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EXECUTIVE SUMMARY

Two key findings about the response of Polish workers to the post-Communist transition emerge from this study:

First, contrary to fears that labor unrest would derail or seriously impede Poland's economic reforms, the impact of blue collar workers on the "shock therapy" program between 1990 and 1994 was very limited. This is not to say that Polish workers were irrelevant or that their interests were simply ignored. The reinvigoration of "workers' councils" in late 1989 enabled the employees of large state-owned enterprises (SOEs) to have a major influence on the disposition of their firms. Most of the workers' councils tried to use their leverage to slow down the pace of large-scale privatization and to forestall mass layoffs. In both respects, they seemed to achieve considerable success, at least during the early transition period. By the end of 1993 only a handful of large firms had been privatized, and the mass privatization scheme still had not been carried out. Similarly, although most of Poland's large SOEs cut back sharply on the number of their employees after 1989 -- in some cases by 30% or more -- they did so mainly by relying on attrition and by forgoing new hirings, rather than by implementing mass layoffs.

Nevertheless, even in these two instances the impact of the workers' councils on the reform program was much less damaging than initially feared, especially at the macroeconomic level. Although the pace of large-scale privatization was slower than expected and the incidence of mass layoffs was relatively low during the first part of the transition, these phenomena were by no means attributable solely, or even predominantly, to resistance on the part of the workers' councils. Numerous other factors, such as bureaucratic and legislative wrangling, the dearth of indigenous capital in Poland, concerns about foreign economic domination, ingrained habits of enterprise management, and the government's reluctance to enforce bankruptcy provisions, were also involved. What is more, efforts to reform large state-owned enterprises were not as futile as often thought. Most of these enterprises did eventually undergo a significant amount of internal restructuring, irrespective of pressure from the workers' councils. By mid-1992 many of the 3,000 large SOEs in Poland had successfully "made major adjustments in the light of their new circumstances." The influence of the workers' councils on other crucial elements of Poland's economic reform program -- macroeconomic stabilization, small-scale privatization, and commercial liberalization -- was even less consequential. Overall, then, attempts by blue-collar workers to undo or greatly weaken the effects of "shock therapy" were unsuccessful.
Second, the political influence of Polish workers during the first four years of the post-Communist era was surprisingly meager. The Solidarity trade union, which numbered almost 10 million members at its height in 1980-81, was drastically smaller after 1989 and eventually split into a number of small, bickering groups whose political influence was often marginal. No cohesive workers’ movement (or comparable entity) filled the void left by Solidarity. Although the political situation in post-Communist Poland was characterized by instability and frequent change, these phenomena did not stem from the organized activities and collective efforts of blue-collar workers. The precipitous decline in workers’ political influence after 1989 was a notable contrast to the Communist era, when Polish workers often played a crucial role in bringing about political crises.

When the Polish government launched its economic "shock therapy" program in 1990, many observers expected that the program would spark a series of debilitating strikes. Those expectations were by no means entirely fanciful. During the Communist era, blue-collar workers in Poland had been far more active than their counterparts in other East European countries. Both before and after the creation of Solidarity, Polish workers had periodically challenged the Communist regime, forcing it to accept far-reaching political and economic compromises. After 1989 the democratization of Polish society enabled workers to organize much more freely and effectively in support of their interests. Hence, it was not unreasonable to assume in the early 1990s that pressure from workers might induce Polish leaders to abandon the painful steps needed to move toward a market economy.

As things turned out, however, no such problems emerged. Poland was able to advance far along the road of "shock therapy" and free market reform without experiencing violent or uncontrolled labor disruption. To be sure, the period between 1990 and 1993 was not entirely devoid of labor unrest, and Polish workers did help stymie the government’s intention of rapidly proceeding with large-scale privatization; but in general, worker opposition to the country’s economic transformation was far less severe and extensive than anticipated.

Five factors help explain why the response of Polish workers to the post-Communist transition was relatively subdued.

First, the chief political grievance of the past forty years, which had so often spilled over into (or helped ignite) widespread labor unrest, was no longer present after 1989. More than anything else, Poland’s subordination to the Soviet Union from the late 1940s to the late 1980s denied any hint of legitimacy to the Polish Communist regime. The domestic viability of the regime was instead largely dependent on "output support" --that is, the extent to which
the authorities could "buy off" the population by providing material goods and services. When such "outputs" were not forthcoming and serious economic discontent arose, public tolerance of the Communist regime swiftly evaporated, bringing deep-rooted political grievances to the surface. The fundamental changes in Poland's relationship with the Soviet Union after 1989 ensured that economic dissatisfaction would no longer translate so easily into violent political unrest.

Second, the initial phase of Poland's post-Communist transition, from mid-1989 until mid-1990, was marked by an extraordinary popular consensus in favor of abandoning Communism. On the strength of this mandate, Mazowiecki's government was able to implement drastic economic changes in 1990 that, once under way, were extremely difficult -- indeed, all but impossible -- to undo. Millions of blue collar workers were among those in 1989 and 1990 who espoused a radical break with the past, and they were willing to endure greater hardships in pursuit of that goal. Although workers' support for shock therapy ebbed after mid-1990, sufficient progress toward a free-market economy had been achieved by that point to forestall any serious prospect of a return to the old order. Despite a succession of short-lived governments and despite growing popular dissatisfaction, the main elements of the Balcerowicz program were left intact. Had the political climate in 1989 and early 1990 not been so conducive to the launching of radical changes, subsequent efforts at reform would have been far more vulnerable to derailment.

Third, the fragmentation of the Polish labor force and of the country's post-Communist trade unions forestalled the emergence of a cohesive, nationwide workers' movement akin to the Solidarity movement of 1980-81. Sectoral and intra-sectoral cleavages, combined with perceptions of a zero-sum competition for scarce resources, precluded the kind of cooperation and "class solidarity" one might have expected among diverse groups of workers. Instead, labor protests in post-Communist Poland tended to be isolated and containable. Attempts by radical labor organizers to generate a broader protest movement against "shock therapy" consistently failed.

Fourth, even though Polish officials eliminated key parts of the old "social contract," they refrained from pressing things too far. For example, despite the misgivings of senior economic advisers, the Polish government deliberately accorded a central role to workers in the large-scale privatization program. This concession greatly slowed down the rate of large-scale privatization, but the government was willing to endure that cost in order to maintain social tranquility. More generally, the Suchocka government's effort to forge a corporatist arrangement among workers, managers, and the state was a sign that Polish leaders recognized
the importance of giving workers a voice in key decisions. The temporary hardships accompanying "shock therapy" were far greater than the Polish Communist regime ever could have exacted (because of that regime’s fundamental illegitimacy). But the post-Communist governments did not simply run roughshod over the interests of workers. On the contrary, each of the governments, especially Suchocka’s, did its best to provide workers with a sense that they could have a meaningful voice in decision-making without having to resort to work stoppages or other protests.

Fifth, despite the recession that Poland underwent from early 1990 through early 1992, conditions did eventually improve. By mid-1993 the Polish economy was growing faster than any other economy in Europe, and living standards for most workers (as well as for the population as a whole) were on the rise. These achievements did not necessarily disabuse many Poles of a sense that they were still worse off than before, but it did attenuate the "objective" basis for a surge of labor unrest. The visible payoffs from the reforms also gave successive governments, including the SLD-PSL coalition that came to power in the fall of 1993, greater incentive to uphold and stick with the Balcerowicz program even when confronted by workers’ protests.

By late 1993, workers for the most part had become profoundly cynical about the country’s political system and were concerned, more than anything else, about the possibility that they would be laid off. Because of these concerns, many state-sector workers remained leery of privatization, even when their enterprises were deemed to be viable. Opinion polls in late 1993 showed that SOE employees believed by a 13-to-1 margin that "employment security will deteriorate" after privatization. Nearly as many feared that privatization would also mean the sacrifice of most or all of the social welfare benefits that had long been provided by state firms, and that any monetary compensation would likely be outweighed by the potential loss of social services.

As important as these concerns were, they were not necessarily enough to precipitate social unrest. On the contrary, widespread anxiety about unemployment induced most workers, especially those in state enterprises, to seek to avoid "making waves." This factor served as a brake on the new wave of labor unrest that erupted under Solidarity’s auspices in the spring and early summer of 1994. These latest strikes, which focused on wage demands as well as on employment security, posed many of the same political and economic dilemmas for the SLD-PSL coalition that had earlier been confronted by the Solidarity-sponsored
governments. (Even the issue of the *popiwek* and wage controls was again at the forefront of workers' concerns.)

Despite this new round of turmoil and the prospect of continued unrest in the future, Poland's post-Communist economic reforms seem likely to continue in the same market-oriented direction they have been heading for the previous four-and-a-half years, albeit with occasional reversals and setbacks. Barring some catastrophic turn of events, worker dissatisfaction in Poland as of mid-1994 still seems manageable, and there is even the possibility that workers' discontent can be substantially alleviated if economic growth and industrial production remain as vibrant as they were in 1992 and 1993.

by Mark Kramer

It's extremely difficult to maintain this tough policy toward the unions, toward the working people. It's even more difficult because I . . . understand their predicament, their difficult situation, their desperation. For 40 years they were treated as the most important class, on which the whole system of the state stood. And it is very bitter for them to understand now that the new conditions require them to step down to a very low role.

-- Hanna Suchocka, Prime Minister of Poland
September 1992

Of all the countries in the former Soviet bloc, Poland offers perhaps the most favorable opportunities for exploring the response of blue-collar workers to the post-Communist transition. Several factors account for the importance of the Polish case:

First, during the Communist era, Poland had an active and well-organized labor force, which played a crucial role in 1988-89 in bringing about the "round table" negotiations that led to the abandonment of Communism.

Second, under pressure from workers' representatives, the Polish authorities adopted a new labor code in April 1989 at the very outset of the country's post-Communist transition. This code was supplemented in 1991 by comprehensive employment and labor legislation, which was broadly similar to legislation adopted at around the same time in both Hungary and Czechoslovakia.\(^1\)

The response of Polish workers thus can be readily compared with the experiences of workers in other East European states.

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Third, Poland was the first of the ex-Communist countries to embark on a program of economic "shock therapy," which profoundly affected blue-collar workers as well as other groups in Polish society. For this reason if for no other, the Polish case should allow for greater clarity in gauging workers' responses to drastic economic change.

Fourth, data from public opinion surveys in Poland since 1989 provide valuable evidence of workers' views of the "shock therapy" program and the changing political scene. Detailed returns from Poland's four parliamentary and presidential elections between June 1989 and September 1993 shed further light on workers' political preferences.

In all these respects a careful study of workers' activities and concerns in post-Communist Poland is likely to produce fruitful results.

Two key findings about the response of Polish workers emerge from this article:

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This article will provide extensive evidence for each of these findings, focusing on how Polish workers responded to political and economic changes between 1989 and 1993. To provide a baseline for discussion of post-Communist developments, the article will begin with a brief examination of the role Polish workers played during the Communist era. The article will then consider the political and economic changes in Poland after 1989 and the way Polish workers reacted to and tried to affect these changes. In assessing the response of workers to the collapse of the old "social contract," the article will necessarily explore changes in trade union representation and organized labor, highlighting the fragmentation of Solidarity and the altered role of the once-official and still largely discredited All-Polish Federation of Trade Unions, the OPZZ (Ogólnopolskie Porozumienie Związków Zawodowych). The article also will trace how the political euphoria of 1989 and 1990 gave way to disillusion and apathy as drastic economic reforms proceeded apace after 1990, irrespective of which political leaders or factions were in power.
Information for the article has been gleaned from a wide variety of sources. Statistical data come from the Polish government, the Organization for Economic Cooperation and Development (OECD), the UN's Economic Commission for Europe (ECE), and other international organizations. In most cases, the data produced by the Polish government offer a sufficiently broad and accurate picture. Opinion surveys, including those published in the Polish press as well as more detailed polls conducted by the Centrum Badania Opinii Spolecnej (CBOS), supplement the on-site interviews and survey research carried out by the author in 1990, 1991, and 1993. Relevant articles from the Polish press, as well as scholarly books and articles by Polish and Western observers, provide a further source of information. Taken together, these materials permit a detailed assessment of the changing state of labor relations in Poland during the early post-Communist transition.

POLISH WORKERS UNDER COMMUNIST RULE

Throughout the Communist era, blue-collar workers in Poland were far better organized and more politically influential than their counterparts in Eastern Europe and the Soviet Union. During each of the major political crises in Poland between the mid-1950s and the late 1980s -- in 1956, 1968, 1970-71, 1976, and 1980-81 -- workers played a central, and often decisive, role. Political instability generated by workers helped bring about the downfall of Polish Communist leaders in 1970 and 1980. Even when officials in Warsaw did their best

3. This, however, does not mean that the official data are always easy to use, at least in published form. Although Poland's Main Statistical Administration (GUS) has done a creditable job of adjusting to the post-Communist era (unlike most of its counterparts in the ex-Soviet bloc), the GUS still has a frustrating tendency to make abrupt changes in the bases of its calculations and the presentation of key statistics, often without sufficient explanation. When I have encountered discrepancies, I have tried to clarify them in interviews with GUS officials.

to cater to the interests of workers and to defuse labor grievances, unforeseen changes in economic conditions often led to renewed political instability and upheaval.

The potentially destabilizing role of Polish workers was evident as early as June 1956, when the process of de-Stalinization was just getting under way. A violent confrontation occurred that month in Poznan between protesting workers and the Polish security forces, leaving 53 people dead and many hundreds wounded. Labor unrest in Poland continued to erupt in the late summer and fall of 1956 as internal crises deepened both there and in Hungary. Spontaneous "workers' councils" (rady robotniczych) sprang up in factories all over Poland, reflecting a widespread desire among workers for a greater "voice" in society. The councils were intended to safeguard the interests of labor in a way that the official trade unions, being nothing more than a "transmission belt," were unable to do. The workers' councils were strongly supportive of Wladyslaw Gomulka when he returned in October 1956 as leader of the PZPR, a development that brought the crisis in Poland to a head. Amidst a wave of popular defiance, Gomulka was able to achieve a modus vivendi with Moscow (unlike in Hungary, where Soviet troops finally intervened against Imre Nagy's government) and to consolidate his position at home. In November 1956, Gomulka sought to augment his popularity by officially condoning the presence of the "workers' councils" in state-owned enterprises. The Polish leader apparently regarded the councils as a useful


base of support, and also hoped that they would prevent any major political spill-over from labor grievances and conflicts in the future.

