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INCREASE IN THE POWERS OF DIRECTORS

Summary: On 1 March 1972 a government bill broadening the powers of the directors of state industrial enterprises belonging to key industries and of the directors of key industry associations came into force. In some specified cases, the regulations of this bill could be stretched to apply also to directors of local industrial enterprises. This bill partly repeats earlier decisions, and in part relaxes certain regulations which were binding up to now. Besides a slight increase in freedom of maneuver in managing wage funds, the other new powers granted are only of secondary importance.

During the first few days after the bill was published, the popular press gave it great publicity, pompously calling it "A Charter of the Rights and Duties of the Director." The professional economic press, on the other hand, limited such publicity to the minimum and -- as if to stress the incomplete character of the bill -- devoted considerable space to discussing those problems which the bill has not solved.

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The Contents of the Bill (1)

The document says that the powers to determine the organizational structure of industrial associations, which hitherto were reserved for ministers, are now handed over to the directors of associations. The minister, on the other hand, will assign each association the following indexes:

1. Value of market deliveries;
2. Value of exports in foreign exchange zloty, with a breakdown by individual currency area;
3. In particular cases, the size of production, purchases, or deliveries;
4. Limits or norms of the wage fund;
5. Tasks and means for branch investments;
6. Index of financial results (chiefly profit).

In substantiated cases, the minister can reduce the number of these indexes. The minister also determines the value import and financial norms for an industrial association.

Below are some of the powers and duties of directors of industrial associations:

1. In matters of planning, a director can determine the annual directive indexes in full or partially, set the various financial norms, make changes in the annual plans of enterprises not later than November 30, and establish reserves of tasks and of resources.

2. In the sphere of investments, a director is empowered to accept long-term programs for the expansion of a branch, to approve and to change branch investments.

3. In the matter of prices, he can approve prices of raw materials, semifinished and manufactured goods employed within

(1) According to Monitor Polski No.13, 1 March 1972, Item 90.

an association, as well as prices of newly produced and imported goods.

4. In matters of foreign trade, a director is empowered to establish an association's foreign currency fund, by withholding 10 per cent from the increase attained in the value of the year's exports, 30 per cent from foreign currency sums earned through the sale of its own licenses and new technical know-how, and 30 per cent from the sums in foreign currency obtained from the sale of technical data and services. The foreign currency fund of an association is kept in a separate bank account. It can be spent on purchases abroad of raw materials, machines, and licenses.

5. A director of an association is empowered to introduce shorter working hours in those enterprises where the majority of the labor force is female. But such a change can be made only if the wage fund is not exceeded and the directive indexes are fully implemented.

6. Until such time as the reform in wages and new wage scales are introduced at his branch, a director of an association can determine for each of his subordinate enterprises the proportion of its personnel to which it is entitled to pay wage rates above the level set in the current wage schedule.

The following are the more important rights of the directors of enterprises:

1. In the sphere of investments, a director can decide when to replace, instead of overhauling, machinery and equipment (that is, make capital investments) using for this purpose the funds earmarked for general repairs.

2. In the sphere of wages, he is empowered to use the savings from the wage fund to improve wages and -- pending the introduction of the wage reform -- he can, within the possibilities of the fund, raise the wages of qualified workers classified within a given category by one step; of those workers who are already in the highest wage group by 10 per cent; and of the office personnel by 25 per cent.

The following are the basic duties of a director of an association or an enterprise in the sphere of organizing, planning, and managing the wage fund:

1. Creating conditions for the implementation of production tasks, for increasing productivity, lowering production costs, and saving material;
2. Assuring full harmony between the organizational structure and the targets and tasks outlined in the national economic plans;
3. Assigning the range of duties and rights and the mutual service relations for each working unit;
4. Ensuring compatibility between the division of tasks and the qualifications of the persons assigned to perform them;
5. Assuring the just division of the existing wage fund;
6. Making full use of production and organizational reserves for the purpose of rapidly introducing shorter working hours;
7. Observing of agreements with the workers' self government organizations.

