

HOW TRADE UNIONS ARE A ROADBLOCK TO POLAND'S ECONOMIC RENAISSANCE

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The trade union movement has played an important role in the modern history of Poland. Its activism precipitated the fall of communism. Yet, with the transition to a free-market economy gaining momentum, it turned out that Solidarity embraced a vision of a new socio-economic model. Its leaders understood it as being a variant of Franco-German welfarism rather than Anglo-Saxon liberalism. Hence, as the union movement grew in power, it started to influence economic policy along interventionist lines, which not only affected labour market performance, but also the structure of the economy and the transformation processes. In consequence, Poland began to turn increasingly dirigiste. Thus the article – pointing to analogies, toutes proportions gardées, between trade union activism in the UK (1970–85) and in Poland (1990–2005) – argues that reducing the power of Polish labour organisations is a prerequisite of free-market reform and economic advancement.

Introduction

Trade unions occupy a particular place in most European economies. On the one hand, they can affect the functioning of a business 'from within' through workers' councils or in a top-down manner via collective bargaining, whose wage-setting results concern all companies in a given industry. Yet unions, if powerful, can also shape government economic policy by thwarting efforts to liberalise labour markets or forcing decision-makers to protect jobs through subsidies or other interventionist measures. This can be achieved by means of strike action and mass street protests or through the actions of politicians who either represent trade unions or who are trade unionists themselves. Usually, such activism, while serving the interests of a narrow group of workers, affects economic performance and hampers modernisation processes to the detriment of the entire society.

This article discusses the Polish trade union movement, focusing upon the latter area of influence. More importantly, it takes as its premise the presupposition that there exist, *toutes proportions gardées*, similarities between the UK economy and

the activism of its trade union movement in 1970–85 and the situation in Poland in 1990–2005. Of course, it is always risky to make such potentially sweeping comparisons. Nonetheless, with emphasis being constantly laid on the need to see things in proportion, we aim to draw some parallels in a bid to demonstrate that, in fact, Poland finds itself at the same juncture at which Britain found itself 20 years ago. In this sense, we argue that reducing the influence of Polish workers' organisations seems to be a *sine qua non* condition of reform. It follows that a failure to do so is likely to impede Poland's socio-economic advancement, thereby slowing down the process of catching up with the rest of the EU.

The next section presents background information both on the UK and Poland, which will constitute the context for understanding the links and similarities between the phenomena under consideration. Then, with reference to British trade unions, we examine the impact of Polish unions on labour market performance and the shift from agriculture and manufacturing to services and a knowledge-based economy. Special stress is placed on the way miners' unions affected the operation of the economy.

The socio-economic context: analogies between Britain and Poland

The activism of the UK trade union movement, which had a profound impact on the structure and functioning of the British economy, has been the subject of much debate (Burton, 1979; Hanson, 1991; Hayek, 1980). Both the Labour Party and the Conservatives viewed the welfare state with its collectivism and interventionism as well as the public sector with its immunity-protected unions as sacrosanct. The underlying idea was that more collective bargaining and an increase in statutory employee rights would be conducive towards the creation of a healthier economy and better industrial relations (Hanson, 1991, p. 59). The Employment Protection Act adopted by Parliament in 1975 was the embodiment of this philosophy.

As a result, the British labour market became increasingly inflexible. Worse, as the economy matured and profound paradigmatic changes started to come into play in the early 1970s, the over-regulated UK model turned out to be ineffective. With poor economic performance – high inflation, slow growth, rising deficits and unemployment (see Table 1) – becoming a reality, Britain earned the title of the ‘sick man of Europe’.

Trade unions, however, were determined to frustrate efforts to curtail their privileges and to bring in liberalisation. In 1969 the labour movement brushed aside the proposals to codify the conduct of trade unions, which were presented in the White Paper ‘In Place of Strife’. Then it forced the Labour government to repeal the Tories’ 1971 Industrial Relations Act through introduction of the Trade Union and Labour Relations Act (1974). In sum, legislation to protect and promote trade unions enabled them to expand their membership, by both voluntary and forced means (the latter through the closed shop), which, in turn, enhanced their leaders’ strike-threat power. This meant even more influence over pliant decision-makers and a serious threat to the democratic structure (Burton, 1979).

