

KRZYSZTOF ŻUK

*Economic effects of employees-oriented privatization  
in view of research*

---

Efekty ekonomiczne prywatyzacji pracowniczej w świetle badań

The process of ownership transformations underway since 1990 constitutes one of essential instruments of the systemic transformation in Poland. The major goal of this process is to increase the efficiency of functioning of economic entities and entire economy. The privatization of state-owned enterprises allows to apply economic principles to activities of economic entities and rational management of their resources as well as motivates the restructuring process which ensures market competitiveness to the enterprise, thus providing opportunities for its long-term development. This process is carried on by way of a gradual transfer of ownership rights from the public sector to private one through privatization of enterprises based on privatization methods and techniques circumscribed by laws.

The process of ownership transformations in Poland has very extensive legal implements. The legal grounds of the process are formed by the law of July 13, 1990 on privatization of state enterprises (Dz.U. No. 51 Item 298 with amendments) and the currently binding law, in force since 1997, of August 30, 1996 on commercialization and privatization of state enterprises (Dz.U. No. 118 Item 561 with amendments). Both these privatization laws introduced two essential methods of privatization – indirect privatization (referred also to as capital privatization) and direct privatization. The indirect privatization assumed the commercialization of an enterprise in the first stage, and then a sale of shares or stock held by the Treasury in public trading. The direct privatization consists in disposal of all tangible and intangible assets of a state-owned enterprise through: selling, contributing to a company, or letting the enterprise out on use in return for a consideration.

In the process of privatization of state-owned enterprises in Poland, the direct privatization has prevailed, with privatization through leasing predominating (applied in 64% of enterprises directly privatized), governed by Article 37 Section 1 Subsection 3 of the state-owned enterprise privatization law and Article 39 Section 1 Subsection 3, in connection with Article 51, of the law on commercialization and privatization of state-owned enterprises. Such a broad use of this privatization path has found justification in the strong advocating of the shareholding by employees in the privatization process. An enterprise may be let out on use only in favour of a company of natural persons established by employees if in such company shares are held by more than half of the total number of employees of such enterprise (subject to at least 20% shares to be held by persons not employed in the enterprise being privatized). This privatization path also assumes the requirement of raising, prior to entering the agreement, of the share or initial capital amounting to at least 20% of both funds of the state-owned enterprise. It should be noted that the enterprise is let out on use in return of a consideration under an agreement between the Treasury and the taking company for a term of not more than ten years, after which (and subject to fulfilment of conditions specified in the agreement) the Treasury is obliged to transfer the ownership title to such enterprise onto the company. The ownership title to enterprise may be transferred before the end of the term of the agreement subject to meeting requirements specified in Article 52 of the law on commercialization and privatization of state enterprises.

The principles of payment for the acquired property are specified in the Ordinance of the Council of Ministers of October 16, 1997 on detailed principles of payments for use of the enterprise, manner of securing the unpaid portion of payments and interests on unpaid amounts (Dz.U. No. 130, item 855). In view of the Ordinance, the payment for use of the enterprise consists of capital installments (payable from net profits of the company) and additional fees calculated at interest rate of 0.5 of the current interest rate of the interbank credit (booked as costs). There is also the possibility to defer part of the payments ( $\frac{2}{3}$  in the first year and  $\frac{1}{2}$  in the second year – determined for such period) to a later period (after 8 quarters) without capitalization of such deferred payments. The company may also be relieved of indebtedness to the Treasury up to the amount of such deferred part of additional fees if write-offs from net profits to the reserve capital in a given year of the term of the agreement amounted to at least 80% of such profits (the law on privatization of state-owned enterprises provided for financing of fixed assets at minimum 50% of net profits).

The current ownership transformations in the Polish economy, resulting from the process of privatization of state-owned enterprises, prompt for a generalization of the course of the process and analysis of economic effects of the privatization. The dominant share of privatization through leasing amidst the direct privatization is a justification of an attempt at assessing economic effects of this path of privatization.

## ANALYSIS OF FINANCIAL SITUATION OF COMPANIES OWNED BY EMPLOYEES

The assessment of the economic and financial situation of companies owned by employees has covered a sample of 204 companies with segmentation of the test sample by branches. The survey has covered the years 1996 to 2000. The selection of enterprises to the sample was purposeful in an attempt to choose companies representative for the entire population of companies owned by employees.

