

1. POVERTY

1.1. Recent trends

Developments of poverty and social exclusion in Poland based on Eurostat:

- The rate of **people at risk of poverty or social exclusion** continues to decrease, although between 2010 and 2012 this decrease was rather low (around 1 p.p.). The rate remains well above EU average (24.8% in 2012).
- The in-work poverty rate is higher than the EU average. Although the overall rate continues to diminish, the decrease is particularly visible in relation to women (by 2 p.p. since 2010) while for males the in-work poverty rate was in 2012 2p.p. higher than the EU average
- The severe material deprivation increased in 2012 and is by 1/3 higher than the EU average while the share of people living in the jobless households marginally decreased reaching 6.8% in 2012.

There are two main reasons for poverty of young people in Poland. Firstly, the geographical structure of poverty: it dominates in the regions of collapsed industry and in rural areas. Secondly, young people are facing the lack of possibility to enter stable employment. According to statistical data, 60% of young people are employed on the basis civil law contracts which are not regulated by the Labour Code legislation¹. In a consequence the jobs they have are not protected by the Labour Code provision and are missing of specific advantages e.g. of rights for holidays, rules regarding redundancy, maternity leaves etc.). In practical terms, young people working on the basis of “junk contracts” are considered as service providers (or sub-contracted self-entrepreneurs), while, in practice, they deliver services to only one contractor and the characteristics or types of their jobs don't differ from those deliver within the traditional employment arrangements Moreover, given that their jobs and work conditions are not protected by the Labour Code and institutions of labour market (trade unions, National Labour Inspectorate, Labour Tribunals) their employment situation is very insecure. Because of the lower social contributions, these type of employment has some short-term advantages, but these are mainly for the employers (although sometimes they effect in slightly higher net salaries). In a short term, wide application of “junk contracts” is being justified by the need of tackling growing youth unemployment, but in the long-term it will have significant negative effects on the future pensions' adequacy.

The main consequence of the problem is the labour emigration of youth to the other EU countries where wages are considered higher.

1.2. Recent policy developments

Since last year the following policy developments have been registered:

Since summer 2013 several measures have been implemented. Among them one should include: Increasing of the minimum wage; increasing of the care benefit for parents of disabled children; program of support for families experiencing difficulty in fulfilling their care and educational roles; governmental Programme for Social Activity of the Elderly for 2012–2013.

There are several measures proposed in 2013 NRP to support achieving the poverty-reduction target. These are: Adoption of the *National Programme against Poverty and Social Exclusion 2020*; Support for the unemployed persons most excluded from the labour market; Support for families with children and children placed in foster care; Support for parents raising disabled children; Introduction of standards

¹ Wiesława Kozek, Marianna Zieleńska, Julia Kubisa, Work Package 5 – the national arena for combating poverty National report: Poland, 2013

of social assistance and social integration; Development of social economy sector; Counteracting social exclusion of the elderly; Counteracting social exclusion of the young; Support for families in financial difficulty by ensuring the social function of schools; Supplementary feeding programme run by State.

The problem of family and child poverty in Poland is currently framed in demographic terms. Poland is suffering demographic decline and thus measures to support the entry of mothers into the labour market and care of children started being applied. These consist of government support of early (pre-kindergarten) day care, decrease of fees for public kindergartens, continuation of reform aiming to fully implement in 2014 compulsory education in the age of 6.

It needs to be underlined that the flagship action of increasing the minimal wage promoted in response to the 2012 country specific recommendation 'to combat in-work poverty' is inadequate. It is addressing only those working on the base of labour contracts while the group of people working on the base of civil law contracts ("junk contracts") is left outside of its scope. Paradoxically, in consequence, this measure may cause further shift of employees from the jobs regulated by contracts signed on the basis of the labour code into civil law contracts, as they are more attractive for employers due to the lower social protection contributions. In year 2013, after decrease in 2012, Poland experienced an increase of self-employed people which, to some extent, shows the continuing tendency of replacing traditional jobs with services delivered by self-employed micro-entrepreneurs².

Assessment of the Polish Country Specific Recommendations (CSRs) adopted in 2013:

In general, the CSRs issued for Poland can be considered adequate to tackle the problems of poverty and social exclusion. It concerns in particular the followings:

CSR (3) Strengthen efforts to reduce youth unemployment, for example through a Youth Guarantee, increase the availability of apprenticeships and work-based learning, strengthen cooperation between schools and employers and improve the quality of teaching. Adopt the proposed lifelong learning strategy. Combat in-work poverty and labour market segmentation including through better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts.