With ‘the winter of discontent’ taking its toll on the economy, the Conservative Party was voted into power in 1979. Thatcher believed that a modern

economy should steer clear of dirigisme that stifled enterprise and bred inefficiency in the public sector. Deregulation, flexibility and privatisation were key concepts on her government’s agenda (Johnson, 1991, pp. 270–279). In particular, Thatcher targeted labour market rigidities, questioning the notion that collective bargaining and ‘a fully comprehensive range of statutory employee rights is really in the interests of actual or would-be employees’ (Hanson, 1991, p. 59). She took the view that radical union bosses, behind the veneer of collectivism, hijacked the union agenda and did not represent the voice of individual members. Thatcher was aware that her plans would be opposed by workers’ organisations. That is why reducing the power of trade unions came to be regarded as an indispensable prerequisite of free-market reform.

With the benefit of hindsight and, despite many critical voices to the contrary, Thatcher is credited with turning the British economy around. Her reforms, introduced after the defeat of the National Union of Mineworkers (NUM), laid the foundations for a flexible economy, which now compares favourably with the economies of continental Europe in terms of unemployment rate and GDP per capita. This is also borne out by Britain’s high standing in competitiveness and business-friendliness rankings.

When communism came to an end, Poland’s economy teetered on the verge of collapse. It is possible to draw parallels between the situation faced by Thatcher in 1979 and Balcerowicz, the reformist-in-chief, in 1989. Both accepted the challenge of reforming an inefficient system, crippled by mounting inflation and unsustainable deficits. In 1979 Britain’s ailing economy had many Keynesian-inspired characteristics. Poland, a command-and-control economy, was devastated by years of communist mismanagement. Like her, Balcerowicz first set out to bring down inflation and to cap a spiralling debt, and then pressed ahead with reform (see Table 2). Likewise, the two politicians, whilst stressing the importance of macroeconomic stability and unhindered entrepreneurship, came in for a lot of criticism. Thatcher was criticised by Labour politicians and by many economists (including the famous 364 economists’ letter to *The Times*: see Booth, 2006). Balcerowicz came under

	GDP growth (%)	Unemployment (%)	Budget balance (% of GDP)	Inflation (%)
1970	2.1	3.5	+0.4	6.3
1973	5.0	3.6	-3.1	10.1
1975	-0.4	5.8	-6.5	25.0
1980	-2.2	6.4	-4.3	15.1
1985	3.3	13.2	-2.8	7.2
1988	5.1	6.6	+0.7	4.9
1990	-0.1	7.6	-1.2	9.5

Table 1: Britain’s basic macroeconomic indicators (1970–90)

Source: Begg, D., S. Fischer and R. Dornbusch (1992) *Ekonomia*; PWE, Warszawa, pp. 81, 224, 261, 349; Begg, D., S. Fischer and R. Dornbusch (2000) *Makroekonomia*, PWE, Warszawa, pp. 22, 208, 214, 243, 245.

Table 2: Poland's basic macroeconomic indicators (1990–2005)

	GDP growth (%)	Unemployment (%)	Budget balance (% of GDP)	Public spending (% of GDP)	Inflation (%)
1990	-11.6	6.5	0.4	39.8	585.8
1991	-7.6	12.2	-3.8	49.0	70.3
1992	2.6	14.3	-6.0	50.4	43.0
1993	4.0	16.4	-2.8	50.5	35.3
1994	5.2	16.0	-2.7	49.6	32.2
1995	7.0	14.9	-2.6	49.6	27.8
1996	6.0	13.2	-2.5	49.2	19.9
1997	6.5	10.3	-2.5	48.1	14.9
1998	4.3	10.4	-2.6	44.0	11.8
1999	4.0	13.0	-2.1	45.0	10.7
2000	4.1	15.1	-2.7	48.7	11.0
2001	1.0	19.4	-4.5	45.3	5.5
2002	1.5	20.0	-5.1	47.0	1.9
2003	3.7	20.0	-5.0	45.0	0.8
2004	6.9	19.5	-5.3	47.1	4.4
2005	3.2	17.7	-5.0	49.0	0.7

Source: Central Statistical Office (2005) *Statistical Yearbook 2004*, Warsaw; Central Statistical Office [online], *Statystyki*, Warszawa (accessed 30 June 2005). Available at www.stat.gov.pl.

fire both from left-wing (and right-wing) politicians¹ and trade unionists alike.