The workers' councils proved highly successful during their first two years of operation -- so successful, indeed, that Polish Communist officials began to fear that the councils were overshadowing the enterprise managers, who had been installed by the Communist Party (PZPR). As a result, in December 1958 the Polish authorities converted the spontaneous, worker-elected councils into a formal "Confederation of Workers' Self-Management," which was subordinated to the official trade unions and placed under the direct control of PZPR officials. This step vitiated the erstwhile effectiveness and prominence of the workers' councils, leaving them with nothing more than a ritualistic function akin to that of the official trade unions. In the early 1970s the workers' councils were brought under even tighter state control, and in the late 1970s the discredited system was finally abolished.

The PZPR's assertion of control over the workers' councils in the late 1950s may have seemed expedient to Party leaders at the time, but it deprived the regime of any effective way to cope with mounting labor discontent. The seriousness of this deficiency became apparent at the start of the 1970s, when miners, shipbuilders, and other blue-collar workers embarked on a series of bold actions. Mass labor protests against the government's abrupt announcement of food price increases in December 1970 were a milestone in the development of group cohesion and consciousness among Polish workers. Strike committees in

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Szczecin and Gdansk forged links with factories all over Poland, and the demands of the protesters extended to political as well as economic issues. Many of the strikers denounced the Party's domination of the workers' councils and called for the establishment of genuinely independent workers' organizations. Despite the regime's attempt to suppress the strikes with force, the workers persisted and were able to compel the government to rescind its price increases in February 1971. This dramatic turn of events further galvanized the incipient labor movement in Poland and promoted "class solidarity" among disparate groups of workers.

Over the next few years, however, the Polish authorities were able to retract much of what they had conceded, as they clamped down on workers' organizations and sought to reestablish the PZPR's monopoly over all aspects of labor relations. These efforts ultimately proved futile, despite a brief period of social tranquility in the early 1970s when economic output grew rapidly thanks to heavy borrowing from abroad. When the government's import-led strategy began to falter in the mid-1970s (and then soon collapsed altogether), harsh austerity measures suddenly had to be reimposed. In June 1976 another announcement of increases on food prices sparked strikes and protests at factories and mines around the country. Links among workers were quickly revived and strengthened, as the structure of a nationwide movement emerged spontaneously. Within less than 24 hours the government was forced to back down, giving workers a new and more powerful sense of their collective ability to bring about desired political change. 9

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Soon after the June 1976 protests had subsided, the authorities launched a wave of repression against the strike organizers, sentencing many to long prison terms. These measures, it turned out, provided only a temporary respite. The crackdown inspired a group of prominent intellectuals to set up the Committee for Workers' Defense (KOR) in September 1976, and the success of KOR prompted the formation of a host of other dissident groups, including those calling for independent labor organizations. Workers in central Poland established a small unofficial trade union in late 1977, the first such entity that had been formed in the Soviet bloc. Soon thereafter, similar bodies were set up on a local basis in parts of southern Poland and some northern port cities. The Polish authorities cracked down harshly against these unofficial unions, but a solid basis had been laid for the momentous events of 1980-81.

Amidst a surge of strikes and protests in the summer of 1980 the "Solidarity" trade union was established as the first nationwide workers' organization outside the control of the PZPR. The independent status of Solidarity was formally approved by the Polish government in the historic Gdansk accords at the end of August. The new trade union soon gained a membership of nearly 10 million (i.e., half the adult population of Poland), enabling it to rival the PZPR for de facto political control. When martial law was imposed in December 1981, Solidarity and its affiliated organizations were banned, and they remained officially illegal until early 1989. Even during the height of the martial law period, however, the union continued to operate underground as a rallying point for workers in Poland. Moreover, the creation of a new version of workers' councils (formally known as "employees' councils") in September 1981 had

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11. Of the vast literature on the role of workers in these events, see in particular the recent study by Roman Laba, The Roots of Solidarity: A Political Sociology of Poland's Working-Class Democratization (Princeton, NJ: Princeton University Press, 1991), which persuasively debunks many earlier claims about the origins of Solidarity.
given Polish workers a basis for establishing much greater control over the status and operation of their enterprises.\(^{12}\) Although the Polish government curbed the powers and functions of the workers’ councils after the introduction of martial law, more than 6,000 councils remained in place as a potential vehicle for workers to have a direct say in enterprise management. Not until late 1989, however, did the councils fully regain the expansive functions envisaged for them under the 1981 legislation.

This legacy, and the existence of a sizable private sector in agriculture and in some industry and services, placed Polish workers in a somewhat different position from that of workers in other East-bloc countries, where central planning was more firmly entrenched. Some rudimentary features of a free-market economy were already present in Poland, and Polish workers had gained valuable experience in mobilizing for collective ends. Even in Poland, however, the idiosyncracies of some forty years of central planning could not help but take their toll. Despite the high degree of intra-enterprise control that Polish workers were able to exercise after mid-1989 through the reinvigorated workers’ councils, the labor force in Poland was bedeviled by many of the same conditions that blue-collar workers in other Communist countries faced. These conditions proved to be of great importance in shaping the response of Polish workers to the post-Communist transition.

**CENTRAL PLANNING AND THE PRE-1989 LABOR MARKET**

The most conspicuous effect of central planning on the Polish labor market was the high degree of excess demand. Unemployment in Poland was illegal and officially non-existent during the Communist era, but labor hoarding and

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12. "Ustawa z dnia 25 września 1981 r. o przedsiębiorstwach państwowych," Dziennik Ustaw Polskiej Rzeczypospolitej Ludowej (Warsaw), No. 24 (30 September 1981), item 122. For the sake of simplicity, the phrase "workers' councils" will be used here to denote the bodies representing workers in individual enterprises.
disguised unemployment were pervasive, accounting for at least 25 percent of the country's total work force (and perhaps as much as 50-60 percent).\textsuperscript{13} State enterprise managers were interested solely in meeting annual output targets, regardless of the cost. They deliberately retained large quantities of excess labor and other inputs to cope with supply disruptions and periods of intense activity ("storming"). Accordingly, the demand for labor (i.e., the number of vacancies) in the 1980s exceeded the supply (i.e., the number of job-seekers) by as much as 90-to-1 (see Table 1).\textsuperscript{14}

\begin{table}
\centering
\caption{EXCESS DEMAND IN THE POLISH LABOR MARKET, 1978-1989}
\begin{tabular}{lcc}
\hline
Year & Vacancies & Job-seekers \\
\hline
1978 & 10.2 & \\
1979 & 20.0 & \\
1980 & 9.8 & \\
1981 & 4.6 & \\
1982 & 27.5 & \\
1983 & 46.8 & \\
1984 & 52.4 & \\
1985 & 66.5 & \\
1986 & 57.6 & \\
1987 & 44.5 & \\
1988 & 86.8 & \\
1989 & 90.1 & \\
\hline
\end{tabular}
\end{table}

The demand for labor remained extremely high despite the Polish government's efforts in the 1970s and 1980s to shift from "extensive" to "intensive" growth, making more efficient use of labor, capital, and other inputs. Such efforts proved almost wholly abortive, and microeconomic activity in Poland was still based predominantly on "extensive" methods. The "extensive" use of labor necessitated an unusually high rate of labor-force participation by all segments of the population, including women of every age group. By the late 1980s women accounted for 46-47 percent of the total work force in Poland, well

\begin{itemize}
\end{itemize}
above the average proportion in Western countries (other than Scandinavia). The
demand for female employees was especially high in the state sector, where the
percentage of women rose from 44.5 percent in 1980 to 47.0 percent in 1989.15
(The absolute number of female employees in the state sector during this period
declined by nearly 190,000, reflecting the overall contraction of some 2.85
million jobs in the state sector.) By contrast, the percentage of women in the
private sector shrank from 50.9 percent in 1980 to just 43.3 percent in 1989.16
(The absolute number of female employees in the private sector remained almost
unchanged, but employment in the private sector overall rose by some 850,000,
thus accounting for the reduced proportion of women.) Even in the private
sector, the share of women in the Polish labor force throughout the 1980s
remained much higher than in most Western countries, whose labor markets, unlike
that of Poland, were not driven by supply.17

The excess demand in the Polish labor market was accentuated by the low
mobility of the Polish work force. From the mid-1950s on, labor mobility in
Poland, as measured by internal migration and turnover rates, was much lower than
in the average Western country.18 This discrepancy resulted in part from a
deliberate effort by the Polish government to maintain strict social control, but
it also was simply a reflection of the deplorable state of the country's housing
stock. Labor mobility briefly surged in the early 1970s when a large number of
young people moved to urban areas, but it soon returned to its previous low level
as economic conditions deteriorated. Even when the number of job vacancies grew

16. Ibid.
17. For comparative figures on labor-force participation in Western countries, see Organization for Economic Cooperation
Change in Central and Eastern Europe: Labour Market and Social Policy Implications (Paris: Organization for Economic
in the 1980s and workers were increasingly able to change employment. Geographical mobility remained as limited as ever. By the late 1980s the rate of internal migration in Poland was among the lowest in Europe.19 During the Communist era, when Polish workers normally had a lifetime guarantee (and obligation) of a job in their local factories or mines, the relative immobility of the workforce did not place any serious constraints on Poland's labor market. But after 1989, when the guarantee of a local job disappeared, the problem was bound to grow acute.

The persistence of high excess demand in the pre-1989 labor market also helps explain why labor productivity in Poland, in virtually every sector, was at least 35 to 40 percent lower than in the average Western country.20 Most employees of Poland's state-owned enterprises got by with very lax work regimes, and many did not bother to show up for work at all, knowing that they stood little or no risk of being fired. The resulting shortfall in labor productivity was further exacerbated by the stifling political atmosphere. As in other Communist countries, most workers in Poland were reluctant to express open dissatisfaction with political repression and economic hardships. Except during periods of turbulence and crisis, Polish workers sensed (correctly) that they had little or no capacity to challenge key decisions even within the workplace or at the local level, much less in national politics. Without an effective "voice" in society, blue-collar workers instead used their lackluster job performance as a means of "exit" from the system.21

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Even if the political climate had been more conducive to retaining the "loyalty" of workers, efforts to bolster labor productivity would have been difficult because of the wage scales mandated by central planners. Wage differentials based on professional qualifications and educational attainment were far narrower in Poland than in Western countries: In the 1980s the average earnings of non-manual workers in Poland were only 1.05 times higher than the earnings of manual workers, whereas in a typical West European country the comparable ratio was 1.45.\textsuperscript{22} (Even in Hungary the ratio was roughly 1.13, well above the differential in Poland.) Much the same was true of the total distribution of wages in Poland, which encompassed only about 65 to 70 percent of the differential found in a country like Great Britain or Australia.\textsuperscript{23} Although wage determination procedures were eased slightly in the early 1980s when a tax-based incomes policy was introduced and enterprises were allowed somewhat greater discretion, enforcement of the policy was weak and sporadic, and wage scales showed little or no improvement.\textsuperscript{24} (In fact, in some cases, particularly when enterprise managers had to give in to pressure for generalized wage increases, the differentials ended up shrinking up even further.) The lack of sufficient wage differentials precluded one of the key potential motivators of an otherwise uninspired labor force.

The low productivity of Polish labor, and the disproportionate emphasis that central planners traditionally gave to heavy industry, skewed the whole

\textsuperscript{22} The best source available on income distribution in pre-1989 Poland is Anthony B. Atkinson and John Mickelwright, \textit{Transformation in Eastern Europe and the Distribution of Income} (New York: Cambridge University Press, 1992), which, despite its title, focuses almost entirely on the Communist era. Although Atkinson and Mickelwright compare the experiences of Poland, Hungary, Czechoslovakia, and the Soviet Union with that of the United Kingdom, they carefully note the limitations of their data and the hazards of intersystemic comparisons.

\textsuperscript{23} It should be noted, however, that in a "shortage economy" such as Poland's, wages were not the main determinant of overall material inequality. Individuals' wealth depended instead primarily on their "connections" and on their dealings in the shadow economy.

structure of the Polish work force, leaving it with much greater concentrations of employment in agriculture and industry than would be found in an average Western country. This structural disparity can be seen in Tables 2 and 3. By the same token, the service sector in Poland, whether measured by the share of total employment, by productivity, or by any other indicator, was very poorly developed. In the absence of greater private activity in both services and manufacturing, the structural divergence between the Polish labor market and its Western counterparts widened over time.

These engrained features of the pre-1989 labor market were bound to complicate the early post-Communist transition. The patterns and habits of some 40 years could not be easily dissipated, as the new Polish government soon recognized. Although some elements of the "shock therapy" program were designed to accommodate entrenched labor practices of the Communist era, concessions of this sort were never regarded as more than a temporary expedient. Worker resistance to economic reform in Poland in the early 1990s turned out to be less of a problem than initially feared, but even so, the government had to be constantly mindful of the legacy of the Communist period. More than any other group in Polish society, blue-collar workers still had the capacity to obstruct and derail the post-Communist transition.

