POLAND

Priorities supported by indicators

Reduce public ownership and lower barriers to entrepreneurship (2007, 2009, 2011)

Recommendations: Boost the privatisation process. Reduce state interference in privatised companies, and shorten the time needed for setting up a new firm.

Actions taken: Privatisation has been slow but has accelerated since 2009 in part to curb the rising debt-to-GDP ratio. In 2009, the government created a one-stop shop for start-ups, and a new law was voted in 2011 aimed at cutting red tape further so as to lower barriers to entrepreneurship.

Reform the tax and benefit system (2007, 2009, 2011)

Recommendations: Reduce the tax wedge and tighten access to early retirement schemes.

Actions taken: Between 2007 and 2009, personal income taxes and social security contribution rates were cut and a child tax credit introduced. In 2008, the government significantly tightened eligibility criteria for the general early retirement scheme. Partially diverting pension contributions from the second fully-funded pension pillar to the first PAYGO (notional accounts) pillar in 2011 will most likely improve long-term fiscal sustainability at the cost of further reducing already very low future replacement rates.

Improve the efficiency of the education system (2007, 2009, 2011)

Recommendations: Improve provision of free pre-school education for those aged three to five. Introduce tuition fees in public higher-education institutions (HEIs) along with a more accessible system of means-tested grants and student loans with income-contingent repayment. Reinforce quality assessment and the transparency of promotion criteria for professors in tertiary education.

Actions taken: A law promoting attendance in public pre-schools for 5 year-old children was passed in 2009, but its implementation was delayed to 2013. A 2011 law requires HEIs to fill research and teaching vacancies competitively.

Other key priorities

Upgrade transport and communication infrastructure (2007, 2009, 2011)

Recommendations: Enhance transport and communication infrastructure.

Actions taken: Transport infrastructure is being upgraded with the help of EU structural funds.

Reform housing policies (2009, 2011)

Recommendations: Make the release of zoning plans by municipalities mandatory, introduce compulsory escrow accounts to protect buyers' advances, and further relax rent controls.

Actions taken: In 2010, the government lifted rent restrictions, reduced tenants' legal protection and generalised the lower 8.5% tax rate on rental income to curb the informal rental market.

Promote competition in professional services and telecommunications (2007)

Recommendations: Simplify regulations in professional services and facilitate third-party access to the network segment (including broadband Internet) in telecommunications.

Actions taken: No action taken for professional services. The telecom regulator became more independent from the government in 2009, through both a fixed five-year term appointment for its president and the establishment of conditions for its dismissal.

