

THE CONSEQUENCES OF A FLEXIBLE LABOUR MARKET FOR POLISH FAMILIES

DÔSLEDKY FLEXIBILNÉHO TRHU PRÁCE PRE POĽSKÉ RODINY

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Abstract

This article describes the process of deregulation of the Polish labor market, presents flexible forms of employment used by employers in Poland, and also discussed is their impact on the social and economic situation of families whose members are employed on this type contracts.

Abstrakt

Článok popisuje proces deregulácie poľského trhu práce, predstavuje flexibilné formy zamestnávania používané zamestnávateľmi v Poľsku a tiež polemizuje o ich vplyve na sociálnu a ekonomickú situáciu rodín, ktorých členovia sú zamestnaní na základe týchto typov zmlúv.

INTRODUCTION

In the 70-ies of the last century, in the United States reigned neoliberal doctrine. The neoliberal model of globalization has been recognized in developed countries. Reducing the cost of doing business by reducing costly social protection of the working class, the public sector, and weakening the role of trade unions has to protect against the growth of the western states of unemployment, decline in economic growth, the outflow of investment and impoverish societies. In this time, European Labour markets were very rigid (Siebert H, 1997) the workers had to much dismissal protection and bargaining power, leading to high unemployment rates. The US labour market, without strong labour protection, boasts an “employment miracle”, declining unemployment rates despite a growing population, and rising labour force participation rates. (Abu Shark M., 2008). The labour market rigidity discussion gained full momentum in the late 1980s and early 1990s after the ever more fervent demands to import the US model to European and developing countries. According to this principle in the 80-ies of the last century in some European countries were implemented models of flexible labour markets, which would lead to a reduction in the cost of doing business. Side effects of this program was systematically increase in economic insecurity among workers and increase in wage inequality in the corporate sector. The transformation of the Polish economy which started at 1989, caused that the agri-food sector and industry which were the drivers of growth in the period of centrally planned economy have lost their meaning for the service sector. The shock therapy, restructurization and a new program of privatization cut social benefits led to a dramatic increase in unemployment and a reduction in real wages.

Its effects affect both experienced workers, often in pre-retirement age, working in agriculture and industry, as well as young people, especially the less educated. Unemployment rose dramatically in 2003, to 20.7 percent, before the opening of the European labour market for Poles. The problem of the Polish economy is still a high level of unemployment and low level of economic activity. According to the neo-liberal doctrine, one of the important factors that could improve the situation in the labor market was increase of labour market flexibility.

1 ON THE WAY TO A FLEXIBLE LABOUR MARKET IN POLAND

After 1989, one of the key principles of regulation of the Polish labour market was protection of workers' rights, which guard became strong trade unions (unionization was then about 40 percent). Revised in 1996, the Labour Code was a victory of the idea of employment protection. In 1997, work began on the harmonization of Polish law with the rules of the European Union. In 1999, was founded the first organization of semployers, Polska Konfederacja Przedsiębiorów Prywatnych Lewiatan, , (the Polish Confederation of Private Employers – PCPE), non-governmental organization . Employers began to demand the liberalization of the Labor Code , deregulation and flexibility of the Polish labour market . An organizational core of social dialogue in Poland is a Tripartite Commission for Socio - Economic issues. The Commission is composed from representatives of trade unions, employers and the government . At 2002 as a result of negotiations in the Tripartite Commission, the agreement concluded by PCPE and Ogólnopolskie Porozumienie Związków Zawodowych (Poland Alliance of Trade Unions), opened the way changes in the Labour Code. Revised in July 2002 Labour Code, introduced some forms of flexible work organization.

2 FLEXIBLE LABOUR MARKET

A flexible labour market is one where firms are under fewer regulations regarding the labor force and can therefore set wages, fire employees at will and change their work hours. Atkinson (Atkinson, 1984) based on the strategies companies use, distinguished four types of flexibility. External numerical flexibility understood as the ability to adapt the level of work according to the requirements related to the size of market demand, and thus the scale of production. It is executed by employing workers on temporary work or fixed-term contracts or through relaxed hiring and firing regulations. Internal numerical flexibility or working time flexibility, meaning the ability to customize the length of time and his organization to the needs of the company. This flexibility is achieved by part-time, flexi time or flexible working hours/ shifts (including night shifts and weekend shifts) and working time accounts. Functional flexibility or organizational flexibility characterizes the ability of the company to change the amount and type of labor used without the use of external resources in the labor market. This kind of work is based on the internal mobility of workers, understood as the ability to perform different types of tasks, usually through training programs and the development of skills and competencies of employees. This can also be achieved by outsourcing activities. Financial or wage flexibility shaped by a system of remuneration and other financial benefits by which the organization obtains and maintains the desired structure and flexibility of workers.. This can be achieved by rate-for-the-job systems, or assessment based pay system, or individual performance wages. There are also other types of flexibilities,

one of them is locational flexibility or flexibility of place. This entails employees working outside of the normal work place such as home based work or teleworkers. The degree of labor market flexibility can be measured by developed by the OECD Employment Protection Legislation Index which, measures the level of employment protection in the country. It is used for international comparisons and synthetically recognize restrictiveness of the law in three areas: contracts of indefinite duration, fixed-term contracts and regulations relating to collective redundancies. These provisions are recognized as indicators of appropriate values and and assign them a certain weights. EPL limits takes values from 0 to 6 wherein the countries with very flexible regulations achieve values between 0 and 1. For countries whose regulations on this issue are very restrictive, the EPL values are close to 5 and 6 . The OECD compiles dry indicators for most OECD countries (so-called OECD Employment Protection Legislation Index)