However, Poland found itself in a far more serious predicament. The communist system wreaked havoc with the economy. This manifested itself, amongst other things, in a depreciation of the ethos of hard work and a disproportionate reliance on the state as a provider of rudimentary welfare. Most state-owned enterprises (SOEs) were a byword for inefficiency, low labour productivity and technological backwardness. Yet manufacturing – and, in particular, heavy industry – was dominated by strong unions, with Solidarity to the fore, which played a decisive role in overthrowing communism.

This, in turn, boosted their standing in the 'new Poland'. As Solidarity and the communist-founded All-Poland Confederation of Trade Unions (OPZZ) grew in power, they began to influence government economic policy, which meant reinforcing both employment protection legislation (EPL) and union protection regulation² as well as increasing public spending. Such a stance was consonant with trade unionists' vision of a new model, understood as being a variant of Franco-German interventionist welfarism rather than of Anglo-Saxon liberalism.

The task was facilitated by the fact that Solidarity activists entered politics, first as members of newly-born democratic parties and later (1997–2001) as members of an electoral coalition (AWS), whose backbone was constituted by Solidarity.³ The then boss of the union was a *de facto* head of the ruling coalition. The presence of Solidarity members in government and in parliament fostered a schizophrenic conflict of interests, which ran counter to the principles of democracy and marked the culmination of trade union politicisation. In this way, a trade union reached the pinnacle of political power. So, if in Britain, as Burton (1979) wrote, the democratic structure began tottering perilously in the late

1970s, in Poland this structure actually fell, though paradoxically it was because trade union representatives were elected to democratically elected legislatures.

Hence – with unions, buttressed by favourable legislation, wielding real power – attempts to press on with liberalisation have been thwarted. It follows that, despite the early successes of the Balcerowicz 'shock therapy', Poland's economy has begun to turn increasingly dirigiste since the mid-1990s, actually repealing reform. All this has had far-reaching consequences. Strict EPL, coupled with high non-wage labour costs, led to the emergence of an insider–outsider labour market, which caused unemployment to soar. Devoting scarce financial resources to maintaining jobs in union-dominated agriculture and manufacturing to the detriment of services, education and research and development negatively affected the country's innovativeness. In sum, growing interventionism in its multifaceted forms has translated into Poland's very low scores in competitiveness and business-friendliness rankings (see, for instance, World Bank, 2005).

As a result, the shift from agriculture and manufacturing to services and the process of creating a free-market system have been slowed down. With the lowest GDP per capita (see Figure 1) and the highest unemployment rate among EU member states (15.5% in 2006), a rising fiscal burden and political unruliness, it might be tempting to say that Poland's long-term prospects are bleak.⁴ Let us now proceed to show how union activism has frustrated efforts to tackle these weaknesses.

Trade union activism and labour market performance

The most serious woe afflicting Poland's economy is high unemployment. This not only means a burden on the public finances, but also wasted human

potential. The most important indicator of this is the spike in the natural rate of unemployment. One econometric estimate puts it at 12.9% (2004) – a rise of 6.7 percentage points from 6.2% in 1991 (Kuczyński, 2005). This is reminiscent of Britain where in 1985 unemployment reached 13.2%, also the highest value among the then EEC countries. Likewise, the UK natural rate of unemployment had risen from 3.8% in 1967–73 to 6.6% in 1981–87 (Begg *et al.*, 2000, p. 236).

Many economists point to stringent EPL and high non-wage labour costs. In Poland it is, like in France and unlike in Britain, the labour code that regulates the hiring and firing process. It dates back to 1974 and is deeply rooted in the ideology of ‘a job for life’. Hence, with the overall EPL index totalling 2.1, it is far harder to dismiss workers in Poland than in the USA (where the comparable figure is 0.7) and Britain (1.1) (OECD, 2004, p. 117). Likewise, a Polish employer paying an employee \$200 a month has to pay another \$160 to the government in payroll taxes (Economist, 2001, p. 33). Poland’s employment rate compares unfavourably with that of other new EU member states from Central and Eastern Europe (see Figure 2).

