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## BENEFITS PACKAGE AGREEMENT – A SPECIAL PRIVILEGE FOR EMPLOYEES

*The article aims at analyzing a particular occupational privilege of employees, commonly referred to as a benefits package. This social privilege is considered a real social and legal phenomenon by a large number of academics. This is because no legal regulations on the privatization and commercialization of Polish companies actually imposed it. The origin of this specific privilege lies in the pragmatic attitude of employees to the process of privatization of companies and selling their stocks to strategic investors. This type of agreements was supposed to protect staff from radical restructuring which the investor could implement upon buying the company. Owing to this privilege, employees were able to establish their own space of social security in the factory. The article presents examples of such documents, discusses their content and possible sanctions for the new owner of the factory (the signatory of the document) if the provisions of the document are not complied with.*

**Keywords:** *social privilege, benefits package, privatization and restructuring, strategic investor, employee rights protection*

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### INTRODUCTION

A social agreement (also referred to as a benefits package agreement or a social security package), which was integrally linked to the process of selling state companies by the Treasury or province governors (the owning bodies) to strategic investors, is considered a truly specific social and legal phenomenon by some scholars.<sup>1</sup> This document is not provided for

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<sup>1</sup> Bednarski Marek, Wrątny Jerzy, *Porozumienia socjalne związane z prywatyzacją przedsiębiorstw państwowych. Fenomen społeczny i prawny* [Benefits package agreements related

by the acts which regulated the process of privatization and commercialization of state companies.<sup>2</sup> Despite that, the benefits package became one of the most crucial documents regulating the course of privatization of state companies. Its importance is evidenced by the fact that until mid-1997, 74.4% of capital privatizations were preceded by signing a benefits package, and in 1997, only 18.2% of investors did not enter into a benefits package agreement with the employees.<sup>3</sup> This is one of the reasons why this document is sometimes referred to as an “agreement accompanying privatization”.<sup>4</sup> The staff of the enterprise being sold by the Treasury would agree to the transaction only if the strategic investor signed the document. Therefore, this specific document was important for three parties involved: the seller, the buyer and the staff. What is worth noting is that a benefits package agreement with the buyer was signed by a party that formally did not even participate in the signing of the sale agreement – namely, the staff. This article aims at showing that a benefits package is a form of a privilege – an entitlement to enjoy certain rights within the factory by the group defined in the agreement, during the time the document was in force.

## BENEFITS PACKAGES – ORIGINS AND SIGNIFICANCE

The origins of benefits packages were associated with an informal rule on respecting the staff’s social security by the new investor and, at the same time, the future owner of the factory. It was natural that employees were anxious about what would happen to the company after it has been sold. The Treasury was selling the company to the investor, therefore, the investor gained full owner’s rights and was free to decide about the company. But the investor did not only acquire the factory, but also the staff employed there. A benefits package agreement, a document signed

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to the privatization of state companies. A social and legal phenomenon], Warszawa, 2000. The term „a social and legal phenomenon” was used by the authors of the above mentioned publication as an extension of its title. It fully illustrates the character of such documents.

<sup>2</sup> The act of July 13, 1990 on privatization of state companies, Journal of Laws [Dz.U.] 1990, no. 51, item 298; The act of August 30, 1996 on commercialization and privatization of state companies, Journal of Laws [Dz.U.] 1996, no. 118, item 561.

<sup>3</sup> Bednarski Marek, Wratny Jerzy, *Porozumienia socjalne...* [Benefits package...], p. 23-24.

