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Populism Amidst Prosperity: Poland's Growth Model and its Socio-Political Outcomes

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Abstract

Poland is an example of both successful economic transition from communism and democratic backsliding. By applying the crucial case study method, this paper explores how the Polish version of the dependent market economy has led to relative deprivation and political instability. The distributional consequences of this growth model are analysed by looking at three indicators, namely wages, income inequality and temporary employment. While it seems at first that the electoral results of the radical-right populist Law and Justice party cannot be explained by socio-economic factors, this paper argues that distributional outcomes have acted as a deeper variable for the party's success. Growing discontent stemmed from gradually deteriorating economic perspectives for key social blocs. More broadly, in combination with a supply-side analysis of party system change, this paper seeks to identify the socio-economic conditions under which a populist party can thrive and questions the political viability of the dependent market economy.

Keywords: growth model, Poland, relative deprivation, labour market segmentation, populism

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1. Introduction

The 2015 elections appear as a critical juncture in Poland's post-communist history. After a decade of increasing electoral support, the party Law and Justice (PiS) won the presidential elections in May 2015. A few months later, in October 2015, it won an absolute majority of seats in both houses of the Parliament with 37 percent of the popular vote. This confirmed a deep transformation of the Polish party system which began in 2005 into a contest between the radicalised PiS and the liberal-conservative Civic Platform. It also symbolised a shift away from the neoliberal developmental model inspired by the Washington consensus and pursued by Polish governments since the beginning of the post-communist transition. Prime Minister Morawiecki's words in 2017 reflected this paradigmatic evolution: *"When foreign experts talk about our economy, they increasingly share our diagnoses concerning the level of our dependence on the foreign market for the last 25 years. [...] This a struggle for the Polish ownership, for the Polish capital. [...] Let's together recover Poland."*¹ Historically stemming from a segment of the

1 <https://www.premier.gov.pl/en/policy-statement-by-prime-minister-mateusz-morawiecki-stenographic-record.html>

dissident movement Solidarity, PiS drifted towards an anti-system and radical right-wing populist stance (Mudde, 2007). Since 2015, it has regularly attacked the rule of law and targeted the constitutional court, the national judicial council, the independence of the civil service, public and private media, civil society organisations, as well as women's and LGBT rights. The results of the 2019 parliamentary elections, with Law and Justice's share of the popular vote skyrocketing to 43% and a record-high turnout, show that the party's strategy proves to be a successful formula.

This political outcome is even more surprising when considering that Poland has been praised as the country that has beaten all odds to become "Europe's growth champion" and the first post-communist country to join the World Bank's high-income category (Piatkowski, 2018). Emerging in 1989 as the poorest of the Visegrad Four countries (V4: Poland, Hungary, Slovakia, Czechia), the country managed to increase its GDP per capita by almost 150 percent since 1989, more than Hungary and Czechia, while being robustly democratic in terms of party competition. Furthermore, it is one of the only V4 countries to have avoided a recession following the global financial crisis in 2008. It has also experienced a steadily declining unemployment rate since 2004. Poland shares its transitional growth model with the other V4 countries, coined as "embedded neoliberalism" by Bohle and Greskovitz (2007) and as "dependent market economies" by Nölke and Vliegenthart (2009). However, this growth model led to different political outcomes, namely stronger success of anti-system parties in Poland and Hungary than in the Czech Republic and in Slovakia.

This puzzle of democratic backsliding amid prosperity requires a reconsideration of the potentially polarising socio-economic outcomes of the Polish developmental model. Why has the most successful reformist country of the region witnessed such a successful radical right-wing party? The specificities of the Polish case call for a crucial case study. At first, it seems that the phenomenon is better explained by cultural factors and by the successful political strategy of PiS. The literature on populism in Poland gives more credit to culturalist explanations focused on rural/urban or religious divides. However, cultural factors alone cannot explain the dynamics at play

behind the increase in support for PiS in regions less culturally conservative and religious such as Lower Silesia, which is also one of the richest provinces in Poland with very high inflows of foreign direct investment (FDI).

Taking Poland as a least likely case for a socio-economic explanation of the success of radical right populism, this paper finds that Poland's dependent market economy (DME) model has produced specific distributional consequences that may have acted as a deeper variable and as a breeding ground for PiS's electoral strategy. The gradual increase in income dispersion and labour market segmentation amidst economic boom created dynamics of relative deprivation that proved to be politically polarising. In other words, this paper aims at understanding why Law and Justice's anti-system stances depicting an "economy in ruins" have resonated among voters (Tworzecki, 2019). This paper contributes to the debate on the sustainability of the DME model and its shortcomings, especially in Poland, by combining insights from the varieties of capitalism (VOC) literature and the political economy of development. Understanding in a finer way the evolution of the distributional outcomes of Poland's growth model could help future research on the adequate measurement of the reasons for Law and Justice's success.

To make this case, the following section first situates Poland in the debate on radical right populism and party system change. The third section develops the theoretical framework of the paper, while the fourth section specifies the hypothesis and motivates the choice of least-likely case study as research design. The fifth section proceeds to the analysis of the evolution of the low-wage model, income inequalities and labour market segmentation between the early 2000s and 2015. The sixth section discusses the political relevance of the findings as well as the importance of additional supply-side explanations to explain change in the Polish party system and the success of PiS. The paper finishes with a conclusion and highlights the limitations of this study as well as some perspectives for future research on the matter.

2. Poland and the radical right populism debate

2.1 The drivers of radical right populist parties in Europe

Party system change in Europe, defined as alterations of systemic interactions in inter-party competition (Sartori, 1976), has been characterised for the past decades by the rise of so-called “populist parties” (Blyth and Hopkin, 2018). From 2000 to 2017, populist parties in Europe increased their vote share from 9.2 percent to 31.6 percent (Eierman et al., 2017). According to the cleavage theory (Lipset and Rokkan, 1967), party systems are the expression of fundamental societal cleavages and changes in voters’ preferences stem from exogeneous shocks impacting party competition. Following this assertion, populist parties thus appeared in response to new trends in society and the economy.

Populism is a contested concept defined as a type of political discourse, political strategy or thin-centred ideology (Stanley, 2008). It “considers society to be ultimately separated into two homogeneous and antagonistic groups, ‘the pure people’ versus ‘the corrupt elite’, and argues that politics should be an expression of the *volonté générale* of the people” (Mudde, 2004: 543). Populists may give a voice to less represented groups. They often dwell on other ideologies depending on the socio-political and historical context (Mudde and Kaltwasser, 2018). Since the 1990s, research has focused on the electoral breakthrough and persistence of populist radical right parties (PRRP) defined by Mudde (2007) as nativist (xenophobic form of nationalism which praises a monocultural nation state), authoritarian (belief in the need for stringent enforcement of order) and populist (antagonism between a pure people and a corrupt elite). They have affinities with the concept of “anti-system party” (Sartori, 1976), i.e. a party undermining the legitimacy of the regime it opposes.

