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## What is left of the Polish third way?

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SŁAWOMIR G. KOZŁOWSKI

*What is left of the Polish third way?\**

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Co pozostało z polskiej „trzeciej drogi”?

*The basis of the economic system of the Republic of Poland consists of a social market economy that is based on freedom of economic activity, private property, as well as solidarity, dialogue, and cooperation among social partners. (Article 20 of the Polish Constitution).*

My remarks are not limited to those of the social scientist. I was personally engaged in the “Solidarity” movement. From September of 1980, when temporary inter-factory committee was created in Lublin I was an adviser to it. Later after registration of the union I was elected an adviser to the regional “Solidarity” authority in Lublin, and after my release from the internment camp in September 1982 I became an advisor to the regional underground temporary authority. In 1981 I was also active as an expert of the so-called “Sieć” (Net), the organization of workers from the largest enterprises. “Sieć” prepared their own, alternative version of the Polish economic reform, based on the concept of the independent enterprise acting in market conditions and managed by directors elected by workers’ councils.

How can we describe the ideology of the “Solidarity” movement? The “Solidarity” base, workers from large enterprises, were without a doubt very egalitarian. Their ideas are very socialistic. Here is an example that illustrates their attitude. One of the first tasks of the new “Solidarity” authorities was

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a distribution of the so-called “Wałęsówka”, a general increase of wages of all employees that was included into the agreement negotiated by striking workers in Gdańsk shipyard. The amount of money that each employer received for this purpose was based on the number of its employees. The question how to distribute this money had to be decided by “Solidarity”. Our group of advisers that represented mostly people from the academic circles and some attorneys had to prepare scientific arguments for that distribution. We observed the sharp battle in our region (the situation was similar in other regions) between the two fractions amongst members of the regional authority: the egalitarian one and the more egalitarian one. The first preferred equal distribution of this money, offering identical sums to each employee independently of the profession, position, character of the job etc. The second wanted to distribute this money proportionally to the size of employee’s family (number of employee’s children). The first fraction finally won only when some advisers brutally argued that the help for children was not a task of the production unit but of the social policy of the government. Preparing the final document that established the rule of wage increase distribution took several weeks of struggle.

The crucial document that described the ideology of the “Solidarity” in that period was the Program from March 1981. According to it there are three roots of “Solidarity” ideology: national tradition, Catholic Church social teaching, and socialist ideology. The basic socio-economic concepts of this document and other created before the imposition of marshal law described the proposed order as a kind of market socialism. “Sieć” proposed the reform of economy based on the so-called three “S”. They described the basic features of enterprises in the new model. The first feature was independence (*samodzielność*) from government and party direct command. The economic policy should be constructed as a set of rules that enterprises had to be subordinated to. The model did not assume an unregulated market mechanism. The crucial process had to be set by the government, which had to agree to purchase many products. The second “S” (*samofinansowanie*) meant self-financing of the enterprise. It had to provide for utilization of higher profits by more efficient enterprises for their own purposes but also the possibility of borrowing money from banks in time of difficulty. Generally this change was focused on elimination of that feature of “real socialism” that Janos Kornai describes as “soft budget constraint”. The self-management model was developed on the basis of Yugoslav experience. At the end of the 1970s and before steady decomposition started to take place in the 1980s, the Yugoslav model with a rich market, great social achievements, relatively high living standards and real influence of employees on the functioning on their enterprises seemed very attractive. Society that moved in one generation from donkey to Mercedes, for which the rate of economic growth was among the best in the world, could be treated as model for the new socialism in Poland. The Polish model did not go so far as the Yugoslavian one in shifting

from the state to the self-managed property. Firms were to represent a government property, but they had to be free from the administrative control of government bureaucracy. The most important element of the enterprise independence was to be the election of its director (CEO) by the workers' council. That model received some support also from the government side, especially from directors of large enterprises that treated it as a warranty of their greater independence. It was partially implemented as a first step of the economic reform in 1982.

Most demands of the "Solidarity" in the period of 1980–1981 had a very egalitarian character. They seem strange today, but in that period the very modest privileges of the *nomenklatura* were treated as an enormous sin against socialist egalitarianism. One of the demands of the University unit of "Solidarity" was the elimination of trips of the University president to and from work in the university car and allowing only trips related to his position during his official office hours. "Solidarity" and grass-roots movement of the Party also demanded switching of the modest Party's regional committee cottage to the use of general public.

