

DEMOCRACY IN SELECTED POLISH STATE ENTERPRISES

Anatol PERETIATKOWICZ*

1. INTRODUCTION

There are many ways of analysing the problem of industrial relations in the social sciences. Some authors discuss the problem of workers' participation from the point of view of its economic and social efficiency,¹ while in other researches and publications their attention is concentrated on its forms or on various factors determining and limiting its development.² My intention is not to provide the supporters of workers' self-management here with some sort of logical or empirical evidence, though I think it necessary to declare my conviction that this form is socially most progressive and promising, also in the strictly economic respect. I only want to present some observations and thoughts about barriers in deepening democratic relations in Polish state enterprises which, in my opinion, may in some way contribute to the theory and practice of self-management in industry.

2. THE SETTING

The position of the state-owned sector in Polish industry is clearly a dominant one. Since 3. January 1946, when 3,397 industrial enterprises with more than 50 workers employed per shift were nationalized, this sector has disposed of the great majority of industrial employment and output in Poland. In 1985, when the survey reported below was conducted, state-owned firms offered 84% of all work places and their output totalled 83,5% of all industrial production there.³

The actual legal basis for the development of democratic relations in the nationalized sector was created formally by Act of Parliament

* Institute of Social Sciences, Technical University Radom, Poland

¹ H. Leibenstein, Allocative Efficiency Versus X-efficiency, *Amer. Econ. Rev.* 1966, June, J. Meade, The theory of Labor-Managed Firms and of Profit Sharing, *Econ. Journ.* 1972, 82, J. Vanek, The Labor Managed Economy, Cornell 1975, etc.

² P. Abell, Has Industrial Democracy a Future?, *Spółdzielczy Kwartalnik Naukowy*, Warsaw 1985, nr. 3.

³ Statistical Yearbook GUS, Warsaw 1986, p. 218, 232.

dated 25 September 1981 and entitled "On Workers' Self-Management in State Enterprises".⁴ This law was prepared as a result of a nationwide discussion about the necessary economic and political reforms and this took place in 1980—1981. All projects, and there were more than 10 complex ones,⁵ postulated far-reaching decentralization and democratization of Polish industry. Generally, the idea of self-management gained an unprecedented hold on Polish society and was almost totally supported by social scientists. Although the new Act did not fulfil maximal expectations and some of its details were strongly criticized by some "Solidarity" leaders, it nevertheless created essentially wider possibilities for worker participation in managing state enterprises than had been possible formerly.

The organs of workers' self-management — the General Meeting and Workers' Council — were offered competences in several important matters. For example, general meetings of employees may:

- vote on the statute of enterprise,
- make decisions about the use of after-tax profits,
- value the work of general manager and of the Workers' Council at the end of each year,
- vote on the long-term plans of the firm, etc.

The Workers' Council, whose members are generally elected for 2-year terms, has through direct, equal and secret voting, an exclusive right to:

- decide the annual plans of enterprises and all significant changes in them,
- vote on every major investment and every important strategic problem in the firm,
- co-determine (by negotiating with representatives of the state economic authorities) the appointment and recall of the general manager and other members of top management.⁶

As one of the formal managerial bodies — the Workers' Council is in a position that theoretically enables it to play an essential role in managing state enterprises. It is entitled to co-determine, together with professional management, the tactics and strategy of Polish state firms.

3. THE "ROOTS" OF 1983—1985 RADOM RESEARCH

At the end of 1983 there were more than 6,100 enterprises with elected self-management organs and by the end of 1986 this number grew to 6,400, what meant that almost 88% of all the state enterprises

⁴ M. Nowakowski, *Workers' Self-Management in a State Enterprise*, Warsaw 1984, p. 9—17.

⁵ R. Krawczyk, *Economic Reform: Proposals, Tendencies, Directions of Discussions*, Selected documents, Warsaw 1981.

⁶ Act on Workers' Self-Management in State Enterprises, Sept, 26th, 1981, Art: 8.1, 13.2, 24.1, 24.2, etc.

entitled to implement this form of management (defence and a part connected with public sector industry were excluded by the legislators). The number of the councils at the time totalled 12,115 (including 5,715 department or factory-level councils in large enterprises) with 137,367 elected members in them, who represented formally more than 6 million employees in state industry.⁷ From the start, when the temporary limitations of martial law were removed at the end of 1982, it became clear that the self-management movement was progressing only with serious difficulties.