The survey allows to conclude that in the surveyed period a vast majority of companies scored positive financial results. The segmentation of the test sample from the viewpoint of abilities of the companies to generate profit, as measured with their indexes of net profitability on sales, however, shows a growing internal diversification within the test sample. This is of significance as the volume of generated profits directly affects their capabilities to fulfil obligations towards the Treasury under agreements on use of enterprises in return for a consideration.

In view of the survey, attention should be given to the gradually decreasing number of companies revealing net profits: 1996 – 93%, 1997 – 89%, 1998 – 88%, 1999 – 81%, 2000 – 76%. Also the volume of net profits decreases with the average net profit of the surveyed companies as follows: 1996 – PLN 930,000; 1997 – PLN 856,000; 1998 – PLN 720,000; 1999 – PLN 910,000; 2000 – PLN 488,000. This is undoubtedly a result of the growing market competitiveness under which the surveyed companies operate and the worsening economic trends. When viewed by branches, the companies show that the average net profit volume in the particular years was the highest among industrial companies, and the lowest among trading companies.

The assessment of operating efficiency of the surveyed companies owned by employees with the following indexes: cost level and net profitability shows, nevertheless, that these indexes are shaped more favourably in case of these companies compared to the average indexes in general and enterprises privatized in another manner. Only companies privatized through the capital privatization show slightly higher efficiency. This is certainly a result of appropriate selection of state-owned enterprises for the privatization through leasing, but also an effect of competent implementation of restructuring strategies.

The capability to generate profit among the surveyed companies, as measured with the index of net profitability on sales, may be also shown with taking into account the criterion of profitability level. The segmentation of the surveyed companies according to this criterion leads to the following conclusions: the number of companies with profitability above 3.5% decreased from more than 30% in 1996 to 20% in 2000 as did the number of companies at average profitability index level (from 1% to 3.5%) – also in the range from 30% to 20%, and an evident growth was noticed in the number of companies classified among

weakest entities (index of net profitability on sales below 1%) – from 33% in 1996 to 60% in 2000.

The last group comprises companies which showed difficulties with payments of their obligations under agreements on use with the Treasury, operating at the loss (in 1996, 7% of companies reported losses, while in 2000 – 24%). This does not mean, however, that companies of this group fail to pay their dues. Detailed analyses on a smaller group of companies owned by employees showed that such companies often paid the capital installments out of depreciation, or restructured their properties to decrease the value of the object of the agreement through sale of assets.

When grouped by branches, from the viewpoint of the level of net profitability on sales, the industrial companies showed the highest abilities generate profits, construction companies ranked at the average level, and the worst situation was revealed among trading and transport companies.

The survey also allowed to discern clear relation between profitability levels and dates of emergence of the companies. This relation confirms the thesis of better preparation to privatization and decisively higher capabilities to adjust to the market environment on the part of enterprises privatized over recent years. Employees-owned companies established as a result of their privatization usually already passed the first stage of restructuring.

Another, next to the ability to generate profits, significant component of assessment of activities of the employees-owned companies is their financial liquidity, or the capability to handle short-term liabilities. The test results show favorable and stable levels of financial liquidity (both current and fast liquidity) over the entire surveyed sample. The liquidity indexes were over the test years at average levels much above levels of indexes which are considered safe. However, the branch analysis has shown that only trading companies could face problems with “immediate” payment of liabilities (but this only referred to 1999).

Similar conclusions arise from the analysis of the general indebtedness index (affecting long-term liquidity levels), though slightly worse than generally accepted indebtedness indexes were noticed in construction and trading companies. In that last instance, the noticed increase of indebtedness as average is connected with attempts to break limitations resulting from thin own funds and to expand the scope of businesses.

The additional assessment of shaping of the long-term indebtedness (level of long-term liabilities in relation to company capitals) shows that this index has falling trend in both the test sample in general and analyzed groups of companies. The best situation is observed in industrial companies, while the worst (compared with optimum level of this index) is that of trading companies.

The analysis of ability of companies to pay obligations resulting from the use of property of the Treasury for a consideration (when receivables of the Treasury from payments of the value of object of agreement are compared with average

profit level) allows to conclude that a vast majority of surveyed companies owned by employees are able to meet their obligations under leasing agreements. This is confirmed by a detailed analysis of relationships between the leasing debt level and ability to repay it as measured with net profit level and depreciation (sometimes used by companies to pay capital installments).

