



## *Special article*

# **The Instruments of Supporting Entrepreneurs in Times of Economic Crisis (Case Study Poland)**

Anna Stępnia-Kucharska<sup>1</sup>

## **1. Introduction**

Economic crises affect all micro- and macroeconomic areas. Particularly vulnerable to unfavorable changes are enterprises where crisis situations are present. They are reflected by falling sales and profitability, increased debt, decreased liquidity and creditability, and inability to pay obligations. In situations of crisis enterprises are often unable to cope with these problems on their own. Then, the state helps enterprises with “soft financing”.

The purpose of this paper is to present the state support for entrepreneurs in times of crisis in Poland between 1990 and 2010. Additionally, the attempt was made to appraise particular solutions over the same time span. The analysis will be made on the basis of published “soft financing” reports, surveys conducted by the author and data published by central administration institutions.

## **2. Transformation crisis**

The crisis which overcame Poland’s economy in the early 1990s was an effect of transformation of the whole socio-economic system. The introduction of the so-called “shock therapy” resulted in considerable deterioration of financial situation of economic entities. Enterprises burdened with problems typical for socialist economy

---

<sup>1</sup> Anna Stępnia-Kucharska, Ph.D., University of Lodz, Institute of Economics, Lodz, POLAND, e-mail: stepniak@uni.lodz.pl

(see Baczek 1996) could not manage in a new environment. Consequently, most enterprises could not maintain sufficient liquidity nor pay their debts. Shortage of monies for current operation and inability to pay obligations produced situation in which enterprises used to pay old obligations with new credits falling in this way into a credit trap<sup>2</sup>.

In response to increasingly deteriorating financial situation of economic entities the Act on financial restructuring of state enterprises and banks was passed in 1993. The Act was aimed at improving financial situation of these state enterprises which held promise to operate effectively in a market economy and to eliminate enterprises which could not. Additionally, the Act was to reform the banking system - an introduction to its privatization (Krajewska 2001, p.230). The Act paved a way for bank conciliation procedures, public sale of liabilities and transformation of liabilities into stock. Moreover, under separate regulations enterprises could restructure their social security and tax debts in relation to the State Treasury and the Social Insurance Institution.

**Bank Conciliation Procedure** (BPU) was a principle instrument for financial restructuring of economic entities. The procedure consisted in financial restructuring of two groups of firms: the debtor enterprise and banks. The procedure made it possible to reform debtor's financial position as well as creditors' financial position – banks and other enterprises.

Bank Conciliation Procedure would be initiated by a debtor who either ceased to pay his debts or could envisage that due to financial, commerce or production difficulties would cease to pay debts in future (Restrukturyzacja 1995, pp.53-56). The conciliation procedure would be led by a bank in order to produce agreement between the debtor and his creditors.

Bank conciliation procedures could cover all debts except for debts related to: social security, employment agreements, pensions or annuities and obligations secured by pledge or mortgage as well as those resulting from income tax withholding.

---

<sup>2</sup> According to some authors certain vital problems in Polish enterprises showed up much earlier – by 1980 (Boguszewski, Fedorowicz, 1993).

Conciliatory procedures consisted in debtor presenting conditions on which the debtor would be able to pay his debts (partial or complete). Proposals could cover payment of debt and/or interest on deferred terms, payments spread over time, remittance of the whole debt or its part and/or interest, lower interest on debt, no interest on debt at all, conversion of the whole debt or its part into stock. Furthermore, the debtor was obliged to develop corrective plan involving particular fields of operation.

The debtor could also take advantage of additional aid provided by creditors. In most cases it involved assistance while applying for additional funds in form of credits, loans or credit guarantees, consulting aid, training, factoring, establishing mutually advantageous terms of trade or transferring own management personnel to implement definite tasks (Restrukturyzacja 1995, pp.60-62).

While analyzing consequences of bank conciliatory agreements usually advantageous results for debtors are considered forgetting at the same time about disadvantageous consequences for creditors. It should be stressed however, that usually creditors face only the two alternatives – enter into conciliatory agreement and recover part of the amount due or to apply for debtor’s bankruptcy and most probably lose the whole amount due.

The regulations adopted in the restructuring act provided the banks with another instrument enabling restructuring of “bad” credits – **sale of debts**. Transfer of a title could be executed with debtor’s consent or without it. In consequence of an agreement the bank ceased to be a creditor and a purchaser of a debt became a new creditor. The other components of the obligation relationship remained unchanged (Heropolitańska, 1998). However, such regulations concerned only due and payable bank liabilities. Banks could sell liabilities only in a public sale (tender, public bid, and negotiation based on public invitation).