<sup>4</sup> *Ibidem*, p. 22.

by the strategic investor intending to buy the company and by the trade union (or several unions) which represented the staff, became an important social privilege, which allowed for maintaining a relative social stability. If one assumes that this was indeed a privilege, one must recognize that it was granted by the new owner of the company to the staff employed there. It can be considered a privilege, because the benefits package was a unilateral commitment of the investor in relation to the staff of the acquired company. The signing of the document was preceded by negotiations, during which the content of the document was meticulously discussed. The future owner negotiated with representatives of the staff. This document was always signed by the strategic investor and the staff prior to the signing of a notarial act with the Treasury confirming the purchase of the company. Signing this document, the investor cleared the way to purchase the company from the Treasury. This was the valid order. This fact is yet another argument supporting the thesis that the benefits package should be considered a social privilege.<sup>5</sup> This privilege, from the point of view of day-to-day reality, allowed for a smooth privatization of the company. The document had one additional advantage, which was indirectly favorable for the Treasury – it prevented a rise in unemployment, one of the side effects of privatization and restructuring of companies.<sup>6</sup>

When analyzing the role of benefits packages in the first period of Poland's economic transformation, M. Bałtowski and P. Kozarzewski pointed to the fact that

[...] the authorities and the society were afraid of the high costs of transformation for the staff of privatized companies. This was related to the necessity of deep restructuring in those companies and to the potential adverse effects of exposing them to external competition.<sup>7</sup>

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<sup>5</sup> In 14th–16th century Poland governed by the gentry, the gentry made certain compromises for the king, but on certain conditions. Prior to the signing of an agreement, the king was obliged in return to make compromises for the gentry in the area of legislation or the economy. After negotiations, the monarch consented to the claims made by the noblemen, the agreement was written down, and then realized as a class privilege. The mechanism of shaping the content of both documents, a class privilege and a benefits package, was quite similar, although the two documents were negotiated in two different epochs. However, in both cases, one group gained certain economic benefits, while the other managed to achieve their goal.

<sup>6</sup> Bednarski Marek, Wratny Jerzy, *Porozumienia socjalne...* [Benefits package...], p. 23

<sup>7</sup> Bałtowski Maciej, Kozarzewski Piotr, *Zmiana własnościowa polskiej gospodarki 1989-2013* [Ownership transformation of the Polish economy in the years 1989-2013], Warszawa 2014, p. 250.

The authors quoted pointed to one more important topic:

[...] there were fears, more in the society and among trade union activists than among the decision-makers, that the intentions of foreign investors with regard to the entities purchased were not necessarily related with development (but e.g. seizing the market, eliminating local competition or exploitation – buying the company in order to deprive it of its wealth).<sup>8</sup>

Barbara Błaszczuk also noticed this problem. Based on the data gathered during empirical studies, she showed that certain commitments of the investor towards the company and the staff were made more often when a foreign investor was involved. She cautions, though, that this was not a rule. The results of her studies show that both domestic and foreign investors often committed to maintain the level of employment. Employee training was less frequently emphasized. Barbara Błaszczuk also established that 100% of the studied foreign investors made investment and modernization commitments.<sup>9</sup>

It must be noted, though, that the decision of a strategic investor to enter into a benefits package agreement with the staff employed in the purchased company was also justified by the investor's pragmatism. Information that the benefits package agreement has been signed allowed to soothe the fear that grew among employees. The underlying cause was the natural fear of the changes which were occurring. The content of the document allowed to create a so-called "protective umbrella" for the employees. And once the factory has been purchased, this allowed to conduct practical, usually emotion-free discussions with employees concerning the future shape of the company. One can assume, then, that one of the most important advantages of the document was that the investor, who was allocating their own capital in the company, bought some time to plan the restructuring process and to implement it when this privilege would no longer be binding. A fundamental problem which emerged during discussions between the investor and trade unions was company owner's concern about concluding the agreement for several years. This was justified by the insecurity related to economic trends for the products manu-

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<sup>8</sup> Ibidem, p. 250.

