



Local Worlds of Social Cohesion Policies

The Local Dimension of Integrated Social and Employment Policies

WP 2

The National Governance of Integrated Social Cohesion Policy

National Report Poland

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1. INTRODUCTORY PART

1.1 Basic labour market indicators¹

In the beginning of 90s Polish economy has undergone a structural transformation from centrally planned into market economy which lead to abrupt changes in the employment status. People used to one job for life were forced to face new reality: economy restructuring, massive unemployment, increase of short-term contracts. Creation of new workplaces in a developing private sector was not fast enough to absorb people massively dismissed from state companies.

Unemployment – almost nonexistent during communism – became a serious social and political problem. Almost half of the working population declared in 2007 had experienced job loss (Gardawski et al.: 318). Economic unemployment rate² has increased abruptly (for details see table 1, Eurostat 2011). In 1997 it was at the level of 10.9%, it reached its peak of 20% in 2002. Between 2002 and 2006 Poland had the highest unemployment rate among European countries. It decreased to 7.1% in 2008. In the context of current economic crisis, it has went up again in 2009 and 2010, but nevertheless its level has remained lower than in 1997.

Table 1: Economic unemployment rate

| geo\ time | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------|-------------|-------------|-------------|-------------|-------------|-----------|-------------|-----------|-------------|-------------|------------|------------|------------|------------|
| EU 27 | : | : | : | 8,8 | 8,6 | 8,9 | 9,1 | 9,2 | 9 | 8,3 | 7,2 | 7,1 | 9 | 9,7 |
| EU 15 | 9,9 | 9,4 | 8,7 | 7,8 | 7,4 | 7,7 | 8,1 | 8,3 | 8,3 | 7,8 | 7,1 | 7,2 | 9,2 | 9,6 |
| Poland | 10,9 | 10,2 | 13,4 | 16,1 | 18,3 | 20 | 19,7 | 19 | 17,8 | 13,9 | 9,6 | 7,1 | 8,2 | 9,6 |

Source: Eurostat, LFS.

Also both employment and activity rates dropped in 1990s and at the beginning of 2000s with mass dismissals, economic crisis and easy access to disability and early retirement schemes. Employment rate of population aged between 15 and 64 years old was at the level of almost 60% in 1997 and 1998 (for details see table 2, Eurostat 2011). It dropped under 52% between 2002 and 2004 and it has been growing ever since, slightly exceeding 59%. Relatively low employment rate seems to be long-lasting characteristics of Polish labour market. Whereas unemployment rate in Poland has no longer been over EU average (both EU15 and EU27),

¹ This part of the text uses elements of a report written by one of the authors (Sztandar-Sztanderska forthcoming).

² We will use a distinction between registered and economic unemployment rate. The first indicator refers to unemployment rate measured in reference to the number of people holding the administrative status of unemployed. The second one is based on international definition used in Labour Force Survey (LFS).

employment rate in this country still remains significantly lower than on average in EU (both EU15 and EU27).

Table 2: Employment rate (age group 15-64)

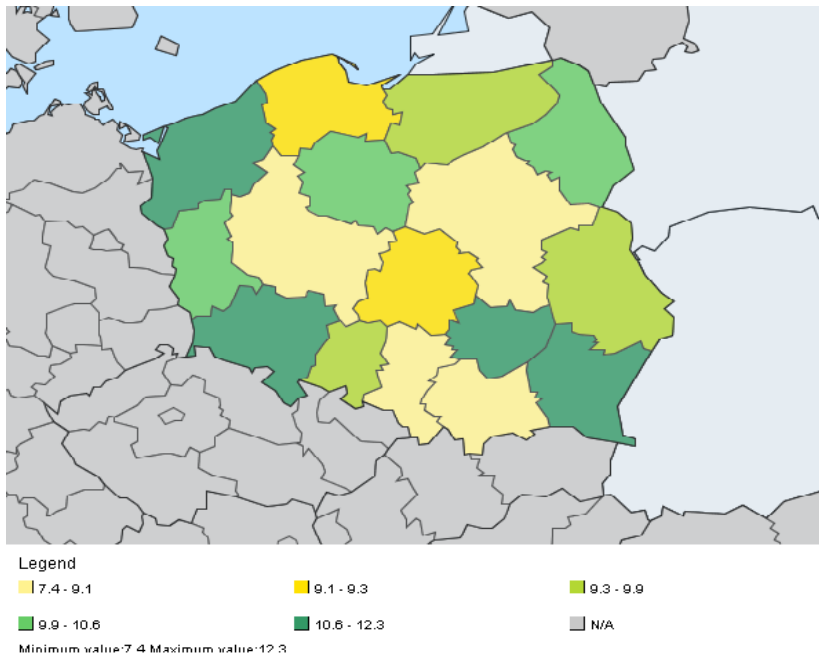
| geo/time | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------|-------------|-----------|-------------|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|-------------|-------------|-------------|
| EU 27 | 60,7 | 61,2 | 61,8 | 62,2 | 62,6 | 62,4 | 62,6 | 63 | 63,5 | 64,5 | 65,4 | 65,8 | 64,5 | 64,1 |
| EU 15 | 60,7 | 61,4 | 62,5 | 63,4 | 64,1 | 64,2 | 64,5 | 64,9 | 65,4 | 66,2 | 66,9 | 67,1 | 65,8 | 65,4 |
| Poland | 58,9 | 59 | 57,6 | 55 | 53,4 | 51,5 | 51,2 | 51,7 | 52,8 | 54,5 | 57 | 59,2 | 59,3 | 59,3 |

Source: Eurostat, LFS.

Employment and unemployment rates for different socio-economic groups and territories

Risk of unemployment and inactivity has been unequally distributed territorially and among socio-economic groups. Unemployment rate varies between 7.4% and 12.3%. Regions in the centre and south of the country have lower economic unemployment rates. Whereas the most vulnerable are western regions, eastern-south regions and north-eastern regions (see, map1). Intra-regional disparities are even wider. Yet the only indicator that is measured at the level of *powiat* (pronounced as “poviat”, middle local territorial unit created in 1998) is the registered unemployment rate. For example, in the end of 2010, the minimum registered unemployment rate was at the level of 3.4% in the capital city of Warsaw, whereas the highest one was 35.1% in the local unit called *powiat Szydłowiecki*, situated in the same region (MPiPS, 2010). Generally speaking, also other big cities have better than average results.

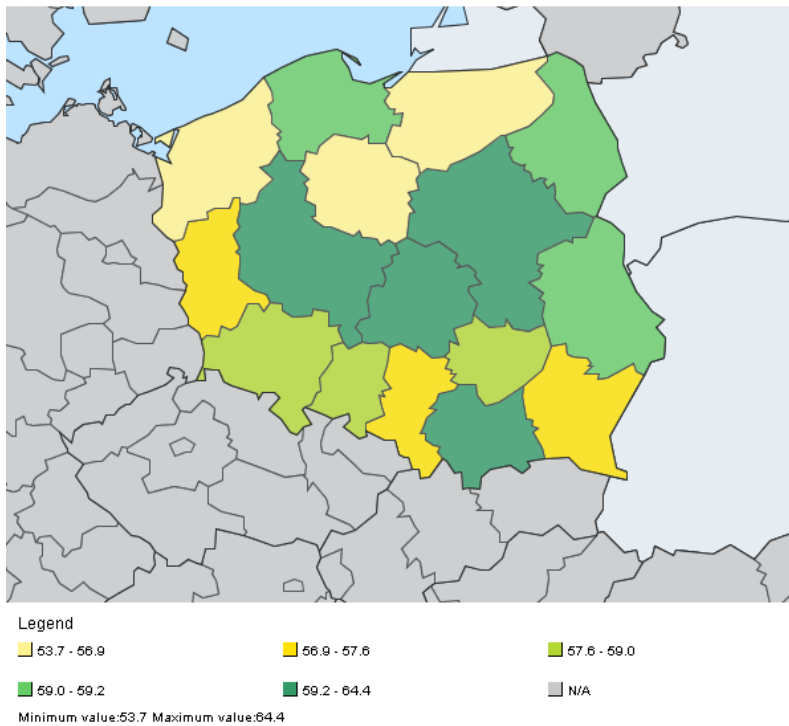
Graph 1. Unemployment rate, by NUTS 2 region, % - 2010



Source: Eurostat

The best performing regions when it comes to employment rate is Mazowieckie region situated in the centre of the country (64.4%), whereas the worst performing is Zachodniopomorskie region (53.7%), situated in the north-west (for more, see graph).

Graph 2. Employment rate of the age group 15-64, by NUTS 2 region, % - 2010



Source: Eurostat

Socio-economic groups facing higher risks in the labour market are, among others, young and elderly people, women, low skilled, and also people having more specific difficulties, like for instance disabled people (Towalski 2009).

