Jobs for Youth

POLAND

Des emplois pour les jeunes







OECD

Jobs for Youth
(Des emplois pour les jeunes)

Poland



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ISBN 978-92-64-07558-0 (print)
ISBN 978-92-64-07726-3 (PDF)

ISSN 1997-6836 (print)
ISSN 1997-6844 (online)

Corrigenda to OECD publications may be found on line at: *www.oecd.org/publishing/corrigenda*.

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FOREWORD

The OECD's Employment, Labour and Social Affairs Committee has decided to carry out a thematic review of policies to facilitate the transition from school to work and improve the employment prospects of youth. This review is a key part of the implementation of the Reassessed OECD Jobs Strategy.

Sixteen countries (Australia, Belgium, Canada, Denmark, France, Greece, Japan, Korea, Netherlands, New Zealand, Norway, Poland, Slovak Republic, Spain, United Kingdom and United States) have decided to participate in this review, which began in 2006 and will be completed in 2009. Once all these countries have been reviewed, a synthesis report will be prepared highlighting the main issues and policy recommendations, which will be discussed subsequently by OECD Employment and Labour Ministers.

In this thematic review, the term "youth" encompasses teenagers (that is in statistical terms, youth aged 15/16-19), as well as "young adults" (aged 20-24 and 25-29).

This report on Poland was prepared by Anne Sonnet, Chang-Hun Han and Vincent Vandenberghe, with the statistical assistance of Sylvie Cimper and Thomas Manfredi. It is the 13th such country report prepared in the context of this thematic review supervised by Stefano Scarpetta (Head of Division) and Anne Sonnet (Project Leader). This report was presented and discussed at a seminar organised in Warsaw on 29 April 2009, hosted by the Ministry of Labour and Social Policy. Discussants at the seminar included researchers, representatives of public authorities and the social partners.

ACRONYMS

ALMP	Active Labour Market Programme
EPL	Employment Protection Legislation
EULFS	European Union Labour Force Survey
EUSILC	European Union Survey on Income and Labour Conditions
GDP	Gross Domestic Product
HILDA	Household, Income and Labour Dynamics in Australia survey
ILO	International Labour Organisation
ISCED	International Standard Classification of Education
ISCED 3	refers to upper secondary education
ISCED 5	refers to first and second cycles in tertiary education
ISCED 6	refers to third cycle in tertiary education
ISCO	International Standard Classification of Occupations
LFS	Labour Force Survey
LIFO	Last-in-First-out
LTU	Long-term unemployment
NEET	Neither in Education nor in Employment or Training
PES	Public Employment Service
PISA	Programme for International Student Assessment

PLN	Polish currency
STW	School-to-Work
UI	Unemployment insurance
UIB	Unemployment insurance benefit
UR	Unemployment rate
VET	Vocational education and training
VLC	Voluntary Labor Corps

TABLE OF CONTENTS

Summary and main recommendations 11

Résumé et principales recommandations 21

Introduction 33

CHAPTER 1. **THE CHALLENGE AHEAD** 35

1. Demographics and major labour market outcomes 36
2. Transition from school to work 41
3. Key points 51

CHAPTER 2. **INITIAL EDUCATION AND ON-THE-JOB TRAINING** ... 55

1. The provision and funding of education services 55
2. Performance of the education system 60
3. Strategies to improve educational attainment 69
4. Between school and work 73
5. Job-related training 76
6. Key points 76

CHAPTER 3. **DEMAND-SIDE OPPORTUNITIES AND BARRIERS** 79

1. GDP growth and overall employment 79
2. The sensitivity of youth unemployment to the business cycle 81
3. Cost of labour, minimum wages and employment protection 84
4. Gender wage gap? 91
5. Key points 93

CHAPTER 4. **THE ROLE OF WELFARE AND ACTIVATION POLICIES** 95

1. Benefits available to youth 96
2. Active labour market policies 104
3. Public and private employment services 113
4. Key points 118

Bibliography 121

Boxes

Box 1.1. Computing the expected number of years spent in employment following education 49
Box 2.1. The current division of government responsibilities in education and training 57
Box 4.1. The Act on the Promotion of Employment and Labour Market Institutions 97
Box 4.2. Youth ALMPs in Poland in 2008-09 107

Figures

Figure 1.1. Decreasing share of youth in the working-age population in OECD countries, 1975-2025 36
Figure 1.2. Youth unemployment and employment indicators, Poland, Europe and OECD, 1992-2008 37
Figure 1.3. Incidence of long-term unemployment among youth, OECD countries, 1998 and 2008 38
Figure 1.4. Relative unemployment rate of youth without upper secondary degree, Poland and Europe, 2008 39
Figure 1.5. Regional unemployment and employment rates of youth aged 20-29, Poland, 2007 40
Figure 1.6. Activity status of youth by single year of age, Poland, 2008 ... 42
Figure 1.7. Combining study and work, youth aged 16-24, Poland and selected OECD countries, 2008 43
Figure 1.8. Share of students aged 25-29 and share of tertiary degrees among adults (30-34), Poland, Europe and Australia, 2008 .. 44
Figure 1.9. Youth NEET by gender, Poland and Europe, 2008 46
Figure 1.10. Incidence of part-time jobs among youth in employment and no longer in education, by age, Poland and selected European countries, 2008 47
Figure 1.11. Incidence of temporary jobs among youth in employment and no longer in education, by age, Poland and selected European countries, 2008 48
Figure 1.12. Expected number of years spent in employment during the first five years after leaving school, by educational attainment, Poland, Europe and Australia 2007 50
Figure 1.13. Expected number of years spent in any employment *versus* permanent employment during the five years after leaving school, Poland, Europe and Australia, 2007 51
Figure 2.1. School drop-outs among youth aged 20-24, Poland and selected OECD countries, 2008 60

Figure 2.2. Risk of being a school drop-out, youth aged 20-24, Poland, 2000-08 61
Figure 2.3. Population that has attained tertiary education, OECD countries, 2006 61
Figure 2.4. Distribution of young adults by level of education, Poland and Europe, 2008 62
Figure 2.5. Polish students' performance, based on PISA 2006 64
Figure 2.6. Score gap in mathematics between rural and urban regions for youth aged 15, OECD countries, 2006 65
Figure 2.7. Staying on after 16, Poland and selected European countries, 2008 66
Figure 2.8. Expansion of tertiary education in Poland, 1990-2007 67
Figure 2.9. Pre-school non-attendance and score gap at the age of 15, OECD countries, 2003 70
Figure 2.10. Pre-school attendance rates among 3-5-year-olds, OECD countries, 2006 71
Figure 3.1. GDP growth, Poland *versus* Germany and the United States, 1990-2007 80
Figure 3.2. Employment, Poland, Germany and the United States, 1995-2007 80
Figure 3.3. Youth (15-24) and adult (25-54) unemployment rates and deviations of the GDP growth rate from its long-run trend, Poland, 1995-2007 81
Figure 3.4. Youth *versus* adult unemployment rates, Poland, 1992-2007 83
Figure 3.5. Tax wedge on low-wage earner relative to average-wage earner, OECD countries, 2008 85
Figure 3.6. Overall strictness of employment protection and its three main components, 2008 87
Figure 3.7. Minimum wages (MW) for adults and youth in OECD countries, 2006 88
Figure 3.8. Wage profiles of full-time workers, by educational attainment, Poland and Europe, 2007 91
Figure 4.1. Net unemployment benefit replacement rates, OECD countries, 2006 99
Figure 4.2. Youth unemployment insurance recipients in selected OECD countries, 1996-2006 100
Figure 4.3. Registration with PES of unemployed youth (aged 15-24), with and without benefit, 2007 101
Figure 4.4. Labour market programme expenditure, selected European countries, 2007 105
Figure 4.5. Participants in ALMPs by age group, 2007 110
Figure 4.6. Youth ALMPs in selected European countries, 2007 110

Tables

Table 1.1. Population density and (un)employment rates of youth aged 20-29, Poland, 2007 41
Table 1.2. Scoreboard for youth aged 15-24, Poland, 1998 and 2008 52
Table 2.1. Rates of return on investment in education, 2007 68
Table 2.2. Incidence of education and training among young full-time workers, Poland and Europe, 2007 77
Table 3.1. How the unemployment rate responds to a 1 percentage point (negative) deviation of the GDP growth rate, Poland *versus* all OECD countries, ... 82
Table 3.2. Tax wedge including employer social security contributions in OECD countries, 2008 86
Table 3.3. Proportion of full-time employees earning the minimum wage, Poland and Europe, 2000-06 90
Table 3.4. Gender wage gap, women *versus* men age 15-29, Poland and Europe, 2007 93
Table 4.1. Unemployed youth, unemployment insurance benefits *versus* other social transfers. Europe, 2007 104
Table 4.2. New participants in active labour market programmes and public expenditure, Poland, 2008 108
Table 4.3. Employment rate of participants in selected ALMPs by age, 2005-07 111
Table 4.4. Composition of the local labour offices staff, Poland, 2006 115
Table 4.5. Job search methods used by unemployed persons, by age group, Poland, 2008 115

SUMMARY AND MAIN RECOMMENDATIONS

The OECD economy is in the midst of its deepest and most widespread recession for more than 50 years. Output has declined in almost all OECD countries in the past ten months and with non-OECD economies also slowing sharply, world growth has turned negative. Although Poland appears to have fewer problems than other OECD countries in tackling the current crisis, the country is not immune from the global slowdown and will experience a worsening of labour market conditions for many of its citizens. The most recent Polish Labour Force Survey data suggest a rise of the overall unemployment rate in Poland from a 6.6% historical low in mid-2008 to around 8.2% during the second quarter of 2009. Over the same period of time, the youth (15-24) unemployment rate rose from 16.5 to 19.5%. This deterioration of the youth unemployment rate is lower than the corresponding OECD average (+4 percentage points) and much less dramatic than in Spain and in Ireland (+11.4 percentage points).

Past experience suggests that in Poland, like in most other OECD countries, any deterioration in labour market conditions is disproportionally felt by the youth. But it is reassuring that the Polish youth labour market entered this downturn from a relatively favourable starting point, at least from an historical perspective. Before the start of the economic crisis, the youth (15-24) unemployment rate was declining. It dropped to less than 17% in 2008, marking a dramatic improvement compared to the early 2000s when it peaked at 40-45%. But, in 2008, it was still higher than the European Union or OECD averages (15% and 13%, respectively).

There is little doubt that most of the problems encountered by youth in Poland are structural and need to be addressed irrespective of the state of the business cycle. Still, one of the key priorities for the coming months should be to avoid the build up of a large pool of youth at high risk of becoming long-term unemployed or disconnected from the labour market, particularly in remote/rural areas characterised by higher-than-average unemployment rates. The experience of Japan in the so-called “lost decade” of the 1990s is instructive of the potential long lasting effects for the generation of youth entering the labour market during the crisis. When the economy recovers, employers may be tempted to hire “fresh” school-leavers rather than youth with a long-term unemployment or persistent inactivity record.

To limit that risk, several strategies are available. First, policymakers can try to compensate for the handicap youth structurally suffer from when labour demand falters. They can – temporarily – make youth more attractive for employers via hiring subsidies earmarked for school drop-outs and other at-risk groups. There are OECD precedents for this, for instance hiring subsidies for disadvantaged youth in France (OECD, 2009b).

Second, if they are no real job opportunities available for these youth, it may also make sense to try to keep them involved in useful – although not immediately profitable – activities. Options here are essentially twofold. Policymakers can entice youth to stay longer at school or they can ensure that they are exposed to transferrable job experience. The latter strategy implies to expand apprenticeship or traineeship schemes or even to temporarily resurrect public jobs creation schemes.

This said, a deep recession with higher youth unemployment also provides an opportunity to promote structural reforms that could prove to be worthwhile investments to sustain Poland's growth potential over the long-term. The crisis puts heavy pressures on governments from many fronts but it emphasises underlying structural problems in the youth labour market. It calls for remedial actions that, when the country emerges from the economic crisis, potentially translate into *i)* better trained youth, *ii)* more effective labour market; and *iii)* welfare institutions guaranteeing quicker and smoother school-to-work transitions.

Structural concerns

In Poland, a number of structural problems impair youth's labour market prospects. One of them is the situation of youth who live in rural areas or in small towns, where traditional jobs, particularly in the agricultural sector, are disappearing rapidly and where new categories of jobs (service- or industry-related) are in short supply or simply non-existent. Although many young Polish workers have amply demonstrated their readiness to move abroad (*e.g.* to Belgium, Germany, Ireland and the United Kingdom), there is also strong evidence that those who stayed behind, in the less densely populated parts of Poland, are less prone to move within Poland to grasp new employment opportunities.

Assessing Poland's overall youth labour market performance requires going beyond the youth unemployment rate and also considering their participation in the labour market. For instance, the above-mentioned rural areas with high unemployment rates also experience lower youth employment rates. The combination of these two phenomena explains why youth in Poland after leaving school display one of the highest

non-employment rate in OECD countries. In 2008, it reached 32% of the male population aged 20-29, 17.5 percentage points above the OECD average. The non-employment rate for Polish young women were 35%, 9 percentage points above the OECD average.

In more dynamic terms, the transition from school to work in Poland appears slow compared with many other OECD countries. Few youth have their first contact with the labour market during their study years. The share of Polish students aged 21-22 holding a job was in 2008 only 31%, which is well below the Dutch rate of 72%, one of the highest in Europe. In addition, data covering the early 2000s suggest that a typical young Pole only spent 3.9 years in employment during the five years since leaving school, well below the 4.5 years recorded in the best European performers (Denmark and the Netherlands).

Finally, Poland has the highest share in 2008 among OECD countries of young workers aged 15-24 on temporary contracts (65.7%). This share is 3 percentage points above the share of Spain, known for its high degree of precariousness among young workers. The share of young workers, even older than 25, holding temporary contracts is very high in Poland. This sits at odds with the pre-recession overall improvement of the labour market conditions and probably points at structural rigidities in the labour market disproportionately affecting youth, such as strict employment protection legislation (EPL) for adults in permanent contracts.

Educational performance is good but could be improved

Low pre-school attendance rates among children aged 3-5, especially in rural areas

Poland is characterised by relatively low pre-school attendance rates, especially below the age of 6. This risks compromising the long-term prospects of children from disadvantaged backgrounds. Indeed, international evidence suggests that quality pre-school education provides these children with a better start in life, a lower risk of dropping out, and better chances of accomplishing a successful school-to-work transition. Moreover, an insufficient supply of pre-schooling (and also childcare facilities) may have a detrimental effect on the labour supply of young women. It is noticeable that Poland has one of the lowest rates of female labour force participation across the OECD.

Good test scores at the age of 15 and access to tertiary education on the rise

Notwithstanding this problem in the pre-school cohort, Poland's educational attainment is globally positive. Poland has one of the lowest school drop-out rates in the OECD, defined as the share of youth aged 20-24 who are no longer studying and have not reached an upper secondary level. The OECD Programme for International Student Assessment (PISA) scores of the 15-year-olds are equal to or slightly above the OECD average. And there are less rural *versus* urban differences than the overall regional economic imbalances would suggest.

The educational attainment among adults is characterised by a relatively small fraction of tertiary graduates. This probably reflects the legacy of the communist economic system where services (known for employing many graduates) where underdeveloped compared with industry (concentrating mainly on individuals with intermediate and/or vocational qualifications).

But things have changed dramatically since the beginning of the economic transition. Reflecting the changing structure of the economy and the fast rising share of service-oriented activities, the number of students attending tertiary education programmes has quintupled since the early 1990s. Inevitably, in a couple of years, this trend will show up in the statistics on adult attainment. However, the rapid expansion of tertiary education also raises concerns about its quality.

The challenging task of rebuilding vocational education and training

Another side-effect of the dramatic expansion of tertiary education has been a reduction of the number – and perhaps also the quality – of youth completing vocational education and training (VET) programmes at the secondary level. The developments also coincided with supply-side challenges. The largest part of the firm-based vocational education system collapsed with the dismantling in the early 1990s of many state-owned firms that played a pivotal role in the delivery of VET. In addition, the official classification of occupations in VET has become largely obsolescent with the economic transition and needs modernisation. There is also some evidence that VET schools struggle to update their equipment and keep pace with industrial and technical changes.

Educational reforms go in the right direction

The Polish Ministry of National Education is actively working on the definition of new VET curricula, as well as the establishment of a new, more flexible and relevant certification system. The Polish government aims at

increasing from 12% to 14% by 2013 the share of students completing VET among the total number of students completing secondary education. It also aims at improving the match between the supply of VET programmes and the new needs of the economy. To this end, the government has taken a certain number of promising initiatives.

A first element is the modernisation of the official classification of occupations in VET used in schools. Efforts are being made by the Ministry of National Education to acquire a clearer picture of *i)* the new vocational qualifications needed by an economy that has undergone major transformations since 1990 and *ii)* a closer monitoring of labour surpluses and shortages by occupation and region. Second, a nationwide network of examination centres is being established to promote the certification of VET qualifications acquired primarily outside schools. Third, the modernisation strategy also seeks to foster closer co-operation between employers and VET schools.

But more needs to be done to ensure that all young Poles leave education with recognised qualifications to set up a career

To ensure that youth have the basic skills needed to enter and progress on the labour market, the following measures could be envisaged:

- *Put a greater emphasis on early-age (i.e. before age 5) education of children from disadvantaged groups and ensure that the effort is sustained during primary education*. The central government, in close connection with the municipalities, should aim at universal access to education for 5-year-olds if *i)* the evaluation of the generalisation of pre-school preparation for 6-year-olds in 2004 shows positive results, and *ii)* if public finances permit this. Specific financial incentives (*e.g.* a targeted child allowance conditional on pre-school participation) could be introduced to ensure that poor families living in rural areas – where women are very often inactive and thus available to look after their children – participate more in pre-school education.

- *Invest in a universal VET classification system*. International evidence suggests that centrally-defined VET standards, in a context where the provision of VET becomes more diverse and/or decentralised, are important to ensure that VET students eventually get certificates that can be used in the labour market to signal their attainment. An obvious start would be to speed up the current process of modernisation of the classification established by the Ministry of National Education. In addition, it would be worth aligning the training and certification standards used by Labour Offices implementing active measures

(*e.g.* apprenticeship) to those developed by the educational sector, to achieve a unique nation-wide Polish Qualifications Framework. The latter could be similar in scope and nature to the one Australia developed and implemented successfully (OECD, 2009a).

Many demand-side barriers to youth employment

Although education and training policies are central elements of any effective strategy for improving youth labour market prospects, a comprehensive policy framework has also to pay attention to the existing labour market arrangements and institutions and their impact on the labour demand for young people, especially low-skilled youth.

The minimum wage in Poland compared with the median wage is not particularly high in international comparison. Its impact on youth employment is mitigated by measures allowing enterprises to pay new entrants (of any age) only 80% of the mandatory minimum wage during the first year of employment. Nonetheless, not all institutions in Poland are conducive to good employment outcomes for youth.

For instance, relatively strict employment protection legislation for insiders[1] could adversely affect the employment prospects, as well as the opportunity to access regular/permanent jobs of young outsiders. In Poland, the transition from temporary to permanent contracts takes significantly more time than in most other OECD countries. There are basically two forms of employment regulated by different legislations. Open-ended (permanent) contracts and fixed-term contracts are covered by the labour code, whereas so-called commission contracts and per-piece contracts fall into the purview of civil law. The open-ended/fixed-term variant of employment is heavily regulated and burdened with high social security contributions. Conversely, commission/per-piece contracts grant no protection or entitlements to social security benefits.

High taxes on labour use – the difference between gross wage and take-home pay – a priori represent a barrier to employment. It is thus a good point that these taxes have been reduced significantly in Poland over the past decade. The cut was largely driven by the reduction in early retirements.

1. Insiders are those incumbent workers who enjoy more favourable employment opportunities than the outsiders. The reason for this disparity is that firms incur labour turnover costs when they replace insiders by outsiders. Examples of labour turnover costs are the costs of hiring, firing and providing firm-specific training. Insiders may resist competition with outsiders by refusing to co-operate with or harassing outsiders who try to underbid the wages of incumbent workers.

These developed in the early 1990s as a way to smooth the (dramatic) process of economic transition which was marked by massive job cuts in many sectors of the economy. Early retirement schemes have been intensively used: in the early 1990s up to 70% of the new retirees were on early retirement benefits. Poland has now successively reformed these schemes, making them less generous.

However, more could be done to make taxation on labour more progressive. Indeed, when comparing 2008 tax rates at low and average income levels, Poland's tax wedge stood out as one of the least progressive of OECD countries. Hence, taxes on low-skilled (and young) workers may still be relatively high in Poland and dampen firms' willingness to recruit them.

In that context, the OECD recommends to:

- *As a response to the current downturn, temporarily reduce the (still relatively high) social security contributions for low wages in order to reduce the too high labour costs of employing unskilled youth*. Shift foregone social security contributions towards other forms of taxation (such as VAT) to achieve revenue-neutrality. Recession times are particularly bad for youth as one of the first reactions of firms is to freeze recruitments. Young people comprise a disproportionate segment of newcomers in the labour market and are thus more heavily affected by a decline or a freeze in recruitments, particularly for unskilled youth.
- *Reduce the gap in effective employment protection between open-ended/fixed-term contract and "commission contracts"*. From a more structural standpoint, it is desirable to rebalance the lack of employment protection granted to those hired on commission/per-piece contracts with the high employment protection afforded to those with permanent/fixed-term contracts. A move to protect better the latter would be part of a shift towards a new "flexicurity" balance.

The challenges of implementing a genuinely active labour market policy

In Poland, the unemployment benefit system set up in 1990 was configured, as in many other OECD countries, as an insurance scheme. Passive spending exceeded public spending on more active programmes. The former essentially provides replacement revenue to jobless people, while the latter aims at enhancing labour supply (*e.g.*, through training); increasing labour demand (*e.g.*, through employment subsidies); and improving the functioning of the labour market (*e.g.*, through job-placement services). Historically in Poland, a large part of the tasks of the public

employment service (PES) also consisted of paying early retirement benefits and providing subsidised public jobs.

But Poland now fully recognises the importance of activation of unemployment benefit recipients. The passing into law in 2004 of the *Act on the Promotion of Employment and Labour Market Institutions*, marked a turning point. The main change was the reorientation of labour market institutions towards the promotion of employment, instead of focusing mainly on the payment of unemployment and other benefits. Another welcome step was that unemployed youth aged under 25 became a main target group of labour market policies. Consequently, ALMP expenditures, including the programmes for youth, rose significantly.

The 2004 Act has been amended in 2009. The main objective of the 2009 reform is to further enhance measures designed to reintegrate unemployed persons into the labour market. Rules of payment of unemployment insurance (UI) benefits have been changed with a lower benefit after three months of unemployment while funding for training is now an important provision not only for youth but also for adults and older workers.

As a result of continuous reforms, the unemployment benefit system in Poland has become relatively stringent for unemployed youth. In the early 1990s, young school-leavers, who had no work experience, were eligible for a fixed rate benefit set in reference to the minimum wage. Since 1995, eligibility is conditional for all unemployed people, including youth, on a certain period of work As a consequence, in 2007 only 12% of youth registered with the PES received UI benefits. Poland has however one of the highest shares of unemployed youth registered with the PES in Europe. This is because there are other benefits available to PES-registered unemployed youth (*e.g.* access to scholarships for training programmes). What is more, many school-leavers just register with the PES because it is a relatively easy way to gain health-insurance coverage.

Even if unemployed youth who don't receive UI benefits are also eligible for means-tested social assistance benefits delivered at the local level, the overall picture is that many of them have to look after themselves or rely on relatives or friends for financial support. There is no strong indication that many young Poles end up being caught in welfare traps. Still, many youth have a hard time finding a job and too many of them do not participate in the labour market. Thus guaranteeing these groups have access to a well-functioning PES should remain a top priority.

Despite many sound recent reforms, including those spelt-out in the *2009-11 National Action Plan for Employment* providing stricter guidelines for regional employment policies, Poland could probably do better in organising the functioning of its PES. A cornerstone reform was the 1998

decision to transfer to local governments the responsibility to organise and deliver PES activities. Although many OECD countries carried out similar reforms, the singularity of the Polish move towards greater decentralisation was that it did not really preserve the capacity of the Ministry of Labour and Social Policy to exert an important role, either as a standards-setting body or as an entity with the capacity to assess outcomes and develop benchmarks. The Ministry of Labour and Social Policy appears not to function sufficiently as an umbrella organisation that, at least indirectly, properly co-ordinates and orients the functioning of local PES offices.

The system's main shortcomings comprise: *i)* insufficient evaluation capability at the local and central level;[2] *ii)* high fragmentation of the PES (until very recently caseload workers in one county had no access to the list of vacant positions in other counties due to a lack of IT integration); *iii)* poor individualised follow-up capability partially due to the lack of properly trained PES staff; *iv)* cronyism in the recruitment of PES staff; and *v)* an overall lack of co-ordination between local labour offices and with structures delivering social assistance.

The way decentralisation was implemented in Poland presents, at the very least, the risk of having increased the level of heterogeneity in the way national goals are implemented locally.

The following measures could be envisaged to improve the effectiveness of the PES:

- *Develop and speed up the introduction of a nationwide information system connecting labour market and employment services*. Co-ordination of local PES activities needs to be based on a countrywide information system with real-time integration capabilities regarding job vacancies, registered unemployed or ALMPs caseload. Job-search assistance services in one particular local area, to be fully effective, need to know about vacancies in other areas. The new information system announced by the authorities needs to be put into place swiftly. This would boost the mobility of youth across regions and help reduce regional asymmetries in labour market performances.

- *Reinforce the role of the central government in standard-setting, co-ordination and assessment of the outcomes of local PES offices*. Enhancing the effectiveness of the PES, now highly decentralised, implies reinforcing the role of the central government in selected areas: standard-setting and the evaluation of outcomes attained by the

2. Although recent efforts to evaluate the efficiency of ALMPs must be praised.

local PES and their regional umbrellas. There is a need for better national guidelines and standards as to how local PES offices must deliver key services (profiling, job-search assistance, assignment to ALMPs) or handle problematic cases (*e.g.* repeated failure to comply with PES requirements, etc.). As to output-based evaluation, an example could be provided by the Australian Star Ratings system, in particular the scheme it uses to assess the performance of numerous autonomous PES providers.[3]

- *Encourage PES registration among unemployed youth who are not eligible for UI benefits, but avoid artificially inflating registration figures with those seeking health-insurance coverage*. There are concerns that many Poles register with the PES primarily for health-insurance motives. As controls are lax or ineffective, this results in too many people not actively seeking jobs and artificially inflating the PES's caseload. To prevent this, it would be desirable to better check, upfront, people's willingness to work. In addition, it would be desirable to review the rules regarding how people obtain health-insurance coverage in the country.

- *Invest more in evaluation in order to identify the best practices*. The 2004 and 2009 reforms of labour market policies represent steps in the right direction. Many sound active measures were introduced, but more efforts are needed to ensure that the PES becomes more cost-effective. To this end, greater importance should be given to evaluation, in order to establish what works and what does not. Inevitably, this will require collecting more and better data and investing in scientific evaluation methods.

3. Australia's Star Ratings system rests on a sophisticated statistical instrument which allows for accurate comparison of employment agencies' achievements (*i.e.* job-placement rates, unemployment-to-employment transition speed, etc.), while taking into account differences in local labour market conditions and other factors bearing on performance (OECD, 2009a).

RÉSUMÉ ET PRINCIPALES RECOMMANDATIONS

L'économie de la zone de l'OCDE traverse la crise la plus profonde et la plus généralisée qu'elle ait connue depuis plus de 50 ans. La production a baissé dans pratiquement tous les pays de l'OCDE au cours des dix derniers mois et, avec la récession que subissent également les économies non membres, la croissance mondiale est devenue négative. Si la Pologne semble avoir moins de difficultés que les autres pays de l'OCDE à faire face à la crise actuelle, elle n'est pas épargnée par le ralentissement de l'activité économique mondiale et connaît une détérioration du son marché du travail qui touche bon nombre de ses habitants. Les données les plus récentes de l'enquête polonaise sur les forces de travail indiquent une augmentation du taux de chômage global de 6.6 % à la mi-2008 (point bas historique) à 8.2 % au cours du second trimestre 2009. Au cours de la même période, le taux de chômage des jeunes (de 15 à 24 ans) a augmenté de 16.5 % à 19.5 %. Cette dégradation du taux de chômage des jeunes est moins marquée que l'évolution moyenne de l'OCDE (+ 4 points de pourcentage) et beaucoup plus faible qu'en Espagne et en Irlande (+ 11.4 points de pourcentage).