<sup>9</sup> Błaszczuk Barbara, *Przekształcenia własnościowe przedsiębiorstw: od koncepcji do realizacji* [Corporate ownership transformations: from the concept to the execution], [in:] *Restrukturyzacja przedsiębiorstw w procesie transformacji gospodarki polskiej* [Restructuring companies in the process of the Polish economic transformation], Mączyńska Elżbieta [ed.], vol. 1, Warszawa 2001, p. 68.

factured by a given company.<sup>10</sup> When negotiating, the investors had a rule that the period of validity of the document should be as short as possible. Declaring that the new owner takes over the social functions (basically without any changes) aroused less emotions. The new owner of the company was willing to lend employees money so that they could buy the company's stocks. Experience showed that employees considered those stocks as a short-term investment. They resold them to the owner as soon he offered to buy them out.<sup>11</sup> Cash from the sale was usually deposited in material goods. After years of self-denial in the communist era, delaying consumption came naturally. Therefore, in spite of the fact that this was a unilateral commitment of the investor, in the long run, the benefits package agreement allowed them to draw certain benefits as well.

## BENEFITS PACKAGES – AN EMPIRICAL ANALYSIS

A typical example of a benefits package agreement is the agreement concluded on August 30, 1996 between Petrochemia Płocka SA (referred to as a strategic investor) and the staff of Inowrocławskie Kopalnie Soli SA (Inowrocław Salt Mines) in Inowrocław. All trade unions operating in the company reviewed the document positively, and after negotiations with the strategic investor, made a decision to sign. These unions included: the NSZZ Solidarność company committee, the Polish Miners Trade Union, and the "Kadra" Trade Union. The document included a preamble which stated that:

[...] in the interest of the Company, the parties to the agreement are to comply with the following rules in their external and internal relations. They should protect the good name of the Company and the trade unions operating within it. They should act in good will and respect the competences and the justified interests of the other party. They should keep the information conveyed secret and confidential. They should act with unanimity in relations with third parties in order to protect the interests and good name of the Company.<sup>12</sup>

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<sup>10</sup> Bednarski Marek, Wratny Jerzy, *Porozumienia socjalne...* [Benefits package..], p. 30.

<sup>11</sup> *Ibidem*, p. 35.

<sup>12</sup> The Archive of the State Treasury in Warsaw (later referred to as AST), Inowrocławskie Kopalnie Soli "Solino" S.A, Contract on selling stocks of Inowrocławskie Kopalnie Soli Spółka Akcyjna, Annex no. 6 to the contract on selling stock of Inowrocławskie Kopalnie Soli SA, An agreement between the buyer and trade unions operating in the company, sign. 5316/2.

The preamble obliged the staff of the company to act loyally in relation to the owner of the company. This was an unusual solution, as typically, the benefits package was a unilateral obligation of the buyer. In this case, the staff also undertook certain obligations. This was undoubtedly a negotiation success of the investor.

The rest of the document was quite similar to other documents of this type, and was a completely unilateral obligation of the buyer. Therefore, in a way, the investor awarded certain privileges to the staff of the acquired company. The investor buying the majority package of Inowrocław Salt Mines stock was obliged to maintain the employment rate of August 30, 1996. This rate was to be in force until January 1, 2000, so for the following 3.5 half years. 440 employees obtained this guarantee, though with a reservation that in the case of

[...] extraordinary circumstances and difficulties related to the functioning of the plant, the Company or a part thereof, the Investor agrees to pay to every employee made redundant, on the day of terminating the employment contract, a compensation in the amount equal to the number of months left until the end of the guaranteed employment period, multiplied by the average monthly salary, calculated as for holiday leave, for no less than 12 months.<sup>13</sup>

It was emphasized that the compensation provided for was a separate benefit, different than the redundancy pay regulated by the act of December 28, 1989.<sup>14</sup>

When negotiating with trade unions, the representatives of Petrochemia Płock took into consideration changes in market trends, and yet redundancy was subjected to compensation. This condition meant that, letting the staff go while the benefits package agreement was still in force was unprofitable for many companies. It cost money, and the management of the factories that were undergoing restructuring were not eager to pay more than necessary. Therefore, the owner of the company would delay the restructuring of employment until the package expired.

An interesting solution was to include in the content of the benefits package agreement an obligation by Petrochemia Płock (the buyer of the Inowrocław Salt Mines) to consider the families of the employees first when hiring in other companies that Petrochemia owned. However, it was stated that they needed to have the necessary professional qualifications:

<sup>13</sup> *Ibidem*.