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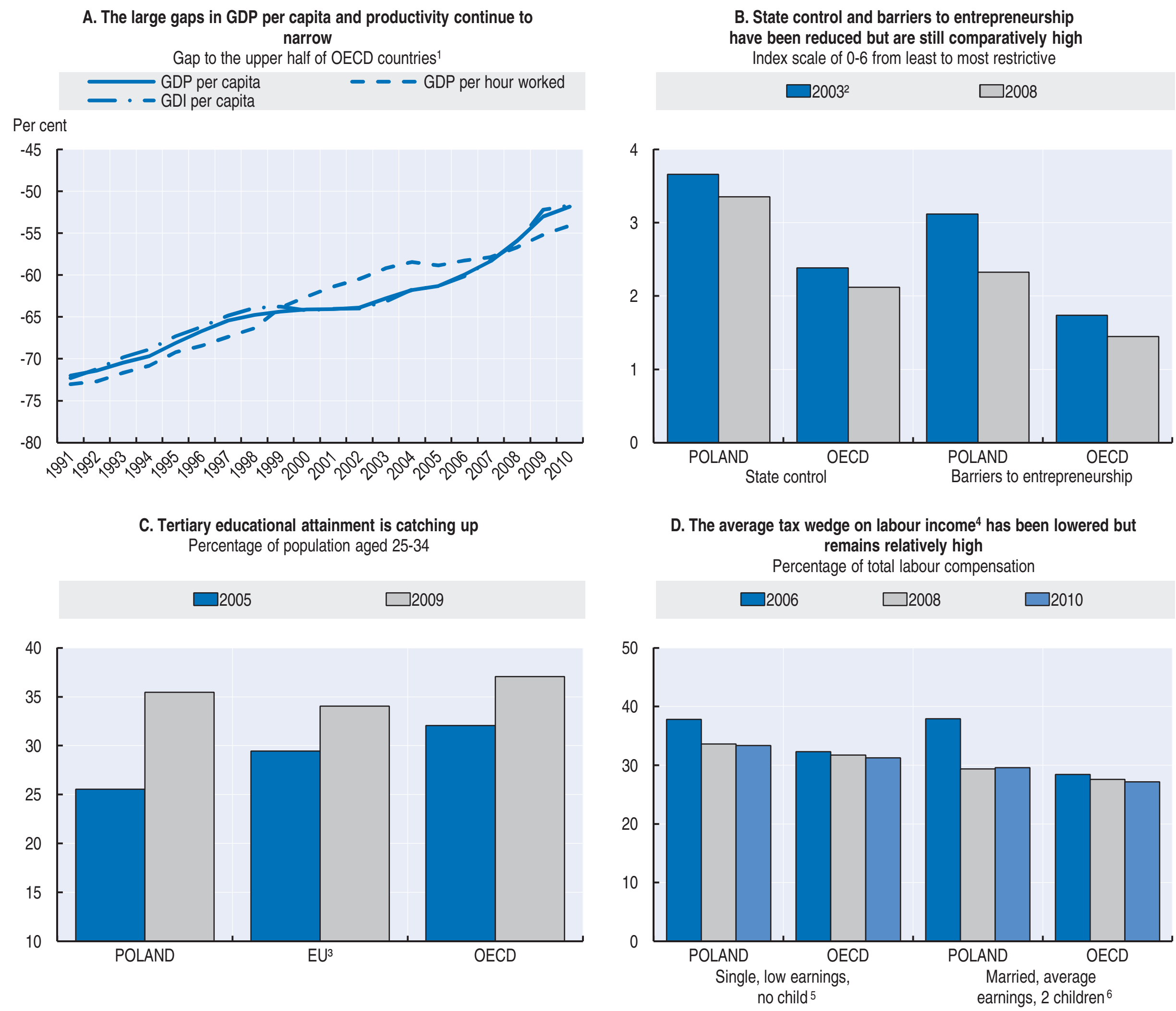
- Convergence in GDP per capita has accelerated, but the shortfall relative to the upper half of the OECD countries remains large primarily due to a labour productivity gap.
- In key priority areas, the tax wedge has been lowered considerably, helping prop up labour demand during the crisis. Eligibility criteria for early retirement and disability pension schemes have been tightened and barriers to entrepreneurship reduced. However, improving the efficiency of education and reducing barriers to foreign ownership remain unaddressed priorities, and the privatisation of majority stakes in State-owned firms needs to be expedited.
- In other areas, temporary measures aimed at alleviating the consequences of the crisis include an increase in working time flexibility and job subsidies, and more emphasis given to active labour market policies, the latter being part of a long-term effort to move towards flexicurity.

Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. The OECD average excludes Chile, Estonia, Israel and Slovenia.
3. Average of European countries in the OECD.
4. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
5. Low earnings refer to two-thirds of average earnings.
6. At 100% of the average worker earnings for the first earner. Average of three situations regarding the wage of the second earner (0%, 33% and 67% of average earnings).

Source: Chart A: OECD, *National Accounts and Economic Outlook No. 90 Databases*; Chart B: OECD, *Product Market Regulation Database*; Chart C: OECD (2011), *Education at a Glance*; Chart D: OECD, *Taxing Wages Database*.

StatLink http://dx.doi.org/10.1787/888932565642