Most of the literature has focused on the potential drivers of their success. It can be divided into demand-side approaches focused on changing preferences, beliefs and attitudes among voters, and supply-side approaches focused on political opportunity structures, party organizational factors and discursive strategies (Eatwell, 2003;

Rydgren, 2007). Debates regarding demand-centred explanations often differentiate socio-economic from culturalist stances. A prominent field of study focuses on the “losers of modernisation” theory. They link the electoral success of PRRP with the realignment of low-income and working-class voters following the post-industrial transition (Betz, 1993). Another variation looks at the impact of neoliberal globalisation and its resulting winners and losers. It argues that workers feeling at risk of losing their job due to the competition coming from immigrants and low-paid labour in developing countries are likely to channel their economic anxiety in favour of populist parties (Bornschieer and Kriesi, 2012). Scholars also consider the impact of trade shocks on local labour markets (Rodrik, 2018; Autor et al., 2016) or of the neoliberal growth model on rising inequalities (Blyth and Hopkin, 2018).

However, empirical studies suggest that this relationship is not straightforward. Most of “losers of globalisation” tend to abstain and form only a fraction of PRRPs’ electorates (Mayer, 2018). The relative or positional deprivation concept, i.e. feeling experienced when falling behind others or seeing others catching up in terms of status or income, seem to offer a more encompassing approach. Burgoon et al. (2019) demonstrate that economic hardship leads to radical right voting only when socioeconomic conditions are favourable, because people tend to benchmark their situation and feel that they do not obtain their deserved share. Perceived threats to economic security or status also matter, such as fear of losing access to welfare benefits (Manow et al., 2018) or of becoming a labour market outsider (Rovny and Rovny, 2017). Lastly, crises are also considered as an important driving force behind PRRPs’ success (Kriesi, 2018).

In contrast, culturalist explanations focus on the shift from distributive conflicts to identity-based politics, with a strong emphasis on immigration as a source of cultural anxiety (Bornschieer, 2010). Inglehart and Norris (2016) argue that the rise of right-wing populism and the shift to identity politics was triggered by a “cultural backlash” against the “silent revolution” of postmaterialist values since the 1970s. They also estimate that cultural variables usually outweigh economic ones. However, testing

both approaches, Guiso et al. (2017) point out that economic factors have a significant indirect effect by impacting political trust and attitudes towards immigration. Culturalist explanations are thus arguably partly determined by potentially “omitted” economic variables and are hard to consider as fully independent drivers.

It is also crucial to grasp the drivers on the supply-side, i.e. changes in political opportunity structure and the diffusion of new frames instigated by challenger parties. This explains why people vote for these parties beyond constituting a potential electorate for them. It highlights how politicians articulate a populist message through interpretative frames and references to in-group identity. A broader interpretation of populism as consequence of the crisis of representative politics looks at how spatial dynamics and party strategies create space for new populist parties to address unmet needs (Mair, 2009). Therefore, analysing together the demand and the supply sides offers a more encompassing explanation of the rise and longevity of populist parties (Guiso et al., 2017).

2.2 The specific case of Central and Eastern Europe and Poland

How do Central and Eastern European (CEE) countries, and Poland more specifically, fit in these explanations? First and foremost, CEE radical right parties have more left leaning positions in the economic debate and coexist with radicalized mainstream parties (Buštková, 2018). The literature on cleavages in CEE focuses on the clash of interests between relative winners and losers of the transition, i.e. between parties offering pro-market, cosmopolitan, and internationalist policies, and parties advocating for particularistic, interventionist, and anti-integrationist policies (Kitschelt, 1992). Given the elite-driven nature of the post-communist transition, dissatisfaction or resentment is likely to take a populist undertone (Stanley, 2017). Radical populism in CEE takes the form of “purifier” parties with a strong anti-establishment rhetoric or parties capitalising on the “transition fatigue” and disenchantment with mainstream parties. Nationalism and sovereignty also play a strong role in the political debate. In Poland, the rural-urban cleavage and the

cultural/religious cleavage have been identified as the strongest factors for PiS vote in the recent literature (Fomina and Kucharczyk, 2016; Marcinkiewicz, 2018; Tworzecki, 2019; Stanley, 2019), while economic hardship operationalized as unemployment rate has a lower explanatory power (Marcinkiewicz, 2018). During the first decade of the transition, the “regime divide” and religiosity were the most important determinants of party preferences while the impacts of socio-demographic categories were more ambiguous (Stanley, 2014; Owen and Tucker, 2010).

Poland and Hungary are the only CEE countries where radicalised “authoritarian populist” mainstream parties have gained a governmental majority (Bugarcic and Kuhelj, 2018). They combine moralized anti-pluralism, economic statism and conservatism. These parties portray their opponents as liberal communists who seek to maintain their grip on institutions and to subordinate national interests to the interest of foreign capital and multiculturalism. Given their anti-system stances, they differ from anti-establishment parties and “centrist populists” present in Slovakia and Czechia (Bugarcic and Kuhelj, 2018).

Supply-side explanations highlight how the lack of normative credibility of the social-democratic parties gave Poland’s and Hungary’s PRRPs an opportunity to increase their vote share among voters supporting redistribution (Innes, 2014). Furthermore, the role of elites is also depicted as an important element in the literature on democratic backsliding. Herman (2016) highlighted how democratic consolidation is an agent-led process of cultural change and emphasized the socializing role of mainstream parties’ strategies of mobilization. This underlines the importance of elite cues and the consequences of system-delegitimizing rhetoric and asymmetric polarisation at elite level (Tworzecki, 2019).

It emerges from this review that the increasing success of PiS since its creation in 2001 seems first at odds with some socio-economic explanations described above. Growth has been sustained since the transition and seems to have benefited most of the population given the absolute increase in wages (Piatkowski, 2018), while

unemployment has declined substantially. Therefore, Poland appears to be a case of populism amid prosperity, which resonates strongly with relative deprivation theories mentioned above. The literature on the political economy of patience (Offe and Adler, 2004; Greskovits, 1998) touches upon this puzzle. Greskovits argues that populist episodes occur during prosperity because they catalyse on frustration and unmet expectations more than actual material conditions. The chances of a resurgent populism in CEE may increase as politics stops being subordinated to economic conditions and external constraints, and political support for the mainstream strategy has loosened. This relates to the timing challenge of simultaneous transitions towards democracy and market economy as described by Offe and Adler (2004), according to which the patience of the population, usually managed through compensation strategies, progressively runs down.

