

EMPLOYMENT PAPER

2001/28

Labour Market Flexibility and Employment Security

Poland

Eugeniusz Kwiatkowski, Mieczyslaw W. Socha,
Urszula Sztanderska

Employment Sector

INTERNATIONAL LABOUR OFFICE GENEVA

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights or reproduction, or translation, application should be made to the ILO Publications Bureau (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court road, London W1P 9HE (Fax:+ 44 171 436 3986), in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 (Fax:+ 1 508 750 4470), or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licences issued to them for this purpose.

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address.

Contents

Introduction	1
1. Labour market development trends in the 1990s	3
1.1 Introduction	3
1.2 Employment	3
1.3 Unemployment	18
1.4 Real wages	21
1.5 Spatial migrations	23
2. Evolution of labour law and the restructuring of employment	25
2.1 Regulation of termination of employment contracts	26
2.2 Group dismissals	29
2.3 Privatization in the light of labour law	29
2.4 Legal bases for solving industrial disputes	30
2.5 Shaping passive labour market policies	31
2.6 Legal basis for active labour market programmes	34
3. Industrial relations and protection of employment and wages	36
3.1 Institutional changes in Polish industrial relations	36
3.2 Collective agreements	38
3.3 Privatization-related social agreements	41
3.4 Industrial disputes	42
3.5 Strikes	44
3.6 Summing up	46
4. Labour market and social policies: Employment and income security and employment promotion	47
4.1 Employment security	47
4.2 Income security	50
4.3 Employment promotion	55
4.4 Active labour market measures	56
4.5 Summing up	60
5. Conclusions	61
Bibliography	64
Annex	67

Introduction

In the last decade of the twentieth century, Poland was reconstructing a market economy. The first ten years of the twenty-first century will most likely centre on the challenge of accession to the European Union. The transition process continues to release powerful forces of change in economic and social life in Poland, including its labour markets. Rapidly globalizing competition and advancing technology (particularly in the area of information) necessitate a fresh look into how to culminate modernization of the Polish economy and its integration into Western Europe.

What objectives and instruments of employment and labour market policies will best achieve this? Two points should be made here. First, applying the existing models of efficient labour market reform in industrialized countries is no quick-and-easy solution, because of Poland's widely different experiences. Second, unlike economic, monetary and technological integration, the prospects of social integration in Europe remain insufficiently clear – and some heated debate surrounds the question of how this will be successfully accomplished.

In Poland, uncertainty is characterizing the evolution of the labour market. One cause is the persistent accrual of economic inequalities, which impedes reaching social consensus on programmes for further economic modernization and for future employment in traditional sectors (especially in agriculture, mining and metallurgy) and in regions with high unemployment. Under open-economy conditions, existing jobs will not be protected by the usual macroeconomic instruments, such as expansionary fiscal and monetary policies or exchange-rate devaluation. Instead, the economic system must be rebuilt to promote greater competitiveness among enterprises and the creation of capacity (firms, skills and occupations) for the reallocation of labour, between declining and emerging areas of the economy.

This report traces the processes of labour market reforms in Poland in the course of the past decade. Attention is focused on the sensitive issue of labour market flexibility in a period of structural turbulence, with the aim of answering three core questions: 1. To what degree have the changes in institutions, legislation and the conduct of the social partners, created a climate for high absorption of labour by enterprises undergoing restructuring? 2. To what extent are the new legal regulations contributing to growth in labour mobility (especially dismissals)? And 3. To what degree is the policy on worker dismissals and redundancies reducing the duration of unemployment and preventing the generation of pockets of poverty (and lessening social conflict)?

If the weaknesses and effects of labour market policies are identified, a new generation of instruments can be defined to achieve the necessary goals: creation of sustainable jobs, competitiveness on global markets, a stable macroeconomic equilibrium – and social peace.

In light of these issues, Section 1 focuses on the main trends in employment, including its forms and types, unemployment, and the dimensions of labour mobility. Structural changes are treated as the starting point for evaluating the applied instruments of state policy in the labour market. Section 2 examines the evolution of labour law and the restructuring of employment. This section covers labour legislation regulating the conditions and terms of

hires and fires, as well as the accessibility of social assistance to the unemployed. In Section 3, an analysis of industrial relations and their impact on employment and employees' incomes is undertaken. Section 4 assesses the instruments serving to protect existing jobs and employees' incomes, the promotion of new employment and the state's policy on unemployment. Section 5 evaluates these overall experiences in applying employment policy in the Polish labour market.

Note to readers

This study is the second of two reports recently prepared for the ILO. The first report, *Employment and Labour Market Policies in Poland* by M.W. Socha and U. Sztanderska (1998) reviewed the problems of macroeconomic determinants of the demand for labour and provided an analysis of labour flows, the structure of unemployment and changes in the distribution of wages and incomes. These issues are therefore not discussed or only briefly referred to, in the present report.

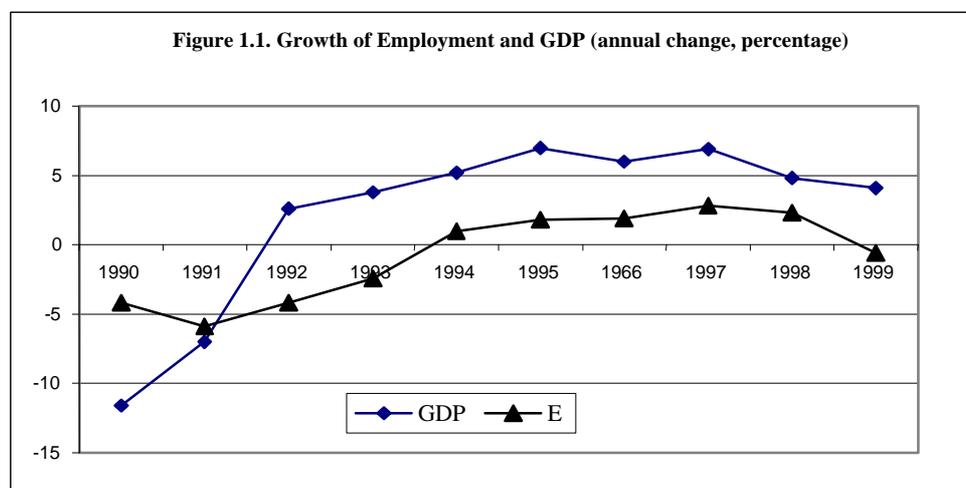
1. Labour market development trends in the 1990s

1.1 Introduction

Although Poland has fairly well developed labour market statistics using various sources of data collection (see Socha and Weisberg 1999), there are considerable differences in estimating precise figures for employment and unemployment. The Central Statistical Office (CSO) often verifies the published employment data ex post and, with reference to some phenomena, statistics may be scanty or non-existent.¹ Moreover, changes in the classification of data (on occupations, for example, or on economic sectors) introduced by the CSO in the mid-1990s preclude operating time-series for the entire decade of the 1990s.² The present paper uses both the published CSO data collected on the basis of reports by enterprises, district employment offices, and agricultural micro-censuses as well as quarterly Polish Labour Force Survey (PLFS) data.

1.2 Employment

Liberalization of the economy combined with the implementation of a restrictive macroeconomic policy in 1990 resulted in a fall in GDP and the demand for labour. In 1990-1993, the average level of employment decreased by about 2,671,000 persons or 15.7 per cent (see Table 1.1). A relatively fast economic growth in the latter half of the decade, which somewhat decelerated in 1998-1999, checked this tendency and increased the number of employed in 1994-1999 by 1,379,400 persons (or 9.6 per cent). Several years of economic expansion failed to offset the initial losses and in 1999 the average number of employed was lower than the analogous 1989 figure by 1,129,300 persons.



Source: Based on *Statistical Yearbooks* data, various years.

¹ For instance, the CSO did not carry out a labour force survey in May and August 1999 and very few results for the 4th quarter of this year were published (see: Labour Force in Poland in 1st Quarter 2000, CSO, Warsaw 2000).

² In 1994, the CSO replaced the Classification of the National Economy with the European Classification of Activities, NACE. The classification of occupations was also changed.

Table 1.1 Working persons by sex and employment status as at 31 December, 1989-1999 (thousands)

	1989	1990	1991	1992	1993	1994	1995	1996
Total	n.a.	16 484.7	15 772.3	15 356.5	15 117.5	15 281.9	15 485.7	15 485.7
Total (excl. Min. of Nat. Defence and Min. of Internal Affairs)	17 389.4	16 145.4	15 442.6	15 010.9	14 761.2	14 924.0	14 967.9	15 485.7
Annual average	17 001.8	16 280.1	15 326.4	14 676.6	14 330.1	14 474.5	14 735.2	15 485.7
Females	7 946.0	7 457.6	7 109.5	6 935.6	6 980.0	7 083.0	7 154.8	7 154.8
Hired labour	12 084.7	10 797.2	9 921	9 448.6	9 157.8	9 675.9	9 757.5	9 757.5
Employers and self-employed	4 790.6	4 990.4	5 244.6	5 404.3	5 444.5	5 114.1	5 261.5	5 261.5
Outworkers	129.1	55.7	24.4	16.0	13.3	11.7	9.6	9.6
Agents	181.5	125.8	76.0	43.1	60.2	43.2	30.0	30.0
Working for "shadow economy"	n.a.	n.a.	n.a.	n.a.	n.a.	835.0	805.0	805.0

Notes: 1 - as of 31 September; the CSO estimates the level of employment in the end-December at 16,228,800 and 16,173,700 and 16,025,100 persons in 1997 and 1998 and 1999 respectively (Statistical Yearbook of Labour 1999, p. 129; Concise Statistical Yearbook of Poland 2000, p. 130).

Source: Statistical Yearbook of Labour 1999, tables 1(16) and 2(17), p. 27; Statistical Yearbook of Labour 1997, tables 1(16) and 2(17), p. 22; Statistical Yearbook of Labour 1995, tables 1(16) and 2(17), p. 21; ; Statistical Yearbook 1999, table 4(153), p. 129; Statistical Yearbook 1998, table 4(149), p. 122; Statistical Yearbook 1997, table 4(197), p. 128; Statistical Yearbook 1994, table 9(93), p. 117; Concise Statistical Yearbook of Poland 2000, table 2(84), p. 130 and table 4 (86), p. 132.

Figure 1.1 shows the growth of employment and GDP from 1990 to 1999. It follows that in order to increase employment in the Polish economy in a given year it is necessary to reach at least a 5 per cent GDP growth rate. At a lower economic growth rate the average employment diminishes. One of the reasons for such minute absorption of labour was related to large employment reserves in the public sector, inherited from the preceding economic system.³ A favourable aspect of this change is a dynamic growth of aggregate labour productivity. This allows improvement in competitiveness of the economy and should yield an increased demand for labour in the future.

Table 1.2 Working persons by sex, age and employment status, in November, 1992-1999* (thousands)

	1992	1993	1994	1995	1996	1997	1998**	1999**
Total	15 135	14 772	14 747	14 771	15 103	15 315	15 335	14 573
Men	8 308	8 093	8 070	8 089	8 328	8 462	8 421	8 100
Women	6 827	6 679	6 677	6 682	6 775	6 853	6 914	6 473
Aged 15-24	1 657	1 567	1 546	1 555	1 668	1 758	1 734	n.a.
Aged 25 - 49	10 555	10 305	10 489	10 581	10 729	10 798	10 778	n.a.
Aged 50 and over	2 923	2 900	2 712	2 635	2 706	2 759	2 823	n.a.
Hired employees	10 594	10 039	10 286	10 478	10 742	11 058	11 272	10 630
Self-employed	3 140	3 155	3 140	2 885	2 894	2 901	2 753	2 677
Employers	425	434	542	541	575	592	622	587
Unpaid family workers	976	893	779	867	892	765	687	678

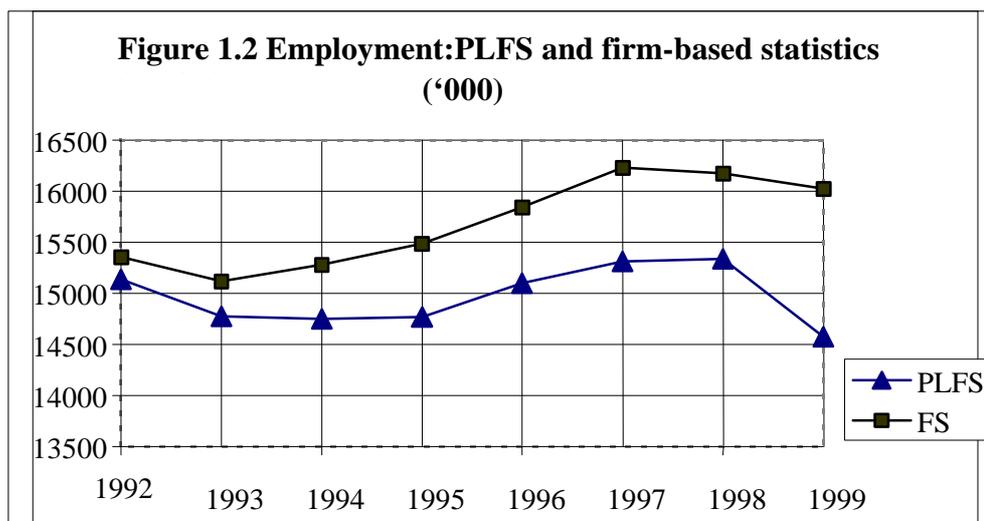
*: I - IV quarter

** : A possible reason for such a sharp decline in employment between 1998 and 1999 could be a change in data collection methodology.

Source: Labour Force in Poland in 1992-1998, CSO, Warsaw, 1999; Labour Force in Poland in I Quarter 2000, CSO, Warsaw 2000.

A similar picture of changes in employment emerges from analysis of the PLFS data, as shown in Table 1.2. In November 1998, aggregate employment was higher than employment in November 1992 by a mere 1.3 per cent (and -3.7 per cent in the fourth quarter of 1999) whereas according to the data based on reports submitted by firms it was 5.9 per cent (and 4.6 per cent in 1999) higher. However, the size of employment shown by PLFS is markedly lower in each of the analysed years (by 1,495,900 persons in 1999) than the statistics based on reports of economic units – a difference that increased almost fourfold in the period under examination. The reason is the different criteria used by these two sources to ascertain the state of employment. It is the formal status of working persons that matters in enterprise reports and in surveys of individual farms and the sector of micro-firms (employing fewer than 5 persons); whereas labour force surveys also take into account time of work (a minimum of 1 working hour yielding income performed in the examined week). Hence sources other than PLFSs may overstate the number of persons actually working in the economy. In turn, household members staying abroad or staying in collective households (employees' lodging houses, students' halls of residence, boarding schools, military barracks, social care homes, etc.) are outside the PLFS scope. Another reason may be the phenomenon of multi-jobbing or holding two or more jobs (e.g. in November 1997, 8.3 per cent worked in more than one place of work, according to PLFS data). These persons are counted twice in the firm report-based statistics but only once in the PLFS. Figure 1.2 shows employment by PLFS data and firm-based statistics.

³ For 1987, Gora and Rutkowski (1990) estimated labour hoarding in industry at the level of 24 per cent.



Source: Based on Tables 1.1 and 1.2. For the years 1997-1999, the number of employed are shown as at 31 December, as estimated by the Central Statistical Office; see notes to Table 1.1.

A gender perspective on employment

A fall in women's employment (5.3 per cent) in 1990-1998 was lower than total employment (9.3 per cent), hence their share in employment increased from 45.7 per cent in 1989 to 47.7 per cent in 1998. In the period of economic growth, the demand for women's labour increased faster than that for men. Women's employment in 1998 was 9.6 per cent higher than in 1992, whereas figures for men's employment dropped by 2.8 per cent in the same period. What might account for this is a faster rate of job creation in services, which traditionally employ more women than industry does. According to the PLFS data, however, the growth rate of men's employment (1.3 per cent) in 1992-1998 was negligibly higher than that for women (1.27 per cent). For the period 1992-1999 men's employment declined by 2.5 per cent and women's by 5.2 per cent.⁴

Table 1.3 Participation rates (PR) and employment rates (ER) by sex, November, 1992-1999 (percentage)

	1992		1993		1994		1995		1996		1997		1998		1999 ¹	
	PR	ER	PR	ER												
Total	61.7	53.3	61.2	52.1	59.2	51	58.4	50.7	57.9	51.2	57.4	51.5	57.1	51.0	56,6	48.0
Men	70.0	61.4	69.6	60.1	67.0	58.8	66.5	58.5	65.9	59.4	65.5	59.8	64.9	58.9	64,3	55,9
Women	54.2	46.0	53.6	44.8	52.2	44	51.1	43.7	50.6	43.8	50.0	44	50.0	43.9	49,7	40,7

I – IV quarter

Source: As in Table 1.2.

Compared with other countries, a characteristic feature of the Polish labour market is a very low employment rate (48 per cent in the fourth quarter, 1999), resulting not only from a high unemployment rate but also from a low activity rate (Table 1.3). Both rates decreased by several percentage points in the period of economic growth. The female employment rate, which was considerably lower (by about 15 percentage points) than the male employment rate diminished to a similar degree (by 5.3 per cent) as the drop in the male rate (by 5.5 per cent).

⁴ A possible reason for such a sharp decline in employment between 1998 and 1999 could be a change in data collection methodology.

Bigger differences occurred in the employment growth rate by age group (see Table 1.2 for the years 1992-1998). Young persons' employment grew fastest – by 4.6 per cent; prime-age group employment rose somewhat more slowly – by 2.1 per cent; and employment of older persons decreased by 3.4 per cent. A fast growth in youth employment should be related to a higher degree of elasticity of demand for this group of the labour force. In recession a decline in youth employment is higher than the average decline and at a time of economic growth a rise in their employment exceeds the respective indices for older persons. A drop in employment of persons over 50 years of age can be partly accounted for by the adoption of special programmes encouraging older persons to retire (e.g. earlier pensions, extended periods of unemployment benefits for persons in pre-retired age).

A reduction in employment primarily affected hired employees: their number dwindled by 2,254,400, or by 17 per cent in comparison with 1989 (Table 1.1). On the other hand, the number of employers and self-employed increased by 17.5 per cent who, between them, account already for about one-third of total employment. After initial growth, the number of seasonal and short-term employees in 1998 also dropped, by 45.6 per cent in comparison with 1991. After 1992, however, the number of hired employees tends to rise quickly, up to 1998 by 7.8 per cent and by 6.4 per cent according to the PLFS. However, this tendency was halted in 1999, when, according to the PLFS, the number of employees was almost the same as in 1992. The PLFS statistics indicate an extremely dynamic increment in the number of employers after 1992 (the number of employers rose by as much as 38.1 per cent in 1999 (46.4 per cent in 1998) and also to falls in the number of self-employed persons and unpaid family workers (falls of 14.7 per cent and 30.5 per cent respectively). The decrease in the number of self-employed and helping family members reflects the much slower rate of establishment of new small and medium-sized firms after 1993. However, it is worth noting that the share of self-employed in aggregate employment does not differ from the average for OECD countries (Blanchflower 2000, p. 280). This is related to the relatively high employment in the private, small agricultural farms in Poland.

Table 1.4 Working persons by type of employment, 1984-1998 (thousands)

Type of employment	1989	1990	1991	1992	1993	1994	1995	1996	1997*	1998*
As reported by enterprises (state for 31 December)										
Hired employment	11 564.3	9813.1	9 137.1		8 716.6	9694.4	9132.3	9263.4	9359.6	9287.6
Full time employees	10 411.1	8 950.4	8 350.0	n.a.	8 014.6	8933	8358	8424.4	8551.7	8473.1
Part time employees	1 153.2	862.7	787.1	695.3	702	761.4	774.3	839	807.9	814.5
Seasonal and short-term employees	n.a.	n.a.	120.4	137.4	149.4	146.4	88.1	93.5	75.6	65.5
According to PLFS (November)										
The employed	n.a.	n.a.	n.a.	15 135	14 772	14 747	14 771	15 103	15 315	15 334
Full time employees	n.a.	n.a.	n.a.	13 515	13 195	13 256	13 218	13 490	13 775	13 743
Part time employees	n.a.	n.a.	n.a.	1 620	1 577	1 491	1 553	1 613	1 540	1 591
For indefinite duration	n.a.	n.a.	n.a.	14 378	14 046	13 950	13 968	14 326	14 470	14 481
For fixed term	n.a.	n.a.	n.a.			797	803	777	845	854

Note *: As at 30 September.

Source: As in Tables 1.1 and 1.2.

Atypical work

There are no conclusive data characterizing the extent of irregular and atypical forms of employment in Poland. The data based on enterprise reports (Table 1.4) point to a slight drop in the share of part-time employment, from about 10 per cent before transition to 8.8 per cent in 1998. PLFSs point to a higher and more stable share of this group in the total number of working persons, namely 10.4 per cent in 1998 compared with 10.7 per cent in 1992. The scale of fixed-term employment registered in PLFSs is slight, about 5.6 per cent of the total employment and somewhat higher than the corresponding 1992 level (by 12.8 per cent). It is worth noting that the share of atypical employment in the increment in jobs in 1997-1998 amounted to 33 per cent. After an initial increase in seasonal and short-term employment, its share in the number of employees was halved, from 1 per cent in 1993-1994 to 0.4 per cent in 1998.

The number of employed in the "grey economy" during the years 1994-1999, according to Central Statistical Office estimates, was stable, fluctuating between 805,000 to 870,000 workers (see Table 1.1). The share in average employment varied between 5.8 per cent in 1994 to 5.2 per cent in 1999.

Table 1.5 Working persons by public and private sector, state for 31 December, 1989-1998 (thousands)

Ownership sectors	1989	1990	1991	1992	1993	1994	1995	1996	1997*	1998*
As reported by enterprises (state for 31 December)										
Total	17 389.4	16 484.7	15 861.2	15 494.5	15 117.5	15 281.9	15 485.7	15 841.9	16 294.5	16 267.1
Public sector	9 277.8	8 582.7	7 381.8	6 952.0	6 416.5	6 236.3	5 979.7	5 767.0	5 426.4	5 017.3
Private sector	8 111.6	7 902.0	8 390.5	8 404.5	8 700.9	9 045.6	9 506.0	10 074.9	10 868.0	11 249.8
Of which:										
Foreign-owned	130.0	167.4	89.0	119.9	150.0	228.1	269.4	337.7	399.7	484.2
Joint	n.a.	n.a.	333.7	184.5	257.4	190.8	345.6	383.1	614.5	728.9
According to PLFS (November)										
Total	n.a.	n.a.	n.a.	15 135	14 772	14 747	14 771	15 103	15 315	15 335
In private sector	n.a.	n.a.	n.a.	7 598	7 887	8 025	8 317	8 884	9 285	9 476
Individual farming	n.a.	n.a.	n.a.	3 247	3 412	3 058	2 928	2 913	2 739	2 509

* Note and source: As in table 1.4 and Employment in National Economy for respective years.

Privatization

Significant changes in the distribution of employment occurred in both the public and private sectors (Table 1.5). In 1990-1998, the public sector recorded a decrease in the number of its employees by as many as 4,260,000 persons (or about 46 per cent) whereas employment in the private sector increased by 3,138,000 or 38.7 per cent. As a result, around 70 per cent of employment in 1998 was concentrated in private enterprise,⁵ with a dynamic development in newly established small and medium-sized firms in the services sector and the privatization of large state-owned firms (although the speed of mass privatization slowed down in the latter half of the 1990s). The flow of labour force into the private sector was favoured by higher pay offered by private employers in comparison with that of public employers.⁶ Only private agriculture recorded a substantial fall of 22.7 per cent in the number

⁵ In 1993-1999, the private sector employed relatively more men, persons with lower qualifications as well as more youth and older persons (Socha and Weisberg 1999).

⁶ When taking account of variables such as human capital, organization of the enterprise, etc., the earnings of employees in the private sector are 9.8 per cent higher than those in public enterprises (Weisberg and Socha 2000). A. Bedi (1998) estimates the wage premium in the private sector as even higher, at about 17 per cent. Decidedly lower estimates are given by Newell and Socha (1998).

of employed, according to PLFSs – from 3,245,000 in November 1992 down to 2,509,000 in November 1998. Although the share of foreign-owned sector in employment is not high in Poland, it has recently increased at a fast pace. In 1991-1995 its share accounted for 0.6-1.7 per cent of total employment, in 1998 it reached 3 per cent and, when allowing for enterprises with joint domestic and foreign ownership, it attained 7.5 per cent of total employment. This is caused by a marked acceleration of inflows of foreign direct investment to Poland in the second half of the 1990s.

Table 1.6 Working persons by selected NACE sections, 1992-1999 (thousands)

Sections	1992	1993	1994	1995	1996	1997*	1998*	1999*
Total	15 010.9	14 761.2	14 924.0	14 967.9	15 487.4	15 940.8	15 921.1	15 751.8
Agriculture, hunting, forestry and fishing	4 009.9	3 922.8	4 039.5	4 032.3	4 358.7	4 377.9	4 356.1	4 331.2
Mining and quarrying	454.2	398.8	376.8	357.1	339.1	325.9	297	256.4
Manufacturing industry	3 069.8	2 985.5	3 071.4	3 102.5	3 158.8	3177	3 100.3	2 972.7
Electricity, gas and water supply	254.3	257.1	268.8	269.2	259.4	258.4	252.7	246.7
Construction	1 014.1	880.7	853	827.4	868.7	947.5	938.6	927.0
Trade and maintenance	1 871.3	1 982.2	1 892.2	1 903.1	1 900.3	2 060.6	2 106.4	2 141.3
Hotels and restaurants	164.4	170.1	175.8	185.9	188	201.8	221.6	225.9
Transport, storage and telecommunications	912.9	823.3	844.2	838.1	832.3	864.7	858.9	838.1
Financial service	188.3	221.6	252.1	268.2	285.8	305.2	327.2	389.0
Real estate and business activities	542.8	570.6	529.6	554.3	594.4	688.1	752.2	770.9
Public administration and national defence	292.4	336.6	375.7	381.3	402.5	431.8	430.8	438.3
Education	811.9	871.3	893.6	896.4	911.8	902.1	907.8	906.9
Health service and social work	1 009.3	989.2	995.7	1 003.4	1 009.6	1 029.2	1 021.4	957.4
Other services	397.4	335.9	340.7	335.1	365.2	370.6	350.1	350.0

Note *: As at 30 September.

