

# Emerging Capitalism in Poland: Challenges and Dilemmas

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## Abstract

*This statement provides an account of an eventful period in the recent history of Polish social dialogue (2001–2005). The author shares his experiences and reflections from the time when he served as the Minister of Labour and the Deputy Prime Minister, as well as the head of the Tripartite Commission for Social and Economic Affairs. The statement heavily relies on the author's book 'Loops of development' (Pętle rozwoju) published in 2007. The author argues that while structural reforms are inevitable in societies in transition, such as Polish, they should be introduced with caution. The role of public institutions and their viability is also stressed out. As the author claims, social dialogue, albeit of undeniable value, is prone to serious deficiencies, especially, if it retains a specific corporatist profile (that is, supporting special interest groups), which was the case in Poland in the early 2000s.*

## Introduction

Upon the request by the Warsaw Forum of Economic Sociology, I am going to share my thoughts and reminiscences on the meanders of economic and political transformation in Poland, the process I used to actively participate in. I wrote extensively on those issues in the past, so I would like to build my testimony around

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my earlier publications and critical responses they triggered. Furthermore, I would like to address the phenomenon of Polish social dialogue. In the first place, let me remind the comment regarding my book 'Loops of development' (*Pętle rozwoju*) made by Henryka Bochniarz, the President of the Polish Confederation of Private Employers.

Henryka Bochniarz expressed an opinion, that my book lacks emotion. That kind of emotion which was visible in my activity. As we talked, she also added that everyone would like to learn more about the dispute in which the Deputy Prime Minister Grzegorz Kołodko and myself became engaged.

I provide the account of the dispute in the book, but I avoid presenting it as a clash of two personalities – which by the way was also true – with an aim to depict it instead as a clash of two concepts, that it also was. I do so not to 'rewrite history' but to emphasize what is the most important for me in the book – the mechanisms of economic politics. I did not want to disrupt the solid description of these mechanisms with anecdotes and personal emotions, which would preoccupy the reader while turning me egocentric.

I do not believe that 'the human factor' is of no importance while describing the mechanics of politics. After all, I write about 'the ambitious and fussy radicalism' which became the brand mark of Polish reforms. However, I must instantly add that for the sake of explaining our problems and failures the institutional issues are more important than personal ones. On a scale of a single undertaking or while explaining a specific situation, relying to personal issues might be sufficient. To understand a development process it is certainly not.

Let me go back in time to the early 2000s, when I served as the Minister of Labour. If I wanted to explain only why I did not manage to prepare, and eventually pass the bridge pensions statute, I would emphasize that I was not able to control the actions of my depute Krzysztof Pater, who managed many issues as I was expecting, but in some other he acted as if he were calculating what was politically profitable for him personally. It seems, that he was constantly taking into consideration the fact, that while I was subjecting myself to Democratic Left Alliance (Sojusz Lewicy Demokratycznej, SLD) parliamentary faction's criticism, my position was not strong and I could have lost my office. Thus, if he had been more acquiescent he might have had become a minister. He was playing both sides.

However, what is valid in this specific – and by all means important – example is no longer valid when I try to explain the course of the pensions' reform. At that level it is institutions that make a difference, while individuals much less. Thus I may safely state that if certain positions were occupied by different persons, the outcomes

would still be more or less the same, and certainly if there were someone else in place of deputy minister Pater, the state of pensions' reform in 2005 would be similar.

I also try to avoid the personal tone because it is almost impossible to escape from the 'Balcerowicz syndrome' in Poland. His personality and actions became a frame of reference and a measure for actions of everyone else active in the economic policy. The problem is not to turn 'Balcerowicz syndrome' into 'Balcerowicz complex'. Our economic reforms are inseparable from those of Leszek Balcerowicz. He is responsible for their direction and momentum. He, therefore, deserves a better public image and recognition for his achievements.

Nevertheless, it would be an oversimplification to say that 'the Balcerowicz reform or programme' should be a standard. He is responsible for bringing our economy from one world to another, from central planning to the market. That transformation could not have been taken in small steps. It had to be done instantly. The radical transformation was possible in the circumstances resulting from the downfall of Communism. Jumping to the market reality made the restoration of the former system impossible once and for all. This also began the process of a new institutional system formation. However, the progress in these matters means that the institutional vacuum, which enabled and drove the radical change, is no longer present.

