Helping Poland cope with unemployment

U.S. Department of Labor agencies are providing technical assistance to help Polish workers adjust to a market economy, especially the new experience of unemployment

Robert W. Bednarzik

The transition from state socialism to a market economy is fraught with danger for Poland. Failure or too long a transition period can provoke serious social unrest. Unemployment is certain to be a part of such a transition. At the request of the Polish Ministry of Labor, the U.S. Department of Labor has begun a technical assistance program to help Polish workers adjust to the crucial period of economic transition and reform.

This article describes the nature of the U.S. Department of Labor's technical assistance to Poland. To help understand how the assistance is tailored to Poland's economy, it first describes Poland's economic system, reform plan, labor market structure, and unemployment prospects.

Poland's pre-1989 economy

By the end of the 1940's, Poland had established a centrally planned economic system based on the Soviet model of state-owned industry and central control of production and trade. This model led to rapid industrialization, with extensive concentration of capital and labor in heavy industries. Output growth depended on increasing inputs rather than productivity. Capital was raised through forced savings (for example, by moderating the rate of growth of consumption and by limiting investment in infrastructures such as housing and communications). Individual labor was drawn from agriculture and by increasing the labor force participation rate of women.[1]

Although this strategy helped Poland recover from the war, the economy soon began to unravel. Problems included shortages of production and consumption goods, slowdowns in productivity growth due to inefficient use of technology, and poor quality of production.[2] To help resolve some of these problems, the government launched as early as 1956, and again in 1974, 1982, and 1987, efforts to establish a more decentralized and market-oriented economy.[3]

The various reform efforts shared a number of characteristics: (1) they fine-tuned central planning rather than changed the underlying logic of the Soviet model, dealing only with selected portions of the economy on an experimental basis; (2) they were inconsistent and had very little impact; (3) they allowed distortions in prices to persist after reforms were implemented; (4) they did not introduce technological change, so plant and equipment became obsolete; and (5) perhaps most importantly, they were not accompanied by political reforms, providing an opportunity for the *nomenklatura*—local officials and managers appointed on the basis of party political credentials rather than of technical expertise—to undermine them.[4]

Given the crisis of the economy in late 1989 and a history of failed reform attempts, the new Solidarity-led government decided to dismantle the centrally planned economy and quickly establish a free-market economy. The government has developed bold and comprehensive policies for structural reform.

Economic reform plan

The primary objective of the 1989 economic reform plan[5] is to set up a market system in

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Poland like those of industrially developed countries. The goal is to do this quickly through radical steps so that the transitional stage and the accompanying hardship last only a short time.

The economic program has two broad goals: to stabilize the economy by bringing inflation under control, and to transform the economic system. Stabilization is considered a prerequisite for successful institutional changes, and both goals are necessary to attract foreign assistance and investment.

Poland's plan to stabilize the economy has two elements: to reduce inflation and to reduce the budget deficit. The primary steps to lowering inflation include:

- counteracting monopolistic pricing practices and dismantling monopolistic structures;
- keeping commodity reserves to allow for market intervention when key prices begin to escalate;
- closing selected inefficient plants;
- restricting wage growth;
- stimulating long-term savings;
- eliminating excessive investment demand;
- divesting selected state assets; and
- instituting a stricter credit policy for enterprises.

Some of these actions, if adopted, will also help reduce the budget deficit. Reducing the deficit will be achieved by the following measures:

- reducing the subsidy for coal;
- reducing the number of subsidized food items and inputs to farm production;
- reducing the subsidies for social and political organizations;
- reducing reimbursements to local governments for increases in the cost of equipment and services;
- reducing expenditures, in real terms, for public security and national defense;
- forcing enterprises to meet their liabilities to the budget; and
- raising official prices and, correspondingly, the tax on selected consumer goods.

Initially, these changes will lead to a rapid increase in prices and a drop in real wages. Some enterprises may be forced to close, causing unemployment to rise. Eventually, prices and income should stabilize as the reduction in the flow of money into the economy will become a disincentive to price increases. Concurrently, the government will take steps to introduce market economy institutions similar to those in developed Western countries. These steps, some of which are already being used, will include:

- individual ownership rights;
- greater autonomy of state enterprises;
- freedom to set prices;
- freedom to set up new enterprises;
- opening the economy by allowing market-dictated convertibility of the zloty;
- tax reform;
- banking system reform;
- launching a capital market; and
- establishment of a labor market.