"Solidarity" movement was not homogenous. It differed especially when new units were formed in a sphere not dominated by workers. For various circles of new members, the question of social justice was not the most important. For some circles of intelligentsia (writers, teachers, actors) freedom of expression was of greatest importance. There were nationalist elements that expected greater independence from the USSR; there were catholic circles that wanted greater privileges to the church (i.e. a mass in public radio).

During eight years of its illegal, underground activity "Solidarity" underwent important changes. Regular union activity was very difficult for illegal movement. Therefore, "Solidarity" actions were more symbolic, concentrated on showing the resistance to the regime rather than any positive actions. Collapse of the unique experiment of independent workers' organization in the country ruled by the communist monopoly drastically weakened the hope that "real socialism" could be improved. The church, which had a great influence on the movement during its legal existence, became the most important basis of the "Solidarity". There were churches where "Solidarity" activists and supporters met regularly during masses for the fatherland. There were churches where assistance for imprisoned activists of "Solidarity" was organized. Generally activity directed to resistance was the most characteristic feature of the movement. There were no works on the socio-economic model; legalization of "Solidarity" was treated as a target that if realized would allow solving all problems.

The socio-economic ideology of the Civic Committee of "Solidarity" organized as an election platform of the union after its legalization in 1989 was therefore very similar to the one that existed in 1980–1981. In the election

program of the Committee we can find in particular: the equal rights of all sectors of the economy; workers' management in the state enterprises with the real influence of workers' councils on all strategic decisions; publicly advertised openings for the directors' positions with real competition; elimination of the gap between the city and the countryside; particular protection of the economically and socially precious family farm; a full employment policy; level of wages high enough to allow a breadwinner to support his family on the basis of 46 weekly hours; the minimal retirement pension not lower than half of the average salary; affordable housing for everybody; compensation for increases of rent; accessibility of health care (necessary medications, medical services, in- and out-patient services); the improvement of material situations of schools and colleges, funds for investment and equipment; increase of teachers' salaries; accessibility of vacation for all children and families.

The great majority of society voted for this program. It cannot be described as a capitalist one. It was some kind of the third way, the mix of egalitarian ideas of socialism and market mechanism, which had to exist in multi-sector economy. After a formation of the first non-communist government with Tadeusz Mazowiecki as Prime Minister it seemed that the election program would be implemented in practice. In his first address Prime Minister Mazowiecki declared that the Polish model would be "the social market economy". His ideological and personal connections with powerful at that time chancellor Helmut Kohl additionally suggested that his government would realize a model similar to that that existed in Germany. The German Christian Democracy that Kohl represented was the party that introduced and developed the system of social market economy in Germany after World War II.

Nobody from the government of Prime Minister Mazowiecki ever announced a withdrawal from the election program. Simply there was silence about it. Still in January 1990 when the Balcerowicz's shock therapy was introduced, there were official declarations that the necessary reconstruction would take six months and after that period common welfare would be a feature of Poland. It should be emphasized that almost all "Solidarity" parliamentary members supported the program of Balcerowicz. Only a few of them voted and protested against that program as totally opposite to the election promises. That group called itself "Solidarity of Labor". It later created a new, leftist party – the Union of Labor. The prominent representatives of this group supported Scandinavian (Swedish) model as the best for Poland.

Later the article (article 20) that described Polish economic system as "a social market economy" was included into the new Polish constitution. There was also the initiative of the former Prime Minister Mazowiecki.

The German economic system evolved during the last 50 years. During this period parties ruling in Western Europe (mainly social-democratic) that adopted Keynesian economic policy introduced many solutions similar to German ones.

Nevertheless, the German system is still a classic example of the social market economy. It is therefore reasonable to compare the Polish reality with the German model.

Social market economy (*Soziale Marktwirtschaft*) has its roots in German history and in German economic thought. In the 19th century, Chancellor Bismarck introduced a social net protecting those most vulnerable. Workers' councils existed in the Weimar Republic. Members of the so-called Freiburg's school in economics (ordo-liberals) wrote theoretical works on this system. They proposed a market economy with a great influence of government basically in two fields: protection of real competition and realization of broad social goals. Government tasks should be realized without disturbing the market character of the economy.