Nowadays political initiatives, regardless of their scope and radicalism, have to take into account the developing system and the systemic balance of power. The politics are no longer about breakthrough but more about continuity. The politics are ordinary rather than extraordinary. To use a military metaphor, instead of a 'Blitzkrieg' we should get accustomed to a long lasting war in trenches. Thus, it is pointless to wait for another Balcerowicz. Besides, when Leszek Balcerowicz became Deputy Prime Minister and Minister of Economy again, at the end of the last century, his mission turned into an absolute disaster, what his avid followers seem to conveniently forget. 'The second Balcerowicz' could not win much while employing the instruments use by the first one. The times and circumstances changed. It makes no sense to emphasize that during his second tenure in the office the so called Four Reforms were conducted (pensions, local government, public health care and education). Firstly, not all of them were prepared by AWS-UW government and backed up by Balcerowicz. Secondly, it is hard to see them as a fully successful, especially in case of the public health care reform. The accumulated financial consequences of those reforms led to public finances collapse in 2001 (famous 'Bauc deficit').

The fate of the Four Reforms of 1999 helps to prove the argument that reforms that have a greater chances to succeed are those adaptation-oriented, which envisage

reorganisation of existing institutions, rather than those aimed at activating institutional breakthrough and destruction of old institutions in order to replace them with new ones. Building an institutional order depends much more on continuity and adaptation rather than on institutional change. The permanent reorganization leads to institutional chaos and void, uncertainty and selective pathological institutional adaptations of actors. The public health care reform provides a meaningful example of what radical institutional change may produce.

While holding power, one constantly faces crisis situations and critical moments. For every such situation there are number of potential solutions, which, if implemented, may translate into various possible actions. While making a decision, it is of utmost importance to have a compass, that is, a reasonable vision of institutional order. Are we conscious of the rules which both guide and limit our actions or do we let ourselves to be driven by emotions and random impulses which may give a wider spectrum of options but also increase risk of chaos. The choices made earlier determine our future options in future crisis situations. As a consequence, our range of potential options and assets at our disposition may either shrink or widen. If, while nourishing some vision of institutional order, we are really able to make it happen, our opportunities become more and more abundant. If not, they become more and more limited.

Building an institutional order involves forming a set of rules of conduct concerning each participating actor. The rules limit and bind but also multiply the assets, what in turn enables actors to deal with crisis situations and overcome them makes more easily. Deterioration of the institutional order leads to destruction of the norms, limiting the communication and the ability to cooperate. The actors may gain a greater freedom of action but their cooperation becomes more difficult, challenging and much more expensive. The opportunities to counteract the crisis situations are definitely smaller. When they become slim the solution of the crisis is an outcome of the situational balance of power. This in turn creates space for provisional and, possibly, pathological solutions. They allow the actors and organizations to continue their activity but also introduce institutional pathologies and undermine the system. If the scale of the process is large, it may lead to destruction of the constitutional system.

Nowadays, in the globalizing world, opportunities for complex, well prepared and planned in advance institutional reforms become extremely rare. It is not because of absence of capable politicians, statesmen, but by environment in which they operate. Thus, rational expectations addressed to the politicians in power should concern solutions, which may lead to reproduction of available opportunities and

assets in the social system. If politicians are unable to do so, their chaotic actions may eventually paralyse the system. In such circumstance, introducing any form of a new order is necessary, even if it needs to be enforced somehow. However, social change introduced in such a way is very costly and increase the risk of the nation being pushed away to the peripheries of the modern world.

Before any social system falls apart, its collapse may be preceded by a relatively long period of social disintegration. That creates multiple opportunities for pathological forms of adaptation, which only prolongs agony of the decomposing system. However, the longer such period lasts, the harder it is then to introduce a new order, because all the pathologies have more time to become entrenched. They are going to reappear in new circumstances and will continue to negatively influence the process of social change.

The relatively slow progress observed in the process of 'information society' emerging in Poland is certainly not a result of the technological backwardness, or lack of infrastructure. It is more a problem of collective mind. 'Information society' is based on probabilistic and hierarchic understanding of social reality, while 'industrial society' relies on deterministic and uniform vision of the world.

