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Patterns of Reaction to Market
and Privatization Dilemmas**

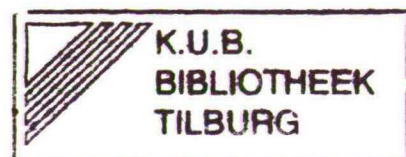
Wieslawa Kozek, Michal Federowicz
and Witold Morawski

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Industrial Relations in Poland.
Patterns of Reaction to Market and Privatization Dilemmas

Wieslawa Kozek, Michal Federowicz and Witold Morawski

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1. Introduction

In this paper, we present the emerging patterns of industrial relations in post-socialist Poland. Our attention is focused on the enterprise level. We understand, however, that these relations at the enterprise level are influenced by national context. It could mean macro-economic policy called "shock therapy" and it could mean the legacy of old industrial relations system. Actually, the latter could be understood in two ways. First, the monocratic model of industrial relations (also called "transmission belt" system), which has been extensively studied (Petkov and Thirkell, 1991; G. Szell, 1992). Second, the alternative to this is the radical-conflict model of Solidarity which is also widely known.

The introduction of a market economy suggests that the following two Western models be discussed and implemented: pluralist and neo-corporatist. Again, these two models are known. Hence, we decided to describe instead to show how embryonic the emerging patterns are, especially at the enterprise level. That is why we decided against imposing any rigid analytical framework. We decided to describe and analyze our four industrial enterprises which we were monitoring for more than two years through the eyes of three analysts with slightly different theoretical interests.

In the first and second parts of the paper, Wieslawa Kozek discusses the enterprise strategies and the top management behavior against the background of market forces which are often hostile to enterprises.

In the third and fourth parts of the paper, Michal Federowicz concentrates on the topic of property transformation, especially the privatization which is a controversial issue, because is

linked not always justifiably with the declining standard of living and unemployment of large segments of the population. He starts from general aspects of property changes in the economy and further provides some empirical illustrations from our cases.

In the fifth part, Witold Morawski attempts to discover patterns of relations between institutional actors like management, trade unions, employee's council.

This method of presentation has obviously certain disadvantages, for example, repetitions of the events to illustrate different theses which risks redundancy. We took this risk convinced that more important is to show variety of factors shaping decision-making processes.

2. Marketization as a Context for the Formation of Industrial Relations (W.Kozek)

The beginning of the nineties in Poland was a period of turbulent changes, in which the principle cause was the so called "Balcerowicz Plan". This was a government program intended to break with the state protection of the Polish economy, to make enterprises function in a more realistic manner, to withdraw from state subsidies, to open a national market for importers and to give real value to the national currency. For all economic enterprises, this created very difficult conditions, which were not known before, and which were to establish the foundation for the building of the market economy.

Many economic changes which were expected occurred. They were accompanied by significant social costs. Different reactions emerged in response to the situation: certain companies began to quickly adapt to competition, others did not. Above all, firms started to lose their former customers because of the loss of their monopolistic position (the case of firm P), the loss of a market in the former Soviet Union (the case of firms B and A) and the fall of the large sales network (the example of firm S). Furthermore, foreign producers entered the Polish market, offering similar products at lower prices (competitors for firms B, A and P) or new - initially smaller - and active domestic competitors emerged (firm S). This meant the loss of former markets and, consequently, a respective decrease in orders, the necessity of limiting production, a drastic fall in the profitability rate as well as a consequential growing debt and need for employee reductions. The worst year in this respect was 1992. The firms were using 30-40%

of their production capacity. They were all reducing the number of employees, however, but the rate of redundancies varied considerably.

The bad economic situation created dissatisfaction among the personnel. Institutions of employee self-government and the "Solidarity" trade unions within the enterprises, channelled this dissatisfaction in the early period. Attempts to lessen the degree of dissatisfaction were directed toward the firm's general management. Competitions were announced and the positions were filled with persons who were to be better managers able to formulate more ambitious strategies and to be more in touch with the spirit of the new times. In the three firms researched these changes occurred. In the fourth firm, the former general manager maintained his position thanks to his active opposition in the past (in relation to broader organizational structures called "concerns" = kombinat). On a broader scale, the sphere of personnel changes is illustrated by research conducted on a representative sample in the Mazovia region (150 km. radius of Warsaw), which showed that 20% of the general managers were replaced. (Kozek, 1991)

The selection of a new general manager, however, did not always give immediate results. To a large degree, it depended on how much the new managers recognized that changes on the macro scale will be continued. The acceptance of the assumption that the macro changes are irrevocable resulted in attempts to work out a recovery strategy. The failure to accept the above was causing a waiting period for the state intervention.

The loss of market outlets through the reduction of production forced the management of the firm to limit the number of personnel. This has a significant influence on the actors of industrial relations. In the initial period of reform, trade unions and employees' councils easily allowed for serious reduction in personnel. In all the firms researched, terminations have occurred. They took a drastic form in enterprises P, A and B. Employee organizations have the right to be informed of planned reductions in the Polish industrial system. The enterprise management may consult the employees about its decision but need not take their opinions into account. However, protests against such a decision occurred rarely. This phenomenon is confirmed in the firms: protests against reductions never occurred. Employees recognized the necessity to lay-off employees.

Furthermore, the recession caused a significant drop in real value of wages. Wages increased systematically (in terms of US dollars)(Rzeczpospolita, 1994), but at the same time a rapid rise in the price of goods and services made it difficult for families to satisfy their needs. In only one case, protests from employees' organizations were more expressive: the firm B organized a strike alert, but more important causes, however, were restructuralization problems.

The main trade unions of the Polish industrial system: OPZZ and Solidarity, in the initial period of transformation, presented themselves as pro-reform. In connection with this, Solidarity itself claimed to create an protective umbrella for the consecutive governments. OPZZ instead strove toward greater independence. Neither of them, however, undertook any serious protest action which could be considered a confrontation to the government. Both Solidarity and OPZZ organized, on average, one day of strike alerts annually. Many employees tried to be exempt from participating in the strike alert. This was the case of firms S and B, which received permission from the regional trade union authorities. In exchange, meetings were organized or flags were hung.

This does not at all mean that in the Polish industrial system there was no tendency to strike. Strikes occurred in firms on the verge of bankruptcy, in rather large plants and for which no recovery program had been found. In the firms, although there were no signs of bankruptcy (S,P and B), the management worked out restructuralization plans which provided a certain measure of job security.

The recession was an additional cause of the phenomenon of the division of large economic units into smaller sub-units. Multi-plant enterprises divided. It was simply considered that a smaller firm would more easily function on the market. Furthermore, it was believed that it would be easier to rationalize the costs of production in smaller firms, because it would be easier to know them. On the other hand, this tendency was favored by many employees' councils, trade unions and personnel who wanted to work "on their own". In the firms under study, the tendencies to separate parts from the whole and eliminate branches and regional divisions, did occur: enterprise S separated from a large multi-plant enterprise; enterprise P eliminated its less profitable and technologically independent regional branch which was apportioned (for capital) to another company; enterprise A separated into smaller parts; enterprise B clearly loosened economic ties with its branches and part of its capital was

apportioned to many private companies.