To alleviate the negative effects of all of these changes, the Polish government will develop a social umbrella system or social safety net.

Social safety net. Workers and their families will bear the brunt of the economic reform. The number of people impoverished will increase as the government curtails wage increases and allows prices to escalate. The situation will be exacerbated by the cutbacks in nonwage subsidies (energy and housing allowances, for example) to individuals.

Unemployment will occur as firms exercise their new right to fire workers, and will increase substantially when the government begins to close inefficient state-owned enterprises. Based on experience in the West, we know that with unemployment comes loss of income and, to some extent, loss of prestige and stature. In Poland, the initial job loss will carry additional hard-

Table 1. **Distribution of the Polish labor force by major sector and gender, 1988, and average annual growth for selected years, 1971–88**

Sector	1988			Average annual percent growth			
	Total	Men	Women	1971–75	1976–80	1981–85	1986–88
Total labor force:							
Number (thousands).	17,831	9,829	8,002	1.3	0.3	0.2	–0.2
Percent	100.0	100.0	100.0	—	—	—	—
Socialized sector.	71.1	67.6	70.9	3.6	.9	–.5	–.4
Private sector ...	30.9	32.4	29.1	–3.1	–1.1	1.9	.3
Nonagriculture .	7.0	9.7	3.6	2.3	5.6	9.0	9.3
Agriculture	23.9	22.7	25.5	–3.6	–1.9	.7	–1.8

SOURCE: *PlanEcon, Overview of the Polish Labor Force* (U.S. Department of Labor, Bureau of International Labor Affairs, Nov. 14, 1989), Contract No. 41USC252C3.

ships because it will sever an individual's link with the state, which, in the past, has been the source of not only wages, but often housing, access to consumer goods, vacation sites, and so forth. Moreover, the inadequate supply of housing will constrain workers' abilities to relocate in response to a job loss.[6]

We also are aware of the psychological effects of unemployment on jobless individuals and their families. In addition to the financial ramifications, job loss involves an enormous amount of stress caused by having to cope with feelings of rejection, frustration, and guilt.[7] The trauma may be even more severe in Poland because unemployment is a totally new experience for most job losers. However, unemployment is no longer illegal as it was under communism, where the state guaranteed everyone a job. Also, the extended family is more prevalent in Poland than in the West, and this may help cushion the impact of unemployment.

Often, a person's place in the community, friends, financial situation, and cultural and political affiliations are determined by his or her job. A Canadian study found that the loss of a job could lead to the worker's withdrawal from these associations. The study reported that "withdrawal from secondary associations by downgraded workers following relocation of the factory was accompanied by increase in radicalism and in greater willingness to prescribe a larger role for the state."[8] This is a major concern in Poland, and it emphasizes the importance of an adequate social safety net.

The social issues related to economic reform must be addressed promptly and adequately to assure long-term economic success. Otherwise, the human suffering and worker unrest associated with economic restructuring may grow to such an extent that it could undercut reforms or, worse still, lead to anarchy. As Prime Minister Jozsef Antall of Hungary recently said, "Harsh measures can be executed only in parallel with the creation of a social safety net."[9]

The full-employment policy of communism obviated the need for a labor social safety net (for example, an unemployment compensation system). Worker dismissals seldom occurred; workers were left on the payrolls even if they were not needed. That is, unemployment was hidden and workers were underutilized. Many enterprises hoarded labor so they could meet seasonal demand or sudden increases in output targets. Besides initiating unemployment compensation, Poland plans to protect economically vulnerable groups by:[10]

- safeguarding the level of food consumption by issuing coupons for staple foods (for example, bread and milk) and extending the network of free and cheap eateries;
- partially reimbursing the higher cost of rent and heating;
- maintaining the "real" value of pensions at 1988 levels; and
- stimulating economic entities to contribute financially to social assistance through tax policies.

Much of the social safety net can be implemented immediately because little new infrastructure is required. In fact, reports from Poland that many people are utilizing Red Cross soup kitchens and government-sponsored eateries indicate that part of the social safety net program has indeed begun. In a country where unemployment in theory did not exist, however, setting up an unemployment compensation system and other services to help the unemployed requires a new structure.

Labor market structure

Poland is the largest country in Eastern Europe, with about 38 million people in 1988—about the same number of people and land area as New York, New Jersey, Pennsylvania, and West Virginia combined. Poland has the land and labor necessary to develop a sizable labor market, but needs more capital. Moreover, Poland's human capital needs further developing; a lack of trained personnel at all levels in all sectors is a barrier to the success of the economic reform plan.