Therefore, taking stock of the literature on drivers of success of PRRPs in Europe and on the evolution of the party system in Poland, I argue that the Polish case of populism amidst prosperity seems to be better explained by theories of relative deprivation (Burgoon et al., 2019) linked to the policy failures of the Polish economic model. To test this relationship in an appropriate way, it is crucial to precisely understand the distributional consequences of this economic model. Indeed, studies on economic voting in Poland have used variables such as unemployment, which is not a relevant indicator given the peculiar polarising socio-economic outcomes of the DME model. This paper will thus investigate more precisely these distributional consequences to improve the measurement of economic voting and to reach a finer understanding of the socioeconomic factors of PiS's success. The next section investigates theories on the economic model adopted by Poland and their socio-political consequences.

3. The dependent market economy and its socio-political outcomes

3.1 *Political relevance of growth models*

This section sets out the theoretical framework of this paper. It borrows from Blyth and Matthijs (2017) and Blyth and Hopkin's (2018) concept of macroeconomic regime, defined as "historically specific combinations of 'hardware' (capitalist institutions) and 'software' packages (policy targets and the economic ideas that underpin them) that produce specific distributional and electoral outcomes" (Blyth and Hopkin, 2018: 4). These authors link the rise and decline of macroeconomic regimes/growth models with corresponding forms of politics. This paper also capitalises on some insights of Baccaro and Pontusson (2016), who seek to unpack the interactions between components of aggregate demand and the coevolution of growth patterns and inequality trends. They also argue that growth models are supported by social blocs and coalitions of social forces. Applying this approach to Poland's macroeconomic regime thus enables a better understanding of the impact of economic integration within global value chains on different socioeconomic segments of the population. Drawing on the VOC literature, the following sub-sections outline the potential impacts of the policy targets pertaining Poland's macroeconomic regime on inequalities and on the political dynamics resulting from the political economy of patience.

3.2 *The dependent market economy and its distributional consequences*

The concept of dependent market economy model has been coined by Nölke and Vliegthart (2009) to describe the variety of capitalism present in Visegrad countries (Poland, Hungary, Czech Republic, and Slovakia). After years of exclusion from foreign capital flows and depleted from internal sources of finance, CEE countries focused their energy on attracting FDI in complex industries to integrate their economy into global value chains and develop domestic firms through positive spillovers (Bandelj, 2009). This was part of the "Washington consensus" developmental

blueprint consisting in neoliberal transformation, international integration, and export-led growth with competitive signalling as main dynamic of reform (Appel and Orenstein, 2018). Therefore, external dependency on investment decisions made by transnational corporations (TNC) is the central characteristic of this variety of capitalism, with hierarchy within TNCs as central coordination mechanism (Nölke and Vliegenthart, 2009). DMEs' comparative advantage lies in assembly platforms and medium-skilled segments of complex manufacturing industries (medium quality cars, machinery, electronics, electrical products). It is based on "institutional complementarities between skilled but cheap labour, transfer of technological innovations within transnational enterprises and the provision of capital via FDI" (Nölke and Vliegenthart, 2009: 672).

To sustain their comparative advantage, DMEs need to keep labour costs low and to avoid costly labour institutions such as collective agreements or complex layoff procedures. However, given their integration in global value chains, they also require keeping workers satisfied to a certain extent to avoid disruption in the production, which explains the high incidence of company-level agreements. Among the four DMEs, Poland is the less reliant on FDI: in 2014 foreign penetration in terms of value added was less than 30 percent in Poland compared to 53 percent in Hungary (Myant and Drahekoupil, 2012). Poland has a larger domestic market, a relatively high number of domestically owned large companies, which gives it the characteristics of a domestic demand-led growth model (Innes, 2015; Galgóczi and Drahekoupil, 2017).

Policy targets associated with macroeconomic regimes have distributional consequences (Blyth and Matthijs, 2017). The DME model has strong affinities with the mechanisms of increased wage differentials described by the literature on globalisation and inequality. CEE economies were indeed suddenly exposed to both marketisation (expansion of the private sector) and globalisation in a context of retrenchment of the redistributive capacity of the state (Bandelj and Mahutga, 2008). The integration into global value chains, the pyramidal and hierarchical organisation

of TNC, higher returns to skills and the shift to less redistributive pay norms have increased considerably the wage premium for tertiary-educated employees (ibid).

Overall, Nölke and Vliegenthart (2009) underline that even though the DME model delivered considerable growth and enabled a profound shift in Poland's export structure, its broader socio-political consequences are ambivalent. It led to an incomplete social pact designed to selectively appease TNC employees. Scholars have highlighted the consequences of the growing dualism between domestic and FDI-oriented sectors in terms of gaps in employment protection, training, and productivity (Innes, 2015). For example, Bandelj and Mahutga (2008; 2010) find evidence for a wage premium to management positions within the FDI sectors, an increased wage gap between FDI and domestic sectors and a lower productivity in the domestic sector driven by brain drain. Bukowski and Novokmet (2017, 2019) find that the decline in traditional labour-intensive sectors (mining, textile manufacturing, agriculture) fuelled inequalities. Hancké and Kurekova (2008) have also identified links between increasing regional disparities and the upgrading process of the manufacturing sectors in V4. Besides, the recent growth of the business services sector in Poland (ABSL, 2018) might add to these distributional consequences of the FDI-led model (Iversen and Wren, 1998). This resonates with Orenstein (2013)'s "DME dilemma": how to manage rising consumption expectations of voters while maintaining cost competitiveness?

3.3 *The politics of market dualization*

Given that the core comparative advantage of the DMEs is a cheap and skilled workforce, governments implemented labour market policies tailored for this goal. Labour market deregulation has been coined as a key element in attracting FDI and tends to be associated with labour market dualization (Maciejewska et al., 2016). According to recent research on Western European economies, dualization has been identified as a growing source of inequalities (Thelen, 2012; Emmenegger et al., 2012) and of party system change with the decline of social democratic parties and success of right-wing populist parties in Western Europe (Rueda, 2005). Labour market

insiders have stable and protected employment whereas outsiders benefit from lower social security coverage and a wage penalty. This socio-economic differentiation and diversification of risk structure translates into differing political interests (Schwander, 2019). This analysis, mostly applied to Western European countries, is also relevant for the Polish case (Lewandowski and Magda, 2018) given the significant increase in temporary employment.