That EPL has not been eased is attributed to the activism of trade unions. As mentioned above, union leaders managed to force through the laws buttressing trade unions. And this legislation plays a far more important part in conditioning union strength than the sheer number of members. As Figure 3 shows, union membership among employees in work in Britain is much higher than in France or Poland. Nonetheless, due to Thatcher’s reforms, UK unions are no longer as powerful as in the past. In Britain, union membership is also comparatively rare outside the public sector.

As strong unions foster labour regulation, the two types of regulation – the strictness of EPL and the degree of union protection – tend to go together (Siebert, 2005, p. 3). Crucially, the anti-reformist activism of trade unions, together with restrictions on hiring and firing procedures, gives rise to an insider–outsider labour market, which discriminates against job-seekers and those on temporary contracts or – in the Polish reality – on so-called civil-law contracts.⁵

Insiders (employees within the system, that is, those on open-ended contracts in well-protected, secure employment) regard reform as a threat to ‘their whole privileged status. To them, the possible gains from change are worth less than the risk of losing what they already have’ (Economist, 2006, p. 32). Thus people outside the system – outsiders – do not benefit from employment security and stand less chance of becoming members of the inner circle. And it is unionists who are classic insiders. The more powerful they are, as in Poland, the more persistent and entrenched labour market dualism is.

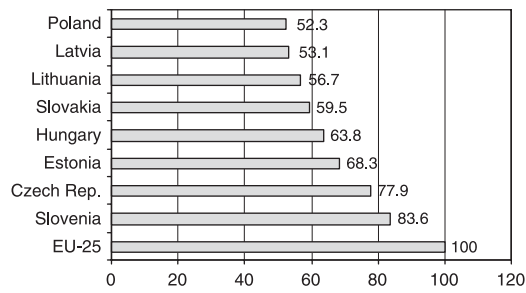


Figure 1: GDP per capita (2005), with the EU-25 = 100
Source: Economist (2006) ‘Shadows at Europe’s Heart’, No. 8499, 14 October 2006, p. 33.

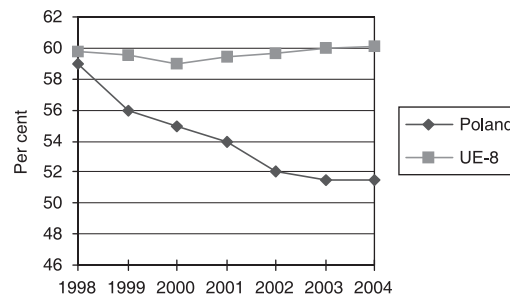


Figure 2: Employment rate as a percentage of working-age population
Source: Choueiri, N. *et al.* (2005) ‘Republic of Poland: Selected Issues’, IMF Country Report No. 05/264, International Monetary Fund, Washington, DC; Lucas, E. (2006) ‘Cheer Up’, Economist, No. 8477, 13 May 2006, p. 4.

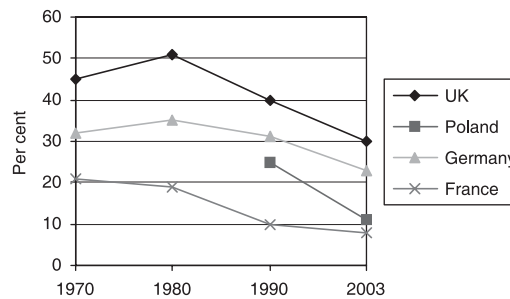


Figure 3: Union membership among employees in work (per cent)
Source: Economist (2006) ‘Power without Responsibility’, No. 8475, 27 April 2006, p. 32; Central Statistical Office (2004) *Polish Statistical Yearbook 2003*, Warsaw; PR departments of Solidarity and OPZZ.

At this point it might be interesting to look at statistical links between EPL, unionisation and unemployment, accepting that, of course, correlation does not prove causation. If we turn to Table 3, we see that there are positive correlations between EPL, unionisation and unemployment. The link between the strictness of EPL and employment is statistically significant, and Poland fares badly in comparison with the Anglo-Saxon countries.