Age

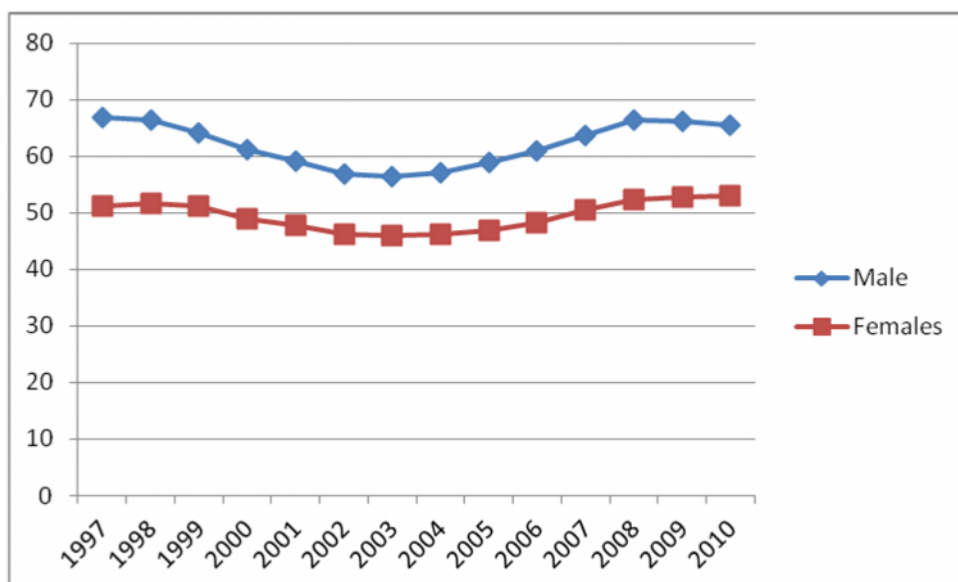
The unemployment rate for youth under 25 years old remains much higher (23.7%) than for labour force aged 15 to 64 (9.6%) (2010). It has also been higher than this indicator for youth in EU27. The difference was over 20% between 2001 and 2004, yet it dropped considerably and it was under 3% in 2010.

In case of older people (55 to 64) the problem is low employment rate, rather than unemployment rate which has been below the unemployment rate counted for the labour force (15 to 64) (LFS data for Q3 in 2008,2009,2010, 2011) (GUS 2011). Despite the steady growth of the employment rate of older people since 2003, this indicator for Poland remains 12.3% under EU average (2010, 34% in Poland, 46.3% in EU27) (Eurostat).

Gender inequalities

Low female employment rate is long-lasting characteristics of Polish labour market. Despite positive trend during last years, it has never exceeded 53%. Gender gap remains significant. In 2010 the difference between genders was at the level of 12.6%. The average age at which professionally active persons definitely withdraw from the labour market was 57.5 years old in case of women, while it was 61.4 in case of men (last available data for 2007, Eurostat).

Graph 3. Employment rate (%) in Poland by gender, age group 15-64



Source: Eurostat, LFS

Unemployment rate has been higher among women compared to men, but the inequality in this respect has almost disappeared. The difference was over 3.5% between 1997-2001, but is now under 1% (0.9% in 2009, 0.7% in 2010). Women have been also more vulnerable in terms of duration of unemployment spell, yet this discrepancy between genders has also dropped significantly. Between 1997 and 2005 the long-term unemployment rate among females was approximately 3% higher than among males, but this difference has been under 1% since 2007 and in 2010 it was only at the level of 0.3%.

Education level

In Poland there are also higher than average in EU disparities when it comes to employment rate and unemployment rate of people with low level of education. The vulnerable are in particular people with less than upper secondary level of education. The employment rate for this group was 23.6% in Poland, compared to 45.1% in EU27 (2010)³ (Eurostat), whereas the unemployment rate for this group was 16.3% in Poland, compared to 14.2% in EU27 (2010) (Eurostat).

Summary

Generally speaking, when employment and unemployment rates examined the Polish labour market shows signs of duality. In other words, there are visible disparities between insiders (i.e. usually male workers, with better qualifications and in the middle of their professional careers) and outsiders (women, youth, people with low qualifications). These disparities become even more visible if the analysis takes into account other aspects, such as, types of contracts (permanent *versus* fixed-term contracts) or wages (Portet and Sztandar-Sztanderska 2007).

Table 3: Summary table

| Item | Late trends (till 2010) | Risks/exposed groups |
|-------------------|---|--|
| Employment rate | Slow, but successive increase between 2003-2009, since 2009 stable at the level of 59%. | Territorial disparities Groups at risk: people with low level of education, 55-64 years old, women, disabled. |
| Unemployment rate | Decline by 12.6% between 2004-2008, slight increase since 2008. | Territorial disparities Groups at risk: people with low level of education, 15-24 years old. |

³ This indicator is counted for the age group of 25to 64.

1.2 Historical evolution and formative moments of employment and social cohesion policies until 1998

During communism the important provider of social welfare were state companies. They provided a broad range of services (mostly poor quality) among others, childcare, housing, health services, vocational education. The range of benefits and services was differentiated among sectors. Workers of some industrial branches – like, for instance, miners – benefited from special privileges. Extra-company social policy was very limited. Since 60s organisationally social policy was in a competence of health ministry, since the idea behind was that of “care” (*pl. opieka*), especially addressing elderly and “invalid” people (*pl. inwalidzi*) (Piotrowski 2010).

The so-called “shock therapy” consisting, among others, in a release of prices and currency controls and flexibilisation of labour market lead to rapid economic restructuring. In order to survive enterprises were forced to reduce costs by firing the workers, giving up social and the educational services typical for the communist system. Some of these services were taken over by central administration and communities – the lowest level of self-governments created in 1991 (*pl. gmina*), yet not of all were treated as right and especially access to childcare and to public housing became more and more difficult.

On the eve of economic reforms there had been neither social, nor labour market policy (LMP) programme prepared, since the priority was given to the issue of macro-economic stability (Bafol 2006). Social policy programmes were often seen as communist legacy and an obstacle to the reforms. Ultimate social policy goals were unclear (Szytko-Skoczny 2004; Ksiezopolski 1993, after Spieser 2008). Both social and labour market policies were used as emergency and ad-hoc measures, which was not a novelty, but rather a constant way of governing welfare in Poland⁴. What has profoundly changed was the context – they were used to address suddenly growing and – as it turned out – persistent, mass unemployment, which was not at all predicted by policy-makers.

The urgent need for the unemployment policy appeared in 1990, when “the labour market switched in a matter of months from excess demand to excess supply” (Fretwell 2005: 84). Unemployment was believed to be short-term side-effect of economic restructuring, yet it revealed to be long-term, structural and massive problem. In the end of December 1990 – i.e.

⁴ In his comparative and historical account of development of welfare states in CEE, Inglot coins a term of „emergency state” to describe this permanent feature of CEEs’ welfare states and to differentiate them from conventional welfare regimes. As he points out: “Seen in a larger historical context, the examples of Czechoslovakia (Czech Republic and Slovakia), Poland, and Hungary demonstrate that in specific circumstances of delayed and obstructed political and socioeconomic development, modern welfare states may never emerge as firmly consolidated “regime types” in a conventional sense. Rather, among the so-called late-developers we can detect the phenomenon of “permanent construction sites” or “layered” structuring of social policy institutions, which often incorporate highly inventive combinations of old and new benefit programs”. (Inglot 2008: 307).

only one year after the creation of the administrative status of the unemployed – more than one million of people were holding this status, whereas between 2001 and 2003 this number exceeded 3 millions.

Graph 4. Registered unemployment rate and number of unemployed 1990-2010 (at the end of the year except 2010).



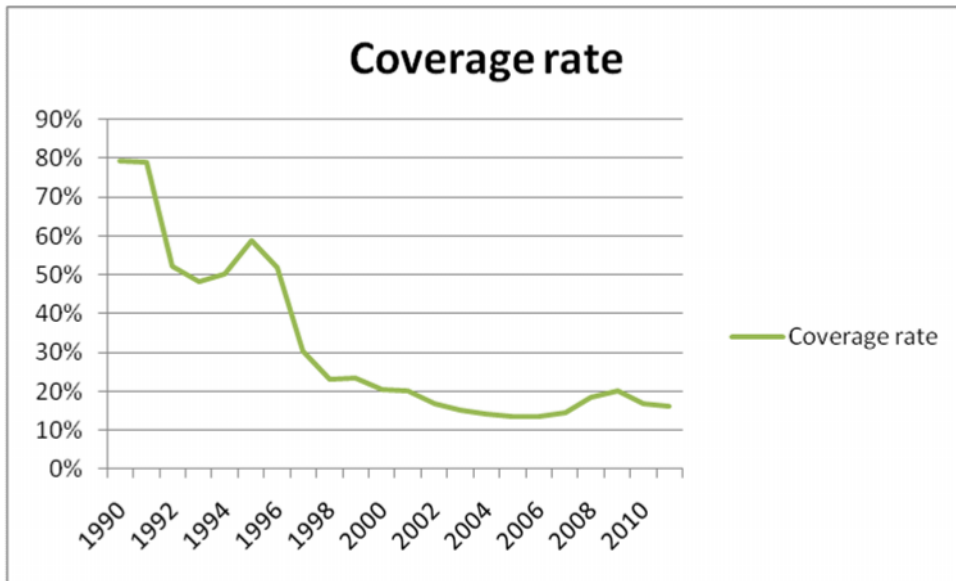
Source: Central Statistical Office (GUS)

Initially, the aim of the reforms of social and LMPs was to soften the negative effects of unemployment through generous passive policies and to prevent eruption of social protest that would halt the course of economic and political reforms (Gardawski 2002). A combination of new and old policy schemes was used to treat job losses: newly created generous unemployment benefit granted on the basis of citizenship without requirement of previous employment record, as well as – previously institutionalised but differently used in a context of growing unemployment – early retirement policies and disability benefits. Moreover, workers of some unionised sectors, especially in traditional industrial regions, benefited from privileged treatment outside unemployment scheme by getting high redundancy payments or by negotiating more favourable conditions of retirement (lower retirement age, higher pensions), whereas farmers, which were another group with organised representation, have been covered by more advantageous so-called ‘agricultural insurance system’ (KRUS), which has nothing to do with insurance principle, but rather operates as assistance for all farmers, no matter their income (Inglot 2008; Spieser 2008; Spieser and Sztandar-Sztanderska forthcoming). One of the negative economic effects of adopted policies was the permanent exit of significant part of population outside the labour force. The evidence for which was given in the previous part of the text.

