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Meaning and Measurement for the Post-Communist Labor Force: Employment and Unemployment in Poland, 1992-1996[1]

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Creating labor markets is surely the most problematic task for an economic transition. Borrowing jargon, as a "productive input" labor is costly, difficult to mobilize and transport when and where needed, likely to express disagreements and grievances in counter-productive ways, and ultimately capable of sabotaging production. In East Central Europe, moving from "plan to market" is often perceived as a transition from "bad plans to no plan." Moreover, if labor is threatened, an immediate response is to exercise democratic rights as citizens, irrespective of economic rationality. It is not coincidental that the only country in the region to have maintained a stable, liberal government since the outset of transition, is the Czech Republic, with phenomenally low unemployment and very little economic restructuring.

The central issues explored in this paper involve changes in the labor force: labor force participation, the level of unemployment and private sector expansion. The data are based on published and unpublished counts and accounts about variations in these rates over time. Although the data are specific to Poland between 1992 and 1996, the observations apply rather generally throughout the region. Three questions are central. To what extent can we rely on the various statistical estimates of labor force behavior? If data are inconsistent or contradictory, what should we infer about employment trends? Finally, do these patterns have implications or suggest policies for dealing with labor force issues?

The Socialist Labor Force

Traditionally, labor force participation in Central and Eastern Europe was considered quite high, at least by the standards of western market economies. All able-bodied adults were presumed to be in the labor force, except for students, pensioners, or people sometimes referred to as "social parasites." Neither marriage nor motherhood was a serious impediment — nor a legitimate and accepted alternative — to full-time work; moreover, extended leaves of absence for illness or maternity, did not entail leaving the labor force or losing a job. Provisions for job security meant that positions could usually be kept whether the person took a leave for illness, harvesting, family reasons, or some other purpose. Students moved between schooling, training and employment without missing a beat, at least in theory. Jobs were obligatory but plentiful; since wages were very low, labor shortages were endemic. Underemployment was, of course, widespread although never officially acknowledged; the dominant ideology stressed full employment and deviations in work habits or style were generally overlooked. Retirements were early, but until retirement, virtually everyone was employed. Except for independent farmers, which was something of a Polish anomaly, entering the labor force was the primary meaning of citizenship under socialism, as both a responsibility and a source of rewards. Conceptually, the labor force was an all-encompassing, inclusive category. Employment was not based on individual choice, and unemployment was certainly not an option. Eligibility for social benefits, bonuses, vacation

time, medical care and sick leave were typically managed by and through the workplace. Work represented an affiliation with a particular institution, a title with a certain status, perquisites and claims on resources; but it was neither a competitive arena nor a marketplace to barter job skills for income (Domñaski and Heyns, 1995; Slay, 1994).

Labor force patterns differ, of course, across countries and cultures, but state socialism operated as an altogether unique system. Consequently, household budget surveys, which were the dominant source of information on both the labor force and standards of living, did not ask about labor force participation; it was assumed. Nor did socialist governments worry much about hours of work or the amount of time spent at the workplace. Questions referred to precise job titles, to sources and amount of livelihood, and to all manner of household expenditures. Detailed occupation and industry data were collected for employed persons, but individual earnings or hourly wages for a specific job were not asked. Income, as well as consumer expenditures were assigned to the household, rather than an individual. Attention focused on the *main* source of livelihood; second jobs, although recorded, were underreported.[2] But the most important point is that the very logic of questionnaire design presumed a household that consisted of diverse, fully-employed members collectively earning a living.

Contemporary labor force statistics involve a very different logic. Labor force participation is assumed to be a choice. One is in the labor force if one holds a job or worked for pay at least one hour during the proceeding week, or if one looked for work and was prepared to accept a job if offered. Participation in the labor force is voluntary, while income is the result of "selling" units of labor or hours of work to an employer for a wage. The important questions concern the "price" of a unit of labor and the worker's acceptance (or "reservation wage"). Neither are taken for granted when a labor market prevails.

Different cultural conceptions of the meaning of work imply very different measurement strategies for assessing labor force behavior. In particular, if all activities are freely chosen, it is more difficult to distinguish "work" from "non-work," except by time or place. Employment and unemployment are fundamental concepts that shape identities and dictate particular responses; subjective factors and personal decisions play a large role. Unemployment is still a new phenomena in post-Communist Poland, and one suspects that it is not yet well understood, even by those who experience it. Losing a job clearly means different things to an independent farmer than to an engineer. If a state enterprise gives a large number of workers short hours or extended unpaid leave, are these workers unemployed? When temporary employees are laid off or moonlight in the private sector, should they be considered unemployed? If peasant-workers return to their farms after being let go, should they qualify for benefits? In a great many cases, the line between temporary and permanent positions or between moonlighting and an active job search is extremely fine. Work clearly consists of a continuum of activities based on time and effort, yet official definitions create an artificial dichotomy that makes interpretations difficult.