Source: Statistical Yearbook of Labour 1999, table 4(19), p. 28; Statistical Yearbook of Labour 1997, table 4(19), p. 22; Statistical Yearbook of Labour 1995, table 4(19), p. 22. Concise Statistical Yearbook of Poland 2000, CSO, Warsaw 2000, table 3(85), p. 131.

The transformation of the economy is accompanied by significant changes in the sectoral structure of employment, mainly by a decrease in the number of jobs in traditional sectors (agriculture, mining) and expansion in the services sector, as Tables 1.6 and 1.7 show.⁷ According to the PLFS data (Table 1.7), employment in agriculture, forestry and hunting dwindled by 17.6 per cent in the period 1994-1998 alone. In consequence, the share of this sector in aggregate employment decreased from 22.9 per cent to about 18 per cent. However, this positive trend is not confirmed by the data on employment in agriculture gathered by other statistical sources. According to the CSO data (Table 1.6) based on the outcomes of agricultural micro-censuses, the number of persons working for this sector increased by 8 per cent in the respective period and its share in overall, total employment amounted to as much as 27.6 per cent. It is the view of the present authors that this difference to some extent reflects the different definitions of employment used. Agricultural micro-censuses register only the number of persons connected with the running of a farm – and not the number of persons actually working on it (there is no question asked, for example, on the

⁷The introduction of a new sectoral classification in 1992 (and in the PLFS in 1994) precluded the authors from characterizing changes in the overall employment structure over the whole decade.

duration of work performed). Thus, a large part of employment in agriculture is hidden unemployment.

The employment reduction in mining of 65.4 per cent between 1992-1998⁸ is similarly interesting (according to the PLFS, an 18.5 per cent reduction in the years 1994-1998). This is caused not only by a fall in the demand for coal but also by the implementation of a fairly generous scheme of severance pay for miners resigning from further employment in collieries. The increase in employment in the manufacturing industry was somewhat higher than the average for the economy as a whole and amounted to about 1 per cent (according to the PLFS, to 2.4 per cent). Undoubtedly, growing competition from abroad was one of the factors behind the smaller employment in the sector of tradables.⁹ Employment growth in the manufacturing industry should be ascribed to growth of exports by labour-intensive sectors with competitive advantages (food processing, furniture and motor vehicles, among others). In the sector of non-tradables the largest increases in employment were recorded by: financial services (73.8 per cent), public administration and national defence (47.3 per cent) and hotels and restaurants (34.8 per cent). The PLFS data reveal that from 1994 to 1998 employment rose fastest in services to real estate and businesses (95.5 per cent), hotels and restaurants (over 48 per cent), construction (24.9 per cent), retail and wholesale (23.2 per cent) and in transport and communications (16.6 per cent). This should be tied to the underdevelopment of the service sector in the preceding economic system, the liberalization of prices, and the elimination of budget subsidies to many sectors.

Table 1.7 Working persons by selected NACE sections, November, 1994-1998 (thousands)

Sections	1994	1995	1996	1997	1998
Agriculture, hunting, forestry and fishing	3 378	3 238	3 204	3 030	2 784
Mining and quarrying	454	480	462	406	370
Manufacturing industry	3 116	3 141	3 152	3 204	3 191
Electricity, gas and water supply	261	252	266	283	260
Construction	878	904	966	1 033	1 097
Trade and maintenance	1 783	1 858	1 940	2 061	2 197
Hotels and restaurants	157	187	201	198	233
Transport, storage and telecommunications	809	860	916	937	943
Financial services	340	277	295	313	357
Real estate and business activities	248	353	398	471	485
Public administration and national defence	704	703	757	772	741
Education	1 026	1 018	986	941	1 013
Health service and social work	956	997	1 035	1 067	1 054
Other services	593	482	504	578	596

Source: As in Table 1.2.

The available CSO data based on enterprise reports do not permit identifying the distribution of employment by size of firms.¹⁰ In turn, the labour force surveys began questioning enterprises about their size only in 1994. Table 1.8 shows that the vast majority (62.8 per cent) of non-agricultural jobs was created in the small-enterprise sector, i.e. in firms employing fewer than 100 persons. Employment in small-sized economic units prevails in the

⁸ According to the initial CSO estimates, the declining tendency continued in 1999, when the average employment of hired employees dropped by 13.2 per cent (CSO 2000, p. 39).

⁹ The share of imports in GDP rose from 16.2 per cent in 1990 to 29.6 per cent in 1998, and the share of exports declined from 24.3 per cent to 17.9 per cent. In consequence, the ratio of trade to GDP increased in that period from 40.4 per cent to cent (Morawski 47.5 per and Socha 2000).

¹⁰ The CSO statistics give the structure of employment according to size of economic units in the non-agricultural sector and without clergy for enterprises employing more than 5 persons but in services - for all firms.

private sector, in which hired labour amounts to 72.4 per cent, whereas the share of hired labour in the public sector is only 44.1 per cent. This results from a somewhat different sectoral structure of these ownership sectors and, also, from a not very advanced process of privatization of large enterprises owned by the State. Small enterprises were set up primarily in services and their share in industry is small (Liwiński 1998). This may mean that cooperation between small and medium-sized firms and large corporations is relatively small.

Table 1.8 Structure of employment by size of economic units and ownership sector, November, 1994-1998 (percentage)

Size of economic unit	Public	Private – hired labour	Private – self-employed	Total
		1994		
1—5	2.6	22.8	88.7	19.2
6—20	12.2	28.3	9.0	16.7
21—50	15.9	17.0	1.8	14.5
51—100	13.2	11.1	0.1	10.9
101+	56.2	20.8	0.4	38.7
		1995		
1—5	2.5	22.0	88.5	19.2
6—20	12.0	27.4	10.0	16.9
21—50	15.9	17.2	1.1	14.6
51—100	13.2	11.1	0.2	10.9
101+	56.4	22.3	0.2	38.3
		1966		
1--5	2.4	20.8	88.8	19.6
6--20	11.7	27.2	9.5	17.1
21--50	16.1	17.8	1.3	14.9
51--100	13.9	10.7	0.1	11.0
101+	55.9	23.5	0.4	37.3
		1997		
1--5	2.8	20.6	88.9	20.4
6--20	11.9	25.4	9.2	16.9
21--50	15.9	16.8	1.4	14.5
51--100	13.2	10.0	0.3	10.3
101+	52.9	23.5	0.2	34.8
Lack of answer	3.4	3.8	0.0	3.1
		1998		
1--5	2.8	21.4	88.3	21.0
6--20	12.2	25.9	9.5	17.6
21--50	16.0	15.4	1.4	13.9
51--100	13.2	9.7	0.7	10.2
101+	51.2	22.6	0.1	33.0
Lack of answer	4.7	5.0	0.0	4.2

Source: Authors' calculations based on Polish Labour Force Survey statistics, various years.

A comparison of employment distribution over time permits the statement that the process of employment reduction in large public enterprises and the growth of the role of large firms (over 100 employees) in the private sector was advancing mainly because of the ongoing privatization of state-owned enterprises. In the relevant literature, various views are given on the long-term capacity of small and large firms to create jobs (see Blanchflower 2000). In Poland, the development of small and medium-sized enterprises contributed to alleviating the scale of unemployment, for it absorbed young and low-skilled unemployed (Liwiński 2000).

Table 1.9 Working persons by education, November, 1992-1998 (thousands)

Education level	1992	1993	1994	1995	1996	1997	1998
Higher	1 541	1 552	1 643	1 688	1 746	1 836	1 989
Post-secondary	614	477	546	558	523	520	525
Secondary vocational	3 426	3 288	3 466	3 565	3 743	3 892	4 006
Secondary general	900	1 030	930	883	904	942	929
Basic vocational	4 768	4 758	4 845	4 948	5 139	5 286	5 300
Primary and lower	3 886	3 667	3 317	3 130	3 048	2 839	2 586

Source: As in Table 1.2.

Qualifications and skills

The economic transformation caused significant changes in the demand for labour according to skills or educational qualifications (Table 1.9), with demand falling for employees with low skills and rising for employees representing a high level of human capital. In the period 1994-1998, employment of persons with higher education rose fastest (by 29.1 per cent) and for those with secondary vocational education by almost 17 per cent. The growth rate of employment of graduates from higher education institutions accelerated yearly, to reach 8.3 per cent in 1998. The share of employees with higher education rose steadily, from 10.2 per cent in 1992 to 13 per cent of total employment in 1998. Employment of persons with secondary vocational (technical) education rose somewhat more slowly. On the other hand, significant declines are conspicuous in each of the observed years in the number of employees with primary or incomplete primary education (as much as 33.5 per cent) and graduates from post-secondary schools (by 14.5 per cent).¹¹ The share of population with the lowest education level in aggregate employment fell from 25.7 per cent to 16.9 per cent in the period under review.

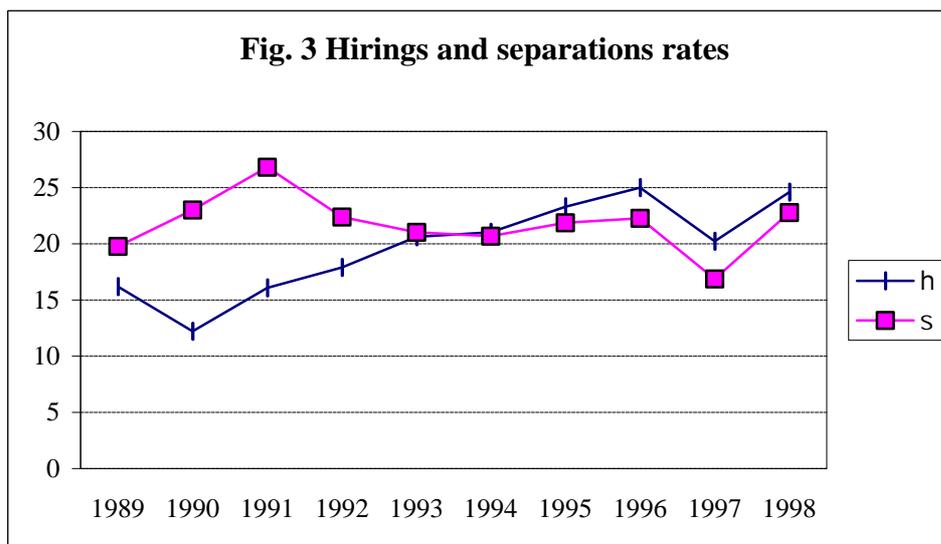
The introduction of a new classification of professions in 1993 precludes examining the changes in the occupational structure of employed persons in the entire period of transformation. The PLFS data in Table 1.10 show that in 1995-1998 the number of jobs rose fastest in the category of clerks (22.8 per cent) and employees in personal services and shop and market sales workers (22 per cent). Slower increases occurred in the categories of professionals and technicians (10.8 per cent and 10 per cent respectively). Employment diminished in only two occupational categories: among farmers, gardeners, forestry and fishing workers by 18 per cent and among employees in low-skilled jobs by 3.3 per cent. Both groups recorded a drop in their shares in total employment.

Table 1.10 Working persons by selected occupational groups, November, 1994-1998 (thousands)

Occupational groups	1994	1995	1996	1997	1998
Legislators, senior officials, managers	897	934	920	1 006	985
Professionals	1 420	1 400	1 423	1 485	1 574
Technicians and mid-level staff	1 665	1 648	1 711	1 746	1 832
Clerks	965	1 026	1 071	1 157	1 185
Employees in personal services and shop sales workers	1 300	1 367	1 487	1 501	1 587
Farmers, forestry workers, gardeners and fishing workers	3 144	3 008	2 982	2 813	2 577
Industrial workers and self-employed craftworkers	2 858	2 918	2 979	2 980	2 981
Plant and machine operators and assemblers	1 166	1 161	1 246	1 327	1 344
Low-skilled occupations	1 280	1 259	1 219	1 230	1 238

Source: As in Table 1.

¹¹ Most post-secondary schools expanded their programmes and were granted the status of higher education institutions.



Source: Based on Table 1.11.

Hires and separations

The early transition period in Poland was marked by a drop in hiring and separation rates, as shown in Figure 1.3 and Table 1.11. Until 1994, the termination rate was higher than the hiring rate. In step with improvements in the economic situation, this trend was reversed and hires outnumber terminations. The advancing restructuring of the economy yielded an essential increase in the value of both rates. This reflects a more intensive exchange of employees on the one hand and a higher share of small and medium enterprise sectors on the other, where labour turnover is higher. A declining rate of economic growth in 1998 again caused an increase in the value of the termination rate and a decrease in the number of hires.

Among new hires the shares of graduates and of persons returning from paid and child-care leaves decreased slightly and the share of persons changing jobs increased. Terminations for reasons connected with the employer (negligible in 1989) increased sharply, reaching a peak in 1992-1995, from where they fell slightly. An improvement in the level of economic activity was marked by a diminishing share of group redundancies among the total number of job terminations, although a slight increase in this index in 1998 signals a drop in the demand for labour. One reason for this phenomenon was the expiration of investors' obligations to sustain an unchanged employment level in the state-owned enterprises privatized in the first half of the decade. Interestingly enough, despite a drop in the unemployment rate, the share of voluntary job separations was falling steadily. This may mean that employees are pessimistic about the possibility of finding a new job.

In addition, the share of women taking maternity and child-care leaves decreases as does the share of persons taking up old-age pensions or retiring because of poor health.

A study on inter-industry and intra-industry mobility of employees (Kwiatkowski, Kubiak, and Kucharski 2000) confirmed that in 1994-1998, labour flows between sectors of the economy decreased markedly and mobility within a given sector was relatively low and stable as Figure 1.4 shows. Reasons for a decline in inter-industry mobility in the period analysed can be observed in the slackening of the rate of restructuring of the Polish economy. A low level of intra-industry mobility coefficients means that a small fraction of employed decided to change their workplace, i.e. to move from one enterprise to another enterprise in the same sector. This results from the fact that, despite pessimism, employees in Poland still reluctantly decided to change their workplace.

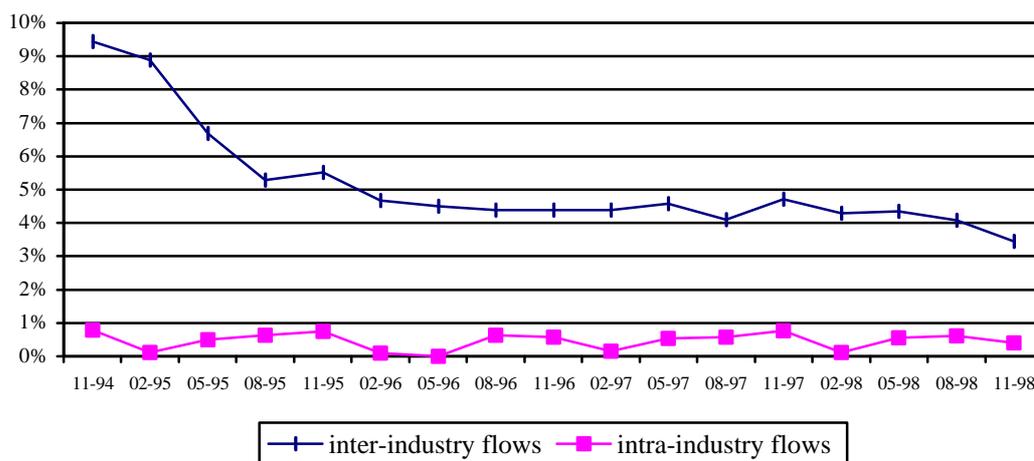
Table 1.11 Hirings and separations* by cause, end December, 1989-1998 (thousands)

	1989	1990	1991	1992	1993	1994	1995	1996	1997*	1998*
Hiring rate**	16.2	12.2	16.1	17.9	20.6	21	23.3	25	20.2	24.6
Hirings	1 908.0	1 452.6	1 720.6	1 641.9	1 752.6	1 828	1 981.4	2 103.4	1 713	2 099.9
First employment	n.a.	n.a.	n.a.	215.3	201.8	238.1	278.1	279.5	230.8	275
Of which graduates	3 14.1	196.5	208.4	161.8	155.4	178.2	211.1	225.5	188.2	233.4
Changing a job	n.a.	n.a.	n.a.	1 038.2	833.6	819.5	634.2	1 041.9	890.8	1 015.8
Registered previously as unemployed	n.a.	n.a.	n.a.	n.a.	248.9	474.3	531.5	496.5	404.2	397.5
Returning from child-care or unpaid leaves	n.a.	n.a.	n.a.	157.1	128.5	98.7	80.7	72.9	n.a.	59.7
Separation rate**	19.8	23	26.8	22.4	21	20.7	21.9	22.3	16.9	22.8
Leaving jobs	2 416.9	2 594.4	2 726.9	2 040.3	1 789.3	1 813.3	1 887.5	1 903.2	1 457	1 971.4
Terminations by employer	31.7	168.1	666.8	535.7	547.5	476.7	422.8	347.4	262.6	375.8
Of which group redundancies	n.a.	n.a.	n.a.	n.a.	306.4	218.8	152.9	125.8		150
Voluntary terminations by employee	n.a.	n.a.	n.a.	547.6	321.9	364.5	384.6	318.4	250.2	299.4
Retired on old-age pension or on pension in virtue of incapacity to work, rehabilitation	n.a.	n.a.	n.a.	240.7	193.6	195	183	170.7	129.2	167.6

Notes: * Data cover full-time employees without short-term and casual employees, not including enterprises employing up to 5 persons; for 1997 Jan.-30 Sept., for 1998 Sept. 1997-30 Sept. 1998.

** The hiring (separation) rates were calculated as a ratio of hirings (terminations) less persons returning from child-care or unpaid leaves in the examined period to the number of employed on 31 Dec. (30 Sept. for 1997 and 1998).

Source: Statistical Yearbooks, various years.

Figure 1.4 Industry mobility indices in Poland, 1994-1998 (percentage)

Source: Polish Labour Force Surveys, Central Statistical Office, and authors' calculations.

Table 1.12 Annual average inter-industry mobility indices (wmg(A)) by age in Poland, 1995-1998 (percentage)

Age groups	1995	1996	1997	1998
Up to 24	32.0	25.5	28.0	21.5
25 - 34	28.5	19.8	18.8	18.2
35 - 44	27.3	18.0	17.2	15.4
45 - 54	26.1	16.5	16.3	15.6
55 and more	15.6	11.3	11.7	10.7

Note: Inter-industry mobility indices for the particular labour groups were estimated according to the following formula:

$$wmg(A) = \frac{\sum_{j=1, i \neq j}^n O_{Aij} t}{L_A} \cdot 100\% \quad \text{where : } i, j = 1, 2, \dots, n \quad (7)$$

where:

O_{Aij} – outflows of persons belonging to category A to employment in section j (j=1,2,...,n),

L_A - average number of employees in group A in a year,

t – quarter (t=1,2,3,4).

A – labour categories singled out on the basis of such criteria as sex, age, education, marital status, type of region.

A higher value of the wmg(A) index means that a given group of labour is characterized by a higher inter-industry mobility in comparison with the remaining groups of individuals. The intra-industry mobility index is estimated analogously. In the numerator of formula (7), outflows of persons in category A from section i to employment in section j (j=1,2,...,n) are replaced with the size of flows of persons belonging to category A between enterprises included in the same section.

Source: Kwiatkowski et al. 2000

Table 1.13 Annual average intra-industry mobility indices (wmg(A) by age in Poland, 1995-1998 (percentage)

Age groups	1995	1996	1997	1998
Up to 24	19.87	12.57	21.38	16.97
25 - 34	7.04	4.16	6.92	4.73
35 - 44	1.06	0.76	0.86	0.82
45 - 54	1.30	0.82	1.42	1.29
55 and over	0.28	0.21	0.44	0.84

Source: Kwiatkowska and Kwiatkowski, 1999

Analysis of the data in Tables 1.12 and 1.13 leads to the following conclusions. First, persons aged 24 or under were characterized by the highest inter-industry and intra-industry mobility throughout the period under review. As mentioned earlier, young workers are more mobile. They try to find better working and pay conditions and to more easily upgrade their qualifications. Second, as expected, the lowest inter- and intra-industry mobility was characteristic of persons in the age groups 45-54 and 55 and over. Older employees have more attachment to their current places of work, mainly due to possessing firm-specific human capital, not easily transferable to other employers. There are also psychological and financial considerations (e.g. seniority pay). Persons with a longer period of service enjoy certain privileges with their employers and, even in the case of a downturn, they are not threatened with dismissal. Furthermore, older persons as a rule encounter problems in switching over to new working conditions and are aware that they may well become “strangers” (or “outsiders”) in a new workplace.

Table 1.14 Average duration of employment (completed spells) by sex and age, in quarters, 1992-1998

Labour force groups	1992/1993	1993/1994	1994/1995	1995/1996	1996/1997	1997/1998	Average 1992-1998
Men	20.7	21.8	25.2	30.6	33.0	38.0	28.2
Women	19.6	21.2	25.1	27.4	28.5	36.1	26.3
Age							
18-24	9.4	9.9	11.3	12.2	13.8	18.6	12.5
25-44	26.9	27.4	31.3	34.2	39.2	47.7	34.4
45-59/65	20.1	21.9	26.5	32.8	34.5	38.9	29.1
Total	20.2	21.5	25.1	29.0	30.8	36.7	27.2

Note: 1992/1993 means May 1992-May 1993, etc.

Source: (Socha and Sztanderska 2000, p. 195).

An improvement in the economic situation was also manifested by the extension of the average duration of employment, up from 20.2 quarters in 1992/1993 to 36.7 quarters in 1997/1998 (see Table 1.14). The average duration of employment in 1992-1998 was 27.2 quarters. Men and prime-age employees enjoyed longer periods of employment compared with other groups of labour force.

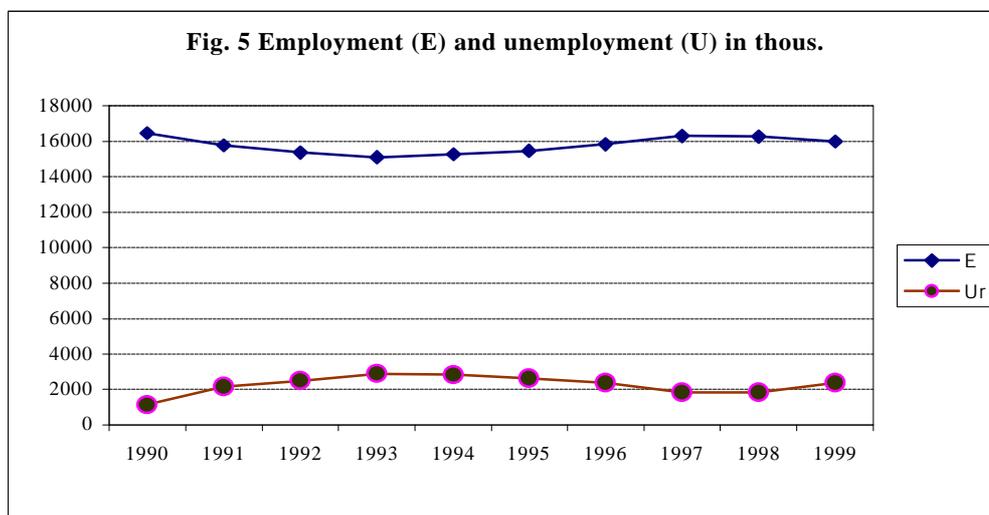
Table 1.15 Unemployed persons registered with labour offices by sex and age as at end December, 1990-1999 (thousands)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total	1 126.1	2 155.6	2 509.3	2 889.6	2 838.0	2 628.8	2 359.5	1 826.4	1 831.4	2 349.8
Men	552.4	1 021.5	1 170.5	1 382.3	1 343.0	1 180.2	983.9	723.2	760.1	1 042.5
Women	573.7	1 134.1	1 338.8	1 507.3	1 495.0	1 448.6	1 375.6	1 103.2	1 071.3	1 307.3
Unemployment rate	6.5	12.2	14.3	16.4	16.0	14.9	13.2	10.3	10.4	13.0
Unemployed aged 15-24 (%)		35.1	34.6	34.4	34.6	34.6	31.2	30.8	30.9	n.a.
Unemployed aged 25-49 (%)		63.1	63.7	63.6	63.3	63.4	66.4	67.5	67.3	n.a.
Unemployed over 50 years of age		1.8	1.7	2	2.1	2	2.4	1.7	1.8	n.a.

Source: Statistical Yearbooks, various years; Central Statistical Office, 2000.

1.3 Unemployment

In 1993, registered unemployment reached its apogee, then fell, to rise again in the last two years of the 1990s, as Table 1.15 shows. Figure 1.5 illustrates a negative dependence between changes in the number of working persons and the number of registered unemployed.



The decreasing demand for labour caused a growth in unemployment whereas a fast rate of economic growth contributed to its reduction. During the period 1990-1999, in order to keep unemployment below 2 million persons would mean sustaining the employment of over 16 million working persons.