In the field of investments and foreign trade the most important duties of the directors are:

1. Organizing investment processes in a manner which would guarantee a shortening of building construction cycles and a lowering of the costs;
2. Determining and verifying productional capabilities;
3. Properly using the association's foreign currency fund for further increasing exports or improving supplies for the domestic market;
4. Ensuring the participation of the directors of enterprises in the management of the association's foreign currency fund.

The chairman of the Council of Ministers also has the power to apply the above-cited decisions to the enterprises and associations of local industry.

The Scale of Changes Introduced by the Bill

After the text of the above-summarized bill had been published, the Polish mass media gave it broad publicity, even calling it a "Charter of the Rights and Duties of the Director." An exception to that rule was the reaction of the economic press, which had shown considerable reserve in discussing the new features of the bill. Even Trybuna Ludu, (2) publishing a few weeks later a very large article (which covered nearly three quarters of a column) on the subject of changes in the functioning of economy, devoted only a few sentences to this "Charter."

The recent broadening of the powers and duties of the directors of enterprises belonging to key industries and directors of industrial associations has met with a positive response. This "Charter of the Rights and Duties of the Director," which concisely covers the changes in the functioning of the economy, applies mainly to current management. By mastering the art of making use of new possibilities, the economic cadres should realize that this a "bridge" leading toward further changes which project the guiding principles of the commission [for improving and modernizing the economy and the functioning of the state]. Particular emphasis should be accorded here to the limiting of the directive indexes, which has already been introduced; as the economic and financial instruments for guiding the economic processes will gradually be built up, we shall continue to proceed along this road in the direction recommended by the commission (the last emphasis is added).

(2) 14 April 1972.

What is the reason for this restraint? A comparison between the text of the bill and the legal rules in effect prior to the bill shows that the latter mostly repeats individual decisions already undertaken earlier, mainly during the period when the plan for 1972 was being prepared. This applies, for instance, to the already-introduced limiting of directive indexes and most of the decisions applying to investments and foreign trade. In this part, the bill is merely a document which "in summary" combines the regulations already in force. All that is new in the bill concerns decisions about managing the wage fund (temporary permission to increase the wage scales above the level projected in the schedule, among other things), raising the wage ceiling for innovative projects, and a more flexible way of spending the funds obtained through the implementation or overfulfillment of export plans. In this sphere, there has been an imperceptible shift of powers between associations and industrial enterprises to the benefit of the latter. On the other hand, the only new power which the bill grants to the associations is the right to determine their own organizational structure, but within the general outline approved by the ministry. None of the powers introduced by the bill is of a basic character or makes a breach in the present system of management. The "duties" mentioned in the bill merely repeat some worn-out truisms. It is characteristic that when Jerzy Olszewski, chairman of the team which prepared the draft of this bill, was asked whether the new bill represents a solution of a certain stage, he replied (3) that: "all this [the entire complex of changes introduced by the bill] was supposed to take place within the framework of the present system of industrial management" (emphasis added). One month after the bill was passed, Jerzy Dzieciolowski, (4) pondering on the reasons why the enterprises are being cramped by a multitude of directive indexes, came to the conclusion that: "there is a need for far-going changes in the system of planning and management" (emphasis in the original). (4)

(3) According to Zycie Gospodarcze, 12 March 1972.

(4) Ibid., 26 March and 2 April 1972.

Returning to the text of the bill, it would be injudicious to omit mentioning some "interesting" powers this bill gives the directors of enterprises. For example, the bill permits a director to make decisions about abolishing a motor pool. The fact that, previously, all decisions in this matter could be undertaken only by directors of an association is of no particular importance. But what is important in this case is the fact that the rules for such abolition were already stipulated in the detailed regulations concerning the management of transport, and therefore, the "decision" which a director is supposed to make in this case will be only an empty formality, merely confirming compliance with the conditions stipulated in the detailed regulations. Another example: A director of an enterprise can now make decisions concerning the business trip of an employee to those countries with which an agreement exists concerning the right to travel with only a personal identity card (so far, only the GDR). This new "power" granted to a director is simply a mockery, in view of the fact that, nowadays, a business trip to the GDR (from the point of view of the formalities required) does not differ greatly from any other business trip within Poland's borders.