Unemployment is an equally problematic, and perhaps even more nebulous concept, involving stigma rather than choice. Definitions and eligibility requirements for unemployment benefits have changed numerous times since 1989; these changes have had an impact on registration and on self-reports. At an administrative level, the local agencies that collect data on registration, also dispense information about jobs and establish eligibility for benefits. These agencies are recent organizational innovations, with some degree of discretion regarding classifications. For all of these reasons, it is not surprising that diverse sources of information about the extent and duration of unemployment yield diverse estimates.

The two principal methods of collecting information about the labor force in Eastern Europe are the official statistics collected by regional offices on registration and benefits, and the relatively recent Labour Force Surveys that follow the standardized techniques and conventions of the International Labour Organization (ILO). In an effort to "modernize" or "westernize" data gathering, all of these countries have

adopted and now rely on such surveys. Western advisors and analysts typically have a great deal more faith in them than in the official data, both because the measures are familiar, and because they are assumed to be uncontaminated by bureaucratic error, discretionary classifications, or a desire to misrepresent one's status in order to collect benefits. The first question, therefore, concerns the comparability of these data sources, as measures labor force participation and employment over time.

Registration Statistics and Unemployment

Data for studying changes in the labor force in post-Communist countries are typically drawn from two sources: surveys and registration statistics. Regional and local offices have been established to deal with job search and unemployment records, and these agencies collect and publish statistics on individuals registering as unemployed. Labour Force Surveys, in contrast, are designed to yield standardized statistics that permit comparisons across countries and time periods. Both unemployment offices and labor force surveys are, of course, new innovations in post-Communist countries, and presumably both share some degree of error due to start-up and administration. The differences between these two data sources, however, are very large and troubling (Coricelli, 1995).

In Poland, the first Labour Force Survey was conducted in May 1992; prior to that time, registration statistics were the only source of information. Although in the aggregate, the size and distribution of unemployment were similar, different estimates emerged from the two sources. Analysts expected these two estimates to converge over time, as local and regional registration offices became more systematic and efficient in reporting statistics. Large and unsettling discrepancies persist, however. In recent years, the estimates of unemployment have actually diverged.

Although early surveys classified similar percentages of the labor force as unemployed, the problem was the degree of overlap with registration figures. Roughly one-third of those counted as unemployed on the Labour Force Survey reported that they had not yet registered. As Coricelli and his colleagues (1995) point out, this also implies that roughly one-third of the population that registered as unemployed with local offices would not have qualified by ILO standards.

Discrepant results are difficult to resolve, politically and economically. The first problem concerns the question of why the registration data are incomplete, and whether in fact one-third of the unemployed do not register. The second problem concerns why so many more people are registered than would be classified as unemployed if the relatively stringent ILO criteria were applied. Both issues concern eligibility for unemployment benefits, time spent in any paid employment, and various subjective factors, such as job search and the readiness to accept a position should one be available. The first problem concerns hidden unemployment, or the question of whether those not bothering to register are really serious about looking for a job, or represent discouraged, apathetic workers. The second problem raises the question of hidden employment, and the possibility that many people are still "working on the black," as in former times. Discrepancies as large as those uncovered by these two data sources leave ample room for speculation about the "true" rates of employment or of unemployment.

Inconsistent estimates lead to unresolved questions and little closure about either the magnitude of a problem, or the appropriate response. Spiraling unemployment requires some response or political action; analysts differ, of course, about what mix of active and passive labor market policies are appropriate, as well as the timing and scope of remedies. Liberals are disinclined to prolong subsidies or "make work," thus recreating the employment conditions of state socialism; at the same time, urgent and immediate human needs have to be met. Newly-installed governments must deal with the costs of transition, while the benefits have yet to be realized. A battery of new services, unemployment agencies, social safety nets, benefit schemes, and statistical monitoring systems must be established. Such policies are necessary but enormously costly, both economically and politically, since they neither enhance economic growth nor build confidence in fledgling

democratic regimes. To the populace at large, unemployment statistics are a stark advertisement of the failure of government policies, or the failure of economic reform generally. When westerners conclude that local data sources are unreliable, and local people are acting in corrupt and dishonest ways, these problems are magnified.

Discrepancies between registration data and survey statistics do not appear to be entirely a consequence of definitions, whether objective or subjective. For the purposes of the registration data, to be classified as unemployed a person must be capable of working and prepared to accept a position; between the ages of 18 and 64 for a man, or 18 and 59 for a woman, and have not yet acquired the right to an old age pension; neither the owner nor possessor of a farm, nor the spouse of a farm owner; and not engaged in any other economic activity subject to social insurance (GUS 1994). For the purposes of the quarterly Labour Force Survey, the person must be aged 15-64, without a job, searching for work, and prepared to accept a position should one be offered; if a person worked for pay for even one hour during the preceding week, however, they are not counted as unemployed. Hence, although the Labour Force Survey covers the entire civilian labor force, including farmers and agricultural workers, in practice unemployment in rural areas and among young people tends to be underestimated because casual or part-time work are excluded (Witkowski, 1993).