REFORM AND EMPLOYMENT IN THE EARLY POST-COMMUNIST ERA

The end of Communism in Poland came in well-defined stages. Waves of strikes in the spring and summer of 1988, resulting from the government’s inability to cope with severe wage-push pressures, led to the "round table" negotiations in early 1989. Despite some initial hesitation and backtracking on the part of the Communist authorities, the talks culminated in a historic agreement with Solidarity in April 1989.25 Under that agreement, partly-free

### TABLE 2
COMPARATIVE STRUCTURE OF EMPLOYMENT, 1988
(percentages)

<table>
<thead>
<tr>
<th>Country</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Construction</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>POLAND</td>
<td>27.8</td>
<td>32.2</td>
<td>7.9</td>
<td>32.0</td>
</tr>
<tr>
<td>AUSTRIA</td>
<td>7.8</td>
<td>28.9</td>
<td>8.5</td>
<td>54.8</td>
</tr>
<tr>
<td>NETHERLANDS</td>
<td>4.6</td>
<td>19.7</td>
<td>6.5</td>
<td>69.1</td>
</tr>
<tr>
<td>JAPAN</td>
<td>7.2</td>
<td>24.6</td>
<td>9.4</td>
<td>58.7</td>
</tr>
<tr>
<td>GERMANY</td>
<td>3.7</td>
<td>33.5</td>
<td>6.7</td>
<td>56.1</td>
</tr>
<tr>
<td>SWEDEN</td>
<td>5.0</td>
<td>22.7</td>
<td>6.0</td>
<td>66.4</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>2.8</td>
<td>19.9</td>
<td>6.5</td>
<td>70.7</td>
</tr>
</tbody>
</table>


### TABLE 3
STATE AND PRIVATE EMPLOYMENT IN POLAND, 1989-1993
(percentage at end of year)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>State Sector</td>
<td>53</td>
<td>50</td>
<td>44</td>
<td>41</td>
<td>40</td>
</tr>
<tr>
<td>Agricultural</td>
<td>23</td>
<td>25</td>
<td>26</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Non-Agricultural</td>
<td>24</td>
<td>25</td>
<td>30</td>
<td>33</td>
<td>34</td>
</tr>
<tr>
<td>Including</td>
<td>10</td>
<td>14</td>
<td>19</td>
<td>26</td>
<td>30</td>
</tr>
<tr>
<td>Cooperatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excluding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Employment</td>
<td>17.6</td>
<td>16.5</td>
<td>15.9</td>
<td>15.9</td>
<td>15.8</td>
</tr>
</tbody>
</table>

Source: Główny Urzad Statystyczny, Rocznik Statystyczny for various years.
elections for parliament were held in June 1989, with 35 percent of the seats in the lower house (the Sejm) and 100 percent of the seats in the newly created upper house (the Senate) open to candidates from all parties. Not surprisingly, Solidarity inflicted a humiliating defeat on the Communists, capturing all the eligible seats in the Sejm and all but one of the seats in the Senate.\textsuperscript{26} Moreover, even in the seats reserved specifically for the PZPR, many deputies, including several top officials, failed to win reelection and had to leave the government. (Under the election rules, candidates would gain office only if they earned a majority of votes from those who cast ballots. Millions of Polish voters crossed out all the names of Communist candidates on the ballot, even in the uncontested seats.) No result could have given a more decisive start to Poland’s post-Communist transition.

In early September 1989 a Solidarity-led coalition government took office in Warsaw, bringing an end to more than forty years of Communist rule. The prime minister of the new government, Tadeusz Mazowiecki, was a prominent Catholic theologian and long-standing member of Solidarity. His support among blue-collar workers was broader (at least initially) than one might have expected, considering that Mazowiecki came from the intellectual wing of Solidarity rather than from the working-class rank-and-file.\textsuperscript{27} Public expectations in Poland were so high at the time, and the popular consensus behind Solidarity was so strong, that cleavages within the trade union were temporarily submerged. This lull was crucial in providing the new government with an opportunity to set drastic changes in motion.

Faced with hyperinflation and an alarming economic decline (bequests of the Communist regime), Mazowiecki and his advisers decided to take swift and


\textsuperscript{27} Zbigniew Domaranczyk, \textit{100 dni Mazowieckiego} (Warsaw: Wydawnictwo Andrzei Bonarksi, 1990).
comprehensive remedial action. In January 1990 Poland became the first country to adopt economic "shock therapy," an approach that eliminated the chief components of the old "social contract" for workers virtually overnight. The program was aimed at three fundamental objectives: (1) macroeconomic stabilization; (2) liberalization of prices and commercial transactions; and (3) restructuring and privatization. For the most part, the first two objectives were achieved during the early phases of the program, as can be seen from the data presented in Table 4. Policies aimed at restructuring and privatization were more difficult to implement, at least with respect to large state-owned enterprises.

On the macroeconomic side, the shock therapy program was initially accompanied by triple-digit rates of inflation -- the result one would normally expect from an abrupt liberalization of prices. Inflation declined markedly after the first several months, and repressed inflation (in the form of queues and shortages) was eliminated altogether; but overall the inflation rate remained high by Western standards. The shock therapy program also resulted in a steep recession between 1990 and early 1992, including a precipitous fall in industrial production (more than 30 percent in 1990 and 1991). In the spring of 1992, however, a recovery began, and it picked up substantial momentum in 1993. Yet even after the recovery was well under way, industrial production was still at only about 70 percent of its 1989 level (though much of what had been "lost" by that point was undoubtedly worth eliminating). 28

On the microeconomic side, as noted above, the launching of the government's mass privatization scheme was repeatedly delayed, and the pace of transformation of large SOEs was slower than expected. 29 By the end of 1993,


### TABLE 4
MACROECONOMIC PERFORMANCE IN POLAND, 1989-1993

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Inflation (CPI), %</strong></td>
<td>639.6</td>
<td>249.3</td>
<td>60.4</td>
<td>44.3</td>
<td>31.0</td>
</tr>
<tr>
<td><strong>GDP Growth, %</strong></td>
<td>0.2</td>
<td>-11.2</td>
<td>-7.6</td>
<td>1.0</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Government Budget</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deficit/Surplus, % of GDP</strong></td>
<td>-7.4</td>
<td>3.5</td>
<td>-5.6</td>
<td>-6.2</td>
<td>-2.9</td>
</tr>
<tr>
<td><strong>Industrial Growth, %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State and Private</strong></td>
<td>0.5</td>
<td>-24.2</td>
<td>-11.9</td>
<td>4.2</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Private Only</strong></td>
<td>22.0</td>
<td>8.9</td>
<td>48.6</td>
<td>48.0</td>
<td>50.0</td>
</tr>
<tr>
<td><strong>Real Wage Growth in Industry, %</strong></td>
<td>9.1</td>
<td>-32.1</td>
<td>-1.9</td>
<td>-2.4</td>
<td>-1.9</td>
</tr>
<tr>
<td><strong>Unemployment Rate, %</strong></td>
<td>nil</td>
<td>6.3</td>
<td>11.8</td>
<td>13.6</td>
<td>15.7</td>
</tr>
<tr>
<td><strong>Number of Unemployed (millions)</strong></td>
<td>nil</td>
<td>1.1</td>
<td>2.2</td>
<td>2.5</td>
<td>2.9</td>
</tr>
<tr>
<td><strong>Number of Individual Businesses, thousands</strong></td>
<td>813.5</td>
<td>1135.5</td>
<td>1420.0</td>
<td>1630.6</td>
<td>1780.2</td>
</tr>
<tr>
<td><strong>Zloty/Dollar Exchange Rate</strong></td>
<td>5235</td>
<td>9500</td>
<td>11,072</td>
<td>15,449</td>
<td>21,000</td>
</tr>
<tr>
<td><strong>Balance ($million)</strong></td>
<td>240</td>
<td>2214</td>
<td>51</td>
<td>512</td>
<td>600</td>
</tr>
</tbody>
</table>

**SOURCE:** Glowny Urzad Statystyczny, Rocznik Statystyczny for various years; and Glowny Urzad Statystyczny, Blisletyn Statystyczny, Vol. XXXVIII, No. 2 (March 1994).
liquidation, worker/management buyouts, and the establishment of joint ventures with foreign partners had resulted in the privatization of most of Poland's small and medium-size SOEs, but only a handful of the largest companies. Altogether, more than 6,000 enterprises, including some 3,300 industrial plants accounting for 62 percent of Poland's total industry, were still owned by the state as of early 1994. Yet, despite the continued preponderance of SOEs in manufacturing, the rapid development of private firms in transport, printing, retail sales, and most other services, as well as the privatization of some industries, enabled the private sector to surpass state enterprises in the share of gross economic activity in late 1992. By the end of 1993, as the number of private businesses and stores continued to expand (see Table 4) and agriculture remained overwhelmingly private, the private sector in Poland accounted for more than 60 percent of total employment, including some 90 to 95 percent of employment in retail trade, construction, and services.

The different components of the shock therapy program, both macroeconomic and microeconomic, had a prompt effect on the level and composition of employment in Poland. Between December 1989 and December 1991, total employment decreased

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by around 10 percent (see Table 3), thanks to a reduction of 2.95 million jobs in
the state sector, or roughly one-quarter of all state workers as of 1989.\textsuperscript{33}
Although employment in the private sector during the same period rose by some
1.25 million (an increase of nearly 85 percent outside the agricultural sphere),
this burst of growth was not enough to offset the reductions in state-sector
employment. Because the architects of the reform program had realized all along
that rapid job creation in the private sector would be the only way to make up
for the contraction of employment in the state sector, the disparity of some 1.7
million jobs came as something of a disappointment.

Even if private-sector employment had expanded faster, it seems unlikely
that SOE managers had anticipated they would have to make such large cuts so
soon. Many had hoped they could ease the burden of excess labor simply by
offering shorter working hours, paring the number of shifts, and allotting
involuntary (and unpaid) leaves.\textsuperscript{34} In 1990 and 1991, the decline in the total
number of hours worked at industrial enterprises was nearly 60 percent steeper
than the reduction in the number of employees at those enterprises -- a clear
sign that workers who were still formally "employed" had experienced sharp cuts
in their hours.\textsuperscript{35} Similar evidence is available of the reduced number of shifts
and the step-up in mandatory leaves.\textsuperscript{36} These policies helped buffer the drop in

\textsuperscript{33} GUS, \textit{Rocznik Statystyczny}, 1992, pp. 96-97. Because of the skewed effect that would result if cooperatives were
included in this comparison (cooperatives were shifted to the private sector under official changes made in 1991), they have been
excluded from the calculations.

\textsuperscript{34} This was the hope not only of the managers, but of the workers' councils as well. The workers' councils were not
enthusiastic about such measures, but preferred them to the alternative of layoffs.

\textsuperscript{35} Calculated from data in Organization for Economic Cooperation and Development, \textit{The Labour Market in Poland
(Paris: OECD, 1993), p. 13. See also the table on "Czas pracy robotników grupy wytwórczej w wybranych działach gospodarki

\textsuperscript{36} See, for example, the tables on "Robotnikogodziny nie przepracowane przez robotników grupy wytwórczej w wybranych
działach gospodarki narodowej," "Robotnikogodziny przepracowane \textit{i} nie przepracowane oraz tygodniowy czas pracy robotników
grupy przemysłowej w przemyśle," and "Zmiany wóweczas pracy robotników bezpośrednio produkcyjnych grupy przemysłowej w
employment for some time, but in the end they did not forestall a substantial loss of jobs.

Even so, the initial impact of the lost jobs was much less wrenching than it could have been. In both 1990 and 1991, SOEs were able to curb their employment levels primarily by forgoing new hirings and by encouraging early retirements and other voluntary departures (e.g., invalidity pensions). In 1990, gross hirings by SOEs fell by 31 percent (an unprecedented decline), and early retirements accounted for at least 70 percent of the net drop in employment, a trend that continued in the following year. By the end of 1991, nearly 1.5 million workers had taken advantage of the increased retirement incentives, receiving pensions of up to three-quarters of the average wage along with generous indexing for inflation. (By contrast, pensions were equal to only about 47 percent of the average wage in 1989, and indexing at that time lagged far behind inflation.) The incentives for early retirement had to be scaled back in subsequent years when they threatened to become fiscally unsustainable, reaching some 24.8 percent of total government spending in 1992. Even then, however, the rate of early retirements and other voluntary exits from the labor force remained high. If the initial wave of job losses had been predominantly involuntary, a backlash might well have ensued; but the pattern that was actually observed in 1990 and 1991 posed far fewer risks, allowing much-needed reforms to take root.

Over time, especially after 1991, the share of involuntary layoffs increased, despite the continued high rate of voluntary departures. Most of the

40. Interviews by the author in Łódź, Szczecin, Wrocław, Gdańsk, and Warsaw, June and December 1993.
dismissals, however, were carried out on an individual basis, rather than through the faster and more efficient method of "mass layoffs" (zwolnienia grupowo). Workers who were subject to mass layoffs (i.e., dismissals of 10 percent or more of their company's work force within three months) accounted for only 5.7 percent of the unemployed in the first quarter of 1990, a rate that increased little thereafter. Although the number of workers dismissed via mass layoffs rose modestly as a percentage of the total unemployment pool between 1990 and 1992, this did not mean that the incidence of mass layoffs was growing by any appreciable amount. Rather, the upward trend merely indicated that workers who were dismissed en masse usually had exceptional difficulty in finding new jobs, and thus tended to remain out of work much longer than those who entered the unemployment pool via different routes. In any case, the upward trend was reversed in 1993, when the number of workers in the unemployment pool who had been released in mass layoffs dropped by 10 percent. This new pattern, signaling a decline in the already low rate of mass layoffs, continued in the first half of 1994.

The infrequency of mass layoffs was due in large part to the elaborate and unwieldy legal restrictions enacted in late 1989, which made the practice highly unattractive in most cases. SOE directors who wanted to undertake mass layoffs

41. For state-owned enterprises with 1,000 or more employees, the dismissal of 100 workers at a time was classified as a "mass layoff" (zwolnienie grupowo). This effectively meant that the giant industrial plants and shipyards (e.g., the Ursus tractor company) would have to abide by the restrictions of the Employment and Mass Layoffs Acts anytime they wanted to carry out more than a trivial reduction of their labor force.

42. GUS, Rocznik Statystyczny, 1992, p. 108.

43. Główny Urzad Statystyczny, "Bezrobotni zarejestrowani i oferty pracy," Biuletyn Statystyczny (Warsaw), Vol. XXXVIII, No. 2 (March 1994), p. 40. This decline was even sharper than it may seem because it came at a time when the unemployment pool was rising from 2.51 million to 2.89 million. Hence, the proportion of unemployed workers who were dismissed in mass layoffs shrank by nearly 25 percent.

44. "Ustawa z dnia 28 grudnia 1989 r. o szczególnych zasadach rozwiazywania z pracownikami stosunków pracy z przyczyn dotyczących zakładu pracy oraz o zmianie niektórych ustaw," Dziennik Ustaw Rzeczypospolitej Polskiej, No. 4 (27 January 1990), item 19.
were obligated to obtain the consent of workers' councils, an onerous task in itself. Once they had gained the councils' approval, they had to provide at least 45 days' notice to all affected workers. Employees who were dismissed in this manner were entitled to three months of full severance pay plus up to six months of supplemental compensation.\(^45\) (By contrast, workers who were laid off individually received nothing.) Because of the financial burden that these obligations imposed on firms that were already in desperate straits, enterprise managers found it hard to justify mass layoffs even in purely economic terms.\(^46\) In that respect, the government's effort to accommodate the workers' councils by providing a generous cushion for laid-off employees became a significant obstacle to enterprise restructuring. The dearth of mass layoffs did not prevent restructuring altogether, but it did mean that the process was slower and more haphazard than it could have been.