Practical observations provided evidence that this form of participation had a very limited impact on the real position of rank and file workers and did not result in their active participation in most of the enterprise's activities. According to reliable information in 1986, for example, only about 20% of all the elected workers' councils played an "active role" in running their enterprises.⁸ There is enough evidence that even those "active" ones concentrated their attention mainly on strategic problems taking little or no interest in the problems of work organization or current decisions.⁹ Some authors even concluded that "self-management doesn't reach department level" and that it only "strengthens the hierarchical structure of management" instead of providing democratization which did not lead to any "qualitative changes of work-place level".¹⁰

A deeper knowledge of the reality of Polish self-management has been a matter of great interest for many social scientists right from the start of the Polish economic reforms in the 1980s. Selected problems of democratization were chosen as the subject of sociological research that was conducted in Radom with help of a group of economics students. This research started in 1983 and was planned for a period of at least 10 years in three consecutive stages.

4. METHODOLOGY AND PROCEDURES

At the start of rapid social and economic changes public expectations were high. Significant and important changes were hoped for in industrial relations. Self-management, in particular, was seen as one of the main instruments for improving economic efficiency of Polish state-owned industrial firms and decreasing social tensions. Democratization — its progress and limitations — was chosen as an object for monitoring by our research group. It was planned to conduct a long-term survey that could give reliable information necessary to:

⁷ T. B. Jaworski, *Problems of the Workers' Self-Management*, *Ideologia i Polityka*, Warsaw 1987, nr. 4, p. 43—56.

⁸ J. Dryll, *Only or So Much As*, *Życie Gospodarcze*, Warsaw 1987, nr. 43, p. 2.

⁹ L. Gilejko, A paper presented on a seminar at Central Committee of Polish United Workers Party (a manuscript), Warsaw 1986.

¹⁰ L. Grela, *Workers' Self-Management and Collective Forms of Work*, *Nowe Drogi*, Warsaw 1987, nr. 8, p. 26.

- monitor and measure the process of democratization of industrial relations in the state sector,
- analyse the relations between the expected increase in degree of workers' participation and eventual changes in the effectiveness of enterprises.¹¹

As the actual process of change was much slower than had been expected — the analysis of the impact of democratization on the economic results of the researched enterprises had to be essentially reduced.¹² For monitoring the evolution of industrial relations it was decided to use modified IDE 77 instruments.¹³ They were supplemented with others, constructed for the purposes of this research. Finally the first stage of the survey was conducted by two co-operating research groups in Radom and Biała Podlaska in 1983 and 1985.

The Radom group, under my leadership, conducted its research in 1985 at three selected state enterprises:

- a metal factory producing gas cookers with 916 employees,
- a building materials factory employing 500 persons,
- a chemical factory producing paints and lacquers with 330 workers.

These firms were selected on the basis of three criteria: size, level of activity of their workers' councils and possibility of cooperation with their management. The following instruments were used:

- a modified version of the IDE 77 "OPART" questionnaire,
- instructions for interviews with the leaders of workers' councils and trade unions,
- document analysis.

The Biała Podlaska group had surveyed in 1983 a furniture factory with around 1,200 workers using a comparatively wide range of adapted sociological IDE 77 instruments (PO, OPART, PIF, PS, etc.).

As the main initiator and leader of the Radom research I would like to concentrate here mainly on presentation of results received by this group with only a few remarks about observations in Biała Podlaska.

The most significant results of the Radom research were achieved by questioning of workers who were "not members of any representative body or top management". The answers of a comparatively big group of employees made it possible to obtain some reliable information about many aspects of self-management activities in the state surveyed enterprises.

5. MAIN RESULTS

353 persons out of all the 1,740 employees of the firms surveyed, i.e. around 20% of their total staff, were selected for questioning.

¹¹ A. Peretiatkowicz, *Factors Determining Economic Results of Enterprises. A comparative study of a state and cooperative firm*, *Spółdzielczy Kwartalnik Naukowy*, Warsaw 1983, nr. 3, p. 113—118.

¹² *A Dynamic Analysis is Planned for 1989*.

¹³ *Industrial Democracy in Europe*, Oxford: Clarendon Press, 1981.

The choice was made on the principle of a statistical, proportionate representation of all groups of workers. The respondents were asked to answer 17 questions dealing with the main social problems of participation in the framework of self-management law, such as: election of representatives, opinion of the electorate about the members of elected councils and about their work, real scale of direct participation of various groups in self-management activities, intensiveness of contacts both ways between workers and their councils, etc. In addition we interviewed (the instruction included 7 questions) 20 out of all 45 members of the workers' councils in the researched enterprises. This was helpful in verifying the opinions of rank-and-file workers and confronting them with those of the activists.