Since only persons registered for unemployment are eligible for benefits, there is obviously an incentive to register; however, regulations governing eligibility have changed over time, and with them the patterns of registration. The programs established at the outset of economic transition were quite generous in relative terms, but as the financial costs have grown, benefits have been both reduced and subject to new restrictions. In 1990, for example, an unemployed person of working age had to be employed for no more than 180 days during the preceding year to qualify for benefits that approximated previous salary. In contrast, the October 1991 legislation set the level of unemployment compensation at a fixed rate of 36% of the average national wage irrespective of prior earnings, and limited benefits to twelve months duration. Those without prior employment, primarily students, were not eligible until age 18, although this was amended later for the graduates of certain kinds of vocational programs or terminal education. Students and graduates over 18 were initially allowed to register as soon as the school term ended, thus dramatically increasing summer unemployment. Then, students were ruled ineligible for a period of months; later, as various retraining programs were introduced, certain educational categories were exempt from these regulations, in order to encourage attendance among the unemployed before their benefits were exhausted. Pensioners were initially allowed to work part-time, without jeopardizing their pensions; later, restrictions were imposed and state enterprises were subject to special taxes for employing "over-age" workers. In November 1992, benefits were extended to eighteen months in regions with especially high unemployment; in July 1993, amendments were introduced limiting compensation in the case of mass layoffs. These vacillations in policy reflect the political and social dilemmas posed by unemployment in post-Communist countries.

Employment data both mirror the system in place and provide the information needed to evaluate how it is working. In certain respects, Labour Force Surveys are no doubt superior to registration data; at the least they are independent of political interference and for international comparisons, such data are indispensable. Sizeable discrepancies in estimated rates of unemployment shape both labor market policy and public opinion, even when composite trends are quite similar. Registration rates yield results more similar to Labour Force Surveys when part-time and temporary work is included (Boeri, 1994). Long term unemployment, however, appears to be growing much faster than expected; although the proportion of the unemployed actually registered has increased, discrepancies have also grown over time. Inaccurate data make it difficult to analyze the causes or consequences of economic change.

If the problem is sloppy and inexperienced employment agencies, one would expect

discrepancies to converge over time; they have increased. If the major source of unemployment is economic restructuring, one would expect unemployment to decline with time. In Poland, unemployment has reached a plateau, stabilizing rather than falling. Equally, restructuring should produce rates of unemployment that vary dramatically by region, as well as by industry, age, and type of job. Confronted with falling demand and hard — or at least "harder" — budget constraints, state enterprises have changed their employment policies. However, most of the change involves training and hiring practices, not firing redundant laborers. Initially, state firms shed labor largely through attrition and early retirements, rather than mass lay-offs, quite apart from profits or productivity. Very few enterprises have been liquidated entirely; a great many seem reluctant to give up "hoarding" labor or protecting jobs. Equally, workers appear to be risk adverse, preferring secure state jobs to new opportunities in the private sector. Unemployment — like private sector activity generally — is larger among school leavers and new entrants to the labor force. Although one can account for some of the observed differences in employment, one would still like to know why there is so little overlap between survey respondents who are unemployed and those counted because they register. Given diverging estimates of unemployment, neither confusion among respondents nor administrative bungling seem likely. If registration figures are inflated because many people hope to collect unemployment benefits, one would expect registration rates to decline sharply as the unemployed exhaust their allotted benefits. But if rates differ because of definitions and criteria for classifying people as unemployed, clarifying these differences should help in interpreting rates.

The Household Budget Survey includes several questions regarding unemployment in the household. Moreover, data for each unemployed person in the family is collected regarding registration, the number of weeks of unemployment, and the amount of benefits received during the preceding month. These individual-level statistics can be compared over time for the matched samples, and they can provide baseline estimates for comparison with other sources. Although sample attrition is somewhat problematic among the unemployed, longitudinal data provide independent estimates of joblessness and the length of unemployment spells. The next two sections review the use of Household Budget Surveys in resolving discrepant findings.

Labor Force Participation

A first attempt to resolve discrepancies about the labor force involved calculating distributions of labor force activity by age. Employment and unemployment rates are, after all, age-specific indices, with the size of the labor force constituting the denominator of the rate. Labour Force Surveys sample from a population between the ages of 15 and 64. In Poland, the labor force consists of women between the ages of eighteen and sixty, and men between the ages of eighteen and sixty-five. A worker is not entitled to unemployment benefits outside these age limits. At the age of 60 or 65, one qualifies for an old-age pension, depending on how long one has worked. After the age of 55, however, most people can qualify for a pension. Less than one-fourth of either men or women surveyed are still working. It seems that in Poland early retirements have become the norm.

