



Project no. CIT1-CT-2004-506392

NEWGOV

New Modes of Governance

Integrated Project
Priority 7 – Citizens and Governance in the Knowledge-based Society

The survival of clothing production in SMEs in Łódź
reference number: 23/D05

Due date of deliverable: September 2005
Actual submission date: 7 June 2006

Start date of project: 1 September 2004

Duration: 48 months

Organisation name of lead contractor for this deliverable:
European University Institute; Colin Crouch
Report written by **Monika Kamińska**

Project co-funded by the European Commission within the Sixth Framework Programme (2002-2006)		
Dissemination Level		
PU	Public	X
PP	Restricted to other programme participants (including the Commission Services)	
RE	Restricted to a group specified by the consortium (including the Commission Services)	
CO	Confidential, only for members of the consortium (including the Commission Services)	

Summary

Following the collapse of the long-established clothing, footwear and textile industry around Łódź and following the collapse of its markets in the former Soviet Union and the general problems of these industries in Europe, some recovery of the sector has taken place. This is concentrated in a small number of locations and comprises a mix of micro-enterprises producing simple clothing and footwear goods, and some larger enterprises specialising in the market of these goods. These enterprises depend heavily on markets in Russia and the Ukraine which demand very low-priced products. Firms therefore find it difficult to move to higher value-added production and to a large extent exist mainly in the shadow economy. Partly because of this last fact, partly because the sector is not an object of interest to government or to multi-national enterprises, and partly because the lack of trust in personal relations that seems to be characteristic of Polish institutions, there is little evidence of development, though the sector continues to thrive and to provide employment.

Contents

I. DEVELOPMENT OF THE CITY OF ŁÓDŹ AND HISTORICAL TRADITION OF THE LIGHT INDUSTRY IN THE REGION.....	3
II. SOCIO-ECONOMIC TRANSITION FOLLOWING THE COLLAPSE OF COMMAND ECONOMY IN POLAND.....	6
III. PRODUCTION SYSTEM IN THE CITY OF ŁÓDŹ.....	8
III.1 INNOVATION.....	8
III.2 INSTITUTIONAL AND ENTREPRENEURIAL ENVIRONMENT.....	9
III.3 ORGANIZATION OF PRODUCTION.....	12
III.4 SHADOW ECONOMY.....	12
IV. CASE STUDIES: HOSIERY PRODUCTION IN ALEKSANDRÓW ŁÓDZKI AND OPEN-AIR MARKETS OF TUSZYN AND RZGÓW.....	14
IV.1 REVIVAL OF TEXTILES AND CLOTHING PRODUCTION IN MICRO AND SMALL ENTERPRISES.....	14
IV.2 EMERGENCE OF TEXTILE/CLOTHING OPEN-AIR MARKETS, WITH CLIENTS FROM FORMER USSR MARKETS.....	18
V. ANNEXES.....	21
V.1 CHARTS ON UNEMPLOYMENT.....	21
V.2 BIBLIOGRAPHY.....	23

Table of Figures and Graphs

FIGURE 1: THE NEW ŁÓDŹ REGION.....	5
CHART 1: CHARACTERISTICS OF THE LIGHT INDUSTRY IN THE ŁÓDŹ REGION IN 1989.....	6
CHART A.1: UNEMPLOYMENT IN POLAND (FEBRUARY 2006).....	21
CHART A.2: UNEMPLOYMENT IN THE REGION OF ŁÓDŹ (FEBRUARY 2006).....	22

I. Development of the city of Łódź and historical tradition of the light industry in the region

An accelerated industrialization of the city of Łódź [wooch] was initiated at the beginning of the nineteenth century. In the following 130 years the process was concentrated in the urban area, and only after the Second World War it expanded also towards the neighbouring rural areas.

Liszewski (1999) identifies four phases of the industrial development of the Łódź area. In the *first phase*, the vibrant development of the region's industry, specializing in the production of textiles and clothing, originated from the decision of Rajmund Rembieniński, president (*wojewoda*) of the Łódź region, who in 1824 identified the area as a potential industrial hub.

The development of industry in the area was facilitated mainly by two factors:

1. *Geographical location.* Łódź was a borderline city between 'two cultures and two civilizations: of the industrialized European West and of the technically backward East' (ibid.). New technologies arriving from the West were implemented in the processing of resources, above all cotton, and in the development of mass production. The (usually low cost) produce was exported to the East, mainly in Russia. According to Riley (1997), as the town was positioned in the centre of Polish territory under Russian occupation (as a result of the late eighteenth century partitions), „it proved attractive to German textile manufacturers wishing to tap the Russian market without paying import duties”.
2. *Labour force supply.* The territories around the growing industrial hub were of prevalently rural character and guaranteed a stable supply of labour force. The migration flux led to the creation of an intensely populated urban centre, with hundreds of thousands inhabitants. For years the city developed as an enormous working class agglomeration, while the rural areas around the hub would ensure the supply of food products (Liszewski, 1999).

The process of industrialization resulted in an accelerated growth of the urban population. Between 1423, when Łódź was granted a town charter, and early 1800s, Łódź remained a small village, „an insignificant agricultural settlement” (Riley, 1997) with a population numbering only 514 inhabitants in 1810. Thanks to the surge of migrants following the industrialization, the population levels rose sharply reaching 36000 in 1867, a number that would continue to grow, to reach 125000 in 1890 and 314 000 in 1897. „Such was the success of the manufacturing sector that the last three decades of the century saw Łódź described as the <Polish Manchester>” (ibid.).

At the beginning of the twentieth century Łódź was already an important centre of light industry, where 50% of the Polish clothing-producing factories and 48% of the textile-producing factories were concentrated (Marczyńska-Witeczak, 1996).

In the *second phase*, after a hundred years of accelerated economic and industrial growth, during the first half of the twentieth century Łódź suffered a serious crisis. Following the political events in Europe, the city's production was deprived of access to its traditional Eastern markets (above all Russian). From the outbreak of the First World War until the end of the Second World War, the economy of the Łódź area found itself in a state of stagnation.

In that period, bleak from the economic point of view, the process of formal organization of the area was initiated. Within the new institutional framework, non-productive functions of regional scope were delegated to the city which up to that date had a purely industrial character of a textile production centre. In 1919, the region of Łódź (*województwo łódzkie*) was offi-

cially established, along with other 15 new Polish regions. The Łódź region was divided into 13 provinces, covered the territory of 19034 km² and had the population of 2435710 inhabitants (the region's borders would be slightly modified before 1939). The outbreak of war in 1939 brought the already sluggish economic development of the area to a complete halt. The conflict substantially weakened the human and economic potential of the city and its region.

The *third phase* in the development of Łódź, or the first two post-war decades, is defined by Liszewski as the period of metropolization. The 1950 administrative reform in Poland limited the region's area to 17400 km². The metropolitan functions of the city of Łódź were realized through the development of academia (university, polytechnic), allowing the creation of intellectual elite; media (radio, TV, journals, newspapers) - following the total destruction of Warsaw by the Nazis, the capital city of Warsaw could not provide the necessary infrastructure, and as a result the publishing and broadcasting industry was located in Łódź which soon became the Polish biggest centre in this sector; financial institutions (banks, insurance companies); medical centres (hospitals, specialized clinics); institutions of culture (opera, theatre, philharmonic).

The *fourth phase* (present) has been characterized by decentralization of the metropolitan functions of Łódź towards other towns of the region; these smaller centres have also undergone industrialization processes. Changes in the territorial administration of the country, introduced in 1975, led to the creation of 49 small regions (voivodships) and a drastic reduction of the Łódź region territory. The region now covered only the 'trimmed' agglomeration of Łódź (1520 km²), which made it the smallest of all 49 newly created territorial units. The neighbouring cities and towns became capitals of new units (regions of Piotrków Trybunalski, Płock, Sieradz, Skierniewice, Konin, Radom, Kalisz). The regions of Łódź, Piotrków Trybunalski, Płock, Sieradz and Skierniewice formed a Macroregion of Central Poland.