In part for this reason, the net decrease in employment between 1989 and 1991 was a good deal smaller than the reductions in Poland's GDP and industrial output. This disparity indicates that labor productivity, especially in the state industrial sector, fell considerably during that period: by some 16.5 percent in 1990, and by 4.9 percent in 1991.\(^47\) It has sometimes been suggested that the sharp decline in real wages earned by state-sector employees after 1989 may also have been responsible for the comparatively small reduction in employment, but this does not appear to be the case. The demand for labor was relatively inelastic with respect to wages (that is, changes in wage rates did

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\(^45\) The precise amount of severance pay for a given worker depended on that worker's seniority. Those with more than 20 years' service were entitled to three months; those with 10 to 20 years' service were entitled to two months; and those who had worked for less than 10 years received one month.

\(^46\) For survey evidence to this effect, see Tadeusz Oleksyn, *Polityka zatrudnienia i płac w przedsiębiorstach przemysłowych* (Warsaw: Institute of Labor and Social Studies, 1991), esp. pp. 8-9. The same point was emphasized during the author's interviews with factory managers in Lodz, Gdansk, Warsaw, Wroclaw, and Szczecin in June and December 1993.

\(^47\) OECD, *The Labour Market in Poland*, p. 13.
not produce commensurate changes in labor demand). The important criterion, instead, was unit labor costs, of which wages are only one component. Although wages in the state sector decreased by 32 percent in 1990, unit labor costs actually increased, reflecting both the drop in labor productivity and the disjuncture between producer and consumer prices (with the latter rising much faster than the former). \textsuperscript{48} The divergence in price indices was especially noticeable in sectors that were exposed to substantial important competition, such as light industry, textiles, and electronics, which were also the sectors that experienced the largest reductions in employment. The rise in unit labor costs was curtailed in 1992 when labor productivity grew by 12.8 percent, an increase that resulted mainly from the recovery of industrial output. Further large increases in labor productivity were still needed, however, to redress the gap that opened up in 1990 and 1991.

**UNEMPLOYMENT IN THE EARLY POST-COMMUNIST ERA**

Because the reduction in employment came at a time when the size of Poland's economically active population remained relatively stable (at around 18.4 million), it contributed to a substantial increase in open unemployment. The official rate of unemployment, measuring the number of citizens who registered with the Ministry of Labor and Social Policy, rose throughout the early transition period, reaching 6.7 percent by the end of 1990. \textsuperscript{49} (Statistics derived from quarterly labor force surveys corresponded very closely with the registration data, at least at the aggregate level.) The rate of unemployment moved into double digits in 1991 and was verging on 16 percent, or nearly 3

\textsuperscript{48} Ibid., pp. 15-16.

million unemployed workers, by the end of 1993. In certain rural areas where the private sector was slow to develop, especially in several northern counties (gminy) as well as in southwestern Silesia, unemployment reached levels of 25 percent or higher by late 1993, with little hope of improvement in the future.\(^{50}\)

Even in some medium-sized urban areas that were dependent on state-owned mines or industrial plants, such as Lodz, Slupsk, and Walbrzych, the rate of unemployment soared well above 20 percent in the early 1990s.

The growth of unemployment in Poland tended to affect women more than men, albeit not initially.\(^{51}\) During the first half of 1990, when unemployment climbed to nearly 570,000, the number of unemployed men in Poland exceeded the number of unemployed women by roughly 10 percent (296,700 versus 271,500).\(^{52}\) By the fall of 1990, however, the number of women in the unemployment pool (469,200) had risen to a level slightly higher than the number of men (457,200), and the disparity persisted from then on, as can be seen in Table 5. The fact that a

| TABLE 5. WOMEN IN THE UNEMPLOYMENT POOL, 1990-1993 (percentage) |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 7/90 | 12/90 | 7/91 | 12/91 | 7/92 | 12/92 | 7/93 | 12/93 |
| 47.8 | 51.1 | 52.1 | 52.6 | 53.1 | 53.4 | 52.6 | 55.8 |


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The majority of the unemployed were female is unusual not only because women made up only 45-47 percent of the post-1989 labor force, but also because female workers in Poland were paid a good deal less on average than their male counterparts.53 One would expect, ceteris paribus, that female employees who received only 76.7 percent of what their male colleagues earned for the same work would be more desirable for firms to retain.54 The number of women in the unemployment pool was even more disproportionate when viewed on a sectoral basis, and further discrepancies were evident when unemployed men and women were compared in terms of age and education level (both of which were higher for women).55 Market forces may have accounted for at least some of these disparities: For example, shedding of labor by SOEs was concentrated initially on positions chiefly occupied by women, such as clerical and low-level administrative jobs. In addition, women had long been disproportionately employed in certain sectors (notably textiles) where the loss of jobs was particularly great.56 To the extent that non-market forces contributed to the overrepresentation of women in the unemployment pool, two factors, in particular, may have been involved: (1) an influx of women from outside the labor force into the unemployment pool; and (2) gender discrimination.

To be sure, the gender discrepancies in Poland were much less pronounced than in most other East European (and Western) countries, and some of the increase in female unemployment after mid-1990 was undoubtedly voluntary and routine. Nevertheless, it seems unlikely that many women would have been eager


54. It should be noted, however, that from the standpoint of employers, some of the discrepancy was offset by the need to pay for maternity leaves and family and child allowances for female workers.

55. Leven, "Unemployment Among Polish Women," esp. pp. 139-143.

56. OECD, *The Labour Market in Poland*, p. 23.
to leave the work force, since by doing so they would sacrifice their child-care benefits and face serious obstacles later on in getting reemployed.\textsuperscript{57} The exit-to-job probability for unemployed women (i.e., the likelihood of reentering the work force) was about one-third lower than for men in the early 1990s, and the number of women who had been unemployed for a year or longer was 10 percent higher than the number of men in both 1992 and 1993.\textsuperscript{58} This trend toward long-term unemployment among women reduced the likelihood that gender inequities could be overcome in the near future.

The expected and actual growth of unemployment among both men and women compelled the Polish government to take remedial steps. In December 1989, as the shock therapy program was about to begin, a system of unemployment benefits was adopted for all citizens with previous work experience who had been unemployed for a month or longer.\textsuperscript{59} Financing for the program came from a newly created Labor Fund (Fundusz Pracy), which was sustained by a 2-percent (later 3-percent) payroll tax and transfers from the state budget. The original scheme provided for benefits equal to 70 percent of salary during the first three months, 50 percent for the next six months, and 40 percent indefinitely thereafter. As unemployment grew and the costs of providing benefits rose commensurately, the government had to scale back the system in a new Act on Employment and Unemployment, which was adopted in the fall of 1991.\textsuperscript{60} The new law permitted unemployed workers to receive compensation for no more than a year and set a number of additional restrictions and eligibility requirements. The scheme was

\begin{itemize}
\item \textsuperscript{57} On these points, see ibid., pp. 23, 147. This supposition is borne out by data in Centrum Badania Opinii Społecznej, "Poczucie bezpieczeństwa kobiet na rynku pracy: Ocena równości szans zawodowych kobiet i mężczyzn," January 1994.
\item \textsuperscript{58} Główny Urzad Statystyczny, Labor Force Surveys, 1992 and 1993, data supplied to the author in December 1993.
\item \textsuperscript{59} "Ustawa z dnia 29 grudnia 1989 r. o zatrudnieniu," Dziennik Ustaw Polskiej Rzeczypospolitej Ludowej (Warsaw), No. 75 (31 December 1989), Item 446.
\item \textsuperscript{60} "Ustawa z dnia 16 października 1991 r. o zatrudnieniu i bezrobociu," Dziennik Ustaw Rzeczypospolitej Polskiej (Warsaw), No. 106 (20 November 1991), Item 457.
\end{itemize}
further modified in 1992 to set a flat rate of benefits equal to 36 percent of the previous quarter’s average wage, replacing the more generous payments based on individual earnings.  

Even with these adjustments, however, the steady growth of unemployment in 1992 and 1993 posed serious fiscal difficulties. Unemployment compensation rose to 15 trillion zlotys in 1992 and to more than 18 trillion in 1993, accounting for nearly 90 percent of the Labor Fund’s total budget.  

Because so much of the Fund was devoted to the payment of benefits, little remained to spend on active labor market policies such as retraining, job-search assistance, start-up loans, employer subsidies, and public works. By 1993, active labor market policies in Poland covered only about 190,000 workers, or less than 6 percent of the total unemployment pool. Job training and retraining programs received very little emphasis, accounting for less than 1 percent of the Labor Fund during the period from 1990 to 1993. Only a small number of people underwent retraining (a total of just 2,000 in 1990), and the programs often were inadequate for local needs. In countries with low to medium rates of unemployment, job-search assistance is a far more cost-effective way than job retraining to help the unemployed; but in a high-unemployment country like Poland, government-sponsored training programs can prove crucial. The paucity of high-quality training courses thus placed a serious crimp on the Polish labor market.


64. On the reasons for emphasizing job-search assistance over job retraining, see Organization for Economic Cooperation and Development, Labour Market Policies for the 1990s (Paris: OECD, 1990). The lessons drawn from the experience of Western countries on this matter are every bit as relevant to Poland and other ex-Communist states.
The rapid growth of open unemployment between 1990 and 1992 was jarring to many Poles, but not as jarring as one might have expected. Until December 1989, when the Act on Employment and the Act on Mass Layoffs were adopted, open unemployment in Poland had been illegal and the demand for labor greatly outstripped supply. Workers who were unemployed after 1989 often had little inkling of how to cope with their new status, and many Poles gradually came to fear that they, too, might be left without work. Some observers in 1989 and 1990 had predicted that the emergence of a large unemployment pool would be socially explosive in a country like Poland, given its long tradition of labor militancy. Contrary to these forecasts, however, the issue proved manageable for the government even when the unemployment rate far exceeded initial projections. The severity of the problem was mitigated by three key factors, which helped defuse any potential for violent unrest:

First, many Poles believed that the unemployment rate was inflated because it included a large number of people who could not truly be considered unemployed -- that is, people who had previously been outside the work force and had decided to register as unemployed merely to collect benefits. These perceptions, at least initially, were amply justified. Between 1990 and 1992 the net increase in unemployment (2.5 million) was much higher than the net drop in employment (1.7 million). This suggests that a substantial influx of people from outside the labor force must have occurred. Although unemployment benefits as of 1991 were supposed to be available only to people who could show that they had worked at least six months in the previous year, there were numerous exceptions under the statute, including school-leavers, wage-earners whose spouses had not been working, draftees who had just completed military service, mothers who had been raising children, workers with at least 20 years of previous employment, and all

65. See, for example, Centrum Badania Opinii Społecznej, "Problemy ważne dla nas i dla kraju," *Serwis Informacyjny* (Warsaw), No. 2 (February 1994), pp. 1-12.
individuals whose spouses were receiving unemployment compensation. Quite apart
from these "legal" exceptions (which were frequently abused), many recipients of
unemployment compensation were able to maintain their eligibility by concealing
their employment in the shadow economy or private sector. According to estimates
by the Ministry of Labor and Social Policy, some 45 percent of unemployment
beneficiaries in 1990 had never worked before (that is, they came from outside
the labor force), and up to 60 percent of those who were ostensibly "unemployed"
in 1991 were secretly working either full-time or part-time, earning far more
than the legal maximum. 66

Public skepticism in Poland about the provision of unemployment benefits
remained high despite the increased restrictions, tighter eligibility
requirements, and cuts in benefits introduced in 1991 and 1992. During
interviews in December 1993, many workers still claimed to know recipients of
unemployment compensation who were working full-time in the shadow economy. 67
Several also complained about colleagues whose spouses were registered as
unemployed despite never having worked in the past. No doubt, some of these
complaints were unfounded or exaggerated; the evidence suggests, for example,
that the adoption of stricter rules was followed by a significant de-registration
of recipients, winnowing out those who had committed the most flagrant abuses. 68
Although some shady practices undoubtedly continued, the public perception of the
matter seems to have been disproportionate to what was actually going on.
Nevertheless, from the political standpoint, perceptions were more important than
the reality. Even though concerns about unemployment were widespread by 1991 and


68. OECD, The Labour Market in Poland, pp. 20-21. See also Jolanta Sterbenz, "Modern Development of Polish
1992, many workers at the time showed little sympathy for those who were already unemployed, believing that a large number "don't deserve to be compensated." These views, whether well-founded or not, help explain why the issue did not become more politically volatile.

Second, the low incidence and relatively even geographical distribution of mass layoffs prevented the emergence of large, concentrated groups of workers who would have been angry about losing their jobs. To the extent that the unemployment pool included workers who were laid off, the large majority were dismissed for individual reasons, often for disciplinary infractions. This pattern was by no means fortuitous. From the outset, the Polish government deliberately imposed cumbersome restrictions on mass layoffs and gave workers' councils a major role in the process. These concessions may have been economically detrimental in the short term, but they proved to be a lasting political asset.

Third, even as unemployment grew, opportunities for job-seekers were still available, particularly in some of the large urban areas such as Warsaw and Krakow, where the unemployment rate was low. The opportunities were especially abundant for workers skilled in computer programming, financial accounting, retail marketing, and other technical fields; but even for manual laborers, job vacancies could often be found. To be sure, many of these vacancies tended to be filled by workers who already had jobs, and the number of job-seekers in the country as a whole greatly exceeded the number of reported vacancies (by 70-to-1 or more, a striking reversal of the ratio before 1989). Nevertheless, the real

69. See, for example, Danuta Zagrodzka, "Nie odrzucamy reform," Gazeta wyborcza (Warsaw), 30 October 1991, p. 3.


71. Calculated from data in GUS, "Bezrobotni zarejestrowani i oferty pracy," p. 40, as well as the chart on "Bezrobotni i oferty pracy według kwartalow" in GUS, Rocznik Statystyczny, 1992, p. 108. Although underreporting of vacancies by Polish firms was rampant, the unemployment-to-vacancy (U/V) ratio in Poland would have been high, especially in certain regions, even if all vacancies in both the private sector and the state sector were included. It should be noted, though, that Poland's U/V ratio was not much higher in 1992 than the ratios in several Western countries such as Spain (53-to-1), Greece (30-to-1), and Portugal (27-to-1).
problem was twofold: (1) the geographical maldistribution of employment, and (2) the continued low mobility of the Polish work force. The former consideration tended to become more pronounced, not less so, during the early transition, and the latter seemed every bit as intractable because of persistent shortages of housing. Still, the mere fact that employment opportunities existed in certain areas was enough to dissipate at least some of the resentment and anger that otherwise might have built up.

