

# Steel Industry: the Most Successful Example of the Sectoral Social Dialogue in Poland?

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## Abstract

*The paper discusses the role of social dialogue in facilitating social peace during the process of industrial restructuring in the steel sector in Poland in the late 1990s and 2000s. It is argued that the sectoral social dialogue proved to be a critical factor for the ultimate success of the restructuring, securing cooperation between the major actors of industrial relations within the branch and providing for welfare of employees exiting the sector due to organisational and technological change.*

## 1. The Topics and the Forms of Sectoral Social Dialogue

A specific feature of the sectoral social dialogue in Poland is that it was developed in branches undergoing fundamental restructuring. Its scope and the issues under negotiations were deeply influenced by the past situation of the particular sector concerned and its state at the moment of beginning of the process.

In the steel sector the restructuring depended on the following key conditions: special position of the sector in the former (socialist) political system, large scope of restructuring, involving mostly redundancies, spatial concentration of the sector

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and its crucial role played in the local labour markets, and the European Union accession requirements. These circumstances resulted in the process being very complex and challenging for all the actors involved. In addition, the restructuring programmes also involved relatively quick privatization. The steel industry, just like other privileged sectors in the state economy, was in crisis. Its adaptation to the developing market economy and to the growing competition, fuelled by opening the market for foreign import, was even further complicated. In such a situation single enterprises had almost no chance to succeed on their own. This created a need to develop restructuring programmes for the whole branch and to transform these programmes into governmental documents. The dialogue had to take the tripartite form. Its most important participant was the state: the central government administration and the legislative.

The Tripartite Sectoral Team for Social Conditions of Restructuring in Steel Industry was created in 1995. It was a second such team. The first one, the Tripartite Team for Restructuring of Coal-mining, was established already in 1992. It had started its activity three years later though. The reason was a strong pressure exercised by trade unions active in the mining industry. The Team included representatives of the Union of the Steel Industry, representing the employers, and representatives of employees – leaders of National Section of Steel Industry of Solidarity, Federation of Trade Unions in Steel Industry of All-Poland Alliance of Trade Unions (OPZZ), the Trade Union Engineers and Technicians and other trade unions

Since the beginning of its operations till 2001, the Team conducted 25 meetings (12 in 1999, 5 in 2000 and 6 in 2001). In following years the meetings were far less frequent. The topics and the dynamics of the Team's proceedings were dictated by governmental programs of restructuring the sector. The Team prepared a series of documents, which became an integral part of restructuring programs as a parallel set of social protection instruments. On one hand, they increased the transaction price – the agreement of trade unions to restructuring, on the other they created a model of decreasing the social costs of the process. They provided a basis for social dialogue. The social dialogue had its clear subject and was indispensable.

The most important documents prepared by the Team are: the Steel Social Package – the Agreement Concerning Social Protection Instruments in Restructuring of the Iron and Steel Industry (signed in 1999), the programs concerning restructuring of the iron and steel industry accepted by the Government in 1998, mentioned above, as well as their updated versions from the following years, the Steel Industry Revitalization Package, etc. The Team has also discussed problems concerning the privatization, situation in some steel plants, EU accession requirements, etc.

The scope of the restructuration is illustrated in the table below.

**Table 1. The Crucial Points of the Sectoral Restructuring Programme**

Specification	Initial state (1992)	Program
Limiting the production <sup>a</sup>	16 million tons of steel	12 million tons of steel
Employment reduction	123 thousand employed	40 thousand employed
Consolidation and diversification	25 steel enterprises	Consolidation of the largest producers (development of P.H.S.S.A.) and companies, 4 plants included in NFI program
Privatization	State ownership (100%)	Privatization of P.H.S.S.A., privatization of Częstochowa, Ostrowiec and other steel plants
Bankruptcy <sup>b</sup>	Deep crisis	Disposal of the least profitable and 'dirty' steel plants

<sup>a</sup> limiting production was a precondition of applying for public support for restructuring (support for researches concerning social protection, ecology and development).

<sup>b</sup> Three steel plants were filed for bankruptcy and one was disposed.

The following table provides information concerning social protection instruments accepted by the Team.

**Table 2. The Steel Industry Packages: Social Protection and Professional Revitalization**

The most important social protection instruments (1999)	The most important conclusions in the Professional Revitalization Package (2003)
Earlier retirements	Retraining of employers
Pre-retirement benefits	Raising qualifications
Unconditional severance payments (including voluntary discharge and high severance payment)	Training contracts
Moving to other companies	One-time severance payments for retiring employees or employees starting business activity
Training contracts	Refinancing part of wages for employers from the outside of the steel sector employing former steel plants employees
	Counseling and one-time trainings

<sup>a</sup> author's compilation.