In both cases the type of leadership is different. In 'industrial society' a leader is usually a great modernizer, sort of super-manager, who imposes his vision and will upon society, and who is determined to bring a universal project into life, someone who is able to define a clear goal and attain it despite the obstacles. The state under such leadership should be an effective organization whose aim is to achieve the strategic goals defined by the leader.

In 'information society', with its probabilistic and multilateral nature, the key to effective leadership is not imposing one's will but steering the collective discourse, not setting goals for specific features of the state bureaucracy but initiating dialogue and promoting partnership involving variety of actors who are in control of assets critical for social and economic development. The dialogue and partnership should be focused on development. So it is not about goals set by a superior leader but about defining them collectively as points of reference, against which actions of multiple actors – independent, autonomous and acting in public space whose boundaries are set by institutional order, culture, law and communication. – engaged in development may be directed harmonized. In such a formula a leader is a strategy-maker, a guide, a moderator but by no means a superior decision-maker. Immanent components of such type of leadership are not power and control but competence and partnership. The power and effectiveness of the state does not come from political force and repression but from institutionalized partnership that enables assessing, using and

reproducing the assets crucial for development. Strategic advantage and ability to act arises not from the monopoly for power and coercion but from communication and agreement.

The right reaction to ‘the soft state’ syndrome (as defined by Gunnar Myrdal) would not be to strive for ultimate control, unilateral order and strong government, but to develop a multilateral order on the basis of ‘partnership management’. Following the latter route requires replace routine, recurrence and dependency with innovation, adaptation and partnership. That is the way modern economic organizations act. So should modern states as well. Otherwise they will lose their ability to regulate the economy and to control direction of development. They would become powerless and parasitic organisms wasting assets and hampering development.

As we are talking about helplessness of Power, it is worth to mention the inspiring book by Jadwiga Staniszkis (2006). In general, I do not agree with the author’s arguments, as far as analysis of current politics is concerned, but nevertheless, I appreciate the approach to phenomena of power and politics presented in the book. Staniszkis’s main thesis is that political power in the contemporary world should be seen as ability of the political system to accomplish strategic endeavours leading to institutional change of the system. In terms of economic policy, it should follow a structural approach, and introduce institutional changes aiming to boost the nation’s competitive advantage in the long run. The role of the state in the economy is to solve structural problems, so that institutional recovery of the market is ensured, and the economic actors are able to increase their assets, and to adapt on continuous basis to the evolving environment.

While searching through the eminent work by Staniszkis, I discovered number of ideas and concepts potentially interesting to those involved in economic policy making. I would like to mention some of them:

- The network-based approach to the analysis of power (institutional webs); the power is the function of the ways the actors perceive problems and communicate them (moving from ontological to epistemological approach to power);
- Emphasizing the issue of various institutional orders coexisting in the same social space;
- Understanding the political sphere not only in terms of power or as a political system, but rather as a sphere of discourse allowing to defining the situation; limiting political-party power and rebuilding public space;
- ‘The structural violence’ concept – structural violence means imposing a new structure (post-industrial institutions) onto another (post-communism), which

result in deformation of the latter by the logic of the former (asymmetry of rationality);

- Acknowledging the role of pathological forms of adaptation, which allow the system to continue working but also undermine it, and the ultimate result is uncontrollability of the system;
- Underlining the importance of the non-interference, that is controlling intensity in changes without examining the consequences of earlier actions.

Thorough exploration of the abovementioned issues needs is matter for another time. Hereinafter I only would like to emphasize that adapting the Jadwiga Stanisziś approach makes it easy to notice that the government aspiring to control others behaviour, putting their watchmen everywhere, is helpless as far as the merits of governing are concerned. If one seriously thinks about socio-economic development, they must consider the need to impact and coordinate behaviour of many actors in many webs. For example, only such policy may effectively provide for the national energy security. Placing trusted people all over ministries and state-owned companies will not do any difference. Those who believe in deterministic political power, the state's omnipotence can only make what is necessary impossible, if their beliefs are transformed into action. In order to turn what is impossible into feasible, a government has to cooperate with multiple actors and respect their autonomy.

It should be remembered, that the state may experience a 'work overload'. That could happen when the state aspires to perform too many functions or when it initiates too many endeavours at the same time. The latter case may occur especially with states suffering from ineffectiveness of public administration. In such circumstances, what once was just a crisis of government, may suddenly turn into a crisis of state. I am afraid that Poland is getting close to that point. Bringing the notion of the 'weak state' once again, I can only say that in my books and articles written at the turn of the century, I warned about symptoms of 'the soft state' becoming noticeable in Poland.

