Farmers' Pensions and the Polish Economic Crisis

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The Polish Government, in 1977, inaugurated a new pension program that made old-age and invalidity benefits available for the first time to most farmers in that country. The evolution and eventual failure of that program were closely intertwined with a growing national economic crisis, manifested in widespread popular unrest and culminating in emergence of the Solidarity movement. The farmers' pension program was originally presented as both a social security measure and a vehicle for improving agricultural efficiency. The economic situation was expected to benefit as farms of older owners were passed to younger, presumably more efficient, successors, with the state sometimes acting as intermediary. A further step to bind the social security concept to agricultural efficiency came through relating the pension amount to the quantity of produce the individual farmer sold to the state over a number of years. The failure of these provisions and other unpopular features of the new program was aggravated by inflation and continuing deterioration of the Polish economy.

The general outline of recent events in Poland is familiar to anyone who has read newspaper headlines of the past few years. The population's profound dissatisfaction over political and economic issues fostered the growth of new trade union groupings that came to be called the Solidarity movement. With a considerable degree of short-run success, through strikes and other forms of pressure, this movement then challenged the government's management of the country.

It is less generally known that social security concerns figured prominently in the 1980 negotiations between striking workers and government representatives. Social security issues were an even more pronounced source of discontent among Polish farmers. Features of a newly instituted pension program designed to increase agricultural production through pension incentives to farmers were overwhelmed in reality by more deep-seated economic problems. Long-standing agricultural shortages continued to intensify and, in turn, aggravated worker discontent. This article analyzes the extent to which policies, primarily designed to provide social protection, were also expected to achieve certain economic goals that might have run counter to other economic aims and pressures. No attempt has been made to review events beyond 1980 except insofar as they shed light on problems from earlier years. The ending, of course, can not yet be written since the fate of Poland itself, under the present martial-law regime, remains unclear. However, the past cannot be ignored and it is highly unlikely that the issues can be resolved, either favorably or unfavorably, without retracing much of the history outlined below.

Statement of Problem

Traditionally, no country's social security system provides for universal coverage in the early stages of its development. Fiscal and organizational considerations dictate that some part of the population must be left out, at least initially. Farmers and their families are usually among the last groups provided coverage. This situation has been no less true in Communist countries than in the West and in the Third World.

The Soviet Union, for instance, began phasing in social security for industrial workers almost immediately after the 1917 Revolution. Not until more than 40 years later—in 1964—was social security coverage extended to the great bulk of the agricultural population working on collective farms. By that time, the number of collective

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farmers had dwindled to about 20 percent of the total work force and constituted a greatly diminished group with which to deal.

Similar delays in extending social insurance to farmers abound in the non-Communist world. France, for example, did not extend national health insurance to self-employed farmers until 1961, some 30 years after the program began. In the United States, regularly employed agricultural workers were first covered in 1950 and self-employed farmers in 1954, 15 years and 19 years, respectively, after social security was first enacted. In most of Latin America today social security coverage has spread slowly and is still largely restricted to factory workers employed in large manufacturing enterprises. Independent farmers and agricultural workers are generally excluded from these programs.

In Poland, farmers have had to wait for social security benefits even longer than their counterparts in most other countries at a comparable stage of economic development. In contrast to the collectivized agriculture and state farms prevailing in other Communist countries, most of Poland's sown agricultural land is cultivated by independent, self-employed farmers, their families, and hired help. This element of free enterprise in an otherwise planned economy has placed Polish farmers in a somewhat anomalous position. They have found the combination of not being a primary concern of planners and bearing the brunt of intermittent Marxist-Leninist antipathy toward them as a group has impeded the development of their social security coverage.[1]

It is true that the proportion of farmers in Poland's working population has dwindled significantly in recent decades as urbanization and industrialization have grown. By the early 1970's, of 3.4 million private farms, less than 1.0 million were owned by those whose income was derived exclusively from farming. Nonetheless, private farmers continue to cultivate 75 percent of Poland's agricultural land and large numbers of workers are employed on farms. In 1978, 30 percent of the 18-million person work force was engaged in agriculture.

In the first half of the 1970's, the Polish government began to pay increasing attention to measures designed to close the gap between urban and rural living standards. The government hoped to make farming more attractive to the younger generation, which had been moving in increasing numbers to the cities. Proposals to equalize social security benefits received serious consideration. At the same time, the country's relative economic prosperity, largely financed by foreign credits from the West, drew attention to possibilities for eliminating pockets of poverty in both the urban and the rural setting. Improved social security benefits for aged farmers were recognized as one means to this end.