To sum up, on the one hand, it should be noted that the employees-owned leasing companies are a largely diversified group (thus, of various financial condition and market position), and on the other hand, however, this group of companies shows a better financial and economic situation as compared with public sector entities and business entities in general. This proves the effectiveness of privatization through leasing, and confirms, with respect to the surveyed companies, that for most of them the selection of that path of privatization was an unequivocally accurate solution.

#### CHANGES IN CAPITAL OWNERSHIP STRUCTURE

Pursuant to provisions of the law on commercialization and privatization of state enterprises the taking of state-owned enterprises intended for privatization through use in return of a consideration requires that external investors hold at least 20% of shares (stock) in employees-owned companies. In this view, it should be emphasized that, on the date of signing their leasing agreements, in nearly all companies in the test sample majority of shares were held by the employees. At the end of the surveyed period, the percentage of such companies dropped to 77% in the test sample. Taking into account packages of shares held by managements of the companies it may be assumed that external investors jointly with management boards of the companies would have held some 44% of them in 2000. Thus, the average shareholding by employees decreased over the surveyed period. It should be added that the increase of external shareholding corresponds to the drop in shareholding by employees, which proves that employees sold their shares to external investors. The shareholding by management boards (managers) grew only slightly, or by 4%. Changes in the shareholding of employees-owned companies were reported in almost 60% of companies, however in only 23% of them the employees lost control.

As viewed by branches, biggest changes took place in trading and construction, smallest ones in services and industry. In the latter group, the share of external investors grew (by some 13%), however it is still below 40% level in the capital structure. The changes in the shareholding of employees-owned companies were, to a considerable degree, a result of their economic and financial situation. Both trading and construction companies showed lowest profitability indexes.

The results of surveys also show that the employees-owned companies in which the external shareholding grew most are the largest companies with over

500 employees and, to a smaller extent, companies with 200 to 500 employees. The other groups of companies, especially the smallest ones, continue to show a high shareholding by employees.

In view of the survey it should be noted that the changes in the shareholding of employees-owned companies do not prove any wide-range "secondary" privatization of the companies, i.e. taking control in the companies by external investors. A gradual emergence of managerial-investors' companies is a viable prospect. This process, however, was relatively slow so far. Test results indicate possibilities of such evolution of employees-owned companies only in respect to some 40% of analyzed companies.

#### CHANGES IN EMPLOYMENT

In the surveyed sample, the largest group were companies with up to 100 employees (50%), companies with 100 to 200 employees constituted 25% of the sample, and medium-size companies with 200 to 500 employees made up 20%.

In the surveyed entities, changes in employment levels from the privatization date until this study (data as of end of 2000) were accounted for. A drop in employment was reported in 72% of the companies, an increase in 23%, and in 5% there were no changes in employment levels. It should be noted that, in most companies (62%) which reduced their employment, the correction was not deeper than 10% of average employment over that time. When viewed by branches, the biggest drop in employment was reported in transport and commerce, while the smallest in construction and industry. The employment was most stable in the group of companies with 100 to 200 employees. It should be emphasized that this group of companies showed, both in the privatization year and at the end of the survey, i.e. in 2000, the most stable level of net profitability on sales. The largest drop of employment was reported in companies employing over 500 employees and among small companies (up to 100 employees) which are particularly sensitive to changes in economic trends.

The test results reflect a number of features characteristic of employment in the process of privatization of employees-owned companies. Firstly, they allow for a general conclusion that the process is not accompanied by radical changes in labor relations. Changes in the employment levels are noticed usually in later years of existence of employees-owned companies and they are largely related to retirement or annuity benefits acquired by dismissed employees. It should be noted that the most stable situation in employment was reported by employees-owned companies which completed their restructuring at the pre-privatization stage and companies of higher mobility which easier responded to changing economic trends. In this group of companies, restructuring efforts allowed to increase the employment.

Another conclusion to be formulated on the basis of the survey results is the clear relation between the shareholding by employees and stability, and even increase, of employment. The high shareholding by the crew, especially in small companies, favourably contributes to maintaining the employment at unchanged levels. This dependence is confirmed by the group of companies in the shareholding by external investors increased. In such companies, the employment dropped by some 15%. The employment reduction was even deeper (over 25%) at the external shareholding exceeding 75%. This confirms the thesis that the shareholding by employees favourably adds to viewing the stability and guaranty of job as one of essential goals of the employees-owned companies.