L'expérience montre qu'en Pologne, comme dans la plupart des pays de l'OCDE, toute détérioration du marché du travail a des effets plus prononcés sur les jeunes. Cela dit, comparativement à un passé plus lointain, le taux actuel de chômage des jeunes est relativement favorable. Avant l'apparition de la crise économique, le taux de chômage des jeunes (de 15 à 24 ans) était en baisse. Il est tombé à moins de 17 % en 2008, ce qui représente une amélioration spectaculaire par rapport au début des années 2000 où il avait culminé à 40-45 %. En 2008, il restait néanmoins supérieur à la moyenne de l'Union européenne ou de la zone de l'OCDE (15 % et 13 % respectivement).

Il ne fait guère de doute que la plupart des difficultés rencontrées par les jeunes en Pologne ont une composante structurelle à laquelle il faut s'attaquer quel que soit le contexte conjoncturel. Néanmoins, au cours des prochains mois, une des priorités devrait être d'éviter la

constitution d'un groupe important de jeunes exposés au risque de chômage de longue durée ou éloignés du marché du travail, notamment dans les zones rurales/reculées où le taux de chômage est supérieur à la moyenne. L'exemple du Japon durant la « décennie perdue » des années 90 montre que des effets négatifs durables peuvent affecter une génération entrant sur le marché du travail en période de crise. Lors de la reprise économique, les employeurs pourraient être tentés d'embaucher des jeunes « fraîchement » sortis du système scolaire plutôt que des jeunes ayant des antécédents de chômage de longue durée ou d'inactivité continue.

Pour limiter ce risque, plusieurs stratégies sont possibles. Premièrement, les responsables politiques peuvent tenter de compenser le handicap qui pénalise particulièrement certains jeunes lorsque la demande de main-d'œuvre décline. Ils peuvent – temporairement – faire en sorte que recruter un jeune soit plus intéressant pour les employeurs, en accordant à ces derniers des subventions à l'embauche réservées aux jeunes en décrochage scolaire et autres catégories à risque. Il existe à cet égard des précédents ailleurs dans l'OCDE, comme les subventions à l'embauche destinées aux jeunes défavorisés en France (OCDE, 2009b).

Deuxièmement, s'il n'y a pas de véritables possibilités d'emploi offertes aux jeunes, il peut aussi être judicieux de tenter de les garder occupés dans diverses activités, même si celles-ci ne sont pas immédiatement rentables. Il est ainsi possible d'inciter les jeunes à rester scolarisés plus longtemps ou bien de veiller à ce qu'ils acquièrent une expérience professionnelle utile et transférable. Cette dernière stratégie passe par le renforcement des contrats d'apprentissage ou des stages en entreprise, voire le rétablissement temporaire de programmes de création d'emplois dans le secteur public.

De façon plus générale, la crise économique qui s'accompagne d'une poussée du chômage des jeunes peut aussi être l'occasion d'introduire des réformes renforçant le potentiel de croissance de la Pologne sur le long terme. La crise soumet les pouvoirs publics à une pression considérable sur de nombreux fronts. Mais elle met aussi en exergue les problèmes structurels affectant l'emploi des jeunes et crée, ce faisant, un contexte favorable à l'adoption d'actions correctrices dont les bénéfices escomptés sur le long terme sont : *i)* une jeunesse mieux formée, *ii)* un marché du travail plus efficace et *iii)* des politiques sociales garantissant une transition plus rapide et plus aisée de l'école à l'emploi.

Problèmes structurels

Parmi les faiblesses structurelles affectant les jeunes Polonais, on compte tout d'abord celle de l'emploi dans les zones rurales ou dans les petites villes. Les emplois traditionnels (agriculture, industrie lourde, etc.) disparaissent rapidement et les nouvelles catégories d'emplois (liées notamment au secteur des services) y sont rares, voire inexistantes. Si beaucoup de jeunes travailleurs polonais se sont montrés disposés à se déplacer à l'étranger (par exemple, en Allemagne, en Belgique, en Irlande et au Royaume-Uni), ceux qui sont restés au pays sont peu enclins à déménager pour profiter des opportunités d'emploi au sein du pays.

L'analyse des performances de la Pologne en matière d'emploi des jeunes ne peut se limiter à l'examen du taux de chômage. Les zones rurales évoquées ci-dessus connaissent non seulement un fort taux de chômage des jeunes mais également un faible taux de participation de ces jeunes. La conjonction de ces deux facteurs explique pourquoi on relève, parmi les jeunes Polonais sortis de l'école, l'un des taux de non-emploi les plus élevés de l'OCDE. En 2008, ce taux atteignait 32 % de la population masculine âgée de 20 à 29 ans, soit 17.5 points de pourcentage de plus que la moyenne de la zone de l'OCDE. Dans le cas des jeunes Polonaises, il était de 35 %, soit 9 points de pourcentage au-dessus de la moyenne de la zone de l'OCDE.

En Pologne, la transition de l'école à l'emploi est plus abrupte que dans d'autres pays de l'OCDE. Relativement peu de jeunes Polonais travaillent pendant leurs études. En 2008, la proportion d'étudiants âgés de 21 à 22 ans qui exerçaient un emploi était de 31 % ; nettement moins qu'aux Pays-Bas (72 %), une des proportions les plus élevées en Europe. En outre, les données relatives au début des années 2000 indiquent une durée moyenne en emploi de 3.9 années au cours des cinq années suivant la fin de sa scolarité. C'est significativement moins que les 4.5 années enregistrées dans les pays d'Europe les mieux classés en la matière (Danemark et Pays-Bas).

Enfin, la Pologne a en 2008 la proportion la plus élevée des pays de l'OCDE de jeunes de 15-24 ans en contrat temporaire (65.7 %), et se situe à 3 points de pourcentage au dessus de la proportion de l'Espagne, pays connu pour la grande précarité de l'emploi des jeunes. La forte part de jeunes travailleurs polonais exerçant un emploi temporaire se maintient également après 25 ans. Cette situation est surprenante compte tenu de l'embellie que connaissait le marché du travail à l'époque. Elle suggère l'existence sur ce marché de facteurs de rigidité

structurelle conditionnant le type d'emploi offert aux jeunes, comme la législation de l'emploi protégeant fortement les adultes titulaires de contrats permanents.

Les résultats du système éducatif sont satisfaisants, mais ils pourraient être améliorés

Un faible taux de fréquentation de l'enseignement préscolaire chez les enfants âgés de 3 à 5 ans, surtout dans les zones rurales

Le taux de fréquentation de l'enseignement préscolaire est relativement faible en Pologne, notamment chez les enfants de moins de 6 ans. Cette situation risque de compromettre les perspectives d'insertion des enfants de milieux défavorisés. De fait, les recherches réalisées au plan international incitent à penser qu'une éducation préscolaire de qualité assure à ces enfants un meilleur départ dans la vie, diminue le risque de décrochage scolaire et leur offre de plus grandes chances de transition de l'école à l'emploi. En outre, une offre insuffisante d'enseignement préscolaire – mais aussi de services de garde – peut avoir un effet néfaste sur l'offre de travail des jeunes femmes. Or le taux d'activité des jeunes Polonaises est l'un des plus faibles de l'OCDE.

De bons résultats aux tests internationaux chez les jeunes de 15 ans et des progrès dans l'accès à l'enseignement supérieur

Nonobstant un faible taux de participation à l'enseignement préscolaire, l'évolution du niveau d'éducation en Pologne est dans l'ensemble positive. Le taux de décrochage scolaire – défini comme la proportion de jeunes âgés de 20 à 24 ans qui ont abandonné leurs études et ne possèdent pas de diplôme secondaire supérieur – est l'un des plus faibles de l'OCDE. Les résultats obtenus par les jeunes Polonais de 15 ans aux tests du Programme international de l'OCDE pour le suivi des acquis des élèves (PISA) sont équivalents ou légèrement supérieurs à la moyenne OCDE. En outre, les différences entre zones rurales et urbaines sont moins importantes que ne le laisseraient supposer les déséquilibres économiques interrégionaux évoqués plus haut.

La part des adultes diplômés de l'enseignement supérieur reste relativement faible. Mais il s'agit probablement d'un héritage du régime économique de l'ère communiste qui privilégiait l'industrie (laquelle s'appuyait principalement sur des personnes diplômées du secondaire

technique ou professionnel), tandis que les services (connus pour faire appel aux diplômés du supérieur) étaient sous-développés.

Car la situation a profondément changé depuis le début de la transition économique. Conséquence de l'évolution de la structure de l'économie et de l'accroissement rapide de la part des activités axées sur les services, le nombre d'étudiants que comptent les établissements d'enseignement supérieur a quintuplé depuis le début des années 90. Inévitablement, dans quelques années, cette évolution ressortira des statistiques décrivant le niveau d'instruction des adultes. Petit bémol toutefois : l'augmentation rapide des effectifs de l'enseignement supérieur suscite des inquiétudes quant au maintien de la qualité de celui-ci.

La tâche délicate de la refonte de l'enseignement et de la formation professionnels

Autre conséquence probable de l'essor spectaculaire de l'enseignement supérieur : une diminution de l'effectif – et peut-être aussi de la qualité – des jeunes optant pour l'enseignement secondaire technique et professionnel (ETP). Cette évolution a coïncidé avec le changement de régime économique de la Pologne. Une bonne partie de l'offre ETP a disparu au début des années 90 avec la faillite ou le démantèlement des grandes entreprises d'État, très actives dans ce domaine. De plus, avec la transition économique, la classification officielle des professions utilisée pour l'ETP est devenue en grande partie obsolète et a besoin d'être actualisée. Il semble en outre que plusieurs établissements d'ETP ont du mal à moderniser leur équipement et à suivre le rythme des transformations industrielles et technologiques.

Des réformes de l'enseignement qui vont dans la bonne direction

Le ministère polonais de l'Éducation nationale travaille activement à la définition de nouveaux programmes d'ETP et à la mise en place d'un nouveau système de validation des qualifications, plus souple et mieux adapté. Les autorités polonaises souhaitent, d'ici 2013, porter de 12 % à 14 % la proportion de diplômés du secondaire sortant de l'ETP. Elles veulent aussi assurer une meilleure adéquation entre l'offre de programmes d'ETP et les nouveaux besoins de l'économie. À cette fin, elles ont pris un certain nombre d'initiatives prometteuses.

La modernisation de la classification officielle des professions utilisée dans les établissements d'ETP constitue une première étape logique. Le ministère de l'Éducation nationale s'est efforcé, d'une part, de dresser un tableau plus clair des nouvelles qualifications

professionnelles requises par une économie qui a subi d'importantes transformations depuis 1990, et, d'autre part, de surveiller de plus près les excédents et les pénuries de main-d'œuvre par profession et par région. Deuxièmement, un réseau de centres d'examen est en train d'être mis en place à l'échelle nationale pour encourager la validation des compétences professionnelles acquises essentiellement en dehors du système scolaire. Troisièmement, la stratégie de modernisation vise aussi à favoriser le resserrement de la coopération entre les employeurs et les établissements d'ETP.

Œuvrer davantage pour que l'ensemble des jeunes Polonais quittent l'école munis d'un diplôme reconnu leur permettant de démarrer leur vie professionnelle

Pour faire en sorte que les jeunes possèdent les compétences fondamentales nécessaires pour s'engager avec succès sur le marché du travail, les mesures suivantes pourraient être envisagées :

- *Mettre plus encore l'accent sur la fréquentation de l'enseignement préscolaire (avant l'âge de 6 ans) des groupes défavorisés et leur suivi au niveau de l'enseignement primaire*. L'administration centrale devrait s'employer, en liaison étroite avec les municipalités, à garantir aux enfants de 5 ans un accès universel à l'éducation *i)* si l'évaluation de la mise en œuvre de la préparation préscolaire normalisée des enfants de 6 ans en 2004 aboutit à des résultats positifs, et *ii)* si les finances publiques le permettent. Des incitations financières spécifiques (par exemple, une allocation ciblée dont le versement serait subordonné à la préscolarisation de l'enfant) pourraient être instaurées pour assurer une participation plus grande des familles pauvres vivant dans les zones rurales – où les femmes sont très souvent inactives et donc disponibles pour s'occuper des enfants.

- *Investir dans un système universel de classification de l'ETP.* L'examen de la situation internationale suggère que l'existence de standards nationaux en matière d'ETP – dans un contexte de décentralisation croissante du fonctionnement de ce d'enseignement – constitue pour les élèves une garantie irremplaçable de reconnaissance et de valorisation des compétences sur le marché du travail. Une première étape consisterait à accélérer le processus en cours de modernisation de la classification entrepris par le ministère de l'Éducation nationale. Au-delà, il conviendrait

d'aligner les standards développés pour les opérateurs de formation actifs dans le champ des politiques de l'emploi sur ceux élaborés par le secteur de l'enseignement, de façon à constituer un cadre unique de certification des compétences pour l'ensemble du pays. Ce cadre pourrait être semblable dans sa portée et sa nature à celui que l'Australie a défini et mis en œuvre avec succès (OCDE, 2009a).

Plusieurs obstacles à l'emploi des jeunes sur le front de la demande

Si les politiques d'éducation et de formation constituent un élément important de toute stratégie efficace d'amélioration des perspectives des jeunes sur le marché du travail, un cadre d'action exhaustif doit tenir compte des mécanismes et des institutions propres au marché du travail, et de leur impact sur la demande de travail, plus particulièrement celle des jeunes moins qualifiés.

En Pologne, le salaire minimum n'est pas particulièrement élevé comparativement aux autres pays où ce salaire existe. Ses effets sur l'emploi des jeunes sont probablement atténués par la faculté accordée aux entreprises de rémunérer les nouvelles recrues (de tout âge) à 80 % du salaire minimum légal pendant la première année. Cela dit, on ne doit pas conclure que toutes les institutions et politiques en vigueur en Pologne sont a priori favorables à l'emploi des jeunes.

Ainsi un fort degré de protection de l'emploi des *insiders*[4] pourrait avoir un effet négatif sur les chances d'accès à l'emploi permanent des jeunes *outsiders*. En Pologne, le passage d'un contrat temporaire à un contrat permanent prend beaucoup plus de temps que dans la plupart des autres pays de l'OCDE. La Pologne compte en fait deux catégories de contrats de travail, régies par des législations fort différentes. D'une part les contrats soit *à durée indéfinie* (permanents) soit *à durée déterminée*, mais couverts par le code du travail. Et d'autre part les contrats dits *de commission* et *à la pièce* qui relèvent

4. Les *insiders* sont des travailleurs titulaires d'un poste qui bénéficient de conditions d'emploi plus favorables que les autres. Cette disparité tient au fait que les entreprises doivent supporter des coûts lorsqu'il y a rotation de leurs effectifs, c'est-à-dire lorsqu'elles remplacent des *insiders* par des outsiders. Ces coûts sont liés, par exemple, à l'embauche, au licenciement et à la formation spécifique offerte par l'entreprise. Les *insiders* peuvent résister à la concurrence des *outsiders* en refusant de coopérer avec eux ou en harcelant ceux qui offrent leurs services pour un salaire moins élevé que le leur.

du droit civil. Les premiers sont assujettis à une réglementation stricte et donnent droit au versement de cotisations de sécurité sociale élevées. Soumis à des contraintes moins lourdes, les deux autres types de contrats n'offrent quant à eux aucune protection ni aucun droit aux prestations de sécurité sociale.

A priori, des charges non salariales élevées constituent aussi un obstacle à l'emploi des jeunes. Chose encourageante, ces charges ont fortement baissé en Pologne au cours de la dernière décennie. Cette évolution tient en grande partie à la diminution du nombre de préretraités. Les préretraites ont été mises en place au début des années 90 pour accompagner un processus de profonde transformation de l'économie, synonyme de suppressions d'emplois massives dans de nombreux secteurs. Le recours aux préretraites a de fait été très important : au début des années 90, pas moins de 70 % des nouveaux retraités percevaient une pension de retraite anticipée. Mais la Pologne a réformé ces dispositifs les uns après les autres, les rendant moins généreux.

Cependant, davantage d'efforts pourraient être faits pour rendre la fiscalité du travail plus progressive. En effet, lorsque l'on compare les taux d'imposition de 2008 pour des niveaux de revenu faibles et moyens, on constate que le coin fiscal en Pologne est l'un des moins progressifs des pays de l'OCDE. On en déduit que les charges non salariales restent relativement élevées pour les jeunes peu qualifiés et constituent un frein à leur embauche.

Dans ce contexte, l'OCDE formule les recommandations suivantes :

- *Pour faire face à la récession actuelle, réduire temporairement les cotisations de sécurité sociale (encore relativement élevées) sur les bas salaires afin d'abaisser le coût de l'embauche de jeunes non qualifiés*. Le manque à gagner budgétaire pourrait être compensé par un recours aux autres formes d'imposition (notamment une hausse de la TVA). Les périodes de récession sont particulièrement défavorables aux jeunes car l'une des premières réactions des entreprises consiste à geler les embauches. Les jeunes représentent une fraction très importante des nouveaux venus sur le marché du travail et sont donc plus fortement touchés par la diminution ou le gel des recrutements, surtout s'ils ne sont pas qualifiés.

- *Réduire l'écart en matière de protection effective de l'emploi entre les contrats à durée indéfinie/déterminée et les contrats dits de*

commission ou à la pièce. D'un point de vue plus structurel, il paraît souhaitable de remédier progressivement à l'absence de protection de l'emploi des personnes engagées sur contrat de commission ou à la pièce, et de réduire dans le même temps le degré de protection de l'emploi dont bénéficient les autres travailleurs. Il s'agirait de tendre à nouvel équilibre fondé sur le principe de « flexicurité ».

Les défis posés par la mise en œuvre d'une politique du marché du travail réellement active

Depuis sa mise en place en 1990, le système polonais d'indemnisation du chômage fonctionne selon le principe de l'assurance, comme dans bien d'autres pays de l'OCDE. A l'origine, le montant des dépenses dites passives excédait celui dépenses actives. Les premières servent essentiellement à financer le revenu de remplacement des sans-emplois tandis que les secondes visent à valoriser l'offre de main-d'œuvre (par exemple, par la formation), à accroître la demande de main-d'œuvre (par exemple, au moyen d'aides à l'embauche), ainsi qu'à améliorer le fonctionnement du marché du travail (par exemple, grâce aux services de placement). Historiquement, en Pologne, le service public de l'emploi (SPE) a consacré une part importante de ses moyens aux préretraites et aux emplois publics subventionnées.

La Pologne reconnaît désormais pleinement l'importance de l'activation des bénéficiaires d'allocations de chômage. L'adoption de la *Loi sur la promotion de l'emploi et les institutions du marché du travail* en 2004 a constitué à cet égard un tournant. Le principal changement a consisté à réorienter l'activité des institutions du marché du travail en augmentant la part des moyens visant la promotion de l'emploi, et en diminuant celle consacrée au paiement des indemnités de chômage et autres. Il faut aussi saluer le fait que les jeunes chômeurs de moins de 25 ans sont devenus l'un des principaux groupes cibles des politiques du marché du travail. Par conséquent, les dépenses consacrées aux politiques actives du marché du travail (PAMT), notamment aux programmes destinés aux jeunes, ont considérablement augmenté.

La loi de 2004 a été modifiée en 2009 dans le but de renforcer les mesures visant à assurer la réinsertion professionnelle des personnes sans emploi. Les règles relatives aux indemnités d'assurance chômage ont changé et, désormais, ces dernières sont réduites après trois mois de

chômage. Le financement de la formation est à présent une mesure importante non seulement pour les jeunes, mais aussi pour les adultes et les travailleurs âgés.

Suite à ces réformes successives, le système polonais d'indemnisation du chômage est devenu relativement restrictif vis-à-vis des jeunes. Au début des années 90, les jeunes qui sortaient de l'école sans expérience professionnelle pouvaient percevoir une allocation à taux fixe déterminée en fonction du salaire minimum. Mais depuis 1995, l'accès aux allocations est subordonné pour tous, y compris les jeunes, à un minimum de périodes de travail. Logiquement, en 2007, seuls 12 % des jeunes inscrits auprès du SPE percevaient des allocations de chômage. Cela étant, la proportion de jeunes figurant dans les registres du SPE en Pologne est l'une des plus importantes en Europe. Cela tient au fait que d'autres prestations sont offertes aux jeunes inscrits (par exemple, des bourses de formation). Il y a surtout que l'inscription au SPE ouvre les droits en matière d'assurance maladie à ceux qui ne sont plus étudiants.

Les jeunes sans emploi et sans allocation de chômage ont certes droit à des prestations d'aide sociale au niveau local sur critère de ressources. Mais, pour la plupart, l'issue consiste à devenir financièrement autonome ou à pouvoir compter sur le soutien financier de la famille ou des amis. En Pologne, le risque de « piège à pauvreté » ne semble pas très élevé. Il n'en reste pas moins que bien des jeunes ont de sérieuses difficultés à trouver un emploi et trop nombreux sont ceux qui restent en dehors du marché du travail. Dans un tel contexte, il est donc crucial de leur garantir l'accès à un SPE qui fonctionne le plus efficacement possible.

Malgré les réformes les plus récentes – dont celles énoncées dans le *Plan d'action nationale pour l'emploi 2009-11* où figurent des lignes directrices plus strictes sur les politiques régionales – la question de l'efficacité du SPE demeure. A l'origine de ce questionnement, il y a la décision de 1998 de forte décentralisation du SPE vers les administrations locales. Certes, beaucoup de pays de l'OCDE ont entrepris de décentraliser le fonctionnement de leur SPE. Mais la particularité de la Pologne est qu'elle n'a pas maintenu l'échelon central – celui du ministère du Travail et de la Politique sociale – dans un rôle de garant du respect de standards nationaux et d'évaluateur des résultats. Le ministère polonais n'exerce pas suffisamment une fonction de régulation consistant à coordonner, orienter (du moins indirectement) et évaluer le fonctionnement des différents SPE locaux.

Les principales lacunes du système actuel sont les suivantes : *i)* des capacités d'évaluation des résultats à l'échelon local et central insuffisantes[5] ; *ii)* un SPE cloisonné (jusqu'à une période très récente, les travailleurs inscrits dans un comté n'avaient pas accès à la liste des emplois vacants dans les autres comtés faute d'intégration de l'outil informatique) ; *iii)* une capacité insuffisante de suivi individualisé, en partie à cause du manque de personnel correctement formé au sein du SPE ; *iv)* la pratique du népotisme dans le recrutement du personnel du SPE et *v)* un manque général de coordination entre les bureaux de placement locaux et avec les bureaux locaux d'aide sociale.

A tout le moins, la manière dont la décentralisation du SPE a été réalisée en Pologne a augmenté le risque d'une trop grande hétérogénéité au niveau local dans la mise en œuvre d'objectifs nationaux. Pour améliorer l'efficacité du SPE, les mesures suivantes pourraient être envisagées :

- *Accélérer le développement et la mise en œuvre d'un système d'information reliant entre eux tous les services du marché du travail et de l'emploi du pays*. La coordination des activités locales du SPE doit s'appuyer sur un système informatique capable d'intégrer et de disséminer en temps réel toute information relative aux emplois vacants, au nombre et au profil des chômeurs inscrits ou concernant les bénéficiaires de PAMT. Pour que les services d'aide à la recherche d'un emploi dans une région donnée soient pleinement efficaces, leurs personnels doivent être rapidement informés des postes vacants dans les autres régions. L'installation et la mise en œuvre du nouveau système informatique, annoncées par les autorités, devrait intervenir dans les plus brefs délais. Cela stimulerait la mobilité des jeunes d'une région à l'autre et contribuerait à atténuer les asymétries régionales quant à la performance du marché du travail.

- *Renforcer la fonction de standardisation des prestations et d'évaluation des résultats de l'administration centrale.* Améliorer l'efficacité du SPE dont la gestion quotidienne est fort décentralisée nécessite un renforcement du rôle de l'administration centrale dans certains domaines clefs : l'élaboration de standards et l'évaluation des résultats obtenus par les bureaux locaux du SPE et les administrations qui les encadrent à l'échelon régional. Des

5. Même s'il faut se féliciter des efforts récemment déployés pour évaluer l'efficience des PAMT.

standards nationaux clairs et rigoureux doivent encadrer la fourniture des prestations de base de chaque SPE local (profilage, aide à la recherche d'un emploi, orientation vers les PAMT), en particulier la manière de gérer les cas problématiques (par exemple, lorsqu'il y a non respect des obligations énoncées par le SPE). Concernant l'évaluation des résultats, le système adopté par l'Australie (*Star ratings)* – notamment le mécanisme d'évaluation qui sert à apprécier l'efficacité de nombreux prestataires autonomes du SPE – pourrait constituer un exemple utile[6].

- *Encourager les jeunes chômeurs n'ayant pas droit aux prestations d'assurance chômage à s'inscrire auprès du SPE, tout en évitant de gonfler artificiellement les effectifs avec ceux à la recherche d'une couverture santé*. Il est interpellant de constater que beaucoup de jeunes Polonais s'inscrivent au SPE pour pouvoir bénéficier de l'assurance maladie. Le contrôle de leur disponibilité par rapport à l'emploi est probablement peu rigoureux. Ces éléments contribuent à gonfler de manière artificielle les effectifs inscrits auprès du SPE. Pour remédier à cette situation, il serait souhaitable de mieux vérifier la volonté de travailler dès l'inscription. En outre, il conviendrait de revoir les règles régissant l'accès à l'assurance maladie dans le pays.

- *Investir davantage dans l'évaluation afin de pouvoir recenser les bonnes pratiques.* Les réformes dont la politique de l'emploi a fait l'objet en 2004 et 2009 sont allées dans la bonne direction. De nombreuses mesures actives, bien conçues, ont été adoptées. Mais d'autres d'efforts s'imposent pour accroître l'efficacité-coût du SPE. Il conviendrait notamment de consacrer plus d'efforts à l'évaluation des programmes, afin de mieux distinguer ceux qui marchent de ceux qui ne marchent pas. Ceci implique de renforcer la collecte de données de qualité ainsi qu'un recours accru à l'évaluation scientifique.

6. Le système du « Star ratings » australien repose sur un instrument statistique très élaboré qui permet de comparer avec précision les résultats des services de l'emploi (taux de placement, durée de la transition entre chômage et emploi, etc.), tout en prenant en compte les différences existant quant à la situation du marché du travail local et à d'autres facteurs influant sur ces résultats (OCDE, 2009a).

INTRODUCTION

Improving the performance of youth in the labour market is a crucial challenge in OECD countries. While Poland's youth labour market has been stronger over the last decade, the future outlook – like for most other OECD countries – is uncertain. It remains thus key to maintain or reinforce policies aimed at better equipping young people with the skills required by the labour market and helping them accomplish a successful transition from school to work.[7]

The Polish government is particularly concerned about how well prepared young people are for the labour market. It is also aware of the need to develop labour market and welfare institutions that are likely to maximise youth opportunities. While Polish youth now face a lower risk of unemployment than in the 1990s or early 2000s, the level of inactivity after leaving education remains quite high. Several barriers to youth employment persist.

On the (labour) supply side, some young people, among whom low-educated youth are over-represented, still lack the basic skills they need to succeed in a career. Other barriers than skills exist too. Youth, no matter their educational attainment, tend to participate much less in the labour market than other prime-age individuals. And then there are geographical asymmetries. Young people living in remote and rural areas are condemned to unemployment or underemployment if they do not move to the more urbanised regions where most of the economic opportunities are now concentrated.

The purpose of this report is to examine these barriers and discuss how education, training, labour market, fiscal and social policies may help improve the school-to-work (STW) transition.[8] Chapter 1 presents

7. It should be noted that this report is not dealing with the intergenerational impact of young people's engagement with the labour market. OECD (2007) is covering some of these aspects of labour market participation of young parents.

8. The term "school-to-work" (STW) is a generic term frequently used in OECD reports. It designates the moment of life when youth complete initial education and enter the labour market.

basic facts on the situation of youth in the Polish labour market. The role of education and training in shaping the STW transition is analysed in Chapter 2. Demand-side barriers to youth employment are explored in Chapter 3. Finally, Chapter 4 analyses the role of welfare benefits and public employment services (PES) in helping non-employed youth to get a job.

CHAPTER 1

THE CHALLENGE AHEAD

Until very recently Poland was still reaping the benefits of a robust economic growth, at an annual rate exceeding 4% since 2003. The overall situation on the labour market has thus improved dramatically compared with the early 2000s. In aggregate terms, it also looks much better than in the 1990s, when the economy went through a radical transformation of its structure and regime (mainly through dismantling/privatisation of large state-owned industrial conglomerates and introduction of price mechanisms) that was accompanied by a severe contraction of GDP as well as a sharp drop of the overall number of people in employment (see Chapter 3).

These macroeconomics trends alongside institutional reforms (see Chapter 4) have contributed to a dramatic improvement in the labour market performance of young people, which were dire in the 1990s. Youth unemployment rate then exceeded 40%. It was only 17.3% in 2008. There remain many concerns however. One of them is the situation of youth who live in rural areas or in small towns, where traditional jobs (singularly in the agricultural sector) are disappearing and where new categories of jobs (service or industry related) are in short supply or simply non-existent.

