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LABOUR MARKET IN LODZ BETWEEN 1981-1984
PHENOMENA AND PROBLEMS

The analysis presented in this paper is focussed on certain problems and phenomena, which appeared in the labour market of the urban administrative province of Lodz in the years 1981-1984. This period was unique in many respects, with the most remarkable phenomenon being the turning-point in the so-called Polish economic crisis of the late seventies and the launching of "the Polish economic reform" based, among others on principles of autonomy and self-management of state enterprises, encompassing also the sphere of employment.

Employment has been posing an increasingly bigger barrier to growth of production and improved functioning of the service sphere in Poland. This problem assumes two forms in the Polish economy. On the one hand, there can be observed a shortage of employees in blue-collar jobs, and, on the other hand, a low degree of qualifications, skills and talents utilization along with growing difficulties in rational employment of cadres with university degrees, as well as excessive labour turnover and ineffective utilization of the working time.

The economic crisis was revealed in Poland, among others, in a substantial drop in output. Despite this, there did not appear in the employment sphere phenomena resembling those typical for the capitalist economy. In the years 1982-1983 and, thus, in the period of crisis and drop in production, Poland recorded the highest number of vacant jobs in the entire post-war period and the lowest number of job seekers. This could be interpreted as

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follows: the employed economic mechanism promoting excessive employment, low labour productivity and relatively low wage bills, displayed in the analyzed period resilience to a drop in production, and to introduction of new principles governing the functioning of enterprises connected with the reform. It appears that a shortage of labour may also appear in conditions of economic stagnation or a low rate of economic growth. The shortage of labour in the Polish economy is present in the form of the real shortage, which is accompanied by an apparent labour shortage generated by specific mechanisms in the functioning of enterprises or by other factors. For many years, Poland's economy was developing in conditions of a great abundance of labour resources. In successive five-year periods, owing to creation of new jobs, it was possible to ensure more effective utilization of potential labour reserves. This was reflected in increasing coefficient of professional activity of the population in non-agricultural sectors. The socio-economic development policy was attaching a great deal of attention to creation of new jobs at that time. It was against this background that a specific theory and practice of labour force management were developed. The moment an equilibrium between the number of jobs and labour resources is achieved, a turning-point in the employment policy appears. Such an equilibrium was achieved in the five-year period of 1976-1980, which gave rise to a new stage in development, which could be called "management in conditions of jobs surplus". Priorities of the economic policy are being shifted from full employment to full utilization of productive capacities, which is restricted by shortage of labour.

In the economy characterized with a surplus of jobs, it becomes indispensable to rationalize effectively employment, although this does not mean that problems connected with ensuring full employment, i.e. jobs for everybody, have completely disappeared. This is due to the fact that a global shortage of labour does not have to be synonymous with elimination of all partial disequilibria concerning particular occupations or levels of education.

The real shortage of labour in the Polish economy has its

sources also in development of manpower resources. After 1975, there appeared entirely new processes and trends in the sphere of management of manpower resources. For the first time in the post-war period, a significant decline was recorded in coefficients of professional activity in almost all age groups. Thus, there was reversed a traditional pattern in development of manpower resources, where the increment in manpower resources was always higher than their demographic increment due to growth of professional activity coefficients. These coefficients went down between 1976 and 1982, which resulted in a much deeper lowering of increment in real manpower resources than it might be expected judging by a decline in their demographic increase.

The apparent employment deficit is directly connected with the economic mechanism, which has released a propensity to excessive employment. This propensity of enterprises to employ redundant labour had three main causes:

i) in our planning practice, the employment volume was, to some extent, a determinant of the wage fund, that is to say - the higher the assumed growth of employment, the higher were the chances for obtaining or utilizing an appropriately high wage fund;

ii) this phenomenon was present when employment quotas were used and when the rate of average wage growth was controlled;

iii) the above statements were, however, justified only when the plans relied on the so-called "base", i.e. on indices attained in a preceding period.