Table 1 presents labor force participation rates for the total population over the age of fifteen, and published by the Central Statistical Office. The third and fourth columns were calculated from Household Budget Surveys for these years, with the total population aged 15-64, corresponding to the age criteria used by the Labour Force Survey. Columns five and six present the data published data from the OECD-CCET data, based on Labour Force Surveys. The differences between the rates based on different data sources are clearly larger than those based on different age groups. Irrespective of age, the Labour Market Survey includes an additional ten or fifteen percent of the population in the labor force that is omitted in the Polish data. Although the trends for both labor force participation and employment are similar, Labour Force Surveys include a great many more people. The trends in labor force participation are

Table 1: Labor Force Participation (LFP) and Employment Rates (ER) by Sex and Year Percentage in the Population, Age 15-64

	Gus 15+		*Household Budget Survey*		*OECD-CCET Labour Force Surveys*	
	LFP	*ER*	*LFP*	*ER*	*LEP*	*ER*
Males						
1992	70.0	61.4	67.0	59.5	76.9	67.2
1993	69.6	60.1	66.5	58.1	76.2	67.0
1994	67.0	58.8	66.2	57.5	74.6	65.8
1995	66.5	58.5	65.2	57.5	74.1	65.7
Females						
1992	54.2	46.0	54.1	50.0	66.7	56.1
1993	53.6	44.8	54.3	46.0	66.0	56.0
1994	52.2	44.0	54.0	45.7	65.8	54.2
1995	51.1	43.7	53.9	45.9	65.1	54.3
Total						
1992	61.7	53.3	60.3	53.0	72.0	61.7
1993	61.2	52.1	59.1	51.8	71.3	61.6
1994	59.2	51.0	59.9	51.4	70.3	60.2
1995	58.4	50.7	59.3	51.4	69.7	60.4

Source: Rocznik Statystyczny, 1996, Table 2, P. 120 (Column 1,2); OECD-CCRT data are from Short-Team Economic Indicators Tranisition Countries, 1996 and 1997. (Column 4).

constant in Polish data; if anything, women have increased their likelihood of working.[3] In contrast, the rates of participation in the OECD-CCET data suggest declining labor force participation (Boeri, 1994).

Such different denominators should, of course, produce very different rates of employment and unemployment. Surprisingly, however, they do not. Table 2 presents the levels of employment and unemployment based on the size of the labor force in registration data and in Labour Force Surveys. Despite substantially discrepant "economically active populations," overall rates are quite similar. This can only mean that registration data undercount the number of unemployed or that the Labour Force Surveys overcount the employed.

In Poland, one of the most economically-vulnerable groups is peasant-workers. If such a person owns or possesses a farm, he or she is not eligible to collect unemployment, even if laid-off from a full-time job. The farm population in Poland is much less likely to register for unemployment, as we shall see. Equally, in the Household Budget data, there were no pensioners collecting unemployment benefits, although some were registered as unemployed. Pensioners are a large and increasing percentage of the population in Poland; since quite a few are relatively young, it is not surprising to find fairly

Table 2: Employment and Unemployment as a Percentage of Labor Force by Year Percentage of the Labor Force Employed and Unemployed, Age 15-64

	Published Rates		*Household Budget Samples*		*OECD-CCET Labour Force Surveys*	
	Employed	*Unemployed*	*Employed*	*Unemployed*	*Employed*	*Unemployed*
1992	85.7	14.3	87.9	12.1	85.7	14.3
1993	84.6	16.4	86.1	13.9	84.1	14.9
1994	84.0	16.0	85.9	14.1	86.1	13.9
1995	84.5	15.5	86.7	13.3	86.9	13.1

Source: Rocznik Statystyczny, 1996, Table 20, P. 135 (Column 1 and 2); Household Budget Figures (Column 3 and 4) were adapted from Heyns (1995); 3) OECDCCET data are from Short-Term Economic Indicators: Transition Countries, 1996 and 1997. (Column 5 and 6). These are from the fourth quarter (November) surveys in each year.

substantial numbers working or seeking work. However, legally and subjectively, they are not "unemployed" even if they lose a job.

The largest difference between official data and registration data concerns part-time work and pension status. In Poland, pensioners cannot collect unemployment and if they work more than a specified number of hours, they risk losing their pension; with many relatively young retired persons, invalids, the disabled, or those receiving survivor benefits, however, the pool of casual and part-time labor is very large. The Labour Force Surveys include pensioners in the labor force if they are working or looking for work. Registration data does not. For the labor force as a whole, about half of the pensioners reported that they receive old-age benefits, presumably because they retired at the proper time, while the other half receives a disability pension of some sort.

Considering that pensioners constitute one fifth of the adult population in Poland, and approximately ten percent are farmers — these two categories alone could account for many of the "unregistered unemployed." Neither group would be considered fully "employed" by Polish law, and neither group qualifies for unemployment compensation. Between 1992 and 1996, the Household Budget Survey figures suggest that more than one-third of the adult population between 18 and 60 would be classified as pensioners, farmers, dependents, or students in a given year. If these people either worked for pay for one hour or more the preceding week or actively sought work, it would account for the lack of overlap between registration data and the Labour Force Surveys, assuming absolutely *no one* lied or cheated at the benefit office. Even if not all Poles are completely honest, cutting unemployment benefits is not a reasonable strategy for "punishing cheaters" or "establishing market discipline in the post-Communist labor force," both of which have been suggested as desirable goals. It makes a great deal of sense to *encourage* part-time or casual labor among those without jobs, not to discourage it.

Who Does (and Who Does Not) Register as Unemployed?