3.4 The political economy of development and relative deprivation

Bohle and Greskovits (2007) distinguish the Visegrad Four (V4) as neoliberal embedded market economies from other CEE countries because of their compensation policies (targeted social protection benefits) aimed to pacify potentially vocal social groups. This strategy has notably contributed to the viability of the transition. For example, in Poland, unemployment benefits, early retirement schemes and minimum wage regulations were implemented without institutionalised interest representation (ibid; Vanhuysse, 2006). Once the “transitional social compact” is called into question, the regime becomes more politically unstable (Greskovitz, 1998).

The literature on the political economy of development helps us to understand dynamics of relative deprivation at stake in Poland. As the economic situation improves, citizens’ focus more on their relative position in the income distribution and the perceived fairness of the mobility process (World Bank, 2017). An increase or stagnation of income inequalities can have destabilising political consequences. In their seminal paper of 1973, Hirschman and Rothschild discuss the changing tolerance for income inequality in the course of economic development, which offers valuable insights for the debate on the DME model. The “tunnel effect” or traffic jam metaphor has strong affinity with the concept of relative deprivation. It states that the originally high tolerance for inequality in transitioning economies is like credit due at a certain date, sustained by the expectation that the income gap will fall later.

Offe and Adler (2004) applies this framework to the political economy of post-socialist transformation. The simultaneous economic and political modernisation requires

patience, confidence and trust as market reforms are highly likely to produce inequalities, disappointments, and frustrations. When patience (or the tunnel effect) runs out, it may give rise to demands for illiberal democratic projects. Kornai (2006) describes also how cognitive mechanisms magnify the perceptions of economic problems triggered by the shock therapy, bringing feelings of disillusionment and relative deprivation. This is reinforced by the shift in “reference points” brought by EU-accession². Therefore, the non-realisation of the social advancement expectations and feelings of unfairness are likely to feed anti-system sentiments among parts of the population. This change happens without a trigger such as an economic shock (Kluegel and Mason, 2004). This mechanism questions the sustainability of the DME and its ability to create a long-lasting support coalition as well as a consistent middle class supporting the neoliberal transition.

4. Method

Taking stock of this conceptual framework combining the distributional consequences of the low-wage dependent market economy and its potential political dynamics, the following crucial case study seeks to identify patterns of co-variations between several socio-economic dependent variables, the declining support for the political and economic system and the success of PiS in Poland. The hypothesis under scrutiny is that the medium-term evolution of income inequality and labour market dualization has fed dynamics of relative deprivation along changing tolerance for inequalities in Poland. Growing discontent with the growth model did not stem from an exogenous shock (like in Hungary) but from a long-term and gradual change induced by the DME model, in other words a “silent and crawling crisis” (Maciejewska et al., 2016) of

² “A well-known phenomenon in social psychology is that how one feels about something is dependent not only on the real circumstances, but also on *whom the individual compares himself to*” Kornai, 2006: 236

gradually rising income dispersion and deteriorating labour market perspectives for an increasing share of the population.

This paper thus takes Poland as a least-likely case study to test this hypothesis. The least likely case study is a kind of crucial case study (Eckstein, 1975; Hancké, 2009) or “congruence approach” (Blatter and Haverland, 2012). Based on the “Sinatra inference” (“if it can make it there it can make it anywhere”), it seeks to confirm and refine a hypothesis from the literature and explores the explanatory merits of competing or complementary theories, identifying their relative importance in reaching a comprehensive explanation through their combination (Levy, 2008). As Gerring (2007: 115) argues, they provide “the strongest sort of evidence possible in a nonexperimental, single-case study”. However, it still suffers from limited capacity for generalisation. The research design of this paper also borrows some aspects of the plausibility probe (Eckstein, 1975) as it seeks to refine the operationalization of key variables of the hypothesis regarding the distributional consequences of the DME model. Given that Visegrad countries are classified in the literature as having adopted similar export-driven growth models but have produced different political outcomes, the case study is enriched by some comparative elements to understand the causal mechanisms at play behind the economic and political phenomenon observed in Poland.

The choice of Poland is motivated by its unfavourable context for socio-economic and relative deprivation factors being able to explain the success of a populist radical right party. When looking at aggregate data on economic development, Poland is described as the economic miracle of the post-communist transition and Europe’s growth champion (Piatkowski, 2018). It was the first post-communist country to join the World Bank’s high-income category (Piatkowski, 2018). Even though Poles earned less than the citizens of Gabon, Ukraine, or Suriname in 1991, the country has managed to increase its GDP per capita by almost 150 percent since 1989, more than Hungary and the Czech Republic (ibid). According to Piatkowski (2018), Poland managed to move from an extractive to inclusive society thanks to five key factors, including “inclusive,

egalitarian, well-educated and socially mobile society”, strong consensus on joining the EU, high-quality of policymaking elites, and emergence of a nascent middle class and new business elite. Furthermore, it is one of the only European country to have avoided a recession following the Global financial crisis and experienced since 2004 a decreasing unemployment from 20 percent in 2002 to around 9 percent in 2014 and 3.8 percent in 2018. The Gini coefficient has also been decreasing since the 2000s. Real wages have increase by 54% between 2000 and 2016 (Lewandowski and Magda, 2018). Poland’s pattern of growth is labelled “inclusive” by the World Bank (2017) given its increasing employment rates, wage levels and falling poverty rate.

However, Poland has experienced democratic backsliding and discontent with the economic system for a decade. The 2015 and following elections offered a victory to the Law and Justice radical right populist party. It thus seems at first unlikely that PiS’s success and persistence can be explained by economic factors. I however argue that even in a case of overall economic prosperity, a transitioning economy can witness backsliding due to the medium-term dynamics of its polarising economic model. Alternative explanations based on cultural factors or supply-side politics are also relevant for the Polish case, but they are beyond the scope of this paper. They are discussed in the sixth section of the paper.

5. Wages, inequalities and labour market segmentation in Poland

This section tests the paper’s hypothesis by analysing the specific distributional consequences of the DME model in Poland, i.e. the evolution of wages, income inequality and labour market segmentation, with a focus on the period between the early 2000s and 2015 which corresponds to PiS’s growing electoral success. Analysing changes in the labour market and income inequalities will help understand how the distributional consequences of the Polish growth regime affected different segments of the population.

5.1 The low wage model

Competitiveness based on relatively low labour costs and a semi-skilled work force has been at the core of the DMEs' economic model, especially in Poland. This is reflected in a series of economic indicators. Compared to other EU countries, Polish average hourly labour costs (excluding agriculture and public administration) ranked in the bottom six in 2015 and converge at a very slow rate towards the EU average (World Bank, 2017). Real unit labour costs (i.e. the ratio of compensation per employee to nominal GDP per person employed) kept on declining from 2001 onwards (with an exception in 2008) at a steeper rate than other V4 according to AMECO data. In addition, real wages did not increase at the same rate as productivity growth: between 2000 and 2016, Polish labour productivity grew by 51 percent whereas compensation per worker grew by 31 percent (World Bank, 2017). The median income increased very moderately between 2010 and 2015 according to data from EU-SILC³.

