

## POLAND

*Strong trend growth has led to convergence in GDP per capita vis-à-vis the EU average. However, trend productivity growth has slowed and the labour force participation rate – among the lowest in OECD – has not risen. Some reforms have been undertaken recently to improve work incentives, but particular weaknesses still remain in the areas below.*

### Priorities supported by indicators

#### **Remove barriers to entrepreneurship**

Administrative burdens on start-ups and compliance costs on existing businesses are high by OECD standards, discouraging new entry and efficiency.

**Actions taken:** The authorities have agreed to deliver binding legal interpretations of tax legislation on request by entrepreneurs, increased the turnover threshold above which a full accounting system must be in place and allowed firms with no employees to temporarily suspend their activities while exempting them from social security contributions at the same time.

**Recommendations:** Streamline the system of licences and permits, reduce the vulnerability of businesses to arbitrary (and often conflicting) decisions by the two main tax-inspection bodies by merging them into one institution, create a one-stop-shop for start-ups and speed up the privatisation process.

#### **Reform the tax and benefit system**

Work incentives are poor and labour force participation is significantly below the OECD average as a result of high tax wedges and early retirement schemes.

**Actions taken:** The tax wedge has been lowered by the reductions in rates of social security contributions, the introduction of a child allowance and the simplification and cut in personal income tax rates as from 2009.

**Recommendations:** Further reduce the tax wedge on low-income workers with targeted cuts in social security contributions and turn the child allowance into a non-wastable tax credit while lowering its value so as to keep the budgetary cost unchanged. Significantly reduce access to early-retirement pensions so that only those whose work conditions result in substantially lower life expectancy remain eligible.

#### **Improve the efficiency of education**

Attendance at the pre-school level is very low and access varies across regions. There remain questions of equity and efficiency of resource allocations in tertiary education.

**Actions taken:** No significant action taken.

**Recommendations:** Further improve provision of free pre-school education at ages 3 to 5, focusing particularly on poor and rural areas. Introduce tuition fees for full-time students in public higher-education institutions together with more generous systems of means-tested grants and student loans with income-contingent repayments.

### Other key priorities

- **Transport infrastructure.** In order to step up the implementation of transport infrastructure investments, reform public procurement legislation by limiting the abuse of appeal procedures, simplify the issuance of building permits and environmental impact assessments, and give more consideration to public-private partnerships.
- **Housing policy.** Increase housing supply by making compulsory the release of zoning plans by municipalities, introduce escrow accounts to protect buyers' advances, and overhaul the functioning of the rental market by working towards further easing of controls on rent increases. Reform the programme of social housing by granting a buy-back option to tenants.

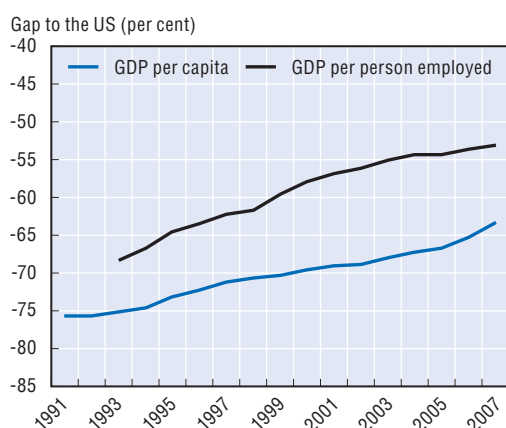
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## Structural indicators

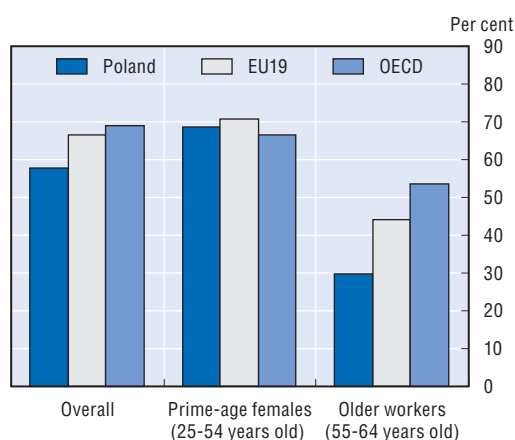
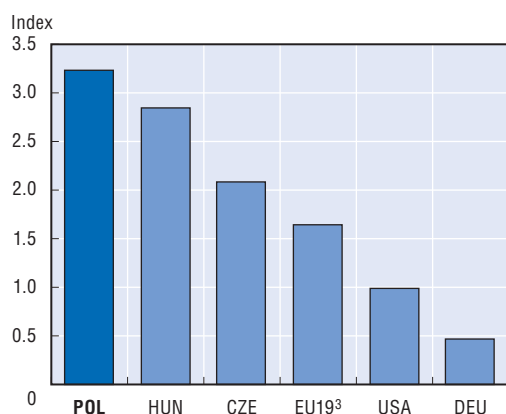
Average annual trend growth rates, per cent

	1997-2007	1997-2002	2002-2007
GDP per capita	4.0	4.2	3.8
Labour utilisation	-0.4	-1.4	0.5
of which: Employment rate	-0.3	-1.0	0.4
Average hours	-0.2	-0.4	0.1
Labour productivity	4.5	5.7	3.3
of which: Capital intensity	1.5	2.1	0.9
Multifactor productivity	3.0	3.6	2.4

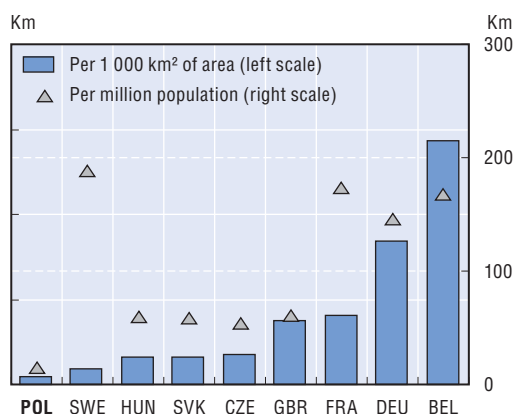
Source: Estimates based on OECD Economic Outlook, No. 84, Vol. 2008/2.

A. Gaps in GDP per capita and productivity continue to narrow but remain large<sup>1</sup>

B. Employment rates are low especially for older workers, 2007

C. Administrative burdens on start-ups are heavy, 2008<sup>2</sup>

D. The motorway network is sparse, 2004



1. Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).

2. Index scale of 0-6 from least to most restrictive.

3. Excluding Greece, Ireland and the Slovak Republic.

Source: Chart A: OECD, National Accounts Database; Chart B: OECD, Labour Force Statistics Database; Chart C: OECD, Product Market Regulation Database; Chart D: European Commission (2007), Panorama of Transport and New Chronos Database.

StatLink  <http://dx.doi.org/10.1787/533865864603>