Table 2. **Number in the labor force in selected countries, selected years, 1960–88**

[In millions]

Country	1960	1975	1988
Poland	14.1	17.9	18.7
Bulgaria	4.0	4.3	4.3
Czechoslovakia	6.3	7.7	8.3
Hungary	4.7	5.1	4.9
Romania	9.5	10.1	10.7
Yugoslavia	8.4	8.3	9.8
U.S.S.R.	110.1	136.7	154.8
Italy	21.2	20.4	23.1
France	19.6	22.3	24.1
United States	71.5	95.5	123.4

SOURCE: *Handbook of Economic Statistics, 1989* (Central Intelligence Agency, Directorate of Intelligence, September 1989), CPAS 89-10002.

Composition. In 1988, the private sector employed 31 percent of Poland's work force primarily in agriculture, a unique situation among Eastern European countries. The private nonagricultural sector employed only 7 percent of the total workers in 1988. However, the pace of growth in private nonagricultural employment has been rising at an average annual rate of more than 9 percent per year in the 1980's. (See table 1.) In contrast, private agricultural employment has been declining over the past two decades, although there was a slight temporary increase in the early 1980's. The socialized sector posted employment declines in 1987 and 1988 as well.

The Polish labor force of 18.7 million was distributed by economic sector in 1988 as follows:[11]

	Percent
Total	100.0
Agriculture	28.3
Industry	26.2
Services	45.5

Poland had by far the largest labor force of all the Eastern European countries in 1988. Moreover, its labor force has grown more rapidly than that of most other European countries over the 1960–88 period. (See table 2.)

The large percentage of employment in agriculture, and the low percentage in services, distinguishes Poland, most other Eastern European countries, and the U.S.S.R. from the West. For example, in 1988, nearly 30 percent of Poland's work force was in agriculture. Most other Eastern European countries had around 20 percent of workers in agriculture, compared with under 10 percent of workers in Western countries. The agricultural sector in Poland was very labor intensive because of the old government's constraint on investment in the private sector.

Poland's service sector, including the government, accounted for less than half of the total labor force in 1988, fairly typical of the Eastern European countries. In nearly all Western countries, the service sector made up two-thirds or more of the labor force.

Industry (mining, manufacturing, and construction) accounted for about 25 percent of the work force in Poland in 1988, a smaller proportion than most of its neighbors, but on par with several Western countries. (See table 3.)

The structure of the Polish labor force has implications for employment and training programs and unemployment. For example, the relatively low percentage of the work force in industry means that it may be possible and indeed desirable to retain much of industry's existing work force. Doing so could entail setting up a retraining program for workers to update their skills as one component of a modernization program to catch up with the West. In contrast, the high proportion of the work force in agriculture probably means that the agricultural sector will experience displacement, even after the transition shock has passed.

Significant unemployment is likely to occur in the agricultural sector in the near term. The level will be determined partly by the business cycle. The economic policies instituted to control inflation will likely lead to a recession. Thus, unem-

Table 3. **Percent distribution of the labor force in selected countries, by economic sector, selected years, 1960–88**

Country	Agriculture			Industry[1]			Services		
	1960	1975	1988	1960	1975	1988	1960	1975	1988
Poland	49.6	31.8	28.3	22.7	29.1	26.2	27.7	39.1	45.5
Bulgaria	55.0	27.9	18.6	20.0	30.2	32.6	25.0	41.9	48.8
Czechoslovakia	23.8	14.3	12.0	36.5	37.1	36.1	39.7	48.1	51.8
Hungary	36.2	19.6	18.4	29.8	35.3	32.7	34.0	45.1	49.0
Romania	66.3	38.6	29.0	13.7	27.7	33.6	20.0	33.7	37.4
Yugoslavia	57.1	43.4	21.4	13.1	21.7	28.6	29.8	34.9	50.0
U.S.S.R.	41.2	26.4	[2]21.9	20.5	24.9	[2]24.6	38.2	48.6	[2]53.5
Italy	30.7	15.7	8.7	32.5	37.7	29.4	36.8	46.6	61.9
France	21.9	9.9	[2]6.2	35.7	35.4	[2]26.1	42.3	54.7	[2]67.6
United States	7.8	3.7	2.7	30.8	26.5	24.1	61.4	69.8	73.3

[1] Includes mining, manufacturing, and construction.

