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DIVIDE AND RULE
PRIVATISATION IN POLAND AND THE WORKING CLASS

ECONOMIC OWNERSHIP

The question of privatisation is the subject of not only hot debate among economists, politicians etc., but also a good deal of confusion. In most cases this confusion results from what may be called legal or ideological dogmatism. In analysing privatisation to concentrate on purely legal forms is insufficient, since it is possible for the forms of legal ownership not to coincide with economic ownership. Study of law must be related to its concrete economic and social context. Contrary to what has been implicitly assumed by the lawmakers, by no means all shareholders , notably the rank-and-file employees, of the newly privatised companies are real co-owners of the share capital. In order to address this question, we need sharper analytical tools than those used in the conventional analyses of the subject. Put differently, a set of criteria identifying the types of economic ownership associated with shareholdings of a different size must be developed. Before proceeding, however, certain conceptual points must be clarified. It has been said above that ownership has a dual mode of existence, so to speak: as both legal relation and economic relation. For the sociologist, of course, it is the latter one that is crucial. But how is this economic ownership to be defined? In my opinion, what has been called by e.g.Harbrecht "the sole advantage left to" the shareowner, that is, "the right...to receive income" /1959: 4/ is both necessary and sufficient aspect of ownership. In a broader sense, ownership may be defined as the ability to benefit from the object. However, not all instances of benefiting can be qualified as what is termed here real economic ownership. This usage of the term "real ownership" differs from one employed by the authors such as Poulantzas /1978: 18-9/ or Scott /1979: 32/, who define real or "effective " ownership as control. In my opinion, the distinction between ownership and control or "decision-making power" should be maintained. Those who benefit need not necessarily be those who control or make decisions concerning the use of objects. The difference between these two concepts of ownership may be demonstrated on the examples of a park, a museum or a road. These are objects of public ownership because each member of society may use them. This nature of objects in question is independent of the fact that they are managed by administrators or other officials. Do the circumstances that the users themselves do not decide on the admission hours to a botanical garden or a museum, or that there is a state institution that manages the forests deprive given objects of the features of common or public property? However, although ownership and control are not at all the same thing, the latter may produce the former, but it is not always the case and each specific instance of such coincidence must be separately examined. On the other hand, depending on the magnitude of income or the extent of benefits derived from property it is possible to distinguish real economic ownership and nominal or formal one. Share ownership has two aspects to it. Namely, it could be said that to own shares means to hold them and/or dispose of them. Put differently, shareowners receive their benefits in the form of dividends and capital gains, representing, respectively, direct and indirect ownership of share capital. Of course, the former relation can be regarded as direct only in comparison with capital appreciation and its subsequent realization. From another standpoint, it itself is mediated by the ownership of shares. Thus the former relation could also be described as ownership of industrial /commercial etc./ capital mediated by share ownership and exchange, and the latter as ownership of other people`s money capital /or savings/ mediated by share ownership and exchange. In the first case, by means of exchange dividend income is converted into consumer goods and services available on the market, whereas in the second case not only money is turned into goods and services but the shares are converted into money through the mechanism of the securities markets. In still other terms, a shareowner can benefit from, first, industrial capital /or the means of production/ as mediated by fictitious capital and, second, sole fictitious capital.

CRITERIA FOR DISTINGUISHING REAL AND NOMINAL OWNERSHIP

Having clarified the concept of ownership, we may now proceed to present the above-mentioned set of indicators. It is relevant to note that the first four criteria refer primarily to ownership of fictitious capital in that they focus on the value of shareholdings rather than on the dividend income, whereas the remaining three deal with ownership of industrial capital as such. All the same, these four criteria can be treated as at least indirect indicators of economic ownership of the means of production. As noted, this ownership can be both real and nominal. In the case of wage- and salary-earners the latter may be equated with ownership of sole labour power /as opposed to ownership of capital/. As a first criterion for determining the relation of share ownership to ownership of capital, the principle concerning the comparison of the market value of a shareholding to the value of investmentnecessary to establish a plant can be offered. That is to say, if the former is larger than the latter, the shareholding in question represents the real ownership of the means of production. On the basis of this criterion we may introduce the second one according to which a shareholding reflects the real ownership of capital if it can be converted into money enabling one to purchase the means of luxurious consumption such as works of art, yachts, palaces etc. which, in turn, can be easily turned into the means of production. Third, a shareholding represents the real, as distinct from nominal, ownership of the means of production if its market value is equal to or higher than the value of labour power. Fourth, a shareholding can be treated as an expression of the real ownership of equity capital if its market value is at least equal to the amount of average savings of wage-earners. Fifth, if the dividend income on shares is lower than the income from savings of an average owner of sole labour power, then the recipient of the dividend cannot be classified as a part owner of share capital. Sixth, if the share of dividends in the aggregate income of a given wage-earner is greater than the share of wages, then such a person is the owner of capital rather than the owner of sole labour power. This criterion may be misleading if it is applied equally to all employees, because in some cases salaries or wages can conceal part ownership of capital. As regards the overwhelming majority of wage-earners, and especially the working class, however, our criterion is wholly applicable. The seventh criterion is more general and refers to all shareholders. If the dividend income enables one to live at the level typical of a worker, the shareholding underlying it represents real ownership. In other words, when the shareholding in question provides one with enough money to live without working, it expresses real rather than nominal ownership of the means of production. In the case of wage-earners the role of dividends as a source of the means of subsistence reveals itself directly and dramatically when a given worker loses his job. If the dividend income received allows him to maintain his standard of living, then it can be treated as an expression of real ownership.

