COMPANY CONSOLIDATION AND ITS IMPACT ON THE PRECARIAT IN POLAND

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ABSTRACT

The aim of this article is to present research on consolidation of enterprises, especially units operating in the private sector. The method of comparative analysis and synthesis of the author’s own research results was used in the study, which proved the hypothesis that consolidation of the surveyed enterprises, which operate in the private sector, causes a gradual decrease in the phenomenon of the precariat, mainly due to an increase in the number of indefinite duration employment contracts. The author personally conducted telephone interviews with managers of variously sized companies. The survey covered 1,000 business entities from Poland, including 550 micro enterprises, 280 small enterprises, 120 medium-sized entities and 50 large enterprises, which in the years 2005–2018 were transformed as a result of consolidation processes (mergers or acquisitions). These phone conversations were conducted as free interviews.

Key words: precariat, enterprise consolidation, private sector, Poland

JEL codes: G34, J32, I18

INTRODUCTION

Enterprises conducting business activity in Poland may encounter various unpredictable or even critical situations. Their consequences may lead to ceasing business, especially for entities which have precarious employment, which in effect may cause destabilisation. Precariat (Latin – dependent on favour) is defined as a state of lack of certainty, constancy and stability or as a chronic inability to foresee the future and permanent fear that it will only bring something worse [Fraser 2013]. This can be applied to the uncertain situation faced by some employees, who do not have permanent contracts. Enterprises in Poland very often lower employment costs by offering junk job contracts.

The aim of the article is to verify the research hypothesis: that consolidation of enterprises in the private sector may cause a gradual decrease of the phenomenon of precariat in Poland and consequently increase employees’ possibilities for permanent employment. This may lead to greater stability of economic activity on a meso and macro scale.

Consolidation may contribute to enhancement of the financial condition of the newly created enterprise. This gives a real chance to increase possibilities to hire on indefinite duration contracts, which guarantee security of employment. The impact of private company consolidation on limiting the precariat is supported by empirical data. This article presents data regarding junk job contracts for various size companies.
Comparative analysis method and synthesis of the author’s own research results were used in this study, which allowed to prove the hypothesis that consolidation of the surveyed enterprises functioning in the private sector causes a gradual decrease in the phenomenon of the precariat, mainly owing to the increase in the number indefinite duration contracts. The author personally conducted telephone interviews with managers from various size enterprises. One thousand entities from Poland were covered by this research, including: 550 micro enterprises, 280 small, 120 medium-sized and 50 large companies, which in 2005–2018 were transformed as a result of consolidation processes (mergers or acquisitions). These phone conversations were conducted as free interviews. Structure indicators were calculated on the basis of the data regarding the number of people employed by the surveyed units, in which the above-mentioned forms of employment were offered, collected through telephone conversations conducted by the author with managers of these enterprises.

THE ESSENCE OF PRECARIAT IN THE ACTIVITIES OF ENTERPRISES

The task to clarify definition of precariat has been undertaken by Michael Hardt, an American professor of literary theory at Duke University and Antonio Negri, an Italian ethicist and Marxist political philosopher. In their works they have written that it is a new group or even class of individuals subjected to the regime of flexibility consisting in subjecting employees to permanent insecurity in the offered employment. Precariousness is a term describing the condition, typical for late capitalism, of living and working in uncertainty, instability and unpredictability [Hardt and Negri 2012].

Another author, Guy Standing, a British social researcher and economist specialising in research on development, and professor at the School of Oriental and African Studies, University of London, defines precariat as a social group which does not feel secure due to the risk of losing a job [Standing 2014a, b; Tetlow 2017]. In this sense, precariat may be described as a neologism joining the adjective “precarious” with the noun “proletariat”.

There is a conviction that globalisation has led to fragmentation of societies in many countries [Marques et al. 2017]. Owing to this, the world has moved towards flexible and open markets, and the precariat has not disappeared but a new much more diverse social global structure has emerged, whose existence depends on the economic situation [Standing 2014a, Lise and Robin 2017].