[2] Data are for 1987.

SOURCE: *Handbook of Economic Statistics, 1989* (Central Intelligence Agency, Directorate of Intelligence, September 1989), CPAS 89-10002.

ployment will occur initially in sectors that are unprotected by the state (such as agriculture).

Characteristics. In designing employment and training programs and in gauging the social impact of structural reform in Poland, it is important to examine the characteristics of the work force. Studies show that the length of joblessness in the United States varies by education (higher levels significantly reduce duration), age (older workers have longer jobless spells), and gender (women have longer jobless spells).[12]

Women accounted for 45 percent of Poland's work force in 1988. Their share of the socialized sector was slightly higher than their share of the private sector—a result of the long-term decline in women's labor force participation in the private agricultural sector.

Presently, women account for about the same percentage of the labor force in Poland as in the United States, 45 percent. However, the trends differ dramatically. In Poland, the labor force participation rate for working-age women (18–59 years) fell continuously over the 1970–87 period to 77 percent. (See table 4.) In contrast, women's participation in the U.S. labor force increased continuously over the same period, reaching 70 percent in 1987. This same upward trend is visible in almost all industrialized countries.

The labor force participation of working-age men (18–64 years) in Poland has also been drifting downward over the 1970–87 period. Although this trend is similar to that in Western countries, the reason could be vastly different. For example, there is speculation that Polish workers found little incentive to remain in low-paying jobs in the "official" economy and have chosen to work in the "underground" or "black" economy, where income goes unreported.[13]

A bright spot on the labor market scene in Poland is the fairly well-educated work force. Although it is difficult and risky to compare education data across countries, the percentages of workers with various educational levels in Poland are similar to those published in two recent international comparative studies of educational attainment of the labor force.[14] (See table 5.) About 30 percent of Polish workers have 8 or fewer years of education; about 10 percent have a university degree. These data compare favorably with data for many Western European countries, and the proportion with a university degree is even higher than in a number of countries.

Polish university students, like most East European students, tend to study technical subjects more than do students in the West. (See table 6.)[15] The number of students in higher learning institutions in Poland per 10,000 inhabitants was about one-half to one-third that of Western countries and roughly the same as for other East European countries, but students in Poland were more likely to graduate. One of four Polish students graduated, versus only 1 of 5 or more students in other countries.

Table 4. **Labor force participation rates by gender for Poland and the United States, selected years, 1970–87**

Year	Poland			United States		
	Total	Men	Women	Total	Men	Women
1970	90	94	85	71	90	51
1975	88	92	83	72	88	56
1980	84	89	79	76	88	63
1985	82	86	78	78	88	68
1987	82	87	77	79	87	70

NOTE: Data are for 18- to 64-year-old men and 18- to 59-year-old women.

SOURCE: Poland data are from *Poland statistical data* (Warsaw, Central Statistical Office, 1989); U.S. data are from *Labor Force Statistics Derived From the Current Population Survey, 1948–87*, Bulletin 2307 (Bureau of Labor Statistics, 1988).

Unemployment and related new laws

The extent of joblessness in Poland will depend on a number of factors, mainly the success of the macroeconomic program in stabilizing the economy and the pace at which privatization proceeds. The following tabulation shows the number of unemployed in Poland in 1990, by month, as reported by the government, and the unemployment rates (based on a labor force of 17.8 million):[16]

	Number	*Rate*
January	55,800	0.3
February	152,190	0.9
March	216,560	1.2
April	398,530	2.2
May	415,000	2.3
June	511,150	2.9
July	699,270	3.9
August	767,000	4.3
September	926,380	5.2

Clearly, unemployment is rising in Poland, but is still lower than in many Western countries, even allowing for definitional differences. However, unemployment is climbing much faster than the government expected, and it has not begun to close inefficient state-owned enterprises. To date, enterprises have been reducing labor costs by reducing hours and wages through uncompensated "holidays" or temporary time off and by promoting early retirements.

The institutions in place in Poland to assist workers with the transition from one job to an-

other are inadequate for a market economy, much less to meet workers' needs during the transition from a command to a market economy. To decrease the repercussions of growing unemployment and improve the functioning of the new labor market, three laws have been implemented: the Employment Law, the Law of Mass Layoffs, and the Indexation Law.

