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Polish Labour Market on a Local Scale in the Period of Transformation (with regard to Rzeszow)

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Abstract
When analysed in the context of the local labour market, the processes of transformation taking place in Poland provide an interesting example of the changes occurring in the 90s of 20th century. In the case of medium-size cities, such as Rzeszow, it becomes even more valuable, as it concerns the place which underwent a quick process of industrialization in the period of socialism and where the national industry became the cornerstone of its economy. The transformation and the difficulties in the functioning of public enterprises meant serious problems for the emerging local labour market. The number of jobs drastically decreased and the unemployment quickly increased. After three years, the unemployment rate was 18%. Together with the emergence of unemployment there was a noticeable reduction of the indicator of professional activity of the citizens and the drop in the employment rate.

Thanks to the development of the private sector the number of jobs began to slowly increase in 1992 and, in the following years, the positive economic tendencies allowed to fully reconstruct the potential of the local labour market towards the end of the 90s. However, it took longer to reverse the negative tendencies of the unemployment dynamics in the city. Unemployment began to decrease significantly as late as in the mid-90s when the entitlements to benefit were taken away from school graduates. This limited the number of the registered unemployed. Within a few years, the number of job seekers went down by over a half and the unemployment rate was only 8% in 1998. Despite those positive changes, the unemployment structure was very unfavourable. The majority of the unemployed were young people with poor education and without any work experience. The majority of them were out of work for more than a year. Generally, the situation on the local labour market seemed to be rather good after ten years of transformation. However, it was still unstable which resulted in the economic slow-down at the turn of the century, the consequence of which was another quick increase of unemployment.

Keywords: unemployment, local labour market, Rzeszow, transformation, employment policy

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Introduction
The political transformation, which started in Poland at the end of the 80s of 20th century, brought dramatic changes into the labour market. The former system, which guaranteed full employment of the workforce, came to an end and it was replaced by the market economy whose integral part is always unemployment. With the emergence of free market, enterprises had to adjust their running costs to the conditions imposed by the market competition, which meant the necessity of considerable workforce reduction. Moreover, some of the state enterprises did not manage to stay in business, which additionally deteriorated the situation in the labour market. With time, the situation began to improve and, along the development of private entrepreneurship and the economic growth, the positive tendencies, such as the increase of the number of the employed and the fall in unemployment, appeared in the labour market.

It is well-known what the reality in the Polish labour market was in the first decade of transformation. However, the studies at the micro level, which would allow to analyse the phenomenon more closely, are rarely undertaken. Therefore, the processes taking place in the labour market in the 90s of the 20th century are worth analyzing. Rzeszow, the biggest city in the southeast Poland, the current capital of the Podkarpackie voivodeship and the economic centre of the region, will serve as an example in the analysis.

The development of the situation in the labour market in Rzeszow
After the 2nd World War, Rzeszow became the capital city of the new voivodeship which comprised the southeast part of Poland. The system of the real socialism brought a rapid and sudden spatial, economic and demographic development to the city. By 1989, the area of the city increased six times, the population grew five times (up to 150 000 residents in 1989) and employment raised eight times. The industrial potential as well as the social, technical and economic infrastructure were expanded and the number of people employed in Rzeszow reached 95 000. Such impressive development was possible thanks to the industrial expansion. Within a few after-war decades, the number of people working in this economic sector raised from 2500 to over 30 000 and the number of industrial factories from over a dozen, in the second half of the 40s, to over 220 in the 80s. Construction was the second biggest economic sector in which over a dozen thousand people found employment. WSK, which produced aero engines, remained the biggest employer in the city and the enterprises such as Zelmer, Alima and Polfa also quickly developed. The electromechanical, food, light and pharmaceutical industries became the most important areas of production (Grata 2013: 207-211).