Ludwig Erhard, the minister of economy in the first West German government of Konrad Adenauer, did practical implementation of these ideas into the German economy. There are many elements of this system; two of them are the basic pillars of it. The first is the role of the state in the creation of social welfare, the second the employees' participation (industrial democracy). I will discuss mainly these two elements.

The German economy is multi-sectoral. The public sector is not limited to enterprises that consist of legal public property. The government also has the ability to control corporations in which it possesses at least 25% of shares. According to German law 25% of shares allows to block decisions of management. This widely prominent public sector employs about one tenth of total labor force employed in enterprise. There are also very specific trade unions enterprises in Germany. Some of them are among the greatest in their branch.

In the mentioned program of the Civic Committee from 1989, all sectors were treated equally. The only criterion should be economic efficiency. Very soon it was replaced by ideological and political motives. Public and private sectors of the Polish economy have not been treated equally. Hostility towards public enterprises (state but also cooperative) has been visible from the beginning of the transformation of the Polish economy. Public enterprises – the main source of budget revenues – have been heavily taxed; while at the same time private enterprises have been able to avoid taxes entirely.

Three elements introduced by the first post-communist government in January 1990 have had an especially destructive influence on many public enterprises: the introduction of the so-called dividend paid by public enterprises to state budget; the tax on wage increases exceeding centrally determined norms for wage growth; the re-evaluation (drastic increase) of interest on credits taken by these enterprises in previous periods. Additionally, together with the introduction of the dividend, there was an official re-estimation (doubling) of value of capital assets of public enterprises. As a result the dividend became a very heavy tax burden for the public sector.

The tax on wage increases (popularly known as the “*popiwiek*”) had a twofold negative effect on state enterprises. The first one was obvious – escalating costs and diminishing profits of these enterprises. However, the efficiency of state enterprises has also been indirectly injured. The inability to increase wages drastically reduced the competitiveness of state enterprises in the labor market. In other words, the best workers switched to the private sector, which was able to offer higher wages.

The dramatic increase of credit interest represented a very rare phenomenon. It not only covered new credits, but also those from the previous periods. This was an unprecedented break of the rule that a law could not be retroactive. On the other hand, many private enterprises have been free from taxes for several years (they acted in the so-called tax niches) and many others have been able to declare losses. This was possible because of the new, non-precise regulations permitting the artificial overstating of costs.

In practice, workers’ councils that existed in public sector have been excluded from the decision about transformation of the public enterprise. The enterprise and its employees could not choose the future form of a firm other than private one. It meant obligatory privatization. Economic efficiency and employees’ preferences have played no role in this process (in the mid 90s about two thirds of the employees of public enterprises preferred the state status of their firms and only 10% wanted the shift to private hands).

There is lack of data on economic efficiency of privatized enterprises before and after privatization. But general data show that until 1996 the public sector had a higher efficiency than the private one. The process of privatization of the best enterprises finally caused the change of this relation. It does not mean, however, that privatized enterprises are economically better than public ones. In accordance with data from the Supreme Chamber of Control (NIK) in 1993 as much as 70 percent of privatized enterprises had worse economic performance than before privatization and paid smaller contributions to the state budget. It should be emphasized that enterprises selected for privatization have represented the best, most profitable ones, which produce most of the state budget revenues. Once again it demonstrates the political and ideological nature of this process.

All this does not mean that economic motives have not played any role. There have been economic motives and their role has increased steadily. But they are not healthy motives; they are pathological ones. The diminishing of the public sector has caused a decrease in state budget revenues from taxes from them. The necessity to pay budget expenditures has caused accelerated sales of state enterprises. Without income from this sales, the necessary budget expenditures could not be possible. Many analyses expect a collapse of the budget with heavy repercussions to the whole economy in the period of two – three years. Simply, there will be no more state enterprises to sell.

The political and ideological character of privatization has been particularly visible in the case of state farms. State farms, inefficient for many years, seemingly increased their efficiency in the 1980s. If in 1981 they had expenditures per unit of output one third higher than in private farms, in 1989 the difference was limited to 5 percent only. In 1989 they made profits of more than 2,300 billion. They also represented large invested capital. Additionally, producing qualified seed or animal stock, many of them operated in unique fields of great importance for the progress of agriculture as a whole. In 1990 they suffered even more than other state enterprises because as a result of governmental regulation of energy prices, their prices of industrial inputs increased rapidly as much as 6.5 times. The privatization of them made no sense because their huge capital (buildings, equipment, and machinery) was useless in the typical Polish small family farms. Therefore, their privatization usually means the destruction of their capital, increase of uncultivated area, and losses for the state budget. Additionally it has created drastic unemployment. Including family members, retired people and pensioners, there were about 2 million people bound to the state farms. In many regions state farms represented the only employers.