The *Employment Law* established a Work Fund and builds on a countrywide network of employment offices. The Work Fund, financed from general revenues and a 2-percent payroll tax, pays the following for the unemployed: retraining, startup of own business, early retirement, and unemployment compensation. Unemployment compensation is paid only if the remaining three options are not viable and a suitable job is not available. Compensation amounts to 70 percent of the worker's previous wage, and gradually declines to 40 percent after 9 months, where it remains for an unlimited period.[17] To prevent undue hardship for very low-wage workers and because the compensation is not indexed, the government set a minimum unemployment compensation level at 35 percent of the previous month's average wage for *all* workers.

Interestingly, Poland's unemployment compensation system is now functioning as a social welfare system. Because the Employment Law does not require a previous work history to qualify for benefits, individuals who have never worked and profess that they are seeking work are eligible for benefits. Unless these persons refuse suitable work or training, they must be paid unemployment compensation benefits.[18]

Table 5. Full-time workers in Poland's social sector, by gender and educational level, 1970 and 1988

Educational level	Total		Men		Women	
	1970	1988	1970	1988	1970	1988
Workers:						
Number (thousands)	9,408	10,718	5,703	5,796	3,705	4,921
Percent:						
Primary (8 years or less)[1]	58.4	31.1	60.7	33.4	55.0	28.4
Basic trade school[2]	17.0	28.4	19.7	36.1	12.8	19.3
Secondary[3]	5.6	6.3	3.2	2.7	9.3	10.7
Post-secondary[4]	13.6	24.5	10.8	18.8	17.9	31.2
University[5]	5.3	9.7	5.6	9.0	5.0	10.5

[1] The U.S. equivalent is more than 8 years of school but less than a high school education.

[2] The U.S. equivalent is a vocational/technical high school education.

[3] The U.S. equivalent is a college preparatory education.

[4] The U.S. equivalent is a 2-year degree in technical professions.

[5] The U.S. equivalent is a master's degree.

SOURCE: *PlanEcon, Overview of the Polish Labor Force* (U.S. Department of Labor, Bureau of International Labor Affairs, Nov. 14, 1989), Contract No. 41USC252C3.

After more than 40 years of serving only as a recruiting office for industry, Poland's employment office must now serve the needs of jobless workers. It must change from waiting for an employer with a job vacancy to contact the employment office to actively looking for vacancies. The Employment Law charges the employment office to serve the unemployed through vocational guidance, assistance in finding jobs, training in growing occupations, and help in becoming self-employed. Because firms can now hire workers directly, the employment office no longer has sole responsibility for matching job seekers with job vacancies. Thus, it may deal to a great extent with those who are hard-to-employ.

The Employment Law also provides for a temporary work program of subsidized jobs in enterprises, and financial loans to businesses that create jobs for the unemployed and to unemployed workers who want to start their own business. One-half of the loan is forgiven for businesses if the unemployed stays on the job for 2 years, and is forgiven for unemployed workers if their business lasts 2 years. The temporary work program reimburses enterprises for up to 6 months of wages and other payments to unemployed workers.

The *Law of Mass Layoffs*, which applies to all companies, establishes redundancy procedures and provides a formula for severance pay. Workers are entitled to a month advance notice of layoff and a month of severance pay. Eventually, it is hoped that a labor relations system and a collective bargaining structure will evolve to deal with such matters at the plant level.

Currently, workers in state-owned enterprises have work councils that are elected by all workers, who, in turn, elect a plantwide self-management committee that selects the chief executive officer. Also, a smaller executive committee of the plantwide work council meets regularly to participate in the actual management of the company. This role of work councils will assume a greater importance as more decisions are made at the enterprise level. A major concern of trade unionists in Poland is that as companies become private and answerable to their owners and not the government, the work councils will be abolished and companies will oppose worker input through trade unions. Polish workers are very interested in some form of employee ownership of stock and other ways to preserve their decision-making role. The general view among workers is that unions should be established by industry or sector and that there still should be a fairly strong regional structure. However, it is premature to make substantive changes in the existing work council structure because the legislative frame-

work for an industrial relations system is not yet completed.

The *Indexation Law* empowers the government to control the relationship between wage increases and the rate of inflation, that is, it is a means to help control inflation. Enterprise wage bills were indexed by 30 percent of the inflation rate in January, 20 percent in February through April, and 60 percent thereafter; that is, for every 10-percent increase in prices, wages could increase 3 or 2 percent (6 percent after April). An unanticipated consequence of indexing enterprise wage bills, rather than the wages of individuals, may be to encourage unemployment, because the real wage level for workers in a particular firm can only be maintained by reducing the level of employment in that firm.