The third solution adopted in the restructuring act involved conversion of debt into stock. Creditors of state enterprises or companies wholly owned by the State Treasury were given a right to satisfy their claims through conversion of debt into stock.

It was much easier to apply for conversion of public companies debts into stock and in many aspects much more advantageous than the Bank Conciliation Procedure. Conversion of debts involved:

- definite groups of creditors no longer given preferential treatment,

- proportional conversion of debt into stock,
- possibility of concluding agreements without consent of all creditors,
- debtor's operation during negotiation was no longer constrained,
- passive position of debtors (debtors could not avoid conversion),
- it was no longer possible for the debtor to acquire additional funding.

The regulations allowed enterprises to reduce their commercial and credit liabilities. In principle, **statutory liabilities** were excluded from the procedures (apart from the Bank Conciliation Procedure) and hence in 1994 the Minister of Finance issued a directive which made it possible to cancel liabilities of this sort. The adopted regulations were to improve financial situation in enterprises and increase budgetary proceeds from taxes unpaid by enterprises and to collect current tax due (in late 1993 budgetary arrears amounted to over PLN 2.6 billion).

All entities could take advantage of debt write-off (excluding those which had their debts cancelled by the Act on restructuring and enterprises in liquidation or bankruptcy. In order to have their taxes cancelled entrepreneurs had to:

- pay the so-called minimum sum accounting for 10 or 5 percent of the debt sum depending on their financial condition,
- submit an application and scheme for repayment of debt together with interest,
- pay current statutory liabilities in a timely fashion.

The regulations in the directive were not a one-off program but made a first stage of a debt cancellation program adopted by the Ministry of Finance. The second stage (1996) involved deferred repayments, repayment in installments, and cancellation of this part of taxes that was to be paid but remained after the first stage (Krajewska 2001, p.326). The directive principles were analogous to the first stage, but companies that underwent Bank Conciliation Procedure or entered court agreements were not excluded in this case

Under restructuring of statutory debts enterprises could also take advantage of **agreements with Social Security Institution (ZUS)**. The scope of restructuring of statutory liabilities was not restricted as it was the case with taxes. The agreement with ZUS was possible for every entity with unpaid social security obligations.

The regulations did not allow for reduction of the unpaid principal sum but made it possible to pay the sum in installments, usually up to 3 years. Additionally, payment of interest that was accrued after the agreement was concluded was postponed till the principal sum was paid.

When entering restructuring agreement with ZUS (Social Security Institution), debtor had to submit an application and commit to pay contributions in time (similar to agreements with tax offices). The State Treasury additionally assisted enterprises that entered agreements with ZUS with subsidies for partial repayment of liabilities.

Apart from the above mentioned regulations enabling reduction of debts there were other typical forms of restructuring procedures i.e. court agreements, civil agreements (individual agreements with creditors) or bankruptcy procedures.

It is extremely difficult to analyze the first phase of financial restructuring of Polish enterprises in a macroeconomic scale because a lot of time passed and complete information on the course and effects of particular forms of debt restructuring is unavailable. Consequently, data presented in the few studies differ considerably in terms of results.

The work of Chudzik (1997) presents the effects of the first financial restructuring of Poland's enterprises in the most extensive manner. Debts worth PLN 5.2 billion were restructured, and most of them were reduced with Bank Conciliation Procedures (see Table 1).

The survey conducted by Belka and Krajewski (1996), which covered 279 enterprises established by the Ministry of Trade and Industry, indicates that there were carried out 406 debt write-off procedures worth PLN 7.49 billion.

Grey and Holle (1996) present the most extensive study on restructuring processes in Polish enterprises with participation of banks. Data covering 7 commercial banks indicate that by the end of 1991 the debt of 787 firms (these banks' debtors) exceeded USD 1.43 billion. Within this group 60 percent of entities underwent various forms of financial restructuring – usually the Bank Conciliation Procedures.

The survey conducted by Stępnia-Kucharska, (2005a, 2005b, 2007) covering situation in 149 large industrial enterprises demonstrates that debts worth PLN 10.2 million were restructured. Most enterprises took advantage of the Bank Conciliation

Procedures but the biggest debts were covered by court agreements and tax cancellations.

According to the Ministry of State Treasury (Dynamika, 1997) the Bank Conciliation Procedures covered 231 enterprises, 213 of them involved commercialization (Dynamika, 2004) and 135 agreements included conditional conversion of debts into stock.

The Ministry of Finance study (Biały, 1994) covering analysis of “bad” bank debts demonstrates that by the end of March 1994 seven banks initiated restructuring procedures exceeding PLN 1.6 billion. The Bank Conciliation Procedures covered 128 entrepreneurs with bank debts totaling PLN 800 million. At the same time banks made attempts to sell liabilities. Over 300 debts worth a total of PLN 170 million were put on sale. 136 debts were sold by March 31, 1994 totaling PLN 2.8 million.