The structure of our sample reflected the total proportions of employment in all 3 surveyed firms. The majority of respondents of our questionnaires comprised rank-and-file production workers (70%) and administrative staff (17.8). By other criteria the proportions were also close to the average: men — 65%, women — 35%, statistical age of respondents — 37 years, 37% with primary education, 32% with an additional (to basic 7—8 years) three years of professional school, 21% from secondary schools and 9% with university level education.

Among all the results the most significant were, probably, those connected with the problem of scale of direct and indirect participation. As we had considered the impact of real (or de facto) participation on social relations in the enterprises to be a potentially important factor from many points of view — there were several questions aimed at measuring this problem. First of all an attempt was made to find out was the frequency of two-dimensional links between the workers and their elected representatives — the members of workers' councils. Here are the result which, in a way, seemed a bit disappointing:

Tab. 1. Contacts between workers and their councils.

Question	Answers as % of total sample			
	Never	Once	Several times	Many times
1. "Were you ever asked to express your opinion about any matter by a member of your workers' council?"	85.8	6.8	6.2	1.1
2. "Have you ever asked any member of your workers' council about any matter?"	80.2	9.3	8.8	1.7

Source: Answers of 357 respondents in Radom 1985 survey.

As is clear, the links between the representative bodies and their electorate were quite weak "both ways" in all three enterprises surveyed. Most of the workers had practically no real contact with the councils in their every day working life. Those who declared that they had contacts "many times" or "several times", according to the results of a more detailed data examination, belonged as a rule to a particular group of employees — namely to middle-level management. In those cases the high frequency of contacts should not necessarily be interpreted as a result of self-managerial system solutions. Participations in decision-making processes was, in any case, their professional duty and would occur in any type of industrial relations.

In view of this information it was no wonder that the measurement of the scale of personal participation in self-management activities and of personal influence in opinions of the respondents was also low. The structure of answers to the question: "Do you feel that self-management gives you a chance to influence the affairs at your enterprise?" was as below:

- "no possibility at all" — 62,3%,
- "a negligible possibility" — 21,5%,
- "some possibilities" — 14,2%,
- "a considerable possibility" — 1,7%.

An overwhelming majority of workers not only did not take any active part in self-managing, but also usually had very limited information about the works of their own councils. When asked: "Do you hear much about what is going on in your workers' council?" the respondents gave the following answers: "nothing" — 51%, "a little" — 19%, "from time to time" — 19% and "a lot" — 10.5%. This result proved that the majority took no part neither in active or "passive" self-management. In such a situation it would be naïve to expect any stronger influence of the new legal form of self-management regulations upon social and economic relations at shop-floor or departmental levels.

Empirical confirmation of the low degree of participation was clear in all three researched enterprises. None the less interesting was to find an explanation for this fact. The workers were asked several questions that made it possible to discern something of the probable reasons for the situation. Generally speaking they could be linked with either internal or external factors.

Firstly we tried to check a suspicion that workers were avoiding involvement in self-management for political reasons. In view of their answers, however, this option proved to be false. Most of respondents declared that for them the elections to their workers' councils had been "a very important" or "rather important" event (59% of all answers). In addition the majority of workers was convinced that the elections had been won by the candidates who "were supported by the workers" and most of respondents answered that there were "proper" or "rather proper" people in elected workers' councils. These answers seemed to support a supposition that workers accepted the new law in general and the way in which elections at their enterprises had been organized in particular. They also proved that the

respondents saw their elections as an important and rather democratic procedure. If so, then the fact that political situation in Poland was generally complicated at the time of our research and that the post-martial-law social divisions were still strong could not explain the workers' lack of involvement.

It also did not seem that they lost interest in participation as an idea. When asked whether in their opinion self-management in industry was "important for the workers" the answers "very important" and "rather important" were given by 76,8% of all respondents.

At the same time not only actual but also declared level of self-managerial activity was low. When asked "Would you agree to stand in the next elections to the workers' council if you are asked by your colleagues?" a great majority answered "decisively not" (29,2%) and "rather not" (33,0%), while only 5,3% of all answers were "decisively yes". Also when asked: "Whom would you contact in case of any problems in your work?" the workers seldom chose their councils. Usually they answered "immediate superiors" or "director" or even "I can do nothing".

Those results did not mean that there was no democracy in the researched enterprises. According to our examination of documents all three workers' councils met regularly once a month and took numerous economic and social decisions or, at least, participated in them formally. Council members, when asked about the main barriers to their activities pointed mainly to the low level of interest and support from rank-and-file workers.