One of Poland's major challenges is to cope with what appears to be a rising labour market mismatch that has a strong geographical component. Recent past has shown that many young Polish workers easily move abroad (to Belgium, Germany, Ireland, United Kingdom, etc.). Simultaneously, there is evidence that those who stayed behind in the less densely populated parts of Poland were not particularly inclined to move to the big urban centres of Poland offering more employment opportunities. Part of this problem seems to be due to inadequate public transportation. The lack of affordable accommodation in big cities could also play a role (OECD, 2008d).

The purpose of this chapter is to examine how youth labour market performance has reacted in the context of sustained economic growth up to 2008 and how it compares with other OECD countries. The chapter draws a

picture of demographics and the position of Polish youth in the labour market (Section 1). It then examines the school-to-work transition (Section 2).

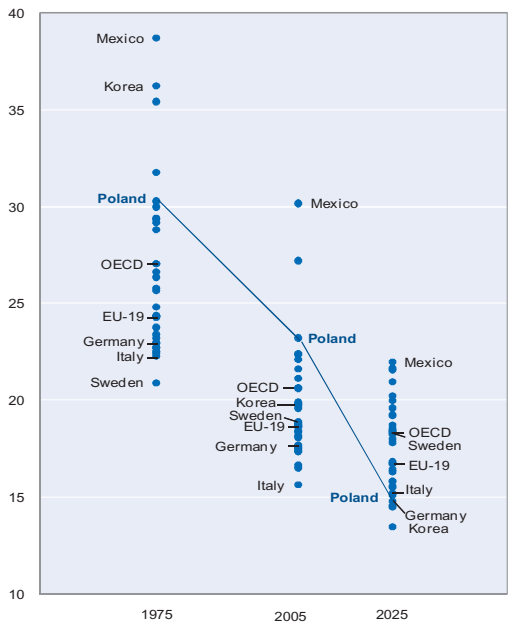
1. Demographics and major labour market outcomes

A. The share of young people (15-24) in the working-age population has declined since the 1970s

The share of young people in the working-age population has declined in almost all OECD countries since the mid-1970s (Figure 1.1). The OECD average was above 25% in the second half of the 1970s and is now just above 20%. There is, of course, some cross-country variation: the downward trend has been more pronounced in Korea than in Mexico, for instance. But it is visible across most countries. Projections show that the share of youth in the working-age population in Poland will shrink substantially: starting from a situation in the 1970s where it was one of the largest in the OECD, it could, by 2025, become one of the smallest.

Figure 1.1. **Decreasing share of youth in the working-age population, OECD countries, 1975-2025**[a]

Percentages



a) Ratio of the population aged 15 to 24 to the population aged 15 to 64.

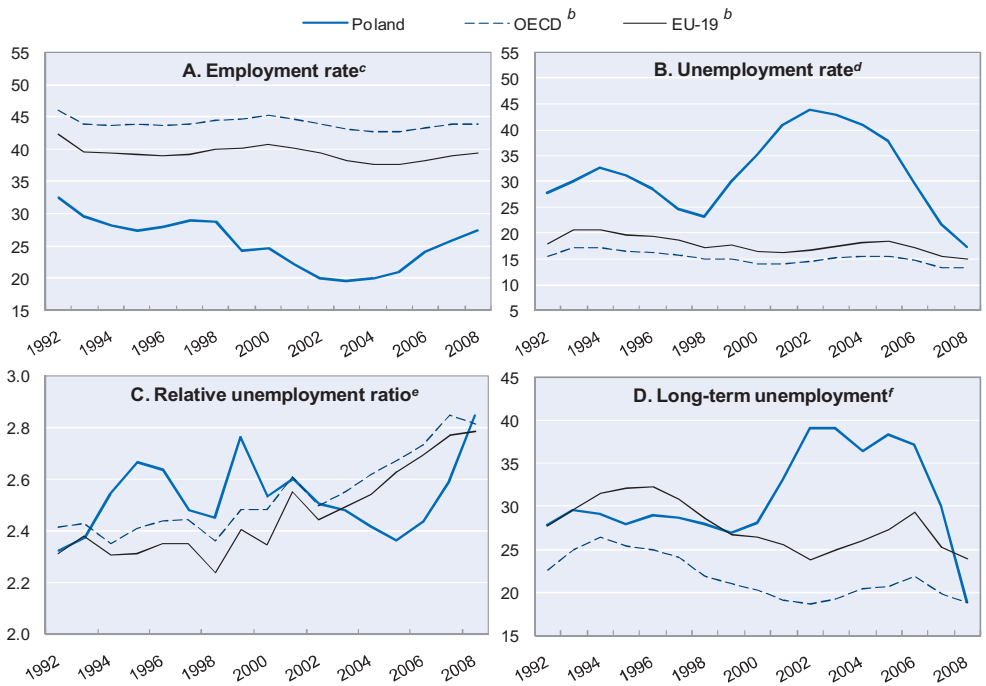
Source: National Projections and United Nation projections for 2006 for Australia, Canada, Denmark, Spain, and New Zealand; 2004 for Luxembourg; and 2005 for all the others.

B. Lower rates of youth unemployment since 2003

Judged in terms of unemployment, Poland's youth labour market performance has improved considerably over the past decade. The youth (15-24) unemployment rate declined to 17.3% in 2008, which is less than half the 40-45% recorded in the early 2000s (Figure 1.2, Panel B). However, it was still higher than the EU average of 15% and the OECD average of 13.2% in 2008.

Figure 1.2. **Youth[a] unemployment and employment indicators, Poland, Europe and OECD, 1992-2008**

Percentages and ratios

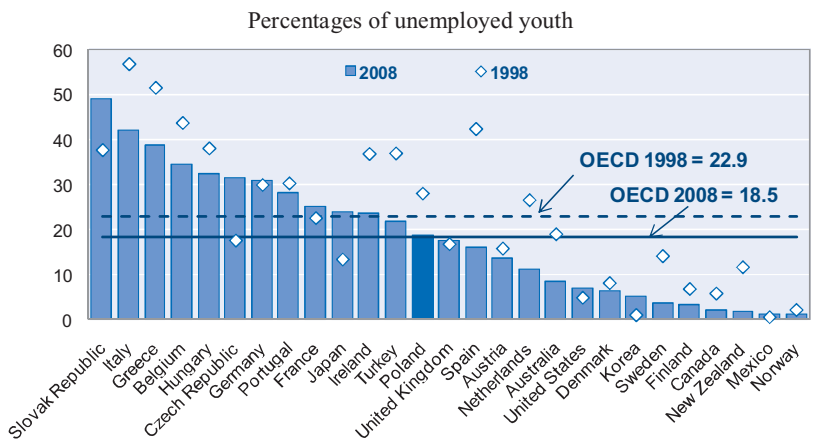


a) Youth aged 16-24 for Iceland, Norway (until 2006), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for all other countries in the OECD average.
b) Unweighted averages for the 30 OECD countries and for the 19 OECD and EU countries.
c) Employed as a percentage of the population in the age group.
d) Unemployed as a percentage of the labour force in the age group.
e) Unemployment rate of youth (15/16-24)/unemployment rate of adults (25-54).
f) Unemployed for one year or more as a percentage of unemployed in the age group.

Source: National labour force surveys.

It is also important to stress that the incidence of long-term unemployment[9] – the most problematic form of unemployment – has dropped dramatically in Poland (Figure 1.2, Panel D and Figure 1.3). In 2008, it represented 18.8% of the total Polish youth unemployment, a level identical to the OECD average and lower than the EU average (23.4%).

Figure 1.3. **Incidence of long-term[a] unemployment among youth,[b] OECD countries,[c] 1998 and 2008**



Countries are ranked from left to right in descending order of the incidence of long-term youth unemployment in 2008.

a) 12 months and over.

b) Youth aged 16-24 for Norway (for 1998 only), Spain, Sweden, the United Kingdom and the United States; youth aged 15-24 for all other countries.

c) Data for Iceland and Luxembourg are not statistically reliable; for Switzerland, they are not available. Unweighted average of countries shown.

Source: National labour force surveys.

The youth unemployment in 2008 was 2.8 times the rate of unemployment recorded among adults; a ratio that has fluctuated around 2.5 since the early 1990s. (Figure 1.2, Panel C) and is very similar to the one recorded in other OECD countries.

Finally, and more on the negative side, youth employment rates were extremely low in 2008, at 27.7%, 20 percentage points below the OECD average (Figure 1.2, Panel A). The 2008 Polish youth employment rate is even slightly lower than in 1998. This could reflect a propensity to stay in full-time education that is higher than in other OECD countries (more on

9. Unemployment spells lasting more than one year.

this in Chapter 2). It could also reflect – apart from what is captured by the unemployment rate statistics – the low propensity of Polish youth to participate in the labour force once school is over.

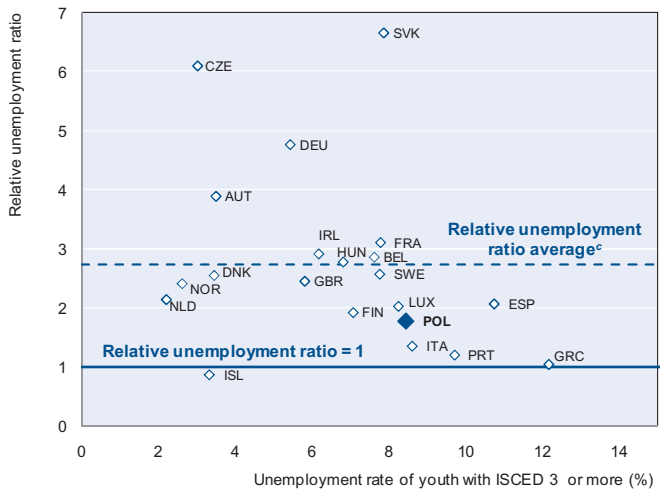
C. *The distribution of the risk of un(under)employment*[10]

Youth with and without a low level of education

A focus on young adults (20-29) with a low level of education (*i.e.* those with less than upper secondary education) reveals the usual pattern (Figure 1.4). Their unemployment rate at 15% in 2008 was higher than the 8.5% characterising individuals with upper secondary education or more. In 2008, it was 1.8 times higher than that of those more educated individuals, but significantly below the international average ratio of 2.7.

Figure 1.4. **Relative unemployment rate of youth without upper secondary degree,[a, b] Poland and Europe, 2008**

Percentages and ratios[c]



a) Youth aged 20-29.
b) Unweighted average of countries shown.
c) The unemployment ratio refers to unemployment rate without ISCED 3 divided by unemployment rate with ISCED 3. ISCED 3 stands for International standard of education referring to upper secondary education.

Source: European Union Labour Force Survey (EULFS).

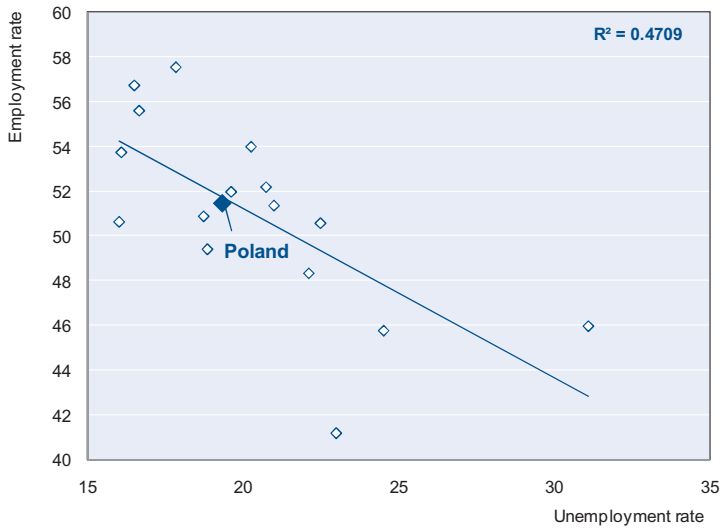
10. The term "underemployment" encompasses all forms of non-employment: unemployment but also inactivity and/or non formal employment.

Regional asymmetries

A noticeable feature of Poland's labour market is the significant degree of asymmetry across regions.[11] Figure 1.5 shows that in 2007 the unemployment rate among young adults (20-29) varied from 17% to 32% and that these high unemployment rates were generally associated with lower youth employment rates. This is a first indication that a proper assessment of the country's overall youth labour market performance requires considering a variety of indicators and not only the unemployment rate.

Figure 1.5. **Regional[a] unemployment and employment rates of youth aged 20-29, Poland, 2007**

Percentages



a) Measured at the level of the *Voivodship* or region.

Source: Polish version of the 2007 European Union Labour Force Survey (EULFS).

Geographical asymmetries also appear when one considers the differences between big cities (more than 100 000 inhabitants) and the rest of the territory (Table 1.1). In big cities, in 2007, the unemployment rate of young adults (20-29) was 13.8%, whereas in smaller cities it was above 21%.

11. It also seems that the intra-regional variation of employment chances is much higher than the inter-regional dispersion displayed here.

Obviously, poor labour market outcomes in rural areas are, to some extent, related to lower education levels, however the negative influence this can have on place of residence can be minimised after controlling for this. It would be interesting to assess whether it shrinks less for Poland than for other countries, reflecting higher disadvantage of youth living in rural areas. Available data did not however allow for these extensions of the analysis.

Table 1.1. **Population density and (un)employment rates of youth aged 20-29, Poland, 2007**

Percentages

Degree of urbanisation	Unemployment rate	Employment rate
Rural areas and towns with less than 5 000 inhabitants	21.2	51.7
Towns with 5 000 to 100 000 inhabitants	22.1	51.7
Towns with more than 100 000 inhabitants.	13.8	51.0
Poland overall	**19.3**	**51.5**

Source: Polish version of the 2007 European Union Labour Force Survey (EULFS).

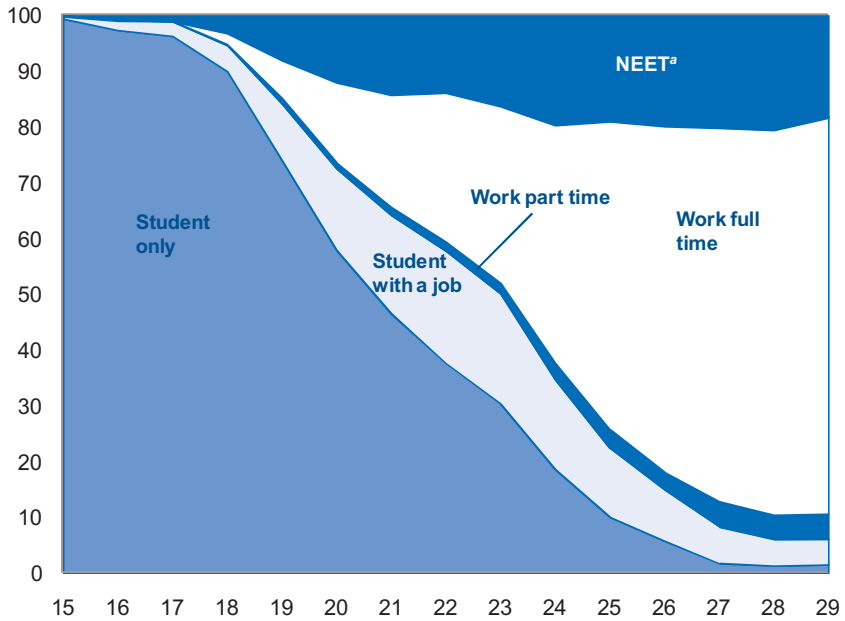
2. Transition from school to work

The STW transition involves more than just passing from an educational institution to the labour market. In Poland, as in many other OECD countries, it covers a broader period during which some youth have their first contact with the job market by taking student jobs (Figure 1.6, Second area from bottom) or via traineeships or apprenticeships. Youth then leave education and start looking for more permanent jobs. Entrance to professional life tends also to be characterised by part-time jobs in some cases, although this does not seem to be particularly the case in Poland (Figure 1.6, Third area from bottom).

There are also the cases of unemployment and inactivity where there is no transition to employment for the group of so-called NEETs (those Neither in Education nor in Employment or Training). But the sheer magnitude of this group in Poland is visible on Figure 1.6 (Top area).

Figure 1.6. **Activity status of youth by single year of age, Poland, 2008**

Percentages



a) Neither in Education nor in Employment or Training.

Source: European Union Labour Force Survey (EULFS).

A. No so many young Poles enter the labour market when still students

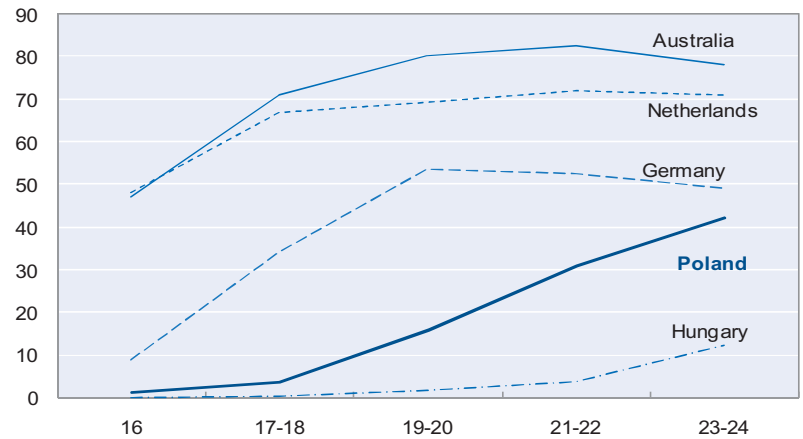
Contrary to what is observed in some OECD countries, few young Poles have their first contact with the labour market via student jobs (Figure 1.7). In 2008, for those aged 21-22, the share holding a job was only 31%,[12] which is well below the Dutch rate of 72% (known to be one of the highest in Europe), and Australia, where it was above 80% in 2006. Note that both the Netherlands and Australia are countries where there is no mass apprenticeship schemes of the sort historically developed by traditional apprenticeship countries such as Germany or Austria. Apprenticeship systems are thus no prerequisite for student jobs to be prevalent.

12. According to Polish LFS data in 2007 about 27.8% of students in this age group were working.

In Poland, the quasi-absence of student jobs under the age of 19 reflects the country's legislation. For instance, employment of youth aged 15-18 on a regular basis is very restricted. Poland's labour Code states that in general it is illegal to employ a person under 16 years of age. Those aged 16-18 are allowed to be employed only if they have completed lower secondary education (ISCED 2) and can present a medical certificate attesting the not hazardous nature of the envisaged work.

Figure 1.7. **Combining study and work, youth aged 16-24, Poland and selected OECD countries, 2008**[a]

Percentages of students by age group



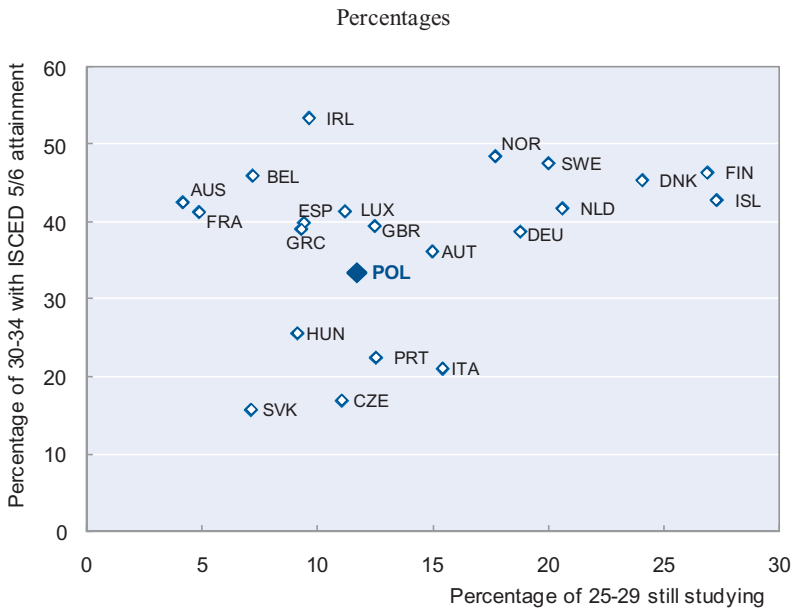
a) 2006 for Australia.

Source: European Union Labour Force Survey (EULFS) and Melbourne Institute, Household, Income and Labour Dynamics in Australia Survey (HILDA) Release 6 for Australia.

B. And students are relatively young when they graduate

A rather positive element is that in 2008 only 11.7% of young Poles still declared being student while aged 25-29. International evidence shows that high attendance rates among 25-29 year-olds have no apparent positive impact on the tertiary educational attainment of the population of adults aged 30-34 (Figure 1.8, Vertical axis). Some countries (*e.g.* Finland, Denmark or Iceland) do not achieve much better than Poland or better than Ireland or Belgium in terms of their final proportion of tertiary degree holders, but have a much higher proportion (>25%) of "old" students.

Figure 1.8. **Share of students aged 25-29 and share of tertiary degrees[a] among adults (30-34), Poland, Europe and Australia, 2008[b]**



a) ISCED 5/6 refers to tertiary education.
b) 2006 for Australia.

Source: European Union Labour Force Survey (EULFS) and Melbourne Institute, Household, Income and Labour Dynamics in Australia Survey (HILDA) Release 6 for Australia.

C. Youth after leaving education

The labour market indicators presented so far are primarily age-based. Consequently, some of them amalgamate *i)* individuals who are still in education and *ii)* individuals who have left education and are potentially entirely available for the labour market. In a STW transition review, it appears reasonable to try to assess the labour market situation of those who have left education. This is not an easy task, due do the lack of adequate international data sets that comprise simultaneously young Poles and a reasonable number of other OECD countries.

No longer studying

One first option is to exploit labour-force-survey-like data to compute conditional labour market outcomes, where the conditioning aspect simply rests on the respondent's declaration that he/she is *no longer* primarily a student when being asked about his/her main status. Using that option, one can first estimate the (conditional) probability that a young person is employed, unemployed or inactive, following the traditional breakdown of the International Labour Organisation (ILO). One can also look at the type of jobs held by youth having left education.

NEET: inactive or unemployed?

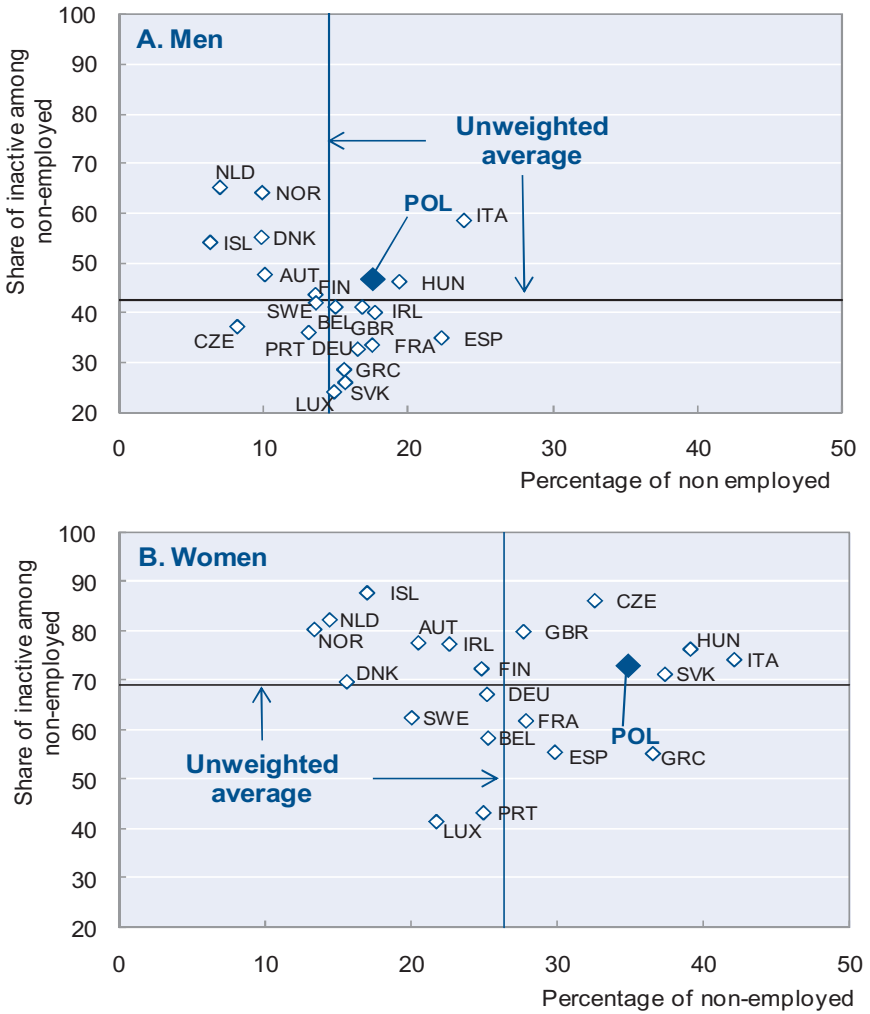
Figure 1.9 reports on the horizontal axis the percentage of individuals aged 20-29, no longer in education, who are not in employment, alternatively referred to as the NEET rate. The values on display on the horizontal axis confirm that the average young Pole (male or female) has a relatively high probability of being out of employment after leaving education. That probability was in 2008 of 17.5% for young men aged 20-29, above the international average of 14.5%. The corresponding figures for young women were 35% (Poland) and 26% (international average).

At the same time, Figure 1.9 (Vertical axis) reveals that about 47% of young men with no employment in Poland are inactive and thus outside the labour market (the OECD equivalent was 43%). Regarding young Polish women who have left education and are not in employment, 73% of them are inactive. This is much more than for men, but quite similar to what is observed in other European countries (69%).

Having a larger or smaller share of inactive *versus* unemployed youth may not be of great importance. However, one may argue that it is preferable that youth are unemployed rather that inactive. According to the ILO definition, unemployed people are more closely connected to the labour market than inactive ones: they are 'available for the labour market' and are actively looking for work, or should remain so if they receive social benefits.

Figure 1.9. **Youth[a] NEET[b] by gender, Poland and Europe[c], 2008**

Percentages



a) Youth aged 20-29.

b) Neither in Education nor in Employment or Training. Based on the respondent's declaration that he/she is no longer a student when being asked about his/her main status.

c) Unweighted average of the countries shown.

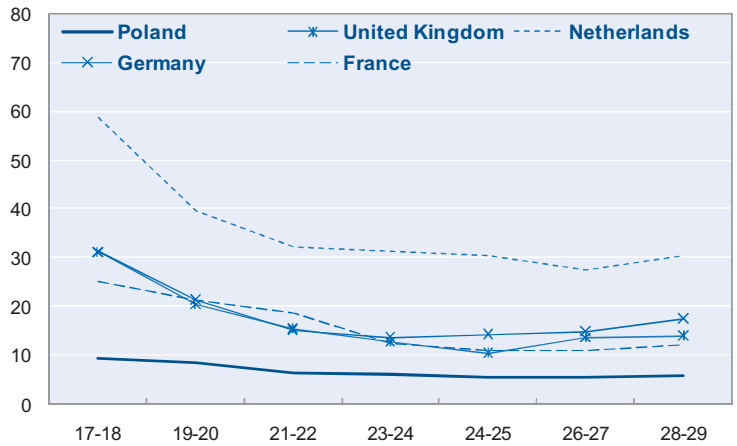
Source: European Union Labour Force Survey (EULFS).

What kind of entry jobs?

Figure 1.10 shows that the incidence of part-time jobs among employed school leavers is much lower in Poland to what is observed in selected European countries. It is certainly lower than in the Netherlands, a country that is known for its high rate of part-time jobs. Figure 1.10 also shows that this proportion declines slightly with age, suggesting that some of these part-time jobs serve as stepping stones towards full-time jobs.

Figure 1.10. **Incidence of part-time jobs among youth[a] in employment and no longer in education,[b] by age, Poland and selected European countries, 2008**

Percentages of youth in employment and having left education



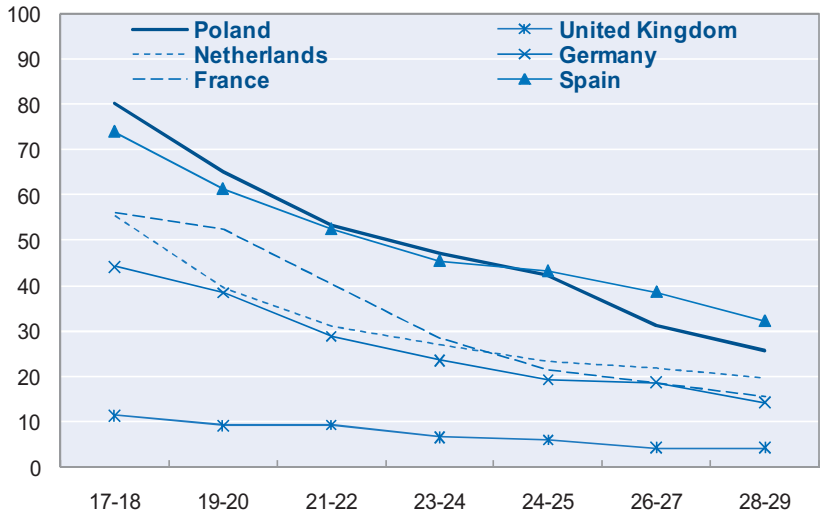
a) Youth aged 15-29.
b) Based on the respondent's declaration that he/she is no longer a student when asked about his/her main status.

