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Determinants and Challenges of Social Policy

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Socio-economic transformation

In 1990 the process of transformation of the socio-economic system in Poland began. Its goal was to change the central planning of the economic system into the market system. In the social sphere it meant changing from the domination of the collective (social) interest to the individual (private) one¹. In the socialist society, the social interest dominated over the individual interest. Three features of this domination can be distinguished. The first one refers to the priorities of the social policy concerning differentiation of incomes or privileges of some social groups. Because the priorities were of group character, the superior rule of the social policy was its egalitarianism. Secondly, the priorities were established by the political and state apparatus, without any participation of the society. Thirdly, the state organized the social services (e.g. education, health protection).

In the conditions of the transformation, the model of the social policy characteristic of socialist states was changed. Its basis was the state's responsibility for satisfying its citizens' needs. The literature calls it

¹ Cf. J. Kleer, *Drogi do gospodarki rynkowej na marginesie doświadczeń transformacyjnych w Niemczech Wschodnich, Polsce i Rosji*, Warszawa 2003, pp. 143 and 144.

a *state-collectivist* model. It was founded on the following three elements: 1) full employment – security of work and pay, 2) high subsidies of the state to the prices of basic goods and services, common access to free or low-paid social services, 3) a developed system of social benefits. The social policy in a socialist state was of total character, which meant that the authorities controlled and steered the social processes and a job security system was developed. Removing social pluralism and introducing repressions caused that a monopoly of the state for satisfying social needs appeared. This was manifested in a tendency for fair division of incomes, nationalization of property, a policy of full employment or wage egalitarianism. Those solutions were not bad “in themselves” but they were undertaken regardless of the economic reality. That socio-economic model could not function in an effective way since the socialist economy of shortage did not keep pace with the growing social needs, the effect of which were numerous social and political crises.

Entering the path of socio-economic transformations, Poland chose the radical variant of reforms, which was characterized by fast implementation of market mechanisms in economy but at the same time its consequence was a collapse in production, hyperinflation, unemployment and an unprecedented decrease of life standard. One of the elements of economic transformations was the reform of the social sphere. Liberalization, commercialization and decentralization began. Liberalization meant the state’s withdrawal from the position of a monopolist as the only source of satisfying the social needs. Commercialization was connected with paid services (education, health protection), while decentralization consisted in transferring the tasks concerning the social policy to the local self-government and its basic unit – a commune. Implementation of the reform in the social sphere had to face the duality of social and economic objectives. On the one hand, the social policy was to be adjusted to the changing economic reality, while on the other, especially in the initial period, the standard of life was to be maintained. However, that was impossible to accomplish.

Changes in the system of the social policy went in two directions. On the one hand, activities were undertaken that adjusted the social policy to the implemented economic reforms. On the other, reforms were begun that introduced institutional changes which served modernizing and improving the effectiveness of the social policy. Activities undertaken in the field of the social policy in Poland in the 1990s can be divided into three groups. The first concerned those that aimed at creating an effective system of social protection and income guarantees. The second

group included the activities aimed to limit unemployment and, above all, to secure social benefits to the unemployed. The third group were the activities intended to adjust the social policy to market economy and to the decreasing financial possibilities of the state². Political, economic, demographic, psycho-social and integrative factors have played a significant role in realization of the social policy in the last twenty years. At the same time, they became a challenge that the successive governments in our country have to face.

Political consensus in searching for a new model

At the beginning of transformations, all major political groups agreed that the socialist model of social policy, adjusted to the planned model of allocation of economic resources, had to be changed. At the same time, they realized that the choice of a liberal model of social policy was unacceptable due to its axiology directed towards individualism, entrepreneurship, competition, etc. The so-called Scandinavian model, oriented at budgetary financing of the social policy, was also impossible. On the one hand, it was associated with socialism and on the other, it could not survive in the conditions of recession. That was why a social market economy was chosen, a model that had functioned in the German Federal Republic since 1940s and which was an attempt to make a compromise between economic effectiveness and the social protection of the population (“as much state as necessary, as much market as possible”), an attempt to build *sustainable social and economic development*.

