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### Changes at the Job Market in Poland in 1990—1993

Zmiany na rynku pracy w Polsce w latach 1990—1993

Reforms of Polish economy started in autumn 1989, assumed complete economic system transformations in which market mechanisms should play the major role and they caused, among others:

— liquidation of functioning of deficit economy and disclosure of excessive employment (20—30% previously employed),<sup>1</sup>

— introduction of market prices for final products and applied factors of the production,

— subjection of the economy to competition, demonopolization and restructurization,

— gradual spreading the market need of expenditures rationalization, that is saving them and choosing the structure on a base of estimation of relations between their productivity and costs.

The change of economic system caused important changes at the job market that appeared in a very short time. Transformation of the job market from market with a protracted lack of man power to market of insufficient demand for the job with permanently rising open unemployment was the most characteristic.

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<sup>1</sup> Estimations of Ministry of Job and Social Policy [in:] Program of Unemployment Counteraction and Softening Its Negative Results. "Rynek Pracy" 1993, No 6, s. 2.

## LEGAL-INSTITUTIONAL CHANGES

Arising job market directed by economic mechanisms required creation of legal base to its functioning; these are two acts (with many changes): unemployment act of 28 December 1989 as well as employment and unemployment act of 16 October 1991.<sup>2</sup>

According to these acts the public service regarding employment and unemployment (job administration) was appointed and to the end of 1992 it was subordinated to common administration and since 1 January 1993 it has played the role of special administration. At central summit, Ministry of Job and Social Policy as well as subordinated to it — Job Department, are the organs of that administration. To the basal function of Ministry we can count, among, others, delimitation of state policy in a branch of employment and job market, ensurance of budget means for its realization and preparation of necessary law acts. Job Department plays organizational-executive functions and analytical ones realizing the delimited state policy basing on the extracted means, co-creating and applying the instruments of job market such as: employment agencies, orientation and job guidance, professional schooling of unemployed, intervention jobs and public works, supplying the development of small-business and new job places. Job Department also coordinates the activity of 49 provincial job departments that are submitted by 353 regional job departments realizing in their own areas the wide spectrum of activities in a range of employment, counteracting unemployment and softening its results. Because in Poland the system of unemployment insurance has not come into being until now, the regional job departments are engaged in the unemployed registration and unemployment benefit paying.

All the activities of these departments at the job market, both protective and activating unemployed, are financed from Job Fund created from obligatory shares of firms and from budget means. The obligatory shares of firms are counted from the sum of means for wages at the level of 3% (to the end of 1992 it was 2%).<sup>3</sup>

Aside to the Minister of Job there was appointed the Main Employment Council; similar councils function aside provincial and regional job departments. They are advisory-consultative organs (with no decision

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<sup>2</sup> Legal Act on Employment from 28.12.1989. "Dziennik Ustaw" No 75, pos. 446 as well as Legal Act on Employment and Unemployment of 16.10.1991. "Dziennik Ustaw" No 106, art. 457.

<sup>3</sup> The budget subsidy covered about 63% summary expensis from The Job Fund in 1993.

rights), representing trade unions, employers, state administration and territorial governments.

Behind the range of interest of public service regarding to employment and unemployment there are people representing free occupiers (artists, writers, culture creators) as well as persons working on a base of work agreement or agreement-message that are at present time more often used for temporal employment, specially in private sector in order to avoid services for social insurance and other strains. It reduces the effect of employment service on situation at the job market just like in the grey sphere of economy.

The situation at the job market is a result of many different and very complicated changes in economy that progress not only under influence of initiated mechanisms of market economy but also as a result of economic and social policy of the state. The four years' period of effects of these changes permits to catch some tendencies at the job market that will be presented below. They are:

- decrease of a social job activity,
- still increasing unemployment,
- small number of free places submitted by employers.

#### THE NUMBER OF EMPLOYED

Gathering numeric data on employed in national economy, The Main Statistical Department (GUS) takes into account the following groups of people: hired workers employed on a base of work agreement, employers and those working on their own account, agents working on a base of agency agreements and agreement-messages, members of agricultural collective farms, home-workers, working in the areas of workers of national agricultural farms as well as priests of all religions.

During three years, that is from the start of 1990 to the end of 1992. the number of employed decreased by about 2 mln people. This decrease was not uniform. The highest one, about 1,1 mln people, was noted in 1990, lower — about 600,000 people in 1991 and the lowest — about 300,000 in 1992. At the end of the first half of 1993, the number of employed increased by about 200,000 people. Inhibition of such a decrease can be regarded as some success, despite the fact that it appeared on a very low level in accordance with the number of population and the real resources of man power. The population in the mentioned period increased about 467.000, and the contribution of people employed to the whole population decreased very much — from 46.3% at the end of 1989 to 41.4% at the end of 1993 (Tab. 1).