The precariat, i.e. the group of well-educated but poorly paid employees hired on flexible employment terms, is growing rapidly and is becoming a global phenomenon [Forbes and Barker 2017]. It is nothing less than a class of working people who, instead of gaining rights, loses them [Siegmann and Schiphorst 2016]. It loses some of the cultural, social and economic rights which other classes have earned.

In many ways, the situation of the precariat in the post-industrial era is worse than the situation of workers from the industrial era. Workers, although they worked hard, had stable jobs. Additionally, they could rely on an entire system of protection, such as: allowances, pension or other help from the state. The precariat cannot count on that, furthermore struggling with chronic lack of stability [Smil 2017]. They very often do work which is beneath their qualifications simply because they have to.

In relation to the problem of destabilisation of economic activity conducted by entities which apply precarious employment policies, it seems that consolidation is essential – process of joining economic entities as a result of which a new unit is created. Mergers or acquisitions contribute to this.

The problem of precariat concerns especially young people striving to stabilise their life. In Poland, the current generation of young workers may be the first generation after WW2 which will have worse living conditions than their parents. A question arises whether the labour market in Poland is so inflexible. According to Statistics Poland data (the institution which gathers statistics in Poland), in 2018 the unemployment rate among people under the age of 25 amounted to 11.5%, i.e. 3.1% less compared to 2017 [GUS 2019].

According to Eurostat, in 2018 in EU-28, the unemployment rate among young people was 15.2%. Statistics describing the situation on the labour market
of young people confirm that it is connected with the education system, also reflecting discrepancies between learned abilities and requirements of employers. In the face of new legal provisions regarding employment in the EU Member States, enacted to increase labour market liberalisation by introducing more flexible employment forms, such as e.g. junk contracts or mandatory contracts, there is a clear division between people hired on indefinite duration contracts and those employed on the basis of junk job contracts. Mainly young people are hired on the latter type of agreements. So, although in the EU countries unemployment rates among the youth are higher than in Poland, when comparing employment forms, both in Poland as well as in other EU countries the situation is identical [Eurostat 2019].

**MATERIAL AND METHODS**

Economic slowdown at the end of the 1990s as well as further employment rationalisation, forced by the necessity to lower production costs, contributed to another increase in unemployment. Additionally, there was an accumulation of regulatory and fiscal burden, which was too difficult to deal with. Europe generates approx. 20% of global GDP, consuming at the same time 50% of social expenditures worldwide. To finance these social expenditures, Europe needed to increase labour costs and taxes, which led to imbalance which was exacerbated by the global economic crisis. Overly rigid labour laws in many countries, e.g. in Spain, meant that the costs of adjusting employment to the market situation were highly inflated [García and Sorolla 2017, Lopes and do Amaral 2017, Eurostat 2019].

According to the data calculated on the basis of the Employment Flexibility Index (EFI) measuring flexibility of employment contracts regulated by the Labour Code, Poland was ranked 30th out of 41 EU and OECD countries. The result is the same as a year before. In 2017–2018, the work of the Labour Law Codification Commission was needed, confirming that both in Poland as well as in other EU countries there is no effective reform of the Labour Code. It is influenced by stiff labour regulations that push less qualified people or, in the regions with low level of salaries, to mandate contracts, specific-task contracts or to the grey market. This state is also reflected in other problems: badly constructed social assistance services and pension systems as well as high share of employment in micro enterprises and farming [Lithuanian Free Market Institute 2019].

Flexibility in employment is generally treated as a basic indicator of precarization consisting in employing and dismissing staff freely, e.g. owing to civil law contracts, i.e. mandate or specific-task contracts. Such employees are also self-employed or have temporary contracts with a very short notice period and which do not require justification of the causes for dismissal [Drela 2016]. The reasons for this situation may be found in the increase of labour costs caused by over-taxing entrepreneurs [Fraisse et al. 2015, Zirgulis and Šarapovas 2017]. From the author’s own calculation made on the basis of GUS data, in 2005–2017 entrepreneurs preferred to hire on mandate and specific-task contracts, as shown in Figure 1.