The most recent reform of territorial administration, implemented in 1999, reduced the number of voivodships to 16, creating larger units.¹ As a result of the reform, the Łódź region has now basically regained its territory of the pre-1975 framework. The new Łódź voivodship thus embraces the „old” Łódź region, the regions of Piotrków Trybunalski, Sieradz, half of the territories of the old regions of Skierniewice and Płock, and parts of the territories of the old regions of Częstochowa, Konin, Radom and Kalisz. The region has the territory of 18219 km² (5.8% of the national territory) and the population of 2630400 inhabitants (6.8% of the national population). It embraces 24 provinces (*powiat*): three cities with the province status (Łódź, Skierniewice and Piotrków Trybunalski) and the provinces bełchatowski, brzeziński, kutnowski, łaski, łęczycki, łowicki, łódzki wschodni, opoczyński, pabianicki, pajęczański, piotrkowski, poddębicki, radomszczański,



¹ With regard to the position of regions in the new system of decentralised public administration, *województwo* is at the same time a unit of the territorial self-government and a unit exercising the governmental administration. Hence its double character, where two spheres of public administration act in a parallel way. In virtue of the Act on „Regulations introducing acts on the public administration reform”, units of territorial self-government took over, from 1 January 1999, a majority of the institutions (totalling 12000 at the end of 1998) that were hitherto subordinated to ministries or other central organs of governmental administration. The units that passed under the authority of self-government became at the same time units of communal sector. The reform has led, at least from the point of view of organisation of the administration, to a wide-scale devolution. As a result of the reform, circa 63% of governmental sector units (which in absolute terms means 7 478 units) were passed over to the communal sector subordinated to the newly created units of territorial self-government (Karaś et al., 1999).

rawski, sieradzki, skierniewicki, tomaszowski, wieluński, wierzowski, zduńskowski, zgierski.

Figure 1: The new Łódź region



II. Socio-economic transition following the collapse of command economy in Poland

As a result of the 1990s socio-economic transition and the dismantlement of large state owned textile and clothing enterprises (5-8 th. workers), the region of Łódź has suffered severe socio-economic crisis.

Łódź entered the post-socialist transition period as a heavily industrialized and urbanized area characterized by a monostructural economic system. As indicated in the chart below, over 50% of the workforce of 1.2 million Łódź agglomeration was employed in the light industry.

Chart 1: Characteristics of the light industry in the Łódź region in 1989

	Poland	Region of Łódź
Employment in light industry as a percentage of total employment in industry	15.1	55.2
Exports of light industry products as a percentage of total exports	5.5	13.7

Source: adapted from M.Zajdel (1997), *Przekształcenia strukturalne gospodarki województwa łódzkiego (1989-1993)*, *Acta Universitatis Lodzianensis, Folia Oeconomica* 142.

The dominant light industry (subdivided into textile-producing sector, clothing sector and leather/shoes producing sector) was almost totally dependent upon the exports to USSR and other Comecon countries. As Dornisch puts it, '(t)he economic life of the region was subordinated to its international socialist allocative mission, with city and regional infrastructure only developed to the extent that it supported the regional industrial complex' (2002).

Following the collapse of the command economy in Poland in 1989, the area's economy plunged into a deep crisis. The paralysis of the Comecon economies and the break-up of trade relations developed throughout the previous four decades meant that the region's economy lost its export markets.

The big state owned enterprises in the light industry (over 300, high-volume, low-quality mass production units), in particular in the textiles and clothing sectors, had the medium-large size and a production structure that was obsolete and not able to successfully undergo processes of transformation of the production (*filierea produttiva??*).

Although strong in the 1970s and 1980s, the position of trade unions (both Solidarity and the Communist party – affiliated OPZZ) in Łódź weakened as the light industry itself lost its position of one of the pillars of the Polish pre-1989 economy. In the new situation, trade unions in the Łódź region (unlike the workers in heavy industry, which was still considered strategic for the national economy), were unable to efficiently influence the early democratic governments in the process of elaborating the restructuring strategies (or lifeboat operations) or to ensure high severance pays/payoffs, as it was the case of miners in the Southern Polish region of Śląsk (Silesia) (Surązka, 2004).

In the years 1990-1995, a large majority of the light industry state owned enterprises in Łódź and the region were put into liquidation. In this period, in the Macroregion of Central Poland (formed by the small 'old regions' of Łódź, Płock, Piotrków Trybunalski, Sieradz and Skierniewice), 365 state owned enterprises were privatised. Out of these, 284 were liquidated and 52% of this number were located in the Łódź region. In the period 1989-1995, employ-

ment in the light industry in the Macroregion suffered a decline by 60%, and in Łódź – by 46% (Brzeziński et al., 1997).

The wave of liquidations in the dominant light industry caused a surge in unemployment: while in 1989 the Łódź region labour market was characterized by full employment, in 1990 the unemployment rate reached 8.5%, and in 1993 it soared up to 18.5% (and it has remained at this level since). The city of Łódź was faced with the problem of 50 thousand unemployed in 1991, a number which rose to 83 thousand in 1992 and reached the alarming number of 85 thousand unemployed in 1993 (Nowakowska, 1996).

Decline of big textile state owned enterprises in Łódź was followed by a decline of the system of education and training of skilled workforce for the needs of the industry. In absolute numbers of students receiving training in the industry-related areas, the system reached its peak in mid-1970s, but with the start of transition of the 1990s the situation dramatically changed. Since then, the textile production-oriented post-elementary professional and technical schools have been closed down. Recruitment to textile industry-related courses and specializations has been either abolished or limited to the minimum. At the university level, there are still departments working in the related field, focusing however on innovative technologies and not on educating professionals and managers for companies operating in the textile sector. The situation on all levels of education, resulting in the lack of supply of young generations of skilled workforce, is another facet of the decline of textile industry in Łódź (Prysiński and Urban, 2005).

The transition process, which in Łódź region was identified with the liquidation procedures of textile- and clothing-producing state owned enterprises, released great entrepreneurial potential of the local population. This was due mainly to two factors: the difficult situation in the labour market and the fact that following the sudden reduction of activities of textile companies in Łódź region, the remaining companies expressed a growing demand of different services that they were no longer able to provide internally.

This led to the emergence in the region of ‘private sector’ micro, small (and to a much more limited extent medium) enterprises concentrating on production of clothing and hosiery; import and trade of raw materials and machinery for textile production; semi-processing, finishing of semi-products, packaging; and servicing the machinery. Development of these small firms allowed the surviving big companies to function without the necessity of maintaining units like sewing rooms, and partially absorbed the redundant skilled workforce (Prysiński and Urban, 2005).

It needs to be stressed that already in the command economy, from the beginning of 1980s, private enterprises (the so called ‘non-socialized sector’) played an increasingly important role in the region’s economy. While in the late 1970s and early 1980s, private enterprises constituted only 2.5% of the total number of enterprises in the Łódź area, already in 1988, following a law on entrepreneurship dating from 1982 (partial liberalization of the command economy, possibility of establishing private enterprises), private firms generated 13.5% of work places in the region. About 18% of employment in the industrial production was generated by the private sector, while in the trade sector, private enterprises employed 22% of workers (Marczyńska-Witczak, 1996). In 1995, only 35.5% jobs in the region were in the public sector. In 1999, out of 203.4 thousand enterprises registered in the (newly created, post-1999 reform) region, 97.6% were in the private sector. Among all registered firms, the largest group (93.1) was the one of micro enterprises (up to 5 employees); small enterprises (from 6 to 20 employees) accounted for 4.5% (Kaniewicz, 2000).