Given a lack of political representation of unemployed and strategies of existing interest groups to struggle for their rights outside unemployment scheme, unemployment policy was

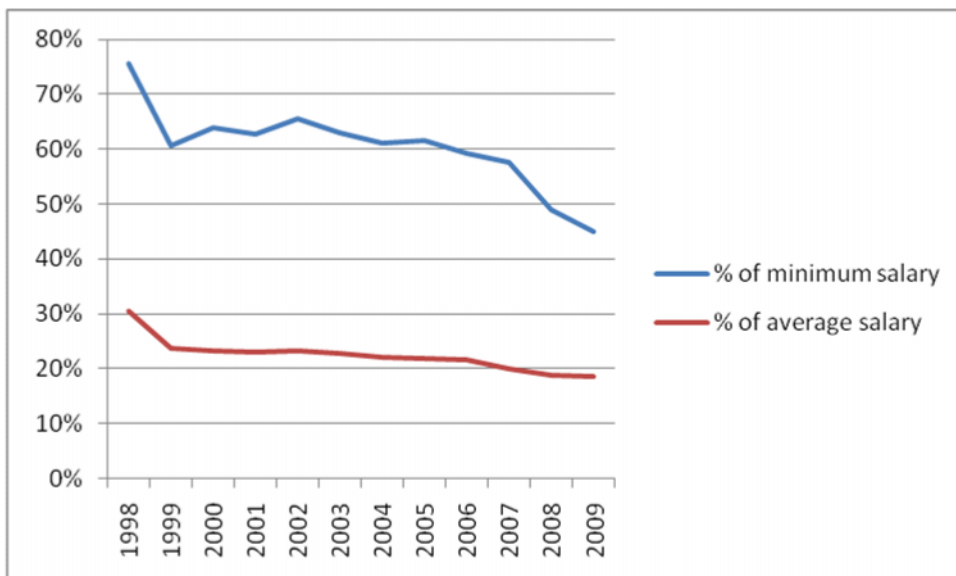
the first to be subjected to successive restrictions of entitlement criteria, duration of payment, level of benefits as well as the duration of unemployment spell (Spieser and Sztandar-Sztanderska forthcoming). In consequence, there was a significant decline of both coverage and replacement rate of unemployment benefit (for details see graphs 5, 6).

Graph 5. Percentage of the registered unemployed entitled to unemployment benefit (end of the year)



Source: MPiPS, Statystyki rynku pracy, Portal Publicznych Służb Zatrudnienia

Graph 6. Replacement rate of the minimum and average salary by the standard unemployment benefit at the end of year



Source: Authors' own calculations based on available data on Internet sites of the Social Insurance Office (ZUS) and the Ministry of Labour and Social Policy

Many of the unemployed, not entitled to benefits, suffered from triple insecurity: financial insecurity and dependence on family and low support in terms of active labour market policies (ALMPs), which were underfunded, because till 2005 the vast majority of the Labour Fund that financed LMPs was spent on benefits (mostly preretirement and early retirement benefits, but also unemployment benefits).

2. INSTITUTIONAL CONTEXT AND POLICY FIELDS (CURRENT SITUATION, MAIN FEATURES OF CURRENT EMPLOYMENT SYSTEMS)

2.1 Outline of the welfare system in Poland

The Constitution creates institutional framework of welfare system in Poland. It defines economic regime, basic social rights and enumerates target groups of public policy. Economic regime is characterised as: “a social market economy, based on the freedom of economic activity, private ownership, and solidarity, dialogue and cooperation between social partners” (article 20). Social rights are enumerated explicitly. The Constitution guarantees workers their freedom to choose occupation, a minimum level of remuneration for work, the right to safe and hygienic conditions of work, the right to statutorily specified days free from work. Citizens, who are incapacitated for work or who are involuntarily unemployed and have no other means of support, have the right to social security. Moreover, the Constitution guarantees the rights to social insurance, health care, education and housing. Article 65 makes an important declaration concerning the ALMPs, namely that “Public authorities shall pursue policies aiming at full, productive employment by implementing programmes to combat unemployment, including the organisation of and support for job counselling and training, as well as public works and economic intervention”. This means that ALMPs is regarded as the constitutional right, which places an obligation on the government to monitor the labour market situation as well as to devise special policies which are subsequently implemented. To sum up, the Constitution puts emphasis on the rights related to the labour relation, social protection and access to social security, which for people outside employment might mean being subjected to means testing.

Several target groups are mentioned in the context of social rights: children and families, mothers, pregnant women, single parents and elderly people, disabled and homeless persons. This selection reflects importance of a family as a basic unit for a social policy in a catholic state and a traditional idea of “care” (pl. *opieka*) for people with “dysfunctions” (Zalewski 2005).

The main governmental organisation responsible for welfare system in Poland is the Ministry of Labour and Social Policy (MPiPS). The MPiPS is organised in three main pillars: 1) labour market, which includes: employment and unemployment policy, working conditions, wages and labour benefits, collective labour relations and collective bargaining; 2) family policy, which includes: demographic conditions, child care, support for families, especially those living in poverty, coordination and organisation of cooperation of public administration, non-governmental organisations (NGOs) and other actors in the respect of implementation of children and family rights, international cooperation for the protection of children and families; 3) social assistance, including: pension system, social assistance for poor families and people, governmental programmes in areas of social policy, social assistance for the disabled, activities of NGOs which have statue of public benefit organisations, coordination

and organisation of activities of public administration, as well as other institutions active in the area of social policy, including NGOs.

The organisational structure of MPiPS shows very clearly the separation between policies focusing on labour relation and unemployment from social assistance. Social assistance is concentrated on helping disadvantaged people: the poor, disabled, large families. In this model the unemployment is considered a disadvantage, that should be compensated by mostly in-kind or financial support. Employment was not traditionally seen as an objective of social policy, which together with a lack of resources impeded development of activation.

The MPiPS has mostly regulatory and supervising responsibilities. In most cases the MPiPS has no direct control over organisations which carry out everyday tasks of social policy. The reforms which bring decentralisation and territorialisation effect have transferred most of the responsibility to organisations under the supervision of self-governments: gminas (NUTS-5 level), powiat (NUTS 4) (pl. powiat) and vovoidship (NUTS 2) (pl. województwo).

Table 4: Overview of the local level responsibilities in Poland

| | Major own tasks | Legal basis |
|---------|---|--|
| Gminas | land use planning and environment protection road infrastructure provision of media, keeping cleanliness and order. sewage system local public transport social assistance (including social welfare centres and institutions) communal dwelling construction public education culture (incl libraries, protection and conservation of historic monuments) physical culture and tourism | Act of 5 March 1990 on the <i>gmina</i> local government |
| Poviats | public education promotion and protection of health social assistance family promotion policy assistance to the disabled public transport and public roads architecture and construction administration water management environment and nature protection public order and public safety flood control counteracting unemployment and stimulation of local labour market consumer rights protection defense issues | Act of 05 June 1998 on the powiat local government |

| | | |
|-------------|--|--|
| Voivodeship | <p>regional development strategy (incl. upgrading national awareness and local identity) ,</p> <p>promotion of economic activity,</p> <p>improvement of competitiveness and innovation in the regional development policy (incl. labour market development)</p> <p>maintenance and development of social and technical infrastructure of regional significance,</p> <p>support to development of science, technological progress and innovation and their use in the economy,</p> <p>support to development of culture,</p> <p>measures for upgrading education level of citizens public education, (incl. university education)</p> <p>promotion and protection of health,</p> <p>social welfare, family protection, culture</p> <p>water management, (incl. flood control), management of provincial flood control</p> <p>warehouses defense issues, public security</p> <p>counteracting unemployment,</p> <p>development of regional labour market</p> <p>public transport and public roads</p> <p>consumer rights protection.</p> | <p>Act of 5 June 1998 on voivodeships local government</p> |
|-------------|--|--|

Source: (Starega-Piasek, Matela et al. 2006)

Although it would seem that voivodeships have the most responsibilities, in practice the gminas are the most important level of local government. They are responsible for all of the tasks which are important for local community, unless they are reserved for upper levels or state. Institutionally and financially gminas are the most independent and developed units of local governments. Poviats and voivodeships are much weaker. They have less responsibility and proportionally smaller budget. Therefore, they are criticised for being too dependent on central funding and not autonomous enough in their local policies.