Hence there is a need to deregulate the area of permanent employment: i.e. to cut EPL to eliminate dualism and create a level playing field for everyone. Yet – in the light of the inside–outsider theory – for this to happen, unions need to be persuaded to accept lower EPL. If they are strong, as in Poland, they are unlikely to agree on any changes to the status quo. This is again reminiscent of the UK in the 1980s, when Thatcher first introduced the Employment Acts, which in effect restricted union privileges. This helped to defeat the NUM, which, in turn, weakened the union movement. Only then was she able to deregulate the labour market, along the lines articulated in the 1986 White Paper. This helped reduce unemployment and, with joblessness rates averaging 4–5% in recent years, Britain opened its labour market to Central and Eastern European

Table 3: Correlations between employment protection legislation and union protection and unemployment

	Unemployment rate (%)	EPL (0–6)	Union protection index (0–1)
Australia	5.5	1.5	0.37
Austria	5.2	2.2	0.36
Belgium	13.2	2.5	0.42
Canada	7.2	1.1	0.20
Denmark	4.8	1.8	0.42
Finland	8.4	2.1	0.32
France	9.8	2.9	0.67
Germany	11.6	2.5	0.61
Greece	9.8	2.9	0.49
Ireland	4.2	1.3	0.46
Italy	7.7	2.4	0.63
Japan	4.4	1.8	0.63
Netherlands	4.7	2.3	0.46
New Zealand	3.9	1.3	0.25
Norway	4.6	2.6	0.65
Poland	17.7	2.1	0.57
Portugal	7.6	3.5	0.65
Spain	9.2	3.1	0.59
Sweden	6.3	2.6	0.54
UK	4.7	1.1	0.19
USA	5.1	0.7	0.26
Regression on unemployment rate	Correlation index	0.41	0.33
	Slope	1.97	7.29

Source: Unemployment rate, OECD (online), Paris (accessed 12 July 2006). Available at: www.oecd.org; EPL, OECD (2004); union protection index, Botero *et al.* (2004) (website dataset). (The data within Tables 3 and 4 do not cover exactly the same period for all variables, as is indicated in the original sources.)

workers in 2004. Subsequently, hundreds of thousands Poles have arrived in Britain, disregarding the fact that they can be easily fired in the UK!

Unionisation and the shift from declining sectors to services

In developed economies it is the service sector that generates most new jobs. Hence, seven out of ten posts in rich countries are created in services. In Anglo-Saxon economies services account for three-quarters of income and four-fifths of jobs. By contrast in Poland 47.6% of employed people still work in manufacturing and agriculture (29.0% and 18.6%, respectively) and only 52.3% in services (2005).

As emerges from Figure 4, from 1970–2005 the UK saw a decline in manufacturing jobs from 35% to 14%. In 1970 in Britain 35% of the workforce was

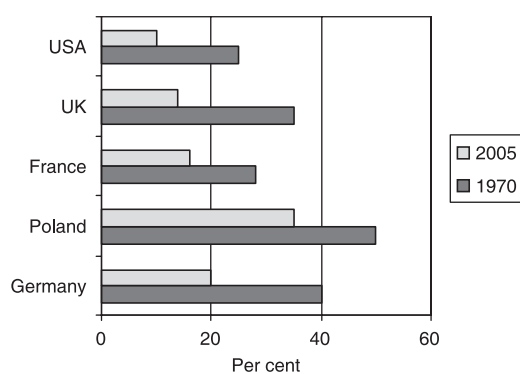
employed in manufacturing, approximately the same percentage as in Poland in 2005. This has to be seen as a symptom of economic retardation in Poland.

Critically, as mentioned above, in Poland these sectors are still dominated by militant trade unions who, as insiders in well-protected jobs, block attempts to reduce labour market rigidities. In turn, strict EPL impedes job creation in services, thereby slowing down the shift to a more advanced stage of socio-economic development. Examining Table 4 we see that there are negative correlations between EPL, union protection and employment in services. The links between the phenomena under consideration are statistically significant. This does not auger well for Poland's long-term developmental prospects unless there is reform.

The analogous situation existed in Britain in the 1980s, where the most radical unions also dominated declining industrial sectors. To reiterate, it was the NUM – playing a totemic role in Britain's industrial relations – that frustrated attempts both to restructure the mining sector (extracting huge government subsidies and protectionist measures) and to deregulate the labour market. Likewise in Poland it was also miners' unions that pursued a similar policy, defending both their posts – even though this had cost the Polish taxpayer billions of zlotys – and protesting against any changes to EPL or union protection legislation.