III. Production system in the city of Łódź

Note: as the newly created region of Łódź embraces territories of diversified economic profile with relation linking them to the capital cities of ‘old regions’ rather than to Łódź economic system, the analysis below focuses on the very agglomeration of Łódź (the city of Łódź and the surrounding provinces (the city of Łódź and the provinces łódzki wschodni, pabianicki, zgierski, territory of 2495 km², population 1.2 million).

Since 1989, the domination of micro and small firms has been a constant characteristic of Łódź economy. In 1999, ca. 80000 firms were registered in the city of Łódź, 97.7% of them were small firms (up to 20 employees), out of which a large majority were micro enterprises (up to 5 employees) – 92.9% of all firms in the region. Medium enterprises (21-100 employees) constituted 1.9%, while big firms (over 100 people) only 0.4%.

Enterprises in Łódź area have in most cases the legal status of firms run by ‘natural persons’ (78.5%) and civil law companies (11.5%). This results from the fact that these two legal forms require the lowest level of conditions to be fulfilled in order to start and run economic activity. There are very few companies of commercial law (6% of companies, 5 percentage points below the national average), as they require higher level of formalization (Chądzyński and Przygodzki, 2002). Organizational and legal form of firms is correlated with its size and type of activity and capacity of generating profits - in general companies of natural persons are households with an extended production function (Matusiak, Marszałkowska and Nowakowska, 2001)

III.1 Innovation

Łódź economy is characterized by low level of technological development and low level of innovation (Chądzyński and Przygodzki, 2002). This is also true for the light industry. This is despite the fact that out of 14 Polish institutions working in R&D in the textile sector, 9 are located in Łódź, which proves that Łódź has a potential for becoming a strong R&D base (Prysiński and Urban, 2005). However, only medium and big firms in the textile sector have a record of introducing innovation, and they do so on a very limited scale. These innovations are prevalingly of a short-term and ad hoc character, they refer to conditions on the local, and sometimes national market, and provide no basis for a technological breakthrough that could allow strengthening of the firms competitiveness on the global level (Matusiak, Marszałkowska and Nowakowska, 2001). A large majority of companies, constituted by micro and small enterprises, do not introduce innovation at all.

Low innovation level has been mostly conditioned by the situation in which the companies were founded in the 1990s: their production activities were based on used, old machinery acquired from privatised/liquidated state owned enterprises. Their capacity to survive has been based on their flexibility, their capacity to adapt to changing market conditions, low costs (mostly due to a very extended shadow economy). Technological changes within companies have in most cases consisted in purchasing (used and usually obsolete) machinery. Limited financial resources have hindered the processes of technological modernization in these firms.

Low propensity to innovate has also been determined by the traditional structure of trade relations with Eastern Europe and Russia/USSR. Since the founding of light industry in the Łódź region, it has had strong links with these markets: in the early stage of expansion in the eighteenth century; during the period of socialist, centrally planned economy (relations with Comecon markets); and from the 1990s on, when a large share of the local production has been destined to be purchased by clients from ex-USSR, visiting open-air markets on the out-

skirts of Łódź, but also in Warsaw ('Stadion Dziesięciolecia') and in Białystok (city on the Polish Eastern border) where the Łódź production has also been sold (Matusiak, Marzałkowska and Nowakowska, 2001).

It may be concluded that the entrepreneurial boom from the early 1990s did not generate technological development. The 'recreation' of the old economic structure by micro and small enterprises has had both positive and negative aspects. On the one hand, low capital intensity and high labour intensity profile of the industry has allowed micro and small enterprises to absorb tens of thousands of unemployed, curbing unemployment and partially neutralizing the devastating effects of the crisis. It has also provided a possibility of industrial specialization in the region. However, on the other hand, the perpetuated economic structure has slowed down the process of diversification of the local production system. Companies have preserved low technical and technological levels. They are operating within very competitive niche markets with low levels of profitability. The characteristics of the sector and limited possibilities of capital accumulation lead to high price competition. This in turn leads to low propensity to innovate and, as a result, practically excludes possibilities of firm development. Thus, the system's economic weakness and low competitiveness are being preserved (Matusiak, Marzałkowska and Nowakowska, 2001).

III.2 Institutional and entrepreneurial environment

Authors analysing the institutional and entrepreneurial environment of Łódź and its agglomeration, stress that the area suffers from an acute political conflict between different political parties and different levels and centres of political power (regional self-government, regional representation of the central government, city authorities, etc.) and from serious weakness of social society (or, as some claim – its absence). Networks of institutions and companies are extremely feeble or non existent.

This is in spite of the fact that in Łódź and in the Łódź region, there is quite a high number of institutions promoting development of local and regional economy. Research carried out in Łódź (Matusiak, 2002), identified 45 institutions that were active in 'promoting economic development in the region of Łódź', most of them being economic chambers, foundations and associations (many of them are related to textile and clothing industry; most of the Polish institutions representing textile/clothing industry are located in the Łódź region²). Their representatives indicated that the examined institutions had relatively good relations with regional and local labour offices (sources of statistics on unemployment) and the institutions' direct clients, e.g. companies to which they delivered trainings. However, their contacts with R&D sector, as well as with other institutions promoting development, were extremely limited: prevailing was the attitude of competition rather than of cooperation in order to achieve complementarity in developing specialized profiles of different units.

The examined institutions do not attempt to create "an entrepreneurial environment", instead they offer segmented services to single enterprises. What is more, these institutions, while formally their aim is to structure the environment and create information networks, do not function in a network. Their activities are limited to organizing trainings for entrepreneurs and promoting the region.

² There are three employers associations in textile industry in Poland (all three located in Łódź): textile employers association, hosiery, knitwear. The three associations form a Federation of employers in Light industry (located in Łódź). The Federation represents employers in the tri-partite commission, founded in 1999 by the Minister of labour and welfare.

This approach is definitely an obstacle in building a regional system of innovation and entrepreneurship. Indeed, apart from negatively judging the involvement of local and regional authorities in promoting economic development, the representatives of the examined institutions evaluated their own input in fostering economic growth in the region very negatively (Matysiak, 2002)

Involvement of local authorities in creating business environment is even more limited. This has led to a failure of regional and local authorities in attracting the biggest foreign investments realized in light industry in Poland which in 1990s did NOT locate in Łódź. The companies (Sud Wolle AG, Adolf Ahlers AG, Levi Strauss, VF Corporation, the total investment in Poland in production of textiles and clothing– 100 million USD in the second half of 1990s) carried out a reconnaissance in Łódź and despite its industrial traditions, cheap workforce and vast real estate offer decided to invest elsewhere.

The situation is exacerbated by political conflicts at the regional and local level which make the cooperation between different actors very difficult. This has been visible in numerous attempts to generate local and regional development strategies.

In the first half of 1990s a number of official documents and reports in the form of local development strategies were developed for the city of Łódź and its region. (It must be stressed that the regional or local strategies produced in Poland in 1990s are of a pioneering character: before 1989, central planning was an almost exclusive approach to economic development). They were either of an all-encompassing character (multi-faceted perspective), or they were sector-oriented strategies concerning textile-clothing industry, tourism, environment protection (for an overview see Kaczmarek, 1997). Among authors were: team of experts from the University of Łódź, president of the city, team of the plenipotentiary for the restructuring of the region of Łódź. Taken individually and considered from the formal point of view, they can be evaluated positively (Kaczmarek 1997), however their practical impact has been limited. They present a number of errors that are common for regional strategies produced in Poland in the post-1989 conditions, as identified by Gorzelak (1992):

- implementation of the strategies is highly dependent upon the support of the central government (the expectations usually are too high);
- the very act of producing the document seems to be of more importance than its subsequent implementation;
- wide use is made of „fashionable” approaches to development, often with little relevance to the local/regional reality
- local potential for development is incorrectly evaluated (e.g. overestimation of the managerial skills of local authorities, which usually being very low, provide a serious obstacle in implementing the strategy).

