour force in the total unemployment stock is comparatively low (about 15 per cent), as shown in table 7.

Table 10. Structure of unemployment by past employment history of unemployed people, Poland, May 1992 (%)

Past employment history	Total	Men	Women
Total	100.0	100.0	100.0
Job losers	56.6	61.1	52.1
Voluntary quits	7.9	9.9	5.8
Entrants after a long break	20.5	15.3	25.7
New entrants	15.0	13.7	16.4
School-leavers	6.2	5.0	7.3

Source: *Aktywnosc zawodowa*, 1992, p. 131.

Further data on the composition of the unemployed are presented in table 10 (the data come from the labour force survey of May 1992). The table distinguishes four main categories of unemployed:

- (1) people who have lost their jobs;
- (2) persons who have left their jobs voluntarily;
- (3) entrants to the labour market after a long break in economic activity;
- (4) new entrants, that is people entering the labour market for the first time.

As the table shows, people who have lost their jobs constitute by far the largest category of unemployed (about 57 per cent). The smallest category is people who have left their jobs voluntarily (about 8 per cent), which is quite understandable under present labour market conditions. People entering the labour market for the first time made up 15 per cent of total unemployment (unemployed school-leavers are included in this category).

Table 11. Unemployed people by age group, Poland, 1991-1992 (%)

Period*		Up to 24 years	25-34	35-44	45-54	55 years and over
Total						
1991	I	31.2	29.8	26.0	10.4	2.4
	II	33.3	30.3	25.3	9.0	1.9
1992	III	35.5	29.5	24.2	8.9	0.9
Men						
1991	I	30.2	29.2	26.3	11.2	3.2
	II	32.4	29.2	25.4	10.0	2.7
1992	III	35.5	28.1	23.7	9.9	2.8
Women						
1991	I	32.1	30.4	26.1	9.6	1.6
	II	24.2	31.2	25.1	8.1	1.2
1992	III	35.5	30.7	24.6	8.1	1.1

* Data at the end of quarters.

Source: *Unemployment in Poland*, 1992, p. 10.

Table 12. Unemployed people by education level, Poland, 1991-1992 (%)

Period*	University	Secondary	Basic vocational	Others
Total				
1991 I	3.2	28.6	36.8	31.2
II	3.1	30.6	34.5	31.6
1992 III	2.3	29.1	38.1	30.5
Men				
1991 I	3.4	20.3	42.8	33.4
II	3.2	22.3	39.9	34.9
1992 III	2.2	19.1	44.7	34.0
Women				
1991 I	3.1	36.4	31.1	29.1
II	3.0	38.3	29.9	28.6
1992 III	2.3	37.8	32.5	26.4

* Data at the end of quarters.

Source: *Aktywność zawodowa*, 1992, p. 131.

Tables 11 and 12 present data about unemployment structure by age group and education level. These data provide indirect information about the structure of discharges, because discharges are the main inflow into the total unemployment stock. As table 11 shows, shares in total unemployment are much higher for younger people, both men and women. Looking at data on the age structure of the working age population (Kotowska, 1991, table 6), one must draw the conclusion that the likelihood of being unemployed (and also discharged) is greater among younger people than older ones. The likelihood of being discharged also seems to be much lower among people with university-level education, as suggested by the very low share of people with university degrees in total unemployment.

Table 13. Unemployment structure by occupational group, Poland, May 1992 (%)

Group	Total	Men	Women
Total	100.0	100.0	100.0
Managers	5.3	4.9	5.6
Specialists	11.6	6.6	17.2
Technicians	8.3	2.9	14.3
Skilled workers	63.1	75.6	49.0
Unskilled workers	8.7	6.5	11.3
Farmers	3.0	3.5	2.6

Source: *Aktywność zawodowa*, 1992.

There is no direct statistical evidence on how labour shedding has affected occupational structure. However, the data on unemployment structure by occupational group, which are presented in table 13, give some indication as to which occupations have lost most in the transition period. The main conclusion to be drawn from table 13 is that skilled and unskilled workers together make up the major part of the unemployed (about 72 per cent), and this is certainly the group that was hit hardest by the transition.

4.2 Alternative methods of employment adjustment

Statistical information about alternative methods of employment adjustment is very scant. Apart from data on the structure of nominal working time and the number of part-time

workers, no other aggregate data relating to these methods directly are available, although indirect information can also be used.

In 1991 the number of pensioners was 63.6 per cent greater than in 1989. It seems that this rapid increase in the number of pensioners was caused partly by early retirement programmes launched at the beginning of the transition period, but the lack of data prevents us drawing any further conclusions. It is worth adding that there is currently a lot of discussion about extending these programmes. One proposal which is strongly supported by the trade unions foresees the introduction of pre-retirement compensation programmes in the most depressed regions, providing pre-retirement compensation (higher than unemployment benefits) for those workers with the longest periods of employment.