During this same period, the government first took steps to improve and expand a program designed to provide modest pensions to aged farmers who transferred their farms to the state. The program, in existence since 1962, gradually achieved some degree of acceptance by eligible elderly farmers. As the decade progressed, however, government planners concerned with agricultural policy placed more emphasis on a blueprint for a new program that would cover all farmers. In designing the new scheme, they had in mind not only providing income maintenance to the rural elderly, but also providing greater impetus to phasing out the scattered, dwarf holdings of the small-scale farmer. At the same time, they vowed to facilitate the acquisition of more land by young, efficient farmers—a goal that had not always proved to be in concert with the views of local authorities who controlled such transactions. Later, the growing problem of food shortages prompted planners to consider how the new program could encourage farmers to increase the production and sale of food, particularly meat.

It was against this background that, in 1978, the farmer was offered the completed blueprint of newly enacted legislation. The government saw it as a generous offer of pensions in return for the farmer's meeting modest qualifying requirements. The farmers disagreed with that assessment. They interpreted the precondition of selling an annual minimum of goods to the state as a return to the hated system of compulsory deliveries whereby they had been forced to sell assigned quotas at extremely low prices. The need to sell or relinquish ownership of the farm was seen as a wedge to help the state take over farming. Finally, the farmer considered the method of determining his compulsory cash contributions for social insurance coverage to be arbitrary and unfair.

The end result, widely reported in the Western press, was open hostility toward the program and failure to stem decreases in food production which, in turn, adversely affected consumer welfare and precipitated the 1980 strikes by industrial workers.[2] The resulting economic crisis led to negotiations and concessions from the government, which acknowledged that many of the grievances were justified. In the process, the farmers' leaders had developed an acute perception of the possibilities for a social insurance system more to their liking. More basic political and economic problems since then have impeded the resolution of these questions and have cast considerable doubt on the prospects for a favorable outcome acceptable to both the government and the farmers.

[1] L. A. D. Dellin, "Agriculture and the Peasant," in Stephen Fisher-Galati, **Eastern Europe in the Sixties**, Praeger Press, 1963, pages 55–81.

[2] See "Farmers Resent Pension Cost," **London Times**, August 3, 1978; "Farmers Reject Law on Retirement," **Le Monde** (Paris), September 22, 1978; and "Peasant Opposition Groups," **Le Matin** (Paris), February 15, 1980.

Economic History and Recurring Meat Crises

Much of the economic history of Poland since 1945, particularly from the aspect of consumer concerns, can be explained by focusing on the recurring crises brought on by meat shortages. Most recently, the economy's failure to cope with a growing meat shortage in 1980 intensified worker discontent, triggered the Solidarity movement, and ushered in economic disturbances. Although some observers argue that the importance of the meat shortage has been overemphasized, particularly with regard to its role in precipitating the current economic crisis, others maintain that a better diet has been a crucial factor in establishing the degree of well-being of the average Pole.[3] Increased meat consumption is both a manifestation of an improving standard of living and symbolically important in the absence of many consumer goods that may be available to mark economic progress in other societies.

Many reasons can be offered to explain these chronic short falls in meat supplies. Some explanations focus on mistakes in planning and the failure to provide farmers with adequate resources such as fertilizer, tractors, and animal fodder. More pertinent to the concerns of this article is the problem of incentives and adequate remuneration that, to a certain extent, could have been provided in Poland through proper pricing, reinforced by higher pensions as a form of added reward, but which in practice have been difficult to achieve in the agricultural context of a planned economy.

At least six discrete meat shortage crises occurred in postwar Poland. The three earlier shortages, which took place in 1953, 1959, and 1967, were resolved by raising retail prices to curb demand and, to a much lesser extent, by raising producer prices to stimulate production. The net result in each instance was temporarily restored equilibrium in the market place at the cost of consumer welfare and a lowered standard of living.

In the three later shortages, those of 1970, 1976 and 1980, the populace showed its unwillingness to accept meat consumption cutbacks induced by higher prices. In each instance, popular opposition precipitated a political crisis, forced a rollback in retail price increases, and, in 1970 and 1980, toppled the existing governments. The supply situation improved for a while in the early 1970's, as procurement prices rose for the farmer, who, during this short period was among the beneficiaries of a national economic well-being aided by foreign credits. Later in the decade, the government instituted a moderate amount of de facto retail price increases by changing names and specifications without corresponding increases in quality. Also, more meat sales were channeled through so-called commercial shops where market prices prevailed, often twice as high as the official prices. By 1979, approximately 18 percent of meat and meat products were being sold in these stores at the increased prices.