![Fig. 1. Types of employment offered by total enterprises in 2005–2017](source: Author's own calculations based on GUS [2016–2018, 2017–2019].)

The data presented in Figure 1 unambiguously shows that the most popular types of employment are still mandate and specific-task contracts (as much as 44%). Self-employment is the least popular (10%). Indefinite duration contracts are in second place, due to the fact that the way to avoid hiring permanent employment workers is to replace employment contracts with civil law agreements (i.e. specific-task and mandate contracts).
Destabilisation of economic activity conducted by enterprises in Poland is a main reason for constant avoidance of indefinite duration contracts. Currently companies conduct precarious policies towards their employees. Destabilisation is seen in the present condition of companies from Poland regarding their share in generating GDP. But an increased number of indefinite duration contracts contributes to an increase in work efficiency which is then reflected in enhanced participation in generating GDP (Fig. 2).

![Fig. 2. The structure of gross value added at factor costs made in enterprises according to their size in Poland and the EU (state at the end of 2016)](image)

Source: Author’s own calculations based on Eurostat database.

Analysis of data presented in Figure 2 regarding the size of companies shows that results obtained by Polish units were generally worse compared to total EU companies. It especially concerns micro enterprises as well as small companies, since this group is characterised by the biggest distance to the EU. Their share in generating gross value added for the enterprise sector by the end of 2016 amounted to 17% and 13%, respectively, whereas the participation of micro and small companies in EU was 20% and 17% (a difference of almost 4%). On the other hand, Polish medium-sized and large companies have had and will have higher contribution to generating this value than entities of the same size in the EU (medium-sized: 21.3% PL, 18.7% EU; large: 48.6% PL, 43.7% EU).

Participation in generating GDP measured by the gross value added indicator is reflected in the types of employment which employers can offer. It can also be seen in the results of controls conducted by the National Labour Inspectorate (Państwowa Inspekcja Pracy). Controlled entities were diverse in terms of employment size and activity profile. Inspectors analysed, from 2005–2018, a total of 14,600 civil law contracts and stated that approx. 3,000 had features of employment contracts (20.5%). The data shows that the use of civil law contracts under conditions proper for a work relationship applied to enterprises employing at least 250 people to a smaller extent compared to micro and small companies [Państwowa Inspekcja Pracy 2019]. Therefore, a question arises: why is this so? What drives owners of smaller enterprises in the private sector to not offer indefinite duration contracts to potential employees on a greater scale? Among the types of employment there are still many civil law contracts or, even worse, work in the grey market.

Consolidation processes in the economy happen in light of the socio-economic changes which determine the activities of enterprises in Poland. Micro, small, medium-sized and large enterprises, all adjust to new conditions, especially regarding economic activity in different situations [Lange and Fornaro 2017]. In professional literature, consolidation is defined as the joining of enterprises in such a way that they lose their legal identity and a new unit is created [Forni and Novta 2014]. Having regard to the above tendencies, consolidation of enterprises should be considered as inevitable. Aims of consolidation are usually connected with the flow of economic processes and are precisely fixed in current and expected conditions for the conducted activity [Kotas 2013, Simon and Kresalek 2017].