The reforms and institutional changes in the social policy do not clearly indicate that this very model of the social policy was chosen. The Constitution of the Republic of Poland from 1997 and a number of political declarations stated that social market economy is the basis of Poland’s economic system. However, our state has a long way to go to achieve this goal³. For example, we do not have a developed and complex system of social insurances, including the majority of social risks. A social dialogue, which is the basis of establishing salaries on

² Cf. M. Książopolski, *Polityka społeczna. Wybrane problemy porównań międzynarodowych*, Katowice 1999, pp. 124–127.

³ Art. 20 of the Constitution of the Republic of Poland: “A social market economy, based on the freedom of economic activity, private ownership, and solidarity, dialogue and cooperation between social partners, shall be the basis of the economic system of the Republic of Poland”.

the level of the trade, leaves much to be desired and is entangled in the current politics. The present term of office of the Sejm is exceptional because there is no division into pro-governmental and opposition trade unions, which was the case before.

At the present stage, the social policy in Poland can hardly be described as a model solution. The model of the social policy that will be shaped in Poland in the future will be, at least for a certain period, a hybrid of the socialist model with some elements of the liberal and corporation (motivational) model⁴. This follows from three factors. Firstly, although the social function of the state has been considerably limited, it will still remain the main subject responsible for the life standard and social security of its citizens. Secondly, acceptance of democracy and market economy fostered “liberalization” of the social policy and questioning of its system of values. The values professed so far – solidarity, social security and equality are replaced by competition, uncertainty and inequalities⁵. Thirdly, the undertaken reforms resulted in increasing the insurance element in the system of social security. Besides, a neocorporationalist system of employment relations was introduced, which is typical of the corporation model (social market economy)⁶.

The victory of the Civic Platform, a party of liberal orientation, in parliamentary elections in 2007 directed the social policy towards stronger commercialization. Unfortunately, in the consciousness of politicians but also intellectual elites, it is common to identify the social policy exclusively with the material sphere of the standard of life, i.e. *the social policy*. It certainly determines their way of thinking and acting, resulting in underestimating the institutional and system changes of pro-developmental character and limiting the solutions to those from the sphere of social welfare.

Economic crisis and its consequences

At the beginning of transformations the social policy had first of all to face the effects of recession caused by the activities undertaken

⁴ Cf. M. Książopolski, *Polityka społeczna w krajach transformacji. Jaki model się kształtuje?*, „Polityka Społeczna” 2000, No. 9.

⁵ M. Książopolski, *Polityka społeczna w krajach...*

⁶ Introducing insurance elements includes the reform of social insurances and health insurances, while a sign of establishing neocorporationalist employment relations is the creation of the Trilateral Commission as an institution of a social dialogue.

in the economic sphere. In the social sphere, recession brought about unemployment and lowered the life standard.

The essential social and economic problem which remains an up-to-date challenge for economic and social policy is *professional deactivation* shown in the form of unemployment and a low level of employment.

Table 1. The rate of unemployment registered in Poland in the years 1990–2012 (the situation at the end of the year)

| Year | Number of the unemployed in thousands | Unemployment rate |
|------|--|-------------------|
| 1990 | 1126.1 | 6.5 |
| 1991 | 2155.6 | 12.2 |
| 1992 | 2509.3 | 14.3 |
| 1993 | 2890.0 | 16.4 |
| 1994 | 2838.0 | 16.0 |
| 1995 | 2629.0 | 14.9 |
| 1996 | 2359.5 | 13.2 |
| 1997 | 1826.4 | 10.3 |
| 1998 | 1831.4 | 10.4 |
| 1999 | 2349.8 | 13.1 |
| 2000 | 2702.6 | 15.1 |
| 2001 | 3115.1 | 17.5 |
| 2002 | 3217.0 | 20.0 |
| 2003 | 3175.7 | 20.0 |
| 2004 | 2999.6 | 19.0 |
| 2005 | 2773.0 | 17.6 |
| 2006 | 2309.4 | 14.8 |
| 2007 | 1746.6 | 11.2 |
| 2008 | 1473.8 | 9.5 |
| 2009 | 1892.7 | 12.1 |
| 2010 | 1954.7 | 12.4 |
| 2011 | 2105.0 | 12.5 |
| 2012 | 2136.8 | 13.4 |

Source: www.stat.gov.pl (05.04. 2013).