Encouraged by its limited success the government tried to divert an even larger share of meat to the commercial shops for sale at higher prices. An announcement of this plan early in 1980 was widely interpreted by workers as a major step in a general round of thinly disguised price hikes of significant proportions designed to make food generally less accessible to them.[4] The strikes that ensued resulted in the emergence of Solidarity—a system of free trade unions—to challenge the established government trade unions and, in the process, the existing sociopolitical system. A parallel Solidarity organization for farmers also emerged at this time. Eventually this group received official government recognition.

Early Pension Program

The pension program enacted in 1978 was preceded in 1962 by a much more limited public pension plan for Polish farmers. It offered pensions to farmers who would transfer their land to the state. The program was voluntary and its funding did not depend on contributions from the farmers. The state was to place the acquired farms in a State Land Fund. The land then would be available for sale to young farmers in a position to expand their farming activities. Pension benefit levels were modest at the outset, from 400 zlotys to 600 zlotys[5] per month (equivalent at the time to 22–33 percent of the average wage in manufacturing and 39–58 percent of the pension for an average industrial worker).

The program began slowly. In the first 5 years, only 12,000 farmers received pensions under its provisions. In 1968, the benefits were increased to make the program more attractive to the farmer. **Zycie Gospodarcze,** the country's leading economic weekly, in commenting on the program, reported that in 1971 the after-tax income from an average medium-sized farm (about 10 hectares[6]) could be 10,000–18,000 zlotys per year. The potential retirement pension for surrendering such a farm would be about 14,000 zlotys annually—a little more than half the average wage in manufacturing and almost three-fourths the amount that an industrial worker with equivalent earnings would have received at

[3] "Poland and the Aftermath, Implications for American Foreign Policy," panel discussion sponsored by The Georgetown University Center for Strategic Studies, which included numerous specialists on Poland from government and academia, September 24, 1980.

[4] Jan B. de Weydenthal, "Workers and Party in Poland," **Problems of Communism**, November-December 1980, page 5.

[5] In 1980, 1 zloty equaled 3.1 U.S. cents at the official exchange rate; since then, the zloty has been continually devalued.

[6] One hectare equals 2.5 acres.

retirement. In addition, many farmers were allowed to retain the buildings on their farms and a small garden for use as their own personal plots of land. Rapid inflation later in the decade greatly eroded the purchasing power of these pensions and diminished the program's attractiveness.

A more potent brake on the program's growth was the imposition of a 5-hectare minimum qualifying size for a farm. Thus, the smallest farms, which were generally the least productive, were ineligible for participation. As a result the program continued to move slowly. In 1970, about 83 percent of farmers past the pensionable age of 65 were still operating farms by themselves. Among nonagricultural workers, only 7 percent of those past pensionable age were employed. In 1974, however, this hurdle was removed when the minimum qualifying size was reduced to 2 hectares.

Certain economic and demographic factors favored the program, at least in encouraging elderly farmers to participate. Although farmers generally said they wanted to transfer ownership to the state because of old age, lack of hired help, or poor health, studies show that the most important reason was that their children had moved to an urban setting. Children who resided permanently in the cities lost their right to inherit their parents' farms.

In many instances, aging parents still capable of doing the work were urged by their children to transfer the farm's ownership to the state. The children argued that the land should be transferred to the state as soon as possible before it became encumbered by debts, at which point it would be ineligible for the pension exchange.

The press publicized another consideration favoring land transfer: the allegation that some aging farmers, particularly those who migrated from the East, lacked the skills needed to cultivate the land profitably in a modern, competitive world economy. The press also recognized, however, that these farmers' efforts at efficient farming were hampered by high taxes and onerous compulsory deliveries while services provided them were inadequate and high in price. Probably an even more significant impediment was the bureaucratic obstruction of authorities on the local level who made it difficult for the individual farmer to receive fair treatment in the prices paid him or in setting tax and delivery schedules.

On balance, the pension program held considerable promise of ultimately attracting large numbers of farmers to apply for its benefits. However, an examination of what happened leads to the conclusion that the program was essentially a failure. The plan to transfer arable land from inefficient operators to more productive ownership was far from successful. First of all, as already noted, not all applications filed by farmers to cede land were accepted by the administering authorities.