THE NATURE OF EMPLOYEE OWNERSHIP

Let us consider first the ownership relations of a "chosen few", i.e. those newly privatised companies which are listed on the stock exchange. When the first post-socialis tGovernment came into office in 1989, a governmental office was established to oversee the privatisation process. The first office established was the Government Plenipotentiary for Ownership Transformation. This office was assumed by Christopher Lis, a busines consultant. His office followed the line represented by a group of British esperts who came to Poland in the autumn of 1989. Unsurprisingly, their policies reflected most of all British privatisation experience , with its emphasis on public flotation. A bias towards this model was evicdent in the governmental project of the privatisation act. The law offered also some sweeteners for the still powerful working class. After all, among the governmental circles memories of strikes which wiped out their predecessors was still lively. The employees were granted the opportunity to buy company shares [up to 20 per cent of the total] at a 50 per cent discount. when the enterprise is corporatized. It was hoped that thanks to such provisions support or at worst neutrality of the workers towards capital privatisation would be secured and the whole process would be able to move quickly and eventually install a traditional capitalist system of corporate governance. This was to have been accomplished by corporatisation, meant to be the first stage on the way to the change of ownership. It would impose a new legal regime and decentralise decision making. This was then to be followed by a British style sell-off. In Poland corporatisation or commercialization, as it is called heree, , is the "transformation of state enterprises into wholly state-owned joint-stock or limited-liability companies governed by the rules of the Commercial Code." There are different forms of capital privatisation and Poland has tried different ones. A public offering was one such method tried. This is a very complex and time consuming method of privatisation and can only be applied to a small number of firms. Nevertheless it held a lot of attraction for the Polish reformers. It promised an immediate move into the prestigious world of quintessentially capitalist finance: the introduction of stock exchanges, a myriad of financing instruments, banking institutions, mutual and pension funds, etc." Indeed foreign advice was sought and legislation adopted to open a stock exchange in Warsaw. Of symbolic significance is the choice for its site the former site of the Central Committeee of the Polish United Workers' Party. It is another matter that the symbol can be interpreted in a way not intended by its designers., namely as a symbol of succesful conversion of the former ruling clas to capitalism rather than victory of the latter over the former. Unfortunately, however, grossly overestimated demand, low savings, weak banking system[credits for the purchase of shares] were only some of the factors explaining whyit did not quite work out. The selected companies had no experience of a market economy. Coupled to this were the centrally based prices of inputs and outputs. Due to this Western accounting methods were quite useless in valuing the firms. In the end the figures used were arbitrary. In 1990 only five firms were privatised this way and receipts fell well short of projections. Six more firms joined in 1991.As a result of aplying the rules of allocation of employee shares referred to above the percentage of equity put aside for the workforce was in four out of five companies privatised in the first round 20%, per cent and in one of them - 17% per cent. Unfortunately, share ownership information available leaves much to be desired. Nevertheless. it permits at least partial answer to the question we are concerned with. Pursuant to the bill on privatisation, the workforces can acquire at reduced prices up to 20 percent of their employing companies` shares provided that the maximum value of discounts granted to them is not greater than the number of employees who purchase the shares multiplied by average annual earnings in the state economy. Later these rules were modified to the effect that the workforce could obtain 10 percent of their company`s shares free and another 10 percent of the shares at half price. Be that as it may, in the case of Exbud some 5,000 persons subscribed to the shares amounting to about 95 percent /190,000 shares/ of the portion earmarked for the workforce /Zycie Gospodarcze 6,1991: 4/. It means that the average shareholding consists of 38 shares, representing, at the time of writing, a value of Zl 15,200,000 . Some employees - those highest-paid - bought in a number of shares in the banks,as other investors do. For lack of relevant information these must be excluded from our calculation. However, this exclusion is not likely to compromise the usefulness of the findings since we are concerned with the situation of ordinary workers who in all likelihood were not among the buyers of additional shares. It is more probable that many of them have sold some or even all of their shares, which would mean that their current shareholdings are worth less than the above Zl 15 million. In turn, 442 employees of Kabel subscribed each for their cut-rate blocs consisting of 265 shares /Zycie Gospodarcze 6,1991: 4/. Such a shareholding has been worth Zl18,417,500, as of 22 April 1993. More than 90 percent of the workforce of the Irena Glass-Works, or 1,600 persons purchased 90,000 of their company`s shares (Zycie