To my understanding 'the soft state' is a term depicting a low quality of governance. The issue was addressed also by myself, only I coined another label for it, namely 'institutionalized ir-responsibility'. I discussed its main attributes in social, political and administrative terms in my joint work with Marody (2001). These are as follows:

- Social ir-responsibility – passing the responsibility for social life to the state, privatizing the public assets by individuals and special interest groups, at the cost of the public.
- Political ir-responsibility – colonization of the state's apparatus by the political parties, political cronyism, indifference of the political class to the pathologies of

- the public life, politicians' aspirations to collect 'political benefits', institutionalised corruption and abundance of semi-public funds beyond control of the parliament.
- Administrative ir-responsibility – public officials hold too much discretionary power and are personally irresponsible for their actions, low quality of administrative decisions, low effectiveness and lack of transparency of administrative procedures.
  - The institutionalization of the 'ir-responsibility' is the main reason behind 'the soft state' syndrome emergence in Poland. Eliminating this syndrome will not be easy, because 'institutional ir-responsibility' involves decline of internal self-correcting political mechanisms which ensure improving quality of governance.

Overcoming 'the soft state' syndrome requires adequate institutional changes and introduction of an institutional order which, while sweeping away the 'ir-responsibility' also helps mobilization assets for development policy. Recommended forms of change involve: decentralization, deregulation, self-governance and civic dialogue. In my opinion, all those elements combined may become a foundation of a partnership for development.

In 2005 the parliamentary elections were won by a party that emphasized the importance of building a viable state. However, the party's vision was essentially different from the vision I have presented above. They saw the state as solid, unilateral and centralized organism. The state that is based on 'power's technological course' (in Polish: *technologiczny ciąg władzy*). Two years later it appears quite clear that such issues as economic policy or economic development are not in the centre of this party attention. It is keen to employ the old-style propaganda fireworks to cover the progressing intrusion into economy. This involves increasing party's monopoly in managing the public property and growing public presence in the economy. The symbol of these politics is freezing the statute on freedom of entrepreneurship and replacing it with loudly heralded 'Kluska package'. In the meantime, the government consequently, with help of the party nominees, tries to develop vast state dominions in the energy, bank and insurance sectors, which could enable it to impose the rules concerning entrepreneurship on the private sector.

## What Type of Political Economy is Needed in Poland?

Tadeusz Kowalik, while reviewing my book 'Loops of development' (*Pętle rozwoju*) writes: 'his diagnosis of strategic abilities of the state was clashing with his strong



faith in advantages of the dialogue. He thought that the state was weak and because of that fact it cannot effectively function in strategic dimension. The major reason of its weakness was the fact that it was dominated by department-corporatist networks and their supporters. He faced a dilemma: how to develop social dialogue while fighting these networks'. I eagerly agree with the diagnosis but not with all of my old friend's conclusions.

First and foremost, I have never treated 'corporations' as responsible for all the evils and I am not their sworn enemy. I understand that both branch and public corporations must exist and have their place in social dialogue. I may give dozens of examples showing that I acted accordingly to this view. It was not my intention to destroy corporations but to make them function according to certain regulations. It was one of the goals of the draft legislation concerning professional self-government.

To me corporations themselves do not appear as the major problem, what truly concerns me are specific bonds linking corporations to central administration. That is why I deliberately use a phrase 'department-corporatist networks' (in Polish: *układy resortowo-korporacyjne*). These networks are the major institutional problem and their activities hinder development. In my eyes, breaking those networks is crucial to create space for development-oriented policy. That does not mean destroying corporations or dissolving governmental departments. However, it requires preventing the administration from formation of branch-centred, hierarchical structures, and using them to maintain control over certain types of institutions, like schools, universities, hospitals, or enterprises. The domain of governmental body responsible for a specific branch of the economy should be limited to preparing legislation, programming and implementing of major development projects, managing public finances, setting standards and developing international cooperation. This would prevent alliances between corporations and administration that are obstructive to modernisation and development-oriented policy. In other words, corporations must be truly independent from the government, not only in legal or formal but also in systemic, organizational and material sense. They should be a partner, but not a client of the government.