Source: European Union Labour Force Survey (EULFS).

Figure 1.11 conveys the same message. It reports the share of temporary contracts by age. The negative age gradient is clear in Poland. But that figure also shows a prevalence of these contracts in Poland as high as in Spain, a country that is known for its high rate of temporary jobs. In 2008, about 50% of young Poles and Spanish aged 23-24 (no longer in education) declared holding a temporary contract, a proportion much higher than in France, Germany, the Netherlands and the United Kingdom.

Figure 1.11. **Incidence of temporary jobs among youth[a] in employment and no longer in education,[b] by age, Poland and selected European countries, 2008**

Percentages of youth in employment and having left education



a) Youth aged 15-29.
b) Based on the respondent's declaration that he/she is no longer a student when asked about his/her main status.

Source: European Union Labour Force Survey (EULFS).

Expected years in employment following the end of education

Properly quantifying and analysing the STW transition simultaneously for many OECD countries is beyond the reach of this review. There is simply no longitudinal dataset with the adequate information to estimate these transitions. However, if the priority is to keep a significant number of countries for which comparable statistics are available, there is an indirect way of gauging the quality of the STW transition. Most labour force surveys, like the European Union Labour Force Survey (EULFS), ask respondents about *the year they completed initial education*. And this information is available for Poland. It can be used to compute the expected number of years spent in employment during the five years after leaving education (see Box 1.1 for the methodology).

Box 1.1. **Computing the expected number of years spent in employment following education**

Labour Force Surveys are not longitudinal data sets. However, they generally contain information on the year of completion of initial education. In combination with information on the age of the respondent, this item can be used to compute a proxy of the duration since the end of (initial) education.

Then, using the distribution of labour market status by duration since the end of education, it is possible to calculate the expected number of years a typical respondent has spent in employment (or any other status) since he/she left school.

This computation can be done for the various categories (k) of respondents: *e.g.* those with a low *versus* high educational attainment, male *versus* female; and also for various definitions of employment (*e.g.* any form of employment, full-time employment).

Algebraically, if $ER_{k,t}$ is the employment rate t years after education of category k, the expected number of years in employment after D years is given by

$$EYE_{k,D} = ER_{k,1}*D + (ER_{k,2} - ER_{k,1})*(D-1) + ...+ (ER_{k,D} - ER_{k,D-1})*1$$

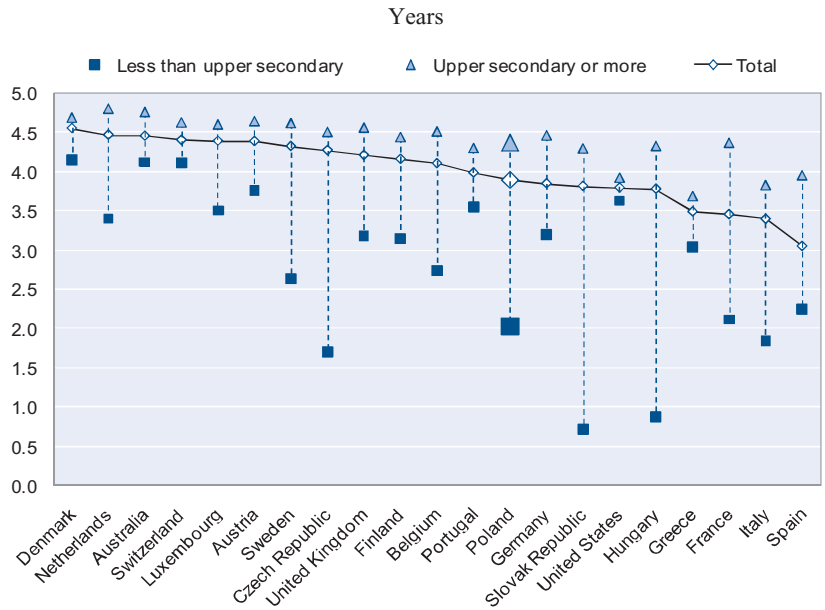
Opting for a window of five years is arbitrary but it has been used here as a "reasonable" approximation of the length of the STW transition process.

This indicator (Figure 1.12) shows that a typical young Pole will have spent 3.9 years in employment during his/her five first years after leaving education, slightly below to the international average (4), and well below the 4.5 years recorded in the best performing countries (Denmark, the Netherlands and Australia). Moreover, the gap between highly educated (*i.e.* with more than ISCED 3) and school drop-outs (*i.e.* with less than ISCED 3), at 2.3 years, is among the highest of the countries examined. There is thus in Poland more diversity of outcomes between highly-educated and low-educated youth in terms of the expected number of years in employment during the five years after completion of initial education.

Figure 1.13 conveys some additional information about the *type* of employment. It compares: *i)* the expected number of years in (any form and duration) of employment (as reported in Figure 1.12); and *ii)* the expected number of years in *permanent employment*. Quite logically, for all countries examined, the expected time in permanent employment is lower. But Poland is among the countries displaying the largest drop: from 3.9 years (in employment) to 2.1 years (in permanent employment). This suggests again that not many young Poles work on permanent contracts during their first years in the labour market.[13]

13. The reader should bear in mind that our results are primarily driven by the cross-sectional incidence of temporary *versus* permanent contracts for individuals

Figure 1.12. **Expected number of years spent in employment during first five years after leaving school,[a] by educational attainment, Poland, Europe and Australia 2007[b]**



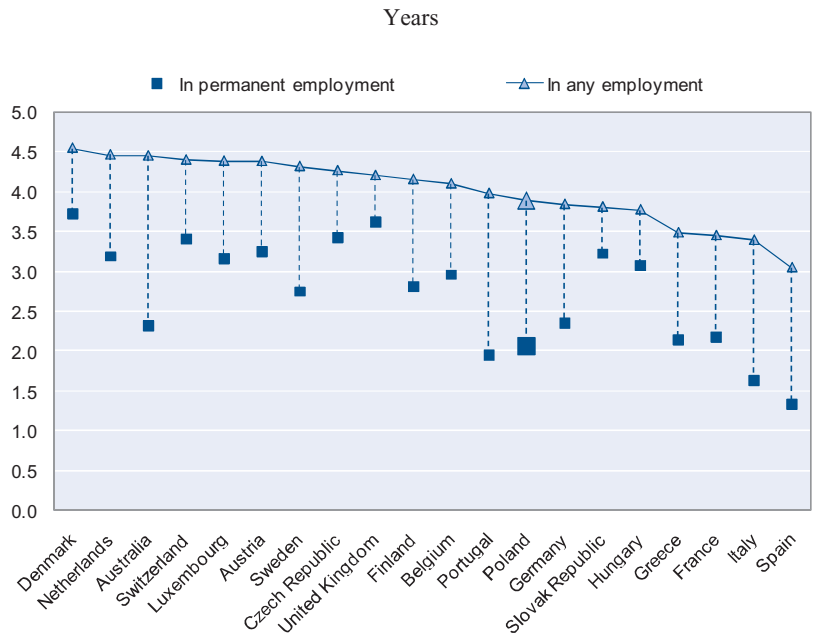
a) In EULFS, individuals report on the year they have obtained their highest degree. Conditional on the respondent declaring he/she is no longer a student, this information is used to compute the durations underlying the indicator. In HILDA, respondents report on the number of years that have elapsed since they left full-time education. That information is used to compute durations, again conditional on the respondent declaring he/she is no longer a student.

b) 2006 for Australia

Source: European Union Labour Force Survey (EULFS) and Melbourne Institute, Household, Income and Labour Dynamics in Australia Survey (HILDA) Release 6 for Australia.

who left school up to five years before *the moment of the interview*. If the EUFLS interview dates are not randomly distributed across the 12 months forming a post-schooling spell, this might lead to some under/overestimation of the incidence of temporary contracts. We assume indeed that a respondent that declares (potentially on month 12) being a permanent worker at the moment of the interview has never had a temporary contract before. Conversely, we assume that someone with a temporary contract (on, for instance, month 1) will keep it until the end of the year spell.

Figure 1.13. **Expected number of years spent in any employment *versus* permanent employment during the five years after leaving school,[a] Poland, Europe and Australia, 2007[b]**



a) In EULFS, individuals report on the year they have obtained their highest degree. Conditional on the respondent declaring he/she is no longer a student, this information is used to compute the durations underlying the indicator. In HILDA, respondents report on the number of years that have elapsed since they left full-time education. That information is used to compute durations, again conditional on the respondent declaring he/she is no longer a student.

b) 2006 for Australia.

Source: European Union Labour Force Survey (EULFS) and Melbourne Institute, Household, Income and Labour Dynamics in Australia Survey (HILDA) Release 6 for Australia.

3. Key points

The Polish youth unemployment rate (15-24) has declined dramatically over the past ten years. It dropped to 17.3% in 2008 which is less than half the 40-45% recorded in the early 2000s. However, it was still higher than the EU average of 15 % and the OECD average of 13.2% (Table 1.2). And although Poland's labour market has been stronger over the last decade, the future of youth employment is very uncertain given the magnitude of the current economic crisis.

Table 1.2. **Scoreboard for youth aged 15-24,[a] Poland, 1998 and 2008**

	1998			2008		
	Poland	EU[b]	OECD[b]	**Poland**	EU[b]	OECD[b]
Employment rate (% of the age group)	**28.6**	40.1	44.5	**27.3**	39.4	43.9
Unemployment rate (UR) (% of the labour force)	**23.2**	17.1	14.8	**17.3**	15.0	13.2
Relative UR youth/adult (15-24)/(25-54)	**2.5**	2.2	2.4	**2.8**	2.8	2.8
Unemployment to population ratio (% of the age group)	**8.7**	7.7	7.1	**5.7**	6.4	6.1
Incidence of long-term unemployment (% of unemployment)	**28.0**	28.6	21.8	**18.8**	23.9	18.8
Incidence of temporary work (% of employment)[c]	**35.5**	33.1	30.0	**65.7**	37.8	35.7
Incidence of part-time work (% of employment)	**11.6**	17.1	20.5	**11.9**	21.3	24.8
Neither in education nor in employment rate (% of the age group)[d]	**15.5**	13.1	13.4	**12.7**	10.9	11.8
School drop-outs (% of the age group)[d,e]	**26.1**	15.8	17.8	**12.6**	12.0	14.2
Relative UR low skills/high skills (<ISCED 3)/(>ISCED 3)[d]	**1.3**	2.5	2.4	**1.5**	2.1	2.1

ISCED 3: International standard classification of education referring to upper secondary education; LTU; long-term unemployment; NEET: neither in education nor in employment or training; UR: unemployment rate.

a) 16-24 for Iceland, Norway (for 1998 only), Spain, Sweden, the United Kingdom and the United States
b) Unweighted averages for the 19 OECD and EU countries and for the 30 OECD countries.
c) 2001 and 2007.
d) 1997 and 2006.
e) Share of youth not in education and without an upper secondary qualification.

Source: National labour force surveys; and *OECD Education database*.

Before the 2008 downturn, the incidence of long-term unemployment was just 18.8% of the total Polish youth unemployment: an unprecedented low since the beginning of the economic transition.

There also remain more structural concerns. One of them is the situation of youth who live in rural areas or in the small towns, where traditional jobs, singularly in the agricultural sector are gradually disappearing, and where new categories of jobs (service- or industry-related) are in short supply or simply non-existent. Many young Polish workers easily moved abroad when Poland joined the European Union in 2004. But simultaneously those who stayed behind in the less densely populated parts of Poland were more likely to remain unemployed or inactive due to a lack of internal mobility.

A proper assessment of the youth labour market performance in Poland requires considering more than the youth unemployment rate. Areas with high unemployment rates are also characterised by low youth employment rates. It is also noticeable there are more non-employed/NEET youth in Poland than in other OECD countries.

In Poland, the STW transition *per se* appears slow compared with many other OECD countries. First, few Poles use their study years to take jobs and

acquire a first experience of the labour market. In 2008, only 16% of students aged 19-20 held part-time jobs. Second, during the early 2000s a typical young Pole has spent only 3.9 years in employment during his/her five first years after leaving school, which is well below the 4.5 years recorded in the best European performing countries.

Among young Polish workers, the incidence of part-time work is relatively low. However, the share of youth holding temporary contracts is the highest with Spain among OECD countries. This probably points at structural rigidities on the labour market disproportionately affecting youth. It also puts them at greater risk of being the first to be laid off during economic recessions. Furthermore, young people holding permanent contracts are only more likely to be subject to the LIFO (last-in-first-out) rule, in downturns.

CHAPTER 2

INITIAL EDUCATION AND ON-THE-JOB TRAINING

Good quality initial education is crucial in facilitating the STW transition and putting youth on a successful career track. Also, on-the-job training at the beginning of active life allows young people to fill the gaps in school-based education and acquire the skills required by firms.

The Polish public authorities recognise the importance of initial education and its relevance to labour market requirements. It has introduced several measures to enhance the effectiveness of its education system. Since 2009, parents may apply for their 6-year-old child to be accepted into a proper school: a first step in the right direction to promote early exposure to educational content. A number of other initiatives address the system's other problems, such as the relative decline in the attractiveness of vocational education and training (VET) in secondary schools.

This chapter looks at whether the Polish education system gives young people a good start in the labour market. Section 1 reviews the institutional arrangements, in particular the division of responsibility between different levels of government. Section 2 presents different performance indicators on the education system. Section 3 focuses on strategies to reduce the number of school drop-outs. Section 4 discusses what is available for young people to acquire practical work-based or work-related skills or experience while in school. The final section reviews young adults' participation in on-the-job training.

1. The provision and funding of education services

A. Outline

Since September 2004, compulsory education in Poland starts at the age of 6, with a year of pre-school preparation, the so-called "0 grade".[14] Proper

14. A child aged 3 to 5 may receive pre-primary education, which is not compulsory, but all the 6-year-old children attend either kindergartens or primary classes

primary education, with the obligation to attend on a full-time basis, starts during the calendar year in which the child reaches 7 years of age. Full-time attendance is compulsory until the age of 16. However, part-time compulsory education, in the school or out-of-school forms, lasts until 18 years of age (Eurydice, 2008).

The lower-secondary level consists of three years in gymnasium, starting at the age of 13. This is followed by the upper secondary level, which has several alternatives, the most common being three years in a (academic-oriented) *lyceum,* or four years in a (vocational) *technikum*. Beyond, students can either directly enter the labour market or opt for several forms of higher/tertiary education, leading to *licencjat* or *inżynier* (Polish equivalents of Bachelor's degree), *magister* (Polish equivalent of Master's degree) and eventually *doktor* (Polish equivalent of PhD degree).

B. Governance and financing

After World War II, and prior to 1990, the education system in Poland was heavily centralised. Primary education, general secondary schools as well as universities were controlled by the Ministry of Education (Herbst, 2008).

Decentralisation and the broader context

The milestone years for decentralisation of education in Poland that led to the current division of responsibilities (see Box 2.1 for a detailed presentation) were the 1990s. The anti-communist opposition that came to power in 1989 considered that the quickest and the most effective way to reform the country was to decentralise it as deeply as possible.[15] In this context, the educational reform should be regarded as a big political project and not only, or even not predominantly, as the reordering of the school system (Herbst, 2008).

The early 1990s marked the reinstatement of territorial/local self-governments in the country. From the very beginning of their functioning, municipal governments became responsible for an important educational task: maintaining (funding) and managing pre-schools

attached to primary schools, as the Ministry of National Education has introduced an obligatory "0 grade" starting the school year 2004/05 and therefore the age of beginning of the compulsory schooling has been lowered from 7 to 6.

15. A similar logic seems to have prevailed when authorities decentralised the provision of public employment services (PES) in the 1990s. More on this in Chapter 4.

(kindergarten). Since 1996 the maintenance of the primary school network, both in terms of human resources and physical facilities, became a compulsory task of local governments at the municipal level. Another major step in the process of decentralisation came in 1999 when the maintenance and management of secondary schools, as well as of most non-school educational tasks *(e.g.* youth hospices, boarding schools, reformatories), became the responsibility of the newly-created county administration.

Box 2.1. **The current division of government responsibilities in education and training**

Under the communist regime the system was controlled and operated centrally. But the 1990s were marked by successive waves of decentralisation.

Since 1996 the maintenance of the pre-school and primary school network – both in terms of human resources and physical facilities – is under municipal jurisdiction. Another major step in the process of decentralisation came in 1999, when the maintenance and management of secondary schools, as well as of most non-school educational tasks (*e.g.* youth hospices, boarding schools, reformatories), became the responsibility of the newly created county administration.

The basic principles of the current Polish education system are included in the School Education Act of 7 September 1991 with further 1996 and 1999 amendments. This Act regulates the division of competencies in the field of administration of each school (pre-school) institution according to different state administration levels (central, regional, local).

Central ministries

Since 2006, the main responsibility for the education sector has been held by two ministries: the Ministry of National Education and the Ministry of Science and Higher Education (responsible for higher/tertiary education).

The *Ministry of National Education'* role is to *i)* organise the school year, *ii)* define the core curricula for pre-school education, core curricula for general education, specialised education and general vocational education; *iii)* approve curricula and textbooks and *iv)* set the rules for assessing and promoting pupils and for conducting tests and examinations.

The Ministry of National Education also defines the classification of professions for vocational education as well as areas of general vocational training related to particular branches of the economy.

Box 2.1. **The current division of government responsibilities in education and training** *(cont'd)*

The central budget earmarked for public education is transferred from the Ministry of Finance to 2 500 municipalities and over 300 counties. These local authorities, in turn, are responsible for the allocation of these sums to schools (more on this below).

The *Ministry of Science and Higher Education* supervises the activities of higher education institutions. These comprise public and private providers than can specialise in the delivery of academic or more vocational programmes. Public institutions derive their revenues from three major sources: government subsidies, tuition fees and external resources, such as external research contracts. Private institutions derive their income almost exclusively from tuition fees. They have also access to public subsidies for research and for financial support of students.

Regional governments and compulsory education

The Education Superintendent is the chief educational officer at the regional level and is responsible for the general administration of compulsory education in a given region. Up to the recent times he was appointed by the Minister of National Education. Since 1999, he is appointed by the Head of Region, so he is a regional administration official supervised by the Head of Region (who is subordinated to the Prime Minister).

Local governments and education

Municipalities operate and fund pre-school institutions (including those with integration classes and special kindergartens). They also operate (and co-fund) primary schools and lower secondary schools called gymnasia.

Since 1999, secondary schools, as well as of most non-school educational tasks (*e.g.* youth hospices, boarding schools, reformatories), are operated and co-funded by the newly created county administration.

Source: Eurydice 's Eurybase; Herbst (2008).

Decentralisation and funding

In 1996, Poland introduced two-stage funding of public education. Under this new system, the central budget earmarked for public education is transferred from the Ministry of Finance to municipalities and counties (see Box 2.1). The local authorities, in turn, are responsible for direct school financing. The transfer from the central budget to local governments is done through a general (lump-sum) grant called the education subvention, and local governments are entirely autonomous in their decisions on how this money is spent.

An important point is that central funding it not covering pre-schooling expenses, as this service is expected to be financed by municipalities through their own revenue (more on this in Section 3). Although systematic supportive evidence is missing, it could be that such an arrangement contributes to the underprovision of pre-school-education opportunities in some parts of the territory, particularly in poorer rural areas.

More generally, municipalities and counties have been systematically co-financing schools from their own resources in recent times. In 2006, 37% of their expenditures on education came from sources other than the centrally-allocated education subvention.

Although the decentralisation of education is commonly considered in Poland a success (Herbst, 2008), the specific mechanisms of funding are hotly debated. Transaction costs between central and local authorities are on the rise and some clarification would probably be welcome.

First, there seems to be no standards as to what central funding (the education subvention) should cover (*e.g.* classroom with *x* pupils, a minimum of *y* hours of teaching per year, teachers with qualification *z*) as opposed to what should be left to local authorities' discretion (and funded through local public resources).

Second, the education subvention is divided between the local governments according to a (too) complex algorithm (formula), updated each year by the Ministry of National Education. The algorithm is subject to endless political bargains and hardly reflects any real/objective cost differences between municipalities or schools. It currently contains around 40 different parameters, with most of them having a negligible effect on the final allocation of central resources (Herbst, 2008).

The initial algorithm contained some elements of fiscal equalisation, addressing support directly to the (mainly rural) municipalities handicapped by a low tax base. Over time, due to mounting pressure from local governments claiming that they were receiving insufficient funding, the need-based formula was turned into a more cost-based one, resulting in a situation where it principally reflects (sometimes unjustifiable) payroll cost differences.

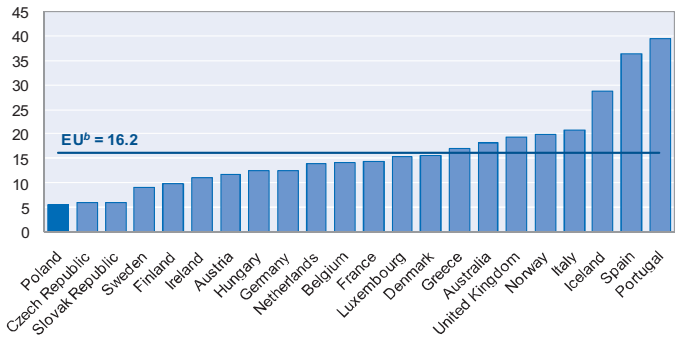
2. Performance of the education system

A. Overall performance

Poland compares very favourably with most OECD countries in terms of school drop-outs.[16] In 2008, it has the smallest proportion of youth aged 20-24 (5.5%) with no upper secondary education (or more) attainment (Figure 2.1). This is well below the European average of 16.2%. The evidence is also that the situation has further improved since the early 2000s (Figure 2.2).

Figure 2.1. **School drop-outs[a, b] among youth aged 20-24, Poland and selected OECD countries, 2008[c]**

Percentages of the age group



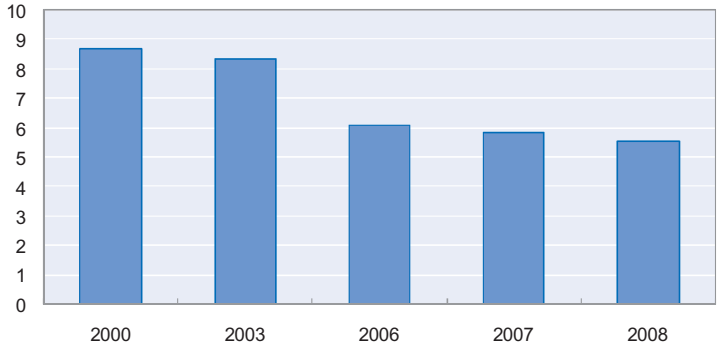
a) No longer in education without ISCED 3
b) Unweigthed average of the countries shown.
c) 2006 for Australia.

Source: European Union Labour Force Survey (EULFS) and Melbourne Institute, Household, Income and Labour Dynamics in Australia Survey (HILDA) Release 6 for Australia.

16. What is actually meant by the term "drop-out"? Educators tend to consider someone as a "drop-out" if he/she interrupts his/her upper secondary education before passing the final exams and obtaining the diploma. The definition used in this report is slightly different. It basically refers to the highest qualification that youth (15-24) or young adults (20-24) eventually obtain. Although the typical upper secondary school student will finish his/her secondary education by the age of 18, some do not, for a variety of reasons. Estimations of drop-out rates based on the attainment of groups that are relatively young might identify a "drop-out" as someone taking a temporary break from his/her schooling. This is the case where the drop-out rate is estimated for the 15-24 population. However, by the time a person is 20-24, much of the opportunity for completing upper secondary qualifications has gone. As a consequence, the drop-out rate is defined here as the share of 20-24-year-olds who are not attending school and who have not obtained an ISCED 3 qualification.

Figure 2.2. **Risk of being a school drop-out,[a] youth aged 20-24, Poland, 2000-08**

Percentages

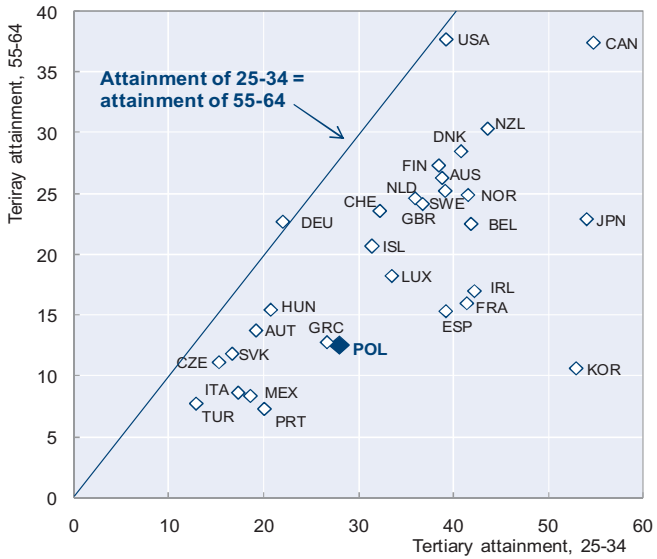


a) No longer in education without ISCED 3.

Source: European Union Labour Force Survey (EULFS).

Figure 2.3. **Population that has attained tertiary education, OECD countries, 2006**

Percentages of the age group



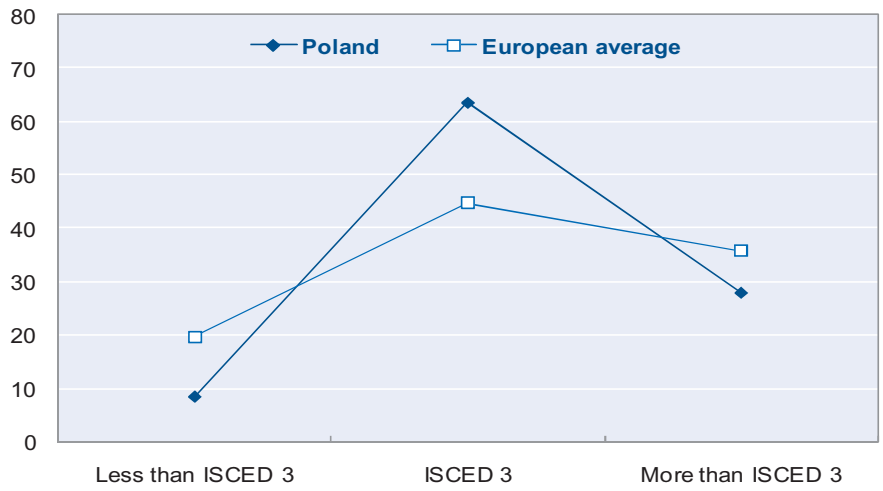
Source: OECD Education database.

Nonetheless, the number of young adults (25-34) holding a tertiary degree (*i.e.* an ISCED 5 or ISCED 6 qualification) is relatively low in Poland (Figure 2.3, horizontal axis). In 2006, they represented 28% of the cohort while the OECD average was 33%. A good point is that graduation rates are on the rise as younger cohorts reach that level of educational attainment more systematically than older ones. Indeed, only 12.5% of Poles aged 55-64 held a tertiary degree in 2006.

A closer look at the educational attainment of young adults aged 25-29 in Poland relative to other OECD countries reveals a "inverted U-shaped" distribution of attainment (Figure 2.4): in 2008 there were relatively few individuals at both extremes of the distribution and many in the middle. As stated earlier, low achievers (*i.e.* drop-outs with less than ISCED 3) and also to a lesser extent high achievers (*i.e.* graduates with more than ISCED 3) are relatively rare. But, logically, the share of those who achieve an intermediate level (ISCED 3) is larger than elsewhere.

Figure 2.4. **Distribution of young adults by level of education,[a] Poland and Europe, 2008**

Percentages by level of education[b]



a) Young adults refer to 25-29.

b) The first step to obtain these ranks is to calculate the percentage of respondents by educational attainment (less than ISCED 3, ISCED 3 or more than ISCED 3). Second, for each of these level of education, the percentages are ranked in descending order (rank 1 = higher percentage, rank 23 = lowest percentage).

Source: European Union Labour Force Survey (EULFS).

