

POLAND

- GDP per capita has been converging steadily towards leading OECD countries due to strong labour efficiency growth and rising labour utilisation. However, the labour productivity gap remains substantial, and the employment rate of older workers, especially women, is low.
- The disposable income of the poorest households has increased faster than the average between 2008 and 2013, and inequality, as measured by the Gini coefficient, has declined.
- Progress has been made to improve access to pre-school education, upgrade the road infrastructure and strengthen competition throughout the economy. The authorities have started to better align social contributions and taxes across different labour contracts. Poland also published its first house price indexes in 2015. However, further actions, such as the release of local zoning plans, are needed to improve the functioning of the housing market. Moreover, the new government has increased child benefits, which may have negative effects on women's labour supply, and plans to lower the statutory retirement age.
- Lowering entry barriers and continuing to enhance network infrastructures would improve resource allocation, productivity and employment. Increasing the retirement age and developing environmental and property taxes would allow for a reduction in the tax wedge on low wages and long-term investments in infrastructure and skills, with positive distributional effects.

Going for Growth 2017 priorities

Lower barriers to product market competition. Stringent entry regulations and heavy administrative burdens on start-ups induce significant resource misallocation. Public ownership remains pervasive in many sectors.

Actions taken: The government continued an ambitious deregulation of professional services in 2015. In 2015 it also reformed bankruptcy procedures for consumers and firms.

Recommendations: Further reduce administrative burdens and other regulatory barriers to firm entry. Monitor the impact of the recent reform of insolvency law. Ensure the full independence of the sectoral regulators, and pursue privatisation in competitive segments of the economy.

Reform the welfare system and reduce labour taxes. Some taxes and transfers hold back employment, especially for older and low-skilled workers, and encourage the use of temporary contracts.

Actions taken: The government increased social contributions on some non-standard contracts in 2016, and an hourly minimum wage is to be applied to them. A planned increase in the PIT tax-free allowance would reduce the labour tax wedge. However, increased child benefits in 2016 and plans to lower the statutory retirement age could curb employment.

Recommendations: Increase the statutory retirement age for men and women. Phase out all special occupational pension regimes. Reduce the tax wedge on low wages by shifting the tax burden to environmental and immovable property taxes, increase progressivity in the personal income tax system, and improve tax compliance. Continue to better align the social contributions applying to different labour contracts, and move towards individual taxation.

Improve the equity and efficiency of education. Widespread deficiencies in basic skills hinder productivity and equity, and the low availability of pre-school education holds back women's employment.

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Growth performance and inequality indicators

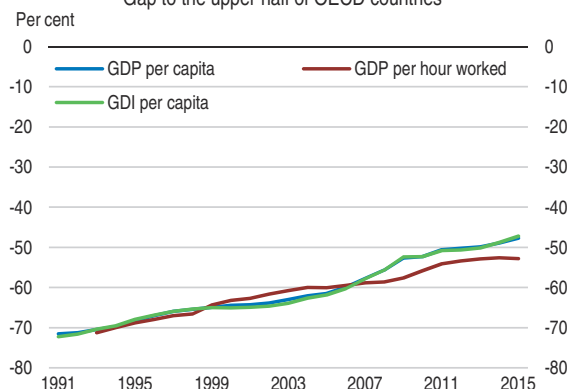
A. Growth

Average annual growth rates (%)	2003-09	2009-15
GDP per capita	4.8	3.0
Labour utilisation	2.3	0.9
of which: Labour force participation rate	0.1	0.8
Employment rate ¹	2.3	0.1
Employment coefficient ²	-0.1	0.0
Labour productivity	2.2	2.4
of which: Capital deepening	-0.5	0.3
Total factor productivity	2.8	2.1
Dependency ratio	0.3	-0.3

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient ³	30 (31.7)*	-0.2 (0)*
Share of national disposable income held by the poorest 20%	8.1 (7.7)*	0 (0)*