Tab. 1. The employed in national economy of Poland in 1989—1993 (state on 31.12)  
Zatrudnienie w gospodarce narodowej Polski w latach 1989—1993 (stan na 31.12)

Specification	1989	1990	1991	1992	1993
1. Sum of employed					
— people in mln	17.6	16.5	15.9	15.6	15.8 *
— previous period = 100,0	×	93.8	96.3	98.5	101.4
2. Employed beyond individual agriculture					
— people in mln	13.5	12.4	11.8	11.4	11.4
— previous period = 100,0 among them in sectors:	×	92.0	95.0	96.6	100.0
industry	×	88.6	91.4	96.9	100.8
architecture	×	88.8	96.8	102.2	96.8
transport	×	91.1	84.7	96.7	97.4
trade	×	100.6	115.9	95.7	104.0
education	×	103.6	94.6	104.4	98.8
health security	×	101.8	95.1	102.8	96.8
state administration	×	94.5	118.9	117.4	109.3

\* State on 30.06.

Source: "Rzeczpospolita" of 7.08.1993. Addition: Statistics of Poland as well as "Rzeczpospolita" of 7.02.1994. Addition: Statistics of Poland.

The larger decrease of the number of employed was in economy branches — out of individual agriculture — about 2.1 mln people. This decrease was different in the particular branches of economy. In the first year of reforms, the highest decrease took place in industry, architecture and transport. In architecture and transport it kept also in the next years, and in industry it was stopped in 1993. The economy branches with the highest increase of employment were state administration (except of 1990) and trade (except for 1992). In state administration this increase was, among others, due to increase in employment in self-government administration finance departments and job departments.

From the view-point of economic system transformations, systematic increase of the employed in private sector — up to 59.6% in June 1993, is an important factor to valuation. Beyond the individual agriculture, contribution of this sector increased from 31.2% (December 1989) to 45.6% (June 1993). The highest percentage of employed in private sector is in trade — 92% and architecture — 77.6%.<sup>4</sup>

In economic units with 5 and more employed people there can be seen a slightly different view of changes. The number of employed persons decreased during 1993 by about 2.8% and this decrease took place in all

<sup>4</sup> Data source—like in Table 1.

quarters. It is proved by W. Krencik that it has not been stopped in this firms yet.<sup>5</sup>

Similar misgivings arise due to representative investigations of GUS. Comparing the results of these investigations in November 1993 and February 1994, we may find that the number of employed decreased in the mentioned period by about 494,000 persons<sup>6</sup>. Moreover, from these investigations it follows that the structure of the employed regarding economic sectors still departs from the structure of economically developed countries. In agriculture and forestry almost 1/4 of all employed population works, in industry and architecture — 31.7%, and in services — 43.7%.

These investigations (in short BAEL) are carried independently of official state statistics, in accordance with international rules and definitions. They are more rigoristic because, for example, to the employed there are counted all persons of more than 15 years of age, that in the week when investigations are carried, have worked for money at least 1 hour.

To the important changes that appeared at the job market in the investigated period there must be counted the change of proportion between the number of employed persons and number of employers as well as working on their own account. The number of employed decreased from 12,088,000 persons in 1989 to 9,453,000 in 1992, that is about 2,6 mln persons (22%). The number of employers increased in that time (together with working on their own account) from 4,957,000 to 5,883,000 people, that is by about 926,000 people (11.9%).<sup>7</sup> It proves a diraction and depth of changes in property transformations seen at the job market.

#### THE LEVEL AND STRUCTURE OF UNEMPLOYMENT

The information on the range of unemployment in Poland comes from two sources. The first one are statistics of regional job departments, registrating the unemployed in accordance with the requirements in legal acts, the second one is stated before the investigations on social economic activity (BAEL), carried by representative method by The Main Statistical Department (GUS) every quarter, starting from May 1992 and adjusted to the needs of international statistics. Both methodology of these investigations and adopted definitions of unemployed persons are not comparable

<sup>5</sup> W. Krencik: Changes at the Job Market in 1993. "Praca i Zabezpieczenie Społeczne" 1994 No 5, pp. 4—5.

<sup>6</sup> The less number of us are working. "Rzeczpospolita" of 13 May 1994. Addition Markets-Firms, p. 6.