B. Achievement at age 15

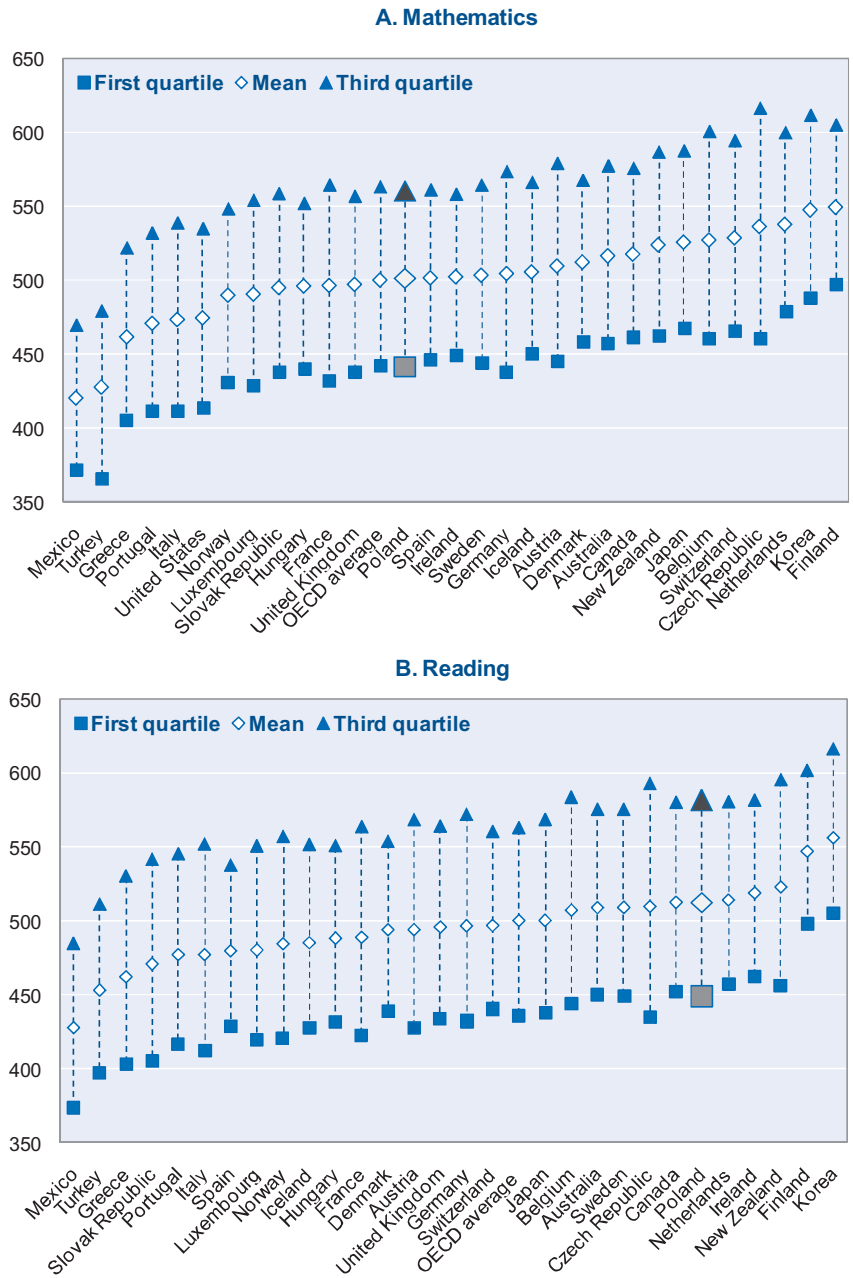
The education sector[17] absorbed 3.7% of GDP in 2005, slightly below the OECD average of 3.8% (OECD, 2008e). Results from the OECD's Programme for International Student Assessment (PISA) 2006 revealed an average performance for Polish teenagers aged 15 (Figure 2.5). This statement also applied for low and high achievers (*i.e.* 1st and 3rd quartiles, Figure 2.5. left and right panel, respectively). In all three cases, Polish test scores are very close to the OECD averages.

Another interesting feature is the rural/urban PISA score gap. Chapter 1 shows that there are quite large discrepancies in terms of youth labour market outcomes between big urban centres and smaller towns or rural areas (Table 1.1). Figure 2.6 shows a somehow similar pattern in terms of test scores. Rural areas (< 3000 inhabitants) display tests scores that are equal to 98% of the national average, while the attainment of metropolitan areas (> 1 000 000 inhabitants) is equal to 109% of the national average. The rural/urban score gap appears however more pronounced in Italy or Hungary. And the overall geographical dispersion of test scores appears lower in Poland than in the other OECD countries on display in Figure 2.6.

The tentative conclusion is that, despite an undisputable urban/rural score gradient, the quality of basic education remains relatively uniform across Poland's rural, urban and metropolitan areas, with the differences between cities and rural areas being much smaller than expected against a backdrop of rising regional GDP growth and labour market inequalities abundantly commented in Chapter 1 and other OECD reports (OECD, 2008d and 2008f).

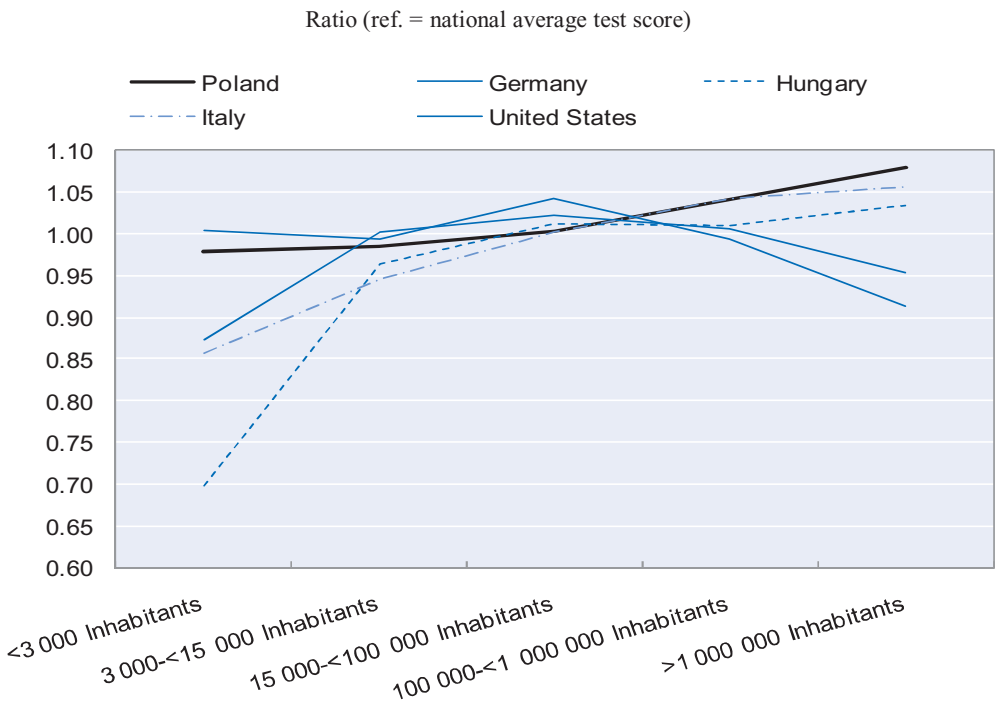
17. Primary, secondary and post-secondary non-tertiary education from public and private sources.

Figure 2.5. **Polish students' performance, based on PISA 2006**



Source : OECD PISA 2006 database.

Figure 2.6. **Score gap in mathematics between rural and urban regions for youth aged 15, OECD countries, 2006**

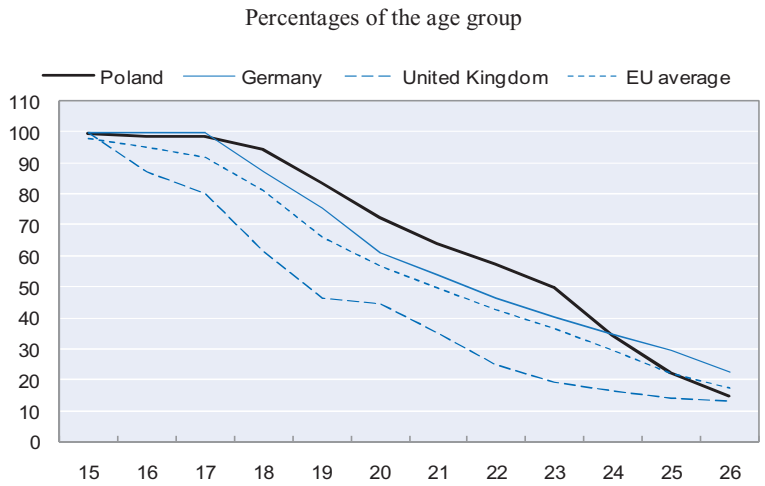


Source: OECD PISA 2006 database.

C. Expansion of tertiary education

The current distribution of educational attainment among young adults is characterised by a relatively small fraction of tertiary graduates (people achieving ISCED 5 or more). However, things are likely to change in the not-so-distant future. In 2008 Poland had a retention rate in its educational system beyond the age of 16 that was superior to the European average, and certainly above that of the United Kingdom (Figure 2.7).

Figure 2.7. **Staying on[a] after 16, Poland and selected European countries , 2008**



a) Percentage of respondents who declare being student.

Source: European Union Labour Force Survey (EULFS).

The number of students attending tertiary education programmes has quintupled since the early 1990s, and the growth rate in the 2000s, despite clear signs of slowdown, is still positive (Figure 2.8). The flip side of this extensive educational trend has probably been a reduction of the number of youth completing VET programmes guaranteeing a higher degree of job readiness.

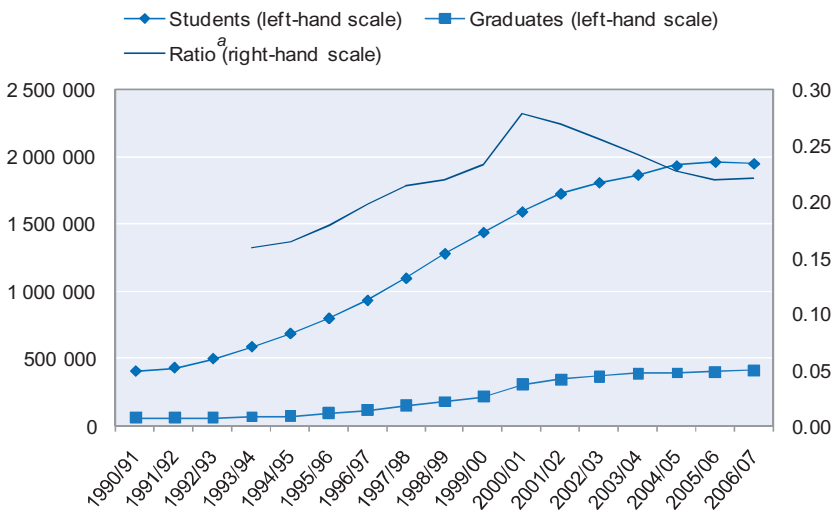
The rapid expansion of tertiary education also raises concerns about its quality. Figure 2.8 contains some (tentative)[18] estimates of the evolution of the performance of the systems in terms of its ability to transform students into graduates. The right-hand vertical axis measures the ratio of the number of graduates to the (lagged) number of students. It rose until the early 2000s but has displayed a negative slope since, which suggests a deteriorating performance.

Rising participation in tertiary education is markedly supported by the country's wage structure. Poland offers one of the highest rates of return on investment in education (Table 2.1, Column 1). The estimation of a

18. Earnestly, a proper evaluation of the issue would require much more precise and detailed data that the ones used here.

Mincerian earnings equation[19] using European Union Survey on Income and Living Conditions (EUSILC) reveals that in Poland each additional year spent in education translates in a 10% increment of the monthly gross wage. The EU average is only 7.7%.

Figure 2.8. **Expansion of tertiary education in Poland, 1990-2007**



a) The displayed ratio is calculated by dividing the number of graduates by the number of students three years before to reflect the time it takes for students to graduate. It should also be reminded that the number of students is logically larger than the number of graduates. This is because the former is a stock and the latter an (annual) flow.

Source: Polish Central Statistical Office 2008, Higher Education Institutions (Schools) and their Finances, 2007.

Tertiary education massification is thus comforted by the large wage premium associated to the possession of a tertiary education degree (Table 2.1, Column 2). In Poland in 2007, compared with those holding only an upper secondary degree, tertiary graduates commanded a (gross monthly) wage premium of 54%. The EU average was significantly lower at 35%.

19. The standard form of the Mincer wage regression is $\log W = \beta 0 + \beta 1 S + \beta 2 exp + \beta 3 exp2 + \varepsilon$, where W is the gross wage earned by an individual, S is the number of years of formal education he/she attended, and *exp* and *exp2* a 2nd order function of the labour market experience that captures the propensity of individuals to *i)* acquire skills "on the job"; and *ii)* undergo skill depreciation over time.

Table 2.1. **Rates of return on investment in education,[a] 2007**

Percentages

	Wage premium associated with an additional year of schooling	Wage premium associated with tertiary degree[b]
Austria	8.2	27.2
Belgium	5.4	23.9
Czech Republic	12.4	50.3
Denmark	5.4	21.6
Finland	9.4	56.6
France	6.6	33.3
Germany	8.0	28.3
Greece	6.5	31.6
Hungary	13.2	62.3
Iceland	6.4	30.6
Ireland	6.7	31.8
Italy	6.3	19.6
Luxembourg	8.8	44.9
Netherlands	6.6	32.1
Norway	6.0	19.1
Poland	**10.0**	**54.4**
Portugal	10.4	54.6
Slovak Republic	8.4	31.9
Spain	5.3	24.2
Sweden	4.2	19.6
United Kingdom	8.9	36.3
Unweighted average	7.7	35.2

a) Values reported in Column 2 are the estimated γ from the equation $log(W) = \alpha + \beta 1EXP + \beta 2EXP2 + \gamma S$. Where *S* is the number of year spent in education since the age of 6.Values reported in Column 3 are the estimated γ from the equation $log(W) = \alpha + \beta 1EXP + \beta 2EXP2 + \gamma TER$ where TER is equal to 1 if the respondent holds a tertiary degree and 0 is he/she holds a secondary degree. Low-educated individuals are excluded from the analysis. W stands for wages estimated from monthly gross wages of full-time workers aged 15 to 64. Missing values for wages for these individuals remain below the 15% threshold for all EU countries reported here. It is of 11% for Poland.

b) Reference category = workers with an upper secondary educational attainment.

Source: European Union Survey on Income and Living conditions (EUSILC).

3. Strategies to improve educational attainment

A. The long-run view: expanding pre-school enrolment

There is a growing recognition that quality pre-school[20] provides young children, particularly those from low-income or other disadvantaged backgrounds, with a good start in life (OECD, 2006a). Participation in pre-school – where children are exposed to a proper educational content – could be particularly good for the latter, as it could reduce the incidence of dropping out of school or act as a long-term catalyst of STW transition.

A relatively unknown feature of the PISA 2003 survey is that participants were asked to report their *pre-school* experience before they started primary schooling. This information can be used to measure the *correlation* between early education and cognitive achievement at the age of 15 (that, in itself is a good predictor of future academic and professional success). In Poland, reported score differences (Figure 2.9) between those who spent two years or more in kindergarten and those who spent no time range from 24 to 30 points on the PISA scale (or .24 to .30 of a standard deviation).[21] The score gaps in Poland, for both reading and mathematics, are above the equivalent OECD averages.

These results are in accordance with the evidence published in the research literature that aims at measuring the cost/benefits of early education. Carneiro and Heckman (2003) review several evaluation studies of the long-term benefits of pre-school programmes on children from low-income families. Reviewed studies find evidence of sizeable long-term effects on school achievement and grade repeating, particularly when efforts

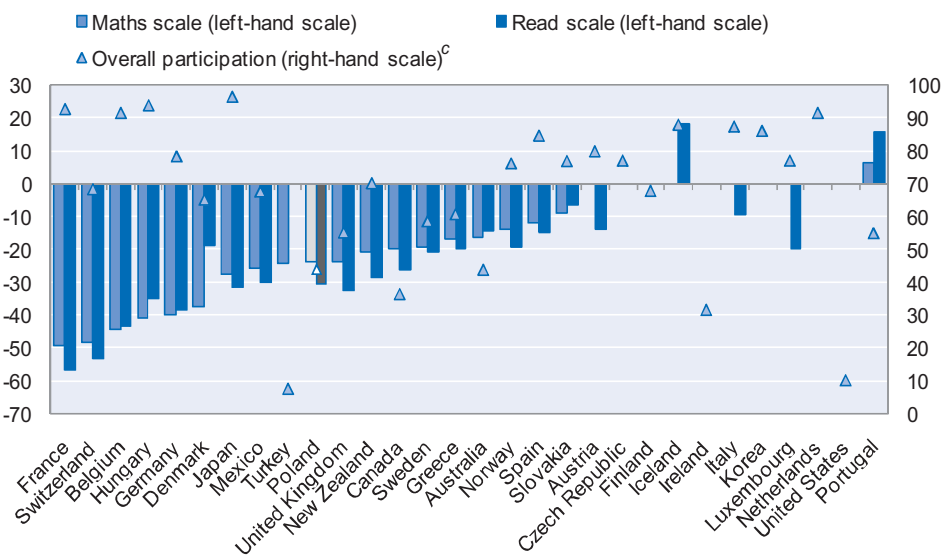
20. Pre-school should not be amalgamated with childcare services. Childcare refers to arrangements made for the care of children when parents are not available. Traditionally, childcare has been viewed as a tool to foster (mainly female) employment and support families. Being part of the education system pre-schools are supposed to offer a range of educational and developmental programmes to children, delivered by staff with teaching qualifications. As mentioned earlier, there is abundant evidence, from the evaluation literature, concerning the long-term benefits of pre-school (*i.e.* school-like learning approaches). The evaluation of the outcomes of child-care programmes are much more contrasted, and sometimes negative (Lefèbvre *et al*., 2006).

21. The reported coefficients are net of what should logically be attributed to background variables that are beyond the control of education and social policy. These variables include the level of education of parents (both mother and father), the immigration status, as well as the socio-economic and cultural status of the parents.

are sustained beyond the pre-school period. Positive effects of pre-school education on school failure and grade repetition have been found in France, where pre-school is almost universal among 3-to-5-year-olds (Caille and Rosenwald, 2006). Boocock (1995) reviews childcare in Sweden and concludes that participation in pre-school has benefits in terms of cognitive development and school success, and that these are more positive for children of low-income families.

Figure 2.9. **Pre-school non-attendance and score gap[a] at the age of 15, OECD countries, 2003**

No pre-school attendance *versus* two or more years of attendance[b]



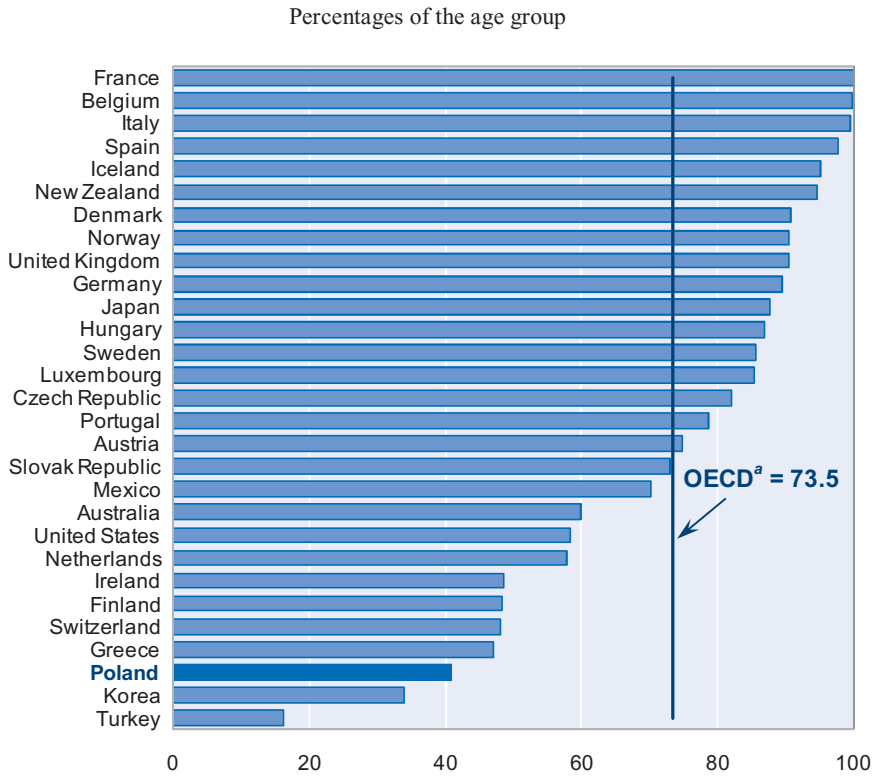
a) Ordinary least squares (OLS) coefficients not statistically significant at the 5% level are set to zero. The regression includes the following control variables: mother education, father education, immigration status, index of socio-economic and cultural status.
b) Reference group.
c) Estimated by the share of respondents who declare having spent two years or more in pre-school.

Source: OECD PISA 2003 database.

In Poland like in many other OECD countries pre-school programmes start at age 3. But international data (Figure 2.10) show that the pre-school attendance among children aged 3-5 is much lower in Poland than in the rest of OECD. In 2006, only 41% of children aged 3-5 attended pre-school

programmes, well below the OECD average of 73.5%. This low enrolment in pre-school programmes partially reflects *i)* the disappearance of childcare facilities previously funded and operated by state-owned firms, and *ii)* the relative inability or unwillingness of municipalies in charge of pre-school financing since the early 1990s (see Box 2.1) to step in after the wave of closures/privatisations of former state-owned companies.

Figure 2.10. **Pre-school attendance rates among 3-5-year-olds, OECD countries, 2006**



a) Unweighted average of countries shown.

Source: OECD Education database.

B. Improving the quality of vocational education in secondary education

While the proportion of young adults with at least upper secondary education is rising high in Poland, one must still count with those who have just completed secondary education (or dropped-out from tertiary education). They constitute a group that is often ill-prepared for the labour market, lacking the type of skills that employers seek in new recruits. One reason is that many secondary education students, who in the past would have been in VET[22] schools, are now in general secondary schools. And although many of them complete the programme, they are neither able to attend (or successfully complete) tertiary education nor well equipped for the labour market (OECD, 2008d).

Fewer pupils than in the past opt for the vocational stream at the secondary education level, in part because of the 1999 reform. One of the aims of that reform was to increase the share of young people with upper secondary and tertiary education. The target was to achieve a share of 80%, the remaining 20% being in vocational schools. But there is also anecdotal evidence of quality problems within VET schools that may contribute to the above-mentioned negative trend.

The current Polish government aims at increasing the share of graduates completing secondary VET (ISCED 3C) in relation to the total number of graduates completing secondary education (ISCED 3, all types pooled) from 12% to 14% by 2013 (Ministry of Regional Development, 2007). It also aims at improving the match between the supply of VET and the needs of the labour market. To this end, the government has adopted (or consider adopting) a number of measures.

A first element is the modernisation, by the Ministry of National Education, of the *official classification of occupations in VET*. The current classification is blamed for being too inflexible and maladjusted to changing economic realities.[23] Efforts are made to acquire a clearer picture of *i)* the new vocational qualifications needed by an economy that has undergone major transformations (less heavy industry, more services, etc.) and *ii)* a closer monitoring of labour surpluses and shortages by occupation and region.

22. Vocational Education and Training.

23. A distinct issue is the official titles/diplomas needed to enter occupations in Poland. This is an area under the jurisdiction of the Ministry of Labour and Social Policy. Many in Poland argue that this scheme should be *i)* much more limited in scope (*i.e.* access to many professions should be liberalised) and *ii)* modernised.

Second, a nationwide network of *examination centres* is being established to promote the certification of VET qualifications acquired mainly outside schools (OECD, 2008d).

Third, the modernisation strategy also consists of promoting co-operation between employers and VET schools. Currently, it is mostly the manufacturing industry that participates in the development of new VET curricula or diplomas, and offers traineeships to youth. The challenge is to initiate similar moves with other industries.

4. Between school and work

A. Apprenticeships, traineeships and internships

Before the economic transition of the 1990s, many VET schools organised a significant part of their training inside state-owned enterprises. However, this firm-based system (*i.e.* very similar in some respects to the German dual system) has almost completely collapsed in the course of economic restructuring. As a result, VET has become far more school-based.

A very old form of VET education – that, in a sense, has been better at weathering the transition – is the apprenticeship system[24] managed by the Polish Craft Association. It runs its own schools although it co-operates with the traditional VET schools. Young workers can sign an agreement with an employer on vocational preparation, and can obtain the title of apprentice or skilled worker. In the early 2000s, approximately 60 000 students annually obtained VET qualifications via this system, although not all of them were young as the latter is accessible also to adults.

According to the Ordinance from 28 May 1996 on Practical Training for Youth and their Remuneration, employers can establish a contract for vocational training for at least 24 months. Vocational training should be provided for one of the occupations listed in the *official classification of occupations* mentioned early. The contract should specify a form of theoretical teaching. Employers are eligible for refunding of the cost of the theoretical schooling they provide. If the employer has no possibility to organise theoretical courses on his own, he should direct youth to an established VET school. Upon completion of their contract, youth have the possibility to take an official exam and acquire a state-recognised certificate.

24. Not to be confounded with *apprenticeships* organised by the PES (see Chapter 4 for more on the latter).

It is also worth mentioning recent initiatives aimed at fostering traineeships/internships among tertiary education students. According to the Regulation of 17 July 2007 on degree programme requirements (national standards), tertiary education students of every field of study are obliged to hold internships. Authorities of higher education institutions conclude contracts with interested employers defining the purpose and conditions of internships. Independently of these agreements, students have a right to apply for internship in a freely-chosen company. Duration is defined in programme requirements for every field of study. The longest ones – lasting a couple of months – are to be found in medical studies. Other fields of studies include standards for obligatory internships ranging from three to 12 weeks. Students do not receive any remuneration during their internships.

B. Few student jobs

It is worth reminding that, in Poland, only a limited number of students get their first work experience before completing initial education (see Chapter 1). This is due to a low incidence of student jobs (Figure 1.7). Whether student jobs are beneficial or not[25] has been extensively analysed in the United States, and to a lesser extent in Australia (OECD, 2009a). While some of the studies tend to find negative impacts of combining study and work, others show that a modest involvement (*i.e.* less than 20 hours a week) in work activities actually leads to positive academic and labour market outcomes. If true, this means that Poland underexploits a relatively simple mechanism to improve the academic and labour market prospects of its youth.

25. One can think of the following mechanisms through which working while in school might have an impact on educational attainment. On the one hand, early work experience while enrolled in high school may hinder school performance, so that the individual gets behind in his or her schoolwork to the point where dropping out and entering the labour market is the preferred option. The student may also simply lose interest in schoolwork and enter the labour force on a full-time basis. At the same time, working while in school need not be detrimental. It could be that some moderate exposure to the labour market while in school might actually lead young individuals to develop other qualities, such as a greater sense of responsibility, improved work ethics, and better discipline, in which case it could actually improve the prospects of graduating from high school. Similarly, in terms of its impact on future labour market outcomes, it is not clear that investments made early in work experiences may hurt individuals in the long run. For example, the inherent search process involved might help young people decide what they intend to do later. Moreover, some of the skills acquired on the job are likely to be transferable across employers and thus potentially help increase future wages.

C. *Orientation, guidance and placement*

Another element potentially fostering a smooth STW transition is good career education and guidance, prior to young people's entry into the labour market (Ryan, 1999; OECD, 2004a). What is more, educational and career counselling provided by schools is particularly important for pupils who do not learn from their families or other well-connected social networks. The changing nature of labour market needs also matter more than in the past and justify paying intention to guidance.

At the moment, educational and career guidance is underdeveloped in Poland. But there are initiatives to remedy this (Ministry of Regional Development, 2007). One of them is undertaken by the *Voluntary Labour Corps* (VLC). This structure is primarily a provider of active labour market programmes (ALMPs) for youth (see Chapter 4 for more on this). But another important element of VLC's mission is to offer vocational guidance to young people while they are still in school. And one of its strategies consists of organising mobile centres (*i.e.* vans) disseminating vocational information throughout Poland's relatively vast territories.

Other school-based[26] guidance services are organised by the Ministry of National Education. In Poland, secondary schools pupils have a statutory obligation to provide information on studies or career opportunities. But this generally means that there is one teacher serving as a counsellor, generally on a part-time basis, dealing both with social/psychological questions and with career development. The time available for counselling is limited, the career counselling part consisting mostly of *information* about the availability of educational services. School counsellors are not trained in counselling in addition to their teaching role.

Finally, it is worth mentioning the existence of Career Offices in tertiary education institutions. A National Network of Careers Offices was created in 1998. It encompasses the careers offices which have been established in most institutions. They provide guidance and counselling to students and graduates upon entry into the labour market. They provide information to students on career options, links to potential employers and often also job-search or interview skills training courses.