The cooperative sector has been treated not much better. The law from January 1990 eliminated the central and regional unions of the cooperative on the basis on argument that they represent a communist bureaucracy. What is more this law prevented also the voluntary creation of new unions by the cooperatives. This was declared as unconstitutional by the Constitutional Court (Tribunal). But the dissolution of the existing unions took from cooperatives in this very difficult period all legal, economic, organizational and educational aid. In recent years there have been attempts to dissolve the housing cooperatives, one of the greatest achievements of the Polish People's Republic. The privatization law vetoed by president Kwaśniewski could have had the same consequences for housing cooperatives.

The social component of the German system allows drastically diminished social conflicts. Social welfare is very well developed, particularly in the case of working people. Generally, the system is built on the solidarity foundation. Employed people pay various taxes that finance various elements of social security. Social services are not limited to working people. There are various services for children or housing assistance. Expenditures for various forms of social security are enormous; they are equal to one third of GDP.

Before discussing other elements of the policy of income distribution and financing of social services I would like to describe briefly the German tax system. The changes in the system that reduce its progressivity have been introduced recently. Still the income tax is extremely progressive. In 1999 these taxes ranged between 25.9% and 53% of income. In reality progressivity is still greater because there are considerable exemptions that decrease the tax base. In 1999 there were exemptions of 13,000 DM for a single person and 26,000 DM for



a couple. In addition it is possible to exclude from tax basis 7,000 DM for each child (alternatively it is possible to receive child allowances).

The Polish income taxes contradict with the German pro-social system. Polish taxes are much less progressive (19 to 39%). Planned changes i.e. introduction of two-scale income tax would mean an increase of an already anti-social character of Polish taxes. I would also like to emphasize the extremist proposition of Leszek Balcerowicz, the former acting Prime Minister and minister of finance, who in 1998 proposed the flat tax. This kind of tax exists only in one country – Estonia.

The German system favors personal saving, also among the people with low incomes. The state adds premiums to savings based on regular payments. The Law of Capital Creation regulates these premiums. Similar premiums are paid to savings for housing purposes, also located on special accounts. A similar solution that existed in Poland was eliminated as a relic of communism.

The housing policy in Germany is very successful. It is not limited to the premiums mentioned above. There are also direct subsidies, low interest loans, possibility to use accelerated schemes of depreciation of housing buildings, and direct allowances for rent. About one fifth of tenants, who constitute 60% of German households, receive housing allowances for families with low incomes. Rents are controlled in apartment buildings constructed with the help of the state. They cannot be higher than the real costs. About 30% of all housing units constructed in Germany after World War II was built with the help of government subsidies. Three new housing units were constructed for four households in this period. The global value of all housing programs that have been realized after 1949 is greater than for funds devoted to any other purpose. The combination of public and private initiative resulted also in construction of complexes where representatives of various social classes live together. If we exclude illegal immigration Germany is free from the ghetto problem. It is not necessary to comment on the differences between German housing policy and the Polish one. The number of housing units constructed currently per year in Poland is equal to about 15% of the number built in the period of the housing boom in the late 1970s (epoch of “the late Gierek”). The only “achievement” in this field is a new law that allows evicting tenants on the street (“na bruk”), ironically introduced by the leftist coalition of “post-communists” and the peasant party. Conditions were also created that allowed private speculators to pay symbolic prices for apartments of the enterprises. In one extreme case, in the Silesia region some speculators bought several hundred apartments paying for each of them the amount that was equal to average monthly salary (1,000 zł a few years ago).

Among programs that correct the results of the market mechanism in Germany health insurance and health care system play a large role. In practice, everybody is covered by health insurance, in either the form of statutory

insurance or the private one. Statutory insurance is obligatory for everyone with wages below established amount (in 1998 – 6,200 DM in the West, a dozen or so percent less in the former GDR). This means that this form of insurance covers 90% of all Germans, the rest of them are insured privately. Employee and employer pay insurance taxes (13.2% in the west part, 12.8% in the former GDR) in equal parts. All insured people have the right to choose their general physician (family doctor), dentist, hospital and pharmacy in their health funds. There are about a thousand health funds in four basic forms (regional, institutional, craft and substitute). All funds have to offer identical, broad medical services. Statutory insurance covers full costs of medical and dental services, drugs and hospitalization as well as sanitarium if necessary. In the case of sickness an employee receives his full salary for at least six weeks. If the sickness is longer, the statutory insurance pays allowances equal to 80% of regular salary (up to 18 months). There are some controversies related to full payments of some of medical services like abortion, fertilization *in vitro* or circumcision.