Furthermore, the share of labour in total income (measured by its share in GDP) has witnessed the sharpest decline among V4 countries, from 41 percent in 2000 to 37 percent in 2015, while the share of operating surplus has raised from 47 percent to 51.4 percent (World Bank based on Eurostat data, 2017; see Figure 1). Plus, in 2014 the proportion of low-earning employees in Poland amounted to one of the highest values recorded in Europe (23.6 percent), with an EU average at 17.2 percent. This is even more acute for workers with temporary contracts⁴.

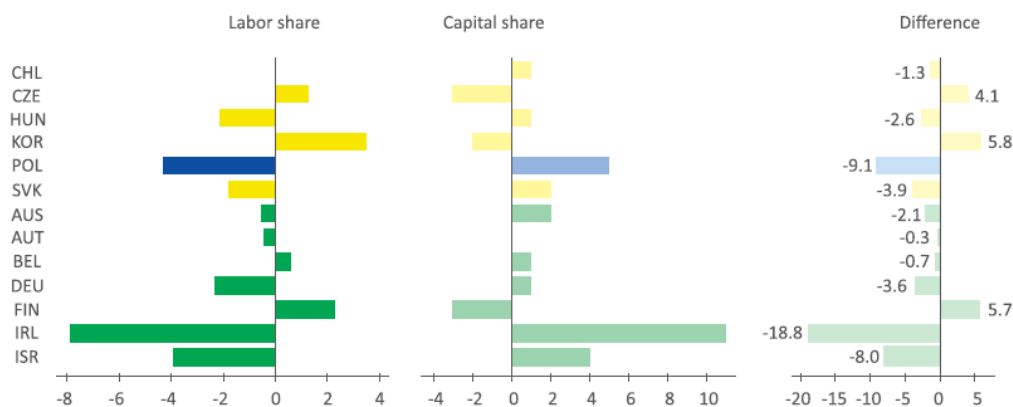
Under the pressure of attracting and retaining FDI, Poland thus followed a low-wage model, with low relative returns in higher skills, limiting household consumption despite its importance in the country's growth model (Drahokoupil and Piasna, 2018; Innes, 2015). As pointed out by Nölke and Vliegenthart (2009), the integration within global value chains curbed upward wage pressure despite having higher profit margins, which also explains the falling labour share. This low wage model was

³ https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di04&lang=en

⁴ https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_ses_pub1t&lang=en

contested after the peak in 2008 of a series of strikes, which triggered an increase in nominal wage, unit labour costs and minimum wage.

Figure 1.
Share of labour in total income



Source: Eurostat data, figure from World Bank (2017)

5.2 Income inequality

As highlighted in the third section of this paper, the DME model and its high reliance on FDI have been associated in the literature with increased income inequalities. Poland is one of the CEE countries that witnessed the most moderate increase in Gini coefficient (less than 10 percentage points) along with Czechia, Slovakia, and Slovenia. Comparatively, the Baltic countries experienced the largest and the most rapid growth in inequality. Inequality indicators based on survey data show a moderate but steady growth in inequality in Poland mostly between the early 1990s and 2004, and especially during the 1998-2002 economic downturn (Brzeziński et al., 2013; Brzeziński and Kostro, 2010; Newell and Socha, 2007). The level of inequality declined rather slowly but steadily between 2004 and 2015 according to this measure. The other V4 countries display lower levels of inequalities (Table 1), especially Czechia and Slovakia which experienced smaller inequality shocks during the transition. The Great

Recession did not have an influence on the Gini coefficient in Poland as opposed to Hungary.

Table 1: GINI index (World Bank estimate) in CEE countries

	1989	1992	2004	2010	2015
Poland	26.9	29.3	38	33.2	31.8
Hungary	25	n.a.	29.9	29.4	30.4
Czechia	n.a	20.7	27.5	26.6	25.9
Slovak Republic	n.a	20.2	27.1	27.3	26.5

Source: World Bank, Development Research Group. Data are based on primary household survey data obtained from government statistical agencies and World Bank country departments.

However, Bukowski and Novokmet (2017) have highlighted the shortcomings of survey data to measure income inequality in Poland. Data derived from personal income tax tends to be a more credible source of information, as survey data often suffers from the underrepresentation of very high-income households. Their results show a gap between tax return and survey data, which may cast doubt on the decrease in income inequality after 2004. According to tax data, income inequality in Poland is higher than in most European countries –while survey data suggests that Polish income inequality is in the European average.

Furthermore, going beyond the synthetic inequality statistics and single parameters brings a different and more accurate light on the entire income distribution. By combining tax return, household survey and national accounts data, Bukowski and Novokmet (2019) identify trends similar to the “fanning out” at the top of the earnings distribution as coined by Atkinson (2008). The largest increase in income inequality occurred in the early 1990s. Table 2 summarises the evolution of real income shares of several groups and highlights the uneven distribution of growth at stake in Poland. The top 1 percent has captured 24 percent of the total income growth, which is twice the portion captured by the bottom 50 percent segment (13 percent). The top 10 percent income share raised from 22-23 percent in the 1980s to 30 percent in 1995 and to 35

percent in 2015 (as opposed to around 26 percent suggested by surveys). Gains for the top 1 percent income group have been mostly composed of business income, while earnings have constituted the bulk of income gains for rest of the top 10 percent group (Bukowski and Novokmet, 2019).

Table 2: Variation in real income shares between 1989 and 2015

	National average	Top 1%	Top 10%	Middle 40%	Bottom 50%
Real income per adult	+ 73%	+458%	+190%	+47%	+31%
Average increase per year	+ 2.1 %	+6.8%	+4.2 %	+ 1.5%	+1%

Source: Bukowski and Novokmet (2019)

Such developments are specific to Poland and Hungary when compared to Czechia and Slovakia: the top percentile share has increased at a slower rate in Czechia, Slovakia and Hungary according to data from the World Inequality Database⁵. Brzeziński (2017) also finds that the high-to-low wage ratio in Poland remained in 2014 one of the highest among EU member states, as high-wage workers earned 4.7 times more than low-wage workers, compared to 5.4 recorded in Spain and 3.6 in Germany (Eurostat). This observed “fanning out” at the top of the earnings distribution seems to be linked with the changes induced by the adoption of the DME model described in our theoretical framework, with FDI bringing an increased wage premium for highly educated workers.