In the case of strategies produced for Łódź and its region, these common liabilities were accompanied by lack of coordination, cooperation or concertation among different units producing the strategies, which resulted in competing or overlapping of these documents (often leading to conflicts of different political groupings after the documents had already been published). Finally, many of these documents have not been publicized, public opinion has been kept uninformed about their content and their potential for implementation (Kaczmarek, 1997).

Passive attitude of local and regional politicians in fostering economic growth in the area is mirrored in their approach to possibilities of influencing labour market and countering unemployment. Political elite in Łódź (regional party leaders, members of regional assembly and of

local councils, trade union leaders, members of national Parliament and Senate representing Łódź) generally claim that ‘unemployment is a national problem and as such should be tackled by the central administration and should be managed centrally’ (Warzywoda-Kruszyńska and Lisek-Machalska, 2001). They believe that decentralization and devolution of employment policy to the regional and municipal levels is counterproductive and inefficient when it comes to designing measures countering unemployment. According to respondents, it is the availability of funds at the regional and municipal labour offices that directly determines possibilities of fighting unemployment: lack of funds is at the centre of the problem and underlies the inefficiency of these offices. Respondents also claim that the municipality has very limited possibilities of creating and implementing policies aimed at fighting unemployment. The situation (high unemployment) and any chance of changing it, depend mostly on the macro-economic policies implemented on the central level. Warzywoda-Kruszyńska and Lisek-Machalska (2001) conclude that:

1. Łódź political elite feel no responsibility for local unemployment which is perceived as a technical problem resulting from the difficult situation of the national economy. It will find its solution once high economic growth on the national level is achieved, a factor that local politicians cannot influence.
2. There is no capacity of cooperation due to political divisions.
3. No use is made of the potential of academic centres in monitoring social problems.

Weak are the relations of the institutional environment and local companies. A large majority of representatives of companies examined in a research carried out in the Łódź region claim that their limited (if any) contacts with business environment institutions play a marginal role in their development (Jewtuchowicz, 2002). Similar opinions have been expressed about the relations with local authorities, only 3% of interviewed companies described the local authorities’ activities undertaken to create business environment as good.

What is more, over 50% of respondents do not recognize the importance of creating entrepreneurial environment for their companies’ development. 80% of them attach no importance to institutions promoting development. Similar are the results for local authorities (companies find local authorities’ offer as unsuited for companies’ needs) and R&D institutions (90% of enterprises do not have any contacts with research institutions, because they believe these institutions have no influence on their functioning). It seems that the entrepreneurs themselves do not understand the importance of an “innovative environment” and feel no need for it to emerge (Jewtuchowicz, 2002).

Lack of cooperation and networking is also characteristic of the relations between companies themselves. Jewtuchowicz (2002), when analysing the type, the radius and the form of contacts between companies of the region, concludes that a majority of them have ‘an individualist profile’ and do not cooperate with other units functioning in the market. This is true both for big firms which remain isolated from local small and medium enterprises, do not have contacts and do not wish to build ties with them (Duché, 1997), and for micro, small and medium enterprises. If the latter cooperate at all, the cooperation has the form of formalized relations within single sector.

Behind the unwillingness to cooperate and to establish stable relations with institutions and enterprises, are lack of trust and lack of tradition in cooperation. Capitalism and free market economy is identified with pure competition (62% of respondents in the survey indicated sharp competition as the dominant type of relations between enterprises on the Polish market).

Jewtuchowicz concludes that entrepreneurial environment does not exist and is not being created in the Łódź region. Entrepreneurs do not recognize potential benefits from cooperation and functioning within a network, the offer provided by business environment institution and local authorities does not match the needs of enterprises. At present the regional economy is based on separate enterprises which do not form an active system that could enhance endogenous development.

Similar observations were formulated by W. Michalski (director of the Strategies and Analysis Department of the Municipality of Łódź) in an interview carried out in 2005. According to Michalski, the systems of SMEs in the Łódź region (in which the most important group comprises the micro-enterprises in the clothing and textile sector) is characterised by deep mistrust and a lack of a will to co-operate and organise. Organisations that would efficiently represent the interests of producers in the sector are missing. The existing institutions (chambers of commerce and industry) do not in reality have strong links with the milieu of the entrepreneurs. An important factor that discourages entrepreneurs from undertaking co-operative activities or interest representation is, according to Michalski, the fact that the legal and regulative system lacks a capacity to act effectively in the case of fraud or debt collection. 'The entrepreneurs do not feel protected by current law', he says. A further factor that generates mistrust among entrepreneurs and keeps it at a high level is that many of them are in some way involved in activities in the shadow economy, and therefore reluctant to reveal details of their businesses to potential partners.

For the reasons listed above, processes of concentration of capital and production are practically non-existent in the region of Łódź. These conclusions have been corroborated by observations and interviews of this researcher with entrepreneurs (producers of hosiery in Aleksandrów Łódzki and representatives/owners of retail and gross selling companies in the markets of Rzgów and Tuszyn, local political leaders, representatives of local labour office).

III.3 Organization of production

There is an absence of sources on the potential development of industrial districts in the region; in fact, the term 'industrial district' has not been adopted by Polish sources. The nearest concept is that of 'cluster' which has been present for only a few years in Polish research, and which is used according to Porter's (2001) definition. At present, Polish literature has identified only three such clusters existing in Poland: a printing industry cluster in Warsaw, a construction industry cluster in the Świętokrzyskie region, and a 'quasi-cluster' of the automatic industry in Gdańsk (Olesiński and Predygiel, 2002; Dziemianowicz and Olejniczak, 2002).

The region of Łódź displays a high level of concentration of textile production: this reached a share of the national textile production of 22-30% in the period 1999-2003. However, the type of relations between companies of the sector, detected in the region, despite a high level of interdependencies, is not characteristic of a cluster (Prysiński and Urban, 2005).

III.4 Shadow economy

In the command economy of the 1945-1989 period in Poland, the most common form taken by the shadow economy³ was unregistered work, carried out as a complementary job in rela-

³ Activities defined as comprising the shadow economy include:

- The illegal ('black') economy: where the activities are illegal (prostitution, drug trafficking, etc)
- The concealed economy: the manufacture of products or provision of services, the quantity of which is either wholly or partially not declared to the public administration (customs, taxation authorities, statistical offices, etc).

tion to the principal occupation in a state factory or agricultural unit. Typical jobs were in such areas as construction, restaurants, child care, cleaning. Another form consisted of work in the black market, the operation of which was linked to the permanent scarcity of many products on the official market (Glikman, 1996), to the continuing lack of a market equilibrium, and to the rises in prices, which, unaccompanied by any increase in salaries, produced a continuing decline in living standards (Kloc, 1998).

The aggravation of the economic crisis in Poland in the 1980s produced a growth in the proportion of total earnings accountable to the shadow economy from an estimated 5.95% in 1980 to 13.89% in 1988 (*ibid.*). Estimates of the relative size of the shadow economy in this period vary, but they nevertheless all show a tendency to rise, from around 6% in 1983 to about 16.5% in 1986.

In the past 15 years since the change in 1989, research on the Polish shadow economy have been carried out by the National Statistical Office (GUS), the Institute for Research on the Market Economy (IBNIGR), the Polish Employers Confederation (KPP), and also the German Forschungsinstitut für Zukunft der Arbeit (Research Institute for the Future of Work). At present, in Poland as in other EU countries, the illegal economy is not taken into consideration in the calculation of the national accounts. Therefore the estimates made of the shadow economy by GUS do not reflect illegal activities (Kryńska, 2004).

The transition from a command to a market economy, realized in Poland with the ‘shock therapy’ of the Balcerowicz plan⁴, had very high social and economic costs, manifested in hyperinflation, economic recession and very high levels of unemployment (in 1994 the number of unemployed reached 2,982,000, or 16.9%). This situation produced a growth of the shadow economy.

