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UNION OF EMPLOYEE SHAREHOLDERS COMMERCIAL CHAMBER

FOUNDING MEMBER OF EFES - BRUSSELS, MEMBER OF NCEO - SAN FRANCISCO
NON-GOVERNMENTAL, NON-PROFIT ORGANIZATION

PRESENTATION

of UWP – the Union of Employee Shareholders

CEEО Network Conference, March, 28 – 29, 2003

Hotel Kokra, Brdo, Slovenia

- **Publications helpful in preparing the presentation:**

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“Manowce Polskiej Prywatyzacji” [Manowce of Polish Privatisation], 2001

„Sukcesy i Kleski Prywatyzacji w Krajach Postkomunistycznych” [Successes and failures of privatisation in post-communist countries], 2002

“Pulapki prywatyzacji” [Privatisation Traps], 2003

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Introduction

The Image of Polish Privatisation

In the first years of Polish transformations, the popularity of privatisation was based on the employee expectations concerned with the possibility of transgressing the privatisation threshold smoothly; with minimalising the necessary changes in their companies as well as sustaining their employment and satisfactory level of salaries. In some companies those expectations were radically verified by the restructuring requirements and by adapting the employment conditions and the salary level to the company's market sector. Financial liabilities due to leasing agreements as well as limited sources of capital forced the company boards to save in every possible way, including their employees and shareholders.

The economical results of employee-owned companies from 1991 to 1996, which were considerably good in comparison to other types of enterprises, encouraged the employees of the state-owned companies to choose that way of privatisation. After the initial wave of enthusiasm for the employee-oriented attitude of the privatisation through leasing between 1990 and 1992, in the following years the method acquired more rational and economic motivation.

In Poland, employee-owned companies have been a highly debated way of privatising. They still have their eager opponents who claim that such a way has nothing to do with the real privatisation because it does not result in a considerable increase in the company's investment capital and it sustains a 'dispersed' ownership. There is also a group of followers who are convinced about the economic rationality of the insider privatisation. Independently of the expert opinions, the employee-owned companies in Poland have confirmed the effectiveness of this method of privatisation, mostly by achieving such economic results that guarantee surviving on the market for the majority of those companies.

At the time when the pioneer companies were established, the economy crisis together with limited demand, competitive market and high liabilities forced the companies to reduce the costs radically, including those concerned with the work force. Hence, the companies limited the employment, limited the salary rise and tried to save in every area of their business activity. The adapting strategies conducted by the company boards mostly came down to exploit the company reserves in the first years of their activity. With time, keeping the company on the market required gaining funds for modernization investments. Some companies began to search for external investors. In others, there appeared the concentration of ownership, which resulted in overtaking power and property of the company by its board and supervisors. This could also be a symptom of introducing the strategic investor created among the shareholders – the employees of the company.

As the leading aspect of our presentation, we would like to devote our attention to those pioneer companies and find answers to basic questions:

- Have we been able to protect new concepts and ideas concerned with the privatisation process as well as the employees' expectations for the desired social order?
- Can we create and implement such mechanisms that would make basic values, such as decent work, decent salary, justice and employee participation unquestionable?
- What other mistakes have been committed in the privatisation process?

Workers: the lost class

Two dimensions of the problem

It is common knowledge that workers in Poland are the lost class of the Polish transformation. Researchers differ however on scope of the phenomenon. Some think it is a transformation cost and can not be avoided. Others blame transformation model, especially the economy policy that led working class to become powerless. The notion of "lost class" was coined in the most clear and convincing manner by Tadeusz Kowalik. He said: "The changes after 1989 were carried on the wave of blue coral workers unrest. It did not however improve its situation. Workers in Poland today are openly called << the lost class >>. Discussion is open only on if it had to be this way, and if, in general terms, it is good for the society."

What are the two dimensions of the above problem? Firstly we need to find the answer to following questions: Which part of the Polish society did workers find themselves in after the transformation was completed? Are they privatisation and other aspects of transformation beneficiaries, or rather in two other social groups: unstably balanced and frighten, or those who lost already, and are approaching fringes of marginalization? In other words: the strong polarity in the Polish society as the result divided it in the above segments.

