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- GDP per capita has been converging steadily towards leading OECD countries due to strong labour productivity growth. However, the shortfall relative to the best performing countries remains substantial, notably because of the low employment rate of women and older workers.
- Progress has been made to boost labour utilisation and increase competitive pressures throughout the economy. In particular, access to pre-school education has increased. Reforms to deregulate professional services and cut red tape have also been significant. Less progress has been achieved in the area of welfare policies.
- Improving work incentives by reforming the welfare system and expanding pre-school facilities further would raise employment rates, especially among older workers and women. Lowering entry barriers, reforming bankruptcy procedures and continuing to enhance transport and telecommunication infrastructures would improve resource allocation, productivity and employment.
- In addition to boosting productivity and female labour force participation, improving the provision of pre-school education would also reduce educational and earnings inequality.

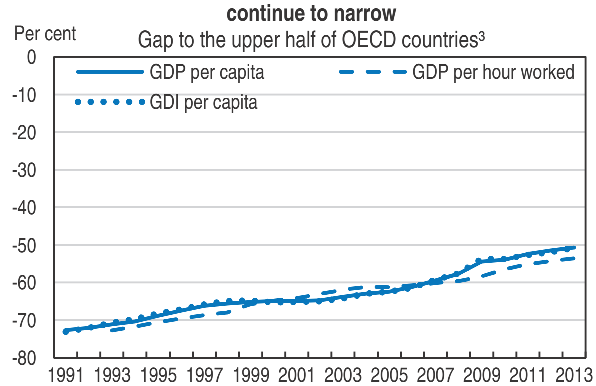
Growth performance indicators

A. Average annual trend growth rates

Per cent

		2003-08	2008-13
Potential GDP per capita		4.0	2.9
Potential labour utilisation		1.3	0.4
of which:	Labour force participation rate	-0.2	0.3
	Employment rate[1]	1.6	0.1
	Trend employment coefficient[2]	0.0	0.0
Potential labour productivity		2.7	2.5
of which:	Capital deepening	-0.1	0.3
	Labour efficiency	2.6	2.0
	Human capital	0.2	0.2

B. The large gaps in GDP per capita and productivity continue to narrow



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

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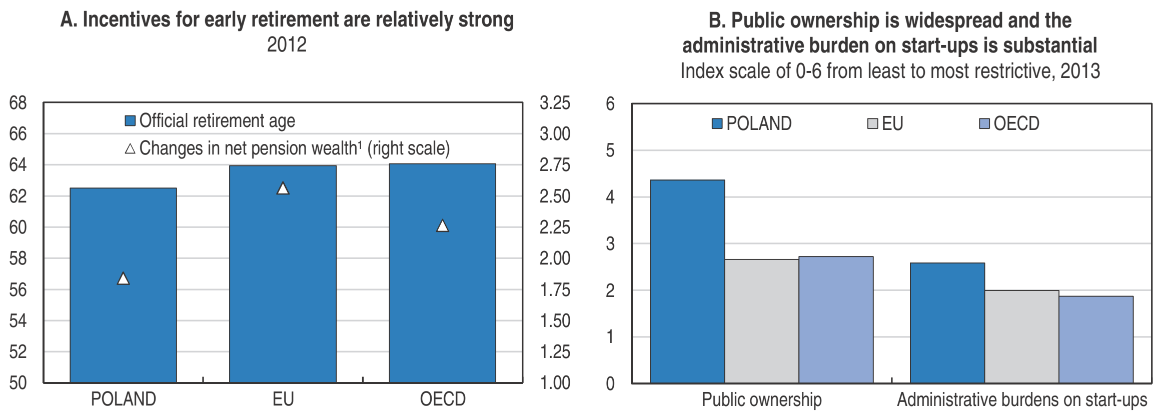
Policy indicators



1. The change in pension wealth is a measure of the incentive to remain in the workforce for an additional period. It measures the increase in the level of pension entitlement one gains by remaining in employment for an additional year. The calculation is the annual average increase in males' pension wealth when working from age 55 to 60. Net pension wealth is the present value of the flow of pension benefits, taking account of the taxes and social security contributions that retirees have to pay on their pensions. It is measured and expressed as a multiple of gross annual individual earnings in the respective country. See OECD (2013), *Pensions at a Glance 2013: OECD and G20 Indicators* for additional details, OECD Publishing, Paris, *http://dx.doi.org/10.1787/pension_glance-2013-en*.

Source: Panel A: *OECD Pension Models*; and OECD Directorate for Employment, Labour and Social Affairs, *Ageing and Employment Policies – Statistics on average effective age of retirement*. Panel B: OECD, *Product Market Regulation Database*, *www.oecd.org/economy/pmr*.

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Going for Growth 2015 priorities

Priorities supported by indicators

Lower barriers to product market competition, and reduce public ownership. Stringent entry regulations, lengthy administrative procedures and inefficient bankruptcy procedures induce significant resource misallocation. Both national and local governments still play an important role in many potentially competitive segments of the economy.