Consolidation may positively impact an increase in offering better employment conditions. Micro, small, and medium-sized companies comprise the majority of enterprises in Poland as well as in the EU (99.8%), so they offer the largest number of jobs [GUS 2016–2018]. These types of companies most often join with large enterprises or are taken over by holdings or concerns. Mergers and acquisitions are essential in shaping industry structure and thus economic growth [Katz et al. 1997, Cotleț and Monea 2007, Liu and Qiu 2013]. Interestingly, the global crisis was a good period for mergers and acquisitions. For those with capital, large companies could buy not only direct competitors but many small entities with development prospects [Sapkota et al. 2019].
There were 323 mergers and acquisitions (M&A) in Poland in 2018, and their value reached EUR 6.5 billion. Total worth of transactions decreased by approx. 40% per year. The M&A market in Central and Eastern Europe saw a 12% increase in the value of concluded transactions that year, obtaining one of the best results during last the five years at a worth of EUR 80.5 billion [CMS Legal Services EEIG 2019]. At the beginning of 2019 in Poland the situation for mergers and acquisitions had stabilised: 46 transactions were concluded, i.e. four more than in the same quarter in 2018 [eGospodarka.pl 2019]. The value of M&A conducted worldwide in the first half of 2019 was 12% lower than in the same period a year before. The number of such transactions decreased by 16% [Kozieł 2019].

It seems essential to identify factors affecting the consistent spread of the precariat in the private sector, as well as to elaborate dependency of this phenomenon on one basic determinant which may significantly decrease it, i.e. consolidation. Consolidation creates an increase in the market value added which the entities are able to generate [Nicu 2012], and it may be of key importance in making decisions regarding employment on specified terms.

In light of the considerations stated above, the author personally conducted telephone interviews with managers from variously sized enterprises. 1,000 companies from Poland were researched, including: 550 micro enterprises, 280 small, 120 medium-sized and 50 large companies which in 2005–2018 were transformed as a result of consolidation processes (mergers or acquisitions). These phone conversations were conducted as free interviews. Structure indicators were calculated on the basis of the data regarding the number of employees hired by the researched entities, in which the above-mentioned form of employment was offered. The data was collected through the author’s telephone conversations with managers of these enterprises.

**RESULTS AND DISCUSSION**

Analysis of the data, presented in Figure 3, shows unambiguously that these enterprises participated in mergers or acquisition. The data presented in Figure 3 shows that at the end of 2018, in the process of mergers as well as acquisitions, micro enterprises participated the most intensely, while small and medium-sized companies took part to a smaller degree, and large entities – the least. As a result of consolidation, micro and small enterprises exceeded the scale, transforming into bigger units.

When analysing various employment forms, the author researched the number of particular contracts signed with employees in different sized companies which had not participated in the process of consolidation, and those which had already transformed into bigger units (medium-sized or large). The data is presented in Table 1.

On the basis of the data presented in Table 1, it may be unambiguously stated that the most popular type of employment was indefinite duration contracts. Smaller enterprises that transformed into larger companies as a result of consolidation had better possibilities to offer their staff stable employment. Owing to this, mandate and specific-task contracts were less popular; the owners of the researched entities signed fewer of these types of contracts when their enterprises were enlarged in the process of merger or acquisition. The structure of particular employment types is presented in Table 2.

The research on the structure of employment types regarding the size of enterprises proved that owners of micro and small companies, contrary to medium-sized and large entities, more often employed people offering them mandate or specific-task contracts. How-
ever, before consolidation there were many more such contracts and after consolidation the same enterprises offered them significantly less. Regarding temporary agreements, large entities offered them more often before consolidation and much less often after they transformed into even bigger units. Indefinite duration contracts were more popular in large enterprises, both before and after consolidation, however large companies, which were created as a result of mergers with smaller or the same size companies or those which were created as a result of acquisitions of micro or small enterprises by concerns or holdings, had better possibilities and offered their employees this type of contract more often.

### Table 1. Employment types offered to employees by owners of different size enterprises (state at the end of 2018)

| Enterprises | Mandate contract | Specific-task contract | Temporary contract | Indefinite duration contract |
|-------------|------------------|------------------------|--------------------|------------------------------|
|             | before consolidation | after consolidation | before consolidation | after consolidation | before consolidation | after consolidation | before consolidation | after consolidation | before consolidation | after consolidation |
| Micro       | 3 294             | 3 243                  | 2 859              | 2 750                       | 947                | 15 092               | 2 598              | 29 244           |
| Small       | 2 474             | 2 517                  | 4 972              | 5 052                       | 4 619              | 37 253               | 7 210              | 60 134           |
| Medium-sized| 1 565             | 1 477                  | 1 037              | 1 077                       | 8 966              | 73 697               | 16 355             | 122 478          |
| Large       | 1 697             | 1 599                  | 1 625              | 777                         | 16 872             | 18 096               | 20 773             | 23 197           |
| Total       | 9 030             | 8 836                  | 10 493             | 9 656                       | 31 404             | 144 138              | 46 936             | 235 053          |

Source: Author’s own elaboration based on own research conducted among managers of various sizes of companies.