The latest available data on the shadow economy vary in their estimates of its size. Most optimistic is the European Commission, which cites a figure of 14% (European Commission, 2004). The GUS considers that in the period 2000-2001 it fell as a percentage of GDP from 14.6% to 14.3% (this latter value being used in 2001 to calculate a total GDP including the shadow economy, following the guidelines of the UN System of National Accounts in force since 1993). A different view is taken by Rafał Antczak of the Polish Centre for Socio-Economic Analysis (CASE), according to whom the shadow economy grew in the years 2000-2003 as a result of the growth of the fiscal burden (cited in Szwałek, 2003). The highest estimates come from Schneider (2002), who puts the level at 27.3% of GDP.

The data are particularly divergent where unregistered jobs are concerned. The official data of GUS put these at 7% of all persons active on the labour market, while research commissioned by KPP gives an estimate of 19%.

All the available research is concerned with the national level; lacking are regional statistics. As to sectors, there are a few data concerning industry in general. Figures produced by GUS in 1996 gave the following estimates: construction 6%; contraband goods 6%; unregistered enterprises 19%; manufacturing 17%; trade 42% (GUS, 1996b). Unfortunately there are no

-
- Falsification (under-estimates) of the results of formally registered activities
 - Unregistered economic activities, carried out on own account.

⁴ The ‘Balcerowicz plan’ (named after its author, Leszek Balcerowicz, Minister of Finance from September 1989 to December 1991), was agreed with the IMF and implemented from 1 January 1990. The ‘shock therapy’ envisaged in the plan provided for the liberation of prices, opening the borders to external trade, a restrictive monetary policy, a strong initial devaluation of the zloty and a rigid incomes policy (Blejer e Cicelli, 1995).

data for the shadow economy in textiles, clothing and footwear. However, interesting data from Grabowski suggest that 12-15% of workers in SMEs (outside agriculture) work ‘in the black’. He considered that in small enterprises (those with annual registered turnover of less than 600 million zloty) declared on average only 52% of their income and 63% of their sales.

Given that SMEs dominate the industrial scene in the region of Łódź, above all in the textile, clothing and footwear sector, it can be assumed that the shadow economy is well rooted in the area. These conclusions were confirmed in the course of our research in interviews with W. Michalski and professors E. Stawasz, T. Janusz, and A. Jewtuchowicz at the University of Łódź. They also suggested that the national-level data could also be considered valid for the region of Łódź.

IV. Case studies: hosiery production in Aleksandrów Łódzki and open-air markets of Tuszyn and Rzgów

As was mentioned above, the two traditional types of the region’s economic activity, light industry and trade, were the first ones to be ‘colonized’ by private enterprises and where the explosion of private small entrepreneurship was observed, underlying two phenomena in the Łódź region:

1. a revival of the textiles and clothing production, in the form of micro and small enterprises
2. emergence of textile/clothing open-air markets, where the local production was being sold to clients from the “reconquered” former USSR markets.

These will be considered in turn.

IV.1 Revival of textiles and clothing production in micro and small enterprises

The domination of light industry had, at the outset of the transition, become a liability of Łódź economy, but soon the situation galvanized the local population into undertaking economic activities. Large number of workers that were made redundant (or were expecting to be made redundant) purchased, at very low prices, the used (often obsolete) machinery from the collapsing companies. Entrance barriers in the textile and clothing industry were low: the founders of new firms needed a sewing/knitting machine (easily available at low price); a room (most often in one’s own house/apartment); skills and experience (which they had acquired in the previous job).

In this way, the industrial structure of the region, based on the traditional production of textiles and clothes, hitherto provided by large number of state own enterprises and struck heavily by the transition crisis, was ‘recreated’ by the new created micro and small (rarely medium) enterprises. (Chądzyński and Przygodzki, 2002). In 1999, the “new” Łódź region provided ca. 55.6% of the total national production of wool textiles, 30.3% of cotton textiles, 20.3% of silk textiles, 24.6% of clothes and 44.4% of hosiery (Musiał, 1999).

Within the “new” Łódź region, the Łódź agglomeration continues to be an important centre of textile- and clothing-production (30% of the national production of hosiery; 23% of the national production of knitted underwear; 16% of overcoats; 12% of knitwear; 8% of clothes) (Musiał, 1999).

A prime example of this trajectory is the town of Aleksandrów Łódzki, ‘a cradle of hosiery industry in Poland’, with hosiery production tradition reaching eighteenth century. After the Congress of Vienna (1815), the Kingdom of Poland (under domination of the Russian Empire), experienced an intensive process of industrialization (its pace was much higher than that

registered in the other parts of the Russian Empire). Light industry played the pioneering role in the development of industry in the area. In 1817, in the village of Brużycza Wielka, a „manufacturing settlement” was founded by Rafał Bratoszewski, a local nobleman. The settlement was granted a town charter in 1822 and was named Aleksandrów, after the zar Alexander I. The qualified workers from Silesia and Great Poland (region of Poznań) were encouraged to settle there. In 1829, workers founded the first Association of Hosiery Producers in Poland. (Powązka, 1989).

With the development of capitalist production in Łódź, Aleksandrów was not able to face the competition and entered a period of stagnation. In 1863 Aleksandrów lost its town charter. The charter was regained in 1924. Modernization and knitting industry development followed (small production units, owned mostly by Germans). The town was liberated from the Nazi occupation in 1945. The German proprietors fled. The abandoned firms were promptly nationalized. The production units were subsequently concentrated, first in 10 bigger units and finally in a single plant, Aleksandrowskie Zakłady Przemysłu Pończoszniczego (Hosiery Factory in Aleksandrów). In 1945 the production was 1,5 million pairs, in 1948 – 10 million pairs. Employment 1945 - 730 workers, 1948 – 2100 workers. In 1961 the name was changed into Zakłady Przemysłu Pończoszniczego ‘Sandra’ (‘Sandra’ Hosiery Factory in Aleksandrów).

The factory soon founded a Professional Junior High School, Professional Senior High School, 2-year post-diploma Studies. Also, it became an important (and soon the only) centre of local social life: it had a canteen, a kindergarten, a leisure centre, a spa, a clinic, a community centre with a Hosiery Museum, it offered after school and holiday activities for children and youth and housing for its workers.

‘Sandra’ became one of Poland’s largest producers and exporters of hosiery. In 1987, with employment of 2501 workers (highest level of employment was reached in mid 1970s, with 3625 workers) and production 37 400 000 pairs of socks annually, the value of exports to Comecon countries (above all – USSR) equalled 52 million rouble, and to the ‘second currency area’ (Western democracies) - 48 million USD. It was the only big employer in the town of Aleksandrów (20 thousand inhabitants, the municipality of Aleksandrów Łódzki – total population 25 thousand). Starting from 1989-1990s, the company entered first a restructuring and then a liquidation process (the welfare services – schools, kindergarten etc. were dismantled). Employment immediately started to drop – by the end of 1992 it had 950 workers, in 1997 - less than 300. In early 1999 the company was put into liquidation.

Following the crisis of the only big plant in town and group layoffs, a large number of tiny, family-run enterprises emerged in Aleksandrów Łódzki, almost all active in the process of production of socks/pantyhose (most of them concentrate on the production proper, many perform all steps of the production, some specialize in particular phases – production of yarn, dyeing, packaging, distribution and sales). It is impossible to establish the exact number of producers in the 1990s: most of the Aleksandrów households held hosiery production. As one of interviewees in Aleksandrów put it “if you walked through the streets of the town in the evening, from every single window you could hear the sound of knitting machines working”.

The number of companies has been declining in Aleksandrów since 1997 when it reached the level of ca. 2500 (about 1000 of them produced hosiery). At present, there are officially ca. 500 companies producing hosiery (of the total of ca. 1900 companies operating in the municipality in 2005).