LMPs

In terms of implementation of labour market policy the most important organisation is Poviats Labour Office (PUP). Formally PUPs are a part of poviat administration. The head of PUP is nominated by the head of poviat (*starosta*), who delegates some of his or her responsibilities. However, policy instruments, target groups as well as standards of job counselling and job placement are centrally defined. Moreover, the funding received from the Labour Fund cannot be spent on other purposes⁵. Therefore, PUPs have to manoeuvre in this context of double control and dual-power of poviat authorities and central actors.

⁵ Self-governments of poviats can only influence a division of the financial resources between different ALMPs that is left after payment of flat-rate obligatory benefits. They can also encourage their Poviats Labour Office to apply for additional resources when, for instance the Ministry of Labour and Social Policy or Voivodship, opens a competition for additional funding (so called Ministry or Voivodship reserve).

Social protection

Based on the Constitution and appropriate laws we can name seven elements of social protection system:

1. Social insurance schemes (old-age, disability, employment injuries, sickness and maternity, care and funeral allowances),
2. Health care,
3. Family benefits,
4. Social assistance (cash and in-kind benefits and services) and housing allowances,
5. Vocational and social rehabilitation for disabled,
6. Employment services and unemployment benefits.

In most cases parliament is responsible for issuing regulations, while responsibility for implementation of social policy is diffused among various actors, mostly various levels of local self-governments. Below we present the selected elements of social protection system regarded as having impact on employment: pension system, health care and social assistance. The more detailed description of employment system (including questions of benefits and monetary incentives as well as social services) will be presented in the next part of the report.

Table 5. Overview of the social welfare organisation in Poland

| Sectors of social welfare | Regulations | Administration | Financing |
|--|--------------------------------|--|--|
| Old-age pensions | Parliament, central government | Central government and private institutions | Public social insurance (contributions + state budget subsidy) Private funds |
| Disability, employment injury and survivors pensions | Parliament, central government | Central government | Public social insurance (contributions + state budget subsidy) |
| Sickness, maternity, funeral and care allowances | Parliament, central government | Central government | Public insurance (contributions + state government subsidy) Private (employers) |
| Health care | Parliament, central government | Central government Local governments of all levels Private (profit and non-profit) | Public health insurance (contributions + state governments earmarked grants) Local governments of all levels Private (households, employers and NGO) |
| Family benefits | Parliament, central government | Local governments (gminas) | Public (state budget) |
| Protection of unemployed | Parliament, central government | Local governments (poviats) | Public Fund (special tax paid by enterprises) |
| Active labour market | Parliament, central | Local governments | Public Fund (special tax |

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| programs (ALMP) | government | (poviats), Private (profit organizations and non-profit organizations) | paid by enterprises) Private (non-profit organizations) |
| Social assistance cash benefits and housing allowances | Parliament, central government | Local governments (gminas) | Public: local governments (gminas) + state budget earmarked grants |
| Social assistance services (long-term care and home services for elderly and disabled, support for homeless persons) | Parliament, central government Gminas concerning period and amount of periodical allowances above minimum level | Local governments of all levels Private (profit and non-profit organizations) | Public: local governments (gminas) Private (households and NGO) |
| Vocational and social rehabilitation of disabled persons | Parliament, central government gimnas and poviats (regulations on financing) | Local governments (gminas and poviats) | Public central fund (taxes paid by enterprises + state budget subsidy) |
| Care for children (nurseries and kindergartens) | Parliament, central government | Local governments (gminas) | Local governments (gminas) |

Source: (Staręga-Piasek, Matela et al. 2006)

The old-age pension system covers citizens of Poland, with the exception of persons employed in agriculture. The farmers have a separate pension system (KRUS) organised in a different manner. The pension system is divided into three pillars. Two pillars are mandatory: the pay-as-you-go pillar and the accumulation pillar. The third pillar is voluntary. The future pension will consist of two elements: 1) money paid by ZUS (state controlled Social Insurance Institution); 2) money paid by private fund. The first and second tiers are financed through individual contributions (19.52% of gross wages) which are equally split between the employer and employee. The state guarantees minimal pension. The future pensioner can also receive money from the third pillar, which is managed by a private financial institution. Despite several legal and financial incentives, participation in the third pillar is marginal.

The new pension system has two crucial features in terms of employment policy. First, it connects very closely pension structure to wage distribution. Second, because the state guaranteed pension is very low and future pensions will be much lower when compared to the last wage, this urges people to work longer and save money.

Healthcare is a very complex system. Generally healthcare is state financed. The institution responsible for administration of the system is the National Health Fund (NFZ). All social groups are covered by obligatory health insurance. The Fund collects money from the taxpayers (in 2011 a premium rate was 9% of a person's income). Money is used to finance the variety of health services contracted by hospitals and other medical institutions. The process of contracting has quasi market features. The intention was to introduce the competition

between different medical services providers. In practice the system is very ambiguous. Most of the medical service providers (hospitals and clinics) are owned by local government. With this said, there is a growing number of private institutions, which provide simple services or services which are not financed by NFZ. The growing demand for health services fuels the development of the private health sector, but the access to it is limited to the upper class.

Social assistance has been delegated to local government. Social assistance is divided into two kinds: obligatory and delegated. The delegated social assistances are financed by the state and include: payment of various kinds of monetary allowances as well as constructing houses for the disabled and emigrants among others. The obligatory social assistances include for example: care for elderly, homeless, handicap people, home services for the elderly and disabled. Social assistance is only one of many obligations which local government must fulfil. Unless money is state provided the local government attempts to decry the cost of social assistance. Three levels of local government are self-governing, which means that they cannot be forced to cooperate. We observe many competence conflicts (Mandes, Trutkowski 2005).

The example of healthcare or social assistance shows the institutional structure of Poland's welfare system. Generally we have two actors: state and local government. The state creates the legal frameworks and provides finances. The everyday responsibility of administering the different elements of the system rests with the different levels of local government. The private institution and NGO play minor roles. This holds for all except the pension system, of which the private institutions are an integral part. Indeed, they help to fill the gaps. For example, gminas are obliged to organise homes for elderly persons, but in most cases their standards are poor and unsatisfactory for the upper-middle classes. In response to this demand private investors offer these kinds of services. This creates a paradoxical situation, on the one hand there is no public consent regarding the privatisation of many social services, whilst on the other hand backdoor privatisation is taking place in response to growing demand from wealthy people. Consequently, class inequality is connected with the quality of provided social services.

2.2 Main features of current employment systems:

2.2.1 Benefits and monetary incentives (in work benefits, tax credits, etc) to take up work

Benefits and monetary incentives that might be considered as promoting employment are elements of various policy fields. We will mention some of them very briefly and focus only on the most important from the point of view of the project, i.e. local dimension of integrated social and employment policies.

There are several benefits and monetary incentives that have employment-effects, but are not relevant from the point of project, because they are neither planned nor implemented by sub-national territorial units. They constitute elements of the following policy fields or subfields:

- tax system (eg. tax concession for parents),
- retirement system (eg. link between the level of contributions accumulated on the individual accounts and the level of old-age pensions introduced to delay decision to retire and to reduce grey area of economy),
- social insurance system (eg. lower social contributions for entrepreneurs than for employees, lower social contributions for youth starting their own business, no obligatory social contributions for young people aged under 26 years old and in education working on the basis of civil contracts)
- labour market code (eg. salary paid from social insurance system during maternity leave and other instruments for parents that aim to reconcile working life with family obligations)

More attention should be paid to the benefits and monetary incentives included in LMPs and social assistance. Even if their level is nationally defined, they are part of sub-national policy making, because they are implemented together with other social services by organisations formally belonging to middle and lower local units (*powiat* and *gmina*). People with the administrative status of the unemployed are still main target group, which means that there are almost no in-work benefits for other groups (for instance, working-poor), nor tax credits.

Benefits and monetary incentives in the frame of LMPs implemented by poviats labour offices (PUP) at middle local territorial unit (NUTS IV)

Administrative status of unemployed and related responsibilities

In order to benefit from rights related to unemployed status a person has to register in poviat labour office (PUP) and fulfil several criteria, defined in the act on employment promotion and labour market institution (see box below).

Box 1: Main criteria of registration as unemployed in poviat labour office

In order to be granted unemployed status he or she must fulfil the following criteria:

- having Polish or EU citizenship
- aged between eighteen and sixty (women) or sixty-five (men) years old
- not employed,
- not involved in training nor in any kind of paid work,

- willing and available to start full-time work immediately (in case of disabled half-time),
- not entitled to an old-age or invalidity pension.
- not owning or managing more than two hectares of agricultural land.