Nobody considers workers beneficiaries of the transformation. Researchers, experts, regardless of political orientation are all equivocal on this subject. Only differences as for example on the thesis of lost class are on scope, sharpness and durability of already formed divisions and differences. Confronting opinions on the subject partake also to its meaning to transformation itself. For some society polarization is not only transformation cost, but also most of all desirable. Without beneficiaries, they say, the progress of the reform, and most of all "true capitalism", is not possible. The necessary and mobilizing differences are the result of the fact that some have freed themselves quicker or were less touched than others by "learned helplessness", while still others were not able or willing to do so. If we follow this direction one can draw a conclusion that workers, considered

the most imported class in real socialism, are coming back into their place – ones fulfilling, for now, tasks necessitating effort, experience and skill, but not intellectual creativity. Often another argument is added, and this on previous system' workers concentration in traditional industrial branches; large companies that ruled under the real socialism and now, for market oriented economy, are considered a difficult problem. Entire sectors once called strategic, and not only in sense of country economy, are now officially problem sectors. Large enterprises of this sectors some call even now "indestructible warships" or "industrial dinosaurs". This sectors and enterprises are in need of deep restructuring, which is now, in opinion forming circles, opposed or at least blocked by workers and their organisations. As a result the price to allow the continuation of transformation is rising. Some say, that traditional industrial sectors blown to gigantic dimensions in previous system, while coming to oblivion, must entail not only quantitative limitations with regard to the workforce of this sectors. What is more important the workers employed in these sectors, privileged in the past, might become conservative group of interests, blocking necessary changes. This is how contesting miners, steelworkers, or military sector employees are often perceived.

Even before the end of previous decade authors of *Conditions and Perspectives of Economic Reform* report stated on the subject: "Lack of confidence (...), unwillingness of numerous social groups to accept privatisation is a result of different factors: fear of radical changes, job loss, sale of assets to foreigners or deferent types of so called >>nomenclature privatisation<< in years 1988 – 1989. Not without the meaning was the fact of existence of influential social groups, interested to maintain the state sector in unchanged form, who were representing most of all privileged in the past industry branches and large enterprises".

Second dimension of working class position in Poland now, takes into consideration as a point of departure, reminding and interpreting the role of Polish worker in formative, political phase of transformation. Different formations, people, institutions and organisations are credited now as main forces in Polish democratic revolution, putting down ancient regime and one party system. Rivaling forces want to be considered as vital in this respect. But in the Polish revolution, democratic and peaceful, the workers role was predominant. They were the base of Solidarity social movement, which was for some time and most of all, the union.

Even if the thesis of Solidarity being brought to life by "new middle class" is right, its' rank included together with professionals, young, skilled labor. All analysis and statistical data of the end of seventies and beginning of eighties, and following decades, indicate active employees participation in social movements of the time, while skilled labor was creating even so called ethos groups. Its' role, and because of it a role of majority of workers was, to not only participate in strikes or other forms of contesting. They supported or created themselves reform programs, institutions and rules of new social order. Order, where values and rules: dignifying job, meaningful and of value; good

pay, justice and employee and its' organisations participation in management and political decisions are present. Social dialog was considered an important institution of this order; a way to take decisions. Social partnership was to be its' method to carry this economic decisions. Participative functions in the new order were to be carried not only by unions, but also employee self-government. Employees were to get rights adequate to contemporary standards and aspirations of the most "enlightened". New order looked like social democracy.

So the other dimension of lost class problem is an answer to: Are workers still capable to influence their reality, changes, choose strategies and programs, at least on subjects of their interests? In short: Are working class interests represented and its aspirations and needs fulfilled?

The thesis of workers being a lost class can be then supplemented by an answer to the following question: Are they left to themselves, abandoned, without chances to defend their interests?

New divisions in working class

One of very important results of privatisation is change in social structure. State economy restructuring by sectors is a parallel factor reinforcing these changes. This two processes point out in the same direction provoking deep changes in entire economy and the society.

In the economy transformation consists of two processes: privatisation and restructuring. Both influence society by the bias of employees' environment, in particular it's' main – as of now – segment: the workers.

