OECD Reviews on Local Job Creation

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Foreword

Against a backdrop of robust economic growth over the past two decades, economic participation in Poland has risen. By 2019, rates of economic inactivity – the share of the working-age population not in the labour market – as well as rates of unemployment and long-term unemployment, had dropped to historic lows.

However, these positive labour market developments mask two important trends. Despite its rapid economic growth, Poland's economic inactivity rate remains above the OECD average, putting pressure on public finances. In addition, whilst labour force participation has improved, it is geographically uneven. Many Polish regions are far behind the national average, reflecting in part structural differences at the territorial level, ranging from historically strong dependencies on the declining agricultural sector to spatial differences in foreign investment.

This OECD report sheds light on the drivers of economic inactivity across Polish regions and analyses them in light of both individual and structural factors associated with labour force participation. It highlights the stark regional differences and the need for more inclusive active labour market policies to help integrate the economically inactive into Poland's labour force. A better integration of services provided by national and local institutions, as well as a strengthened role of the social economy, is essential to address the complex needs of economically inactive persons.

The report is part of the Programme of Work of the OECD Local Employment and Economic Development (LEED) Programme. Created in 1982, the LEED Programme aims to contribute to the creation of more and better jobs for more productive and inclusive economies. It produces guidance to make the implementation of national policies more effective at the local level, while stimulating innovative practices on the ground. The OECD LEED Directing Committee, which gathers governments of OECD member and non-member countries, oversees the work of the LEED Programme. This report was approved by written procedure by the OECD LEED Directing Committee on 15 October 2021.

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Acronyms and abbreviations

BKL	Study of human capital balance (Bilans Kapitału Ludzkiego)
CCAS	Local social centres (Centre communal d'action sociale)
CESU	Universal services employment voucher (Cheque emploi service universel)
ESCO	European skills, competences, qualifications and occupations taxonomy
ESF	European Social Fund
ICT	Information and communication technology
ISCO-08	International standard classification of occupations
JR	Job retention
NOW	Emergency bridging measure (Noodmatregel overbrugging Werkgelegenheid)
OWES	Network of social economy support centres
PES	Public employment services
PFRON	State fund for rehabilitation of disabled people (Państwowy Fundusz Rehabilitacji Osób Niepełnosprawnych)
PIAAC	Survey of adult skills (Programme for the international assessment of adult competencies)
ROP	Regional operational programme
SMEs	Small and medium-sized enterprises
TZCLD	Territoires zéro chômeurs de longue durée (zero long-term unemployed territories)
VET	Vocational education and training
VLT	Voluntary Labour Corps
WTZ	Occupational therapy workshops (Warsztat Terapii Zajęciowej)
ZAZ	Vocational development centres (Zakładów Aktywności Zawodowej)

Executive summary

Spurred by robust economic growth, Poland's inactivity rate has steadily declined since 2007 and reached a historic low in 2019. However, despite the positive long-term trend, Poland's inactivity rate (the share of the working-age population not in the labour market) is still above the OECD average. That rate differed across regions by 13.3 percentage points in 2019, from 21.1% in the Warsaw capital region to 34.4% in Warmian-Masuria.

High inactivity rates put pressure on public finances. Poland currently spends more on social protection relative to its total government expenditure than the OECD average, despite its low unemployment rates. Additionally, structural barriers to labour force participation may negatively affect economic growth.

Despite some improvement in recent decades, economic inactivity rates are particularly high in some groups:

- For **older people of working age**, early retirement is still the norm. In 2019, economically inactive people between 55 and 64 years old represented 35% of the economically inactive working-age population in Poland but the age group only accounted for 20% of the working-age population.
- **Women** often take on family duties, preventing them from becoming economically active. Although women's economic inactivity rate (aged 15 to 64) decreased slightly, from 40% in 2000 to 37% in 2019, the gap with men widened from 11 to 14 percentage points over the same period.
- Nine out of ten high-skilled individuals were active in the labour market in 2019, compared to less than half of **low-skilled** individuals. The gap is partly driven by the lower education level among older people of working age (55-64), but is widening over time.
- Among **people with disabilities,** only 27% of men and 35% of women were economically active in 2020.

Economic inactivity rates are much higher in some regions, particularly in Eastern Poland. Although there has been a trend towards convergence in economic inactivity rates across Polish regions, a number of factors have meant that some regions have lagged. In the east of Poland, for example, many SMEs have lower productivity and are not as well-integrated into international value chains as compared to firms in western regions, where proximity to EU markets has helped to attract foreign investment. The same eastern regions bore the brunt of Poland's shift away from agricultural production towards manufacturing and the service industry, leaving them with limited and less attractive employment opportunities.

Automation of production processes and job polarisation are likely to impact economic inactivity rates in the future. In almost all Polish regions, 48% or more of jobs were at risk of high or significant change from automation. The exception is Warsaw, where that figure stood at 40%. With the share of middle and low-skill jobs declining gradually, those with low- or medium-levels of education may see shrinking job opportunities, impacting their labour force participation.

While Poland has come out of the COVID-19 pandemic with minimal changes in unemployment rates, the decline in labour demand during the downturn could have long-term impacts on the most

vulnerable. While demand for labour is now rebounding, some regions and groups were hit disproportionally. The regions of Eastern Poland, in particular Podkaparcia, Podlaskie and Lublin Province experienced the sharpest absolute rise in the number of registered unemployed per job offer. There is also a risk that even the small drop in labour demand may reverse some of the favourable trends that helped disadvantaged groups increase their participation in the labour force in recent years.

Going forward, there are policy actions Poland can take to help promote an inclusive COVID-19 recovery and further reduce economic inactivity.

Promote an inclusive recovery from the COVID-19 pandemic in all local labour markets

- **Provide technical assistance and financing to SMEs and independent workers to purchase supplies to facilitate the transition to telework**. The existing teleworking grant, available to employers for creating a teleworking workspace for unemployed parents with caring responsibilities for a young child, could be expanded in its scope and coverage.
- **Make personal care and IT services available to encourage labour market participation**. Assistance can take the form of mobility help, personal care at home or help installing internet infrastructure to facilitate telework. The "Personal assistant for persons with disabilities" programme introduced in 2019 could be expanded to help those caring for people with disabilities as well.
- **Extend the focus of public employment services (PES) to target people with disabilities**. Stronger incentives could be introduced for the PES to increase training opportunities for people with disabilities and to boost their participation in labour market programmes. In the case of projects financed by the ESF, older people of working age and people with disabilities could be treated as priority groups.
- **Use the State Fund for Rehabilitation of Disabled People (PFRON) to provide stronger support for the integration of people with disabilities in the labour market**. The system of subsidising the remuneration of people with disabilities could be revised to include stronger incentives for employers to hire people with disabilities who are economically inactive. For example, a relatively higher wage subsidy could be paid for the first 12-24 months of employment for people with disabilities who were previously economically inactive or long-term unemployed. Moreover, the share of PFRON allocated to social economy actors for the professional activation of people with disabilities could be gradually increased.
- **Further develop child care infrastructure, particularly in regions with the highest economic inactivity rates**. Such investment would likely benefit the labour market participation of economically inactive women with care responsibilities. Geographically, it would particularly benefit the voivodeships of Eastern Poland, where economic inactivity is relatively high and childcare provision for the youngest children relatively underdeveloped.

Build on and improve existing labour market institutions to integrate the economically inactive in all regions

- **Encourage the integration of services provided by different institutions to address the needs of economically inactive persons**. Public employment services and social assistance could strengthen their cooperation by offering a full range of services "under one roof". In the initial phase, pilot projects could be conducted in cities with county rights where labour market and social welfare institutions function at the same level of local government.

- **Consider expanding the use of the European Social Fund (ESF) as an instrument to address economically inactive persons**. National and regional authorities could ensure that a larger share of ESF projects targets economically inactive persons. Regional authorities responsible for the implementation of ESF-funded programmes could provide strong incentives for project providers to support those in the most precarious situations with individualised solutions.
- **Build a cross-institutional knowledge base on working with the economically inactive**. Experience sharing across institutions could be enhanced by organising training-workshops and conferences as well as issuing best practice guides on working with different groups of economically inactive people.
- **To better mobilise the social economy, consider testing a volunteer-based programme to direct discouraged, inactive and long-term unemployed people to local associations who can prepare them to re-enter the open labour market**. Poland could create local committees, made up of public employment services, associations, local elected officials and other actors, for the long-term unemployed and economically inactive. Committees identify those who wish to work, build their skills and progressively seek out opportunities in the open labour market.

Respond to megatrends across Poland's regions

- **Strengthen existing roundtables to develop measures to support a fair digital transition.** The existing Social Dialogue Council that aims to foster a dialogue between social partners and the Polish government provides an opportunity to plan thematic work sessions around the digital transition.
- **Consider a comprehensive investment to retain older workers in the labour market, including in skills, health, work organisation and working conditions**. One opportunity is to create an advisory body to support the labour force participation of older people. The main task of the body would be to improve the coordination of actions undertaken by different Ministries. Representatives of employers and trade unions could be invited to participate. A new programme could be developed to co-finance activities undertaken by entrepreneurs to extend the working life of their employees. These activities could be co-financed from ESF funds.
- **Place-based policies could support regions such as Silesia to manage the green transition and to mitigate the risk of a rise in economic inactivity**. Following international best-practice examples, training programmes offered by Polish regional employment services could start to integrate "green skills" development. For example, in the construction sector, training could include sustainable building and energy efficiency methods.

1. Assessment and recommendations

1.1. Reducing economic inactivity for an inclusive recovery after the COVID-19 pandemic

Increasing labour force participation has a positive effect on public finances and removes constraints to economic growth. A larger labour force decreases public spending on social protection if the activated manage to find employment. Increasing economic participation also leads to better labour market matching by widening the pool of potential candidates. If structural non-economic barriers to employment persist, these can also constrain economic growth. Some individuals may be encouraged to become economically active as wage levels rise and the quality of work improves. However, other groups, such as women with caring responsibilities, face additional barriers. The problem of economic inactivity is exacerbated by a shrinking working age population. In 2019, Poland's old-age dependency ratio – measured by the population aged 65 divided by the population aged 15 to 64 – stood at 26.4%, right at the OECD average, with little regional variation. Like in many other European countries, this ratio is projected to increase rapidly and reach 52.2% by 2050. Activating those of working age will be key to funding the pension system in the future.

Economic inactivity in Poland continues to be above the OECD average. The economically inactive are defined as those of working age who do not participate in the labour market, either by choice, such as early retirees or students, or due to constraints, such as disabilities or childcare responsibilities. Although economic inactivity decreased 5 percentage points between 2000 and 2019, labour force participation in Poland remains relatively low. In 2019, 29% of the working-age population in Poland was economically inactive, a rate two percentage points above the OECD average of 27%. Economic inactivity can further lead to economic precariousness or social exclusion, and can represent a form of "hidden" unemployment for those willing to work if the right conditions were in place. Estimates show that this "hidden" unemployment rate in Poland was 75% above the conventional unemployment rate in 2019.

Some Polish regions struggle relatively more to decrease economic inactivity rates for historical and geographical reasons. While regional economic inactivity rates were on a path of convergence over the past two decades in Poland, some regions outperformed and some regions fell below the expected convergence. These trends in economic inactivity across Polish regions are closely tied to trends in regional GDP per capita, which can in turn be linked to market access advantages and historical rates of economic activity. The Warsaw capital region and regions bordering Germany further attracted large amounts of foreign capital in recent years, leading to the presence of larger, more competitive firms that are well-integrated into international value chains. On the other hand, the foreign capital stock remained largely unchanged in the regions of Eastern Poland since Poland joined the EU in 2004. The same Eastern regions bore the brunt of the fast decline in agricultural activity.

People with low levels of education are at greater risk of economic inactivity. Around 51% of those with less than upper secondary education were economically inactive in Poland, presenting an unexploited

resource of labour. Evidence suggests those with lower levels of education and lower wages also suffer the greatest loss in income and employment during economic crises. In Poland, labour market inequalities had already been increasing between those with higher and lower levels of education. The share of the economically inactive population between 25 and 64 years old with tertiary education decreased from 11.7% to 9.4% between 2000 and 2019, while it has increased from 45.6% to 50.9% for those with below upper secondary education.

Women are less likely to be economically active. The share of economically inactive women (aged 15-64) decreased from over 40% to 36.6% between 2000 and 2019, but the difference in labour market participation between men and women increased from 11 percentage points to over 14 percentage points in the same period. Care for children or incapacitated adults is a stronger driver of economic inactivity for women in Poland compared to other EU countries, particularly for younger working-age women. Limited access to childcare and long-term care, as well as the lack of flexible work arrangements, may push some women to stay home to care for young children, elderly parents or those with special needs. Women also tend to work in occupations at higher risk from COVID-19, such as service jobs requiring human contact, and have taken on greater care responsibilities in the face of lockdowns that have closed schools. The COVID-19 pandemic may have a negative effect on female labour force participation.

Disability, or more broadly illness, is another main reason for inactivity in Poland. According to the Labour Force Survey in 2020, 69% of all working-age people with disabilities were economically inactive. The low level of economic activity among people with disabilities has been ongoing for many decades. In 2010, only 26% of men and women with disabilities participated in the labour market. However, the funds available for employment policies geared towards people with disabilities focus mostly on supporting the employment of those who are already active, and very limited resources are targeted towards the activation of economically inactive people.

Going forward, there are policy actions Poland can take to help promote an inclusive COVID-19 recovery, address economic inactivity and prevent further increases of inactivity over time related to ongoing structural changes in the labour market.

Recommendations to promote an inclusive recovery from the COVID-19 pandemic in all local labour markets

Facilitate local transitions to telework for greater resilience in pandemics and to increase access to economic activity

- *Provide technical assistance and financing to purchase supplies to SMEs and independent workers to make the transition to teleworking*. Teleworking has been a key asset for local resilience during the COVID-19 pandemic that could be further developed in Poland to facilitate economic activity. As across the OECD, only a minority of jobs in Poland are amenable to teleworking. Many SMEs or independent workers may not have the human resource expertise or the equipment capacity to make the transition to long-term telework of their workforces. Following an example from the Basque Country (Spain), Polish national or regional governments could set funds aside to help local SMEs and independent workers upscale or adapt their activities to remote work. Such programmes can dispatch consultants to SMEs, for them to receive advice on how to best adapt to accelerated digitalisation through a series of actions, such as advice on creating online collaborative workspaces and mobile office tools, as well as subsidies for teleworking equipment and reinforcing cybersecurity. The existing teleworking grant that targets parents with children under the age of 6 could be extended in its scope and coverage by including parents of children aged 6 and above, and to those caring for elderly relatives living in the same household.

Connect local economic opportunities and social services to those economically inactive willing to work

- *Make personal care, IT and childcare services available for those in need to facilitate access to the labour market*. Evidence suggests a larger share of women in Poland remain economically inactive due to care responsibilities for children or relatives. Likewise, people with disabilities and those without internet infrastructure at home may not be able to access labour market opportunities or training due to these challenges. Poland could make individual state-recognised cheques available to those who need to hire home-based assistance, allowing both the individuals and those caring for them to turn to education, training or job search. Assistance can take the form of mobility help, personal care at home or help installing internet infrastructure to facilitate telework. A promising initiative is the “Personal assistant for persons with disabilities” programme, started in October 2019, that allows persons with disabilities to apply for a personal assistant who helps with everyday tasks. The programme could be extended to cover active labour market policies targeted at those who care for persons with disabilities.
- *Further develop childcare infrastructure for very young children, in particular in regions with the highest economic inactivity rates.* In Poland, the availability of childcare services has improved significantly since 2003, but still needs to be improved for very young children**.** A number of factors contributed to the increase in the availability of childcare, including policies that support the participation of children in preschool education, funded by the state and under the responsibility of local governments. However, the availability of care for children up to 3 years of age is still lagging behind. Expanding services tailored to caring for young children similar to pre-school education would likely benefit the labour market participation of economically inactive women with caring responsibilities. Geographically, it would benefit the voivodeships of Eastern Poland, where economic inactivity is relatively high and childcare provision for the youngest children relatively underdeveloped.

Redirect funds supporting the vocational integration of people with disabilities to include those who are economically inactive

- *Public employment services could focus more on active labour market policies for people with disabilities.* People with disabilities are largely underrepresented among those making use of labour market services and instruments. Therefore, mechanisms could be introduced to motivate PES to increase training for people with disabilities. In the case of projects financed by the ESF, older workers and people with disabilities could be treated as priority groups. It is also necessary to strengthen the competencies of local employment offices in working with people with disabilities.
- *Funds supporting the vocational integration of people with disabilities could encourage the employment of the long-term unemployed and economically inactive, rather than just targeting those already in employment.* To this end, the system of subsidising the remuneration of people with disabilities could be reviewed. Incentive mechanisms could be introduced, in particular to promote the reintegration into the labour market of the long-term unemployed and those who are no longer economically active. The mechanism could include a greater differentiation of wage subsidy rates. A relatively higher wage subsidy could be paid for the first 12-24 months of employment to people with disabilities who were previously economically inactive or long-term unemployed. Moreover, the share of funding from the State Fund for Rehabilitation of Disabled People (PFRON) funds allocated to non-governmental organisations for the professional activation of people with disabilities at the national and regional level could be gradually increased. PFRON-funded occupational therapy workshops could take into account the professional background of their participants to a much greater extent. Reviews could be conducted in close cooperation with local public employment services and employers.

So far, the (re-)integration of economically inactive people has not been an important goal of public policy in Poland. The economically inactive category as a target group has appeared only in recent years in programs financed by the European Social Fund (ESF). There is also a lack of comprehensive public policies addressed to this group, while existing actions could be more coordinated and integrated. Given the ageing of the population and the shortage of labour that Poland experienced before COVID-19, there is a pressing need to increase labour force participation so as to not constrain economic growth in the medium to long-term.

The social economy has also tried to fill the gap in social and professional activation policies in Poland. In particular, Poland has developed a model of social cooperatives. The development of social cooperatives accelerated after 2010, when they started receiving support from the ESF. Currently, European funds support not only social cooperatives, but the wider category of social enterprises, which also includes social cooperatives. This support is provided by the nationwide network of social economy support centres (OWES), which help create and develop social enterprises by providing business, training and financial support for job creation for people at risk of social exclusion. However, the social economy remains unintegrated with the rest of the social welfare system and public employment services.

Recommendations for building on existing labour market institutions to integrate the economically inactive

Begin the process of integrating public employment services and social assistance services

- *The integration of services provided by different institutions could be encouraged to address the complex needs of economically inactive persons*. Economically inactive persons are often in need of services that combine social support and work, but public employment services and social assistance centres are often unprepared to deliver the full range of required services. These services could be integrated and tailored to individual needs. Following the examples of other countries, these services could begin to work together such that they act as complementary institutions offering a full range of services "under one roof". In the initial phase, pilot projects in cities with county rights (large and medium-sized cities) could be conducted. In these localities, labour market and social welfare institutions function at the same level of local government, which facilitates an easy assessment of the functionality of such projects.