Changes in programs concerning instruments of social protection introducing new systemic solutions were deeply influenced by EU accession requirements. In case of steel industry they were particularly complex. One of the requirements concerned introducing proactive employment policy instead of the passive system based on pensions and benefits.

Privatization process in steel sector was one of the fastest and conducted on the largest scale. Foreign capital played an important role in the process. Privatization talks and negotiations had a substantial influence on the dynamics of dialogue on the enterprise level. They involved strategic investors, boards and very actively participating trade unions. Thus the dialogue in the steel sector functioned in many dimensions: governmental in tri-partite formula, sector in bilateral formula and in individual enterprises in a company formula. This also was a specific feature of the steel sector.

The company level dialogue referred mostly to collective agreements. ‘Steel was one of few sectors where collective agreements were reached in every enterprise’ (Towalski 2003: 137). Apart from consensus reached on a sector level, the agreements included additional conclusions

A specific feature of the dialogue in the steel sector and its effectiveness was a parallel character of negotiations in bilateral and tripartite formula. The tripartite negotiations were autonomous from bilateral collective agreement negotiations on the branch level. The collective agreement was signed already in March 1996, in the beginning of the restructuring process. It is very important that it was prepared and signed by all the most important trade unions active in the steel sector.

The information concerning the collective agreement is shown in the table below.

**Table 3. The Main Conclusions of the Collective Agreement of 1996**

Guaranteed minimal wage equaling 120% of the minimum wage
Introducing 40 hours working week in enterprises under agreement within three years from its validity
25% bonus for night shift, according to the wage guaranteed in the agreement
100% overtime bonus according to individual wage level
Bonus for working in challenging environment, according to the list of challenging environmental features listed in the agreement
More beneficial – compared to the Labour Code – solutions for employees in case of outage
Benefits for substitution of an employee with a better wage conditions
Anniversary prizes for employees, with first prize possible after 20 years of work.
Special additional annual bonuses, so called Steel Industry Worker Card
Employer’s obligation to inform every collectively discharged employee about opportunity for extra employment
Trainings and changing qualifications (contracts for the change of the profession) in large part organized and financed by the employer
More beneficial pensions and benefits conditions than guaranteed in the Labour Code
Longer denouncement period, with an shorter option on employee’s demand, more paid days off for the search of work

The new agreement emphasized the rights of trade unions, making the scope of some of them broader compared to the Labour Code. These included: introducing trade unions to plans of employees discharges and forms of severance payments, introducing agreements between trade unions and employers concerning trade unions' activity, trade unions free access to technical rooms and installations in particular, leaves etc. the restructuring programs, the collective agreement for the whole sector and the social protection package were all subjects of social dialogue and its effect. Thus they formed a 'model' of restructuring of a difficult and complex branch. A model for which social dialogue was of strategic importance.

The negotiation strategy, especially on the side of trade unions in the sector, did not mean that the situation was still and calm. Just like in other sectors, conflicts and tensions accompanied the restructuring process. However most of them took place before 1995, in the first period of the 'shock therapy'.

## 2. The Role of Trade Unions

The researches, which form a basis of the article, concern the first and the second phase of restructuring. The employers, the trade union leaders and the managers were asked to give an opinion on the activity of trade unions (particularly two main ones) in the process of restructuring<sup>1</sup>.

Activity of Solidarity was perceived positively mostly by the managers and the union's leaders themselves. Employees' opinions were mostly negative, almost half of them was positive though. OPZZ activity was also viewed positively by the majority of managers and union leaders who agreed with the opinion that 'trade unions participated in preparation and realization of the restructuring programs'. Employees' opinions were similar to the Solidarity case. It was symptomatic that employees in both cases have often chosen the 'I don't know' answer. It is an important signal regarding the employees – union leaders relations, or in other words unions' democracy. The opinions of trade unions in the second phase of restructuring became more and more negative.

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<sup>1</sup> The results of the researches were published in: Gilejko, L.K. (ed.) (2006), *Aktorzy drugiej fazy restrukturyzacji. Trudne role i wybory*, Warszawa: Oficyna Wydawnicza SGH.