The above mentioned factors generated a propensity to create an apparent deficit allowing enterprises to demand new employees, while simultaneously they were paying little attention to rational utilization of qualifications and the working time of their work force.

It was commonly believed in the past that excessively centralized planning methods, and excessive control exercised over growth of the average-wage fund were the main cause of irrational employment policy pursued by enterprises. This general belief lay at the foundations of the economic reform being introduced since 1982 and encompassing also principles of work force management in enterprises.

Enterprises have obtained formal freedom in determining the level and structure of employment. The wage fund has become a function of their financial possibilities. In these conditions, the methods of indirect influence on wages and, thus, on the level and structure of employment are extremely important. In the period of discussions on assumption of the economic reform, there were considered two methods of exercising an indirect influence on the rate of wage growth. The first of them was based on the threshold of taxation and on progressive taxation of the wage fund growth, while the other method consisted in taxation of wage increases. The first method was finally chosen, and two main arguments were put forward in its favour. Namely, (1) progressive taxation of the average wage growth allows for regulating, to a greater extent, horizontal discrepancies in wages (between different establishments, industrial branches, etc.); and (2) it decreases inclination of enterprises to reduce their employment volume, which was especially feared in the initial period of the new economic system's functioning. The opponents of this solution argued that fears of unemployment were exaggerated. The ensuing discussion resulted in adopting a compromise solution in 1982: additional growth of average wages (above the threshold free from taxation, i.e. over 3 per cent to 5 per cent) as a result of employment cuts was not subject to taxation, while any further growth was progressively taxed, with the revenues obtained in this way allocated to the so-called State Fund of Professional Activation. This fund was to serve creation of new jobs for employees dismissed from work, their retraining, creation of material incentives and facilities for translocation of employees. Application of the described variant of a systems solution has not produced the expected effects. It appeared once again that even an indirect control over growth of average wages does not promote optimization of the level and structure of employment. The industrial employment decreased by 5.2 per cent in 1982, i.e. within the limits of the taxation-free threshold. This was not accompanied, however, by desirable changes in its structure as reduction of employment was mainly a result of earlier-than-normal retirement and, thus, it was due to opera-

tion of an exogenous factor. The end of 1982 witnessed growing deficit of blue-collar employees and low propensity to restructuring of employment. The negative experience gained in 1982 resulted in changing the formula of wage growth taxation in 1983. The wage growth free from taxation is a function of growth of net output in constant prices and of the adjustment coefficient fixed at the level of 0.5 per cent. This means that each percentage point of growth of output allows to increase the tax-free wage fund by 0.5 per cent. Any increase in the wage fund above this limit is subject to taxation for the above mentioned State Fund of Professional Activation according to a progressive scale. In this way, the enterprise has been given full freedom of managing its wage fund and increases in it. Owing to its full autonomy in fixing the level and structure of employment, it may conduct an appropriate policy of optimizing employment and wages. Increase in average pay is not subject to any control.

It is impossible to predict exactly all consequences of the new formula of the indirect wage growth regulation. However, there is no doubt that this system creates motivation for optimization of the level and structure of employment, even though to a different degree.

Presenting the above introduction to the paper on the labour market in the urban administrative province of Lodz, we proceeded from an assumption that it constitutes a necessary supplement to what is shown by the changing indices of the situation in this market. Although the presented information is very superficial, it allows to get a better insight into problems presented in the paper.

1. Changes in Employment in the Local Economy over the Years 1981-1984

The total employment amounted to 574,300 persons at the end of 1980, and it next dropped to 519,700 persons by the end of 1984, i.e. a decrease of 54,600 or 9.1 per cent¹.

The decline in employment was caused by a number of parallelly operating factors such as: shrinking of labour resources connected with unfavourable age structure of the population and rates of population increase being the lowest in many years; further intensification of professional disactivation processes among the population - connected with increase in the number of persons retiring from work or taking child-care leaves.