In the state run economy, created according to imposed industrialisation, with its characteristic of traditional industries' domination, workers were the most numerous socio-professional group. The data from the eighties show that they participate in the total work force in more than 50%. Most of them were employed in large production enterprises. Together with their families they constituted most numerous social class in Poland. However, not everyone filling in a worker job shall be considered working class.

In ten years of Polish political system transformation two major social transfers were taking place, which subject was employee environment and workers in particular.

First of this transfers was connected precisely with state economy privatisation. In 1990 public sector employed 51.1% of active population. In 1998 major change was taking place: private sector was employing already 70,7% of the total, while public 29.3%. Next year the trend was reinforced. Public sector employed only 27.7% of the total. This trend was accompanied by other

process – this time concerning Polish economy structure. In 1990 agriculture sector employed in Poland 28.7%, industry 34.0%, services 37.3%. In 1998, so close to the end of transformation first decade: agriculture 27.4%, industry 28.8%, services 43.8%.

The transfer of workforce from public sector to private was accompanied by not lesser of the migration from the industry to services. The reason is that in services privatisation was much faster and of larger scale. At the end of the decade private enterprises and institutions in services employed 80%, while industry was still dominated by public sector.

Statistical data shows univocally that workers obviously participated in above migrations. Their participation however was of double character. Most were the object only, while some actively participated in the change.

Above changes were accompanied by employment decline in the state economy. In different transformation periods the decline was not even. First large decline was in 1989-1992. Largest in the industry (about 1 million) and agriculture (0.486 million). The decline in state employment touched both blue and white collar.

In 1999 professional activities structure in Poland was the following: 62.7% employees (of which 12.3% in state administration), 36.7% self-employed. Remaining 0.6 % were agents and non-salaried employees.

Looking on privatisation, not only as denationalisation (privatisation of state run enterprises), but also as creating private enterprise explains processes structuring new socio-economic reality. Its' most imported element is a private sector.

Private sector is internally complex structure consisting of 2.4 million enterprises including 2.2 million persons, 0.22 million legal entities. Its' main segment are small (up to 50 employees), and medium (up to 100) enterprises. Most private sector jobs are in these enterprises. Even industry private small and medium enterprises employ 47.1%.

Main result of changes brought in by privatisation to workers environment is the migration to small firms, or taking first job in small or medium size enterprise.

Instead branches, like the ones of state sector new segments appeared public or private including small and medium.

In 1995 employment in the industry was following: in public sector most jobs were in large enterprises (up from 501 employees), while private sector large enterprises employed only 19.9%. Small private enterprises (up to 50 employees) employed 35%. In following years the tendency was reinforced.

In 1995 1.921 million were micro-enterprises (up to 5 employees), of which 63 000 had no employees at all. Total employed there was 2.017 million, while only 9% of all Polish enterprises were not in this group.

Other category (5 to 50 employees) is 7% of all enterprises registered in Poland. Private enterprises there employed 1.569 million persons, while same size public 0.554 million. So small private enterprises employed at the time more than 3.5 million.

In larger private enterprises (above 50 employees) there were 1.792 million working at the same time – mostly at privatised state enterprises. During transformation years, large and well-differentiated private sector was created employing most of the work force. Important part of Polish workers is employed there. Typical for this sector are small and medium size enterprises. A specific, new type of social relationship rules there that are responsible for situation of workers employed there.

In world literature on the subject Peripheral Economy Segment is employed to describe what in Poland has a specificity on its' own. Literature refers to chain industrial production with two types of workers situated in two different sets of conditions. Next to Ford type large enterprises where employee employer relations were regulated by an agreement, unions were present, and different benefits dawned, "() there were the peripheries: small firms in fierce competition, with no social security nor representation for employees interests, deprived of internal work markets. Owners of these firms often employed season workforce. Part time employment was popular etc."

In Poland this peripheral sector is dynamic, with good economic results, but its' largest segment – small and medium firms, is with short-term perspective. These companies are short lived, unstable. Employing and lying off are in quick succession, often without respect to legal regulations. It is a specific gray zone where employee conditions, and especially workers, are bothersome. State Employment Inspection controls show often in small and medium enterprises lack of respect to Work Code. Salaries and benefits are not paid or paid in part only, or not on time. Minimum wages are not respected. This type of irregularities was concluded in 80% of controlled firms.

