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# **Polish Mass Privatisation Programme: The Employee Perceptions**

by

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## **Polish Mass Privatisation Programme: The Employee Perceptions**

### **I Introductory remarks**

The Mass Privatisation scheme or the National Investment Funds (NIF) programme has been underway in Poland since end-1994. Despite its relatively limited scope, it deserves the name of a genuine institutional innovation, as a novel vehicle for the effective privatisation of former state-owned enterprises (SOEs), coupled with their comprehensive overhaul and in-depth restructuring. Unlike mass privatisation schemes in other transition economies (e.g. Czech Republic, Slovakia or Russia) the Polish programme has had institutional guarantees (private fund managers) built in for the enforcement of private-like ownership rights and corporate governance. The essence of the NIF programme boils down to an effective privatisation of the managerial function in each fund and pertinent portfolio companies without formally transferring the ownership title to private owners. In other words, it consisted in a practical splitting of the property rights bundle between State Treasury and fund managers giving the latter the right to use and – with some constraints - to exchange.<sup>1</sup> It was hoped that through this implant of private business incentives to formally state-owned entities both the funds and portfolio companies will be more responsive to market signals. Empirical evidence suggests that these hopes have mostly come true [Rzeczpospolita 1999, NIF...1999] and the NIF programme succeeded in bringing the former SOEs much closer to the market and in making them much better prepared to withstand the competitive pressure.

However, according to public opinion polls and a number of empirical studies [e.g. Gardawski and Gilejko 1997, Report... 1998] there was a certain mismatch between actual economic results – as shown by aggregate data for portfolio companies<sup>2</sup> – and the general,

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<sup>1</sup> For more details, see Rapacki [1999].

<sup>2</sup> The most important outcomes of NIFs' activities during 1995-98 can be summarised as follows [NIF... 1999]:

- new private owners (mostly strategic investors) were found for 253 companies (out of 512), including 52 listed on the stock exchange,
- bankruptcy or liquidation comprised 34 companies,
- in-depth restructuring was carried out – in different scope – in all 512 firms (including management, organisation, finance, sales and marketing, manpower, downsizing, product mix and technology),
- new products were introduced in 455 companies, and 102 ones diversified through entering a new activity,
- 461 companies embarked on new technologies and/or upgraded the existing equipment,
- new investment in NIF companies amounted to 1.8 billion zloty (0.5 billion dollars),

social perception of the NIF programme. The present paper aims to provide some new evidence on how the insiders, i.e. employees of portfolio companies, view the Polish mass privatisation scheme. Based on two inquiries conducted in selected NIF firms in 1996 and 1998, it simultaneously offers a comparative analysis of the changes in employee perceptions of major effects of NIFs' activities.<sup>3</sup>

Except for some minor differences, the format of the two inquiries was identical which allows to directly compare the results of the '96 and '98 editions. Each inquiry consisted of three parts. Questions included in the first part were aimed to explore respondents' perceptions of the NIF programme in general including expected macroeconomic results of its implementation and the desired size of the block of shares to be given away to the employees of privatised firms.

Part two comprised questions concerning the situation in portfolio companies, i.e. direct employers of respondents to the inquiry. This group of questions was designed with a view to assess in particular:

- expectations of portfolio companies' employees vis-a-vis the lead NIF and the respective fund manager,
- employee perception of the effects of NIF activities at the enterprise level.

Finally, questions in part three were aimed to get a feedback on the role of NIFs and fund managers as determinants of respondents' personal situation in the workplace.

The surveys were based on a sample comprising 29 (the '96 edition) and 19 (the '98 edition) portfolio companies, respectively in the "Octava" National Investment Fund. The number of respondents amounted to 526 in 1996 and to 420 in 1998. They represented three employee groups: top management, middle-level management and blue-collar workers. The composition of the sample at each company level was the following:

- 1/ the entire management board (2-3 persons as a rule),
- 2/ 4-6 representatives of middle management,
- 3/ 12-15 eligible workers.

The main criterion of eligibility in the latter case was the 'representativeness' of a given person in terms of e.g. trust bestowed by fellow workers, influential position in the trade union branch or seniority resulting in a good knowledge of corporate problems.

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- the ratio of companies generating profits increased from 40% in 1995 to 64% in 1998.

<sup>3</sup> The full account of the findings of the first survey, carried out in 1996 may be found in Rapacki, Skoczylas and Kulesza [1998]

Below the most interesting findings of the two surveys – the '96 and '98 editions – are presented. They are discussed at the most aggregate level (i.e. for the whole sample) but wherever applicable – they have been disaggregated to encompass three important cross-sections of the sample: (i) by management level (as defined above), (ii) by education and (iii) by so called baskets (or differentiation of economic situation) of portfolio companies.<sup>4</sup>

## **II The impact of the NIF programme on Polish economy**

While assessing the overall impact of the NIF programme on Polish economy approximately a half (51%) of those polled in 1996 conceived it as positive or very positive. On the other hand some 25.5% of respondents expressed their negative opinion. In the 1998 survey these proportions have substantially changed: only 37% of employees in the sample viewed the programme as positive while negative assessments represented 39.5% of the sample. The answers in both surveys displayed a positive correlation with the management level and educational background of respondents. The highest proportion of positive perception of the NIF programme was revealed at the level of management board members and university graduates while the negative opinions prevailed among the blue collar workers and employees with only the primary school background.

In the view of employees the most pronounced effects of the NIF programme should be expected in terms of speeding up the process of SOE privatisation, in enhancing the competitiveness of Polish firms and in fostering higher efficiency of the national economy (table 1). It is worth stressing, however, that the relative number of respondents who believed in such effects decreased between 1996 and 1998. The highest expectations with regard to the programme were featured by top management and employees with university background while the lowest – workers and those with primary education status.

Compared to 1996 the second survey seems to document the growing concern of portfolio companies' employees for the adverse impact of the mass privatisation scheme on Polish labour market, due in particular to lay offs in SOEs being divested to private owners (55% and 63% of indications, respectively). The distribution of answers displayed a positive correlation with management level and education.

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<sup>4</sup> All companies have been allocated by the fund manager to one of the three baskets, as a function of their economic and financial standing. The first basket (9 companies in 1996 and 6 in 1998) comprised economically sound firms with highest development potential and best prospects. The second basket contained average firms (15 and 11, respectively) while the third one (5 and 2, respectively) – nonviable companies with uncertain future.

**Table 1. What effects for Polish economy do you expect from the NIF Programme?**  
(% of answers)

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
It will enable fast privatisation of state-owned enterprises (SOEs)	5.1 <i>6.4</i>	8.0 <i>14.5</i>	17.5 <i>24.3</i>	<b>55.7</b> <b>44.0</b>	5.7 <i>4.8</i>	7.2 <i>5.5</i>
It should enhance higher efficiency of Polish economy	3.6 <i>4.8</i>	8.4 <i>17.6</i>	23.0 <i>28.1</i>	<b>45.1</b> <b>37.1</b>	8.9 <i>7.1</i>	10.3 <i>4.3</i>
National assets will be mostly taken over by foreign capital	6.5 <i>7.9</i>	10.6 <i>14.0</i>	22.8 <i>20.5</i>	<b>29.8</b> <b>35.5</b>	8.2 <i>10.7</i>	12.5 <i>10.0</i>
Unemployment will increase, in particular due to lay offs in privatised SOEs	5.7 <i>6.0</i>	12.5 <i>9.0</i>	19.6 <i>17.4</i>	<b>39.5</b> <b>43.8</b>	15.4 <i>19.0</i>	6.5 <i>4.0</i>
Society will be better off	8.4 <i>16.2</i>	<b>28.3</b> <b>36.4</b>	23.0 <i>25.2</i>	22.6 <i>11.4</i>	4.2 <i>3.8</i>	12.9 <i>5.5</i>
Polish companies will become more internationally competitive	5.5 <i>5.7</i>	11.2 <i>18.6</i>	16.2 <i>19.5</i>	<b>46.8</b> <b>41.4</b>	10.1 <i>7.6</i>	9.9 <i>6.7</i>
Employees of NIF portfolio companies will be better off	7.0 <i>13.8</i>	21.5 <b>25.0</b>	23.2 <i>21.7</i>	<b>24.5</b> <i>16.4</i>	4.8 <i>7.4</i>	18.3 <i>14.8</i>
National assets will be taken over by former nomenklatura members	13.1 <i>17.4</i>	<b>30.6</b> <b>26.9</b>	12.9 <i>19.0</i>	17.1 <i>16.0</i>	5.7 <i>4.0</i>	20.0 <i>15.5</i>

*First row in each possible answer stands for the '96 survey, second row (italic) - for '98 survey.*

Possible answers: 1 - I definitely disagree, 2 - I disagree, 3 - I think it has no impact,  
4 - I agree, 5 - I definitely agree, 6 - no opinion.