Polish reform of health care introduced sixteen regional health funds similar to German ones. However, the organizational side is not of great importance. The most important feature of the social market economy is the common access to health services and the scope of offered services. There is the impression that the Polish reform was introduced as a convenient way to impose limitation of medical services paid by insurance funds and to force more and more patients to private services outside of the system. The reform allowed also the limiting or eliminating the covering of costs of drugs.

The statutory pension system is also one of important pillars of the social market economy. All people working for wages are obligatory included into this system. Some independently working people, like craftsmen, are obligatory insured by their professional organizations. Others can participate in the pension insurance system voluntarily. Employers and employees pay pension taxes in equal parts. In 2000 the tax was equal to 19.2% of gross wages to the maximum of 8,000 DM (6,200 in the former GDR).

Statutory pension fund pays pensions for men 65 and older and women 60 and older (for some jobs the age's borders are lower). The average pension after 45 years of employment equals about 70% of net wages of the retired employee.

The German pension system, similarly like in the most of West-European countries, is based on the inter-generational solidarity. The new Polish system introduced in 1999 is unique and basically different than systems common in welfare states. German and other West-European systems offer sureness that every employee will receive his pension. The Polish system is constructed on the basis of the so-called three pillars. The second pillar means an introduction of individual risk, which social security should be free from. Individuals of course

should be able to do risky pension investment, but it cannot be an obligatory system.

As a result of the progressive tax system and various social transfers Germany alongside with Scandinavia and Benelux belongs to countries with the lowest income inequality. According to Luxembourg Income Study the redistributive effect of taxes and transfers locates Germany on the third place among European 10 countries, behind Sweden and Belgium. Income inequalities decrease as a result of this redistribution by more than 44% (1994). Gini coefficient for disposable income equals about 0.25. The situation in Poland is dramatically different. There is an increasing gap between the highest and lowest wages. The ratio of the highest to the lowest decile increased from 2.43 in 1989 to 3.39 in 1994 and 3.55 in 1997 and is already considerably higher than in Germany (2.99 in 1994). According to LIS the Gini coefficient increased in 10 years by 12% (0.324 in 1995). There is a rapid growth of the percentage of people living below social minimum as well as the poverty line. Pauperization is especially visible during vacation time. Only one of seven children could enjoy organized vacation during last summer (2000).

The Federal Republic of Germany is commonly treated as a cradle of partial industrial democracy described as co-determination (*Mitbestimmung*). The basic solutions in this field were introduced in 1951–1956 and amended later. New laws created labor representation at the enterprise as well as the government level. A works council represents the oldest and most universal type of workers participation. The activity of the works councils (*Betriebsräte*) is governed by the Works Constitution Law (*Betriebsverfassungsgesetz*) passed in 1952, amended 1972 and on several further occasions. According to the terms of this legislation, works councils may be elected in undertakings with a workforce of more than five. The works council is composed exclusively of employees and is directly elected by the workforce. Manual and white-collar workers must be represented on the works council in proportion to their respective numbers in the workplace.

The works council members are elected every four years by direct secret ballot among the workforce. The works council itself, once elected, chooses its chairman from among its members. Although the councils are composed predominantly of trade unionists, they do not, in the strict sense, constitute trade union representation in the workplace.

The works councils play an extremely important role in industrial relations by representing the interests of the workers. The councils have a number of rights with regard to information, consultation and co-determination. These range from workers' rights to make complaints, social matters, job structuring and design, staff matters right through to economic and financial matters. The council's general tasks include the ensuring that the laws, regulations, collective agreements and works agreements in favor of workers are actually implemented.

The works council has also co-determination rights in social matters with regard to the internal regulations of the workplace, organization of the daily and weekly working hours, safety regulations, questions relating to remuneration in the company, administration of social services whose scope is limited to the plant, company or group.

