

# Keep Trying? Polish Failures and Half-successes in Social Pacting<sup>1</sup>

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## Abstract

*Social dialogue in post-1989 Poland has followed a long and curvy road. Introduction of tripartism, establishment of social dialogue institutions and conclusion of the 'Pact on the Transformation of State Enterprise' in 1993 propelled high hopes and expectations towards the domestic mutation of neocorporatism. In the following years, however, social dialogue in Poland would not produce another social pact, despite the fact that tripartite institutions have been working on regular basis and number of minor agreements have been consensually reached. The overall reception of Polish social dialogue both locally and internationally has been mixed with negative opinions prevailing. The article aims to show that such dismissive views are oversimplified by providing an account of obstacles, functions, chances and achievements social dialogue has had in Poland in comparison to western countries that did sign social pacts.*

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## Introduction

Poland's experience of social dialogue is mostly dismissed as pure failure and façade (Ost 2000; Avdagic 2005). Indeed, there is little evidence of those major, encompassing, comprehensive and institutionalised agreements that have been called 'social pacts' in Western Europe. However, a deeper and more detailed examination of the interactions between the actors shows that there have been very serious attempts at social pacts, and there have been some unintended effects of these attempts, as well as some partial results. It also shows that there has been a 'functional need', or demand, for social pacts at certain times, to address similar issues to those tackled by western social pacts in the 1990s, such as wage inflation, pension reforms, labour market reforms, public deficits (Fajertag and Pochet 1997, 2000). In terms of 'offer' for social pacts, even if initially most 'prerequisites' were missing, by the early 2000s most factors associated with social pacts were being established: political commitment on the part of weak governments, growing trust among social partners, trade union de-politicisation, EU promotion and employers' organisational capacities. Recently, a generalised perception of a crisis has also emerged. The issue, therefore, cannot be dismissed as 'nonexistent'. In contrast, there are two open questions, which this chapter will try to address: what, if any, are the effects of social dialogue in Poland, even if there are no major social pacts? Second, why exactly did Poland fail to reach social pacts, and will failure persist in the future?

The paper proceeds in a historical way and is based on in-depth direct observations. In particular, one of the authors has been an invited observer at the meetings of the *plenum* of the Tripartite Commission from 2002 until today, and therefore possesses a unique degree of insider information. This information is put in the structural context of Polish social developments, in order to suggest deeper explanations of the events. As today's Poland is marked by the 'transition' from communism to capitalism, the discussion cannot start from later than 1989. While the paper focuses on Poland only, it follows a comparative social sciences approach to historical analysis, as the most appropriate to tackle causal analysis (rather than description) and processes (rather than single events) in a small number of countries and in the absence of counterfactuals (Mahoney and Rueschemeyer 2003). Accordingly, the obstacles, functions and chances social dialogue has had in Poland will be compared (as systematically and contextually as possible, given the limits of a book chapter) to those encountered by western countries that did sign

social pacts, in order to distinguish those obstacles that may be insurmountable from those that clearly are not – as they have not been in the West (Meardi 2006). In this way, we also want to overcome a common weakness of studies of industrial relations in post-communist countries, namely the tendency to use *ad hoc* arguments (e.g. cultural or historical) rather than rigorously testing the same explanatory frameworks as those used in the West: while different analytical frameworks may have been justified when Eastern Europe belonged to a different economic system, they are less so after twenty years of market economy and accession to the WTO, OECD and EU.

The paper will look at the different periods of social dialogue in Poland since 1989, characterised by different government coalitions. It will point at some, hitherto neglected, outcomes of social dialogue, in terms of partial or technical agreements, capacity building, and trust development. In particular, attention will be drawn to the early 2000s, where there has been an important ‘window of opportunity’ for a social pact, and a sustained government effort to achieve it. Rather than no need for or interest in social dialogue, there are specific, complex and changing barriers to social pacts, which need to be understood. Notably, it will be argued that while cultural and political variables only explain a part of the failure, the main distinctive obstacle lay at the time in the unequal balance of power between labour and employers, which, as E.O. Wright (2000) has explained in particularly elegant theoretical terms, explains the possibility of ‘social compromise’ in some countries rather than others.

As the barriers to social dialogue appear to be complex and very volatile, they cannot be taken for granted for the future: actually, the new landscape emerging from the parliamentary elections of 2007, and the changes in the labour market following mass emigration, may give new meanings to social dialogue.

## 1. The ‘Transition’ Mark: the Negotiated Exit From Communism (1980–1989)

As argued by Bruszt and Stark (1998), the country-specific modes of transition from communism have had important influences on the later path of central eastern European countries. In Poland, ‘social pacts’ are not actually a novelty introduced by democratisation, as there had been two famous precedents in the 1980s: the Gdańsk agreements of 31<sup>st</sup> August 1980 (allowing free trade unions, but then revoked with

the military *coup* of 13<sup>th</sup> December 1981), and the Round Table agreement of the 4<sup>th</sup> April 1989, re-legalising free trade unions and allowing the first free elections in a communist country since 1948. While they also covered social and economic issues, both agreements are famous for their historical impact, and were of a primarily political nature, the 1989 agreement being comparable to the Moncloa pact in Spain. In fact, one of the most influential participants in the Round Table negotiations, the dissident Adam Michnik (1985), explicitly invoked a ‘Spanish path’ for Poland. During the Round Table negotiations, Solidarity (then still called ‘the social side’) demanded parliamentary democracy, but also the strengthening of company self-management through works councils and egalitarian income policies, even if combined with market reforms, and on these issues part of the government’s side had no objections.