A similar trend, though less pronounced (38% and 46%, respectively) can be traced in the case of a potential take over of Polish productive assets by foreign capital. The distribution of answers here was insensitive to either management level or education.

The employees in the sample could also express their expectations with respect to fund managers (1996) and compare them with reality – two years later (table 2). The answers received in this part of the inquiry allow to indirectly rank both the former and the latter. In the '96 survey the respondents hoped first of all that fund managers would implant modern management methods (more than two thirds of indications). These hopes were particularly strong among top management (81%), university graduates (75%) and employees in the companies of the first basket (71.5%).

Fund managers were also expected to facilitate the access to foreign markets and capital, to be a catalyst of the inflow of new technologies and to bring about the new corporate culture to emerge (between 52% and 56% of respective answers). The foregoing expectations tended to be positively correlated with management level, education and the economic standing of a company involved; that is, the higher was the position of those polled in a firm, their educational background and the better the situation of the employer the higher the pertinent expectations.

**Table 2. What has been the impact of fund managers on NIF portfolio companies?**

( % of answers)

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
They have facilitated access to foreign markets	6.3 <i>14.5</i>	12.4 <i>20.7</i>	20.5 <i>27.4</i>	<b>46.2</b> <b>28.8</b>	6.5 <i>2.9</i>	7.2 <i>5.5</i>
They have triggered the inflow of new technologies	4.0 <i>11.7</i>	13.5 <i>23.1</i>	18.4 <i>23.1</i>	<b>47.3</b> <b>30.2</b>	8.2 <i>5.2</i>	7.2 <i>6.4</i>
They have made important decisions more time-consuming	3.8 <i>6.7</i>	22.6 <i>15.2</i>	18.1 <i>20.2</i>	<b>34.6</b> <b>39.0</b>	5.9 <i>6.7</i>	13.1 <i>11.4</i>
They have introduced modern management methods	3.4 <i>9.8</i>	8.0 <i>13.8</i>	10.6 <i>13.6</i>	<b>54.4</b> <b>49.3</b>	14.1 <i>8.6</i>	7.6 <i>4.5</i>
They have made access to capital easier	3.6 <i>9.8</i>	14.4 <i>22.9</i>	12.7 <i>21.2</i>	<b>46.0</b> <b>30.7</b>	9.1 <i>5.2</i>	12.5 <i>9.8</i>
They have appointed own staff to key managerial positions	6.3 <i>6.9</i>	12.4 <i>12.4</i>	20.5 <i>11.2</i>	<b>46.2</b> <b>34.0</b>	6.5 <i>20.5</i>	7.2 <i>14.8</i>
They have brought about a new corporate culture to emerge	2.3 <i>6.0</i>	10.5 <i>16.7</i>	20.2 <i>27.6</i>	<b>45.8</b> <b>35.2</b>	10.3 <i>6.7</i>	10.1 <i>7.4</i>
They have positively influenced human relations in companies	7.2 <i>14.3</i>	21.3 <i>27.4</i>	<b>30.8</b> <b>37.9</b>	20.5 <i>11.0</i>	4.6 <i>2.4</i>	14.6 <i>6.2</i>
They have imposed business plans and strategies incompatible with needs of portfolio companies	5.3 <i>5.7</i>	20.9 <i>20.0</i>	10.8 <i>16.2</i>	<b>34.6</b> <b>33.8</b>	8.7 <i>9.5</i>	18.4 <i>14.5</i>

*First row in each possible answer stands for the '96 survey, second row (italic) - for '98 survey.*

Possible answers: as in table 1.

At the same time the employees in the sample anticipated as well some undesired effects of fund managers' activities at the level of portfolio companies. These included in particular the possibility of appointing outsiders to key managerial positions, making crucial corporate decisions more time-consuming and the likelihood of imposing business strategies incompatible with the 'real' needs of the firm. In terms of our three cross-sections the relatively strongest fears were felt by the employees of nonviable companies, i.e. those in the third basket.

The '98 survey has revealed a sizeable gap between initial expectations and the employee perception of fund managers' actual outcomes two years later. As a general finding, we may conclude that in case of the desired outcomes fund managers tended to be perceived as less effective than expected whereas for undesired effects the opposite was true. The respondents turned out to be particularly disenchanted with fund managers' achievements as facilitators to access foreign markets, to new technologies and to capital (the fall of respective proportions by approximately 20 percentage points). The expectation gap was relatively narrow, instead, in case of new management methods. On the other hand, the effects of the new ownership structure - conceived as negative - were only slightly stronger compared to initial fears (by some 2-5 points). An interesting result here is the fact that the '98 inquiry did

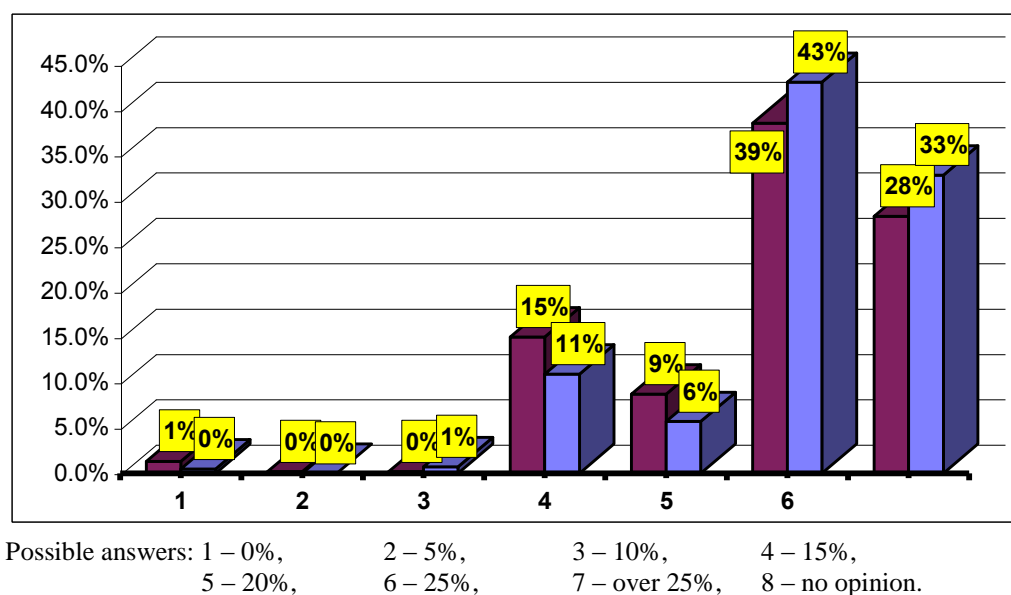
not show any expectation gap for business plans and strategies implemented in portfolio companies by fund managers.

Due to deeply rooted labour management traditions and as a trade off between efficiency and equity objectives Polish privatisation laws (including the NIF law) stipulate - for SOEs being divested - a free transfer of up to 15% of shares to eligible employees.<sup>5</sup> The last four questions in this part of the inquiry were aimed to test the employee conception of this arrangement. The answers revealed that the employee expectations to be enfranchised with the shares of own company were much higher than the legal ceiling. Some 76% of those polled in the '96 survey and 80% in the last survey declared that the 15% block of shares offered free to employees of SOEs subject to privatisation, is definitely insufficient.