Also, taxing wages as well as employment discourages the hiring of additional workers. The tax is stiff, 300 percent of the portion of the company's wage bill that exceeds the allowable limit. Any revenue generated from this tax will help fund the unemployment compensation system.

The likelihood that taxing employment would encourage unemployment was recognized, and it was considered essential that firms be able to raise or lower employment levels during a restructuring period. Hence, the government, in January, gave firms the option of a tax based on the wage *bill* or the wage *per worker*.[19]

U.S. assistance program

The main purpose of the U.S. Department of Labor's technical assistance program in Poland is to help ease the burden of unemployment, much of which will accompany the government-imposed austerity measures necessary for economic restructuring. The Labor Department program will help the Polish Government set up an infrastructure to facilitate the development of a free and open labor market, a critical component of a market economy. It will use a "train-the-trainers" approach to ensure that institution building continues after the program ends.

Background. Under the Support for East European Democracy Act of 1989, the U.S. Department of Labor developed labor technical assistance programs for Poland and Hungary.[20] The program for Poland took several months to develop and is based on discussions with the Poles, including Secretary of Labor Elizabeth Dole's participation in a presidential mission to Poland in 1989, and on input from American labor and business.

It was agreed that Department of Labor assistance should focus on areas in which it had a comparative advantage, for instance, serving the needs of the unemployed and developing labor statistics. Technical assistance was provided to specific areas if such assistance—

- met a defined need;
- assisted the people as directly as possible;
- provided the foundation for a comprehensive program that could make a difference in the lives of people;
- was tailored to produce tangible, measurable results;
- produced a model that could be replicated; and
- applied the experience and resources of the United States in dealing with labor-related adjustment to change.

An important message the U.S. Department of Labor delivered to the Poles was the tripartite nature of its assistance. In a capitalist system, government, labor, and business work together on issues of common concern. In this case, the U.S. government and American labor and business designed the program cooperatively, and each will deliver some of the technical assistance. It was recommended that the Poles also involve their labor and business communities in determining who would receive assistance.

Program components. The components of the U.S. Department of Labor technical assistance to Poland include:

- employment services system development, including a model displaced worker program, to serve the needs of jobseekers in a free market environment, using a train-the-trainers approach;
- self-employment and entrepreneurial skills training;
- development of an unemployment compensation delivery systems design;
- labor statistics; and
- construction crafts training in the building trades—for example, carpenters, bricklayers, and so forth.

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It was agreed that the technical assistance focus on geographic areas where displacements are likely to occur and the displaced workers are not likely to find alternative employment without assistance. In consultation with the Poles, the initial pilot site will be in Szczecin, followed by one in Gdansk. There were several reasons for these selections: a large segment of the work force in each area is in factories or shipyards that will likely close; each area was targeted by the gov-

ernment and the trade unions as needing assistance; skill mismatches in each area make training a necessity; and each area has an employment office on which to build.

Employment services. In cooperation with regional employment offices (one for each of Poland's 49 provinces) and appropriate ministries, the program will teach employment service staff how to counsel workers in job search skills, training programs, early retirement options, and suitable employment opportunities that match their skills and aptitudes. Training will also include how to make individual career assessments, establish new training programs, conduct surveys of local employers' occupational needs to ensure that training programs are relevant to available jobs, and, in cooperation with IBM, set up an office-wide computer system.

The assistance program would also help the employment service staff develop the skills needed to operate an employment office, including how to manage a multiple service institution, assess applicants, secure job listings, establish referral criteria, and track applicant progress. Special emphasis will be placed on developing the staff's capability to respond rapidly to a plant closing or a mass layoff. The staff would learn how to mobilize labor, employer, and community resources, establish a labor-management oversight committee, and develop retraining curricula.

The Labor Department, in cooperation with the AFL–CIO's Community Services Department, will help the Poles develop the employment service staff's capacity to establish social, personal, and family counseling needs, identify and inventory community service resources, and provide referral and follow-up services.

Entrepreneurial skills. The U.S. Department of Labor assistance program will also help the Poles develop a program focused on basic entrepreneurial skills that will be essential in Poland's emerging market environment. Polish people will work with U.S. experts who will provide the initial training so that this capability can be further developed "in house." Entrepreneurial skills training will help some dislocated workers become self-employed. Heretofore, self-employment was officially an unknown concept in Socialist countries—although many workers in a second job in the underground economy may have been self-employed. That is, a few workers may actually have some self-employment experience on which they can build. The emphasis of the program will be on creating small businesses that need only a little startup money, especially businesses in the service sector.

