POLAND

While GDP per capita has been catching up quickly over the last decade, the shortfall relative to the upper half of the OECD countries remains large primarily due to a labour productivity gap. The government has taken measures to attract foreign direct investment with a view to modernising the economy and increasing capital intensity. A number of other reforms need to be implemented, particularly in the following areas.

Priorities supported by indicators

Reduce public ownership and lower barriers to entrepreneurship

The State has kept controlling stakes in strategic energy producers. Starting a business remains costly and is slow.

Actions taken: A privatisation programme encompassing 800 firms, launched for 2009 and 2010, will be partly accomplished, generating receipts of about 2% of GDP. The government has announced further privatisation projects for 2011 to 2013. Barriers to entrepreneurship have recently been lowered with the creation of one-stop shops.

Recommendations: Further privatisation will be needed after the current privatisation programme is completed. Reduce state interference in privatised companies, and shorten the time needed for setting up a new firm.

Improve the efficiency of the education system

The number of places in pre-school childcare facilities is insufficient. Public higher-education institutions lack quality control and have little financial autonomy as they are not allowed to levy tuition fees. Access to student loans is restricted.

Actions taken: A law promoting attendance in public pre-schools for five-year old children was passed in 2009.

Recommendations: Improve provision of free pre-school education for those aged three to five. Introduce tuition fees in public higher-education institutions along with a more accessible system of means-tested grants and student loans with income-contingent repayment. Reinforce quality assessment, and strengthen transparent promotion criteria for professors in tertiary education. Treat public and private higher education institutions equally for regulatory and funding purposes.

Reform the tax and benefit system

The tax wedge in Poland is, relative to OECD peers, slightly higher than the average. Early-retirement schemes cover a considerable number of employees of the police and armed forces and those who lost their jobs prior to retirement.

Actions taken: A cut in personal income tax rates in 2009 reduced the tax wedge. The government significantly tightened access to early retirement (bridge pensions) resulting from difficult work conditions.

Recommendations: Further reduce the tax wedge. Tighten eligibility for early retirement and reform the retirement and social security system for farmers.

Other key priorities

Improve transport, communication and energy infrastructure

The quality of Poland's transport infrastructure and fixed broadband penetration are among the lowest in the OECD. Electricity generation relies heavily on outdated coal-fired plants.

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

Recommendations: Enhance transport and communication infrastructure. Facilitate competition in telecommunications and energy generation by allowing non-discriminatory access to the network. Encourage investment in low-carbon electricity generation.

Reform housing policies

The housing market suffers from the absence of zoning plans, labour shortages in construction and a large informal rental market due to strict rent controls.

Actions taken: The government has lifted rent restrictions, lowered legal protection of tenants and generalised the lower tax rate of 8.5% on rental income to curb the informal rental market. It also introduced measures to promote vocational education that will be especially important for the construction sector.

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

POLAND

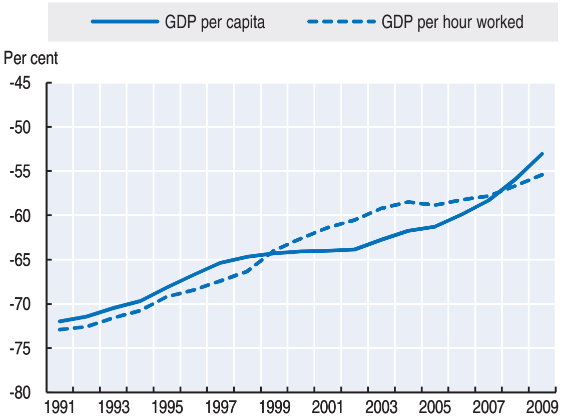
Structural indicators

Average annual trend growth rates, per cent

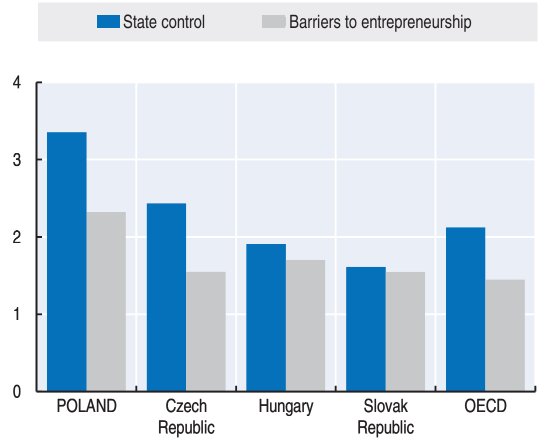
		1999-2009	1999-2004	2004-09
GDP per capita		4.2	3.5	4.8
Labour utilisation		0.4	–1.4	2.2
of which:	Employment rate	0.4	–1.3	2.1
	Average hours	0.0	–0.2	0.1
Labour productivity		3.8	5.0	2.6
of which:	Capital intensity	1.2	2.0	0.4
	Multifactor productivity	2.6	3.1	2.2

Source: Estimates based on OECD (2010), *OECD Economic Outlook* No. 88: *Statistics and Projections Database*.

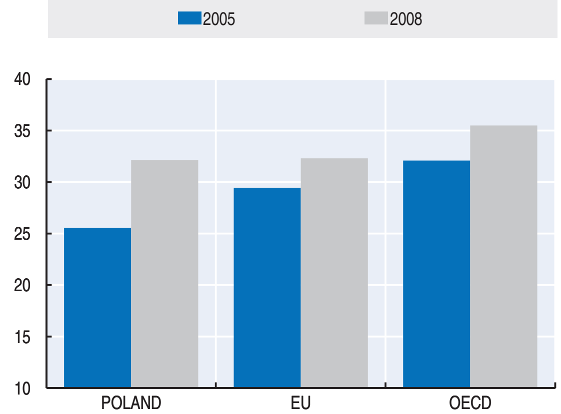
A. The large gaps in GDP per capita and productivity continue to narrow
Gap to the upper half of OECD countries[1]



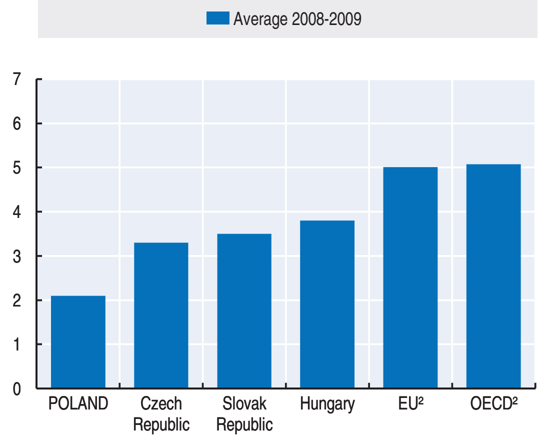
B. State control and barriers to entrepreneurship are high, 2008
Index scale of 0-6 from least to most restrictive



C. Tertiary educationnal attainment is catching up
Percentage of population aged 25-34



D. Road transport infrastructure quality is the lowest of OECD countries
Index scale from 1 (underdeveloped) to 7 (extensive and efficient)



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs).
2. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.

Source: Chart A: OECD, *National Accounts* and *OECD Economic Outlook No. 88 Databases*; Chart B: OECD, *Product Market Regulation Database*; Chart C: OECD (2010), *Education at a Glance*; Chart D: OECD (2010), *OECD Economic Surveys: Poland*.

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