Earlier in the paper we discussed legal regulations concerning how much money can a pensioner can earn additionally without losing their pensions. One aim of these regulations was to encourage older workers to withdraw from the labour market, given the traditionally high participation rates of pensioner workers in Poland. In 1988 participation rates for men aged 65 and over were 16.3 per cent in towns and 49.3 per cent in the country; rates for women were 10.3 per cent and 40.8 per cent, respectively. Labour force survey data for May 1992 indicate that participation rates for older people were much lower (10.6 per cent and 29.5 per cent for men in towns and in the country, respectively; 7.1 per cent and 25.6 per cent for women) (see *Aktywność zawodowa*, 1992, pp. 27 and 30). It is difficult to say, however, to what extent the decline in participation rates of older workers was due to the regulations discussed above.

Table 14. Structure of nominal working time in the material branches, Poland, 1989-1991 (%)

	1989	1990	1991
Normal working time	100.0	100.0	100.0
Time worked	81.4	79.2	77.8
— in normal hours	92.0 ¹	94.5 ¹	95.3 ¹
— in overtime	8.0 ¹	5.5 ¹	4.7 ¹
Time not worked (and absenteeism)	9.8	11.6	13.2
Paid leave and time off for sickness	8.8	9.2	9.0

¹ As percentages of time worked.

Source: *Rocznik Statystyczny 1992*, p. 155.

Table 14 presents data about the structure of nominal working time of workers in the material branches. Two points are worth making here. First, there was a substantial decline in time worked and an increase in time not worked between 1989 and 1991. This indicates that enterprises showed restraint over discharging employees and used involuntary leave as a means of adjusting employment. This leave was financed entirely by the enterprises. Second, there were substantial changes in the structure of time worked, with the share of overtime hours in total time worked declining over the period.

One might suppose that the number of part-time workers would increase in a recession. Aggregate data on the Polish economy do not confirm this hypothesis. In the transition period the number of part-time workers fell more than total employment, the share of part-time workers in total employment dropping from 10.2 per cent in 1989 to 8.8 per cent in 1991 (*Rocznik Statystyczny 1992*, p. 102). This suggests that enterprises do not use part-time

work as a means of preserving employment. Part-time workers are rather regarded as the first to be discharged when enterprises are in a difficult financial situation.

More detailed information on part-time workers comes from the labour force survey of May 1992 (*Aktywność zawodowa*, 1992, pp. 79-84). This survey showed that part-time workers (defined as working less than 40 hours a week) accounted for 11.3 per cent of total unemployment. This share varied for different groups in the labour force, amounting to 9.9 per cent for men, 13.1 per cent for women, 9.1 per cent in towns, 14.6 per cent in the country, 6.3 per cent for people aged 25-34 and 47.5 per cent for people aged 65 and over, 5.3 per cent in the public sector, 17.6 per cent in the private sector. Part-time workers are more common in certain groups in the labour force: 52.2 per cent were women; 22.3 per cent were in the 15-24 age group; 52.6 per cent lived in the country; 51.0 per cent were people with primary-level education. The reasons for doing part-time work are interesting. The survey showed that the vast majority worked part-time voluntarily (8.7 per cent of total employment); only a very small proportion of employees were forced to work part-time for economic reasons (1.6 per cent of total employment). This supports the earlier finding that the recession did not cause a rise in part-time working.

4.3 Effects of employment adjustment

We will now look at the various effects of employment adjustment, social and economic, microeconomic and macroeconomic. These are closely connected with the labour market and utilization of the labour force.

Employment adjustment in public sector enterprises have resulted in significant changes in the labour market situation because of the major role played by discharges in employment adjustment. As a result, the number of unemployed has risen to almost 2.5 million, with the rate of unemployment amounting to 13.6 per cent in September 1992. Such a big rise in unemployment has a number of social and economic consequences, both for the economy as a whole and for unemployed persons. The direct effects include deterioration in the financial situation of many households, changes in employees' and employers' labour market behaviour, and an increased financial burden on the state budget owing to expenditures on labour market policies.

Table 15. Employment structure in the public sector, Poland, 1989-1992 (%)

Sector ¹	1989 ²	1992
Primary	7.9	5.6
Secondary	44.7	43.3
Tertiary	47.4	51.1

¹ The primary sector comprises agriculture and forestry; the secondary sector, industry and construction; the tertiary sector, other industries.

² Includes cooperatives.

Source: *Rocznik Statystyczny 1992*.

Some changes in employment structure occurred in the transition period as a result of employment adjustment. These changes were due to the fact that employment reductions varied by sector and industry; in some industries there were employment increases. As table 15 shows, between 1989 and 1992 the shares of the primary and secondary sectors in total employment fell substantially while the share of the tertiary sector increased. Some structural changes also occurred within the secondary sector, as table 15 suggests. In this

way the employment structure in Poland moved closer to that existing in developed market economies.