Unemployment compensation. As noted earlier, Polish officials have given a high priority to the establishment of an effective social shield to protect workers and their families during the period of economic restructuring. The U.S. Department of Labor assistance program will help

Table 6. **Students and graduates of higher learning institutions in selected countries, 1986**

Country	Students per 10,000 people	Graduates per 10,000 people	Share of graduates (in percent)					
			Total	Technical	Law and social science	Humanities	Natural science	Other
Poland	119.0	29.4	100.0	20.0	23.1	4.5	3.7	48.7
Bulgaria	124.0	19.0	100.0	25.6	16.4	9.6	6.0	42.4
Czechoslovakia	109.0	21.7	100.0	38.9	20.4	1.2	2.8	36.7
Hungary	92.7	23.2	100.0	17.0	15.2	2.7	2.1	63.0
Romania	68.7	13.5	100.0	44.4	18.0	10.4	6.7	20.5
Yugoslavia	157.0	25.3	100.0	23.0	38.4	5.6	3.3	29.7
U.S.S.R.	184.0	30.0	100.0	41.5	8.3	31.9	[1]18.3	([2])
Italy	207.0	15.9	100.0	6.8	20.4	11.6	9.5	51.7
France	228.0	49.8	100.0	12.0	30.1	22.6	14.7	20.6
United States	332.8	49.7	100.0	—	—	—	—	—

[1] Includes graduates from "other" category.

[2] Data are included in "Natural science" category.

NOTE: Dash indicates data are not available.

SOURCE: *PlanEcon, Overview of the Polish Labor Force* (U.S. Department of Labor, Bureau of International Labor Affairs, Nov. 14, 1989), Contract No. 41USC252C3.

Poland develop an effective national unemployment compensation delivery mechanism.

The Labor Department is working closely with the World Bank on the unemployment compensation issue. The World Bank is advising Poland on the conceptual design of an unemployment benefit system—duration and level of benefits, eligibility, and so forth—while the Labor Department is focusing on administrative and organizational issues, such as processing claims promptly and accurately.

Labor statistics. Sound statistical information on matters such as employment, wages, and prices will be essential to the efficient functioning of the free enterprise economy in Poland and to the attraction of foreign investment. Accurate measures of productivity will be needed as enterprises strive to increase output and link wages and prices to enterprise costs and performance. The U.S. Department of Labor will assist in the development and operation of statistical information systems similar to those operated by Western countries, but adapted to Poland's needs.

The major weaknesses of Poland's present statistical system derive from the scant coverage of private establishments and free-market activities. Data are collected from the socialized sector, and may be slanted by preset government goals. Poland's price indexes do not show the effects of deterioration in the quality of goods. The technical assistance provided by U.S. Department of Labor's Bureau of Labor Statistics will include advice on the collection of data from previously uncovered small establishments, especially in the private sector, and on improvements in the consumer price index. To a lesser degree, BLS will also help Poland improve its producer price index and price indexes of exports and imports. The coverage of small establishments will improve the information on employment and wages in Poland's growing private sector. The work on consumer and producer prices and export and import prices will yield improved measures of inflation in domestic production and production for export, and better information on Poland's competitiveness.

Crafts training. To help alleviate Poland's severe housing shortage, a major impediment to increased labor mobility, the U.S. Department of Labor will work with unions—the AFL–CIO's Building and Construction Trades Department in the United States and Solidarity in Poland—to develop a crafts training program in the building and construction trades. The program will be designed to prepare workers for new Western-financed construction—public works, housing construction, and entrepreneurial activities for craftworkers who may want to go into business for themselves.

An important point with regard to retraining workers in Poland is that job tasks are very narrowly defined; most workers do only one task—that is, they are not multiskilled. Thus, nearly all of Poland's production workers will need some retraining to broaden their skill base. The trend in the industrialized countries is towards multiskilled production workers.

EFFECTIVE PROGRAMS TO HELP POLISH WORKERS and their families adjust to the new free-market environment are important, not only from a humanitarian standpoint, but to ensure that both political and economic reform has a sufficient opportunity to take hold. □

Footnotes

[1] Zbigniew M. Fallenbuchl, "The Polish Economy in the 1970's," in *East European Economies Post-Helsinki* (U.S. Congress, Joint Economic Committee, 95th Cong., 1977, Committee Print), pp. 816–64.