<sup>7</sup> W. Krencik: Problems of the job market in Poland according to the state report on a state condition (attempt at estimation). "Praca i Zabezpieczenie Społeczne" 1994 No 1, p. 4.

Because of relatively short period of carrying them, mainly the data of job departments are going to be used. Their analysis for 1990—1993 permits to point to the following main attributes of unemployment in Poland:

- 1) fast increase of the number of unemployed and unemployment rate,
- 2) high contribution of unemployed in groups of young age,
- 3) increasing participation of unemployed of low education,
- 4) increasing contribution of long-term unemployed,
- 5) high share of unemployed women,
- 6) increasing participation of unemployed without right for taking the unemployment benefit,
- 7) large space differentiation of unemployment rate.

Most of these attributes are confirmed by the data in Table 2.

The most of unemployed were registered in 1990 — over 1.1 mln people. They made 6.1% of civil society active in job. In 1991 almost 1 mln of unemployed were added and this caused an increase of unemployment rate to 11.4%. 1992 was the year of the lowest increase of unemployed in absolute numbers; it was 350,000; a little higher increase of unemployed — about 380,000 was noted in 1993.

Nowadays, Poland can be counted among the countries of the highest unemployment rate in Europe (15.7%). It is worth adding that GUS's representative investigations (BAEL) confirm the high unemployment

Tab. 2. Level and main attributes of unemployment structure in Poland in 1990—1993 (state on 31.12)

Poziom i główne cechy struktury bezrobocia w Polsce w latach 1990—1993 (stan na 31.12)

Specification	1990	1991	1992	1993
1. Sum of unemployed in thousands of people	1,126.1	2,155.6	2,509.3	2,889.6
2. Unemployment rate in %	6.1	11.4	13.6	15.7
3. Contribution to whole number of unemployed (in %):				
— women	50.9	52.6	53.4	52.2
— people to age of 34	—	65.0	72.3	63.0
— people with full and partial elementary education as well as elementary occupational education	—	67.4	69.6	71.4
— people without the right to unemployment benefit	28.8	25.0	47.7	51.7
— being without a job longer than 12 months	—	—	45.2	44.8

Source: Statistical Annual of GUS 1991, p. 106. Statistical Annual of GUS 1992, pp. 108—109. "Rynek Pracy" 1992 No 1, pp. 43—46. "Rynek Pracy" 1993 No 1, pp. 31—35. "Rynek Pracy" 1994 No 2, pp. 80—84.

rate. In November 1992 it was close to that in Table 2 and was 13.7%, however in November 1993 it was a little lower and was 14.9%.

Estimating the increase of unemployment in Poland, M. Kabaj states that from January 1990 to July 1993, unemployment was increasing by about 3,000 people every working day. One can say that each day one big firm was liquidated.<sup>8</sup>

Analysing the structure of unemployment it should be pointed out that more often women stay without a job. They are 52—53% among unemployed. Another attribute of unemployment structure is young age of people without a job. Approximately 2/3 of unemployed are people of age to 34 (Tab. 2), and the share of unemployed aged 33 and more, was in the investigated period only 1.7—2.0%. Participation of persons with the lowest education which at the end of 1993 were 71.4% of unemployed population, is still growing in the structure of unemployed. They are persons with full elementary education and partial one as well as elementary occupational education. The share of unemployed without right to unemployment benefit, who in the first two years of the investigated period were 1/5 to 1/4 of all, also increases and lately they have been over half of unemployed.

Tab. 3. Job offers in Poland in 1990—1993 (state at the end of the quarter)  
Oferty pracy w Polsce w latach 1990—1993 (stan na koniec kwartału)

Years		Number of offers in thousands	Number of unemployed per 1 job offer
1990	I	24.1	11.1
	II	42.5	13.7
	III	61.0	15.2
	IV	54.1	20.8
1991	I	45.8	28.9
	II	47.4	33.2
	III	48.0	41.1
	IV	29.1	73.9
1992	I	26.8	82.7
	II	31.7	72.5
	III	40.5	61.7
	IV	22.9	109.6
1993	I	27.2	97.4
	II	37.0	73.0
	III	41.8	68.0
	IV	21.7	133.1

Source: Statistical Annual of GUS 1993, p. 122. "Rynek Pracy" 1993 No 4, p. 70. "Rynek Pracy" 1993 No 7, p. 82. "Rynek Pracy" 1993 No 10, p. 64. "Rynek Pracy" 1994 No 1, p. 79.