Gospodarcze 10, 1993: 12). The average shareholding`s (56 shares) value is Zl5,880,000.Even assuming - which, considering the fact that under Polish conditions labour power is in most cases underpaid, is an overestimate - that the workers` wages are equal to the value of their labour power, it follows that the highest of the three above-mentioned sums amounts to about half the value of labour power (assumed to be, in the present context, average annual earnings). The foregoing finding about the probable lack of any change in the wage-earners class status due to privatisation is confirmed by certain further observations. The workers of privatised enterprises have been mainly interested in the size of their wages, and especially in the chances of their rise due to the abolition of wage controls; the private sector enterprises were not subject to the Excess Wages Tax, a tax imposed on public enterprises to curb wage increases by penal taxation of above-norm awards. At Prochnik the issue of wage increases nearly led to a strike, only averted due to pay raises by 50 percent, to Zl1.6 million a month /Zycie Gospodarcze 26, 1991: 2/. And in February 1993 a portion of the Prochnik workforce, dissatisfied with their wages` level (Zl2.5 million on the average), joined a regional strike /Gazeta Wyborcza Feb.26, 1993: 2/. In fact, in all the joint stock companies privatised in the first round wages rose up to 100 percent /Zycie Gospodarcze 9,1991: 3/. And things have been the same in the case of other stock market privatisations; e.g. wages of Wedel employees went up by 80 percent /Gazeta Wyborcza Nov.27, 1991: 18/. Apparently, small workers' shareholdings do not represent interests of such significance as to overshadow their interests as wage-earners. Turning to the first criterion of our list, Zl 50 million is officially regarded as an amount of money enabling one to start one`s own business; an unemployed would-be "capitalist" can apply to an employment bureau for a loan of that size. Such a start-up capital permits one at best to establish a small business in certain service industries or in street vending /Polityka 1, 1993: 5/. As far as the ownership of the means of production in the strict sense of the word is concerned, for Zl50 million a prospective entrepreneur can only start the unregistered and untaxed manufacture of hollow bricks under the open sky and with the aid of illegally employed workers /ibid. /Thus, in terms of the first criterion, none of the cases of average employee shareholdings can be viewed as involving ownership of capital rather than ownership of labour power. Finally, let us consider the "dividend" criterion. In the financial year 1991 the highest dividend per share (Zl100,000) was paid by Exbud. Thus the average employee-shareholder received Zl3,800,000. In the case of Irena, the dividend was Zl5,000 per share, and ,accordingly, the average employee dividend income totalled Zl280,000. In 1992 the average earnings before tax of those employed in the company were Zl 2,700,000 /Nowa Europa Jan.15-17, 1993: 5/. In other words, the dividend income per month amounts to a small proportion of the employees` wages.

MANAGERIAL OWNERSHIP

This is not to say that among the shareholders of the companies considered no genuine capitalists are to be found. This is undoubtedly true of many managers who because of their high salaries and financial resources are in a position to acquire sustantial blocs of shares in this type of firm. For example, W.Zaraska, the president of Exbud, owns 12 percent /Wprost 19, 1993: 25/, or 120,000 shares, of his company, worth as much as Zl48 billion as of 22 April. Michal Skipietrow, the president of Mostostal, owns 11.6 percent of his company`s share capital /Rzeczpospolita Ap.19, 1993: EiR IV/. The market value of his 86,970,000 shares is Zl48,703,200,000. For the financial year 1992 Skipietrow received Zl5,218,200,000 in dividends.
One can regard such shareholdings as representing real ownership of the means of production and their beneficiaries as legally created capitalists. In virtually each company listed on the