The experiences of the 1980s have had major political and cultural consequences, most notably on compromises between old and new elites, but also on the rhetorical importance of union-government negotiations on political levels. Such rhetorical dimensions are ambivalent. On one side, it led trade unions to expect – more than elsewhere in CEE – to be privileged negotiating partners of ruling governments. But it also involved a generalised negative popular perception, as a large part of the population grew dissatisfied with the Round Table agreements, and as parts of the new economic and political elites wanted to mark a clear break from the past: in Poland, social negotiations, were associated with the final moments of the ‘old’ rather than with the ‘new’ system.

The 1980s also marked the future social landscape by establishing union pluralism along political lines. While the ‘old’, Soviet-style trade unions (CRZZ) dissolved after 1980 under the Solidarity wave, in 1982 reformed, more autonomous communist trade unions were created (OPZZ: All-Polish Trade Union Entente) with the aim of preventing the re-emergence of an independent workers’ movement. The relationship between the OPZZ and the underground, but still influential, Solidarity was obviously hostile: while one side was rewarded for its loyalty, the other was violently repressed. In 1988, the very beginning of new negotiations between the regime and the opposition was marked by a historic televised debate between the OPZZ leader, Alfred Miodowicz, and Solidarity leader (and hitherto taboo figure in the media), Lech Wałęsa. Contrary to the regime’s plans and expectations, the debate was won heads-down by the inexperienced Wałęsa, accelerating the pace of change, but also established the perception that the OPZZ and Solidarity sat on opposite sides (as also happened during the Round Table negotiations a few months later).

## 2. From Shock Therapy to the Tripartite Commission

The unplanned and unexpected acceleration of political changes in Poland, and then in the whole of Eastern Europe, during the summer of 1989 led to major changes in the conception of social dialogue. Most notably, at the same time as Solidarity took over political responsibility for ruling the country, the influence of the trade union as such was immediately demoted: as Lech Wałęsa himself famously declared, ‘we will not catch up with Europe if we create a strong trade union’ (Ost 2005). The role of the trade union was downgraded to that of a ‘protective umbrella’, while the government introduced radical market reforms (the ‘shock therapy’) with very high social costs. In fact, the transition recession in the first two years was worse than the 1929 recession in the US: in 1990–91 GDP fell by 18.3%, industrial production by 36%, real wages by around 35%, and unemployment jumped from virtually zero to 12% (Amsden et al. 1994.) The programmed changes included the abandonment of works councils and egalitarian income policies. Such changes were tolerated not simply by Solidarity, but also by the majority of workers, as confirmed by a series of surveys (Gardawski 1996).

In the first period of transition, then, no need for social dialogue was perceived for two reasons: firstly, priority was decisively given to the speed of reforms; secondly, dialogue with the most active trade union was already possible *within* Solidarity, as a combined political and social force. Nor was there much need for dialogue with the OPZZ, which was both disliked by Solidarity and, at the time, still adapting to the new reality and in search of its own identity and strategy. Poland was therefore unique in the region, in not adopting the tripartite institutions recommended by the ILO.

The situation changed with the increased social unrest which exploded in 1992–93, and proved impossible to resolve without a system of institutionalised social negotiations. At the beginning of 1992, the right-wing government led by Jan Olszewski, facing a conflict with the strongly-unionised miners, proposed new regulations for conflict resolution, leading to the signature of a government-Solidarity agreement on dispute resolution in the sectors facing restructuring, which established committees and rules for sector-level social dialogue. The OPZZ did not sign that agreement: opinions diverge on whether this was because of its own unwillingness, or the government’s.

The rapid spread of strikes to all sectors of the economy during the summer 1992 forced the government (now led by liberal Hanna Suchocka) to move to multi-sector social dialogue. A large number of these strikes were linked to privatisation, whether opposing or supporting it. The government appealed to the trade unions and the then-emerging employers' associations to negotiate new rules regarding privatisation. The invitation was accepted by Solidarity, the OPZZ and nine other smaller trade unions (although the radical Solidarity 80 and Kontra later withdrew from the negotiations), as well as by the Polish Employers Federation (KPP), dominated by state-owned managers, but not by the more aggressively pro-capitalist Business Centre Club (BCC). Given the enduring divide between Solidarity and the OPZZ, negotiations took place separately with the OPZZ on one side, and with all other unions on the other. The long negotiations started in July 1992 and were concluded in February 1993 with the signature of the 'Pact on the Transformation of State Enterprise'. This was a bilateral pact, as KPP occupied the same side as the government. The pact was of a distributive rather than regulatory nature, as its main object was the 'price' of privatisation in the form of the distribution of complimentary shares to employees, but also included new regulations on collective agreements, employee protection in the event of unpaid wages, company social funds and health and safety.