Employees of poviats labour office can test “willingness” and “availability to take up job”. The legislation defines sanctions in case of refusals of suitable employment or participation in ALMPs programmes and not showing up in the labour office for the appointed meeting. Such a person will lose a status of unemployed and all related rights. The last amendment of the Act on employment promotion and labour market institutions in December 2010 made sanctions for refusing a suitable employment or participation in activation stricter by extending a period for which a person loses this status to 120 days in case of the first refusal, 180 days in case of the second one 270 days in case of following ones. The unemployment benefit recipient is obliged to come to labour office at least once a month, while all other unemployed at least once for three months.

A very broad definition of suitable employment legitimises implementation of sanctions no matter if job preferences of an unemployed person had been actually diagnosed by job placement agent (a differentiated use of sanctions is described in: Sztandar-Sztanderska 2009). Between 2005 and 2010 the total share of unemployed deregistered in effect of sanctions in the total outflow from unemployment was about 30%.

Box 2: Definition of “suitable employment”

Suitable employment is defined according to the following criteria:

- Employment or remunerated work, subject to payment of social contributions;
- Unemployed person possesses sufficient qualifications and professional experience to perform the job, or will be able to perform it after training;
- Her health condition makes it possible to perform the job;
- Journey to work and back home does not exceed 3 hours and can be made by means of public transport.
- The gross income should equal at least the national minimum wage, if it is a full-time job (or should be calculated proportionally to the time of work).

Source: “Act on employment promotion and labour market institutions” from 2004 with further amendments.

Health care insurance as conditional right

Main right resulting from a status of unemployed is the access to free health care⁶. Generally speaking, adults, who are neither employed or self-employed, nor insured by a working family member, nor in full-time education have to register in order to be granted public health insurance. This conditionality of access to health insurance upon the status of unemployed is criticised by Polish researchers and employees of Public Employment Services (PES), because it creates incentives for registration as unemployed other than seeking employment (eg. Góra 2006).

Unemployment benefit

Successive restrictions of entitlement criteria, duration and level of benefits made Polish out-of-work income maintenance system extremely residual, which was justified by a need to perform budgetary cuts, but also as a policy creating monetary incentives to take-up employment. In 2009, the expenditure on out-of-work income maintenance in Poland was the lowest in EU. The spending on this purpose was 658.781 million of euro in Poland (i.e. 0.212% of GDP), compared to 151,650.982 million of euro in EU15 (1.389% of GDP) and 155,045.635 million of euro in EU27 (i.e. 1.315% of GDP) (Eurostat).

The box below presents legally binding entitlement criteria to unemployment benefit.

Box 3: Unemployment benefit (eligibility criteria)

- | |
|---|
| <p>a) unemployed person has worked on the basis of work contract or any other contract for at least 365 days during the last 18 months, earning at least a minimum salary;</p> <p>b) during this work period unemployed person and his/her employer have covered all foreseen contributions from at least minimum salary.</p> |
|---|

Source: “Act on employment promotion and labour market institutions” from 2004 with further amendments

The key characteristics of the Polish out-of-income maintenance system are not only low coverage (entitled to unemployment benefit in), but also low replacement rate. Currently, despite the fact that the entitlement to the unemployment benefit depends on obligatory contributions (2.45% of gross salary paid by employers), the allowance is flat-rate and its amount varies slightly with a period of work during which all foreseen contributions have been covered from at least a minimum salary. People, who have worked less than 5 years

⁶ Health insurance means mainly a right to see a doctor without paying for visit or a right of being hospitalised or having medical treatment (in all cases waiting time might be long) and not necessarily refunds of medications (a list of refundable medications is precisely defined).

fulfilling this criterion, receive 80% of the standard allowance, while those with more than 20 years of service get 120% of it. Since January 2010 an incentive mechanism has been introduced and the benefit is higher during the first 3 months (standard benefit is PLN 717, i.e. approximately EUR 157)⁷ and lower during the following months (PLN 563, i.e. approximately EUR 123).

Social assistance

Unemployed person not entitled to the unemployment benefit can apply to gmina for a last resort temporary allowance from Social Assistance Centre (*zasilek okresowy*), which payment has been mandatory since 2004. Beforehand gminas were able to refuse payment due to lack of resources and this practice was frequent. The income criterion is very low (in 2009: approx. EUR 116.11 for a single household and EUR 85.44 for one person in a household with more than one person) and it includes legal and illegal income of all other inhabitants of the household (social workers often count also assistance as other relatives not living in the same household as a part of the total income). The minimum mandatory level of benefit is 50% of the difference between the income criterion and the actual income.

In-work benefits

In this residual out-of-work income support system, there was no attempt to replace out-of-work benefits by in-work benefits for working poor, which shows that policy-makers were more concerned by budgetary cuts than by “making work pay” strategy. The only legal tool that aims to create positive financial incentives to take up employment is activation allowance (*dodatek aktywizacyjny*), but its use is limited to narrowly defined group of the recipients of unemployment benefit. The share of people, who were granted activation allowance in 2009 among the number of registered unemployed at the end of that year was only 6%. It is paid to an unemployed person entitled to unemployment benefit who takes up a part-time job with a salary below a minimum wage proposed through job placement in the Poviats Labour Office or to an unemployed person entitled to unemployment benefit who finds a job independently from the Poviats Labour Office. It can amount up to 50% of unemployment benefit and can be paid either half of or the total duration of unemployment benefit.

Participation in ALMP as additional income support

In the context of low level and restricted out-of-income support, policy-makers increased financial incentives to participate in ALMPs. Participation in all types of ALMP, except for job agency and vocational counselling, usually gives the unemployed person additional financial support. In case of majority of measures that aim to increase human capital of the

⁷ According to average currency exchange rate of National Bank of Poland for 14th December 2011.

unemployed (eg. training, on-the-job training, co-financing post-graduate studies), scholarships vary from 20% of unemployment benefit to 120% of unemployment benefit. In case of subsidised employment (intervention works, public works), an unemployed person receives a regular salary and labour code rules concerning a minimum wage apply. In case of socially useful works, which have a working time limit up to 10 hours per week, there is a fixed minimum amount per hour (PLN 6, approx. EUR 1.32).

To sum up, the Polish employment system in the respect of benefits and monetary incentives, implemented by sub-national units is highly residual, with low level of benefits and low coverage and access to health insurance as main reason for registration as unemployed. Conditionality concerns not only unemployment benefit recipients, but all people registered as unemployed who risk losing access to healthcare. In this context ALMPs play also income support role.

2.2.2 Social Services (training, health, social assistance, housing, childcare)

In Poland the trends to integrate services with the aim of increasing employment and improving social cohesion are still very weak. To an important extent policy fields have remained separated and cooperation between various types of actors (public, private, non-governmental) underdeveloped.

However, lately there were some modest attempts to increase role of ALMPs by introducing and recalibrating instruments that aim – what Bonoli – calls human capital investment and employment assistance (Bonoli 2010). The first type refers to instruments that seek to improve the chances of finding employment by upskilling. The second one refers to measures that aim to remove obstacles to employment and facilitate (re-)entry into the labour market and, including job placement, job counselling and subsidised employment for the most vulnerable groups, might consist of various social services.

Training

Standardised indicators used by the European Commission to measure participation of adults (25 to 64 years old) and older workers (50 to 74 years old) in lifelong learning during the four weeks preceding the survey are much below the EU27 average ([Commission of the European Communities, 2009](#)). Only 4.7% of adults compared to 9.5% in the EU27 participated in lifelong learning (2008). The same was the case of only 1.1% of older workers (2007), while the EU27 average was 4.3%⁸.

⁸ Different research results show that situation is slightly better when it comes to lifelong learning opportunities created by employers (EWCS 2000, 2005; Czarzasty 2008; Kryńska 2009). For instance, 26% of workers participated in training paid for or provided by the employer during last 12 months, which is 2% over the EU27

Instead of creating the system of life-long learning of adults, the political priority was given to develop ALMPs (including programmes such as trainings and on-the-job trainings) in response to massive unemployment that appeared in 90s. However, due to serious underfunding⁹, weak institutional capacities of Public Employment Services (PES) and a large number of unemployed, their impact has been so far very limited (Sztandar-Sztanderska 2009) and territorially differentiated – although there has been some improvement since 2005.

Some human capital investment instruments are theoretically available for all registered unemployed, while others are restricted to groups nationally defined as vulnerable in the labour market, i.e.: unemployed aged under 25 and over 50 years old, long term unemployed; unemployed; women, who have not returned to work after a birth of their child; unemployed people without professional qualifications; single-parents; ex-prisoners; the disabled. Lately target groups of human capital investment types of ALMPs were broaden and included, except people registered as unemployed, also some other vulnerable or politically organised groups (for details, see table below).

The planning and implementation of human capital investment instruments engages various actors. The head of upper local territorial unit (*starosta*) can authorise (and usually does) the director of powiat labour office (PUP) to perform his or her duties in this respect. His or her tasks consist of, among many: organising public tenders and selecting training institutions¹⁰, taking formal decisions of to which employers give trainees (apprenticeships or people in vocational preparation in the workplace) and which individuals among target groups will be selected to participate in ALMPs.