In the period of transformation, the fundamental factor determining the economic situation of the residents of Rzeszow was their position in the labour market. In general, we can assume that it was analogous to the economic situation in the entire country. The beginning of the 90s was particularly difficult as practically all enterprises in the city underwent the painful process of reconstruction and had to adjust the level of employment to the actual needs resulting from the economic reality. As the result, the number of people in employment decreased very quickly and the number of the unemployed went up. However, it needs to be pointed out that, especially in the first period of transformation, both phenomena were not correlated. Leaving aside the structure of the first wave of unemployment, we need to remember that the reduction of employment concerned both,
the residents of the city as well as those who worked in the city but lived outside of it. This meant that the problem of unemployment was shared among the nearby administrative units.

What made the analysis of the situation in the labour market particularly problematic were the changes introduced in the methodology of statistic surveys. The only full data available for the public sector were used to determine the starting point in the level of employment in 1989. In the following years, the available information only determined the number of people employed by enterprises with up to 5 employees and, after 2000, the statistics only included people employed by enterprises with up to 9 employees. Although the results of the census in 2002 and 2011 were more accurate, they are incomparable with the information about employment in the city. This is because the census data only included the residents of Rzeszow, leaving out the numerous group of people working in the city but living outside of it.

Despite the indicated problems, it needs to be noticed that the first two years of transformation brought the most dramatic and painful changes in the labour market. At the end of 1988, 91 600 people worked in the public sector (including part-time and seasonal workers), nearly 3000 people in the sector of private crafts (including apprentices) and a small number of people were employed in the sector of private trade. The total number of people employed in the city amounted to about 95 000 (Rocznik… 1990: 48).

The importance of the industry and the construction in the economy of Rzeszow had to be reflected in the situation in the labour market in the first months and years of transformation. The necessity for the restructure as well as the reduction of employment, collective dismissals and the bankruptcy of some of the industrial and construction enterprises caused a dramatic drop in the number of the employed. What was characteristic for the new times were, so called, collective dismissals. They first appeared in January 1990 when practically all enterprises in Rzeszow announced mass lay-offs (numbered in hundreds). Within two first years of transformation the employment decreased by 20% and it reached the level of about 75 000 people at the end of 1991 (Rzeszów… 1994: 61; Klich 1990: 1-2).

The negative downward trend stopped in 1992 when, thanks to the development of private enterprises, the number of the employed increased to 78 000-80 000 (the accurate data was difficult to obtain as the statistics did not include the companies with up to 5 employees). That way the considerable improvement of the economic situation in Poland could also be observed in the labour market in Rzeszow. Yet, the positive changes happened slowly. Although the processes of the restructure were still taking place, their pace was clearly slowing down and the economic recovery allowed to reinforce the strong tendencies towards setting up private enterprises. Regardless the fact that the improvement was relatively insignificant, the macroeconomic data showed that, in the second half of 1992, the economic recovery also occurred in the labour market in Rzeszow. Although the restructuring processes were still taking place, their dynamics clearly lost the impetus and the economic recovery reinforced strong tendencies towards the development of private entrepreneurship. As the result, at the end of 1995, 85 000-90 000 people were working in Rzeszow and the estimated number was only about 10% lower than before 1990 (in 1994, 70 400 people worked in such units). However, the statistics did not include small companies owned by natural persons, whose number increased by nearly 4000 (the total number was 9600). Therefore, the total number of people working in the city was at least 80 000 and, assuming that the average number of employees in such companies
amounted to two (e.g. an owner and one employee), the number of people working in the city could have been nearly 90,000 (assuming that the number of employees in such companies was, on average, 1.5, the number of people working in the city could have amounted to 85,000, i.e. 10% lower than before 1990). (Rocznik… 1996: 68; Rzeszów… 2004: 50; Matoszko 1993: 5).

No matter which estimate is more accurate, the number of people in employment in 1995 was higher than the number in 1992 by, at least, 4000-5000. The further progress happened in the second half of the 90s. At the end of 1998, the number of the employed exceeded the level achieved in 1988. In 2000, the total number of people in employment was on the level of 98,000-100,000 and it was visibly higher than before the transformation. Therefore, it can be assumed that within one decade of transformation the situation in the labour market in Rzeszow, which was vulnerable in its first years, improved significantly. However, the specificity of the labour market was distinctly different than before 1990 and the need for creating new jobs turned out to be greater than a decade before (Rocznik… 2000: 472; Rzeszów… 2004: 51, 54; Województwo… 1998: 192).