The distribution of pertinent answers has shown a close negative correlation with the management level and educational background. The strongest sense of dissatisfaction with the existing legal constraints on employee ownership was expressed by blue-collar workers (82% in the '96 survey and 87% in the '98 edition); similar proportions prevailed for respondents with both secondary and primary education. On the other hand, only one third of the top management shared this feeling (37% and 31%, respectively); for university graduates the relevant proportions were substantially higher but yet much below the average for the sample (60% and 63%, respectively).

### Chart 1. What proportion of your company shares should be given away to employees?

*First column in each answer stands for the '96 survey, while the second for the '98 survey.*



<sup>5</sup> A more detailed discussion of these issues may be found in Rapacki and Linz [1992] and Rapacki [1999].



A more detailed data breakdown demonstrates that some two thirds of respondents in both surveys expected the block of shares allocated free to employees to be 25% or more (chart 1). The mean for the entire sample amounted to 29% in 1996 and to nearly 31% last year. The largest relative appetites for the 'privatisation pie' were revealed by blue-collar workers, secondary school graduates and employees with primary education.

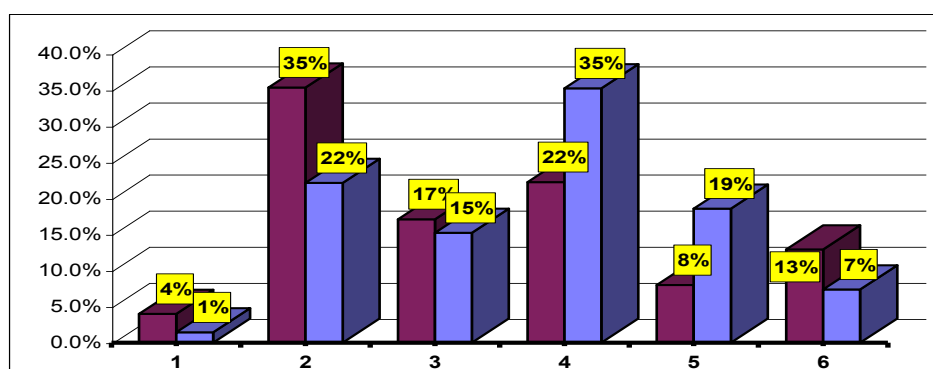
The results of our inquiries appear to indicate a high level of employee claims to be enfranchised with own companies' shares. What is even of greater importance, in the two-years time span these claims tended to display an upward trend. If our findings are confirmed by other empirical studies they should be interpreted as a strong institutional barrier to ownership changes in Poland, and in particular as a constraint to an effective corporate governance.

### **III The NIF programme and portfolio companies**

The questions in this part of the inquiry were mostly designed so as to get a picture of the employee perception of the effects of the NIF programme implementation at the portfolio companies' level. In the views of over a half (54%) of those polled in the '98 survey the programme exerted a negative impact on their firms. On the other hand, only 23.5% of the sample saw the NIF scheme as advantageous. These proportions unfavourably compare with both the '96 survey results (chart 2) and the same perception with regard to the overall macroeconomic impact of the programme (discussed earlier in the text). If the former are used as a benchmark, they seem to indicate a dramatic 'expectations gap' - the group of employees disenchanted with NIF effects in their firms has in 1998 grown by 24 percentage points and by far outnumbered the opposite group (contrary to the '96 survey).

Similar to 1996, the findings of our last year inquiry have also shown a shift in the employee perception of the NIF programme between the macro- and microeconomic levels. It tended to be relatively more favourable for the national economy than for the portfolio companies involved, i.e. with respect to a situation better known to respondents. This suggests that one important explanatory variable for this discrepancy may be seen in information asymmetry. It should be also stressed that there was a significant difference between the two surveys: the shift in question rose from some 5 percentage points in 1996 to 15 points in 1998.

**Chart 2. Has the NIF Programme been .... for your company?**



*First column in each answer stands for the '96 survey, second column - for the '98 survey.*

Possible answers: 1 – very beneficial, 2 – beneficial, 3 – neutral,  
4 – not very beneficial, 5 – disadvantageous, 6 – no opinion.

The views expressed here by those polled revealed a close correlation with their position in a firm, educational background and the financial standing of the employer. That is, the relevant perception of the NIF programme tended to be the better the higher was the management level (46% of positive vs. 21% of negative opinions among top management), the educational status and the allocation of a respective portfolio company to one of the three baskets. On the other hand, the most critical assessment of the programme was declared by the employees of companies in the third basket (62% of negative opinions), blue-collar workers (59%) and those with primary education or lowest skills (57.5%). Similar to the whole sample, the perceptions of the NIF scheme's effects at portfolio companies' level in the '98 survey, compared to 1996, displayed a significant shift towards more negative in all categories of respondents. The shift in question, however, was relatively larger in the latter than in the former categories.

Three hypotheses seem plausible while interpreting the foregoing results. First, the strong sense of dissatisfaction with the NIF programme among blue-collar and unskilled workers might have been implicitly due to a fall of their relative wages compared to employees with higher skills and educational background. This general effect inherent to the emerging market economy might have been associated with the impact of the NIF scheme alone.

Second, the diverging perceptions between the three baskets may reflect varying actual effects of fund managers' policies in the respective groups of portfolio companies. Third, the perceptions in question may have also resulted from a different approach of fund managers to each of the three baskets. For example, it seems quite likely that fund managers, in their strive to maximise the net asset value of the NIFs involved, might have focused on those portfolio

companies which promised the fastest growth of the shareholder value (the first basket) while neglecting those requiring longer-term recovery and a more in-depth restructuring (third basket).

Respondents were also asked of their preferences with regard to the ownership status of their firms. The most preferred form of ownership was found to be the employee-managed company or M/EBO (41% of indications). This result is not surprising if one bears in mind strong labour management traditions in Poland and the prevailing trends in the 'top-down' privatisation process.<sup>6</sup> It is worth emphasising, however, that the last survey seems to indicate some strengthening in employee ownership aspirations (a rise by 6 percentage points compared to the '96 study). Simultaneously, the '98 survey implies a slight shift of employee preferences from foreign strategic investors (a decline from 16.7% to 13%) to the state as a potential owner (a rise from 10.5% to 13.5%).

The strongest M/EBO preferences revealed secondary and primary school graduates (48% and 47%, respectively), blue-collar workers (47%) and employees in nonviable or third basket companies (45%). These proportions have not essentially changed between 1996 and 1998. On the other hand, top management and university graduates would most willingly work for either a domestic or foreign strategic investor (44% and 35% of indications in the former case, and 42% and 24% in the latter, respectively). Worth highlighting is also one more finding: the acceptance for foreign investors decreases in line with a deterioration of the economic position of a portfolio company (16.4% in the first basket vs. 8.5% in the third one). The foregoing proportions, both at the level of the whole sample and in particular across the three baskets illustrate a clear divergence between employee preferences, on the one hand and the objective necessities facing portfolio companies and goals of the NIF programme (enterprise restructuring, effective corporate governance), on the other.