<sup>14</sup> The act of December 28, 1989 on special rules of terminating the employment contract due to the conditions affecting the company, *Journal of Laws [Dz.U.]*, 1990, no. 4, item 19.

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Petrochemia Płock will prioritize the employees of Inowrocławskie Kopalnie Soli SA (IKS SA) and their families when hiring for the new, available vacancies in companies operating in sectors different than the one of IKS SA.<sup>15</sup>

Another privilege granted to the staff by Petrochemia Płock was that all costs of re-training would be covered by the party buying the Inowrocław Salt Mines. With regard to salaries, the investor committed to “raise the wages at a rate which at least corresponds with the rising costs of living”, with a reservation that “economic and financial conditions” would directly influence this. Additionally, it was stated that in any case “the raise in the real wage will be dependent on the financial and economic standing of the Company”. The staff also received the privilege of participating in the net profit achieved by the company. The benefits package agreement stated that “the bonus from this profit should be no less than one average monthly salary per employee”.

When negotiating with Petrochemia Płock on behalf of the staff of the Inowrocław Salt Mines, the trade unions agreed with the company on regulations regarding trade unions that would be included in the benefits package. The so-called “trade union guarantees” and “guarantees regarding the welfare and occupational health and safety of the staff” were introduced. In this respect, the commitments of the strategic investor included an obligation to comply with the provisions of the Trade Unions Act, an obligation to maintain the company benefits fund, and to contribute to the fund using means obtained from net profit. Other notable provisions included in the benefits package were: an obligation of the investor to care for the pensioners and an expression of a positive attitude to the company miners’ orchestra. The orchestra was to operate according to the rules developed throughout the years of its existence.

The benefits package also included a chapter titled “Investment obligations”. It is beyond any doubt that this exceeded the scope of social issues. One can guess that the decision to include in the benefits package agreement was an expression of mutual openness and understanding of issues important for the company. The employees gained a confirmation (at least a declarative one) of Petrochemia Płock SA’s willingness to “maintain the salt water production capabilities in Inowrocławskie Kopalnie Soli SA at a level satisfying the needs of recipients by modernizing the Góra and Mogilno mines”, to build a complex of modern vacuum salt treatment

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<sup>15</sup> AST, Inowrocławskie Kopalnie Soli Solino SA, Agreement on selling stock of Inowrocławskie Kopalnie Soli Spółka Akcyjna, sign. 5316/2.



facilities, and to conduct investments related to the storage of petroleum and petroleum derivatives. The investor made declarations to create new jobs, if they decided to build an infrastructure for gas distribution. This item was concluded with the statement that

[...] due to the broad spectrum of activities conducted by the investor, the investor will aim at creating new jobs related to processing the products of Petrochemia Płock SA in IKS SA facilities.<sup>16</sup>

The benefits package agreement included one more important statement:

[...] when the employment guarantees expire and if the discussed investments which were to guarantee new jobs do not come into existence, the investor is obliged to enter into negotiations [with the staff – S.K.] in order to secure other investments to maintain employment.<sup>17</sup>

Detailed regulations included in the document gave the staff a relative sense of employment security. It is worth noting that the scope of rights granted to families of the IKS SA staff was also extended. Trade union activists who negotiated on behalf of the crew probably assumed that Petrochemia Płock (a wealthy investor in their opinion) was capable of creating new jobs in the petrochemical sector on a large scale. Therefore, they intended to make the most of it.

Another privilege that trade unions managed to negotiate was the provision included in the notarial agreement concluded on September 28, 1996 between the Treasury and Petrochemia Płock. It concerned the sale of the majority package of Inowrocław Kopalnie Soli SA. stocks by the Treasury. Additional guarantees included in the document stated that the employees of IKS SA had the right to buy the stocks of IKS SA defined in the appropriate act, and if they did not have the sufficient financial means for that purpose, the Buyer (i.e. Petrochemia Płock) would offer the Seller the necessary assistance to facilitate the implementation of the Employee Offer.<sup>18</sup> This provision (undoubtedly constituting yet another privilege) shows the comprehensive way in which trade unions protected the interests of the staff employed in the company being sold. Similar concessions made by the investor were considered a significant success of trade unions. Successful negotiations with a strategic investor allowed to build the position of trade unions.