In the analyzed time interval, there can be distinguished two subperiods. The first of them covers the years 1981-1982, and the second 1983-1984.

The first subperiod was characterized with a marked drop in employment. Deficit of raw materials and energy felt since 1980 and causing a considerable decline in output, and organizational changes in the economy (particularly, liquidation of industrial amalgamations) aroused apprehension about unemployment. In this situation, the decisions taken in 1981 envisaged a possibility of earlier retirement, child-care leaves, others aimed at encouraging setting up production and service businesses and, generally, work in the non-socialized sector. All these decisions resulted in reduction of employment volume in the economy, and this was accompanied by changes in employment structure. Namely:

- employment in the socialized economy was substantially decreased, i.e. by over 10 per cent (from 499,400 persons at the end of 1980 to 450,400 persons in 1982, which means by 49,300 persons);

¹The paper is based on the data provided by the Department of Employment and Welfare Affairs in the Municipal Office in Lodz and included in "Assessment of situation in the labour market of Lodz administrative province in connection with introduction of steered employment", Lodz, Nov. 1984, and periodically released information by the above Department on situation in the local labour market.

- employment in the non-socialized economy went up from 58,600 in 1980 to 66,600 in 1982, i.e. by 8 thousand. This increase took place in the non-agricultural activity, mainly in handicrafts, services and trade.

The above trends were recorded in all parts of Poland in the same period, but they were much stronger in the urban province of Lodz.

In the second subperiod encompassing the first and the second year of the three year plan of the economy's revival (the years 1983-1985), there was started a deep structural reorientation and improvement of effectiveness of the economic management along with restoration and consolidation of the economic equilibrium. The restructuring of the economy was treated as a strategic undertaking aimed at enhancing the social effectiveness of management and expanding the economy's capacity to satisfy social needs. A basic role in overcoming the crisis and attaining durable socio-economic progress is to be played by endogenous factors and mainly by accumulated productive potential, natural resources, high level of labour qualifications and its ability to solve the most complex problems.

The administrative decisions, principles and mechanisms of the economic and institutional reform introduced at the beginning of 1983 produced quite significant changes in employment. First of all, there was checked a downward trend in employment. The drop of employment reached 8,900 persons (i.e. 2.0 per cent) in 1983, and ca. 4,000 persons in 1984 (under 1 per cent).

This drop in employment was accompanied by changes in employment structure started in 1984. The biggest drop occurred in industry, and next in construction. On the other hand, the non-socialized sector recorded further growth of employment (totally, about 10,000 persons).

In 1983, there were noted certain favourable trends in employment, namely:

- the level of professional qualifications was improved. The share of employees with university degrees reached 10.4 per cent of the total work force, those with the secondary-school background - 29.7 per cent, and with the basic vocational education

- 20.1 per cent. On the other hand, the share of employees with the primary-school or incomplete primary-school education decreased from 55 per cent to 39.8 per cent between 1975 and 1983;

- with an overall drop in employment, there was recorded its growth in two very important sectors, i.e. in education and in social education (by 1,500 persons), and in health care and welfare assistance (by 600 persons);

- wider dissemination of information aimed at professional activation of unemployed persons by the local employment departments allowed to promote part-time employment of retired persons and pensioners and increase the number of employees in the putting-out system.

Parallely, some negative phenomena were observed, and among them: deterioration of the employment structure in the sphere of material production and a drop in the share of employees directly on the production line to 72.8 per cent, and worsening of work discipline. The working time lost due to unjustified absenteeism grew by 22.7 per cent, and the incidence of wilful abandoning of jobs grew by 26.8 per cent (from 15,300 in 1982 to 19,600 in 1983). There was continued excessive labour mobility, which is confirmed by the fact that the number of newly recruited employees exceeded 20 per cent of the total employment, while the number of those quitting work exceeded 28 per cent.