Direct ESF funds to people who are economically inactive and at risk of social exclusion

- *The European Social Fund is an effective instrument to serve economically inactive persons.* ESF funded projects, particularly those implemented by non-governmental organizations (NGOs), have more flexibility and can be better adapted to the specific needs of those in the most difficult situations. However, particularly in the field of labour market integration, the interventions are addressed to economically inactive persons only to a limited extent. Therefore, national and regional authorities could ensure that ESF projects target economically inactive persons. Regional authorities responsible for the implementation of ESF-funded programmes could provide strong incentives for project providers to support those in the most precarious situations with individualised solutions.

Strengthen the competences of the staff involved in the activation of economically inactive people

- *Effective actions for economically inactive people require knowledge of their challenges and experience in working with such groups.* However, some institutions lack knowledge of how to work with economically inactive people. This may discourage staff from taking action. There are examples of activities and projects that appear to be effective. Knowledge and experience dissemination could be enhanced by organising training workshops and conferences, and issuing best practice guides and tips on working with different groups of economically inactive people.

Mobilise social economy actors to support the (re-)integration of the economically inactive into the labour market

- Consider testing a volunteer-based programme to direct discouraged, inactive and long-term unemployed people to local associations. Many of those most excluded from the labour market may not be ready to enter the open labour market. The economically inactive in Poland often have low levels of educational attainment, disabilities or caring responsibilities. As the *Territoires zéro chômeurs de longue durée* pilot in France, Poland could consider creating local committees, made up of public employment services, associations, local elected officials and social economy actors. Committees identify those among the economically inactive who wish to work, build their skills and progressively seek opportunities in the open labour market. The initiative seeks to "activate" passive social spending, by turning financial support into wages inside organisations.

1.2. Responding to labour market megatrends in Poland

Trends in economic inactivity will also depend on the evolution of labour market megatrends. Across OECD countries with data available, the median region has just over 47% of jobs at a high or significant risk of automation. In Poland, jobs in all regions face a risk higher than 48% of high or significant change from automation, with the exception of Warsaw where that figure is only 40%. The COVID-19 pandemic is likely to have accelerated automation within firms as companies digitalise the way they produce and deliver services in response to social distancing requirements and tighter profit margins.

As automation may accelerate, workers who are displaced face a risk of economic inactivity when unemployment spells grow longer. Automation could supress or reshape jobs in Poland's export-oriented industrial sectors, displacing workers with firm-specific skills. Some regions are particularly vulnerable. In Mazowieckie, Lublin Province and Swietokrzyskie, the OECD estimates 58%, 56% and 56% of jobs to be at significant or high risk of automation respectively, the highest shares in Poland. Jobs in these regions may be particularly susceptible to automation due to the size of sectors containing vulnerable occupations, such as construction and manufacturing. In Poland, occupation-specific labour demand is tracked and forecast based on Occupational Barometer surveys. Local labour offices also utilise the survey data to design appropriate training for the unemployed.

As the world of work changes, job polarisation trends may give an idea of the way labour demand is evolving. Between 2000 and 2018, the relative share of middle-skill jobs in Poland decreased by 9.8 percentage points. The high-skill job share increased by 10.3 percentage points, while that of low-skill jobs decreased by 0.5 percentage points. In absolute numbers, these trends represent a gain of 262 400 low-skills jobs, a loss of 666 000 middle-skill jobs, and a growth of 2 213 700 high-skill jobs. In some regions, however, the share of low-skill jobs has grown considerably. For example, in Lublin Province and Podkarpacia, the shares of low-skill jobs increased by 4.5 and 2.1 percentage points respectively. There is a risk that those with low and intermediate levels of education fall into economic inactivity as skills demands increase. As these changes unfold, social dialogue can be a way to ensure workers are accompanied, supported and retrained through these changes.

Poland is facing the rapid ageing of society and the workforce. The demographic forecast clearly shows that the process will accelerate in the future. Older persons aged 55-64 are one of the key groups of economically inactive persons. Therefore, it is crucial to ensure that older persons remain active in the labour market longer. The key factor here is the existing pension system that provides a disincentive for work among older workers, but other factors may also play a significant role. One of them is the cohort effect, which may improve the participation of future generations in the labour market when they reach an advanced age. People aged around 60, compared to older cohorts, are on average better educated and more often work in jobs where a longer working life is more likely. On the other hand, employers facing an insufficient supply of labour are increasingly more interested in investing to extend the working activity of older employees.

In Poland, over 35% of the economically inactive population are part of the older working-age cohort. For those aged between 55 and 64, the share of economically inactive is over 10 percentage points greater than the average across OECD countries, and third highest in the OECD. Although the proportion of older working-age inactive has gradually decreased, likely due to pension reforms in 1998 and 2012, data on in-work poverty suggests labour market access has not decreased economic exclusion. Indeed, the share of those aged 55-64 in-work but at risk of poverty increased by 1.3 percentage points, from 10.4% in 2010 to 11.7% in 2019, calling for more focus on labour market transitions.

Some Polish regions will experience employment gains and losses due to the transition to net zero greenhouse gas emissions. To become a net-zero emissions economy by 2050, Poland will have to transform its energy system gradually. Jobs will be at risk in industries such as coal and other mining, manufacturing, transport and chemical and plastic production. Some regions in Poland face a relatively high risk of job loss due to the green transition. In Silesia, due to its heavy dependence on mining of coal

and lignite, the share of employment in sectors at risk stands at 6.7%. Employment gains, on the other hand, are more difficult to forecast but may not coincide with employment losses geographically.

Recommendations to respond to megatrends across Poland's regions

Leaning from social dialogue to ensure the future of work does not drive economic inactivity

- *Strengthen the existing Social Dialogue Council to develop measures for the digital transition of industry to anticipate changes and ensure a fair transition.* OECD data reveals jobs in Poland are at higher risk of automation than the OECD average. As the economy adjusts to the pandemic, automation inside of firms is likely to accelerate as companies adapt to social distancing measures and face tighter margins. Many of these changes are likely to occur in Poland's industrial sector. Social dialogue centred on a fair transition would allow government to liaise with unions and firm representatives on how to best ensure workers can be adequately trained for new technologies, while those who lose their jobs can be supported and helped into new positions. The Social Dialogue Council launched by social partners and the Polish government in 2020 could be an opportunity to plan thematic work sessions on this topic.

The retention of older workers in the labour market requires a comprehensive and integrated policy approach

- *The retention of older workers in the labour market requires a comprehensive investment in skills, health, work organisation and working conditions, as well as addressing disincentives associated with the pension system.* Currently, many initiatives supporting older workers are undertaken, but they are fragmented and poorly coordinated. Therefore, it is advisable to create a body composed of key stakeholders with an impact on policies supporting the labour force participation of older people. The main task of the body would be to improve the coordination of actions undertaken by different ministries. Representatives of employers and trade unions could be invited to participate in the body. It is advisable to launch a programme that would co-finance activities undertaken by entrepreneurs to extend the working life of their employees: improving competences, introducing solutions to improve the ergonomics of work, increasing the use of flexible forms of employment, promoting lifestyle changes, etc. These activities could be co-financed from ESF funds. It is also recommended to increase the scale of training programmes addressed to older workers.

Place-based policies could support regions such as Silesia to manage the green transition and to mitigate the risk of a rise in economic inactivity.

- *To avoid a rise in economic inactivity, regions facing job losses due to the net-zero transition can help smooth that transition through local active labour market policies that target those who are likely at risk of job loss*. Following examples from other OECD regions, training programmes offered by Polish regional employment services could start to integrate the development of "green skills". These polices would differ from those currently supported by the Occupational Barometer surveys as they would have to take a more long-term perspective of changing skill requirements within industries. One example from Flanders, Belgium, is the training of workers in the construction sector, where training offered by local employment services includes sustainable building and energy efficiency methods to prepare the sector for future skill requirements. "Green skills" can be included in the Occupational Barometer after Poland's implementation of the European Skills, Competences, Qualifications and Occupations Taxonomy (ESCO).

2. Economic inactivity in Poland before and after the COVID-19 pandemic

This chapter provides background information on economic inactivity in Poland. While the COVID-19 pandemic has had a relatively mild effect on the Polish labour market, it exposed inequalities between groups and places. The pandemic may drive some individuals durably outside the labour market as they become discouraged to look for work, or cannot work due to new caring responsibilities. It also revealed the relatively unfavourable position of vulnerable groups on the Polish labour market. Older people with low skills, amongst the most excluded before the pandemic, faced the highest risk of employment loss due to the pandemic. Those living in less economically dynamic regions face a compounded risk.

In Brief

The pandemic exposes the disadvantage that vulnerable groups in Poland face

- **The COVID-19 pandemic has interrupted a sustained fall in unemployment in Poland**. The seasonally adjusted registered unemployment rate increased by 1 percentage point, from 5.2% to 6.2%, between January 2020 and February 2021. Unemployment figures, however, may not reflect the extent of the effect COVID-19 had on Polish labour markets. Some potential job seekers, discouraged in face of the decline in labour demand, may not actively be searching.
- **While COVID-19 primarily presents a short-term labour market shock, the repercussions may be long-term if individuals are permanently pushed out of the labour force**. In Poland, there is a clear link between regional level unemployment rates, long-term unemployment rates and economic inactivity rates. Higher short-term unemployment may push some unemployed into long-term unemployment and then economic inactivity.
- **29% of the population in Poland was economically inactive in 2019, two percentage points higher than the OECD average**. Within this group, the COVID-19 downturn could have accentuated labour market exclusion for women and those with lower levels of education. Youth are also vulnerable, as they face weaker labour market attachment and are highly represented in sectors most at risk from the pandemic.
- **Those between 55 and 64 years old represent over 35% of the economically inactive population in Poland, the third highest share in the OECD**. Although this age cohort may be less vulnerable to the COVID-19 crisis, the increase in the in-work poverty rate from 10.4% in 2010 to 11.7% in 2019 suggests this group may be struggling to find decent work.
- **OECD calculations show 20% of employment is at risk in Poland due to the pandemic, less than the OECD average of 27%.** Poland houses a relatively smaller share of jobs in at risk sectors, such as retail, food services or accommodation, compared to other OECD countries.
- **Risk of job loss from COVID-19, however, reveals different levels of vulnerability across regions**. In Mazowieckie, less than 7% of jobs are in sectors most at risk, compared to 25% in Greater Poland. Employment in trade-related sectors shapes COVID-19 related risk in Poland due to exposure to the global drop in demand and supply chain disruptions. Over 22% of jobs in Greater Poland, Lesser Poland and Lower Silesia contain jobs in trade-related sectors, representing 396 000, 329 000 and 276 000 jobs respectively. If demand in these sectors does not return to pre-pandemic levels, these groups face a risk of prolonged economic exclusion and inactivity.
- **Teleworking is a tool for resilience in the COVID-19 economy**. In over half of Polish regions, such as Greater Poland, however, the share of jobs amenable to teleworking is lower than the OECD average of 32%. This may be due to the higher share of industrial jobs requiring physical presence. Polish SMEs, in particular, could benefit from targeted support to make the shift to long-term teleworking and ensure those unable to remote work do not face prolonged economic exclusion.

2.1. Introduction

The COVID-19 pandemic, while not having had large effects on unemployment in Poland, is putting a halt to steady employment growth. The COVID-19 pandemic is likely to accentuate disadvantages for those most excluded from the labour market, potentially increasing economic inactivity among certain groups and across Polish regions. To analyse these phenomena, the remainder of this chapter is divided into two parts: section 2.2 gives an overview of the initial labour market implications of COVID-19 and section 2.3 delves into the different categories of economically inactive groups in Poland. The unit of analysis throughout this report is the TL2 level shown in Figure 2.1.

Figure 2.1. Understanding Polish Regions

Map of Poland by TL2 regions

Note: English names of TL2 regions. Polish names in brackets.
Source: Eurostat and FAO Global Administrative Unit Layers.

2.2. The COVID-19 pandemic exposed disadvantages that certain groups and regions face across Poland

2.2.1. The COVID-19 labour market impact was relatively mild in Poland

Before COVID-19, unemployment had been declining in Poland. The 2008 financial crisis caused a downturn in the Polish labour market, particularly in sectors reliant on external demand, such as manufacturing, though its effects on unemployment were more moderate than other EU countries (ILO, 2015[1]). Recovery was already underway in 2010. After unemployment peaked at 16.4% among 15 to 64 year olds in 2000 and rose again to 10.5% in 2013 post-2008 crisis, unemployment fell to a historic low of 3.3% in 2019 (Figure 2.2). In OECD countries on average, meanwhile, unemployment reached a high of 8.7% in 2010 following the 2008 financial crisis, before falling progressively to 5.6% in 2019. Over this period, the fall in unemployment in Poland was due to rising employment rates, driven by economic growth, and a shrinking labour force (OECD, 2018[2]).

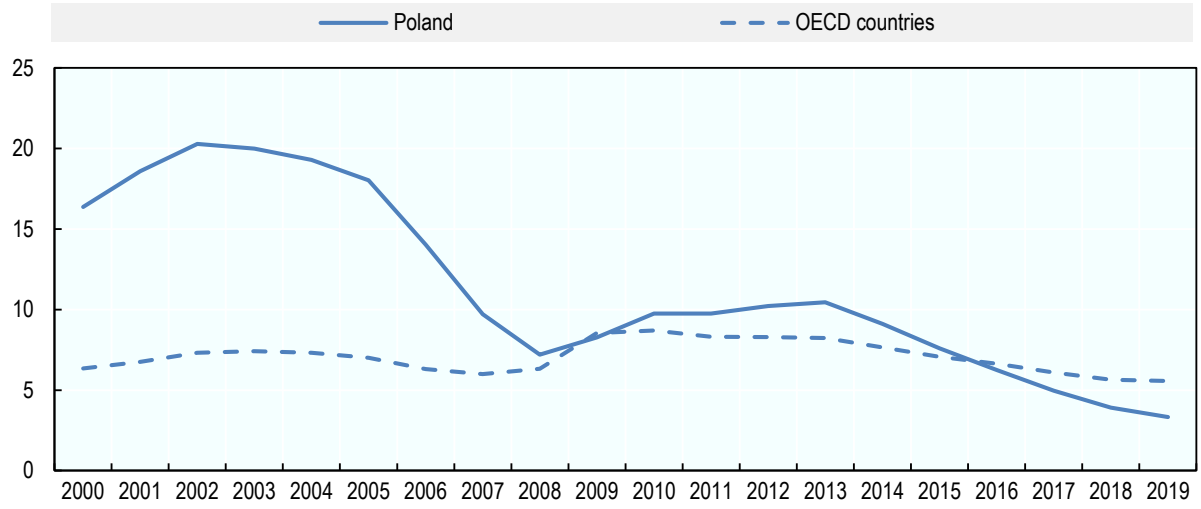
Regional differences in unemployment fell in Poland between 2010 and 2018. This trend only took place in approximately one-third of OECD countries (OECD, 2020[3]). Unemployment in multiple regions with higher unemployment rates in 2018, such as West Pomerania and Lower Silesia, fell more than the Polish average. In these regions, for example, unemployment fell 8.6 and 8.2 percentage points between 2010 and 2018 respectively, greater than the national average of 5.9 percentage points (Figure 2.3).

Since the start of the COVID-19 pandemic, the number of registered unemployed has risen in Poland. Firms faced a sharp downturn in activity when lockdowns began across OECD countries in March 2020. SMEs have been particularly affected by the downturn due to closures in sectors with a large presence of SMEs, such as food services. Small firms may be less capable of withstanding the COVID shock due to their reliance on more limited markets and suppliers (OECD, 2020[4]). Between January 2020 and February 2021, the number of registered unemployed people rose from 922 197 to 1 099 500, as lockdown measures were put in place and the Polish economy felt the effects of the global downturn (Figure 2.4). Over this period, the seasonally adjusted registered unemployment rate increased by 1 percentage point, from 5.2% to 6.2% (OECD data). Since then, the number of registered unemployed in Poland has started falling slowly again and stood at 1 053 800 in April 2021.

While Poland has come out of the COVID-19 relatively unscathed, the lack of labour demand during the downturn could have long-term impacts on the most vulnerable. Many of the most vulnerable, those already economically inactive or with weaker attachment to the labour market, may face greater labour market exclusion during and following the COVID-19 pandemic due to the drop in labour demand. Figure 2.5 shows that when the COVID-19 pandemic started in March 2020, the number of vacancies reported by employers to local labour offices dropped sharply from 112 700 to 77 600. Combined with the rise in the registered unemployed, this led to an even sharper increase in the number of registered unemployed per reported vacancy. Both metrics recovered over the summer of 2020, but labour demand took another hit in October 2020 when COVID-19 case numbers started rising again. Most recent numbers from March and April 2021 indicate that demand for labour is now rebounding. Figure 2.6 shows that some regions were hit disproportionally by the drop in labour demand caused by COVID-19. The regions of Eastern Poland, in particular Podkaparcia, Podlaskie and Lublin experienced the sharpest absolute rise in the number of registered unemployed per job offer.

Figure 2.2. Unemployment has decreased significantly in Poland since 2002

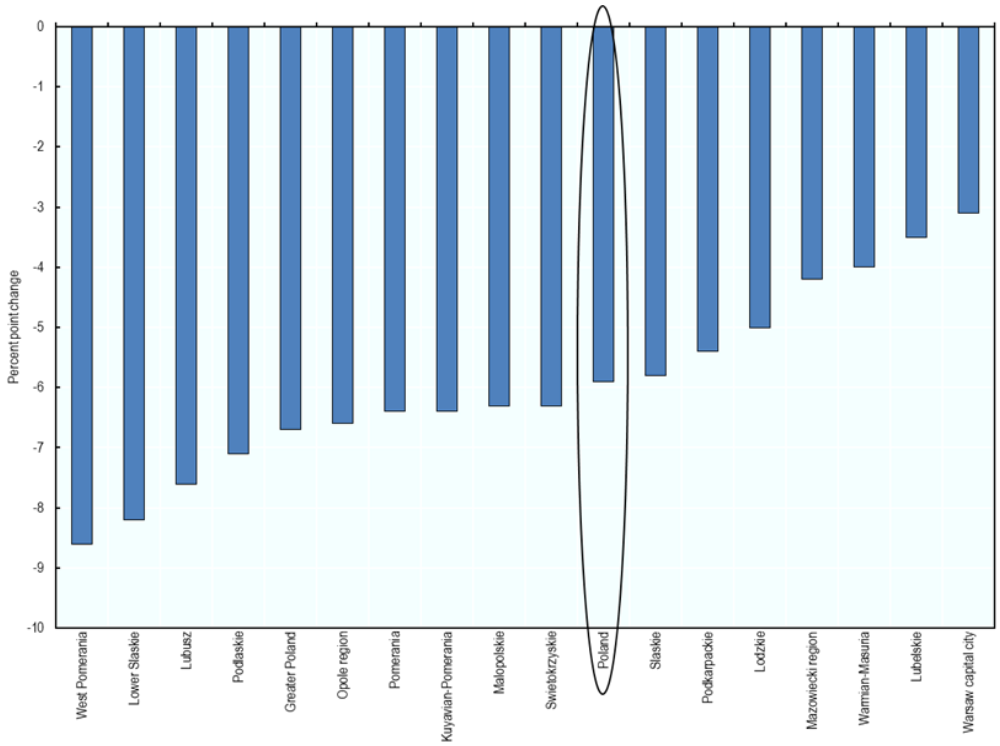
Unemployment rate (15-64) (%), Poland and OECD, 2000-2019



Source: OECD Statistics.