Table 16. Production and employment growth by industry, Poland, 1990-1991 (1989=100)

Industry	Production		Employment*	
	1990	1991	1990	1991
Fuel and power	77.9	71.4	91.8	85.0
— Coal	68.2	68.8	88.6	79.0
Metallurgical	80.3	62.3	95.2	87.6
— Iron and steel	82.9	63.1	94.6	87.5
— Non-ferrous metals	76.7	60.5	97.4	87.9
Electro-engineering	78.0	60.6	90.5	82.8
— Metal products	74.4	65.4	92.4	90.9
— Engineering	80.4	64.2	93.1	80.9
Chemicals	75.4	65.2	91.0	91.7
Minerals	78.5	76.5	94.6	96.5
Wood and paper	75.1	74.0	86.7	100.0
Light industry	60.2	57.6	87.9	83.0
— Textiles	60.4	49.8	89.8	70.8
— Clothing	76.0	73.6	105.4	104.9
Food	76.3	76.9	97.5	109.3
Other industries	66.4	58.7	76.0	66.5

* Data on groups of industries do not include the private sector in 1989 and 1990. Data on individual industries do not include the private sector in 1989.

Source: Data provided by the Central Statistical Office, Warsaw, 1992; author's own calculations.

As emphasized in section 2, one characteristic feature of centrally planned economies is the existence of hidden unemployment. It is reasonable to assume that employment adjustment taking place in the transition period should have eliminated, or at least reduced, hidden unemployment. Table 16 presents data which are of some importance for the verification of this hypothesis. The table shows that in almost all the industries considered the decline in production was greater than the decline in employment. In some cases employment actually increased in spite of a reduction in output (for example, in textiles in 1990 and in chemicals, wood and paper and minerals in 1991). Only in the coal industry was a small increase in output in 1991 accompanied by a decrease in employment. These data suggest that no elimination or reduction of hidden unemployment has occurred.

This throws some light on the nature and dynamics of discharges. Discharges, and especially group lay-offs, can be seen as an attempt to adjust employment to the level of production. The decline in production was, however, so great that the scale of labour shedding was insufficient to adjust employment fully and so reduce hidden unemployment. One can distinguish at least two main factors that had an influence on the scale of labour shedding. First, workers' councils and trade unions, which play a very important role in decision-making in most public enterprises, resisted discharges strongly. Second, the accomplishment of discharges, and especially group lay-offs, requires large sums of money to be paid to those who are discharged. Some enterprises were not able to shed labour because they lacked money. The legal regulations concerning financial compensation of discharged workers thus had some effect in slowing down the process of restructuring employment.

5. Retrenchment practices as illustrated by five case-studies

All the case-studies presented below have as their subjects public sector enterprises or institutions located in the city of Łódź. Some general information about Łódź and the Łódź region may therefore help in understanding the main issues.

Łódź is the second largest city in Poland with almost 850,000 inhabitants; it is located in the central part of the country. The Łódź Voivodship is the smallest voivodship in Poland in terms of area (1,523 square kilometres). It is a highly urbanized and industrialized region, so agriculture is of little importance. As far as employment structure in the public sector is concerned, in 1990 the shares of the three sectors in total employment were as follows: primary, 1.2 per cent; secondary, 47.5 per cent; tertiary, 51.3 per cent (*Rocznik Statystyczny Województwa 1991*, pp. 160-161). One of the characteristic features of the region is its remarkable industrial monoculture. The Łódź region is a centre of light industry (especially textiles). More than 16 per cent of total employment in light industry and more than 25 per cent of total employment in the textile industry are located in the Łódź region. Light industry is the main industry in the region. Its share in total industrial employment in the region amounted to 55.1 per cent in 1989 (the corresponding figure for the textile industry was 43.3 per cent). These figures explain why the Łódź region was one of the most depressed regions in Poland in the transition period (see table 16, which shows that the declines in production and employment were particularly great in light industry). One way this manifests itself is in the unemployment rate, which was to 17.8 per cent in September 1992, while the unemployment rate for the whole country was 13.6 per cent.

Three main factors were taken into account in selecting the cases to be analysed. First, it was decided to analyse enterprises located in a particularly depressed region because it was assumed that employment adjustment would be more evident in such a region. The Łódź region fulfilled this condition quite well. Second, the types of enterprise were selected in such a way as to reflect the industrial structure of the region. As the tertiary and secondary sectors predominate in the region, three enterprises (institutions) from the services sector and two from industry were selected. As the Łódź region is a centre of light industry, two enterprises from this industry were chosen. Third, having selected the types of enterprise/institution, we tried to select enterprises/institutions within the types that were typical in terms of size.

5.1 The City Transport Enterprise

The City Transport Enterprise deals with passenger transport in the city of Łódź and neighbouring communes. It is a public utility enterprise, whose activity is subsidized to the tune of about 40 per cent. The enterprise, which is almost a 100 per cent monopoly, serves over 1 million passengers a day; it has in use more than 600 trams and 500 buses.