If no agreement is reached on a matter, a conciliation committee passes a decision.

The employer is required to inform and consult the works council about the structuring, organization and design of jobs, operations and the working environment. He is also required to inform the works council in full and in good time of matters relating to personnel planning, including present and future manpower needs and the resulting staff movements and vocational training measures, and to supply the relevant documentation. The council has co-determination rights with regard to recruitment, redeployment, transfers, and dismissals. The employer also must inform the council fully and in good time and discuss the economic and financial situation of the company, the production and marketing situation, the production and investment programs, rationalization plans, production techniques etc. In the event of alterations within the plants, a social compensation plan must be negotiated between the employer and the council.

The works council members are required to be released from their work duties without loss of pay to the extent necessary for the proper performance of their functions. In addition, each member of the council is entitled to a certain amount of paid leave in order to attend approved training and educational courses. In larger enterprises one (if employment is greater than 300) or more (more than 600 employees) work council members are free from their regular job duties.

The rights of the councils cause them to have real abilities to protect employment level, wages and workers' position. Therefore this institution is highly valued by the German labor. Work councils and not legal regulations, like in other developed countries, are the basic instrument of protection of workers' interests. This solution allows also adopting more elastic forms of this protection than in the case of formal regulation by the law.

Similar representatives of the employees exist also in all public institutions (government agencies among them). Described as the "staff council", they act on the basis of a law from 1974.

In the Federal Republic of Germany there are no union organizations on the enterprise level. There is no legislation which defines special rights or even the existence of shop stewards (*Vertrauensleute*) in the workplace. A company with a low percentage of unionists may not have shop stewards at all. In most sectors the trade unions have set up committees of shop stewards in the workplace. These committees represent the trade union interests directly and are not (unlike the works councils, which must represent the workforce as a whole) subject to the Works Constitution Law. Their responsibility is to their trade union.

The shop stewards look after the interests of the trade union members in the workplace, represent their union in the workplace and support the works council in its tasks. They have an important role to play in the formulation of claims and in strike action at the plant level. However, they may conclude neither collective agreements nor works agreements. This right is reserved, in the former case, for the industry unions (which negotiate with unions of employers organized for various branches), and, in the latter, for the works council.

The members of the shop stewards' committee are either elected by the trade union members in the workplace or, alternatively, may be appointed by the trade union.

In practice the shop stewards operate in close co-operation with the works councils. The vast majority of works councils members are in fact trade unionists.

The workers co-determination is not limited to the work councils. There is also the representation of workers on the supervisory board. It is governed by a range of legislation. Additionally, in the coal and steel industry, there is the labor director (*Arbeitsdirector*) on the management board as a specific representative of the workers. The level of representation of workers on the supervisory board differs depending on the legislation by which it is governed. The relevant legislation in this sphere is the following:

- Co-determination in the mining industry act (*Montanmitbestimmungsgesetz*), 1951,
- Works Constitution act (*Betriebsverfassungsgesetz*), 1972,
- Co-determination act (*Mitbestimmungsgesetz*), 1976.

The most far-reaching representation of workers takes place in accordance with the mining co-determination act for coal and steel, while the Works Constitution Act of 1972 provides for the weakest level of worker representation. In the mining industry (1,000 or more workers) there is an equal number of shareholders and employees in the supervisory board (10 and 10). There is also a so-called neutral member of the supervisory board (typically a specialist in labor relations from the government or academia). Some of the workers representatives on the supervisory board are employed in the company, while others are from outside the company. The labor director has the same rights as the other members of the management board and cannot be appointed if the majority of the employees' representatives vote against him.

In smaller companies from other industries (joint stock companies, limited liability companies with a workforce of more than 500 but less than 2,000, family businesses, and cooperatives with a workforce greater than 500) the workers are represented by a third on the supervisory board; shareholders have two thirds representation. In joint stock companies and limited liability companies with more than 2,000 workers (regulated by the Co-determination Act of 1976; currently there are some 500 companies of this kind) workers and shareholders have equal ("fifty-fifty") representation on the supervisory board. However, the

chairman of the supervisory board (generally a representative of the shareholders) has a second casting vote in the event of a tie. The supervisory board chairman and the supervisory board vice-chairman are elected by the supervisory board on the basis of a two-thirds majority. The supervisory board has broad rights of information, monitoring and decision vis-à-vis the management board. The representation of workers on the supervisory board thus constitutes an important task in undertakings, in conjunction with the activity of the works councils and the finance committees.