Figure 2.3. Unemployment had decreased before COVID-19 across all Polish regions, particularly in those regions with higher rates in 2010

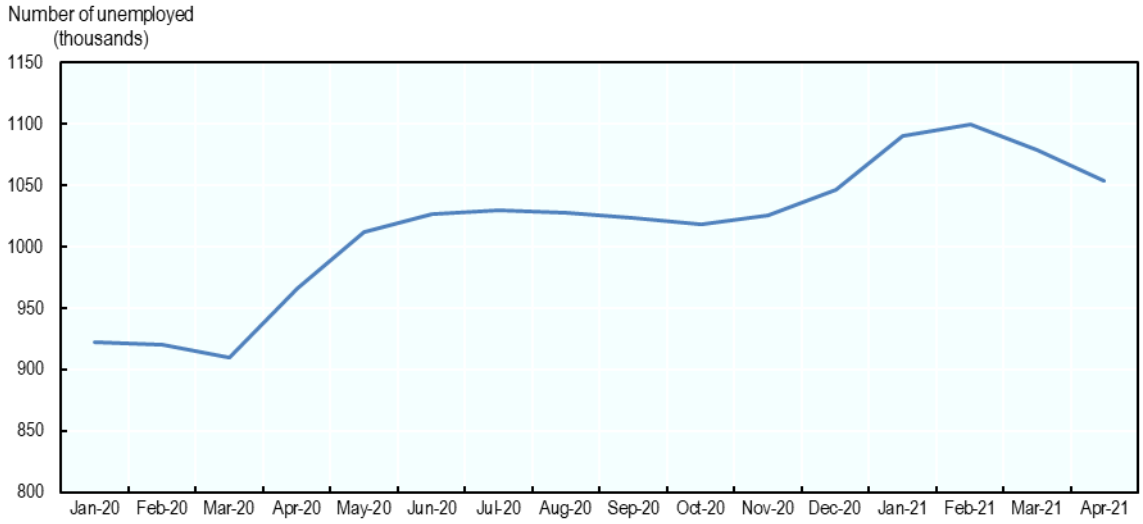
Percent point change in the unemployment rate by region of Poland, 2010-2018



Note: The unemployment rate is computed as the share of unemployed people over the labour force, for the age group 15/64.
Source: OECD (2020), "Regional labour markets", OECD Regional Statistics (database), https://doi.org/10.1787/f7445d96-en.

Figure 2.4. Over 2020, the COVID-19 crisis increased unemployment in Poland, but recovery is seen in 2021

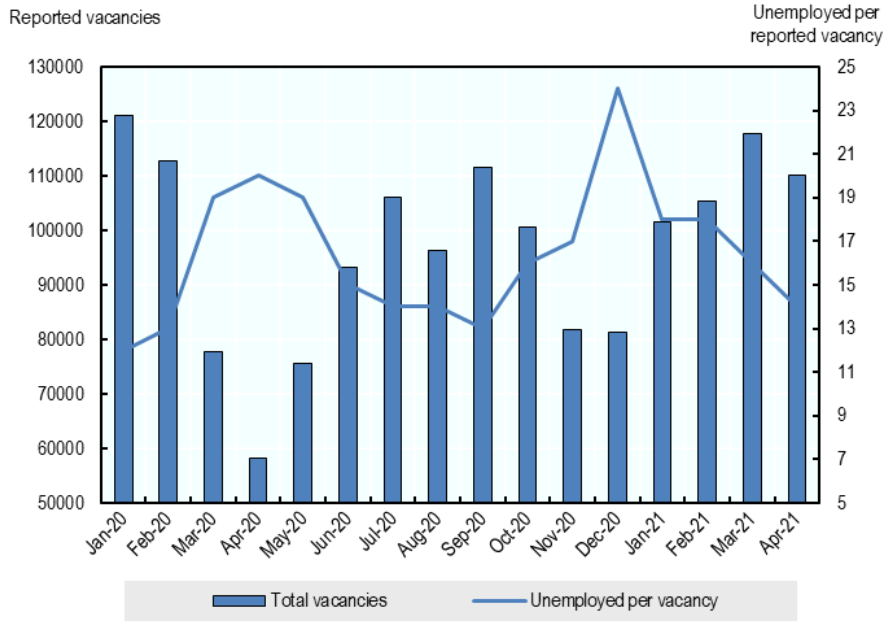
Number of registered unemployed persons, seasonally adjusted, 2020-2021, monthly



Note: The data may be subject to change due to the renewal of models for seasonal adjustments. See Statistics Poland for methodological information.
Source: Statistics Poland, K4-G12-P2961.

Figure 2.5. Labour demand in Poland fluctuated during the COVID-19 pandemic

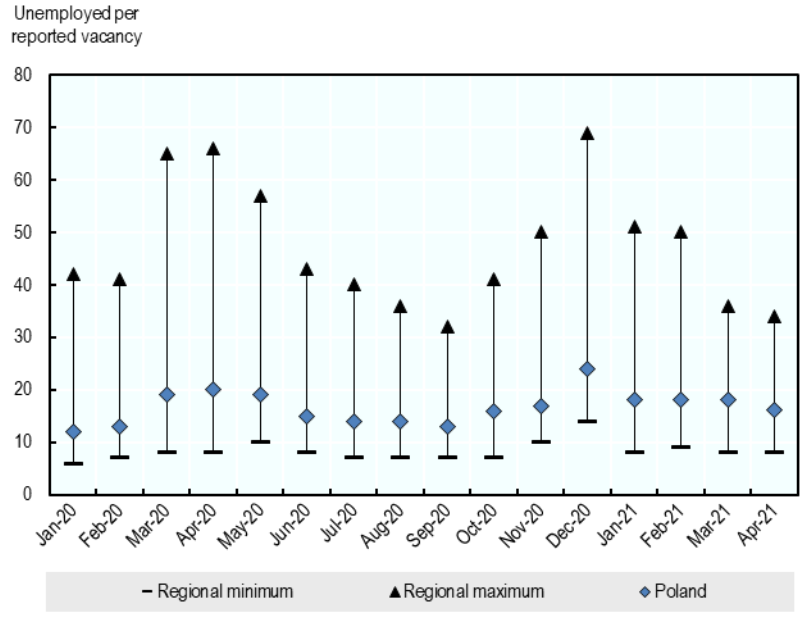
Reported vacancies (left axis) and unemployed per reported vacancy (right axis), 2020-2021



Note: Total vacancies is the number of job offers reported to the Powiat labour office by employers if there is at least one vacant place of employment or a place of occupational activation. Unemployed is the number of registered unemployed.
Source: Statistics Poland, K4-G12-P2965

Figure 2.6. Regional differences in the number of unemployed to reported vacancies remain significant

Unemployed per reported vacancy, 2020-2021



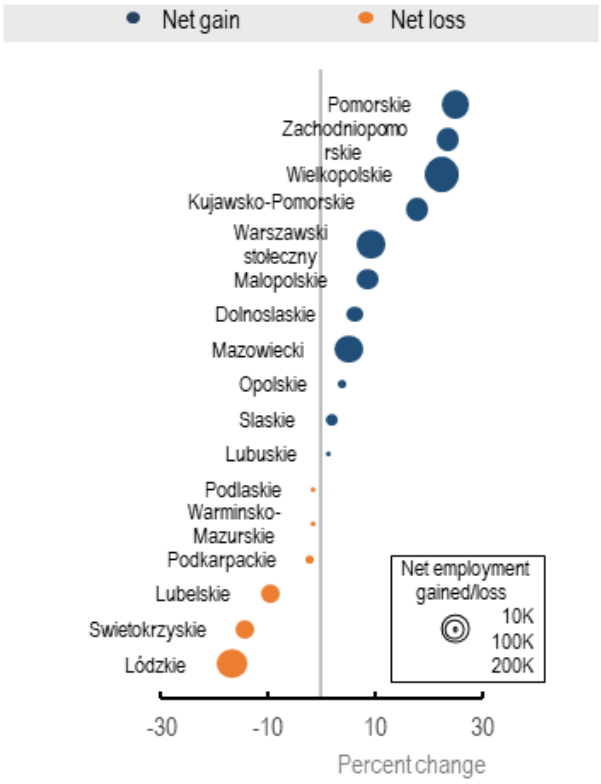
Note: Total vacancies is the number of job offers reported to the Powiat labour office by employers if there is at least one vacant place of employment or a place of occupational activation. Unemployed is the number of registered unemployed.
Source: Statistics Poland, K4-G12-P2965.

2.2.2. Although unemployment recovered across regions after the 2008 crisis, employment growth suggests disparities are growing

The 2008 crisis, although of a different nature than the 2020 pandemic, showed differentiated impact across regions. In one-third of Polish regions, the number of people employed declined (Figure 2.3). In regions such as Lodzkie, Swietokrzyskie and Lublin, net employment decreased by 16.7, 14.2 and 9.5 percentage points respectively, or a fall of over 220 000, 82 000 and 89 000 employed people respectively. This phenomenon may be driven by job destruction in certain regions, or emigration. OECD research has also identified a possible growing geographic concentration of jobs in Poland (as measured by the number of people employed), which may be more noteworthy for high-skill jobs relative to all jobs (OECD, 2020[3]). Jobs requiring advanced degrees may be increasingly concentrated in more economically developed regions.

Figure 2.7. Employment numbers, however, reveal divergence among regions

Change in net employment, 2008-2018



Note: Total employment, age group 15 to 64 years. Regions displayed in Polish language, please refer to figure 1 for English translation.
Source: OECD Regional Statistics.

2.2.3. Young people in particular suffer from the negative impact COVID-19 has on the Polish labour market

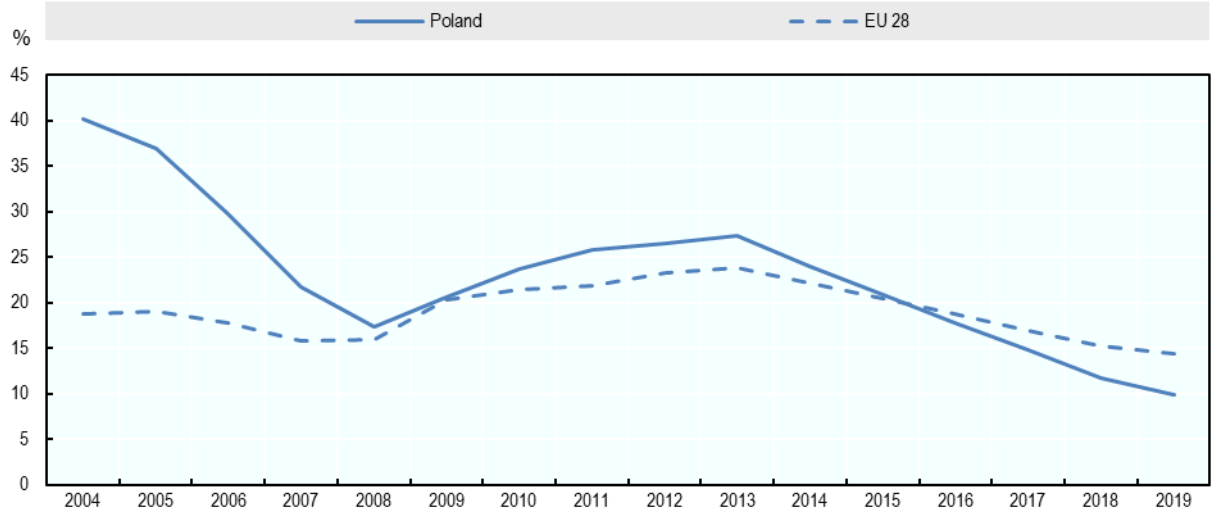
As after the 2008 crisis, it is likely that youth will face the steepest labour market consequences from the COVID-19 downturn. In Poland, youth unemployment grew relatively more than the average across OECD countries, before falling more rapidly. Between 2008 and 2013, youth unemployment grew from 17.3% to 27.3%, before falling to 9.9% in 2019 (Figure 2.8). The EU-28 average, meanwhile, increased from 15.8% to 23.7% over the same dates, before falling to 14.4% in 2019. The significant increase in youth unemployment in Poland after 2008 reveals weak labour market attachment for this group. In particular, young people in Poland may suffer from less stable contractual conditions compared to other EU countries.

The COVID-19 crisis also presented specificities that accentuate disadvantage for youth. COVID-19 lockdowns have driven many workers in food services, accommodation and tourism sectors which tend to employ large shares of young people, into Job Retention (JR) schemes or unemployment. Youth are also suffering a second hit related to their socio-professional engagement: interruption or decrease in quality of education/training, decline in connections with colleagues, peers and mentors, and higher levels of poverty and mental health pressure (OECD, 2020[5]).The OECD has highlighted that proactive employment policies are particularly important in this crisis, as many young people face more acute social isolation that may hold them back from contacting public employment services or social services (OECD,

2020[6]). As lockdown measures continue to be enforced, many youth may also disengage from their job search as they become discouraged, placing them at risk of becoming economically inactive.

Figure 2.8. Youth unemployment rose more than the OECD average in Poland following the 2008 economic crisis

Youth unemployment rate (% unemployment 15-24 over labour force 15-24)



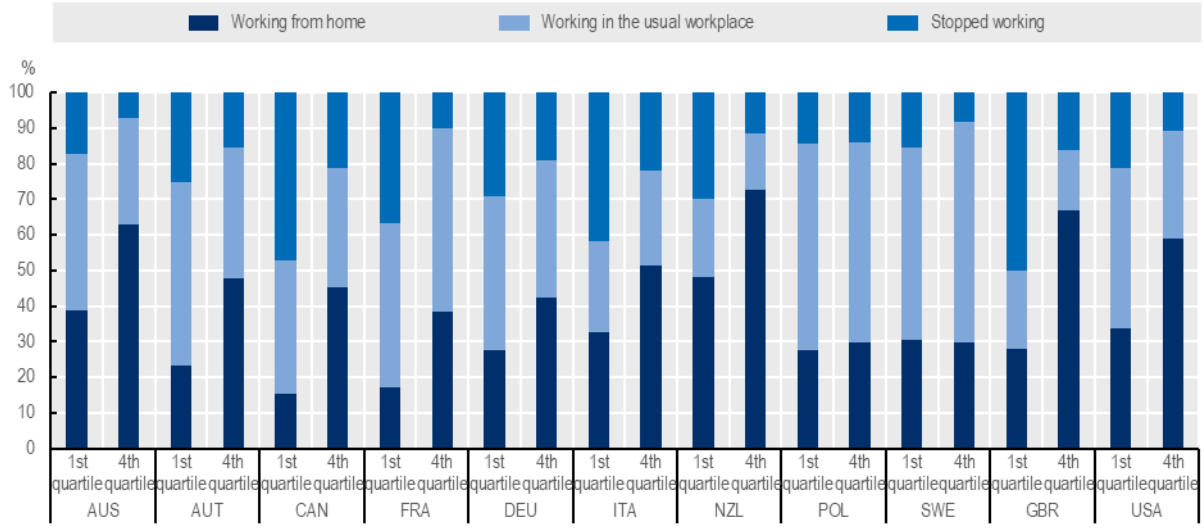
Source: OECD Regional Statistics.

2.2.4. Low-income employment and persons with low levels of education are an additional group at risk

Similar to the 2008 economic crisis, many of those most affected by the downturn will be those who hold low-paid jobs (OECD, 2020[6]). Indeed, those with higher earnings (in the fourth income quartile) have been able to continue working from home in greater proportions across OECD countries (Figure 2.9). In the UK, for example, nearly half of those in the lower income quartile stopped working in April 2020, compared to 16% in the fourth income quartile. In Poland, however, the share of those who stopped working is smaller and stood at 14.5% of those in the lower income quartile, almost the same as those from the upper income quartile (14%). Compared to the majority of OECD countries, the share of those continuing to work from their usual workplace was much higher in Poland, 56% (first quartile) and 57% (fourth quartile). Greater flexibility and teleworking infrastructure could support working conditions and accelerate digitalisation across occupations and social classes.

Figure 2.9. Those with higher earnings were able to continue working in greater shares since the start of the COVID-19 pandemic

Share of total workers employed before the onset of the pandemic by earning quartile, selected OECD countries, mid-April 2020



Source: Drawn from (OECD, 2020[6]); originally: Foucault and Galasso (forthcoming) based on the REPEAT (REpresentations, PErceptions and ATtitudes on the COVID-19) survey.

Pandemics may increase income inequality between those with lower levels of educational attainment and those with advanced degrees (Furceri et al., 2020[7]). Workers with lower levels of education are more vulnerable as they often hold less stable contracts, which facilitates dismissal during downturns. Those with advanced or technical degrees may also be able to regain employment more easily. Similarly, many young people are less attached to the labour market, with less work experience and less stable contracts (OECD, 2020[6]).

2.2.5. Polish regions are exposed differently to job loss from the COVID-19 pandemic

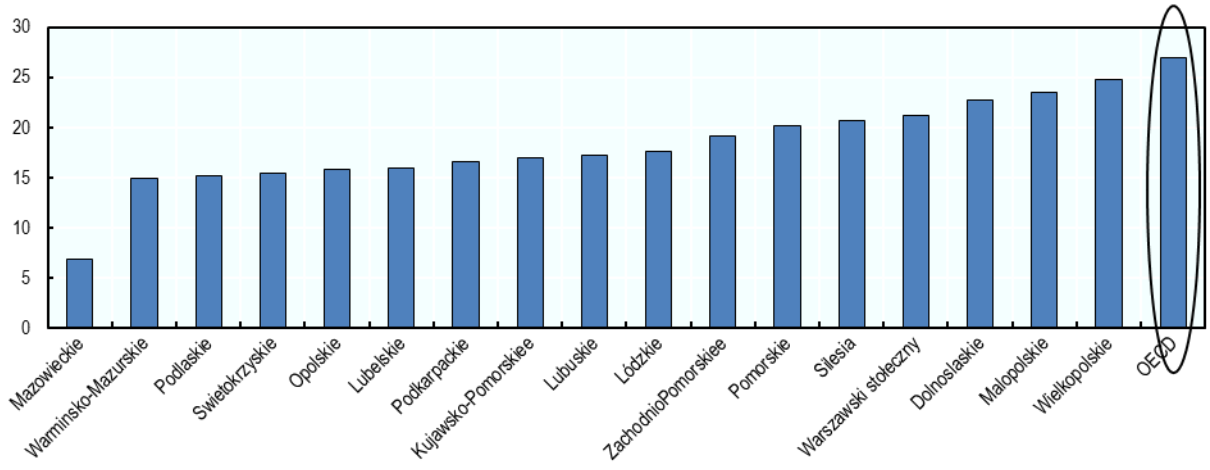
COVID-19 puts employment at risk differently across Polish regions. Different factors may determine the economic vulnerability of a region to both lockdown measures and the global economic downturn. For example, regions within Poland specialise in different economic activities, are exposed differently to global value chains and contain different shares of non-standard employment (OECD, 2020[8]). The OECD has developed a methodology to estimate the risk of job loss from COVID-19 based on calculating the share of jobs in sectors at risk due to lockdown measures (Box 2.1). Using this method, risk due to COVID-19 is found to vary by over 18 percentage points in Poland, from 25% in Greater Poland to 7% in Mazowieckie (Figure 2.10). The capital region contains a higher share of high-risk jobs compared to other regions, at 21%. All regions in Poland, however, face a lower risk due to COVID-19 compared to the OECD average of 27%.