In the years 2003–2004 the rate of unemployment reached even 20% and now it stays at the level of over 13.4%. If a more restrictive

method used in the quarterly Research on the Economic Activity of the Population (based on the methodology of the International Labour Organization) is applied, it is over 10%. Unemployment in Poland results first of all from: 1) the economic situation (the cyclical factor appearing periodically); 2) lack of adjustment of the structure of demand for labour and supply of labour (the structural factor, a dominating one, which causes that combating unemployment is especially difficult and time-consuming, structural unemployment is characteristic mainly of the northern and north-western areas – so-called post-state farm environments); 3) demographic processes (a particularly important factor till the middle of the first decade of the 21st c.).

Special categories of people on the labour market are created by long-term unemployment (people staying without a job more than 12 months constituted 50.2% of all registered unemployed persons in 2012); the youth (people over 25 years of age constituted 19.8% of the unemployed); the unemployed without professional qualifications (29.2% of the total number). Only 17% of the unemployed have the right to an unemployment benefit.

The problems of the labour market are not limited only to unemployment and its consequences, which are typical of market economy. The low level of employment is maybe a more serious problem. The employment rate (calculated in relation to the whole population) according to the same methodology of Research on the Economic Activity of the Population hardly exceeds 50% and is one of the lowest rates in the European Union. This means that the number of professionally passive people⁷ (after taking pensioners into account) at the production age reaches about 8 million. This is especially disturbing in the context of demographic changes. Hence, a challenge for the legislative and executive powers should be to pay special attention to this category on the labour market which is often disregarded. This is even more important because counteracting unemployment, leading to a statistical change of the level of the unemployed, does not have to lead to an increase in employment – *lowering unemployment is not identical with an increase of employment*.

Unemployment has become one of the causes of poverty, besides lowering the purchasing capacity, in connection with a restrictive program of economic reforms. A special kind of poverty was so-called *new poverty*, which has been so far unknown in our country. It concerned

⁷ The professionally passive are a category of people on the labour market aged 15 and more who were not classified as employed or unemployed.

the people who in the 1980s still had a stable professional and material situation. Income polarization is also a feature of the material situation of the Polish society. The Gini coefficient⁸, which in Poland is equal to 31.1 with the mean value in the EU scale of 30.7⁹, is one of the measures of differentiated incomes. This locates Poland in the group of countries between Sweden, with the lowest level of 24.4 and Latvia, with the highest one of 35.4¹⁰.

The problem of the highest importance is spatial differentiation and transmission of poverty. The eastern areas of the country, which are the weakest in their socio-economic development (the so-called eastern wall) and the north-western ones (the so-called post-state farm environments) are most threatened by poverty¹¹. Transmission of poverty has two dimensions. The first is the material one, which makes the lifestart of children and even grandchildren difficult, and the psycho-social one, which causes that an individual does not feel a need to change their life situation and gets increasingly marginalized. Progress in marginalization is manifested in a lack or limitation of access to education, health protection, culture, social security and justice. This means that a part of the population has access to the goods and services of worse quality.

The social, or – more exactly – financial, crisis, which appeared in the world economy at the end of the first decade of the 21st c. and which comprised – to a greater or lesser degree – the whole world, can facilitate the tendencies to limit the state's responsibility for the social sphere. The neo-liberal orientation, which questions the justification of the state's interference into the social policy both from the economic perspective (social expenditures burden the economy) and the social

⁸ The Gini coefficient (index of income concentration) measures the degree in which distribution of incomes or consumption expenditures between individuals, households or social groups diverts from a completely uniform distribution. It can range from 0 to 1 (100), where 0 means that all members of a given society participate in a uniform distribution of income, while 1 (100) means that one person receives the whole income. The higher the coefficient is, the higher the difference between the incomes of the rich and the poor is.

⁹ *Gini coefficient of equivalised disposable income (source: SILC) [ilc_di12]*, europa.eu (29.03.2013).

¹⁰ In the all-European scale the lowest stratification is found in Norway – 22.9, while the highest in Russia and Georgia – 40.

¹¹ Cf. *Dochody i warunki życia ludności Polski (raport z badania EU-SILC 2011). Incomes and living conditions of the population in Poland (report from the EU-SILC survey of 2011)*, Warszawa/Warsaw 2012, p. 149.

one (weakening individuals' activity and resourcefulness), grows in importance in such conditions.

The factor that exacerbates the possibility of satisfying the citizens' basic needs such as work, income, access to social security benefits due to old age is also the unfavourable demographic situation consisting in gradually progressing demographic ageing of the society.

