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PLANNING AND EMPLOYMENT POLICY IN THE ECONOMIC REFORM

Problems of employment occupy an important place in the state's economic and social policy. Their significance has considerably increased under the economic reform. In the eighties, employment has become a factor limiting growth of production. In 1980 or 1981, it was thought that the economic crisis in Poland would be accompanied by mass unemployment. These predictions proved to be wrong.

The employment in Poland is affected by two factors, i.e. (1) the economic crisis, and (2) the economic reform. It is extremely difficult to introduce successfully the economic reform principles in conditions of crisis. The crisis and the reform exert influence on each other. There are introduced new mechanisms of the national economy's functioning, which include new mechanisms in employment adjusted to new conditions in which enterprises are functioning. It should be noted here that they are fully autonomous economic units today.

Since 1975 employees have been allowed to benefit from earlier-than-normal retirement, which has caused a considerable disactivation of manpower resources. The principles of retiring from work in Poland are as follows: women can retire at the age of 60 and men at the age of 65. In 1975, the retirement age was lowered by 5 years but the requirement of 25 or 30 years of professional work was preserved. There are some exceptions to this rule in the case of persons working in difficult conditions, for example, in mining, metallurgy, chemical industry. This refers also to teachers with the exception of academic teachers (professors in universities).

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As a result of this earlier retirement, the work force employed in the national economy declined by almost 200,000 persons between 1975 and 1984.

In turn, introduction of child-care benefits has led to a considerable professional disactivation of women. All in all, the earlier retirement and child-care leaves decreased manpower resources by over 400,000 persons in the period of 1975-1984. This increased the number of vacant jobs in enterprises.

The eighties witnessed a drop in the average employment volume in four main economic sectors, i.e. in industry, construction, transport and communication, and trade. Simultaneously, employment agencies are reporting a record number of job openings, unprecedented in the entire postwar period. A unique phenomenon can be observed here: on the one hand, the highest drop in employment, and, on the other hand, the highest number of job openings.

This paradox is attributed to shrinking manpower resources. Meanwhile, enterprises overestimate artificially their demand for additional manpower. Their requirements, as officially declared, are higher than their employment capacities. Such a situation is typical in the deficit labour market. Moreover, the manpower shortage is largely due to the so-called mobility of employees. This shortage is estimated by us at a high 90 per cent of all declared manpower requirements, which means that only 10 per cent of these requirements reflect the real demand for new employees entailed by production growth.

Enterprises expect that the economic revival will lead to a new growth of their production and full utilization of their manpower resources. Consequently, they are reluctant to dismiss experienced workers in order to avoid costs of training newly-recruited employees in the future. Such approach seems to be justified in conditions of deficit in the labour market. Social considerations should not be forgotten here, which results in maintenance of redundant manpower, the so-called "welfare employment".

The economic reform has equipped enterprises with full autonomy. The level and structure of employment are regulated by

enterprises on the basis of their production needs and the socio-economic calculus. A new division of roles between the state and the enterprise has taken place.

Employment indices of directive type (imposed from above) have been abolished. No employment quotas are applied in the sphere of material production. The central employment plan may be treated rather as a projection than a directive.

The economic reform has also changed principles of distributing the wage fund, and the enterprise's own wage fund has been left at its disposal. The enterprise determines independently its number of employees, their qualifications and occupations structure, number and type of jobs. It also decides for itself which jobs are unnecessary and should be liquidated. It should be expected that the principles of the economic reform will pave the way for rationalization of employment accompanied by improved work organization, labour discipline, full utilization of working time, increased labour productivity and wages. All this should lead to reduction of employment in the national economy, and especially in the sphere of material production.

Substitution and appropriate choice of productive factors are an important issue in the economic reform. Their significance is enhanced as a result of the existing constraints in the field of raw materials, components and energy. In these conditions, employment and wage fund dependent upon profit should regulate economic processes in the enterprise.

Till 1980, there had been central planning in Poland, connected with widely applied central quotas, centrally allocated means of production, employment blockades. Enterprises used to choose material-intensive production making it easier to implement their plans. There had been used gross measures, wage fund and employment quotas. The economic reform allows to choose the most appropriate factors of production, and promotes savings in raw materials, components and electric energy. It is hoped that it will reduce ineffective employment, increase labour productivity and wages.

Effectiveness of economic management in the enterprise is estimated according to net indices, which constitute a synthetic

measure of effectiveness in utilization of direct and embodied labour. The wage fund in the enterprise may be increased only through reduction of materials costs, improved effectiveness and performance, and increased volume of output.