Also, despite frequent assertions that the program was designed to help efficient private farmers accumulate land surrendered by retiring farmers, all but a small portion of the transferred land went into the state sector. In 1976, for instance, of 335,000 hectares turned over to the State Land Fund, only 21,800 hectares ended up with private owners. The year before, 359,000 hectares had been surrendered by aging owners and only 17,000 hectares were leased or sold to private peasants. In fact, roughly 2 percent of Poland's arable land was transferred to the socialized sector each year, while only a small fraction of that amount was returned to the private sector. The sown area controlled by the state increased from 15.9 percent of the total in 1970 to 21.9 percent in 1977. To make matters worse, food supplies were adversely affected since the transferred land was often not properly farmed because the state farms in the vicinity were not equipped to undertake its cultivation.

The situation prompted the government to issue a reprimand in 1976 that urged officials to approve the transfer of land from less productive hands to more productive hands.[7] By this time, however, the possibilities in this regard were overshadowed by preparations for the new pension program.

Details of 1978 Program

Early Ideas

Poland in the early 1970's enjoyed a rapid rate of economic growth and relative prosperity, particularly as registered by advances in consumer welfare. In this atmosphere of relative well-being, much of the discussion of social issues focused on the question of eliminating existing pockets of poverty in the country. It included the possibilities for extending old-age and disability pension coverage to the aging rural population.

Many of the ideas formulated at this time later were incorporated in the government's blueprint for a universal pension scheme for elderly farmers. Although, as subsequently maintained by spokesmen for rural organizations, the farmers might not have been adequately consulted, considerable thought and debate went into preparing details of the system. In its final form, the legislation aimed not only at providing increased income maintenance for the aging farmer but also incorporated a number of features that, it was hoped, would help to increase the efficiency of Poland's agriculture system.

Provisions

On October 27, 1977, the Polish Parliament approved the long-promised program (effective January 1, 1978)

[7] Andrzej Korbonski, "Victim or Villain: Polish Agriculture Since 1970," in Maurice D. Simon and Roger Kanet (editors), **Background to Crisis: Policy and Politics in Gierek's Poland**, Westview Press, 1981, pages 271-297.

designed to extend pensions and other social insurance benefits to all private farmers. The Council of Ministers' first proposal in early 1977 underwent a number of revisions following considerable debate over specific provisions. Like the previous, more limited 1962 pension plan for farmers surrendering their land, it had as one of its stated purposes the transfer of land from aging farmers to more efficient owners. A further aim was to encourage greater food production by linking benefits to the level of sales of farm produce to state intermediaries. The most important qualifying condition required that the farm be in good condition at the time of its transfer to a successor (either another private farmer or the state).

Specific requirements for pension eligibility under the new program were:

- The farmer must have reached retirement age (65 for men and 60 for women) or have become totally disabled.
- The farmer must have sold at least 15,000 zlotys of farm produce annually to the state over a period of 25 years (20 for women) including the 5 years preceding retirement. Exceptions were to be allowed for farms plagued by poor agricultural conditions.
- If the farm was not transferred to the state, it must be transferred to a successor under age 55. Through this requirement, the government sought to ensure that land ownership would pass from the aging farmers to younger ones who were physically better equipped to raise the general level of agricultural efficiency. The retired farmer was permitted to retain 0.3 hectares of land and the family residence even after sale or transfer of his farm.
- The farmer must have paid annual social security contributions varying from 600 zlotys to 2,400 zlotys, according to a formula that was to be established by the government. Contributions were to be compulsory but refunds were to be made if a farmer reaching pensionable age transferred his farm and was not otherwise eligible for a pension.

The old-age and invalidity pensions were to vary from 1,500 zlotys to 6,500 zlotys per month, based on a rate schedule linked to the average annual value of produce sold to the state. Generally the pension level was to be increased slightly if the land was donated to the state.

The system provided that economically active farmers would be eligible for some social insurance benefits on the same basis as industrial workers. The benefits included free health care, employment injury and sickness benefits, lump-sum maternity grants (500 zlotys), and handicapped child allowances (500 zlotys for each child).

The whole scheme was to be financed by the Farmers' Old-Age Pension Fund, created on the basis of compulsory contributions by the farmer (to provide one-third of the needed funds) and a state subsidy (to provide for two-thirds of the needed funds). The government estimated that the program would cost about 20 billion zlotys annually when it became fully operational in July 1980.

The program was not to be initiated in its entirety immediately but was to undergo a 2 1/2-year phase-in period during which applications were to be accepted only from eligible farmers older than age 80. An indication of how many farmers were in the advanced age groups was the fact that nearly 217,000 successfully filed for pensions during the interim period that ended July 1, 1980.