The social policy towards demographic challenges

Development and realization of programs of the social policy are increasingly determined by demographic processes whose consequences affect such domains of the social policy as labour market, social security protection, health protection, education, housing or social welfare. It could be seen at the beginning of the transformation process, when the appearance and increase of unemployment were largely determined by a greater supply of labour in the 1990s. The age-groups of the demographic bulge from the 1970s entered the market. In the period 1986–1990 the increase of labour resources was about 150,000 people, whereas in the successive periods (1991–1995, 1996–2000, 2001–2005) it was 780,000–900,000 people. In the second half of the first decade of the 21st c. the demographic pressure on the labour market clearly diminished. This means that about 2.5 million people entered the market within the period of 15 years. Therefore, to manage only those resources (disregarding the people who lost their jobs as a result of dismissals), as many workplaces would have had to be created, which was impossible in those conditions.

A special effect of demographic changes is felt in the field of social security protection. Practically, all Europe starts to feel, or already does, the consequences of the “second demographic transition”, the result of which is demographic ageing of societies and depopulation. This process creates a danger for the functioning of pension schemes. Nevertheless, we should agree with British researchers who believe that the warnings against the “apocalyptic demography” are largely determined by ideological issues. The neo-liberal rightist option is trying to dismantle the model of the state of welfare in this way¹². Nonetheless, leaving

¹² S. Cunningham, “Demographic Time Bomb” or “Apocalyptic Demography”: *The Great Pensions Debate*, [in:] M. Lavalette, A. Pratt (eds.), *Social Policy. Theories, Concepts and Issues*, London 2006 (Polish edition – *Polityka społeczna. Teorie, pojęcia, problemy*, Warszawa 2010, pp. 278–279); M. Hill, *Social Policy in the Modern World. A Comparative Context*,

the ideological activity aside, there is no doubt that the aforementioned tendencies will enforce the governments of the European states to change their present, uniformly PAYG pension systems. These tendencies will not pass by Poland. Demographic prognoses till 2050 clearly point out that there will be increasingly fewer members of the productive age population, with a greater number of people of the post-productive age and a simultaneous drop of the total population (tab. 3).

Table 2. Population in the years 1990-2010

| Year | 1990 | 1995 | 2000 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total population in thousands | 38073 | 38284 | 38254 | 38157 | 38125 | 38116 | 38136 | 38167 | 38200 |
| Total population growth in thousands | 85 | 19 | -9 | -17 | -32 | -10 | 20 | 31 | 33 |
| % | 0.22 | 0.05 | -0.02 | -0.04 | -0.08 | -0.03 | 0.05 | 0.08 | 0.09 |
| Birth rate in thousands per 1,000 people | 157.4 | 47.0 | 10.3 | -3.9 | 4.5 | 10.7 | 35.1 | 32.7 | 34.8 |
| | 4.1 | 1.2 | 0.3 | -0.1 | 0.1 | 0.3 | 0.9 | 0.9 | 0.9 |

Source: *Podstawowe informacje o sytuacji demograficznej Polski w 2011 roku*, www.gov.stat.pl (05.04.2013)

Table 3. Population prospects according to age till 2050 (%)

| Population | 2010 | 2020 | 2030 | 2040 | 2050 |
|---------------------|-------|-------|-------|-------|-------|
| Pre-productive age | 18.0 | 16.3 | 14.9 | 12.3 | 11.6 |
| Productive age | 65.0 | 60.8 | 58.2 | 56.0 | 50.3 |
| Post-productive age | 17.0 | 22.9 | 26.9 | 31.7 | 38.1 |
| Totally | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: *Prognoza wpływów i wydatków Funduszu Emerytalnego do 2050 roku*, Warszawa, December 2006, p. 10.

Therefore, the Polish society is now at the stage of advanced demographic old age and already now it is reaching this threshold (percentage of people over 60 years of age > 18%). This is a challenge for the government to find a way to prepare the social policy for the hard times when the number of recipients of services is growing and the

London 2006 (Polish edition – *Polityka społeczna we współczesnym świecie. Analiza porównawcza*, Warszawa 2010, pp. 279–285).

number of the employed – tax and superannuation payers is decreasing. The first way to counteract depopulation was then the reform of the pension scheme in 1999. Regardless of the assessment of the course of the reform itself, the conviction about the necessity of undertaking it raises no doubts.