The survey conducted by Pawłowicz (1994, 1995) covering six commercial banks demonstrates that between March 31, 1993 and December 31, 1994 banks initiated some 400 repair procedures exceeding PLN 1.7 million. Most of them involved the Bank Conciliation Procedures (244) which accounted for 84 percent of bank liabilities. More than 40 percent of the debt involved state enterprises liabilities.

### **3. The crisis of early 21<sup>st</sup> century**

The worsening financial situation in enterprises at the turn of 20<sup>th</sup> century again resulted in increased liabilities PLN 14.2 billion in particular in relation to the State Treasury PLN 12.4 billion in 2002. In response to disadvantageous phenomena (deteriorated financial indices and lower competitiveness) and hence increased risk of bankruptcy, there were again introduced regulations making possible for enterprises to reduce their debts (Ustawa 2002). The principal purpose of these regulations was to assist all these entities that due to various reasons did not manage to carry the burden of unpaid debts to public sector (Tuk 2002). The act made it possible to reduce these liabilities and even cancel the debt together with interest.

All entrepreneurs who lost their ability to compete in the market, reflected by lower turnover, increased stock, lower profitability or losses as well as increased debt and loss of creditability could take advantage of the act. Restructuring could not involve entities in bankruptcy or liquidation and these whose statutory debts developed as a result of actions aimed at avoiding regulations concerning statutory obligations.

Restructuring covered liabilities to central and local budget, and to ZUS (Social Security Institution). Liabilities included unpaid personal income tax, corporate income tax; value added tax, excise, lump-sum tax on registered income, local taxes<sup>3</sup>, abolished taxes (taxes not time-barred), unpaid custom duty, and dividend. The act covered also liabilities resulting from unpaid contributions to special purpose funds.

Due to diversified sources of financing social security contributions (resulting from a reform of social security system) restructuring involved diversified range of social security contributions. Unpaid social security contributions payable prior to the reform (before December 31, 1998) were fully covered by restructuring. On the other hand contributions due after the reform were only partially subject to restructuring (Burzyńska, Stepiak-Kucharska, 2004) (disability insurance premium contribution covered by employers, the Labor Fund contribution, and the Guaranteed Employee Benefits Fund FGSP contribution).

Enterprises applied for debt write-off procedures. Apart from small enterprises, all other should include restructuring programs. Additionally, prior to the end of write-off procedure enterprises were obliged to present their financial standing since according to the will of legislator debt write-off could take place only when a firm regained its position in the market.

Debt write-off was possible when enterprises paid the so-called restructuring fee. The fee accounted for 1.5 percent of total liabilities covered by restructuring (in sectors regarded as vulnerable) or 15 percent (in other enterprises). In particularly justified cases the fee could be paid in installments (up to 12 months).

When an enterprise applied for debt write-off it had to meet conditions stipulated in the restructuring decision, in particular it had to pay all liabilities not covered by and not subject to restructuring and to pay in due time all current statutory liabilities.

According to the Minister of Finance and ZUS (Social Security Institution) entrepreneurs submitted over 120 000 applications for statutory debt write-off. In particular they applied for a write-off of unpaid taxes to central budget and unpaid contributions to ZUS (see Diagram 1).

---

<sup>3</sup> On condition that gminas (also known as communes or municipalities) passed resolutions in this respect.

Most entrepreneurs applied for reduction of their unpaid taxes (see Table 2). Altogether 60 975 applications were submitted of which 55 115 were approved (90 percent). At the same time 30 450 restructuring procedures were dismissed, which meant that debts of this group were not waived. What is important, in 70 percent of cases this was a result of failing to comply with restructuring conditions.

Usually it were small enterprises that applied for restructuring of unpaid taxes (59 271) and a number of large enterprises applying was relatively small (343). Most applications concerned unpaid VAT (71%<sup>4</sup>). Substantial proportion of enterprises applied for reduction of withheld but unpaid employee personal income tax (30%).

Altogether, the unpaid taxes (resulting from approved applications) amounted to PLN 5 053.8 million. Most of it (over 75 per cent) involved unpaid VAT. The unpaid income taxes involved mainly withheld but unpaid employee personal income tax because usually it were small enterprises (taxed on a Personal Income Tax basis) that intended to take advantage of the restructuring act. It worked out to PLN 92 000 write-off of unpaid tax per an enterprise.