The other effect of the recession was the drop in the profitability rate of the firms. Many of them lost their capacity for financing. Additionally, some were forced to accept credits not for investments but for turnover which was at an interest rate of 40% or more per year. This situation occurred in enterprise B. Enterprises A, S and P avoided the debt trap, though each of them faced the problem of unrecoverable debts from their customers. This was part of the long-term strategy undertaken by their management bodies. A drop in the profitability rate, therefore, limited investments and the high interest on investment credits made them completely impossible.

Projecting the future of the firm, its development and restructuralization without access to financial means was impossible and thereby making the management situation critical. The management was, in most cases, unable to put forth a program of radical changes. All changes concerning different products were especially hampered due to the need for technological changes. Only two of the firms, A and S, were able to finance small investments from their own resources. This inability to make radical change, significantly weakened the management because only a strong partner with a vision would have been trusted. In most cases, at least initially, the management was structurally weak. In this early period, the conception of the "Bermuda triangle" was confirmed. It meant that the state enterprise was ruled in the sphere of management, trade unions and employees' council. Every decision or program, regardless of its reasonableness, once in the triangular structure, became inefficient, contextual and not focused.

1993 was the year that the recession came to a halt, which does not mean that was over. The falling tendency in the volume of production stopped (Economy, 1994). Employee lay-offs stopped. The profitability rate of production improved. In industrial relations an immediate strengthening of the management's position resulted. It is rare now that the new competitions for the position of general manager are announced.

What were the reasons for which the employees and their organizations did not act in defense of the real value of wages and salaries and other essential problems concerning working conditions? An important reason for this was the dominant social conviction that an

improvement of the quality of life would be found in the effects of privatization reform. This conviction is still present. However, the conviction that the state enterprise cannot be reformed prevents people from seeing alternatives to privatization. There are many examples of this in our study. In firm S, the conviction that state ownership is only transitory dominates: employees, trade unions and employees' councils are counting on the possibility of a significant pay rise in relation to the lessening of tax burdens following the privatization decision. A similar attitude dominates in firm P: it is considered that the final privatization of the firm will allow for an increase in wages and salaries. It was believed that privatization would save the firm. In firm B the possibilities of a change in the level of pay in the existing conditions was also not seen. In contradiction to these convictions, in firm A, the one firm studied which was privatized, wages increased slightly.

3. Enterprise Strategies and the Role of Management

In the initial period of the transformation the contention that state enterprises did not develop active strategies in response to the macro-economic changes - made in result of the implementation of the principle of the "Balcerowicz Plan" - was widespread. With time, it became clear that only a small number of the state firms developed these programs. Other enterprises started adoptive activities and a small number of firms did not respond at all using the model called "the awaiting". W.Kozek carrying out research on the strategies of 100 state and private firms in the Mazovia region, estimated that 40% of the firms have made no adjustments, 26% have internally rationalized their activities, 21% have adjusted to the market in an active and offensive manner (Kozek, 1992). One should, therefore, appreciate the fact that each of our firms developed and implemented adjustment strategies.

FIRM S (a middle-sized enterprise in the meat industry) implemented a marketization plan. It was based on the active search for customers for its products, the introduction of a variety of new products and the investment in machinery and equipment which made the change of production possible. To cut back on production costs, less expensive raw material suppliers were sought, in both domestic and foreign markets. The firm did not take any bank credits and realized a plan of employment reduction through a strategy of retirements, etc. In the company's management declaration, the concern was with maintaining the market position through the

supply of good quality products and fast reactions to customer orders. The plans were always focused on the short-term, one year at most. This was caused by the annual financial accounting, which informed what percentage of profits could be turned into investment. They tried to use the money wisely and all decisions were made after many internal consultations. Following the initial period, in which the firm was free in decision-making and in attaining relative success, the firm decided to wait for macro-political decisions which concerned conditions of privatization. The firm rested on its laurels, satisfied with the fact that it did not lose its market position.

These decisions, however, were not forthcoming. In this situation a gradual change in the strategy of action in the firm was made: because of the privatization plans of the enterprise by leasing (an employee-owned company) the market expansion of the firm was significantly curbed and attempts to attain high profitability rates were dropped. This was done because such a strategy would lead to the increase of its market value which was not in line with what the main actors in the enterprise would want. For the management of the firm and both trade unions and employees' council the strategic aim consisted of overtaking the firm's property for the lowest price possible in conditions of social harmony: that is, they tried to maintain the salaries of the employees at a tolerable level. These aims were also the aims of the personnel.

The formulation of the strategies in firm S and its changes occurred through the cooperative efforts of the main actors of the firm who, following a period of researching their own mutual possibilities and a short period of conflict, began to work closely together. The management of the firm was undoubtedly the motor of change. The firm is directed by a middle-aged engineer who is wise, thrifty and identifies with the firm. His social origin is rural, and this is accompanied by all the positive attitudes of a Polish farmer to work and run things efficiently. He is diligent, works hard, just and calculating. He inculcated the group of top management working with him with his farmer-specific approach. They too are mainly engineers interested in the technological aspects of work, and through the trial and error method, test their economic intuitions on the market. This group would like to guide the firm through the difficult period without "losing face". Local patriotism is their motto. They are mostly concerned with maintaining jobs for both the management and the rest of the personnel. This group, however, does not possess competence in human relations. This is why it is incessantly in conflict with the employees' council which sets similar aims for itself.

FIRM A (a small medical equipment producer) led by a new management group (selected on the basis of competition) faced the problem of foreign competition and a sharp reduction in the domestic market and the foreign market (the breakdown of the Soviet market and its dependent countries). In this situation, the management made the firm endure through a drastic cutback in all costs regardless of the social strain on the personnel. Production was limited and specialized, employment reduced and the unproductive properties of the firm were sold. Investment decisions were made cautiously and in very specific areas. The top management aimed at holding onto the most valuable assets of the firm with the hope that they would some day take them over. The role of trade unions and employees' councils in this case proved to be very marginal. The activists were happy if they held a job.

The top management, and particularly the general manager, acted without considering the social costs. The general manager was not emotionally tied to the personnel and could therefore be guided primarily by his own interest. The strategy could be characterized as a fight for survival at all costs. The strategy of concentrating on the market and eliminating all that seemed unnecessary (people, assets, etc.) under the new situation, was relatively successful. The firm has a chance for revival as long as it can convince its customers that it is a solid producer.

FIRM B (an industrial machinery enterprise), relatively large for Polish conditions, collapsed because of the loss of a product market and work coordination problems. The four subsequent top management bodies were unable to work out a cohesive plan of restructuralization which would be acceptable to the trade unions. These bodies aimed at sectioning off portions for themselves in newly established companies. In 1992 it appeared that companies, already private, managed to completely paralyse the customer market for the firm's products. The next management under-estimated the durability of macrostructural change and expected some kind of state protection over the firm keeping in mind the political bargaining force of the personnel which belonged to one of the most active in the country.