Working conditions in 50% of controlled small and medium enterprises were not up to Code, jeopardizing health and life of workforce. In addition the situation is getting worst. In 1996 accidents at

the workplace numbered 112.2 thousand and in 1997 120.9 thousand. In 1998 decline was registered to 117,5 thousand, but the level is still very high. The same year lethal accidents occurred 224 times in public sector and 427 in private. Only very small part (8%) of those enterprises allows union activities.

In Tadeusz Kowalik's opinion nineteenth century work conditions are prevailing in this sector: "(...) especially in newly created enterprises the Code is not respected, agreements are not in writing, nor respected (...). Union activities are forbidden."

These work conditions became prevailing for more than 2 million workers. As of 1999 for total of 4.5265 million only half was working in the least privatised industry while the rest in construction, transport, commerce and services.

Polish peripheral sector is autonomic to the large extend, only partly oriented towards serving large enterprises. Employment has risen there sharply, so new posts should be available there.

On the basis of different research and observations a socio-economic situation that segments anew working class in Poland can be drawn. At the top of the strata are employees of large state enterprises, which are in relatively good economical shape, second position is held by workers of large private enterprises often foreign, followed by employee held enterprises, privatised medium size state enterprises, state owned enterprises with difficulties or under restructuring, and at the bottom medium and small private firms.

Privatisation has had also a beneficial influence. Some working class members become entrepreneurs. Small businesses in Poland are workers owned (44%), professionals (21%), and peasants (20%). Before going on their own workers were employed as skilled labour, mechanic, driver (38%), commerce or services (35%), managers or specialists (16%), or technology and administration (6%). Other way to participate in privatisation was an employee held enterprise. At the beginning workers owned large stakes (up to 70%), but with time these companies become often manger and worker owned. The stakes are now less dispersed while workers tend still to command better positions here than in private sector.

The place in the structure: workers and poverty

Most distinct and commonly perceived process of change in social structure partakes to differentiation and shaping new social divisions. Differentiation has a tendency to polarise social structure. Sharp divisions create “few reach and those who quickly get richer”. But decisive factor is creation, maintenance and enlarging of poverty. It can be said that main feature of Polish society structure is precisely existence of wide spread misery that encompasses also the employed. Large part of the population is thus marginalized in a permanent manner. What once was marginal is large now.

Poverty in Poland is structural. “Similar to structural unemployment, is no accidental, or subjective, but external economical factor. Lack of work, low wages, salary polarisation, high prices, subsidies suppression of basic products and services is a fact of life.”

Poverty syndrome in Poland has stabilised. The basis is first of all lasting unemployment, lack of education and living in a small town or village. At the same time low wages, offered by private small and medium enterprises. According to Lidia Beskid in 1996 poverty has touched in Poland 47% of the population living on less than minimum wages. A large study Decade of Polish Social Policy at the End of the Century shows that in 1999 half of the population (50.7%) was below the poverty line, and now it is 55%. At the same time an explosion of highest wages makes Poland only Central European country so polarised in this respect.

The poverty is affecting different social groups, most of all peasants. Some professionals employees of state administration, second to peasants, are the workers. The two poverty syndromes: unemployment and low wages are strong in workers environment, situating them low in social structure.

Workers conditions and class segmentation is to a large extend wages driven. These are being lowered faster than in other social groups, especially in private sector. In 1999 6.2% employed in a public sector and 21.4 % in private sector have had the wages lowered than 50% of median. “ The difference is very large, and endemic in our economical conditions.” Lowering workers wages in private sector is an ascending trend.

Discrepancy of income due to salary differences concerns more and more relations between workers and other employees.

In 1989 workers families per person income was 91.8% of the median while for others 116.3%. In 1997 numbers were 81.2% and 131.8% respectively.

Working class is touched by unemployment more than any other group. 1997 data shows unemployment being lowered while most (0.722 million) unemployed are basic skills workers. In 2000 workers are even more touched while total unemployment attains 2,7 million.

Unemployment structure with respect to education has stabilised. In 1995 almost 1 million unemployed were the workers. Other large group (0.327 million) consisted of services and sales were 29 thousand. Basic skills workers were unemployed on average 12.1 months, grammar school graduates 13.4 months, university graduates 7.6 months (November 1998 data).