Table 1: Strictness of employment protection in chosen countries, 2013

	Protection of permanent workers against individual and collective dismissals EPRC	Protection of permanent workers against (individual) dismissal EPR	Specific requirements for collective dismissal EPC	Regulation on temporary forms of employment EPT
Czech Republic	2.66	2.87	2.13	2.13
Poland	2.39	2.20	2.88	2.33
Slovak Republic	2.26	1.81	3.38	2.42
United Kingdom	1.62	1.12	2.88	0.54
United States	1.17	0.49	2.88	0.33
OECD unweighted average	2.29	2.04	2.91	2.08

Source: http://ec.europa.eu/europe2020/pdf/themes/23_employment_protection_legislation.pdf

On the basis of these data we can conclude that the level of flexibility of the Polish labour market does not differ from the average for OECD countries

3 FORMS OF FLEXIBLE EMPLOYMENT IN POLAND

Flexible forms of work are flexible forms of employment, other than the traditional employment relationship and flexible organization of working time.

3.1. Temporary Job. Temporary work is provided under the term of the employment contract. Fixed-term contracts may be concluded with a specific employee up to two times in a row. Third contract between the same persons is automatically an open-ended contract. The principle does not work, if the break between the contracts was longer than one month. This type of contract is favorable for the employer because of the low costs associated with dismissal employee. Dismissal takes place for two-week notice without the need to justify. For employees this type of contract is not very satisfactory, because it does not give them stability of employment.

3.2. *Part- time work.* Part-time employment, contract of employment dimension lower than specified by the labor laws for primary working time. In general, working time is determined fractional (e.g., half, quarter) . Now it is not popular form of flexible employment in Poland.

3.3. *Temporary employment.* Temporary employment is an employment relationship between the three entities: employee, temporary work agency, which acts as an employer, and entrepreneurs, for which the employee performs the work

3.4. *Work at home.* It is a form of employment in which the work is done not in the workplace, but in a place designated by the employee - in his house. This is a form that is conducive to reconciliation of work and family life , especially in the case of persons who are young parents.

3.5. *Telework.* Work performed regularly outside the company, with the use of electronic communications in the meaning of the provision electronic services .

3.6. *Civil law contracts,* Contracts determined by provisions of the civil law, e.g. a contract for a specific task and a fee-for-task contract. Working on the basis of a fee-for-task contract, civil contract providing for the " proper performance " of some action / activity . Working on the basis of a contract for a specific task. Type of civil contract involving the preparation of the work. The agreement results - usually work is a material and a specific result , such as write of the article etc. The popularity civil law contracts due to the fact, that employers used them to decrease the cost of labour. In the case of the fee-for-task contract they have to pay social insurance for employee, but usually they sign several the fee-for-task contracts with the same worker, and pay the social insurance from the cheapest contract only. The value of the cheapest contract can be smaller than minimum wage in Poland. In the case of a specific task, the employers pay just as much as the value of the contract. Employed on the civil law agreements can not belong to a trade unions, they do not receive paid holidays and paid vacation leave. They also do not have sufficient protection against enforcement bailiff. Periods of employment in those contracts do not count towards seniority pension From this reason, these agreements in Poland are called junk contracts.

3.7. *The contract of employment for a replacement.* The employment contract concluded due to the long absence of another employee, ending at the return of the replaced person for the job.

3.8. *The contract for a trial period.* The contract of employment aimed mutual checking parties of the contract (employer and employee) , with no obligation to continue employment. It can be concluded only once with the same person at the beginning of the employment.

3.9. *Self-employment.* Self-employment is operating business by an individual, sole trader. Self-employed person is not someone's employee. Becoming an entrepreneur and head for himself, and in all formal issues, such as social insurance and taxes. In carrying out work for other companies concludes civil contracts with them.

3.10. *Work- sharing.* Work divided , the reduction of working hours while keeping the number of posts.

3.11. *Job- sharing or job-splitting .* Two part-time employees voluntarily share one full-time position with salary and benefits prorated.