CSR (4) Continue efforts to increase female labour market participation, in particular by investing in affordable quality childcare and pre-school education, by ensuring stable funding and qualified staff. With a view to improving sectoral labour mobility, take permanent steps to reform the farmers' social security scheme KRUS. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the general pension reform with measures promoting the employability of older workers to raise exit ages from the labour market.

However, concerns have been expressed regarding one part of the following CSR:

CSRs that could have a negative impact	Observations
<ul style="list-style-type: none"> (1) Reinforce and implement the budgetary strategy for the year 2013 and beyond, supported by sufficiently specified measures for both 2013 and 2014, to ensure a timely correction of the excessive deficit by 2014 in a sustainable manner and the achievement of the fiscal effort specified in the Council recommendations under the EDP. A durable correction of the fiscal imbalances requires credible implementation of ambitious structural reforms, which would increase the adjustment capacity and boost potential growth and employment. After the correction of the 	<ul style="list-style-type: none"> The risk of possible budgetary cuts on social assistance and fighting social exclusion.

² [Quarterly information on the labour market. Central Statistical Office. August 2013](#)

CSRs that could have a negative impact	Observations
<p>excessive deficit, pursue the structural adjustment effort that will enable Poland reaching the medium-term objective by 2016. With a view to improving the quality of public finances minimise cuts in growth-enhancing investment, reassess expenditure policies improving the targeting of social policies and increasing the cost effectiveness and efficiency of spending in the healthcare sector. Improve tax compliance, in particular by increasing the efficiency of the tax administration</p> <ul style="list-style-type: none"> (2) Ensure the enactment of a permanent expenditure rule in 2013 consistent with the rules of the European System of Accounts. Take measures to strengthen annual and medium-term budgetary coordination mechanisms among different levels of government. 	<ul style="list-style-type: none"> The risk of possible budgetary cuts on social assistance and fighting social exclusion.

2.3. Recommendations

- There is a need to focus on the problem of in-work poverty and “junk contracts”. The long-term consequences of current wide application of civil law contracts should be taken under consideration in developing employment reforms and policies.

2. EMPLOYMENT

2.1. Recent trends

Developments of the employment situation in Poland (2008-2012):

- Since 2008 the overall unemployment rate has risen by 1/3 reaching 10,1% in end 2012 (slightly below EU average). The unemployment is higher for females than for males although this gap tends to decrease in comparison to the previous years. Between 2008 and 2012 youth unemployment raised by almost 9 p.p. and it is above the EU average of 22.8%
- Long-term unemployment has significantly increased since 2008 and it is close to double in relation to males.
- In result the overall employment is decreasing and big gaps between employment rate of women and man continues (15 p. p.).

There is a significant shadow economy in Poland. Great number of officially unemployed people is in fact working but without having employment contracts; in effect they are excluded from the regular labour market. Moreover, the unemployment rate on the level of 10.4% is higher than in the last years in Poland but it still is relatively low in comparison to the 1989-2004 period. Unemployment is also reduced by massive labour force migration to EU15.

Poland has the highest in EU rate of temporary employees – 26.9% in comparison to EU average 14.0%, one of the highest rates of self-employed workers – 14.4% in comparison to EU average of 10.2%³. In non-standard types of employment the at-risk-of-poverty rate is significantly higher than among

³ Social protection rights of economically dependent self-employed workers, European Parliament 2013

workers with employment (labour code) contracts. Data from 2010 show that the rate of at-risk-of-poverty among permanently employed was at the level of 6%; among temporary employed at the level of 12.9%; and among of the working on the base of civil law contracts (“junk contracts”) at the level of 26.3%⁴.

There is no research showing that civil law contracts are facilitating entrance to the regular labour market and that the employees who have worked certain period of time on the basis of civil-law contract can more easily enter into the regular and more secure employment. On the contrary, there is a pressure on workers to dissolve employment contracts and continue to work for their former companies as sub-contracted entrepreneurs.

2.2. Recent policy developments

Actually, some of measures are part of the programmes already launched in recent years. They are mostly addressing the problem of poverty adequately. It needs to be noticed that the experimental project “Partnership for Work” of outsourcing the activation of services for unemployed is perceived as controversial. Yet, it is too early to conclude on its efficiency.

Actions targeting 50+, youth-workers and targeting the problem of labour market exclusion of young mothers have been implemented. These actions were taken in the framework of the programmes *Active pensioner*; *Young people on the labour market*; and by co-financing current expenditure related to maintaining the places of care for children up to 3 years of age. This last action is perceived to have very positive impact on the labour market participation of women as well as on the future increase of the fertility rate in Poland.