Women workers are even more touched by unemployment than men. They have more difficulties to find a job. For men three factors are most degrading. Firstly peripheral sector jobs with its' low status, non respect of basic rights, low level of social security, non representation.

Second factor is low wages (mostly in private sector). Third is unemployment that is touching all workers regardless of place of work. Large private and public enterprises fire employees too, and this on the mass basis that concerns to the large extend the workers. The similar situation is in restructured mining, steel, and defence. These are workers largest groupings. " Three main groups carry the cost of the transformation: hired personnel, peasants and the unemployed." The first and third are mostly workers.

Market, privatisation and workers

On the beginning of the nineties opposing market reforms and privatisation in particular, by Polish workers, was widely feared.

Market economy transformation, and the shock stabilisation therapy known as first Balcerowicz plan was a big challenge for the workers. The shock was multiple for the workers. On one hand, for the first time in forty years, lost jobs and unemployment become reality. All research in the eighties shows how deep is workers conviction about employment guarantees and stability. But on the beginning of the nineties already, after first year of the transformation, 38% of industry workers have feared job loss, 78% stated they have no adequate solution in case of job loss, and 55% were afraid their situation would deteriorate.

Other element of the shock was possibility of company destabilisation or bankruptcy. Till then, seventies and eighties research showed importance of company functions not only as job provider, but also personal stabilisation factor. Not long ago workers were stating how important, just after the family, company is, not the social organisations or social security centres.

Competition, open borders, costly loan, piling payment backlogs, unfavourable legislation, production drop, all were destabilising enterprises and creating uncertainty zone.

Another shocking experience was that strikes, or other form of pressure are not effective. 1990-1992 strikes were carried in the industry and transport. The industry was a main victim. In 1991 there were 305 strikes of which 63% in the industry. In 1992 250 strikes were carried with second part of the year mostly touched. These were in mining and transport. The largest to date number we had in 1993, but mostly non industrial actions occurred.

The scale diminished for number of reasons. Three are predominant. First of all is understanding that in contrast to veining phase of authoritarian socialism, striking is not effective. Enterprise interests are touched to endanger its' existence which might lead to unemployment. Second, NSZZ Solidarność became part of the government extending an umbrella over the reforms, moving from predominantly contesting position. Third is conviction that old regime was ineffective, work lost and needs and aspirations unfulfilled.

According to the research, regardless of its' own situation and diminishing chances to change it, but also due to pessimism and frustration, majority of workers supported market economy. This group, that included about 60% of workers, was called moderate reformers. From the onset of the reform it was present in workers environment. It appeared at the end eighties, beginning of nineties.

Even in the eighties reformers, but of limited scale, constituted 30 – 35%. Workers were already in favour of enlarging number of enterprise asset holders. But the largest workers group considered “good wages in state held enterprises” a most desirable perspective.

Polls of '80 show 45,3% in favour while only 12.2% were for market economy. To enlarge the picture we shall say that 14.1% responding say “ through change of the system” while 12.9% expected improvement by “enlarging state rule as leading to real egalitarian relations, at least at the income level.” The egalitarian – etatist positions were thus created, while 2.5% of respondents are for “unlimited possibilities to enrich” to become liberals among the workers. The majority (55.5%) identified themselves with an opinion that “economy shall remain a state domain.”

Witold Morawski showed some time later that 57.3% of skilled workers supported private asset ownership. The same opinion had 48.2% of unskilled labour.

The support of Polish workers to privatisation and market economy, through all the nineties, regardless of costs, shall be called conditional. As stated preferred model of capitalism comes to life.

In most general terms it coincides with official model called socially oriented market economy, or civilised capitalism. Its' specific accent however, due to experiences and tradition, is employee participation and assets control as form of involvement and real nobility of employees.

Employees' expectations were met in a very limited form. The only participation employees have are shares in their enterprises, and this only to the limited extend due to managerial buy-outs. Usually participation theme comes back as election approaches. Some hopes are raised by capital privatisation projects and social packets negotiated with strategic investors or while restructuring problem sectors. But basic problems of unemployment increase and poverty are not solved, in fact are yet to be addressed.