Reform of the pension system

The economic aim of the reform from 1999 was to decrease the subsidies to the Social Insurance Institution. Preserving the present PAYG pension system, without reducing the pension benefits, would mean the risk of increasing the contributions and thus greater costs of labour. The crisis of social insurance was also caused by the fact that large state-owned enterprises did not pay the contributions, which disturbed the functioning of the Social Insurance Institution. Implementation of the new pension scheme was made difficult by contradictory interests of the expectations of pensioners, who expected increased benefits after the reform, and the state aiming to lower the expenditures on social insurance from the state's budget.

The reform from 1999 introduced a multi-stage pension system, which is a solution typical of developed countries and which results from the demographic ageing of the societies of those countries. The future pension benefits in this system are to consist of three elements, namely 1) basic pension, guaranteed by the state to all citizens and financed from the contributions or from the state's budget; 2) occupational pension, depending on the salaries and, consequently, the contributions, the part decisive of the height of the benefit; 3) top-up pension, depending on individual prudence and financial possibilities of the future recipient of services. In the construction of the Polish reformed pension system, the first pillar refers to the basic pension, the second – to the occupational pension, and the third – to the top-up pension.

The first pillar, which is compulsory and guaranteed by the state, preserved the PAYG scheme, existing in the uniform pension system (financing from the current contributions on the basis of inter-generation solidarity). The other two pillars – II and III – are of capital character, i.e. they are based on individual capitalization of contributions. The second pillar, like the first one, is compulsory but contrary to III is supervised by the state. The contribution for the pension benefit is 19.52% of the contribution assessment basis.

Implementing the multi-pillar pension system aimed to reduce the state's responsibility for the future pension benefits and transfer a part of responsibility to the citizens themselves. The state's task in the new system is to guarantee the minimum level of the benefit, with a possibility of developing pension programs organized by employers or programs of individual saving. The reformed pension system in Poland refers to the concept of the World Bank based on the Anglo-Saxon tradition. The propositions of the World Bank assumed the creation of three pillars of pension insurance, namely two compulsory ones – the state and capital ones, supplemented by the third, based on voluntary savings. The three-pillar system is supposed to guarantee security as it differentiates the financial risk¹³. A deviation from the theoretical assumptions of the pension systems is that the first pillar is to determine the height of the future benefit. Only a small part of the pension contribution paid by the employee goes to the second pillar, as a result of which open pension funds, created to capitalize our contributions and affect the height of the benefit, have limited possibilities in this respect. The adopted solution was aimed to keep a major part of the assets in the budget. Thus, the real attempt to transfer the burden of financing the future pension benefit from the Social Insurance Institution failed. And that was one of the goals of the reform. Social expectations connected with changes in this socially important sphere were not satisfied.

The reform liquidated the retirement pension provision (giving the right to the benefits by virtue of the law and financed from the state's budget) for some socio-occupational groups and introduced some insurance elements making the right to the benefits dependent on paying the insurance contributions. However, the former solutions referring to provisions were maintained for a few of those groups, including the farmers. The farmers' benefits are in 90% financed from the state's budget. Their contributions finance only 10% of those benefits. This is a very difficult problem. On the one hand, the farmers' benefits belong to the lowest ones and they often maintain multi-generation agricultural farms. On the other hand, this is disproportional in relation to other socio-occupational groups. The farmers' pension scheme is politically a very delicate issue. The coalition agrarian political party (The Polish Peasant Party) speaks for maintaining the status quo. As long as this party has some influence on the legislative and decision process on the

¹³ Cf. M. Rymsza, *Urynkowanie państwa czy uspołecznienie rynku? Kwestia socjalna w Trzeciej Rzeczypospolitej na przykładzie ubezpieczeń społecznych*, Warszawa 1998, pp. 84–89.

government level, changes in this sphere are not likely to happen. The key problem of the organization of the social insurance systems is the retirement age. By virtue of the law passed in 2012, beginning with 2013 the retirement age will be gradually increased for men and women to 67. It will include women born after 31 December 1952 and men born after 31 December 1947. Increasing the retirement age is a solution applied in case of depopulation demographic tendencies and these are beginning to appear in Poland. In accordance with economic argumentation, this is supposed to increase the level of professional activity, which in our country belongs to the lowest, and to increase the height of the future pensions. Increasing the retirement age practically refers to all EU countries. The need to raise the pensions is said to be an argument for equalizing the retirement age of men and women since with a lower work experience and lower salaries they have lower benefits.