Registration data are pertinent to explaining the trends in unemployment reported by official sources. Although both data sources show that unemployment stopped increasing in 1995, three years into the Polish recovery, Labour Force Surveys indicate a great deal more volatility in unemployment than one finds in either the Household Budget Surveys or the registration data. Two questions are relevant to registration and unemployment:

(1) Are those registered as unemployed *really* looking for a job — and in need of the benefits claimed?

(2) Are those who claim to be unemployed and looking for a job *really* without work, when they are not registered?

Between 1992 and 1995, the proportion of the unemployed qualified for benefits declined sharply, largely because the allotted time period had elapsed. Perhaps those not registered are now "discouraged workers" on the Labour Force Surveys, which would explain the growth in long-term unemployment. Or perhaps they are actively seeking employment, but no longer eligible for benefits, in which case they would be classified as unemployed. If the primary reason people register is to collect unemployment, one would expect the number registered to decline over time, irrespective of actual employment.

Many people who are registered as unemployed are apparently also working, or at least had worked for pay in the preceding week. This criterion for being unemployed on the Labour Force Surveys is, however, far more stringent than that applied in unemployment offices, where an unemployed person can work up to half-time. Perhaps many people have found ways of earning money independently of the state and, although registered, are actually working "on the black." Although no longer illegal, unreported or informal income implies that unemployment is not as grave as official statistics suggest. If one-third of those registered as unemployed are actually working, as the Labour Force Surveys suggest, perhaps employment estimates are in error, particularly in the private sector. The main problem for state policy might then be tax evasion, rather than job creation or unemployment benefits.

Trends in registration by year and during unemployment spells of different lengths, provide indirect measures of work incentives, job search, and perhaps levels of discouragement. If registration is a function of benefits, the official statistics may be most inaccurate for the long term unemployed or those too discouraged to register. If "transitional" unemployment creates a class of people permanently without jobs or any motivation to work, it would no doubt be a more serious problem than the rather brief period of time envisioned for economic restructuring.

Table 3 gives the percentage of the unemployed who are registered and the percentage receiving benefits according to the Household Budget Survey, by quarter, and the percentage who received benefits according to the registration offices and the Labour Force Surveys.[4]

As these data indicate, a high proportion of those reporting themselves as unemployed are registered, and there is little discernable trend between 1992 and 1995. If anything, rates of registration have increased over time, rather than decreased, despite the fact that more than half of all unemployed Poles have exhausted their benefits. Moreover, the trend in the number of persons registered and receiving benefits is similar in both the official published statistics and in the household budget data, although the latter suggest that respondents are somewhat more likely to receive benefits than the official statistics suggest, perhaps because unemployment statistics are compiled at the end of each three-month period, while the survey results represent average figures for the whole quarter. Although the numbers receiving benefits have surely declined, the percentage of people registering at local unemployment agencies does not seem to have done so, at least not yet. These data do not indicate that unemployment statistics based on registration data are likely to deteriorate markedly as eligibility declines. Despite the fact that the majority of registered, jobless people no longer receives unemployment benefits, unemployed persons continue to register in large numbers.

There is also some evidence on the question

Table 3: Percentage of the Unemployed Registered and Percentage Receiving Benefits, by Quarter

Date	*Percentage of Unemployed Registered*		*Percentage Receiving Benefits*		
			Household Budget Survey		*Registration Offices*[1]
January-March, 1992	88.8	88.9	81.4	76.5	74.9*
April-June, 1992	96.2	95.2	86.9	86.4	70.7
July-September, 1992	95.5	97.7	80.5	84.9	61.5*
October-December, 1992	91.6	93.5	76.1	75.4	52.3
January-March, 1993	94.3	92.1	63.8	62.6	50.8
April-June, 1993	93.1	93.3	59.3	62.0	46.6
July-September, 1993	92.7	93.2	52.7	53.3	45.5
October-December, 1993	95.1	95.2	55.6	57.3	48.3
January-March, 1994	96.1	96.0	60.3	56.2	48.4
April-June, 1994	96.0	96.5	64.0	61.5	45.4
July-September, 1994	97.1	97.7	54.9	57.1	42.3
October-December, 1994	95.9	96.3	55.7	61.8	48.8
January-March, 1995	96.3	96.5	67.2	60.3	51.6
April-June, 1995	97.3	97.4	63.0	60.7	54.4
July-September, 1995	98.0	96.8	62.4	55.2	49.9
October-December, 1995	95.9	96.1	67.5	64.9	57.6

[1] *Sources*: Bezrobocie Rejestrowane w Polsce. [Registered Unemployment in Poland] Selected Dates. Glowny Urzad Statystyczny, Warsaw, 1993-1996; Short-Term Economic Indicators; Transition Countries, Organisation for Economic Co-operation and Development, Centre for (Co-Operation with European Economies in Transition, 1993-1997.