Inflation and Automatic Adjustment

The phasing-in period, January 1, 1978–July 1, 1980, took place during a time of accelerating inflation. Wages in manufacturing in 1978–79 alone rose by 17.4 percent to 5,400 zlotys per month. Although the schedule for farmers' pensions was not revised upward to account for inflation, the government did take cognizance of an adverse inflationary impact on farmers who had surrendered their farms to the state in return for pensions before January 1, 1978. Accordingly, it provided for a minimum pension for farmers in this category: 1,500 zlotys per month.

This problem of maintaining the real value of pension benefits in the face of inflation points up a recurring problem of growing importance that most Communist countries have not yet addressed fully. They have generally rejected the idea of indexing benefits to keep pace with price or wage increases, usually with the argument that planned economies are not subject to significant disequilibria in price and wage relations. A notable exception has been Hungary, which provides for a minimum annual adjustment of 2 percent in its social security benefits.

Despite rejection of automatic adjustment as a formal principle, however, East European countries generally do make an effort to adjust some benefits on an ad hoc basis whenever prices rise significantly. Poland had scheduled such an adjustment in 1976 along with its short-lived meat price increases, only to rescind both later in the face of popular opposition to the price changes. Hungary introduced similar benefit adjustments at approximately the same time for essentially the same reason: to compensate the lowest income groups for a rise in meat prices, which was set at 30 percent. The Soviet Union has done less in this regard; but, its inflation has also been less evident. It periodically upgrades minimum pensions but has not otherwise improved old-age pensions in force since 1956. Since newly awarded pensions in the USSR are ordinarily based on a percentage of the earnings in the last year, no revaluation of preretirement earnings is needed to compensate for inflation.

Poland continues to rely on ad hoc adjustments to upgrade pensions in force. In recent years, however, it has tried to accommodate inflationary increases on newly awarded pensions in a more routine manner, but still without formally adopting automatic adjustment mechanisms. It has relied primarily on scheduling liberalization in the pension formula several years in advance. It is for this reason, discussed below, that industrial workers' pensions newly awarded in each year rose rapidly in the period 1978–80, compared with pensions granted in each of the preceding years. However, these adjustments were not extended to farmers, who, as pensioners, remained at a distinct disadvantage in the race against inflation.

Comparisons With Industrial Workers

From the limited data available, one could argue that during 1979 (1 year after the farmers' new pension scheme began) the new pensions awarded to farmers did not compare unfavorably with those being provided to industrial workers under the general scheme. However, the gap widened subsequently.

According to the Polish Government, the average pension in 1979 for Polish farmers was expected to be about 2,400 zlotys per month.[8] This figure apparently did not include as much as a third of Poland's farmers who could not meet the minimum qualifying requirement of 15,000 zlotys in annual sales of farm produce to the state.

At the same time, the Polish industrial worker who earned the average wage in manufacturing (5,000 zlotys per month) before retirement would have been entitled to a pension of 3,200 zlotys per month. Thus, the 2,400 zloty average pension amount received by eligible farmers equalled 75 percent of the average industrial workers' 3,200 zloty pension. This pension relationship was essentially the same as the earnings relationship had been: farmers reportedly earned about 75 percent of the amount that urban industrial workers earned.

However, inflation changed these ratios considerably. In the next year, the average industrial worker's wage rose by 14 percent to 5,700 zlotys per month. At this higher earnings rate, the industrial pension formula provided for an increase in the retiring worker's pension amount to 4,026 zlotys per month. No upward revision for retiring farmers' pensions was announced.

[8] Radio Free Europe Research, **Situation Report** (No. 15), July 18, 1980, page 6.

In terms of contingencies covered, the farmers' benefits again did not equal those of the industrial workers. Family allowances, for instance, were granted only to handicapped children. Cash sickness benefits were extended only to farmers with work-connected illnesses, not for any illness. Disability benefits were provided only to totally disabled farmers, although the industrial worker was entitled to a pension even if he or she was only partially disabled.

Social Engineering

It is not uncommon for a country to design a specific part of its social security program to induce a particular action from potential beneficiaries. A good example of such a policy, often termed "social engineering," is the approach being urged by trade unions in the Federal Republic of Germany to encourage older workers to retire early in order to open up jobs for younger workers. A similar program has already been enacted in Spain, which has a package of incentives to encourage the early retirement of elderly workers if the employers agree to replace them with unemployed young persons.

Generally, the Communist countries have used "social engineering" to a much greater extent than have Western nations. The Soviet Union, for instance, has traditionally reduced the pension eligibility requirements for those who have worked in unpopular areas such as the Far North, as well as for mothers who have responded to pronatalist urgings and have raised five children or more. It has also sought to discourage religious activity by denying social security coverage to employees of religious institutions.[9] Another approach, aimed at discouraging job-hopping in the Soviet economy, stipulates that a worker is to receive higher cash sickness benefits as he or she builds up a work history of uninterrupted employment. At the present time, for 8 years of uninterrupted work, he or she receives 100 percent of regular earnings. Over the years, however, there has been considerable relaxation in determining what constitutes uninterrupted employment. Currently, changing jobs does not count as interruption if no more than a month ensues between leaving one position and taking on new work.