26. There are also *Career Planning* and *Information Centers* accessible within the organisational structure of 16 regional labour offices. But these are aimed at people who have left the education system.

5. Job-related training

There is limited internationally comparable evidence regarding the incidence of job-related adult education and training among young (16-24) workers.[27] For Poland, the more trustworthy source of comparison is the European Union Labour Force Survey (EULFS).

Table 2.2 documents the incidence of education or training (during the four weeks preceding the interview) for different categories of workers. Poland ranks rather high in comparison with other new EU members. In 2007, the largest group of participants in continuing education were the young (15-24) workers: 22% of them declared participating in education or training during the reference period. This is above the EU average of 20%.

The situation looks more problematic for low-skilled workers (*i.e.* those without ISCED 3). These are not particularly numerous in Poland due to the country's very low drop-out rate (Figure 2.1). Yet, in relative terms, their chance of getting access to continuing education at 13.3% appears lower than the EU average (24.4%), and much lower than in Switzerland (78.7%) or Germany (75.4%).

6. Key points

Poland is characterised by a low pre-school attendance rate, singularly below the age of 6. This is likely to compromise the long-term prospects of some segments of Poland's youth. Such a situation points at an insufficient supply of pre-school and childcare facilities, itself the consequence of inappropriate funding mechanisms. Incidentally, the current level of under-provision/participation may also have detrimental effects on young Polish women' supply of labour, known for being already particularly low by international standards.

Poland's educational attainment is globally positive. The country has one of the lowest drop-out rates in the OECD. PISA test scores at the age of 15 are equal or slightly above the OECD average. And there are less rural *versus* urban asymmetries than the overall regional economic imbalances would suggest.

27. The figures below *a priori* exclude youth who continue education at the tertiary level or those who continue education in schools for adults. In Poland there are special (second-chance) schools for individuals aged 18+ (typically drop-outs) with the aim of increasing their level of human capital at a later stage of their life.

Table 2.2. **Incidence of education and training among young full-time workers, Poland and Europe, 2007**

Percentages of workers who participated in education or training over the preceding four weeks

	Youth[a]	Low-educated[b] youth	Adult[c]
Switzerland	50.5	78.7	27.4
Denmark	**43.0**	**50.1**	**28.3**
Germany	36.3	75.4	6.8
Finland	33.5	37.5	24.8
Austria	31.6	65.2	12.8
Netherlands	29.8	27.4	16.8
Norway	23.6	28.2	20.3
Sweden	22.7	20.2	16.2
Poland	**21.7**	**13.3**	**5.2**
France	18.1	22.8	8.6
Spain	16.6	9.5	12.1
Ireland	14.7	11.6	7.7
Luxembourg	11.4	16.8	7.5
Belgium	10.2	6.1	7.7
Czech Republic	8.9	6.4	6.1
Italy	8.0	3.8	5.9
Hungary	8.0	4.4	3.0
Portugal	6.2	3.7	3.1
Greece	5.3	3.5	1.4
Slovak Republic	1.7	2.4	3.6
EU average	**20.1**	**24.4**	**11.3**

a) Aged 15-29.
b) With less than an ISCED 3 attainment.
c) Aged 30-54.

Source: European Union Labour Force Survey (EULFS).

The distribution of educational attainment among adults is characterised by a below-OECD-average fraction of tertiary graduates. But this essentially reflects a (past) cohort effect. Things are indeed likely to change in the near future as the number of students attending tertiary education programmes has quintupled since the early 1990s.

The flip side of the expansion of tertiary education has been a reduction of the number – and probably also the quality – of youth completing vocational secondary education. And these trends coincided with supply-side problems. Large segments of firm-based vocational education collapsed with the dismantling of large state-owned firms. The *official classification of occupations in VET* established by the Ministry of National Education also became largely obsolete with the economic transition and is in urgent need of modernisation. The Polish authorities are actively working on the definition of new vocational curricula as well as the establishment of a new and more flexible system of VET certification.

CHAPTER 3

DEMAND-SIDE OPPORTUNITIES AND BARRIERS

Although education and training policies are central elements of any long-term effective strategy for improving youth labour market prospects, a comprehensive policy framework has to pay attention to the opportunities and constraints that are specific to the labour market and rooted in the policies and institutions governing it. Particular attention should be paid to current labour market arrangements as well as other institutions and their impact on the demand for young people, singularly those with no or limited education or lacking labour market experience.

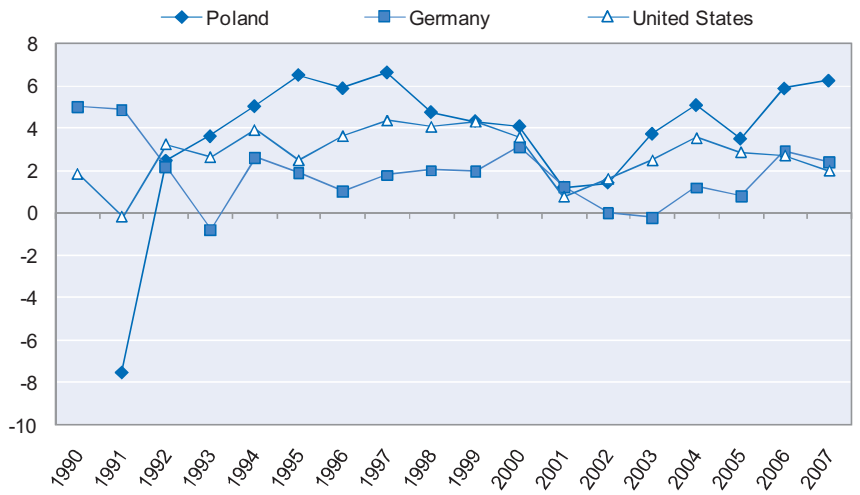
Section 1 examines Poland's current labour market and employment opportunities in general. Section 2 explores the macro determinants of youth unemployment, in particular its sensitivity to change in the level of GDP growth. The following sections examine wages and labour market institutions. Section 3 looks at the relative wages of young people alongside wage-setting institutions, employment protection, the level of taxes and social security contributions and labour contract regulations that could affect the entry of youth into the (formal) labour market. Section 4 reviews the evidence on wage gaps between young women and young men.

1. GDP growth and overall employment

Until quite recently, Poland's economic was enjoying a period of robust growth at an annual rate exceeding 4% (Figure 3.1). In December 2008, the overall unemployment rate decreased to 6.5%, an unprecedented low level since the beginning of the economic transition. In 2007, the overall level of employment also managed to head back slightly above its 1998 level, marking the end of a decade of employment contraction (Figure 3.2).

Figure 3.1. **GDP growth, Poland *versus* Germany and the United States, 1990-2007**

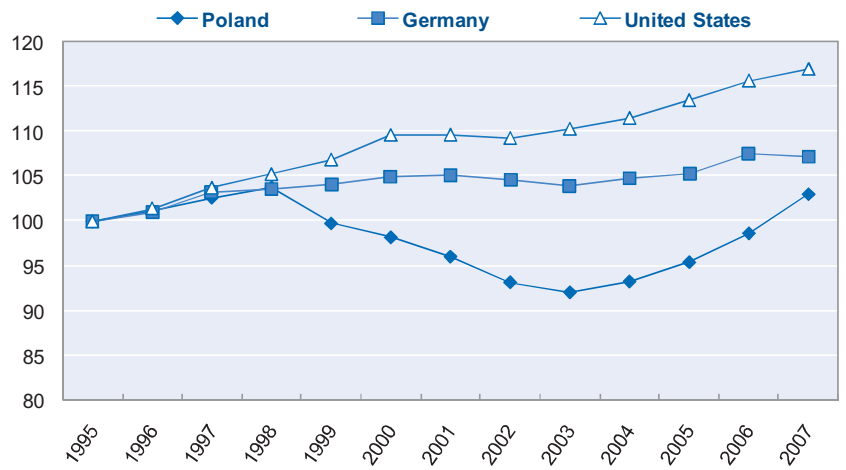
Annual percentage change of real GDP



Source: OECD National Accounts database.

Figure 3.2. **Employment, Poland, Germany and the United States, 1995-2007**

Index 100 = 1995

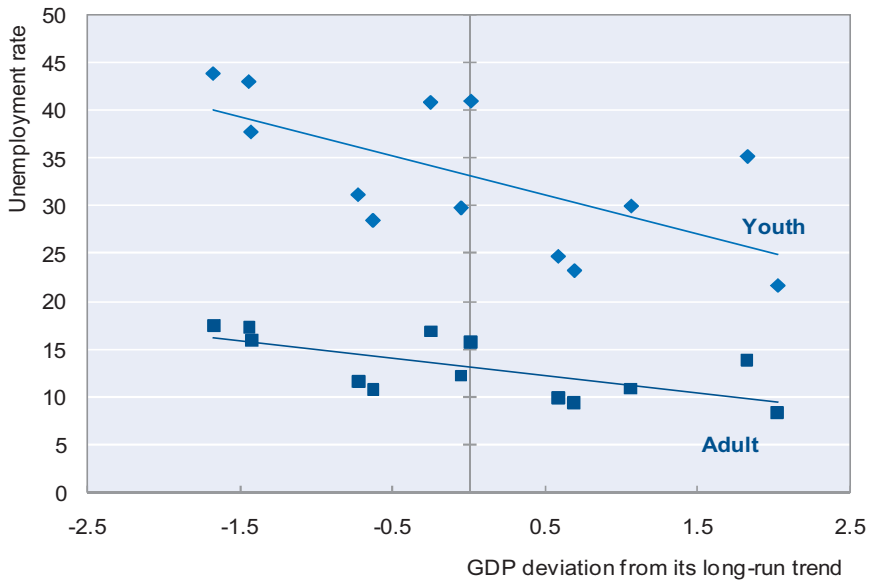


Source: OECD Labour Force database.

2. The sensitivity of youth unemployment to the business cycle

But the world is now facing a severe crisis, with contagion effects hitting Poland and contributing to an overall deterioration of labour market prospects. The point worth stressing in this review is that youth in Poland, but also elsewhere in the OECD, is likely to be one of the most affected groups (Figure 3.3).

Figure 3.3. **Youth (15-24) and adult (25-54) unemployment rates and deviations of the GDP growth rate from its long-run trend,[a] Poland, 1995-2007**



a) A crucial input of this figure is the GDP data. Annual GDP time series consist of GDP chained linked volume index, with base year 2000. We are particularly interested in the consequences of GDP shocks, where the term "shocks" refer to deviations from the long-run trend. To capture these shocks we resort to de-trending techniques. GDP data are de-trended with a Hodrick-Prescott (1997) filter. This methodology basically consists in minimising a function of the sum of the cyclical part of a time-series plus the sum of the squares of the trend component's second differences, multiplied by a given parameter λ. Following a large literature and given the annual frequency of the data, a parameter $\lambda = 6.25$ was chosen.

Source: OECD Labour Force Statistics database for unemployment rates; and *OECD National Accounts database* for GDP.

Assuming past patterns are a good guide for future developments, one can predict for the OECD on average that each percentage-point (negative) deviation from the GDP's long-term growth rate will lead to 0.66 percentage-point increase of the adult (25-54) unemployment rate. But the equivalent youth (15-24) unemployment rate increment will be 1.36 percentage points (Table 3.1, Col.2).

Results for Poland point at a significantly higher reactivity**.** A 1 percentage point deviation from the GDP's long-term growth rate usually translates into a 1.8 percentage-point increase of the adult unemployment rate. And the youth (15-24) unemployment rate usually rises by 4.1 percentage points (Table 3.1, Column 3.) in similar circumstances**.**

Table 3.1. **How the unemployment rate responds to a 1 percentage point (negative) deviation of the GDP growth rate,[a] Poland *versus* all OECD countries,**

	Poland	OECD[a] (all countries pooled)
Youth (15-24)	4.10	1.36
Adults (25-54)	1.79	0.66
Senior (55-64)	0.86	0.45

a) All OECD countries are pooled between 1966 and 2007. For Poland, the first observation is 1995 and the latest observation is 2007DP deviations from its long-run trend or "shocks" are captured by de-trending techniques of annual GDP time series consisting of GDP chained linked volume index with base year 2000. GDP data are de-trended with a Hodrick-Prescott (1997) filter. This methodology basically consists in minimising a function of the sum of the cyclical part of a time series *plus* the sum of the squares of the trend component's second differences, multiplied by a given parameter λ. Following a large literature and given the annual frequency of the data, a parameter $\lambda = 6.25$ was chosen.

Source: OECD Labour Force Statistics database for unemployment rates; and *OECD National Accounts database* for GDP.

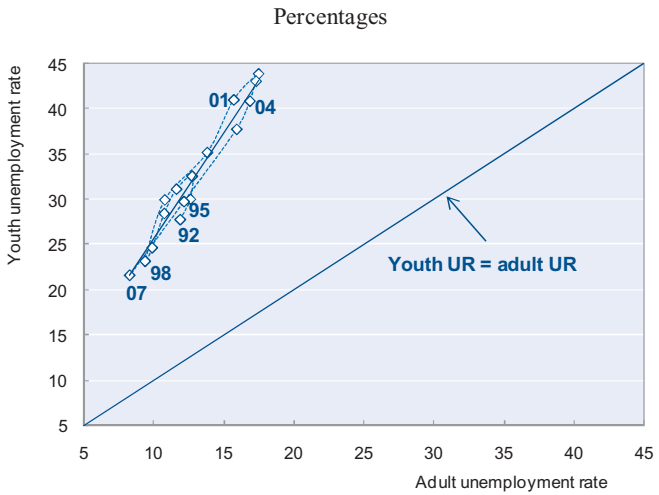
Examination of how variations in youth unemployment rates are also related to variations in adult (25-54) unemployment conveys the same message. In Poland, like in other OECD countries, variations in youth unemployment rates (vertical axis on Figure 3.4) have historically been closely related to variations in adult unemployment rates (horizontal axis).

But there is more that a visual correlation. First, a simple regression applied to the data visible in Figure 3.4 reveals that the youth unemployment rate reaches about 25% when the adult rate is 10%. It validates the stylised

fact mentioned in Chapter 1 that the level of youth unemployment is more than double that of the adult unemployment rate.

Second, the estimated slope of the linear trend visible in Figure 3.4 is more than 2.3, meaning that a 1 percentage-point increase (decrease) of the adult rate translates into a (at least) 2.3 percentage-point increment (reduction) of the youth unemployment rate.

Figure 3.4. **Youth[a] *versus* adult[b] unemployment rates,[c] Poland, 1992-2007**



a) Aged 15-24.
b) Aged 25-54.
c) The linear relationship between youth and adult unemployment rates is equal to ur_y= 2.36*ur_a + 1.89, where ur_y is the youth unemployment rate and ur_a is the adult unemployment rate.

Source: OECD Labour Force database.

Conventionally, youth unemployment rates are expected to be higher and more sensitive than adult unemployment rates to changes in aggregate demand for labour. Here are some of the main reasons.

First, much research has shown that the first reaction of firms to a recession is to cease hiring before commencing on the more expensive procedure of redundancies. It is evident that young people comprise a disproportionate segment of job-seekers and thus are more heavily affected by a freeze in new recruitments.

Second, for employers, the cost to firms of firing young people is lower than for older workers. Having less experience than the long-term insiders, they embody lower levels of investment by firms in specific training and

consequently involve a smaller loss to firms making them redundant. Moreover, young people are more likely to be subject to the LIFO (last-in-first-out) rule, especially in Poland where many hold temporary contracts. Almost invariably, employment protection legislation requires a qualifying period before it can be invoked and typically compensation for redundancy increases with tenure/seniority. Thus, also for these reasons, the more recently hired employees will be cheaper to fire. Obviously, this will disproportionately affect young people (O'Higgins, 1997).

Third, young people are more likely to voluntarily quit their jobs than older workers. Their initial experiences in the labour market are likely to involve a certain amount of "shopping around" in so far as circumstances permit, so as to find an appropriate occupation. The opportunity cost of doing so is lower for young people. They will tend to have less experience and lower wages, and are less likely to "need" a job to support a family. Blanchflower and Freeman (1996) report that, in the United States, young people between the ages of 16 and 25 typically hold seven to eight different jobs. If such voluntary quitting or behaviour or "shopping around" is less cyclically sensitive than job availability, one consequence will be that when job opportunities become scarce, unemployment will rise more amongst those groups with a higher likelihood of quitting their jobs (Moser, 1986).

3. Cost of labour, minimum wages and employment protection

Notwithstanding undisputable recent improvements, there remain structural problems on Poland's labour market. These comprise: low labour force participation, higher-than-OECD-average youth unemployment rate and widespread temporary or informal employment. Some of these could, in principle, be blamed on high taxes (and social security contributions) on labour, minimum wages that exceed productivity (at least for low-skilled workers) or rigid labour markets with high lay-off costs. The following lines take a closer look at each of these aspects.

A. Tax wedge

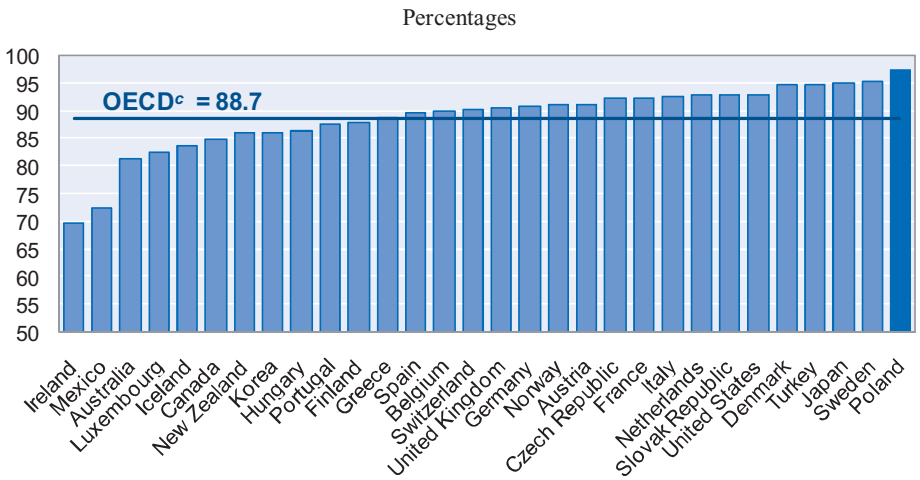
The tax-wedge – the difference between what employers pay out in wages and social security charges and what employees take home after tax, social security deductions and cash benefits – is one of the first parameter to consider.

Estimates based on micro data from the Polish version of the Labour Force Survey indicate that the impact of a tax-wedge change on employment rates is four to five times larger for workers with less-than-median earnings than it is for those above the median (Góra *et al.*, 2006). The same study

uses cross-country regression analysis over a sample that includes Poland and other EU countries to show that the tax wedge has a large and statistically significant negative effect on the employment rate of low-skilled, prime-age males, but not on that of high-skilled individuals.

A recent positive evolution is that Poland's tax wedge has dropped. Such trend mainly reflects the country's decision to reform its early retirement benefits schemes.[28] These schemes were developed as a way to smooth the (dramatic) process of transition that caused massive job cuts in some sectors of the economy (Feldmann, 2004). In Poland for instance, in the early 1990s, up to 70% of new retirees retired earlier that the age of legal retirement.

Figure 3.5. **Tax wedge on low-wage[a] relative to average-wage earner,[b] OECD countries, 2008**



a) Without taking into account reductions of exemptions of social security contributions. Single worker with no children earning 67% of the average production wage.
b) Single worker with no children earning the average production wage.

Source: OECD Taxing Wages database.

During the second half of the 1990s, Poland started reforming its early retirement schemes. Further cuts and restrictions enacted in 2007 and 2008 – alongside cuts in Personal Income Tax rates implemented in 2009 – have resulted into a reduction of up to 10 percentage points of the overall tax

28. Another one is the country's capacity to shift part of the tax burden from labour to other sources. The current high burden on labour is due to the fact that at the beginning of transition, taxes on labour could be more easily designed and implemented than taxes on profits or value-added taxes.

wedge for some categories of workers. This is a considerable effort that leaves the 2008 tax wedge close to the current EU average, albeit still above the OECD equivalent (Table 3.2).

Table 3.2. **Tax wedge including employer social security contributions in OECD countries, 2008**

Percentages

	Tax wedge on low-wage earner[a]	Tax wedge on average earner[b]
Belgium	50.3	56.0
Germany	47.3	52.0
Hungary	46.7	54.1
France	45.5	49.3
Austria	44.4	48.8
Italy	43.0	46.5
Sweden	42.5	44.6
Netherlands	41.7	45.0
Czech Republic	40.0	43.4
Denmark	38.9	41.2
Poland	**38.7**	**39.7**
Finland	38.3	43.5
Turkey	37.6	39.7
Greece	37.6	42.4
Slovak Republic	36.1	38.9
Norway	34.3	37.7
Spain	33.8	37.8
Portugal	32.9	37.6
United Kingdom	29.7	32.8
Luxembourg	29.6	35.9
United States	28.0	30.1
Japan	28.0	29.5
Canada	26.6	31.3
Switzerland	26.5	29.5
Iceland	23.7	28.3
Australia	21.9	26.9
New Zealand	18.2	21.2
Korea	17.4	20.3
Ireland	16.0	22.9
Mexico	10.9	15.1
OECD unweighted average	**33.5**	**37.4**

Countries are ordered by descending tax wedge on low-wage earner.

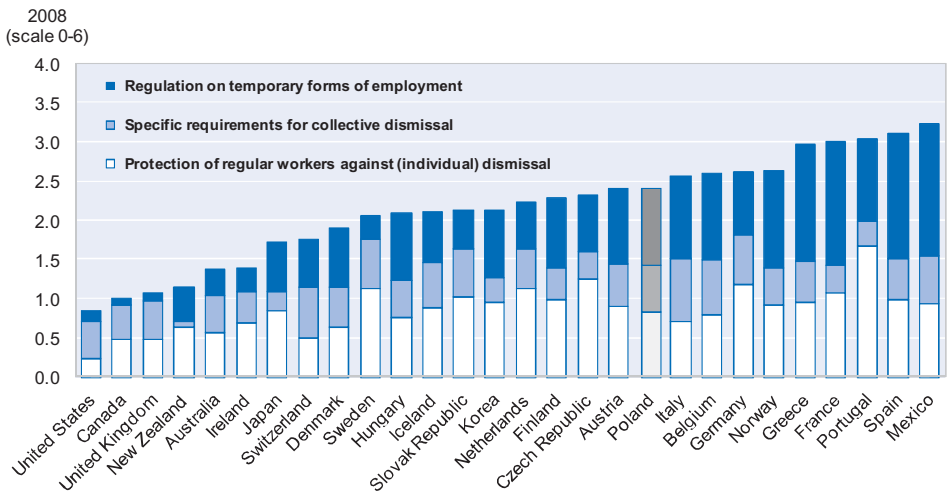
a) Total tax wedge including employers' mandatory social security contributions for a single worker with no children earning 67% of the average production wage.

b) Total tax wedge including employers' mandatory social security contributions for a single worker with no children earning the average production wage.

Source: OECD Taxing Wages database.

A singularity of the Polish tax wedge is that it is largely income-invariant. Indeed, when measured on the basis of a simple ratio (Figure 3.6) that compares tax rates at low and average income levels, Poland's wedge stands out as one of the least progressive of all OECD countries (de Serres, 2008).

Figure 3.6. **Overall strictness of employment protection and its three main components, 2008**[a]



a) Countries are ranked from left to right in ascending order of the overall summary index.

Source: OECD Employment Protection database.

B. Employment protection and dismissal rules

Very strict employment protection could also negatively affect employment prospects for low-skilled and inexperienced workers, by restraining employers' willingness to take a risk on them. In the Polish context, employment protection on *regular* jobs could also contribute to the high level of temporary employment among entrants, typically young workers. Chapter 1 contains evidence (Figure 1.11) that the share of Polish youth holding a temporary job is amongst the highest in Europe.

The 2008 OECD indicator of the strictness of employment protection stands out at 2.41 for Poland (Figure 3.6). This indicates that Poland has a rather strict employment protection framework. But it is important to recognise that in Poland there are two basic forms of employment regulated by different legislations. Open-ended (permanent) contracts and fixed-term contracts are covered by the labour code, whereas so-called commission

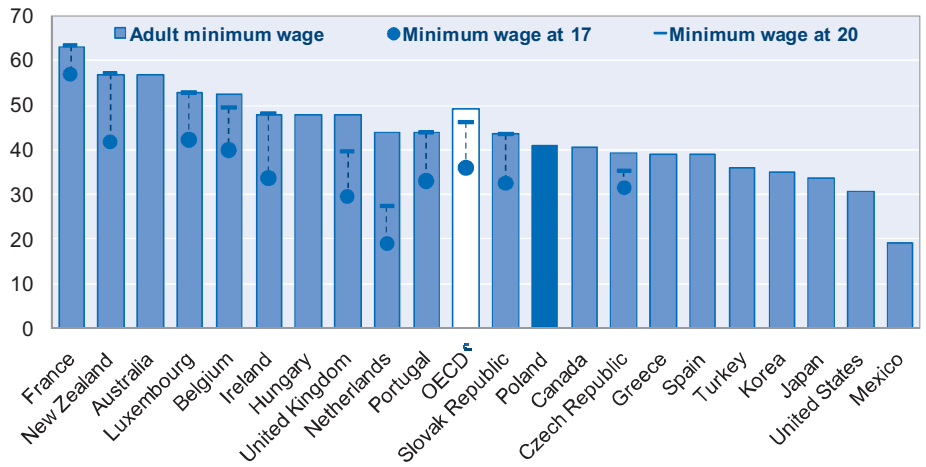
contracts and per-piece contracts fall into the purview of the civil law. The open-ended (permanent) variant of employment is heavily regulated and burdened with hefty social security contributions. By contrast, commission contracts grants no protection or entitlements (Zientara, 2008).

C. *Minimum wages*

Poland has a system of mandatory monthly[29] minimum wage. It is established by ministerial ordinance at a level which had been duly agreed with the social partners represented on the *Tripartite Commission*. In 2006, it was about PLN 888 (per month) which amounted to 41% of the median wage (Figure 3.7). A 20% increase in the statutory minimum wage took place in January 2008 (taking it to PLN 1 126), which brings its level close to 43% of the median wage (de Serres, 2008).

Figure 3.7. **Minimum wages (MW) for adults and youth[a] in OECD countries, 2006**

Percentages of median wage



a) Data refer to gross minimum wage and does not take into account any possible reduction of social contributions.
b) 2005 for Greece, Mexico, Netherlands, Poland and Portugal.
c) Weighted averages of countries having sub-minima wage for youth.

Source: OECD Minimum Wage database.

29. Poland's minimum wage is indeed based on monthly remuneration. Employers are less likely to respond to increases by simply limiting the number of hours a minimum wage earner works. They may instead limit the number of workers employed and increase the number of hours per minimum wage earner.

Still, the minimum wage in Poland is not distinctly high in international comparison. Its impact on youth employment is also mitigated by regulations allowing enterprises to pay new entrants on the labour market[30] only 80% of the mandatory minimum wage in the first year. In Poland, there is thus no sub-minimum wage for youth, but this 80% rule during the first year in employment is obviously of particular concern to school leavers.

There is difference of opinion among economists about the pros and cons of a mandatory minimum wage. Many argue that relatively high minimum wages cause employment losses among low-skilled youths.[31] Others point at minimum wages as a way of limiting poverty.

In practice, the employment or welfare effects of a minimum wage are probably conditioned by the share of workers who are directly concerned. In Poland, only 2 to 4% of full-time workers are paid the minimum wage (Table 3.3). That percentage is much higher in France or Luxembourg for instance.

However, there is evidence that the proportion of workers paid at, or slightly above, the minimum wage varies substantially across Polish regions. Góra *et al.* (2006) using data on the aggregate wage distribution find a truncation at around the minimum wage level, suggesting that it is binding (*i.e.* above market level) for some workers. Furthermore, informal employment is also pervasive among young workers which could be another indicator that the current minimum wage (in combination with the non-progressive tax wedge mentioned above) is having adverse labour market outcomes for youth. And, this problem may have been exacerbated by the 2008 decision to increase by 20% the statutory minimum wage (de Serres, 2008).

30. Of any age in theory, although principally youth in practice.

31. However, the evidence also suggests that the employment effects of minimum wages vary considerably across countries. In particular, disemployment effects of minimum wages appear to be smaller in countries that have subminimum wage provisions for youth. Regarding other labour market policies and institutions, there is evidence that more restrictive labour standards and higher union coverage strengthen the disemployment effects of minimum wages, while employment protection laws (EPL) and active labour market policies designed to bring unemployed individuals into the work force help to offset these (Neumark and Wascher, 2006).