The employment reform has failed to produce desirable effects so far. It has not increased the motivation for rational utilization of manpower resources. Neither have there taken place desirable changes in volume and structure of employment. This refers both to the entire national economy and to particular enterprises and institutions. In the eighties, there has been observed zero growth of manpower resources. The main sources of employment growth can be sought only in structural shifts. These shifts of employees should result in growth of production, improved labour productivity, lowered prime costs and increased real wages.

Propositions of restructuring are put forward in the literature of the subject (see: M. Kabaj) and in the economic practice. It can be carried out in various forms and at different levels. Horizontal restructuring consists in shifting employees between industrial branches, enterprises, departments or jobs. Vertical restructuring consists in optimization of inputs and structure of production. Innovation processes together with growing employment of persons with academic background play a significant role in the economic reform. It affords possibilities for better utilization of manpower, growth of labour productivity and production, improvement of quality liquidation of waste of materials and energy. This leads to growth of real wages, bigger activation of engineering-technical and economic cadres.

There is also proposed qualitative restructuring, which involves, in particular, reduction in employment of administrative personnel, including clerical workers. The main point here is to enhance the quality of work and functions performed by employees removed from the production line and, especially, those with academic background (engineers, economists, lawyers). The new conditions imply intensified work for economists in the sphere of increasing effectiveness of performance, costs analysis,

materials savings, etc. For engineers, the new situation means more efforts to promote technical progress, improved work organization, increased production, etc. For auxiliary services, it means the necessity of ensuring rhythmic flows of work and production. The qualitative restructuring should contribute to rational utilization of highly-qualified employees. Unfortunately, these processes proceed very slowly in the Polish economy.

Within the previous system of commands and centralized allocations of means of production, the employment structure in enterprises (till 1980) had to conform to the state plans of labour, i.e. employment, wage fund, labour productivity, work orders for graduates of vocational and academic schools. Enterprises were employing graduates with specific specializations, especially in surplus disciplines, in accordance with quotas imposed on them.

The real requirements of enterprises were not taken into consideration. Hence, the lack of optimization in the structure of employment, and little attention paid to the level of the wage fund. Irrational structure of employment was supported by social funds.

The economic reform carried out since 1982 equips enterprises with full autonomy in determining elements of work such as the wage fund, and its internal division, as well as the level and structure of employment. This idea ensues from the principle of self-financing of enterprises. The level and structure of employment are adjusted according to the enterprise's production and development needs. These phenomena were visible in the years 1982-1985, but their scope was limited. Deficit of blue-collar workers causes also difficulties in employing graduates of academic schools, especially in certain specializations.

The economic reform imposes a requirement on enterprises to carry a calculus of economic effectiveness of employment, which leads to structural changes in employment and elimination of redundant employees.

The self-financing principle causes that wages in the enterprise grow along with growth of production and labour productivity.

ity. This results in restricting the employment to the level of production and development needs. We can then speak about optimal employment.

The economic reform through its new mechanisms of the employment and wage policy eliminates redundant employment allowing, simultaneously, to preserve high wages. And high wages are connected with good effects of work and production.

This situation gives rise to new social problems. The most important among them is the so-called "social employment". It refers to elderly people approaching their retirement age, employees with long service in a given enterprise, mothers looking after their children on their own, handicapped persons, etc. These problems should be solved by modern socio-welfare services, as well as by modernized public employment services. They have at their disposal the so-called "Fund of Professional Activation" created from profits of enterprises (a part of deductions). The above considerations pose new tasks before trade unions and employee self-management organs putting into life the principle of self-management of enterprises.

The establishment of the State Fund of Professional Activation in 1982 aimed, among others, at regulating growth of employment in enterprises. It was hoped that this solution would allow to take into account the cost of employment growth in the enterprise's economic-financial calculus in a more adequate manner than it had been the case previously. Soon, it turned out that such solution could not produce the expected results. The recorded drop in employment in the national economy was largely due to earlier-than-normal retirement and a possibility of taking child-care leaves. Enterprises also appeared to be little interested in restructuralization of their employment and dismissing redundant workers. Thus, the mechanism of employment rationalization through the State Fund of Professional Activation (SPPA) proved to be a failure. Consequently, changes to this mechanism were introduced in January 1983.

The years 1983-1985 did not bring desirable effects either, and enterprises continued to make insignificant use of motivations ensuing from their deductions from profit for the SPPA.

Simultaneously, the social criticism of such motivations was becoming increasingly more common. In 1985, the Parliament adopted a legal act introducing certain changes in deductions from profit in enterprises due to employment increase. There was accepted a principle of imposing an additional tax on enterprises due to growth of their employment and excessively high growth of wage fund, which had been postulated by economists and practitioners for a long time. The practice will show to what extent these changes have been desirable and in what way they have contributed to the expected rationalization in the employment policy and to improved utilization of the human factor in enterprises. It seems, however, that in its new formula the very nature of the SPPA has not undergone any changes and the tax will be counted from the amounts paid out to employees above the so-called amount free from taxation as a result of production growth. The whole point here was to exact a greater discipline with regard to principles of granting reliefs and exemptions.