It was very much in this tradition of "social engineering" that Poland introduced its farmers' pension programs, first in 1962 and, in an amplified version, in 1978. In its efforts to get aging farmers to relinquish their holdings and turn them over to younger owners, Poland's goals were similar to those of the Federal Republic of Germany. The special farmers' pension program introduced in 1957 in West Germany met with considerable success. By the end of the 1960's, the proportion of West German farmers over age 57 had

[9] **Sotsialnoe Obespechenie**, 1962, No. 4, page 57.

dropped to 31 percent of the total, compared with 55 percent in the rest of the European Community.

In Poland, however, the program was asked to accomplish too much. In addition to providing income security to elderly farmers and encouraging them to transfer their small holdings to more efficient owners, the program was also expected to induce farmers to increase their sales of food to government retail channels.

Anatomy of a Failure

The 1978 pension plan for farmers, as can be surmised from the observations made above, failed on several counts. It failed to provide workable incentives to the farmers to increase food production, especially of meat, and to divert a greater portion of sales from private markets to state intermediaries. Perhaps more fundamentally, it failed to convince them that the program was designed for their benefit. The farmers, for their part, remained convinced that contribution rates were set too high. They also believed that basing benefit levels on the amount of sales to the state was simply another form of compulsory agricultural deliveries under a different guise. Finally, the program suffered from a structural defect that is endemic to most social welfare efforts in Communist countries. Basically, no provision was made for flexible response and adjustment to inflationary pressures. The farmers were, therefore, confronted with the offer of benefits that, at best, became visibly less desirable with each passing month.

Rightly or wrongly, the farmers were also convinced that the government was intent upon taking away their land to set up a socialized agricultural system based upon collectives and state farming more in the mold of neighboring Socialist economies. Indeed, even with official policies and statements to the contrary, a number of instances corroborated the farmers' suspicions. Occasional press commentary, both domestically and abroad, drew upon statements by Polish Government officials and amply described the strategy of the Polish planners as precisely that of aiming for socialization of agricultural endeavors.[10] Statements made by Party and government officials after the formation and recognition of Solidarity also confirmed that collectivization had never been abandoned as a long-range goal of the government's economic policies during this period.

It should perhaps be noted that farmers, like other members of Polish society, had developed a large number of grievances that they were interested in pursuing through more forceful and energetic organization. In this context, the disappointments and objections with the pension system provided a focus around which a number of rural communities rallied to voice their grievances about social security issues and incidentally to expand their opposition to other matters as time went on.

One question of paramount importance remains is whether the pension proposals, even if well formulated and basically popular with the farmers, could have achieved their objective of encouraging increased food production. The answer is debatable. It is quite possible that the problem of increased supply could not be solved because of more deep-seated defects in the economic system, particularly in the way that disproportions in price relationships led to disincentives and production bottlenecks.

Production Problems

It is doubtful that the new pension program could have played a significant role in encouraging farmers to produce and sell more to the state, even with wiser planning and the addition of features that might have been more popular with them. A number of continuing deep-seated deficiencies acted as brakes on production in general and on sales to state procurement agencies in particular.

First, and perhaps most important, was a predominant pattern of counterproductive pricing relationships. On the one hand, government subsidies kept prices artificially low in the retail outlets (particularly for meat), so that consumer demand was greater than it would have been if a free market had been allowed to set prices at a higher level. On the other hand, procurement prices for farm produce were set inordinately low, providing little incentive to increase output. Indeed, as alleged by farm representatives, procurement prices were often set too low to cover costs. In fact, frequent references have been made over the years to situations where the farmer would find it more profitable to buy bread to feed his animals rather than provide them with fodder.[11]

It is true that temporary improvement in the demand-supply situation appeared at specific times. In the early 1970's, for instance, prices apparently favored the farmers and they responded with increased production. However, later in that decade, the terms of trade again turned unfavorable to them with concomitant adverse repercussions on the economy. In this connection, another intriguing question centers on the degree to which the government might have relaxed its dogmatic outlook enough to foster increased sales by farmers on the free market as a kind of effective safety valve favorably affecting the supply-demand equation.