stock exchange the managerial group has substantial stakes. In the case of Swarzedz, its top management held over 6 percent of the company`s equity capital /Gazeta Wyborcza Mar.2, 1993: 17/. Zywiec management owns 10 percent, while all other employees 12 percent of the company`s outstanding shares /Zycie Gospodarcze 6, 1993: 12/. Irena managers bought 45,000 of the company`s shares, while 1,600 non-managerial employees - 90,000 /Zycie Gospodarcze 10, 1993: 12/. Okocim management hheld 3 percent of the company`s share capital, compared with 14 percent bought by the workforce /Zycie Gospodarcze 3, ,1993: 10/. On the whole, as far as their subjective attitudes and motivation are concerned, management appears to be well qualified for their new role of executives and shareowners of private companies. However, the "capitalist spirit" that actuates them is one of early, ruthless, uncivilised capitalism. Such aspects of the "Polish path of building capitalism" as the elimination of the workforce`s influence on the managerial decision-making process, wider possibilities of the use of dismissal in cases of ineffective performance and other negative sanctions, or the liquidation of many fringe benefits suit top management very clearly. The notion of having employees get more involved in the company as a result of ownership participation is considered an anathema by top management. It is to be expected, then, that privatisation will strengthen rather than ease the Taylorist and autocratic features of Poland`s system of industrial authority. It should also be noted that in none of the companies considered the non-managerial employees collectively held over 25 percent of the total voting shares. This is important since it is only such a bloc that would give them veto power over certain key decisions /on any amendments of the Articles of Association, the alteration of share capital, sale of the assets, merger or dissolution of the company/, which require a 75 percent majority. Needless to say, whether one welcomes or condemns such a state of affairs, remains a matter of judgement, no doubt dictated by political philosophy.
Furthermore, as employee shareholders may sell their shares at any time and to the individual of their choice, the dilution of even this modest employee ownership is to be expected. Many workers will convert their individual share values into cash. This prediction has already come true in many cases. Only 10 out of 400 employes of Mefta chose to retain their shares, while 380 declared they would sell them to their firm's majority shareholder, the well-known German company AEG. This will bring each of the employees just Zl 13.5 million /Gazeta Wyborcza Ap. 29, 1993: 22/. Similarly, AT&T acquired 80 percent of Telfa and then bought out the workforce for whom 20 percent of the firm`s shares had been reserved /Gazeta Wyborcza Mar. 4, 1993: 16/. The workforce of Phillips Lightning Poland, which collectively had owned nearly 20 percent of the company's share capital, as early as in 1993 had merely 0.18 percent /Polityka 18, 1993: II/.Employee ownership is vulnerable to success as well as to failure. If the firm is prosperous and profitable, increasingly valuable shares will encourage their sale to outside investors. On the other hand, the worker, like the average person, is induced to sell his shares when the price declines as he is usually not in a financial position where he could afford to take a loss on his investment. In addition, the mechanisms of control, and especially workers` inability to determine the policies of their companies discourage many employees from keeping their shares. The implicit promises contained in the word "ownership" begin to wear thin as labour`s expectations that management will start listen to them are not being realized. Instead, workers are confronted by a management schooled in the customary techniques of supervision who asserts its mastery over the workplace. Employee ownership will also be attenuated due to the issuance of new shares. One of problems of Polish enterprises generally is lack of sufficient capital. Bank credit is very expensive, so financing through share ownership constitutes a natural alternative. This is likely to lead to management buying more shares than workers, or to the sale of shares to outsiders. For instance, Polnoc, the largest, employing 500 persons, construction company in Lodz, increased its share capital from Zl4 billion to Zl8 billion by issuing 20,000 common shares. The share were offered not only to the company`s existing 670 shareholders but also to some "strategic investors" chosen by management [Gazeta Wyborcza Ap.7, 1993: 18]. The most