While referring to different researches concerning the first phase of restructuring in the Nineties and the beginnings of the first decade of the 21<sup>st</sup> century we may state that trade unions employed various strategies with preference for negotiations and consensus. They had also exercised direct pressure, organized strikes and strike emergencies, got involved in collective disputes, etc. The most important trade unions prepared own restructuring programs or substantial propositions of their changes. Strategies of trade unions were different in regards to proportions between negotiations and contestation, sometimes involving very spectacular forms of protest. In steel industry sector negotiations and dialogue prevailed.

In the second phase of the restructuring process the trade unions' strategies remained the same. A new dimension of conflict and negotiations between boards (owners) and trade unions (employees) emerged. More and more often companies' boards or external strategic investors have been becoming a party of negotiations and conflicts. This referred also to other sectors. Strikes, demonstrations and other forms of protest concerned privatization, closing mines and developing new collective agreement in mining sector, transport, railroads and financing changes in PKP (Polish National Railroad), layoffs and social packages.

The most important conflicts in the steel industry sector are presented below.

**Table 4. Strikes and other forms of protest in the sector**

Form of protest	Date
Hunger strike in T.Senzimira Steel Plant, Cracow – Nowa Huta	1992
Strike in Lucchini Steel Plant, Warsaw	1994
Strike in Katowice Steel Plant	1998
Strike in Gliwice Steel Plant	2000
Strike emergency and strike in Ostrowce Steel Plant, Ostrowiec Świętokrzyski	2003
Strike emergency and strike in Częstochowa Steel Plant	2003
Strike emergency in Mittal Steel Companies <sup>a</sup>	2005

<sup>a</sup> The British-Indian concern became the owner of the largest steel enterprises, encompassing 70% of the sector.

Assessment of trade unions attitudes toward restructuring is particularly important in context of large employment reduction in its first phase. That's why employees' opinion is the most important. The managers' opinions are also important, though. The employees' opinions are presented in the table below. As it encompasses also other sectors, it is comparative in nature.

**Table 5. Employees' Opinions Regarding Leaders' Attitudes, the Selected Branches (%)**

	Branch – sector					
	Steel		Energy		PKP	
	„S”	OPZZ	„S”	OPZZ	„S”	OPZZ
The trade union participated actively in preparation and realization of restructuring program	37.9	37.1	49.9	38.8	41.7	40.8
The trade union is not interested in restructuring and cares only about social protection for employees	36.4	23.7	29.6	23.5	32.0	25.6
The trade union does not support restructuring and is oriented to protest against it	26.4	24.3	17.3	14.3	30.1	24.0
Union leaders care mostly about their interests and securing the place in the supervisory board	52.1	49.6	45.9	48.0	52.5	47.5

„S” – Solidarity – branch section.

OPZZ – OPZZ trade union.

Employees' opinions concerning the trade unions in the sector do not differ from opinions in other branches. Only employees in the energy sector state more often that Solidarity actively participated in preparation and realization of the restructuring program. Managers and obviously trade unions' leaders opinions are different. Over 50% of managers and 76% of unions' leaders in the sector state, that the unions participated actively in development of the program. The situation in the other two branches looks the same. It's characteristic, that according to a larger number of employees the trade unions organized strikes against restructuring more often in the second half of the last decade than in the first one. This concerns especially Solidarity. However, the biggest increase refers to the number of employees who stated that 'the union leaders care mostly about their interests and securing the place in the supervisory board'. This was an opinion shared by 50% of steel sector employees 45,9% of energy sector employees and 52,5% in PKP. The opinions referred mostly to Solidarity leaders. The opinions were negative and were showing that union leaders are perceived as an independent group of interest.

### 3. The Price of Negotiation and Dialogue Strategy

When the trade unions preferred the dialogue and negotiations strategy, they enjoyed employees' legitimacy. According to many researches conducted in employees' circles, when they were asked about the best form of representing their rights, they pointed at tripartite talks between representatives of government, managers and trade unions. Strikes and protests were also perceived as effective forms of activity supporting employees' rights, but they have never reached the first position.

Employees in the steel sector also assumed, that the most effective form of trade unions' activity in regards to representing their interests were the tripartite talks with the government. However, the union leaders, when asked about effectiveness of various forms action most often pointed at the direct talks with the representatives of the government and later the tripartite branch teams, than at the threat of strike or demonstration and the strike emergency. Contestation was more often supported by Solidarity representatives, while the participation in branch teams by representatives of OPZZ.

In the steel branch the leaders' support for protests against restructuring was rising during the process: in 2002 this opinion was shared by 13% of Solidarity representatives and 30.1% in 2005. The amount of likely thinking OPZZ representatives had risen from 15% in 2002 to 24% three years later. This was caused by the attitudes of government representatives as well as violating obligations by new owners of steel companies or by the threat of bankruptcy.