*Figures for the first and third quarter of 1992 were intetpolated from the published rates. Registration in measured as a percentage of end-of-quarter unemployment.

of who does not register for unemployment. The patterns suggest that the length of time unemployed plays a role but is not necessarily the major factor. Women are more likely to be registered than men, despite higher rates and longer spells of unemployment. There is clearly an incentive for at least one unemployed person to register in every household, if only because this entitles everyone in the family to health care benefits. Fifteen percent of all households have two or more unemployed members, and the data suggest that these families are less likely to have every unemployed member registered. Men seem less willing to register than women, perhaps because more men are willing to accept casual labor or menial jobs. Young people, even those under 18 or still in school, are more likely to be registered than people close to retirement age. Very few farmers report themselves unemployed, but among those that do, only 81 per cent bothered to register, compared to 95 per cent of the non-farm population. Those not registered tend to have been unemployed for longer periods of time than those registered, but one does not find a sharp drop-off after the first year, as one might expect if losing benefits were the most important reason for letting registration lapse. Those not registered tend to live in regions with relatively high levels of unemployment, and in households in which at least one other person is unemployed. These patterns suggest that registration persists because health benefits and help with a job search are as important as unemployment compensation. In general, the proportion registered tends to be curvilinear with respect to the length of time unemployed in both years, peaking among those who have been out of work for three months.

If, as the Labour Force Survey implies, one-third of the unemployed population is not registered, who are they? The patterns over time suggest that benefits may not be the largest factor; registration remains high despite declining eligibility. Those not registered according to the Household Budget Survey appear to have a more marginal attachment to work; they are among the youngest and the oldest members of the labor force, perhaps reflecting recent entry or imminent departure, as well as the fact that students and pensioners have a difficult time qualifying. The unregistered are more likely to live in villages and to be farmers or "helpers" on a family farm. We do not know, however, whether such families are self-sufficient or barely surviving. Discouragement may play some role in choosing not to register, but Polish survey respondents are more likely to report work than non-work. Is the spread of casual labor and short-term employment contracts signs of a vigorous new labor market or of the failure of an economy to retain full-time jobs for all workers? It is, of course, difficult to decide. Self-perceptions are shaped by official definitions, but it seems likely that the official definitions are those derived from unemployment offices, rather than the definitions developed for Surveys. Thus far, the unemployed tend to register and to remain registered irrespective of benefits received, and despite the paucity of vacancies listed in many agencies. Although benefits may provide some incentive to register, losing benefits does not seem to be a disincentive. However discouraging the job search may be, most people have apparently not quit trying.

Unemployment Comparisons Over Time

Self-reported unemployment on the Household Budget Survey yields rates that are quite similar to those reported by the registration offices, despite the survey interview format. Moreover, trends are remarkably similar. Such patterns imply that local officials and agencies are more important in constructing the meaning of unemployment to the populace at large than are ideological debates among advisors, which is not a particularly surprising conclusion. At the same time, the consistency of results suggest that the Household Budget Surveys can usefully be applied to the study of social change. Unlike Labour Force Surveys, which are one-shot efforts, the Household Budget Survey provides extensive information on a longitudinal panel of respondents. To date, most of what has been learned about labor force change under conditions of economic transformation consists of analyses of employment trends and static inflow-outflow patterns. The dynamics of transition can illuminate many questions

that we cannot yet answer (van de Walle, 1996).

What is increasingly clear is that unemployment is not a "transitional phenomena." Market economies do not and seemingly cannot produce full employment, even in times of enormous economic growth. Although the private sector has mushroomed in recent years, this growth has yet to reduce unemployment or to produce more jobs. In Poland, expansions in private sector employment have been recruited from the state sector, rather than from the ranks of the unemployed. The image of a labor force that is "churning" rather than "transiting" is tied to data and analyses possible with cross-sectional data, rather than from longitudinal analyses. If one wants to study change, one must collect data over time.

For those who were unemployed during the month in which their household participated in the panel survey in 1992, it is possible to assess both the determinants of unemployment and the sources of successful re-employment one year later. In the matched sample, only 24 per cent were unambiguously employed one year later; these were equally divided between public sector and private sector jobs. A small number (6.5%) were farming, and 6.6 per cent were self-employed or working as casual labor. Those without jobs a year later were supported by either their families (27.9%) or by the state (23.5%). Less than one person in six (15.8%) still received unemployment benefits, although an additional 7.7% received some other form of welfare, a pension, or social benefits. Among the population receiving unemployment benefits, the vast majority had been unemployed for less than a year; among the matched sample, over half were unemployed at both points in time. Most of those collecting benefits at both the initial and the second survey reported the last unemployment spell was less than a year, suggesting that some of them had worked during the previous year, however briefly, and thus still qualified for unemployment compensation.[5]

Only 8.7 per cent of the unemployed left the labor force, however, and these were evenly divided between those who retired and those who took maternity leave or switched to welfare. These percentages are based on the sample of unemployed who could be matched with 1993 data; 12.9 per cent could not be matched or no longer lived in the same household. The number of unmatched cases is fairly large, and unfortunately, we know nothing of their economic fate; these people may have formed a new household, died, or emigrated either permanently or temporarily.[6]

Table 4 presents the detailed breakdown of economic activities for the matched sample unemployed in 1992. Those who got jobs were overwhelmingly urban; they also tended to be male and less than thirty-five years of age. Although the sample of unemployed people working in 1993 is rather small, at least relative to the full sample, it is worth looking in some detail at the characteristics of those who were successful in landing a job during the year.