The 'Pact on Enterprise' was supported by the then Minister of Labour Jacek Kuroń, a popular former dissident and promoter of corporatist policy. However, rather than marking the beginning of a social dialogue era for Poland, it remained its highest, and never-repeated achievement.

An important institutional change occurred the following year, already under a new government led by the post-communist Alliance of the Democratic Left (SLD). Under pressure from a strike in the energy sector, on the 1<sup>st</sup> of March 1994, the government instituted, by decree, the Tripartite Commission on Socio-Economic Issues, inviting as members the same organisations that had signed the Pact on State Enterprise: nine trade unions and the KPP, and chaired by the Deputy Minister of Labour (since 1996, by the minister.) The Tripartite Commission resembles analogous institutions already created in Central European countries, but rather than through external institutional pressure (notably, exerted by the ILO and EEC), it was created in response to internal strikes, and therefore does not deserve to be labelled an imitation.

The most important competence of the Tripartite Commission was to agree yearly wage increases, which would be binding for the state sector and non-binding for the private one. Subsequent research proved that the private sector actually paid little or no attention to such recommendations (Meardi 2006). Decisions had to be taken unanimously, and this proved to hamper any important decision-making for the

rest of the 1990s: only in 1996 did the Commission manage to reach an agreement on wage increases, while in other years the government was left with the responsibility of taking unilateral decisions. The government therefore retained the dominant position within the Tripartite Commission, arguably hampering the development of autonomous bilateral social dialogue.

### 3. Social Dialogue in the Period of EU Negotiations (1993–2002)

In December 1993, the Copenhagen summit officially started the EU enlargement process, an issue which was to dominate Poland's foreign and economic policy for the following decade. While social dialogue is not a formal requirement of the 'acquis communautaire' and therefore not a condition for EU accession, the EU did promote social dialogue as a form of 'soft acquis communautaire' (e.g. Employment and Social Affairs DG, 2001), which would have helped the applicant countries to harmonise their policies and economy with Western Europe and to avoid social protest – similar to what European social dialogue had been meant to do under Jacques Delors in preparation for the European Single Market.

A strong commitment to social dialogue on the part of Polish governments could only be detected, however, in 1996, through the actions of Minister Andrzej Bączkowski. Bączkowski was in a unique – and indeed never repeated – position for this task: a young and modern politician, he came from Solidarity but was a minister in a post-communist government. This allowed him to be a respected negotiating partner of the employers, Solidarity and the OPZZ at the same time. This is still remembered as something exceptional, and retrospectively even hard to believe, during an exceptional period: 'The feeling was that he was a man on a mission, that he really wanted a compromise, that he was not cheating... I believed, that he was honest' (JG's interview with a Solidarity representative on the Tripartite Commission, 2004). In 1996, the agenda of the Commission was always full of first-order issues, which raised the Commission's profile and provided an intensive social dialogue exercise. But Bączkowski died suddenly in February 1997, before the Commission could complete any major achievements on labour issues.

As the pace of the Commission's work slowed down, its limits became more apparent. In particular, the political divide between the unions and the weak organisation of employers' associations proved to be decisive obstacles.

The role of union politicisation was very clear. In summer 1997, Solidarity (which had been the 'protective umbrella' of anti-communist governments in 1989–1993) was assuming the leading role among the right-wing opposition, and it raised unrealistic wage demands. When the government rejected these, Solidarity abandoned the Tripartite Commission, thereby preventing it from meeting in plenary sessions. After Solidarity's election victory in September 1997, the roles were promptly reversed. The OPZZ assumed the opposition role and abandoned the Commission in 1998, after the government refused to negotiate its welfare state reforms, and published a 'Black Book of Dialogue' in protest. On the other side, Solidarity – once again after 1989–1990 – supported market-oriented reforms, and once again it paid a high price in terms of popularity: in 1998, for the first time since 1989, opinion polls showed that the OPZZ was more popular than Solidarity, although this would later change again.

Throughout the period up to 2001, Solidarity and the OPZZ were an integral part of the two opposing political sides, to the point that up to one fifth of all MPs were at the same time trade-union officers. Despite the freezing of central-level social dialogue within the Tripartite Commission, trade unions did manage to exert a certain influence on EU accession negotiations, and especially on the immediate introduction of most EU social regulations, although they failed in their demand for immediate freedom of employment across the EU (Meardi 2002), and social dialogue somehow continued at the lower level of specialised committees within the Commission.

In order to overcome the increasingly apparent limits of the Commission, a law was passed in 2001 to institutionalise it and to reform the criteria of representativeness, overcoming in particular the criterion of unanimity. The introduction of representativeness criteria, in the wake of protracted controversy, (300,000 members or employees in member companies) opened the doors to two new actors: a second employers' association, the Polish Confederation of Private Employers (PKPP), which had been created in the mid-1990s as a reaction against the state-ownership dominance of KPP, and a third trade union, the Trade Union Forum (FZZ), created by seven smaller trade unions, mostly splitting away from the OPZZ and representing the public sector. Later on, the BCC also joined the Commission. The new law also created regional-level social dialogue commissions.

