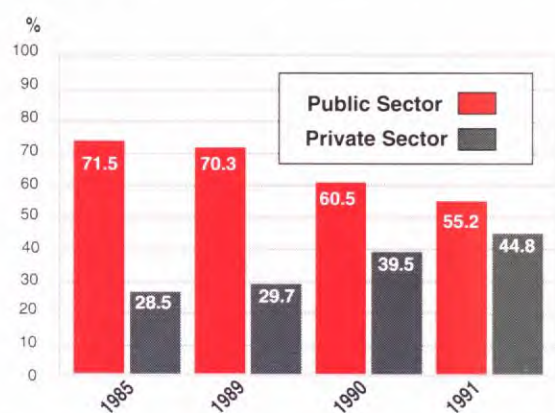


The Private Sector

Poland is making a rapid transition away from state-controlled economic activity. By September of 1991, only 55.2% of the country's workers were employed in state-owned enterprises, a sharp drop from 71.5% in 1985 (see Figure 5.4). Poland is rapidly approaching the point where more than half its workforce will be employed in the private sector. It should be added, however, that Poland had a head start on privatization because unlike the other countries of Eastern Europe, most of its agriculture had not been collectivized. In 1985, for example, 23.1% of its workforce was already employed in private agriculture.

In looking at the recent contraction of production, it is important to remember that this recessionary phenomenon is characteristic of Poland's state-owned enterprises. The small but growing private sector offers a different picture. In 1990, overall Gross Domestic Product for Poland fell by 12% in comparison with 1989 but the Gross Domestic Product contributed by private firms actually *grew* by 17%. Industrial production fell by 25% in state-owned enterprises and cooperatives but it *grew* by 8.5% in private firms. Sold output from the public sector fell by 28.7%. In the private sector, it *increased* by 2%.

Figure 5.4
Proportion of Workers in Poland's Public and Private Sectors
(in percent)



Source: GUS.

Figure 5.5
Private Sector Participation in the Polish Economy
(in percent)

	1989	1991
Share of sold manufacturing output	17.5	22.1
Share of construction/installation	33.4	43.9
Share of transportation services	11.3	16.3

Source: GUS.

While the public sector in Poland declines, the private sector registers expansion and growth (see Figure 5.5). Overall, it was estimated that at the end of 1991, the private sector (excluding agriculture) accounted for almost a quarter of Poland's GDP. If Poland's large and largely private agricultural sector is included, the private-sector contribution to the Polish economy may be as high as 40% according to some estimates.¹

It is clear that the role of the private sector in the Polish economy will continue to grow. The Polish government has announced its intention to reduce the number of state-owned enterprises through liquidation, the creation of joint ventures, or outright sale. The new law on privatization, announced in July, 1990 and discussed in chapter IV, has accelerated the growth of private-sector entrepreneurship. As a result, there is a growing shift of productive energies away from the state-controlled sector and into the private sector.

Private firms have begun to emerge on a mass scale in Poland (see Figure 5.6). Each quarter of 1990 saw further growth in the number of new private enterprises with the fourth quarter alone seeing more new companies established than in the first six months of 1990. At the same time, the proportion of bankruptcies to new establishments declined steadily. By the end of September, 1991, there were some 1.5 million private enterprises registered with the government, some 600,000 more than at the end of 1989.