The bill ends with the description of the duties of directors -- which are supposed to balance the "rights" granted to them. In 17 points, the bill burdens the directors with duties expressed in a manner which borders on the ridiculous. For example, the bill charges directors with the duty "to implement the particularly important investments and the branch investments within the date set in the plan." (Does this mean that the "less important" investments do not need to be implemented on schedule?) Among the other duties are "guaranteeing deliveries of goods and services as stipulated in contracts," "making full and proper use of capital goods," etc., etc. One hardly need prove that this peculiar list of "commandments," a simplistic correction at best, even further undermines the -- already problematical -- importance of the bill.

In spite of the assurances that the bill represents only a step in the gradual implementation of a general concept of

changes in the system of management (5) the bill seems to be, in fact, a slapdash conglomeration of more or less important decisions hastily put together. For instance, the bill changed the provisions about the admissible upper limit of the degree to which the stipulated pay rates of white-collar workers can be exceeded. These provisions, as part of the regulations concerning the management of the wage fund, were outlined in another bill, passed only 20 days earlier. (6) This earlier bill permitted these pay rates to be exceeded by only up to 10 per cent, with the prior agreement of the Trade Union Works Council, while the new bill allows the rates to be exceeded by as much as 25 per cent.

The Bill Versus Practical Life

In the earlier-mentioned article written by Dzieciolowski, the author made an extremely interesting analysis of the functioning of the system of directive indexes in an industrial enterprise. He went to the trouble of scrupulously examining the range of directive indexes for whose implementation an enterprise is held responsible. The author conducted his research in one of the industrial enterprises (which, however, was not named in the article) operating under the rules binding in 1972, which officially outlined only six directive indexes. The footnote attached to the article explained that although the research was conducted before the passing of the latest bill, the conclusions of the research were still valid, because the bill under discussion did not introduce any new elements in this particular sphere. The conclusions of this research were truly revealing! It transpired that the enterprise (employing about 3,000 people) in which the research was made received from its superior no fewer than 117 indexes for whose implementation it was held responsible. The author of the

(5) See Olszewski's above-cited interview.

(6) Monitor Polski No. 11, 25 February 1972, Item 80.

article (quite rightly) rejected the formal division between the "directive indexes" and other indexes. He wrote:

The fact that the "higher authority" treats a certain index as not binding does not mean that the latter does not become binding upon the enterprise at the moment when it is received by the given enterprise, and its parameters strictly defined. Otherwise, one would have to ask: what on earth was the purpose of sending it in the first place?

The higher agencies are not in a hurry to rescind the old indexes, because they simply want to "ensure themselves doubly" against the possibility of nonfulfillment of the plans by the enterprise.

Dzieciolowski sees the cause of the glaring disproportion between the official declarations and the practical state of affairs in the existence of the separate departments in the superior agencies; each of these departments wants to be "protected" by sending to the subordinate enterprises some indexes connected with their sphere of authority. Moreover, besides the earlier mentioned 117 indexes, the enterprise in question also received a number of various "recommendations." The author of the article emphasized:

The above-mentioned figures listed only indexes, leaving out binding regulations concerning wages and premiums. In addition, there also exists a multitude of legal regulations, stipulated by the local authorities, and informal demands, such as: . . . "Dear colleague, we are really very intent on getting this, or that, done. Could you try your best to do it?"

In a subsequent part of his article, Dzieciolowski arrived at a more general conclusion:

We fully realize that, in order to create an internally consistent system for guiding the economy, based on meritorious tasks, we must change the existing system of management (emphasis added).

There is nothing that one could either add or subtract from this phrase! But the point is that the latest government bill about the rights and duties of directors does not introduce any significantly new changes in the current system of management.

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