The changes in the economic activity of the residents of Rzeszow

The economic transformation brought a deep remodelling of social life. Before 1990, the standard of life of the residents of Rzeszow may not have been very high but the stability of employment allowed them to fulfil their fundamental needs. In the new reality, the fossilized and relatively uniform social structure, which complied with the real socialism, was replaced with a new layout of social strata, characteristic for the market economy, which was very dynamic especially in the first years of transformation. The beginning of the market transformation meant the emergence of significant diversification of incomes and the standard of living. Poverty was very quickly regarded as the biggest social problem which, in the common view, resulted from unemployment, low incomes (from regular employment), which were not adequate to the needs of people, as well as other financial means which didn’t come from the legal forms of employment.

The main factor behind the greater extent of the existing social problems were the changes in the economic activity of the residents. Before 1990, 66% of people over 17 years old were in the workforce and the employment rate was on the same level. Meanwhile, a general census in 2002 revealed that the economic activity rate of the residents of Rzeszow was on the level of 53.5%. This meant that, within 12 years of transformation, it decreased by over 12%. It was also 2% lower than the domestic rate. What is more, the workforce was mainly comprised of the unemployed and thus, in 2002, the employment rate was on the same level as the domestic rate, i.e. 43.5%. This meant that it was one third lower than in 1988 (Aktywność… 2003: 50-51; Narodowy… 1990: 51; Narodowy… 2002: 62).

Regardless of the reasons for the economic passivity it needs to be acknowledged that the transformation brought a permanent and significant decrease in the number of people who received their income from regular employment. In the new reality, the framework of the residents of Rzeszow according to their source of income became much more diversified than before. In 2002, out of 160,400 residents of Rzeszow recorded in the census, 105,200 (i.e. two thirds of the population) lived on salary. This meant that one third of the residents most likely had lower financial means which didn’t come from the legal forms of employment. At that time, 92,900 residents, i.e. nearly 58%, lived on the income coming from contract work, which meant that every fourteenth person was self-
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employed. This group was dominated by people who received pensions and sick allowances. It is also worth noticing that 5% of the residents resorted to such sources of income as unemployment allowances and pre-retirement or social benefits (Narodowy… 2002: 51, 59).

The level of unemployment and its dynamics

Unemployment was one of the most important social consequences of the changes taking place in the labour market. Its emergence was particularly shocking for the generations brought up after the 2nd World War who had never experienced it before. Back in the mid 1989, there were not enough people willing to take up available jobs and the newspapers were full of advertisements which encouraged people to obtain employment in many enterprises in Rzeszow. However, the necessity of adopting the level of employment to the market requirements caused the emergence of unemployment. What is more, in the context of the demand for work exceeding its supply, low efficiency of work and many other well-known problems of full employment, unemployment was perceived as something that had been somehow looked forward to. The author of the article published in “Nowiny” in the mid 1989 concluded that “the only remedy for all these paradoxes would be unemployment, but will it happen?” (Warzocha 1989: 5). The main problem lied in the fact that over-employment in the enterprises (which functioned on the basis of the principles of the socialist economy) was so high and the scale of the economic activity breakdown so huge that the level of unemployment in Poland quickly exceeded the level regarded as natural in the economy. The same situation also happened in Rzeszow.

In Rzeszow, the number of the unemployed was growing quickly and, despite the lack of the accurate data from the first year of transformation, it can be estimated that there were about 5500-6000 registered unemployed in the city at the end of 1990. In July 1991, the number was close to 9500 and at the end of December it reached the level of 11 000. In 1992, it was already over 12 000 and in the summer of 1993 it was close to 13 000. Despite the fact that the situation in the labour market improved, the unemployment remained on a high level for a long time due to hundreds of secondary school leavers who registered with employment agencies every year (until 1995 they had the right to receive unemployment allowances). At that time, the unemployment rate was on the level of 16-18%. The highest rate ever observed in the city was reached in the summer months of 1992 and 1993 when over 18% of the workforce in Rzeszow was unemployed (APUP 1990-1993).