Like their UK counterparts, the miners, along with the farmers and the railwaymen, became Poland's most radical professional group. In an effort to intimidate successive governments into

Figure 4: Jobs in manufacturing, per cent of total employment
Source: OECD [online], *OECD in Figures – 2005 edition*, Paris (accessed 5 March 2006). Available at: www.oecd.org; Eurostat (online), *Employment in Manufacturing 2003*, Brussels (accessed 24 March 2006). Available at: www.epp.eurostat.cec.eu.int/; Central Statistical Office (2006), *Polish Statistical Yearbook 2005*, Warsaw.



	Employment in services (% of total employment)	EPL (0–6)	Union protection index (0–1)
Australia	74.9	1.5	0.37
Austria	67.2	2.2	0.36
Belgium	73.1	2.5	0.42
Canada	75.0	1.1	0.20
Denmark	73.1	1.8	0.42
Finland	69.3	2.1	0.32
France	72.6	2.9	0.67
Germany	66.6	2.5	0.61
Greece	64.9	2.9	0.49
Ireland	65.9	1.3	0.46
Italy	64.5	2.4	0.63
Japan	67.1	1.8	0.63
Netherlands	76.6	2.3	0.46
New Zealand	69.8	1.3	0.25
Norway	75.6	2.6	0.65
Poland	47.8	2.1	0.57
Portugal	56.5	3.5	0.65
Spain	64.0	3.1	0.59
Sweden	75.2	2.6	0.54
UK	76.4	1.1	0.19
USA	78.4	0.7	0.26
Regression on employment in services	Correlation index	0.41	0.46
	Slope	−4.08	−21.62

Table 4: Correlations between employment protection legislation and union protection and employment in services

Source: *Employment in Services*, OECD (online), Paris (accessed 12 July 2006). Available at www.oecd.org; EPL, OECD (2004); union protection index, Botero *et al.* (2004) (website dataset).

backtracking from the restructuring of their indebted industry, miners used typical Scargill-style methods: strike threats, damage-inflicting demonstrations and flying pickets. Miners' leaders refused to recognise that, due to high labour costs, unfavourable geological conditions and low-quality coal, it was uneconomic to produce coal in Poland. In this respect, they resembled Scargill and his men, who insisted that a pit can be shut down only when 'the last ounce of coal is dug up'.

In consequence, Poland's mining industry, like its British counterpart, for years generated – except for brief periods of profitability – huge financial losses. According to one estimate (Rogowski, 2003, p. B4), the total public assistance – including debt write-offs, direct subsidies and early-retirement schemes – for the coal sector in 1990–2003 (in 2002 prices and after factoring in inflation) amounted to 64 billion zlotys. It is true that by 2006 the financial results of the three main coal companies has improved, but this was thanks to the Chinese boom increasing demand for energy (in the event, in 2005 net profit stood at 1.085 billion zlotys, with the total debt still equalling 6 billion zlotys). On balance, restructuring programmes, despite cutting employment, have not turned pits into viable economic entities: when the price of coal falls, problems are bound to resurface.

In other words, having failed to curb the power of miners' unions, which dictated the terms and conditions of the reforms, the governments were incapable of enforcing the following Thatcher-articulated idea:

'Although coal is one of the United Kingdom's major natural resources, in the government's view the justification for coal production, like that for any other business, lies in the ability of those engaged in it to earn a satisfactory return on capital while competing in the marketplace.'

(MacGregor and Tyler, 1986, p. 132)

If this is impossible to achieve and coal can be purchased more cheaply in the international market, mines would have to close down. This process will facilitate job creation in other sectors, mostly in services. The same applies for small-plot farmers and those manual workers whose jobs are threatened by competition from low-cost countries such as China. Maintaining artificially these posts through subsidies and protectionism is likely to lead to the accumulation of problems in the not-too-distant future, as both the Polish and British cases exemplify.

And it is here where the government should intervene both by facilitating job creation in services (by easing EPL and lowering payroll taxes) and, crucially, by diverting some proportion of taxpayers' money currently spent on subsidising inefficient industries towards labour market policies such as re-qualification schemes for redundant workers. As Figure 4 shows, Britain managed to go through this painful process, reducing the proportion of the workforce employed in manufacturing. From this point of view, Poland, with so many people still working in industry and agriculture, is a retarded country.

Given all that, there is a risk that in the future Poland will systematically see its competitiveness fall relative to Central and East European neighbours and Asian countries. The cost of Polish labour is low only in relation to Western European wages; compared with the Ukraine, India or China, Poland's wages – due to high payroll taxes and a minimum wage that is not regionally adjusted – are uncompetitive.