In parallel to this, the bottom 50 percent income share in Poland has moderately declined to around 21% recent years, while it amounts to around 28% in other V4 countries (World Inequality Database). The rise in the top 10 percent share has been accompanied by a decline in income shares of the middle 40 percent, which shows a decline in the relative standing of the Polish middle class. This holds with Milanovic

⁵ <https://wid.world/>

(1999)'s argument on the "hollowing out of the middle", i.e. increased inequality arising from the transfer of labour force from an egalitarian public sector to a much more inegalitarian private sector and the decline in middle-skilled, middle-paying occupations. Primary-educated workers experienced falling relative wages in parallel to the rise in the university wage premium. The decline of agriculture, manufacturing and mining in importance for providing jobs also had a negative effect on the middle class, along with the expansion of the service sector (Mihaylova, 2015). In 2008–2014 employment fell in manufacturing, water supply, construction, agriculture and retail (Maciejewska et al., 2016). Indicators from the World Bank also highlight a decline in middle-skilled, middle-paying occupations (World Bank, 2016).

Besides, overall indicators of absolute poverty, relative poverty and material deprivation have indicated a strong increase in living conditions, even though Poland still lags behind Euro area countries (Letki et al., 2014). The relatively robust standing of the bottom 50 percent of the income distribution has been explained in the literature by the role of fiscal transfers and minimal safety nets acting (Kean and Prasad, 2002; Bohle and Greskovitz, 2007). Regarding the decrease in inequalities from 2005 onwards, it is arguably due to the rapid economic development in 2004-2007 stimulated by EU membership, cohesion funds and large-scale emigration (Kośny, 2013). However, stronger regional disparities have persisted until now (especially regarding Eastern regions) compared to other Visegrad countries. Poorer regions also suffered more acutely from brain drain and emigration during the transition. Between 2002 and 2007, nearly 1.5 million Poles emigrated, which corresponds to 9 percent of the economically active population in Poland in 2007 (Maciejewska et al., 2016).

Overall, these findings coincide with Milanovic and Ersado (2008)'s argument that growth in post-communist countries has been disequalizing in relative but not absolute terms. Living standards and median real income have strongly increased but growth has not benefitted the whole population equally. Comparatively, other V4 countries have not witnessed the same gradual rise in economic polarisation in terms of income distribution. These differences might stem from more progressive income

tax, different educational premia or a lower level of liberalisation and segmentation of the labour market.

5.3 Labour market segmentation

Poland based its cost containment strategy on flexibilization of employment contracts in a more significant manner than other V4 countries. This led to a pronounced segmentation of the labour market (Maciejewska et al., 2016; World Bank, 2017). Since 2004, labour market conditions improved considerably in terms of employment, with unemployment rates decreasing from 19 percent in 2002 to 7 percent by the end of 2015. However, these figures hide that among the 2.1 million total net jobs created between 2002 and 2015, 2.0 million were temporary jobs (Lewandowski et al., 2017). Given the increasing spread and persistence of temporary employment, Poland is an outlier in the OECD. It has the highest share of temporary employment together with Spain and Chile. Other Visegrad countries stayed under 10 percent of temporary employment since 2005. In Poland, this figure rose from 11,72 percent in 2001 to 28,2 percent in 2008, to remain constant until 2016 according to OECD data. It has arguably acted as a cause of wage dispersion. Furthermore, the number of people working on civil law contracts, which are not regulated by the labour code, has risen to 13 percent of the country's working population in 2012. This boom was not triggered by specific legislative changes. Liberalisation reforms of the Polish labour code took place between 2002 and 2004 amidst mounting unemployment, weak bargaining position of labour and with the perspective of EU membership. However, since 2003, there had been no clear-cut tendency towards increasing or decreasing labour market protection (Lewandowski et al., 2017).

Temporary employment is mainly composed of three types in Poland: fixed-term employment contracts based on the Labour Code (FTC), civil law contracts and employment through temporary work agencies (TWAs). FTC are the most regulated out of the three, but they can still be terminated by an employer without justification on the contrary to permanent contracts. Their notice periods were also shorter until

2016, but they benefit from the same rules regarding social security contributions and minimum wage coverage. Civil law contracts (covering “contract to perform specified work” and “contract of mandate”) are not regulated by the Labour Code: they can be terminated without cause or notice period and are not covered by the minimum wage. Paid leave, sick leave, severance pay, or maternity leave are not obligatory. Social security contributions can be lower or even non-existent, which therefore translates into a lower total tax wedge than other employment contracts (Arak et al., 2014). Wages of civil law contract workers are lower and there is no restriction on the number of civil law contracts a worker can sign with a given employer. Until a decision of the Constitutional Tribunal in 2015, they also could not become member of trade unions. According to the Polish General Statistical Office (GUS), the number of civil law workers has more than doubled between 2002 and 2012 (1.35 million).

The spread of temporary contracts followed two different dynamics in terms of job creation before and after 2008, according to the decomposition of employment growth between 2002 and 2015 conducted by Lewandowski and Magda (2017). Between 2002 and 2008 the number of temporary workers doubled, mainly under fixed-term contracts. Unemployment decreased by 65 percent while permanent employment increased by 6 percent. Between 2008 and 2015, employment growth mainly came from a decline in job destruction rather than inflows from joblessness. Temporary employment did not increase as significantly (increase of 260 000 workers) but its composition shifted towards civil law contracts. According to data from the Ministry of Finance, the number of people working solely under civil law contract went from 580 000 in 2002 to 1.04 million in 2014. Employment through TWAs more than quadrupled between 2004 and 2014 according to the Ministry of Labour data, mostly among women (Lewandowski and Magda, 2017). These jobs were mostly involuntary and spread among people with primary, basic vocational and secondary education and young people (ibid).

Generally, flows of workers between permanent and temporary employment were quite limited. The flow analysis conducted by Lewandowski and Magda (2017) with

Polish Labour Force Survey data indicates that the probability of moving from temporary to permanent employment increased from 15 percent in 2004 to 22 percent in 2007, and then decline from 2009 onwards to reach 10 percent in 2015. Only a third of people on temporary contract in 2008 were employed as a full-time permanent employee in 2011 (OECD, 2014). In 2014, 80 percent of temporary workers were still in a temporary job one year later. Therefore, it can be concluded that temporary employment was not in most cases a steppingstone to permanent employment. However, Baranowska et al. (2011) find with the Polish School Leavers Survey that fixed-term contracts might be used by employers as “screening device” to identify the best workers and that the chances of entry into permanent employment do not decrease across tenure acquired in fixed-term contracts. Pilc (2017) shows with Social Diagnosis panel study between 2009 and 2013 data that over time, chance of finding a permanent job increase and the risk of unemployment decreases, but negative consequences on income and perceived stability are more long-lasting.