Out of PLN 5 billion, on the basis of restructuring decision, PLN 1.46 billion of principal amount and PLN 1.34 billion of interest for late payment were written off. Eventually, however, the State Treasury wrote off PLN 1.9 billion worth of debts - a mere 40 percent of the amount applied. The biggest “reductions” took place under VAT liabilities (71 percent) and dividend (63%).

Almost 60 000 enterprises applied for restructuring of their obligations towards ZUS (Social Security Institutions) and over three quarters of them were approved. Over PLN 5 billion worth of liabilities were subject to debt write-off of which almost PLN 3 billion involved debts of coal companies. Enterprises most often applied for a write-off of unpaid contributions to the Social Security Fund FUS (PLN 4.5 billion – 90%), some 11 percent to the Labor Fund FP (PLN 0.5 billion) and only a small part applied to write-off their unpaid contributions to the Guaranteed Employee Benefits Fund FGŚP (PLN 37 million).

---

<sup>4</sup> The number of application does not add up to 100% since enterprises could at the same time file several applications for write-offs.

Enterprises took advantage of possibility to reduce other statutory liabilities i.e. to the National Disabled Persons Rehabilitation Fund (PFRON) and the National Fund for Environmental Protection and Water Management (NFOŚiGW). Entities indebted towards the PFRON for a total amount of PLN 1.2 billion filed 2 504 applications – of which 1 999 were approved. The least interest was shown in reduction of liabilities to the National Fund for Environmental Protection and Water Management (NFOŚiGW) - only 39 applications.

The act on restructuring covered also tax debts to local government units. *Gminas* (also known as communes or municipalities) and towns passed resolutions determining the scope of write-off in this respect. Altogether *gminas* and towns passed 450 resolutions enabling restructuring of sums enterprises owed to local government units.

In order to participate in restructuring procedure enterprises had to pay a restructuring fee. Initially, it was expected that budget proceeds on this account would amount to PLN 1 323.8 million. However, till the end of 2004 they reached a mere 271 million (Ministry of Finance internal data).

#### **4. Anti-crisis package**

The work on the third anti-crisis package began back in 2008, well before the first symptoms of economic slow-down showed up in Poland. The work was to counter-act the slowing of economy already in the initial phase of crisis so that it would be possible to successfully minimize the effects of economic downturn in Poland. There began a search for supporting instruments and measures protecting Poland from possible adverse effects of crisis. However, as opposed to two former crises, this time the write-off procedures were not introduced, but in turn instruments based on direct support for enterprises were applied.

The work ended with the act on alleviating the impact of the crisis on employees and entrepreneurs (Ustawa 2009). The purpose of the act was to help keep jobs in enterprises which as a result of crisis lost contracts and got into temporary financial troubles. Owing to new regulations firms will be able to survive the worst time and will not have to make partial layoffs.

It was agreed that anti-crisis measures are of temporary character (till December 31, 2011) with possible prolongation. Moreover, depending on the type of instrument

the aid will be available for all entrepreneurs or only for those in temporary financial troubles.

According to the package each entrepreneur:

- may extend the work settlement period to 12 months,
- may introduce individual work settlement schedule,
- must comply with an obligation to conclude permanent *employment contract* after two consecutive temporary contracts with the same employee covering 24 months period.

When justified with objective, technological or work time organization reasons *the work settlement period* may be extended from 4 months to a maximum of 12 months. However, when entrepreneur is going to apply such extended work settlement period, he must pay an employee a salary not lower than the statutory minimum salary.

The act allows also settling under *individual work settlement schedule* various hours of beginning and ending work within 24 hours work settlement period. In such cases when an employee returns to work within a 24 hour period it cannot be regarded as working overtime.

According to the Labor Code employers were allowed to conclude temporary *employment contracts* two times in a row with the same employee covering total 12 month period, and the consecutive employment contract with the same employee had to be of permanent character (an unfavorable situation for an employer). Under a new anti-crisis act the 12 month period was extended into a 24 month period (employers could conclude favorable for them, short term, temporary employment contracts with employees covering extended 24 month period without being pressed to conclude a permanent employment contract).

Till the end of 2010 some 718 entities took advantage of the extended work settlement period (Informacja 2010a). In most cases (538) the entrepreneurs set maximum work settlement periods – 12 months. Industrial processing firms prevailed – they accounted for 55.6 percent of entities using this solution. The analysis of regional diversity shows that entrepreneurs who were subject to Labor Inspection and applied extended work settlement period came from Cracow (95), Poznan (74) and Wroclaw (71).

In terms of employment mainly medium size enterprises (295) took advantage of this regulation. Large enterprises (204) were also were involved. Micro and small

enterprises rarely took advantage of the extended work settlement period (66 and 153 respectively).