Limited support to privatisation is also due to its' successes too. Research shows that increased work discipline, better management, production and services quality, and what is most important – wages connected to work quality and worker qualifications are well perceived. Better chances for talented and innovation promotion count too. On the other hand workers declare rarely willingness to join private company (14%). Many more (36%) would rather work for state held enterprise. Most popular however is “to be on my own, to open an enterprise” (38%).

The lack of interest for private sector, if the choice exists, is understandable if one takes in to the account work and pay conditions there. To prefer own business is well correlated with workers attitudes. More than 30% small businesses in Poland are ex labourers owned. Hired hand on Polish job market is a degrading experience.

It could be, middle class aspirations are echoed in small business longings of Polish workers. Some, like already quoted Juliusz Gardawski say: “The main group of workers – moderate reformers, could be well described using British model of <<privatised hired hand>> (...) Simplifying, on can say they mentality is a three layers structure. Instrumental approach to the job, loose friend contact and class solidarity, low union identification. Socialist, egalitarian with strong support to wide asset distribution. Middle class idea of <<being on my own>>”. This is where common efforts abandoning come from. For now this choice, if present, is not increasing the chances, on the contrary, entails degradation even of qualified workers.

Solitude dilemma

Some still think the workers, especially from large enterprises and strategic sectors can exercise pressure on the politics and economic decisions. As argument most often contesting behavior is called upon and union pressure. Solidarity strikes are lawful means of protest in Poland. Still in the

middle of nineties polls were showing conviction as to the effective defence of group interests by unions.

In the book Polacy '95 on the Polish workers it is said: "It is the only real force – a social class not willing to accept its' status. Workers constituted half of total employed, and while now reduced in number and dispersed among different ownership structures, are best organised in their unions." It is a fact that "offered status is not accepted", but thesis on acting on status change can not be defended.

Workers were the best-organised social group and their organisations were the unions. Important is also that in NSZZ Solidarność its' participation was very high. This is why Solidarność could have done so much to defend their interests and stop status degradation.

Old dilemma of workers representation, the source of conflict in real socialism is back. Its' new dimension is work, unemployment, work conditions, social safety net. Effects of workers protest, not only the right to strike is the key. Soon real representation of workers interests by unions reappeared.

Workers expectations and hopes were rudely verified by market reform and shock therapy, bringing quickly identity crisis for the unions.

Conviction about nobody representing well workers interests in Poland was reinforced during the last decade. It fosters a solitude of "abandoned class member" that can become a deprivatisation element of statue and stronger than becoming a loser would be. Majority of workers expected not only their conditions improvement under new political system, but were sure the very fact of existence of independent, self governing unions will give them a chance not only to defend their interests, but also to influence entire transformation process. Some workers – the moderate reformers, most involved in the change, had its own well-interiorised perspectives.

Research carried by authors of *Is the Bastion Falling? Unions in the Privatised Economy* confirmed lasting effect of solitude reinforced by marginalization of all unions in Poland.

Answering the question: Who best represents workers interests in the country? Only 12% cited Solidarność, 9% OPZZ, but 54% respondents said: Nobody. Same answer gave 44% of Polish mines, steel mills, defence, energy and rail transport sectors.

Three reasons can be given to explain this situation. First is an increasing marginalization of the unions in Poland. Bastion Falling authors write: "Three distinct scenarios of unions acceptance in

Poland were observed: in state run enterprises – stability, in privatised state companies – erosion, in new and all small private firms – refusal.”

Second is too conciliatory attitude of Polish unions towards management boards. Unions support privatisation in Poland, or at least do not contest, thus participating in layoffs. To large extent their activities are subject of company interests. Research shows that unions are perceived by managers as ready to negotiate and to compromise. But managers and entrepreneurs in particular do not show partnership efforts toward unions. To the contrary: they presence is hardly tolerated.

Third is unions identity crisis and erosion caused by accepting conciliatory negotiations stand while being a partner of privatisation and restructuring programs in exchange for supervisory board posts.

Almost half of employees in strategic sectors (48%) stated that Solidarność leaders are mostly there in their own interest trying to get supervisory board posts. 42% judge OPZZ in same manner. 37% of respondents think other unions are the same.