The expansion of temporary employment was the most acute among people aged 15-24, as it rose from 13 percent in 1999 to 72 percent in 2013 in this age group (Eurostat labour force survey). The 30-39 age group was the second to experience the steepest increase in temporary employment, from 20 percent in 2000 to 29 percent in 2014. The increase was observed in all age groups and genders, irrespective of educational attainment. People with primary, basic vocational and secondary education levels are however overrepresented in this segment of the labour market (72.6 percent). In 2014, tertiary educated workers accounted for up to 80 percent of permanent employees (excluding agriculture). However, Baranowska et al. (2011) find that neither firm-based vocational training nor tertiary education provide graduates better access to secure entry positions. Growth was observed in sectors with positive (services) and negative (agriculture, forestry, wholesale and retail) employment trends.

Policymakers in Poland promoted the expansion of temporary employment to add flexibility to the economy and keep labour costs low by avoiding the burden of permanent employment contracts (Innes, 2015). The gradual substitution of

permanent contracts by temporary contracts was arguably caused by cuts in labour cost (i.e. lower wages, lower tax wedges given limited social security contribution, lower firing costs, lower bureaucratic burden). Furthermore, regulations were loosely enforced, especially regarding non-compliance with the requirement to employ workers under labour code-based contracts and inefficient labour inspections (Goraus and Lewandowski, 2016). Plus, the public sector also witnessed the increased use of fixed-term or civil law contracts (especially in education and healthcare) and outsourcing to temporary work agencies. The Tripartite Social Dialogue Commission ceased its activities in 2014 and was dissolved in 2015, hindering any attempts to create a consensus or common policy agenda to balance demands of workers and employers in this realm.

The boom in temporary employment and civil law contracts tends to be associated with heightened job insecurity and instability of employment. Temporary workers have a wage penalty of around 30 percent when skill levels are controlled for (Lewandowski et al., 2017; OECD 2014). This is particularly true for civil law contracts, which are not covered by key elements of the employment protection legislation nor by minimum wage requirements. Thus, they face a higher risk of in-work poverty (Goraus and Lewandowski, 2016) and risk of having access to lower levels of pension. As mentioned before, they have less or no access to holiday or parental leaves. Furthermore, due to the very low progressivity of tax system, low earners tend to be more burdened via the personal income tax (Innes, 2015). Lower job quality is also an important consequence of working under temporary contracts, as Lewandowski et al. (2017) found a persistent gap regarding quality of earnings, job security and quality of work scheduling.

Therefore, intense flexibilization and segmentation of the labour market were important strategies to sustain the Polish DME model based on minimal labour costs. They were associated with high social costs. These phenomena embraced all segments of the population, even if they were more acute among young and primary-educated workers. The expansion of civil law contract (or “junk contracts”) are particularly

telling. The limited mobility across contract typology, important wage gap and lower access to social security put a brake on perspectives of upward mobility for the increasing share of labour market outsiders. This strongly threatened the social contract established during the first decade of the transition. More generally, what comes out of this picture is relative stagnation of the lower to middle segments of the population. Therefore, the Polish configuration seems conducive to relative deprivation dynamics despite a seemingly positive macroeconomic trajectory.

6. The transformation of party competition in Poland

6.1 The end of the tunnel effect

This section discusses the findings and their potential link with the gradual and increasing success of Law and Justice. It argues that the observed distributional consequences of the Polish DME model between the early 2000s and 2015, i.e. gradually increasing dispersion of income, persistence of low wages and bleak labour market prospects for important segments of the population, appear to have triggered dynamics of relative deprivation beyond the traditional religious and rural/urban cleavage. This configuration matches what Hirschman and Rothschild (1973) theorised as the end of the “tunnel effect”, i.e. when a decrease in tolerance for inequality renders the social and political compact unstable.

Attitude surveys provide additional evidence in this direction. Letki et al. (2014) highlight that the rise in income inequality in Poland has been correlated with declining trust in political institutions and increasing disappointment with the economy, soaring demand for redistribution, aversion towards inequality and belief that high incomes are undeserved. Indeed, the percentage of Poles believing that income inequalities are too large rose from 80 percent in 1990 to 91 percent in 2010 despite a decline in material deprivation, which is at the same level as in other Visegrad countries (ISSP Research Group, 2009). Poles felt their lives improved rapidly until the early 2000s but improved at a much slower rate from 2003 to 2015, with the poorest regions expressing the lowest level of happiness (World Bank, 2017). By testing

Hirschman and Rothschild's intuition on the tunnel effect, Grosfeld and Senik (2010) identifies a structural break in 1998 regarding the relationship between income inequality and satisfaction. After 1998, increases in income inequality became a source of dissatisfaction with the economic system. Demand for government redistribution went hand in hand with perceptions of unacceptable income differences also in Hungary, while in Czechia and Slovakia, negative perceptions of income inequalities have been declining but remained high. Hence, there is a growing mismatch in Poland between the increasing demand of the electorate for redistributive policies (from 72 percent in 1992 to 85 percent in 2008) and the inaction of mainstream parties despite favourable economic situation (Letki et al., 2014).

Furthermore, by analysing data from the Polish national election study conducted during the election years of 2011 and 2015, Tworzecki (2019) identifies that support for systemic change was very high among the Polish electorate and increased between 2011 and 2015. After being asked the question "Do you agree or disagree that Poland needs someone who will have enough strength to completely change our system of government and bring about a new and just order?", 78 percent of respondents agreed or strongly agreed with the sentence in 2015, which is a 11-point increase compared to 2011. In contrast, the EBRD Life in Transition Surveys (2016) show an increase in support for democracy and the market economy. Tworzecki (2019) also shows that "antisystem parties" (PiS, Korwin, Kukiz'15) were backed by disparate social groups, gathering traditional PiS voters (catholic, rural) and younger voters from diverse backgrounds, not necessarily with low socioeconomic status. Support for the status quo was the strongest among the middle and older age groups of the urban middle classes. In sum, this empirical evidence gives some credentials to the hypothesis of an end of the "tunnel effect" in Poland. Increased salience of inequality and unfairness of the economic system matches with the gradual increase in electoral support for Law and Justice.

6.2 Supply-side politics

Therefore, Poland's DME model seems to have constituted a "breeding ground" that could be picked up by political entrepreneurs such as PiS. Our findings have however to be complemented by supply-side centred explanations. The latter focus on why the distributional consequences of the DME model have been translated into right-wing populism in Poland and not in other "DME" countries.