Generally speaking, programmes that aim human capital investment in Poland are cheap and short-term. In case of training planned by head of middle local territorial unit (*starosta*) or PUP: low price is one of the main criterion in public tendering. In case of other, more individualised instruments: the maximum refund of costs that beneficiary can get is 300% of average salary a year. The most commonly used instruments: training and apprenticeship may last up to 6 months (in special cases up to 12 months). Moreover, research results indicate that on-the-job-training (mainly apprenticeship) has been used as a veiled form of subsidised employment to lower employment costs of enterprises (Wóycicka, Sztandar-Sztanderska et al. 2008).

average (EWCS 2005). However, trainings are primarily addressed to already very well qualified, middle-aged, mostly male workers and they are provided more often in large, older companies or in public sector (EWCS 2005; Kryńska 2009).

⁹ Both ALMPs and unemployment benefits are paid from Labour Fund (FP), which is now financed mainly from employers contributions. In consequence, total spending on ALMPs goes down, wherever unemployment goes up, together with spending on mandatory benefits. Before 2005, Labour Fund financed also preretirement benefits and allowances. Due to high spending on passive policies and massive unemployment, between 1990-2004 the expenses on ALMPs have not exceeded 20% of the Labour Fund (with exception of 1998)⁹.

¹⁰ Training providers have to be formally registered as training institutions in the register kept by Voivoid Labour Office (WUP).

Table 5: Main human capital investment ALMPs

| Type of measure | Name of a measure | Target groups | Actors involved |
|---------------------|---|--|---|
| On-the-job training | Apprenticeship | Before 2009: young people (under 25 or aged between 25 and 27 and having finished their tertiary education less than a year before) | <p>Public, sub-national:</p> <p>→ <i>Starosta</i>, head of poviats (upper local territorial unit)</p> <p>→ PUP (PES representing head of upper local territorial unit)</p> <p>Others:</p> <p>→ Employer (public, private or other)</p> |
| | | After 2009: all the vulnerable groups | <p>Public, sub-national:</p> <p>→ <i>Starosta</i>, head of poviats (upper local territorial unit)</p> <p>→ PUP (PES representing head of upper local territorial unit)</p> <p>Others:</p> <p>→ Employer (public, private or other)</p> |
| | Vocational preparation in the workplace (changed into vocational education of adults in 2009) | Before 2009: all vulnerable groups of unemployed except the young people | <p>Public, sub-national:</p> <p>→ <i>Starosta</i>, head of poviats (upper local territorial unit)</p> <p>→ PUP (PES representing head of upper local territorial unit)</p> <p>Others:</p> <p>→ Employer (public, private or other)</p> |
| | | After 2009: all unemployed and some additional groups (miners receiving special benefits; participants of Social Integration Centres or individual integration programmes; reserve soldiers; people receiving special training benefits) | <p>Public, sub-national:</p> <p>→ <i>Starosta</i>, head of poviats (upper local territorial unit)</p> <p>→ PUP (PES representing head of upper local territorial unit)</p> <p>Others:</p> <p>→ Employer (public, private or other)</p> <p>→ also possibly Training Institution (public, private or other) that cooperates with employer</p> |
| Training | Training | Before 2009: all unemployed | <p>Public, sub-national:</p> <p>→ <i>Starosta</i>, head of poviats (upper local territorial unit)</p> <p>→ PUP (PES representing head of upper local territorial unit)</p> |
| | | After 2009: all unemployed and other groups (workers during notice period dismissed for reasons relating to place of work; people | |

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| | | | |
|--|--|---|--|
| | | employed in a bankrupt company; miners receiving special benefits; participants of Social Integration Centres or individual integration programmes; people receiving special training benefits; farmers or reserve soldiers seeking for employment outside the agriculture) | <p>Others:</p> <p>→ Training Institution (public, private or other) selected in an open public tender organised by <i>starosta</i> or PUP; in case of individual training institution is chosen by the unemployed.</p> |
| Others | Co-financing postgraduate studies (up to 300% of average salary) | After 2009: all unemployed and other groups (workers during notice period dismissed for reasons relating to place of work; people employed in a bankrupt company; miners receiving special benefits; participants of Social Integration Centres or individual integration programmes; people receiving special training benefits; farmers or reserve soldiers seeking for employment outside the agriculture) | <p>Public, sub-national:</p> <p>→ <i>Starosta</i>, head of powiat (upper local territorial unit)</p> <p>→ Powiat Labour Office (PES representing head of upper local territorial unit)</p> <p>Others</p> <p>→ Education provider</p> |
| | Loan for covering training costs without interests rate (up to 400% of average salary, 18 months for pay back) | All unemployed | <p>Public, sub-national:</p> <p>→ <i>Starosta</i>, head of powiat (upper local territorial unit)</p> <p>→ Powiat Labour Office (PES representing head of upper local territorial unit)</p> |
| | Scholarship for continuing education in a upper-secondary school for adults | The unemployed without qualifications. | <p>Public, sub-national:</p> <p>→ <i>Starosta</i>, head of powiat (upper local territorial unit)</p> <p>→ Powiat Labour Office (PES representing head of upper local territorial unit)</p> |
| Refunds of partial costs of training of employees, provided that an employer has established a training fund in a company. | <p>Employees.</p> <p>All unemployed: an unemployed hired in a replacement of employee participating in training.</p> | <p>Public, sub-national:</p> <p>→ <i>Starosta</i>, head of powiat (upper local territorial unit)</p> <p>→ Powiat Labour Office (PES representing head of upper local territorial unit)</p> <p>Others:</p> <p>→ Employer (public, private or other)</p> | |

Source: The Act on Employment Promotion and Labour Market Institutions from 20 April 2004 (Kryńska p. 24).

Social assistance

Apart from low means-tested benefits for unemployed people, gminas represented by social assistance centres (GOPS or MOPS) cooperate with powiat labour offices (PUP) in implementation of a few instruments in the frame of ALMPs, mainly different types of subsidised employment: public works and socially useful works (for details see table below). These instruments might also be implemented in cooperation with NGOs. Lately social assistance centres have started to implement training and job search workshops for their clients financed from European Funds.

Table 6: ALMPs instruments implemented in cooperation between PUPs and Social Assistance Centres

| Type of measure | Name of a measure | Target groups | Actors involved |
|------------------------------|--|---|--|
| Subsidised employment | Public works – subsidised employment in communities, municipalities or non-governmental organisations. | All vulnerable groups of unemployed and alimony debtors | <p>Public, sub-national:</p> <ul style="list-style-type: none"> → head of powiat → Powiat Labour Office (PES representing head of middle local territorial unit) → also possibly gmina (lower local territorial unit) <p>Others</p> <ul style="list-style-type: none"> → also possibly NGO's having as statutory activities one of the following: environmental protection, culture, education, sport, tourism, healthcare, unemployment, social assistance → water companies |
| | Socially useful works organised by communities, working time up to 10 hours/week | The unemployed receiving assistance from social assistance and not entitled to unemployment benefit | <p>Public, sub-national:</p> <ul style="list-style-type: none"> → head of powiat → Powiat Labour Office (PES representing head of upper local territorial unit) → gmina also possibly Social Assistance Centre or other gmina's social assistance organisation <p>Others</p> |

| | | | |
|--|--|--|--|
| | | | → also possibly NGO's having charity or activities for local community as statutory activities |
|--|--|--|--|

Childcare and elderly care

The accessibility of crèches and kindergartens has deteriorated considerably during first years of economic and political transition in consequence of cost-reducing strategies of both enterprises and lower local territorial units (*gminas*). These economic and political decisions revealed to have far-reaching consequences. Poland – in comparison to other European countries – has very low level of participation in early childhood education. In 2007 only 66.8% of children between 4 years of age and the age for starting compulsory primary education were enrolled in education in Poland, compared to 90.7% in EU27 (Hingel, Bjerkestrand et al. 2009: 74). This share is even much lower in age-groups of 3 and 4 years olds: 36.1% (compared to 76.7% for EU27) and 48.1% (compared to 90.1% in EU27) (Eurostat 2008: 3). There are significant disparities between municipal and agricultural territories.

In the frame of ALMPs single parents of at least on child aged under 7 years might receive refunds of childcare up to PLN 358,5 per child (approx. EUR 79) if a person takes up a job or participates in some of ALMPs (subsidised employment, training, on-the-job training) and has income lower than a minimum salary. The same low level of refunds of care is possible in case of having dependent family member. There are no standard ways of cooperation between *gminas* (lower local territorial unit) that provide some care services (both for children and elderly people) and Poviats Labour Office (PUP) that is responsible for the activation of unemployed in the name of upper local territorial unit (*powiat*).