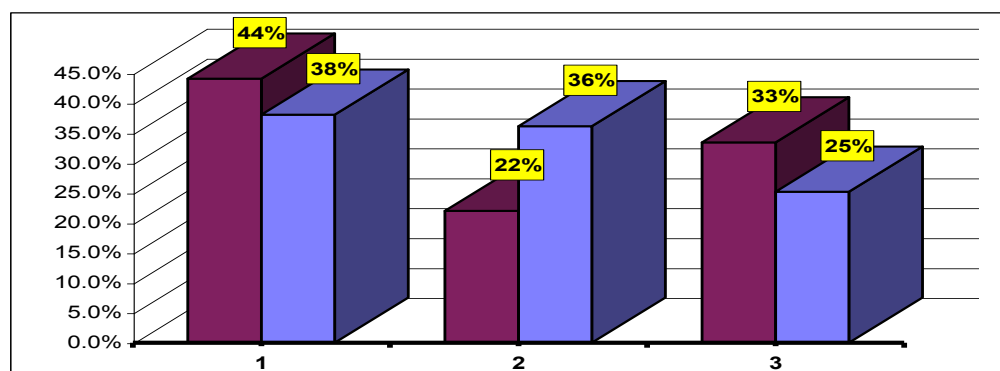
The next question in our inquiry was aimed to get a general picture of employee perception of the role of NIF fund managers as a key factor that might trigger their companies' development. Confronting last year results with the answers to the same question in 1996 one could compare today's perception of the reality with initial expectations. Two years since the first survey had been conducted the share of respondents who favourably assessed the impact of fund managers diminished (by 6 points) but in 1998 it still slightly exceeded the number of those disenchanted (chart 3).

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<sup>6</sup> For a more extensive discussion of Polish privatisation, see e.g. Rapacki [1999].

The most positive opinions prevailed among the top management (65%) and university graduates (52%); they essentially remained unchanged since the '96 survey. It is interesting to note, instead, that in 1998 fund managers received much worse evaluation from employees of the best or first basket companies (a decline by some 10 points, compared to 1996).

**Chart 3. Do you think your NIF fund manager can significantly enhance your company development?**



First column in each answer stands for the '96 survey, second column - for the '98 survey.

Possible answers: 1 – yes, 2 – no, 3 – no opinion.

A detailed breakdown of employee perception (and the '96 expectations) with regard to different dimensions of fund managers' effects at portfolio company level may be found in table 3. The data contained in the table reveal several interesting results.

**Table 3. What in your view have been major fund manager's effects on your company development? (% of answers)**

	1	2	3	4	5	6
It has facilitated access to foreign markets	7.2 <i>18.1</i>	11.2 <i>26.9</i>	24.1 <b>29.0</b>	<b>41.4</b> <i>18.3</i>	6.3 <i>1.7</i>	9.1 <i>5.5</i>
It has triggered the inflow of new technologies	5.3 <i>15.2</i>	13.9 <b>28.3</b>	21.7 <i>27.9</i>	<b>39.0</b> <i>20.5</i>	6.3 <i>1.9</i>	12.7 <i>5.7</i>
It has made important decisions more time-consuming	4.4 <i>5.2</i>	17.7 <i>13.8</i>	21.9 <i>21.0</i>	<b>35.0</b> <b>41.0</b>	5.3 <i>3.6</i>	14.3 <i>13.8</i>
It has introduced modern management methods	2.7 <i>6.4</i>	9.5 <i>24.0</i>	14.6 <i>15.5</i>	<b>53.8</b> <b>41.0</b>	9.1 <i>5.0</i>	9.3 <i>7.1</i>
It has made access to capital easier	5.3 <i>10.5</i>	14.6 <b>27.1</b>	13.5 <i>18.8</i>	<b>43.3</b> <b>24.3</b>	7.0 <i>4.5</i>	14.6 <i>13.6</i>
It has appointed own staff to key managerial positions	4.8 <i>6.7</i>	17.9 <i>16.9</i>	15.8 <i>17.1</i>	<b>33.8</b> <b>31.9</b>	8.9 <i>13.3</i>	17.9 <i>13.1</i>
It has brought about a new corporate culture to emerge	2.9 <i>6.0</i>	13.1 <i>18.6</i>	26.8 <b>36.0</b>	<b>38.2</b> <i>29.3</i>	4.8 <i>2.4</i>	13.1 <i>7.1</i>
It has positively influenced human relations in the company	6.8 <i>10.5</i>	21.1 <i>28.1</i>	<b>32.9</b> <b>38.3</b>	17.3 <i>9.8</i>	2.9 <i>2.9</i>	18.6 <i>9.8</i>
It has imposed business plans and strategies incompatible with needs of the company	6.3 <i>4.8</i>	22.2 <b>33.3</b>	12.7 <i>19.3</i>	<b>28.9</b> <i>27.6</i>	5.1 <i>5.2</i>	24.0 <i>9.3</i>

First row in each possible answer stands for the '96 survey, second row (*italic*) - for '98 survey.

Possible answers: as in table 1.

First, a feeling that seems to have prevailed in the answers to this question was dissatisfaction with fund manager's achievements, as perceived by respondents. The widest gap between the initial expectations and today's perception opened up in respect to the access to foreign markets (27 percentage points including two possible positive answers), new technologies (23 points) and capital (21.5 points).

Second, a certain exception to this general pattern was the employee conception of the fund manager as an agent of positive change in the field of modern management methods. Although the share of answers pointing out to its beneficial impact here decreased, compared to 1996, by some 17 points but the present level was still substantially higher than the proportion of opposite views. Simultaneously, management methods have remained in the '98 survey the only area where positive perceptions outnumbered negative opinions.

Third, the sense of employee dissatisfaction was not symmetrical with regard to 'positive' versus 'negative' expectations of NIF fund managers' effects. Namely, the results of the '98 survey demonstrated that the expectations gap in the latter case has either increased only slightly or even diminished. Of the three areas listed in table 3, in two the underlying perception was worse than a pertinent expectation. This refers to a more time-consuming decision making (a deterioration by 7.5 percentage points) and to the insider-outsider syndrome or appointing fund manager's staff to key managerial positions (2.5 points). On the other hand, the employees in our sample appear to have been positively surprised by the fact that the fund manager attempted much less than had been initially feared, to impose business plans incompatible with portfolio companies' needs (a rise of positive conceptions by approximately 10 percentage points). As a result, unlike in the '96 survey the relative frequency of positive (or better say - 'non-negative') perceptions here outnumbered that of a negative sign.

Fourth, similar to the '96 study the employee perception tended to be biased as a function of the respondent's position in a firm, his/her educational status and economic situation of the employer. The pattern of this bias, however, is not quite clear. In some areas the top management, university graduates and employees in the first basket companies were bound to conceive the fund manager's impact on portfolio companies as relatively much more beneficial (in particular in the field of modern management methods, access to capital and new corporate culture), compared to blue-collar and unskilled workers, and employees in nonviable firms. On the other hand, in the case of the access to foreign markets and new technologies the reverse pattern prevailed.

Finally, the corporate position, education and economic situation of the employer displayed a negative correlation with the way respondents conceived potentially adverse effects of fund manager's activities. There was only one deviation from this trend: employees of the first basket companies tended to feel relatively the strongest fear of 'outsourcing' key managerial positions (59% of such indications compared to 45% in the sample). This may imply that better economic standing and development prospects of a company entail stronger ties with the employer and higher opportunity costs, as perceived by insiders.

As a wrap up, two salient trends are worth highlighting at this stage of our analysis. First, a recurring theme that has already been mentioned earlier was the disparity between the perception of general effects of the NIF programme on the macroeconomy and those at the level of a particular firm, i.e. a situation much better known to respondents (see tables 2 and 3). The former tended to be relatively much more favourable than the latter. The perception gap ranged between 7 (access to capital) and 12 percentage points (access to foreign markets).

Second, the employee conception of positive and negative effects of the NIF programme at the macroeconomic versus the portfolio company levels displayed a kind of reverse symmetry. That is, the pertinent perception gap, as defined above, used to have a minus sign (i.e. the NIF programme was conceived as having less adverse impact on portfolio companies than on the national economy).

The next question was designed so as to enable an aggregate assessment of actual outcomes (in terms of growth of sales and output) of the NIF programme implementation at the portfolio company level by those polled. The inquiry results here revealed two diverging trends, compared to the past. First, according to the employee opinions, if the 1990-95 period (i.e. before the launch of the programme) is taken as a reference point, the companies involved tended to expand in 1997-98. Second, confronting the 1998 results with those of the '96 survey makes one to conclude however, that the last two years witnessed a deterioration of portfolio firms' situation, compared to 1995-96. In fact, the number of respondents who claimed that their firms were in recession in the 1997-98 period increased (38.4% compared to 31% in 1996) and more than equalled the number of those with opposite views (37.9% vs. 47%, respectively).