All in all, many questions remained open. It was still unclear why there was such a great disparity between the formally declared support for the idea of self-management and factually low practical support for this form of activity. It generally looked, in view of the results received, that the reasons limiting workers' interest and involvement in this area were not inside but outside the researched enterprises. They stopped the workers from taking an active or passive part in co-determination and caused an evident disillusionment among the members of representative bodies, who usually planned to retire after their term.

The limitations of industrial democracy, which were sizeable according to the results of our research, seemed to lie in the socio-economic system of Polish industry or even society as a whole. Moreover, it seemed almost certain that they were not of strictly legal origin, for the rank-and file workers as well as the members of their councils accepted the self-management act and did not point to it as to a source of serious limitations.

6. SELF-MANAGEMENT AND SOCIAL CONFLICTS

Self-management is an institution that awakes many different expectations among scientists and politicians. Some authors, like Vanek, see it as a form of decision-making which is the "most efficient ac-

ording to strictly economic measures";¹⁴ others, like Bradley, expect that participation can diminish social tensions and conflicts inside the enterprises and in society as a whole.¹⁵

To a certain degree the problem of conflicts was also researched in the Radom and Biała Podlaska surveys. In both cases no serious correlation between the degree of workers' participation and the solving of conflicts was found. There were two reasons for that: — firstly the general level of involvement in self-managerial activities was, as mentioned above, rather low, — secondly no evidence was found of any serious conflicts of an "internal" character in any of the examined enterprises. As for the Radom survey, the workers and their representatives in the councils were asked questions about the role of self-management in solving conflicts. Almost unanimously they answered either that they "don't know" or that "there are no serious conflicts between particular groups inside the enterprises". In the Biała Podlaska research, where much more attention was paid to that problem, the majority of 75 respondents expressed their satisfaction with their working conditions, relations with their colleagues, immediate superiors and top management. They also stated, when asked whether they "Approve of the human relations and power structure in their enterprises" that they were generally satisfied with the actual level of their participation (52%) and that it was easy for them to express their opinion in contacts with the management "even in cases when it is different from that of their managers" (61,8%).¹⁶

The "relaxed" type of economic and social relations in the researched enterprises was typical for Poland and there were good reasons for it. They have been created by the type of market conditions and relations in Polish economy. Inflationary market shortages have created a comfortable economic position for all producers and sellers. Workers in enterprises have in fact been totally isolated from such risks as: lack of demand for their products, possibility of losses or bankruptcy of their firm and of losing their jobs. Those alternatives were not even taken into consideration by our respondents.

This does not mean that there are no risks or conflicts at all. The work-stoppages and strikes observed from time to time in Polish state industrial enterprises must have their roots in some unsolved problems and conflicts. In some cases, when the problems are of an internal character, self-management proves effective in solving them. Such was the case in one of the Radom enterprises — a state smelting factory — where in 1986 the workers stopped work demanding an improvement in their working conditions. Decisions by the workers' council and management quickly put an end to this conflict.

However, it is much more typical in present Polish conditions for the sources of conflict to be outside the enterprise. They can be of

¹⁴ J. Vanek, *The Labor-Managed Economy*, Cornell 1975.

¹⁵ K. Bradley, A. Gelb, *Worker Capitalism: The New Industrial Relations*, London 1983.

¹⁶ T. Żukowski, *Synthetic Results of Survey of Workers' Participation in Managing State Enterprises in 1983*, Institute of Social Policy, Warsaw University 1984, p. 11. (draft report).

both economic and political origin. In these cases self-management usually plays no role or a passive one, similarly to the official trade unions. The most common economic demand of the workers in such cases are wage increases. So it was in April and September 1988 when thousands of workers in a number of state enterprises went on strike. Because Polish coal mines, shipyards and metal factories are usually highly subsidized, the source of any wage increases would be either higher prices for their output (which is strongly resisted by all groups of workers) or a higher budget deficit (which is resisted by the government). In both cases decision-making competences lie outside, at a level above the enterprises. It is then natural that the institution of workers' self-management at enterprise level does not prevent or solve the most serious economic and political conflicts. In these cases workers do not use the legal possibilities of protest, which according to Polish law does not exclude strikes. They use formally illegal methods bypassing all formal institutions, including workers' councils and trade-unions.

This situation could change if Polish reforms are accelerated leading to an essential decentralization of the state-owned sector. In this case there could be expected internal conflicts of interests in enterprises between the workers as wage-earners and the economic interests of their collectives as co-owners of their enterprises. The workers' council could in that case be useful in solving this contradiction, but now the "enemy" of the enterprises and their workers is outside. These are the authorities who resist price and wage rises, impose taxes and limit domestic and imported supplies of raw materials.