The structure of the local production system reflects the general characteristics of the region. A vast majority of the companies are micro and small enterprises, with only few medium size

enterprises in the municipality. Most of the companies were founded in the early 1990s, most of them by ex-workers or family members of workers/ex-workers of Sandra. Machines (most often – used) were purchased from the liquidated Sandra and other state owned enterprises. Few companies invested in imported (Italy, Czech Republic), new machines. Currently most of the micro companies still use the old machines (the oldest I had a chance to see dated from the beginning of the nineteenth century, still working), together with some newer machines. The few medium size enterprises are much more advanced technologically, they have recently invested in new machinery.

All micro and small companies are now facing difficulties. Their ‘golden age’ was the first half of 1990s, when the demand, both national and foreign (ex-USSR markets) was enormous and exceeded the production capacities. ‘Machines operated day and night, the companies worked three shifts, clients (almost exclusively wholesale), from Poland, and ex-Soviet Republics) waited at the door for us to pack the produce, which was still hot, taken off the machines a minute before. Everybody paid cash, only cash’ – this is a story I heard from all interviewed entrepreneurs. All of them admit that their success was due largely to the shadow economy that could thrive thanks to the fact that the national economy was still ‘in the making’ and there were very few controls, also because all companies functioned in this way, so the authorities would simply turn a blind eye to these practices. In case of some companies, 80-90% of their activity was in the shadow economy.

At present the situation has changed: only medium size enterprises find themselves in a relatively good condition, although their owners/managers express some concerns about the future (the concerns relate mostly to the uncertainty of the Polish politics and, consequently, economy). Still, all of the medium enterprises have made some investment and even introduced some innovations in their companies. Although they mistrust the financial system, they do use bank loans and credits. They do not feel threatened by the imports from China or Turkey, as their products are of much higher quality. Most of the medium enterprises export their produce to Western Europe (and also Israel).

Conditions of micro and small companies are much worse. Most of them have not invested in the recent years: they have not been able to accumulate capital but they are –as they say - ‘afraid of the banks’ and not willing to take loans credits. Their market (ex-Soviet republics and undemanding Polish clients) has shrunk as the Eastern borders are being regulated and the cheaper Chinese, Turkish but also Italian (!) hosiery flood the Polish market. Most of these companies describe themselves as being ‘in a vegetative state’, with no prospect of improving their situation. Many of them quite openly admit to still have some activity in the shadow economy (interestingly, the official position of the provincial fiscal office is that in the province no shadow economy is functioning).

The institutional relations are weak. Very few companies (and only medium enterprises) do contact chambers of commerce, information and training centres, and these contacts are very rare. When it comes to R&D institutions – there are no contacts at all. Innovations in design are in most cases ‘generated domestically’ (by copying the neighbours and the trends observed on tv). Level of membership in professional association is very low (the prevailing opinion is that such membership is ‘useless’).

There are two interest representation organizations in Aleksandrów. One is ‘Association of Aleksandrów Entrepreneurs’, of a general character (it does not represent exclusively the hosiery sector but all local entrepreneurs). The membership is limited to ca. 60 individuals (about 1 dozen actually participates in the monthly meetings). It was founded in 1999, for political reasons, with the aim to win local elections. The goal was partially achieved: now 5

councillors (out of 21) in the municipal council are members of the association. The other is the local branch of the provincial chamber of industry and commerce, with 33 members, founded in 2003, and its activities are also of political character rather than industrial.

Members of both organizations admit that they do not really have the ambitions to change the local economy, as they believe it is not possible, for at least two reasons: 1) just as the Łódź political elite, they believe that ‘systemic’ (i.e. centrally designed) changes are needed, and 2) there is no possibility of cooperation with the local authorities, which ‘would not listen’ (at the same time they admit that one proposal has been formulated so far, by the Association, namely not to raise the real estate, which actually has been ‘listened to’ thanks to the Association’s representatives in the municipal council just as there is no possibility). Also, they can see few possibilities of cooperation between the two organizations, as they seem to compete on political grounds.

Respondents (both members of the two organizations and the mayor of Aleksandrów) could not recall any other common initiatives to enhance cohesion, cooperation and foster development. The municipality itself has not been particularly active in enhancing entrepreneurship and definitely NOT in promoting the hosiery industry has not been promoting the town (e.g. through promotion of the local two-centuries long tradition in hosiery production). As the mayor put it, ‘hosiery has no future in Aleksandrów’, thus the municipality has been trying to attract investment in other sectors (so far – not very successfully).

Also, the municipality founded a European Information Centre but none of the interviewed entrepreneurs has ever visited it.

Based on the interviews with local political leaders and entrepreneurs, I could conclude that despite high geographic concentration of hosiery production, the area lacks the Marshallian ‘industrial atmosphere’ (see Becattini, 1989).

Taken individually, these micro enterprises display strong bonding social capital (Woolcock, 2002) or ascribed trust (Zucker, 1986), where decisions are made and activities are undertaken only within the family and closest friends circle.

At the same time, both low levels of process-based trust and almost no institutional trust (Zucker, 1986) have been detected. The entrepreneurs display high levels of distrust of category organizations/associations and of local public authorities, etc. The inter-firm cooperation is very limited and there is no widespread process-based trust which means that this production system can hardly be qualified as an industrial district (on industrial districts see Becattini, 1987; Burroni and Trigilia, 2001; Dei Ottati, 1995).

The situation has negative impact on the functioning of the local community. Businesswise, hindered are not only the innovative capacities of single firms (see Grabher and Stark, 1997), but also the production of local collective competition goods (Crouch *et al.*, 2001; 2004); and (in terms of governance) participation in decision making processes is impeded, while authorities are left to perform „freely” with little control exercised by the community, the community displaying little interest in the question of the elected authorities’ accountability to electorate.

This research makes it clear that little is happening in this area that is characteristic of dynamic local economies. Some medium size entrepreneurs do seem to be on the way to success, but micro and small enterprises have little chance of surviving. Firms and local authorities seem to live in two separate worlds, with very limited contacts. No support is offered to entrepreneurs from the municipality. Individual medium size companies advertise their products and develop their brands, but no promotion of the sector as such is taking place, and there

is no attempt at place branding or promoting the town as a centre for the industry. There are no policies for assisting the emersion of firms from the shadow economy. Aleksandrów seems to be a case of continuation of a path-dependent tradition in hosiery, with now only an accidental development trajectory.

IV.2 Emergence of textile/clothing open-air markets, with clients from former USSR markets

The local production of textiles, clothes and hosiery in the Łódź region has been paralleled by the spontaneous emergence, in the early 1990s, of large textile/clothing open-air markets, located on the outskirts of Łódź, along the international road link A-1 (north-south), in the province łódzki wschodni, in the area of Rzgów-Tuszyn. Initially, the markets thrived as a concentration of shadow economy, 'tolerated' by the local authorities.

An observation that corroborates the views of the entrepreneurs of Aleksandrów Łódzki concerning the shadow economy at the start of the transition was offered to the researcher during an interview with the mayor of Tuszyn. He noted that at the outset (the beginning of the 1990s), both local authorities and representatives of regional and national government in practice tolerated the existence of the shadow economy and did not seek to limit it too much. This position was dictated by the disastrous situation on the labour market following the privatisation process and the numerous failures and liquidations of the large state enterprises in the textile and clothing sector.

Instead of eradicating the illegal activities, the municipalities of Rzgów and Tuszyn proceeded to a 'regulation' of the markets (the initiative may be described as 'guided emersion'). In 1991, the municipality of Rzgów was approached by a large investor, Antoni Ptak, already active in the area in food wholesale companies. Mr Ptak intended to build food warehouses on the location where the 'wild markets' were growing. The mayor of Rzgów (still in the office, fourth term!) offered incentives (low local taxes and fees) and convinced him to invest in textile/clothing warehouses, given the already thriving activity in the area.