Table 17. Employment* by selected groups in the labour force, City Transport Enterprise, 1989-1993 (in persons)

Groups in the labour force	1989	1990	1991	1992
Total employment	6 829	6 829	6 237	5 552
— Men	5 636	5 707	5 229	4 616
— Women	1 193	1 122	1 008	936
White-collar workers	1 122	1 045	939	930
Part-time workers	486	378	268	124
— Men	355	278	190	85
— Women	131	100	78	39
Employees with primary education	2 333	2 396	1 973	1 831
— Men	1 954	1 997	1 699	1 524
— Women	379	399	284	307
Employees with secondary education	4 338	4 277	4 112	3 569
Employees with university education	158	156	152	152
— Men	104	104	100	99
— Women	54	52	52	53

* Data at the end of the periods.

According to managers of the enterprise, one cannot talk about overmanning in the enterprise, either today or in the recent past. On the contrary, they stress the existence of severe shortages of labour. In spite of such views, the period of transition has been connected with substantial reductions in employment, as table 17 shows (by 18.7 per cent between 1989 and 1992). The enterprise was forced to cut employment mainly because of a decrease in demand for transport services and reductions in subsidies. The decrease in employment was quite evenly distributed among most groups in the labour force (female employment declined by 21 per cent and male employment by 18 per cent in the period 1989-92). Only among part-time workers was there a far greater reduction in employment (74 per cent) than that in total employment.

Table 18. Employees hired, discharged and retired, City Transport Enterprise, 1989-1992 (in persons)

Group of employees	1989	1990	1991	1992 (first three quarters)
Total hires	1 171	1 260	745	203
Total discharges	1 253	1 046	1 319	806
— Men	1 179	947	1 227	759
— Women	74	99	92	47
Group lay-offs	—	—	—	100
Disciplinary dismissals	263	292	230	100
Contracts terminated by employees	422	98	120	42
Discharges as a result of agreement between the parties	163	200	259	145
Other discharges	405	456	710	361
Discharged employees aged under 30	518	461	486	317
Discharged employees aged over 50	77	175	322	128
Discharged employees with primary education	208	393	569	255
Discharged employees with university education	11	18	11	9
Employees retired	95	182	400	139
— Early retirement	—	6	251	45

The drop in employment in the period analysed resulted from three factors:

- (1) a decreasing number of new hires;
- (2) an increasing number of employees retired;
- (3) a higher number of discharges than hires (see table 18).

It appears from discussions with the managers of the enterprise that the first two methods were used initially; when they appeared not to be sufficient to achieve the necessary adjustment in employment, the third method was adopted. The enterprise also used certain means to encourage workers to leave the firm. For example, owing to the reduction in transport services, some drivers were asked to work in the repair workshops. Those who refused had to leave the enterprise.

All the discharges made were in line with the legal regulations described in section 3. The two trade union organizations operating in the enterprise were consulted about the criteria for selecting workers to be discharged. The main criteria agreed with the trade unions were as follows:

- (1) having another source of income;
- (2) duration of employment in the enterprise - those with a shorter duration being discharged in preference to employees of longer standing;
- (3) degree of usefulness to the enterprise;
- (4) age - younger workers being discharged in preference to older ones.

As far as the structure of discharges is concerned, a few tendencies can be noted. First, substantial changes occurred in the reasons for terminating contracts. The number of contracts terminated by employees themselves fell in the period analysed (by 90 per cent), whereas contracts terminated as a result of agreement between the parties and for reasons associated with the enterprise increased. Second, as far as discharge procedures are concerned, individual lay-offs accounted for large proportion of total discharges both at the beginning and at the end of the period analysed. Moreover, the number of disciplinary dismissals decreased (by more than 60 per cent between 1989 and 1992). The first group lay-offs took place only in 1992. The vast majority of people discharged as part of a group lay-off were part-time workers. Third, the probability of being discharged was different for different age groups and changed over the years analysed. In 1989 more than 52 per cent of people who were discharged were aged between 30 and 50, about 6 per cent were over 50, and more than 40 per cent were under 30. In 1991 the three indicators were 38.7 per cent, 24.5 per cent, and 36.8 per cent, respectively. Fourth, as far as education level is concerned, employees with university education comprised a very small proportion of total discharges in the period analysed. The majority of those discharged were employees with secondary education (82.5 per cent in 1989), although this proportion fell to 56 per cent in 1991.

As far as alternative methods of adjusting employment are concerned, a few tendencies are worth noting. First, the enterprise did not use job-sharing as a means of preserving employment. On the contrary, part-time workers were the first to be discharged. As a result the number of part-time workers fell fast, as table 16 shows. Second, the enterprise used the possibilities of early retirement schemes (especially in 1991 and 1992) to reduce the need for discharges. Third, as far as working time is concerned, two points should be emphasized: (a) no employees has to take "involuntary leave", and (b) the number of

overtime hours dropped significantly. Fourth, a small group of workers (about 70 in 1992) were trained and moved between jobs within the enterprise. However, the plant vocational school for young people, which was financed by the enterprise, was closed in 1992.

5.2 The "Łódź-Górna" Health Care Unit

The "Łódź-Górna" Health Care Unit (HCU) is a network of medical units which provide various medical services for people living in the district of Łódź-Górna. Its activity is still subsidized by the City Council of Łódź, although there is currently much discussion about patients' paying for some medical services. The HCU consists of two hospitals, seven local general clinics, two specialized clinics and a few other medical units. Our analysis is based on data on the HCU as a whole and on data on the "Jonschera" hospital and clinic No. 21, which are component parts of the HCU.

