

POLAND

Despite substantial growth since the start of the transition, participation rates have fallen, unemployment is very high and GDP per capita income is well below OECD average.

Priorities supported by indicators

Reform entitlement conditions in disability benefit schemes

The disability system provides net incomes twice as large as those from minimum-wage work, thereby creating a serious dependency trap and substantially weakening work incentives.

Actions taken: Inflow rates have been reduced and plans made to reduce the number and categories of disability and associated pensions, including a one-time re-evaluation of all disability pensioners below the age of 55.

Recommendations: Implement a stricter and regular re-evaluation of existing pensioners, including permanent pensioners. Establish a time-limited benefit to facilitate the back-to-work transition of people excluded from the system.

Reduce public ownership

The pace of privatisation has slowed down, delaying the intensification of competition pressures in some sectors. Moreover, continued support of loss-making firms curbs overall productivity growth.

Actions taken: Plans have been announced to accelerate the pace of privatisation, and some proposals have been made to sell residual stakes in firms where, following past sales, the state retains a majority or controlling interest.

Recommendations: Place less emphasis on raising government revenues and more on total benefits to society in the selling of government-owned companies. Seek investors for the remaining state-held companies. Reconsider the strategy of merging state-owned firms before sale so as to avoid creating monopoly power.

Reduce barriers to foreign ownership

Even though barriers to foreign ownership have fallen significantly over the past few years, they remain among the highest in OECD. Widespread public ownership, the scope for the authorities to use special voting rights as a screening device and poorly organised information services for foreign investors have all contributed to the decline in foreign direct investment inflows.

Actions taken: A foreign investment agency has been created, improving the provision of information for potential investors.

Recommendations: Raise the statutory limit on the proportion of shares that can be acquired by foreign investors and limit the use of government special voting rights that can be exercised when foreign investors seek to acquire domestic firms. Improve the capacity of the foreign investment agency, so that it becomes a one-stop shop advising potential foreign investors on investment opportunities.

Other key priorities

- Improve transport and housing infrastructure so as to increase labour mobility to areas with higher levels of employment and better-paid jobs.
- Improve employment prospects for youth and low-skilled workers by ensuring that the minimum wage does not rise significantly relative to average wages and by using in-work benefits to raise labour income. The reduced-minimum-wage programme should be extended to include the long-term unemployed and individuals no longer receiving disability pensions.

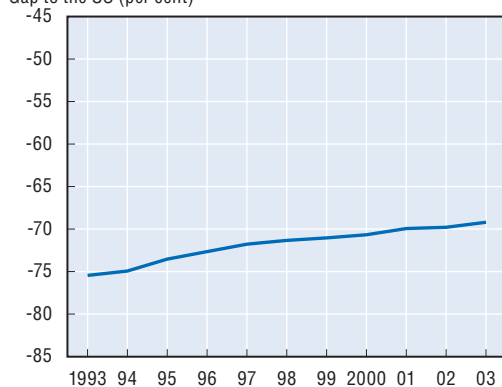
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Structural indicators

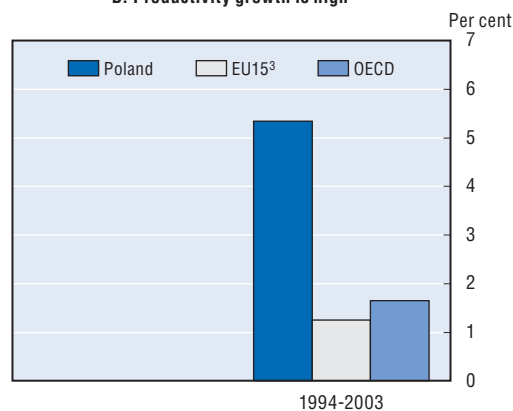
	1990	1995	2000	2003
Trend GDP per capita (% growth rate)	..	4.1	5.0	3.3
Trend employment rate	..	57.9	55.4	54.2
Trend participation rate	..	67.3	65.2	64.0
Structural unemployment rate (NAIRU)	..	13.9	15.0	15.3

Source: Estimates based on OECD Economic Outlook, No. 76.

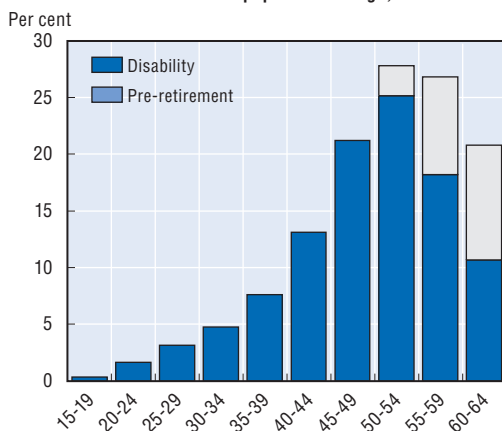
A. Convergence in GDP per capita is slow¹
Gap to the US (per cent)



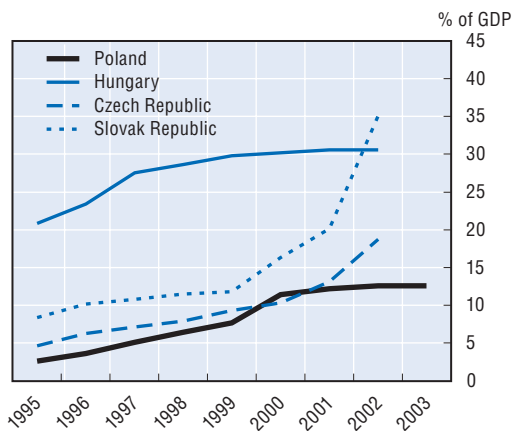
B. Productivity growth is high²



C. Disability and pre-retirement benefit recipients as a share of population is high, 2002



D. The pace of privatisation has slowed down⁴



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs).
2. Annual growth in GDP per employed person.
3. Excluding Austria and Luxembourg.
4. Cumulative privatisation revenues as a share of GDP.

Source: Charts A and B: National Accounts of OECD Countries, 2004; OECD Labour Force Statistics, 2004; OECD Economic Outlook, No. 76; Charts C and D: OECD Economic Survey, Poland 2004.