Table 3.3. **Proportion of full-time employees earning the minimum wage, Poland and Europe, 2000-06**

Percentages

	2000	2004	2006
Czech Republic	1.6	2.0	2.3
Ireland	:	3.1	3.3
Spain	1.4	0.8	1.0
France	13.6	15.6	10.6
Luxembourg	16.2	18.0	11.0
Hungary	3.9	8.0	7.8
Netherlands	2.1	2.1	-
Poland	**-**	**4.5**	**2.3**
Portugal	6.2	5.3	4.2
Slovakia	-	1.9	1.9
United Kingdom	1.4	1.4	1.8
United States	1.8	1.4	1.1

Source: Eurostat database, 2008.

D. Gross monthly wage profiles

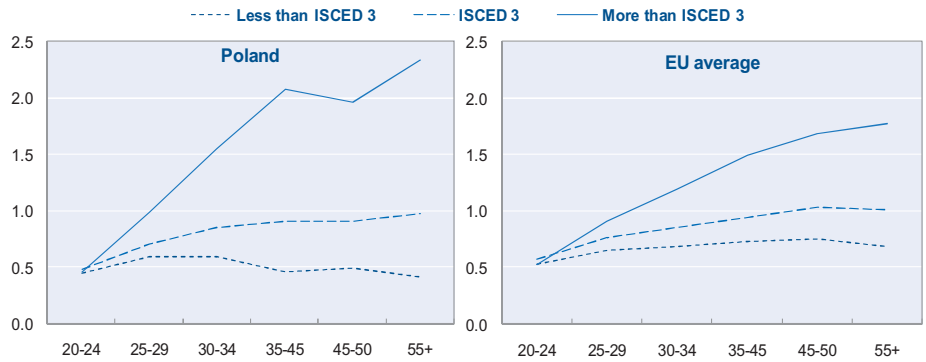
Minimum wages discussed above may not properly inform about the *actual wages* received by young workers, and how they vary with age and/or educational attainment.

The European Union Survey on Income and Living Conditions (EUSILC) (Figure 3.8) covering the year 2007 do include information on the relative wage[32] earned by low-educated Polish teenagers (without ISCED 3 aged 15-19) (Figure 3.8, Panel A). This reflects a very low drop-out rates and infrequent student jobs (see Chapters 1 and 2). The majority of low-educated young workers in Poland consists of individuals aged 20 to 29. And for them earned wages – ranging from 37 to 51% of the reference wage – are similar to what is usually observed in the rest of Europe.

32. Computed using wages of all workers aged 15-64.

Figure 3.8. **Wage profiles of full-time workers, by educational attainment, Poland and Europe,[a] 2007**

Percentages of average monthly gross wage among 15-64-years-olds, all educational levels pooled



ISCED 3: International standard classification of education referring to upper secondary education.

a) Unweighted average of Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden and United Kingdom.

Source: European Union Survey on Income and Living Conditions (EUSILC).

4. Gender wage gap?

There may also be barriers to employment and equal pay for some categories of workers, typically women. In many OECD countries, despite dramatic educational gains by women in terms of tertiary education participation and completion, women are behind, in terms of labour market outcomes. In Poland, the women's employment gap *vis-à-vis* men is about 17%,[33] a level similar to the one observed in the United States and very close to the OECD average (OECD, 2008c).

There is less available evidence about gender *wage gap*. Using EUSILC data, one can estimate a series of log-linear[34] earnings equations that include a gender dummy.

33. The gender employment gap is defined as the difference between male and female employment rates as a percentage of the male employment rate.

34. The advantage of the log-linear specification of the wage W is that it generates estimates for the X explanatory variable coefficient that are easy to interpret as they correspond to points of percentage of change of the wage level. For a model

The first column of Table 3.4 reports the results based on gross monthly wage, for the simpler model that only controls for educational attainment. The results confirm the idea of annual wage gaps between men and women of equal age and equal educational attainment. It is estimated to be of about 32 percentage points in Poland, which is above the EU average of 24 percentage points.

It is possible to go a step further with EUSILC data and to control for the *labour supply* that potentially varies a lot according to gender, and may dramatically affect monthly earnings. This is done in several stages. First, monthly wages are replaced by hourly (gross) wages in order to control for the propensity of women to work less than their male peers on an annual basis. The estimated gap shrinks to 16 percentage points. Second, the number years of work experience – also potentially very different for men and women – is added in the list of control variables. This further reduces the gap, but only a bit, to 14 percentage points.

Third, dummy variables reflecting occupation[35] are introduced. The idea is to control for potential so-called sex segregation (Støren and Arnesen, 2007; OECD 2008a, b).[36] One can indeed make the assumption that a gender pay gap could, at least partially, be attributed to systematic difference in terms of fields of study within a certain level of education: *e.g.* fewer (well-paid) engineers, lawyers or business graduates among women, but more (less-paid) teachers or social workers. There is evidence across the OECD that women still dominate within teacher training, pedagogy, health and social care, whereas men dominate within natural sciences, engineering, ICT or advanced VET programmes (OECD, 2009a).

This said, the evidence extracted for EUSILC data for Poland (and Europe) is that broadly-defined occupation does not matter much. Gender wage gaps are indeed relatively unchanged when occupation dummies are introduced in the estimated equation. For Poland, the gap shrinks from 14 to 12 percentage points while the European average is unchanged at 9 percentage points.

---

log W = β0 + β1X + ε there is indeed that *β1 =dlnW/dX=(dW/W)/dX ≈ (WX+1 – WX)/WX* when *dX*=1.

35. Occupation = 1st digit of ISCO88 (International Standard Classification of Occupation).

36. Sex segregation in education occurs as a result of women and men diverging in terms of the final level of education they reach (the so-called vertical segregation), or opting for different fields of study (horizontal segregation) Women's increased educational attainment in OECD countries have led to reduced vertical sex segregation. However, horizontal segregation has probably not changed much.

Table 3.4. **Gender wage gap, women *versus* men age 15-29, Poland and Europe, 2007**

OLS coefficients (and p-value in italics)

	Annual monthly wage		Hourly gross wage					
	Female gap (1=100%)	*p-value*	Female gap (1=100%)	*p-value*	Female gap (1=100%)	*p-value*	Female gap (1=100%)	*p-value*
Austria	-0.31	*0.000*	-0.14	*0.000*	-0.10	*0.000*	-0.15	*0.000*
Belgium	-0.34	*0.000*	-0.13	*0.000*	-0.12	*0.000*	-0.10	*0.001*
Czech Republic	-0.24	*0.000*	-0.17	*0.000*	-0.16	*0.000*	-0.18	*0.000*
France	-0.23	*0.000*	-0.06	*0.030*	-0.05	*0.060*	-0.05	*0.112*
Luxembourg	-0.25	*0.000*	-0.08	*0.005*	-0.08	*0.008*	-0.06	*0.038*
Netherlands	-0.32	*0.000*	-0.05	*0.203*	-0.07	*0.078*	-0.07	*0.152*
Poland	**-0.31**	***0.000***	**-0.15**	***0.000***	**-0.14**	***0.000***	**-0.12**	***0.000***
Slovak Republic	-0.22	*0.000*	-0.18	*0.000*	-0.19	*0.000*	-0.20	*0.000*
Spain	-0.34	*0.000*	-0.11	*0.000*	-0.10	*0.000*	-0.10	*0.000*
Germany	-0.21	*0.000*	-0.01	*0.768*	0.03	*0.284*	0.06	*0.106*
Ireland	-0.08	*0.147*	-0.02	*0.533*	-0.04	*0.216*	-0.01	*0.750*
Unweighted average	**-0.26**		**-0.10**		**-0.09**		**-0.09**	
List of controls	Highest degree		Highest degree		Highest degree Experience		Highest degree Experience Occupation	

Source: European Union Survey on Income and Living Conditions (EUSILC).

5. Key points

Before the start of the financial crisis and the ensuing economic recession, robust GDP growth, exceeding 5% in Poland led to strong employment gains for prime-age workers and much brighter labour market opportunities for youth. The recent economic downturn will probably put a hold on these positive labour market developments.

A positive structural development is that sweeping reforms of early retirement benefits schemes (enacted in 2007 and 2008) and cuts in Personal Income Tax rates in 2009 have lead to a reduction of approximately 10 percentage points of the overall tax wedge.

The remaining sources of concern are essentially twofold. First, Poland's tax wedge stands out as one of the least progressive of all OECD. Second the country is characterised by a high degree of employment protection on regular jobs (covered by the labour code). This could at least partially explain Poland's very high level of temporary employment among youth. Poland is second only to Spain in the share of youth aged 25-29 who work under temporary contracts.

CHAPTER 4

THE ROLE OF WELFARE AND ACTIVATION POLICIES

Young Polish school leavers entering the labour market need high quality job-search assistance, training and other employment support programmes. Although the situation has improved markedly compared to ten years ago, youth in Poland still face a relatively high risk of unemployment. And too many of them experience spells of unemployment that last more than a year. The current economic recession will probably erode some of the progress achieved during the past decade. It is equally important to ensure that young people are covered by adequate benefit schemes with strong incentives to seek and secure work. The provision of income support and services to help youth find a job should ideally follow a "mutual obligations" principle, where recipients are required to participate in an active job search or training or employment programmes in return for compensation.

This chapter outlines recent developments in active and passive labour market programmes for youth in Poland. It will also review the role of public employment services (PES), together with the recent developments in private employment services. Section 1 describes the situation of youth *vis-à-vis* income support. Section 2 focuses on active labour market programmes (ALMPs),[37] while Section 3 discusses the role of public and private employment services.

37. ALMPs include employment services, training and retraining, public job creation, wage and employment subsidies, and self-employment assistance. These programmes are implemented to enhance labour supply (*e.g.,* through training); increase labour demand (*e.g.,* through public job creation, subsidies); and improve the functioning of the labour market (*e.g.,* through employment services).

1. Benefits available to youth

A. Most benefit provisions were changed since the 1990s

In parallel to the move to the market economy, the Polish government introduced in 1989 an unemployment insurance system funded by a tax on labour representing approximately 2-3% of the gross wage (Surdej, 2005). The contributions are managed by the Labour Fund, which pays out unemployment insurance benefits (UIB) and finance various ALMPs.

Since its inception, the unemployment insurance system has undergone several major reforms. Initially, there was no requirement for employment/contribution history, and the unemployed could receive UIB in proportion (up to a certain ceiling[38]) to their previous wages, for an unlimited period. Young school leavers, with no work experience, were also eligible for a fixed-rate benefit set in reference to the minimum wage. In the early and mid-1990s, facing an upsurge in unemployment that caused fiscal difficulties, the government tightened eligibility requirements and limited the duration of unemployment benefits (Kluve *et al.*, 2008; Vodopivec *et al.*, 2003).

As a consequence, most provisions were changed in the 1990s and early 2000s. A fixed rate for UIB was introduced in 1992. Since 1995, eligibility is granted after a certain period of work is completed (180 days over the last 12 months; in 1997 this period was lengthened to 365 days over the last 18 months). The UIB for school leavers without work history was abolished in 1996. In 2004, the maximum duration of UIB was decided to range from six to 18 months, depending on the age and the family situation of the unemployed as well as the level of unemployment in the region of residence.

Poland now fully recognises the importance of activation for unemployment benefit recipients. The passing into law in 2004 of the *Act on the Promotion of Employment and Labour Market Institutions* marked a turning point. The main change was the reorientation of labour market institutions towards promoting employment, instead of focusing mainly on the payment of unemployment and other benefits.

A new Act on employment promotion and labour market institutions came into force in February 2009 with amendments to the 2004 Act (see Box 4.1). While the main objective of the changes is to enhance measures designed to reintegrate unemployed persons into the labour market, some rules of payment of UIB were also changed. Receipt of the unemployment benefit now has a maximum duration of 12 months compared with

38. It is equal to the average wage in the economy.

18 months before. The UIB level – a flat rate adjusted each year in June[39] – will increase up to 2010 but this amount will be reduced after three months of benefit collection.

Box 4.1. The Act on the Promotion of Employment and Labour Market Institutions

The 2004 Act

This Act, regulating labour market policy, came into force in June 2004, the year when Poland joined the European Union. It introduced a number of reforms, aiming at clarifying the role of labour market policies, promoting ALMPs, rationalising expenditures on labour market policies and also adapting the Polish regulations to the requirements of the EU laws. The aim is to gear labour market institutions towards promoting employment, instead of merely focusing on unemployment benefits.

The Act defines special target groups of labour market policies, namely, people in a particularly difficult situation in the labour market, as follows: *i)* young unemployed under 25 years of age; *ii)* long-term unemployed (over 12 months within the last two years) or women who did not enter employment following childbirth; *iii)* unemployed over 50 years of age; *iv)* unemployed lacking vocational qualifications, work experience or secondary education; *v)* unemployed with at least one child under 18 years of age; *vi)* unemployed who did not enter employment after serving a sentence in prison; and *vii)* disabled unemployed.

Labour market institution responsibilities have also been clarified and widened, thus including not only the PES but also Voluntary Labour Corps, private employment agencies, training institutions, labour unions and employers' organisations. These institutions could provide services, such as vocational counselling, which used to be exclusively controlled by the PES. In addition, the Act sets the requirements for PES staff as well as the service standards of the PES.

The 2009 reform

The main objective of the 2009 reform is to enhance measures for reintegrating unemployed persons into the labour market. Rules of payment of UIB have changed and funding for training is now an important provision not only for youth but also for adults and older workers. The major changes for youth cover, among others:

39. The basic level (PLN 551.8 since 1 June 2008, approx. EUR 125) will increase up to PLN 717 in 2010 (PLN 563 after three months).

Box 4.1. **The Act on the Promotion of Employment and Labour Market Institutions** *(cont'd)*

Unemployment insurance benefits (UIB): UIB payments now have a maximum duration of 12 months, compared with 18 months in the past. The amount will rise on 1 January 2010 by about 25% (from PLN 575 to PLN 717). Eligible unemployed persons are only entitled to this amount for the first three months (it was constant before). Over the subsequent nine months, unemployed people receive a benefit reduced by around 21%.

Stricter unemployment insurance conditions: Rejecting a job offer or refusing to participate in training leads to a withdrawal of the unemployed status for a period of four months for a first-time refusal; if the refusal is repeated, this status will be withdrawn for six months, or for nine months if the person rejects a job or training offer a third time.

Activation: Compulsory individual action plans are introduced for all persons who have been unemployed for more than six months. Activation is voluntary for the rest of the unemployed (before the individual action plans were on a voluntary basis only).

Training: The training allowance has been replaced by a grant (a scholarship) that amounts in 2009 to 100% of the basic UIB (120% of UIB for persons without qualifications or with at most lower secondary education or aged 50+ or receiving UIB) and in 2010 to 120%. For the person who during the period of training will start to work but still continue training, the amount of the grant will be decreased to 20% of the UIB.

Apprenticeship: now open to all unemployed (not only young people), with a duration of six months but for young people it can amount to 12 months; the amount of the scholarship is PLN 791 from 1 June 2009 and from the beginning of 2010 it will equal to 120 % of the basic UIB; the same scholarship refers to unemployed adults.

Vocational training in the workplace has been discontinued but in place a new, similar measure has been introduced: on-the-job training for adults who can acquire both practical and theoretical certification. The measure covers two types of practical training – a 12-18 month degree (in a certain occupation), and a 3-6 month certificate.

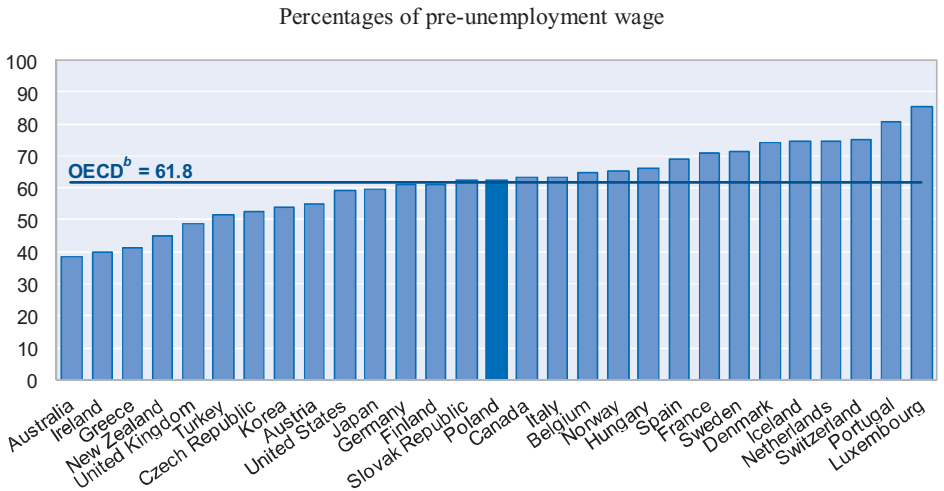
Source: Ministry of Economy and Labour (2005a, b); Ministry of Labour and Social Policy (2008a).

B. Unemployment benefit levels are close to the OECD average

Only individual recipients who have received a wage at least equal to the minimum wage are eligible for UIB whose level depends on the length of service. If it is less than five years, as is the case for most young workers, the benefit is limited to 80% of the flat rate. International comparisons of

unemployment benefit net replacement rates[40] for low-paid earners[41] as is the case of most young workers shows that Poland with a rate of 62.6% in 2006 is close to the OECD average (Figure 4.1).

Figure 4.1. **Net unemployment benefit replacement rates,[a] OECD countries, 2006**



a) The figures refer to the average net replacement rates faced by single persons without children with pre-unemployment earnings of 67% and 100% of the average production wage. They refer to initial phase of unemployment but following any waiting period. No social assistance "top-ups" are assumed to be available in either the in-work or out-of-work situation. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values even if the maximum benefit duration is shorter than 12 months.

b) Unweighted average of countries shown.

Source: OECD Tax Benefit Models (*www.oecd.org/els/social/workincentives*).

C. A little more than 10% of unemployed youth receive unemployment benefits

The situation of unemployed people *vis-à-vis* UIB has changed a lot over that last decade, and in particular for young people. As a result of restrictions introduced in 1996 and 1997, growing numbers of the unemployed, most being school leavers, without sufficient

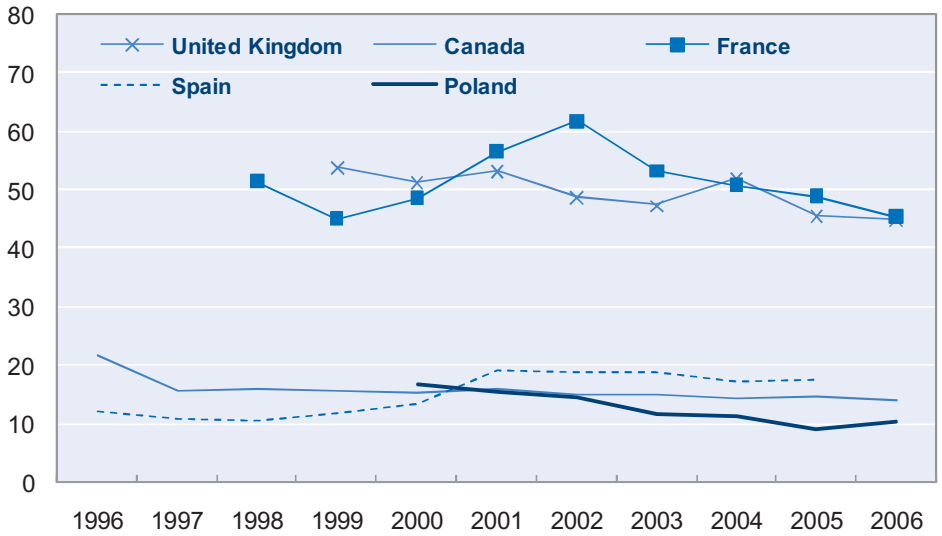
40. The net replacement rate is an indicator that compares income from work to the benefit income and is adjusted for the effects of taxation.

41. Single persons earning either 67% or 100% of the average production wage.

employment/contribution record, are no longer entitled to UIB. In fact, the share of registered unemployed youth who are UIB-eligible declined to 11.8% in 2007, from 16.4% in 2000, while this share dropped from 21.6% to 13.6% among all age groups during the same period. In Poland in 2007, the percentage of unemployed youth receiving UIB is slightly below that found in Spain and Canada and much lower in France and the United Kingdom (Figure 4.2).

Figure 4.2. **Youth unemployment insurance recipients[a] in selected OECD countries, 1996-2006**

Percentages of unemployed youth aged 15-24



a) Data for recipients refer to yearly average of monthly stocks; data for the unemployed refer to annual average of quarterly stocks.

Source: Administrative sources of each country for recipients and national labour force surveys for the unemployed.

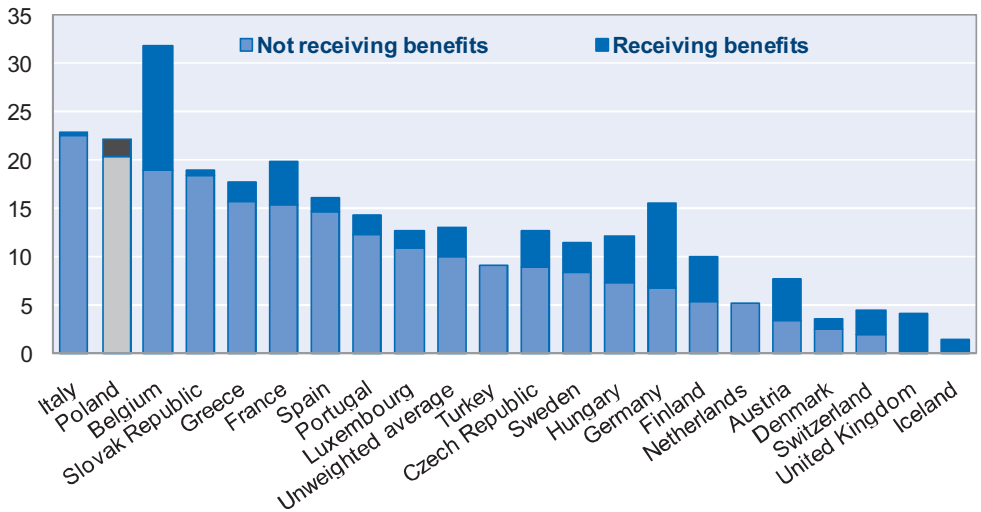
D. The young unemployed usually register with the PES, even if they are not eligible for UIB

The share of young unemployed in Poland who are not entitled to UIB but nonetheless registered with the PES is one of the highest in Europe (Figure 4.3). As an incentive, PES can offer youth who are at least 18 years old either a job vacancy, internship, on-the-job training, public work or subsidised work (see section on ALMPs) in the first six months following

registration. Furthermore, young people under 26 without qualification, and who fulfill the family income criterion (according to legislation on social assistance)[42] are entitled to a scholarship of 50% of the basic level of the UIB for 12 months if they start further education within six months of registering with the PES.[43] Finally, the unemployed and their families can also benefit from public health insurance coverage if they are registered with the PES – unregistered youth who do not undertake tertiary education studies forfeit their health insurance coverage.

Figure 4.3. **Registration with PES of unemployed youth, with and without benefit, 2007**

Percentages of unemployed youth aged 15-24



Source: European Union Labour Force Survey (EULFS).

In theory this high youth registration rate is a good thing, in the sense that active measures are accessible to all unemployed youth, even to those not eligible for UIB. The reality seems to be quite different, however, and probably because many youth register just to benefit from health insurance (Godfrey and Richards, 1997). Kluve *et al.* (2007) point out that youth can

42. This is the only means-tested benefit provided by the PES.

43. In a secondary school for adults or in colleges for evening or extramural studies.

register with the PES without even being asked if they are unemployed, and deregistration procedures are also weakly monitored.[44] This means that a significant number of people who are not really seeking a job might remain registered; this is not ideal if the aim is to develop a rigorous active labour market policy.

E. Other benefits youth-related

Family allowance

Family allowance is paid until the child reaches 18 years of age or completes school education; however not past their 21st birthday, or 24 years, if he or she continues education respectively in school or a tertiary institute. The monthly allowance is PLN 50 per child under 5 years of age and PLN 70 per child aged 5-24. There is also a rehabilitation of disabled children supplement for education. It is granted for a disabled child until he or she reaches 16 years of age, or 24 years if the child has a moderate or severe disability.

Social assistance

The primary purpose of social assistance in Poland, like in many other OECD countries, is to provide a last-resort means-tested safety net. In Poland, social assistance is financed both from the state/central budget, and from the local authorities (self-governments).

The Social Assistance Act was passed in 1990 and social assistance is available to Poles aged 18 and over. The system of local social-assistance centres under the auspices of the Labour and Social Policy Ministry is *de facto* highly decentralised. The majority of social-assistance services are provided at the municipal level. Municipalities are responsible for payment of cash benefits as well as non-financial assistance (*e.g.* services in the form of social work, care services and specialist counselling).

Social assistance benefits are means tested based on family income. The Act specified that social assistance entitlement is based on two criteria:

44. In transition economies, the task of monitoring benefit eligibility is hampered by their weak enforcement capacity. These economies lack the technology, resources, and often also the political will to monitor and enforce existing laws (Vodopivec *et al*., 2003).

a lack of, or insufficient household income[45] and difficulties with life, including unemployment.[46] According to Kalužná (2009), 53% of families receive social assistance in one form or another because the main provider is unemployed.

In theory, the social assistance system can support unemployed persons but the period of support is limited. There are no guidelines or standards across Poland that specify the duration of financial support. It depends on the local/regional self-government policy. The underlying statistical evidence remains in dispute however. Relatively old survey data suggests that, in comparison with informal/family financial support, social assistance is but a marginal source of revenue for unemployed individuals (Gora and Schmidt, 1998).

Accurate figures about the incidence of social assistance *(i.e.* cash benefits recipiency), with a breakdown by age, are not available. Golinowska (2009) reports from a research project on poverty in Poland commissioned in 2003 by the government that poverty mostly impacts young people and children and that it is worse in small towns and villages than in large cities. This prompted calls for the reorientation of social policy in order to support the young generation and improve the infrastructure in order to foster internal mobility and the development of social services.

Table 4.1, based on self-reported wages and transfers in the EUSILC survey, gives an idea of the relative generosity of social transfers in Poland. The average social assistance recipient receives 6% of the youth (15-29) average gross wage, a level that is almost equivalent to the EU average (5%). Using the youth average UIB as a reference (last column of Table 4.1), the Polish ratio is 0.30, which is the same as the EU average.

45. At the end of 2008, for a single household, the threshold was of PLN 477 per month (PLN 351 per person in the case of a family household).

46. The list included, apart from poverty, the following difficult situations: orphan hood, homelessness, parenthood, unemployment, infirmity, chronic disease, addiction, the need for care at home, difficulties in adaptation upon leaving a penal establishment, and natural or environmental disaster. The list was extended in 2004.

Table 4.1. **Unemployed youth,[a] unemployment insurance benefits *versus* other social transfers,[b] Europe, 2007**

Country	Youth[a] average unemployment insurance benefits relative to youth average gross wage [1]	Youth average social transfersb relative to youth average gross wage [2]	Youth average social transfers relative to youth average unemployment benefit [2]/[1]
Austria	0.19	0.02	0.10
Belgium	0.25	0.02	0.09
Czech Republic	0.10	0.08	0.74
Germany	0.19	0.02	0.12
Denmark	0.37	0.09	0.24
Spain	0.25	0.03	0.12
Finland	0.16	0.05	0.33
France	0.23	0.02	0.10
Greece	0.24	0.01	0.05
Hungary	0.17	0.04	0.20
Ireland	0.24	0.07	0.30
Iceland	0.11	0.14	1.25
Luxembourg	0.25	0.01	0.04
Netherlands	0.13	0.03	0.25
Norway	0.18	0.10	0.56
Poland	**0.19**	**0.06**	**0.30**
Portugal	0.33	0.03	0.09
Sweden	0.27	0.15	0.54
Slovak Republic	0.11	0.04	0.37
United Kingdom	0.14	0.03	0.23
Unweighted average	**0.21**	**0.05**	**0.30**

a) Aged 15-29.
b) Sickness, disability, education-related, old age, survivor. Youth average gross wage is computed using all respondents with positive wages during the period of reference

Source: European Union Survey on Income and Living Conditions (EUSILC).