In 1997, changes were made in the system of pensions and expert decisions concerning retirement. Those changes were caused by the necessity to rationalize that system and to raise a very low level of professional activity. First of all, the three disability groups were replaced by new categories, which were not connected so much with the degree of disability but the ability to work. According to the new rules, these are complete incapacity for work accompanied by inability to independent existence, complete incapacity to work, and partial incapacity to work. Secondly, commissions for employment and disability, which decided in matters pertaining to retirement, were replaced by the institution of an expert doctor subordinated to the Social Insurance Institution. From the point of view of the Social Insurance Institution, that change was expected to foster greater rationalization of expert decisions, and, as a result, public finances. Totally, in 2011 a retirement pension due to inability to work or a family pension was received by 2.56 million people, including 1.21 million – due to inability to work. In 2000, however, retirement benefits were received by nearly 4 million people, including 2.7 million – due to incapacity to work, which was twice as many as now. This proves that rationalization of the pension system brings positive results.

Migration policy

Integration with the European Union and opening the borders caused that about 1.8 million of Polish citizens stay abroad for longer than 3 months, including more than a half – for at least a year. Although this

removed the burden from the labour market, in a longer perspective – if those people do not decide to return – this means a considerable loss of labour resources. In the context of depopulation, it will have a negative effect on the national labour potential. Therefore, one of the directions of the migration policy is to encourage the Polish labour migrants to return home.

The government began to realize the inevitability of foreign migration although at present Poland is not such an attractive country for foreigners as West-European countries. The inflow of migrants will only supplement the shortage of labour resources, without having a decisive character if the negative depopulation tendencies increase.

Considering the experience of other countries connected with the social and cultural adaptation of foreigners and their acceptance by the local population, the government undertakes activities aimed at controlling the migration flow to Poland. The desired categories of migrants include, for example, people of Polish origin, students, scientists, graduates of Polish universities, foreigners pursuing economic activity, labour immigrants with the qualifications desired on the Polish labour market, EU citizens and members of their families, family members of the citizens of the Republic of Poland, foreigners settled in Poland. A corresponding government document¹⁴ draws attention to the cultural closeness of potential migrants, which refers to the citizens of our eastern neighbors (Belarus, Ukraine, Russia), who find it easier to learn the Polish language and who are not different in their anthropological type. This is a matter of importance, especially in local environments.

Changes in the systems of health protection and education were supposed to meet the new economic and demographic challenges.

Reform of health protection

The basic assumption of the reform of the health protection system was adjusting this kind of social services directed and financed by the state to the rules of market economy. That was supposed to improve the quality of health services. The system of health protection existing before the reform had a lot of faults, including excessive centralization, lack of rational criteria for the division of the financial means and register

¹⁴ *Polityka migracyjna Polski – stan obecny i postulowane działania*, Zespół do Spraw Migracji, MSWiA, Warszawa, April 2011.

of costs, unequal allocation of the means between the units of the local self-government resulting in unequal access to medical services. The necessity for changes in the manner of organizing and financing health protection followed from a number of factors, resulting from the lack of balance between the state's obligations in the field of health care and the possibilities of realizing them, discrepancies between the society's expectations and the possibilities of the units of health protection as well as between the expectations of the health care workers concerning the conditions of work and remuneration and the real possibilities of their realization. Changes in financing health protection were also the effect of the predicted growth of a demand for health services, connected with the demographic ageing of the society and a low level of the society's health. Maintaining the existing system would be a hazard to its efficiency and possibilities of financing.

The reform from 1999 introduced a new institution, namely universal and compulsory health insurance (the contribution is 9% of the contribution assessment basis) and Sickness Funds. That meant transfer to the insurance model of health protection. Sickness Funds were subordinated to the voivodeship self-government (16 regional funds and one occupational fund for so-called uniformed services), which referred to the German solutions and was supposed to decentralize the health protection system and make it independent. Because of very low effectiveness of the functioning of Healthcare Funds, in 2003 they were replaced by the National Health Fund. However, health insurances were not liquidated. The solutions used together with the reform did not satisfy anybody. The citizens felt that accessibility and quality of health services radically decreased. The material status of the health care workers, especially the so-called middle-level medical personnel did not improve considerably either.