The effects of COVID-19 on regional labour markets will also depend on policy action. Policy measures taken to slow the spread of the virus, social distancing measures and continued restrictions on targeted economic activities will all play a role (OECD, 2020[8]). Since March 2020, the Polish government has taken a variety of labour market measures to help protect jobs and promote economic activity under different levels of lockdown. These have included new measures to facilitate telework, supplemental sick

leave, and a widespread Job Retention (JR) programme to cover 80% of employee wages (40% by the employer and 40% by the state) for enterprises losing at least 25% of revenue (OECD, 2020[9]). The duration and form of these support measures, in particular JR, will also determine the level of job loss in those sectors and occupations most at risk. Box 2.2 provides a brief discussion of COVID-19 economic response measures across the OECD.

Figure 2.10. COVID-19 puts employment at risk differently across Polish regions

Share of jobs in sectors most at risk from COVID-19



Note: Share of jobs at risk is based on estimates of sectors most impacted by strict containment measures, such as those that involve travelling and direct contact between consumers and service providers. The sectoral composition of the regional economy is based on data from 2017 or latest available year. Regions displayed in Polish language, please refer to figure 1 for English translation.
Source: OECD calculations on OECD (2020), "Regional economy", OECD Regional Statistics, https://doi.org/10.1787/6b288ab8-en.

Box 2.1. How does the OECD approximate COVID-19's impact on employment?

Detailed output categories reveal regions where jobs are most at risk

The OECD has calculated the impact of economic lockdown measures on different sectors. Based on the share of each sector in a region's economy, the calculations reveal where regional employment is most vulnerable to lockdown measures. It is assumed measures are not region-specific. Using the ISIC-4 classification of economic activities, the sectors identified to be most at risk are the following:

- Service sectors such as travel, including tourism, as well as those where direct contact with consumers is needed, such as hairdresser, face a near total shutdown in their activities under lockdown;
- Retail, restaurants and cinemas are also affected, though takeaway and on-line sales where possible can maintain a degree of economic activity;
- Non-essential construction faces activity limits, directly due to lockdown measures or indirectly through lower investment in the face of uncertainty and low demand;
- Although manufacturing is less directly affected, governments have put in place integral shutdowns in certain industrial sectors, such as transport equipment.

In all economies, it is assumed full shutdowns take place in transport, manufacturing and other personal services, 50% shutdowns in output in construction and professional services, and 75%

reductions in other output categories directly affected by lockdowns. These assumptions yield output reduction results. In all OECD economies, the majority of output reductions occur in retail and wholesale trade, as well as professional and real estate services.

Source: Adapted from (OECD, 2020[10]).

Box 2.2. COVID-19 economic response measures across the OECD

Poland has privileged wage subsidies over short-time work schemes while supporting SMEs

Countries across the OECD have taken unprecedented economic measures to help maintain the liquidity of firms and protect jobs and wages as governments put in place lockdown measures, and demand slumped. Two common measures include the use of liquidity support to firms and job retention schemes.

Supporting firms

Firms, and particularly SMEs, across OECD countries face liquidity crunches during lockdowns, putting firm solvency at risk. Governments have responded by providing emergency support to firms, through an "anti-crisis shield". These support measures include:[1]

- Deferrals in payroll tax and social security contributions;
- Direct liquidity injections;
- Direct subsidies based on past sales;
- Employment subsidies;
- And grants.

The Polish government put in place the Financial Shield, a EUR 22.7 billion (PLN 100 billion) combination of loans and subsidies to maintain both firm liquidity and protect jobs. The Polish Development Fund operates the programmes. Poland's State Development Bank also participated by increasing its loan guarantees. Moreover, firms undergoing a sharp drop in revenue, in particular the self-employed and micro-enterprises, are eligible to defer their tax payments and temporarily suspend their social security contributions.

Protecting jobs

Job retention schemes seek to maintain an employee's attachment to their employer during reduced activity by supporting labour costs for firms who had to reduce working hours of their employees. Countries across the OECD have used such schemes as a primary tool to protect jobs during the pandemic. In contrast with other European OECD countries, Poland has implemented wage subsidies rather than short-time work schemes to protect jobs during the crisis (Table 2.1). This may be due to less historical experience with such schemes, or the low costs of dismissing workers in Poland.

Table 2.1. Short-time work schemes and wage subsidies offer different approaches to protect jobs

Job retention programme	Description	Countries where measure is common	Example
Short-time work schemes	Subsidies to firms to compensate workers' wages for	Continental Europe	In Italy, the Cassa Integrazione Guadagni allows firms to apply

	hours not worked.		for subsidies
Wage subsidies	Subsidies to firms to lower costs of labour or increase worker earnings. Typically, the size of the subsidy is independent of activity reduction.	English-speaking countries, Netherlands, Poland	In the Netherlands, the Emergency Bridging Measure (Noodmatregel Overbrugging Werkgelegenheid, NOW)

Source: (OECD, 2020[11]), (OECD, 2020[6]), (OECD, 2020[12])

2.2.6. Trade-related employment represents a risk across Polish regions

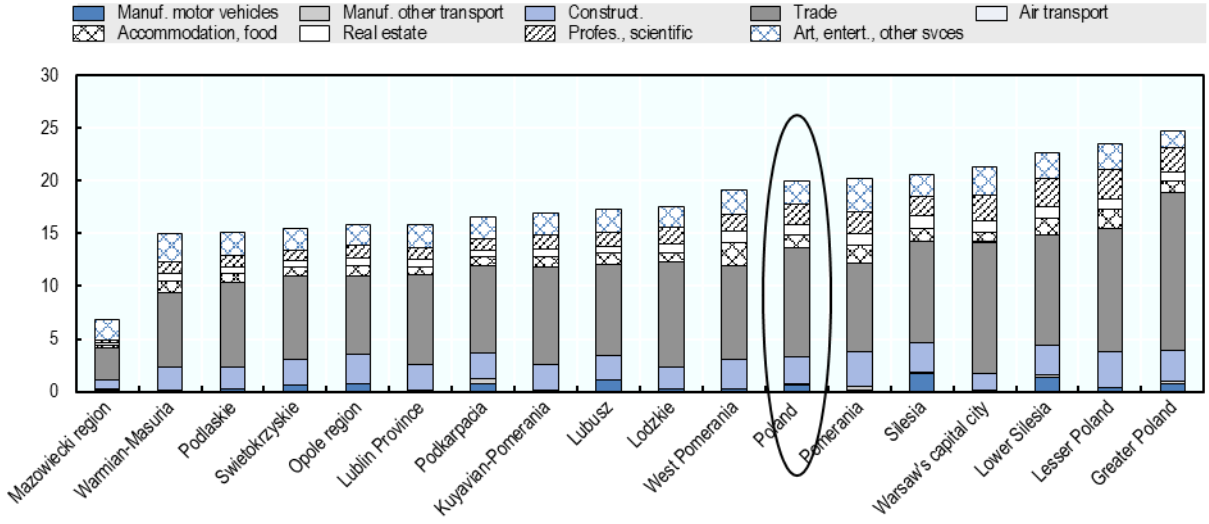
COVID-19 has caused unequal effects across economic sectors, **exposing countries and regions differently**. Some sectors most at risk from COVID-19 measures include accommodation and food services, air transport, art, entertainment and other services (OECD, 2020[8]). Lockdowns, social distancing measures and travel restrictions have led many of these establishments to close temporarily and to experience sharp drops in demand for their services. As of March 2021, multiple cultural and social sectors, such as theatres, cinemas and community centres, remained closed in Poland, while social distancing measures and travel restrictions remain in place (Government of Poland, 2021[13]).

While these sectors are facing a sharp downturn across Polish regions, the size of these sectors tends to represent a smaller share of jobs than in many other OECD countries. In regions of Greece, such as Crete, the South Aegean and Ionian islands, as well as Spain's Balearic and Canary islands, the share of jobs at risk surpasses 40% due to a high share of tourism-related employment (OECD, 2020[8]). In Poland, meanwhile, in the most exposed regions, Greater and Lesser Poland, less than 25% of jobs are in at-risk sectors (Figure 2.11). In these regions, accommodation and food services represent 1.1% and 1.9% of jobs respectively.

Polish regions, however, are at risk due to their exposure to trade. COVID-19 has disrupted supply chains, increased trade uncertainty and reduced global trade (OECD, 2020[8]). On average, 10.3% of employment in Poland depends on trade (Figure 2.11).This varies from around 3% in Mazowieckie, to 15%, 11.6% and 10.5% in Greater Poland, Lesser Poland and Lower Silesia, respectively. Indeed, in Greater Poland, a relatively greater share of economic output depends on the region's industrial base compared to the Polish average (European Commission, 2021[14]). The region is particularly specialised in machinery repair and production, a sector that was disrupted sharply by trade and transport restrictions in the first half of 2020, but that recovered nearly fully in the third and fourth quarters of 2020 (Eurostat, 2021[15]).

Figure 2.11. Employment in sectors exposed to trade reveals job vulnerability across regions

Risk from COVID by sector, TL2 regions, Poland



Note: Share of jobs potentially at risk estimated under condition of full lockdown and travel restrictions. The sectoral composition of the regional economy is based on data from 2017 or latest available year.
Source: OECD (2020), Coronavirus (COVID-19), From pandemic to recovery: Local employment and economic development, OECD Publishing, Paris. Original data from Eurostat -Regional Structural Business Statistics (sbs_r_nuts06_r2.).

2.2.7. Teleworking reinforces labour market resilience through the pandemic, but is only available for a minority

Polish regions tend to have fewer jobs amenable to telework than the OECD average. This may detract from economic resilience during lockdowns and social distancing measures linked to COVID-19 or other future pandemics. In over half of Polish regions, the share of jobs amenable to teleworking is lower than the OECD average of 32% (Figure 2.12). In Warsaw capital city, the country's capital region, 48% of jobs are amenable to teleworking, a share greater than across all other Polish regions and the OECD average. In response to low teleworking capacities, regions across OECD countries have taken action to support the transition to telework by providing the guidance and digital infrastructure necessary to make the transition (Box 2.3).

While telework strengthens a region's resilience to COVID-19 by maintaining employment through lockdown measures, it also reveals labour market inequalities. In 2007, Poland modified its labour code to formalise remote work arrangements. The new legislation set out legal structures concerning telework, including access to training, working conditions and privacy, helping prepare the country for large-scale teleworking during the pandemic (Eurofound, 2007[16]). Those jobs most amenable to telework also tend to be higher skill jobs, which helps explain variation across Polish regions. A recent survey in the European Union (EU) found that nearly three-quarters of workers with tertiary education worked remotely (Eurofound, 2020[17]). Remote work has also been facilitated in sectors with a high share of telework before the pandemic. For example, around 40% of IT and communication service workers were estimated to have already worked remotely regularly or with some frequency before the pandemic (JRC, 2020[18]).

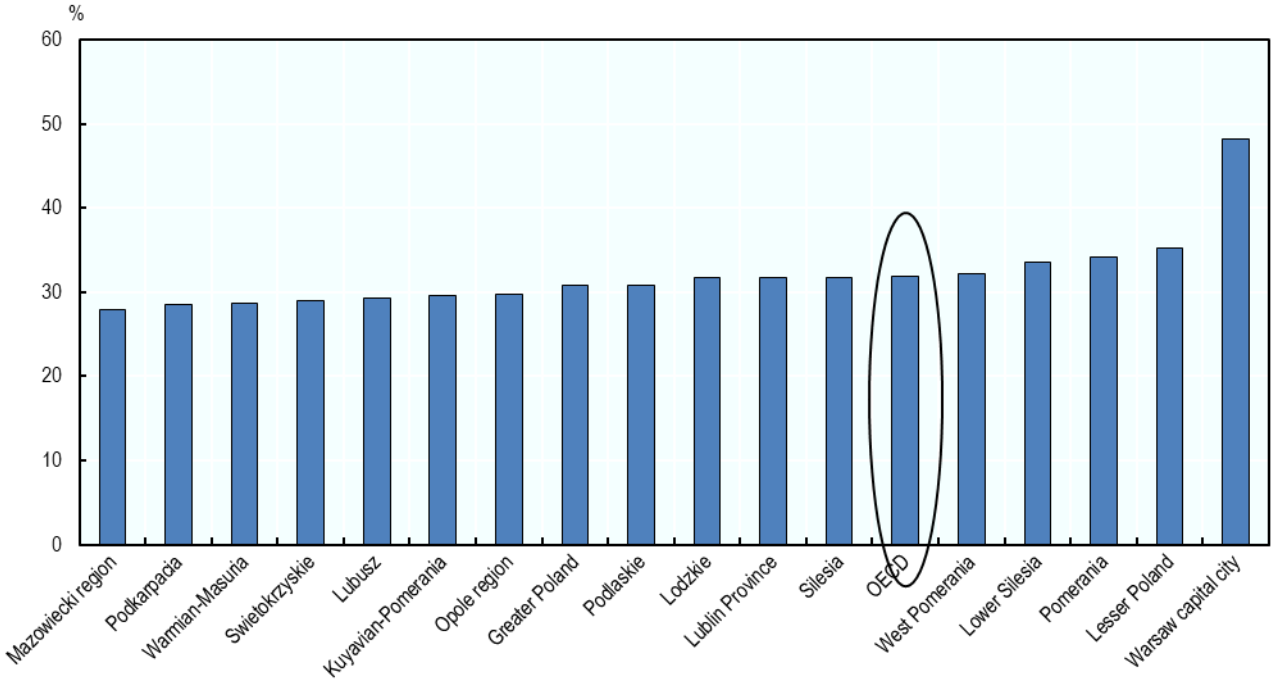
The shift to large-scale teleworking, however, also offers opportunities for inclusion of disadvantaged groups. The pandemic has demonstrated teleworking can replace on-site work for many occupations. For groups such as workers with disabilities, this is an opportunity for better working conditions and better labour market access. Indeed, voluntary teleworking for this group can allow

employers to better utilize the strengths of such employees by allowing them to meet their needs in a tailored workspace (Eurofound, 2020[19]).

Teleworking has also been linked to fertility decisions in highly educated women. Beyond COVID-19, broadband access and the option to engage in work from home has been shown to increase the fertility of highly educated women aged between 25 and 45 (Billari, Giuntella and Stella, 2019[20]). In light of the depopulation Poland faces (see Figure 2.14) teleworking is therefore not just a short-term solution to prevent unemployment during a pandemic, but may also present a policy option to counteract ageing societies.

Figure 2.12. The share of jobs amenable to telework is below the OECD average in most Polish regions

Percentage of jobs amenable to telework



Note: Share of jobs amenable to teleworking is based on the types of tasks performed in different occupations, and the share of those occupations in regional labour markets. These figures do not account for gaps in access to IT infrastructure across regions, which could further restrict teleworking potential. The OECD median presented here is the median of OECD regions with available data for each indicator.
Source: OECD (2020), OECD Regions and Cities at a Glance 2020, https://doi.org/10.1787/959d5ba0-en.

Box 2.3. How the Basque Country (Spain) supports SMEs to upscale remote work capacity

How can governments support teleworking for local resilience?

In the Basque Country (Spain), the government's industrial development organisation, SPRI, put in place multiple programmes to support the region's SMEs to take up teleworking since the start of the COVID-19 pandemic. In particular, the INPLANTALARIAK programme dispenses advice for Basque SMEs and independent workers on how to best upscale or adapt their activities to remote work. The programme, started before the pandemic, encourages telework though a broader series of actions:

- Open new avenues for sales through digital means;
- Advertise digitally;
- Interact digitally with clients;
- Save on costs and time through tools which simplify or eliminate repetitive tasks;
- Increase efficiency by supplying means for teleworking and online collaborative work;
- Put in place a flexible office location though remote connection;
- Increase mobile office tools through better use of smartphones;
- Reinforce cybersecurity;
- Introduce new technologies such as virtual reality where useful.

In March 2020, INPLANTALARIAK and other programmes were funded with over EUR 45 million to support local SMEs through the crisis. Firm digitalisation becomes a way to protect worker safety as COVID-19 endures, allowing operations to continue through social distancing and lockdown measures.

Source: (SPRI, 2020[21]). (Gobierno Vasco, 2021[22])

2.3. The pandemic could push disadvantaged individuals into economic inactivity

While COVID-19 presents primarily a short-term labour market shock, the repercussions may be long-term if individuals permanently drop out of the labour force. This section highlights these dynamics and shows that COVID-19 disproportionally affected groups with a lower labour market attachment to begin with, potentially leading to higher transition rates into economic inactivity.

2.3.1. Making the link: COVID-19, disadvantage and economic inactivity

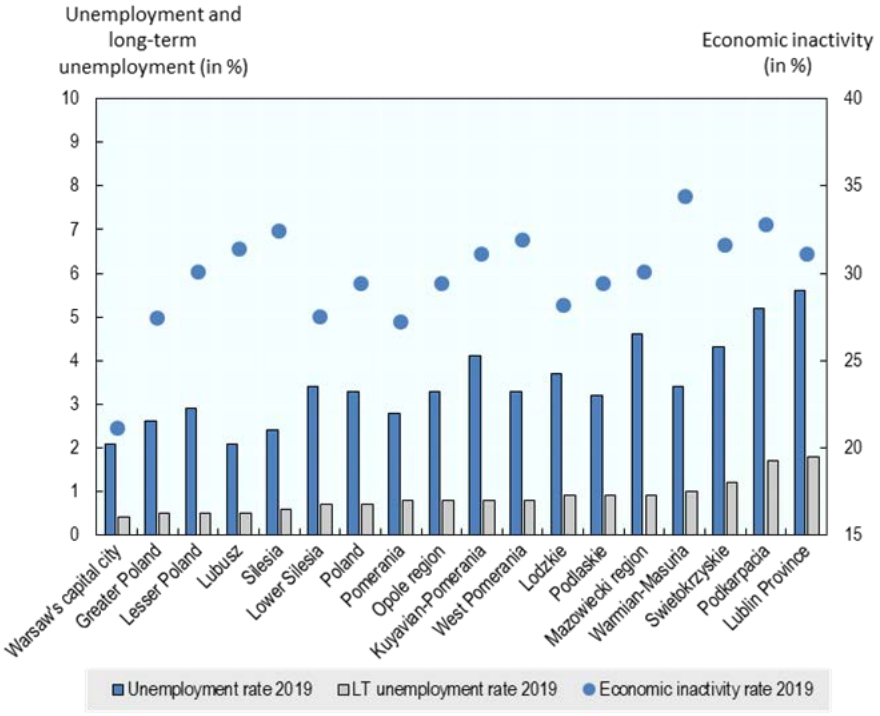
Regions in Poland with higher levels of unemployment also show higher levels of economic inactivity. Figure 2.13 shows regional differences in Poland's unemployment, long-term unemployment and economic inactivity rates in 2019. For example, the unemployment rate stood at 2.1% in the capital city of Warsaw, the long-term unemployment rate at 0.4% and the economic inactivity rate at 21.1%. In Podkarpacia, these numbers stood at 5.1%, 1.7% and 32.8%. Labour market indicators are correlated across most Polish regions.