From 1992 to 1996, the rate of registered unemployment was higher than the unemployment rates calculated in the PLFS data, according to the ILO criteria. This resulted from the wish of unemployed persons to register not solely to obtain assistance in jobseeking but also to be eligible for unemployment (or other) benefits. When registration criteria and the criteria for awarding unemployment benefits changed, a dramatic drop was observed in registering with employment offices, especially in 1998, when the rate of registered unemployment was lower than the rate shown by the PLFS. Reforms to the social security system and health services implemented in 1999 resulted in a renewed interest in registering with employment offices. However, deterioration in the labour market was reflected in the higher unemployment rate identified by PLFS – at 15.3 per cent, two percentage points more than registered unemployment.

A gender perspective on unemployment

Although women's share in the labour force is lower than men's, the former's share in the unemployed population is higher and, in comparison with the early transition period, it has risen. In 1990, women accounted for about 50 per cent of unemployed persons and in 1999 they already accounted for 57 per cent. According to PLFS statistics, women's share in the unemployed population rose from 51 per cent in 1992 to 54.3 per cent in 1999. Women's unemployment rate was higher than men's in each year of the transformation (see Table 1.16). This gap, measured by a ratio of the unemployment rates of the two populations, increased clearly in the second half of the decade. The rate of women's unemployment was 22.6 per cent higher in 1992 and 39.2 per cent higher in 1999.

Table 1.16 Unemployed persons by sex, age and education level, November, 1992-1998

	1992	1993	1994	1995	1996	1997	1998
Total	2 394	2 595	2 375	2 233	1 961	1 737	1 827
Men	1 172	1 276	1 135	1 110	911	802	863
Women	1 222	1 319	1 240	1 123	1 050	935	964
Aged 15-24	676	724	718	694	592	532	526
Aged 25-50	1 507	1 640	1 474	1 368	1 209	1 065	1 116
Aged 50 and over	211	231	183	171	160	140	185
Unemployment rate							
Total	13.7	14.9	13.9	13.1	11.5	10.2	10.6
Men	12.4	13.6	12.3	12.1	9.9	8.7	9.3
Women	15.2	16.5	15.7	14.4	13.4	12	12.2
Aged 15-19	36.4	42.9	45.3	44.1	35	31.7	34.5
Aged 20-24	26.1	27.9	27.6	27.1	23.9	21.2	21
Aged 25-29	16.9	17.6	16.3	14.5	12.6	10.6	11.1
Aged 30-34	13.1	14.8	14.7	13.4	11.8	9.9	10.1
Aged 35-44	11.3	12.9	11.2	10.8	9.7	8.9	9.1
Aged 45-54	9.1	10.1	8.6	8.2	7.4	6.5	7.5
Aged 55 and over	5.9	6.0	5.0	4.9	4.4	4.0	5.3
Higher education	5.3	5.0	3.6	3.0	2.9	2.0	3.0
Post-secondary and secondary vocational	12.9	13.6	12.0	11.3	10.1	8.9	8.6
Secondary/grammar school	16.5	16.2	16.2	15.3	13.1	13.0	13.5
Basic vocational	16.9	18.4	17.8	16.4	14.1	12.0	12.5
Primary and lower	12.7	15.0	14.0	14.4	12.9	12.5	14.4

Source: As in Table 1.2.

About a third of registered unemployed are young persons. An above-average increase in the demand for their labour has caused a fall in the value of this index in recent years. An additional explanation may be the adoption of a more restrictive policy of benefits for this group of unemployed. Defined according to ILO criteria, this group's share of unemployment runs at about 28 per cent and does not change over time (Table 1.16). Persons aged over 50 constitute less than 2 per cent of registered unemployed but the PLFS data show a share five times as high, or about 10 per cent in 1998. It is probable that some older persons pessimistically evaluate their chances of finding a job through local employment offices. An essential group of unemployed consists of persons in prime age whose share in registered unemployment increased by about 4 percentage points. According to PLFS data, the share of this age group in the total number of unemployed decreased from about 63 per cent to 61 per cent. The unemployment rate falls with age. In the oldest group, its value is almost seven times lower than the unemployment rate in the young-age group. In all age groups, the unemployment rate in 1998 shows smaller values than in 1992 and rose in all groups (with the exception of persons aged 20-24) in 1999, the last year under review.

Among the unemployed who previously held jobs, 63 per cent worked for 3 NACE sectors: the manufacturing industry, trade and maintenance, and construction (Table 1.17). This index shows high stability in the last 5 years. Compared with the share of working persons, the share of unemployed in these three sectors points to their being over-represented, since the share of the latter in the labour force amounts to only 42.3 per cent.

Surprisingly low shares in unemployment are recorded by the agriculture, hunting and forestry sector – a mere 7.3 per cent against its 18.2 per cent share in employment; and by mining (1.5 per cent in unemployment and 2.5 per cent in employment). This may be explained by the high level of hidden unemployment in agriculture and the implementation of special restructuring programmes that offer financial rewards for miners voluntarily quitting employment in the mining industry.

Table 1.17 Unemployed persons working previously by selected NACE sections, 1994-1998

Sections	1994	1995	1996	1997	1998
Total	1860	1772	1553	1299	1348
Agriculture, hunting, forestry and fishing	142	108	107	109	99
Mining and quarrying	30	21	21	20	20
Manufacturing industry	554	524	448	375	396
Electricity, gas and water supply	18	18	14	13	13
Construction	259	222	207	159	184
Trade and maintenance	349	328	312	259	265
Hotels and restaurants	54	57	53	42	41
Transport, storage and telecommunications	84	80	70	59	66
Financial services	17	15	17	14	17
Real estate and business activities	37	45	42	30	37
Public administration and national defence	86	90	80	67	57
Education	59	59	44	36	41
Health service and social work	78	71	52	42	53
Other services	86	74	76	59	52

Source: Polish Labour Force Surveys, various years.

Table 1.18 Unemployed persons working previously by occupational group, November, 1994-1998 (thousands)

Occupational groups	1994	1995	1996	1997	1998
Total	1860	1772	1553	1299	1348
Legislators, senior officials, managers	60	95	34	27	36
Professionals	69	42	39	26	29
Technicians and mid-level staff	179	123	114	93	104
Clerks	80	154	129	112	111
Service workers and shop sales workers	306	268	290	251	234
Farmers, forest workers, gardeners and fishing workers	59	50	57	56	45
Industrial workers and self-employed craftworkers	783	517	453	339	388
Plant and machine operators and assemblers		166	130	116	124
Low-skilled occupations	324	357	307	279	277

Source: As in Table 1.17.

The structure of unemployment by educational levels is fairly stable, as Table 1.16 illustrates. Persons with the lowest educational levels (primary and basic vocational education) constitute almost two-thirds of the total of unemployed. The higher the education level, the lower the unemployment rate (the exception is general secondary education). The unemployment rate for persons with higher education is nearly five times lower than for persons with primary education. In all education groups, the unemployment rate is lower in 1998 than in 1992. It decreased most (by as much as 43.4 per cent) in the group of persons with diplomas from higher schools and rose by 13 per cent for persons with the lowest educational level. That the situation in the Polish labour market is difficult for persons without qualifications is also underlined by the equilibrium unemployment rate for persons with primary education, which is higher than the actual unemployment rate (Socha and Sztanderska 2000).

As regards the occupational structure (Table 1.18), the biggest share in unemployment is recorded by industrial workers (28.4 per cent), workers without qualifications (20.5 per cent) and employees in personal services (17.4 per cent). These three professional groups between them account for 67 per cent of total unemployment. In 1994-1998, the share of persons with high qualifications, managers, professionals and technicians tended to fall, while the share of unskilled workers grew.

Table 1.19 Inflows and outflows of unemployment (thousands)

	1992	1993	1994	1995	1996	1997	1998
	Registered unemployment						
Flows into unemployment	1 559.8	1 970.8	2 094.0	2 371.3	2 225.1	2 051.3	2 127.8
Of which: Dismissed*	n.a.	n.a.	n.a.	126.6	101.3	94.9	101.8
New entrants	n.a.	n.a.	n.a.	597.5	438.4	505.7	603.1
Graduates	n.a.	n.a.	n.a.	n.a.	n.a.	260.1	327.4
Returning from subsidized employment	n.a.	n.a.	n.a.	101.1	70.3	51.8	50.2
Returning from public works	n.a.	n.a.	n.a.	90	76.6	91.7	79.2
Flows out of unemployment	1 206.0	1 590.6	2 145.6	2 580.5	2 494.4	2 584.4	2 122.8
Into employment	655.3	762.4	1 093.8	1 267.7	1 304.7	1 258.9	1 023.5
Into permanent employment	n.a.	n.a.	719	800.7	904	772.3	639.7
Subsidized employment	n.a.	n.a.	195.7	184	139.1	166.2	142.9
Public works	n.a.	n.a.	110.5	113.1	99.8	149.9	104.1
Training courses	n.a.	n.a.				169.0	167.0
Education	n.a.	n.a.	38.5	41.7	9.1	5.2	4.3
Pensions	n.a.	n.a.	7.2	12.4	24.9	25.8	21.8
Resigning from registering as unemployed	n.a.	n.a.	109.8	106.4	113.5	85.7	74.9
Not confirming readiness to work	n.a.	n.a.	737.8	950.1	925.8	818.9	731.3
Other	n.a.	n.a.	153.8	201	115.1		
	Unemployment according to PLFS						
Total unemployment	2380	2544	2375	2233	1961	1737	1827
Of which: Dismissed*	1342	1388	1307	1187	1063	924	989
Resigned from job	162	145	166	192	141	133	120
Return to labour market after break	474	500	405	356	362	345	363
New entrants	402	511	497	497	396	332	355

Note*: For company reasons (liquidation of firm etc.)

Source: As in Table 1.3.

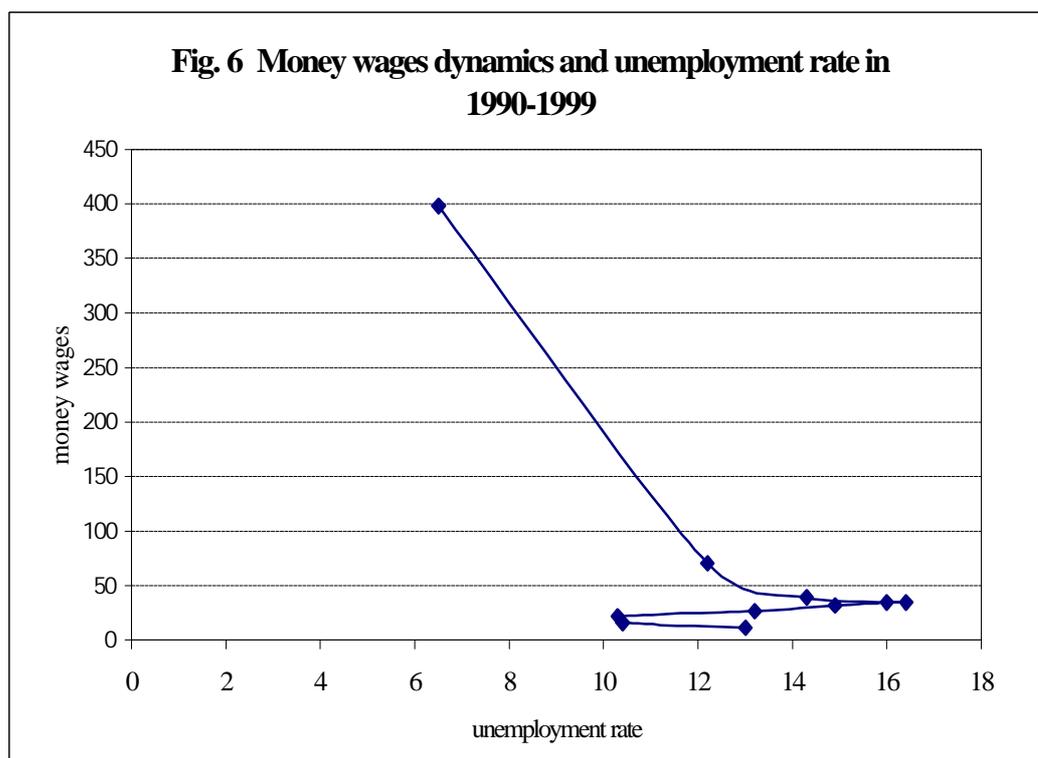
According to PLFS data, the structure of inflows to unemployment shows stability over time (Table 1.19). Over half of those who were unemployed resulted from loss of a job, a mere 6.6 per cent being voluntary quits. Persons taking up their first employment and persons returning to work after a break constitute 20 per cent of total unemployment.

In outflows from registered unemployment, the group of unemployed who found jobs dominates (48 per cent). About 30 per cent found permanent employment, 7 per cent undertake subsidized employment and less than 3 per cent are in public works. Some take seasonal or odd-jobbing. A further 8 per cent undergo training. As many as 34.4 per cent of unemployed are deleted from registers in employment offices because they fail to confirm their readiness to work, or start a training course, or come into pension entitlements. Hence, the diminishing and extremely small percentage (0.2 per cent) of unemployed persons taking up further education may be misleading. About 3 per cent of unemployed persons voluntarily resign from the status of unemployed.

1.4 Real wages

In the early stages of transition, Poland was at the phase of hyperinflation (in 1989 consumer prices went up 3.5 times, and the following year almost 6 times). In successive years, inflation was steadily decreasing to attain 7.3 per cent in 1999 – a considerable success considering that it has been accomplished in an environment of rapid growth and diminishing unemployment (Figure 1.6). The Phillips curve indicates that it moves to the left

(downwards), a welcome trend to any economist. However since 1999 both unemployment and inflation have gone up.



Source: Based on Central Statistical Office data.

The dramatic growth of both consumer and producer prices in 1990 led to a profound collapse of the level of real wages (see note 1, Table 1.20). The decline of real wages aroused hopes that their flexibility with respect to changes in the labour market would contribute to stimulating the demand for labour in the entire economy and its individual sectors. However, subsequent developments reflect rather significant rigidity of real wages. The consumer real wages are still below the level of 1990; however, since 1990 product real wages have increased by 38 per cent. As Figure 1.7 and Table 1.20 show, if these movements are combined with the labour productivity figures (increase by 31.7 per cent) then, in respect to producer prices, real unit labour costs rose during the last years of the decade.

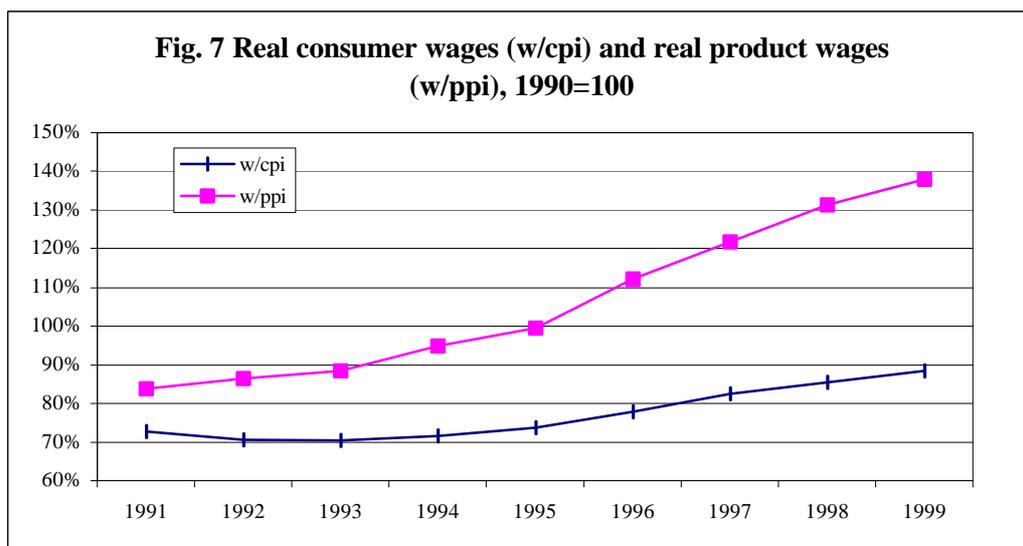
Table 1. 20 Wages and prices, annual rates of growth, 1990-1999 (percentage)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Monthly wages	398.0	70.6	38.9	34.8	34.5	31.6	26.5	21.9	15.7	11.0
Consumer price index	585.8	70.3	43.0	35.3	32.2	27.8	19.9	14.9	11.8	7.3
Industrial production prices	620	40.9	34.5	31.9	25.3	25.4	12.4	12.2	7.3	5.7
Consumer real wages	-27.4	0.2	-2.9	-0.4	1.7	3.0	5.5	6.1	3.5	3.4
Product real wages	-30.8	21.1	3.3	2.2	7.3	4.9	12.5	8.6	7.8	5.0
Labour productivity (GDP/employment)	-7.7	-1.2	7.1	6.3	4.2	5.1	4.0	3.9	2.4	4.7

Notes: - Official estimates of inflation in this period seem to be overrated, hence the scale of the decline of wages may be much smaller.

- All figures are % changes over the preceding year, unless otherwise indicated.

Source: based on Statistical Yearbooks of Poland.



Source: Own calculations based on Statistical Yearbooks of Poland, selected years

1.5 Spatial migrations

Changes in the labour market should intensify labour flows between local labour markets. It may be expected that any significant differences in regional unemployment rates¹² will also cause population flows between regions. Unfortunately, the lack of data on inter-voivodship (inter-regional) migrations makes it impossible to verify this hypothesis.

Table 1.21 Internal migration, 1989-1998 (thousands)

Years	Population as at 31 Dec.	Inflows			Outflows			Balance
		Total	Village-town	Town-village	Total	Town-village	Village-town	Village-town
1989		596 548	383 319	213 229	596 548	243 539	353 009	139 780
1990	38 183	529 908	345 957	183 951	529 908	233 308	296 600	112 649
1991	38 309	565 354	331 202	174 152	505 354	224 792	280 562	106 410
1992	38 418	494 138	314 092	180 046	494 138	228 385	265 753	85 707
1993	38 505	456 765	281 101	175 664	456 765	221 198	235 567	59 903
1994	38 581	437 925	258 910	179 015	437 925	219 906	218 019	39 004
1995	38 609	419 730	239 330	180 400	419 730	212 461	207 269	26 869
1996	38 639	427 320	243 523	183 797	427 320	220 259	207 061	23 264
1997	38 660	417 031	233 526	183 505	417 031	217 714	199 317	15 812
1998	38 667	425 857	236 910	188 947	425 857	197 539	228 318	8 592

Source: Statistical Yearbooks, various years.

The data on territorial migrations gathered by the CSO (Table 1.21) point to a sizeable fall in population flows between rural and urban areas. The flows between rural and urban areas diminished by 28.6 per cent, chiefly due to a radical decrease in migration from villages to towns – a fall of 38.2 per cent. The balance of village-town migration has decreased markedly, by as much as 94 per cent, as Figure 1.8 shows. The most probable reason is a high unemployment rate in towns (with the exception of large agglomerations) and the escalating costs of housing. In addition, the population flow from towns to the country (urban-rural) diminished by 11.4 per cent.

¹² Newell and Pastore (1999) calculated that the index of correlation between regional unemployment in 1992 and 1997 amounted to 0.73.

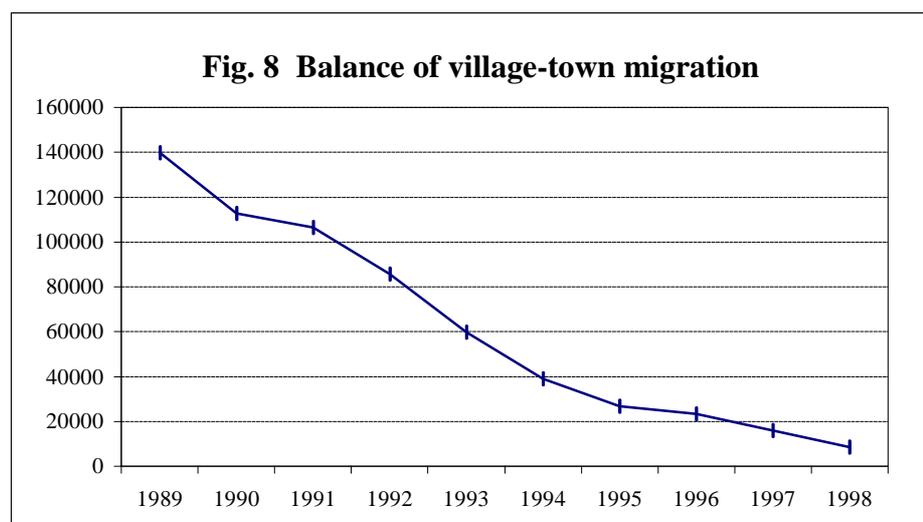


Table 1.22 Intra-voivodship migration, 1989-1998

	Total	Village-town	Town-village	Town-town	Village-village
1989	317 004	87 306	83 492	76 554	69 652
1990	253 563	73 113	67 131	58 049	55 270
1991	256 195	76 106	65 419	58 923	56 647
1992	257 649	77 847	63 370	57 569	58 863
1993	274 488	87 179	62 565	63 615	61 129
1994	288 614	100 288	60 195	66 314	61 817
1995	319 251	123 968	61 121	70 340	63 822
1996	320 632	131 606	55 497	70 733	62 796
1997	334 267	135 478	55 983	75 044	67 762
1998	369 508	150 100	53 384	80 880	85 144

Source: Statistical Yearbook of Voivodships, various years.

The scale of intra-voivodship migration, however, rose significantly (by 126 per cent) both town/village as well as village/town, as Table 1.22 shows. While the stream of people moving from villages to towns, between towns and between villages increased, the flow from towns to the country decreased. There are no plausible data on reasons for these migrations hence it is difficult to interpret them as incidental to economic restructuring and a greater mobility of the labour force. In the years 1990-1994, on average 1.1 per cent of the employed changed their place of residence, including 3.9 per cent in the 20-29 age group and 1.7 per cent with higher education (Sztanderska 1995). Economic reasons for moving were important mainly in the latter group.

At a glance

From the overall picture presented above, several general conclusions can be stated in terms of the Polish labour market. First, the scale of absorption of labour by the rapidly developing economy is low and thus the pre-transformation employment level was not regained. The slowing down of the rate of economic growth has had a negative impact on the labour market, employment fell, and unemployment increased to its highest level. Second, the factors of most importance for job creation were the process of development of the private sector and the relatively stable framework of macroeconomic policy (which is not discussed in the present report). Third, a high economic growth rate and the advancing restructuring as

well as the opening up of the economy find their reflection in the labour market indices. The biggest changes concern the changes in the structure of employment with reference to the ownership sector, employment status, and human capital. Human capital seems also to be the factor that most strongly differentiates unemployment. Polish unemployment assumes the character of structural unemployment. Fourth, the falling indices of labour mobility in the labour market: spatial mobility, inter-industry and intra-industry mobility, and types of employment are surprising. The reasons for this phenomenon should be looked for in the slackened speed of restructuring of the Polish economy, hand in hand with the unfavourable institutional and legal solutions restricting – and often precluding – wider application by employers of more elastic and flexible types of employment. Fifth, rationalization of the labour market institutions, for example, in unemployment benefits, acts on the flows into unemployment.

2. Evolution of labour law and the restructuring of employment

Three significant areas can be distinguished in the legal regulations defining the possibilities for restructuring employment. First, the obligatory nature of legal regulation of employment contracts for all employers and employees; second, the regulation of the functioning of industrial relations; and, third, the shaping of the legal basis for labour market policies, both passive and active.

In each of these areas, the beginnings of legislative changes date back to the end of 1989, when the prime task of the changes in law was to adjust it to the transformation of the economic system. The rules precluding the functioning of the labour market were being removed and replaced with new, market-promoting solutions. Some of the legal changes gave guarantees that the nascent market mechanism would not function spontaneously and that employees' interest would be properly protected. In time, issues began coming to the fore on regulating a labour market that would favour solving the urgent problems arising in a market economy – one of the most fundamental being the restructuring of employment.

The frequency of changes in legislation in the particular areas of the law reflected the different needs of the developing market. The labour legislation based on the Labour Code of 1975 underwent essential change twice: first in 1989 (in the period preceding the transformation), and again in 1996. This second amendment led to uniformity of the regulations pertaining to employment in both the public and private sectors. It thereby lifted the barriers that used to arise in the flow of the employed between the sectors. The remaining changes in the Labour Code were few in the 1990s and not very consequential for the restructuring of employment. In the main, they consisted of adjusting labour law to the changes made in other areas, for example, in social security. Industrial relations were most strongly shaped by the legislative changes made in 1994. In consequence, collective agreements become widespread primarily in the role of a regulator of wages. In this way the central, governmental steering of wages in public enterprises was ultimately eliminated. The basis for these changes was the law instituted in 1989, at the threshold of transformation. The legal regulations concerning the policy of employment and protection of the unemployed were repeatedly modified (often several times in the same year) under the impact of the changing macroeconomic situation and the processes occurring in the labour market, as well as the developing knowledge of their causes and effects.

2.1 Regulation of termination of employment contracts

The labour law has an essential impact on the freedom of movement of employed persons between places of work. From this point of view, Polish labour law had undergone a fundamental rebuilding even prior to transformation, owing to the introduction of a regulation permitting the dismissal of employees for economic reasons.¹³ Rules depend on the type of employment contract that has been concluded. There are three basic types of employment contract: a) fixed-term; b) for an indefinite duration or c) for a task-specific period. Each type may be preceded by a contract for a trial period.¹⁴ Contracts a) and c) expire at their predetermined time (when the specified task has been completed or the duration of time has elapsed). If employers wish to terminate a contract of employment for economic reasons, they must instigate an appropriate contract termination procedure. (Refer also to Annex, Table A1.1.)