2. Active labour market policies

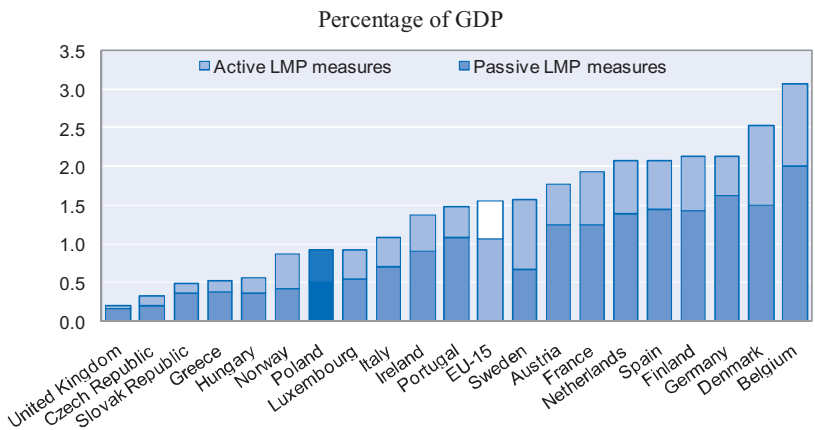
A. Public spending on ALMPs is low but increasing

Polish public spending on ALMPs is not high by international standards. Nonetheless, in recent years, expenditure has rapidly increased thanks to, among others things, funding from the European Social Fund, obtained since

2005. This – together with decreasing numbers of registered unemployed – has made it possible to intensify active interventions and programmes (Ministry of Labour and Social Policy, 2008b).

Expenditure on active and passive labour market measures reached respectively 0.4% and 0.5% of GDP in 2007 in Poland. These percentages are higher than in other transition economies, though much below the EU15 average (Figure 4.4). The gap between expenditure on active and passive measures has narrowed a lot in Poland in the 1990s and is the lowest in 2007, before the onset of the economic crisis. Poland, like other EU countries, spends more on passive measures than on ALMPs, the only exception being Sweden. Expenditures on ALMPs fluctuated in a pro-cyclical way, mirroring GDP growth, but also probably following the logic that funding for ALMPs came from what was left over after UIB and early retirement benefits had been paid out.

Figure 4.4. **Labour market programme expenditure, selected European countries, 2007**



Source: Eurostat.

However, the situation has been changing drastically in recent years since the 2004 Act on the Promotion of Employment and Labour Market Institutions (Box 4.1). In particular, the Act defined special target groups of labour market policies, such as young unemployed people under 25. Another key decision was to remove early retirement from the Labour Fund programmes (*i.e.* funding and management of early retirement benefits and early retirement allowances). This allows Labour Fund and PES staffs to focus more on labour market intermediation and less on passive measures.

A higher degree of activation of Labour Fund resources represents a welcome move. However, there is still room for improvement. One area of concern is the relationship between the central and local levels of the system. The resources of the Labour Fund are distributed by the Ministry of Labour and Social Policy to the local governments (managing the local labour offices), according to established algorithms. For instance, amounts allocated for the financing of tasks related to employment promotion and vocational activation at a local level depend on variables such as the number of registered unemployed below 25 years of age and above 50 years of age and the local level of unemployment (Kalužná, 2009).

The algorithm also takes into account the activity and effectiveness of local labour offices, measured by *e.g.* the ratio of the outflow to inflow of the unemployed. The government, while expecting to reward efficient local labour offices through this, also acknowledges the risk of cream-skimming effects – *i.e.* encouraging local labour offices to give preference to better-qualified participants who are easier to place into jobs, rather than groups facing multiple barriers to employment (Ministry of Economy and Labour, 2005a).

B. Youth ALMPs

The main youth programme is apprenticeship

While direct job creation for adults dominated ALMP expenditures in the 1990s, there has been a growing emphasis, particularly since early 2000s, on youth measures based on individual action plans, vocational counselling, job placement, training and apprenticeship. The different youth programmes available in 2008-09 are presented in Box 4.2 and Table 4.2.

Apprenticeship programmes, the largest youth programme in terms of number of participants as well as costs, were introduced in 1996 and these programmes have not changed much since that time. Some additional and/or more comprehensive programmes were introduced also temporarily with additional funds to put more emphasis on activation for youth, considered as the group the most threatened by unemployment. Two of them, the Graduate programme and the First-Job programme, include apprenticeships in the framework of individual action plans together with vocational counselling and job-placement. The Graduate programme started in mid-1998 and then in 2002 the "First Job" programme was launched and today the two programmes are merged. Furthermore, following a 2009 amendment of the 2004 Law on the Promotion of Employment and Labour Market Institutions (Box 4.1), apprenticeship is today no more a youth-only programme and is open to all unemployed people.

Box 4.2. **Youth ALMPs in Poland in 2008-09**

Apprenticeship: The largest youth programme has started in 1996 and was first targeted at graduates. Since 2004, it was extended to all unemployed aged 25 or less and tertiary graduates aged 27 or less. From 2009, this programme is open to all unemployed. Apprenticeships are specific contracts (not employment contracts) with the employer for a period not exceeding 12 months: 12 months for unemployed aged 25 or less and tertiary graduates aged at most 27 within a year after graduation, and six months for other groups. The local labour office supervises the apprenticeship courses. Participating youth receive a scholarship. Scholarship rates have changed several times. Originally the level was 100% of UIB. In 2007, it was raised to 140% of UIB and as from 2010, it will be 120% of UIB. Employers, upon apprenticeship completion, provide the local labour office with information on the tasks performed by the participants, and then the local labour office issues a certificate to the participants.

Institutional training, which started in 1990, aims to improve the vocational qualifications of the unemployed as well as the employed facing structural adjustments. While local labour offices organise and finance the programmes, training courses are mostly provided by private training institutions. These courses typically last six months or less. In exceptional cases, courses of up to 12 months are authorised. From 2010, the scholarship will be equal to 120% of UIB. In 2009 it amounts to 100% of UIB or 120% of UIB for low skilled unemployed, unemployed aged 50 years or more, or UIB recipients. Before 2009, the training allowance represented 20% of UIB and 40% of UIB for young unemployed. The allowance is supposed to be paid back if a participant fails to complete the course for reasons other than finding a job.

The Intervention works programme, an employment incentive scheme for the private sector, used to play an important role in Polish ALMPs during the early transition period. Its importance has been decreasing in recent years. It targets the unemployed who are in a particularly difficult situation in the labour market, including youth. The private employer is reimbursed for the first six months of wages and social security contributions by the local labour offices. If after six months the employer hires participants on a full-time basis, he can receive a total refund of remuneration for a further six months.

If they are older than 25, unemployed people benefit also from *Direct job creation* in the public sector and in non-governmental organisations. The unemployed under 25 years of age can also participate in this programme if they are long-term unemployed or if they are a lone parent with a child below 18 years of age. This programme, concerning vocational and social re-inclusion, is based on the legislation on social employment, and is managed by social assistance centres or non-governmental organisations whose statutory tasks are connected with: environment protection, culture, education, sports and tourism, health care, unemployment and social assistance as well as water companies and their associations. Such work has to be financed or co-financed by the territorial self-government, state budget, appropriate funds, non-governmental organisations, and water companies and their associations.

Start-up incentives: An allowance (non-refundable grant provided that the business is still running after a year) for starting up a business covers the costs of legal assistance, consultations and guidance in starting this activity.

In general, other training programmes have been modified and intensified recently. The government introduced in 2005 a vocational training at the workplace programme, which targets the less-educated. The vocational training at the workplace was abolished in 2009 but a similar, wider, measure was introduced instead. The measure contains various forms of vocational training for adults. A specific feature of this measure is the certification of qualifications obtained after completion of this form of on-the-job training. Some projects oriented at promoting vocational training after hiring (but for all workers, not only for youth) are run by the Polish Agency for Enterprise Development and are financed from EU funds.

Table 4.2. **New participants[a] in active labour market programmes and public expenditure, Poland, 2008**

Persons and percentages

	Participants					Total expenditures		
	All ages		Youth (under 25)		Youth/All ages			
	Persons	%	Persons	%	%	Thousands PLN	% of GDP	%
Training[b]	421 434	67.3	218 294	88.2	51.8	1 546 610	0.12	56.8
Apprenticeship	170 287	27.2	159 448	64.4	93.6	917 111	0.07	33.7
Institutional training	171 032	27.3	42 157	17.0	24.6	279 348	0.02	10.3
Vocational training at the workplace	80 115	12.8	16 689	6.7	20.8	350 151	0.03	12.9
Employment incentives[b]	46 282	7.4	14 219	5.7	30.7	194 542	0.02	7.1
Direct job creation	108 305	17.3	5 830	2.4	5.4	282 093	0.02	10.4
Start-up incentives	50 376	8.0	9 096	3.7	18.1	700 727	0.06	25.7
Total ALMPs	**626 397**	**100.0**	**247 439**	**100.0**	**39.5**	**2 723 972**	**0.21**	**100.0**

a) Data refer to the number of participants who enter the programme during the year.
Source: Ministry of Labour and Social Policy.

Consequently, since February 2009, young unemployed, as other unemployed, can participate in any type of training and are entitled to a significant scholarship, amounting at least 100% of the basic UIB. This scholarship is granted for participation in training that is organised and/or financed by local labour offices, as long as the recipient does not receive other benefits that exceed the total amount of the scholarship payment. Between September 2001 and February 2009, financial support during training was different and the unemployed received a training allowance. The training allowance was much lower and equivalent to 20% of UIB but was 40% for the unemployed aged 25 or less.

In 2008, 247 439 unemployed youth participated in various ALMPs and made up almost 40% of the total number of participants (Table 4.2). Apprenticeships were, in 2008, almost a youth-only programme: 94% of the participants were under 25. The share of youth in Institutional training (25%) and Intervention works (31%) is far from negligible by contrast with the low youth share in direct job creation schemes.

Too few youth in the labour force benefit from ALMPs

In the early 2000s, ALMP expenditure for youth in Poland was close to the OECD average. In 2002, expenditure for youth programmes in Poland came to 0.07% of GDP, compared with an OECD average of 0.08% of GDP. In fact until 2002, the OECD presented a specific category of youth labour market programmes[47] in its international public expenditure database on the labour market. There was however no breakdown by age for participants.

Since 2002, the OECD database on ALMPs is derived from the Eurostat database on labour market programmes, which no longer show expenditure for the former youth category. But it does ask countries whether participants in labour market programmes are under 25. Unfortunately, only 16 countries responded and not for all the programmes.[48] In Poland, the proportion of young participants as a percentage of the youth labour force was 5% in 2007, compared with 3% for the total (Figure 4.5). The youth share in Poland is relatively low compared with countries like Italy, France and Spain where young participants represented over 20% of the youth labour force - much higher than for all participants.

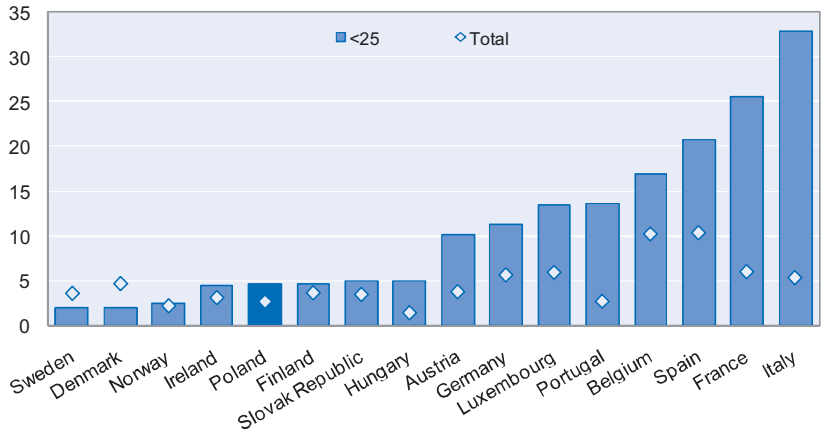
In 2007, the most widely used programme for youth in Poland was training (in terms of the number of participants). With a proportion of 83% among all participants under 25, training, mostly consisting of apprenticeships, is however less common than in the traditional apprenticeship countries (Germany and Austria) where the proportion is more than 95% (Figure 4.6).

47. The OECD category of youth measures includes specific measures for unemployed youth and subsidies for apprenticeship and other types of general youth training.

48. As the response rate differs by age group, programme and country, international comparison needs to be interpreted with caution.

Figure 4.5. **Participants in ALMPs by age group, 2007**[a]

Percentages of the labour force by age group

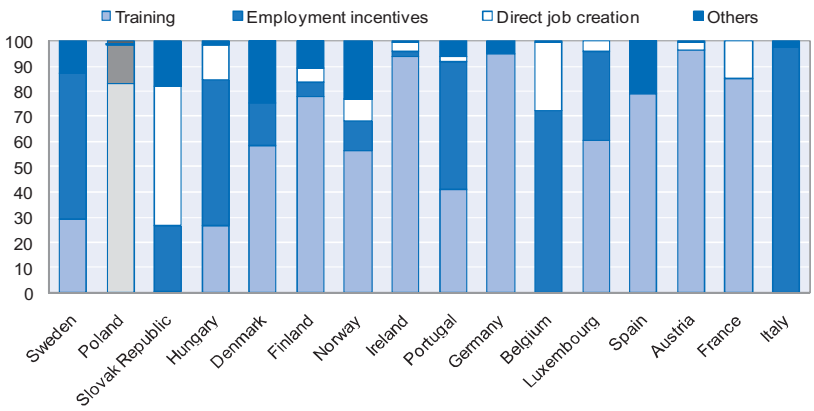


a) 2006 for Germany and 2003 for Spain.

Source: Eurostat/OECD Active Labour Market Programmes database.

Figure 4.6. **Youth ALMPs in selected European countries,**[a] **2007**[b]

Distribution of programmes among participants



a) Data on participants are not available for some ALMPs in Eurostat database, thus making aggregate data not fully reliable. The aggregate data presented here refer to those which cover at least 80% of relevant expenditure.

b) 2006 for Germany; 2003 for Spain.

Source: OECD Active Labour Market Programmes database.

The youth employment rate three months after programme completion is high….

According to administrative data, the employment rate of programme participants – *i.e.* the share of programme participants who found a job within three months after programme completion – among youth was the highest in 2007 for *Intervention works* (82%), followed by *Apprenticeships* (56%) and *Vocational training in the workplace* (53%) (Table 4.3). In most programmes, these rates have risen the last three years and the rates for youth are higher than those for older age groups. In fact, there is a high likelihood of deadweight loss for the programme *Intervention works, i.e.* payment of a subsidy to private employers who, even without it, would have reached the same hiring decision (Ministry Economy and Labour, 2005a).

Table 4.3. **Employment rate of participants in selected ALMPs by age,[a] 2005-07**

Percentages

		2005	2006	2007
Apprenticeship	Under 25	45.4	51.7	56.1
	25 and over	50.2	46.9	49.1
Institutional training	Under 25	37.5	45.1	45.4
	25 and over	37.5	45.1	44.1
Vocational training in the workplace	Under 25	48.0	54.4	53.3
	25 and over	45.6	50.3	52.5
Intervention works	Under 25	75.5	78.2	82.2
	25 and over	62.3	69.4	70.6

a) The proportion of programme participants who found a permanent employment or took up other economic activity within three months after programme completion.

Source: Ministry of Labour and Social Policy.

But research and evaluation show mixed results

While evaluation of youth programmes implemented in Poland is limited, existing results are mixed. Research that analysed available data for the 1990s revealed the relative effectiveness of training programmes. Puhani (1999), in his study on the effectiveness of ALMPs in Poland using micro

and macro data, found that *training* programmes increased the re-employment chances of the unemployed, while *Intervention works* (employment subsidies in the private sector) actually decreased their chances. He suggests that participation in the latter might stigmatise participants as well as encourage a carousel effect – *i.e.* because programme participants were re-entitled to unemployment benefits. He also pointed out that, unlike training, *Intervention works* consisted of exposing participants to low-skill tasks and thus rarely improved their qualifications. Kluve *et al.* (2007), after reviewing evaluation studies on Polish ALMPs based on the data for the 1990s, also concluded that employment subsidy programmes were ineffective or might even create some negative effects on employment probability. The only type of active programmes that was evaluated positively was *training*.

An analysis published by the Ministry of Labour and Social Policy (2008b) constitutes the first attempt in many years in Poland to address the problem of ALMP effectiveness in a comprehensive way. Effectiveness of an ALMP is defined here as the employment probability of a participant a year and a half after starting the programme. Only programmes directed at the unemployed are evaluated. Programmes for job-seekers as well as those at risk of involuntary job loss are not addressed.

Apprenticeships proved very effective, although mainly in the case of programmes targeting young people with relatively low qualifications (*i.e.* secondary education or less). Assistance to post-secondary and higher education graduates did not generate any net profit, which is an argument in favour of suspending it. Assistance targeting the long-term unemployed who experience the greatest difficulties in returning to the labour force without assistance is insufficient. Moreover, most measures directed at those unemployed people who really needed assistance appear to be ineffective. The long-term unemployed participate slightly less often than short-term unemployed in ALMPs (respectively 17 and 20%) and benefited above all from direct public creation works, *i.e.* the less effective ALMPs. In a longer-term perspective, the report recommends providing individualised assistance to the unemployed based on earlier identification of individuals facing long-term unemployment instead of focussing on pre-defined target groups.

To sum up, it is promising to see recent attention, including higher spending paid to, youth ALMPs, as well as on all ALMPs. The key question now is how to improve the cost-effectiveness of youth ALMPs. Thorough evaluations on the effectiveness of all ALMPs and clear procedures on the delivery of programmes should be of upmost importance in this respect (Kluve *et al.*, 2007). This will inevitably require improved collection of relevant data. It will be desirable to further reinforce training programmes which have already proven their effectiveness in Poland. In the meantime,

Poland, in further designing and developing ALMPs, could benefit from the experience of other OECD countries where successful programmes appear to share some common characteristics (see OECD, 2008g; Martin and Grubb, 2001; and Betcherman *et al.*, 2007).

- *Job-search assistance* programmes for youth are often found to be the most cost-effective, positively impacting both employment and wages.
- Some *wage and employment subsidy* programmes also yield positive returns, but they generally tend to perform poorly in terms of their net impact on the future employment prospects of participants.
- *Training* (apprenticeships, etc.) programmes should be designed in response to local and/or national labour market needs.
- *Early action* is particularly important for young people, as those without work experience are often not entitled to unemployment benefits or other welfare transfers.
- *Good targeting* of the programmes is also essential. For example, programmes addressing teenagers should be distinguished from those for young adults, and particular attention should be paid to early school leavers.
- Programmes that integrate and combine services and offer a comprehensive *package* seem to be more successful.
- *Greater involvement of social partners*, as well as the public authorities at all levels, can help enhance the effectiveness of programmes.

3. Public and private employment services

A. The role of PES

Originally when established in the early 1990s, Poland's PES was a specialised central administration. It was governed by the National Labour Office, which has a tripartite governing structure, and was supervised by the Minister responsible for labour issues. Labour offices – the main body of the PES – operated at two local administration levels: regions and counties.

The 1998 reform of the administration, which created a middle-tier local administrative structure, entailed important changes for the PES. The National Labour Office was abolished and the responsibility to organise and deliver the PES was transferred to new local governments.[49] Consequently,

49. After the reform, the three-tier local administration consist of 16 *Voivodeships,* 373 *Poviats and* 2 489 *Gminas*.

labour offices were completely decentralised, in terms of budget and staff, and came under the jurisdiction of local governments from January 2000 (Godfrey and Richards, 1997; Kalužná, 2009). There is no formal hierarchical subordination between central government, the regional and the local labour offices. The 2004 Act further reinforced the role of local governments in developing employment-related programmes according to local needs (Kalužná, 2009).

The current PES system is comprised of 16 regional labour offices and 340 local labour offices and their branches. PES staff has increased from 17 000 in 2000 to 19 900 in 2006 (of which 2 300 in regional and 17 600 in local labour offices (Ministry of Regional Development, 2007). The client/staff ratio in the PES – *i.e.* the number of unemployed per PES placement officer – decreased from 1 600 in 2000 to 1 100 in 2006.

However, there are still concerns as to whether PES staff is organised efficiently. In 2006, the PES staff for front-line placement and other direct customer service represented only 20% of total staff (Table 4.4). These front-line staff together with managers represented 32% of total staff, so that almost 70% of staff in local labour offices delivered administrative functions other than the main mission of the PES. In addition, the PES has an extremely high staff turnover (over 30% in 2006). In 2007, the government issued a guideline on the minimum number of PES staff to be assigned to critical PES functions. However, given that the costs of the PES staffing are mostly covered by the budgets of local authorities, the actual implementation of these reforms might face difficulties due to budget constraints at a local level (Kalužná, 2009).

The 2004 Act created a public agency called *Voluntary Labour Corps* (VLC) which is a specialised employment service for disadvantaged youth and complements the PES. The VLC is mandated to improve the employability and prevent the social marginalisation of disadvantaged youth. It provides VET, guidance and job-search assistance. The VLC also carries out a practical training programme in workplaces which lasts 24-36 months and partially reimburses labour costs (*i.e.* wages paid to trainees as well as social security contributions). Services directly delivered by VLC are complemented by those provided via a vast network of affiliated job clubs, youth job offices, mobile centres of employment information, and training centres. On average, around 32 000 young people annually participate in services offered by the VLC, where youth from poor families can benefit from free room and board. Unlike local labour offices, the VLC operates as a centralised agency directly supervised by the Minister of Labour and Social Policy (Kalužná, 2009).

Table 4.4. **Composition of the local labour offices staff, Poland, 2006**

Persons and percentages

	Number of staff	Share
Total	19 933	100.0
Of which:		
Managers (A)	2 441	12.2
Placement officers (B)	2 085	10.5
Vocational counsellors (C)	0 872	4.4
Vocational development specialists (D)	0 254	1.3
Programme specialists (E)	0 663	3.3
Job Club leaders (F)	0 132	0.7
Sum (B-F)	4 006	20.1

Source: Kalužná (2009).

Despite a significant improvement in recent years, the PES in Poland still suffers from its poor reputation among job-seekers and employers. This perhaps explains why its market share in job placement services is not very high (Kalužná, 2009). According to a Polish survey (Table 4.5), unemployed youth seem to rely more on "friends and relatives" and "direct contact with employers" than PES in their job-search strategy.

Table 4.5. **Job search methods used by unemployed persons, by age group, Poland, 2008**[a]

Percentages

	Job searching methods					
	Friends and relatives	Labour office	Direct contact with employers	Job advertise-ments	Private employment agencies	Other methods
All ages	78.9	69.2	60.0	34.1	7.4	19.3
15-24	81.6	62.8	63.5	38.6	8.5	18.1
25-34	73.3	70.2	58.2	37.9	5.6	25.3
35-44	83.4	72.0	62.2	27.5	9.8	15.5
45-54	80.4	75.2	57.5	30.4	7.0	16.4
55 and over	79.7	64.9	55.4	24.3	8.1	8.1

a) Data refers to the 3rd quarter of 2008 and are based on multiple answers.

Source: Central Statistical Office.

Indeed, there are concerns that the decentralisation of the PES has resulted in a more uneven service provision and performance amongst local labour offices (Kalužná, 2009). Although the central government (*i.e.* the Ministry of Labour and Social Policy) is responsible for the regulation and co-ordination of the PES by law, its function to set standards and assess the outcomes of autonomous local PES appears limited. This situation seems further aggravated by the lack of an integrated computerised information system. For example, until very recently, placement officers in one local labour office had no access to the list of vacancies in other local offices. Consequently, employment services tend to be restricted within the boundary of the individual local PES. Decentralisation of the PES may have contributed to the fragmentation of Poland's labour market.

Furthermore, the lack of co-ordination among highly decentralised labour offices might also lead to uneven implementation of ALMPs, as mentioned in the previous section. This may also result in inadequate monitoring of unemployment registration. In addition, locally-run PES tend to focus on issues of local interest, thus limiting the efficiency of national active and passive labour market programmes – *i.e.* they may continue to focus more on combating unemployment, instead of concentrating on actions to support employment growth (Kalužná, 2009).

In some cases, PES subordination to local authorities created an incentive to treat labour market programmes as a way to get additional financing for local government rather than a way of solving local labour market problems (Kluve *et al.*, 2007).[50] Loose supervision of the unemployment registration process in some local offices could result in ineffective targeting of ALMPs (Kluve *et al.*, 2007). There are also concerns regarding cronyism in the recruitment of PES staff.

Therefore, to enhance the efficiency and effectiveness of expanding labour market programmes and the PES, it seems crucial to reinforce the role of central government. While responsibility for operational issues and day-to-day management should remain under local jurisdiction, there is room for expanding the role of central government in areas such as the definition of nationwide priorities and standards, co-ordination and assessment of local performance. A more balanced architecture would also

50. For example, public work programmes are often used for local infrastructure investment. For instance, local authorities can get additional funding simply because the regional unemployment rate is sufficiently high. This perverse incentive reduces efforts to solve unemployment problems that could otherwise have been improved (Kluve *et al.*, 2007).

reduce the risk of labour market fragmentation, help tackle regional asymmetries and boost the interregional mobility of youth.

A key milestone on this roadmap is the dissemination of state-of-the-art information technology in the PES. It has a genuine capacity to disseminate nationwide real-time information and data on, *e.g.* vacancies and job-seekers as well as monitoring ALMPs. In this regard, the *National System of Monitoring of the Labour Market* to collect data on registered unemployed people from all local labour offices, which is currently under development, needs to be implemented as early as possible.

B. Private and temporary employment agencies

The number of private employment agencies has been expanding quickly in Poland in recent years. Although these agencies started to appear in the 1990s, the marked expansion in their numbers coincided with the introduction of the 2004 Act (see Box 4.1). The number of registered private agencies – *i.e.* employment agencies for national jobs and for jobs abroad, career counselling agencies and temporary work agencies – has drastically increased from around 400 in 2003 to over 5 000 in 2006 (Ministry of Regional Development 2007; Ministry of Economy and Labour, 2005a).[51] Particularly, with EU accession, the number of employment agencies for jobs abroad is multiplying rapidly.

Private agencies specialising in temporary work placements could play an important role in employing young people, even students, who need job experience and skill enhancement. But in Poland, regulations applying to this particular form of work[52] are rather restrictive. For example, the maximum duration for temporary work with the same employer cannot exceed twelve months within a three-year period (Ministry of Economy and Labour, 2005a).

The government recognises the important role that private employment agencies play, as a complement to the PES (Ministry of Regional Development, 2007). So far the co-operation between PES and private employment agencies is very limited. The government plans to introduce an outsourcing employment scheme for the disadvantaged job-seekers in private agencies. The agencies, according to this plan, would be paid up to PLN 4 000 if they successfully place a disadvantaged job-seeker into employment for at least one year. Disadvantaged youth under 25 would be eligible.

51. In 2006, there were 1 420 employment agencies, 780 career counselling agencies, 1 433 temporary work agencies and 1 640 employment agencies for jobs abroad.

52. Spelt out by the 2004 *Act on Employment of Temporary workers*.

More co-ordination between public and private employment services, would be necessary to exchange information, access databases and contract services. Furthermore, in order to maintain the activation stance during the economic downturn, local labour offices will need to scale up activities in order to provide adequate services to the rapidly growing number of job-seekers. A possibility for Poland is to increase reliance on private-sector employment agencies to provide re-employment services, particularly for school leavers entering the labour market and recently laid-off young workers.

4. Key points

The government, in recent years, adopted various reforms in the area of labour market programmes. The Act on the Promotion of Employment and Labour Market Institutions in 2004 paved the way for the reinforcement of ALMPs and the promotion of employment services by the PES as well as by private employment agencies. The 2004 Act also identified unemployed youth under 25 as a group to be given priority. The 2009 amendments to the 2004 Act are moving in the right direction to enhance measures designed to reintegrate unemployed persons into the labour market.

As a result of continuous reforms since its inception in 1990, the UIB system in Poland is now relatively stringent. Only 12% of unemployed youth were entitled to unemployment insurance benefits in 2007. But many more register with the PES, because other benefits derived from PES affiliation, such as health insurance coverage. This may distract PES from its main role which is to contribute to a better functioning of the labour market and provide job search assistance to individuals who are actively seeking a job.

Public spending on youth ALMPs as well as overall ALMPs has expanded markedly in recent years. Apprenticeship programmes, which were proven to be effective in OECD countries, play a major role in youth labour market policy in Poland. But to enhance their cost-effectiveness it will be vital to implement thorough evaluations, together with an improved data collection, and to build clear procedures on the delivery of these programmes, at least to prevent uneven implementations across local labour offices.

Poland has opted for a decentralised model of PES delivery. The pending issue is whether the central Ministry has preserved its role as an umbrella organisation that co-ordinates and orients the functioning of local PES. There are signs of shortcomings – such as uneven implementation of activation measures and monitoring of unemployment registration among

different local PES; and employment services being restricted within the boundary of individual local PES. Therefore, it is desirable to reinforce the governance role of the central government in the standard setting, co-ordination and assessment of local PES.

During the economic downturn, a challenge is to provide adequate re-employment services to the rapidly growing number of young job-seekers, particularly school leavers entering the labour market and recently laid-off young workers. The Polish authorities will need to scale up activities of the local labour offices and an increased reliance on private-sector employment agencies should be envisaged as it is the case in most OECD countries.

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OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(81 2009 19 1 P) ISBN 978-92-64-07558-0 – No. 57047 2009

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POLAND

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81 2009 19 1 P