The consecutive resturcturalization plans must have realistically taken into account the strength of the informal structures in B and in the companies which it generated. The trade unions, in particular "Solidarity," did not agree to these plans. Solidarity announced its readiness to strike and despite the lack of support from the regional structure. Finally it succeeded in changing some top management personnel, though the trade union this time had to redefine the aims of

the strike conforming with the legislation. The union's strength became apparent, because its position was acknowledged by the Ministry of Property Transformations. The power of the union appeared as a negative force. Not one constructive proposal was put forth by the union because it has no members with the competence to do so, nor does have enough support from either the regional or the national structure. The consecutive management tried to clarify the structural systems. Although they tried to do this by determining the ownership form. This did not minimize the internal problems. The result was the lack of a market strategy, of the acquisition of new customers and markets, and a lack of tendency to significantly lower expenses or improve the quality of production. The competence of the subsequent managements varied, but none of them were capable of developing new ideas for the future of the firm. The so-called "bad debts" significantly limited management manoeuvrability: the firm is forced to seek bank credits and it is constantly threatened with a bank refusal. Thus, it is threatened with bankruptcy at every moment. The top management is then faced with a very short-term perspective: from week to week. The problems of the firm are too overwhelming for the capabilities of the average Polish manager.

ENTERPRISE P (specializing in powder metallurgy) developed an active adjustment strategy in the initial period. It cut itself off from the technologically independent and almost non-profitable regional division. It did not immediately have market losses (though it was a monopoly on the domestic market without the right to export). The firm's domestic market closed down very slowly. For this reason, the firm continued to be profitable in the initial period. Accompanied by a feeling of financial success, it strove for rapid property transformation. The employees' council and trade unions supported the top management's plan to transform into a one-person State Treasury company. This plan was efficiently carried out. Shortly after this, the domestic market crashed due to the lowering of duty barriers on final products and component parts. The result was a drastic lowering in production: from large serial production it had to change to small serial production and often undertook the development of prototypes and even unitary products. Lay-offs became necessary.

The top management carried out its strategy of gradual change in order not to alarm that part of the personnel which was its core decisive to maintaining the basic production capacity. The remaining employees, less qualified and less useful were gradually eliminated, fired, and some forced to leave through the policy of low pay. The main aim of the top management was to

resolve payments with the State Treasury so that the state structures would have no reason to intervene in the functioning of the company. The aim of this strategy was to wait for the right moment to privatize. The top management was undoubtedly counting on overtaking many of the company shares, though it was illusory. The main weakness in the strategy undertaken by the top management is an inability to adjust the techniques of management to the changing conditions dictated by the changes in the scale of production.

Too much time was spent determining how to change the organizational structure of the firm as well as how to adapt the style of managing production teams to the new requirements connected with the work on prototypes. The losses due to this failure to adapt continued for a few months. Changes were made very slowly. The general characteristic of the firm's strategy is caution and waiting. This is probably a consequence of the analysis of the privatization strategy. Additional factor is that the firm is managed by a group of older managers with a lot of work experience who are constantly in doubt as to whether or not the new private owner will use their services properly. Consequently, they favor the continuation of the present situation where nothing is yet decided.

4. The Origin of Property Transformation and its Forms in 1990-93 (M. Federowicz)

In the second half of the eighties in Poland, the discussion concerning different projects of the ownership construction of the enterprise intensified. One can discern three basic themes in the discussion which respectively favored the following forms of ownership: classical privatization, state and self-governing. The views which were then crystallizing had a critical influence on the systemic transformations which occurred in the nineties, and particularly on the initial stimulus for the transformations resulting from the 1990 Act. At the turning point of the fall of 1989 and the spring of 1990, the pro-state current which argued that the property transformation of state enterprises be limited to institutional changes in the realm of state institutions, lost importance. This left only the two remaining and opposing transformation options on the scene. The first, having strong governmental backing, argued in favor of the classical model of privatization. This model was known from the British experiences and is based on the sale of enterprises, "case by case", through public offer. The second, enjoying popularity among employees and Solidarity activists, emerged from that current which supported employees' self-government in

the enterprise and aimed at the increase of employee participation in property transformations. It is important that these two currents of thought concerning property transformations in Poland be reconsidered because they played a fundamental role in the creation of the Act concerning the privatization of state enterprise passed on July 13, 1990. This Act is still in effect today. One of the greatest achievements of this period was the partial compromise obtained by the parliamentary commission working on this act. This Act was supplemented by a chapter on "the privatization of state enterprise by liquidation" which defined a specific form of transformation which, until now, has been implemented in Poland alone. Through this Act the parliamentary commission made way for the participation of employees in property transformations by changing the initial governmental project. However, it soon appeared that the rapidly growing number of enterprises undergoing privatization did so primarily through this new unconventional scenario and not on the basis of the classical model from the initial governmental projects.

Before we present the basic types of property transformation, it is worth pointing out the effect they have on the participation of employees in management. Polish law does not allow for any form of participation in management by the employees in firms with more than 50% private capital. There could, of course, be trade unions in these firms. An institutionally guaranteed influence on management by the enterprise could be assured only through the structure of ownership. It is interesting that the theme of introducing extra-unionist institutions of employee influence on the decisions of management into the formal structure of a privatized enterprise, was almost non-existent in the stormy debate over privatization. The main debate concerned the extent of preferences made for employees in acquiring private ownership shares. It appeared later that this debate was an area of interest common to both employees and management.

The main roads to privatization are as follows: The most classical type of privatization, despite a relatively small number of cases, is important because of it carries the greatest amount of positive economic effects. This type is called privatization in the individual mode, or privatization by capitalization, because it is made through the authentic sale of shares at the moment at which the firm is being privatized. In the first year following the privatization of this type of enterprise, the employees may take advantage of a preferential sale of shares (at half cost of other buyers). The quantity of preferential shares for employees cannot exceed 20% in total and the average lowering of the price cannot exceed the average yearly income in the state enterprise. In practice, employees buy less than 20% of the shares. Firms which are privatized

by capitalization are usually large, have a significant turnover and belong to the more profitable firms. Their value exceeds, many times over, the financial possibilities of employees, management and small local business. For this reason, they are generally privatized through public offer and through negotiations with large institutional investors, foreign included. Until now, 86 enterprises have been privatized in this way (see table 1).

The form of property transformation specific to Poland is privatization by liquidation. This name is somehow misleading both because it generally does not lead to the liquidation of the enterprise and because all the legal and organizational changes are made without interrupting the enterprise's basic activities. This name comes from the short-term special Act from 1988 which allows for the liquidation of state enterprises with the aim of privatizing it "experimentally". In opposition to this Act, conditions for such privatization were precisely established in 1990. The most common formula occurring in this kind of privatization is "employee leasing". It is based on the concept that enterprise employees and external persons can establish a private company and lease enterprise property from the state. This property is gradually bought from the state by the new company and, following the payment of all installments, it becomes the property of this new company. The complete purchase of the enterprise takes place after a few years. However, from the start of its establishment, the new company manages the entire enterprise property and state agencies exact the payments only, having no right to interfere in management.