manager-friendly method introduced in the law on privatization of stateowned enterprises of July 1990: has been, however, privatization through liquidation. This method opened the way to what was dubbed in Western literature insider ownership. The process begins with a decision to liquidate a state enterprise. It can be used either for viable or bankrupt state enterprises. In the viable cases a successor always emerges. A former state enterprise is liquidated and its assets are sold, contributed or leased to private+company(s). The employees are given the opportunity to establish a successorcompany, which leases the assets of the enterprise. Half of the shareholders of thenew company must be employees of the former state enterprise, and the newcompany must be capitalized to the extent of twenty per cent of the book value of the liquidated enterprise. The aforementioned definition of this kind of companies as insider ones is almost equally misleading as the Polish usage, whereby they are most often labelled: "employee-owned companies". To support such a label one might point to the requirement that the transformation of the company takes place only if a majority of the employees agrees. That this clause represents only a small concession on the part of the legislators rather than the thrust of their policy is showed by their rejection of the proposal to permit labour cooperatives to act as lessees.the realities of the supposedly employeeowned companies are such that corporate governance in insider-owned companies is dominated by managers rather than by +workers, which fact is blurred . by the labels treating managers and workers on par This managerial control is based on solid ownership positions, as showed by anundant evidence. on the face of it, they are predominantly employeeowned. In 42 percent of the firms, a company founded by the workforce owned 100 percent of the shares, and in 30 percent employees held more than 51 percent of the shares individually /Prywatyzacja 1992: 9, 13/. Were these firms in fact workerowned and controlled, this would collide with the aims of the government privatisation policy. According to an official view, this form of ownership "has rarely worked in the West and has been an disaster in Yugoslavia" /Manasian 1991: S15/. Workers will seek to increase their current income, consuming profits, instead of reinvesting them, etc. In point of fact, however, the firms under discussion are not found to have a majority of shares held by hourly employees. A case in point is PollenaEwa, a manufacturer of toilet goods. According to a plan of the firm`s privatisation, all employees were to acquire 70% of its share capital, including 50% by PollenaEwa top management /Zycie Gospodarcze 49, 1991: 14/. As the case of the Lodz Construction Combine Polnoc shows, this method of privatisation converts workers into only formal owners of share capital, while real ownership is vested in management. 673 employees, or 95 percent of the workforce, purchased 19,016 shares, or 28 shares apiece. The nominal value per share was Zl 200,000 (Zycie Gospodarcze 50, 1991). After the privatisation, the average monthly wages at the firm rose to Zl 2.5 million. It follows that Zl 5.6 million, i.e.the total value of the company`s share capital per employee only represents a modified form of the value of labour power. The structure of ownership in the company is concentrated, i.e. white-collar managers hold more shares than blue-collar workers. For example, a production manager bought 70 shares and became the company`s first president, while a works superintendent purchased 130 shares and was appointed a vice chairman of the supervisory board. Moreover, senior management, together with trade union officials and employee council members (46 persons in all) held preference shares, having 5 votes each (ibid.). These multiple voting shares, combined with their sizeable interests in the company, ensure that the incumbent management is safe in its control. In the case of RAFAKO workers could acquire at most 280300 shares apiece. What is more, the shares were allocated according not only to seniority but also to wage or salary levels. For instance, a welder with 28 years of service dhad a right to purchase 184 shares. On the other hand, 50 key employees of the firm could acquire each 700 to 3,400 shares /Polityka 10, 1993: IV/. The average earnings at RAFAKO amounted to Zl 4 million. Thus, for instance, a director in charge of personnel relations, who owned shares to the tune of Zl 256 million, was undoubtedly a real capitalist rather than a formal or nominal one. Out of 40 employees of Metalzbyt, 31 became the company`s shareholders. The company has been controlled by 5 shareowners, the biggest of which has been the president who has owned 1,304 shares, or 28.5 percent of the company`s equity capital. This shareholding was worth Zl654 million or many times the average earnings at the company (Zl 4.5 million) /Rzeczpospolita Feb. 24, 1993: III/. At Mostostal Zabrze Holding the divide between formal and real owners of share capital was equally wellmarked. While in February of 1993 those employed in the factory earned Zl4.7 million on average, the size of individual shareholdings ranges from several million to 250 million zloties /Nowa Europa Mar.25, 1993: 7/. More generally, according to the Supreme Board Supervision`s study of 88 enterprises, it was, as a rule, incumbent managers who initiated privatisation, installed themselves as executives of newly founded companies as well as acquired controlling interests in these companies /Zycie Gospodarcze 42, 1991: 7/. On the other hand, according to a survey of 107 firms, an average employee (including management) contribution amounted to Zl6,84 million (Zycie Gospodarcze 50, 1991: 10) Analyses conducted in the early phase of implementation of the privatisation track discussed by the Ministry of Privatisation revealed that in more that 60 per cent of companies studied there emerged a group of active investors holding blocs of more than 20 per cent of shares. In many cases control of the company was taken over by former management, and among insiders significant positions were held by members of the former employee councils. Still stronber reserwations as to the common label follow from a study performed by the one of Polish research establishments according to which while almost every wighth start-up company of the type discussed was majority-owned by their management, at the end of 1992 in 1993 already every sixth was so owned. In more than half of the companies management owned in fact controlling, including 26 per cent or more shareholdings. Slightly different figures, which results probably from the difference in the sample, but confirmation of the general trend were produced by an investigation conducted at the Institute of Political Sciences., according to which upon the privatisation top managers held 9,76 per cent of company shares on average and the employees 75,42 per cent of the shares. At the end of 1992 r. the share of the management increased to 12,01 per cent, or by 24,2 per cent, while for the employees this share fell to 66,85 per cent or by +11,4 per cent. In addition the share of outside investors, both individual and institutional increased from about 15 per cent to 21 per cent. %. efwlas.s93 Similar pattern emerges from a study conducted by the Institute of Market Economy Research.More than 80 per cent of the sample of 44 firms were privatised before 1993 and nearly 70 per cent before the second half of 1993 r. Half of all enterprises transformed within 12 months, i.e. in the second half of 1991. or the first half of 1992. [945] From the privatisation till 1994 the share of the workforce decreased from 87,0 percent on averagge to 72,8 per cent, while that of senior officers and members of the former employee council grew from 28,3 per cent to 29,7 per cent., including one of the president alone from 9,3 per cent to 11,5 per cent. At the same time the share of outside shareowners increased from 13,0 per cent to 26,9 per cent. Those outside investors, whether domestic or foreign were generally invited to join where the prospective shareowners were not able to gather capital required to buy out or lease the company.The process of exppropriation of the rank-and-file wage-earners for sake of managerial classes above all are strenghthened with the course of time, as showed by the study of the Institute of Political Sciences involving a period of time from the registration date through 1995. Within this period the shareownership of nom-managerial employees fell from 73 per cent to 45 per cent. [Gardawski, 1995].