Despite these mitigating factors, there was one conspicuous feature of the unemployment situation in Poland that raised worrisome prospects for the future, namely, the trend toward long-term unemployment. This problem, as noted earlier, was especially prevalent among women, but a large number of men also encountered serious difficulty in reentering the work force once they became unemployed. By the end of 1992 more than 45 percent of the registered unemployed (1.14 million out of 2.51 million) had been out of work for a year or longer, a proportion that held steady in 1993 despite the continued rise in total unemployment to 2.89 million (of whom 1.3 million had been out of work for a year or longer). The key factor behind the growth of long-term unemployment in Poland was not the rate of inflow into the unemployment pool (which was broadly comparable to the rates in many OECD countries), but the unusually low rate of outflow. The monthly exit rate to jobs from unemployment in both 1992 and 1993 was less than 2 percent, compared to upwards of 25 percent in a country like the United States. Because Poland lacked any experience in dealing with open unemployment before 1989, the steady buildup of long-term unemployment in the early 1990s posed formidable challenges for the Polish government. The trend greatly complicated efforts to

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73. Ibid. The monthly outflow to jobs was 1.89 percent at the end of 1992 (47,200 out of 2.51 million) and 1.66 percent at the end of 1993 (48,000 out of 2.89 million). If anything, these figures underestimate the problem because they do not take account of those who no longer bothered to register after giving up hope of finding work.
reduce unemployment overall, and it provided a disconcerting backdrop for workers who still had jobs. Faced with the possibility of being out of work for a year or more, state-sector employees were even more inclined to resist the closure of their firms.

WAGE CONTROLS AND THE DOWNFALL OF MAZOWIECKI

All elements of Poland's "shock therapy" program had enormous effects on blue-collar workers, but no aspect of the program proved more controversial than the government's effort to curtail wage increases. Wage-push pressures in Poland had grown acute by late 1989 as a result of the 100-percent wage indexation mechanism that Solidarity demanded during the "round table" negotiations. By the autumn of 1989 open inflation had risen above 750 percent, and repressed inflation (queues, shortages, etc.) had reached the breaking point.\(^74\) Hence, it was clear that urgent measures to contain wage growth would have to be adopted. The difficulty of such a step was magnified, however, by the chaotic state of labor relations in the wake of the organized strikes and wildcat activity in 1988 and 1989. Neither the enterprise management nor the central and local government authorities, nor even the leaders of the main trade unions, were able to reimpose order in the labor market during the last few months of Communist rule. Wage pressures thus remained intense in Poland even after the strikes of 1988-89 had been brought temporarily under control.

For this reason, the Mazowiecki government decided to impose wage restraints on a centralized basis, rather than leaving the matter to individual SOEs. Through the use of a popiwek tax (a name derived from the Polish acronym of the tax, PPWW), the government established a strict incomes policy for employees in the state sector.\(^75\) Polish officials acknowledged that the popiwek

\(^{74}\) GUS, Rocznik Statystyczny, 1990, p. 47.

\(^{75}\) "Ustawa z dnia 27 grudnia 1989 r. o opodatkowaniu wzrostu wynagrodzenia w 1990 r." Dzieni\`{n}nik Ustaw Polskiej Rzeczypospolitej Ludowej (Warsaw), No. 74 (30 December 1989), Item 438.
was a poor administrative substitute for the discipline that firms in a market economy would normally exercise of their own accord, but they argued that the tax was necessary until Poland was further along in its transition to a competitive labor market. Under the government's initial approach, state-owned firms were permitted to augment their aggregate wage bills by no more than a fraction (known as a "correction coefficient") of the previous month's rate of inflation. The coefficients for permitted wage growth were set at 0.3 (i.e., 30 percent of the inflation rate) in January 1990, at 0.2 for February through April 1990, at 0.6 in May and June, at 1.0 in July (to compensate for expected sharp increases in energy prices), and at 0.6 thereafter.76 Wage increases that resulted in a larger coefficient were penalized according to the size of the transgression, with tax assessments ranging from 200 to 500 percent. In 1991 the basis for calculating excess wage growth was shifted from the total wage bill to the average "wage norm" for individual employees, and wage ceilings were directly linked to the profitability of enterprises.77

During the first half of 1990, the popiwek worked largely as planned. Real wages in the industrial sector fell by more than 32 percent in 1990 (see Table 4), with an especially large drop in January and February.78 From then on, however, the efficacy of the popiwek quickly faded.79 The high inflation in

76. These coefficients denoted a simple ratio between (1) the maximum permitted wage increases and (2) increases in the general price level from the previous month. A one-time exception was made in January 1990, when the base month used was September 1989 (rather than December 1989) to compensate for a flood of anticipatory wage increases that were adopted in the last few weeks of 1989.


78. It should be emphasized that this apparent 32-percent reduction did not mean an actual 32-percent reduction in the standard of living. Until 1990 the level of wages meant little because of the acute shortages of most goods. The elimination of shortages soon after the start of the shock therapy program brought an enormous improvement in living standards that usually is overlooked in statistical measurements.

79. "Popiwek." Tygodnik Solidarnosc (Warsaw), No. 6, 8 February 1991, p. 7. See also the data cited in Gazeta Bankowa (Warsaw), No. 6 (10 February 1991), p. 15.
early 1990 soon led to a resurgence of wage demands; and a growing number of SOEs were able to exploit loopholes in the popiwek to gain exemption from further taxation and to defer any payment on their arrears. As a result, the steep decline in real wages in the first half of 1990 was temporarily reversed in the latter half of the year, when the popiwek became more of a "floor" than a "ceiling" for wage adjustments. 80 Wages increased in real terms by some 36 percent between July and December 1990, enough to offset a large part (though not all) of the decline that occurred between January and June. The adoption of much higher coefficients (1.0 and 0.6) after June 1990 was itself a telling sign of the popiwek's declining usefulness. Although hundreds of SOEs did end up having to pay 500-percent fines in late 1990 and early 1991 when they far exceeded their wage targets, these penalties had little effect other than to worsen the financial status of enterprises whose situation was already precarious. 81 Real wages in industry resumed a downward trend in both 1991 and 1992 (see Table 4), but that had little to do with the popiwek, whose limits on nominal wage growth remained widely unobserved. To the extent that state employees eventually moderated their wage demands, they did so not because of the popiwek, but because of a number of other trends: the sustained decline in inflation after the first few months of shock therapy, the rapid growth of unemployment during the early transition, and the sharp contraction of Poland's foreign trade surplus in 1991 and 1992.

Even if the Polish authorities had tried to enforce the popiwek more rigorously, they would have had difficulty limiting wage increases during a period of such rapid political and economic change. The traumatic bout of high


81. The popiwek's contribution to total government revenues rose from 4.8 percent in 1990 to 12.8 percent in 1991. See GUS, Rocznik Statystyczny, 1992, p. 139.
inflation in 1989 and early 1990 was bound to generate strong wage-push pressures that could not be dissipated until more time had elapsed. Moreover, the decentralization of collective bargaining under Poland's new labor code, combined with the renewed strength of the workers' councils, ensured that managers of individual state enterprises would find it exceptionally difficult to resist employees' demands for "excessive" wage hikes. In light of these circumstances, the *popiwek* became the focal point of criticism directed against the stabilization program from almost every quarter. State workers came to revile the tax as a symbol of their "outrageously low" wages, citing it as their main grievance during protests and work stoppages. The *popiwek* drew equally harsh complaints from SOE managers and professional economists, who argued that the tax inhibited enterprise restructuring and was an obstacle to increases in productivity, particularly because it precluded the adoption of differentiated wage scales that were critical for improvements in labor productivity. Many economists and enterprise directors also claimed that the *popiwek*, as a highly visible form of state intervention, was symbolically inappropriate at a time of free-market reform, denying firms the flexibility they needed to survive in a competitive environment.

The conflicts over wage restraints, though initially contained, gradually became a catalyst for Polish workers to take action against the shock therapy program. Over the first several months of 1990, as noted earlier, the program had received strong public support and had achieved dramatic results (as seen in Table 4), despite the sacrifices and austerity it entailed. Certainly no Communist leaders in Poland would have dared to exact such sacrifices. Cooperation among labor, management, and the government had remained unusually

high throughout the initial phase of the transition. No strikes at all occurred in the first few months of 1990, and numerous opinion surveys in the first half of the year confirmed that most blue-collar workers wanted to avoid any confrontations that would endanger the new reform program. This conciliatory mood, evanescent though it may have been, was facilitated by the labor code adopted in the wake of the "round table" negotiations, which sought to establish a less conflictual system of collective bargaining that gave workers the right to strike if all other measures had failed. The government's visible effort to take account of workers' interests, combined with its firm stance against an illegal strike by railway workers in Slupsk in late May, helped prevent any appreciable labor unrest in the first half of 1990. This period of tranquility was in notable contrast to the strikes and protests that had rocked Poland only two years earlier.

By the late summer of 1990, however, public support for Mazowiecki's government was ebbing, and strikes and labor protests had begun in the shipyards, mines, and other worksites that had previously been strongholds for Solidarity. Whereas only a few scattered outbreaks of labor unrest had cropped up in the first several months of 1990, the total number of strikes by the end of the year rose to 250, involving a total of 115,687 workers and resulting in 159,016 lost working days. To be sure, these figures were still a far cry from the vast number of much larger and more costly strikes during the heyday of Solidarity at the start of the 1980s. On the whole, the strikes in 1990 were small and of very

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86. GUS, Rocznik statystyczny, 1992, p. 105.
short duration, attracting an average of less than 30 percent of the employees in affected work units. \(^{87}\) Moreover, only 20 percent of the strikes were in industrial plants, and just a single strike involved construction workers. The majority of strikes were in the transport sector, especially the railroads, which accounted for 118 of the 250. \(^{88}\) Such strikes tended to be small, short-lived, and relatively easy to contain.

Nevertheless, it was clear by the last few months of 1990 that the incidence of worker unrest was on the rise. This trend not only posed problems in its own right, but also contributed to a change in the broader public’s view of labor disputes. Earlier in the year, most notably during the Slupsk railway workers’ strike when opinion polls showed a margin of at least 4-to-1 against the strikers, the public had been overwhelmingly hostile toward labor unrest. \(^{89}\) But as public confidence in the government quickly dropped in the latter half of the year, far more citizens (albeit only a plurality) were willing to regard strikes as a legitimate form of protest. \(^{90}\)

The growing signs of public discontent, combined with increasing labor unrest, helped induce the government to defer its plans for mass privatization of large enterprises. The spate of problems besetting Mazowiecki also afforded Lech Walesa an opening to seek the Polish presidency, which had still been occupied by the Communist general Wojciech Jaruzelski long after Solidarity had taken control of the rest of the government. The presidential elections in December 1990, which ended in a decisive rebuff of Mazowiecki and an equally decisive victory

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87. Ibid. In comparison to the 250 strikes in the whole of 1990, nearly 500 strikes occurred in just the last five months of 1980, and the incidence was even higher in 1981. See GUS, Rocznik statystyczny, 1990, p. 102.


for Walesa, confirmed the extent of popular dissatisfaction with the austerity program. Statistical breakdowns of the election results, released by the central electoral office, indicated that blue-collar workers had voted overwhelmingly for Walesa. 91 To be sure, Walesa was a candidate who, like Mazowiecki, was clearly identified with Solidarity, as compared to Walesa’s opponent in the run-off election, Stanislaw Tyminski, who was an emigre businessman running on the ticket of the so-called Party X. (Tyminski failed to attract much support from labor at any stage.) Nevertheless, the fact that workers voted so heavily for Walesa over Mazowiecki in the initial round was indicative of the anger and disaffection that had set in.

Even after Walesa took office, though, discontent among Polish workers failed to subside, as the basic framework of the "shock therapy" program remained in place, and the main architect of that program, Leszek Balcerowicz, held onto his post as finance minister. Much to the disappointment of trade union officials, the new prime minister, Jan Bielecki, was no less committed than Mazowiecki had been to a tight fiscal policy and to other reforms affecting the state sector. 92 Threats of strikes and work stoppages soon reemerged, especially in hard-hit areas like Lodz and Bydgoszcz. Although the total number of strikes in 1991 rose only modestly -- to 305, compared to 250 in 1990 -- the average size and duration of the strikes rose by nearly 80 percent. 93 Moreover, in contrast to 1990, when only a small number of strikes had affected industrial plants, the large majority of strikes in 1991 were in the state industrial sector,


92. A first-hand account of the way the government was able to maintain the reform program is in Balcerowicz’s book, 800 dni: Szok kontrolowany (Warsaw: BGW, 1992), esp. pp. 141-187.

93. GUS, Rocznik statystyczny, 1992, p. 105. The total number of workers taking part in the strikes in 1991 was 221,547 (compared to 115,687 in 1990), and the total number of lost working days was 172,523, compared to 98,227 in 1990. Whereas fewer than 30 percent of workers in affected units actually went on strike in 1990, more than 41 percent did so in 1991.
representing an increase of some 360 percent over the previous year. Although the incidence of strikes expanded even more rapidly among agricultural workers -- with an 800-percent increase in the number of strikes and a 4,300-percent increase in the number of workers involved -- the strikes in the industrial sector, given their size and disruptiveness, posed a much greater and more urgent problem for the government.94

At the time, the most vocal demands among state industrial employees still focused on the popiwek, which they hoped to eliminate outright.95 Increasingly, though, as unemployment in Poland rose into double digits in 1991 and 1992, worker protests shifted to the question of keeping factories open.96 By mid-1992 roughly two-thirds of all Polish citizens regarded unemployment as "the most important problem facing our country," well ahead of any other concerns, domestic or foreign.97 As the salience of this issue continued to grow, Polish officials and legislators became even more hesitant about undertaking the large-scale privatization scheme they had originally devised as an integral component of the reform program. Despite the increasing fragmentation -- and therefore waning political influence -- of labor in Poland (as discussed in the next section), the disaffection among Polish workers had a telling effect on the treatment of state industry.