Therefore, despite the fact that from 1992 the number of vacancies was growing, the standstill in the labour market continued and the number of the unemployed reached 11 000. An important reason for this situation was a great number of secondary school leavers registering with employment agencies. At the end of August 1992, out of 12 400 unemployed, 698 were newly registered school leavers. This meant that they constituted 6% of all job-seekers (secondary and post-secondary school leavers (301 people) were the most numerous in this group). Even more school leavers obtained the status of “the unemployed” in 1994. There were 897 of them and they constituted 8% of all unemployed (every twelfth person had recently left school). In 1992, as a result of the numerous registrations of school leavers, the number of the unemployed increased by nearly 1000. In 1993 the situation was similar: there were 11 700 people registered at the end of May, 12 200 at the end of June and 12 700 in July. Therefore, in the summer, when the level of unemployment should have been the lowest (due to seasonal work), there was a visible
increase of unemployment and this situation, so different from the usual situation in the labour market, prevailed until the end of 1994. According to the data of the Regional Employment Agency (which could not be fully verified), the unemployment rate was very high, i.e. 16-18%. The highest rate ever observed in the city was reached in the summer months of 1992 and 1993, when over 18% of the workforce in Rzeszow had the status of “the unemployed” (APUP 1992; 1993; 1994).

The situation visibly improved in 1995 when, thanks to a higher number of vacancies, the number of the unemployed decreased by 1200. The biggest drop in the number of the unemployed happened in 1997 – by over 2500. The positive tendencies in the labour market continued until the end of 1998. In the summer 1998, the number of the unemployed was the lowest – 6000 residents of Rzeszow. The unemployment rate also went down. At the end of 1998, it was slightly higher than 9% and, in the summer of 1998, it was on the level of 8.5% (at that time, the number of school leavers, who were no longer entitled to receive unemployment allowances, was considerably lower. In the mid 1998, only 251 school leavers registered with employment agencies and they constituted only 4.3% of the total number of the unemployed) (APUP 1995; 1998).

However, in the second half of 1998, a negative trend in the labour market could be observed again, which was related to the deteriorating economic situation in Poland. 1999 brought a real breakdown. At that time, the number of the unemployed increased nearly 20% and the situation did not improve in 2000. The increase in the number of the unemployed resulted from numerous collective dismissals. In 2000, in the area covered by the District Employment Agency in Rzeszow (the city and the district near it), the employers were planning to dismiss 2600 people (the negative tendencies in the labour market were stopped only in 2003) (APUP 1998; 1999; 2000: 7).

**The character of unemployment in the city**

When characterizing the situation in the labour market in Rzeszow in the discussed period, we need to have a closer look at the structure of unemployment. For 25 years of transformation, the fundamental characteristics of unemployment in Rzeszow and the situation in the labour market were the share of women among the unemployed, the dependence of unemployment on age, work experience, education and the period of being unemployed. In the discussed period, the share of women among the unemployed was symptomatic. At the beginning of the 90s, 55% of women were unemployed and later, with the improvement of the situation in the labour market and the fall in unemployment, the level of unemployed women reached nearly 64%. This meant that the vast majority of job advertisements was targeted at men. At the turn of the century, the number dropped to the level slightly above 53% which, in the context of the deteriorating situation in the labour market, confirmed the greater stability of the employment of women (APUP 1991; 1994; 2000a).

Unfortunately, there isn’t much information available on the structure of unemployment in Rzeszow in the 90s. On the basis of the available data, however, we can notice that unemployment very quickly became the recurring phenomenon. At the end of 1992, i.e. after two years of transformation, 60% of the unemployed were out of job for more than 12 months. The situation didn’t change much in the coming years and, in the mid 1998, 55% of people were still out of job for over a year (APUP 1992; 1998).