To cut a long story short, the picture of property structure of the companies under consideration built on the grounds of the economic-sociological theory of shareownership is one of a narrow capitalist elite recruiting, if one restricts oneself to insiders, from management, a slightly broader grroup of owners of the means of production whose status is analogous to the petty-bourgeois one and the most numerous mass of the proletariat lacking real and in many cases even nominal equity ownership, i.e. having no shares. Shareownership patterns in specific companies are dependent on two main economic variables: the value of capital required to set up the company and its economic-financial fsituation. The former tactor

,helps explain, among other things, why the percentage of employees purchasing shares has been lower in larger fims where shares were more expensive. While this factor largely determined the original structure of shareownership by influencing, among other things, the degree of its concentration. the latter one had an impact on later processes of both internal and external concentration thrugh its impact on the extent of redundancies and openess to the outside capital. On these economic variabbles sociological ones are superimposed, such as the balance of power which, with the general rule of the strongest position of managerial classes influences the rules of division of shares both amongst them and between them and the non-managerial employees. Power of the managerial ownership drive is well illustrated by the pronouncement of the managing director of Walbrzych Krzysztof disappointed by the lack of due response on the part of the workforce to the project of transforming the enterprise into an employee-owned company put formward by the the directors. . He stated: "it is our misfotune that Krzysztof" is doing well in these difficult times. Otherwise the firm would be liquidated or put into receivership and we would be privatised for a long time now. Now we have to wait until [the workers can be persuaded into the acceptance of privatisation". As the above example shows, class promotion of ownership-hungry executives has not necessarily proceed smoothly in all cases. In one of the studies reported before company presidents, management and representatives of former employee councils have been singled out for special attention as most significant categories of shareholders. And not without reason; the grouping together of these in fact expresses in a concise way the natural history of privatisation of their companies. The above-mentioned study of 115 enterprises privatised by liquidation shows, as do other investigations cited that it was most often managing director of the firm who played the role of motive force of transformation. He usually seeks to ensure support for his plans by making a deal with the employee counciil, i.e. estabishing proportions of shares to be acquired by them on the one hand and the rank-and-file workers on the other. This co-operation was rooted not only in the institutional role of that body but also in class kinship, so to speak. According to a study of a number of Warsaw enterprises employee councils involved mostly middle managers and highly-skilled workers. Moreover, " about 20-25 percent of council activists belonged to the PUWP. In light of an nationwide study, as many as 37 percent of council tops were members of the ruling party. Furthermore, , 50 per cent . , i.e. much more than the national average - od council activists were high schoool graduates and a significant portion of them - university graduates. The nature of the coalition arranged by the chief executive officer is further revealed by data showing ownership interests of the council members. By way of example, in 1993 96 per cent of former chairmen of employee councils held shares in their employing company, 1,5 per cent on average.However, , not always negotiating efforts of these self-constituded social enginneers succedeed. Employees of State Press Institute two times, by a considerable majority of votes rejected their managing director's privatisation plan whereby 51 per cent of the shares would be allocated to a managerial grooup of five executives: What the employees wanted was apparently lacking in the scheme equal opportunity in acquiring shareownership in a new company. That the sceme promised an easy jump into the ranks of the bourgeois clas is shown by the fact that 20 per cent of shares wghich would cost a would-be capitalist about Zl80000 , would be worth upon privatisation about 1.5 million.When the director was outvoded, he announced his resignation from office, but despite repeated declarations to that effect he had not kept his word, and at the end of the day it was the council that had to sack him. [Gazeta Wyborcza nr 104 wyd. W, 1997-05-06, str. 11]The first version of privatisation of Szczecin Shipyard provided for a creation of a holding company involving many enterprises of the maritime industry., managed by a managerial company including a number of individuals. Tge rorkforce were to receive 25 per cent on a preferetial basis. tFor the would-be recipients of that gift more important, however, were other conditions of the deal, such as the fact that 7 million zloties which were to be contributed by the managing director of the shipyard as part-owner of Porta company were to be exchanged into shares worth as much as Zl20 billion.As a result of protest of the