The procedure required to dismiss an employee with contract type b), indefinite duration, requires notifying the enterprise trade union to which the employee belongs or a body/union that would undertake to represent the employee's interests.¹⁵ In the case of objections raised by the enterprise trade union, the employer is obliged to apply to a supra-enterprise trade union (if such exists) for an opinion. Before taking the decision on dismissing the employee, employers are obliged to consider the opinion obtained (taking into account a possible complaint to the labour court by the employee or the representing trade union). Only then can the employer terminate the contract of employment in written form, stating the reasons for termination (this requirement has been binding since 1996). The termination of a contract in this mode assumes the existence of a notice period during which the employer is obliged to provide employees with 2 or 3¹⁶ days off with pay, to look for another job. The notice period is dependent on duration of employment. From 1996 on, the notice period amounts to 2 weeks if the employee was employed for less than 6 months, 1 month if employed for at least 6 months, and 3 months if employed for at least 3 years. At present, longer periods of notice require a shorter duration of employment than was the case in the early 1990s. In 1989-1996, a two-week notice period was applicable to persons employed by a given employer for less than a year; a month's notice period to persons employed for at least a year; and three months' notice to employees whose employment duration was of at least 10 years.¹⁷ Thus, the change in the Labour Code increased the protection of employment contracts. If the reasons for termination are the employer's bankruptcy or liquidation, or some other cause on the employer's side, the employer has the option of shortening the three-month notice period to one month, but must pay compensation for the remaining period equal to the employee's pay-for-work. It is not possible to terminate contracts of employment with persons who lack 2 years before pension entitlement, or with those absent from work either on leave, because of illness, or other justified reasons. These restrictions are not applicable if the dismissal results from the employer's bankruptcy or liquidation. In this case, the requirement of consultation regarding the dismissal with the representing trade union also does not apply. The latter regulation arose at the beginning of 1990 and replaced an identical regulation releasing the employer from the obligation of individual consultations but obliging him to

¹³ The bill on group layoffs was introduced 1 January 1990.

¹⁴ A contract of employment for a trial period can be concluded for any period not exceeding 3 months and is optional (i.e. it can – but need not – be concluded). Thus, the undertaking of a new job is not tantamount to work for a trial period, as there can be no contract at all. Such a contract can be concluded only once. It cannot be renewed or extended beyond a maximum of 3 months, under any circumstances (even the employee's illness).

¹⁵ The trade union should be informed 5 days prior to the intended lay-off date.

¹⁶ Two days in the period of notice not exceeding one month, 3 days in all other cases.

¹⁷ Before 1996, the periods of notice could be longer if the employee occupied a position connected with financial responsibility, on condition that both parties agreed to this.

notify trade unions earlier (one month in advance) of the impending dismissals and to cooperate with the unions in matters concerning employees being made redundant.

The latter requirements are equally binding if the employer intends to retain the employee but change the terms of contract or remuneration. The employer can only do so if the internal reorganization of the enterprise causes the liquidation of the workplace occupied hitherto by the employee, or when employees are deprived of the possibility of performing a given job through no fault of their own (illness, no-fault forfeiture of occupational licences or qualifications).

A dismissal without notice is aimed at immediate termination of a contract of employment and applies to each type of contract. The list of causes entitling to this type of dismissal is precisely defined by the Labour Code. A dismissal from work without notice is possible if the employee has breached duties gravely; or has forfeited the occupational license or qualifications indispensable for performing a given job; or has committed a crime precluding further work. This mode of contract termination can be applied only to persons who infringe their basic employee duties with gross misconduct. When infringement of employment duties is lighter in character, the contract of employment can be terminated only with notice.¹⁸

The second group of reasons for this manner of termination of an employment contract is connected with durable justified work absence caused by illness. Absence (continuous) is defined as longer than 3 months in the case of persons employed under 6 months, and longer than the combined period of payment of remuneration for the illness period and benefit, by virtue of social security (in most cases 6 months¹⁹). These regulations do not concern absence from work caused by the illness of a child (if a given person is entitled to its guardianship) or a longer infectious disease requiring the employee's isolation. Dismissal of an employee without notice obliges the employer to consultations with the union representing the employee. The Labour Code obliges the employer to re-engage the employee who was dismissed for reasons of sickness, if the reasons cease and the employer has such possibilities.

The notion of unjustified reasons for dismissal applies to both modes of contract termination: with and without notice. For dismissals with notice, there is no list of reasons which are recognized as justified. The opinion of the trade union, expressed in an obligatory procedure preceding the termination of employment contract, is of considerable importance for justifying dismissal in that mode. While the union's opposition does not constitute an ultimate obstacle to effecting a dismissal, it can be taken into account in the course of dispute before the labour court. The onus of proof that reasons arose necessitating the dismissal of an employee rests on the employer.

When restructuring of work occasions dismissals, it requires the application of terminations with notice to persons employed for an unspecified period. In relation to the employees remaining, dismissals can take effect in accordance with the conditions of the concluded contract, i.e. after the lapse of the time for which it was concluded or after completion of the task for which it was concluded.²⁰ In the 1990s no new regulations ensuring a greater turnover of employment were made. On the contrary, persons whose employment duration ranges from 6 months to 10 years gained longer periods of notice. Other regulations concerning dismissal, in essence, did not change much.

¹⁸ Improper execution of work or insufficiently efficient execution of work cannot be a basis for dismissals in this mode. Z. Salwa (1999) p. 94.

¹⁹ Nine months in the case of tuberculosis and in cases where further treatment of any other illness, and rehabilitation, can lead to recovery (certificate from the medical board).

²⁰ A contract concluded for a trial period is terminated when the trial period ends; it can also be terminated with notice or without notice.

Employers are induced to conclude contracts that best protect the employment relation, i.e. contracts of indefinite duration. First, if the content of the contract does not specify its type, then automatically it is treated as a contract of indefinite duration. Second, it is not possible to conclude more than two fixed-term contracts of employment, because the third contract is treated on the strength of law as a contract of indefinite duration. Third, in the Labour Code of 1996 the notion of employment relation was extended on all contracts of employment concluded earlier as contracts under civil law. Prior to this 1996 amendment, the practice of working under repeated civil law contracts was widespread – a tendency that arose from attempts to reduce fiscal burden.²¹ Persons performing work under civil code contracts were not obliged to pay insurance contribution and other payments calculated proportionally to wages. These contracts did not oblige the employer to apply the regulations concerning the mode of dismissal (including the consultations with trade unions). The amended Labour Code extended the notion of employment relation to a higher percentage of this kind of work.

"By entering into the employment relation, the employee undertakes to perform a specific kind of work for the employer and under the employer's direction; the employer undertakes to employ the employee for pay. Employment on such conditions is employment based on employment relation irrespective of the name of the contract concluded by the parties."²²

Other regulations were also being changed, to cover the performance of any work with uniform regulations. Apart from fiscal considerations, the goal was to ensure better protection of the employment relation for employees. However, the most elastic instrument of hiring employees was eliminated.²³

The Labour Code, while protecting the employment relation, does not oblige employers to undertake efforts to re-employ their employees. Thus, employers do not have to make it easier for employees to upgrade their skills in order to adjust to labour market demands.²⁴ Likewise, employers are not required to provide employees made redundant in one section of the firm with the necessary instruction and retraining to take up other work available in the firm. The only privilege of dismissed employees is the 2-3 paid days off in the notice period to search for a new job.

²¹ This resulted primarily from: (1) gradual increases in social security contributions from 38 per cent of net pay in 1990 to as much as 45 per cent of gross pay in 1993, (2) incorporation of a greater number of pay components into the base for payments of contribution, (3) introductions of contributions to the Labour Fund (2 per cent in 1990, 3 per cent in 1993-1998, and 2.45 per cent from 1999 on) and (4) The Fund of Guaranteed Employee Benefits (initially 0.5 per cent and, from 1996, 0.2 per cent of the wage fund). These changes led to growth in the non-wage costs of labour: since 1996 they have accounted for about 36 per cent of total costs related to employment whereas in 1991 they constituted about 30 per cent. The division of the contributions between the employer and employee, introduced together with pension and health protection reform did not change this proportion.

²² Notice of the Minister for Labour and Social Policy of 23 Dec. 1997 on publication of a uniform text of the Labour Law Act, art. 22, sections 1.1 and 1.01, *Journal of Law* 97, no. 121, item 770.

²³ Employing labour under civil law contracts has not disappeared entirely. Potential employees register their own economic activity and, as economic units, they conclude contracts of this kind. Some of the small firms set up in this way render services of work to a single firm. In fact, it is a "hidden" employment relation. Unfortunately, no research is available on the scale of this phenomenon.

²⁴ The obligation to train employees pertains only to minor employee (15-17 years old). When the employer himself sent an employee to school (and concluded an appropriate agreement with him) he is obliged to render benefits in the form of training leaves. Directive of the Minister of National Education and Minister for Labour and Social Policy on the rules and conditions of occupational qualifications and general education of adults of 12 Oct. 1993 (*Journal of Law* 1993, no. 103, item 472). The general regulation concerning the obligation to make it easier for employees to upgrade their skills cannot be a basis for individual claims (Art. 94 of the Labour Code, *Journal of Law* 1994, no. 24, item 141).

In this legal state, the burden of assistance in individual matters can shift to the procedure of consulting about the dismissals with the unions, or else the services rendered to jobseekers by employment offices.

2.2 Group dismissals

The package of basic acts regulating the transformation of the labour market contained the Act of 20 December 1989. Entitled *General Principles of Termination of Employment Contracts with Employees for Reasons Related to the Enterprise and on Amendments to Some Other Acts*, the Act enabled the introduction of dismissals for economic reasons incidental to organizational, technological and production changes, changes aimed at improvement in working conditions or at protection of the natural environment. It applies to dismissals of more than 10 per cent of the total of employees if the employer employs up to 1,000 persons; and to dismissals of 100 or more employees if the employer employs more than 1,000 persons. The Act allows for treating such dismissals as group dismissal and, thereby, it is possible to omit the rules applicable in the case of individual dismissal, including, in particular, individual justification of the cause of dismissal and the procedure of individual consultation with trade unions. In lieu, the employer is obliged to notify the enterprise level union and the district labour office of the intended dismissals 45 days in advance. After 30 days of the notification, the employer should conclude an agreement with the trade union on general rules for making the dismissals (criteria of selection of employees, dates, other). Lack of the union's agreement does not preclude the possibility of effecting the dismissals by the employer.

The employees being dismissed are entitled to severance payments and to compensatory pay.²⁵ Severance payment equal to one month's wages is due to employees with a total duration of employment shorter than 10 years; 2 months' wages to employees with employment duration of 10-19 years; and 3 months' wages to employees with duration of 20 or more years. The entitlement to compensatory pay applies to those dismissed who have taken up a new job for lower pay. The new employer is obliged to pay the compensation for the difference in earnings for 6 months. The costs of these payments are incurred by the Labour Fund.

If, exclusively for economic reasons, an employer dismisses employees in numbers conforming with the rules for group dismissals, in a period not exceeding 3 months but in the individual mode, the employer is also bound to pay severance payments and dismissed workers are entitled to compensatory pay.

2.3 Privatization in the light of the labour law

An employer taking over an enterprise, or part of it, in the privatization process also takes over all obligations stemming from the employment relation with the preceding employer. Earlier, this condition was not binding in the sense that reorganizational, not ownership, changes were made. Until 1996, no regulations in the labour law would pertain to privatization of enterprises or sale of enterprises within the private sector. The rules of the 1989 Labour Code pertaining to reorganization processes were used in such cases.²⁶ The 1989 regulations also ensured continuous fulfilment by the employer of the obligations stemming from employment contracts. Thus, ownership changes did not cause changes in the conditions of employment for persons under employment contracts. On the other hand, the new regulations additionally obliged the employer to notify employees of the change of employer

²⁵ In individual termination of employment for economic reasons, the worker is not entitled to any compensation.

²⁶ The Act on Amendment to the Labour Law Act and to Some Other Acts of 7 April 1989 (*Journal of Law* 1989, no. 20, item 107).

and gave them the right to resign from work without notice with a seven-day advance notification.²⁷ The effects of such cessation of work are the same as for the termination of employment contract with notice.

The new Labour Code introduced an obligation on the part of a new employer towards persons who performed work in the company on a legal basis other than an employment contract. Such employees also must be notified of a change in employer, with the new employer obliged to offer them new conditions of work and pay within 7 days. Workers in an enterprise that is being taken over can accept (and their employment is continued) or reject (and their employment contracts expire after a period equal to the notice period).

A second reason that the Labour Code of 1996 is highly relevant to the processes of privatization is that the earlier laws regulating employment differed in both sectors. In the public sector, employers' obligations to employees were greater (e.g. with regard to setting the remuneration rules, the employer's obligations to provide privileges to employees in the period of their education, and others). These entitlements and the prevalence of employment contracts of indefinite duration induced low motivation for employees who were losing jobs in the public sector (e.g. in the course of enterprise restructuring) to take up private-sector jobs. Unifying the labour regulations to make them binding on private and public employers removed this barrier. However, employers in the private sector – especially small firms – felt restricted in their freedom to employ and dismiss employees. In addition, their costs increased with the introduction of the new regulations (e.g. the need for considerably increased documentation and records on all their employees; the application of rules on working hours and pay for overtime). This reduction in elasticity of operation caused by the regulations of the amended Labour Code is offset by the small role that trade unions play at firm level. In small-sized privatized firms, unions are rare; and similarly rare in the larger firms set up from scratch in the transformation period (and not as a result of privatization of public firms).

2.4 Legal basis for solving industrial disputes

The legal shape of the course of industrial disputes was specified in the Act of 23 May 1991 and underwent almost no change in subsequent years.²⁸ On the other hand, the mode and rules of resolving industrial disputes were regulated in the Labour Code (Chapter XI).

The subjects of an industrial dispute can be the protection of employee interests (with respect to conditions of work and pay, and social benefits) or protection of trade union rights and freedoms. In principle, the elements of collective agreements are the subject of industrial disputes. The 1996 Labour Code restricted the right to dispute in a situation when the previously concluded collective agreement had not expired. It is not possible to undertake an industrial dispute in an effort to protect individual rights, even if they were breached in relation to a group of employees (e.g. in the case of group redundancies, a schedule of leaves, etc.). In that event, the legal way is to take proceedings before the conciliatory commission and then to the labour court.

The parties to an industrial dispute are trade unions and the employer or employers' organization. In a firm the collective dispute can be conducted separately by each union acting within the firm or by a joint representation of the unions acting within the firm. If there is no union in the firm, the interests of employees can be represented by an external union.

The dispute-resolving procedure includes negotiations, mediations, arbitration and strike action. Negotiations and mediations are obligatory stages in conducting an industrial

²⁷ They retain this right within 1 month of being notified of a change of employer – art. 23.01 section 4 in the Act of 2 Feb. 1996 on Amendment to the Labour Law Code and Some Other Acts (*Journal of Law 1996*, no. 24, item 110).

²⁸ The changes introduced by the Labour Code of 1996 and other regulations complemented the existing regulations or made them more detailed without altering their essence.

dispute and may be followed by a strike action; if the union desists from this, arbitration is possible. The law does not permit a lockout. The starting point of a dispute is the union voicing of claims, addressed to an employer who refuses to fulfil them. The employer is then obliged to enter into the negotiations and notify the labour inspector of the dispute. The negotiations must either conclude with an agreement, or with records of divergences signed by both sides. If records of divergences were signed, the further stage of the dispute proceeds with the participation of a mediator. Both parties must agree on the mediator; if not, the mediator is designated by the Minister for Labour and Social Policy. In either case, a person whose name was included in the national or local (voivodship) lists of mediators is eligible. Such a list is composed of persons proposed by trade unions, employers' organizations and individually.²⁹ However, the unions are always obliged to accept the mediator candidate. The mediator's duty is to help reach a compromise by presenting additional facts, additional arguments and analyses. The mediator is invested with the right to apply for postponement of a strike, should the course of mediation so require.

If failure to resolve the dispute occurs at the mediation stage, trade unions can either undertake a strike action (on condition that at least 14 days have elapsed from the proclamation of the industrial dispute) or submit it to social arbitration (employers cannot do this).³⁰

The procedure of resolving industrial disputes (similarly to individual disputes) is oriented towards their conciliatory out-of-court settlement. By definition, industrial disputes do not pertain to dismissals caused by restructuring. However, they can have an impact on this restructuring, leading to the determination of work and pay conditions in the collective labour law. Legal solutions concerning the rules of conducting industrial disputes *per se* are merely a basis for shaping employment on the basis of collective agreements.

2.5 Shaping passive labour market policies

In the 1990s, profound changes occurred in the rules for registering the unemployed and awarding unemployment benefits, reflecting the evolution of Poland's economic situation and its fiscal and social policies, as well as society's (and politicians') attitude to unemployment. In 1989, labour market policy-makers took into account that in the place of the former shortage of labour, unemployment would occur and would affect those unprepared for coping with this problem. Thus, they laid stress on broad social protection as a condition for the support for reforms. It was expected that the emergence of market rules in the Polish economy would lead to dismissals of workforce surpluses in state-owned enterprises. The easiness of obtaining benefits definitely became a factor in decisions on restructuring employment in state-owned firms. A high level of protection for unemployed persons also facilitated the liquidation of some of the loss-making or unprofitable firms.

However, the ease with which unemployment benefits were obtained likewise encouraged those who were not looking for a job to register with labour offices. The relatively high level of benefits also contributed to the unmotivated attitude of a considerable proportion of job-losers (Góra et al. 1995). All this rapidly raised the budgetary expenditure on labour market policies, was not propitious for the restructuring of employment and was conducive to perpetuating unemployment, including long-term unemployment (even in the period of dynamic production growth after 1992). For these reasons, legal solutions were evolving

²⁹ The first list of mediators appointed by the Minister for Labour and Social Policy was composed of political or social celebrities, initially selected by trade union headquarters and the Confederation of Polish Employers. With the passage of time, this list is changing and professional mediating is becoming more and more important (Chomiak, 2000).

³⁰ Members on the arbitration board are designated for a specific dispute, must be approved by both sides and by an independent judge.

towards channelling material protection to a narrow group of job-losers and providing them with conditions to intensify their job-searching activities.

Initially, each individual who had no job, had registered with the labour office, and was willing and able to take up work under an employment contract was recognized as having unemployed status. Such persons could not be on child-care benefit, on pension or old-age pension, could not run their own business, or own or co-own a farmstead of over two hectares.³¹ When an appropriate job offer failed to be found, then those with unemployed status acquired the right to unemployment benefit. This right was forfeited if, without justification, the benefit recipient failed to report to the office on request; refused to take up work or take part in the active unemployment-countering programmes. After registering, the unemployed acquired entitlements to free health service (on rules analogous to working persons), maternity and family benefits, and had precedence in applying for social security hardship benefits earmarked for the poor (receiving hardship benefits was often conditional on being unemployed). Labour offices paid the pension insurance contribution for the unemployed entitled to the benefit.

It was neither possible nor purposeful to maintain the extensive entitlements awarded at the beginning of 1990, which caused those registered for unemployment to include a large group of people (impossible to be precisely estimated) interested mainly in obtaining the benefit and not in intensive job search. In the first place, the restrictions affected persons who in the period preceding their registration had not worked or had not attended a school (from 1991 on). Others restricted were:

- persons studying on a part-time basis if they began learning at the time when they were out of employment³²
- graduates from secondary and higher schools (from 1996 on) unable to work full time
- disabled persons who could not work for at least half of the statutory working time
- persons obtaining income exceeding half of the lowest pay (and, if it was income for agricultural activity, then half of the average income derived from 2 conversion hectares) and
- persons who obtained a loan for undertaking their own economic or farming activity.

The most rigid restrictions were imposed on requirements concerning length of employment. The right to benefit was lost by those unemployed who had not worked 365 days in the last 18 months before registering (a less rigorous requirement – 180 days in the last 12 months was binding from the end of 1990 until the beginning of 1997) – at least on a half-time basis, or for wages equal to at least half of the minimum pay (the rule binding from 1995), with few exceptions.

Changes were made not only in the policy of awarding benefits but also in the actual work of labour offices. Those who were registered as unemployed were not called to the labour office more than once a month in the early 1990s and, usually, simultaneously received the benefit. The obligation to confirm readiness to work and more frequent requests to call at the labour office became increasingly common practice in the course of the 1990s. The

³¹ The Employment Act of 29 Dec. 1989 (*Journal of Law*, no. 75, item 446).

³² This resulted from a very dynamic development of education of the evening and extramural type especially at the higher education level. The fast development of part-time studies was stimulated in part by legal restrictions, one (among others) being that full-time studies in public higher schools must be free-of-charge. Low budgetary subsidies force these schools to increase the number of students paying for education and this is legally permissible only for evening and extramural studies. In private schooling the development of evening and extramural education is related to lower costs (a smaller number of lectures and classes) and the possibility of maintaining lower tuition rates (the demand for education services is characterized by high elasticity).

intensification of control of the unemployed and the ensuing removals from the unemployment registers of persons failing to report when called occurred in 1994 and 1998.

In 1990, unemployed who had worked before were paid benefits in amounts dependent on their earlier earnings (70 per cent of earnings for the first 3 months, 50 per cent for the next 6 months and 40 per cent later on). Those who had not worked previously received benefits in proportion to minimum monthly pay (graduates depending on the type of education completed and their duration of unemployment – 100-200 per cent; others, 100 per cent). Benefits were set within limits: the upper limit equal to average pay and the lower to minimum pay. Benefit was payable for an unspecified time, i.e. until finding a job. From 1992 on, the time limit for right to benefit was reduced to 12 months and its level was unified to 36 per cent of average pay. In 1996, benefits were indexed in relation to prices, and fell in relation to wages. All these changes were introduced gradually but their direction was unmistakable – unemployment benefits ceased to be commonly available.

The level and duration of benefit were differentiated depending on local features of the labour market and on the unemployed person's length of employment. From 1993 onwards, the duration of benefit was extended in regions threatened with structural unemployment. Since 1997, unemployment benefit is payable for 18 months in regions with an unemployment rate twice the average rate, and for 6 months in regions with unemployment rates lower than the average rate. When the unemployed person's length of employment is below 5 years, benefit amounts to 80 per cent of the basic benefit; when it exceeds 20 years the benefit is 120 per cent. Women with 20 years of service and men with 30 years have a duration of benefit of 18 months. Unemployed persons with length of employment sufficient for pension entitlements but too young to receive them can take pre-retirement benefits (120-160 per cent of the basic benefit depending on applicant's region of residence) and pre-retirement payments (80 per cent of the old-age pension, payable if the retirement-age requirements were met).

Some comments are required on these measures. The evolution of passive labour market policies matched changes in the labour market. Benefit payments that were calculated independently of individual earnings ensured a higher level of social protection to persons in greater financial difficulties and lower possibilities of finding a job. However, as an instrument of restructuring employment, this serves less well than concentrating benefit payments on the group of unemployed who worked previously.

Shortening the duration of benefit for younger persons (with a shorter duration of service) and extending it for older persons (with longer service) takes account of the difficulties encountered by both these groups when making the adjustments necessary to undertake a new job. In fact, special treatment of persons in pre-retirement age is counter-productive to their activation. When job-losers in this group cannot find a new job on their own, it is suggested (persons on pre-retirement pay are not required to confirm their readiness to work) that they cease the search and gradually leave the labour market. Young persons entering the labour market for the first time are encountering the greatest difficulties. Being on benefit, many did not actively search for a job or undertake further education, so lifting benefits for this group was an incentive to intensify their activity.

For some groups, benefits can still constitute an obstacle to active efforts to obtain a job:

- unemployed persons with low skills for whom the rate of wage replacement with benefit is the highest in relative terms (the basic benefit has been uniform since mid-1990);
- unemployed persons from difficult labour markets where a demobilizing influence is exerted both by a relatively high rate of wage replacement with benefit and the extended duration of benefit and

- unemployed persons with long duration of service who are entitled to a relatively higher benefit payable for a relatively long time. Taking into account the low professional mobility rate of this group, such income protection may diffuse their motivation to job-search.

2.6 Legal basis for active labour market programmes

Active unemployment restriction programmes were introduced under the first legal regulations of December 1989. Their catalogue was steadily widened, the variety of programmes was growing, as was their adjustment to the need for activating the differentiated groups of unemployed persons. The programmes covered upgrading and re-training courses; subsidization of jobs (including employment in the framework of subsidized employment, public works, refund of social security costs, graduates' practice periods); facilitating the creation of new jobs for unemployed by means of loans granted for this purpose (both to unemployed and employers); stimulation of active attitudes in unemployed persons by means of training courses to foster appropriate attitudes and skills, work clubs); and programmes tailored to selected groups of unemployed persons who are in a special situation in the labour market.

The legal basis for implementing an essential package of active programmes existed in 1990. The package included training courses, subsidized employment, loans for unemployed persons to set up their own jobs. The basic shape of these instruments was retained although certain detailed rules of their functions were modified.

Training

In 1989³³ training was viewed in the legislation as having a dual purpose: to acquire vocational qualifications in order to increase the chances of being employed, and to stimulate professional activity. Training courses were designed to: gain skills or qualifications for those who did not have them; to re-skill those whose skills were insufficient to meet labour market demand; and to change occupation if the ability to perform the current one is lost. Training was for up to 6 months (up to 12 months in exceptional situations). In 1994, the possibility of refunding up to 50 per cent of the costs of employees' training to employers employing at least 50 workers (maximally in the amount of average pay) was introduced, on condition that those trained would be employed by a given employer for at least 12 months. In the same year, the 50 per cent reimbursement of training costs was applicable only to employers with a maximum number of 20 workers and, in 1996, the maximum number was re-set at 50 workers. The following year it was again reduced to a maximum of 20 workers.