Summary

Polish employment system is characterised by: 1) a significant separation of policy fields, starting with the division of departments at the Ministry level and reproduced in the sub-national levels; 2) ambiguous relationships between administrative levels: central and 3 local levels of local governments (voivoidship, *poviat*, *gmina*), which might be described as clash of decentralising (in terms of responsibilities) and centralising tendencies (in terms of financial system) 3) discrepancy between constitutional social rights and, detailed legal regulations, which make them conditional and residual in terms of mandatory social protection and social services. Many of them are impossible or difficult to implement by local units due to budgetary constraints; 4) domination of public administration and low importance of private and non-governmental organisations for policy-making, but playing an important role of supplementing low quality public policies with paid services; 5) relatively low importance of employment objectives for a whole system, but important employment-oriented reforms in some of the policy fields, in particular labour relation and retirement system.

3. MAIN REFORMS - FOUR WAVES OF REFORMS SINCE 1989

According to Golinowska (2009) reforms that took place after the fall of communism can be divided into four periods:

- 1) 1989-1993 – a period of crisis and falling incomes, involving the protection of those hardest hit by the effects of the changes,
- 2) 1994-1997 – a period of dynamic economic development, involving social policy in the preparation and implementation of reforms to social security institutions in order to adapt them to a market economy,
- 3) 1998-2003 – a period of introducing market-oriented changes (reforms) and decentralising social policy under conditions of economic growth and reduced public spending
- 4) 2003 to the present – a period of the impact of EU accession and EU social strategies on Polish social policy under conditions of economic revival and the influx of EU structural funds.

Period 1-2.

When faced with the economic downturn the first democratic government attempted to limit the growth of unemployment by flexibilisation of labour relationship and restricting out-of-income provisions. The institutional system was completely unprepared for the new situation. Officials were forced to learn how to deal with the mass unemployment. After a few years it became obvious that market reform was not enough. Deep structural reorganisation of the state was needed. Provisional repair of old institutions meant that negative consequences of many problems could be softened but preventive measures were not incorporated in the welfare system.

Period 3

Growing unemployment, dysfunctional institution and law were not the only reasons behind the idea of reform. Poland had to prepare for its integration with the European Union and absorption of European Funds. In 1998-9 these challenges led to the introduction of four major reforms: 1) local government; 2) pension system; 3) education system; 4) healthcare.

The general idea behind all of these reforms was territorialisation and marketisation. The structure of the state was reorganised and decentralised. Responsibilities for many social services were delegated to local government. In a field of pension system elements of market competition were introduced and private firms were allowed to play important role.

With regards to labour market policy, the first important reform was local government one (Danecka 2005). The reform of local government had to create the new administrative regime and to build the civic society. In the new system the state administration had to be

responsible for the governance and strategy. After the reform the state administration had two levels: state (Prime Minister, Ministries and various agencies responsible for specific tasks) and voivodeships level (with controlling tasks mostly).

In addition to gminas created in 1990, too small local units to implement labour market policy on their own, two additional levels of local government were created: voivodeships and powiat. The idea was to create strong regions and a middle level of local government. But because of the strong opposition from gminas and local elites, the newly established levels of local governments were weak. Gminas retain many tasks, which they are not able to fulfil competently, simply because they are too small. On the other hand, powiats are too weak to coordinate the cooperation between gminas. For example, many tasks of social policy require cooperation between gminas and powiats to economise the cost of the services. However, because of the formal independence of gminas this cooperation is unsatisfactory.

The local government reform had substantial influence on the institutional framework of labour market policy. Despite the protest, Local Labour Offices became a part of local government administration as Powiat Labour Offices. In the new system the Ministry of Labour and Social Policy transfers money to local government for legally defined tasks. Money transfer for unemployment benefits and preretirement benefit is obligatory. Money for active policy is optional. This created a situation in which the amount of money for active labour policy was changing each year and depended on political or economical circumstances. The reform imposed a number of new obligations on powiat government in the area of employment policy: creation of new working places, promotion of entrepreneurship, subsidised employment, training, and so on. This however, often took place without defining the financial sources and thus was a constant reason for tension between powiat and central government.

The second reform was the reform of the education system. One element of this reform has particularly important consequences for labour market. After the communist period, Poland's educational system was focused on basic vocational education. The quality of vocational schools was very poor and curricula were out-dated. The main aim of the reform was to promote general education, by increasing number of years pupils stay in obligatory general schooling system (from 8 to 9 years) and to limit the number of basic vocational schools. In the new system the majority of teenagers finish secondary education, which allows them to continue their education at university level. However, those that do not pursue tertiary education have poor opportunities to supplement their education and update their skills due to underdevelopment of life-long learning system. Very soon it became obvious that the new system was not very compatible with the labour market. Despite high unemployment there was a substantial demand for high skilled manual workers whilst unemployment among professionals was rising.

The results of two other reforms, pension reform and health system, were described in chapter II.

Period 4

The next wave of reform was in 2004-5. In May 2004 Poland entered the EU, which has substantially changed the situation on the labour market. After the painful process of reform in 1998-9, there was no political will towards new institutional rebuilding. Preparation for entering the EU was mostly related to a rescaling of the existing system. Two main elements of this process were the new “Act on employment promotion and labour market institutions” (“Act on employment”) (2004) and the new “Act on social assistance and family benefits”.

Historically – as it was mentioned in the first part of the text – social and LMP in Poland were focused rather on decreasing registered unemployment and softening negative effects of job loss than on improvement of economic indicators. This rhetoric changed with time, especially with the accession process. New or reformulated policy-goals were included in this official discourse: a decline of economic rather than registered unemployment rate, increase of employment rate and improvement of employment quality and finally improvement of – what is labelled “human resources” or “human capital” (eg. Ministerstwo Pracy i Polityki Społecznej 2010). However, changes of instruments (benefits, monetary incentives, social services) that followed were not always so radical in content and in some cases their employment effects are debatable and cannot be properly verified, since – especially when it comes to social assistance and LMP there is no reliable monitoring system. Also, despite some attempts to perceive many policies as a part of employment system and integrate them, a separation of policy fields remains significant and detailed description of all of them is not possible due to their complexity and inner logics of development of policy fields that goes beyond the content of this report.

As crucial from the point of view of employment-incentives were restrictions put on preretirement benefits (*zasilek przedemerytalny*) and allowances (*świadczenie przedemerytalne*). In 2002, the access for new applicants was completely closed in case of pre-retirement allowances designed for unemployed with long job tenure but before reaching retirement age (Góra 2006). In 2004, new more stringent criteria of entitlement and longer waiting period were implemented in case of preretirement benefits designed for unemployed who have less than 5 years to be eligible for old-age pension. These legal changes resulted in a downward trend of the expenditure on early retirement: it dropped from 1349.463 million of euro in 2005 (0.552% of GDP) to 745.357 million of euro in 2008 (0.206% of GDP) (Eurostat). Yet, the spending is still much higher than on average in EU27. In 2008, it constituted 0.206% of GDP in Poland compared to 0.08% in EU27 (Eurostat). Moreover, payment of these benefits were transferred from the Labour Fund to Social Insurance Fund (ZUS), which made possible increase of expenditure on ALMPs. Another changes were introduction of regressive unemployment benefit, which amount decreases after 3 months of reciprocity and creation of activation allowance for unemployment benefit recipients, who find low paid job or who find job on their own.

Various changes of rules since 2004 aimed at creating legal framework for more regular and individualised control of the unemployed. Currently, individual action plan must be signed with all unemployed belonging to one of the following categories, provided that they are registered in labour office continuously for more than 180 days: the unemployed below 25 or over 50 years old or without professional qualifications or work experience, ex-prisoners, who had not taken up job after being released from a prison. Moreover, the last amendment of the “Act on employment” in December 2010 made sanctions for refusing a suitable employment or participation in ALMPs stricter by extending a period for which a person loses a status of unemployed and all related rights (mainly access to health care) to 120 days in case of the first refusal, 180 days in case of the second one 270 days in case of following ones.

The “Act on employment” and its further amendments combined with various national programmes were elements of overall strategy to develop human capital investment and employment assistance and to limit the use of ineffective direct job creation schemes (occupation type of ALMPs according to Bonoli) (Bonoli 2010). The table below, inspired by Bonoli’s four ideal-types of ALMPs, summarises results of legal analysis of ALMPs development since 1989. It enumerates various new tools which were introduced into legal framework after 2004 or which were modified for this purpose.

First of all, the Act of 2004 broaden a catalogue of human capital investment tools by adding to already existing tools of vocational trainings for the unemployed and apprenticeships for young people, on-the-job training programmes, scholarships for continuing education and opportunities for co-financing of post-graduate studies. Moreover, the policy-makers emphasised a necessity of broader use of already existing vocational training courses. The total spending on human capital investment reached much higher level after 2005 than ever before. Between 2005-2009 it constituted approximately 50% of expenditure on all ALMPs (not including PES) (Kryńska 2009: 28). A number of participants of training, apprenticeships and on-the-job training increased during this period by 48,297 people.

Secondly, employment assistance was promoted through intensive information campaign and trainings programmes for front-line staff and centrally funded wage subsidises for key workers. Many of these initiatives benefited from available European Social Fund resources.

Also new standards for placement services and vocational counselling were introduced, which aimed at making more uniform implementation of these key services and guarantee a minimum staffing levels. Vocational Activation Centres as an organisationally distinct unit of PUPs were created. More emphasis was put on teaching the unemployed job search skills.