Aside from cost and profitability issues, problems have also come from the failure to supply private farm-

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[10] For a report on Polish planners' views that collectivization is the answer to the country's economic problems, see, in particular, **Rude Pravo** (Prague), March 7, 1974, page 6.

[11] Statements made by **inter alia** participants in "Poland and the Aftermath," **op. cit.**, discussion cited in footnote 3.

ers with the necessary fodder, fertilizer, and machinery to allow for adequate production of food. Such shortcomings were acknowledged by government officials in the economic crisis of 1981.

Government policies through the years had, themselves, contributed to poor organization, particularly in the form of fragmentation of farmlands. Antagonism in the early 1950's toward the owners of large and medium-size farms tagged them with the pejorative term of "kulak," borrowed from Soviet terminology developed in the forced collectivization drive of the 1920's. This climate of hostility in Poland encouraged the breakup of efficient units into smaller entities as beleaguered farmers, even those with average-size holdings, sought safety in smallness. Even after official policy in the 1970's declared that the average farm in Poland must grow considerably to become efficient, bureaucratic efforts on the local level blocked sales to young and capable farmers of land acquired by the State Land Fund from aging owners in exchange for pensions.

Throughout this period, national investment policies also did not improve the economic situation. Apart from the fact that an inordinately large share of investment in agriculture was directed toward the inefficient state farms, the total investment was generally low, compared with the resources allotted to industry.

Finally, instances of actual discouragement of farm production, such as occurred in the mid-1960's as a result of econometric calculations, suggested that agricultural output, particularly meat products, should be categorized as unprofitable in foreign trade. As a result, meat production was temporarily cut back in the plan, on the assumption that agricultural exports could be replaced by other items. However, the continued need to export goods and the failure to find salable substitutes meant that reduced overall supply of these products could not continue to meet foreign demand without cutting into domestic meat sales.

The Worker-Peasant Problem

Polish farmers who work in nearby factories but maintain their small homesteads and, generally with the help of other family members, continue to engage in some farming are categorized as worker-peasants. Their farms number perhaps 1 million, about one-third of the total number of farms in Poland. They are usually less than 2 hectares in size and, in the aggregate, constitute only about 7 percent of Poland's tilled land.

In recent years, the worker-peasant seems to have replaced the large and successful farmer as the primary target of official government and Party dissatisfaction with the state of agricultural affairs. The apparent reasoning behind this attitude was based on the assumption that overall agricultural production would benefit considerably if the worker-peasants would relinquish their underutilized holdings.

While underutilized, these farms apparently do manage to satisfy much of their owners' basic family needs, which otherwise would place an additional burden on existing retail outlets. Critics of the government position also argue that Poland's unsatisfactory experience in land redistribution indicates that the land that might be wrested from these farmers could not be properly allocated to efficient owners.

It is also noteworthy that, in size, these holdings compare favorably with the even smaller personal plots on collective farms in the Soviet Union and elsewhere in East Europe, where the enormous potential of small plots, particularly in meat production, has at last been recognized. In fact, official Soviet proposals call for increased efforts to induce more farmers to establish personal plots and expand their livestock raising. New procedures even allow for some practical circumventing of the traditional 0.5 hectare size limitations by allowing use of collective property to a greater degree.[12]

In this spirit, the Soviet Union in the late 1970's demonstrated its reversal of hostility against private plots by rescinding a long-standing 15-percent reduction in social security pensions, which had applied earlier when a beneficiary had access to a private plot.[13] The Polish Government, in contrast, at one time proposed legislation for expropriating small farms, although no final action was taken. In more recent months, a tentative recognition of the possibilities of the benefits to be derived from small farms is seen in the promise of special credits to small landholders who wish to take up animal husbandry. Once again, the official pronouncement noted that credits would be more readily forthcoming if the farmers abandoned any nonagricultural job, thus ceasing in fact to be worker-peasants and reverting to full-time farmer status.

During the early stages of the 1978 pension program, many farmers believed the scheme discriminated against the peasant-workers by forcing them to contribute to two pension programs, the farmers' program in addition to the industrial workers' system. Nonetheless, they would have been entitled to only one pension upon retirement—that for the industrial workers. Later, however, the government stated that such retirees could col-

[12] For recent Soviet discussions of personal plots, see M. Joffe, "Personal Plot Reserves," **Ekonomicheskaya Gazeta**, October 1982, page 17; interview with Dr. G. Shmelev, USSR Academy of Sciences, Institute of the Economics of the World Socialist System, **Sotsialisticheskaya Industriya**, September 14, 1982, page 3; and speech by E. A. Shevardnadze, First Secretary of the Georgian Communist Party Central Committee, Tbilisi, **Zarya Vostoka**, October 21, 1982, pages 1-4. Obtained from Foreign Broadcast Information Series.