During the discussed period, an important indicator of the changes taking place in the labour market in Rzeszow was the age of the unemployed. When analysing the age structure of the unemployed, it needs to be noticed that, from the beginning of
transformation, the unemployment mainly hit young people. In the mid 1992, over 60% of all registered unemployed were younger than 34 years old. It resulted from both, the collective dismissals (people with less job experience were losing their jobs first) and from the fact that secondary school leavers commonly registered with employment agencies. With time, the number of young unemployed people dropped to about 50% but the number of the unemployed aged 35-44 doubled by the end of the 90s. It was because of the fact that they lost their jobs in the period of the economic downturn at the turn of the centuries (APUP 1992; 2000b).

The age of the unemployed was often closely related to seniority. At the beginning of the 90s, one third of the unemployed did not have any work experience. On the other hand, 40% of all registered unemployed had a relatively long work experience (5-20 years). This, in the context of clear dominance of young people among the unemployed, was hardly surprising (although we need to remember about the registered “unemployed” who had never worked before at the beginning of 1990). What needs to be noticed, however, is a specific structure of the unemployed according to work experience in 1993, which was very different from the structure in the coming years. It was caused by the rapid changes in the labour market and it was also related to the numerous collective dismissals in the first two years of transformation. The result of this situation was that 40% of all registered unemployed had a relatively long work experience (5-20 years). On the other hand, the number of the unemployed with short work experience was rather low but this resulted from the fact that the number of the newly employed was insignificant. After the situation slightly improved, the structure of the unemployment according to seniority changed as well. In 2000, 30% of all unemployed had no work experience and 27% had 5-20 years of work experience. This represented a noticeable improvement of the situation of people with some work experience in the labour market (APUP 1993; 2000b).

In the discussed period, the educational structure of the unemployed was very stable. From the beginning of the transformation, higher education guaranteed a safe position in the labour market and the number of unemployed university graduates did not exceed 10% (though it started to change after 2000). The population of the unemployed was dominated by people with lower level of education (elementary and vocational education) and they comprised over 50% of all job-seekers (APUP 1992; 2000b).

In the discussed period, the share of post-secondary and vocational school leavers among the unemployed was also very stable and it amounted to 25-26%. The secondary school leavers constituted about 11% of all unemployed, however, it needs to be remembered that such insignificant level resulted from the fact that the majority of school leavers continued their education on a higher level. This, from the point of view of the statistics in the labour market, made them professionally inactive. Different tendencies could be observed in the case of the unemployed with the low level of education. In the 90s, the share of people with vocational training among the entire group of the registered unemployed was systematically decreasing.

It needs to be concluded that, in the discussed period, the structure of unemployment in Rzeszow was very unfavourable. It was dominated by young people with lower level of education, basic qualifications and very often with no work experience as well as by those who were out of job for a long time. This set of structural features characterizing unemployment made it harder to mitigate the negative consequences of the phenomenon in the first decade of transformation.
Tackling unemployment in Rzeszow

The occurrence of unemployment on such large scale required the organization of adequate institutions. Initially, the problem was tackled by the adequate Employment Departments and, after a few months, their responsibilities were taken over by the Regional Work Office in Rzeszow. From the beginning of 1993, the tasks of tackling unemployment were implemented by the Regional Employment Agency which was subordinate to the Voivodeship Office. Finally, as a result of the administrative reform of 1999, the District Employment Agency in Rzeszow became responsible for tackling unemployment in the city and the district. In the first years of transformation, their ability to act was very limited. Their main tasks were practically limited to registering the unemployed, paying allowances and attempting to assist job-seekers in finding employment (the number of job advertisements was very low) (Panek 2014; Matoszko 1990: 1-2).