There is planned a general reform of the labour market policy, especially of the job centers, which are going to be evaluated accordingly to their efficiency. Also some of their obligations are planned to be outsourced to private agencies. These measures are controversial although some researches show that currently job centers are extremely inefficient and even sometimes not fulfilling their basic obligations, i.e. not disseminating the job offers sent by employers ([Tyrowicz et al. 2012](#); Tyrowicz 2013).⁵

The planned introduction of more flexible organisation of working time might have a negative impact on security of employment. There are also several actions planned to be take in domains like: Support aimed at ensuring equal opportunities for men and women on the labour market; Fostering employment of persons over 50 years of age; Fostering employment of disabled persons/ taking measures to activate disabled persons; Reform of the miners’ pensions system; Changes in the Agricultural Social Insurance Fund.

These two last reforms of pension system are necessary due to the pressure on fiscal system but they should be implement in a way that will prevent their inhabitants of the rural areas (who are mainly covered by the special social insurance scheme) and the ex-miners from the risk of social exclusion .

The actions taken by the government in the field of including young mothers into the labour market should be highlighted. The period of paid parental leave was prolonged from 5 months to 1 year. By the same time there is launched the programme of improving the availability of child care services for children below the age of 3 and also expanding the network of public kindergartens (care for children in age 3-6). This comprehensive reform is hopefully going to have not only positive impact on woman inclusion into the labour market but also on counter fighting the educational deprivation of children and targeting the *demographic challenges which Poland is currently facing*.

Assessment of Polish Country Specific Recommendations (CSRs) adopted in 2013:

⁴ Wiesława Kozek, Marianna Zieleńska, Julia Kubisa Work Package 5 – the national arena for combating poverty National report: Poland, Institute of Sociology, University of Warsaw

⁵ Badanie Ankiety Rynku Pracy RAPORT 2012, National bank of Poland 2013

CSRs that could have a negative impact	Observations
<ul style="list-style-type: none"> (3) Strengthen efforts to reduce youth unemployment, for example through a Youth Guarantee, increase the availability of apprenticeships and work-based learning, strengthen cooperation between schools and employers and improve the quality of teaching. Adopt the proposed lifelong learning strategy. Combat in-work poverty and labour market segmentation including through better transition from fixed-term to permanent employment and by reducing the excessive use of civil law contracts. 	<ul style="list-style-type: none"> Paradoxically, although reducing of massive replacement of traditional forms of employment by atypical/permanent forms (i.e. civil law contracts and fixed term contracts) is very much expected, it should be implemented in a way that would not cause and drastic increases of unemployment, given the huge number of people employed through atypical forms mentioned above.
<ul style="list-style-type: none"> (4) Continue efforts to increase female labour market participation, in particular by investing in affordable quality childcare and pre-school education, by ensuring stable funding and qualified staff. With a view to improving sectoral labour mobility, take permanent steps to reform the farmers' social security scheme KRUS. Phase out the special pension system for miners with a view to integrating them into the general scheme. Underpin the general pension reform with measures promoting the employability of older workers to raise exit ages from the labour market. 	<ul style="list-style-type: none"> The reforms of pension system should be carefully assessed against their potential negative impact on the pensions adequacies and future situation of the pensioners.
<ul style="list-style-type: none"> (7) Take further steps to improve the business environment by simplifying contract enforcement and requirements for construction permits and by reducing tax compliance costs. Adopt and implement the planned liberalisation of access to professional services. 	<ul style="list-style-type: none"> Although this recommendation may have positive impact by increasing employment, it may also cause the increase of job insecurity of those working in the professions being liberalized.

2.3. Recommendations

- Include people employed due to civil contracts (“junk contracts”) in pension system. Relatively big share (26.4% in 2009) of workers in Poland are not employed through the contracts regularized due to labour code but due to the other forms of contracts which do not secure the stability of their employment and provide the lowest possible contribution to the pension system. Although incorporating all the employees to the regular system framed by the labour code most probably is going to increase the costs of labour and the unemployment rate it is necessary to solve the problem of job insecurity and small contribution to pension system.
- Expand the network of day care centers and kindergartens. Day care centers for toddlers and kindergartens run by local authorities are incapable of accepting of all children in need of care during the work time of their parents. That causes the threat of labour market exclusion of their mothers.
- Profiling the vocational education in order to fit the labour market needs.