Had the other parts of the reform program not been implemented as successfully as they were, the Polish government's increased hesitancy about large-scale privatization might well have proven crippling. As Adam Przeworski has argued, the fate of structural transformations in Eastern Europe, at a time

94. Figures on the agricultural strikes are from ibid.


96. See, for example, "Koniec epoki Solidarnosci," Przegląd Społeczny (Warsaw), No. 5 (1992), p. 12.

when most people are uncertain about the costs and longevity of the transition, will depend to a large extent on the level of popular confidence in the government. 98 If the government is unable to follow through on a set of important economic reforms, most people are likely to conclude that such reforms have little chance of being adopted in the future. Firms and individuals will see no need to modify their traditional modes of behavior, and political actors will assume that there is nothing to be gained by supporting reform. In the case of Poland, the government’s vacillating approach to large-scale privatization might have had precisely these effects had it not been for the bold and decisive steps that were taken in other areas. By adopting, and sticking with, drastic measures to stabilize and open up the Polish economy, and by proceeding rapidly with small-scale privatization, the government won people’s confidence that large-scale privatization, too, would eventually be carried out. 99 Public confidence on this matter could not be maintained indefinitely if no signs of progress were forthcoming, but the evidence, as reflected in enterprise behavior (see below), suggests that SOE managers in the early 1990s did indeed believe that their firms would eventually be privatized.

Thus, despite the vacillations on this issue induced by growing labor unrest (or at least the perception of growing unrest), the government still had ample leeway to ensure that large-scale privatization could be implemented successfully. In that respect, a temporary deferral of the program -- rather than a premature and unsuccessful attempt to move ahead with it, which would have been inimical to public confidence -- was a sensible strategy.


99. See, for example, Centrum Badania Opinii Społecznej, “Co dalej z prywatyzacja?” Serwis Informacyjny (Warsaw), No. 12 (December 1993), pp. 27-34.
POST-COMMUNIST TRADE UNIONS: FRAGMENTATION AND DECLINE

One of the most noteworthy developments in Poland during the early post-Communist transition was the decline in influence and prestige of organized trade unions. In contrast to the Communist era, when the unofficial trade unions (above all Solidarity) represented a de facto political opposition, the unions after 1989 were shorn of a clear-cut political role. As a result, many workers were no longer interested in retaining membership and were even less interested in paying monthly dues.

The extent of the unions' decline and fragmentation can be seen by a comparison with the situation in 1981, when Solidarity was a cohesive body with some 10 million voluntary members. As of late 1990, by contrast, there were 155 trade unions legally registered in Poland, and by mid-1992 there were more than 200, of which fifteen were officially recognized by the government as "nationwide" (ogolnokrajowe) organizations. The total number of workers in these unions was at most around 5 million, representing no more than 30-35 percent of the country's total workforce; and the number was a good deal smaller if just the active members are included. By far the two largest of the workers' organizations were the ex-Communist federation of trade unions, the OPZZ, and the main Solidarity union, known as NSZZ Solidarnosc. Neither of these bodies, particularly the OPZZ, was at all capable of assuming the dominant role that Solidarity performed in 1980-81.

This is not to say, however, that the OPZZ was entirely bereft of the advantages of "incumbency" (i.e., its erstwhile status as the sole official trade union). Unlike the other unions after 1989, the OPZZ retained a large amount of property from the Communist era, including assets seized from Solidarity after


101. See below for an explanation of the uncertainty about total membership figures.
the imposition of martial law. (Through legal maneuvering, the federation rebuffed efforts by Solidarity to reclaim its seized assets.) With an array of buildings, vacation sites, and other facilities at its disposal, the OPZZ was able to undertake certain activities that could not be matched by competing unions. The OPZZ also derived benefits from its well-established presence in state enterprises and its continued role in allocating SOE social service funds. These features all ensured that the ex-Communist union would not simply fade from the scene after 1989.

Nevertheless, the OPZZ was handicapped from the outset by the legacy of the 1980s, when it was an obedient organ of the PZPR and its leader, Alfred Miodowicz, was a member of the Polish Politburo. After 1989, OPZZ officials tried to create a new image for the federation, portraying it as a genuine workers' body and claiming that it would be more effective than Solidarity in defending the interests of state-sector employees. During the first two years of the transition, however, the OPZZ was remarkably unsuccessful in its attempts to gain greater popularity. Public opinion polls revealed overwhelming hostility toward the organization even among many of its members. The OPZZ consistently ranked at the very bottom of social groups and institutions evaluated by the public. Moreover, the federation's purported membership of 5 million as of mid-1990 was widely acknowledged to be grossly inflated. Most of the alleged members had been automatically enrolled in the OPZZ in the 1980s, whether they cared to be or not. Officially, the level of membership dropped to less than 4 million by mid-1993, and the number of active members at any given time was probably no more than five to ten percent of the reported totals.

102. See, for example, Centrum Badania Opinii Społecznej, "Dynamika ocen organizacji zwiazkowych," Serwis Informacyjny (Warsaw), No. 6 (June 1992), p. 10.

103. For the membership claims, see "Stanowisko OPZZ," Rzeczpospolita (Warsaw), 18 June 1990, p. 1.

claims of having as many as 126 associated trade unions were equally problematic. Most of the affiliates were very small, and only a few could truly be considered nationwide organizations.\textsuperscript{105}

The OPZZ ran into further difficulty when it sought to establish informal ties with some of its rival unions in a common front against the government. Most of these efforts were of no avail, at least at the national level. The leadership of Solidarity displayed open contempt for the OPZZ and refused to have anything to do with the ex-Communist organization even when the interests of the two bodies seemed to coincide.\textsuperscript{106} Despite these rebuffs, the OPZZ was eventually able to increase its influence by supporting and fielding candidates for parliament. Some of the top officials from the organization, including its leader, Ewa Spychalska, gained membership in the Sejm in October 1991, and they forged close links with deputies from the former Communist party, the Left Democratic Alliance (Sojusz lewicy demokratycznej, or SLD).\textsuperscript{107} What is more, popular support for the OPZZ began to increase, at least slightly, by the first half of 1992. Although the union still ranked very low in the public's estimation, its approval ratings showed a gradual rise of around 10 percentage points, with an especially large increase among state industrial employees.\textsuperscript{108} This was not enough to boost the OPZZ's approval rating above 32 percent -- compared to 75-80 percent for the army and police -- but the trend was a notable

\begin{itemize}
\item \textsuperscript{105} Interview with OPZZ representatives in \textit{Słowo polskie} (Wrocław), 29 December 1990, p. 2.
\item \textsuperscript{106} Interview with Marian Krzaklewski, head of NSZZ Solidarność, in “Straszna proba przyjazni,” \textit{Polityka} (Warsaw), No. 19 (9 May 1992), pp. 6-7. It should be noted, however, that at the enterprise level, branches of Solidarity and the OPZZ often did manage to cooperate. Only at the center was the enmity between the two irreconcilable.
\item \textsuperscript{107} Interview with Spychalska in “Siedmiu garnitur,” \textit{Polityka} (Warsaw), No. 19 (9 May 1992), p. 6. Like the interview with Marian Krzaklewski cited in the previous note, this interview was part of a series on “Związek zawodowy: sojusznik reform czy kula w nogi?” featured in \textit{Polityka}.
\end{itemize}
contrast to the decline in public support that Solidarity was experiencing at the
time.

Solidarity, for its part, was faced with quite different, though equally
nettlesome, problems during the early post-Communist transition. Until mid-1989,
when the PZPR was still in power and Solidarity was the core of the political
opposition, the trade union’s two chief aims -- to promote democratic change, and
to defend workers’ interests -- were entirely consistent with one another. But
when the Solidarity-led opposition suddenly took charge of the government, the
situation became vastly more complicated. The union was in the awkward position
of backing Mazowiecki while simultaneously trying to protect workers against the
harsher effects of market reform. As early as the spring of 1989, Lech Walesa,
who was then still leader of Solidarity, acknowledged that the union’s dual role
in the transition would require trade-offs. He left no doubt that the goal of
protecting workers’ economic interests would have to be subordinated temporarily
to the task of consolidating democracy and free markets: "We will never catch up
with the rest of Europe if we build a strong trade union that strongly opposes
reform. Solidarity itself started these reforms, and it must now help
reconstruct the economy."109 The union was thus to be transformed into a patron
of the new government, a striking departure from its traditional role as a
counterweight to the regime.

During the first year or so of the transition, when fears still abounded
that the old order could be reimposed, Solidarity’s efforts to shore up the
non-Communist government were widely accepted by ordinary workers. Over time,
however, as the threat of a restoration of Communism dissipated and the hardships
accompanying "shock therapy" became evident, the dilemma facing the union seemed
more intractable. Walesa’s election as Polish president in December 1990, after

a campaign that exposed deep rifts within Solidarity, left the fate of the union more uncertain than ever. By mid-1991, as Solidarity was increasingly riven by political feuds, the union's earlier willingness to extend a "protective umbrella" (parasol ochronny) over the government seemed all the more inappropriate.\textsuperscript{110} By that point, the union's standing in opinion polls had taken a sharp downward turn, especially among state-sector employees, who regarded Solidarity as too closely identified with the government.\textsuperscript{111} Worse still, the union's efforts to expand its ranks were proving abortive even in the private sector. With a reported membership of only around 1.6 million by 1993, including many workers who were no longer active as well as elderly employees who had been kept on the rolls after retirement, Solidarity was just a shadow of its former self.\textsuperscript{112}

Despite these adverse trends and the growing incompatibility of the union's two roles, the new leader of Solidarity, Marian Krzaklewski, still hoped to strike a balance in 1991 by fielding candidates for parliament who would refrain from taking a direct part in any government coalition.\textsuperscript{113} This strategy turned out to be counterproductive. Solidarity did worse than expected in the October 1991 elections, earning only 5.5 percent of the vote, which translated into a group of 26 members in the new parliament. Union leaders claimed they would use this parliamentary representation to promote workers' demands without undermining the government, but several members of the parliamentary group ended up strongly supporting further efforts at free-market reform even when the leadership of Solidarity took a different stance.\textsuperscript{114} The inherent conflict between the union's

\textsuperscript{110.} Włodzimierz Pankow, "Pod parasolem NSZZ Solidarnosc," Tygodnik Solidarnosc (Warsaw), No. 23 (June 1993), p. 3.

\textsuperscript{111.} CBOS, "Dynamika ocen organizacji zwiazkowych," p. 10.


\textsuperscript{113.} Interview with Krzaklewski in "Straszna proba przyjazni," p. 6.

\textsuperscript{114.} "Druga wojna na gore," Gazeta wyborcza (Warsaw), 15 February 1993, p. 3.
two roles thus remained a source of tension and internal disarray, contributing to the fragmentation of Solidarity. Although it was not until the spring and early summer of 1993 that Solidarity finally parted ways with the government and with Lech Walesa once and for all (as discussed below), the decision to form a parliamentary group ended up hastening, rather than stemming, the union's decline.

The problems afflicting Solidarity and the OPZZ were no less severe for the other unions in post-Communist Poland, most of which emerged as the result of fissures within the two large organizations. Some of the new unions, such as "Solidarity '80," which broke away from NSZZ Solidarnosc, and the Coal Miners' Union Federation, which split off from the OPZZ, were far more militant than their "parent" organizations, engaging in prolonged (though largely unsuccessful) strikes and protests. Others, such as the Air Traffic Controllers' Union, the School Teachers' Federation, and the Railway Drivers' Union, emerged spontaneously in 1990 and 1991, without any previous links with either Solidarity or the OPZZ. All these new unions were incomparably smaller than the two largest organizations. Estimates of the combined membership of the smaller unions vary considerably, and most of the available data, including figures of several hundred thousand provided by the unions themselves, are too unreliable to yield any precise totals.\footnote{For example, Marian Jurczak, the leader of "Solidarity '80," claimed in May 1992 that his union numbered 160,000, a figure that is clearly too high, perhaps by as much as twofold. See the interview in "Anioki nie przylecialy," \textit{Polityka} (Warsaw), No. 19 (9 May 1992), p. 6.}

Even so, a tentative indication of the size of the new unions was provided in 1991 by the Main Statistical Administration in Warsaw, which estimated that as of 1990 the membership of all unions, including Solidarity and the OPZZ, was only about 5 million and was on the decline.\footnote{Unpublished data, cited in Gora et al., "Poland: Labour Market Trends and Policies," p. 168. I was unable to clarify the basis for these data during interviews with GUS officials in December 1993.}
accurate, this figure would imply a negligible membership for the unions outside Solidarity and the OPZZ.

Even if the new unions had been more successful in establishing themselves, three points deserve to be emphasized here:

First, all evidence indicates that the labor force in Poland became increasingly fractionated, both politically and economically, during the early post-Communist era. The cohesive workers' movement of the 1970s and early 1980s failed to reemerge once Communism had collapsed. The two largest unions in the post-Communist era -- the OPZZ and Solidarity -- were internally fragmented and were bitterly at odds with one another, as well as with most of the smaller unions. Except for a limited degree of cooperation at the enterprise level, the unions saw themselves as rivals not allies.

Second, trade union membership after 1989 was no longer regarded as an inherently positive thing. 117 On the contrary, both Solidarity and the OPZZ ranked extremely low in public opinion polls, and numerous surveys disclosed that even among union members, only a relatively small minority believed in the efficacy of their unions. 118 By 1992 and 1993 a large number of workers in state enterprises were seeking to reach agreements on a purely local basis, bypassing the larger trade union structures altogether.

Third, the two main unions became more militant over time, primarily so that they could "catch up" with the growing disaffection among miners and factory workers, who had been resorting to wildcat strikes and disorganized protests.

117. It is true that only a relatively small percentage of the unemployed were members of either Solidarity (8.9 percent) or the OPZZ (4.9 percent), but this may have had less to do with the effectiveness of these two organizations than with a fortuitous pattern of closures and layoffs. See Spoleczne aspekty bezrobocia w Polsce (Warsaw: Institute of Labor and Social Studies, 1991), pp. 7, 22.

The moderating function that Solidarity performed during the initial phase of the transition, most notably when the Slupsk railway workers went on strike, gradually gave way to a more defiant stance and an increased willingness to encourage strikes. Far from bolstering the unions' standing, however, these shifts merely heightened the country's political instability and led to further splits and disarray in the labor force. In the meantime, economic reforms, which were the real source of much of the turmoil in the Polish labor market, proceeded largely unscathed.