The undertaking of this transformation route is possible when it has been accepted by the employees. The consent of the employees' council, as well as that of the employee representatives assembly is required (once the company is transformed, both of these agencies are liquidated). Additionally, the new company can be registered only when at least half of the employees join it through capital. The new shareholders must also collect capital which is equal in sum to one fifth of the book value of the enterprise property. External persons may also join the new company and this usually occurs when employees do not have sufficient capital. But because this is a very convenient way to buy property, institutions are not permitted to be shareholders.

Despite the institutionally guaranteed employee share in the transformation the name "employee-owned company" is misleading. Employees, as a certain collective, rarely have control over the

company. Their shares are very dispersed and, until now, there is no organizational form of integration which represents their interests as shareholders. The controlling share is usually, either in the hands of a small group of external shareholders, or in hands of management. The latter enjoys the same benefits as does the employee buying shares. That which is useful in the above solution is that employees' capital and external capital are often brought together.

In addition to the leasing of the property of the liquidated enterprise, a significantly smaller number of cases of direct sale or carry-over to an already existing company, occur. In general, privatization by liquidation concerns small and middle-sized firms. Until now, 845 enterprises have been privatized in this manner. The procedure connected with it is rather long-term. Formalities were completed in approx. 700 cases, 600 of which were companies in which at least half of the employees are shareholders.

Table 1. Number of transformed enterprises

	1990	1991	1992	1993*	Total
Privatization by capitalization	6	24	22	34	86
Liquidation on the basis of the privatization Act	44	372	299	130	845
Total	50	396	321	164	931
Liquidation on the basis of state enterprise Act	28	506	319	258	1111
Commercialization**	52	226	150	-3	425
Total	80	732	469	255	1536
Total number privatized	130	1128	790	419	2467

* - To the end of the third quarter.

** - After subtracting enterprises privatized by capitalization.

Source: Data from the Central Statistical Office (GUS)

Privatization by capitalization and by liquidation on the basis of the privatization Act leads, in almost all cases, to the authentic privatization of the enterprise. The two remaining forms, however (presented in table 1), require some remarks. The liquidation of an enterprise on the basis of the state enterprise Act is undertaken usually because of serious financial difficulties

experienced by the enterprise. This procedure differs from bankruptcy in that an effort is made to save the enterprise from complete liquidation, through the search for a buyer of at least part of the enterprise. In such critical cases, the search is rarely successful. Usually the continuity of the enterprise's activity is interrupted and separate parts of its property are sold through public tender. This is, therefore, a specific form of privatization wherein the actual buyers are often small entrepreneurs, just starters in business and often former enterprise employees. Most often, however, serious difficulties arise in the sale of the entire property of the enterprise. This procedure often lasts a long time.

The liquidation procedure on the basis of the state enterprise Act was implemented in 1111 cases. This number includes small and middle-sized firms. Due to the time consuming nature of the procedure of selling state property, the final liquidation of the enterprise occurred in only 200 cases. It is difficult, however, to estimate the number and kind of new firms created on the basis of the property of thus liquidated enterprises. It is known, however, that the former activities of the state enterprise are continued in only a few cases.

The final category, treated rather conventionally as an introduction to privatization, is that of the so-called commercialized enterprises. These are, in other words, former state enterprises in which, although formally transformed into companies, the state keeps 100% of the shares. The assumption behind this move is actually to take a legal step toward the sale of state shares to private investors. In practice, however, of the 511 commercialized enterprises, private investors were found in only 86 cases (see privatization by capitalization). For the remaining "commercialized" enterprises, investors are either looked for, or they are intended for participation in the future Mass Privatization Program. In the latter case, their capital will be subjected to National Investment Funds.

The change in legal status from that of "state enterprise" to "state treasury company" is important in terms of the management model of the firm in that the employees' council and the employee representatives assembly are liquidated and, as in the majority of companies, a board of directors is elected by the owners. In the case of state treasury companies, the procedure of the appointing of a board of directors, has been modified. Two thirds of its members are appointed by the state authority (the Ministry of Property Transformations) and one third is voted in by the employees. In practice, employees are usually represented in the board of

directors by middle-level management.

Summing up, close to 2500 enterprises have undergone different forms of property transformation. Within this number, approx. 1000 could be considered privatized while maintaining the basic production profile of the enterprise. The remaining either stay in "the waiting room" to be privatized or are actually liquidated and their property gradually sold to private - usually small - owners. Approximately 6100 of the firms are still outside of the property transformation process and operate on the basis of the legal regulations of the state enterprise Act from September of 1981.

5. What is illustrated by the four cases? (M.Federowicz)

In observing the selected enterprises for two years, we were able to establish the existence of a few general tendencies in the approach to the process of property transformation. Above all, the characteristic element of privatization in Poland, and probably also in the other Eastern and Central European countries, is the extension of the concept of privatization to a very wide range of property transformations. There is, for example, a tendency to treat the enterprise as privatized even though most of its property is formally still owned by the state, except that it is managed by a private company (the case of "employee leasing" - firm A).

The second characteristic of property transformation is that it often becomes one of many elements of change taking place in enterprises. Not always is property transformation the dominant element in the entire process of the market adaptations of the company. One can speak of the slow reorientation of companies, both state and privatized, according to available resources (both privatized firm A and the still state enterprise S underwent far reaching market adaptations. Gradual changes are also occurring in the case of B, whereas the "commercialized" enterprise P has changed the least). In general, privatization itself is more a context of market adaptations than their direct impulse. Most of the positive exceptions to this general opinion can be observed among enterprises privatized by capitalization, where privatization most strongly intensifies restructuralization.

The third characteristic of property transformation is that the rules of privatization are not binding enough nor is the stability of the political sphere connected with this (this is one of the reasons for the delay of property transformation in the case of S and to a lesser extent in the case of B). Despite a general persistence in the activities of state agencies, many essential issues have not been resolved and undergo continual modification. Examples of this could be some details in the regulations of the leasing acts with employee-owned companies, the conditions of which at times undergo renegotiation (to the benefit of the company), which then have significant influence on the financial condition of these firms. Another example of even greater scope is provided by the process of negotiations, which began in 1992, of the Enterprise Pact. The proposal included in this may decisively change the decisions undertaken in enterprises concerning their participation in property transformation. Also, continuous changes in the prospects for mass privatization and the role of National Investment Funds and prior to this, the policy toward commercialized enterprises, results in uncertainties concerning the conditions of transformations. In the majority of state enterprises all final decisions on property changes are suspended until the time when more stable rules for the calculations are put in place.