To summarise the experience of the period 1993–2001, the Tripartite Commission cannot be dismissed entirely as an irrelevant façade, as it did have a high political profile and all sides participated at the highest level. The problem was possibly the opposite one: an exaggerated political profile leading to the dominance of party-political agendas over the development of socio-economic social dialogue.



This made the parties, and especially the trade unions, prefer competition for the full control of political power over compromise and sharing economic power. For these reasons, proposals coming from one side were often not even taken into consideration, as this would have involved political costs. For instance, when the OPZZ issued a proposal on family policies in 1998, Solidarity responded with an alternative proposal – and none of them was ever discussed: ‘why should we discuss their proposal? We’d just legitimate them, and they would not thank us’ (JG’s interview with an OPZZ representative, 2004).

At the end of 2002, the European Council agreed to the enlargement of the EU, to include Poland and another nine countries in 2004. By then, not only the institutional and international context had changed – the political one was new too.

#### 4. Hausner’s ‘Window of Opportunity’ for a Social Pact (2002–2005)

After the introduction of the new law on the Tripartite Commission, aimed at making it more representative and more effective, the overall Polish context changed in a number of ways, which in theory should have laid down the preconditions for stronger social dialogue.

Politically, a new left-wing government was elected in the autumn of 2001, and the political scene was redrawn with a drastic reduction in direct trade-union influence, paving the way for a depoliticisation of the same unions. The OPZZ was no longer an integral component of the post-communist SLD, and Solidarity, after failing to reach the 5% threshold, remained outside parliament and decided to withdraw from direct politics. A new, more pragmatic general secretary, Janusz Śniadek, replaced the strongly political Marian Krzaklewski. The change at the top reflected deep changes at the grassroots: for the first time, opinion polls showed that a majority of Solidarity members had voted for the post-communists in the elections: for the first time, it seemed that the political divide inherited from the 1980s could be overcome. In addition, the new labour minister and chair of the Tripartite Commission, Jerzy Hausner, was an economist ideologically sympathetic to corporatism, and he shared his professional background with the leader of the PKPP, Henryka Bochniarz.

Internationally, EU negotiations were coming to an end and the Copenhagen summit of December 2002 would decide on the accession of Poland from 2004. But rather than the end of the EU road, this meant Poland moving to the next step:

monetary convergence in order to subsequently join EMU – as no opt-out from the common currency was allowed. Poland found itself in a striking similar situation to that of Western European countries such as Italy, Belgium and Spain in the early 1990s. Inflation, at around 4%, was slightly higher than the Maastricht criteria, and was driven by wage inflation, as wages, having been severely depressed in the 1990s, were now growing faster than prices (although slower than productivity). The public deficit was even more of a concern, at over 4%, with a large share of social transfers accounting for this, and it would become the main economic concern of the SLD-led government, causing much unpopularity. Indeed, all governments of the new Central European member states of the EU, when trying to introduce unilateral measures to meet the Maastricht criteria, faced electoral defeat (Poland, Czech Republic, Slovakia) or street unrest and dramatic falls in their popularity (Hungary). These concerns would have recommended social pacts as a socially-sustainable way to meet the Maastricht criteria, based on the Italian example of the 1990s – and this was the actual recommendation frequently made by EU bodies and western counterparts (Meardi 2006).

Economically, after years of fast growth, Poland was facing a downturn, and unemployment, approaching 20%, had become a major problem. In Western Europe, especially since the launch of the European Employment Strategy in 1997, employment had been seen as an area in which social dialogue would be particularly promising (Léonard 2005).

Soon, another important factor would have suggested the suitability of social pacts. After a landslide election victory in 2001, in 2002 the SLD-led government was shaken by a series of alleged corruption scandals and a dramatic fall in public confidence, from which it never recovered. In 2004, Prime Minister Leszek Miller had to resign and was replaced by the technocrat economist Marek Belka, the SLD had a crushing defeat in the European elections, and the government lost the support of the junior coalition party, the peasant party PSL (Polish Popular Party) and thereby its majority in parliament: until the next elections in 2005, it had to rely on *ad hoc* agreements with the opposition parties. In the West, it has already been observed how government's political weakness increases the attractiveness of social pacts as 'a coalition of the weak' (Baccaro and Lim 2007), an argument also proposed on Central Eastern Europe (Avdagic 2006). The combination of corruption scandals, political fragmentation, and technocratic government resembled in particular the Italian government led by Azeglio Ciampi in 1993 – the protagonist of the frequently acclaimed *concertazione*.

Altogether, it seemed that Poland had a 'window of opportunity' for social pacts and that Hausner could have been the Polish Ciampi. Most institutional and

political obstacles had been overcome, and the agenda, in terms of shared objectives (EMU convergence, employment), was most promising. Hausner, who soon became Minister of the Economy as well as Minister of Labour, invested much of his authority in achieving social pacts (Hausner 2007), seeing social dialogue as a policy alternative to those of previous governments, but especially of the die-hard monetarist Polish National Bank, chaired by the author of the shock therapy, Leszek Balcerowicz. But the results were mostly disappointing. Hausner also identified in social dialogue the potential for bypassing even more difficult negotiations within the ruling coalition, between the SLD and PSL. In such a situation, it was hoped that the Tripartite Commission could assume the role of a 'quasi-government'.