All groups inside an enterprise represent the same side in the most serious conflicts. There is great identity of interests of management, rank-and-file employees, trade unions, workers' councils and even factory party cells. Most of them cannot be realized in a legal way, so formal self-managerial procedures prove ineffective and are abandoned in these cases. Eventual strikes are only seldom directed against the management and there is no place for self-management organs to represent the workers in them.

7. SOME CONCLUSIONS AND OPEN QUESTIONS

The above results of researches and observations lead to the conclusion that, in spite of the high expectations and the will of legislators, the real impact of self-management in state enterprises is quite limited. Polish reality seems to confirm the opinion of Teulings that legal frameworks alone are not sufficient to develop democratic industrial relations¹⁷ and Spear's conclusion that "worker involvement... requires not merely the assumption of organization form, but a process of

¹⁷ A. W. M. Teulings, *A Political Bargaining Theory of Codetermination, in Labour Exclusion or New Patterns of Co-operation?*, Frankfurt 1986.

socialization and education of workers and management to the cooperative ethic".¹⁸

The best teacher and promotor of all social forms is life itself. To become a real social force and an active form of economic relations self-management must correspond not only with accepted social values but also with real interests of particular groups and individuals. That means that participation must be helpful either in avoiding some social and economic dangers or in achieving certain positive aims. Otherwise it would be hard to expect active involvement of workers in this form of activity. That seems to be just the case in Poland. Workers obviously see no clear necessity in participating and do not care much for this right in practice, at least not in the formalized way regulated by the Act on Self-Management in State Enterprises.

The workers have no serious reasons to care much for any "defensive" institutions, which would represent their interests against management inside their enterprises, at least not in Poland where there are more than 40 work-places waiting for each free worker.¹⁹ The formal lack of workforce and inflationary economy strengthen the position of workers in enterprises. In the event of any conflicts they can simply quit and look for some other job instead of trying to force their will or to defend their position. It may seem paradoxical, but a competitive market seems a *conditio sine qua non* for real industrial democracy. Only common risks may give birth to common responsibility and common interest in the economic conditions of an enterprise.

The second important factor, mentioned by several scientists in the context of other countries,²⁰ could be the lack of a tradition of participation and self-management. In Poland most people have been never brought up to it, either on private family farms, which were the natural "school of life" for a big part of the comparatively young Polish working class or in centralised industry. Administrative central planning traditionally left little space, not only for any independent self-management decisions but also for professional directors at enterprise level. The lack of a collectivistic traditions in society creates barriers to self-management, even if there is a political will to develop it quickly.

The last factor necessary to mention here is connected with the very character of Polish self-managerial legal regulations. As the law was constructed on the basis of a specific theoretical concept it almost totally neglects the need of direct democracy, limiting self-management to its representative form. The Act simply omits the problem of participation at shop-floor or departmental level and concentrates

¹⁸ R. Spear, *Mondragon Co-operatives — Myth or a Model*, A CRU Publication, Milton Keynes 1982, p. 104—106.

¹⁹ *Statistical Yearbook GUS*, Warsaw 1986.

²⁰ K. Bradley, A. Gelb, *Worker Capitalism; The New Industrial Relations*, London 1983, p. 97.

on the enterprise level, where the workers' council operates. It would be hard to expect that this form of democracy could stimulate great activity among workers. As in political systems based on a formal democracy, the role of rank-and-file workers is limited to taking part in elections once every two years and possibly to a general meeting once a year. Without everyday direct participation a higher degree of self-managerial activity cannot be achieved. Although "all that is not forbidden by law is legal", Polish legal frameworks do not help in applying direct democracy in enterprises. This problem has not passed unnoticed. In many recent publications in Poland there is a tendency to promote group forms of work organization, mainly in form of autonomous or semi-autonomous groups.²¹ Though this trend to the democratization of industrial relations meets the same barriers as workers' council activity, it nevertheless forms a valuable supplement to the representative concept of workers' democracy.

All in all, the future of self-management in Polish state enterprises is not at all clear. This form of democratic relations may be stabilized and developed only in conditions of a deeply reformed economy with independently managed and self-financing enterprises. In this case at least two alternatives are possible. The first is a managerial type of decision-making and the second, democratic industrial relations. It will be interesting to observe the trends, but that is a subject for future research.

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²¹ S. Rudolf, A cycle of articles in: *Przegląd Organizacji*, Warsaw 1984, nr. 2, 3, 4, 5, 7 and 8.