Persons sent for training and entitled to unemployment benefit obtained the right to a training allowance higher than the basic benefit. Initially it was quantified in relation to average pay (33 per cent for all and 80 per cent for persons who lost their job for reasons incidental to the employer – 1989), next to unemployment benefit (115 per cent in 1991, 20 per cent of extra pay to the basic benefit since 1997). In 1991 the cost of one training course was limited to the level of 2 average monthly wages.

Subsidized employment

This was introduced as a refund of employment costs, which consisted of wages and social security contributions in a 6- or 12- month period (employment costs are refunded every 2 months). Subsidized employment took this form in the regulations and remained so throughout the 1990s, although in 1997, the maximum level of refunded wages was changed from the level equal to unemployment benefit to the level of the minimum wage. In 1994, a further incentive was created for employers in the form of an additional refund of employment costs at the level of 150 per cent of average wages, if the unemployed person

³³ The Employment Act of 29 Dec. 1989 (*Journal of Law*, No. 75, item 446).

was employed for 6 months after finishing the programme of subsidized employment and a contract of employment of indefinite duration was concluded with him or her. Additionally, restrictions on the workforce size of employers who could organize interventions were lifted – until 1992 this was set at employers employing more than 10 persons.

From the beginning of 1990, the labour office could grant loans to start own-account work for those who were either unemployed or employees in their notice period. Loans can amount maximally to 20 average wages. This loan is amortized 50 per cent if the jobs it finances provide employment for 24 months after the loan was obtained. From 1991 it was also possible to grant loans to employers to create jobs for unemployed in their firms.

At the beginning of 1996³⁴ two policy instruments were introduced that were important for employment restructuring: active assistance to graduates from schools and reimbursement of social security contributions to employers employing the unemployed. Once the option of obtaining unemployment benefits for unemployed graduates was annulled, graduates were instead offered the options of having a practice period or continuing education. Both options provided for payment of a scholarship (and social security contributions) and work, which was connected with reimbursement of employment costs on rules analogous to subsidized employment but for a longer time (12 or 18 months). Moreover, the possibility to refund social security contributions for employed graduates sent by the labour office was created.

At the end of 1996 labour offices were given the possibility of concluding agreements with employers; the offices were obliged to cover social security contributions for the hired unemployed, to an amount not higher than three minimum wages if the unemployed was employed for 12 months, after which a contract of employment of indefinite duration was concluded with him/her.³⁵

Special programmes intended for groups of unemployed persons in a particularly difficult situation in the labour market targeted women, long-term unemployed, lone parents or families where both parents were jobless, persons out of employment as a result of liquidation of state-owned farms, school graduates,³⁶ persons released from prisons, persons released from military service and miners losing employment in hard-coal collieries. In the framework of active labour market policies, special programmes were intended mainly for groups whose unemployment had a structural character including, among others, qualification maladjustment to the demand for labour (former employees of state-owned farms, miners).

The above instruments of labour market policies constitute a significant factor facilitating take-up of work, its location and category adjusted to changes in the demand for labour. Only public works introduced in 1992 have no restructuring importance. In the absence of obligations to restructuring actions by employers, labour market policies become the main legal instrument in that area. However, the way this restructuring tool is used depends on four factors:

³⁴ Act of 22 Dec. 1995 on Amendment to the Employment Act and Countering Unemployment and Amendments to Some Other Acts, *Journal of Law*, 1996, no. 5 item 34.

³⁵ Act of 22 Dec. 1995 on Amendment to the Employment Act and Countering Unemployment and Amendments to Some Other Acts, *Journal of Law*, 1996, no. 5 item 687.

³⁶ Special problems arose from graduates' unemployment. The increase in the number of persons graduating from grammar schools at the decline in the demand for employees with general education and insufficient number of places in higher schools led to durable unemployment of young entrants only with this education. Special programmes for unemployed graduates were in a large part directed among others at this group (in a way replacing the normal course of acquiring professional qualifications). Another problem was and is related to inadequacy of the vocational preparation of graduates from vocational schools (basic, secondary and even partly higher) to the demand for labour both with reference to directions of education and quality of education. Hence the necessity to re-qualify, complement the education, train professional skills in the course of professional practice.

- 1) on resources allotted to active labour market policy
- 2) on the distribution of resources between public works and other programmes
- 3) on concrete applications, for example, on whether their use is consistent with the long-term diagnosis of changes occurring in the labour market or whether these instruments are used to satisfy immediate needs, and
- 4) on the selection of participants in a programme.

In other words, labour market policy has a relatively wide gamut of instruments but their importance for employment restructuring is shaped by decisions at the central and primarily local level.³⁷

3. Industrial relations and protection of employment and wages

3.1 Institutional changes in Polish industrial relations

The adoption in 1991 of three Acts: on trade unions, on employers' associations and on resolution of industrial disputes was pivotal in the evolution of industrial relations in Poland. Other significant legal acts regulate the negotiation of collective agreements (mainly by changes in the Labour Codes of 1994 and 1996); the functioning of the Trilateral Commission for Socio-Economic Matters, the delegating of representatives of employees to supervisory boards of treasury-owned companies, and the participation of employees in privatization

In 1998 about 250 trade unions existed in Poland, including two large confederations of trade unions: Solidarity with 1.5 million members in 17,000 enterprise organizations and the All-Polish Agreement of Trade Unions (OPZZ) affiliating 110 unions and federations with about 4 million members in 17,000 enterprise organizations. The number of unionists has been diminishing slowly (Kulpińska 1998).³⁸ In the initial reform phase, the Solidarity union played an essential role in the systemic transformation and in its patronage of the economic transformation. In 1992-1993 the support for reforms on the part of Solidarity was conditional on the consent to rebuild the lost real value of earnings. The OPZZ was less encumbered with active participation in supporting the difficult systemic reforms. For this reason, it stepped in earlier as a representative of employees' interests against the fall in real wages and against dismissals. After a great wave of strikes in 1991-1994, clearly inspired not only by economic but also by political considerations, trade unions took a more typical role in the economy. They become involved less frequently in difficult economic transformations and more often express employees' claims. At enterprise level they often cooperate with each other, whereas at the national level their political divergences and contradictory interests are revealed. At time of writing, trade unions were less actively involved than at the beginning of transformation in the creation of a framework for restructuring the economy including employment.

Outcomes of empirical research (Mokrzyzewski, 2000) show that unions act in 45 per cent of enterprises and that enterprise unions exist more often in those enterprises which offer employees worse work and pay conditions than average – three-quarters of employees of unionized enterprises demonstrate their dissatisfaction with earnings, compared with a half in enterprises in which there are no unions (Pańków, Głuch 2000).³⁹ However, unionized

³⁷ Under the territorial administration reform of 1998, competencies in the use of labour market policy devolved to local authorities.

³⁸ According to Frieske (1997) there were 2 large trade union confederations (Solidarity and OPZZ), 9 smaller national federations or confederations, 273 national trade union organizations, and about 24,000 local trade unions.

³⁹ Their research covered 202 enterprises in the following sections of the economy: food, wood and paper, chemicals, transport equipment, education, health protection and social care.

enterprises, far more frequently than non-unionized firms, had services such as organization and financing of camps for children, running enterprise and medical clinics, and maintaining employees' flats or recreation centres. Frequently, these were remnants of the socialist system which were not liquidated in the process of privatization and restructuring.

Trade unions occur in the private sector more rarely than in the public sector. If their importance declined in the course of privatization, it was rebuilt in only a few cases. No restitution of the liquidated social benefits was recorded.

There is no comprehensive information characterizing the activity of trade unions in collective bargaining and in undertaking industrial disputes concerning work and pay conditions. On the basis of research by Pańków and G¹ciarz (2000) two hypotheses can be put forward:

- 1) institutionalization of industrial relations in Poland is low, meaning that both unions and employers' organizations play a relatively small role in enterprises and
- 2) the extent of cooperation between these partners and their conciliatory orientation in resolving problems in the area of industrial relations is increasing.⁴⁰

A typical situation in enterprises was that "proper relations dominated by joint action were between trade unions and enterprises' managements". Joint action was pointed out by 81 per cent of directors, 63 per cent of union activists and 70 per cent of employees. The three main areas of joint action were wages, social problems, and working conditions. Joint action was considerably less marked in protecting employees from losing jobs and from restricting their rights, and even less so in matters of reorganization, restructuring and changes in enterprise ownership. Apparently, the field for potential conflicts were those issues related mainly to employment restructuring.

The Trilateral Commission, composed of representatives of unions, employers' organizations and the government, operates at the national level. Trade unions are represented by both the unions; employers by the Confederation of Polish Employers – an organization mainly of management cadre in the public sector and consequently not representative of employers in the private sector.⁴¹ Other organizations of private employers (e.g. the Business Center Club) do not reach such a level of representation, which would entitle them to act on behalf of all private employers (Kulpińska, 1998).

In the 1990s the remaining institutional forms of employee participation in decisions on employment, remuneration and other working conditions were effectively removed. Privatization and the so-called commercialization of public enterprises brought about the disappearance of employees' councils, which in the 1980s had shaped decisions almost on a par with directors. Although enterprises in which these councils acted employed about 1.5 million workers in 1998, the role of councils dwindled in importance (Gilejko, 1998) along with the impact of the employees' interests they represented. Economic considerations and goals moved to the fore of decision-making in enterprises (and also in those that were state-owned). Employment restructuring is unquestionably one of these goals.

⁴⁰ A total of 79 per cent of employees and 88 per cent of union activists indicated cooperation and joint action of trade union and firms' management boards; a mere 3 per cent of employees and 4 per cent of union activists pointed to conflicts.

⁴¹ There are about 1000 employer organizations, though not more than 100 are registered as organizations of employers operating under the Law on employer organization, and they affiliate over one-half of the total number of employers (Kozek, 1997).

3.2 Collective agreements

Collective agreements became a way of regulating the industrial relations in a sizeable part of the Polish economy. Collective agreements regulate employment of about 64 per cent of the workforce in state owned-enterprises, about 46 per cent of the workforce in the budgetary sphere and only 31 per cent in the private sector (taking into account hired labour only) (Kozek, 1998).

The Labour Code imposed the obligation to conclude collective agreements on firms in which an enterprise remuneration scheme⁴² (introduced obligatorily under the 1984 Act into state-owned enterprises and maintained after their privatization) was in force earlier. As table 3.1 shows, this caused a considerable increase in the number of concluded agreements. Collective agreements are concluded in 33.7 per cent of firms (Mokrzyszewski, 2000).

Table 3.1. Number of collective agreements

Year	Supra-enterprise			Enterprise		
	Collective agreements*	Additional protocols**	Total	Collective agreements*	Additional protocols**	Total
1995	6	1	7	7 343	3 632	10 975
1996	4	2	6	1 464	5 717	7 181
1997	11	1	12	882	5 580	6 462
1998	75	12	87	614	4 651	5 265
1999	18	46	64			

Notes: * Collective labour agreements concluded as new agreements.

** Supplement or change of content in earlier concluded collective agreements.

Source: Sztanderska U. and Piotrowski B., *Background Study on Labour Market and Employment in Poland*, European Training Foundation, Turin 2000, table No 7.3; materials of the Ministry for Labour and Social Policy.

A fall in the number of concluded collective agreements may be ascribed to several factors:

- increased competition, which causes reluctance on the part of management to conclude collective agreements imposing obligations to employees that are hard to fulfil
- persisting high unemployment, which restricts trade union action for wage increases
- the weakness of unions in small and medium-sized enterprises, which constitute a more and more common employer.

Some research confirms that concluding collective agreements is more frequent in firms in good financial condition (Kozek, 1999). A firm in poorer condition intensifies its employees' need to know their prospects (continuing employment, salary amount) but, in such a situation, the limitation of the firm's obligations towards employees finds a relatively easy acceptance – a tendency that occurs mainly in small and medium-sized firms. In large, privatized firms, negotiations of collective agreements are a more frequent practice. Collective agreements are concluded primarily in:

- firms still belonging to the public sector (mainly state-owned), where they constitute a formalization of the coalition of interests that exist on the management/trade unions/employees plane, and
- large private firms with institutionalized capital, in which the conclusion of an agreement legitimizes management's actions – both in relation to its employees and its owners, and where formalized wage-setting rules exist.

⁴² An enterprise remuneration scheme is an enterprise pay system established in negotiations between the social partners.

Supra-enterprise (branch, regional) negotiations and collective agreements are of comparatively small importance.⁴³ In 1998, only 10 supra-enterprise agreements were operative in industry covering such branches as mining, metallurgy, energy, or large branches of heavy industry not covered by restructuring (Kulpińska, 1998).

Studies conducted of private firms in which collective agreements are binding confirm that these agreements constitute a continuation of the older (1980s-style) wage agreements (Kozek, 1998). Although the parties have considerable freedom in shaping the contents of collective agreements, they make little use of the possibility of regulating labour relations in a more favourable way than ensues from labour law regulations (Hinz, 1998). This is in part a consequence of the 1996 amendment to the Labour Code. The new Code introduced considerably increased employee entitlements. For many enterprises, they were greater than those in existing collective agreements and than those actually applied (even if they were not regulated by collective labour agreements). Thus, the Code regulations were pre-empting the reality of the situation and consequently limited the room for new agreements to be concluded. Some studies considered that the dominance of statutory law persists in the practice of collective agreements, i.e. collective agreements to a small degree go beyond the regulations ensuing from the Labour Code. Additionally, the content of many agreements is focused exclusively on the shaping of wages and, in a vast majority of others is dominated by these problems (Wratny, 1998).

On the strength of law, collective agreements cannot introduce regulations less favourable for employees than those of the Labour Code. In spite of this, some studies demonstrate the incidence of solutions inconsistent with labour law (Kotowska, 1997). Usually, however, the agreement regulations ensured more favourable terms of pay for work than that of the general regulations of the law. In the main, collective agreement regulations covered:

- durable specification of minimum wages higher than the minimum wages binding in the entire economy
- introduction of a steady, inflationary indexation of wages
- introduction of seniority pay favourable for employees
- increased extra pay for work on night shift, and for work in arduous and noxious conditions
- higher sickness payment (over 80 per cent of the wages for worked time)
- introduction of severance pay higher than that required by the Labour Code
- introduction of special payments and bonuses, which the employer is not obliged to pay by law (e.g. holidays or leave).

It is common practice that agreements regulate the lowest remuneration rates in a given grading category and that the employer retains freedom to set wages higher than the wages guaranteed in the collective agreement. Extra pay for longer service became widespread, occurring in two-thirds of collective labour agreements examined (Kotowska, 1997). Thus, extra incentives to stabilize employment were created. And, incentives encouraging employees to leave work were also created (severance pay, as mentioned above, and regulations leading to wage growth in the period directly preceding retirement).

Regulations stabilizing employment dominated in the rules of hiring and dismissal, for example, in:

⁴³ This is attributed to the perception of negotiations leading to the conclusion of collective agreements as a factor burdening the economy with increased labour costs, and the unwillingness of successive administrations engaged in modernizing the economy to create a viable negotiation platform.

- obliging the employer to conclude employment contracts for an unspecified period of time and permitting other types of contracts only as exceptions, in particular, the restriction of the right to conclude fixed-term and civil law contracts of employment
- introducing financial compensation for a wrongful termination of a contract of employment
- increasing the number of days off for job-search during the notice period
- the duty of individual consultations of intended dismissal
- prohibiting dismissal in certain specified circumstances
- giving preference to own employees in filling new jobs, over external applicants
- preference in hiring employees previously dismissed (for reasons on the employer side) over other applicants and
- obliging employers to train employees threatened with dismissal, so that they can perform new jobs (Wratny, 1997).

These regulations raised the provisions in enterprise collective agreement above the level set by law. However, the provisions listed above did not occur in most of the collective agreements.⁴⁴ Hiring and dismissal regulations were rarely the subject of collective agreements and, when they were, collective agreements simply reiterated the solutions commonly binding under the Labour Code.

In the following years, collective agreements were supplemented with annexes (additional protocols) mainly devoted to increasing the basic wage rates. An analysis of binding remuneration schemes shows that the lowest pay rate for each category of employees set in the collective agreements is characterized by low differentials and does not correspond to the actual wage proportions in enterprise (Rychowski, 1999). Such solutions provide employers with the latitude to set the structure of remuneration. Because the share of the private sector in total employment is simultaneously increasing and the role of trade unions is relatively weak, this point of view dominates in the collective agreements being concluded.

Managers and unionists

Studies on particular collective agreements and the collective bargaining preceding them – despite a relatively weak organization of employers – do not confirm the dominance of employee interests. The scale of concessions by both parties in the course of negotiations did not differ much. Why? The reason is that the collective agreements analysed were concluded at the level of single firms, where the strength of employers was fortified by the consolidation and professionalism of their management cadre and their access to knowledge on the functioning of the enterprise.

At the supra-enterprise level, lack of sufficient organization on the part of employers would impede the establishment of balanced powers in bargaining. Indeed, such (supra-enterprise) agreements were few in number. Concessions made by unions in the course of negotiations were most often related to resignation from precise specification of rulebooks of wages and bonuses. Concessions on the part of employers consisted in ensuring higher social entitlements than those guaranteed by the Labour Code. As a result, the functioning wage systems accentuated efficiency-related elements more strongly than initially postulated by the union. Trade unions put more emphasis on remunerations dependent on formal qualifications, length of service and on changes in living costs (Kozek, 1998). Managers and unionists do not support differentiation in wage rates depending on the supply of labour. Unionists largely reject such dependence (Widera, 1998). Higher remunerations for employees sought after in the labour market are set outside the collective agreements.

⁴⁴ There is no information on how common these provisions are in the practice of collective agreements.

Aiming to build prestige, trade unions accentuated in negotiations those social rights that ensured a special social status to employees. Much weight was attached to regaining the rights lost in the crisis years of 1989-1992. The most frequent employee entitlements which were guaranteed in the newly concluded collective agreements were concerned with a shorter working week, additional days off, higher levels of sickness benefits, compensations for occupational accidents, pay for night work, pensions severance (one-time payments after retiring) and jubilee payments. Reinstatement of former employees when an employer increased employment was also negotiated.

Social and wage provisions more favourable than the minimal standards most often occurred in firms in which human capital played a large role (Kozek, 1998). Additional employee entitlements appeared primarily in firms where a stable and professionally well-prepared workforce was of essential importance for enterprise function and efficiency. In the case of firms basing on employees' high educational qualifications and sound, specialized preparation, yet undergoing financial difficulties that did not allow them to compete with high wages, then remuneration rules were set which sustained the employees at the firm's disposal but allowed them to obtain additional earnings from other sources. Even in firms where the workforce was easily replaceable, favourable provisions were made for automatic re-grading in the case of long, fault-free work. The intention to retain a stable pool of worthy employees was clear in the provisions of the agreements.

The key issues for employment restructuring in Poland are flexibility and the sound preparation of employees within the state sector and large private firms for changes in employment. The role of collective agreements in these firms is greater than in small private firms. Although the conclusion of agreements in the course of privatization was often preceded by stormy negotiations, on the whole this did not lead to industrial dispute (with two exceptions: privatization of Porcelana in Wałbrzych and the Warszawa Steelworks). Most agreements concluded in the privatization process incorporated clauses concerning the obligatory maintenance of employment in firms, frequently for several years. Mass dismissals since 1998 result in part from the expiry of this period of obligatory maintenance by firms of their employment levels after privatization. At the same time, new sectors (including chiefly mining) are entering the phase of employment restructuring.

3.3 Privatization-related social agreements

Privatization was an essential step towards firms' restructuring and measures to ensure employees' support for privatization intentions were provided for in Polish law.

In the case of sale of enterprises, they were mainly a free transfer of part of shares to employees and incorporation into the privatization agreements of clauses in which definite work terms and conditions after privatization were guaranteed to employees. An evaluation (Mokrzyszewski, 2000) of the course of industrial disputes and strike actions reveals that (often under the pretext of wage demands, or other legally admissible demands), there was a fight for a particular way of privatizing a given enterprise and for the new employer to ensure social security to employees. The conclusion of social agreements in the course of privatization was fairly common. The Package of Social Obligations was signed in 73 per cent of those state-owned enterprises privatized between 1993 and 1998 (in the wood, food, car industries, construction and, in one case - a health service unit).

Guarantees concerning the maintenance of the pre-privatization employment level came to the fore among these clauses. For instance, in 1997 each social package concluded under a privatization procedure incorporated a stipulation pertaining to the employment guarantee. Wage rise was negotiated only in 15 per cent of cases (Bednarski, 2000a). Usually, the guarantee of stability of employment was for 3 or more years (Towalski, 2000) although union demands were often higher and, in one case surveyed by the Institute of Labour,

amounted to 45 years (Bednarski, 2000b). The clauses concerning maintenance of the pre-privatization employment level were among those most conscientiously fulfilled by the employers – even when the firm purchased by them was experiencing difficulties.

Fear of dismissal was strong and markedly affected people's evaluation of their work. For this reason, adherence to the agreements concerning maintenance of employment levels constituted a basic condition for employee peace. Sometimes these agreements included unavoidable (but not extensive) dismissals, on condition that dismissed workers received considerable severance pay and extra payments to pre-retirement benefits paid out from Labour Fund resources.

Likewise, considerable weight was attached to wage-setting and the clauses incorporated on the occasion of privatization most often guaranteed lump-sum payments. Employers treated these payments as a supplementary charge on the purchase price of the enterprise. Further, a wage rise ranging from 5 per cent to 35 per cent was ensured. More rarely, an agreement was reached on a durable real wage growth (but such guarantees were included in about 45 per cent of the social packages). If a firm had economic difficulties, the part of the obligation pertaining to wage increases was not fulfilled and, usually, unions did not object strongly in such a situation (Bednarski, 2000b). It may be concluded as easier for the unions to reconcile with wage reduction than with employment reduction in economically challenged privatized firms.

The clauses concerning compliance of working conditions with occupational health and safety norms did not often cause disputes, and were confined to compliance with the Polish law. It should be mentioned that on accession to the European Union, the current norms will prove insufficient in many cases.

Privatization-related packages also contained provisions concerning social obligations: social fund write-offs increased above the legally required minimum; assurance of medical care; the sale of factory-owned flats at a relatively low price to enterprise employees; and the maintenance of various employee social facilities (culture houses, holiday and recreation centres, etc.).

Privatization, in sum, meant a rational evaluation of employment – but if it led to the premise that employment should be reduced, then the concluded agreements delayed such a therapy.

3.4 Industrial disputes

In the 1990s, industrial disputes underwent an evolution. Although wages were the main subject of disputes, change was in the air. According to the Chairman of the Polish Association of Mediators, the union initially fought for the maintenance of wage privileges from the period preceding the introduction of the market economy (Kloc, 1999). These could entail privileges both on the scale of one employer (firm) and on the scale of a branch or trade. In the following years, disputes undertook to lift the restrictions on wage growth caused by the tax on wage increases over and above the norm. This tax was a significant element of the (Balcerowicz) stabilization programme introduced in 1990. After 1991, the tax continued only in the sector of state-owned enterprises, where it caused conflict. In the latter half of the 1990s, the fight for wage growth succeeded in gaining the wage growth index set by the Trilateral Commission as a reference point. This index was treated as a minimal wage rise, demanded by the unions in the sector of publicly owned enterprises. It also constituted the upper limit to wage growth accepted by employers in the sector of privatized firms.

Table 3.2. Causes of industrial disputes in social surveys*

Causes	1997	1998
Wage issues	%	%
- according to union leaders	78 .8	77 .0
- according to employees	89 .2	84 .5
- according to firms' management boards	78 .6	64 .0
Employment reductions		
- according to union leaders	26 .9	25 .3
- according to employees	33 .4	35 .4
- according to firms' management boards	17 .9	24 .0
Privatization of the enterprise		
- according to union leaders	28 .8	23 .0
- according to employees	20 .2	17 .6
- according to firms' management boards	21 .4	24 .0
Restrictions on social services		
- according to union leaders	19 .2	26 .4
- according to employees	20 .1	20 .4
- according to firms' management boards	7 .1	8 .0

Note: * Assessments of the real causes of industrial disputes, as formulated by the social partners (regardless of official causes mentioned in industrial dispute records).

Source: Towalski, p. 4.

The unions initially strove to restrict dismissals. Later, they consented to employment reductions in understanding of the need for restructuring, especially when firms lacked resources for remuneration or were threatened with bankruptcy. Mass dismissals at the beginning of transformation were possible – to a large extent – because of general support for essential economic reforms. The facilitating factor was that the dismissals at that time covered groups relatively less firmly "anchored" in enterprises – the strongest reductions affected young persons with a short duration of employment and the oldest workers, who could obtain pension benefits relatively easily (including early-retirement pensions). However, after the first wave of redundancies (about 1993), an acceptance of dismissals declined and the union began to strive for maintaining employment levels. Such an attitude could fail to reveal itself in the concluding of collective agreements in the newly privatized enterprises, since the earlier packages of privatization-related agreements guaranteeing employment maintenance over a period of years were still binding in many of these enterprises. The collective agreements signed in privatized enterprises "did not have to" be concerned with employment protection.

Table 3.3 Causes* of industrial disputes registered in Ministry for Labour and Social Policy in 1997

Subject of dispute – wages	
Wage growth	45
Payment of bonuses, awards and additional payments	11
Changes in the enterprise remuneration fund	5
Payment of overdue remunerations	2
Subject of dispute – working conditions	
Disputes about the conclusion or implementation of an enterprise or branch collective agreement	12
Disputes about protection of employment	5
Conditions of work safety and hygiene	2
Others: organization of working time, medical examination in working time, purchase of equipment	
Subject of dispute – social benefits	
Payment of benefits from the enterprise social fund	2
Manner of distribution of the enterprise social fund	1
Subject of dispute – rights and freedoms of unions	
Observance of union entitlements	5
Cooperation between unions and employer	2

Note: * These are the official causes stated in industrial dispute records.