UNIONS, WORKERS' COUNCILS, AND THE TURBULENT LABOR MARKET

Despite the fragmentation and decline of the post-Communist trade unions, it would be wrong to suggest that the unions and other workers' organizations were rendered wholly irrelevant after 1989. In the emerging framework of post-Communist labor relations, the role of workers' councils and trade union officials within large SOEs increased substantially, filling the vacuum left by the demise of the PZPR. The workers' councils not only enjoyed a major say in their enterprises' day-to-day and long-range operations, but also wielded extensive influence over enterprise managers, whom they elected and whose salaries and promotion schedules they determined. Many of the workers' councils operated independently of Solidarity and the OPZZ, but both unions benefited from the increased stature of the councils. Some of the smaller unions, especially "Solidarity '80" (the radical offshoot of the main Solidarity union), also sought to take advantage of the councils' new role, using the councils as a vehicle to undermine Walesa and the government. Most such efforts, however, met with little success. Although some workers joined "Solidarity '80" for overtly political reasons, the majority did so simply in the belief that it was a more effective organization than either Solidarity or the OPZZ for preventing mass layoffs.119

119. Gardawski and Zukowski, Polityka i gospodarka w oczach pracowników, p. 7.
As a result, the workers' councils usually remained focused on their own enterprises' concerns, rather than pursuing the broader political goals that "Solidarity '80" hoped to achieve.

Despite this self-imposed limitation, the activities of the workers' councils inevitably had wider repercussions for the pace and direction of change. At least initially, some of the largest firms were controlled by a "Bermuda triangle" of workers' councils, enterprise managers, and trade union officials. Most observers who highlighted this phenomenon feared that it would be a severe impediment to reform and restructuring.¹²⁰ Those fears seemed to gain credence during the first year-and-a-half of the transition, when all three sides of the "triangle" were often content to leave their enterprises under state ownership, believing that their own powers and material welfare would be endangered if they moved out of the state sector. Hence, in some cases the workers' councils, managers, and union representatives formed a de facto alliance of "insider" opposition to large-scale privatization.¹²¹

Over time, however, the incidence and severity of this problem diminished. A growing number of enterprise managers were able to carry out major internal restructuring in the expectation that their firms would be privatized sooner or later. Under pressure from import competition, SOE directors began giving far greater emphasis to marketing and distribution (functions that had been almost totally neglected during the Communist era), and sought to bolster the more profitable and efficient components of their enterprises.¹²² They also made

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¹²². Pinto, Belka, and Krajewski, "Transforming State Enterprises in Poland," pp. 243-244. This finding is confirmed by the author's interviews with factory managers in Warsaw, Gdansk, Wroclaw, and Szczecin in June and December 1993.
substantial cuts in their excess labor. 123 Three factors were critical in allowing this restructuring to proceed: (1) the growing belief among SOE managers that the government would not bail out their firms; (2) the managers' expectation that their ability to implement significant changes would be rewarded after privatization; and (3) the managers' success in convincing the workers' councils that most workers, too, would be better off by moving ahead with restructuring, including commercialization (which among other things entailed the dissolution of the councils). 124 None of these factors was of any importance during the first year of the transition, but the increasing salience of the three proved decisive as time wore on.

Still, the progress in restructuring did not fully resolve the ambiguity in labor-management relations. In SOEs that had not yet been privatized or commercialized (a step that itself required consent from the workers' councils), the framework for collective bargaining remained murky. Wage setting in private and commercialized enterprises was not wholly devoid of tension either, but the chief problem was still the lack of an orderly basis for interaction among unions, workers' councils, and management in SOEs. The overlapping functions and responsibilities of the three entities meant that grass-roots concerns and grievances at times went unredressed, giving rise to wildcat strikes and other extralegal actions. Thus, despite the advances in intra-enterprise restructuring in 1991 and 1992, it became clear by mid-1992 that the system of labor relations

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123. In addition to the sources adduced in the previous note, see the intriguing report "Poland's Top 300 Firms: Reforms Bring Changes to the Polish Economic Landscape." PlanEcon Report, Vol. IX, Nos. 1-2 (15 January 1993), pp. 1-26, esp. 1-4.

124. For some reason, Pinto, Belka, and Krajewski did not address the third of these factors in their article on "Transforming State Enterprises in Poland," but the point was almost universally emphasized during the author's interviews with SOE managers in Warsaw, Gdansk, Wroclaw, and Szczecin in June and December 1993. Some managers acknowledged, for example, that they had won over the workers' councils by pointing out that taxes on wage increases did not apply to commercialized (or private) firms. Although the managers conceded that this stratagem posed risks for their enterprises if the workers built up expectations of large wage increases after commercialization, they said they were confident they could cope with wage demands after the first year as well as they had when forced to abide by the limits of the popiwek.
emanating from the "round table" talks was no longer adequate to deal with the exigencies of the post-Communist era.

THE END OF THE SOLIDARITY ERA, 1992-1993

The inconclusive results and exceptionally low voter turnout (43.2 percent) in Poland’s parliamentary elections of October 1991 ushered in a 9-month period of political instability that intensified the confusion in labor relations. Judging from exit polls and official estimates (which were generally consistent with one another), a substantial number of blue-collar workers were among the surprisingly large group who cast protest votes for the former Communist Party, an adumbration of what would happen on a much larger scale in September 1993.125

The two months of wrangling before an unstable coalition government emerged under Jan Olszewski did nothing to alleviate the strikes and protests that were cropping up before the elections in various sectors of the economy, especially the coal mines and heavy industrial plants. Olszewski’s brief tenure in office, followed by an unsuccessful attempt to establish a new government under Waldemar Pawlak, merely deepened labor grievances and contributed to the growing sense among workers that political changes were largely irrelevant to their own concerns and well-being. Not until Hanna Suchocka, the widely respected head of the Democratic Union Party (a pro-Solidarity offshoot), emerged as Poland’s new prime minister in July 1992 was there any hope of restoring a modicum of political stability in Poland.

By the time Suchocka came to power, however, the uncertainty and instability of the previous eight months had exacerbated the problem of dealing with workers in the state industrial sector. As of July 1992, only 5 percent of

blue-collar workers regarded the situation in the country as "good," whereas 77 percent regarded it as "bad" or "very bad." No sooner had the new government taken office than it was confronted by a nettlesome wave of strikes and other labor protests, including the two largest strikes of the post-Communist era: a legal strike of some 38,000 workers at the Polska Miedz copper mining and smelting combine in Lubin, and an illegal strike involving nearly 3,000 workers at the FSM automobile plant in Tychy. Because Suchocka was aware that various radical parties and unions hoped to exploit the strikes to generate a nationwide protest movement, she was determined not to yield to the strikers' demands. The government's firm stance paid off after several weeks, as the last of the strikes (at the FSM plant) petered out in late August, giving way to a period of calm in labor relations.

The success of the new government in weathering the most serious round of strikes since 1988 enabled Suchocka to make three key points: first, that her government would refrain from "taking sides" in wage negotiations and other matters that were supposed to be handled within individual enterprises; second, that the government would not make concessions on its macroeconomic policies simply to defuse grievances among scattered segments of the work force; and third, that the government would not permit strikes to be used by disaffected state industrial employees to achieve more than they could hope for by following the legal procedures of collective bargaining. Although Polish officials were well aware that the period of labor tranquility was likely to be ephemeral, they were equally cognizant of the crucial respite they had gained by facing down the


strikes. Popular confidence in the government, and the prime minister’s own approval ratings of 70-80 percent, soared to levels unmatched since the first few months of the transition.129

The advent of a brief period of calm in labor relations did not lead the government to become complacent, however. For one thing, the strikes had vividly demonstrated the limits of the Polish trade unions’ control over the labor force. Officials from Solidarity had been urging the striking workers all along to seek negotiated settlements -- a position that was vindicated in the end -- but the union leaders were barely able to contain demands by impatient workers to resort to drastic action. More important still, the strikes enabled the "Network" (Siec), an informal grouping of local Solidarity branches in the country’s largest SOEs, to pose a direct challenge to the main Solidarity leadership. Members of the Network advocated a far more confrontational approach in dealing with the government; and some branches, especially those affiliated with "Solidarity '80," openly called for sympathy strikes and mass protests throughout the state industrial sector. Ultimately, the militant labor officials failed in their attempt to generate a wider protest movement against the government, but Suchocka and her advisers were clearly chastened by the declining ability of the trade unions to cope with unrest among workers and miners. If nothing else, the episode served as a warning that fine-tuned agreements between the government and the trade unions, if unaccompanied by a broader means of discouraging strikes, might not be sufficient to preclude further outbreaks of chaotic unrest in state industry.

The potential for renewed turmoil and the deepening confusion in labor relations spurred the new government into action. Soon after the last of the strikes were over, Suchocka’s government proposed that the government and trade

unions conclude a corporatist "pact on state enterprises in the process of transformation," which would seek to prevent confrontations between the two sides (as well as with the enterprise managers) and guarantee the work force an enhanced say in the restructuring and privatization of their firms. The proposal, embodying some 14 new laws or amendments to existing laws, sought to strike a balance between the main demands of state workers (for increased wages, safeguards against unemployment, etc.) and the chief economic objectives of the government, especially its insistence on curbing the national budget deficit (in line with IMF targets) and moving ahead with large-scale privatization. Of particular concern to state workers were the provisions on privatization, wage settlements, corporate debt relief, and protective measures for employees of bankrupt firms.

--- Inducements for Privatization: Under the pact, SOEs would be required to submit a scheme for privatization via one of several possible routes (liquidation, employee or management buyouts, joint ventures, etc.); and in return, workers would be given a large ownership stake in the firm and a greater say in post-privatization restructuring. One-third of the seats on the board of directors of newly privatized firms would be reserved for labor representatives (normally from the workers' councils), and some 10 to 15 percent of the enterprises' stock would be distributed to employees free of charge. Employees would also have the right to purchase additional stock at highly favorable rates, using subsidies from company profits.

--- Wage Settlements: The government pledged to abolish the much-despised popiwek and replace it with a two-tier structure of wage negotiations. The first tier was to be a tripartite commission consisting of representatives from trade

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130. "Pakt o przedsiębiorstwie państwowym," Gazeta Wyborcza (Warsaw), 10 September 1992, p. 4. For a preliminary draft, which was presented by Labor Minister Jacek Kuron at the end of July 1992, see Przeglad Rzadowy (Warsaw), Nos. 7-8 (July-August 1992), p. 8. The draft served as the core of the final document.
unions, enterprise management, and the government, who would meet on a quarterly basis to set broad limits. The second tier was the individual enterprise, whose workers and employers would negotiate specific wage levels within the limits established by the commission.

-- Conditional Debt Relief: State enterprises with legitimate prospects of viability would be assisted in obtaining partial forgiveness or rescheduling of their debts. This would apply to all debts, whether those owed to banks, to the government, or to other enterprises. Firms that were not deemed to be viable would be forced into bankruptcy, with their assets subject to confiscation by creditors.

-- Safeguards Against Bankruptcy: Employers in the state sector would be required to build up a "guarantee fund" to provide workers with a minimum of three months' full wages in the event that their enterprises went bankrupt. Workers would also be permitted, through collective bargaining, to seek contributions from employers that would cover more than three months.

The complexity of the proposed pact, and the delicate tradeoffs it encompassed, ensured that it could not be put into place as swiftly as the government had hoped. The legislative process alone threatened to delay things by several months, particularly because the government was so fragile and internally divided. The 7-party coalition was composed predominantly of two Solidarity "offspring parties" -- the Democratic Union (Unia Demokratyczna, or UD) and Christian National Union (Zjednoczenie Chrzeszczano-Narodowe, or ZChN) -- whose views and preferences were sharply divergent on many issues. Moreover, with only 199 seats in the 460-seat Sejm, the government at no time could count on the support of a stable parliamentary majority. Amidst this political

131. For an illuminating discussion of this issue, see "Kosztowne oddluzanie," Gazeta wyborcza (Warsaw), 23 July 1992, p. 4.

uncertainty, bold economic initiatives, especially on large-scale privatization, were bound to encounter obstacles.

Nevertheless, Polish officials were determined to ensure that a viable corporatist arrangement (or new "social contract") would eventually emerge, providing greater order to the chaotic labor scene. Suchocka herself was convinced that the enterprise pact would be the first of a series of broad "social pacts" designed to bolster the chances for political stability and economic recovery.133 The proposal drew harsh criticism, however, from a variety of quarters. Some of the leading advocates of "shock therapy" argued that the government had conceded too much to the unions and workers' councils with regard to state enterprises.134 Union leaders maintained just the opposite, claiming that the pact would impose unacceptable hardships through the "obliteration" of Poland's state industrial sector and the massive layoffs that would result.135 Even officials in the government acknowledged that as many as 60 percent of Poland's large enterprises were likely to be unviable in a full-fledged market environment. Some Western analysts placed that figure closer to 85-90 percent, a proportion that would almost certainly outpace the private sector's ability to absorb laid-off workers.136 Although unemployment in Poland had already risen to more than 15 percent without causing large-scale violent disruption, there was no

133. See her comments in Krakowska gazeta (Krakow), 13 September 1992, p. 1.
134. See, for example, the interview with Leszek Balcerowicz, the former finance minister, in Zycie Warszawy (Warsaw), 12 September 1992, p. 5. As early as January 1991 Jeffrey Sachs had expressed harsh criticism of the approach that Suchocka ended up adopting; see his Poland's Jump to the Market Economy (Cambridge, MA: The MIT Press, 1993), pp. 80-85.
telling whether the situation would remain as tranquil if hundreds of thousands of industrial workers were suddenly laid off.

In any case, the critiques of the plan were never put fully to the test. Consideration of the pact was disrupted in December 1992, when an 18-day strike in the Silesian coal mines posed another major challenge to the government. At the height of the strike, nearly 300,000 workers were idle at 65 of the region's 70 coal mines.\(^\text{137}\) The strikers' 23 "postulates" included demands for higher pay and for a much slower pace of restructuring within the coal industry. The government, for its part, was loath to give in to the strikers' demands, arguing that it was impossible to grant large wage increases and to forgo massive restructuring in an industry that was so unprofitable. Government officials warned that they would import coal if necessary and begin shutting down the vast majority of mines that were unprofitable.\(^\text{138}\) The dispute was finally settled at the very end of the year with an agreement that offered some financial incentives to the miners but that also allowed the government to preserve the basic thrust of its plans for reorganizing the coal industry, including a proposal to eliminate 180,000 jobs over 10 years. Once again, Suchocka's government had stood firm when confronted by serious labor unrest and had emerged largely triumphant. Although the triumph was not quite as complete as before and the government did not come through quite as unscathed, another brief period of calm ensued in which Suchocka and her cabinet were able to refocus their attention on a series of protracted legislative battles, most notably over the budget and the state enterprise pact.