### CONCLUSIONS

While assessing the effects of privatization through employees shareholding, it should be noted that the employees-owned companies form an internally considerably diversified group which are, however, generally capable to generate profits and pay their dues. The surveys show that the employees-owned companies reveal financial situation better than average for the entire economy and privatized enterprises (only in enterprises privatized through capital transformations the indexes were slightly higher). The survey showed a strong correlation between high efficiency of companies and presence of external strategic investors in their shareholding. It should be added that employees-owned companies showed considerable abilities to adjust to transformations in the market environment. These entities, in connection with the privatization process, usually restructured their operations and property which allows to conclude that businesses of the employees-owned companies are growing.

The shareholding by employees allows to score better operating results on businesses. Thus, it may be assumed that the employees-owned companies should be interested to a considerable extent in tending toward generating economic values in favour of their shareholders.

In view of the survey, gradual transformations in the shareholding of the employees-owned companies should be noticed. In more than 20% of the companies the employees lost their control. The increase of capital involvement by external investors took place in largest companies. The survey has not revealed a significant shareholding by managements of the companies. The process of transformations in the shareholding of the employees-owned companies gives them a real opportunity to gradually transform into managerial-investor's companies.

The survey results show a clear dependency between the capital involvement by the employees and stability of employment in the companies. This confirms the thesis that the participation of employees favourably adds to viewing the stability and guaranty of job as one of essential goals of the employees-owned companies.

## STRESZCZENIE

Dokonujące się zmiany własnościowe w gospodarce polskiej, wynikające z realizowanego procesu prywatyzacji przedsiębiorstw państwowych, skłaniają do kwantyfikacji przebiegu tego procesu oraz analizy ekonomicznych efektów prywatyzacji. Dominujący udział prywatyzacji leasingowej w prywatyzacji bezpośredniej uzasadnia podjęcie próby oceny ekonomicznych efektów tej ścieżki prywatyzacji.

Analizę sytuacji ekonomiczno-finansowej pracowniczych spółek kapitałowych przeprowadzono na próbie badawczej 204 spółek, dokonując przy tym segmentacji próby badawczej w ujęciu branżowym. Badania objęły lata 1996-2000.

Oceniając efekty prywatyzacji pracowniczej dostrzec należy, że pracownicze spółki kapitałowe to grupa podmiotów o coraz większym zróżnicowaniu wewnętrznym, w swojej większości zdolna jednak do generowania zysku i regulowania zobowiązań. Dotychczasowe badania wskazują, że spółki pracownicze charakteryzują się lepszą sytuacją finansową niż średnia dla ogółu gospodarki, a także średnia dla przedsiębiorstw sprywatyzowanych (tylko w przypadku przedsiębiorstw sprywatyzowanych kapitałowo analizowane wskaźniki były nieco wyższe). Przeprowadzone badania nie dowiodły przy tym istnienia silnej korelacji między wysoką efektywnością spółek a obecnością w ich kapitale zewnętrznych inwestorów strategicznych. Dodać należy, że spółki pracownicze wykazały dużą zdolność dostosowywania się do zmian zachodzących w otoczeniu rynkowym. Podmioty te dokonały na ogół, w związku z procesem prywatyzacji, restrukturyzacji działań oraz majątku, co pozwala stwierdzić, że działalność prowadzona przez spółki pracownicze wiąże się z rozwojem prowadzonej działalności.

W świetle przeprowadzonych badań dostrzec należy dokonujące się stopniowo zmiany w strukturze własności kapitału spółek pracowniczych. W ponad 20% tych spółek doszło do utraty kontroli przez pracowników. Zwiększenie się kapitałowego zaangażowania inwestorów zewnętrznych dotyczyło zwłaszcza spółek największych. W badaniach nie zaobserwowano przy tym znaczącego udziału zarządów spółek. Zachodzący proces zmian w strukturze kapitału spółek pracowniczych czyni realną perspektywę stopniowego wyodrębniania się spółek menadżersko-inwestorskich.

Wyniki badań wskazują na wyraźnie występującą zależność między zaangażowaniem kapitałowym pracowników a stabilnością zatrudnienia w spółkach. Potwierdza to tezę, że partycypacja pracowników we własności sprzyja traktowaniu stabilności i pewności pracy jak o jednego z istotnych celów działalności spółek pracowniczych.