The problem of the health protection system still refers to the fact that it is underfunded. The way out was to be commercialization of hospitals proposed by the government. They were to be transformed into partnerships operating on the basis of the market mechanism. This solution raises a lot of controversies and emotions. The opponents of commercialization argue that health care cannot be subordinated to the criteria of profit maximization. Commercialization is usually associated with paid services. The element of commercialization which was introduced at the very beginning of the reform is also contracting the health services, which means that private entities get contracts for rendering health services from the public means. This is so-called

concealed commercialization. The effect is not felt by the citizens since health services rendered by private entities within the system of the public health protection system remain free of charge.

Reform of education

The new social and economic reality, including the situation on the labour market, together with the advancing globalization process, increases the importance of education and knowledge in human development. The issue of education may be viewed in the quantitative and qualitative dimensions. *The quantitative dimension* concentrates on the impossibility of ensuring education to all who want to study at a given level. *The qualitative dimension* refers to the contents of the curricula and their usefulness in definite social and economic conditions.

A problem which is important for the functioning of the system of education is the adjustment of its curriculum to the requirements of market economy. The point is to reduce or completely give up recruitment to the schools teaching the jobs or specializations for which the demand on the labour market dropped radically. The reform of education implemented since 1999 and consisting in changing the structure of schooling was supposed to ensure realization of a few goals, such as popularization of secondary education, high professional qualifications adjusted to the requirements of the labour market, or differentiated educational paths¹⁵. A special importance was attached to the reform of vocational education in addition to emphasizing the necessity of cooperation between the education system and the employers in order that the practical occupational training could proceed according to their expectations and requirements. The effectiveness of the reform was supposed to link it with the reform of administration. Financing the primary and secondary schools was made the task of communes, while the post-secondary schools were to be financed by a new unit of the local self-government, namely districts.

From the perspective of several years it seems that the goals set for the reform have not been achieved. Introducing 3-years' secondary schools after primary school was expected to make up curricular

¹⁵ After 6 years of primary school and 3 years of secondary school, the student who puts in some effort has a choice of four educational paths, which are supposed to lead them to high school final exam and next to university studies (Master's or vocational). These are the following paths: 3-years' high school, 3-years' specialized high schools (now wound up), 4-years' technical high school and 2-years' vocational school.

differences that existed after primary school. Nevertheless, a division was also made of those schools into “better” and “worse”. The new system of education was supposed to be better suited to the labour market. Secondary education was to be spread and it was expected to be the basis for further education. That followed from the right belief based on unemployment statistics that vocational schools “produced” the unemployed. Therefore, recruitment to those schools was limited to 20% of secondary schools graduates. Such a scale of vocational education linked with mass labour migration to the EU countries led to deficits on the labour market concerning the jobs which are taught at that level.

The system of education also began to feel the consequences of demographic changes, the result of which is a smaller number of classes or even closing the schools and dismissing the teachers.

Graduates still belong to so-called risk-groups on the labour market. Nearly every third one is unemployed. High and vocational schools graduates are most threatened by unemployment, while the least – university graduates (tab. 4). The unemployment rate among the youth, i.e. people up to 24 years of age, was 27.4% in 2012.

Table 4. Unemployment rate among graduates according to the level of education in 2012

| Level of education | Unemployment rate% |
|---|--------------------|
| Totally | 30.2 |
| University | 20.1 |
| College of further education and secondary vocational | 37.8 |
| Secondary vocational | 46.9 |
| Vocational | 47.3 |

Source: *Kwartalna informacja o aktywności ekonomicznej ludności*, www.stat.gov.pl (03.05.2013).