Hausner's first initiative involved strengthening multi-sector social dialogue, bringing the sectoral committees under control. These had acquired increasing autonomy but, according to traditional corporatist policy and to the views of Vice-Minister Długosz (2005), such meso-corporatism was a threat to macroeconomic governance because of the high risk of externalities (see for instance Calmfors and Driffill 1988.) However, this initiative already encountered resistance from organised interests and state administration bodies, and the only objective that was met was the harmonisation of sectoral social dialogue committee regulations, not their co-ordination.

Hausner's quest for a social pact started in October 2002, when he prepared a document on the principles of social dialogue, directly inspired by Western European experiences of the 1990s, which was approved by the cabinet. The document hoped to give social dialogue a systematic role.

The next and most important initiative was the proposal, at the beginning of 2003, of a social pact known as the 'Pact for Work and Development'. The pact had to be regulatory, and not distributive. A distributive social pact on wages was seen by Hausner as barely achievable because of the enduring disequilibrium among economic sectors in terms of the organisation of interests: the interests of the organised sectors would always prevail over macroeconomic interests.

The proposed social pact covered a number of issues and especially reform of the public finances, employment, healthcare reform and labour law. The attractiveness for employers had to be the increase in flexibility and control over the public deficit, while the trade unions were offered a less clear procedural influence over the shape of reforms, which would have replaced their diminished political-parliamentary power. At a special meeting in Sobieszow in May, the Tripartite Commission unilaterally signed an agreement on the beginning of negotiations over the social pact. However, the very next day, the National Commission of Solidarity, voted

by a majority to oust its president who had signed the agreement, and decided to withdraw from the negotiations. The decision was taken on two grounds. Firstly, in line with their traditional political standpoint, part of Solidarity feared legitimising and even strengthening a post-communist government, which it opposed as a matter of principle. But also, the more unionist wing of the union did not see what material benefits a social pact would entail for employees. Solidarity would later return to the table to discuss what was downgraded from a 'social pact' to a 'social agreement', but after eight months of intensive negotiations, Hausner had to throw in the towel and abandon his proposal. The PKPP proposed to sign the pact even without Solidarity's signature, but this was eventually deemed pointless by the government: a pact without the signature of the most active trade union would not have protected the new policies from social resistance.

Among the causes of Hausner's failure, the enduring lack of trust between Solidarity and the post-communist party is the most visible. Despite formal political change – Solidarity having withdrawn from direct political participation in 2001, and the SLD having enthusiastically embraced NATO and the EU, and co-opted several former key Solidarity figures – such mistrust seems to have a deeper cultural element which is unlikely to change until the generations who fought each other in the 1980s have left the scene. But one can also see Solidarity's opposition in a different light: not simply as a perpetuation of its ideological positions, but as a learning process in terms of its union-political role. The new Solidarity leaders were all too aware of the heavy costs they paid, in terms of social support, for their support for the market reforms of 1997–2001 under the Solidarity-led government. Social acceptance for such concessions having been exhausted, Solidarity had to turn to a more intransigent role in the defence of workers' interests.

An additional explanation lies in the nature of the Pact for Work and Development itself, which would mostly have penalised the most organised sectors – heavy industry and state sector. Given the low level of the encompassing nature of Polish trade unions, in which the new private sector is almost nonexistent, such proposals were bound to run into resistance. Even the OPZZ eventually refused to subscribe to most of the government's labour law proposals, which were then implemented by the government with the support of the employers but against the opposition of all trade unions. The same occurred regarding the controversial issue of collective bargaining, with the introduction of 'hardship clauses' for the suspension of collective agreements.

Social dialogue under Hausner was not entirely fruitless. More specific agreements were signed on a number of issues, from pay rise indicators (non-binding), to social security, entrepreneurship and pensions. All of these agreements, despite being more

numerous than at any time since 1989, fell well short of a comprehensive social pact, both in terms of scope and stability. The poor institutionalisation of such deals could be seen in the agreement reached in 2002 – after five years of failed negotiations – on the criteria for determining the minimum wage. Even before the agreement passed into law, the OPZZ protested against it (bringing some SLD MPs across to its positions) and embarked on new bilateral negotiations with the government, which were concluded by a new protocol and concessions to the unions, guaranteeing that the minimum wage would not decline in relation to the average salary. On many issues, it proved impossible to reach an agreement: proposals on tax credits for low-wage employees and on the reform of the national Social Fund for Guaranteed Benefits (which had been created by the social pact of 1993) were rejected by the trade unions, while those on social security contributions for the self-employed were blocked by the employers. On labour law, Solidarity even refused to negotiate.