*Informacje o autorach*

---

- Teresa Bednarczyk**, doktor, adiunkt na Wydziale Ekonomicznym UMCS, w Instytucie Ekonomii, Zakładzie Teorii Rozwoju Ekonomicznego.
- Jacek Bednarz**, magister, asystent na Wydziale Ekonomicznym UMCS, w Instytucie Ekonomii, w Zakładzie Bankowości.
- Teresa Kondrakiewicz**, doktor, adiunkt na Wydziale Ekonomicznym UMCS, w Instytucie Ekonomii, w Zakładzie Teorii Rozwoju Ekonomicznego.
- Sławomir Grzegorz Kozłowski**, prof. dr hab., profesor zwyczajny na Wydziale Ekonomicznym UMCS, w Instytucie Teorii Rozwoju Społeczno-Ekonomicznego, w Zakładzie Polityki Społecznej, Gospodarczej i Przestrzennej.
- Dionizy Niezgoda**, profesor tytularny, kierownik Katedry Ekonomiki i Organizacji Agrobiznesu, kierownik Zakładu Zarządzania w Agrobiznesie.
- Agnieszka Piasecka**, magister, asystent na Wydziale Ekonomicznym ITMCS, w Instytucie Zarządzania i Marketingu, Zakładzie Jakości i Zarządzania Wiedzą.
- Halina Pietras**, doktor, adiunkt na Wydziale Ekonomicznym UMCS, w Instytucie Ekonomii, w Zakładzie Funkcjonowania Gospodarki.
- Lilia Skalecka**, doktor, adiunkt na Wydziale Ekonomicznym UMCS, w Instytucie Zarządzania i Marketingu, w Zakładzie Analiz Ekonomicznych i Logistyki.
- Elżbieta Skrzypek**, prof. dr hab., profesor nadzwyczajny na Wydziale Ekonomicznym UMCS, prorektor UMCS, kierownik Zakładu Ekonomiki Jakości i Zarządzania Wiedzą w Instytucie Zarządzania i Marketingu.
- Janina Szubstarska**, doktor, adiunkt na Wydziale Ekonomicznym UMCS, w Instytucie Teorii Rozwoju Społeczno-Ekonomicznego, w Zakładzie Nauk o Pracy.
- Maria Świętochowska**, doktor, adiunkt na Wydziale Ekonomicznym UMCS, w Instytucie Ekonomii, Zakładzie Kierowania Gospodarką Narodową.
- Jerzy Węclawski**, prof. dr hab., profesor zwyczajny na Wydziale Ekonomicznym UMCS, dziekan Wydziału Ekonomicznego, kierownik Zakładu Bankowości w Instytucie Ekonomii.

**Piotr Zalewa**, magister, asystent na Wydziale Ekonomicznym UMCS, w Pracowni Zastosowań Technik Informatycznych.

**Jan Zalewa**, doktor habilitowany, profesor nadzwyczajny UMCS, kierownik Zakładu Gospodarki Żywnościowej na Wydziale Ekonomicznym UMCS.

**Piotr Zieliński**, doktor, adiunkt na Wydziale Ekonomicznym UMCS, w Instytucie Teorii Rozwoju Społeczno-Ekonomicznego, w Zakładzie Polityki Społecznej, Gospodarczej i Przestrzennej.

**Krystyna Zinczuk**, doktor, adiunkt na Wydziale Ekonomicznym UMCS, w Instytucie Zarządzania i Marketingu, w Zakładzie Ekonomiki Przedsiębiorstwa i Marketingu.

**Helena Żukowska**, doktor, adiunkt na Wydziale Ekonomicznym UMCS, w Instytucie Ekonomii, w Zakładzie Funkcjonowania Gospodarki.

**Krzysztof Żuk**, doktor, adiunkt na Wydziale Ekonomicznym UMCS, w Instytucie Ekonomii, w Zakładzie Teorii Rozwoju Ekonomicznego.



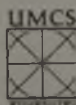
CZASOPISMA

Biblioteka Główna Uniwersytetu  
Marii Curie - Skłodowskiej w Lublinie

35

9547

2001



---

WYDAWNICTWO  
UNIWERSYTETU MARII CURIE-SKŁODOWSKIEJ  
Pl. Marii Curie-Skłodowskiej 5, 20-031 Lublin  
POLSKA

---