We are of the opinion that in conditions characterized with zero growth in manpower resources, the demand for employees can be satisfied by means of their translocation. Between 1982 and 1985, such translocation of employees was insignificant. The dismissed employees were returning to other enterprises in the socialized sector (about 80 per cent of them). Very few undertook work in the non-socialized sector (ca. 10 per cent). The rest began to work on their own (for example, homework). Translocation of qualified cadres also took place in connection with liquidation of industrial amalgamations. These were intermediate units of management between the ministry and the enterprise. Today, they are being replaced by voluntary associations of producers, which employ persons dismissed from the above mentioned amalgamations earlier on. It is difficult for us to say how many of them are newly-recruited employees, or, to what extent, the number of employees in these institutions has been reduced. Much apprehension is expressed about a possibility of restoring the former practice of managing enterprises by intermediate units.

In our opinion, the formula of indirect participation in

management can be reconciled with principles of the economic reform. This cannot, however, be a takeover of competences and modes of activity of the former amalgamations of industrial procedures. New conditions of management on the macro-scale, and primarily on the scale of autonomous, self-governing and self-financing enterprises make it necessary for intermediate units to adjust themselves to the accepted "rules of the game". Thus, they should not be imposing their will but co-participate in elaboration of development concepts of enterprises, in drafting their economic and financial plans, in prompting their foreign contacts, etc. The new associations of industrial producers may be exclusively advisory units, equipped with cadres possessing high professional qualifications.

It is necessary to conduct studies on planning and policy of employment in the Polish economy. These should be, first of all, studies on necessity and scope of manpower translocations and structural transformations. At present, some studies on horizontal restructuralization are under way. More attention should be paid to possibilities of vertical and qualitative restructuralization. The studies of this kind are very important, and some attempts in this field are already being made.

The problem mentioned by us may not be of any major importance for the capitalist economy, where the labour market operates as a regulator. Operation of the supply and demand law regulates here inflow and outflow of labour. On the other hand, the Polish economy till 1980 had been based on the mechanism of central commands and centralized allocations, or on the central steering of economic processes. It led to appearance of unfavourable processes in the national economy and decline of profitability. The economic activity was not based on the economic calculus. Ultimately, this situation led to acute crisis phenomena, social dissatisfaction, economic and political strikes. There arose an urgent necessity of effecting changes in the state policy and, primarily, in management as such and in the way the national economy was managed. New principles of economic management lay at the foundations of the economic reform.

The concept concerning the optimal employment and high-wage

system seems to be extremely important for solutions aiming at rationalization of employment. This system constitutes a set of interrelated objectives and means for their accomplishment.<sup>1</sup> It is assumed that increase in the population's wages and incomes is the most important objective in the national economy. The desire to increase wages continues to be the main motive in employees' activity. Pressure to increase wages becomes a creative and driving force for development of the economy only when it is interrelated with growth of productivity, quality of work and general effectiveness of economic management. In each economy, and especially in the economy operating along new principles these interrelationships must be strictly observed. Wages can grow as a result of optimal utilization of direct and embodied labour. In the model in question, wages become a basic instrument promoting improved economic management. The technical and organizational progress is accelerated. Description of the functioning of the optimal employment and high-wage system is given in the book referred to above. We are of the opinion that such solution is able to ensure effective functioning of the national economy through high financial-economic effects scored by particular enterprises.

Autonomous enterprises will distribute resources for wages, differentiated according to results of work in a way appropriate for them. However, there are many determinants here including both those dependent on the enterprise and these of objective character, independent of the enterprise. They all must be taken into account in new conditions in which enterprises operate today. The most important of them is observance of fundamental assumptions of the reform, and namely that enterprises can freely choose the level and structure of employment, and the level of their mean wages; the wage fund is not limited; valuation of particular factors of production corresponds to social costs; these principles are stable to the biggest possible extent.

These just assumptions can encounter barriers of economic-

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<sup>1</sup> See: M. Kabaj, Employment and economic growth. System of optimal employment and high wages. Institute of Work and Welfare Affairs, *Studia i materiały*, vol.17 223, Warsaw, 1984, pp.39 and following (in Polish).

social nature. This will be, first of all, the necessity of solving the question of full employment, as well as the necessity of dismissing employees with low qualifications, low productivity, and others who do not contribute proper production volume.