Unions alienated themselves becoming too involved in politics. Solidarność leaders taking part in government, becoming politicians, participating in reforms criticised by workers, not only weakened their union, but objectively participated in degrading their social base. OPZZ did not improve its' ratings when SLD – PSL coalition was in power. The reason could be a negligible role they played in coalition and politics.

Solitude and feeling of being abandoned was growing while politic class members distanced themselves from majority of society and workers from union leaders.

Is there a chance to reverse these processes? But most of all will it be possible to ensure workers in Poland status of workers in civilised capitalism? Is working class and its' organisations become historical actors? Are unions as social partner going to survive?

But the real question is: Is it possible to create a social order by giving majority acceptable conditions without workers participation? Western Europe proves to the contrary. Today European social standards are at least in half creation of workers and their organisations.

PRIVATISATION STATISTICS

Ownership transformation of state-owned companies as for 31, January, 2003.

*Based on the Statistical Bulletin, No 12, the Main Statistical Office, Warsaw, 2002

The privatisation process in Poland began in 1990. At that time around 8500 state-owned companies conducted their business activity.

1. From 1, August, 1990 till January, 2003, 5455 state-owned companies underwent the privatisation process on the basis of the Bill on the privatisation of state-owned enterprises, the Bill on commercialisation and privatisation of state-owned companies, and par.19 of the Bill on the state-owned company (concerned with the liquidation of the enterprise due to economic reasons).
2. In the National Economy Register (REGON) there was 1951 state-owned companies, as for 31, December, 2002.
3. As for 31, January, 2003, 1529 state-owned companies were commercialised (that is, 28% of all transformed companies). As a result, there emerged:
 - 1512 one-man Treasury companies, that is the legal status of the companies was changed. Instead of the president and the representation of the employees there were established the Boards with the President and Supervisory Boards.
 - 17 companies with the participation of the creditors on the basis of Part III of the Bill on the commercialisation and privatisation of state owned companies, the so called commercialisation with the conversion of receivables (banks reached an agreement and to cover the shares, thus becoming shareholders)
4. In January 2003 two state owned companies were commercialised: Drukarnia Skarbowa (Printing Manufacturer) in Warsaw and Przedsiębiorstwo Komunikacji Tramwajowej (municipal tramway company) in Katowice, that is there were transformed into one-man Treasury companies.
5. From 1 August 1990 to 31 January 2003 the Ministry of ownership transformations, its follower – the Ministry of Treasury and Privatisation Agency sold stocks and shares in 993 Treasury companies.
 - 337 – through indirect privatisation.
 - 17 – on the basis of part III of the Bill on the commercialisation and privatisation of state owned companies
 - 127 through banking agreement, changing receivables into stocks

512 through bringing stocks/shares to National Investment Funds within the Privatisation Program, so as to continue privatisation processes, manage the property and aim at the sale profitable for the state

6. In 2002, there has begun the privatisation of 21 one man Treasury companies through selling out block shares/stocks:
 - Advertised bidding – 4 companies
 - Open negotiations – 17 companies

7. In January 2002, there has begun the privatisation through negotiations of 64,5% of shares of Podlaska Wytwórnia Wódek POLMOS S.A. (spirits manufacture) in Siedlce; the privatisation of 2 companies through selling out block shares owned by the Treasury was continued:
 - Elektrometal S.A. Cieszyn – 25,11% stocks
 - Pleszewskie Zakłady Papiernicze S.A. – 25,08% stocks

The condition agreements on the stocks sale were signed with: Lubuska Wytwórnia Wódek Gatunkowych POLMOS S.A. (spirits manufacture), Żarowskie Zakłady Materiałów Ogniotrwałych SA in Żarów and Zakłady Naprawcze Taboru Kolejowego OPOLE S.A.

8. From 1, August 1990 to the end of January 2003, 2130 motions concerned with indirect privatisation were accepted, according to par.37 of the bill on the privatisation of state-owned companies and par.39 of the bill on commercialisation and privatisation of state-owned companies through selling or giving for commercial use – these are called employee-owned companies. 1999 companies were crossed out from the register – they became private companies in the course of indirect privatisation.

9. From 1, August 1990 to the end of January 2003, the Ministry of Treasure did not object to 1796 motions concerned with liquidation due to poor financial conditions on the basis of par.19 of the bill on state-owned companies (that is 33% of the total amount of transformed companies). This meant that the motion concerned with the liquidation of the company in its current shape and transforming it into a new business unit, made by the Voivoid office was accepted. 902 companies were removed from the register and in 681 companies their insolvency was pronounced.