I persistently opted for an institutionalized social partnership and dialogue and I maintained dialogue with corporations on regular basis. However, I tried to channel the branch and professional interests and views to the Tripartite Commission. Trade unions were to play an important role in this process. The problem was, that very often because of weak leadership, they were unable to transcend the domination of the branch structures.

Tadeusz Kowalik is a consistent Keynesian and a supporter of public intervention in economy, especially, on the demand side and, redistribution. In such circumstances

the state assumes responsibility for economic and social equilibrium, and economic growth and development. In order to achieve those goals, the state needs to build institutions of corporatist dialogue, and then secure its proper work by maintaining understanding and peace between social classes. The core subject of the dialogue is redistribution, aiming in particular at balancing income from capital and labour. The foundation of such concept is 'welfare state', which is supported by 'social market economy'.

The problem is that already for a long time the contemporary economy and the state do not reflect those theoretical assumptions. It regards not only Anglo-Saxon and continental countries but Scandinavian as well. The issue can be reduced to the differences between competing models of capitalism no more.

Contemporary state is no longer interventionist and redistributive but facilitative and regulatory. It does not possess the assets, competencies and instruments that could influence the demand. It is no longer a Keynes welfare nation state but a Schumpeter labour state, a participant in international and global order. This means limiting its economic sovereignty.

One of the major consequences of this process refers to approach to wages. In Keynes state wages are above all a factor of domestic demand. In Schumpeter state they are perceived as a factor of costs and international competitiveness. In the first case the state aims to directly influence the wages and forms dialogue institutions enabling that. In the other the wages are just one of the economic parameters which could be influenced only indirectly and on a limited scale.

It is not pointless to remind that economic policy in a modern state is no longer an exclusive domain of the government. Development of public bodies independent from the government became a persistent institutional solution. These bodies are reacting to changes of wages on the macroeconomic scale. The microeconomic dimension of the regulation also becomes more and more autonomous from government policies by introducing independent dialogue of social partners and ongoing privatization, decentralized collective agreements and more and more often civil agreements.

In Polish case this is supplemented by European integration, which curbs many attributes of the Keynesian-type state. Labour market and employment policy are still in the centre of the integration process, however, issues like: entrepreneurship, adaptability and equal treatment are more in the foreground than wages and incomes. The approach concentrates much more on the supply than on the demand, so it is closer to structural than social policy and 'welfare state'.

Traditional European social model – based on the 'welfare state' – in principle exemplified an attempt to neutralize the effects of the market, mostly by centralized

redistribution and shielding some social groups from influence of market rules while offering them a system of social security. In practice this turned out to be costly and inefficient, thus ineffective. Setting the opposition of 'social' against the 'market' did not save people from poverty and exclusion but weakened competitiveness. That is why today the search is going in the reverse direction: not against but according to the market. Not to decommodificate the individual but to guarantee them equal conditions and opportunities in commodification process. The state does not concentrate its efforts on the demand side and incomes redistribution but on the supply side and forming institutional context for the market in a way structurally guaranteeing its growth, competitiveness and cohesion, and thus development.

This is a deep intellectual, political and institutional change which is reflected in the following tendencies:

- from 'the welfare state' to 'the workfare state',
- from 'the welfare state' to 'the welfare society',
- from 'politics of compensation' to 'politics of cohesion',
- from corporatist to civil dialogue,
- generally toward social economy and corporate social responsibility.

In my opinion Tadeusz Kowalik's proposal seems outdated. Redistribution income policy in Keynesian form will not be back. The state that tries to run such policies makes itself powerless and is sentenced to strategic failure.

## Weaknesses of Polish Social Dialogue

According to the Article 20 of the Polish Constitution, the principles of solidarity, dialogue and cooperation of social partners make fundamentals of social market economy. In Poland social partners' cooperation evolved into a form of corporatist dialogue involving trade unions, employers organisations and the government. The institutions of social dialogue include: Tripartite Commission for Socio-Economic Affairs and Regional Social Dialogue Commissions. Another form of corporatist dialogue is a cooperation of state agencies with economic self-government (chambers of crafts, co-operatives, agricultural and economic chambers) and professional corporations.