Table 19. Employment by selected groups in the labour force, "Łódź-Górna" Health Care Unit, 1989-1992 (in persons)

Groups in the labour force	1989			1990		
	HCU	Jonschera Hospital	Clinic No. 21	HCU	Jonschera Hospital	Clinic No. 21
Total employment	2 363	425	114	2 316	443	115
— Men	399	77	15	365	64	19
— Women	1 964	358	99	379	379	96
Administrative staff	165	12	—	147	12	—
Part-time workers	270	24	14	264	20	14
Employees with primary education	435	78	26	264	80	27
Employees with secondary education	1 394	251	49	1 636	256	50
Employees with university education	534	96	39	416	107	38
	1991			Oct. 1992		
	HCU	Jonschera Hospital	Clinic No. 21	HCU	Jonschera Hospital	Clinic No. 21
Total employment	2 161	460	115	1 892	474	107
— Men	372	76	20	284	61	16
— Women	1 789	384	95	1 608	413	91
Administrative staff	138	12	—	121	12	—
Part-time workers	238	37	14	193	40	11
Employees with primary education	238	97	25	193	126	21
Employees with secondary education	1 466	261	54	1 185	243	49
Employees with university education	457	102	36	514	105	37

A substantial decline in employment in the HCU over the last three years can be noted (20 per cent over the whole period). The drop in employment applied to almost all labour force groups employed in the HCU. Only employees with university education rose in number in the period 1990-1992, indicating remarkable changes in the quality of the labour force.

As far as employment growth is concerned, there were significant differences between the HCU, the hospital and the clinic. Whereas employment in the clinic was more or less stable, employment in the hospital increased throughout the period, especially among women, employees with primary education and part-time workers in the period 1990-92. According to managers, this variation was due to severe shortages of skilled labour in the hospital and the existence of overmanning in the clinic.

The decline in employment in the HCU was not caused by increasing discharges. In fact, discharges fell throughout the period, as did new hires in the period 1990-92, but the number of discharges was greater than that of hires in each year. Similar differences between hires and discharges occurred with the hospital and the clinic.¹⁶

Table 20. Employees hired, discharges and retired, "Łódź-Górna" Health Care Unit, 1989-1992 (in persons)

Groups of employees	1989			1990		
	HCU	Jonschera Hospital	Clinic No. 21	HCU	Jonschera Hospital	Clinic No. 21
Total hires	500	161	26	523	119	33
Total discharges	659	210	34	526	128	41
— Men	139	83	6	123	30	8
— Women	520	127	28	403	98	33
Disciplinary dismissals	126	53	7	139	46	11
Other discharges	533	157	27	387	82	30
Discharged administrative staff	35	—	—	41	—	—
Discharged employees with primary education	439	140	18	370	90	14
Discharged employees with university education	44	14	10	65	16	6
Employees retired	42	8	2	37	7	6
	1991			Oct. 1992		
	HCU	Jonschera Hospital	Clinic No. 21	HCU	Jonschera Hospital	Clinic No. 21
Total hires	437	147	43	289	135	32
Total discharges	486	159	52	334	142	46
— Men	111	36	8	76	24	10
— Women	375	123	44	258	118	36
Disciplinary dismissals	145	67	14	92	39	4
Other discharges	341	92	38	242	103	42
Discharged administrative staff	53	1	—	44	—	—
Discharged employees with primary education	296	97	32	232	86	30
Discharged employees with university education	43	14	2	31	13	4
Employees retired	57	12	11	32	8	3

¹⁶ Nevertheless, employment in the clinic remained unchanged and employment in the hospital increased because some departments and employees of other units of the HCU were transferred to the clinic and the hospital during the period of 1990-92.

Most contracts were terminated with prior notice (either by employees or by employers). According to the managers interviewed, the procedures for discharging employees complied with the legal regulations. No group lay-offs occurred during the period analysed. It is interesting that the number of disciplinary dismissals was relatively high, and even increased in certain periods (this relates especially to hospital ward attendants), as disciplinary standards were raised in the HCU. In order to reduce the number of disciplinary dismissals, managers decided in 1992 not to recruit anyone who had been dismissed from their previous job.

As regards the people being discharged, most of them were women (owing to a high feminization rate in the HCU) and people with primary education. This suggests that hospital ward attendants, door-keepers, scrub-women and similar categories of employees would have figured prominently among those who were discharged.

As far as alternative methods of adjusting employment are concerned, no changes in working time took place. The high number of overtime hours which prevailed in the hospital in the past was significantly reduced in 1992, as a result of financial difficulties. It was decided that overtime hours should instead be balanced by additional "time off" taken by employees. Moreover, there was a significant increase in part-time workers in the hospital, and some movement of employees between various jobs in the HCU.