2. Situation in the labour market in the years 1983 and 1984

Improvement of the situation in the field of industrial procurement and energy supply generated a substantial growth of demand for new employees in enterprises. The industrial production began to record average hourly labour productivity corresponding to its level from the period preceding the crisis (1978). This achievement is, however, weakened by the fact that fixed assets in industry were bigger in 1983 than in 1978. Despite it, management in many enterprises was pointing at labour deficit as a major factor hampering production growth, which was consi-

dered to be almost as strong as shortages in procurement of materials. Many establishments - without taking into account the existing possibilities of meeting their demand - tended to assume in their plans and submit demand for an increasingly bigger number of workers. With a continued low level of industrial production, there appeared a big manpower deficit. The number of vacant jobs grew from 7,600 at the end of 1982 to 10,600 in 1983, and 9,500 at the end of 1984. On the average, there were between 50 and 70 vacancies per one registered job seeker. Labour requirements submitted by enterprises generally included ca. 41 per cent job openings for unqualified workers, ca. 45 per cent - for qualified workers, and ca. 14 per cent for non-manual workers. In the group of qualified workers, most jobs were available in deficit occupations such as: metal-working and engineering, textile, clothing, leather, construction, and electrical groups. Within the group of non-manual occupations, the biggest demand was recorded for finance-accounting, procurement, and warehouse employees. Taking into account qualifications requirements, the biggest number of vacant jobs awaited technicians (ca. 45 per cent), next employees with university degrees (ca. 37 per cent), and the remaining (ca. 18 per cent).

The question arises here why this was so, why the effects of the economic reform were so weakly felt in this such important sphere, although the strongest effects were expected just in this sphere when assumptions and mechanisms of the economic reform had been formulated, including the fear of unemployment. In our opinion numerous factors were at work here, and the most important of them could be listed as follows:

- creation of unreasonably high prices for their products by particular enterprises, which allowed to cover practically any costs incurred as a result of irrational employment;

- defective form of mechanisms serving improvement of economic management, among others in the field of wage growth regulators. The solution adopted in the first year of the reform and envisaging progressive increase of taxation of average wage increase and bonuses paid from the obtained profit for the State Fund of Professional Activation brought an artificial demand for

new employees instead of the expected restrictions in demand for new work force. Newly-recruited employees were obtaining relatively lower wages during their initial employment period, which resulted in the lowering of the average pay in a given enterprise. This, in turn, would move away the threshold of taxation for the State Fund of Professional Activation. Modifications of principles concerning calculation of the wage bill carried out in successive years (1982, 1983, 1984), despite some effects produced by them, have not decreased, to any major extent, the employment barrier posed by requirements of production and labour productivity growth²;

- creation of a possibility of earlier-than-normal retirement and a relatively wide coverage of this phenomenon produced an authentic barrier of human factor in many enterprises - deficit of labour accompanying possession of material factors of production;

- management in numerous enterprises, expecting a better business situation, wished to maintain the existing employment volume and wait through the slump;

- moreover, subjective causes had also their impact on this situation - they were a result of employee solidarity, and of the fact that dismissal of employees does not belong to socially easy problems in the enterprise since it involves a thorough evaluation of employees on different jobs.

This coincidence of many factors, inefficiency of economic mechanisms of the economic reform forced application of administrative measures to alleviate tensions existing in the labour market. A regulation passed in the second half of 1983 imposed the necessity of hiring new employees exclusively through manpower departments. This regulation imposing a duty of submitting to manpower and welfare departments information about all vacant jobs and training opportunities, and hiring employees exclusively on the basis of permits or references issued by these departments encompassed all units of the socialized and non-socialized economy, including enterprises with participation of foreign capital.

² See: M. Kabaj, Wage and Motivation System in the Economic Reform (in Polish), Warsaw, 1984, pp. 46-56.