Solidarity 80 labour union supported by a former deputy Stanislaw Wadalowski the privatisation was stopped and a new variant had been worked out, which did not permit the seizure of 15 per cent of shares by the management along with the managerial company. The shares [were to remain in state hands. All these considerations bolster our earlier contention that it would be more accurate to describe the companies in question not as worker-owned but as management-owned and controlled. This is confirmed by yet another study of 115 companies privatised by liquidation. According to this study, in the employee-owned companies /all shares of which are owned by the workforce/ employment decreased by 46 on average from the time of the buyout, while in the remaining companies only by 25 /Zycie Gospodarcze 2, 1992: 9/. Employee ownership is usually regarded as a defensive measure aimed at preventing the loss of jobs. Thus, if the former companies were really workercontrolled, it would be rather peculiar for the owners and controllers to vote themselves out of their jobs. One more manifestation of non-working-class character of companies under consideration is the fact that the contracts and articles of association scarcely contain clauses forcing newly hired workers to buy shares, which shuld occur if the aim of that corporate legislation were in fact truly employeee and not managerial shareownership.Thus, from the point of view of workers, the result of pconversion of their employing firm into a new privately-owned entity has proved to be ironic. While their decisions to endorse management plans of privatisation many grasroots initiatives and strongly manifested in many cases reluctance towars admitting outside investors into the company have been largely motivated by the defence against submission to power of capital, it has turned out that for the establishing of capitalist rules in the firm outsiders are not necessary. . Equally capable of this have proven to be their own bosses.Whatever called, employee or management-owned, companies somehow manage to keep afloat. And this bare fact: a survival of the firm and with it jobs, be it not for all constitutes the main advantage of privatisation through liquidation. and at the same time the reason of its reluctant tolerance by the workers. For the sake of that paramount objective: the continuing existence of the enterprise, they accept low wages, which in this kind of companies are lower than in firms privatised under other methods, and enforced by the capitalist market redundancies which must appear to them as brought about by forces beyond their control, just as the private property rights deprive them of an influence on their company's affairs as well. From the standpoint of the governmental sponsor and advocate of privatisation, what is effective management control has many advantages to it. While employee share ownership generally leads to a restriction on the tradeability of shares and hampers indirect control by outside parties, management buyouts, as concentrating equity ownership in the hands of incumbent managers, reunite ownership and control, and provide a powerful source of motivation and constraint [Filatotchev, Buck, Wright 1991: 4].Realisation of this fact has served to overcome some reservations prsent among most ardent free-marketeers who at the beginning treated even the very notion of employee-owned company with suspicion.Another manifestation of non-workers' orientation of those determining legal foundations of the companies concerned is the fact that in their Articles of Association one cannot find any solutions forcing or even facilitating acqusition of a given company's shares,by new employees, which should should be the case, if the goal of this legislation were really the employee as distinct from management ownership.Thus, upon closer inspection this kind of firm should be called "management-owned" rather than "worker-owned". This path of privatisation resembles, in fact, the use of employee ownership as a financing tool in managementled buyouts, which are fairly common in the U.S. and the U.K.The foregoing considered, it should come as no surprise that so far privatisation through liquidation' "has been the most successful quantitatively Polish privatisation programme outside the field of very small units." It has been very popular because of the advantages it offers to the insiders. Especially the leasing aspect has proven to be very popular. It has given an outlet to those who wanted to continue the 'spontaneous privatisation'. "Till 2003 2,062 state enterprises have been liquidated, including 1,357 ones which have bben leased to their employees.The crucial factor accounting for the Polish workers' permisssion to privatisation is their awareness of its necessity for the further existence of their firm, and by the same token defence from the expropriation of ownership of their labour power, occurring when they lose their jobs.Workers do realise what chances for their enterprises, i.e. workplaces createfinancial resources and new technologies offered by Western investors.And it is this striving toward securing the economic actuality of that ownership, fear of losing And it is this striving toward securing the economic actuality of that ownership, fear of losing an economic basis of making a living provides one of the two main reasons why the followingprediction, as Andrzej Olechowski, a member of the financial and political elite put it, "in the West's opinion, Poland was in 1990 the most unstable country of Central and Eastern Europe. Demonstrations and riots were expected here. Poland was supposed to to become the red lantern of " [Gazeta Wyborcza , 16.11.1995]. Unemployment weakens the workers' strength by not only their declassation, but by opposing [counterpoising] those who have beenn dislodged from their class groove, and these fortunate ones who, at least for the present time, managed to keep their jobs.The mechanism of such fraticidal antagonization can be illustraded by the example of Daewoo-FSO, a car plant, in which from February to June 2004 620 employees were made redundant. the reason why they have not received their redundancy payouts was clear to them: "As long as we remain employed, lip service was paid to our interests, because we could organize some form of protest.Now, when we are no longer in employment, the union neglects us, and our companions who still have jobs would not intervene on our behalf, because they are scared of layoffs[Zycie Warszawy, 20.7.04].It is, however, similar results that privatisation as such leads to.For the second reason for which no flame of anti-capitalist revolution blazed in Polandlies in stemming from privatisation intensification of internal divisions resulting in the weakening of once so powerful and capable of unitary collective action the working classSome employees of privatised firms received shares worh Zl15, while others got shareholdings worth many times as much.Conflicts concerning the division of shares occurred within workforces of privatised firms as weel.50 trade unions present in the Polish Copper company contended amongst themselves whose idea of the shares' allocation is the best.There were almost as many ideas as unions.Those with the shortest period of employment favoured an egalitarian division, independent of seniority , while the enginering personnel wanted the amount of shares accorded made dependent on education and position held.Main lines of division, however, were based on industries.Miners wanted the largest amount of shares, because their work was the hardest, steeelmakers indicated that their work was equally hard , but it brings the company much higher profist. Their labour union protested to the government against "absurd, illogical and contrary to law privileges to the miners and threatened a strike [Polityka 28/97, p.21]. Both topics: conflicts around principles of shares' allocation and unemployment coincided in the privatisation of Polish Telecom. Serious industrial action was threatened by both unions of Polish Telecom and Polish Mail - employees of the former firm if free shares of Polish Telecom are given to employees of the latter, and the mail workers if they do not receive Polish Telecom shares.The underlying base of the conflict was the fact that both the enterprises concerned constituted till 31th March 1991 one firm.Each enlargement of the set of individuals entitled to his or her own share in the pie means that the value of each individual share becomes smaller.Marek M†drzyk. from Polish Telecom stressed: "We by no means are keen on privatisation.For us it means the loss of jobs"[Gazeta Wyborcza", 28.09.1998]. According to his estimate , which was confirmed by the auditor that within a few years some 30,000 Telecom employess [40 per cent of all] will lose their jobs.That is why in his opinion free shares are to be treated as a compensation for the discontents of the market economy.From the standpoint of the governmental authors of the privatisation policy, shares given to employees and workers in particular were an attempt at buying their at least neutrality towards this policy, but turned out to play a very useful latent funcion consisting in them being the factor of internal divisions and seed-plot of conflicts.Even our short paper has showed how on the existing class divisions among employees some new differences in their socio-economic position stemming from privatisation have been superimposed. They have been connected with differences in the legal premises of particular types of privatisation, methods of ownership transfomation used and a host of other factors