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<sup>16</sup> Ibidem.

<sup>17</sup> Ibidem

<sup>18</sup> Ibidem.



On July 31, 1996 the staff of the Inowrocław Chemical Company “Soda-Mątwy SA” in Mątwy and “Janikosoda SA” Sodium Plant in Janikowo negotiated a privilege in the form of a benefits package. On that day, the strategic investor, Ciech SA (seated in Warsaw) agreed to sign the appropriate document. In the preamble to the benefits package agreement, the Ciech SA company committed unilaterally to “guarantee an individual identity and a separate organizational character of each Company”, i.e. the Inowrocław Chemical Plant “Soda-Mątwy SA” and “Janikosoda SA” Sodium Plant in Janikowo. Ciech declared that they would support all the economic initiatives in the Kujawy Region which would allow to restructure its economic profile and expand the branches and industries which had been absent there. The aim of those activities was to enable the creation of new jobs.<sup>19</sup> The investor accepted the obligation to consult trade unions (representing the staff) on all issues related to the restructuring of the companies in Mątwy and Janikowo. The investor also guaranteed access to financial information on those companies to the representatives of the staff. Employment guarantees were another important provision. Ciech promised:

[...] to employ all the staff of the sodium complex Companies who were in employment on the day of signing the sale agreement, under conditions no worse than before [...].<sup>20</sup>

until December 31, 2000. In case of breach of those provisions by the buyer, they would be obliged to pay a high contractual penalty in the amount equal to a monthly salary multiplied by the number of months left until the employment guarantee expiration date. This amount could not be lower than the equivalent of 12 average, monthly salaries. Additionally, Ciech SA was obliged to prioritize the families of the staff in hiring, and in the case of insufficient workforce supply, to subsequently prioritize residents of Janikowo, Inowrocław and the neighboring areas of these two towns.

Also, similarly to several other similar documents, trade unions used the transition of ownership to enforce pay rises. The analyzed benefits package agreement stipulated that the:

[...] in the companies of the sodium complex, the investor guarantees that salaries will increase by 20% in relation to the so-called salary fund from the second quarter of 1996.<sup>21</sup>

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<sup>19</sup> AST, Stocks and shares of the Treasury in equity companies, Janikowskie Zakłady Sodowe Janikosoda, agreement on selling Janikowskie Zakłady Sodowe, sign. 5222/61.

<sup>20</sup> Ibidem.

<sup>21</sup> Ibidem.

It was noted that:

[...] increasing funds for salaries will commence from the first day of the month that the agreement of selling the stocks of sodium complex stocks was signed.<sup>22</sup>

Additionally, Ciech SA guaranteed to pay the employees the so-called “13th salary” and a “Chemist Day” bonus.

An interesting solution, not seen in other benefits packages, was an additional obligation by the investor to sell 8% of the stocks purchased to the staff from Inowrocław and Wapno, and to provide financial support to the employees in order to make this transaction possible. Guarantees for trade union operation were introduced, and the parties to the agreement were obliged to:

[...] take care of the good name of the Companies, to act in good will, to mutually respect the competences and interests of the parties to the Package.<sup>23</sup>

In 1995, the purchase of the “Kujawy” cement and lime complex in Bielawa by the French “Lafarge” was called by the press “the biggest French investment in the history of Polish privatization”.<sup>24</sup> Before the Treasury sold the majority package of plant stocks to the French investor, the investor had to accept a number of obligations. This document (privilege) titled *A social agreement signed by and between the Trade Unions of the Kujawy SA cement and lime plant in Bielawa, and Lafarge* included a formal preamble. The parties asserted that:

[...] in order to ensure the successful and long-lasting development of the company, the parties, signatories of the agreement, decide to build their future relationship based on a mutual respect, to enable the achievement of common goals. Any arising conflicts will be resolved primarily by negotiations”.<sup>25</sup>

This was a bilateral obligation of the signatories of the document that all conflicts would be resolved within the company, and always via negotiations. Thus, one can assume that trade unions withdrew in this way from using their most important weapon – strike action.