The new management system creates conditions promoting changes in employees' attitudes and their relationship to work and the enterprise. There should take place stabilization and reduction of labour mobility. All necessary conditions have been created to make an appropriate selection of cadres and keep in the enterprise only the most efficient, capable and highly qualified employees. This should result in increased labour productivity and increased mean wages, which should be differentiated according to the input of work and obtained effects.

These assumptions, which are correct in our opinion, should guide the enterprise in its activity and the state in its socio-economic policy. However, their implementation is extremely difficult in the present situation. It is hampered, first of all, by social considerations. At the same time, a powerful impact is exerted by the market and monetary situation shaped in the eighties. Instability of the commodity market, considerable movement of prices, inflationary processes, lack of market equilibrium, deficit labour market and other phenomena make it either impossible or very difficult to pursue such a system of optimal employment and high wages. It can be only hoped that along with mitigation of socio-economic disproportions, restoration of the economic order these principles will be respected in practice. They will become everyday rules of the game, objectively respected by enterprises and fully respected by the society. Unfortunately, it is difficult to say today when it will happen. We think that the next five-year period (1986-1990) will be more favourable for realization of these principles than the last five-year period (1981-1985).

In the Polish economy, it is necessary to continue studies on the employment planning and policy. What is meant here is especially rationalization, or - in other words - optimization of labour utilization. Such undertakings are necessary to ensure

the success of the economic reform principles, including those concerning employment. These will be, among others, studies dealing with scale and directions of structural shifts. It should be added here that problems connected with horizontal restructuring are basically quite well determined and at least partly applied in practice. More attention should be devoted to the studies on vertical and functional (qualitative) restructuring. It is hardly necessary to prove how important such studies are. Some attempts have been already made. Undoubtedly, there should be further improved studies on the above mentioned system of optimal employment and high wages. The main point here is to adapt the system to the current socio-economic situation and its modification when barriers restricting its application disappear.

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#### PLANOWANIE I POLITYKA ZATRUDNIENIA W REFORMIE GOSPODARCZEJ

W artykule podkreślono miejsce problematyki zatrudnienia w polityce społeczno-ekonomicznej państwa. Sprawy te nabrały szczególnej aktualności wraz z reformą gospodarczą. Zatrudnienie w latach 80-tych stało się czynnikiem limitującym wzrost produkcji. Procesy zatrudnienia kształtują się pod wpływem dwóch czynników: kryzysu społeczno-gospodarczego i reformy gospodarczej. Mechanizmy zatrudnienia dostosowane są do nowych warunków funkcjonowania przedsiębiorstw, obecnie w pełni samodzielnych. Wskazano na sprawy wcześniejszego przechodzenia na emeryturę oraz na możliwość korzystania z urlopów i zasiłków wychowawczych. Spowodowało to znaczny ubytek w zasobach pracy oraz dezaktywizację kobiecej siły roboczej. Zwiększyła się liczba wolnych miejsc pracy w przedsiębiorstwach i instytucjach. Jednocześnie w urzędach pośrednictwa notuje się rekordową ilość wolnych miejsc pracy. Przedsiębiorstwa zawiązują zapotrzebowanie na dodatkowych pracowników. Jest to typowe dla deficytowego rynku pracy. W dalszym ciągu wysoki jest udział tzw. ruchu zatrudnionych, często ekonomicznie i społecznie nieuzasadnionego. Wskazano na samodzielność przedsiębiorstwa w kształtowaniu poziomu i struktury zatrudnienia, a także w zakresie dysponowania funduszem płac. Sądzi się, iż zasady reformy gospodarczej spowodują racjonalizację zatrudnienia. Nastąpi poprawa organizacji i dyscypliny pracy oraz pełne wykorzystanie czasu roboczego, wzrośnie wydajność pracy. W tych warunkach winno nastąpić zmniejszenie zatrudnienia w gospodarce narodowej, zwłaszcza w produkcji materialnej. Ważnym zagadnieniem w reformie gospodarczej jest substytucja i

właściwy dobór czynników wytwórczych. Stwierdzamy, iż reforma zatrudnienia nie przyniosła dotychczas spodziewanych rezultatów. Nie nastąpiła zwiększona motywacja do racjonalnego gospodarowania zasobami pracy. Nie nastąpiły pożądane zmiany w ilości i strukturze zatrudnienia. Omówiono sprawy restrukturalizacji w zatrudnieniu. Wskazano na społeczne zagadnienia zatrudnienia, zwłaszcza odnośnie osób niepełnosprawnych, starszych w wieku przedemerytalnym itd. Wskazano na konieczność prowadzenia badań naukowych w tak ważnych dla gospodarki narodowej zagadnieniach zatrudnieniowych.