The COVID-19 pandemic may compound shifts from unemployment to long-term unemployment and into economic inactivity. At any point in time, some unemployed individuals become long-term unemployed and some long-term unemployed become economically inactive. The labour market shock brought about by COVID-19 makes it more difficult for individuals who were already unemployed pre-pandemic or lost their job early on during the pandemic to find employment, with the risk of a transition into long-term unemployment and possibly economic inactivity. This dynamic has been well documented in the

United States (Coibion, Gorodnichenko and Weber, 2020[23]). Thus, the COVID-19 pandemic risks to leave longer-lasting scars on the labour force.

Figure 2.13. The link between unemployment, long-term unemployment and economic inactivity

The relation between unemployment, long-term unemployment (left axes) and economic inactivity (right axes), TL2 regions and Poland



Note: The left y-axis shows regional unemployment rates and regional long-term unemployment rates of the working age population in the labour force in 2019. The right y-axis shows economic inactivity rates in 2019.
Source: OECD Regional Database.

Workers who lose their jobs during an economic crisis are likely to suffer from the "scarring effects". Scarring refers to the negative long-term effect that unemployment has on future labour market possibilities. Evidence from earlier recessions shows that workers who lose employment during a recession suffer from negative labour market experiences in the future (e.g., shorter contracts, lower hourly wages, and so on), compared to an otherwise identical individual who has not been unemployed (Davis and von Wachter, 2011[24]).

Those facing less stable labour market attachment tend to face the most long-term economic and social consequences from economic crises (OECD, 2020[25]). The COVID-19 pandemic is likely to compound disadvantages for certain groups, in particular for:

- Low-wage workers;
- Those with lower levels of education;
- Women;
- Youth;
- And those most excluded from the labour market more generally.

The COVID-19 pandemic presents specificities that are likely to further accentuate disadvantage. Essential and frontline workers have faced higher risks of exposure to COVID-19. This includes groups of workers such as cashiers, nurses and personal service workers. On the other hand, non-essential low-wage workers in service jobs that require face-to-face contact are unable to work from home and have been pushed into job retention schemes or have lost their jobs. This includes many workers in food services, accomodation, culture and entertainment who face ongoing lockdowns in many OECD countries. Those sectors most impacted by COVID-19 also tend to contain a relatively larger share of women (OECD, 2020[6]).

2.3.2. Before COVID-19, economic inactivity was higher than the OECD average in Poland

Since 2007, economic inactivity had progressively decreased across the OECD. Economic inactivity can be defined as the proportion of the working-age population that is not in employment, nor looking for work (ILO, 2016[26]). This category of individuals falls outside those recorded as unemployed, people of working age who are without work, are available for work, and have taken specific steps to find work. Measuring economic inactivity helps garner a more comprehensive picture of labour market inclusivity by revealing those who are of working age but are not in employment (Barr, Magrini and Meghnagi, 2019[27]). Economic inactivity, however, encompasses a large array of individuals, from students and retirees to those with disabilities or discouraged from seeking work (Box 2.5).

Economic inactivity is the opposite of the labour market participation rate. Labour force participation is the share of the labour force out of the total working age population (15-64 years). The OECD defines the labour force, or currently active population, as all persons who fulfil the requirements for inclusion among the employed (civilian employment and armed forces) or the unemployed (OECD Statistics).

In Poland, labour force participation has increased and inactivity decreased, mirroring OECD trends. Labour force participation among 15 to 64 year olds increased by 4.8 percentage points between 2000 and 2019, from 65.8% to 70.6% (Figure 2.15). Across the OECD, rising participation is associated with the economic recovery from the 2008 crisis, as well as greater participation of older people and women across most member countries (OECD, 2019[28]). In Poland in particular, the pension reforms played a role in increasing the employment rate of the older part of the workforce by raising the statutory retirement age (OECD, 2018[2]). Despite these trends, a larger share of the working age population in Poland is inactive compared to most OECD countries**.** In 2019, 29% of the population was economically inactive, compared to an OECD average of 27% (Figure 2.16). The reversal of the reform on the statutory retirement age, which took effect in 2017, is likely to have a negative effect on labour force participation (see Box 2.4).

Box 2.4. Statutory retirement age in Poland

The pension age in Poland is 65 years for men and 60 years for women. In 2013, the Polish parliament passed a reform that would gradually increase the statutory retirement age to reach 67 years for both sexes. The parliament decided in November 2016 to reverse that increase in retirement age. The reform reversal took effect in October 2017, effectively decreasing the statutory retirement age by 14 months (OECD, 2017[29]). Poland is the only OECD country next to Switzerland and Israel to have a different statutory retirement age for men and women.

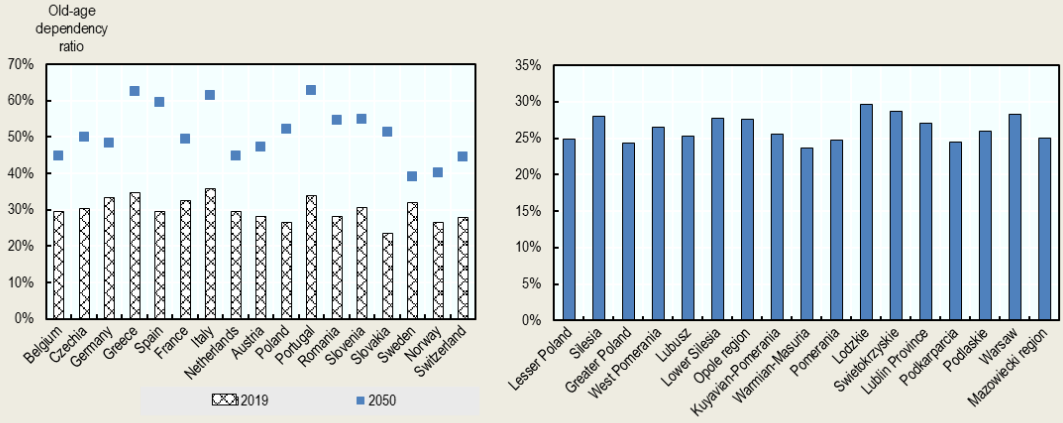
There is no legal requirement for workers to stop working when they reach the statutory requirement age and deferring retirement is to some extent incentivised (OECD, 2018[30]). The Polish government is among few in the OECD that does not allow employers to set a maximum retirement age to prevent forced retirement. Deferring pension claims has direct advantages to those who decide to do so: On average, it leads to a pension benefit increase of around 6% (OECD, 2017[29]). It is further possible to combine work and pension receipt to leave the labour market gradually (OECD, 2019[31]).

However, to many workers, the statutory pension acts as a focal point and thereby affects retirement decisions (Cribb, Emmerson and Tetlow, 2016[32]). In Poland, the 2017 statutory retirement age reversal is associated with an immediate decrease in the retirement age among women.

The low retirement age is likely to exacerbate the issue of increasing pressure on the pension system brought about by Poland's ageing society. In 2019, Poland's old-age dependency ratio stood at 26.4%, right at the OECD average, with little regional variation. Like in many other European countries, this ratio is projected to increase rapidly and reach 52.2% by 2050 (see Figure 2.14).

Figure 2.14. Old-age dependence ratio

The population aged above 65 divided by the population aged 15 to 64, international (left) and national comparison (right)



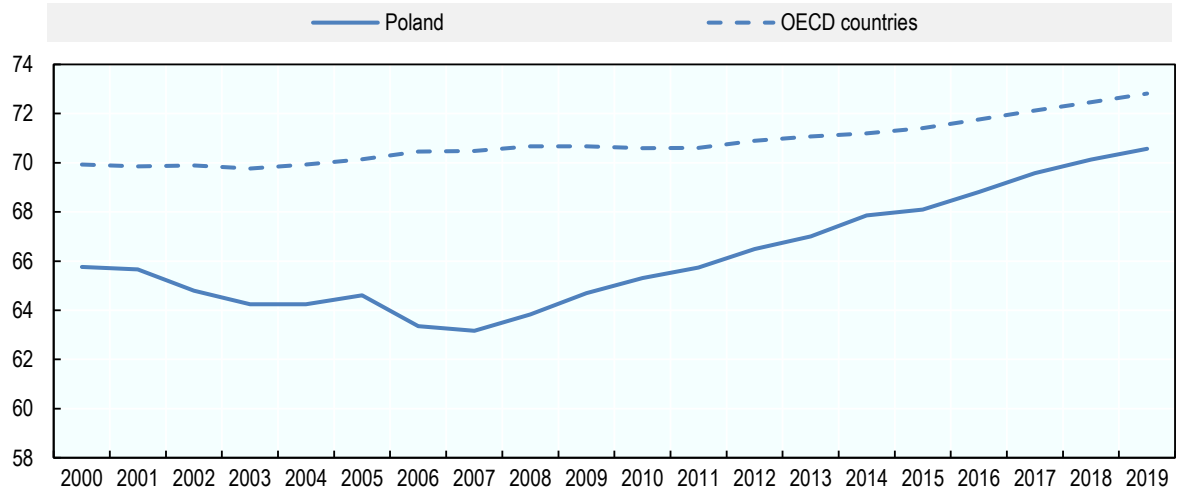
Note: The left panel shows the old-age dependency ratio of Poland and selected European countries in 2019 and 2050 (projected). The right panel shows the old-age dependency ratio by Polish TL-2 regions in 2019.
Source: Eurostat (PROJ_19NDBI) and OECD Regional Database (Regional Demography: Demographic Composition and Evolution).

Economic inactivity also has a strong regional dimension in Poland. In Poland, economic inactivity differs between regions by 13.3 percentage points in 2019, ranging from 21.1% in the Warsaw capital region to 34.4% in Warmian-Masuria. Figure 2.17, which graphs the gap between the region with the lowest and the highest economic inactivity rate for 2016 (the year when comparable data is available for all OECD countries), shows that the gap of 10.9 percentage points was slightly higher than the OECD average of 10.7 percentage points at the time.

In countries with larger variations in economic inactivity across regions, local characteristics may be closely related to the nature and degree of economic inactivity. Local demography may influence the scale of economic inactivity (Barr, Magrini and Meghnagi, 2019[27]). For instance, a region's large university or retiree population may account for a larger share of the economically inactive. On the contrary, local labour market characteristics may discourage certain people from seeking work. For example, the absence of quality jobs or those that correspond to local skills may discourage people from job searches.

Figure 2.15. Although rising, labour force participation trails the OECD average

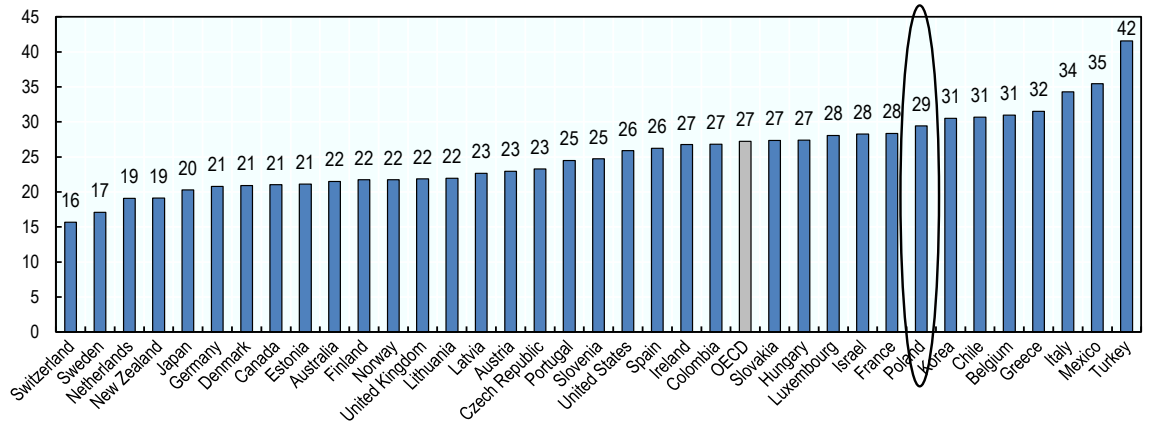
Labour force participation rate (15-64 years old)



Source: OECD Statistics.

Figure 2.16. Economic inactivity was higher in Poland relative to most OECD countries before COVID-19

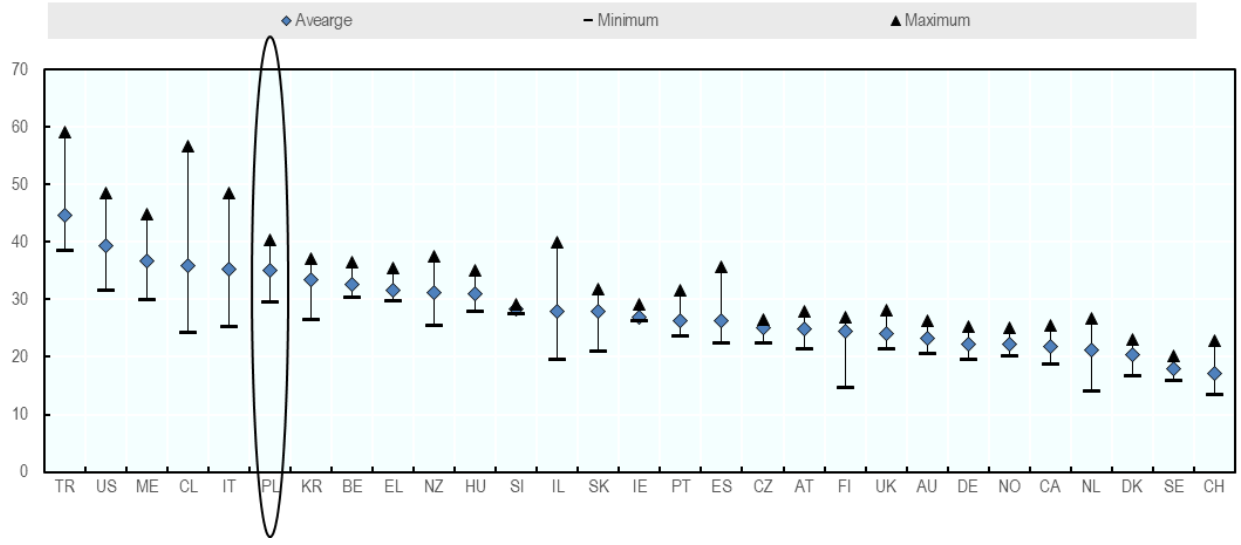
Economic inactivity rates (15-64) (%) across OECD countries, 2019



Note: Thousands of persons, ratios in percentage, and growth rates (all raw and seasonally adjusted). Chile and OECD are estimates.
Source: OECD Statistics.

Figure 2.17. Economic inactivity has a regional dimension in Poland

Share of population aged 15-64 not in the labour force, 2016



Note: Data refers to the 15-64 population in 2016 as regional data for the age group 25-54 or more recent data is not yet available for all OECD countries.
Source: Drawn from (Barr, Magrini and Meghnagi, 2019[27]), originally from "Regional labour markets", OECD Regional Statistics (database), https://doi.org/10.1787/f7445d96-en.

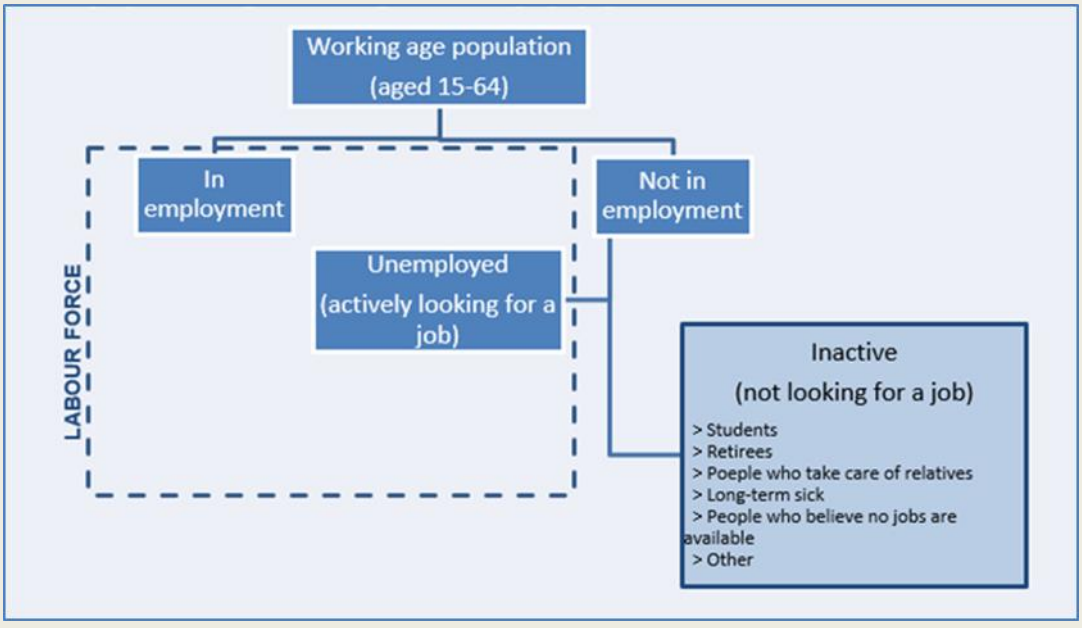
Box 2.5. How does the OECD measure economic inactivity?

The situation and degree of labour market attachment varies among economically inactive persons. For example, the economically inactive caring for relatives, engaged in unpaid internships and other unpaid work activities are not counted as members of the labour force, although they may also be closely linked to the labour market (ILO, 2019[33]). To make distinctions, labour force surveys generally classify economically inactive people into the following categories (Figure 2.18):

- Students;
- Retirees;
- People who take care of relatives;
- People who have health issues or disability;
- People who believe there are no jobs available (discouraged workers)l and
- And people who are not looking for a job for other reasons.

A large share of this group, such as retirees and students, are most likely inactive by choice. Others who are not looking for work or employment, however, may be willing to work under certain conditions. This difference highlights the importance of focusing on the prime working age population, as they are less likely to be inactive by choice (Barr, Magrini and Meghnagi, 2019[27]). Those that are not outside of the labour market by choice can suffer social exclusion, detracting from social cohesion, and presenting a missed opportunity for firms facing labour shortages.

Figure 2.18. Classifying the economically inactive based on labour force surveys



Source: (ILO, 2016[26]) (Barr, Magrini and Meghnagi, 2019[27])

2.3.3. Older working age people characterise the economically inactive population in Poland

As across the OECD, different factors drive economic inactivity in Poland. Some economically inactive working age people choose not to participate in the labour market (Barr, Magrini and Meghnagi, 2019[27]). For example, students and retirees do not participate in the labour market as they have yet to enter the labour market durably, or have finished their working life. Others, meanwhile, cannot enter the labour market due to disability or other personal circumstances, such as child or elderly care. For this group, providing them with social services is a step towards their integration of the labour market (Box 2.6).