Source: Industrial Disputes with the Participation of Mediators from the List of the Ministry for Labour and Social Policy, in: *Polityka Społeczna* no.2, 1999, p. 42.

Surveys on the reasons for collective disputes in the years 1997-1998 show that they arose from wage-related conflicts two and a half times as often as from conflicts related to employment reduction, as Table 3.2 shows. However, it is necessary to bear in mind that the conflicts accompanying privatization often comprised employment issues. Disputes concerning employment were more important for the employees than for the union activists representing them, and for the management boards. In engaging in a dispute (including strikes), employees put more stress on protection of employment (by 25 per cent-40 per cent) than the trade unions did. It can be expected that if union activists were more dependent on the employees, the employment problems would have been more conspicuous in the disputes and in the concluded collective agreements. Employees' wage interests were, although less conspicuously, underrepresented.

As Table 3.3 shows, the registers of industrial disputes of the Ministry for Labour and Social Policy do not change the picture of the reasons for conflicts in enterprises. As a complete register of the contents of collective agreements is not run in Poland, it cannot be said whether and to what degree they pertained to the problems of employment reduction. However, it can be gathered indirectly that about a third of the agreements concluded in the aftermath of a dispute had provisions concerning restrictions on dismissals, or specifying the terms of these dismissals.

3.5 Strikes

Strikes were excluded as a way of running political disputes. Nevertheless, their politicization is still playing a certain role, mainly in strike action in public firms, or else directed against government policy. Strike initiative, however, has its source in the similar difficulties occurring in many enterprises – a drop in governmental orders, which previously guaranteed the firms' operation (enterprises in the armaments sector) or a reduction in subsidies (mining, metallurgy, railways, health sectors).

Strike action was comparatively common in Poland (Table 3.4 gives a breakdown of information on strikes between 1990-1998). According to directors and unionists, about a third of firms were covered by strike alert at some time in the 1990s and ultimately strikes occurred in a fifth of the enterprises analysed by Pańków and Głuch (2000). According to

employees, union activists and directors under survey, issues concerned with pay for work were almost the exclusive reason for strike action.

In 1992-1993, the number of strikes reached their highest level, at about 6,300-7,400. In the peak year (1992) every twelfth employee took part in strikes. Strikes in the first half of the 1990s were related to a mass protest against incurring the high costs of systemic reforms. Studies on strike action in 1990-1993 point to the following reasons: (1) the fight for wage rises, (2) strikes against restructuring plans or privatization and (3) dissatisfaction with the firm's management (Kloc, 1997).⁴⁵ In the same period, real net wages had declined by 28.8 per cent (Sztanderska and Piotrowski, 2000).

The economic growth from 1992 onwards, and the growth in employment and real wages after 1994, were conducive to extinguishing the strike mood. The slackening of the dynamics of industrial restructuring produced the same effect (in 1994-1996, the arrears in tax and in social security contributions were reduced more slowly or were amortized). In the latter half of the decade, the number of strikes remained small, the number of their participants and the number of lost working hours because of strikes tended to dwindle.⁴⁶

Table 3.4. Strike action in Poland, 1990–1999

Information on strikes	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Number of strikes	250	305	6351	7443	429	42	21	35	37	874
Employees taking part in strikes										
- in thousands of persons	115.7	221.5	752.5	383.2	211.4	18.1	44.3	14.2	16.9	26.2
- as percentage of total employment	1.1	2.2	8.0	4.2	2.2	0.2	0.4	0.1	0.2	
- as percentage of workforce in units where strikes occurred	29.7	41.4	43.4	55.2	29.3	37.6	63.8	42.4	25.2	43.4
Of which manual workers										
- in thousands of persons	98.2	172.5	475.3	79.2	169.4	13.4	38.6	11.1	14.4	
- as percentage of workforce in units where strikes occurred	32.6	43.8	41.4	39.1	31.7	37.4	74.4	48.9	27.6	
Number of strike-caused unworked working days in thousands	159.0	517.6	2 360.4	580.4	561.8	56.3	75.0	27.8	42.7	
Of which by manual workers in thousands	141.3	423.1	1 784.9	112.1	471.7	44.3	67.5	25.9	36.8	
Number of strike-caused unworked working days in units where strikes occurred	0.41	0.97	1.36	0.84	0.78	1.17	1.08	0.83	0.64	

Source: *Statistical Yearbook of Labour 1995*, table 7(80), p. 95, *Statistical Yearbook of Labour 1999*, table 6(83), Central Statistical Office, 2000 pp. 42-43.

Strike pressure lessened considerably – probably in part because special packages of solutions facilitating employment reduction were prepared for some of the industries undergoing restructuring. The largest resources were earmarked for implementing the Mining Social Package; its first version was implemented from 1993 until mid-1998, followed by its second version. The departure from the mining industry of 38,200 persons (70 per cent of

⁴⁵ In the 1980s, employees of state-owned enterprises had a strong influence on appointing and recalling the managing director. Strikes aimed at changing the board of directors constituted a way of retaining these entitlements. To a degree, the fight for replacing the director by means of a strike was also a political fight against the elites of the preceding system.

⁴⁶ In 1999 strike action (and political protests organized by trade unions) intensified but full statistical information for this year is not available. From information available, the strikes covered many small public sector units in health protection and education. For this reason, the number of strikes rose considerably but the number of strike participants rose much less.

whom left in the period of its second version) is ascribed to the influence of the Mining Social Package (Sobulowa, Tausz 2000). The Mining Social Package offered persons who worked in mining for at least 5 years and decided to leave work in collieries incomparably more favourable solutions – in the form of mining leaves⁴⁷ given for a period of up to 5 years, i.e. until reaching a mining pension, lump severance pay and social benefits.⁴⁸ These resources were connected with increased funds allocated for the creation of active labour market programmes – partly by labour offices and partly under special programmes with the participation of non-governmental institutions.

3.6 Summing up

After 1989, group dismissals affected less than 10 per cent of the enterprises analysed (over 17 per cent of enterprises in the auto and chemical industries). A total of 77.7 per cent of group dismissals were in 1989-1992 and only 12.3 per cent in 1993-1999 (Mokrzyszewski, 2000). The importance of industrial disputes and strike action was diminishing in the changing conditions after the transformation-related recession finished. Confrontation in industrial relations was becoming viewed as an obstacle, to be gradually replaced by cooperation. The source of these changes no doubt was the changing economic situation, including the situation on the labour market.

Institutional changes appear to be another significant cause of this evolution. First, the importance of trade unions declined. Their role in the early transition period was in a large measure political, their means of combat were more often used for building the new system than for representing the interests of the employees in relation to the employer or its board of management. Actions in defence of employee rights, if they took place, were mainly in the public sector and against the government (and its agencies), not against the direct employer. The legacy of the past – the experience of joint combat against political authority in the pre-transformation period may have been a contributing factor. The decline in the importance of the unions may also have resulted from the de-concentration of industry and the collapse of large enterprises in which the role of trade unions was traditionally greater. In addition, is the factor of the growth of the private sector. Second, employers were weakly organized with a clear-cut tendency towards solving conflicts within their own territory, in the firm. This was especially true of small firms, whose numbers mushroomed.

The content of the agreements arising in the course of the privatization of state-owned enterprise was dominated by protection of employment, whereas wage problems became prominent in collective agreements. It can be surmised that employees attached more weight to negotiation at the employment level prior to an essential restructuring of the enterprises and only then did their bias move towards wages increases. On the other hand, those segments of the economy which have not been restructured demanded wage growth more often, in spite of the unavoidability of their restructuring (e.g. the armaments sector; railways).

In the aftermath of collective agreements and strikes, a totally marginal treatment was given in collective agreements to the issue of employment prospects of those persons bound to dismissal for purposes of necessary reduction. The tendency was more towards protection of employment rather than assistance in a future situation where protection will not be possible. Only in isolated instances, were employers obliged to train employees threatened with dismissal, to increase the level of severance paid or to increase the number of days off for job-search, or to guarantee dismissed workers precedence in new hires when the firm will be increasing its employment. Generally, the role of collective agreements in shaping the

⁴⁷ During leave, miners retain all workers' rights (included benefits paid out of company profit) and are eligible for a compensation of 75 per cent of regular leave pay.

⁴⁸ Mining leaves and compensation are provided for both group and individual dismissals.

conditions of employment restructuring was not large⁴⁹ and most obligations followed the labour law.

4. Labour market and social policies: Employment and income protection and employment promotion

The focus of this section of the report is on forms of employment and income protection and employment promotion, in particular on those connected with labour market policy and social policy.

4.1 Employment protection

The transformation of the Polish economy into a market economy entails the necessity of structural change. The processes of labour force reallocation between sectors, industries and enterprises are indispensable to making the economy more efficient and competitive. This reallocation ties in with the processes of dismissals and unemployment, which are affecting numerous groups of employees. For this reason the pressure to protect employment seems understandable, although it may well hamper restructuring processes.

Different forms of employment protection can be distinguished. Those related to dismissals and collective agreements are discussed in sections 2 and 3. The present section will concentrate on the importance of public aid for enterprises and on shorter working time.

Public aid

Public aid consists in endowing economic units with any aid coming from public resources given by the State in the form of: subsidies or tax reductions; additional capital given to enterprises; and loans or credits available to entrepreneurs on terms more favourable than normal ones. Public aid can also consist of special arrangements such as desistance from setting and collecting, remission of, deferment of or arrangement of instalment payments of public dues, especially taxes and social insurance contributions; and the sale of public property to enterprises on favourable terms.

Table 4.1 Object and subject subsidies of the state budget in 1991-1998

	1991	1992	1993	1994	1995	1996	1997	1998
Subsidies in current prices (PLZ million)	1472.7	1063.0	1360.1	1693.9	2255.0	2018.5	2184.7	1934.4
Dynamics of subsidies (constant prices*) (1991=100)	100.0	58.6	56.6	53.9	57.1	45.1	43.7	36.1
Share of subsidies in total budgetary expenditures (in %)	6.1	2.8	2.7	2.4	2.5	1.8	1.7	1.4

Notes: Object subsidies cover, among others, subsidies to foodstuffs, calcareous fertilizers, hard coal (until 1992), passenger cars sold under the pre-payment system and passenger transport. Subject subsidies cover inter alia subsidies to restructuring of industry, maintenance and repairs of the railway infrastructure, restructuring of enterprises' indebtedness in respect to social security.

* deflated by PPI.

Source: Statistical Yearbooks, CSO, editions of 1992-1999; authors' calculations.

⁴⁹ To a certain degree this fact is confirmed by the low awareness of the existence of collective agreements. Analysis showed that only 18.1 per cent of employees were aware of the conclusion of the agreement, 42.6 per cent of union activists and 33.7 per cent of management/directors of boards. Thus, the collective agreement cannot be considered a major category in the awareness of actors in industrial relations. In addition, it is only rarely that collective agreements are concluded in private firms (Pańków and G¹ciarz 2000).

Analysis of the data in Table 4.1 shows that the level of subsidies from the state budget fell markedly between 1991 and 1998. The share of subject and object subsidies in budgetary expenditures also showed a declining trend (from 6.1 per cent in 1991 to 1.4 per cent in 1998). The share of subsidies in budgetary spending declined most in 1992 (by as much as 3.3 percentage points), because of budgetary difficulties. Between 1992 and 1995, a certain stabilization occurred in the level of subsidies, then took a further drop in the following years.

Table 4.2 provides information on the largest debtors to the state budget and on the amounts of aid allotted to them, which at the end of 1997 totalled PLZ 2,771.9 million. At the same time, these firms owed to the state budget PLZ 2,836.4 million, mainly in unpaid taxes and social security contributions. In effect, these firms had received double "aid" from the State amounting to PLZ 5,608.3 million. Data in Table 4.2 also show that state aid was directed to certain areas: of the 19 recipients, 7 are coal companies and 3 are smelting works – hardly firms with wide development prospects in view of the falling coal prices in world markets. Employment in these firms was maintained chiefly because of subsidies from the state budget and inconsistency in exacting budgetary dues.

Table 4.2. Largest debtors to the state budget and state aid received, as of end of 1997

Firm	Debt to budget (PLZ million)	State aid (PLZ million)
Bytom Coal Company	462.6	387.3
Rybnik Coal Company	402.0	123.6
Gliwice Coal Company	329.5	161.7
Katowice Coal Holding	308.0	258.7
Vistula Coal Company	304.5	418.8
Ruda Coal Company	234.5	136.4
Polish Oil Mining and Gas Engineering	230.7	171.2
Ursus Tractor Works	195.5	380.2
Jastrzê bie Coal Company	78.4	422.1
PrzyjaŹñ Coke Works - D ¹ browa Górnicza	61.6	3.1
Bobrek Smelting Works in Bytom	54.0	2.7
Stalowa Wola Smelting Works S.A.	32.4	185.2
Pronit Plastics Works	27.5	4.6
Transport Equipment Plant - Œwidnik	24.3	24.4
Batory Smelting Works S.A.	23.1	3.0
Transport Equipment Plant - Mielec	22.6	71.4
Radom Telephone Plant	20.1	2.0
ERG Plastics Enterprise	13.2	16.0
Radom Heat and Power Generating Plant	11.7	0.3
Total	2836.4	2771.9

Source: M. Bednarski (2000), Dilemmas of Industrial Policy in Poland in the Period of Transformation, in: Social Aspects of Systemic Transformation in Poland, Warsaw: UW, p. 48.

Any public aid should be used with caution. Although subject and object subsidies play an important part in employment protection, their application raises a number of doubts. They not only harm the health of the budget; they introduce an inequality of the units in the market and impede enterprise initiative and efforts to improve efficiency.

Table 4.3 shows the results of state aid to enterprises employing disabled persons. From 1994 to 1998, state expenditure on creation of jobs for this group rose and so did the number of jobs created for them. A rising tendency was observed in loans to disabled persons for commencing economic activity and in remissions of loans. The support for training courses for disabled persons did not show such a uniformly positive tendency, although a relatively high number of persons (5,000) had been trained at the end of 1998.

Table 4.3 State support for employment of disabled persons, 1994-1999

Year	Creation of jobs			Reimbursement of wages and social security contributions (PLZ thousands)	Loans for undertaking an economic activity		Amortization of loans (PLZ thousands)	Training and re-training	
	Expenditure (PLZ thousands)	Number of created jobs	Number of employed persons		Amount of loans awarded (PLZ thousands)	Number of loans		Expenditure (PLZ thousands)	Number of trained persons
1994	98 632	10 057	9 269	110 398	4 000	434	522	1 043	2 339
1995	91 952	9 863	10 945	74 747	13 837	1 181	3 512	476	1 287
1996	266 715	17 767	20 430	112 965	25 570	1 543	2 481	666	1 014
1997	219 837	13 582	15 943	183 729	26 426	1 386	2 915	665	899
1998	253 620	15 063	15 928	152 759	27 241	1 354	8 831	4 201	5 194

Source: Analysis of the Situation in the Labour Market and Efficiency of Hitherto Actions towards its Improvement (2000) Ministry of Labour and Social Policy, typescript.

Shorter working-time

Another form of employment protection is shorter working-time, which does not result in more jobs but can contribute to increasing or maintaining the number of employed persons. Employees would often prefer to work longer hours but cannot, owing to the employer's solution of restricting labour costs. Shorter working-time avoids the high costs of employee turnover/rotation (costs of dismissals, costs of hiring and costs of training). Similarly, employees are sent on compulsory leave or are employed on a part-time basis in order to restrict labour costs. The phenomenon of compulsory leave is well-known in Polish enterprises of the 1990s, although it cannot be quantified owing to lack of statistical data.

Information on part-time work is somewhat fuller. Table 4.4 shows data on the number of persons working part-time for reasons connected with employers' decisions. From 1992 to 1998, this group accounted for about 1.3-2 per cent of the total working population, or between 200,000 and 300,000 workers. Although the scale of this phenomenon is comparatively small, it is worth noting that those working shorter hours accounted for 12-18 per cent of all part-time employees. On present indications, the number of employees working shorter hours at the employer's behest will increase in the future.

Table 4.4 Number of persons working shorter hours for economic reasons* in Poland, 1992-1998 (thousands)

	1992	1993	1994	1995	1996	1997	1998
Working part-time for economic reasons,** in thousands	240	295	259	254	243	198	255
Share in the pool of part-time workers (in %)	14.8	18.7	17.4	16.3	15.1	12.8	16.0

Notes: *Economic reasons include: reasons connected with the enterprise (e.g. lay-offs, standstills, compulsory leaves), loss of (full-time) employment, commencement of work (in a new place of work), impossibility of obtaining a full-time job.

**as of end November.

Source: Monitoring of the Labour Market. Quarterly Information on the Labour Market, CSO, Warsaw, 29 April 1999; Labour Force Survey in Poland February 1998 and Statistical Yearbooks, CSO edition of 1995-1999 and Statistical Yearbook 1999, CSO, Warsaw, 1999; authors' calculations.

4.2 Income protection

This subsection deals with income protection related only to job loss and difficulties in finding or maintaining a job, namely:

- early retirement,
- pre-retirement benefits and pre-retirement pay,
- unemployment benefits,
- supplementary hardship benefits.

Early retirement

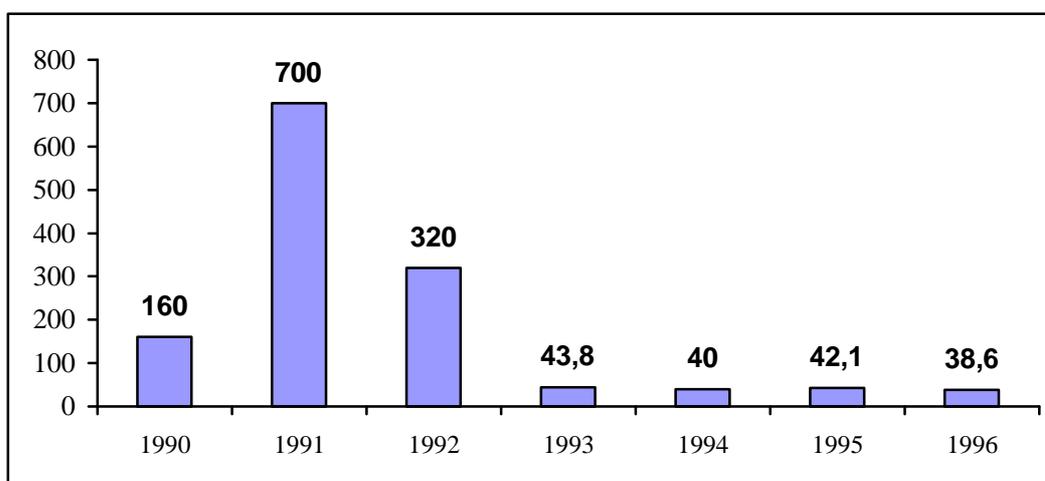
Although early retirement schemes are aimed primarily at restricting the supply of labour and, thereby, also unemployment, they also incorporate an element of income protection. Those who take advantage of these schemes are mainly persons losing jobs or threatened with job loss, who can count on unemployment benefits. As the latter are lower than pensions, early retirement schemes are a form of income protection for persons in the pre-retirement age.

Such schemes played a significant role in the early years of transformation, although it should be admitted that they had been already applied pre-transition in the 1980s. As a result of the Retirement Act of 1982, the retirement age was in fact reduced for most employees (the

statutory age in Poland is 60 years for women and 65 years for men). In 1984, earlier pensions accounted for almost 75 per cent of all pensions awarded for the first time (Muszalski, 1992, p. 27). Similar tendencies occurred after 1990, especially in the early years of transformation. The directives of the Council of Ministers of 1989 and 1990 allowed earlier retirement to women aged 55 and with 30 years of service. Furthermore, earlier retirement was available to women with service of 35 years and men with service of 40 years, if they were made redundant for reasons connected with the employer (Czepulis-Rutkowska 1995, p. 115).

Favourable changes were also introduced in the level of old-age pensions. The replacement rate being a ratio of an average pension to an average wage rose from 53.3 per cent to 74.1 per cent in 1989-1995 (Rutkowski 1998, p. 14). These factors caused a strong growth in the first years of the transformation period in the number of persons who early-retired. In 1989, 158,000 new old-age pensions and disability pensions were awarded and in 1990, as Figure 4.1 shows, their number rose to 333,000 – including 160,000 early-retirement pensions (thus the share of early-retirements in the total number of new old-age pensions and pensions amounted to 49.6 per cent). Indices of the share of early-retirement pensions were 76.7 per cent in 1991 and 63.8 per cent in 1992 (see Kryńska, Kwiatkowski, Zarychta 1998, p.141). The above trends in the number of earlier pensions meant an improvement in the protection of incomes of persons in pre-retirement age. On the other hand, they considerably burdened the Social Security Fund. The pension system dependency, i.e. the ratio between the number of old-age pensioners and retirees and the number of working persons deteriorated considerably (it rose from around 43 per cent in 1990 to 55.3 per cent in 1992 and to 59.2 per cent in 1995).

Figure 4.1 Number of early-retirement pensions in Poland, 1990-1996 (thousands)



Source: Statistical Yearbook 1997, CSO, Warsaw, 1997, p. 137 and H. Zarychta, A Passive Labour Market Policy in Poland in 1990-1996, in: E. Kryńska, E. Kwiatkowski, H. Zarychta, The State's Policy on Labour Market in Poland in 1990-1996, IPiSS, Warsaw, 1998, p. 141.

As Figure 4.1 also shows, the accelerated increase in the number of early retirements in 1990-1992 (over 1,180,000 persons) decelerated in the subsequent years of transformation because of two factors. First, the number of persons dismissed in group redundancies, who had special entitlements to retire earlier, decreased. While in 1992 group dismissals constituted 24.1 per cent of all unemployed, in the following years the index levels were 19 per cent in 1993, 14 per cent in 1994, 9.8 per cent in 1995, 8.5 per cent in 1996 and 6.8 per cent in 1997. Second, the number of unemployed showed a tendency to fall. While the number of registered unemployed amounted to 2,889,600 persons (an unemployment rate of

16.4 per cent) at the end 1993, in the following years these indices fell, reaching the level of 1,826,400 persons and 10.3 per cent at the end of 1997.

The early-retirement system of 1990 continued until 1997 when, resulting from a directive of the Council of Ministers of 25 March 1997, employees could take advantage of pre-retirement benefit or pre-retirement pay instead of early-retirement pensions.

The pre-retirement pay scheme is not exactly new. The 1991 act already provided for pay of this kind, which consisted in extending the period of receiving unemployment benefit until the time of coming into pension entitlements. Two groups could take advantage of this form of income protection:

- unemployed persons who were not more than 2 years short of retirement age,
- those dismissed under group redundancies: for women, at over age 55 and over age 60 for men (Kryńska, Kwiatkowski, Zarychta 1998, p. 145).

The 1996 act also provided for pre-retirement pay for some unemployed persons by length-of-service entitlement of 35 years for men and 30 years for women – or 30 and 25 years respectively, if employed in arduous work. The level of pay amounted to 80 per cent of the amount of pension, but could not be lower than the level of pre-retirement benefit.

Three groups of persons are eligible for pre-retirement pay: (1) women aged 58 and men aged 63, (2) women aged 55 and men aged 60 with service entitling them to pension who were made redundant for reasons connected with the employer and (3) women with service of 35 years and men with service of 40 years who were dismissed in the same mode as in (2) (cf. Kryńska, Kwiatkowski, Zarychta 1998, p. 145).

Table 4.5 Number of paid pre-retirement pay and pre-retirement benefits and spending on pre-retirement pay and benefits in Poland, 1998-1999

	1 st quart 1998	2 nd quart 1998	3 rd quart 1998	4 th quart 1998	1 st quart 1999	2 nd quart 1999	3 rd quart 1999	4 th quart 1999
Number of pre-retirement payments (in thousands of persons)	5	5	6	10	19	29	48	80
Ratio of number of pre-retirement payments to number of unemployed (in %)	0.27	0.29	0.36	0.55	0.87	1.40	2.20	3.40
Expenditure on pre-retirement pay (in millions of PLZ)	2.2	2.6	3.5	6.7	12.6	21.1	38.2	72.1
Number of pre-retirement benefits (in thousands of persons)	309	325	338	336	405	434	488	530
Ratio of number of pre-retirement benefits to number of unemployed (in %)	16.74	19.25	20.15	19.99	18.66	20.96	22.40	22.55
Expenditure on pre-retirement benefits (in millions of PLZ)	145	158	173	195	208	233	267	307

Source: Centre for Strategic Studies data; authors' calculations.

Another form of protecting the older person's income is the pre-retirement benefit introduced by the 1996 act. These benefits are available to the unemployed with entitlements to unemployment benefits if their service amounts to at least 30 years in the case of women and 35 years for men. The level of this benefit is 120 per cent of the amount of unemployment benefit and, in regions with high structural unemployment, 160 per cent. However, pre-

retirement benefit cannot be higher than 90 per cent of the monthly wages earned by the recipient in the last year of employment.

In January 1998, changes in early retirement were introduced, resulting in a steep increase in the number of persons on pre-retirement benefit and pre-retirement pay, with a consequent increase in state expenditure. Table 4.5 shows that although the number of persons receiving pre-retirement pay was escalating at a fast pace (especially in 1998-1999), the number of persons taking pre-retirement benefits considerably exceeded the number of persons on pre-retirement pay. The significant role that pre-retirement benefit and pay play in the protection of incomes of older persons is demonstrated by the high index of ratio between the number of persons taking advantage of these schemes and the number of unemployed, which amounted to nearly 26 per cent at the end of 1999 (table 4.5). In other words, the number of unemployed would be 26 per cent higher if there were no pre-retirement benefits and pre-retirement pay. Moreover, incomes of this group were protected better than incomes of the unemployed.