In that period, the municipality of Tuszyn was also starting to regulate the market operating on its territory but was not able to attract an important investor (or perhaps was not willing to do so, as the hopes were that the municipality itself would be able to efficiently manage the business). As the mayor of Rzgów put it: "We could benefit from the passive attitude of Tuszyn in this respect, and we were able to attract more trade thanks to better conditions".

Starting from 1995, the Ptak market in Rzgów has been facing competition of Polros Company, which constructed large sheds turned into warehouses, only meters away from the Ptak location. The companies have been in sharp conflict ever since (over a decade, several court proceedings), so far unsuccessfully mitigated by the mayor and by the local Association of Wholesalers (many local wholesalers have stands in both centres – Ptak and Polros – and 'are hoping for a cease-fire and cooperation between the two investors').

The functioning of open-air markets is vital for the economy of the area. In 2002, about 100 thousand people were involved in the activities linked to the functioning of the markets (these include producers, salespersons, buyers, administration personnel, cleaning services, security). On the territory of 15 hectares, 7000 stands were active, selling mostly clothes and hosiery (a majority of the goods were produced in the Łódź region).⁵

⁵ Data of the Office of the Region of Łódź (Urząd Wojewódzki, www.uw.lodz.pl), elaborated on the basis of statistics provided by the Statistical Bulletin of the Region of Łódź (Biuletyn Statystyczny Województwa Łódzkiego, Urząd Statystyczny w Łodzi, Łódź 2002).

Nationals of Ukraine, Russia, Byelorussia and other ex-Soviet republics constitute an important share of buyers (the number of these visitors has declined after October 2003, when the Polish government, in conformity with *acquis communautaire*, introduced visa regimes for citizens of these countries).

Single markets are yielding different results: Rzgów being definitely a more successful case, and Tuszyn deteriorating in recent years. The success of the Rzgów Ptak market is definitely due to excellent management and strategic thinking of the investor. When the 'open-air market economy' started to decline in the second half of 1990s and at the beginning of the new century, due to European integration processes (tightening of Eastern borders, visa regimes) and globalisation (growing imports Chinese, Turkish, Italian products), the company offered numerous incentives and services to its clients. They included, for example, issuing 'certificates of cooperation' to clients from ex-Soviet republics in order to streamline visa procedures, providing security services for buses bringing foreign clients on the way from Eastern border, coupons for meals, souvenirs, on-site security (to protect wholesalers from theft).

In this respect, Tuszyn market has been much less successful, the local authorities entered into conflict with wholesalers who protested against raising fees while no investment in improving the conditions (floors, roofs, heating, running water) was being made by the municipality. Only in recent months the municipality has seemed to be trying to 'copy' some solutions introduced in the Ptak market (e.g. coupons for meals).

In the area, there have been problems with cooperation and relatively high levels of mistrust between public and private actors (Tuszyn), although there have been cases of sui generis concertation between investors and local authorities (Rzgów). The picture gathered from the research in the area is thus less optimistic than that emerging from Dornisch (2002) who in the process of regulating the market in Rzgów sees a 'project' acting as a network organizer. The accounts offered by the representatives of Ptak market and the competing Polros market, the mayors of Rzgów and Tuszyn and the companies that trade in the two markets, suggest that the 'project' in Rzgów has been much more a project of a large investor (undoubtedly assisted by the local authorities) who enabled an efficient 'regulation' of the market and its subsequent development, thanks to excellent management. In Tuszyn, where no large investor appeared, the wholesale centre is formed by four small markets, one of which is run by the municipality, while the remaining three – by small private investors. In recent years, they have faced a serious decline in their activities.

Rzgów's mayor seems to be very active in supporting the Ptak market, while the Tuszyn case is much more passive. However, recently, in face of the decline of the Tuszyn market's activities, some initiatives have been undertaken, copied from the solutions applied at the Ptak market. It is this company itself (Ptak) that promotes, advertises, develops, the sector, though is offered help by the mayor. Nothing is being to bring technical colleges or other general resources relevant to the sector. The success of Rzgów market is thus dependent upon the large investor and the management skills of its personnel (solutions are now being copied by the municipality of Tuszyn). The Ptak market has been widely publicized and has become a kind of brand name, though there are no local promotion programmes as such, all depending on the investor. However, recently the mayor of Rzgów has been actively involved in promoting the idea of starting low cost flights between Łódź and the market town of Czerniowce in Ukraine, with the ultimate goal of boosting the local open-air markets.

In 2005, the municipality of Tuszyn (together with two other municipalities of Łódź region, Piotrków Trybunalski and Tomaszów Mazowiecki, and the city of Łódź) was approached by

the European Textile Collectivities Association ACTE⁶. Following the visit of ACTE representatives in Tuszyn and the three other centres, all four decided to join ACTE. In November 2005, the president of Łódź represented the four Polish municipalities at ACTE meeting in Croatia. It was decided that the next ACTE meeting will be held in Łódź, in May 2006. However, no other concrete actions or decisions have been taken by the Polish ACTE members.

In both Rzgów and Tuszyn it is possible to speak of policies for emersion, but overall there is more planned 'reflexive' activity in the former case. The latter remain more 'accidental'.

⁶ Created in 1991 in Guimaraes, Portugal, ACTE represents the interests of regions and cities with a strong presence of the textile and clothing sector. ACTE currently comprises 52 members from 8 EU States (including Poland) plus Croatia. The main activities of ACTE are to act as a lobby at different institutions to obtain better conditions for the regions and to provide a platform for the exchange of experiences and projects between its members (www.acte.net).

V. Annexes

V.1 Charts on Unemployment

Chart A.1: Unemployment in Poland (February 2006)

Region	Unemployment rate %
Dolnośląskie	20,8
Kujawsko-pomorskie	22,8
Lubelskie	17,6
Lubuskie	24,0
<i>Łódzkie</i>	18,3
Małopolskie	14,1
Mazowieckie	14,1
Opolskie	19,3
Podkarpackie	18,8
Podlaskie	15,9
Pomorskie	19,6
Śląskie	15,7
Świętokrzyskie	20,9
Warmińsko-mazurskie	28,0
Wielkopolskie	14,9
Zachodniopomorskie	26,0
National Average	18,0

Chart A.2: Unemployment in the region of Łódź (February 2006)

Unit	Unemployed in thousands	Unemployment rate %
Region of Łódź	205,7	18,3
Subregion of Łódź	81,3	20,1
Kutnowski	11,6	24,4
Łaski	3,9	18,6
Łęczycki	5,0	19,7
<u>Łódzki wschodni (Rzgów, Tuszyn)</u>	<u>5,3</u>	<u>20,4</u>
Pabianicki	9,5	19,3
Poddębicki	3,3	16,8
Sieradzki	10,5	18,7
Wieluński	4,8	13,5
Wieruszowski	2,7	14,1
Zduńskowolski	6,5	21,8
<u>Zgierski (Aleksandrów Łódzki)</u>	<u>15,8</u>	<u>25,7</u>
Brzeziński	2,3	18,6
Subregion of Piotrków-Skierniewice	69,2	18,1
Bełchatowski	9,7	16,6
Łowicki	5,0	14,0
Opoczyński	8,4	22,3
Pajęczański	4,0	18,2
Piotrkowski	5,8	17,4
Radomszczański	11,7	22,4
Rawski	2,9	13,1
Skierniewicki	1,6	11,6
Tomaszowski	12,0	23,3
City of Piotrków Trybunalski	5,5	15,1
City of Skierniewice	2,6	12,8
City of Łódź	55,3	16,5