The activities undertaken as a result of this regulation led to a temporary mitigation of the situation in this sphere in the entire country. Some improvement observed especially towards the end of 1983 was achieved mainly through activities launched by personnel services such as:

- expanding information about possibilities of taking work by pensioners and retired persons, as well as by persons on child-care leaves with simultaneous popularization of extra employment in its different forms;
- organizing voluntary labour corps, and provision of casual employment for students and school pupils;
- compiling a list of deficit occupations, in which pensioners and retired persons can obtain higher incomes without losing their rights to retirement benefits;
- intensification of measures aimed at professional activation of persons evading work;
- extending assistance to establishments in hiring employees from other administrative provinces and coordinating activity of employee hotels in order to ensure maximum utilization of hotel rooms.

Insignificant improvement achieved in this way cannot be treated as a result of administrative undertakings, neither can it be treated as a durable phenomenon. The prevailing big demand for new employees leads to the conclusion that enterprises do not reckon with the objective demographic situation.

Diminishing labour resources will be exerting a direct influence on size of employment in the future, which must be decreased. The manpower balance is a product of the demographic trend, decreasing stimuli for rural-urban migration, and disactivation of a part of the population, among others, as a result of introducing earlier retirement programmes or child-care benefits. Any hopes for steering the translocation of labour force are illusory taking into account difficult housing situation in Poland. Hence, the manpower policy or systems measures aiming at a substantial increase of labour supply will be ineffective here. What remains are efforts concentrated on better utilization of the available resources (possibilities connected

with mechanization of work, its automation, amendments to the code of work, regional differentiation according to the situation in the labour market, the wage and tax policy), but these efforts are difficult, complex and, as a rule, requiring more time.

A conclusion, which could be drawn here, is that the present or a slightly changed state of affairs make it necessary to treat the manpower balance still for quite a long time as a factor constraining the state's possibilities of manoeuvre and the enterprise's choice. Against this background, the system of compulsory labour intermediation through provincial employment departments introduced in 1983, and its effectiveness should be appraised skeptically. Most enterprises consider it to be a purely bureaucratic and ineffective attempt at solving the difficult problem. It induces enterprises to hide labour surpluses since they fear that it would be impossible to replace a dismissed redundant employee.

3. The Most Important Tasks of the Manpower Policy in the Administrative Province of Lodz

Demand of the economy for labour is determined by the level of economic development, and it is closely correlated with employment effectiveness and capital intensity of work. That is why, to attain a relatively lasting stabilization in the labour market, it is necessary to strive for improved effectiveness of employment and promote technical progress.

Low effectiveness of labour employment is due to many causes, and especially to:

- deteriorating structure of employment. As it was already mentioned the share of workers employed directly on the production line in the sphere of material production in the urban province of Lodz has been steadily declining;

- insufficient utilization of the working time. The performed analysis of utilization of the working time of workers employed in local industries revealed that, on the average, only

79.6 per cent of this time was effectively utilized in three quarters of 1984, and it ranged between 86.4 and 74.4 per cent in particular enterprises. Sick absenteeism, which constitutes one of components of the lost working time, amounted to 128.5 hours per 1 worker on the average (during three quarters of the same year). Paid work stoppages per one worker totalled 5.3 hours on the average in the period under survey, but in some plants they exceeded 15 and even 30 hours. Unjustified absenteeism reached 2.6 hours per one worker on the average, and in some plants it exceeded 5 hours. The average employment volume in industrial establishments of Lodz administrative province totalled 223,000 persons over ten months of 1984. Every day, the average of about 44,000 employees were absent from work. Among them, about 20,000 were on leaves, and about 24,000 were absent for other reasons, including ca. 17,000 absent due to sickness;

- excessive and unjustified labour turnover. With mean coefficient of labour mobility amounting to 20-21 per cent, it reaches 80 per cent in undertakings characterized with hard working conditions;

- application of wage systems providing weak motivation for improvement of labour productivity.