The model of social dialogue present in Poland, petrifies the government-corporatist relations and paternalistic ways of interest representation. In the early

1990s tripartism was an important social innovation, which helped to ease the social conflicts emerging during the first period of the economic restructuring. However, as time went by tripartite social dialogue, instead of softening the impact of foreseen actions in the field of economic policy, began to obstruct them. That turn in tripartite social dialogue happened because trade unions used dialogue not to negotiate compromise but to win public recognition and additional resources that would boost a given union in relation to other unions and to ameliorate the position of specific trade union leaders.

Corporatist dialogue – especially at the central level – always turns social partners into a part of governmental structures to a certain extent, thus somewhat limits their autonomy. The extent of this process depends on many variables, like volume and role of public sector in the economy or a scope of state's centralization. That is why in Poland the challenges for social dialogue are serious. The price of maintaining social peace is usually high. If there are no alternative forms of dialogue, the price has to be paid, having in mind, however, that social dialogue does solve at least part of the problems instead of pushing them away and leaving the solutions for the future.

Another important characteristic of tripartite, social dialogue in Poland is constituted by growing political ambitions of trade union leaders and, most of all, political affiliations of unions. Hostility of Solidarity to left-wing governments, and OPZZ to rightist ones results in hampering, or even aborting the dialogue after each parliamentary elections. That happened after formation of AWS-UW government in 1998, when OPZZ left the Tripartite Commission, in fact paralyzing its proceedings in effect. Likewise, Solidarność responded negatively to every single initiative of SLD–UP–PSL government between 2001 and 2005. I believe, that the Solidarność's decision of not leaving the Tripartite Commission in 2001 (when AWS lost the election), was taken because according to the new law, each side of collective labour relations could be represented even by a single organisation, and the Commission would still be able to function, as the tripartite nature of the body was retained. Thus, leaving the Commission by Solidarność would not have serious impact on the body (because OPZZ still represented the labour), while participating in the proceedings gave it an opportunity to obstruct the consensus, which required consent of all participants present.

In my opinion, the Tripartite Commission, was very active in 2001–2005. However, the intensity of the social dialogue did not result in any important conclusions, mostly because of high political involvement of the trade unions.

The Act on the Tripartite Commission for Socio-Economic Affairs and Regional Social Dialogue Commissions, enacted in 2001, recognised two trade

unions organisations: Solidarity and OPZZ, and three employees' organisations: Confederations of Polish Employers (since 2010 Employers of Poland), Polish Confederation of Private Employers and Polish Craft Association, as representative social partners in the Commission.

One of the very first problems was a question of representativeness of the social partners admitted to the Commission. The problem became acute, when in 2002 the status was acquired by Business Centre Club and Trade Unions Forum by court order. Other organisations, already seating in the Commission were reluctant to increasing the number of member organisations present in the body. Inclusion of the new partners triggered a reflection on legal criteria of representativeness, and, especially on how to solve the problem of double membership. Now the Commission included three representative labour unions' structures and four employees' organizations. Everyone understood that its further enlargement could even paralyze the proceedings. None of the partners looked forward to stronger competition, so they advocated an ad hoc amendment to the law with a view of keeping the status quo. The proposal for introducing 500 thousand members threshold for acquiring a status of representative social partner at the central level. As a result, a status of representativeness is never permanent. Each organization, including those explicitly named in the earlier regulations, has to confirm its status every four years.

Establishment of the Regional Social Dialogue Commissions (WKDS) was one of the key achievements of tripartite social dialogue in 2001–2005. WKDS turned out to be quite effective instruments of solving conflict on a local and regional level as well as issues involving individual firms. Generally, participants of such conflicts tried to get government involved. Channeling the problems to WKDS, which often included a government representative, made such an involvement more difficult.

WKDSs played an important role in appeasing the tensions concerning restructuring or bankruptcy of such enterprises like: Stocznia Szczecińska, Huta Stalowa Wola, 'Tonsil' Września, Fabryka 'Wagon' in Ostrów Wielkopolski, Fabryka Kabli in Ożarów or Huta Częstochowa. The Commissions were also involved in sectors where conflicts were arising, like health care, and in projects substantial for regional development of various voivodships (like construction of A1 highway in Pomorskie). WKDSs created additional space for mobilization and activity of NGOs. To a certain extent they developed space for civil dialogue, broader than corporatist one.