Unemployment benefits

This section outlines the part unemployment benefits play as a form of income protection for persons not in employment. Table 4.6 provides the basic statistical data in this area. (For a detailed look at the rules for unemployment benefit in the Polish system, see Section 2.5 of this report).

Table 4.6 Unemployment benefits in Poland, 1990-1999

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Expenditure for benefits (constant prices of 1990)	189.1	654.7	808.9	812.5	740.3	963.4	960.8	631.6	276.9	303.9
Share of gross expenditure in expenditures of Labour Fund (in %)	61.4	92.2	94.8	88.3	85.3	88.5	90.4	80.6	65.6	71.8
Ratio of number of benefit recipients to total number of unemployed (in %)	79.2	79.0	52.3	48.2	50.2	58.9	51.8	30.5	22.9	23.6
Ratio of benefit to:										
- average wage	19.6	34.2	37.9	36.0	37.0	36.7	33.4	32.0	30.3	23.7
- minimum wage	81.2	118.2	82.4	82.3	82.3	84.6	78.8	75.5	58.2	60.6

Source: National Labour Office data, authors' calculations.

In the last decade of the twentieth century in Poland, a downward tendency occurred in the share of the number of benefit recipients in the total number of unemployed. This tendency resulted from the influence of two major factors: first, the level of unemployed and, second, changes in the conditions entitling benefit. From 1990 to 1991, a very strong increase occurred in the number of benefit recipients (from zero in January 1990 to 1,703,000 at the end of 1991) on account of a strong growth in the total number of unemployed and lenient conditions qualifying for the benefit (in 1990 those who had never worked before were also eligible). In 1992-1994, the number of benefit recipients stabilized (at 1,300,000-1,400,000 persons) despite a growth in the number of unemployed caused by tighter conditions of entitlement to benefit. As a result, the share of benefit recipients in the total number of unemployed declined. In successive years, the fall in the number of unemployed persons and a further tightening of entitlement conditions caused a fall in the total number of unemployed.

Labour Fund expenditure on unemployment benefits showed strong upward tendencies until 1995, then tended to fall in the later years (see Table 4.6). This was caused both by changes in the number of benefit recipients and by the level of unemployment benefit. Regarding the replacement ratio, it took a moderate, medium level. Owing to a relatively low level of average income per capita in Poland these moderate replacement ratios meant a rather

low absolute level of the benefit. It is worth underlining that after 1995 a marked decrease occurred in the replacement ratio, measured as a ratio of the benefit to the average wage and to minimum wage (cf. table 4.6). This indicates a weakening of the income function of the benefits in favour of a strengthened motivation function.

Social assistance

Another form of income protection is the social assistance benefit. Although the task of this system is primarily assistance primarily to persons in financially difficult situations, unemployed persons constitute an important group of recipients of this benefit in Poland.

The rules of social assistance are statutorily regulated. The 1990 Act set two conditions for eligibility for social assistance:

- insufficient income in the family (lower than the lowest old-age pension) and
- in the case of poverty, orphanhood, homelessness, unemployment, long-term or chronic illness, alcoholism or drug addiction. Initially, those entitled could receive a cash benefit (permanent or temporary) not higher than 90 per cent of the lowest old-age pension, and assistance in kind. In 1992, the amount of cash benefit was altered and set at the level of 28 per cent of average monthly earnings. From 1996, the level of benefit was set quantitatively and indexed twice a year according to price rises (Golinowska 2000, pp. 138-140).

The economic transformation entailed a growth in expenditure on social assistance. In 1992, expenditure accounted for 0.9 per cent of GDP while in 1998 it rose to 1.4 per cent. Similar trends occurred in the share of this expenditure in the state budget. In 1990, the total expenditure on social assistance and subsidies to the Labour Fund accounted for 5 per cent of all budgetary expenditures; in 1996 it almost doubled to 9.9 per cent (G³owacka 1998, p. 15) but declined in 1998 to 6.6 per cent.

Table 4.7 Number of persons on social assistance, 1990-1998 (thousands)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total assistance	1 645	1 518	3 040	3 001	2 284	2 127	1 820	2 034	2 123
of which*									
- permanent benefit**	88	108	118	136	155	176	201	58	31
- temporary benefit**	53	221	377	1 014	754	840	1 032	784	918

Notes: * The remainder of total assistance consists of maternity benefits, social pension, assistance in kind.

** Recipients can be counted several times.

Source: Statistical Yearbooks, CSO, 1992-1999.

In the early years of transformation, as Table 4.7 shows, the number of persons using social assistance was rising fast; in 1993-1996 it was falling and began to rise again in 1997-1998. These tendencies match changes in unemployment numbers, indicating that social benefits indeed play an important role in the protection of incomes of those who are unemployed.⁵⁰ This conclusion is corroborated by the data in Table 4.7 on the number of persons on permanent and temporary benefits. The number of those receiving permanent benefits showed a moderately rising tendency until 1996 (these benefits are received mainly by disabled persons and inmates of social care homes) whereas in the case of temporary benefits (received chiefly by unemployed persons) the situation looks different. A steep

⁵⁰ There is some evidence that unemployment benefits play a demotivating role in active job search and acceptance of jobs by unemployed persons. Econometric research makes the point that the probability of unemployed persons finding jobs increases substantially in the 13th month of the unemployment spell, i.e. in the first month of unemployment benefit termination. There is no research available on how social assistance benefits affect job-search intensity.

increase in the number of benefit recipients in 1993 and 1996-1997 was a consequence of shortening the duration of receipt of unemployment benefit before 1993, and the tightening of entitlement conditions in the later years. Labour Ministry data show that in 1996-1997, unemployment was the most frequent reason for awarding social assistance (*Social Sphere in Poland 1998*, p. 143).

Poverty

The income protection forms applied in the past decade in Poland were not able to eliminate or significantly reduce the phenomenon of poverty. The early half of the 1990s saw a strong increase in the poverty scale which remained stable for the latter half of the decade. Table 4.8 shows the percentage of the population below the poverty line, with various poverty limits. First, there was an increase in the percentage of persons living below the relative poverty limit set at half of average household expenditure. Second, about 12-13 per cent of the population has income below the statutory income qualifying for social assistance. Third, the percentage of persons living below the subsistence minimum (ensuring the satisfaction of staple needs) fell in 1994-1996, but in 1997-1998 began to rise. Fourth, after a decline in the percentage of persons living below the subjective poverty line (set by subjective opinions of surveyed households – the so-called Leyden poverty line) in 1993-1995, this index stabilized in later years.

Table 4.8. Scale of poverty in Poland, 1993-1998

Poverty lines*	1993	1994	1995	1996	1997	1998
Percentage of persons below poverty line						
Relative (50% of average monthly expenditures of households)	12.0	13.5	12.8	14.0	15.3	15.8
Statutory	-	-	-	-	13.3	12.1
Subsistence	-	6.4	-	4.3	5.4	5.6
Subjective**	40.0	33.0	30.8	30.5	30.8	30.8

Note: * The statutory poverty line is the amount of money estimated by the CSO, which according to the Act of Social Aid, entitles the person to apply for social assistance. The Institute of Labour and Social Policy estimates the subsistence poverty line. This definition is based on minimum need subsistence needs. The subjective poverty line (Leyden poverty line) is based on the opinions of the households.

** Percentage of households.

Source: Sphere of Poverty in Poland in 1998, the CSO Internet page; <http://www.stat.gov.pl>, 1999.

Studies of household budgets show that among the most important factors leading to poverty are unemployment and low education, especially with reference to persons residing in small towns and rural areas. The presence of an unemployed person in the family increases the likelihood of falling into extreme poverty.

4.3 Employment promotion

Promotion of employment in Poland is based on the creation of special economic zones and labour-market programmes initiated by labour offices at the voivodship and local levels.

Special economic zones were created on the strength of the Special Economic Zones Act of 20 October 1994. The goal of establishing these zones was to accelerate economic development in certain locations in Poland, in particular by creating new jobs and maintaining existing ones. The first zone was put into being in 1995 in the town of Mielec. In the directive to establish a zone, the Council of Ministers sets its name, territory and boundaries, its manager, the scope of economic activity that can or cannot be conducted within the zone, and the period of its existence. The directive also determines exemptions and preferences for economic units acting within the zone. In accordance with them, incomes obtained from

economic activity conducted in the zone are fully exempt from income tax for half the period for which the zone was established. For the period remaining, up to 50 per cent of income can be exempted from income tax. Economic units – conducting activity in the zone under a license and having no right to tax exemptions – can include into their running costs the full amount of their investment-spending that is not connected with the purchase of fixed assets. In accordance with the directive, these economic units can also raise the depreciation rates of fixed assets.

Seventeen special economic zones have been established in Poland, of which 15 have commenced functioning. A high co-efficient of fulfilment of investment commitments has been recorded in these zones. Those functioning in areas affected by high unemployment attract small businesses rather than big investors, thus avoiding the creation of industrial monocultures and the attendant risk of how large investors react in a downturn. It is envisaged that the zones will generate 28,803 new jobs and, as of 1998, the number of jobs created was 14,310.

4.4 Active labour market policy

Labour offices function as a labour exchange and advice bureau. Labour exchange is a free service provided on a fully accessible, voluntary basis. Employers are required to report vacancies but if they fail to do so, they suffer no consequences. Apart from acting as a labour exchange, labour offices conduct a number of active forms of unemployment-reduction based on employment subsidization and assistance in acquiring, changing or upgrading professional qualifications. These offer training courses, subsidized employment and programmes for graduates, public works, as well as loans for enterprises and for unemployed persons.

Training

The goal of the training courses initiated by labour offices is to ensure that unqualified persons learn skills in line with labour market demand, in order to increase their employment chances and, in the longer view, to adjust the professional structure of the workforce to the changing needs of the economy. While training activities are short-term in nature, the adjustment policy in this area in the long term is the domain of the education system. Labour offices initiate and finance training courses but do not organize or run them. These tasks are performed by specialized institutions under agreements concluded with the Labour Office. Training lasts in principle no longer than 6 months, for the duration of which course participants receive a training allowance amounting to 120 per cent of the unemployment benefit due to them. Trainees are obliged to reimburse their training costs if they drop out, unless this is connected with taking up a job (cf. E. Kwiatkowski, 1998 p. 88; G. Koptas, 1996, pp. 103-105).

Subsidized employment

Subsidized employment schemes aim to reduce the unemployment level by providing temporary employment to the unemployed and a scenario for possible permanent employment. Programme duration cannot exceed 12 months; employers who hire an unemployed person for up to 6 months receive a monthly subsidy equal to the unemployment benefit plus a social security contribution. If the period of employment is longer, the employer gets a bi-monthly subsidy in the amount of the lowest remuneration, plus a social security contribution. Employing an unemployed person for a further 6 months after completion of the programme is connected with a lump bonus amounting to 150 per cent of the average remuneration. The programme for graduates is similarly structured but targets specific individuals; participants are registered unemployed graduates within 12 months after graduation.

Public works

Public works, which were introduced in 1992, are aimed mainly at the economic development of a region and provision of employment to long-term unemployed with lower education levels. In accordance with the legal norms, public works are organized by self-managements and local administration organs. The role of labour offices is to initiate public works by conducting negotiations with the organizers, send unemployed persons to these works and refund in part the costs of labour. Public works are carried out primarily in the framework of infrastructural investments, i.e. building a water supply system, a gas grid, a telephone network, a sewage treatment plant and also in construction and fitting works (J. Kowalski 1996, p. 174). For the duration of the programme, organizers obtain a subsidy amounting to 75 per cent of the average remuneration and the insurance contribution if they employ an unemployed person for a period of up to 6 months. If employment duration is 12 months, organizers obtain a bi-monthly subsidy equal to the average remuneration and the insurance contribution. In regions threatened with structural unemployment, organizers obtain additionally a partial reimbursement of material costs (up to 50 per cent) but no higher than 25 per cent of the awarded wage subsidies (cf. E. Kwiatkowski 1998, p.89).

Loans for unemployed persons

Loans for unemployed persons to undertake economic activity and loans for enterprises to create additional jobs are another form of employment promotion used by labour offices. The restriction of the height of a loan to the amount of 20 average remunerations predetermines the scale of possible economic undertakings (E. Kwiatkowski 1998, p.91). The terms on which loans are granted are relatively convenient for the loanee. In the case of an unemployed person, the loan is amortized 50 per cent if economic activity is conducted for at least 24 months. A waiting-period of 12 months has been established. The Act stipulates individuals and not firms.

The groups targeted by these active programmes are set in the process of selection of participants made by labour offices. The regulations give no strict criteria for this selection; however, they contain certain indications concerning certain groups of participants and the requirements for them. For instance, the Act states that the Labour Office should send for training these unemployed who will obtain employment as a result or whose chances of employment will increase with training. In the case of subsidized employment and public works, the Act states that labour offices should take into consideration the age, state of health and type of jobs performed earlier. The directive of the Minister for Labour and Social Policy of 21 March 1995 states that these programmes are intended for persons who have chances of permanent employment, have been unemployed for a period longer than 12 months or are lone parents (E. Kwiatkowski 1998, p.102).

The problem of targeting the active programmes was the subject of a study (E. Kwiatkowski, P. Kubiak, L. Kucharski 1997, pp. 79-94) conducted on the basis of labour force surveys from August 1994 and 1996. Results showed two flaws: 1. persons from groups threatened with unemployment are selected less often than those persons who were previously employed in public administration; 2. more attention should also be focused on persons with basic vocational education and persons in agricultural jobs.

The source of funds for the active programmes is the Labour Fund. In 1990, a total amount of 118 million new zlotys from the Fund was spent on active forms of unemployment restriction. In the last year of the period analysed, this expenditure was at the level of PLZ 1,097.4 million (cf. table 4.9).

Table 4.9 Dynamics of expenditure from the Labour Fund on active labour market programmes in Poland, 1990-1999

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Expenditure in PLZ million (in current prices)										
Total	118.7	94.7	107.3	354.5	555.9	695.7	679.7	1168.3	1241.8	1097.4
of which:										
Subsidized employment	20.9	45.3	46.9	136.6	231.7	311.4	277.2	318.9	355.6	272.3
Public works	-	-	17.4	119.7	209.7	253.9	238.1	414.6	334.7	208.3
Training	1.6	9.0	19.3	45.0	59.5	63.9	86.1	108.8	115.1	112.5
Loans	96.2	40.4	23.7	53.2	55.1	66.5	78.3	152.7	177.7	166.2
Programme for graduates	-	-	-	-	-	-	-	160.2	229.4	264.9
Structure of expenditure in %										
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:										
Subsidized employment	17.6	47.8	43.7	38.5	41.7	44.8	40.8	27.3	28.6	24.8
Public works	-	-	16.2	33.8	37.7	36.5	35.0	35.5	27.0	19.0
Training	1.3	9.5	18.0	12.7	10.7	9.2	12.7	9.3	9.3	10.3
Loans	81.0	42.7	22.1	15.0	9.9	9.6	11.5	13.1	14.3	15.1
Programme for graduates	-	-	-	-	-	-	-	13.7	18.5	24.1
Dynamics indices in %, constant prices (1990=100)										
Total	100.0	46.8	37.1	90.6	107.5	105.3	85.8	128.3	122.0	100.5
of which:										
Subsidized employment	100.0	127.3	92.1	198.4	254.5	267.6	198.7	199.0	198.4	141.6
Public works	-	-	100.0	508.4	673.7	638.3	499.3	756.6	546.3	316.9
Trainings	100.0	330.3	495.3	853.6	853.9	717.4	806.2	886.7	839.0	764.3
Loans	100.0	24.7	10.1	16.8	13.1	12.4	12.2	20.7	21.5	18.8

Source: Statistical Yearbooks of Labour 1995, 1997, CSO, Warsaw; data obtained from the National Labour Office; authors' calculations.

Allowing for inflation it can be said that in 1999 the real spending on active programmes was 0.5 per cent higher than in 1990. The lowest level of real expenditure was recorded in 1992, the highest in 1997. Looking into the dynamics of real expenditure in each programme, three points are worth noting. First, training expenditure rose fastest in the period under survey. Second, the expenditure on loans for unemployed persons and enterprises was markedly reduced. Third, in the period of strong growth in 1992-1997, the resources for public works were considerably restricted. These dynamics reflect changes in the structure of spending on active labour market programmes. In 1990, the most resources were spent on loans and creation of new jobs. In subsequent years, spending on subsidized employment and public works began to play a dominant role. In 1999, the most resources were allocated to subsidized employment and the similar programme for graduates.

The number of persons covered by active programmes changed in line with changes in the scale of expenditure. About 106,000 persons participated in active programmes in 1990, a level which rose steadily until 1994, to reach 411,000 persons. The years 1995-1996 brought a drop in the number of participants. In 1997, the highest level so far, 458,500 persons participated in these programmes. The next two years saw a decline to the level of 331,400 participants in 1999. Table 4.10 shows that most persons participated in subsidized employment.

Table 4.10 Participants in active labour market programmes in Poland, 1990-1999 (thousands)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total	107.0	129.0	217.0	314.2	411.0	384.9	330.4	458.5	395.4	331.4
of which:										
Subsidized employment	106.9	36.0	104.5	133.8	195.4	184.0	139.0	166.2	143.0	126.0
Public works	-	-	35.5	75.7	110.5	113.1	99.8	149.9	104.0	69.0
Training		18.0	70.2	92.8	91.7	81.8	85.6	133.8	139.0	128.0
Loans		60.3	6.6	11.9	9.3	6.0	5.1	8.6	9.4	8.4

Source: Kwiatkowski E., *Remarks on the Role of Active Labour Market Policies in Poland*, Lodz, Labour Market in Poland in 1997, National Labour Office, Warsaw, 1998.

It is a very difficult task to evaluate the efficiency of active labour market policy in Poland, since the effects connected directly with a programme are not easy to distinguish from the general changes in the labour market. The National Labour Office assesses the efficiency of active programmes by means of a re-employment rate, which is the percentage of participants finding employment upon completion of a programme. The first data are from 1993, in which the rate of re-employment for training and subsidized employment exceeded 34.6 per cent. A decidedly lower value was recorded for public works. The value of these indices changes with time; the re-employment rate for subsidized employment showed a steadily rising tendency and amounted to 64.1 per cent in 1998. The index for training reached its highest values in 1996 (55.54 per cent) and fell slightly in later years. The re-employment rate for public works in the 1990s rose to the level of 11.8 per cent – or only 12 out of every 100 participants, as Table 4.11 shows. A comparison of the costs involved in restoring one participant to employment, the training courses are the cheapest form and public works the most expensive.

Table 4.11 Re-employment rate after participation in active labour market programmes, 1993-1998

	1993	1994	1995	1996	1997	1998
Training of unemployed						
Re-employment rate (in %)	34.64	40.29	53.64	55.54	49.03	51.84
Cost of restoring an unemployed to work (in PLZ)	1 400	1 680	1 678	1 969	1 883	1 519
Subsidised employment						
Re-employment rate (in %)	30.41	33.08	42.07	50.56	56.79	64.10
Cost of restoring an unemployed to work (in PLZ)	3 356	5 219	4 170	4 197	4 165	3 862
Public works						
Re-employment rate (in %)	4.20	3.50	4.60	8.20	7.07	11.84
Cost of restoring an unemployed to work (in PLZ)	37 916	64 207	49 167	29 658	45 026	25 363

Source: Data obtained from the National Labour Office.

Efficiency of active programmes is the subject of many studies in the literature, conducted on the basis of macro- and micro-economic data, some of them conflicting. One of the micro-economic studies (O'Leary (1997) aimed at identifying net efficiency for each labour market programmes. The level of re-employment was examined for two groups: participants in the programme and persons not taking part in any programme. Both groups were identical from the viewpoint of demographic characteristics and research was carried out in 8 voivodships so as to ensure representativeness of the sample. Results point to a high net efficiency of all programmes, measured as a difference in the employment level of participants in the examined group and the employment level of members of an appropriate control group. Contrary conclusions are the outcome of research conducted by P. Puhani (1997), using the results of the Polish Labour Force Survey of August 1996 and the

concomitant research module. This researcher stated the occurrence of positive effects of broadly understood vocational training courses in the form of an increased likelihood of finding employment by persons participating in training. Puhani also noted that the efficiency of training courses differs, depending on line of training.

A macroeconomic study (E. Kwiatkowski and T. Tokarski, 1998) finds positive effects occurring with the subsidized employment programme but does not confirm a positive influence of training on employment.

An overall review of studies on the efficiency of active programmes confirms their positive influence on the labour market situation, but the strength of that influence is much lower than suggested by National Labour Office data.

4.5 Summing up

In the decade of the transformation period, the scale of public aid to enterprise (especially subject and object subsidies) was diminishing. This process was accompanied by trends towards the establishment of active labour market programmes and the development of economic zones as an instrument of employment promotion. A certain dependence can thus be noticed between the decline in employment security and the expansion of employment promotion, although the tendencies towards a decline in employment security are considerably stronger than those for the promotion of employment. It is necessary to underline a relatively low effectiveness of active labour market programmes (with the exception of training) and a relatively good protection of employment for disabled persons.

The phenomenon of shorter working-time for economic reasons on the part of employers has some weight for employment security but owing to the small scale of this phenomenon, few jobs can be saved (1-2 per cent).

To stem growing unemployment, various forms of income protection are used. Unemployment benefits play an essential role in this respect. In the successive years of transformation, the percentage of the unemployed receiving these benefits was decreasing and a tendency towards a certain fall in the compensation ratio was visible. In the unemployment benefit scheme, the accent shifted from the income function to a motivation function.

This decline in the importance of the income function of unemployment benefits entailed an increasing share of the unemployed; in essence, unemployment was the main reason for receiving social (hardship) benefits, especially the so-called temporary benefits.

Earlier pensions constituted an important form of income protection. A fast growth in early-retirement pensions at the outset of the transformation caused an alarming rise in the financial burdening of the social security fund. It became necessary to reform this system in 1997 and replace early-retirement pensions with pre-retirement benefits and payments.

5. Conclusions

This report evaluates basic development trends in the Polish labour market and the State's response in the form of labour legislation and labour market policies. What was the scale of flexibility of adjustments in the labour market? Where was the greatest progress, where were the most restrictions on reallocation of labour? Are the prevailing instruments of employment and labour market policy conducive to solving the structural problems and which segments of the labour market and of labour policy require essential restructuring?

To answer these questions, an overall picture of employment, labour market and social policy in Poland during the 1990s may be sketched as follows. Political and economic changes at the end of the 1980s called for appropriate adjustments of the labour market and higher flexibility and mobility. Legislative and institutional changes in 1989 and 1990 facilitated this by introducing the possibility of terminating employment contracts for economic reasons and shortening the notice period; by introducing group lay-offs and the unemployment benefit system; by extending the provision of early retirement; and by establishing the National Employment Service and launching active labour market policies.

Thus, responsibility for the employment and income protection of redundant workers was largely shifted from enterprises to state institutions. It took the form of income support and assistance in re-employment, although the State also made use of subsidies to certain strategic enterprises in order to prevent mass lay-offs. To stabilize employment and prevent redundancies, enterprise turned to such measures as administrative leave (without pay or on reduced pay) or shorter working hours. However, firms could also benefit from reduced labour costs through declining real wages (i.e. negotiating nominal wage increases below inflation rates), by hiring workers on civil contracts or by using informal labour.

Collective bargaining improved employment protection only in a minority of firms. In most firms it concentrated on negotiating wage increases through higher labour productivity, so that collective bargaining indirectly led to lay-offs. In the mid-1990s, employment protection increased, because of stricter regulations on employment contracts (restriction of civil contracts in cases of actual employment relations) and the extension of the notice period. Labour inspection also started checking civil contracts and informal labour more strictly. In addition, through privatization, negotiations were aimed at keeping existing levels of employment for a certain period. At the same time, unemployment registration and the provision of unemployment benefits became more restrictive, while active employment promotion measures gained more importance. The labour market situation was also much relieved by substantial economic growth and a recovery in the demand for labour.

In the three years since 1998, labour market flexibility has increased because of the termination of bans on mass lay-offs fixed in privatization contracts and due to the accelerating restructuring of coal mines, steelworks and some other sectors with prevailing state ownership, stimulated by generous compensation packages for redundant workers. Although state income support, job placement and employment promotion assistance to job losers as well as new labour market entrants is universal in Poland, in reality – for financial reasons – it is insufficient to protect income or provide job losers with intensive, effective assistance in re-employment.

Regarding terms of employment and employment relations, four significant changes have occurred. First, the possibilities of using atypical forms of employment contracts were restricted, contracts of indefinite duration became widespread and the standards of employment protection binding in state-owned enterprises were extended to the private sector. Second, the employer's obligations towards dismissed employees (individual dismissal) underwent no further alteration. Persons dismissed in the framework of restructuring (group dismissals) were treated separately and employers were obliged to pay higher financial

severance payments for the possibility of an easier procedure of dismissing redundant employees. Third, from 1994 onwards an increasing number of collective agreements were concluded, mainly in the public sector and at firm level. These focused primarily on remuneration issues (industrial disputes were also concerned with wage growth) and not on employment restructuring. At the same time, privatization of state-owned enterprises led to the practice of concluding the so-called privatization-related agreements to protect existing jobs. Fourth, the scale and intensity of labour conflicts has diminished and a process of cooperation between the social partners is being observed in firms.

Unemployment policy shows a clear tendency towards narrowing the very broad net over persons registering as unemployed, in favour of stronger income protection for workers losing employment either definitively or for a prolonged duration. Among other measures, the required period of employment was extended as a precondition for receipt of benefit and the benefit level fixed, regardless of previous earnings (but the latter have to be at least half the minimum wage). Similarly, the unemployment benefit scheme discouraged those who were unemployed from staying out of employment, especially in regions with low unemployment rates. The ratio of replacement of lost earned income with unemployment benefit was most favourable for low-skilled persons in regions with the highest unemployment; elsewhere it had a demotivating effect.