The most clearly symptoms of growth in their companies were conceived by top management (60.5%) and university graduates (44%); the other extreme was made up of blue collar workers (32% of respective indications vs. 44% pointing out to recessionary trends).

Slightly more optimistic were respondents' predictions of their firms' development prospects for the next three years, i.e. till 2001. In the views of 2/3 of those polled the

situation would at least not deteriorate (a fall by 12 points compared to the '96 results). The prospects for expansion existed in the opinion of 38% of employees in the sample (a decline by 14 points) while only 27% of them were pessimistic in this regard (a rise by 11 points). The most optimistic forecasts tended to be formulated by top management (79% of growth prospects) and employees with higher education status (58%). On the other hand, among blue collar and unskilled workers only every fourth was convinced of good development prospects of their companies.

The picture of a more detailed employee assessment of the NIF programme effects in their firms is presented in table 4. Similar to the '96 survey the most frequent single option selected by those polled was: "has not changed" although the respective share indices displayed a downward trend. However, unlike in the first survey, the views revealed last year were much more spread or dispersed within the sample: all three broad alternatives, i.e. improvement (options 1 and 2), no change (3) and deterioration (options 4 and 5) gained roughly an equal support of respondents.

**Table 4. How - in your view - have in 1997-98 (...since joining the NIF scheme) changed in your company...? (% of answers)**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Financial standing	4.4	20.5	<b>43.5</b>	10.8	15.2	5.3
	<i>5.2</i>	<i>22.6</i>	<i>28.1</i>	<i>18.6</i>	<i>24.3</i>	<i>1.0</i>
Supply with raw materials and inputs	6.7	17.5	<b>54.0</b>	8.7	8.6	4.2
	<i>9.3</i>	<i>19.0</i>	<i>38.1</i>	<i>14.5</i>	<i>15.7</i>	<i>2.6</i>
Employee motivation to work	4.9	19.8	<b>43.5</b>	12.2	15.8	3.4
	<i>6.0</i>	<i>18.8</i>	<i>35.0</i>	<i>12.9</i>	<i>24.0</i>	<i>2.6</i>
Market position	4.4	17.3	<b>46.0</b>	14.1	12.2	5.7
	<i>3.8</i>	<i>17.6</i>	<i>31.9</i>	<i>20.5</i>	<i>19.3</i>	<i>6.2</i>
Work organisation	6.1	30.2	<b>46.8</b>	7.8	5.9	3.0
	<i>9.0</i>	<i>27.9</i>	<i>40.2</i>	<i>9.8</i>	<i>10.5</i>	<i>2.1</i>
Usage of employees' skills	8.9	23.2	<b>53.6</b>	4.6	3.8	5.7
	<i>9.8</i>	<i>28.6</i>	<i>44.5</i>	<i>5.7</i>	<i>6.9</i>	<i>4.3</i>
Work discipline	18.1	26.6	<b>42.6</b>	4.9	2.9	4.4
	<i>24.5</i>	<i>28.6</i>	<i>38.1</i>	<i>5.5</i>	<i>2.6</i>	<i>0.5</i>

*First row in each possible answer stands for the '96 survey, second row (italic) - for '98 survey.*

Possible answers: 1 – has much improved, 2 – has slightly improved, 3 – has not changed,  
3 – has slightly worsened, 5 – has much worsened, 6 – no opinion.

In employee perception, the strongest positive impact that the mass privatisation scheme exerted on portfolio companies was in the area of work discipline. It has also contributed to a better usage of available skills and to improve work organisation. On the other hand, it adversely affected firms' financial standing as well as their market position and employee motivation to work. This latter result is not surprising if one bears in mind the

effects of the market discipline and the new corporate governance pattern inherent to the NIF programme on relative wages (performance-based pay and stronger links of wages and salaries with skills and education). As will be shown later in the text, this might have been a disenchantment with the fall in relative wages of blue-collar and less skilled workers that explains the prevailing perception of the motivation to work behaviour.

A more detailed breakdown of respondents' opinions reveals two interesting results. First, the higher was their pertinent position in the firm and the better the educational background (or skills level) the more positive tended to be the perception of changes in portfolio companies in most of dimensions singled out for the purposes of our inquiry. This trend implies a reversal of the pattern that had prevailed in the '96 survey [Rapacki, Skoczylas and Kulesza 1998]. One is tempted to conclude therefore that perhaps a higher level of knowledge, skills and responsibility within a firm give rise to the asymmetry of information and are conducive to a more objective perception of corporate reality than is the case of lower skilled and educated employees.

Second, the answers did not show any clear cut correlation with the economic situation and development prospects of companies in the sample (baskets) the only exception being financial standing (negative correlation). The available data, however, does not allow any sensible interpretation of this finding.

A word of caution is necessary while interpreting the results both here and in other relevant parts of the inquiry. Though NIFs themselves and their fund managers should be deemed as the key agents of change in portfolio companies there have obviously been also other determinants of their situation. They include the general macroeconomic environment both domestic and abroad (e.g. fast growth of Polish economy, expanding domestic absorption, widening trade and current account deficits, disinflation, the Asian crisis), government economic policy and autonomous trends in respective sectors and industries.

Compared to the '96 survey our last inquiry appears to have revealed two important changes in the employee perception of the effects of Polish mass privatisation scheme on portfolio companies. The results of the latter suggest that the 1996-98 period witnessed a downward trend in the usage by employees of sick leaves and vacations (a rise of respective share indices from 41% to 54%); simultaneously the rivalry in the work place has slightly increased (in the opinion of 33% of those polled, compared to 28% in 1996). The former result seems consistent with our finding on the improvement of work discipline, discussed earlier in the text (table 4).



Next, the respondents in our sample were asked to assess and implicitly rank the major problems or development barriers their firms have faced in 1997-98 (since embarking on the NIF scheme). The answers were also to indirectly enable a comparison with the period preceding the launch of the programme, i.e. 1990-95. Results are shown in table 5 below.

**Table 5. What do you consider the most important problems in your company since joining the NIF Programme (...in 1997 – 1998)?**  
(% of answers)

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Distribution system	<b>43.0</b> <i>40.2</i>	31.9 <i>31.9</i>	6.8 <i>5.2</i>	4.2 <i>4.8</i>	10.8 <i>16.9</i>
Shortage of capital	<b>46.8</b> <b>51.9</b>	42.0 <i>36.9</i>	2.9 <i>2.9</i>	2.1 <i>1.0</i>	6.1 <i>6.9</i>
Low productive capacity	9.3 <i>11.7</i>	25.7 <i>34.0</i>	18.1 <i>11.7</i>	<b>39.4</b> <b>36.7</b>	6.5 <i>5.5</i>
Lack of good organisation and management	18.1 <i>27.9</i>	<b>48.5</b> <b>41.4</b>	9.1 <i>10.5</i>	17.5 <i>15.2</i>	5.7 <i>4.0</i>
Shortage of properly qualified employees	9.5 <i>10.5</i>	32.7 <b>35.0</b>	18.1 <i>18.3</i>	<b>34.8</b> <i>33.1</i>	4.8 <i>2.9</i>
Absence of a good motivation system	35.9 <b>46.0</b>	<b>45.6</b> <i>40.5</i>	6.1 <i>5.5</i>	7.8 <i>5.0</i>	4.0 <i>3.1</i>
Too low wages/salaries	<b>51.3</b> <b>61.9</b>	41.1 <i>34.0</i>	3.4 <i>1.7</i>	2.3 <i>1.2</i>	1.5 <i>0.5</i>
Low quality of products	13.7 <i>14.5</i>	<b>36.9</b> <b>36.4</b>	15.2 <i>14.5</i>	28.7 <i>29.0</i>	5.3 <i>4.8</i>
Inadequate financial management	29.8 <i>28.6</i>	<b>43.5</b> <b>33.6</b>	5.5 <i>6.0</i>	8.2 <i>16.0</i>	12.7 <i>15.7</i>
Marketing management	<b>40.7</b> <b>39.5</b>	37.3 <i>35.0</i>	6.8 <i>5.2</i>	4.4 <i>6.9</i>	10.6 <i>13.3</i>
Lack of operational strategy	25.5 <i>29.8</i>	<b>37.5</b> <b>40.0</b>	8.9 <i>5.5</i>	14.6 <i>12.4</i>	12.7 <i>11.9</i>
Too strong market competition	38.0 <b>42.1</b>	<b>42.4</b> <i>40.5</i>	8.9 <i>10.7</i>	3.6 <i>2.9</i>	6.3 <i>3.6</i>

*First row in each possible answer stands for '96 survey, second row (italic) - for '98 survey.*

Possible answers: 1 – very important, 2 – important, 3 – not very important,  
4 – no such problem, 5 – I do not know.