[2] Fallenbuchl, "The Polish Economy."

[3] *Economic Reform in Poland: Status and Prospects* (U.S. Department of State, September 1989).

[4] Karen A. Swiderski, "Economic Reform in a Planned Economy: the Case of Poland," *Finance and Development*, June 1988, pp. 24–27; Tamas Bauer, "Economic Reforms Within and Beyond the State Sector," *American Economic Association Papers and Proceedings*, May 1988, pp. 452–56; and Jorge Perez-Lopez, *Economic Restructuring in Poland: Implications for the Labor Force* (U.S. Department of Labor, Bureau of International Labor Affairs, March 1990).

[5] This section draws heavily on *Outline, Economic Program* (Warsaw, Polish Council of Ministers, October 1989), mimeograph. Discussions of Poland's economic reform include David Lipton and Jeffrey Sachs, "Creating a Market Economy in Eastern Europe: The Case of Poland," *Brookings Papers on Economic Activity*, 1990:1; and Jeffrey Sachs and David Lipton, "Poland's Economic Reform," *Foreign Affairs*, Summer 1990, pp. 47–66.

[6] Studies have shown that workers in countries with the least mobile work forces suffer the longest duration of jobless spells. See "Dislocated Workers," *Employment Outlook* (Paris, Organization for Economic Cooperation and Development, July 1990).

[7] Kenneth Root, "The Human Response to Plant Closures," *The Annals of the American Academy of Political and Social Science*, September 1984, pp. 52–65.

[8] Stewart Crysdale, "Social Effects of a Factory Relocation," *Canada: A Sociological Profile* (Toronto, The Copp Clark Publishing Co., 1968), p. 265.

[9] Karen Elliott House, "In East Europe, Only Poland Makes Hard Decisions," *The Wall Street Journal*, June 5, 1990.

[10] *Outline, Economic Program*, pp. 9–10.

[11] *Handbook of Economic Statistics*, 1989 (Central Intelligence Agency, Directorate of Intelligence, September 1989).

[12] *Economic Adjustment and Worker Dislocation in a Competitive Society*, Report of the Secretary of Labor's Task Force on Economic Adjustment and Worker Dislocation, Washington, DC, December 1986, p. 15.

[13] *PlanEcon, Overview of the Polish Labor Force* (U.S. Department of Labor, Bureau of International Labor Affairs, Nov. 14, 1989), Contract No. 41USC252C3.

[14] "Educational Attainment of the Labour Force," *Employment Outlook* (Paris, Organization for Economic Cooperation and Development, July 1989), ch. 2; and Robert W. Bednarzik, *Employment Profile of the Service Sector in Selected Countries* (U.S. Department of Labor, Bureau of International Labor Affairs, July 25, 1989).

[15] *PlanEcon*, table 10.

[16] These data are from various issues of the U.S. weekday newspaper, *The Journal of Commerce*. They were compiled by the Polish Government from administrative records of people seeking job assistance from the Employment Service. Under the current employment laws, eligibility for unemployment benefits is not very restrictive, although amendments to tighten eligibility requirements have been proposed. Unemployment benefit recipients now include (1) workers who have lost their jobs, (2) students seeking their first job, (3) workers who have quit their last job, (4) workers who have a job but register at the employment office because they want a job change and/or want unemployment benefits (some were multiple jobholders who lost one of their jobs), and (5) people who are unable to work or do not want to work but want to collect unemployment compensation benefits. It is impossible to determine the proportion of the total that each of these groups represents.

The labor force total is restrictive: it excludes workers who have been out of work longer than 3 months, workers under 18 years of age, men 65 years and over, and women 60 years and over.

[17] An amendment to the Employment Law has been proposed to limit unemployment compensation benefits to 1 year.

[18] An amendment to the Employment Law has been proposed to restrict eligibility for unemployment benefits to those who can meet a work test of having been employed 6 of the last 12 months and not unemployed because they quit their last job. An exemption would be students seeking their first job.

[19] O. Blanchard and R. Layard, "Economic Change in Poland," *Discussion Paper No. 3* (London, The Centre for Economic Performance, May 1990).

[20] "U.S. Responses in Support of Political and Economic Reforms in Hungary and Poland," in *Trade Between the United States and the Nonmarket Economy Countries During 1989* (U.S. International Trade Commission, June 1990), pp. 17–20, USITC Publication 2286.

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