<sup>8</sup> M. Kabaj: Outline of the program of unemployment counteraction. "Praca i Zabezpieczenie Społeczne" 1993 No 10—11, p. 1.

An important attribute of unemployment is also large participation of long-term unemployed among the total number of searching for job. People remaining without a job over 12 months make about 45% of all the unemployed but in absolute numbers it grew in 1993 (1,294,700 people in relation to 1,134,100 at the end of 1992).

Like in every country, unemployment in Poland is characterized by a large space differentiation. The unemployment rate in provinces with the lowest and the highest unemployment was as 1:4. It refers both to 1992 when the rate in Warsaw province was 5.9% and in Koszalin province — 24.1%, and to 1993 when the lowest unemployment rate seen in Cracow province — 7.2% and the highest one in Koszalin province — 28.7%. For three years the list of regions and communes with specially high structural unemployment has been carried on. 412 communes are in it; among them there are all communes of Lodz, Słupsk and Wałbrzych provinces. These regions take the special state help and they are given about 3 times more means for the fight against the unemployment. The unemployed in these regions have the right for taking the unemployment benefit longer, not 12 but 19 months. Moreover, in these regions many instruments for economic activity and investments are in use.

#### JOB OFFERS

At the end of 1989 there were 25.4 free job places per one person looking for a job. This factor displayed the existence of worker's job market. From 1990 that situation has generally changed. For one job offer from employers the higher number of unemployed have waiting. We can state that thanks to estimation of that factor at the end of the quarters of the particular years (Tab. 3). It is very different and it decreases in quarter IV (except for 1990), which shows the seasonal drop of economic situation at the job market. The high increase of unemployed in some occupations (for instance architectural) at the end of the year confirms this.

Considering the state situation at the end of the year one can see that the number of unemployed per one job offer still increases. In 1990 it was 20.8, in 1991 — 73.9, in 1992 — 109.6 and in 1993 — 133. The number of job offers is very small compared with the number of unemployed looking for a job. Moreover, differentiation of this factor on a national scale is very high. From the data of Job Department edited in "Życie Gospodarcze" it results that per one job offer as a worker, there were in Zamość province — 1,208 persons searching for a job, in Ostrołęka

<sup>9</sup> Economic Situation in the Country. The Job Market. "Życie Gospodarcze" 1994 No 5, p. 50.



province — 956 and in Krosno province — 772<sup>9</sup>. It testifies to a dramatic situation at the job markets in these provinces. The chances of finding an employment with such a low demand for a job are practically close to zero.

Changes at the job market can be the source of many threats. Unemployment is of chronic and massive character. It is an important economic, social and political problem. Its range would be larger unless there was possibility for sooner retirement or disability pension for part of workers. From the data of Statistics, Analyses and Prognoses Department of Social Insurance Institution it results that in the 80's the number of given the retirement pensions was about 130,000 and disability pensions — about 180,000. In 1991 (record year), 500,000 retirement and over 300,000 disability pensions were given. Every seventh pension paid in Poland was given under the act about sooner retire<sup>10</sup> (the number of retired employees and pensioners at the end of 1993 was 8,729,600 persons). The average age of sooner retired employees is 52 for women and 58 for men.

In the nearest years the situation at the job market may get worse due to the higher growth of job resources which follows from the second after-war demographic explosion.

In the view of the problems above there arises an urgent need for improvement of efficiency of past employment policy and policy in the range of unemployment limitation.

#### STRESZCZENIE

Zmiany systemu gospodarczego w Polsce, rozpoczęte pod koniec 1989 roku, zmieniły w istotny sposób mechanizmy funkcjonowania i sytuację na rynku pracy. Rynek ten w bardzo krótkim czasie przekształcił się z rynku pracy o stałym, dużym niedoborze siły roboczej w rynek niedostatecznego popytu na pracę. Cechą rynku pracy jest masowe, szybko narastające bezrobocie. Dotyczy ono głównie ludzi młodych, o niskich kwalifikacjach, częściej kobiet niż mężczyzn. Rośnie liczba długotrwale bezrobotnych oraz osób bez prawa do zasiłku. Na niektórych lokalnych i regionalnych rynkach pracy problemy te występują z dużo większym nasileniem. Inną cechą zmian na rynku pracy jest spadek liczby pracujących, zmiany w strukturze oraz znikoma liczba ofert pracy zgłaszanych przez pracodawców.

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<sup>10</sup> W. Pretkiel: Surprising facts ignorance. "Życie Gospodarcze" 1994 No 1, p. 31.