The intensive contacts under Hausner did open the way to the development of some bilateral social dialogue between employers and the trade unions, and especially between PKPP and OPZZ, which in December 2003 – with strong public opposition from Solidarity – signed a bilateral understanding on a number of issues, such as temporary employment and conflict resolution. There was also a bilateral dialogue in autumn 2004, when the social partners reacted to Hausner's proposal on the implementation of the Information and Consultation Directive, which would have introduced works councils. Both employers and trade unions felt threatened, whether by a loophole for employee co-determination, or by competition from new institutions, and therefore agreed an alternative proposal, which minimised the role of works councils (the implementation law would not be passed until 2006, by the next right-wing government, without tripartite agreement, though in line with Solidarity's proposals.) Paradoxically, the main social dialogue success of Hausner had been achieved *against* him rather than by him.

Hausner reacted to the frustration of the failed social pact by shifting the debate to a different area. Having established the impracticability of social dialogue (Hausner 2007), he promoted a more generic 'civic dialogue' involving a number of non-governmental organisations, as well as the traditional corporatist ones. Such a choice, as with the enlargement of concertation to civic society in Italy in 1998, watered down the social dialogue and made it less relevant, rather than relaunching it in different ways. Hausner also promoted regional social dialogue, seeing the local level as less ideological than the national one. Even at this level, however, the results were fairly limited.

## 5. In the EU: a New Political and Economic Outlook, But no New Social Pact (2005–2008)

Accession to the EU has generally failed to promote social dialogue in the new member states (Meardi 2007a), with the partial exception of Slovakia, where the left-nationalist government elected in 2006 promoted dialogue with the trade unions, achieved a social pact at the beginning of 2008 and managed to join EMU in 2009. The EU agenda has however at least promoted the institutional capacities of social partners through their inclusion in EU corporatist policies and institutions. The relevance of the agendas coming from the EU is clearly discernible within the Tripartite Commission, which from 2004 onwards, started debating all EU social policy initiatives.

Joining the EU was accompanied by an economic boom, but also by a political counter-reaction. The presidential and parliamentary elections of 2005 were won by a traditionalist party, Law and Justice (PiS), led by the twin brothers Kaczyński, which formed a coalition with the extreme-right League of Polish Families (LPR) and the anti-EU peasant party Self-defence. This explicitly eurosceptic government had the external support of Solidarity and fulfilled some of the unions' demands through its programme of a 'solidarity-based Poland', particularly as regards working hours and the minimum wage. However, the Kaczyńskis' conception of social dialogue prioritised Solidarity over the OPZZ. The new government's anticommunism included a programme of 'cleansing' the state administration and Polish society, which expanded to encompass post-communist trade unions. The teachers' trade union ZNP (the largest among OPZZ federations, and the most representative union in the education sector) in particular was the victim of ostracism by the new Minister of Education – and leader of the LPR – Roman Giertych. The unions' political divide was therefore reinstated and the OPZZ once again turned to principled opposition, despite agreeing to some of the new government's most pro-labour initiatives. The Tripartite Commission was sidelined, as the government preferred direct autonomous negotiations with Solidarity only. The government proposed a social pact under the title 'Economy – Work – Family – Dialogue', once again inspired by Western European solutions (the government even created a website on social pacts, [www.umowaspoleczna.gov.pl](http://www.umowaspoleczna.gov.pl), devoting a great deal of space to stories from Western Europe). Solidarity itself, however, realised the risk of such close negotiations with the government and refused to sign the pact outside the Tripartite Commission, and

therefore without the OPZZ, showing that its trade-union identity prevailed over the political one. This also proved that social dialogue within the Tripartite Commission had reached a sufficient level of institutionalisation to ensure that it could not be easily sidelined. The negotiations within the Tripartite Commission lasted, without making any real progress, from March 2006 until the summer of 2007 when the OPZZ and the employers withdrew because of the political crisis overtaking the PiS–LPR–Self-defence coalition.

Early parliamentary elections were held in autumn 2007 and resulted in a landslide victory for the liberal opposition Civic Platform (PO), which formed a coalition government with the PSL. Although PO had had an extreme neoliberal programme on socio-economic issues, it moderated this in the electoral campaign, and rediscovered its roots in the Solidarity movement. Subsequently, PO watered the neoliberal programme down, in order to obtain the support of the more socially-oriented PSL. Most visibly, the initial flagship proposal of a flat-rate income tax was abandoned, as well as an early proposed law on industrial relations that would have allowed derecognition of trade unions in the workplace. The new government, led by Donald Tusk, proposed a new ‘social agreement’, authored by the Deputy Prime Minister and PSL leader Waldemar Pawlak. The project covered a number of core issues: wage policy, pensions, trade unions law and employment. Negotiations started within the Tripartite Commission in April 2008.

For the first time since 1989, the government is not directly backed by any trade union and is not clearly positioned along the communist-anticommunist divide (the PSL is a former satellite of the communist party). Therefore, the OPZZ and Solidarity no longer occupy opposite positions with regard to it. Nonetheless, the negotiations on the new social pact soon came to a halt in the autumn, due to union opposition to one of its core elements: the reform of early retirement schemes. Here, the blame clearly cannot be placed on union political partisanship: Solidarity and the OPZZ acted together and co-operated in collecting 70,000 signatures against the government proposal, and they managed to obtain some government concessions over the initial plans. Union opposition was purely union-based: against unilateral concessions in a pact without any clear trade-offs. The failure of the pact lies in the government feeling stronger than its predecessors and therefore not needing to make any major concessions.