The government narrowly won approval of its budget for 1993, but the fate of the enterprise pact was less satisfactory. A scaled-down version of the pact

\(^{137}\) See the daily coverage in Gazeta wyborcza and Rzeczpospolita, among other papers, in December 1992.

\(^{138}\) Interview with Trade Minister Wacław Niewiarowski in Rzeczpospolita (Warsaw), 18 December 1992, p. 1.
was signed in February 1993 and was then passed on a first reading by the parliament, but final approval of the legislation was precluded by yet another round of strikes that erupted in the spring of 1993. At first, these strikes, which were sponsored by Solidarity, involved mainly teachers and health care workers, who were demanding higher wages after having watched their earnings drop to 85 percent of the national average. Eventually, thousands of other state employees took part as well; and a separate strike in early May, also sponsored by Solidarity, was staged in the depressed coal mining area around Walbrzych.\textsuperscript{139} The government responded firmly to the strikes, refusing to yield to Solidarity’s demands, and the union then threatened to call a general strike and to introduce a vote of no-confidence against the government. Amidst this heightened political instability, which characterized so much of Suchocka’s term, key elements of the enterprise pact were left in abeyance. Although the political turmoil did not undo the main reforms launched under Balcerowicz, further progress on the state enterprise pact had to be deferred.

What was curious about the mounting political turbulence in the spring of 1993 is that it came at a time when economic recovery in Poland was clearly under way. The recovery began in early 1992, and by mid-1993 the trend was unmistakeable. The government predicted in the spring of 1993 that growth would be just over four percent for the year, and this forecast was amply borne out. Similarly, industrial production rebounded from its steep drop in 1990-91, growing by 4.2 percent in 1992 and 8.3 percent in 1993 (see Table 3).\textsuperscript{140} Living standards also were expanding, as many Poles suddenly could purchase consumer goods they had never been able to afford in the past (see Table 6). Yet despite


\textsuperscript{140} For further statistical coverage, see the special supplement, “Statystyka Polski: Sytuacja społeczno-gospodarka kraju w 1993 r.,” in \textit{Rzeczpospolita} (Warsaw), 7 February 1994.
TABLE 6  
OWNERSHIP OF SELECTED CONSUMER GOODS IN POLAND, 1985-1992  
(number per 100 households) 

<table>
<thead>
<tr>
<th>Item</th>
<th>1985</th>
<th>1990</th>
<th>1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars</td>
<td>27.2</td>
<td>33.2</td>
<td>41.4</td>
</tr>
<tr>
<td>Color Televisions</td>
<td>23.1</td>
<td>67.1</td>
<td>91.4</td>
</tr>
<tr>
<td>Video-Cassette Recorders</td>
<td>nil</td>
<td>20.1</td>
<td>53.4</td>
</tr>
<tr>
<td>Washing Machines</td>
<td>38.7</td>
<td>63.5</td>
<td>69.7</td>
</tr>
</tbody>
</table>


all these positive signs, the country’s political scene was as unstable and volatile as ever. Moreover, public unease about widening income disparities and other byproducts of Poland’s emerging capitalist system contributed to the deepening political morass. 141

Against this backdrop of economic progress and political stagnation, the Solidarity era came to an end. In May 1993, Solidarity’s parliamentary caucus made good on its threat to introduce a motion of no-confidence against Suchocka’s government. Through a combination of bizarre circumstances, brought on by the inherent fragility of the ruling coalition, the motion was approved. Walesa then ordered the dissolution of parliament and called for new elections, as he had earlier promised he would. 142 The following month, Solidarity explicitly broke ranks with Walesa and voiced strong criticisms of the country’s social and economic conditions. 143 By that point it was clear that future governments in Poland could no longer count on Solidarity’s support, even implicitly. Instead,

141. Julian Gardawski, “Robotnicy ’93 o wyborach: Wygraly grzyby,” Polityka (Warsaw), No. 41 (9 October 1993), p. 3. This article presents the findings of the opinion surveys entitled “Worker ’93” (Robotnicy ’93), which were sponsored by the Friedrich Ebert Foundation. The surveys were conducted both before and after the elections.


the leaders of the union had decided to emphasize their other role as a lobby for workers.

In the September 1993 elections Solidarity failed to acquire the minimum of five percent needed to obtain representation in parliament under the new electoral laws.144 The union's overtly political role was thus over, and a new phase of Poland's post-Communist transition began. The victory by a coalition of leftist parties, including the former Communists (renamed the Democratic Left Alliance, or SLD), was initially interpreted as a straightforward protest against economic shock therapy. Closer analysis indicated, however, that the results were far more complex, stemming in part from the disarray in Suchocka's coalition, from public opposition to the Catholic Church's intervention in politics, and from general disillusion with the country's meandering and confused political course, which seemed unlikely to be ameliorated so long as the "offspring" of Solidarity remained in power.145

The consequences of the elections for Polish workers were ambiguous at best. Ironically, former members of the PZPR were among those who most strongly supported the notion of "continuity" with the Balcerowicz program. Despite their critical views of the Suchocka government, they wanted the SLD-PSL coalition to uphold and even expand on the previous four years of market-oriented reforms.146

By contrast, most members of Solidarity (past and present), including a disproportionate number of blue-collar workers, were hopeful that the new government would alter the basic thrust of the country's economic policies. Although the members of Solidarity had a generally unfavorable view of the

144. For full electoral coverage, see "Obwieszczenie Panstwowej Komisji Wyborczej z 23 września 1993 r. o wynikach wyborów do Senatu Rzeczypospolitej Polskiej przeprowadzonych 19 września 1993 r.," an 18-page supplement to Rzeczpospolita (Warsaw), 27 September 1993.

145. Gardawski, "Robotnicy '93 o wyborach." p. 3.

leftist coalition, they were receptive to campaign pledges of a slower and more state-oriented approach to reform. 147 This curious reversal of roles, with former Communists advocating free-market reform and members of Solidarity urging a return to greater reliance on the state, said as much about workers' perceptions of having borne the onus of shock therapy as it did about the malleability of ex-Communist elites.

It soon became clear that the SLD-PSL coalition was not about to make any changes in the basic elements of the Balcerowicz program, having realized that a failure to move ahead with economic reform would simply leave everyone, including blue-collar workers, worse off. This stance did not go over particularly well with workers themselves, however. Opinion polls taken a few months after the elections showed that a large majority of workers did not believe they stood to benefit from the new government, despite the SLD's campaign rhetoric. 148 For the most part, workers by late 1993 had become profoundly cynical about the country's political system and were concerned, more than anything else, about the possibility that they would be laid off. 149 Because of these concerns, many state-sector workers remained leery of privatization, even when their enterprises were deemed to be viable. Opinion polls in late 1993 showed that SOE employees believed by a 13-to-1 margin that "employment security will deteriorate" after privatization. 150 Nearly as many feared that privatization would also mean the sacrifice of most or all of the social welfare benefits that had long been provided by state firms. Although a plurality believed that their wages would

147. Ibid.
149. Centrum Badania Opinii Społecznej, "Pracownicy przedsiębiorstw państwowych sprywatyzowanych i prywatnych o swoich obawach przed utratą pracy," October 1993. The findings of this survey applied just as much to workers in private firms as to those in the state sector. See also Gardawski, "Robotnicy '93 o wyborach," p. 3.
150. CBOS, "Co dalej z prywatyzacją?" p. 2.
improve after privatization (a view that was not wholly supported by the record), any increase in monetary compensation would likely be outweighed by the potential loss of social services. 151

As important as these concerns were, they were not necessarily enough to precipitate social unrest. On the contrary, widespread anxiety about unemployment induced most workers, especially those in state enterprises, to seek to avoid "making waves." 152 This factor served as a brake on the new wave of labor unrest that erupted under Solidarity's auspices in the spring and early summer of 1994. These latest strikes, which focused on wage demands as well as on employment security, posed many of the same political and economic dilemmas for the SLD-PSL coalition that had earlier been confronted by the Solidarity-sponsored governments. (Even the issue of the popiwek and wage controls was again at the forefront of workers' concerns.) Despite this new round of turmoil and the prospect of continued unrest in the future, Poland's post-Communist economic reforms seemed likely to continue in the same market-oriented direction they had been heading for the previous four-and-a-half years, albeit with occasional reversals and setbacks. Barring some catastrophic turn of events, worker dissatisfaction in Poland as of mid-1994 still seemed manageable, and there was even the possibility that workers' discontent could be substantially alleviated if economic growth and industrial production remained as vibrant as they were in 1992 and 1993.

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151. Ibid. At least through 1993, wage levels for blue-collar workers were nearly 10 percent lower in private firms than in SOEs. Wages for white-collar workers were roughly equal in the two sectors. It is thus surprising that 34 percent of workers thought their salaries would improve after privatization and 36 percent thought salaries would stay the same. Only 24 percent believed that wages would deteriorate.

152. CBOS, "Pracownicy przedsiębiorstw państwowych sprywatyzowanych i prywatnych o swoich obawach przed utratę pracy," p. 3.
CONCLUSION

When the Polish government launched its economic "shock therapy" program in 1990, many observers expected that the program would spark a series of debilitating strikes. Those expectations were by no means entirely fanciful. During the Communist era, blue-collar workers in Poland had been far more active than their counterparts in other East European countries. Both before and after the creation of Solidarity, Polish workers had periodically challenged the Communist regime, forcing it to accept far-reaching political and economic compromises. After 1989 the democratization of Polish society enabled workers to organize much more freely and effectively in support of their interests. Hence, it was not unreasonable to assume in the early 1990s that pressure from workers might induce Polish leaders to abandon the painful steps needed to move toward a market economy.

As things turned out, however, no such problems emerged. Poland was able to advance far along the road of "shock therapy" and free market reform without experiencing violent or uncontrolled labor disruption. To be sure, the period between 1990 and 1993 was not entirely devoid of labor unrest (as discussed above), and Polish workers did help stymie the government's intention of rapidly proceeding with large-scale privatization; but in general, worker opposition to the country's economic transformation was far less severe and extensive than anticipated.

Five factors help explain why the response of Polish workers to the post-Communist transition was relatively subdued.

First, the chief political grievance of the past forty years, which had so often spilled over into (or helped ignite) widespread labor unrest, was no longer present after 1989. More than anything else, Poland's subordination to the Soviet Union from the late 1940s to the late 1980s denied any hint of legitimacy to the Polish Communist regime. The domestic viability of the regime was instead
largely dependent on "output support" -- that is, the extent to which the
authorities could "buy off" the population by providing material goods and
services. When such "outputs" were not forthcoming and serious economic
discontent arose, public tolerance of the Communist regime swiftly evaporated,
bringing deep-rooted political grievances to the surface. The fundamental
changes in Poland's relationship with the Soviet Union after 1989 ensured that
economic dissatisfaction would no longer translate so easily into violent
political unrest.

Second, the initial phase of Poland's post-Communist transition, from
mid-1989 until mid-1990, was marked by an extraordinary popular consensus in
favor of abandoning Communism. On the strength of this mandate, Mazowiecki's
government was able to implement drastic economic changes in 1990 that, once
under way, were extremely difficult -- indeed, all but impossible -- to undo.
Millions of blue-collar workers were among those in 1989 and 1990 who espoused a
radical break with the past, and they were willing to endure greater hardships in
pursuit of that goal. Although workers' support for shock therapy ebbed after
mid-1990, sufficient progress toward a free-market economy had been achieved by
that point to forestall any serious prospect of a return to the old order. Despite a succession of short-lived governments and despite growing popular
dissatisfaction, the main elements of the Balcerowicz program were left intact.
Had the political climate in 1989 and early 1990 not been so conducive to the
launching of radical changes, subsequent efforts at reform would have been far
more vulnerable to derailment.

153. The concept of "output support" is adapted from David Easton's discussion of "specific support" in A Systems Analysis of

154. As Przeworski emphasizes in Democracy and the Market, the public's enthusiasm for reforms can diminish either because
of a loss of confidence in the government's ability to carry out reforms successfully or because of the increased costs borne by the
average citizen during the early transition. In the case of Polish workers, the latter factor seems to have been far more important
than the former.
Third, the fragmentation of the Polish labor force and of the country's post-Communist trade unions forestalled the emergence of a cohesive, nationwide workers' movement akin to the Solidarity movement of 1980-81. Sectoral and intra-sectoral cleavages, combined with perceptions of a zero-sum competition for scarce resources, precluded the kind of cooperation and "class solidarity" one might have expected among diverse groups of workers. Instead, labor protests in post-Communist Poland tended to be isolated and containable. Attempts by radical labor organizers to generate a broader protest movement against "shock therapy" consistently failed.

Fourth, even though Polish officials eliminated key parts of the old "social contract," they refrained from pressing things too far. For example, despite the misgivings of senior economic advisers, the Polish government deliberately accorded a central role to workers in the large-scale privatization program. This concession greatly slowed down the rate of large-scale privatization, but the government was willing to endure that cost in order to maintain social tranquility. More generally, the Suchocka government's effort to forge a corporatist arrangement among workers, managers, and the state was a sign that Polish leaders recognized the importance of giving workers a voice in key decisions. The temporary hardships accompanying "shock therapy" were far greater than the Polish Communist regime ever could have exacted (because of that regime's fundamental illegitimacy), but the post-Communist governments did not simply run roughshod over the interests of workers. On the contrary, each of the governments, especially Suchocka's, did its best to provide workers with a sense that they could have a meaningful voice in decision-making without having to resort to work stoppages or other protests.

Fifth, despite the recession that Poland underwent from early 1990 through early 1992, conditions did eventually improve. By mid-1993 the Polish economy was growing faster than any other economy in Europe, and living standards for
most workers (as well as for the population as a whole) were on the rise. These achievements did not necessarily disabuse many Poles of a sense that they were still worse off than before, but it did attenuate the "objective" basis for a surge of labor unrest. The visible payoffs from the reforms also gave successive governments, including the SLD-PSL coalition that came to power in the fall of 1993, greater incentive to uphold and stick with the Balcerowicz program even when confronted by workers' protests.