As a general observation two salient features are worth noting. First, apart of a few minor shifts the basic hierarchy of problems, as perceived by portfolio companies' employees, remained unchanged between 1990 and 1998. Second, through the time most of the development barriers shown in the table tended to be conceived as gaining importance. The only deviations from this trend encompassed the distribution system and marketing management in the '98 survey.

In the eyes of those polled the single most crucial problem facing the portfolio companies was too low level of wages/salaries. Compared to both preceding periods, i.e. 1990-95 and 1995-96, the prevailing feeling was that this problem became more acute (see

table 2). The other factors, ranked among the strongest development barriers, included a shortage of capital and the absence of a good motivation system. The latter result seems again consistent with the overwhelming employee complaint of too low wages and salaries.

It is also worth pointing out to a high ranking of the “excessive” market competition, as an important hurdle to firms’ expansion. Moreover, the weight of this factor in employee perception further increased, compared to both preceding periods covered by the ’96 survey. It is perhaps even more interesting that the top management (92%) and university graduates (90%) revealed a stronger fear for market competition than was the case of blue-collar workers (77%) and employees with primary school background (73%).

A slight progress in two years can be detected in the allocation of competencies in NIF companies (a rise in the proportion of favourable assessments from 58% in 1996 to 63% in 1998). Nevertheless, one should not neglect the fact that every fourth of those polled still conceived this problem in a negative light.

Despite having quite well delineated boundaries of competencies and responsibilities the portfolio companies have failed to ensure the adequate relationship between the responsibility resulting from a position in the corporate hierarchy, and the level of remuneration. This was at least the feeling emanating from the survey (57% of such responses, compared to 55% in 1996). This feeling was shared first of all by middle-level management (65%) and secondary school graduates (63%). On the other extreme, top management strongly stuck to the opposite view (75%, i.e. 13 points more than in 1996).

The next question was aimed to scrutinize the employee perception of the distribution of decision making powers in NIF companies. Compared to the ’96 inquiry the results were subject to some shifts. The board of management remained the main decision centre but its importance significantly diminished – from 64% to 50%. Among three institutions which gained importance in the decision making process the greatest increment was recorded for the NIF supervisory board (from 5.9% to 15.2%), followed by the firms’ supervisory boards (13.5% and 16.4%, respectively) and fund managers (6.1% and 8.3%). This ranking appears to prove, among other things, a limited employee knowledge of the design and rules governing the Polish mass privatisation scheme. One more interesting finding is the negligible importance of trade unions (a fall from 2.1% to 0.7%). This may either reflect effects of the new pattern of corporate governance implemented by a new, quasi-private owner or be an exaggerated reaction to the loss of a privileged unions’ position they had enjoyed earlier within the “Polish Bermuda triangle”, institutionally embedded in state-owned enterprises.

Respondents in our sample turned out to be also sensitive to excessive bureaucratisation of their firms (59.5% in 1996 and 61% in 1998). This referred most of all to employees with lower skills and educational status. It cannot be ruled out that such a perception was partly due to the fund managers' involvement in the restructuring or doctoring of portfolio companies. For example, the implementation of new, more effective reporting formats and financial documents by the former might have been conceived by employees – in particular in the early stages of the restructuring process – as a distortion to traditional, well established procedures and behavioural patterns and by the same token – as a change that entailed more bureaucracy.

**Table 6. After joining the NIF Programme (...in 1997-98), have there been changes in your company of...? (% of answers)**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Labour productivity	17.3 <i>23.6</i>	29.3 <b>32.9</b>	<b>39.9</b> <i>26.4</i>	4.0 <i>8.6</i>	2.7 <i>4.3</i>	6.5 <i>3.8</i>
Usage of work time	17.7 <i>24.5</i>	30.6 <b>31.7</b>	<b>39.0</b> <i>31.2</i>	4.4 <i>7.1</i>	3.2 <i>3.6</i>	4.2 <i>1.2</i>
Usage of fixed assets	9.1 <i>11.2</i>	26.8 <i>22.1</i>	<b>39.7</b> <b>36.9</b>	6.3 <i>9.5</i>	5.5 <i>8.8</i>	11.8 <i>10.5</i>
Management of human resources	10.1 <i>12.9</i>	28.9 <i>25.5</i>	<b>37.3</b> <b>35.0</b>	7.0 <i>11.7</i>	6.1 <i>6.2</i>	9.5 <i>7.6</i>
Usage of raw materials and inputs	15.4 <i>16.4</i>	27.2 <b>35.2</b>	<b>43.2</b> <i>34.8</i>	2.5 <i>5.2</i>	2.9 <i>3.8</i>	7.8 <i>3.8</i>
Human relations	3.6 <i>4.8</i>	11.2 <i>11.9</i>	<b>52.3</b> <b>41.9</b>	15.0 <i>23.8</i>	12.5 <i>15.0</i>	5.1 <i>1.4</i>
Level of employee identification with the firm	5.9 <i>6.7</i>	18.4 <i>14.0</i>	<b>45.6</b> <b>43.1</b>	7.4 <i>15.2</i>	8.2 <i>10.5</i>	14.3 <i>9.8</i>

*First row in each possible answer stands for '96 survey, second row (italic) - for '98 survey.*

Possible answers: as in table 4.

As can be seen in table 6, joining the NIF programme resulted in some beneficial effects in portfolio companies as well. They included first of all the growth of labour productivity (the respective share indices augmented by 10 percentage points, compared to 1996), better usage of raw materials and inputs (9 points), and the work time (8 points). What is also worth underlying here, the changes in these areas displayed a consistent upward trend since 1990. On the other hand, however, the situation in some other areas has either worsened or not improved (e.g. employee identification with the firm and usage of fixed assets).

#### **IV The NIF programme perception from the angle of employee own professional situation**

The last part of the inquiry was designed so as to give account of individual motivations and attitudes of the respondents as well as of their perception of the NIF programme from the angle of their own professional situation.

Much similar to the '96 survey, the feed back received from those polled last year suggests that the effects of the mass privatisation scheme have hardly reached the individual employee level. Despite a considerable differentiation of the answers – a derivative of the management level, education and economic situation of the employer – the dominant option being chosen was “*no change*”. This conviction was particularly strong in the case of the relations with fellow workers (82%, compared to 88% in 1996), work conditions and hygiene (68% and 66%, respectively), and identification with the company (68% and 66%). What did improve was the employee involvement in the tasks assigned (a rise from 47% in 1996 to 53%) and – to a much lesser degree – their attitude to work (28% and 33%).

In most of the dimensions being scrutinized the distribution of respondents' opinions was typically a function of their position in the firm, education and economic standing of a pertinent portfolio company. The closest positive correlation was found in the area of earnings. These were mainly the top management and employees with university diploma who benefited most from the hikes in the level of salaries: they encompassed 77% of the former (compared to 60% in the '96 survey) and 47% of the latter (39%).