There are three kinds of questions that need to be addressed. First, descriptively, how do successful job seekers differ from those who left the labor force or remained unemployed? Second, to what extent does job recruitment into the private sector differ from recruitment into the public sector. Although neither sector seems effective at generating new jobs for the unemployed at this point in time, contrasting the sectors can reveal processes at work. Finally, how do those without employment for over a year support themselves and their families? Are there reasons for arguing, as some analysts have when confronted with the spiraling costs of unemployment, that the deprivations associated with joblessness are exaggerated, or that some unemployed people are actually working? This issue raises the question of whether one can hope that a burgeoning private sector, with or without state assistance, will be able to provide jobs and opportunities for the unemployed.

These questions are vital for both an understanding of the market transition, and for the design of feasible social policy. Arguments for more or less public attention to unemployment benefits and training could be based on a conception of either individual or collective needs. Unemployment surely does represent a waste, of both human potential and social resources. But it can be viewed as either a social problem or an issue of efficiency. Prolonged

Table 4: Employment and Unemplomeent Over Time: Outcomes After One Year

	Men	*Women*	*Total*	
For All Those Unemployment in 1992:	453	617	1,070	100.0%
(1) Left the Household - No match	59	79	138	12.9%
(2) Left the Labor Force	37	56	93	8.7%
Retire	16	26	42	
Enroll in School	5	6	11	
Benefits (Maternity, welfare)	16	24	40	
(3) In the Labore Force				
Employment - Jobs	130	113	243	22.7%
Private Sector	74	56	130	
Manual job	68	51	119	
Non-manual job	6	5	11	
Public Sector job	56	57	113	
Manual job	47	26	73	
Non-manual job	9	31	40	
Self-Employment	12	7	19	
Casual work	31	20	51	
Farm	34	36	70	6.5%
(4) Unemployed	155	312	467	43.6%
Benefits	67	102	169	
Family Dependent	88	210	298	

unemployment can be devastating, to the individuals involved, but also to fledgling democratic regimes. If enduring, long term unemployment is partly voluntary, however, one could conclude that little can be done; those remaining jobless might be indolent or warped, the casualties of either socialism or shock therapy, but not a group that should absorb public attention or funds.

Secondly, post-Communist labor markets are not well understood, and they appear to operate in surprising ways. There is a diversity of opinion about both how they function and what public response is called for. Those who argue that unemployment is largely a short-term consequence of labor force adjustments that are both necessary and inevitable tend to advocate limiting state involvement in labor market processes as much as possible. Even indifference or draconian cuts in benefits might be justified, if the goal is to instill motivation and discipline in a lethargic, post-Communist work force.

Finally, although those who managed to find employment during the year are a minority, the more we know about the determinants of finding new jobs in a new economic context, the more we can knowledgeably make inferences about the future. Comparing jobs and recruitment processes in the private and public sectors, or at least comparing successful candidates for these jobs, can shed light on the dynamics of employment in both sectors.

The analytic strategy follows from these objectives. The first set of questions is essentially descriptive. The matched sample of individuals includes close to 1,000 persons who were unemployed in 1992. They differ from those employed in 1992 in predictable ways: they are younger, less well-educated, less likely to live in a large city, and more likely to be women. On average, they had been unemployed for thirty-eight weeks at the time of the interview in 1992. Twenty-five per cent had no previous work experience; among those who did, the narrow majority (59%) had worked in the public sector.

In order to compare employment, jobs, and recruitment processes in the public and private sector, separate regressions were run for the full sample of unemployed persons, and for those who were working one year later in any capacity. For the full sample of unemployed [N=932], the log odds of working in any position are contrasted with the log odds of getting a real job, with age, sex, experience, town size, and regional unemployment controlled. The second comparison restricts the sample to those who were working in 1993, and the contrast is

between those with a job and those with a job in the private sector. These four equations are presented in Table 5.

Those who moved out of unemployment differ from those who remained unemployed in only two ways. They tend to be male and to reside in regions with low unemployment. No other variable in this model, or in several others that were examined, significantly contributes to an explanation of becoming employed. Among both young and old, those with work experience and those without, and irrespective of educational level, size of town, or other individual or household characteristics, lower rates of unemployment mean fewer people competing for any opportunities that do exist. Full-time jobs, in contrast, depend less on residence or market alternatives.

Conclusion

The purpose of this paper has been to summarize several different measures of employment and unemployment and to attempt to account for the disparities that have been observed. I have argued that despite standardized measurement, Labour Force Surveys present a distorted picture of "transitional" unemployment. In particular, pensioners appear to be employed when working part-time and either unemployed or not in the labor force depending on whether or not they are actively looking for a job. Since labor force participation and self-reported unemployment are to some extent a function of subjective judgements, this has the effect of inflating the supply of labor and somewhat underestimating unemployment. One could argue that farmers looking for a job are unemployed, or that pensioners with part-time positions are in danger of becoming so; but these Poles do not put themselves in this category and very few if any are registered.