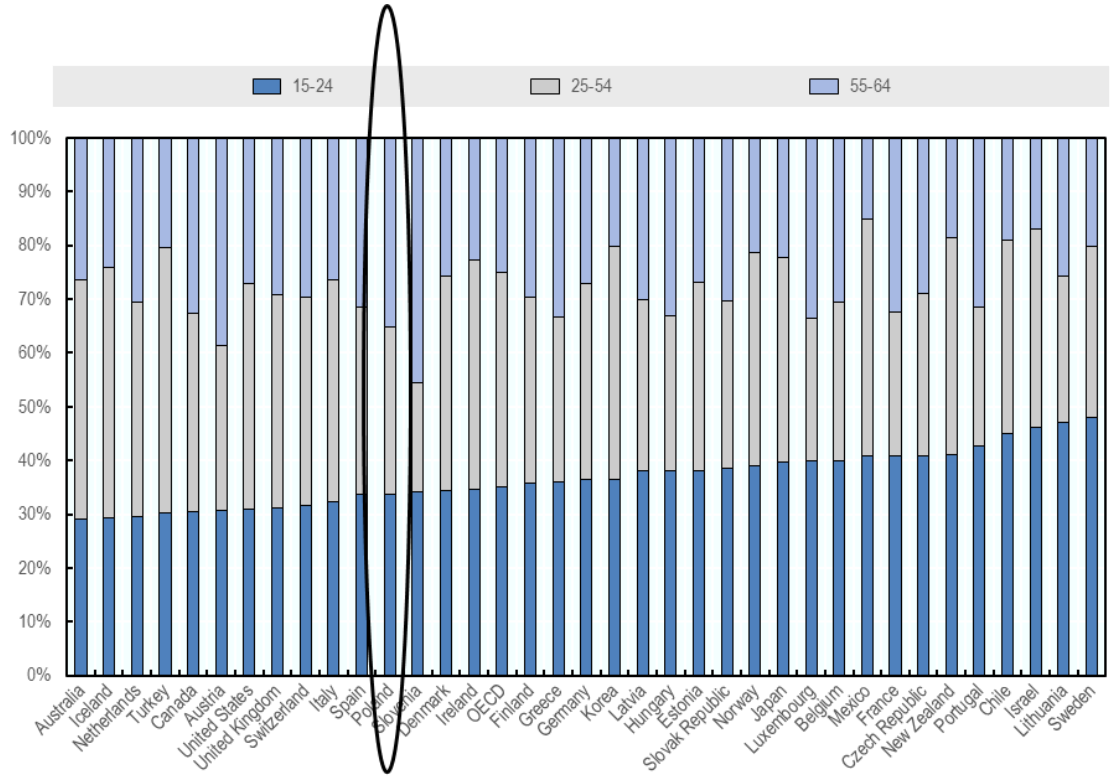
In Poland, older working age is an important characteristic of economically inactive people. Indeed, in 2019, the share of economically inactive people between 55 and 64 years old represented 35% of the economically inactive population in Poland, compared to over 32% and just under 34% of those aged 25-54 and 15-24 respectively. Figure 2.19 shows these data in international comparison for 2017. The share of older economically inactive people is over 10 percentage points greater than the average across OECD countries, and third highest in the OECD, after Slovenia and Austria, where nearly 47% and 39% of the older working age cohort is economically inactive.

Poland's economic history may partially explain the persistence of an older age cohort of economically inactive people. As Poland engaged in its economic transition, early retirement schemes were encouraged to accelerate the restructuring of certain economic sectors, which may have shaped a lasting pattern (Polakowski and Hagemejer, 2018[34]). Other countries that underwent economic transition in the 1990s and 2000s also have a relatively high share of economically inactive people between 55-64 years old. In Slovenia and Hungary, around 46% and 33% respectively of economically inactive are in the older age cohort (Figure 2.19). As Poland engaged in pension reforms in 1998 and 2012, the country gradually raised the retirement age and incentivized later retirement, which may have contributed to lowering the rate of inactivity among older working age people since the start of the 2010 decade.

Evidence suggests, however, that part of this group has struggled to make the transition into quality work. The share of those aged 55 to 64 in-work but at risk of poverty increased by 1.3 percentage points, from 10.4% in 2010 to 11.7% in 2019 (Figure 2.20). In the European Union (EU-27), this share increased by 1 percentage points, from 7.1% to 8.1% in the same time period. These figures may indicate retirement reforms have incited older working age people to stay or reintegrate the labour market. Given the dynamic job growth in Poland, this suggests that a better transitions from early retirement back to work, or late career transitions, may help reinforce social cohesion in the labour market. Targeted support, skills mapping and adult learning policies could be particularly helpful to accompany late working age transitions, reducing economic inactivity.

Figure 2.19. In Poland, the economically inactive tend to draw from an older age cohort compared to OECD countries

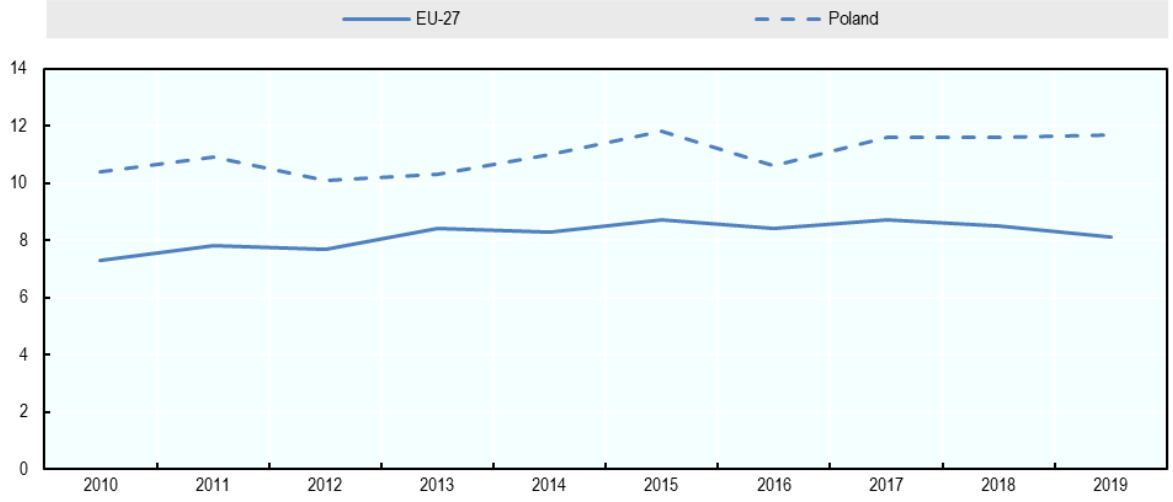
Population aged 15-64 by age groups, values in percentage, 2017



Note: Data originally drawn from OECD Labour Market Statistics database, 2019.
Source: (Barr, Magrini and Meghnagi, 2019[27]).

Figure 2.20. In Poland, a share of the older working age cohort struggles to find decent work

In-work at-risk-of-poverty rate, 55-64 year olds, Poland and EU-27, 2010-2019



Note: Data drawn from EU-SILC survey. EU-27 is an estimate and refers to the 2007-2013 EU-27 countries.
Source: Eurostat [hlth_dpe050]

Box 2.6. In France, the *cheque emploi service universel (CESU)* provides tailored home services

By providing child care, mobility help or other services, CESU facilitates job access for the economically inactive.

In 1994, the French government launched the *cheque emploi service* in order to stimulate the growth of home services for the elderly, people with disability and those in need. In 2006 and 2020, the measure was expanded and refined. The CESU works as a cheque dispensed by an individual to pay for personal services, granting the employer certain tax advantages, such as reductions in social security contributions. CESU can be used to hire nationally-accredited service providers. CESU facilitates payment, provides economic benefits for the employer and encourages the declaration of personal services. Importantly, local social centres run by French communes, *Centre communal d'action sociale* (CCAS), also provide pre-financed CESU to those individuals meeting economic and disability criteria. CESU can finance an array of personal services, such as:

- Personal services for the elderly and people with disabilities;
- Child care ;
- Mobility assistance;
- Home care;
- IT and communication support.

As of 2017, 2.2 million people in France used CESU for the services of nearly 950 000 personal service workers. CESU is not specifically an employment activation measure, as it tends to support those over 70 years old who require assistance. CESU, however, can facilitate access to the labour market specifically for those who cannot work due to personal circumstances.

How the CESU facilitates labour market access for economically inactive people who would like to work

A share of economically inactive people would be willing to search for work if the right conditions were in place. For example, many women with child or elderly care responsibilities may re-enter education or training or seek career opportunities if elderly or relatives with a disability or children could be taken care of during the day. The CESU offers a model to support this group of people, while also developing a key personal service sector, increasingly in demand in ageing societies. Moreover, the CESU can directly support elderly individuals or those with disabilities by supporting their home care. Particularly for those with low income, pre-financed cheques grant them access to a key service to access employment services that will prepare them for the labour market. With the large-scale development of telework triggered by COVID-19, programmes such as CESU may also create new bridges for socio-economic integration of those with disabilities or facing attenuating circumstances to have IT and communication services deployed in their home along with care services. Beyond access to economic opportunities, CESU can also provide a bridge to wider social integration through internet access and mobility support.

Source: (European Social Network, 2006[35]); (CCAS-RAPT, 2020[36])

2.3.4. Those with lower levels of education have struggled to benefit from rising labour market participation, exposing them further to the COVID-19 labour market downturn

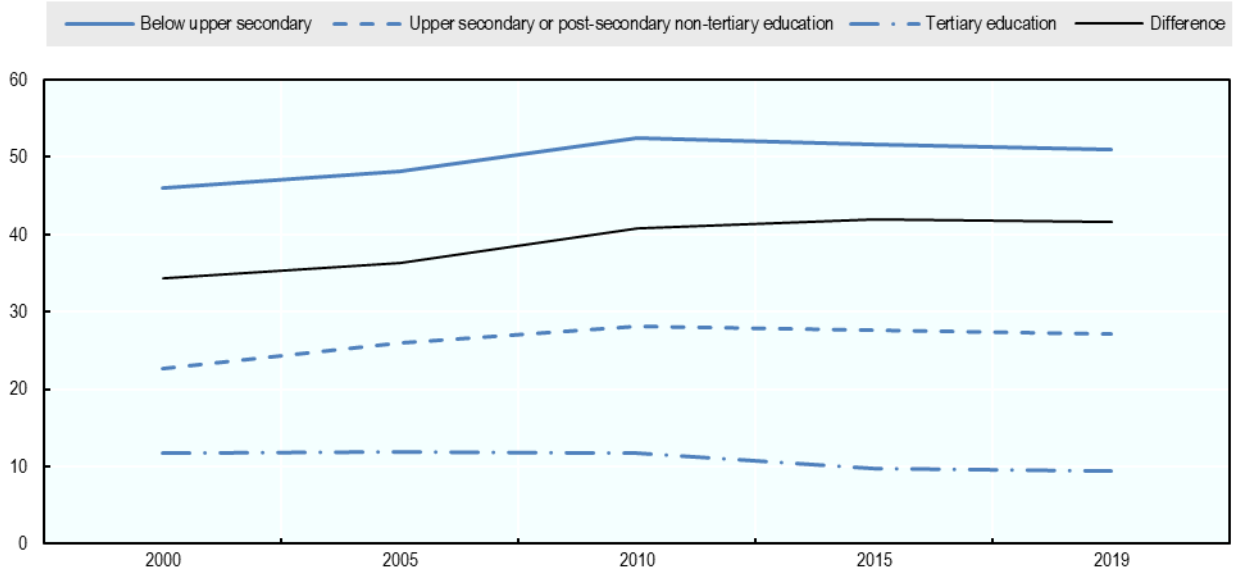
Higher educational attainment corresponds with lower levels of economic inactivity in Poland. Across the OECD, higher educational attainment supports economic activity. Those who acquire higher

levels of skills and garner work experience are less likely to be inactive (Barr, Magrini and Meghnagi, 2019[27]). In Poland, between 2000 and 2019, the share of the economically inactive population between 25 and 64 with tertiary education decreased by over two percentage points, from 11.7% to 9.4% (Figure 2.21). For those with upper secondary or post-secondary non-tertiary education, the share increased by 4.4 percentage points, from 22.7% to 27.1%. The share increased by an even greater proportion between 2000 and 2019 for those with below upper secondary education, increasing by 4.9 percentage points, from 46.1% to 51%.

Inequalities in economic inactivity between those with tertiary education and those with lower levels of educational attainment are growing in Poland. Indeed, the difference in economic inactivity rates between those with below upper secondary education and tertiary education has increased by 7.3 percentage points between 2000 and 2019, from 34.4 percentage points to 41.7 percentage points (Figure 2.21). Multiple factors could explain this growing labour market inequality, including the increasing shift towards jobs that are more accessible opportunities to those with tertiary education. In France, the renewed pilot project *Territoires zéro chômeurs de longue durée* is based on activating passive spending for those in long term unemployment or inactive who want to work (Box 2.7). Candidates frequently have low levels of education and face disability. The project offers interesting lessons for Poland. The OECD has also highlighted that relatively weak access to adult learning may be leaving many older people with lower levels of educational attainment without the skills to take advantage of labour market opportunities (OECD, 2019[37]).

Figure 2.21. The inactivity gap between people with the highest and lowest levels of education is rising in Poland

Inactivity rate, educational attainment, 25-64 years old



Note: Difference is between below upper secondary and tertiary levels of educational attainment.
Source: Data extracted on 04 Feb 2021 17:39 UTC (GMT) from OECD.Stat, Educational attainment and labour-force status: Employment, unemployment and inactivity rate of 25-64 year-olds, by educational attainment.

Box 2.7. The *Territoires zéro chômeurs de longue durée* pilot in France

How local actors can mobilise to integrate those economically inactive into sheltered employment

In 2017, France launched the pilot project *Territoires zéro chômeurs de longue durée* (TZCLD), or zero long term unemployed territories, which integrates those out of work for long periods onto the labour market. TZCLD recruits those among the most excluded from the labour market, the group of economically inactive people who are able to work. TZCLD is based on the work of multiple actors, from both the national and local level, driving its emphasis on matching local skills with local needs:

- **The French state and local government** co-finance the TZCLD fund, which is used to support *Entreprises à but d'emploi*, or social purpose enterprises.
- **Local committees** made up of local organisations, government representatives, local business representatives, social partners and other local actors identify available skills among the long-term unemployed in the territory. They also identify unmet needs among social purpose enterprises. Committees also analyse the local labour market to ensure social purpose enterprises do not present unfair competition to local firms.
- **Social purpose enterprises** develop activities and recruit candidates presented by local committees. Candidates are recruited on open-ended contracts. The quality of work and contracts is an important element of the pilot.
- **Economically inactive people** express their interest in working, as well as their desired working hours.
- **The TZCLD organisation** organises the overall project's development and steers its implementation in new territories. The organisation also accompanies territories in implementation, helps evaluate the project's outcomes and supports the project's diffusion.

TZCLD's financing model is based on transferring passive social benefits for those economically inactive into wages inside local organisations. The employment offered to those excluded from the labour market allows participants to acquire new skills with the objective of integrating the open labour market in the future. Social enterprises must ensure that participants receive new skills, professional mobility and access to lifelong learning. In 2020, the pilot project was renewed and extended to fifty new French territories.

Source: (Association territoires zéro chômeur de longue durée, 2021[38])

2.3.5. Women are particularly vulnerable to labour market exclusion in Poland

Women are more represented than men among economically inactive people in Poland. This proportion of economically inactive women is 1.7 percentage points higher than the average across OECD countries. Women participate significantly less on the labour market than in many European member countries. Between 2000 and 2019, the share of economically inactive women in Poland decreased by 2.8 percentage points, from 39.5% of the population between 15 and 64 years old, to 36.6% (Figure 2.22).

Inactivity rates suggest inequalities of access to labour market opportunities between men and women may be growing. As the economic inactivity of men decreased from 28.4% of the population between 15 and 64 years old to 22.3%, the difference in labour market participation between men and women increased from 11.2 percentage points to 14.3 percentage points between 2000 and 2019. These differences may have increased with the COVID-19 pandemic, as women face a dual labour market

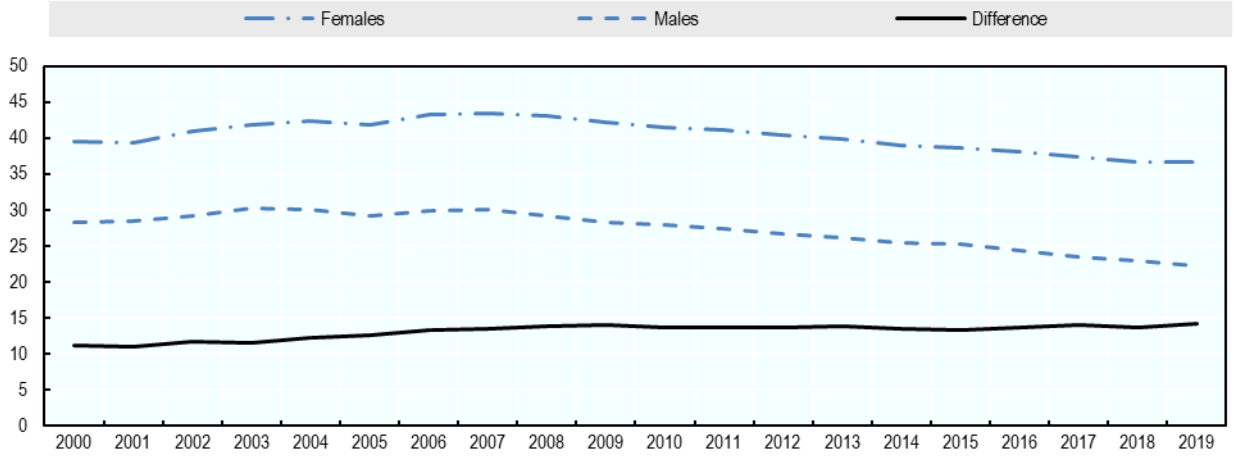
consequence: greater childcare responsibility in the face of school closures, as well as greater presence in the most affected sectors by the pandemic (Box 2.8).

Multiple factors may explain the relatively high economic inactivity of women in the country. Compared to EU-27 countries, research suggests care for children or incapacitated adults is a stronger driver of economic inactivity for women, as is the case for over 47% of women between 25 and 49 years old in Poland compared to under 40% across the EU (Matuszewska-Janica, 2018[39]). Indeed, limited options in and access to childcare and long-term care may push many women to stay home to care for young children, elderly parents or those with special needs (European Commission, 2020[40]). A share of these women may prefer to work if public services became more available for care and transportation. A lack of child friendly policies in many workplaces, such as rigidity in working hours for parents or carers to accommodate for family responsibilities, may also discourage women from professional opportunities (OECD, 2016[41]). Beyond childcare, retirement and own disabilities play a strong role for older women in Poland (Matuszewska-Janica, 2018[39]).

The share of women not participating in the labour market also varies across Polish regions. In 2019, those regions where women participated most in the labour market included Warsaw, Lower Silesia and Lodzkie, where the share of economically inactive women was 25.8%, 33.4% and 35.3% respectively (Figure 2.23).These regions tend to be more economically developed, and house large cities. The evolution of the labour market participation of women also differs across regions. In almost half of Polish regions, inactivity rates of women decreased by over 2 percentage points between 2014 and 2019. In Lublin Province and Mazowiecki region, however, economic inactivity rates of women increased slightly, by 0.2 percentage points.