The anti-crisis act introduced also regulations which could be used only by entrepreneurs who were in the so-called “temporary financial troubles”, that is, entrepreneurs who:

- experienced a fall of turnover higher than 25 percent over 3 consecutive months after July 1, 2008 (compared with analogous period between July 1, 2007 and June 30, 2008),
- paid in time their statutory obligations,
- were not facing bankruptcy,
- developed recovery program,
- over the last 12 months did not take advantage of the selected public aid,
- met other conditions for public aid.

Entrepreneurs who encountered “temporary financial problems” could take advantage of:

- subsidized employee wages during stoppages and reduced work time,
- subsidized social security contributions (in part covered by employers),
- renegotiation of the Guaranteed Employee Benefits Fund FGŚP payments (Pakiet 2009),
- subsidized trainings or postgraduate studies.

Entrepreneurs who are in temporary financial troubles may reduce by half *working time* and proportionally wages without having to alter employment contracts. However, wages may be reduced not more than proportionally and cannot be lower than minimum statutory wage (PLN 1 317). The wages can be partially subsidized (up to 70 percent of unemployment benefit max. PLN 519.47 per employee) with funds from the Guaranteed Employee Benefits Fund FGŚP if an employer has signed proper agreement with the Fund.

Employers may also take advantage of the so-called *economic stoppage*. Pursuant to the act, economic stoppage is a situation when due to economic reasons (temporary

financial troubles in an enterprise) employees remain ready to work, but are not working. Similar to the previous case, such measures may be adopted for not longer than 6 months. Employer may release employees from the duty to work keeping them however in the so-called readiness to work and reduce their wages to the minimum statutory wage level. Employer will receive every month then from the Guaranteed Employee Benefits Fund FGŚP equivalent of 100 percent of unemployment benefit (max. PLN 742.10 per employee).

Employers may take advantage of the third measure, subsidized social security contributions for employees (in part paid by employers).

Employers may also apply for a negotiation of new terms of repayment of *contributions to the Guaranteed Employee Benefits Fund FGŚP* which emerged before June 30, 2008. Preferential treatment may involve postponement of repayment, repayment in installments as well as the suspension of execution proceedings and suspension of calculation of interest on unpaid sums due to the Fund.

Over 22 billion PLN were assigned for various anti-crisis operations. Of this amount PLN 1.46 billion (6.6%) is to be allocated for the above mentioned actions, that is for supporting employment. Additional 20 billion PLN was assigned for credit guarantees for enterprises and local government institutions.

Within nine months of anti-crisis package entrepreneurs submitted altogether 156 applications for subsidized employment. Most applications came from Silesian (23), Greater Poland (22) and Pomeranian (20) Voivodeships. The least number of applications came from South-East Voivodeships (see Map 1).

During the period in question the entrepreneurs submitted applications for subsidizing 10 760 employees for a total of PLN 19.3 million. In the most part the entrepreneurs applied for a refund of reduced wages (PLN 8.48 million – 4958 employees) and economic stoppage wages (PLN 8.06 million – 5802 employees). Applications for a partial refund of social security contribution were definitely less popular (PLN 2.81 million) (see Diagram 2).

Till June 28, 2010 some 122 applications were approved (8 were rejected). 87 agreements for subsidized employment were signed for a total of PLN 14.4 million and PLN 5.5 million was paid out.

As few as three entrepreneurs submitted applications for new terms of repayment of their liabilities to the Guaranteed Employee Benefits Fund FGŚP. Applications involved PLN 1.28 million and agreements were signed for PLN 1.12 million.

The Act on alleviating the impact of the crisis on employees and entrepreneurs introduced regulations enabling subsidized employee trainings and postgraduate studies. This is available for employers who are in temporary financial troubles and have established the training fund in their enterprises.

**Table 1. Effects of financial restructuring of enterprises and banks**

Write-off forms	Chudzik	Krajewski, Belka		Gray, Holle		Stępiak	
	Debt (in bln PLN)	Number of enterprises	Debt (in mln PLN)	Number of enterprises	Debt* (in bln PLN)	Number of enterprises	Debt (in mln PLN)
Bank Conciliation Procedures	1.6	30	0.98	181	4.1	39	2.1
Normal procedures	0.3	42 <sup>a</sup>	1.67 <sup>b</sup>	16	1.4	18	4.0
		51 <sup>b</sup>	0.83 <sup>b</sup>			13	0.02
Public sale of liabilities	0.8	9	0.04	63	1.7	5	0.02
Initiation of bankruptcy	1.1	-	-	134	1.2	-	-
				39 <sup>c</sup>	0.9 <sup>c</sup>		
Conversion of debts into stock (shares)	0.1	-	-	-	-	19	0.9
Agreements with ZUS	-	66	0.79	-	-	34	0.1
Write-off of central taxes	-	90	1.15	-	-	25	3.1
Other methods	1.3	118	2.02	39	1.4	-	-
<b>Total</b>	<b>5.2</b>	<b>279</b>	<b>7.49</b>	<b>787</b>	<b>12.2</b>	<b>149</b>	<b>10.1</b>