3.12. *Flexible organization of working time.* Among the flexible organization of working time most popular in Poland are variable hours of starting work. It is a system that gives employees the opportunity to identify, in consultation with the employer, start and end of the work, and the daily standard working time is 8 hours. It is used primarily in single-shift system, but can also be used in two shifts. Flexible working time also allows to start work at

different times, with the additional element that defines this form is the time interval in which all employees must be present in the company. Polish Labour Code also allows task time form of the employment contract, specifying the specific tasks that must be done in a fixed time job, and equivalent time form - the contract of employment using an equivalent system. Under this system, the employee works less than five days a week, extending daily working time.

4 FLEXICURITY

Flexicurity denotes an optimal configuration of flexible labour legislation and secure social protection. Any combination of “flexibility” and “security” is called “flexicurity”. The genesis of the term is perhaps most closely associated with the Danish model fight against unemployment, which combines high unemployment benefits with low dismissal protection. In 2007, the European Commission defined Common Principles of Flexicurity, which contains four basic components:” Flexible and reliable contractual arrangements (from the perspective of the employer and the employee, of "insiders" and "outsiders") through modern labour laws, collective agreements and work organisation; Comprehensive lifelong learning (LLL) strategies to ensure the continual adaptability and employability of workers, particularly the most vulnerable; Effective active labour market policies (ALMP) that help people cope with rapid change, reduce unemployment spells and ease transitions to new jobs; Modern social security systems that provide adequate income support, encourage employment and facilitate labour market mobility. This includes broad coverage of social protection provisions (unemployment benefits, pensions and healthcare) that help people combine work with private and family responsibilities such as childcare.” (Toward Common, 2007). A method for implementing the idea of flexicurity has been the subject of many studies in Poland (Kryńska E., red. 2009,). The authors of these studies indicate the need for further work in four aspects of the flexicurity, mainly in active labour market policies and building a modern social security system.

5 SOCIAL AND ECONOMIC IMPACT OF FLEXIBLE FORMS OF EMPLOYMENT

In recent years, carried out in Poland, several research projects on the impact of flexible employment on households. One of the last projects completed in 2012 in Lower Silesia, concerned the analysis of the economic and social effects of flexible forms of employment (Elastyczne., 2013). Based on the results of these studies we can evaluate the influence of flexible forms of employment on the social, psychological and economic situation families whose members were employed on such contracts. Generally, employees consider, flexible forms of employment as worse, more stressed jobs than open-ended contracts. The employees complain about the unpredictability of work, which makes difficult for them to plan daily schedule, weekly timetables. The difficulty in planning periods traditionally family (vacations and holidays) Job insecurity causes less security and stability in the whole family, causes also financial problems (they do not get the remuneration for sick leave and do not receive paid holidays). They have problems with organizing the care of family members (children, mothers, fathers), when needed. Lone workers delaying the decision to start a family (a decision which is usually tied to the achievement of certain stabilization understood as an opportunity to plan their future in the coming months or years), they have difficulty in

obtaining a mortgage . A study of more than 1000 employees at thirty distinct companies in Lower Silesia showed that stress was higher among workers engaged in all types of workplace flexibility arrangements, increasing the range of psychological problems caused by long-term stress, frustration or depression. From a lack of stability and predictability appears crisis of family ties. Those dissatisfied with their lives, people create a new social class precariat. Precariat a neologism that combines an adjective “precarious” and related noun “proletariat”. According Guy Standing (Standing G 2013) “The precariat consists of people who lack the seven forms of labour – related security.

Labour market security: Adequate income–earning opportunities; at the macro – level, this is epitomised by a government commitment to "full employment".

Employment security: Protection against arbitrary dismissal, regulations on hiring and firing, imposition of costs on employers for failing to adhere to rules and so on.

Job security: Ability and opportunity to retain a niche in employment, plus barriers to skill dilution, and opportunities for "upward" mobility in terms of status and income.

Work security: Protection against accidents and illness at work, through, for example, safety and health regulations, limits on working time, unsociable hours, night work for women, as well as compensation for mishaps.

Skill reproduction security: Opportunity to gain skills, through apprenticeships employment training and so on, as well as opportunity to make use of competencies.

Income security: Assurance of an adequate stable income, protected through, for example, minimum wage machinery, wage indexation, comprehensive social security, progressive taxation to reduce inequality and to supplement low incomes.

Representation security: Possessing a collective voice in the labour market, through, for example, independent trade unions, with a right to strike”. (Standig G., 2013).

In his book “The precariat: The New Dangerous Class”, Prof. Guy Standing warns that a large part of precarity and those who are afraid to live in it, can be drawn into the embrace of neo-fascism.

SUMMARY

Polish labour market flexibility is at the level of the average value of the EPL for OECD countries, but this does not guarantee a lower unemployment rate (in January 2014, registered unemployment rate was 14%). In Poland is observed the largest number of fixed-term contracts among the EU countries, 26.9% from all employed, about 1 500 thousand have a junk contracts. Probably by that means Polish employers transfer the risk associated with doing business on the employees. So far, a flexible labour market has not contributed to a significant reduction in the unemployment rate in Poland, but introduced a sense of instability and insecurity in several millions of families in Poland.

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