Potential foreign investors interested in taking over state-owned enterprises (SOEs) or implementing greenfield projects are scared off by militant unions, which often escalate pay demands and require so-called social packages (formal guarantees that jobs will not be axed, with big one-off payments). For many companies, such conditions are unacceptable, given that almost all Polish SOEs have to be downsized and restructured to regain their competitive edge. In the late 1970s, foreign investors, fully aware of UK unions' radicalism and uncooperativeness, were equally unwilling to invest in Britain.

Conclusions

There is no doubt that things need to be seen in proportion. Poland has never experienced its equivalent of a 'winter of discontent' and far fewer workdays have been lost to strikes than were lost in the UK. Clashes between Polish miners and the police, albeit occasionally brutal, cannot be likened to the dramatic events that took place during the 1984–85 strike. There is, of course, a completely different historical and political context, which made it possible for Thatcher to support Solidarity in its efforts to overthrow communism (when she was in Gdansk, the cradle of Solidarity, Thatcher herself praised the role of the union movement in restoring democracy).

All this notwithstanding, there exist certain similarities between UK trade union activism of the 1970s and early 1980s and the UK economy's structure then and the situation in Poland. Powerful unions, fortified by favourable legislation and the presence of their representatives in power, act as an impediment to reform and defend their narrowly-defined interests to the detriment of the unemployed and the whole society. Like in Britain, Polish public-sector unions, in contrast to the jobless (who are numerous and heterogeneous), are homogeneous and well-organised, which effectively helps them further their ends. In particular, the miners' unions embody the same collectivism and anti-liberalism which renders it difficult to restructure their declining industry and to deregulate the labour market. This, in turn, slows down the shift from manufacturing to services.

Thatcher knew that a modern economic system needs flexibility and freedom to achieve high levels of investment and employment. This is even more

evident now than 20 years ago. In this sense, the key to socio-economic advancement consists in removing the barriers that prevent labour (and capital) flowing from declining to growing industries. Yet strong unions, clinging to the interventionist ways, are determined to preserve those obstacles. More than ever before, they stand only for the interests of their members, paying scant regard to the plight of the excluded.

If nothing is done to reduce the influence of labour organisations, Poland – having already reversed free-market reforms – is likely to see both its competitiveness fall and its chances to catch up with the rest of the EU diminish. A politician of Thatcher-like calibre is therefore called for. The governing coalition, however, champions interventionism and the reinforcement of union rights.

1. It is problematic to equate Polish right-wing parties with their Western European (conservative) counterparts. Whereas many Western European parties that are described as 'right wing' or 'conservative' will tend to favour markets to a greater degree than their socialist counterparts, the Polish 'right-wing' parties tend simply to be socially conservative whilst in economic policy being anti-market and dirigiste. On economic matters they are therefore situated on the left. All Polish governments – bar the first one (1989–91) – *de facto* aimed to curb economic freedom, regardless of whether they called themselves right-wing, left-wing or social-democratic.
2. Polish union officials enjoy virtually total protection against dismissal by virtue of the Law of 23 May 1991. In consequence, the union protection index is much higher in Poland (0.57) than in Britain (0.19) or in the USA (0.26) (Botero *et al.*, 2004, website dataset).
3. In 1906, trade union representatives entered parliament as the Labour Representation Committee, which gave birth to the Labour Party.
4. Some might say that this is a lopsided exaggeration, pointing to the economy growing at circa 5% in 2006 or foreign direct investment (FDI) amounting to US\$7.8 billion in 2004. Nonetheless, such a rate of economic growth – albeit high by German standards – compares unfavourably with, for instance, Latvia's 10.2% (besides, it is forecast to slow down to 3.5% in 2007). In the same vein, FDI, while impressive in absolute terms, is far less so if calculated on a per capita basis. For long-term development prospects, structural strengths matter most.
5. In Poland there are two basic forms of employment, regulated by different legislation. A Pole can be employed under two different regimes. Open-ended contracts and fixed-term contracts are covered by the labour code, whereas so-called 'commission contracts' and 'per-piece contracts' fall into the purview of the civil law. The latter form of employment grants no protection or entitlements and is used as a way to circumvent the onerous labour code.

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