At the same time, a major contextual change occurred in the labour market and in the economic outlook. Following EU accession, economic growth and mass emigration caused unemployment to fall from 20 to 9.5% in five years. As a consequence, labour shortages became apparent and wages, previously depressed

by unemployment, started growing in an uncoordinated way, creating a direct threat to employers' planning and competitiveness. Moreover, the re-appreciation of the Polish zloty is starting to harm Poland's foreign competitiveness. While the OPZZ launched a new campaign for increased wages, demanding compensation for the large productivity increases in the last few years (43% in 2000–2005, compared to 7% for real wages), the employers, for the first time, are now considering the usefulness of some form of co-ordinated income policy.

Economically, although Poland was hit less hard than its Baltic neighbours by the global financial crisis, growth prospects were suddenly downgraded at the end of 2009, from around 6% to 2–3%, the Polish zloty lost some of its value, and unemployment started increasing again. Government austerity plans to deal with lower tax revenues and currency devaluation faced immediate union protests. While making the social climate tense in the immediate future, in the longer term the feeling of crisis might lead to a widespread consensus on the crisis and the need for concerted action, as in Italy or the Netherlands in the past. Such a converging trend is visible in the broadening support for adopting the euro, and has also occurred at sector level. The same export sectors that had benefited from EU accession were hit, leading to the novelty of the automotive-sector *Solidarność* and the OPZZ coming together with the employers' Automotive Industry Association (the same employers' association that until recently would not co-ordinate any relations with the trade unions) to seek a government rescue plan in December 2008. However, this emerging co-ordination may remain at sector level only (the PKPP refused to support the automotive employers in their demands), confirming the limited extent to which the Polish social partners, and thus their corporatist attempts, may be regarded as encompassing.

## **Conclusion: Assessment, Unintended Effects and Prospects**

Post-communist societies, including Poland, despite this country having developed a unique 'underground' society in the 1980s, are characterised by a very low level of social association, which makes social dialogue particularly difficult. On one side, even though trade unions remain the largest associations in Poland, most of their members come from just a few sectors, which are either state-owned or recently



privatised. On the other side, employers have been slow at organising, and their associations have very little power over their members.

It is therefore no surprise that the Polish story is mostly a story of failures. Nevertheless, the work of the Tripartite Commission, despite the shortage of actual social agreements, over a period of eighteen years has had some effects, and the lack of social pacts can no longer be taken for granted. In particular, the large number of committees and meetings (involving top national leaders, but also at expert and regional levels) resulted in the establishment of networks of relations among the social partners and in a process of social learning. This is confirmed by one of Solidarity's representatives: 'The important thing is that we have started to communicate. Previously, we only knew Mrs Bochniarz from TV, which only provoked us to anger and conflict..., and with all these contacts, it turned out that they are intelligent people and there are areas on which, despite the differences, we can meet' (interview with JG, 2004). As Regini (2003) has argued, sometimes even failed agreements (such as the German Alliance for Jobs in the 1990s) have implications for social governance.

But while social dialogue in Poland in the 1990s faced a number of major political and institutional obstacles, this paper has shown how most of these obstacles are not necessarily insurmountable in the 2000s. Actually, Poland had a window of opportunity for social pacts around the time of EU accession.

The chapter has argued that social pacts do not follow a simple functionalist logic: in Poland, there was a 'demand' for social pacts as the country was embarking on the monetary convergence path towards EMU, and was facing very similar problems (wage inflation, public deficit, labour market reforms) to those of some Western European countries such as Italy in the early 1990s. But this demand was not met.

There are therefore specific obstacles to the conclusion of social pacts, affecting all three actors involved.

The most visible obstacle, trade union politicisation, while still enduring, has been significantly weakened since 2001. It is no longer an automatic step for trade unions to oppose hostile governments' proposals and support friendly ones: Solidarity signed some agreements with the left-wing government of 2001–2005, and opposed some of the right-wing government's proposals in 2005–2007, while the OPZZ opposed some government proposals in 2001–2005; the two unions acted together after the 2007 elections. As Italy shows (Meardi 2006), union political divides are not insurmountable obstacles for concertation, and as Spain shows, nor is the abandonment of authoritarianism either.

The government side, which had shown only occasional interest in social dialogue in the 1990s, committed itself to social pacts with Jerzy Hausner in the period 2002–2004, when the ruling coalition was weakened by internal conflicts and corruption scandals, and therefore needed external support. The amount of time devoted to social negotiations in 2002–2004 by the top figures on all three sides, and the relevance of the issues discussed, do not fit with the image of tripartism as a simple ‘façade’. After 2007, the new centrist government appears politically better-positioned to negotiate with all sides, but also too strong in parliamentary terms to share much of its decision-making power.

The employers’ disorganisation, which was understandable in the 1990s, when private capital was still emerging as a social force, can no longer be taken for granted. The PKPP, which was admitted into the Tripartite Commission in 2001, plays the role of a modern employers’ confederation. The lack of structures for multi-employer collective bargaining in the private sector is no longer a legacy of the past, as there have been nearly two decades in which to build them, and the reform of the Tripartite Commission in 2001 has been an important opportunity, with the effect of turning employers’ associations into effective lobbying groups.