The label of multitrack approach". given to Polish privatisation is telling in this context. Ownership transfer is based on a wide variety of privatization techniques and types of deals. Two very basic ways: direct privatization (privatization by liquidation) and capital privatization (privatization by transformation) mean in fact many sub-paths or their variations including: case-by-case trade sales to domestic or local strategic investors, public offerings, management and employee buy-outs, asset sales, debt-for-equity swaps, joint ventures and mass privatization schemes. The Polish Ministry of Privatization has managed to customize privatization techniques to specific needs of a given enterprise, its size, financial position, expectations of its management and staff and of course the priorities of the government.It has been argued above that in most cases employee ownership in privatised companies amounts to no more than what has been termed here formal ownership.Still, there were exceptions to this rule.For instance, even before the enactment of the Commercialization and Privatisation Act which promised distribution of company shares free of charge, the then Minister of Privatisation in order to secure the support of the workforces of several cigarette-producing firms to their sale to the foreign investors, promised them 15 per cent of their companies' free of charge, as the planned act provided for. Five companies of that industry were privatised at the turn of 1995 and 1996.The number of shares received by workers of particular companies was very different. The greatest beneficiaries turned out to be 745 workers of Augustow, who - got shares worth $27,200 on average each, depending mainly on the years of service.Almost 4,000 employees of the Cracow factory received less - 13 thousand dollars on average.Still less - $12,500 received workers in the Poznan factory or those employed in the Radom works [only 6 thousand each].Even within a single such legal foundation of privatisation-Commercialisation and Privatisation Act nominal value of the shares acquired by particular beneficiaries ranged in 53 cases analyzed from Zl2 to Zl1 570 z’ (in the lowest group of those eligible, and from Zl250 to Zl28 950 (in the 7th, higghest group . The ratio of the highest shares' worth to the lowest one amounted to , correspondingly, Zl785:1 for the lowest group and Zl116:1.in the highest.The highest value of the shares received by employees from the lowest group]those with service of less than one year] exceeded that in the highest group of those with more than 20 years of service by Zl1,320Shares of highest face value have been received by employees of Warsaw Impexmetal" Corp. - Zl28,950 for those belonging in the 7th group. Shares of lowest nominal value were received by Orbis employees -Zl2 for those in the 1st group.All in all,on the basis of the Commercialisation and Privatisation Act til 30th June 2004 1,082,094082 094 eligible employees received shares worth Zl2,824,879,986,each individual beneficiary received 360 shares apiece worth Zl2,610.56,- , that is to say, many times less than the value of labour power, because the former amount is closer to monthly rather than to yearly wages [average compensation of industrial workers in July 2004 was Zl2,405.01Companies shares of which were distributed on the basis of mass privatisation programme [so-called National Investment Funds]could freely establish the criteria of distribution of the shares, which enlarged disparities in the amount of shares accorded - differentiation between 18 companies analyzed ranged from Zl3 to Zl230.The market value of shares acquired free of charge was dependent on the financial condition of a given company and method of privatisation used.Because of this disparities in the worth of the shares received have been heightened still more compared to nominal value. For instance, the ratio of nominal to market value of Kujawy, a cement plant was 6 to 1.Workers in the first group received shares of face value of Zl240 each, market value of which amounted to Zl1,435). Meanwhile employees in the 7th group received shares of nominal value of Zl3 140 each, market value of which amounted to Zl18 777.In the case of the Lodz cigarette Manufacturing

Co. the ratio of market to nominal value was 50:1.Workers in the lowest group received shares of nominal value of Zl1 570 each [market value amounted to Zl312 290 , and workers in the highest group received shares of nominal worth Zl2 290 each [market value amounted to Zl46 z'). [NIK, Informacja o wynikach kontroli nieodp'atnego nabywania akcji przez pracownik•w i innych uprawnionych w procesie prywatyzacji przedsi•biorstw, 1999].These disparities, let us repeat once more, mean deepening of divisions and disintegration, and thus an additional force acting toward weakening the decimated working class [within 10 years of so-called systemic transformation 2,5 million workers became, more or less permanently, jobless].Insofar as both those divisions and unemployment are results of procapitalist transformation,it follows that this transformation has a built-in feedback mechanism , which makes for the succes of the former, because it undermines workers' resistance to privatisation. Discusion of ups and downs of this workers' movement of resistance has been, unfortunaltely, beyond the scope of this paper.

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