The Tripartite Sectoral Teams also became a frequently used platform for social dialogue. In most cases, their creation was directly related industrial conflict in a given sector, and was normally a vital part of a compromise putting the conflict to an

end. They emerged especially in branches undergoing profound restructuring, as well as in those dominated by public sector. They served as a forum for consultations of restructuring programs and of negotiations over the 'social packages' accompanying the employment restructuring. Dagmir Długosz observed that sectoral structures of social dialogue lacked clear legal basis and. Despite proving useful in building consensus for the sake of sectoral restructuring programmes, tripartite social dialogue conducted within the sectoral teams also produced disproportionate privileges for some strong industries (e.g. mining, steel or arms industry) whose cost were borne by public finances. Furthermore, ex post analysis of the long-term effects of the restructuring programmes allowed for by tripartite agreements reached by the sectoral teams shows that they did not contribute to the full recovery of the sectors concerned (Długosz 2005a; Długosz 2005b).

When the Tripartite Commission started its work in a new organisational context, a difficult question arose: what should be the relation between the Teams and the Commission, and should the Teams continue their work at all? The views of social partners in that matter were divergent. The employers' organisations, Polish Confederation of Private Employers in particular, were against retaining the Teams. Trade unions supported the idea of prolonging existence of the Teams, but insisted they would remain outside of the Commission's structure. The government realised that dissolution of the Teams was not possible, and the best solution at the moment would be preserving them but in a more regulated form than before.

Finally, following my proposal, the existing Sectoral Teams were to continue their activity, but their status was defined as 'by the Tripartite Commission' and not 'as a part of the Tripartite Commission'. They were also obliged to act under rules which were always to be agreed upon by all the parties involved. I had also pointed out that tripartite sectoral dialogue could only be seen as legitimate, if a governmental sectoral restructuring programme was taking place in a given branch. Only in such circumstance social dialogue could involve government. Otherwise autonomous social dialogue is possible, but without governmental involvement. For example, the Team for steel industry aimed to build bi-partite branch dialogue, which was a consequence of a final stage of governmental restructuring program for the sector, accepted by the European Commission and leading ultimately to its privatization. The following Teams continued their activities in this new formula: the Team for social security of miners, the Team for steel industry restructuring, the Team for energy sector, the Team for sulfur mining, the Team for restructuring of defense industry and the Team for light industry.

I openly opposed limiting social dialogue to government-branch formula. New status of the Teams, recognised as bodies acting 'by the Tripartite Commission' partly prevented from such scenario. In each team the government was represented by various ministries and the chairman of the Commission had formal means to discipline the government representatives and to oppose turning governmental position into articulation of the branch interests. However, it was not always successful and in some cases the governmental-branch perspective was strongly supported by ministries' representatives.

Creating new Sectoral Teams stirred another controversy. The health care exercised a constant pressure, dissatisfied with allocating health care issues to the Team for Public Services of the Tripartite Commission. Also coal miners demanded a team separate from general mining one. Another controversy concerned a Common Commission for Maritime Navigation and Sea Fishery, established in October 2000 (Longin Komolowski, coming from Szczecin, then a vice-prime minister and the Minister of Labour and Social Policy agreed to that). Under governmental regulations its status was different from other Sectoral Teams. I made the government not to agree to the continuation of the Team's extraordinary formula and to overrule the regulations concerning it. At the same time the government was ready to create a new team, this time in accordance with general rules. However it was not formed – it was not possible to identify its members and defined regulations.

## **Pact for Labour and Development**

Already in 2003, being the Minister of Economy, Labour and Social Policy, I initiated talks with social partners over the Pact for Labour and Development. Originally, I conducted bilateral talks with members of the Tripartite Commission, that is, leaders of all organisations present in the Commission. Next step was a joint position of, which was later accepted by the Commission. The position confirmed the will of all parties to prepare the Pact, and specified terms and subjects of negotiations.

In the position it was stated that: the Pact for Labour and Development is designed to counteract economic stagnation, positively influence social and civic activity and neutralize the threat of destabilization. We had also pointed out to the potential threats: high unemployment, rising difficulties in structural adaptation of Polish economy to demands of global competition, political radicalisation of a society,

growing support for radical-populist groups contesting democratic order and its norms as well as market economy.