It seems therefore that an explanation of the Polish failures cannot be traced to single factors concerning one actor only, but require a more thorough understanding of the *relationships* between the actors involved. As Bohle and Greskovits (2006) have argued, there is a new form of capitalism emerging in Central Europe which has its own dynamics and power relations, distinct from the previous system. This form of capitalism is characterised by, among other things, an unequal balance of power between capital (and the shortage thereof) and labour (and the oversupply thereof): the resulting power relations bring Poland closer to a USA-style deregulation than to a Swedish-style social compromise (Wright 2000).

The influence of foreign capital – dominant in the PKPP – in particular is a new factor. It then appears that the lack of co-ordinated bargaining structures is now to a large extent the outcome of specific strategies pursued by the employers, characterised by labour market power and by heterogeneity. In one of the most influential sectors, metalworking, the employers had actually created a federation in the late 1990s. They took the decision to dismantle it when faced with a request for a sector-level agreement from the trade unions: so it is not that they *could not* negotiate, but that they *did not want* to. In a situation of very high unemployment and patchy unionisation, single-employer negotiations were the best strategy for exerting employer power. To some extent, government policies have also strengthened this active refusal to engage in co-ordinated pay setting. Despite his intentions of

favouring social dialogue, Hausner did not introduce wages as an important topic for negotiations in 2001–2005. Moreover, his proposed weakening of sector-level committees within the Tripartite Commission, which were defended by the trade unions, although justifiable through the aim of avoiding meso-corporatism at sector level, was an additional action against the development of multi-employer bargaining. As a result, the step of combining the issues of incomes and social security, which was the characteristic of social pacts in Western Europe, was prevented in Poland. Once the social dialogue was narrowed down to ‘regulatory’ issues only, and the distributional issues removed, the possibility of benefits for the trade unions was also narrowed down. Their opposition is therefore largely natural, and not only due to ideological positions.

Power relations among actors include, in addition to those between government, employers and trade unions, the Polish National Bank also. This strong and independent institution, especially while chaired by Leszek Balcerowicz in 2000–2007, adopted a strong monetarist line. By pursuing this tough policy, made even tougher by high unemployment, trade union power was controlled, and there was no need to negotiate a transition from an accommodating to a restrictive monetarist monetary policy which, according to Hassel (2006) is one of the main reasons for the emergence of social pacts.

This interpretation, focussed on the power relations between all actors involved, is confirmed by a longer historical perspective. Firstly, a major social pact had actually been concluded in Poland, with the ‘Pact on State Enterprise’ of 1993. But that was at a time of different power relations among the actors. Not only was the government weak (an unstable coalition of seven parties), but there had been a wave of major strikes across the economy. After 1993, strikes in Poland continued to decline until they reached a level of virtually zero in the early 2000s, largely removing the need for social concertation for government and employers.

However, the situation is still dynamic, as there are symptoms of trade union revitalisation (Gardawski 2001, Ost 2006, Meardi 2007b). As labour market conditions are changing dramatically, wages have started rising and strikes are making a comeback, employers may now appreciate the advantages of social dialogue and co-ordination of pay rises. Moreover, for the first time since 1989, the Tusk government elected in 2007 is not clearly positioned on the Solidarity vs. post-communist axis: the trade unions are therefore free to focus on their ‘union’ job. The effects of the subsequent global financial crisis are broadening the number of issues on the agenda. Social dialogue may be entering its ‘adult’ phase.

**Table. List of government coalitions and national-level social agreement**

Year	Actors	Issues	Nature
<b>1989–1993: post-Solidarity governments (Solidarity + nationalists and/or liberals)</b>			
1992	Government, Solidarity	Strike resolution	Bipartite, OPZZ excluded
1993	Right-wing government, KPP, OPZZ, Solidarity, other unions	'Pact on State Enterprise': privatisation, social security, H&S, collective bargaining	Tripartite, but employers still dependent on the government
<b>1993–1997: post-communist governments (social-democrats + peasants' party)</b>			
1996	Tripartite Commission (left-wing government)	Wages for 2007	Tripartite but private employers under-represented; binding only for state sector
<b>1997–2001: centre-right governments (Solidarity + liberals)</b>			
<b>2001–2005: post-communist governments (social-democrats + peasants' party)</b>			
2002	Tripartite Commission (left-wing government)	Social security, H&S	Tripartite
2002	Tripartite Commission (left-wing government)	Wages for 2003	Public sector only
2002	Tripartite Commission (left-wing government)	Minimum wage	Non-conclusive: additional negotiations with OPZZ
2003	Tripartite Commission (left-wing government)	Wages for 2004	Private sector, non-binding
2003	PKPP, OPZZ	Labour law, conflict resolution	Declarative only
2003	Tripartite Commission (left-wing government)	'Pact for Work and Development'	Failed agreement
<b>2005–2007: right-wing populist governments</b>			
2006	Tripartite Commission (right-wing government)	Pact 'Economy – Work – Family – Dialogue'	Failed agreement
2007: centre government (liberals + peasants' party)			

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