Despite that fact that, in the beginning, the Regional Work Office had only one telephone, it very quickly attempted to influence the situation in the labour market. Initially, due to the lack of other options, the activities were limited to monitoring the local institutions and enterprises in search for potential job offers. In spring 1990, it offered loans to the unemployed for setting up their own business and loans to enterprises for covering the costs of organizing extra vacancies. Although this was still just a drop in the ocean, it needs to be pointed out that the Rzeszow voivodeship took second place in the country in terms of the number of granted loans (in the voivodeship, 200 people received loans and the companies were to organize further 250 vacancies thanks to the granted loans). However, still it was very difficult to think about any intense activities undertaken in favour of the unemployed. A lot of job-seekers did not have adequate (or any) qualifications and the lack of clearly defined expectations coming from the labour market made it impossible to organize adequate trainings and courses (Pasternak 1990: 96; aw 1990: 3).

In the initial period, the most popular instrument used to support the unemployed were unemployment allowances which were paid rather liberally. They were so attractive that many people chose to stay unemployed and earn extra money illegally rather than take up a legal job which offered a low salary. In the mid 1992, the allowances were paid to about 60% of the unemployed in Rzeszow and only the legislative changes (introduced in October) which limited the period of allowance provision, was to change the situation. At the end of the year, only about 40% of the registered unemployed was eligible to receive it. In the second half of the decade, the number was still falling which was the result of both - the situation in the labour market and the legislative changes. At the end of 1997, 22% of the registered unemployed received allowances and, at the end of 1998, the number dropped to 12.6% and it remained on this level in the coming years (APUP 1992-1998; Rocznik… 1993: 152; Woźniak 1993: 3).

Due to the fact that unemployment allowances were no longer the main support instrument, unemployment agencies changed the way they functioned – towards the active forms of support. The higher number of jobs offered via the agencies was associated with the economic recovery. In 1993, the number of job advertisements was on the level of 200-300 a month, in 1994 the number doubled or even tripled and in the coming years it reached the level of about 1000 (APUP 1991-2001; Ważny 1993: 5).

The actions taken by the employment agency workers, who were looking for vacancies directly in the enterprises, also brought some positive effects. That way, in July
1992, they managed to find nearly 500 vacancies. In July 1993, the short-term employment agency was set up in Rzeszow as the first one in the country. The agency offered temporary jobs (up to three months) and it anticipated the role of a temporary employment institution which was introduced only in 2004 by the act on promotion of employment (in the summer the agency was able to find employment for a few hundred people) (APUP 1994; Panek 2014; Woźniak 1992: 3).

In the mid 90s, a certain set of instruments started to be implemented in order to activate the unemployed. Next to seasonal jobs offered by the short-term employment agency, it included: intervention work, public work, loans for setting up a company, professional trainings, the acquirement of new qualifications, courses and traineeships which were necessary for school leavers who were not longer entitled to receive allowances. From the mid 90s, over a dozen percent of all registered unemployed made use of the active forms of support and the effectiveness of agreements with the employees, related to the subsidised employment of school leavers, reached the level of 70% in 1997 (APUP 1996; 1998; Panek 2014).

Conclusions

To sum up the processes taking place in the labour market in Rzeszow in the first decade of the transformation, it needs to be acknowledged that, after the crisis at the beginning of the 90s and a dramatic increase of unemployment, the situation in the second half of the decade considerably improved. What is more, the labour market in Rzeszow relatively quickly recovered and the number of available jobs in the 90s exceeded the level observed at the end of the 80s.

Despite such positive conclusions, it needs to be remembered that the following features continued to characterize the situation in the labour market in Rzeszow: a very unfavourable structure of unemployment, the low indicator of economic activity and the low employment rate. Although, in the mid 90s, the number of the unemployed considerably decreased (when compared to the first years of transformation), at the end of the decade it went up again, which was caused by the economic slowdown. At that time, about 8000 people were unemployed. It is worth noticing that poorer indicators of the economic activity and employment brought about the decline of importance of the salary in the structure of the family income. High number of no salary financial sources determined a low level of income in households.

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