Institutionalization of the social dialogue

Institutionalization of the social dialogue was also an element of institutional changes in the social policy. The economic reform, which first of all combated inflation, and the accompanying privatization caused an increasing wave of social and economic conflicts. Continuing the changes that began in 1990 was practically impossible without the acceptance of trade unions. By virtue of the Pact on State-Owned Enterprise from 1992, a Trilateral Commission for Social and Economic Affairs was established

in 1994. It makes a forum of social dialogue to reconcile the interests of employees and employers. The purpose of this institution is to achieve and maintain the social peace. The pluralistic system of employment relations, characteristic of the Anglo-Saxon countries and functioning in Poland at the beginning of the 1990s, was thus replaced by the neocorporationalist system, typical of the continental West-European countries. Its main feature is the trilateral character based on negotiations of social partners with the government. This is a kind of a social agreement. The weak point of the Trilateral Commission in the early period was the poor legal basis since it was created by virtue of a resolution of the Council of Ministers. Since 2001 the functioning of the Trilateral Commission has been regulated by a corresponding act. An obvious success of this institution was alleviating the social tension caused by the consequences of transformations in the social sphere (above all, in the field of employment and remuneration conditions and the life standards of the workers).

The major competences of the Trilateral Commission for Social and Economic Affairs are of consultative and advisory character but there are also those of regulatory nature. If all parties participating in the work of the Commission reach consensus, the decisions taken are a universally binding law but a proper act must be issued by the competent state body. This concerns negotiations on the average salaries paid by entrepreneurs, salaries in the state budget sphere, the minimum remuneration for work, pensions from the Fund of Social Insurance and family benefits.

The Trilateral Commission has a special role during the economic and financial crisis. It becomes a forum for propositions to limit the crisis and counteract its economic and social effects. The workers aim at preventing the situation in which the consequences of the crisis will be shifted to the employees. Therefore, they demand that the interests of enterprises and employees should be secured.

Europeanization of the social policy

It was clear since the beginning of the social and economic changes that the social policy in Poland would be subject to *Europeanization*, which means adjusting its legislation, norms and institutions to those existing in other European countries. Europeanization had a broader character than that following from the accession to the European Union. The first issue was to refer to the solutions adopted by the Council of Europe, such as the European Social Charter from 1961, ratified by Poland in

1997. That was important because all EU countries ratified the European Social Charter. Although it is a convention of the Council of Europe and not an act of the European Communities, it marked the basic objectives and directions of the social policy in the present European Union.

An example of direct reference of the Polish legislator to the norms of the Council of Europe in the sphere of broadly understood social policy is the Act on National and Ethnic Minorities and on the Regional Language from 2005, which was enforced as a result of Poland ratifying the Framework Convention for the Protection of National Minorities from 1995.

Europeanization of the Polish social policy had a two-way course. On the one hand, in the pre-accession stage the point was to implement the solutions referring, for example, to the individual and collective labour law (regulatory competences of the Trilateral Commission indicate Europeanization of the Polish social policy), social security or equality of men and women. That raised fears concerning the costs borne to carry out the undertaking. On the other hand, in the pre-accession phase, assistance programs, and after the accession – structural programs (European Social Fund, European Regional Development Fund) were started which made it possible to realize a number of tasks of infrastructural and institutional character.

Closing the reflections on the social policy in the period of transformations, I would like to recall the statement of one of the most authoritative experts on the social policy in our country – Antoni Rajkiewicz. He said that history in Poland “came full circle”, which means that the scale and severity of contemporary social issues resemble those from the period between the wars, and the social policy, whose major subject is the state, is not always able to counteract them. It should be realized that the state’s activity in the social sphere is nowadays one of the main levels of legitimization of the state authority¹⁶. This especially refers to Poland, where many social groups kept their awakened expectations in relation to the state’s functions. Now we are in a slightly better situation than in the period between the wars since we get additional support from the European Union. Thanks to the membership in this organization, we feel economically and socially more secure. Nonetheless, the increasing economic and financial crisis, accompanied by demographic changes, is a real challenge.

¹⁶ Cf. L. Dziewięcka-Bokun, *O roli i miejscu polityki społecznej w nowoczesnych systemach politycznych*, [in:] J. Auleytner (ed.), *O roztropną politykę społeczną. Księga pamiątkowa na jubileusz 80-lecia prof. dr hab. Antoniego Rajkiewicza*, Katowice 2002, p. 92.

ABSTRACT

The present article deals with the most important conditions and challenges of social policy in Poland. These include the social and economic transformations, the economic crisis, demographic changes and Europeanization. They enforce rationalization of expenditures, adjustment of the solutions to the existing economic and financial possibilities of the country and considering the present and future age structure of the population. On the one hand, Europeanization enabled Poland to make use of the European Union means intended for the development of the social infrastructure. On the other hand, a real challenge is to avoid the negative consequences of the economic crisis and depopulation.

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