And finally, the fourth characteristic of transformation is the large diversity of the roles of the particular social actors in the enterprise. Both trade unions and employees' councils were established in the past in response to challenges different than those which they face today. They act according to various considerations. One can observe both purely vindictive activities, but also more realistic ones from the point of view of the enterprise's development. Similarly, the enterprise management behaves in different ways. At times, they are very conscious of their own interests and possibilities, in which case they tend to make drastic internal changes (at times even overstepping the law). At other times, they are unable to put forth a realistic plan for internal changes in the enterprise and they remain passive observers of its worsening situation. In general, the equilibrium of forces between different actors in the enterprise favors delays in privatization decisions (case S), because they are also favored by external conditions. However, the non-symmetrical structure of forces between actors in the state enterprise links the perspective of privatization to the interests of one of the sides of potential conflict in the firm (case A). This leads to a more rapid clarification of the privatization project and encourages more dynamic activities, but also brutalizes the internal relations of the enterprise. Among the four cases, each represents a different approach to privatization. In all of them, however, the perspective of property transformation invoked strong emotions, at least for some

time. The most advanced in the process of privatization is enterprise A. Before it was privatized, different roads to privatization were considered. In 1990-91, the typical method was the search for a foreign partner. This was later followed by "commercialization" and then by the search for a domestic investor. Finally, the employee-owned company, without external capital, proved possible primarily because of the favorable attitude of bureaucrats from state institutions who accepted the method, barely legal, by which employees had collected capital. Important in the case of A, is that the strong domination of management in all conflicts led to, at times, illegal activities. There is no doubt that the managing director became the main beneficiary of privatization. At the same time, changes carried out in the enterprise were done so in a very dynamic and radical manner.

The case of enterprise S is, in many ways, opposite to that of A. It is still a state-owned enterprise. In recent years, following the period of acute conflicts between the employees' council and the managing director, a consensus was reached concerning the main goals of the firm. The employees' council, which has strong support from "Solidarity" and is also trusted by the employees, is generally in favor of privatization, though it does not wish to make such a decision "blindly". The managing director, despite that he would rather be the president of a private company than the director of a state-owned enterprise, is unable to act without the acceptance of the employees' council. The enterprise is developing. The activities of the employees' council did not, however, paralyze the current management, nor the strategical thinking. Employee council activists prefer the employee-owned company as a model of privatization. They understand this model to be a firm with a fairly even distribution of shares among employees. However, employees do not have enough capital for such a solution. In the recent period, the presence of a third actor, the Ministry of Property Transformation, has become more visible in the dealings of property transformations. The Ministry is using all possible means to persuade (it does not have the legal right to command this) to draw firm S into the Mass Privatization Program. This enterprise has a good position in the market. For this reason, it is attractive for the Ministry bureaucrats. Small firms are not willing to be subjected to the National Funds because they do not know what they would gain from them. It is worth noting that the Ministry is attempting to destroy the internal consensus within the enterprise, with the aim of weakening its resistance to joining the Mass Privatization Program. The final result of this is not yet foreseeable.

Case P is a very typical example of "commercialization". Initially, it unsuccessfully sought a foreign partner. Then, due to a drastic worsening in the financial situation of the enterprise, it began "commercialization", partially due to promised tax reliefs, and partially in hope of receiving aid from the Ministry in further searches for possible supplies of capital. None of these hopes brought the expected results. At the same time, no force emerged within the firm which was capable of putting forth a new project for that firm. It must be noted, however, that this would have been a project of very radical changes, including even the need to significantly change the profile of the firm's production. Neither management nor specific groups of employees think in such radical terms. Nor do they see any personal interest in engaging in such a risky project.

The last of the investigated cases provides an example of mutual obstructing by the different forces within the enterprise. This is partially the result of bad experiences from quasi-privatization at the end of the eighties. The then established "nomenclature companies", founded on very ambiguous principles, led to internal conflicts among the personnel and a deep distrust of the management on the part of the employees. Despite a few changes in the management, later attempts to carry out necessary restructuring in the enterprise met every time with strong distrust, on the part of the workers, toward the projected sacrifices. In this period, a battle for influence between the main actors of the enterprise - the management and "Solidarity" - dominated activities while no real restructuring activities were carried out. Enterprise B is the largest among the four enterprises researched. At the same time, despite permanent financial difficulties, it manages to maintain its competitiveness in the world market. Given this, its potential value is very high. Paradoxically, internal consensus, essential if the firm is to pull out of a difficult situation is difficult to attain. Restructuring attempts easily lead to suspicions of what the majority sees as an informal or unprofitable takeover of control of the enterprise by a small group of people for their own material gains.

Among the four cases researched, we can speak of emerging strategies of adaptive changes in only two (A and S). In firm A this is directly linked to privatization, whereas in firm S, the strategies are not yet accompanied by property transformations. It is interesting that in this case the concern is present, that the ill-fated privatization could disturb the development the firm has made until now.

In this context, it is important to stress the unclear role of state agencies. Attempts to destroy the agreement between the management and the employees' council in firm S are made by Ministry bureaucrats because of their concern over the short list of enterprises included in the Mass Privatization Program.

Additionally, in the cases of B and P, the government agencies are behaving passively despite that it is precisely they who hold the legal grounds for intervention. In both firms, a board of directors exists, two thirds of which is nominated by the Ministry. Both firms also have serious difficulties for which internal actors have been unable to work out resolution strategies. It appears that in these difficult situations, the representatives of state agencies do not bring longterm perspectives to the firm.

In the cases, in direct contact between state agencies and the enterprise, the role of the former proved to be either useless or somewhat destructive. Returning to our point of departure, it is important to note a basic uncertainty concerning the character of the Mass Privatization Program. The actual role of the Funds is not yet decided upon. In theory, they are to be controlled by the state only in the initial period. However, the influence of "coupon privatization" on the management of holdings could prove to be illusory. Rather than privatization, this will be yet one more version of state management, with neither the participation of capital nor of employees.

The hypothesis concerning the return of the second, pro-state current of property transformation - mentioned at the beginning of this paper - is becoming probable. In opposition to the initial intentions behind the creation of the Mass Privatization Program, a significant segment of the economy would be left permanently subjected to the state through National Investment Funds. Already, the political bargaining for control of the created Funds is visible. One cannot exclude the possibility that each party in power, regardless of its ideological affirmations, would attempt to maintain control of the Funds. Such a scenario would disturbingly resemble the Italian model.

6. Institutional Actors in Action: Between Power and Politics (W. Morawski)

Cooperation is implicit in industrial organization, because those who choose to be employed, accept the offered contract in advance. This appears to be the nature of utilitarian organization

(Etzioni, 1961). In reality, however, the situation is more complex because industrial organization is two sided, like the Roman deity Janus with two faces, each in an opposite direction: one is turned toward cooperation, and the other toward conflict (Bendix, 1956). The formation of a stable composition of elements of cooperation and conflict, the industrial relations system, requires a stabilization of the rules of the game between actors. But it is difficult to attain this state in conditions of systemic change, as in Poland. Hence, in the fifth year of its duration, the rules of the game here are constantly changing. In brief, this process is far from accomplished (Kozek, in print; Morawski, 1993).