Figure 2.22. The difference in economic inactivity between men and women has increased in Poland since 2000

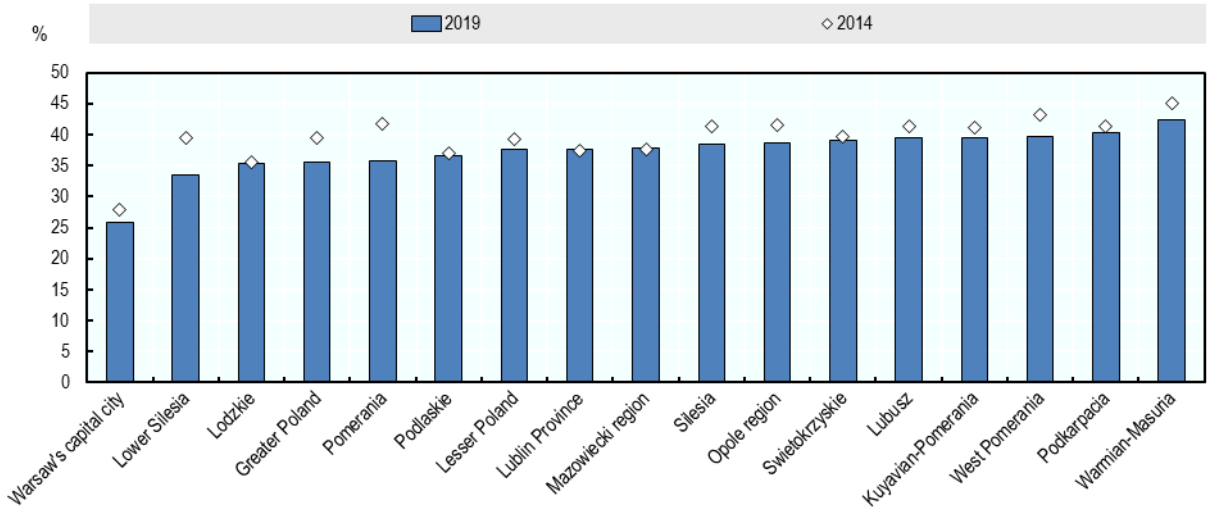
Share of economic inactivity, 15-64 (% labour force 15-64 over population 15-64)



Note: Inactivity rates calculated based on Participation Rate 15-64 (% labour force 15-64 over population 15-64). Data extracted on 03 Feb 2021 from OECD.Stat.
Source: OECD Regional Database.

Figure 2.23. Although falling, some regions still struggle to decrease the share of women who are economically inactive

Economic inactivity, Poland, 2014 and 2019



Note: Economic inactivity calculated based on the labour force participation rate.
Source: OECD Regional Database. Data extracted on 16 Feb 2021.

Box 2.8. COVID-19 will compound labour market exclusion of vulnerable women

Women are particularly vulnerable to the increased childcare responsibilities brought by the pandemic

The OECD has identified multiple factors which increase the labour burden on women as the COVID-19 pandemic unfolded.

- First, women are playing a frontline role in the response to COVID-19. Across the globe, women constitute two-thirds of the health case workforce and make up the large majority of long-term care workers. This is likely to degrade working conditions, and expose them to greatest socio-professionals risks as well as infection.
- Second, a large share of women have faced an increased unpaid child care burden as schools closed across OECD countries.
- Third, many of the sectors facing the strongest downturn are composed of a large female workforce. For instance, those sectors involving higher human interaction, such as accomodation services and retail. Across sectors, women also tend to face less stable working conditions, such as temporary contracts, exposing them doubly to the risk from a downturn.
- Finally, women face lower pay and hold less wealth to support them in case of economic insecurity.

As these factors continue to weigh on the female labour force, they may prevent many women from seeking professional opportunities. In Poland, this dynamic is likely to weigh particularly heavily on female workers because of the high proportion of women already declaring childcare responsibilities as a reason for staying outside of the labour market.

Source: (OECD, 2020[6]), originally from (OECD, 2020[42]).

Conclusion

COVID-19 could exacerbate labour market disadvantage for those groups that are already the most vulnerable. Mothers, those with lower levels of education and young people face less stable labour market situations, and tend to be employed in large shares in service sectors that are particularly vulnerable to the downturn. Even before the pandemic, economic inactivity was high in Poland, and inequalities were growing between men and women and those with different levels of education. With the COVID-19 labour market downturn, caring responsibilities, interrupted education and discouragement from job search may lead these groups to disengage from the labour market, harming their economic well-being.

Poland can turn to international examples to ensure these groups are the focus of recovery policies. Teleworking capacity can be expanded in Poland, as can sustained support for youth to integrate into the labour market. Poland's dynamic labour market can serve as a tool to expand training, social support and activation pathways for those with specific needs to find and hold work. Chapters 2 and 3 will delve further into the causes of economic inactivity in Poland, and explore its regional dimensions.

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Note

[1] The measures discussed in Box 2.2 provide a high-level overview of the COVID-19 related economic policy measures implemented by the Polish government. A full list of measure implemented in Poland can be found on the European Commission's designated website, see: https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/jobs-and-economy-during-coronavirus-pandemic/state-aid-cases/poland_en (accessed 22/06/2021).

3. Drivers of economic inactivity in Polish regions

This chapter explores the factors that drive economic inactivity in Poland, across target groups and places. The chapter highlights both group and regional level characteristics as potential explanations for differences in economic inactivity across Polish regions, emphasizing historical factors that put regions on differing trajectories. The chapter then sets economic inactivity within broader labour market megatrends. Polarisation, automation and the green transition are accentuating labour market divergences between people and regions.

In Brief

The reasons for economic inactivity in Poland are linked to both individual and place-based factors

- **Low education is a key driver of economic inactivity in Poland**. In Poland, 51% of those with less than upper secondary education are economically inactive. This number compares to 35% in the whole of the OECD. Thus, people with low education levels present a large unexploited resource of labour supply in Poland.
- **The reasons for economic inactivity differ between men and women.** Women are more likely to remain economically inactive to take care of their families. Family responsibilities such as taking care of the household, looking after children, the chronically ill or older members of the family are more likely to fall on women than on men. 1 in 4 inactive women cites family duties as the reason behind their inactivity, while this is the case only for 1 in 20 inactive men. Working-age men, on the other hand, are mostly temporarily inactive due to participation in education and training. Illness and disabilities present other important reasons for men's economic inactivity.
- **The "hidden unemployed" are those that can be reasonably expected to look for work**. Hidden unemployment goes beyond the traditional definition of unemployment and also includes those who may be willing to work or have stopped looking for work for economic reasons (i.e. taking care of relatives due to the lack of access to care facilities; early retirement; and discouraged workers). Estimates show that the "hidden" unemployment rate in Poland was 5.7 percent in 2019, 75 percent above the conventional unemployment rate of 3.3 percent.
- **In Poland, trends in economic inactivity over the past two decades have a strong regional dimension.** These trends are tied to two main variables: convergence of those regions with historically high economic inactivity rates to the country-level average and regional differences in GDP per capita growth rates. These phenomena have to be understood in conjunction with Poland's robust economic growth since its transition to a market economy. As labour demand increased, employers started tapping into idle labour resources.
- **Both market access and legacy costs due to high historical agricultural shares in total employment are likely to be driving forces behind differences in the extent to which trends in regional economic inactivity diverge**. The ability of Polish regions to attract foreign capital strongly depends on their geography. While regions bordering Germany have managed to increase their foreign capital stock per capita by up to 400% following Poland's accession to the EU, regions at Poland's Eastern border have not managed to attract additional capital and are now characterised by large shares of relatively less productive SMEs. The same Eastern regions bore the brunt of Poland's shift away from agricultural production towards the manufacturing and service industries.
- **COVID-19 is likely to compound megatrends in automation and skill polarisation, with regional differences**. Past studies show that firms are likely to make labour-saving cost changes to their production processes. With automation mostly affecting employment in the medium-skill category, this process may exacerbate job polarisation, a process in which the relative shares of high and low-skill jobs grow, while the share of middle-skill jobs falls.

3.1. Introduction

A host of factors can drive economic inactivity, ranging from childcare to discouragement from job search. This chapter delves into the drivers of economic inactivity in Poland. Section 3.2 provides an overview of potential causes of economic inactivity across demographic groups. Section 3.3 explores regional level factors behind inactivity differences across Poland. Section 3.4, meanwhile, analyses economic inactivity in light of broader megatrends that accentuate labour market inequalities.

3.2. Drivers of economic inactivity in Poland

3.2.1. Inactivity is higher in Poland than in the rest of Europe for all groups

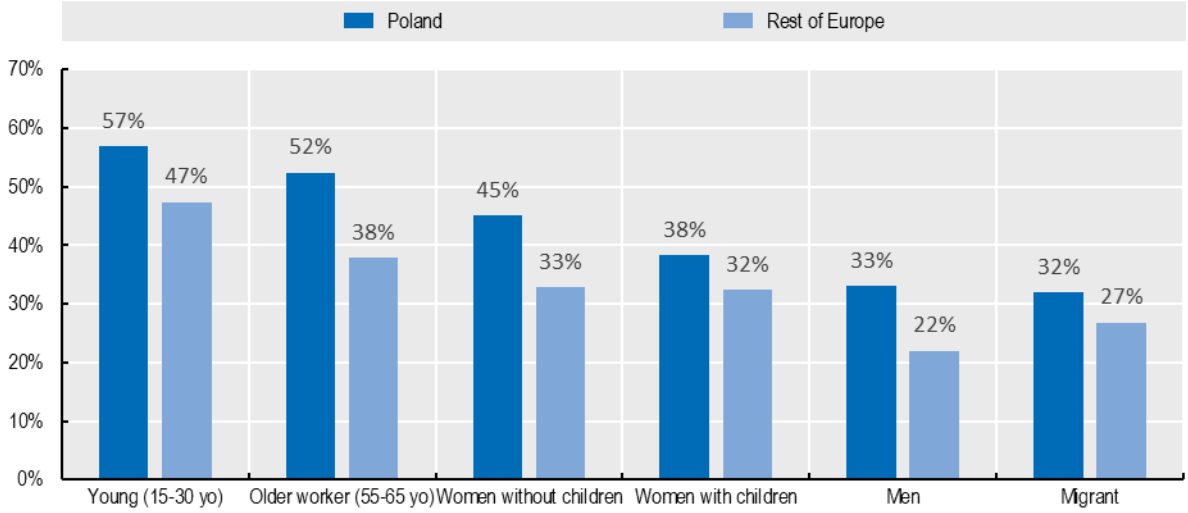
An inclusive labour market provides access and equal opportunities to all groups. However, in many OECD countries, labour market inequalities have been widening, with persistent difficulties to participate fully in the labour market for some groups and significant disparities in pay, working conditions and career prospects. Breaking down individual circumstances for inactivity can provide useful insights for policymakers to identify target groups for future local labour market activation strategies.

Compared to the average across other European countries, the economic inactivity rate is higher in Poland among youth who are not in education or training, older workers, women, men and migrants. The inactivity rate is highest among youth who do not currently pursue education or training. 57% of those aged 15 to 30 who do not currently pursue education or training are economically inactive, a rate 10 percentage points above the average across the rest of Europe. Older workers are the second group that is characterised by a high economic inactivity rate in Poland. One in two individuals aged 55 to 65 do not participate in the labour market, while this rate is much lower in other European countries (Figure 3.1).

Women, with or without children, are the third group with the highest inactivity rates. In addition to cultural reasons for low female participation, women face challenges to labour market participation, especially when they have young children. Interestingly, women without children participate even less in the labour force than women with children, while such a difference does not exist in other European countries. Both men and migrants in Poland have similar inactivity rates. In these groups, one in three do not participate in the labour market. While the inactivity rate of migrants is closer to the one observed in other European countries, men in Poland clearly participate less in the labour market compared to men in other European countries.

Figure 3.1. Inactivity rate is higher across all groups of workers in Poland compared to the rest of Europe

Number of inactive individuals as a share of total group population, in 2019



Note: Inactivity rate is defined as the number of individuals who are inactive in the labour market over the working-age population. "Young" refers to individuals aged 15-30, *excluding those in full-time education or training*. "Women with children" refers to working-age mothers with at least one child aged 0-14 years. "Migrants" refers to all foreign-born people with no regards to nationality.
Source: OECD calculations based on EU-LFS (2019).

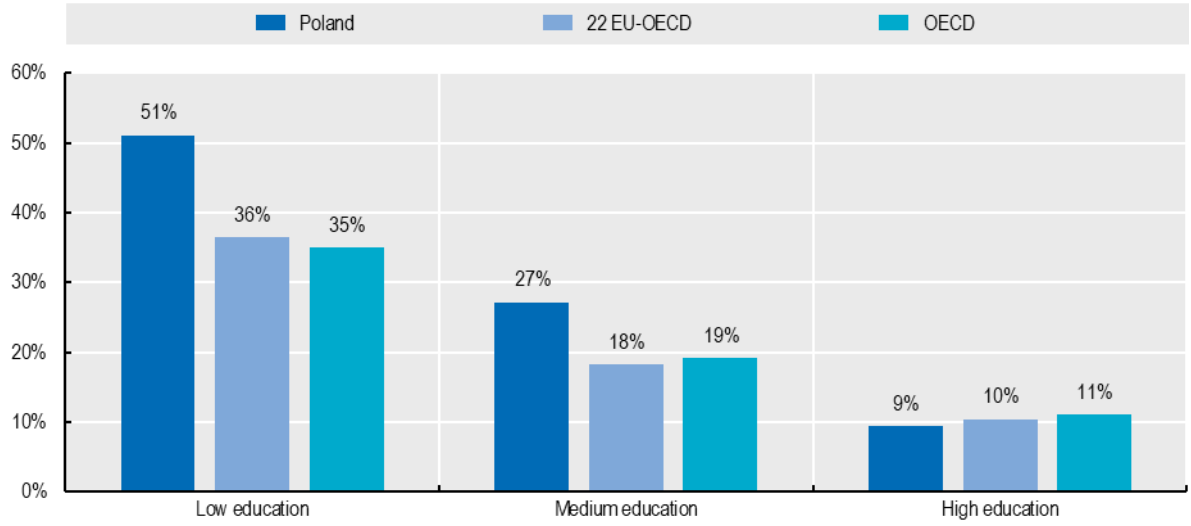
3.2.2. Lower levels of skills are driving the high inactivity rates in Poland

Human capital is a crucial element in understanding the labour force participation differences within societies. Individuals with higher years of formal education have a higher probability of participating in the labour market, earning higher wages, and working longer in life. Being in education for longer helps people gain a wider range of skills that make them more adaptable and successful in a rapidly changing labour market. Across the OECD, the economic inactivity rate is 24 percentage points higher for people with low education levels (i.e. below upper secondary education) in comparison to those having attained tertiary education (Figure 3.2).

Labour market participation in Poland is highly uneven across populations with different skill levels. Nine out of ten individuals who have high levels of education are active in the labour market. In contrast, one in two individuals with low levels of education do not participate in the labour market. As observed in the numbers corresponding to the rest of the European countries, it is common that individuals with low education levels are less likely to participating in the active labour force than those with higher education levels. However, in the case of Poland, this gap is strikingly large for workers with lower levels of education, indicating that some factors are preventing them from taking part in the labour market.

Figure 3.2. Lower education groups are driving the weak labour force participation

Number of inactive individuals as a share of total group population aged 25-64, in 2019



Note: Inactivity rate is defined as the number of individuals who are inactive in the labour market over the population between 25-64. The low education corresponds to below upper secondary education, medium education corresponds to upper secondary or post-secondary non-tertiary education, and high education refers to tertiary education.
Source: OECD calculations based on OECD dataset: *Educational attainment and labour-force status*, https://stats.oecd.org/Index.aspx?DataSetCode=EAG_NEAC (accessed April 1, 2021).

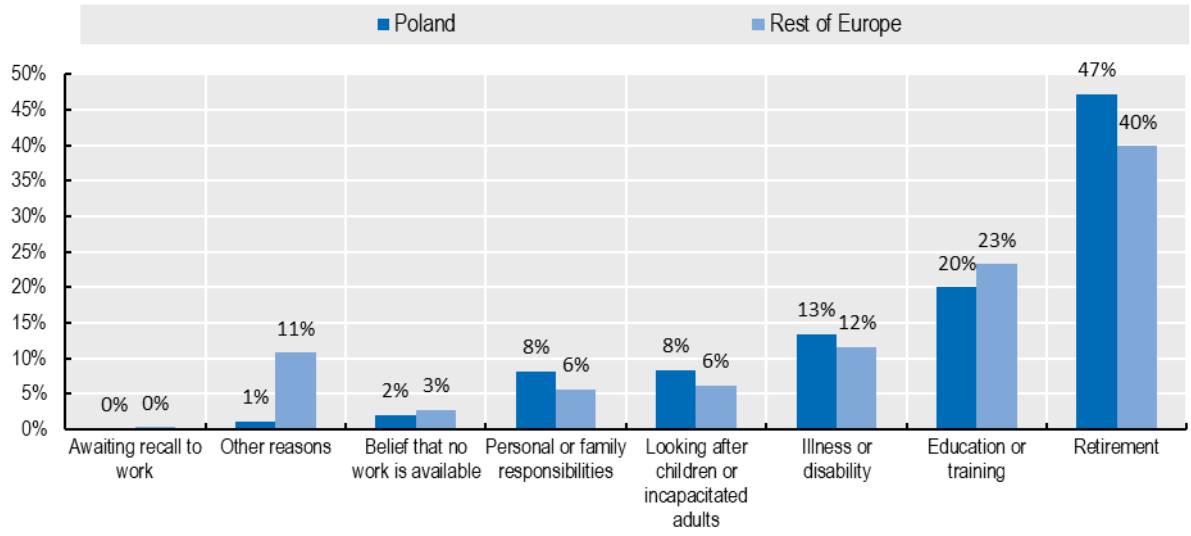
3.2.3. The reasons for economic inactivity

People can be economically inactive for a number of different reasons. These reasons can differ from place to place, but also from different demographic groups. Like in other European countries, students and retirees constitute the largest shares of working-age population economically inactive (Figure 3.3). It is reasonable to expect that students are well placed to enter the labour market they are qualifying for and that early retirees have most likely been able to leave the labour market because they are financially able to do so. Still, it is noteworthy that the share of retired individuals among Poland's inactive population is roughly 17% higher than the rest of Europe.

Reasons for inactivity differ significantly between men and women. Retirement is the main reason for inactivity for both genders and corresponds roughly half of those who are inactive (Figure 3.4). While education and training remain the second most important reason for both genders, it is a more important factor for men than women. For instance, while 1 in 4 men do not participate in the labour market due to participation in education and training, the share is only 1 in 6 for women. The difference between genders can be driven by many factors. For example, culturally, men might be competitive in the labour market, leading them to to invest in education for longer years, to achieve higher levels of degrees to unlock their access to higher positions. However, the difference might also be driven by women who do not participate in education as they do not expect to participate in the labour market.