* OECD average

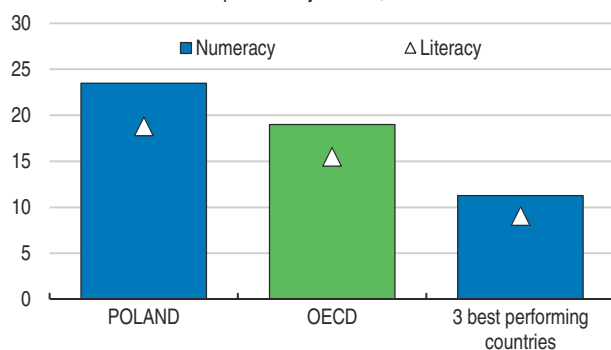
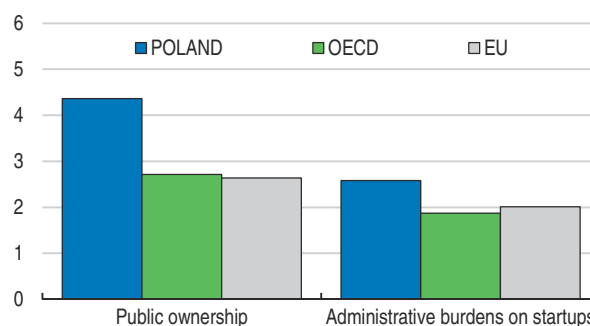
C. The large gap in GDP per capita has continued to narrow
Gap to the upper half of OECD countries⁴

- The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
- This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
- The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
- Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, Economic Outlook No. 100 Database; Panel B: OECD, Income Distribution Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink <http://dx.doi.org/10.1787/888933455248>

Policy indicators

A. A large share of the polish population has weak numeracy and literacy skills
Percentage of adults scoring at proficiency level 1, 2012¹B. Public ownership is widespread and the administrative burden on start-ups is substantial
Index scale of 0-6 from least to most restrictive, 2013

- PIAAC levels of proficiency in numeracy and literacy are defined by particular score-point ranges and the level of difficulty of the tasks within these ranges. Includes adults scoring at PIAAC's "below level 1" proficiency level. Adults scoring at proficiency level 1 or below are only able to perform basic arithmetic operations with whole numbers, whereas adults attaining the highest scores have proven to master analysis and more complex reasoning about quantities and data (level 4) or the ability to draw inferences and work with mathematical arguments and models (level 5).

Source: Panel A: OECD (2013), OECD Skills Outlook 2013: First Results from the Survey of Adult Skills; Panel B: OECD, Product Market Regulation Database.

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Actions taken: The government has further expanded pre-school education in 2015-16, but facilities remain insufficient.

Recommendations: Continue expanding affordable pre-school education. Develop individual support for weak students in elementary and lower secondary education. Improve the pay and career opportunities of teachers in basic vocational schools, and increase the number of apprenticeships. Ensure transparent performance-based promotion criteria for professors in tertiary education.

Upgrade infrastructure. The low quality of infrastructure reduces productivity growth. Ageing electricity and heat generation capacities have significant environmental and health costs.

Actions taken: Road infrastructures have continued to improve some progress has been in railways upgrade. A law approved in 2015 foresees the creation of metropolitan governance associations, notably for transport and spatial planning.

Recommendations: Continue to enhance transport and communication infrastructures. Increase green taxes and ensure that climate change policies are clear and aligned with European and international objectives. Invest in interconnections with neighbouring countries in the electricity and the gas sectors. Require the release of zoning plans by municipalities, and bolster local administrative capacity.