V.2 Bibliography

- Becattini G. (1987), *Mercato e forze locali: il distretto industriale*, Bologna, Il Mulino.
- Becattini G. (1989), *Riflessioni sul distretto industriale Marshalliano come concetto socio-economico*, *Stato e Mercato* 25.
- Biuletyn Statystyczny Województwa Łódzkiego (2002), *Urząd Statystyczny w Łodzi*, Łódź.
- Blejer M.I., Coricelli F.(1995), *The Making of Economic Reform in Eastern Europe*, Edward Elgar, London.
- Brzeziński C. et.al. (1997), *Efekty strukturalne transformacji społeczno-gospodarczej w województwach makroregionu środkowego*, *Studia Regionalne RCSS* 19, Łódź.
- Burroni L., Trigilia C. (2001), *Italy: Economic Development through Local Economies*, in: C.Crouch, P.Le Galès, C.Trigilia, H.Voelzkow (ed.), *Local Production Systems in Europe: Rise or Demise*, Oxford University Press.
- Crouch C., Le Galès P., Trigilia C., Voelzkow H. (ed.) (2001), *Local Production Systems in Europe: Rise or Demise*, Oxford University Press.
- Crouch C., Le Galès P., Trigilia C., Voelzkow H. (ed.) (2004), *Changing Governance of Local Economies: Responses of European Local Production Systems*, Oxford University Press.
- Dei Ottati G. (1995), *Tra mercato e comunità: aspetti concettuali e ricerche empiriche sul distretto industriale*, FrancoAngeli.
- Dornisch D.(2002), *The Evolution of Post-socialist Projects: Trajectory Shift and Transitional Capacity in a Polish Region*, *Regional Studies* 36.3.
- Duché G. (1997), *Polska w okresie transformacji; rozwój i ograniczenia gospodarki*, in: A.Jewtuchowicz, *Terytorialne i ekologiczne aspekty rozwoju gospodarczego*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź.
- Dziemianowicz W., Olejniczak K. (2002), *Cluster in Poland, the example of the printing cluster in Warsaw and recommendations on cluster support*, presented at the conference 'Cluster in Transition Economies: Motors for Growth and Social Innovation', Warszawa.
- European Commission (2004), *Undeclared work in an enlarged Union*.
- Glikman P. (1996), *Zatrudnienie, inwestycje, podatki w szarej gospodarce*, GUS, Warszawa.
- Gorzela G. (1992), *Planowanie rozwoju lokalnego*, *Studia Regionalne i Lokalne* 7(40), Uniwersytet Warszawski, Warszawa
- Grabher G., Stark D., *Organizing Diversity: Evolutionary Theory, Network Analysis, and Post-socialism*, in: G.Grabher, D.Stark (ed.), *Restructuring Networks in Post-Socialism. Legacies, Linkages, and Localities*, Oxford University Press.
- GUS (1996a), *Szara gospodarka w Polsce*, Warszawa.
- GUS (1996b), *Szara gospodarka w Polsce; rozmiary, przyczyny, konsekwencje*, *Studia i Prace Zakładu Badań Statystyczno-Ekonomicznych GUS* 233, Warszawa.
- Jewtuchowicz A. (2002), *Współpraca i budowanie sieci powiązań regionu*, in: A.Jewtuchowicz, A.Suliborski (eds.), *Struktury i procesy kształtujące łódzki region społeczno-gospodarczy*, Uniwersytet Łódzki, Łódź.
- Kaczmarek J. (1997), *Local Governance and Urban Restructuring in Łódź*, in: S.Liszewski, C.Young (eds.), *A Comparative Study of Łódź and Manchester*, Łódź University Press, Łódź.
- Kaniewicz S.(2000), *Sytuacja społeczno-gospodarcza w województwie łódzkim w I kwartale roku 2000*, in: M.Sobczyński, W.Michalski (eds.), *Województwo łódzkie na tle przemian*

- administracyjnych Polski, Polskie Towarzystwo Geograficzne Oddział w Łodzi, RCSS, BRR, Łódź.
- Karaś K., Karliński W., Nelicki A. (1999), *Polska administracja publiczna po reformie*, Ministerstwo Spraw Wewnętrznych i Administracji, Warszawa 1999.
- Kloc K. (1998), *Szara strefa w Polsce w okresie transformacji*, CASE, Warszawa.
- Kryńska E. (2004), Szara strefa rynku pracy - utrapienie gospodarcze czy ratunek społeczny? in: S.Borkowska, *Przyszłość pracy w XXI wieku*, IPISS, Warszawa.
- Liszewski S. (1999), Najnowsze problemy transformacji aglomeracji łódzkiej, in: W.Michalski (ed.), *Společno-ekonomiczne problemy aglomeracji łódzkiej*. RCSS, Łódź.
- Marczyńska-Witczak E. (1996), Zmiany struktury gospodarczej Łodzi, in: W.Michalski (ed.) *Transformacja społeczno-gospodarcza Łodzi na tle regionu*, CUP, Łódź.
- Matusiak K.B. (2002), Otoczenie instytucjonalne przedsiębiorstw regionu łódzkiego, in: A.Jewtuchowicz, A.Suliborski, *Struktury i procesy kształtujące łódzki region społeczno-gospodarczy*, Fundacja Inkubator, Łódź 2002.
- Matusiak K.B., Marszałkowska M., Nowakowska A. (2001), Lokalne systemy produkcyjne Łodzi, Ostrołęki i Torunia, in: K.B.Matusiak, E.Stawasz, A.Jewtuchowicz, *Zewnętrzne determinanty rozwoju innowacyjnych firm*, Katedra Ekonomii Uniwersytetu Łódzkiego, Łódź.
- Musiał W. (1999), Potencjał przemysłowy województwa łódzkiego, in: *Atlas Regionów*, Łódź.
- Nowakowska B. (1996), Rynek pracy w Łodzi, in: W.Michalski (ed.) *Transformacja społeczno-gospodarcza Łodzi na tle regionu*, CUP, Łódź.
- Olesiński Z., Predygiel A. (2002), Identyfikacja i analiza grona na przykładzie grona budowlanego w regionie świętokrzyskim, *Organizacja i Kierowanie* 3(109).
- Porter M.E. (2001), *Porter o konkurencji*, PWE, Warszawa.
- Prysiński Ł., Urban D. (2005), Miejsce przemysłu włókienniczego w rozwoju regionu łódzkiego, in: H.Godlewska-Majkowska (ed.), *Restrukturyzacja regionów przemysłowych*, SGH, Warszawa.
- Riley R. (1997), Central Area Activities in a Post-Communist City: Lodz, Poland, *Urban Studies*, Vol. 34, No.3,.
- Schneider F. (2002), The size and development of the shadow economy of 22 transition and 21 OECD countries, *Forschungsinstitute für Zukunft der Arbeit*, Linz.
- Surajska W. (2004), *Metropolia w pejzażu wiejskim*, Centrum Badań Regionalnych, Warszawa.
- Szwalek K. (2003), *Ostrożnie z wybielaniem. Raport specjalny – szara strefa*. „Businessweek”, August.
- Warzywoda-Kruszyńska W., Lisek-Machalska J. (2001), Lokalne elity polityczne wobec problemów bezrobocia, in: W.Warzywoda-Kruszyńska (ed.), *Lokalne strategie przeciwdziałania bezrobociu i biedzie*, Friedrich Ebert Stiftung, Łódź.
- Woolcock M. (2002), Social Capital in Theory and Practice: where do we stand? in: *Social Capital and Economic Development*, J.Isham, T.Kelly, S.Ramaswamy (eds.), Edward Elgar.
- Zajdel M.(1997), Przekształcenia strukturalne gospodarki województwa łódzkiego (1989-1993), *Acta Universitatis Lodziensis, Folia Oeconomica* 142.

Zucker L.G. (1986), Production of Trust: Institutional Sources of Economic Structure, *Research in Organizational Behavior* 8.