An explanation of the causes of this situation is made difficult by the fact that there are many different factors involved: purely economic (ex. the lack of a product market for enterprise production); economic and political (ex. privatization which is a process inspired both from above and from below); political (ex. the politicization of trade unions, legislative changes); and social (ex. the character of the work force and its political involvement). In this situation, one can only show *how different and how variable* industrial relations are in the fifth year of the transformation. This is why, on the basis of the four case studies at our disposal, we will show the following elements of the emerging patterns of industrial relations:

- first, *the main actors*. On the basis of information concerning the degree of their organizational development, personal composition, character traits, etc., we would like to determine *their power*;
- second, *the patterns of reciprocal relations* between the actors. Ascertaining which methods and directions of influence on the partners exist, would give us an answer to the question of what combination of elements of organized conflict and organized cooperation exist;
- third, *the resources* for which the game is played and the resources which are used in this game;
- fourth, *the results*; economic, social and others;
- fifth, *the divergence* in the evaluation of events.

In this conceptual and descriptive scheme there is an implicit assumption of the possibility of the actors practicing *organizational politics* (Crouch, 1993) on the Polish industrial relations scene. As we know, politics is not about accomplishing the possible. Rather it is a form of

activity which leads to the reconciliation of different interests and later guarantees a share, proportional to the input, in the decision making process (Scruton, 1982). This assumption may be too optimistic in some situations. That is why, we need to recall the notion of *power*. Power is understood as the capacity to achieve the desired result, without regard to whether it meets with resistance (Weber, 1978, Crozier and Friedberg, 1977). The notion of power is still useful, though there appears to be a chance for practicing politics.

An additional remark: the four cases studied, provide examples of industrial relations on the levels of small, middle-sized and large, state enterprises. Our observations did not include "post-socialist giants" and enterprises which belong to the traditionally strong trades such as mining, the steel industry and defense, etc., The pattern of activities in these examples are different from those analyzed here.

"Wild Capitalism": once again, employees of "A" do not have their own representation of interests

The main actors and their power: The most important actor in this rather small, medical equipment enterprise, is its general manager. He is a ruthless man when it comes to realizing set goals. He assumed his position in June 1989, after winning the competition for the position of general manager. Prior to this, he had been a youth activist, a so-called "aparaczyk". He has many informal connections.

The trade unions are his main partners. *"Solidarity", however, is not a very active trade union. Approximately one fourth of the employees are members of Solidarity. It is worth noting that it uses the legal advice of its regional headquarters. The other, formerly larger trade union OPZZ, no longer exists. In practice, the power of trade unions is virtually nonexistent.*

We should also mention the employees' council, which initiated a change of the general manager in January, 1988. At that time, this was an act of courage. Now, the council *no longer exists.*

The employees are characterized by a *lack of aspiration to participate in the decision making process*. They are clearly disorganized and ambivalent.

Reciprocal relations: The general manager is successfully fighting for the survival of the enterprise on the turbulent market. *He acts on the belief that employees' organizations are obstacles to the realization of his adaptive strategy. This is why he marginalized the influence of Solidarity. He also brutally eliminated OPZZ trade union activists by firing illegally two of its main activists (in which the labor court ruled in favor of the activists). He saw no need to consult his decisions with the employees' council. For a long time, he did not call a council meeting because he wanted first to finish the process of decision making concerning privatization. Both general managers today own the controlling interest of the enterprise.*

Both the trade unions and the employees' council (self-government) strongly indicated that *they acted in the interest of the employees. They did not, however, have sufficient professional knowledge or experience in socio-political activities to formulate and realize an alternative to the general manager's solution*. This explains why they did not have the opportunity to become equal partners with the general manager. The employees were passive, as they were inclined to conform to governmental policy while accepting the propaganda of the mass media that there was no other alternative, in the form of activities, to be taken within the enterprise. On the other hand, 125 of the 200 persons joined an employee-owned company, thereby being actively engaged in passing resolutions.

In the reciprocal relations between the general manager and the trade unions, *we are dealing with a situation in which the trade unions were not permitted - because of the cunningness of the general manager - to develop any activity which could be antagonistic to the general manager*. One manifestation of the cunningness of the general manager was his decision to demonstrate his strength by eliminating the trade union OPZZ and not Solidarity. One can suppose that in other conditions, his victim could have been Solidarity. It can be assumed that the general manager *does not only want to keep the process of decision making from being social, but he is also not ready to tolerate any control by the personnel*.

Resources: The general manager is not only using his professional knowledge and connections, but above all, *the threatening situation* which the enterprise faces, created by the realization of

macroeconomic governmental policy as leverage vis a vis workers. This policy caused the threatened employees to focus on *keeping their jobs*. They were, therefore, prepared to agree to the solutions put forth by the general manager, privatization included, which is more profitable to the general manager than to the employees.

Results: In enterprise "A", the general manager was the driving force leading the enterprise to good economic conditions and then choosing an option called "privatization through liquidation". The enterprise is now expanding its activities and may easily be considered to have a strategy already formulated. This could be positively evaluated, especially in contrast to situations in other enterprises. Precisely, it is these factors which lead *many people in this enterprise to describe the role of the general manager as creative*.

Are we not, possibly, dealing with so-called "creative destruction" here? *The realm which is of most interest to us, however, is that of the elimination of a few social actors:* the liquidation of the trade union OPZZ, the elimination of the employees' council, the weakening of Solidarity, the intimidation of the personnel, etc. We note that the emergence of these actors in the eighties was one of the conditions of systemic change. *In "A", such a system could not become established, therefore, since there is no possibility for what we called the practice of organizational politics. Instead, the general manager's power is clearly visible. He, unilaterally, imposes his solutions both on the institutional partners and the employees. The employees of "A", once again found themselves incapacitated, without either articulation or representation of their interests and values.*

Evaluation: Did enterprise "A" not regress to the pre- "Solidarity" times, when it established itself as an independent social actor or to the times - to use a Western comparison - of the Taylorian organization machine? The response to the above question is twofold in Poland. The doubts presented above are characteristic for the social democrat. *For him, enterprise "A" now represents the so-called "wild capitalism", and not capitalism "with a human face" which social democrats are eager to accept. The neo-liberal does not share these doubts. He believes that which occurred in the enterprise is favorable because it is easier to be concerned with economic efficiency. At most, he would regret that the enterprise became an employee-owned company. This could be considered only a transitory form. Privatization is for him good, even at the cost of marginalizing social actors and pulverizing the employees.*

Stalled enterprise: the confrontation of forces in "B"

Actors and their power: An actor worthy of special attention is enterprise "B" itself which is known not only for the high quality tools it produces, but also because its employees took an active part in different political events, both in pre and post-war history. The firm also took part in the realization of different experiments "proposed" by the authorities, e.g. the introduction of the brigade system (which aimed at neutralizing employee self-government).