The catalogue of basic instruments in active labour market programmes, which in 1990 covered training, loans and subsidized employment, was gradually broadened with the addition of public works, programmes of assistance to graduates, reimbursement of social security contribution for employers and special programmes of assistance to selected groups of unemployed. Incentives to take advantage of training courses were clearly strengthened both for employers (small firms can apply for reimbursement of training costs) and for those who are unemployed. In subsidizing work from the resources of the Labour Fund, the obligation on employers to increase net employment was not introduced – hence it is difficult to assess how much this measure contributes to the creation of new jobs or merely to the replacement of employed persons in existing jobs. Regrettably, the overall structure of financial expenditure on labour market policies remains irrational, since the least effective forms of assistance to the unemployed (public works) comprise a large share of this expenditure. Moreover, these resources have no relation whatever to the restructuring of employment.

Evaluating the above picture from the viewpoint of employers, it is necessary to point to the wide differentiation of their situation in the ownership cross-section. The costs of employment protection in the private sector rose and programmes of assistance to firms undertaking restructuring were limited in principle to the possibility of financing employees' training from the Labour Fund. The scantiness of financial resources precludes a wider development of this form of aid. Privatized enterprises retained employment on the whole at the earlier level due to privatization-related agreements. For state-owned enterprises, the situation is growing similar to that of private enterprise, due to the steadily diminishing scale of subsidies from the state budget. Both types of enterprise were forced to incur the ever-increasing employment costs related to the rise in social security contributions. Likewise, the employees' pressure for wage growth (supported by trade union action) had a similar impact. Conditions of employment blockage (in privatized firms), costly group dismissals and rising labour costs necessitated technological and organizational changes in order to raise labour productivity – including reallocation of labour in the internal labour market. This accounts for the relatively low absorption of labour at a time of fast economic growth and for the declining mobility of labour in the external market.

The biggest changes in employment (e.g. a significant increase in the number of employers, persons with higher qualifications, shifts from the sector of tradables to the service

sector) were brought about by privatization, by the liberalization of economic activity, and by the structure of demand and not by employment and labour market policies.

From the employee's perspective, the threat of job loss was diminishing, especially in the public sector. The replacement of employees in enterprises undergoing restructuring was effected mainly by dismissing older employees (early retirement and pre-retirement benefit programmes) and hiring new, young and better-educated graduates. The weakening of income protection of the unemployed emphatically decreased the worker's interest in remaining unemployed and increased motivation to stay in the job. On the other hand, the active labour market policies – owing to limited resources – were less and less conducive to labour mobility in terms of a change of occupation, qualifications, and type of job.

Employment and labour market policy will require essential changes. Such changes are pivotal and must be based on well-formulated priorities, including room for policy rules on flexible employment, on remuneration to stimulate growth in human capital, on the contribution of young people to economic development, and on the responsibility of trade unions in generating new jobs. It remains to be seen how these uncertain times evolve in the future. It is to be hoped that policy instruments will achieve the creation of sustainable jobs and will boost Polish competitiveness in international markets in a stable macroeconomic equilibrium.

Bibliography

- Aktywność ekonomiczna ludności Polski, Sierpień 1996*, GUS, Warszawa, 1996.
- Analiza sytuacji na rynku pracy oraz efektywność dotychczasowych działań na rzecz jej poprawy*, 2000, Ministry for Labour and Social Policy, mimeo.
- Bedi, A. 1998. *Sector Choice, Multiple Job Holding and Wage Differentials: Evidence from Poland*, The Journal of Development Studies. Vol. 35 (1).
- Bednarski, M. 2000a. *Dylematy polityki przemysłowej w Polsce w okresie transformacji*, in: Społeczne aspekty transformacji systemowej w Polsce, University of Warsaw, Warsaw.
- . 2000b. *Okołoprywatyzacyjne porozumienia socjalne w praktyce polskich przedsiębiorstw w³asnoœciowych*, Polityka Spo³eczna No. 4.
- Bednarski, M. [ed.] 1996. *Aktywne formy przeciwdzia³ania bezrobociu w Polsce. Narzêdzia i instytucje*, Institute of Labour and Social Studies, Warsaw.
- Blanchflower, D. G. 2000. *Self-employment in OECD countries*, NBER Working Paper No. 7486, January.
- Chomiak, M. 1999. *Rozwi³ywanie sporów zbiorowych w Polsce*, Polityka Spo³eczna No. 2.
- GUS. 2000. *Informacja o sytuacji spo³eczno-gospodarczej kraju. Rok 1999*, Warszawa
- Czepulis-Rutkowska, Z. 1995. *Pension System during Transition*, in: *Social Policy in 1993-1994. Main Problems in Transition Period*, Occasional Papers, Institute of Labour and Social Studies, Warsaw, No.6.
- Frieske, K. 1997. *Od redaktora*, Polityka Spo³eczna No. 2.
- Gilejko, L. 1988. *Dwa modele patycypacji pracowniczej*, in: *Zbiorowe stosunki pracy w Polsce. Obraz zmian*, eds. W. Kozek, J. Kulpiñska, Wydawnictwo Naukowe Scholar, Warszawa.
- G³owacka, J. 1998. *Charakterystyka polskiego systemu pomocy spo³ecznej*, Praca i Zabezpieczenie Spo³eczne, No. 6.
- Golinowska, S. 2000. *Polityka spo³eczna okresu transformacji*, in: S.Golinowska et al., *Dekada polskiej polityki spo³ecznej*, Institute of Labour and Social Studies, Warsaw.
- G³ora, M.; Socha, M.W.; Sztanderska, U. 1995. *Analiza polskiego rynku pracy w latach 1990-1994*.
—; Rutkowski, M. 1990. "The Demand for Labour and the Disguised Unemployment in Poland in the 1980s", *Communist Economies* 2, No. 3 pp.325-334.
- Hinz, A. 1998. *Doswiadczenia pañstwowej inspekcji pracy w zakresie rejestracji zak³adowych uk³adów zbiorowych pracy* in: *Nowe uk³ady zbiorowe. Przelom, czy kontynuacja* (ed.) J.Wratny, IPISS, Warszawa.
- Kierunki zmian i rola polityki rynku pracy*, GUS, Warszawa.
- Kloc, K. 1999. *Mediacje w polskich warunkach*, Polityka Spo³eczna No. 2.
- . 1997. *Konflikty przemys³owe. Spory zbiorowe i mediacje. Polska a rozwi³zania zachodnioeuropejskie*, Polityka Spo³eczna No. 1.
- Koptas, G. 1996. *Efektywność szkolenia bezrobotnych z perspektywy urzêdów pracy*, in: Bednarski M. 1996.
- Kostrubiec, S.; Kowalska, A. 1997. *Efektywność polityki rynku pracy*, GUS, Warszawa.
- Kotowska, D. 1997. *Postanowienia placowe uk³adów zbiorowych pracy* in: *Uk³ady zbiorowe w demokratycznym ustroju*, ed. J.Wratny, IPISS, Warszawa.
- Kowalski, J. 1996. *Efektywność prac interwencyjnych i robót publicznych*, in: Bednarski M., 1996.
- Kozek, W. 1999. *Negocjacje jako czêœæ polskiej kultury przemys³owej*, Polityka Spo³eczna No. 2.
- . 1998. *Uk³ady zbiorowe pracy jako nowa instytucja spo³eczna w sektorze prywatnym?*, in: *Zbiorowe stosunki pracy w Polsce. Obraz zmian*, eds. W. Kozek, J. Kulpiñska, Wydawnictwo Naukowe Scholar, Warszawa.

- , 1997. *Organizacje pracodawców jako partner w zbiorowych stosunkach pracy*, Polityka Społeczna No 1.
- Kryńska, E.; Kwiatkowski, E.; Zarychta, H. 1998. *Polityka państwa na rynku pracy w Polsce w latach dziewięćdziesiątych*, Institute of Labour and Social Studies, Warszawa.
- Kulpińska, J. 1988. *Stosunki przemysłowe w Polsce w perspektywie integracji europejskiej* in: *Zbiorowe stosunki pracy w Polsce. Obraz zmian.*, eds., W. Kozek, J. Kulpińska, Wydawnictwo Naukowe Scholar, Warszawa.
- Kwiatkowska, W.; Kwiatkowski, E. 1999. *Zasiłki dla bezrobotnych w Polsce - podstawowe zasady i ich efekty ekonomiczne* in: *Praca i Zabezpieczenie Społeczne 1999*, No. 2.
- Kwiatkowski, E.; Kubiak, P.; Kucharski, L. 2000. *Inter-industry and Intra-industry Mobility of Labour in Poland in 1994-1998*, mimeo, Lodz University.
- ; Tokarski, T. 1997. *Efekty polityki państwa wobec rynku pracy w Polsce. Analiza na podstawie funkcji dopasowania*, *Ekonomista* No. 3.
- ; Kubiak, P.; Kucharski, L. 1997. *Targeting Efficiency of the Active Labour Market Policies in Poland*, mimeo.
- Liwiński, J. 1998. *Małe firmy prywatne na rynku pracy w Polsce*, Instytut Spraw Publicznych, Warszawa.
- Mokrzyzewski, A. 2000. *Charakterystyka badanych zakładów pracy*, Master of Business Administration No.3 (44) Maj-Czerwiec.
- Morawski, L.; Socha, M.W. 2000. *Wpływ handlu zagranicznego na strukturę zatrudnienia w przemyśle przetwórczym*, w: *Korzyści i koszty członkostwa Polski w Unii Europejskiej*, t. 2, s. 349 – 385 red. Kotyński, J. IKiC Warszawa, współautor Morawski, L.
- Muszalski, W. 1999. *Prawo socjalne '99*, Wydawnictwo Naukowe PWN, Warszawa.
- , 1992. *Świadczenia przedemerytalne*, *Praca i Zabezpieczenie Społeczne*, Nos. 5-6.
- Newell, A.; Pastore, F. 1999. *Regional unemployment and industrial restructuring in Poland*, — mimeo, University of Sussex, May.
- ; Socha, M.W. 1998. *Wage Distribution in Poland: The Roles of Privatization and International Trade, 1992-1996*, *Economics of Transition* Vol. 6 (1).
- O'Leary, C.; Kołodziejczyk, P.; Olejniczak, Z. 1997. *Badanie efektywności netto programów rynku pracy. Raport końcowy*, KUP, Warszawa.
- Pańków, W.; Głuch, B. 2000. *Stosunki pracy w Polsce: od społecznego partnerstwa do oawieconego paternalizmu*, Master of Business Administration No.3 (44) Maj-Czerwiec.
- Polish Government, *Labour Force Survey in Poland February 1998*, GUS, Warsaw.
- , *Monitoring rynku pracy. Kwartalna informacja o rynku pracy (2000)*, GUS, Warszawa.
- , *Sfera społeczna w Polsce (1998)*, Centre for Strategic Studies, Warszawa.
- , *Sfera ubóstwa w Polsce w 1998 roku*, CSO internet page: <http://www.stat.gov.pl>, visited late 1999.
- Puhani, P. 1997. *Report on the Effectiveness of Active Labour Market Policies in Poland*, ZEW, Mannheim, mimeo.
- ; Steiner, V. 1996. *Public Works for Poland? Active Labour Market Policies during Transition*, ZEW, Mannheim, No. 96-01.
- Rutkowski, J. 1998. *Welfare and the Labor Market in Poland*, World Bank Technical Paper No. 417, The World Bank, Washington D.C.
- Rychowski, W. 1999. *Możliwości i ograniczenia prawnej regulacji konfliktu w warunkach polskich* Polityka Społeczna No. 2.
- Salwa, Z. 1999. *Kodeks Pracy, Komentarz*, Oficyna Wydawnicza Branta.
- Sobulowa, W.; Tausz, K. 2000. *Osłony socjalne w kalkulacjach zawodowych i życiowych górników*, Polityka Społeczna No. 1.

- Socha, M.W.; Sztanderska, U. 2000. *Strukturalne podstawy bezrobocia*, Wydawnictwo Naukowe PWN, Warszawa.
- ; Weisberg, Y. 1999. *Poland in transition: Labor market data collection*, Monthly Labor Review September.
- ; —. 1999. *Public and Private Sectors in Poland: Transition to a Market Economy*, mimeo, Bar-Ilan University (June).
- Spory zbiorowe z udziałem mediatorów z listy MPiPS*, Polityka Społeczna, No 2 1999.
- Sztanderska, U.; Liwiński, J. 1995. *Koszty pracy w Polsce*, Studies & Analyses Center for Social and Economic Research, No 189.
- ; Piotrowski, B. 2000. *Background Study on Labour Market and Employment in Poland*, European Training Foundation, Turin.
- Towalski, R. 2000. *Ocena konfliktowości zmian w³asnościowych*, Polityka Społeczna No. 2.
- Weisberg, Y.; Socha, M.W. 2000. *Earnings in Poland: A Comparison between Private versus Public Sector*, mimeo, Bar-Ilan University (June).
- Widera, W. 1998. *Wartości zwi³zkowe i menedżerskie. Podobieństwa i różnice*, in: *Zbiorowe stosunki pracy w Polsce. Obraz zmian.*, red. W. Kozek, J. Kulpińska, Wydawnictwo Naukowe Scholar, Warszawa.
- Wratny, J. 1998. *Postanowienia pozapłacowe (warunki pracy) układów zbiorowych pracy*, in: *Nowe układy zbiorowe. Przelom, czy kontynuacja* ed. J.Wratny, IPiSS, Warszawa.
- . 1997. *Problem funkcji promocyjnej układów zbiorowych w świetle zmian prawa pracy* in: *Układy zbiorowe w demokratycznym ustroju*, ed. J.Wratny, IPiSS, Warszawa.

Annex

Table A1.1 Termination of employment contracts¹

Manner of terminating the contract	Legal act	Binding period	Notice period	Wages/Payments in virtue of termination and other entitlements	Obligatory procedure	Restrictions on dismissals
Agreement between the parties	Act of 7 April 1989 on Amendment to the Labour Code Act and to Some Other Acts - Journal of Law 1989, no. 20, item 107	From 1989 - still	As agreed by the parties.		None	
Declaration of either party with retention of the notice period (termination of a contract of employment with notice)	The Labour Code Act - Journal of Law 1974, item 24, item 141	From 1975 to 1996			In the notice period the employee is entitled to paid days off work for job search. - 2 days off when the notice period is below 1 month, - 3 days off in a three-month notice period.	

¹ The table indicates those legal acts which introduced a given regulation for the first time. Legal acts which did not change the essence of the operation of the regulation of employment and constituted only an adjustment to a changed legal regulation in other areas, (e.g. in health insurance) have been omitted.

Manner of terminating the contract	Legal act	Binding period	Notice period	Wages/Payments in virtue of termination and other entitlements	Obligatory procedure	Restrictions on dismissals
		From 1975 - still				<p>Prohibition to terminate employment contracts with pregnant women.</p> <p>Prohibition on termination of contracts with persons on leave or absent from work for justified reasons. This prohibition is applicable to: (1) women on maternity or child-care leave, (2) sick persons for 3 months of sickness when they get remuneration or sick benefit if their duration of employment with a given employer lasted below 6 months,</p> <p>(3) throughout the entire period of benefit entitlements (up to 6 months, only in the case of tuberculosis up to 9 months) if employment lasted more than 6 months, (4) persons taking care of a sick child in the period of receipt of care benefit (maximum 60 days a year)</p>

Manner of terminating the contract	Legal act	Binding period	Notice period	Wages/Payments in virtue of termination and other entitlements	Obligatory procedure	Restrictions on dismissals
	Act of 7 April 1989 on Amendment to the Labour Code Act and to Some Other Acts - Journal of Law 1989, no. 20, item 107	From 1989 to 1996	- 2 weeks if the employee was employed for a period shorter than 1 year, - 1 month if the employee was employed for 1 year or longer, - 3 months if the employee was employed for 10 years or longer. Periods of employment in former places of work are reckonable, irrespective of the manner of termination of the contracts.			
		From 1989 to 1996	The employer can shorten the 3 month notice period at most to 1 month if the contract of employment is terminated because of : (1) reduction of the level of employment, (2) changes in the structure of employment, (3) restriction of the extent of the employer's activity, (4) liquidation of the organizational cell in which the employee is employed.	In this case the employee is entitled to a compensation equal to the remuneration for the remaining part of the notice period.		

Manner of terminating the contract	Legal act	Binding period	Notice period	Wages/Payments in virtue of termination and other entitlements	Obligatory procedure	Restrictions on dismissals
		From 1989 - still	If the employee is employed in a position connected with financial responsibility for the entrusted assets, the parties can agree to a notice period of 1 month (for persons employed below 1 year) and of 3 months (for other persons).		1) The employer is obliged to inform the enterprise trade union about the intended termination of a contract of employment. 2) If the enterprise union voices objections, the employer is obliged to refer the matter to the supra-enterprise union (if such exists). 3) After considering their opinions, the employer takes a final decision on dismissing the employee. 4) If the employee does not agree with the employer's decision, he/she can refer the matter to labour court. ²	Ban on terminating a contract of employment : 1) with persons who lack less than 2 years to retirement age, provided that they acquire pension entitlements then, with the exception of persons who have entitlements to disability pension of 1 st or 2 nd degree
		From 1989 still	After either party has given notice, the parties can agree to an earlier date of terminating the contract; this agreement does not change the mode of termination of the contract.			

² There is no catalogue of reasons for which a contract of employment can be terminated. In principle the judicial decisions allow grouping the reasons recognized as justified as follows: (1) economic incidental to the employer's situation, (2) lying on the employee's side, beyond his/her control (e.g. faultless loss of occupational licence or qualifications), (3) lying on the employee's side, within his/her control (e.g. negligent performance of duties).

Manner of terminating the contract	Legal act	Binding period	Notice period	Wages/Payments in virtue of termination and other entitlements	Obligatory procedure	Restrictions on dismissals
		From 1990 still		In the case of announcement of the employer's bankruptcy or liquidation, the requirement of consultation of individual dismissals with trade unions does not apply.	In the case of announcement of the employer's bankruptcy or liquidation, the ban on dismissing employees in pre-retirement age or absent from work because of leave or for other justified reasons (sickness, care of a sick child, others) does not apply.	
	Act of 2 February 1996 on Amendment to the Labour Code Act and to Some Other Acts - Journal of Law 1996, no. 24, item 110	From 1996 - still	<p>- 2 weeks if the employee was employed less than 6 months, - 1 month if the employee was employed for at least 6 months, - 3 months if the employee was employed at least 3 years.</p> <p>The period of employment with a previous employer is reckonable, if the change of employer was effected by agreement between the parties, and also when the employer is a successor in right to the preceding employer.</p>		<p>1) Termination of employment contract in writing, with a statement of the cause of termination.</p> <p>2) The employer's announcement should include an instruction on the employee's right to appeal to the labour court.</p>	

Manner of terminating the contract	Legal act	Binding period	Notice period	Wages/Payments in virtue of termination and other entitlements	Obligatory procedure	Restrictions on dismissals
			The employer can shorten the 3-month notice period, even to 1 month if the cause of termination of the employment contract is: (1) announcement of bankruptcy, (2) liquidation of the firm, (3) reduction of employment for reasons connected with the employer (for economic reasons).	In this case the employee is entitled to a compensation equal to remuneration for the remaining part of the notice period.	The employee is entitled to 2 days off for job search even when the notice period is shortened as a result of the announcement of the employer's bankruptcy or liquidation or employment reduction.	

Manner of terminating the contract	Legal act	Binding period	Notice period	Wages/Payments in virtue of termination and other entitlements	Obligatory procedure	Restrictions on dismissals
Declaration of either party without retention of the notice period (termination of contract of employment without notice)	The Labour Code Act - Journal of Law 1974, no. 24, item 141	From 1975 - still			<p>The employer can terminate an employment contract without notice:³</p> <p>1) if the employee's incapacity for work due to sickness lasts:</p> <p>a) longer than 3 months when the employee was employed by a given employer for less than 6 months, b) longer than the period of receiving sickness benefit - when the employee was employed by a given employer for at least 6 months or if incapacity for work was caused by accident arising from employment or occupational disease;</p> <p>2) in the case of justified absence from work for reasons other than enumerated in sect.1, lasting longer than 1 month.</p> <p>Termination of an employment contract without notice cannot take place after the employee comes to work after cessation of the reasons for absence.</p> <p>The employer's statement of termination of the employment contract without notice should give the reason justifying the termination.</p>	<p>A contract of employment cannot be terminated without notice in the case of the employee's absence from work caused by caring for a child in the period of taking benefit in virtue of this (maximum 60 days) and in the case of the employee's isolation owing to infectious disease - in the period of receiving remuneration and sickness benefit (maximum 9 months)</p> <p>The employer should re-employ - if it is practicable - the employee who within 6 months of the termination of the employment contract without notice for the enumerated reasons announces his return to work immediately after the cessation of these reasons.</p>

³ Act of 3 Feb. 1995 on Amendment to the Act on Social Security Cash Benefits in the Case of Sickness and Maternity and on Amendment to the Labour Code Act (Journal of Law 1995, no. 26, item 77) replaced the entitlement to benefit during illness remuneration and benefit, which resulted from the changed rules of social security. Prior to 1995 the insured received sickness benefit for the first 30 days of sickness; from 1995 on, insured persons receive remuneration and only if incapacity for work caused by illness continues longer they get sickness benefit.

Manner of terminating the contract	Legal act	Binding period	Notice period	Wages/Payments in virtue of termination and other entitlements	Obligatory procedure	Restrictions on dismissals
		From 1975 - still	Termination of an employment contract for these reasons entails effects which legal regulations tie with termination of an employment contract by the employer with notice.		<p>The employee can terminate the employment contract without notice if a medical certificate stating a detrimental influence of the performed work on health is given and the employer does not transfer the employee, in the time indicated in the certificate, to another workplace suitable to employee's health and occupational qualifications.⁴</p> <p>The employee's announcement of termination of the employment contract should be in writing with the statement of the reasons justifying the termination.</p>	
	Act of 7 April 1989 on Amendment to the Labour Code Act and to Some Other Acts - Journal of Law 1989, no. 20, item 107	From 1989 to 1996			The employer can terminate a contract of employment without notice through the employee's fault in the case of: a grave breach by the employee of the basic employee duties and in particular disturbance of order and peace in the place of work, unjustified absences from work, coming to work after drinking alcohol or drinking alcohol in working hours or at work, and abuses in using social security benefits or other social benefits.	

⁴ Until 1996 the certificate had to be issued by a national health service unit.

Manner of terminating the contract	Legal act	Binding period	Notice period	Wages/Payments in virtue of termination and other entitlements	Obligatory procedure	Restrictions on dismissals
		From 1989 - still			<p>The employer can terminate a contract of employment without notice through the employee's fault if:</p> <ol style="list-style-type: none"> 1) the employee commits a crime in the period of duration of the contract which precludes employing him/her further in the current position; if the crime is obvious or was ascertained with a valid judgement; 2) self-induced loss of the entitlements necessary to perform work in the occupation. <p>The employer takes the decision on terminating the contract, after notifying the enterprise trade union representing the employee of the reasons for termination and asking the union for its opinion. In case of objection, the union expresses its opinion, however not later than 3 days after notification.</p> <p>Termination of an employment contract without notice through the employee's fault cannot take place after the lapse of 1 month from the time the employer first learned of the circumstance justifying termination.</p>	

Manner of terminating the contract	Legal act	Binding period	Notice period	Wages/Payments in virtue of termination and other entitlements	Obligatory procedure	Restrictions on dismissals
	Act of 2 February 1996 on Amendment to the Labour Code Act and to Some Other Acts - Journal of Law 1996, no. 24, item 110	From 1996 - still			The employer can terminate the employment contract without notice in the case of a grave breach by the employee of the basic employee duties.	
		From 1996 - still	The employee is entitled to compensation equal to the remuneration for the notice period.	The employee can terminate contract of employment without notice when the employer commits a gross breach of his duties to employee.		
<p style="text-align: center;">Contract of employment for a fixed period or for the time of performing a task</p> <p style="text-align: center;">Contracts are terminated in accordance with the contents of these contracts (after the lapse of time for which they were concluded or after performing the task for which they were concluded)</p> <ul style="list-style-type: none"> - parties can terminate the contracts of employment on the strength of their agreement on general rules (as in contract of employment for indefinite period) <ul style="list-style-type: none"> - the rules of terminating the contract with notice are not applicable to them - dismissals without notice by employer on the rules as for the employed for indefinite duration are admitted - the general rules of terminating the contract without notice by employee are not applicable 						
Declaration of either party with retention of the notice period (termination of employment contract with notice)	Act of 7 April 1989 on Amendment to the Labour Code Act and to Some Other Acts - Journal of Law 1989, no. 20, item 107	From 1989-1996	In the case of announced bankruptcy or liquidation of the enterprise, either party can terminate the employment contract with two-week notice.			

Manner of terminating the contract	Legal act	Binding period	Notice period	Wages/Payments in virtue of termination and other entitlements	Obligatory procedure	Restrictions on dismissals
	Act of 2 February 1996 on Amendment to the Labour Code Act and to Some Other Acts - Journal of Law 1996, no. 24, item 110	From 1996-still	When concluding a fixed-term contract of employment for a period longer than 6 months, the parties can provide for a possibility of terminating the contract with a 2-week notice.			
Declaration of either party without retention of the notice period (termination of contract of employment without notice)	Act of 2 February 1996 on Amendment to the Labour Code Act and to Some Other Acts - Journal of Law 1996, no. 24, item 110	From 1996-still		In such a case employee is entitled to compensation ,equal to remuneration for a period of 2 weeks.	The employee can terminate the employment contract without notice when the employer has committed a gross breach of the basic duties to the employee.	