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<sup>22</sup> Ibidem.

<sup>23</sup> Ibidem.

<sup>24</sup> Kusowski Tadeusz, *Kujawy francuskie*, Gazeta Wyborcza, no. 163/1995, p. 17

<sup>25</sup> AST, Kujawy SA Cement and Lime Complex in Bielawy, investors’ offers, agreement on selling the Kujawy SA Cement and Lime Complex on July 12, 1995, sign. 3220/7.

The next part of the document stated, among other things, that Lafarge was obliged to maintain the employment of 1,500 employees for three years following the sale. This was regulated by the following section: “For 36 months from the moment the company is purchased, no full-time employee included in the employees register on the date of stock sale will be let go”. An additional clause was included, stating that:

[...] within the next 12 months, the employment on the guaranteed period expiration date (36 months) can be reduced by a maximum of 10% including natural leavings [...].<sup>26</sup>

This provision proved great success of the staff who, while this document was being negotiated, secured for themselves broad protection against redundancy. They also negotiated this unusual provision:

[...] in order to provide positive reaction of the staff to the purchase of Kujawy SA, and to support the plant modernization program, Lafarge Group, taking into consideration the recent pay rises, is obliged to provide pay rises in the amount of 25% of the basic pay in the month following the date of purchasing the plant.<sup>27</sup>

An interesting solution included in the package was pointing to the need to create a position in the Kujawy company for a person who would be responsible for preparing the so-called “employment program”. This person would assist those employed in Kujawy who would decide to leave the company and start their own businesses. In such cases, legal counseling would be provided. The strategic investor guaranteed that when a new investment would be started, the priority of working on it would be given to local companies, included in the so-called “direct procurement system”. The content of this provision justifies the statement that “Kujawy” staff took care not only about providing social security for themselves, but also about the local companies and the development of local entrepreneurship. The principle of solidarity, forgotten by some social and political circles, was applied there. This rule also echoes in the next section which stated that the new owner would be obliged to:

[...] cooperate with the local authorities in order to engage in activities which would attract investors and allow for the creation of new jobs in enterprises operating in the vicinity of the Company.<sup>28</sup>

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<sup>26</sup> Ibidem.

<sup>27</sup> Ibidem.

<sup>28</sup> Ibidem.

In the next part of the document, the French investor, Lafarge, promised the employees to make it possible for them to buy 20% of the privatized company stocks under preferential conditions, providing them with financial assistance (loans). To make the staff's financial benefit bigger, the following solution was adopted:

[...] staff were allowed to repay the loan in the form of stocks, by reselling them to Lafarge Group. However, the price of the stocks would be the price that Lafarge paid to the Treasury, after deducting the costs.<sup>29</sup>

The investor guaranteed their readiness to buy out stocks owned by all employees.

Other noteworthy provisions of the agreement include Lafarge's permission to maintain the Kujawy company fishing club, providing access to the "Gwiazda" fishing resort, and maintaining the company orchestra on unchanged conditions.

In return for accepting those privileges in the form of the benefits package by Lafarge, the trade unions operating in Kujawy SA accepted the obligation that:

[...] in return for full and prompt execution of the agreement, the trade union will refrain from any protests and strikes during the guaranteed period.<sup>30</sup>

Thus, the investor gained 36 months to prepare a restructuring plan for the plant. This was a guarantee of social peace in the company. In many cases, this was invaluable, as it allowed the owner to prepare the concept of company operations in the new conditions.