5.3 The Unit of Schools of Trade

The Unit of Schools of Trade (UST), located in Łódź, consists of four vocational secondary schools for future employees of trade enterprises. It is a relatively big unit with about 1,700 pupils and more than 60 employees. As a budgetary unit, it has serious financial problems owing to cuts in state budget expenditures. In December 1992 there was no money to pay employees' wages and salaries. In the last quarter of 1992 no social insurance contributions were paid because of financial difficulties. These difficulties explain why the four analysed schools have not paid electricity bills for six months and central heating bills for two years. These financial difficulties apart, another factor behind employment adjustment is the relatively low earnings of teachers as compared with employees in enterprises. It is a commonly held view that the low earnings of teachers are responsible for difficulties in recruiting new employees, especially foreign language teachers.

Table 21. Employment* by selected groups in the labour force, Unit of Schools of Trade, 1989-1992 (in persons)

Groups in the labour force	1989	1990	1991	1992
Total employment	66	70	67	61
— Men	11	13	10	6
— Women	55	57	57	55
Administrative staff	9	9	9	9
Part-time workers	25	32	24	12
Employees aged under 30	4	5	4	5
Employees aged over 50	11	12	11	11
Employees with primary education	4	3	2	4
Employees with secondary education	27	33	31	21
Employees with university education	35	34	34	36

* Data at the end of the periods.

Employment dropped by just over 10 per cent in the period 1990-92. A more remarkable drop occurred in the case of part-time workers (about 50 per cent over the whole period). Both hires and discharges fell in 1991 and 1992; interestingly, total hires were higher than total discharges in both these years (see table 22). This seems to confirm the views of school managers about the existence of severe shortages of teachers in some fields.

Table 22. Employees hired, discharged and retired, Unit of Schools of Trade, 1989-1992
(in persons)

Group of employees	1989	1990	1991	1992
Total hires	4	7	6	4
Total discharges	4	7	4	2
— Men	—	—	—	—
— Women	4	7	4	2
Discharged employees aged under 30	2	1	1	—
Discharged employees aged over 50	2	2	2	—
Discharged employees with secondary education	—	—	—	1
Discharged employees with university education	4	7	4	1
Employees retired	2	1	2	—

In the period analysed there were no disciplinary dismissals or group lay-offs in the UST. Most contracts were terminated following agreement between the parties. The discharges arose naturally, being mainly connected with employees moving to other places of residence or deciding to leave the labour market. The employees who were discharged received all the payments to which they were entitled. Because of the nature and small number of discharges, there was no necessity to consult with trade unions over criteria for selecting people to be discharged.

There was a substantial decrease in overtime hours in the UST in the period analysed. Two main factors were responsible for this. First, according to new regulations, teachers lose pay if they are absent from work (which increases overtime hours for other teachers). Second, financial difficulties caused cessation of a number of school activities performed outside lesson hours.

The UST organized training for its employees during the period analysed. Nevertheless, teachers could improve their qualifications by taking part in training courses organized elsewhere, which were fully financed by the Ministry of Education.

5.4 The Enterprise of Wool Industry

The Enterprise of Wool Industry (EWI) manufactures woollen and wool-like fabrics of various kinds. It consists of four plants comprising the whole production cycle: spinning, weaving, finishing and dying. As far as the domestic market is concerned, it is a well-known enterprise, holding a monopoly position as regards some kinds of fabrics, especially synthetic-woollen fabrics. Some finished goods are exported. In the past, the former Soviet Union was the enterprise's main foreign customer. Owing to the collapse of foreign trade with the former Soviet Union, the financial performance of the enterprise worsened significantly, especially in 1991 and 1992, when net profit was negative. Another important reason for the worsening financial situation was the necessity to repay a foreign currency debt raised in 1989.

Table 23. Employment* by selected groups in the labour force, Enterprise of Wool Industry, 1989-1992 (in persons)

Groups in the labour force	1989	1990	1991	Oct. 1992
Total employment	936	674	527	476
— Men	421	388	249	266
— Women	515	286	278	210
Administrative staff	104	85	65	48
Part-time workers	81	56	25	14
Employees aged under 30	120	98	86	76
Employees aged over 50	265	244	133	75
Employees with primary education	339	179	166	127
Employees with university education	31	26	21	20

* Data at the end of the periods.

According to EWI managers, significant hidden unemployment existed in the enterprise in the late 1980s; the need to reduce this was one of the main reasons for the decline in employment that occurred during the period of transition. Total employment fell by almost 50 per cent between 1989 and 1992 (see table 23). The drop in employment was especially marked amongst women, employees aged over 50, part-time workers and employees with primary education. Three factors were responsible for the decline in employment: a decrease in hires, a higher number of discharges than of hires, and an increased number of people retired. The number of hires dropped by 84 per cent in the period analysed (see table 24). Although the number of discharges fluctuated, it was significantly higher than that of new hires, especially in the years 1990-92. An increase in the number of employees retired also played a substantial role in reducing employment, especially after 1990.