***Improve R&D support policies.*¹** The weak diffusion of innovation reduces productivity growth.

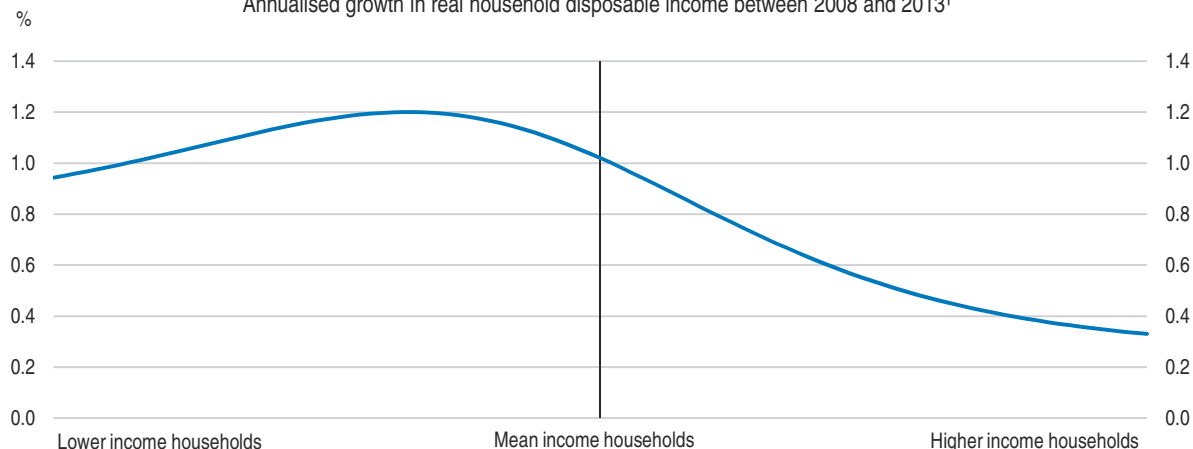
Recommendations: Facilitate firm entry and growth. Ensure that the tax relief for acquiring new technology does not penalise young firms. Develop technology clusters integrating research centres and vocational schools.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an “*”.

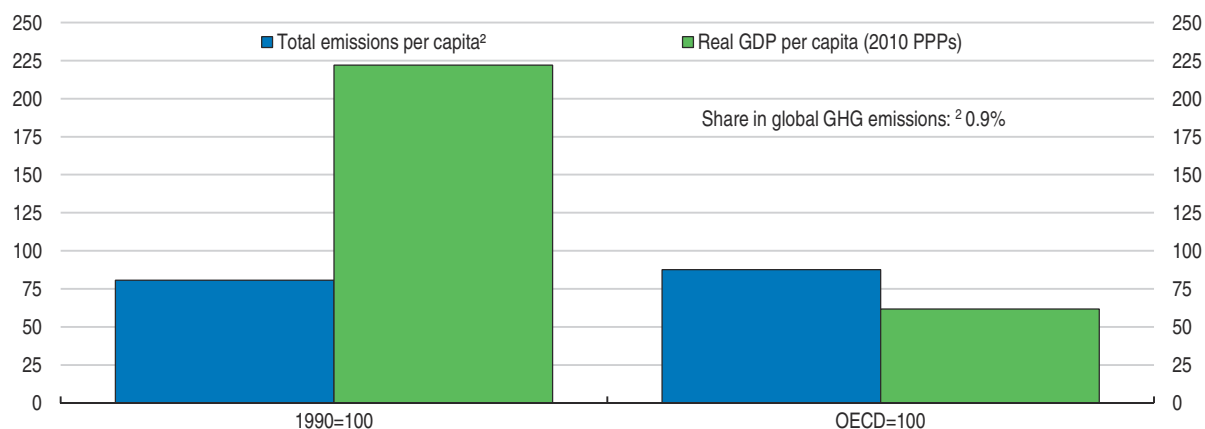
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Beyond GDP per capita: Other policy objectives

A. All households experienced income gains, especially those in the lower part of the distribution
 Annualised growth in real household disposable income between 2008 and 2013¹




B. Emissions per capita are below their 1990 level
 Average 2010-14



- The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2013. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
- Total GHG emissions including LULUCF in CO₂ equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
- Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

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