The results obtained here seem to be consistent with the findings of a more comprehensive survey conducted in 1997 in a broad sample of Polish population. The survey in question demonstrated that – even if the average wage level in the state sector used to be higher compared to private sector – the salaries of university graduates in the latter were by one third higher than those in the former. This authorises the conclusion that one of the first seeming effects of having a new, quasi-private owner (NIFs) in portfolio companies were growing earnings disparities and closer links between skills and education, on the one hand and the remuneration level, on the other.

The next question was aimed to get a picture of key drivers of the professional career in the firm, as conceived by employees in the sample (table 7). Despite a natural spread of opinions between the three breakdowns the picture that emerges from the answers is optimistic. The top positions in the hierarchy of career drivers were assigned to education (63% of choices, compared to 50% in 1996) and actual qualifications and skills (60.5% vs.

75% in 1996). At the same time the role of other, 'non-meritocratic' factors was consistently declining. Equally optimistic is also a fact that the rising importance of education and actual skills as key career drivers tended to be more and more widely accepted by unskilled and blue-collar workers (a substantial increase of respective share indices between 1996 and 1998). This may be interpreted as a symptom of a breakthrough in the mentality of Polish workers, compared to the command economy standards and those prevailing in the initial stage of the systemic transformation in Poland.

**Table 7. What is the key driver of your career in the company?**

(% of answers)

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Education	5.1 <i>9.0</i>	19.6 <i>20.0</i>	19.4 -	<b>33.3</b> <b>38.1</b>	16.9 <i>24.5</i>	3.6 <i>6.4</i>
Actual qualifications and skills	2.9 <i>6.2</i>	7.0 <i>18.3</i>	10.6 -	33.3 <b>30.5</b>	<b>42.0</b> <i>30.0</i>	3.0 <i>13.1</i>
Personal contacts and networking	<b>23.4</b> <i>18.1</i>	18.1 <b>27.9</b>	21.3 -	18.3 <i>23.6</i>	9.1 <i>15.0</i>	7.6 <i>13.3</i>
Luck	17.5 <i>18.3</i>	17.1 <b>25.2</b>	<b>22.4</b> -	17.3 <i>19.8</i>	7.8 <i>9.8</i>	15.4 <i>24.0</i>

*First row in each possible answer stands for the '96 survey, second row (italic) - for '98 survey.*

Possible answers: 1 – definitely not, 2 – rather not, 3 – I think it has no impact,  
4 – rather yes, 5 – definitely yes, 6 – no opinion.

The first survey conducted in 1996 had revealed that the initial expectations of employees involved with regard to the lead NIF effects on their own situation in the firm were very high: 77% of those polled expected changes to the better while only 5% - to the worse. The results of the '98 inquiry seem to suggest that – though still being quite large – the expectations gap tended to narrow: the respective indices amounted to 67% and 12%. This might have been due to the negative employee perception of some of the NIF programme outcomes at both macroeconomic and portfolio companies levels. The answers displayed a loose positive correlation with the respondents' position within the firm and its economic standing.

Respondents were also asked of main factors motivating them to work. The results have shown that – similar to the '96 survey – the strongest incentives were embedded in a position involving responsibility and compatible with skills, and work in a nice atmosphere (table 8). On the other hand, despite a substantial increment in the respective share index in 1998 (by 12 percentage points, compared to 1996), the weakest motivating factor was seen in the possibility of promotion which is a little surprising.

**Table 8. What motivates you most in your work?**  
(% of answers)

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Earnings	<b>48.9</b> <i>34.0</i>	26.6 <i>28.1</i>	6.5 -	9.7 <i>16.2</i>	7.2 <i>18.8</i>
Security of employment	<b>38.2</b> <i>38.6</i>	34.8 <i>26.9</i>	12.2 -	7.8 <i>20.2</i>	5.3 <i>9.0</i>
Possibility of promotion	12.9 <i>21.0</i>	24.1 <i>28.1</i>	<b>27.0</b> -	24.1 <b>32.6</b>	9.3 <i>10.0</i>
Sense of co-deciding on company matters	25.3 <b>30.2</b>	<b>36.3</b> <i>28.8</i>	14.1 -	12.9 <i>22.1</i>	9.1 <i>11.0</i>
Position compatible with skills	33.7 <b>42.1</b>	<b>47.9</b> <i>31.9</i>	7.0 -	4.6 <i>12.6</i>	4.8 <i>8.3</i>
Work in a nice atmosphere	<b>41.1</b> <i>43.8</i>	40.1 <i>30.0</i>	10.3 -	4.0 <i>13.1</i>	2.1 <i>8.8</i>
Position involving responsibility	36.5 <b>43.6</b>	<b>39.4</b> <i>32.6</i>	12.9 -	5.7 <i>9.5</i>	2.1 <i>7.6</i>

*First row in each possible answer stands for the '96 survey, second row (italic) - for '98 survey.*

Possible answers: 1 – definitely yes, 2 – rather yes, 3 – I think it has no impact,  
4 – rather not, 5 – definitely not.

Also surprising is the fact that these were earnings that suffered the largest relative decline in significance (by 13.5 points). This view of the respondents appears to be hardly consistent with their complaints on the existing (too low) level of wages/salaries revealed in the earlier parts of the inquiry. The importance of the earnings incentive decreased in line with the growing position of those polled in the corporate hierarchy and their educational status. This result in turn fits the general evidence provided by other available empirical studies.

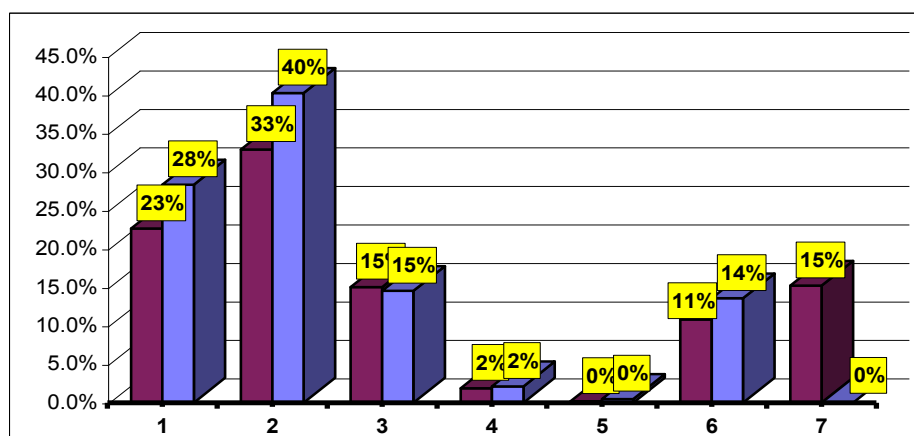
Worth highlighting is also one more finding that sticks out in both the '96 and the '98 surveys. This was the high ranking of the security of employment as a factor motivating to work (the highest being for middle management). If confronted with employee opinions expressed in the second part of the inquiry it provides another proof of inconsistency: the results there appear to have confirmed a rising social acceptance for unemployment.

The most plausible hypothesis for this inconsistency is that the security of employment is bound to be an essential component – as an intrinsic value - of the mental legacy from the centrally planned economy. Due to its strong inertia and persistence it has continued to be deeply rooted in the minds of NIF portfolio companies' employees. Simultaneously it has also been entrenched in their expectations with regard to the effects of the mass privatisation programme at both portfolio companies' and their own professional levels. If this is so we may speak of a strong institutional and behavioural barrier to the NIF programme smooth implementation. At the same time this may give birth to potential conflicts between

employees of the portfolio companies and trade unions, on the one hand and management boards in those companies and fund managers, on the other.

The last three questions shed some new light on the attitudes and the system of values of NIF companies' employees. The first was aimed to test their tolerance for growing earnings disparities between the top management and the middle-level managers (chart 4). The answers have unequivocally shown the persistence of egalitarian attitudes; between 1996 and 1998 they became even stronger. More than two thirds of those polled in 1998, compared to 56.5% in 1996, would accept a maximum 3-fold salary differentials between the top management and the middle-level management (a 2-fold differentials would be accepted by 28% and 23% of respondents, respectively).