Table 24. Employees hired, discharged and retired, Enterprise of Wool Industry, 1989-1992 (in persons)

Groups of employees	1989	1990	1991	Jan.-Oct. 1992
Total hires	173	84	65	29
Total discharges	278	357	235	96
— Men	179	161	116	54
— Women	99	196	119	42
Group lay-offs	—	87	58	—
Disciplinary dismissals	13	3	7	4
Administrative staff discharged	14	26	12	9
Discharged employees with primary education	252	296	169	75
Discharged employees with university education	2	5	4	3
Employees retired	16	136	58	36
— Early retirement	16	130	56	36

In addition to the need to reduce overmanning, a decrease in enterprise output was another important determinant of the decline in employment. The collapse of exports to the former Soviet Union was especially significant here. The increase in exports to Western markets was not sufficient to compensate and restrain the fall in output.

As regards the structure of discharges, a few points are worth stressing. First, the majority of employees discharged were people with primary education (from 72 per cent to

91 per cent of total discharges in the period analysed). Employees with university education accounted for a very small proportion of total discharges (from 1 per cent to 3 per cent). Second, individual lay-offs were the main type of discharge. Disciplinary dismissals made up a small proportion of total discharges (from 1 per cent to 5 per cent). In 1990 and 1991 there took place group lay-offs which amounted to 25 per cent of total discharges. Third, according to the enterprise managers, most of the legal regulations were obeyed in the course of discharging employees. The trade unions operating in the enterprise were consulted about the size and structure of lay-offs. Minor violations in a few cases concerned the time-scale for notification of plant trade union organizations. The main criteria for selecting employees to be laid off, agreed with the plant trade unions, were employees' usefulness to the enterprise, skills, duration of employment in the enterprise, and age.

As far as working time is concerned, one must note, first, a significant decline in overtime hours in the period of transition. In 1992 almost no overtime hours were worked in the enterprise. Second, the night shift, which was the least efficient and most costly for the enterprise, was ended. Third, the enterprise used involuntary leave as a way of reducing the wage bill. Periods of leave lasted four to six weeks, during which workers received 70 per cent of their pay, financed fully by the enterprise.

Other ways of adjusting employment were moving workers between different plants and early retirement. It is worth noting that early retirements accounted for more than 95 per cent of the total number of employees retired in each of the years analysed.

5.5 The Enterprise of Knitting Industry

The Enterprise of Knitting Industry (EKI) mainly manufactures hosiery (75 per cent of enterprise output); it also makes skirts, tracksuits, tailor-made dresses and pyjamas. The high quality of its products has made it possible to export part of its production to West European markets. However, owing to the decline in domestic demand, enterprise output fell by about 70 per cent in the period 1989-92. As a result, net profit was negative in 1991. The restructuring programme implemented in the enterprise has improved its economic performance somewhat (net profit was positive in 1992); nevertheless the financial situation of the EKI still remains very difficult.

Table 25. Employment* by selected groups in the labour force, Enterprise of Knitting Industry, 1989-1992 (in persons)

Groups in the labour force	1989	1990	1991	Oct. 1992
Total employment	1 164	984	565	360
— Men	339	287	183	119
— Women	825	697	382	241
White-collar workers	197	183	144	83
Part-time workers	53	41	20	13
Employees aged under 30	—	—	—	52
Employees aged over 50	—	—	—	46
Employees with primary education	510	367	189	108
Employees with university education	52	56	35	37

* Data at the end of the periods.

Over the whole period analysed employment fell by almost 70 per cent (see table 25). The largest declines were among women (70.7 per cent), part-time workers (75.4 per cent)

and employees with primary education (78.8 per cent). The share of white-collar workers in total employment increased from 17 per cent in 1989 to 23 per cent in 1992. Employees with university-level education also increased their share from 4 per cent to 10 per cent. In general the level of qualifications of employees seems to have increased. Perhaps this was one of the reasons for the increase in labour productivity (employment fell more than output in the period 1989-92), suggesting some reduction in overmanning.

The total number of hires fell in the period analysed (by 48 per cent), whereas the number of discharges rose each year until 1991; the number of discharges was higher than that of hires from 1990 onwards (see table 26). These two tendencies, together with the increasing number of employees retiring over the years 1989-91, explain the existing dynamics of employment.

Table 26. Employees hired, discharged and retired, Enterprise of Knitting Industry, 1989-1992 (in persons)

Group of employees	1989	1990	1991	1992
Total hires	440	234	108	227
Total discharges	365	409	502	251
— Men	117	117	131	52
— Women	248	292	371	199
Administrative staff discharged	17	30	55	27
Group lay-offs	—	—	323	195
Disciplinary dismissals	83	45	32	6
Discharged employees aged under 30	—	—	201	82
Discharged employees aged over 50	—	—	84	28
Discharged employees with primary education	—	—	240	98
Discharged employees with university education	—	—	26	15
Employees retired	21	40	62	12
— Early retirement	—	—	27	9

Among those who were discharged, prominent categories were women (more than 70 per cent of total discharges, but this was connected with the high feminization rate in the enterprise), employees aged between 30 and 50 (more than 50 per cent in 1992) and employees with primary education (47 per cent in 1991).