In the eighties, underground Solidarity was a strong force in this enterprise. It is presently still strong and active (approx. 450 members). Solidarity is visible not only on the enterprise level as a whole, but also in its divisions where its representatives consult others on payment and other decisions. Solidarity is trying to stay in touch with its regional headquarters. *Solidarity has a worker's character, which makes it different from OPZZ which gathers many people from the managerial cadre.* Formerly, it had many members from PUWP. OPZZ is significantly less active and has half as many members (approx. 220). Currently the employees' council is not at all active in the enterprise, though it is still a state-owned enterprise, i.e. holding-company. No one seems to be interested in its revival.

General managers have changed often in recent years. In January 1992, with the help of Solidarity and the employees' council, a supervisor was appointed to the enterprise (as a general manager) by the Ministry, who had formerly been the deputy director for labor relations (d/s pracowniczych). This was the first so-called managerial contract in Poland. He was an ambitious person, with a rather adversarial disposition toward employee organizations. The experiment failed and, after one and a half years, the supervisor was recalled.

Reciprocal relations: Relations are bad between the supervisor (general manager) and employees' organizations. *The general manager wanted to strengthen his authority, but this was opposed by employees' organizations. They clearly counted on being invited to participate in the major restructuralization, economic and production, and social decisions. The premise by which they were guided was simple: they wanted to control the decisions because they were afraid that "the enterprise would be pilfered".* Attempts to create nomenclature companies, based on the former, official party connections, were stopped by Solidarity. One could even say that Solidarity, re-legalized in 1989, established itself by blocking the managerial staff who

wanted to create these companies. Presently, Solidarity indicates that it wants to secure the enterprise from new attempts of the same sort.

The general manager promised Solidarity that it would consult it on decisions. He did not, however, keep his word. For example, he refused to show the trade unions the project for restructuralization changes. He wanted the trade unions to be concerned exclusively with issues of working conditions and pay, and not of the entire enterprise. He did not want to transfer the social property to a special foundation, although this transfer was supported by Solidarity. Solidarity thus became less flexible. Each time the general manager changes, Solidarity announces a strike alert.

Conflict between the two trade unions is also present. It concerns the division of property and the case is now in court. The general manager tried to play the two unions against each other. One can observe a battle in the enterprise, of everyone against everyone, for everything. It is not clear, however, what exactly the object of the battle is. The reasons given, however important, did not really touch on the main issue: the general conception of restructuralization and privatization of the enterprise. Ambitions often lie behind the battle: thus incessant confrontation is not constructive.

Resources: The resources over which, and with which, the battle is presently fought is the staff. The staff knows the mechanisms of manipulation and power very well, as well as its representation in the form of Solidarity.

Results: The first propositions for change came from the forces of the former order, which proposed that nomenclature companies be established, however, Solidarity is blocked these proposals. Later, the new general manager proposed his own changes - without completely describing their form - while these propositions were also blocked by Solidarity. *Solidarity itself, however, was incapable of proposing anything original.*

The main result is the stalemate of socially active forces in the enterprise. As well organized and experienced forces, they are capable of using resources such as formal rights, competence, tradition, informal structures, etc. It is enough to block the carrying out of imposed change, which the general manager would like to implement. The only clear thing about his conception,

is that he wants to do it alone. *The alternative to imposed change is negotiated change, which is believed to be a better option (Crozier and Friedberg, 1977). But negotiated change has not yet made it here.* The negotiation mechanisms could also lead to the blocking of change, even in conditions of the high culture of negotiations (Wildavsky, Pressman, 1974). In "B" it is clear that negotiated change is desired. *There is not, however, the compulsion for negotiation, through which mutual exchanges would be made - between the interested sides - via trade-offs. This could be explained, partially, by the relatively good economic performance of the enterprise.* This is why there is no immediate need to find a solution.

Heritage is also important. Too many changes made in the past have failed. People have become resentful of any imposed changes. Nor do haunting conflicts from the past help in the working out of a strategy of changes. Cooperation between management and trade unions is not yet visible.

Evaluation: It would probably be easier to implement changes were the social forces from below (Solidarity, OPZZ, employees) weaker. This is exactly what the general manager had in mind. He failed, however, and was himself eliminated. The equilibrium of the social forces in "B" contributed to the escalation of the conflict and the failure to think about the future.

The "waiting enterprise": limited consultation and limited contestation in "P".

Actors and their power: The general manager, like the rest of the managerial staff, has been employed in enterprise "P" (middle-sized, powder metallurgy) since the start of his professional career. He attained his position after winning the competition in 1990. He is an engineer and a rather indecisive person.

There are two trade unions in "P". Neither has many members. Solidarity has twice as many members as OPZZ (25% of the employees in total). Solidarity was a more active and influential trade union than was OPZZ, however, recently Solidarity's activity has clearly decreased. Both trade unions cooperate well with one another, which is a frequent phenomenon at the enterprise level, but not at the national level.

The employees' council which was active in the past, was liquidated when the enterprise was transformed into a one-person State Treasury company.

The number of employees continues to decrease (a fall from approx.600 to approx.300). Salaries are one of the lowest among enterprises, however, highly qualified employees are still paid well. The passivity of employees is greater than ever.

Reciprocal relations: Enterprise "P" entered the transformation in good economic condition. *Along with the worsening of the economic situation, the position of employee organization started to topple. Today, they are "demobilized",* and Solidarity even carries a feeling of shame before the employees because it was the co-author of numerous promises. The Solidarity leaders feel no support from the employees.

"Demobilization" is expressed mainly through the reduced interest of trade unions in issues of direct and current interest to the employees. This means that trade unions are presently interested almost exclusively in pay, working conditions, the organization of labor, some production issues and the training of the managerial staff. The strategic issues in which Solidarity was interested two or three years ago, are now beyond its range of interests. Solidarity, similar to OPZZ, came to the conclusion that its ambition could not be too high at present. This means that, in principle, they are not disposed to any confrontation. Solidarity, however, made a few moves which do have this character. It called the general manager for talks with women employees making the least in income, wrote a petition to the general manager (on different issues), initiated the writing of an article in a paper which revealed the high income of the general manager (later hung on the union's bulletin board), etc. It does not, however, initiate strikes because the employees are opposed to them.

Solidarity is constantly losing the prestige it had in the past. Its representative lost in the elections to the board of directors. The board of directors even finds it acceptable not to inform Solidarity about its main decisions. At most, it is ready to listen to the opinions of trade unions on clearly union issues, e.g. pay. The board is now conducting negotiations with the trade unions on an issue concerning a new collective labor contract.

The enterprise authorities are unable to improve the economic situation of the firm. *So everyone is waiting. But this waiting is not a part of any strategy. In fact, a passive attitude of reacting was adopted instead of that of initiating actions on the basis of forethought.* Decisions are made slowly and cautiously. Short-term perspectives dominate. In strategic issues, decision makers in the enterprise also hesitate: they do not know whether to join the program of mass privatization (National Investment Funds) or not.