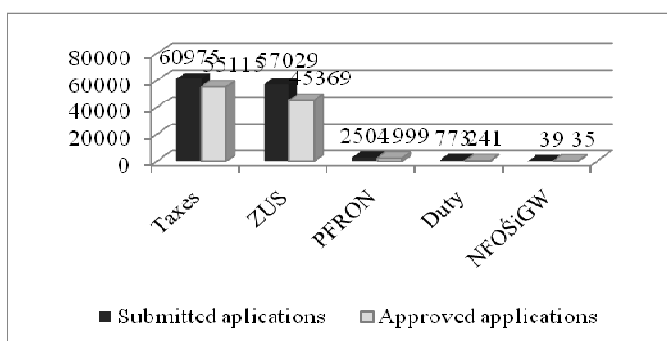
\*Average debt per bank

\*\*Enterprises could join more than one debt write-off procedure

a. Court agreements; b. individual agreements with creditors, c. liquidation

Source: Chudzik, 1997, p.15; Belka, Krajewski, 1996, p.20; Gray, Holle, 1996; Stępiak-Kucharska, 2005.

**Diagram 1. Entities covered by restructuring procedure**



Source: Ministry of Finance internal data.

Table 2 Implementation of the act on restructuring entrepreneurs' certain statutory obligations (in PLN thousands)

Type of the amount due	Number of applications	Number of approved applications	Unpaid amount due	Suspended procedure		Amount remitted		Number of dismissed procedures	Procedures initiated and not completed	
				Nr	Am	Principal Mount	Interest		Nr	Am.
Taxes	60,975	55,115	5,053,768	506	214,629	1,462,151	1,335,187	30,450	994	292,937
Custom duties	773	241	98,811	68	16,991	10,559	7,290	214	23	1,513
ZUS	57,029	45,369	4,980,077	50	5,802	295,023	404,503	44,930	164	20,593
Social Security Fund (FUS)	.	.	4,650,471	.	.	261,437	379,540	.	.	.
Labor Fund (FP)	.	.	321,093	.	.	32,666	24,331	.	.	.
Guaranteed Employee Benefits Fund (FGŚP)	.	.	8,513	.	.	920	632	.	.	.
National Disabled Persons Rehabilitation Fund (PFRON)	2,504	1,999	433,059	6	1,662	357,936	459,521	719	43	2,938

National Fund for Environmental Protection and Water Management (NFOSiGW)	39	35	371,730	0	0	3,066	1,879	3	0	0
Total	121,320	102,759	10,937,445	630	239,084	2,128,735	2,208,380	76,316	1,174	317,981

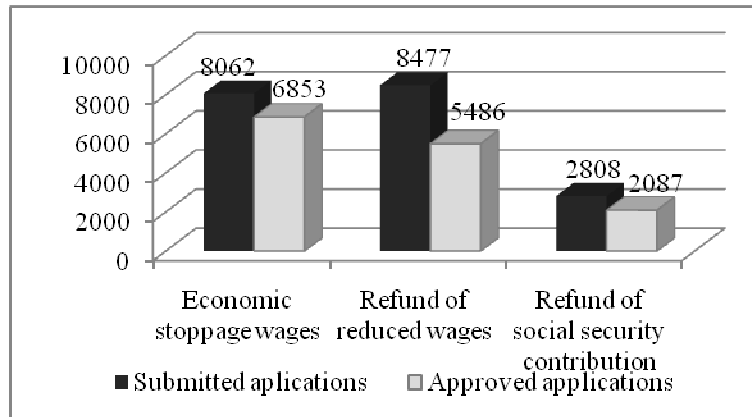
Source: Ministry of Finance internal data.

**Map 1. Total number of applications submitted to Local Office of the Guaranteed Employee Benefits Fund FGŚP (the status as of June 28, 2010)**



**Source:** Information on applications submitted to the Guaranteed Employee Benefits Fund FGŚP on the basis of Act of July 1, 2009 on alleviating the impact of the crisis on employees and entrepreneurs, Ministry of Labor and Social Policy, Warsaw 2010.

**Diagram 2. The structure of applications (the status as of June 28, 2010, in thousand of PLN)**



**Source:** As to Map 1.

Entrepreneurs who fulfill the above conditions may apply for subsidies from Labor Fund: for employee trainings (up to 6 months), employee postgraduate studies (up to 12 months) and scholarships for above mentioned employees.