Comparison of the German *Mitbestimmung*, which is an important pillar of social market economy, with employee participation in Poland shows how great the gap is in the field of industrial democracy. There are not work councils or workers' participation in boards of directors. There has been the drastic decrease in the employees' rights. This decrease is not only limited to the newly created private enterprises. In state enterprises the workers' councils are eliminated just in the time of the so-called commercialization. In this way the great achievement made by the employees in the field of workplace democracy is suspended. Experience also shows that employees' rights to purchase up to 20% of the stock at lower preferring price, which was a result of a long battle, is very rarely utilized for the protection of workers' interests and rights. Elimination of workers' representatives and the disintegration of teams are used by new owners (after privatization) for purchasing employees' stock and, in this fashion, for final elimination of any workers' influence on the operation of the enterprise. At the same time, the lack of proper legal protection for organizing unions, the strong position of new Polish capitalists, and the weak position of labor due to the division in labor movement and to the enormous unemployment, cause the elimination of labor unions in the private sector and an overall decrease in unionization on the national level. Various studies show that conditions set by the European Union for the process of integration forced Polish legislators to set standards of employment conditions similar to the West European ones. On the other hand, however, the real situation of employees' has worsened. Only state enterprises are friendly to trade unions and offer them stability. In this sector unionization equals about 40%. In privatized enterprise the position of trade unions has evidently been weakened. In newly created private enterprises existence of labor unions has been efficiently eliminated. Union members represent only 3% of employees in these enterprises. As a result the number of unionized employees decreased from about 12 million or so in 1981 and around ten million in 1989 to about 2.5 million today (1999). This means that only one of five workers is a union member now. According to the poll by CBOS of March 1999 the great majority of Poles (63% of the workforce) admits that labor unions are inefficient in fighting for workers' interests. This view is shared by almost similar percentage of members of labor unions (60%). Lack of unions and workers' councils allows private employers to avoid, through legal maneuvers as

well as illegal tricks, the payment of social security and other benefits. Among the legal manipulations, there is a common practice of hiring workers for the so-called contract-order. A regular job position warrants employees all benefits, a contract-order offered for the period shorter than 30 days does not insist on offering such benefits. These contract-orders are renewed every month. Among benefits which contract-order workers do not receive are social security and health insurance benefits, and paid vacations. To limit their contributions, employers also report to the social insurance agency (ZUS) and to the tax offices wages lower than the real ones. This practice also reduces employees' retirement benefits.

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## STRESZCZENIE

Analiza dokumentów programowych NSZZ „Solidarność” z lat 1980–1981 ukazuje egalitarny, przywiązany do idei socjalizmu charakter tego ruchu. Również postulaty Komitetu Obywatelskiego przy Lechu Wałęsie z 1989r. wskazują, iż deklarowanym celem ruchu było zbudowanie gospodarki bazującej na wielosektorowym układzie samodzielnych przedsiębiorstw, sterowanych mechanizmem rynkowym, przy jednoczesnym pozostawieniu a nawet rozszerzeniu socjalnych zdobyczy z okresu PRL. Proponowano więc swoistą „trzecią drogę”, rynkowy socjalizm z „ludzką twarzą”. Zamiary te zdawało się potwierdzać wprowadzenie w obieg przez premiera Tadeusza Mazowieckiego, w jego expose sejmowym z jesieni 1989r., terminu „społeczna gospodarka rynkowa”.

Termin „społeczna gospodarka rynkowa” został później wpisany do nowej Konstytucji. Jednak analiza kierunków rozwoju polskiej gospodarki w minionym 10-leciu wskazuje na realizację w Polsce modelu gospodarki zupełnie odmiennego od zapowiadanego w programie wyborczym „Solidarności”. Również porównanie polskich rozwiązań z modelowym niejako kształtem społecznej gospodarki rynkowej Niemiec ukazuje zasadnicze różnice. Dotyczy one wszystkich najistotniejszych cech społecznej gospodarki rynkowej, w szczególności zaś opiekuńczego charakteru państwa i demokracji przemysłowej. Termin „społeczna gospodarka rynkowa” stał się więc w Polsce pustym zapisem konstytucyjnym, a o „trzeciej drodze”, poza nielicznymi referatami na konferencjach naukowych, nawet już się nie wspomina.