Disciplinary dismissals fell throughout the period under examination (by 92.7 per cent); they constituted a very small proportion of total discharges by the end of the period (2 per cent in 1992). In 1989 and 1990 there were no group lay-offs; individual lay-offs accounted for the vast majority of total discharges. The situation changed significantly in 1991 and 1992, when a majority of discharges were group lay-offs (64 per cent in 1991 and 78 per cent in 1992). The case-study shows that most of the legal regulations concerning lay-offs were obeyed. The trade unions operating in the enterprise were consulted about lay-offs. The main criteria for selecting employees to be laid off were agreed with the plant trade unions (first on the list was usefulness to the enterprise). Moreover, employees who were laid off received severance pay, although this substantially increased labour costs in the enterprise. Minor violations of the legal regulations occurred in relation to severance pay, payment being delayed in a few cases.

As regards actual working time, two points are worth making. First, there was a decrease in overtime hours worked in the period of transition. Second, in 1991 most employees had to take seven days' involuntary leave, receiving 75 per cent of their basic pay during this period.

As far as other methods of employment adjustment are concerned, one must stress the large number of people participating in early retirement programmes, especially in 1991, when the first group lay-offs took place.

6. Concluding remarks

Public sector enterprises found themselves in a new economic environment as a result of the transformation programme. Both macroeconomic and microeconomic evidence indicates that the new environment has influenced the economic behaviour of enterprises. Effectiveness has become an important factor in enterprise decision-making. With output falling in the recession, enterprises had to reduce labour inputs.

Both the macroeconomic evidence and the five case-studies presented indicate preferences for certain methods of employment adjustment on the part of public enterprises. At first, enterprises used the more human resources-oriented adjustment policies, such as early retirement, reducing overtime hours, reducing actual number of hours worked, involuntary leave, and redeploying employees within an enterprise. Where these measures were not sufficient to adjust labour inputs, enterprises resorted to employment cuts.

Decreasing the number of hires played an important role in reducing employment. Indeed, the evidence suggests that this was the primary way of cutting employment. To achieve more substantial reductions in employment, however, an increase in discharges was also necessary. Discharge rates varied by sector and industry. They were lower in services than in the secondary sector. This finding is supported not only by the macroeconomic data but also by the case-studies considered.

As regards the way employment contracts were terminated and the type of discharge, the available data indicate that the proportion of contracts terminated without notice fell in the transition period. Disciplinary dismissals also decreased. The increasing proportion of contracts terminated with prior notice is evident, but more exact data about the way these contracts were terminated are not available. It seems that individual lay-offs are still the predominant form of discharge, but the number of group lay-offs has increased substantially over the last three years.

Legal regulations concerning discharges seem mostly to have been obeyed by enterprises. Discharged employees received severance pay if they were entitled to it. There were only a few cases where payments were delayed. Trade unions were consulted about lay-offs. In a few cases the timescale for notifying plant trade union organizations was not adhered to. In most cases the most important criteria agreed with the trade unions for employees to be laid off were:

- (1) having another source of income (that is why part-time workers were the first to be discharged);
- (2) usefulness to the enterprise;
- (3) duration of work in the present place of employment (employees with shorter duration were the first to go).

Of course, it is not difficult for enterprises to change the type of lay-off from group lay-offs to individual lay-offs (such changes are in the interest of enterprises because it saves

them money), and there is much discussion about the existence of such practices. Nevertheless such practices were not confirmed in the enterprises surveyed.

Although our case-studies indicate that the legal regulations concerning discharges were mostly obeyed, it does not mean that the situation is so rosy throughout Poland. First, there is a widely held view that legal violations occur in the private sector rather than in public enterprises, which were the subject of our case-studies. Second, while collecting information on the enterprises analysed, we spoke to the managers of the enterprises, and they may well have presented their enterprises in a better light than they deserved. The information coming from other enterprises indicates that violations of the legal regulations take place, mostly in relation to shortening the period of notice for discharges, delaying severance payments, failing to notify plant trade union organizations about the reasons for lay-offs in time, and changing group lay-offs to individual lay-offs.

The likelihood of being discharged varies by labour force group. The likelihood is greatest among young employees, part-time workers, employees with a short duration of employment in the enterprise, and employees with low qualification levels.

Employment adjustment in enterprises have had a number of effects. Among the most important are the following:

- (1) The elimination of labour shortages and creation of open unemployment have resulted in changes in behaviour on the part of employees and employers in the labour market.
- (2) There have been noticeable changes in employment structure, with an increasingly important role played by consumer goods industries and services, although it is obvious that more remarkable changes require a longer time.
- (3) Rationalization of labour force utilization in some enterprises has meant a reduction in unit labour costs.

The last tendency is not universal; so far the macroeconomic data have indicated some increase in hidden unemployment. One factor contributing to this tendency is the insufficient (as compared to the decline in production) scale of labour shedding. As noted earlier in the paper, the relatively strong trade unions and workers' councils existing in Poland and the high financial cost of discharges for enterprises are partly responsible for this.

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