[13] Kenneth Thompson, "Developments in Old Age Income Security," **Report of Fifth Regional Conference for Asia and Oceania** (No. 1), International Social Security Association, Geneva, 1980, page 45.

lect their industrial pension and one-half the farmers' pension to which they might otherwise be entitled.

The social security system continues to discriminate against the worker-peasant. Means-tested family allowances designed for poor families, for instance, are not paid to families who have access to a plot of land greater than 0.5 hectares, regardless of overall income levels.

Rising Expectations About Social Security

In the summer of 1980, negotiations between the government and striking groups throughout the country revealed that workers and farmers, in collaboration with their advisers, had developed a coherent, if wide-ranging, collection of demands. The farmers' demands in the area of social security coverage were paralleled by those of the urban workers and were, in fact, to a great extent patterned after them. In the Szczecin agreements of August 30, 1980, for example, the demands of the urban workers were recognized by government representatives as valid with regard to raising the lowest pensions to a new "social minimum" by December 31, 1980. The exact level of this indicator was to be determined by a team of statisticians appointed jointly by government and workers. Although some confusion exists regarding the exact meaning of the "social minimum," it seems generally to refer to the minimum income necessary to support one person at a given level of well-being somewhat higher than bare subsistence. Although it does not seem to be directly indexed to prices or wages, it is computed on a regular basis by government statisticians and seems to provide a reasonable barometer of price levels that affect the typical family's market basket.[14] Family allowances were to be made equal to those provided to the military and militia. The need for improving medical services was acknowledged, as was the need to standardize payments for medicines. It was agreed also that free medicines would be provided to the disabled and other pensioners.

The farmers took up these same demands and added their own. On February 18, 1981, the government reached an agreement with the Trade Union of Private Farmers. Among the major provisions were the following:

1. Government acknowledgement of the legitimacy of private farming as a permanent factor in the economy, along with state-owned undertakings, and the need to consult with farmers regarding land integration;
2. Guarantees that a program would be initiated to supply tractors and implements at reasonable prices to private farmers as well as minimum quotas of coal; and
3. Farmers' entitlement to the same social welfare benefits as the rest of society and in particular their receipt of the same pensions and family benefits promised to urban workers a few months before at Szczecin (the lowest pensions would be raised to the social minimum by January 1, 1982).

In addition the farmers presented a long list of demands in the social welfare field that the government agreed would be considered for inclusion in new legislation that was to be prepared with farmers' representatives. Some of these additional major demands were:

1. Lower the retirement age (because of difficult work conditions in agriculture) from age 65 for men and age 60 for women to age 60 for men and age 55 for women.
2. Establish all pensions in accord with a social minimum.
3. Introduce a uniform contribution level for all farmers, with the possibility of receiving a higher pension on payment of higher contributions.
4. Liberalize rules regarding sale and inheritance of farms, and for continuing to farm after receiving a pension of modest size.
5. Pay benefits for partial disability.
6. Pay disability benefits according to the social minimum after 5 years of farming. Provide higher disability benefits for additional years of coverage, depending upon average annual production of goods.
7. Liberalize benefits for occupational illness or injury, with a liberalized interpretation of qualifying conditions.
8. Extend benefits now received by urban workers to farmers, including sick leave, maternity benefits, childbirth grants, survivors pensions, and family allowances. Use the social minimum as the basis for determining the level of such benefits.

The emphasis on linkage to a social minimum, if carried out, would bring in automatic adjustment through the back door. Meanwhile, it is important to note that the runaway inflation in Poland means that any social minimum would need to be raised at a rapid rate and, as such, would become a more difficult goal for a faltering economy to maintain. As noted, the government has in fact been calculating a social minimum of sorts for the past several years. In the beginning of 1981, the social minimum was reported by the Ministry of Labor, Wages, and Social Affairs to have gone up to 2,500 zlotys per month, or 25 percent above the 2,000 zlotys of a year before.

[14] Radio Free Europe Research, **Situation Report** (No. 5), March 18, 1982, pages 6-9.

As events unfolded in 1981 and 1982, the farmers were confronted with disappointing progress in the implementation of agreements reached and in resolving issues still to be negotiated. Once more the problem of tailoring benefits to funding possibilities in the farmers' social insurance system was contingent upon resolution of more fundamental problems. In short, the question remained: Could changes be devised and introduced that would succeed in getting the agricultural sector to function more effectively? The goal seemed to become more elusive as the rest of the economy deteriorated.

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