**Chart 4. What should be the ratio of middle-level management salaries to those of top management?**



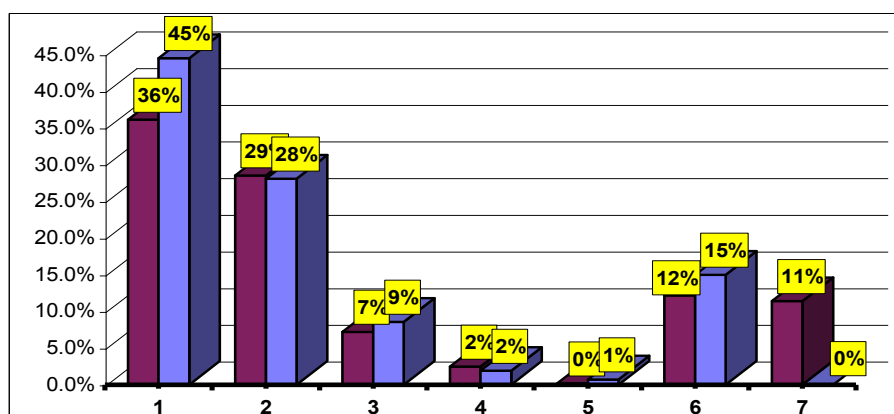
First column in each answer stands for the '96 survey, the second column - for '98 survey.

Possible answers: 1 – 1:2, 2 – 1:3, 3 – 1:5, 4 – 1:10,  
5 – more than 1:10, 6 – I do not agree to any restrictions,  
7 – I do not know.

The strongest egalitarian mentality was revealed among unskilled (76% of choices of a maximum 3-fold differential) and blue-collar workers (74%), closely followed by secondary school graduates (73%). On the other extreme, the highest tolerance for widening salary disparities was declared by top management. A somewhat striking result was the fact that the economic situation of portfolio companies in the sample turned out to be irrelevant for the distribution of answers.

Even more egalitarian were the employee views on the desired ratio of middle-level managers salaries to the wages of blue-collar workers (chart 5). In the last survey as much as 73% of those polled would accept a maximum 3-fold wage differentials, compared to 65% in 1996.

**Chart 5. What should be the ratio of blue-collar workers' wages to salaries of middle-level management?**



First column in each answer stands for the '96 survey, second column - for the '98 survey.  
Possible answers: as in chart 4.

It is more than likely that the NIF programme implementation is bound to lead to widening earnings differentials in portfolio companies being a function of education, skills, responsibility and performance. Strong egalitarian attitudes, revealed in both surveys, testify to the existence of one more institutional barrier to ownership transformation in Poland and may harbinger future frictions and a potential for conflict in the NIF firms.

The last dimension of employee attitudes being scrutinised were their revealed preferences with respect to a potential employer, other things (earnings) being equal. The answers obtained seem to indicate a strong preference for the present firm (51.4% of choices); however, compared to the '96 survey the respective share index fell by 11 points which may in turn suggest a declining level of employee identification with their companies. Other preferences remained stable at the range of 10%-14% (other domestic private firm or foreign company); the only significant change occurred with regard to a state-owned enterprise: it became a preferred potential employer for 17% of those polled (up from 12% in 1996).

The pertinent preferences turned out to be quite diversified the key explanatory variables being education and position in the corporate hierarchy. The strongest preferences for their present job were revealed by top management (77%) and university graduates (63%). On the other hand, blue-collar and unskilled (primary education) workers would be relatively most eager to quit and return to a 'friendly niche' of a state-owned enterprise (24% and 27.5%, respectively).<sup>7</sup>

<sup>7</sup> This finding seems to support the results obtained by Gardawski [1996].



## **V Summary and conclusions**

The most important findings and conclusions stemming from our two surveys, conducted in 1996 and 1998, can be summarised in the following points.

1. The initial employee (and more broadly - social) expectations vis-à-vis the mass privatisation programme in Poland and with regard to individual NIFs (fund managers) were highly raised. In particular, it was hoped that the programme will contribute to an accelerated privatisation of Polish economy, to an increase of its international competitiveness and will enhance its allocative and productive efficiency.

2. The NIF programme gave also birth to some fears and anxieties. The employees in our sample were mostly afraid of the adverse impact of the programme on the labour market (rise in unemployment). Compared to the first survey, in 1998 they tended also to reveal a growing concern for a possible loss of control over the national assets in favour of foreign capital.

3. Having in mind the highly raised bar of initial employee expectations towards the NIF scheme it should not come as a surprise that the '98 survey has revealed the emergence of an 'expectations gap'. That is, in most cases the perception of the actual effects of national investment funds' activities tended to be worse than the pertinent expectations. Moreover, compared to the '96 survey the last year results have shown that the gap in question further widened.

4. In the opinions of those polled concerning both the expected and actual effects of the NIF programme at three different levels, i.e. macroeconomic, portfolio company and individual respondents, three salient trends are worth emphasising.

- First, the share of negative (or less positive) opinions used to rise once the problems being addressed moved from the macroeconomic to a portfolio company level, i.e. to situations better known to respondents.
- Second, the employee perception displayed a certain asymmetry, especially in the 1998 survey. The expectation gap was as a rule wider for potentially beneficial effects and narrowed down for adverse impacts.
- Third, in some cases of initial fears the pertinent gap was reversed. That is, the scale of potentially disadvantageous effects of the NIF programme turned out to be smaller than anticipated resulting in an improvement in the actual employee perception.

5. The employee perception proved very sensitive to two variables: educational background and the position in the corporate hierarchy (or management level) of those polled.

The higher was the educational level and the pertinent position the better tended to be the perception of the NIF programme effects and vice versa – the worse relative assessments were given by blue-collar and unskilled (with only primary school) workers.

6. One more important determinant of the employee perception may be seen in the preferences of the respondents regarding potential employers (ownership form), declared in the last part of the inquiry. The most favoured option turned out to be an employee-owned company (MEBO). The 1996-98 period witnessed also a significant increment in the preferences for state-owned enterprises (SOEs). In both cases the pertinent preferences used to be the stronger the lower were the education status and position in the firm of those polled. Such a composition of preferences is clearly incompatible with the challenges facing portfolio companies as well as with the underlying goals of the Polish mass privatisation programme.

7. As a general pattern, actual (and supported by facts) effects of the NIF programme implementation and fund managers' efforts have not yet been translated into appropriate changes in the employee perception, in particular at the level of own professional situation of respondents. However, symptoms of improvement in this regard have emerged, as suggested by the results of the '98 survey.

8. The way the portfolio companies' employees have conceived the effectiveness of NIF policies in their role as new, quasi-private owners, might have been affected by strong institutional and behavioural barriers, as demonstrated by our two surveys. The first such barrier is due to widespread employee ownership claims. They believe the 'fair' amount of their companies' shares they should receive free is bound to be much above the level stipulated by the privatisation laws. In the '96 survey the mean for the sample amounted to 28.1% while in the '98 one it grew to 30.4%. The most extreme in this regard were middle-level managers (26.8% and 32.1%, respectively), followed by secondary school graduates (30.7% and 31.8%) and blue-collar workers (30.7% and 31.4%).

9. The second institutional impediment has been rooted in the persistent egalitarian attitudes of employees. For the majority of respondents the maximum acceptable earnings differentials amounted to 3:1 (both for top-to-middle management and middle-management-to-blue-collar workers dimensions). Moreover, the employee tolerance for earnings disparities further diminished in 1998.

10. Another important behavioural barrier to a smooth NIF programme implementation may stem from some mental constraints of employees involved. For example, both inquiries have shown that too strong market competition was ranked among the most critical problems impeding the expansion of portfolio companies. Even more striking is the

fact that these were university graduates and middle-level managers who tended to most often point out to this problem. This finding may be interpreted as one more evidence for the inertia and persistence of the attitudes and behavioural patterns acquired in the centrally-planned economy.

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