The irresponsiveness of mainstream parties is a key element: while Poland's developmental path have driven up the demand for redistributive policies, no mainstream parties constituted a credible platform to cater these demands. Former governments did not articulate policies to tackle the rise in temporary employment nor income inequality. Historically, leftist parties in CEE countries have had stronger incentives to implement fiscal austerity, whereas rightist parties were compelled to spend more in order to alleviate economic hardship (Tavits and Letki, 2009). This was the case of the former communist party SLD in power between 2001 and 2004 (Innes, 2014). Their *Hausner Plan* entailed cuts in public administration and social transfers amidst skyrocketing unemployment. Meanwhile, the social democratic party Smer in Slovakia managed to enact in 2006 more generous welfare policies and promoted less labour market dualization (Haughton, 2014).

The demise of SLD paved a restructuring of the party system in Poland under the strategic action of Law and Justice. It opened room for action for anti-system players to increase their vote shares among segments of the populations supporting more redistribution. PiS managed to orientate the party competition around a cleavage between "a liberal Poland" embodied by PO and a collectivistic "Poland of social solidarity" embodied by PiS (Millard, 2009; Jasiewicz, 2008; Szczerbiak 2007). With the 2005 coalition, PiS increased its "authoritarian" image among the public to capture the electorate of its coalition partners. The 2007-2011 coalition between PO and the agrarian party PSL lost most of its support with its reform of retirement age (increase from 60 to 65 for women and from 65 to 67 for men). Dissatisfied rural voters switched their vote in favour of the PiS in the 2015 elections who campaigned on a generous

social spending and tax cuts programme. According to Szczerbiak (2016), 48 percent of pensioners and 45 percent of workers voted for Law and Justice (PO got respectively 28 percent and 17 percent) while 10 percent of previous PO voters switched their vote in favour of Law and Justice. Overall, PO lost all demographic groups to the PiS (Szczerbiak, 2016). However, to tamper this argument, Stanley (2014) found that the winner/loser divide was not more influential at the structural level in 1997 than in 2007 and that while the effect of religiosity was still strong, it tended to decrease over time. The “transition divide” was stronger between voters and non-voters.

In the light of section 5, it is noteworthy that PiS’s economic programmes and policies tackle the distributional consequences of the growth model more than their predecessors. Once in power in 2015, it implemented its child benefits programme, increased the minimum wage and lowered the retirement age to 60 for women and 65 for men. It announced a measure to abolish income tax for most people under the age of 26 to incentivise young Poles living abroad to come back in order to tackle labour shortages. They tackled temporary employment and abuses in the labour market by extending minimum wage coverage to civil law contracts and the notice period of fixed-term contracts. Therefore, Law and Justice has targeted both its core electorate (large families, pensioners) and potential new voters, such as the youth or former non-voters suffering from precarious employment.

More generally, PiS arguably pursues a strategy of politicisation of the DME model or embedded neoliberalism in a similar way to Viktor Orbán in Hungary (Bohle and Greskovits, 2019). It calls for stronger national independence from foreign capital and announced a series of “repolonisation” taxation measures to curtail foreign dominance in banking and energy sectors. However, the radical turn in rhetoric takes place in parallel to “the quiet politics of subsidising foreign direct investment in manufacturing and the noisy politics of protecting pensioners and middleclass” (Bohle and Greskovits, 2019: 1069). Indeed, some sectors are not concerned by this “repolonisation” policy, such as the automobile and electronics industries (Gadomski, 2018).

This paper does not consider at length other important factors behind the success of PiS, such as the use of nationalist, ultra-catholic and anti-communist rhetoric and the ensuing top-down polarisation of the electorate on the basis on populist arguments (Tworzecki, 2019). They are however linked with the paper's argument. Indeed, PiS managed to link the debate on Poland's developmental model to the "regime divide" by using powerful populist arguments denouncing the "betrayal" of the liberals and communists' elites allied against the "true and ordinary Poles".

7. Conclusion

To conclude, this paper has provided empirical evidence confirming the hypothesis that the specific distributional consequences of the DME model in Poland have created a breeding ground for the success of PiS. The party gathered a new coalition of voters around the rejection of this developmental model (Gourevitch, 1986). The period between the early 2000s and 2015 was characterised in Poland by a rise in the share of income of the top decile, a perpetuation of the low-wage model and growing segmentation of the labour market with an increasing incidence of civil law contracts. In line with the literature on populism amidst prosperity and positional deprivation (Burgoon et al., 2019), these patterns of gradual socio-economic polarisation in Poland appear to have fed feelings of relative deprivation despite strong economic growth. Considering the relative trajectory of different income groups and the evolution of their labour market prospects has improved our understanding of the origin of the frustration among some segments of Polish society. The findings have highlighted particularly the impact of temporary employment and precarious jobs on prospects of upward mobility, which is a unique feature to Poland compared to the Visegrad four. The discursive polarisation undertaken by PiS matters also crucially for the political mobilisation of this end of the "tunnel effect".

In sum, even in Europe's growth champion (Piatkowski, 2018), socio-economic explanations have an explanatory power at the condition to understand the precise distributional consequences of the growth model at stake. It shows also that populism

is at the same time a threat and an opportunity for democracy (Mudde and Kaltwasser, 2012). While Poland is now witnessing unprecedented democratic backsliding, PiS's government also represents the possibility of alternatives to the neoliberal growth model followed since the beginning of the transition. These findings are however limited by the lack of micro-level analysis. This is a weakness common to studies on aggregate-level structural change and the emergence of populists. Further quantitative analysis would help confirm the hypothesis by testing with individual data how labour market status, issue positions and vote for PiS are correlated over time.

Regarding the implications of these findings on future research, this paper helps to refine future measures of economic voting in Poland by taking stock of the specificities of the DME model and its distributional impacts. It also contributes to a wider reflection on the socio-political weaknesses of DMEs and growth models based on FDIs as main drivers of modernisation and sustainable growth. This gives additional evidence to Baccaro and Pontusson (2016)'s perspective on distributional struggles as a key factor in the evolution of growth models. Notably, this paper contributes to the academic debate by linking issues raised by the VOC literature with the arguments of literature on the political economy of development regarding the consequences of the end of a tunnel effect on a regime's political viability. It also underlines the importance of combining demand-side and supply-side explanations to understand party system change in the light of PiS' successful electoral strategy and political communication.

Macroeconomic regimes in Central and Eastern Europe are still in flux because social conflicts are too (Amable, 2004). This is even more the case as the recent rise in wages stemming from intense labour shortages may put another strain on the future of the DME model in Poland. New questions are now raised on the political challenges that the emerging growth model (coined "Budapest development model" by Appel and Orenstein, 2018) will face in gaining sustained approval among the electorate in the future.

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