The critique regarding the trade unions was manifested by assessment of its leaders attitudes and by shrinking numbers of their members.

The employees of steel companies under research, when they were answering questions concerning the motives of action of different actors, were asked to develop their own negative ranking list reflecting how much the actors are acting out of self interest. According to the employees:

- Solidarity union leaders are mostly interested with their own fate, they care about their place in the board – 52.1%,
- during the restructuring the directors are mostly preoccupied with their own interests (57.1% employees, 57.1% union leaders, 12.5% managers),
- during the restructuring the government officials are mostly preoccupied with their own interests (73.6% employees, 81.0% union leaders, 50.0% managers),
- representatives of voivodship administration gain private profits from restructuring (60.0% employees, 28.0% union leaders, 25.0% managers).



The negative list of egoists, benefiting directly or indirectly from the restructuring process or caring mostly about own interests, consisted mostly from public administration representatives - the representatives of the third, most important partner in the dialogue. Public administration was also accused of compliance, even servitude to the external environment – European Union and foreign capital. Public servants were ‘accused’ of following personal interests by 73.6% of steel industry employees and even 81% of trade union leaders. The voivodship administration was perceived less negatively, probably because of its smaller perceived part in developing and realization of restructuring programs. The motives and attitudes of companies’ boards were also perceived less negatively.

Union leaders in steel companies and in other branches are not on the first position among ‘egoists’. Their negative perception is rising though. This was one of the issues influencing the feeling of loneliness of employees’ environment, the abandoned class syndrome. All the researches show that employees feel that their interests are not effectively represented by anyone. These opinions concerned also the trade unions.

A factor additionally fostering such opinions in the sectors under reconstruction, including the steel industry, was the strong spatial concentration. The restructuring was the most important factor and obviously the reason of de-industrialization of regions where the sectors concerned dictated the level of regional development and of its economic importance. In the former economic system these sectors were particularly important and privileged. Lack of a new development strategy of these regions generated additional social costs of restructuring and frustration of the employees. In eyes of the employees the trade unions, by preferring dialogue, actively participating in the restructuring process and even actively supporting social packages or developing new collective agreements became a member of ‘reformers coalition’, kind of a new party. Thus, they were paying the price for choosing the negotiation strategy.

An additional feature that has influenced the employees’ assessment of the unions leaders was a lack of information and of consulting employees’ opinion concerning the strategy. The employees under research more often pointed to mass media as a source of information concerning the restructuring than to the trade unions. Although the trade unions organized referenda among employees, this usually happened in case of strike or strike emergency. This also was obligatory procedure in light of legal regulations concerning collective disputes. Rising support of the union leaders for contestation, exploiting the threat of strike or organizing one was caused

not only by negligence of boards but also by rising negative attitudes of employees. These also concerned opinions about trade unions' leaders.

Despite rising criticism of employees in regards to trade unions' leaders and companies' boards, the branch dialogue in the steel industry may be perceived as the most successful one. Thanks to negotiation strategy the trade unions have managed to keep a strong position in privatized companies which are now owned by the large international foreign investor. The later events, including the agreements between trade unions and company board during the crisis, which also concerned the steel sector, confirm the thesis above. Trade unions started to effectively realize their new function – developing employees qualifications while employing EU funding promoting human capital.

One of the major reasons of rising critical perception of trade unions' leaders by employees was inadequate amount of information concerning restructuring and trade unions' activity passed to the employees. The researches show that according to 44% of employees, they were not consulted in regards to the restructuring plans, although they demanded to be informed. Only 16% of employees stated, that their environment was not interested in restructuring plans. The majority of managers (57.1%) stated that plans were consulted with employees. The opinion was shared by 50% of trade unions' leaders.

The steel sector is not an exception. Various researches revealed, that employees gained information concerning restructuring programs more often from media than directly from major actors involved in their development and realization. Informing and consulting employees could have had a positive impact on the restructuring process as well as on development of social packages or programs of professional training of dismissed employees.

Without a doubt, the insufficient involvement of local government authorities' in restructuring process was its drawback, especially in regards to developing alternative programs of local and regional development. The major actors of restructuring and the employees perceived the attitudes of regional authorities negatively, despite the existence of government – local government program of countering the negative effects of restructuring and of another program for alternative development actions for Małopolska region. As the restructuring, especially its social consequences, always has a local impact, the problem of local government involvement is and will be of substantial importance.