According to the data mentioned by Stefan Krajewski in his study contained in 'Manowce polskiej prywatyzacji' edited by professor Maria Jarosz, the structure of privatised companies with regard to:

1. The number of units privatised with various methods is as follows:

55,0% - **employee-ownership companies**

21,9% - National Investment Funds

12,1% - capital privatised companies

9,2% - companies privatised by bringing in the property of state-owned companies

1,8% - companies privatised by Banking Agreements

2. The number of employees is as follows:

39,4% - capital privatised companies

25,4% - **employee-owned companies**

25,2% - NIF

7,9% - companies privatised by bringing in the property of state-owned companies

2,1% - companies privatised by Banking Agreements

3. The income gained from their activity is as follows:

55,1% - capital privatised companies

18,3% - **employee-owned companies**

15,9% - companies privatised by Banking Agreements

8,3% - companies privatised by bringing in the property of state-owned companies

2,4% - NIF

The state budget income from privatisation between 1996 and 2000, according to the data from the Ministry of Treasury is as follows:

1,9 bln in 1996

6,9 bln in 1997

7,0 bln in 1998

13,3 bln in 1999

27,0 bln in 2000

The income from selling stocks and shares of Treasury companies and from selling or leasing the property of privatised companies are indirectly transferred to the state budget.

Instead of Conclusions

The most important and the most frequent mistakes of the privatisation policy both in terms of concepts and implementation.

Conceptual mistakes are as follows:

- the lack of long-term privatisation strategy, clearly defined aims, tasks and ways of implementation; as a result, the privatisation becomes incoherent and chaotic, which encourages the malfunctioning of power as well as numerous abuses.
- The lack of combining the privatisation with other elements of structural reforms, which disables the creation of appropriate economic, social and political environment for privatisation, thus decreasing its effectiveness.
- Unrealistic demands towards privatisation, establishing such aims that are either impossible to implement or mutually exclusive – such an attitude decreases the effectiveness of privatisation and can lead to serious social and economic malfunctioning.
- Technocratic approach to privatisation, assuming that people and business units will react to changes automatically (e.g. changes in the structure of ownership, in new market approaches).
- The lack of coherence between the privatisation aims and criteria for assessing the privatisation results: e.g. the increase of the company effectiveness is established as the main aim, whereas the privatisation processes are assessed mostly on the basis of the income to the state budget.
- Malfunctioning legal and institutional infrastructure for privatisation and the lack of coherent legal system; not only does it make the privatisation process slow down and decrease its effectiveness but it also causes problems in conducting the transformations.
- Inappropriate function of international advisors, who usually suggest 'universal' solutions; besides, in some countries their role is too significant and in fact they take control over the whole privatisation process – from establishing priorities to the actual sale.
- Erroneous assessment of the privatisation barriers, i.e. in some countries the resistance of the insider group was overestimated, which resulted in methods that initially were to assure the support of this group and in fact created a real barrier instead of the supposed one; neglecting those groups that are interested only in partial reforms; too high expectations for the improvement of companies because of the privatisation process.

Implementation mistakes are as follows:

- the lack of synergy in conducting the privatisation policy as well as reforms in other areas of social, political and economic life.
- High dependence of the privatisation process on current political and economic needs of the government and other lobby groups; it often results in implementing different aims than those previously established, in the inconsistency of implementation, sudden changes of the pace and range of privatisation.
- Inappropriate choice of privatisation methods, which has a negative effect both on privatisation parameters and on the functioning of privatised companies.
- Administrative powerlessness emerging from the limited ability to control the transformation process in the state-owned companies.
- The lack of transparency and social control over the functioning of privatisation mechanisms; gradually, the implementation of own priorities begins to dominate over social needs. It slows down the privatisation process, decreases its effectiveness and encourages social pathologies to emerge.
- Inadequate function of international advisors and consulting companies assisting at every stage of privatisation; they act according to well-known schemes; sometimes, they realize their own aims or the needs of particular foreign business units; the lack of involvement in developing the skills of the local staff.