By accepting an eight-point benefits package agreement negotiated on behalf of the staff by trade unions, on October 20, 1992, the Schieder Trading - GmbH Co KG company opened the way for the Treasury to sell the stocks of Bydgoskie Fabryki Mebli (Bydgoszcz Furniture Company) SA in Bydgoszcz. This privilege was signed by: the management of the Bydgoszcz Furniture Company, the Schieder Trading-GmbH Co KG Company, the NSZZ Solidarność plant committee operating in the Bydgoszcz Furniture Company, and the Independent Trade Union of the Bydgoszcz Furniture Company Staff. Based on its provisions, the prospective owner of the Bydgoszcz Furniture Company, i.e. Schieder Trading-

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<sup>29</sup> Ibidem.

<sup>30</sup> Ibidem.

GmbH Co KG, was obliged to keep the employment at the level from July 14, 1992, until December 31 1995, to not terminate contracts with employees who were “middle-aged and older” (as they were referred to in the document), to “provide the minimum salaries 50% higher than the company average for 8 months at the current efficiency level”, to maintain the benefits fund, accommodation fund and other social, health and occupational benefits at the unchanged level, to provide at least one seat in the Supervisory Board for a representative of the staff, to observe the Polish Labor Code, the Trade Union Acts, and the Labor Dispute Resolution Act. Later in the document, an 8-hour working day and a 42-hour working week were guaranteed for the Bydgoszcz Furniture Company. The provisions cited are an indirect proof that the staff was afraid of the western investor and, therefore, the social obligations of the investor, regulated by the Polish Labor code, were also detailed in the agreement. The trade unions negotiating this document with the investor, proposed that the buyer of the majority package award the staff additional bonuses at the end of the year if good financial results are achieved.

The sale agreement for the majority stock package of the “Drumet SA” Ropes and Wire Factory in Włocławek on July 14, 1994 to Poznań Capital Group SA (seated in Poznań) by the Treasury included precisely defined obligations of the buyer in relation to the staff. The importance of the privilege was enhanced by including its content directly in the notarial act. This step was a singular event and concerned a small number of companies. Similarly to other documents, the buyer was obliged to maintain the employment level from the date of the signing of the document, for the following 36 months. The number of employees was 917 people. It was stated though, that the moment a contract with an employee of Drumet SA expired, a new employee would not be hired as a replacement. In case of noncompliance with this provision, the Poznań Capital Group promised to pay compensation to the leaving employee:

[...] in the amount calculated as for a holiday leave, multiplied by the number of months left until the end of the 36-month employment period guaranteed by the buyer<sup>31</sup>.

After the majority package has been purchased, the investor was obliged to raise salaries by 30% and ensured that the intention was “to index those

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<sup>31</sup> AST, Stock sale agreement, Drumet SA Ropes and Wire Factory in Włocławek, the buyer: Poznań Capital Group SA Poznań, sign. 3094/81.

salaries according to the inflation rate defined quarterly by the Central Statistical Office". The company benefits fund was also maintained "at the level defined for state companies".<sup>32</sup>

## CONCLUSION

A benefits package agreement, perceived as a specific social privilege awarded by a strategic investor to the staff of the company being purchased after successful negotiations, was a document which guaranteed the employees a fixed period of protection against redundancy resulting from restructuring. Usually, the privileged staff obtained an additional guarantee from the investor that salaries would be increased in the first month following the purchase of the majority stock package. In some benefits package agreements a reservation was made that the pay raise would not be related to any increase in work efficiency! This provision was a concession on the part of the investor, made in return for staff loyalty towards the new owner. This was also a way of gaining the staff's trust and breaking the ice between the investor and the staff. The staff of the former state companies, operating until 1990 in a communist system, had had no contact with capitalists. The ubiquitous propaganda described the capitalist private entrepreneurs in a negative way – as individuals obsessed with profit, and imposing impossible tasks on their employees. Pay rises and low-interest loans for buying the company's stocks were supposed to alter this image.

Empirical studies have shown that in most cases, strategic investors tried to observe the provisions included in benefits package agreements. Agreements were kept, and therefore, the standards of conducting business became higher. Thus, cultural role models indicating that agreements must be kept became a part of the Polish business culture, waking up after years of communism.

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<sup>32</sup> Ibidem.