Improvement of professional qualifications is available for employees under reduced working time and economic stoppage. The employer may obtain subsidies up to 80 percent of trainings or postgraduate studies costs but not more than 300 percent of the average pay in the preceding quarter (presently PLN 9 949.14) and an employee may receive training scholarship accounting for 100 percent of unemployment benefit.

From the moment when the Act came into effect till June 28, 2010 the Labor Fund concluded agreements for subsidizing improvement of professional qualifications for a total sum of PLN 557 200.00 (Informacja, 2010b). The agreements involved mainly trainings (PLN 555 565 – 99.7 percent). There was a small interest on part of employers in respect of training scholarships (1 628.00 – 0.3%) and there was not a

single application for post graduate studies. The agreements involved trainings of 491 persons.

Apart from instruments resulting from the act on alleviating the impact of the crisis on employees and entrepreneurs other measures aimed at supporting households and entrepreneurs during crisis were introduced. They involved:

- support for persons who had lost their jobs due to crisis and were no longer able to repay loans they had taken in order to buy their own flats,
- enhanced system of warranties and guarantees for small and medium enterprises,
- introduction of higher investment allowance (up to EUR 100 000) for new enterprises,
- support for financial market institutions that have problems maintaining liquidity,
- speeding up of investments co-financed with European Union funds,
- paying to the employer the difference between employee old salary (higher, before it was reduced by an employer due to crisis) and a new salary (lower, after reduction), in gross terms. The employer could receive from state 3 times the difference, but not more than PLN 4 000,
- subsidized specialist trainings or postgraduate studies for highly qualified employees who were laid off because of the bad economic situation in their enterprises.

## **5. Conclusion**

The systemic anti-crisis measures introduced in Poland over the last 20 years covered altogether three crises. The first two crises involved state support for enterprises in the form of passive financial restructuring, that is the debt write-off. During the third crisis entirely new measures were adopted, based on liberalized labor law and direct support for enterprises.

It may be concluded from the above considerations that measures adopted in 2009 have been definitely more effective. “Soft” budgetary restrictions are not effective

because they bring about short term effects. On the other hand in the long term they are not effective because:

- debt write-off improves economic indicators but quite often, just after the debt write-off, the indicators again deteriorate,
- enterprises after debt write-off turn out to be very vulnerable to economic fluctuations (successive crises bring even more severe consequences for them),
- many enterprises treat the write-off of statutory debts as a relatively easy way of subsidizing their businesses,
- in the case of very weak entities, facing immediate bankruptcy, „soft financing” only defers bankruptcy,
- they restrict market self-cleaning processes,
- they fix passivity of enterprises.

Despite many flaws in the debt write-off regulations one may say that for many enterprises this could have been the only chance to avoid bankruptcy and to regain competitiveness. The effects of debt write-off procedures depend in most part on the very enterprises themselves and in particular on the repair procedures. Therefore, it is necessary to control implementation of restructuring procedures.

The anti-crisis measures adopted in 2009 are more effective because they do not „forgive” the old debts but support current business operation. The anti-crisis package is better because:

- it protects employees and provides them with a better job guarantee despite the threat of crisis,
- it helps employers to survive in the market in times of downturn in economy,
- the cost of aid is cheaper than potential costs of unemployment.

With the mechanism envisaged in the anti-crisis package employers can quickly react to fluctuating economy without adopting long-lasting code procedures. The regulations allow for more liberal and more effective policies of managing employees work time in close relation to their current economic situation. Employers may take advantage of the time of economic downturn and improve their human resources qualifications paying only 20 percent of costs. These are short term measures (usually

6 months) and when adopted the employers must keep later the jobs. Consequently, the cost of labor falls.

Despite many advantages, the regulations of anti-crisis package are not however, perfect. Firstly, subsidized employment is only available for enterprises in temporary financial troubles. Secondly, the 25 percent threshold of turnover drop seems to be too high and many micro- and small-enterprises cannot afford (due to abilities and costs) to develop repair programs. Thirdly, in the case of subsidized trainings, enterprises' own financial input may be a problem.