Moreover, faster growth of prices than wages in the last few years causes that labour continues to be the cheapest factor of production, which can hardly encourage enterprises to undertake appropriate activities on a wider scale that could promote rationalization of employment and growth of its effectiveness.

The second factor determining the level of demand for labour is capital intensity of work. In the situation of steadily decreasing employment, it is necessary to accelerate considerably introduction of technical and organizational progress allowing for savings of direct labour. The differences in technical levels of machinery and equipment existing in the industrial sector in Lodz account for a considerable differentiation of labour productivity even in enterprising belonging to the same industrial branch. It seems fully justified to consider whether it would not be advisable to liquidate plants with obsolete capital

stock and low levels of labour productivity, and shift labour from them to those plants which possess modern capital stock, idle productive capacities, and boast high labour productivity. This could pave the way for an aggregate growth of output accompanied by savings in labour employment.

Effective promotion of technical progress may diminish significantly demand for labour, but just like increasing employment effectiveness, it calls for combined effort of all enterprises and for changes in principles of profit distribution, equipping enterprises with a right to use freely allowances for depreciation and make investment decisions.

Insignificant progress in rationalization of employment achieved in the last few years does not necessarily mean that the economic reform proved to be unsuccessful in this field. It only points at postponement of its expected effects.

In order to secure more durable improvement in the labour market it becomes necessary to improve constantly economic mechanisms of the economic reform aiming at development of such a system that could, on the one hand, eliminate factors inducing enterprises to maintain, create, or expand unnecessary and irrational employment reserves, and on the other hand - create foundations for a real involvement of enterprises in savings of direct labour and replacing it by embodied labour. One of such mechanisms may be the State Fund of Professional Activation, which should have its original and complex function of steering wage-labour productivity relations restored to it, and enriched by a motivational function stimulating introduction of new technical solutions allowing for labour savings.

Presidium of the Polish Government performed an assessment of difficulties in the labour market at its session in March 1985, and set tasks aimed at rationalization of employment. The most important goal in the employment policy is to eliminate unfavourable phenomena which intensify the present difficulties. One of them is employment of redundant labour being a result of bad organization of work and ineffective utilization of the working time.

It has been underlined that respect for work, for a job and

work establishment can be achieved not only by means of administrative measures. Equally important are here psycho-social conditions, moods and opinions of the environment, which should be taken into consideration in the process of developing desirable attitudes of citizens. It is necessary, on the one hand, to apply legal regulations disciplining employment in a consistent way, and, on the other hand, introduce more widely principles of work humanization aiming at facilitating jobs and, simultaneously, providing bigger satisfaction from a proper fulfilment of duties.

Presidium of the Government recognized the necessity of elaborating solutions of economic character, which will make it unprofitable for employees to change their places of work frequently, and will create possibilities for professional activation of retired and handicapped persons.

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The problems analyzed in this paper do not exhaust all problems existing in the labour market of Lodz. The main emphasis was placed here on outlining those of them whose solution will be of decisive importance for improving the present situation, first of all, by promoting greater effectiveness of utilization of the available labour resources.

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**ŁÓDZKI RYNEK PRACY W LATACH 1981-1984.
ZJAWISKA I PROBLEMY**

W referacie podjęto próbę oceny podstawowych zjawisk na Łódzkim rynku pracy w latach 1981-1984. Referat rozpoczyna uwagę na temat wpływu mechanizmów ekonomicznych reformy gospodarczej na optymalizację poziomu i struktury zatrudnienia. Na tym tle ukazano zmiany w rozmiarach i strukturze zatrudnienia w gospodarce województwa miejskiego Łódzkiego oraz zmiany sytuacji na rynku pracy. Uwagę zwrócono głównie na omówienie czynników wpływających na spadek zatrudnienia oraz uniemożliwiających postęp w racjonalizacji zatrudnienia, zwłaszcza w przedsiębiorstwach. Referat kończą uwagi dotyczące najważniejszych zadań polityki zatrudnienia w województwie miejskim Łódzkim.