Third of all, the law provided for more precise and strict conditions of subsidising private sector: by defining a mandatory period of non-subsidised employment after the programme or of self-employment in case of business start-up grants and by targeting some of the instruments to vulnerable groups of the unemployed. One of the reason for these legal changes was a necessity to implement EU regulations concerning restrictions of state aid. The idea was to make these instruments employment-oriented and to guarantee that state subsidises for private sector will, either result in creation of new workplaces (business start-up

grants) or support employment of people in vulnerable position in terms of age, skills, disability or difficult personal circumstances (single-parents, ex-prisoners).

Finally, in order to limit implementation of non employment-oriented subsidised employment, temporary job creation schemes in the public sector and non-profit sector after 2004 were restricted to vulnerable groups of unemployed, with particular attention to people in risk of social exclusion. The share of expenditure on public works has decreased by more than 50% in a total spending on all ALMPs (not including PES). The law introduced also cheaper instruments (socially useful works, i.e. job performed for maximum 10 hours a week) that aim at gradually (re)accustoming social assistance recipients with work habits and giving them a way to gain additional resources. This category has a highest growth of participants between 2004 and 2009.

Table 7. Four Ideal-types of Active Labour Market Policies applied to the analysis of reforms of LMPs in Poland

| TYPE | OBJECTIVE | TIME FRAME | NEW OR MODIFIED TOOLS OF ALMPs |
|-------------------------|--|--|---|
| Incentive reinforcement | Strengthen positive and negative work incentives for people with the status of the unemployed, which does not necessarily have right to unemployment benefit | Strengthening incentives has been ongoing trend since 1990. It has less concerned people with long job tenure and specific occupations, who had benefited from early retirement programmes. Negative incentives dominate over the positive ones. | <p>Negative incentives:</p> <p>Unemployment benefit (UB)</p> <ul style="list-style-type: none"> → Making the entitlement criteria for the UB stricter → UB reductions over all period (except the act of 2009, which increases level of UB but only for the first 3 months of reciprocity) → Introducing time limits on reciprocity → Tightening sanctions and control (Individual action plans) <p>Preretirement benefits and allowances:</p> <ul style="list-style-type: none"> → Closing the access to preretirement allowance for new applicants (2002) → Making the entitlement criteria for the preretirement benefit stricter and waiting time longer (2004) <p>Positive incentives:</p> <ul style="list-style-type: none"> → Activation allowance for UB recipients (accepting low paid job or finding employment on their own). |
| Employment assistance | Remove obstacle to employment and facilitate (re- | This type of ALMP has been gradually gaining importance after 2004. | <p>PES:</p> <ul style="list-style-type: none"> → Institutionalisation of Job Clubs and Social Integration Clubs that train in job-search |

| | | | |
|--------------------------|--|---|--|
| | entry into the labour market | | <p>and social skills</p> <ul style="list-style-type: none"> → Introducing standards of placement services, vocational counselling (2007) → Intensive training programmes for front-line workers of labour offices (after 2004) → Wage subsidies for front-line workers of labour offices (after 2004) → Creation of Vocational Activation Centres in labour offices (2010) → Introduction of Individual Action Plans (2010) <p>Job subsidies:</p> <ul style="list-style-type: none"> → Changing loans for starting self-employment into business start-up grants → Effort to precise criteria for subsidising employers, by defining vulnerable target groups and mandatory employment period afterwards, in order to prevent from perverse effects of public aid (tools: intervention works and refunds of costs of equipment and additional equipment of the workplace for the placed unemployed person). <p>Social services:</p> <ul style="list-style-type: none"> → Financing care services (childcare or elderly care) (2004). |
| Occupation | Keep jobless people occupied; limit human capital depletion during unemployment. | Despite general low spending on ALMPs occupation was one of the dominant types of ALMPs used before 2004. After 2004, the conditions of use of “occupation” were more strict and targeted the most vulnerable groups of the unemployed. | <ul style="list-style-type: none"> → Temporary job creation schemes in the public sector and non-profit sector after 2004 were restricted to vulnerable target groups → Socially useful works (since 2006), (i.e. job performed max. 10 hours a week) targeted the unemployed receiving support from social assistance and not entitled to unemployment benefit. → Creation of Social Integration Centres providing temporary employment and teaching work discipline for people in risk of social exclusion (eg. homeless, drug addicts, disabled, ex-prisoners, long-term unemployed). |
| Human capital investment | Improve the chances of finding | This type of ALMP has been gradually gaining importance | <ul style="list-style-type: none"> → Development of on-the-job training programmes (apprenticeships and vocational preparation in the workplace) |

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| | employment by upskilling. | after 2004 and different tools have been introduced. | <ul style="list-style-type: none">→ Scholarships for continuing education→ Co-financing of post-graduate studies |
|--|---------------------------|--|---|

IV) Dynamic analysis/ Analysis of integration policies and governance

National Dimensions of Integrated Policies

| COUNTRY | Activation | | Vertical (territorialization) | | Horizontal (coordination/ integration) | |
|---|--|---|---|---|--|---|
| | Of Individuals | Of Expenses | Multilevel coordination | Decentralization | Public / public Coordination | Public / private Coordination |
| <i>France</i> | | | | | | |
| Policy goals What for? | <p>Shift from passive to active policies</p> <p>Restricting access to passive policies</p> <p>Individualisation</p> <p>Control of the unemployed</p> <p>Targeting (criteria of vulnerability defined at national level)</p> <p>Increasing human capital.</p> | <p>Reducing expenses on passive policies (especially early and preretirement, unemployment benefits) to find more resources for ALMP.</p> <p>Increase of use of ALMPs due to absorption of European Funds.</p> <p>Increase of employment and improvement of human capital as additional target to decrease of unemployment.</p> | <p>Central level gains regulation and control functions.</p> <p>Local levels are responsible for planning and implementation of social and LMPs. The division of competences is legally defined. However, they are usually constrained by a lack of adequate resources and have no incentives for cooperation between various levels.</p> | <p>Reform of structure of the state.</p> <p>Deepening decentralisation: creation of two additional levels of self-government and delegation of responsibilities: poviats and voivodship, (i.e. upper and middle local self-government). Creation of territorial</p> | <p>Introducing coordination mechanisms by making obligatory creation of various strategies (eg. social policy, regional development). However, formal demands created usually by central level to regulate and control local governments discourage them from cooperation.</p> | <p>Creating closer cooperation between public administration and private and non-governmental organisations.</p> <p>Private organisations and NGOs are not treated as an equal partner for administration and fill in the gaps in fields where administration is not providing satisfactory services (eg. health care).</p> |

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| | | | | | | |
|--|---|---|--|--|---|--|
| | | | | structure able to absorb European Funds. | | |
| Policy Instruments With what? | <p>Regressive unemployment benefit</p> <p>Individual Action Plans</p> <p>Making more strict disciplinary actions against the unemployed</p> <p>Adapting rules of use of subsidised employment to EU regulations</p> | <p>The level of expenditure on ALMPs varies every year, depending on economic situation and political decision of central government.</p> <p>Constant redefining entitlement criteria, duration and level of unemployment benefit.</p> <p>Redefining entitlement criteria of early and preretirement benefits.</p> <p>Transfer of early and preretirement benefits from the Labour Fund to Social Insurance Fund (ZUS), which made possible increase of expenditure on ALMPs.</p> | <p>Councils with advisory functions that include representatives of various organisations (public organisations from different levels, private, social partners, non-governmental): eg. Powiat Employment Council.</p> | <p>Local government reform (1998).</p> | <p>Obligation of creating local strategies (eg. social policy, regional development).</p> | <p>Act on public good activity and volunteering (pl. <i>Ustawa o działalności pożytku publicznego i o wolontariacie</i>)</p> <p>Act on public-private partnership</p> <p>Act on employment promotion and labour market institutions</p> <p>Councils with advisory functions that include representatives of various organisations (public organisations from different levels, private, social partners, non-governmental): eg. Powiat Employment Council.</p> |

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| | | | | | | |
|---|---|---|--|--|---|---|
| <p>Actors</p> <p>Who?</p> | <p>LMPs: mainly PUP, marginally WUP</p> <p>Social policy: GOPS/MOPS, for specific groups PCPR</p> | <p>MPiPS</p> <p>Voivodships government</p> <p>ZUS</p> | <p>Poviat Employment Council</p> <p>Voivodship Employment Council</p> <p>Regional Social Assistance Centers (ROPS)</p> <p>Programs of cooperation of gminas with NGOs</p> <p>Public Benefit Organizations Council</p> <p>Social Assistance Council</p> | <p>Gmina</p> <p>Poviat</p> <p>Voivodship</p> | <p>Poviat Employment Council</p> <p>Voivodship Employment Council</p> <p>Regional Social Assistance Centers (ROPS)</p> <p>Social Assistance Council</p> | <p>Poviat Employment Council</p> <p>Voivodship Employment Council</p> <p>Public Benefit Organizations Council</p> |
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Table 8. Dynamic analysis

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