Resources: The resources of enterprise "P" are not large. Neither the managerial staff nor the employees, and not even the enterprise itself, have any trump cards to play.

Results: Enterprise "P" exists without vision or strategy. Nobody knows what will happen the next day. There is no exaggeration in saying that the dominant sentiment is one of failure; more precisely, "innocent" failure. It is caused by both a difficult economic situation and social atmosphere. The trade unions are losing their importance. *In this situation, the enterprise is not only the victim of its own relative technological and organizational backwardness, and the incompetence of management, etc. but also of external factors* which are not conducive to overcoming these legacies of the past.

This causes the trade unions to back out of areas where they were formerly active. *Presently, they are limited to, at most, a consultive function or, at times, to contest decisions concerning work conditions and pay.*

Evaluation: Both the social democrat and the neo-liberal would agree that trade unions should limit their functions to employee issues. The problem, however, is how to fulfill this function. External factors, as well as internal relations, prevent the trade unions from fulfilling even this function.

Enterprise "S": negative power for today, cooperation for the future.

Actors and their power: This is a meat factory which employs approx. 670 persons. It is successfully managed by a middle-aged engineer with a calculative mentality, who works together with a group of engineers. Loyalty is more important in "S" than is competence.

Two trade unions are active in the enterprise. The Branch trade union is more numerous (140 persons) than Solidarity (90 persons). Solidarity gathers workers with slightly higher qualifications. It is more influential than the Branch union. There is a clear rivalry between the two unions for new members, programs and methods of their realization. For example, the Branch union has for a long time, and consistently, supported privatization, whereas Solidarity was, and is, distrustful of the successive proposals for property transformation. There is, however, no open conflict between the two unions.

In "S", as in every state enterprise, there is an employees' council. It has close ties with the manager, because he entrusted the family members of the employees' council with control over the numerous stores of the firm. Not everybody approved of this, which is why the subsequent employees' council wanted to destroy this make-up through the creation of an employees' company. The general manager has to take into account the views of the council because it has the right to recall him and appoint a new general manager. This is possible because the state backed out of control over personnel policies in the enterprise (that is, in the nomenclature system).

Reciprocal relations: The general manager consults all important decisions concerning the economy and protection with the employees' council. The council, on the other hand, cooperates closely with "Solidarity". A coalition of these two institutions is capable of blocking the decisions of the general manager. However, it is unable to force him to make any serious decisions concerning the modernization of the enterprise. Nor is it able to break-up the family and clique make-up which governs "S". Neither was it capable of changing the system of payment. It does not, however, go further than the exercising of that which is called negative power.

In general, the employees, Solidarity and the employees' council, want a type of privatization over which they would have control. In practice, this means support for employee-owned companies which are very popular in Poland (Jarosz, 1994). Other solutions raise doubts, for example, the recent idea of the general manager to sell a majority of shares to a Swiss-Polish firm (which would solve the financial problems of the enterprise). The council and Solidarity prefer equal shares for the employees without a strong foreign contracting party, but were they to recognize the necessity of a strategic investor, they would still prefer a Polish company, even

though it be nomenclature.

It seems that behind the idea of an employee or management-employee company, there lies hidden the idea of the overtaking of the enterprise property by the main activists of both the council and Solidarity. This wish influences the development of a market strategy. The capability of the firm to adapt, illustrated in the recent years, are fairly good; however, for some time, a decrease in the firm's market expansion could be observed (the introduction of new products was suspended, plans for the rationalization of work, were dropped, etc.). This could be explained by an unwillingness to increase the value of the firm on the market, which would create an unfavorable situation for potential shareholders at the moment of privatization. This is supported by the employees.

Results: First, there are clearly two types of thinking at work: one concerns the present, the other the future. For the present, the defense of the status quo is the most important and the best strategy for its maintenance is negative power. For constant blockage and control of decisions, so that the realization of the current, minimal interests of the employees is not threatened.

Second, thoughts of the future: this creates the necessity for the mutual cooperation of management with employees and vice versa, independent of the current conflicts.

Evaluation: One should note the stratification dimension of the situation of enterprise "S". Although the employees are unwilling to change due to fear of losing jobs and pay, in the case of management and activists from employees' organizations there is more concern for group interests. They are willing to support changes only when they are profitable to them. The benefits to the enterprise are of secondary importance.

Conclusions (W. Kozek, W. Morawski)

The cases presented illustrate well the main tendencies in industrial relations in the period of systemic change in Poland:

- First, they prove that Solidarity, the main force behind the initial period of systemic change, did not at first step back from taking responsibility for adaptive programs, at

the level of the industrial enterprise (Pankow, 1993). At the national level, this was expressed in the form of a "protective umbrella" over the consecutive governments. It was also expressed in the collective behavior and preferences of the workers, the modal pattern of which J.Gardawski describes as "moderate modernization." That is, the workers support the market order but they modify it such that in this order, there will "be a place for them" (Gardawski, 1992). On the level of the enterprises investigated by us, the protective attitude found its expression in the umbrella extended by all trade unions (Solidarity, OPZZ and employees' councils) over the adaptive programs undertaken by the various managements, for example, the acceptance of lay-offs, lower salaries and wages and restraint from striking, etc.

- Secondly, they also indicate that the realization of market and privatization programs from above led, at a certain moment, to the emergence of different group interests. It appears that there are some who gain and some who lose in the process of the realization of the program. Our cases illustrate that among the victors are the management, the general managers in particular, while the losers are the rest of the employees and, often, their representatives - trade unions and employees' councils. Solidarity has started to function as a myth, because people see the growing differentiation of social positions.
- Thirdly, they point out that the growing awareness of this fact directed people's attention to the need for action, not of individual character as this would be doomed to failure, but to collective, institutional activities. Attention was turned to trade unions and employees' councils which started to demonstrate not only distrust toward actions undertaken by the managerial staff but, also, their own undertaking of practical defensive actions. As demonstrated in our cases, these undertakings are often inefficient: that is, these organizations are unable to change anything, as in the case of "A", or only able to make cosmetic changes, as in the case of "P". In the remaining two cases ("B" and "S"), the situation is slightly better because employees' organizations are developing negative power. That is, they block some actions undertaken in the newly formed systems of authority. The evaluation of the situation in "B" and "S" may differ. One can prove that because it is impossible to impose certain solutions on these organizations, they are in fact able to practice organizational policies, which prior to 1989, they were unable to do. It can hardly be denied, that this is a new element.

- Fourth, one may posit that the institutions of employees' representatives, since they are focused on defensive activities (do not presently represent a strong force of transformation). The transformation suffers because of this, because it would be more easily achieved with the help of group interests from below and of the spontaneous form of self-governance from below, as correctly observed by Crozier and Friedberg. Our cases prove that both the employees' councils and Solidarity, and to a lesser degree OPZZ trade unions, were able to develop projects of constructive solutions, but at the same time, these projects were not as professionally developed as those from the management. But even though less mature, they have the legitimizing quality of a system of industrial relations. For the enterprise management, however, this does not seem important.

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