

POLAND

Despite substantial growth since the start of the transition, the participation rate is very low, unemployment is very high and income per capita is well below OECD average. Raising employment and raising productivity are key priorities.

Policy priorities

Reform entitlement conditions in disability benefit schemes

Challenge and recommendations: To avoid creating a serious dependency trap and to improve work incentives, it was recommended that stricter and regular re-evaluation of existing disability pensioners, including permanent ones, be implemented. A time-limited transitional benefit could be established.

Actions taken: New rules for new disability pensions have been adopted, and they are now limited in time. No action has been taken on the large stock of existing permanent disability pensions.

Reduce public ownership

Challenge and recommendations: To curb the accumulation of public debt and to increase productivity growth, it was recommended that the pace of privatisation be raised by seeking strategic investors for the remaining state-held companies, putting less emphasis on obtaining a high price and reconsidering strategies of merging state-owned firms before sale.

Actions taken: Privatisation has increased somewhat since 2004 with the divestment of government shares in viable firms and some other state firms have been closed down. There has been no change in privatisation methods or strategy.

Reduce barriers to foreign ownership

Challenge and recommendations: To spur foreign direct investment inflows, it was recommended that restrictions, such as the statutory limit on the proportion of shares that can be acquired by foreign investors, be eased, the use of government special voting rights be limited, and the capacity of the Polish foreign investment agency be improved.

Actions taken: An Economic Freedom Act has been introduced that simplifies procedures for non-residents to set up a business, provides investors with a binding legal interpretation of provisions and eases ownership restrictions.

Improve transport and housing infrastructure

Challenge and recommendations: To ease labour transfer towards areas with higher levels of employment and better-paid jobs, it was recommended that transport and housing infrastructure be improved.

Actions taken: No recent action taken. The government expects EU funds to contribute to improving transport infrastructures.

Reduce minimum cost of labour

Challenge and recommendations: To increase employment of youth and low-skilled workers, it was recommended that the minimum wage should not rise significantly relative to average wages, the use of in-work benefits be developed, and access to the reduced-minimum-wage programme be enlarged.

Actions taken: A new indexation rule is likely to result in an increase in the minimum wage relative to the average wage over the next few years.