Long-term unemployment is widely recognized as a more serious problem in the post-Communist

Table 5: Logistic Regression of Moving into Employment, by Type, for Those Unemployed in 1992

TOTAL SAMPLE OF UNEMPLOYED IN 1992

	Log Odds of Any Employment in 1993, [N=932]			*Log Odds of job in 1993, [N=932]*		
	B	*S.E.*	*Sig.*	*B*	*S.E.*	*Sig.*
Sex	-416	.137	.002	-.689	.154	.000
Age	-.002	.007	.759	-.015	.008	.071
Town Size	-.014	.048	.763	-.194	.053	.000
Regional Unemployment Rate	7.288	1.371	.000	-1.904	1.540	.216
No Experience	.235	.180	.192	-.290	.210	.167
Constant	1.597	.440	.450	923.68	.506	
-2 Log Likelihood	1248.61		.000	1033.41		.007
Model Chi-Square	40.71		.000	35.58		.000
Goodness f Fit	929.73		.450	923.68		.506

AMONG THOSE WITH ANY EMPLOYMENT, 1993

	Log Odds of Getting a job in 1993, [N=484]			*Log Odds of Getting a Private Sector Job,[N=484]*		
	B	*S.E.*	*Sig.*	*B*	*S.E.*	*Sig.*
Sex	-.609	.192	.002	-.605	.214	.005
Age	-.019	.010	.051	-.030	.012	.012
Town Size	-.282	.067	.000	-.247	.073	.001
Regional Unemployment Rate	4.441	1.972	.024	2.685	2.165	.215
No Experience	-.523	.241	.030	-.598	.292	.041
Constant	-.2.144	.601	.000	1.550	.676	.022
-2 Long Likelihood	534.23		.033	541.00		.026
Model Chi-Square	28.38		.000	21.61		.000
Goodness of Fit	471.93		.545	475.18		.541

labor force than in market economies. Most analyses have relied on inflows to employment and outflows from unemployment to demonstrate this. The Household Budget Survey confirms this impression, based on longitudinal data between 1992 and 1993, and suggests that the problem is even larger than previously thought. However, these results do not tell us if the problem is a dearth of jobs in certain regions or a fatalistic and apathetic labor force. Most likely, both are involved. Household Budget Surveys do not indicate that cutting benefits to the long-term unemployed will mean higher levels of employment, however.

Finally, and most troubling, all of the data imply that the major problem for transitional economies is declining employment. Stabilizing or even reducing unemployment has occurred in Poland in the last year or two. Yet despite this achievement, the employment rate continues to fall. Despite substantial economic growth and a burgeoning private sector, there were fewer people employed in 1996 than in 1992. Despite the fact that many entrepreneurs are flourishing, it is not surprising that there are more people who report that economic reforms have hurt than have helped them. For an economic transition to be judged successful, this must change.

Notes

1. This research was funded by the National Council for Soviet and East European Research, 1992 - 1996.

2. The sources of livelihood include the following: Manual and non-manual work in the public or private sector, self-employment and independent professional work, home work and casual labor; private or independent workers often listed other family members as "helping" the self-employed individual or farmer if they were not otherwise employed. Farming was divided between private and collective farms; pensioners were categorized by whether they received retirement, disability (*renta*), or farm pensions. Other categories of state benefits are detailed, including rehabilitation, maternity, child support, welfare, unemployment, scholarships, and other miscellaneous social benefits. Children and persons who were neither employed nor received state benefits were categorized as "dependents."

3. Coricelli, Hagemejer, and Rybinski (1995: 60) remark in a footnote that the rates of labor force participation calculated from the Labour Force Surveys suggest declining participation, while the data from the Central Statistical Office indicate an increase. They cite labor force participation rates based on the May 1992 Labour Force Survey of 61.4 per cent (69.9% for men and 53.7% for women). These figures relate to those employed or unemployed as a proportion of the full sample, which consists of all persons over the age of 15, however.

4. Registration statistics represent average unemployment during the quarter compiled at the end of the month. Household data are based on the three-month averages for each quarter. Labour Force Surveys are fielded in middle of each quarter, in February, May, August, and November of every year, beginning in May 1992.

5. It is not clear how stringently the one-year limit on unemployment benefits is enforced in Poland, nor how the regional offices interpret and implement benefits to people who lose a job more than once.

6. Matching cases across years required a complex algorithm and several dozen individual judgements about the match. For an individual, a match was a person of the same age (plus one year) and sex as the person in the given household in the previous year. Initial efforts to match individuals within households, using the identification codes for either the person or the person's relationship to the head of household, were much less accurate than age and sex, largely because there individuals were not assigned the same person code in both years, but were categorized by their relationship to the head of the household. Moreover, the head of household was defined as the person making the largest contribution to household income, and in over 30% of the cases, this person changed during the year. Moreover, matching unemployed individuals, as one might expect, was more difficult than matching employed persons, because they were often away from home either temporarily or permanently. Accurate data on the number of unemployed (or for that matter, employed) Poles who live outside Poland are not available, but estimates based on these data suggest a conservative figure might be between two and five percent of the labor force.

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