#### **LITERATURE:**

- Baczko T., (1996), „The Second Stage of Polish Economic Transformation. Transformation Policy. Analyses, Recommendations, Opinions”, PWN, Warszawa.
- Belka M., Krajewski S., (1996), “Financial Restructuring of State-Owned Enterprises in Poland”, ACE-Workshop, Vienna.
- Biały A., (1994), „Po „czyszczeniu portfeli”. Wyniki bankowej restrukturyzacji”, Rzeczpospolita, 20.04.1994.
- Boguszewski P., Fedorowicz M., (1993), „Banki i przedsiębiorstwa”, Gdańsk 1993.
- Burzyńska D., Stępnik-Kucharska A., (2004), „Istota i cele restrukturyzacji długów publicznoprawnych przedsiębiorców”, *Przedsiębiorczość i Zarządzanie*, Tom V, Zeszyt 1, SWSPiZ, Łódź.
- Chudzik R., (1997), “Comparative Analysis of the Bank Restructurisation Programs in the Czech Republic, Hungary and Poland”, Frankfurt 1997.
- Dynamika przekształceń własnościowych, (1997), No 37, MSP, Biuro Analiz ekonomicznych, Warszawa.
- Dynamika przekształceń własnościowych, (2004), No 57, MSP Biuro Analiz ekonomicznych, Warszawa.
- Gray Ch., Holle A., (1996), “Bank-Led Restructuring in Poland. Bankruptcy and Its Alternatives”, Policy Research Working Paper Series, World Bank, Washington.
- Gray Ch., Holle A., (1996), “Bank-Led Restructuring in Poland: An Empirical Look at the Bank Conciliation Process”, Policy Research Working Paper Series, World Bank, Washington.
- Heropolitańska I., Kawaler P., Koziół A., (1998), „Skup i sprzedaż wierzytelności przez banki”, TWIGER, Warszawa.
- „Informacja dotycząca stosowania przepisów ustawy z dnia 1 lipca 2009 r. o łagodzeniu skutków kryzysu ekonomicznego dla pracowników i przedsiębiorców w zakresie przedłużania okresów rozliczeniowych”, (2010a), Państwowa Inspekcja Pracy, Główny Inspektorat Pracy, Warszawa.
- „Informacja o umowach zawartych przez starostów w sprawie wypłat świadczeń z funduszu pracy na podstawie ustawy z dnia 1 lipca 2009 r. o łagodzeniu skutków kryzysu ekonomicznego dla pracowników i przedsiębiorców wg stanu na dzień 28.06.2010 r.”, (2010b) MPiPS, Warszawa.
- Krajewska A., (2001), „Efektywność restrukturyzacji finansowej przedsiębiorstw. Aspekty oddłużeniowe”, w: Mączyńska E. (red.), *Restrukturyzacja przedsiębiorstw w procesie transformacji gospodarki polskiej*, DiG, Warszawa.
- „Pakiet antykryzysowy w praktyce czyli co możesz zyskać (a co stracić) korzystając z pakietu antykryzysowego”, (2009), Polskie Centrum Kadrowo-Płacowe, Łódź.
- Pawłowicz L. (red.), (1994), „Restrukturyzacja finansowa przedsiębiorstw i banków. Pierwszy raport z badań”, IBnGR, Gdańsk.

- Pawłowicz L. (red.), (1995), „Restrukturyzacja finansowa przedsiębiorstw i banków. Drugi raport z badań”, IBnGR, Gdańsk.
- „Restrukturyzacja finansowa przedsiębiorstw i banków, Raport na zlecenie Ministra Finansów i Fundacji Rozwoju Sytuacji Finansowej” (1995), Warszawa.
- „Stan realizacji pakietu działań antykryzysowych”, (2010), [www.MPiPS.gov.pl](http://www.MPiPS.gov.pl).
- Stępiak-Kucharska A., (2005a), “Efekty pasywnej restrukturyzacji finansowej dużych przedsiębiorstw przemysłowych w Polsce”, *Gospodarka w Praktyce i Teorii*, No 2(17), Łódź.
- Stępiak-Kucharska A., (2005b), “Wpływ rozwiązań oddłużeniowych na poziom zobowiązań publicznoprawnych przedsiębiorstw”, *Acta Universitatis Lodzensis, Folia Oeconomica*.
- Stępiak-Kucharska A., (2007), “Miękkie ograniczenia budżetowe jako instrument wspierania przedsiębiorstw”, *Acta Universitatis Lodzensis, Folia Oeconomica*, No 208.
- Tuk J., (2002), „Warunki oddłużenia przedsiębiorców”, *Doradca Podatnika*, No 43.
- Ustawa z dnia 1 lipca 2009 roku o łagodzeniu skutków kryzysu ekonomicznego dla pracowników i przedsiębiorców, Dz.U. Nr 125, poz 1035.
- Ustawa z dnia 3 lutego 1993 r. o restrukturyzacji finansowej przedsiębiorstw i banków oraz o zmianie innych ustaw, Dz. U. Nr 18, poz. 82.
- Ustawa z dnia 30 sierpnia 2002 roku o restrukturyzacji niektórych należności publicznoprawnych od przedsiębiorców, Dz.U. Nr 155, poz. 1287 z późn. zm.