Actions taken: In 2013-14, the government scaled back regulations of professional services in 142 professions and another wave of deregulation has started, covering more than 100 professions. Some entry procedures were eased in early 2014. The government plans to reform bankruptcy procedures for consumers and firms, and the parliament adopted a draft bill for consumers in June 2014. The 2012-13 privatisation plan has been finalised, raising revenues of 0.3% of GDP in 2013.

Recommendations: Further reduce administrative burdens and entry barriers. Improve bankruptcy procedures. Fully implement the planned deregulation of professional services. Pursue privatisation in competitive segments of the economy, notably for mining and chemical companies, while ensuring sound governance of the remaining state-owned enterprises.

Reform the welfare system, and reduce labour taxes. Some elements of the tax and benefits system hold back employment, especially for older and low-skilled workers. Such is the case of the high labour tax wedges (especially on low wages) and the relatively easy access to early retirement.

Actions taken: No action taken.

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Recommendations: Increase women's retirement age at a more rapid pace than scheduled. Phase out all special occupational pension regimes, eliminate remaining pre-retirement schemes, and prevent disability pensions from becoming more attractive than old-age pensions. Remove the prohibition to lay off workers less than four years before retirement. Reduce the tax wedge on labour income, especially for low wages, by shifting the tax burden to environmental and immovable property taxes. Make all labour contracts subject to the same tax and social contribution regime.

Improve the equity and efficiency of the education system. The insufficient number of places in pre-school education holds back women's employment. Public higher-education institutions (HEIs) have little financial autonomy, their programmes are not well adapted to job-market needs, and access to student loans is restricted.

Actions taken: The government has been expanding mandatory pre-school education, but facilities remain insufficient. Parents' costs of accessing pre-school education were capped at PLN 1 per hour in June 2013. A new curriculum for vocational education was developed with employers and introduced in 2013; it requires that at least 50% of students' time be spent on practical training. A draft law foresees the obligation for HEIs to specialise in either academic or vocational education and to include 3-month internships in vocational programmes.

Recommendations: Continue expanding affordable pre-school education. Develop further the availability of apprenticeships and work-based learning. Encourage HEIs to develop high performing programmes by raising quality-oriented subsidies. Introduce tuition fees in public HEIs together with means-tested grants and student loans with income-contingent repayment.

Other key priorities

Upgrade transport, communication and energy infrastructure. The low quality of transport infrastructure hinders internal mobility. Fixed broadband penetration is among the lowest in the OECD and electricity generation relies heavily on ageing coal-fired plants.

Actions taken: Transport infrastructure is being upgraded with the help of EU funds. The government is developing cross-border energy connections and upgrading the electricity grid. However, progress in broadband coverage has been limited.

Recommendations: Continue to enhance transport and communication infrastructure. Facilitate competition in energy generation and ensure efficient investment in low emission generation capacity by implementing a single carbon price for all producers.

Reform housing policies. The absence of mandatory zoning plans, transaction taxes on housing purchases and rent controls hinder the functioning of the housing market.

Actions taken: Value-added tax refunds on building materials were abolished in 2014.

Recommendations: Require the release of zoning plans by municipalities. Replace transactions taxes on property by annual *ad valorem* taxes. Remove rent controls. Publish house price indexes for the country as a whole and for different market segments.

Reform areas no longer considered a priority in *Going for Growth*

For Poland, all priority areas from the 2013 issue of *Going for Growth* are maintained.

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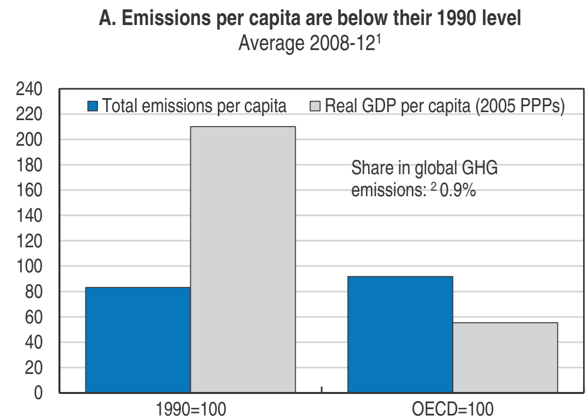
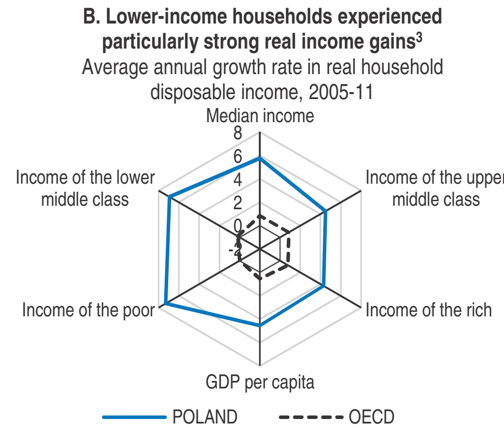
Beyond GDP per capita: Other policy objectives





1. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and *United Nations Framework Convention on Climate Change (UNFCCC) Database*. Panel B: OECD, *National Accounts and Income Distribution Databases*.

StatLink http://dx.doi.org/10.1787/888933178781