The main objective of the negotiations was to reach agreement on how to positively influence entrepreneurship, economic growth and employment. These were the tasks which Polish economy had to tackle in order to successfully compete at the global level. The negotiations on the Pact for Labour and Development focused on the following issues:

- a. Balancing public finances (eliminating ineffective administrative structures, decentralizing public finances, tightening discipline and increasing effectiveness of public spending);
- b. Increasing freedom of entrepreneurship to accelerate enterprises' competitiveness;
- c. Introducing market rules in public services sector (public-private partnership in regards to financing important enterprises and projects);
- d. Rules concerning privatization, which should promote modern economic structures, generate employment and take into consideration the interests of privatized firms;
- e. Scope and ways of delivering public assistance to enterprises active in deficit or declining sectors of economy;
- f. Ways to lessen the income tax burden to promote consumers and investment demand;
- g. Labour law, including collective agreements and regulations concerning contracts;
- h. Mechanisms influencing wages in public sector, public services and enterprises' sector;
- i. Labour fund, including analyzing possibilities to increase the share consecrated to active help for unemployed to find new job in relation to welfare benefits;
- j. Guaranteed Employee Benefits Fund, which should regain the ability of independent financing and should stay under control of social partners;
- k. Creating a training fund which would help employers to motivate employees to expand their qualifications;
- l. Creating mediation services which would help Regional Social Dialogue Commissions to solve conflicts between employers and employees.

However, the negotiations concerning the Pact never began because of opposition by *Solidarność*. Its attitude greatly disappointed other parties and myself. I was disappointed even more, because Janusz Śniadek, the leader of *Solidarność* actively participated in the preparation of the joint position which was to be the point of departure for further negotiations on the Pact.



When we were summing up the initiative concerning the great social agreement in the Tripartite Commission, I said that for many months we were stuck between protests and talks, fight and agreement, pressure of the street and dialogue. Exchange of views is always needed, even if it does not lead to a joint conclusion. However, talks without results do not strengthen social dialogue or its partners. None of the parties of tripartite social dialogue can say that it enjoys a good deal of social trusts. Even worse, none has any clear back up from its social base. What is the point then in actions aimed to weaken any of the parties? And, above all, what is the sense to treat the government as a political adversary instead of a partner in the dialogue? The fact that we cannot find an agreement weakens not only the Tripartite Commission, but also the dialogue and us – as parties of the dialogue. It also means that we block actions, without which real economic and social changes cannot take place and Poland will keep on wasting its chances.

The *Solidarność* attitude made it impossible to reach a social pact. However, it did not mean that the idea of the Pact for Labour and Development turned out to be absolutely unproductive. The other partners continued intensive talks in many important areas. Its results were visible in support for a bill on entrepreneurship freedom and for lowering CIT tax rate.

## Summary

Years 2001–2005 showed that corporatist form of social dialogue is less and less useful in solving the most pressing social and economic problems. Governments under Leszek Miller and Marek Belka were taking social dialogue very seriously and tried to develop some new legal and formal context for it. That was one of the goals of an innovative and complex programme document called ‘The Rules of Social Dialogue’. It was not only a declaration of a good will and intentions, because it also introduced intra-governmental regulations which became a foundation of a partnership between government and social partners. Respecting the rules set by the document – even though were not perfect – was a decisive factor for intensity and orderly manner of social dialogue in the discussed period. No effective negotiations and problem solving followed, though.

The best direction of dialogue’s evolution would be limiting its corporatist dimension and expanding civic dialogue, not only on central but also on regional

and local level, with local government and NGOs as participants. That would mean that in the field of labour relations and labour law instead of the tripartite system an autonomous bilateral dialogue between representatives of employers and employees, especially on the enterprise level, would be strengthened. The state, represented by courts, would be an arbiter not a party in such a dialogue. Such a concept is present in a project of Collective Labour Relations Code prepared in 2005 by the Codification Commission for Labour Law (Kodeks 2005). It assumed introducing, through elections, a representation of employees empowered to negotiate collective agreements with the employer in all but small enterprises.

The failure of talks concerning the Pact for Labour and Development finally made me see the limits of corporatist dialogue. Since then I consciously aimed to develop civic dialogue instead. In particular, I initiated the Public Spending Reorganization and Reduction Program (in 2003 and 2004) and National Development Plan in 2007–2013 (in 2004–2005). I just want to express my hope that both these initiatives will become a starting point for a new form of social dialogue, which will create the actors of social and economic development, and the partnership between them. The space for civic dialogue also needs to be developed. Without these the politics turns into a struggle for influence and power, something we have been witnessing up to date.

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