### Table 2. The structure of particular employment types in different sized enterprises (state at the end of 2018)

| Number of contracts by type (%) | Enterprises |
|--------------------------------|-------------|
|                                | micro | small | medium-sized | large | total |
| Mandate before consolidation   | 36    | 27    | 18           | 19    | 100   |
| Mandate after consolidation    | 37    | 28    | 17           | 18    | 100   |
| Specific-task before consolidation | 27   | 47    | 10           | 16    | 100   |
| Specific-task after consolidation | 28   | 52    | 11           | 9     | 100   |
| Temporary before consolidation | 3     | 15    | 29           | 53    | 100   |
| Temporary after consolidation  | 10    | 29    | 51           | 10    | 100   |
| Indefinite duration before consolidation | 6   | 15    | 35           | 44    | 100   |
| Indefinite duration after consolidation | 12  | 26    | 10           | 52    | 100   |

Source: Author’s own elaboration based on surveys.

### CONCLUSIONS

In this article, the author tried to show that the problem of destabilisation of economic activity results in having enterprises operating in the private sector conduct precarious employment policies. In Poland, private entities may face many, very often unfavourable or even unpredictable situations whose consequences can threaten the very existence of the company, which in effect causes destabilisation of employment conditions.

Currently in many countries, at least one fourth of the population lives in the precariat. Unfortunately, this phenomenon is very dangerous to the whole economy. Therefore, the aim of this article

was to attempt to verify the research hypothesis that consolidation of enterprises functioning in the private sector may gradually decrease the phenomenon of precariat in Poland or at least, mitigate it. When researching the impact of consolidation on such common phenomenon as precariat, the author personally conducted telephone interviews with managers of variously sized companies. One thousand enterprises in Poland, which in 2005–2018 were transformed due to mergers or acquisitions, were included in this research (550 micro enterprises, 280 small companies, 120 medium-sized and 50 large units). The conducted research proves that small enterprises, including micro companies, contrary to concerns or holdings, were not able to employ a bigger number of people on indefinite duration contracts, offering them only temporary contracts or even mandate or specific-task contracts. Only in the consolidation process, as a result of a merger or an acquisition, transforming into medium-sized or large entities, could their owners offer indefinite duration contracts.

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STRESZCZENIE

Celem artykułu jest prezentacja badań na temat konsolidacji przedsiębiorstw, zwłaszcza tych funkcjonujących w sektorze prywatnym. W opracowaniu zastosowano metodę analizy porównawczej i syntezę wyników badań własnych, co pozwoliło na udowodnienie prawdziwości hipotezy, iż konsolidacja badanych przedsiębiorstw funkcjonujących w sektorze prywatnym powoduje stopniowe zmniejszanie się zjawiska precariatu głównie (lub m.in.) dzięki wzrostowi liczby pracowniczych umów o pracę na czas nieokreślony. Autorka osobiście przeprowadziła wywiady telefoniczne z menedżerami różnych wielkości firm. Badaniom poddano 1000 podmiotów gospodarczych z Polski, w tym: 550 mikroprzedsiębiorstw, 280 małych firm, 120 średniej wielkości podmiotów gospodarczych oraz 50 dużych przedsiębiorstw, które w latach 2005–2018 uległy prze kształceniu w wyniku procesów konsolidacyjnych (fuzji bądź przejęć). Wywiady były typu swobodnego.

Słowa kluczowe: precariat, konsolidacja przedsiębiorstw, sektor prywatny, Polska