Figure 3.3. Individual reason for inactivity

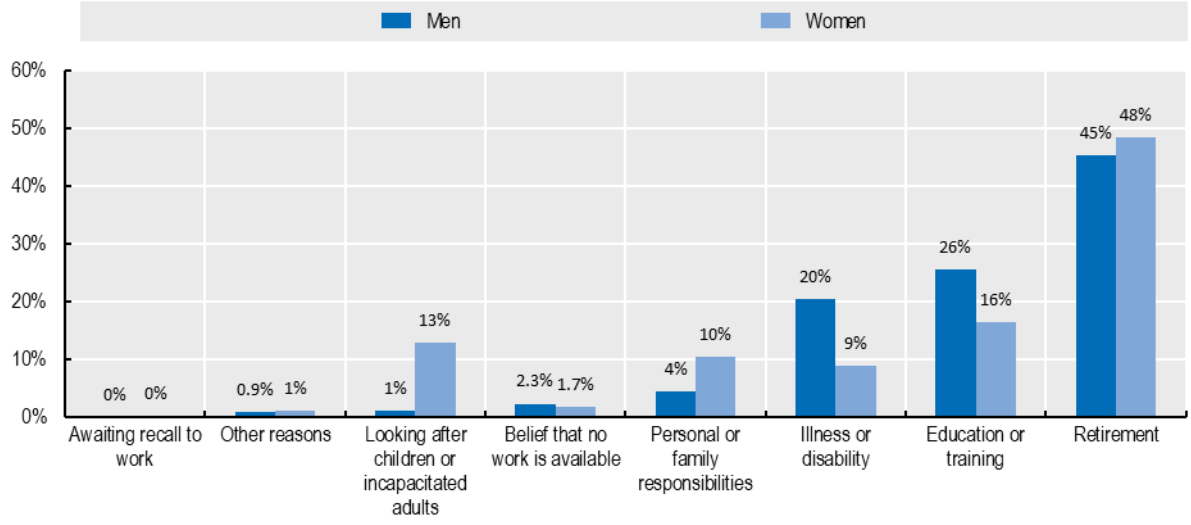
Reasons for inactivity in Poland and other European countries, in 2019



Note: The answers are ranked in ascending order depending on the share of each answer in Poland and other European countries.
Source: OECD calculations based on EU-LFS (2019).

Figure 3.4. Individual reasons for inactivity by sex

Reasons for inactivity in Poland by sex, in 2019



Note: The answers are ranked in ascending order depending on the share of each answer in Poland and other European countries.
Source: OECD calculations based on EU-LFS (2019).

Women are more likely to remain economically inactive to take care of their families. Family responsibilities such as taking care of the household, looking after the children, the chronically ill or older members of the family are more likely to fall on women than on men. In fact, 1 in 4 inactive women cites family duties as the reason behind their economic inactivity, while this is the case only for 1 in 20 inactive men. This difference highlights the importance of a cultural factor in the family roles where women bear

the responsibility of family responsibility and stay home. The provision of free childcare and elderly care services remains an important policy response for reducing the share of women unable to participate in the labour market due to family care duties.

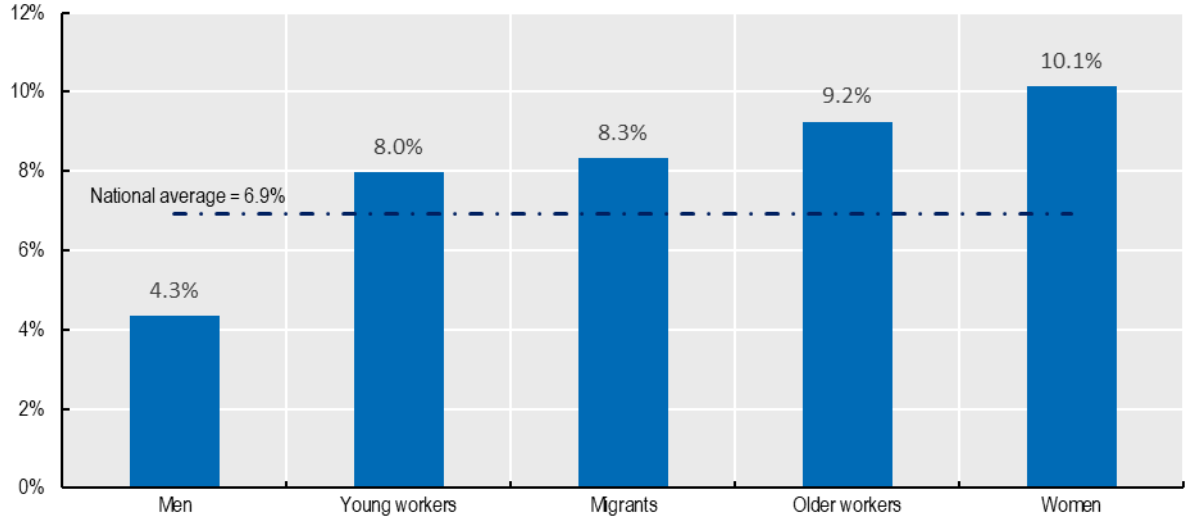
3.2.4. Part-time employment

Across the OECD, part-time work, including those workers who usually work less than 30 hours per week at their main or only job, has been increasing in recent decades. An increase in part-time work can be considered a positive development as it allows an increase in labour force participation of women or people with disabilities or allows a better work-life balance. Part-time employment can also be an issue if workers are forced to work part-time as they could not find a full-time job, or they would like to work more hours. Under such circumstances, involuntary part-time employment could be an indicator of low job quality.

The share of part-time work has increased in Poland over the past decades, yet remains well below the rest of European countries. In 2019, around 7 percent of Poland's active workers worked part-time as an employee or self-employed, while the rate was 21.5 percent in rest of Europe. The prevalence of part-time varies significantly across different groups. For instance, while only 4 percent of male workers are employed part-time, the rate is more than double for all other groups (Figure 3.5).

Figure 3.5. Part-time employment is significantly more common for disadvantaged groups

The share of part-time workers in total employment, in 2019



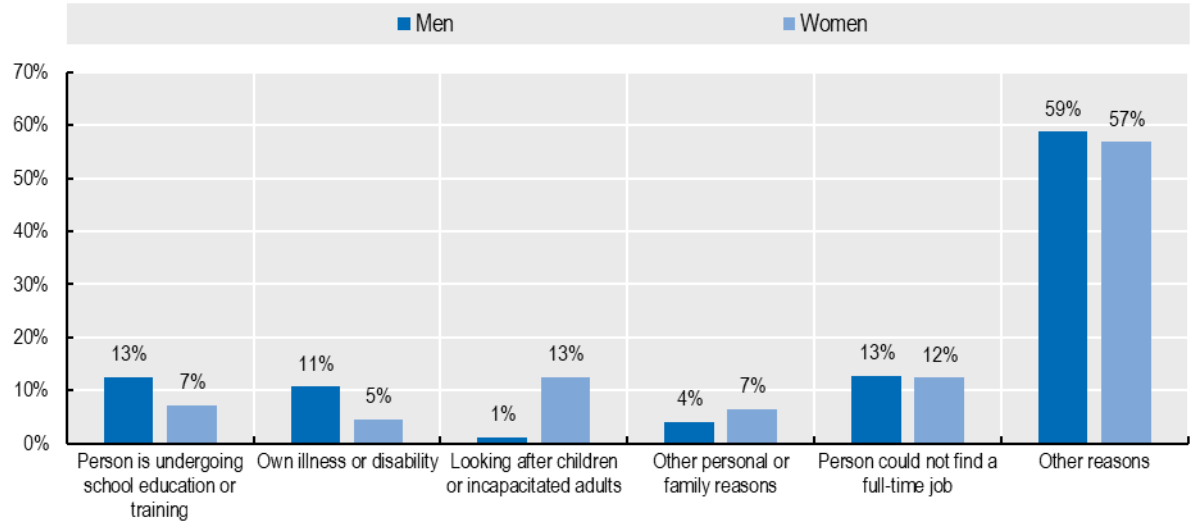
Note: The number of part-time workers in total group employment. "Young workers" refers to individuals aged 15-29, excluding those in full-time education or training. "Migrants" refers to working-age individuals all foreign-born people with no regards to nationality. "Older workers" refers to individuals aged 55-64.
Source: OECD calculations based on EU-LFS (2019).

The share of part-time work is highest among women. In most OECD countries, women are more inclined to work part-time to balance family responsibilities. However, this part-time employment can be partially involuntary due to lack of childcare or healthcare facilities. In fact, among male workers in Poland, only 1 percent report working part-time due to reasons such as looking after children or incapacitated adults in the household, while this share stands at 13 percent among female workers (Figure 3.6). The large gap is likely driven by a set of complex factors, including social norms and gender roles in Poland, which puts the responsibility of caring for family members on women. However, a part of this gap could

also be driven by a lack of access to care services that prevents women from contributing to the labour market with their full potential. Experience from other OECD countries further indicates that involuntary part-time work increases during economic downturns (OECD, 2019[1]). Thus, the less favourable labour market conditions due to the COVID-19 pandemic could have increased involuntary part-time work, exacerbating involuntary part-time work among female workers.

Figure 3.6. Some women work part-time due to caring responsibilities

The share of individuals within group by reason, 2019



Note: Sample includes only individuals who work part-time and thus responded to the question.
Source: OECD calculations based on EU-LFS(2019)

3.2.5. Accounting for "hidden" unemployment across Polish regions

Part of the inactive population could return to the labour market if the right conditions were provided and be a critical source of labour supply. Various factors could be leading individuals to inactivity. While some individuals are inactive by choice (e.g. to spend more time with their children) or due to their personal situation (e.g., severe disability limiting physical movement), others remain inactive as they believe there are no jobs available or they are forced to stay home to take care of family due to a lack of childcare or elderly care services. Identifying individuals who remain inactive due to their circumstances and would be willing to work if the necessary conditions were provided is crucial, as putting the right conditions in place could lead to significant economic gains.

Factoring this group of people into an analysis of unemployment rates across OECD countries and regions reveals pockets of "hidden" unemployment. "Hidden" unemployment is not an official unemployment rate but serves as a useful concept to quantify the share of the economically inactive that could be activated. It thus provides a metric of the extent to which policy can reduce economic inactivity. A detailed description of how "hidden" unemployment is calculated is provided in Box 3.1.

Box 3.1. "Hidden" unemployment – an overview of the methodology applied

The analysis in this chapter proposes an estimate of "hidden" unemployment by accounting for individuals aged between 25 and 54 who may be willing to work or have stopped looking for work for non-economic reasons. It assumes that these individuals can return back to work if the right conditions are provided. The analysis applies the methodology developed in previous OECD work which considers the following groups as "hidden" unemployed (Barr, Magrini and Meghnagi, 2019[2]):

- 5 percent of individuals with health issues or disability;
- Individuals who do not work as they have to take care of other family members (e.g., children or elderly) due to a lack of care facilities;
- Individuals within the 25 to 54 age bracket who retire early;
- Individuals who believe that there are no available jobs and are therefore discouraged from seeking employment.

Among people with health issues or disability, some individuals would be able to work if work arrangements such as flexible work hours or remote working were compatible with their health conditions. According to a recent OECD study, 5 percent of individuals with health issues or disability in Poland can work if the right conditions were provided (MacDonald, Prinz and Immervoll, 2021[3]).[1] The analysis in this chapter applies this ratio when calculating the hidden unemployment numbers.

The denominator in this calculation differs from the traditional unemployment rate as it inlcudes those in the labour force but also those individuals who are inactive due to one of the abovementioned reasons.

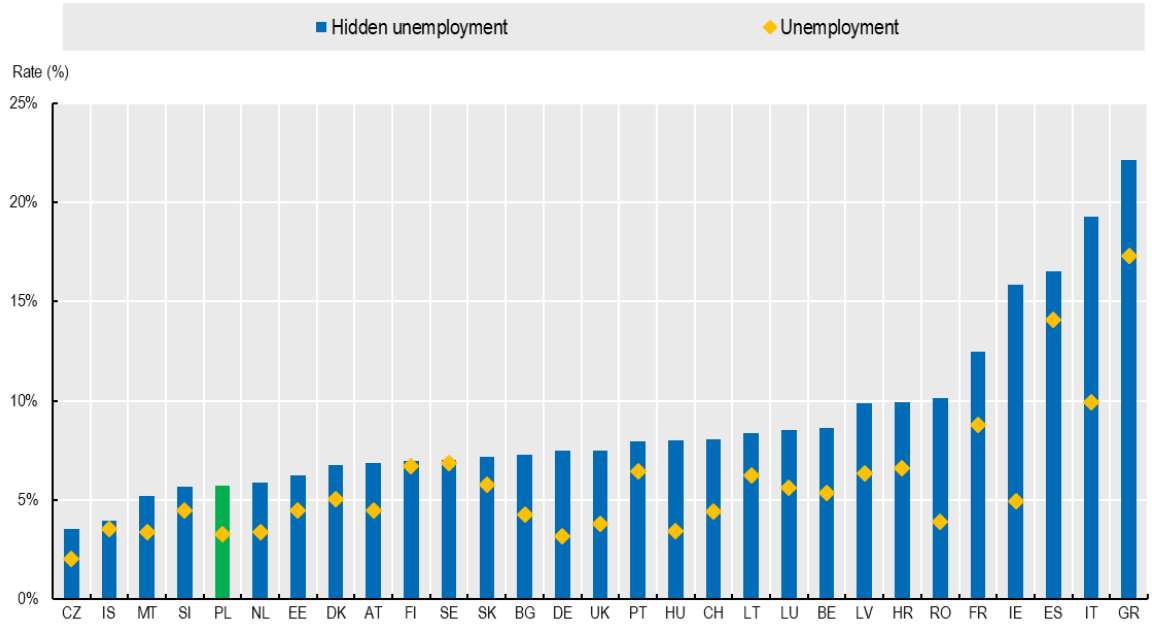
"Hidden" unemployment is not an official unemployment rate and should not be confused with hidden unemployment in agriculture

There is no international definition of "hidden" unemployment. The "hidden" unemployment rate proposed here should thus be understood as providing governments with an idea of the economic potential among segments of the population that are not part of the labour force. The term hidden unemployment has also been applied in the context of family farming in the Polish agricultural sector. It sometimes refers to family members employed on very small, family-owned farms that are characterised by low productivity and where work efforts of additional emloyees are largely redundant (OECD, 2018[4]). The "hidden" unemployment rate calculated here should not be confused with the hidden unemployment in agriculture.

In 2019, the share of the economically inactive who were willing to work (i.e., the "hidden" unemployment) was on average 11 percent across European countries, almost twice as high as the unemployment rate of 6 percent (Figure 3.7). The gap between the "hidden" unemployment and the traditional measure of unemployment varies across countries. In countries such as Germany, Hungary, Ireland or Romania, the unemployment rates adjusted for "hidden" unemployment is more than two times as high as the unemployment rate. In others such as Sweden or Finland, the gap is much smaller.

Figure 3.7. "Hidden" unemployment can be almost twice the standard unemployment

"Hidden" unemployment and unemployment rate, 2019

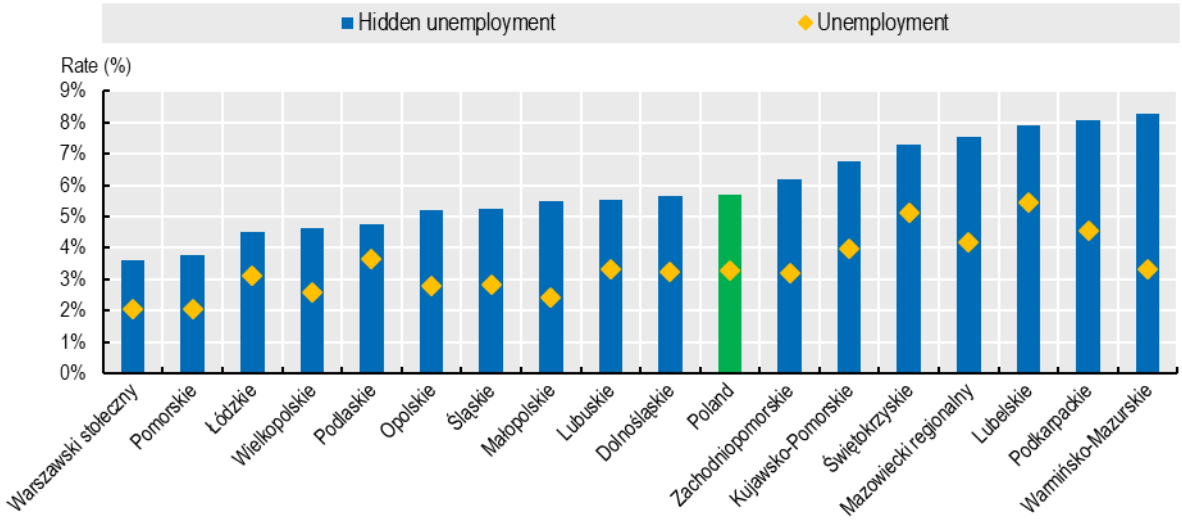


Note: The unemployment rate adjusted to account for "hidden" unemployment is computed as the number of people unemployed plus those who are inactive for who may be willing to work or have stopped looking for work for non-economic reasons (i.e., people with health issues or disability but who could work; people who take care of relatives due to lack of facilities; people who are early retirees; people who stopped looking for a job because they believe that no jobs are available; and people who do not work for other reasons) as an overall percentage of the labour force plus the inactive for economic reasons as described above. The denominator in this calculation differs from the traditional unemployment rate because it also includes those individuals who are inactive for economic reasons – not only those in the labour force. The sample is limited to those between the ages of 25 and 54. See Box 3.1 for further details.
Source: OECD calculations based on EU-LFS (2019)

In Poland, taking into account "hidden" unemployment, such a rate would be 5.7 percent which was 75 percent above the standard unemployment rate of 3.3 percent. However, one can see fairly large variations in the difference between these two rates across Polish regions (Figure 3.8). The smallest difference is observed in Podlaskie, where the hidden unemployment rate is 30 percent higher than the unemployment rate. In contrast, in Lesser Poland or Warmian-Masuria, the hidden unemployment rate is more than twice the unemployment rate. While the gap is a consequence of a complex set of factors, it indicates a disadvantage in some Polish regions in utilising their employment potential. This suggests that while the Polish regions had relatively low unemployment rates, the rate could be much higher if people who are not in employment but could potentially work were to be accounted for. If Polish regions provided the right conditions, they could likely increase their labour supply and benefit from a potential that remains untapped for the time-being.

Figure 3.8. Polish regions are underutilising their potential labour supply

"Hidden" unemployment and unemployment rate, TL2 regions, 2019



Note: The unemployment rate adjusted to account for "hidden" unemployment is computed as the number of people unemployed plus those who are inactive for who may be willing to work or have stopped looking for work for non-economic reasons (i.e., people with health issues or disability but who could work; people who take care of relatives due to lack of facilities; people who are early retirees; people who stopped looking for a job because they believe that no jobs are available; and people who do not work for other reasons) as an overall percentage of the labour force plus the inactive for economic reasons as described above. The denominator in this calculation differs from the traditional unemployment rate because it also includes those individuals who are inactive for economic reasons – not only those in the labour force. The sample is limited to those between the ages of 25 and 54. See Box 3.1 for further details. Regions displayed in Polish language, please refer to figure 1 for English translation.
Source: OECD calculations based on EU-LFS (2019)

3.3. Regional labour markets experience different trends in economic inactivity

One of the striking features of the Polish economic inactivity rates is its decline over the past decade. Economic inactivity in Poland peaked at 37% in 2007 and then declined to 29.4% in 2019. However, this steady improvement on the national level masks region-specific trends that can be linked to local historical, economic and geographical characteristics. This section explores the regional dimension of economic inactivity in more detail. It illustrates the regional factors that shaped these trends using the examples of Lower Silesia and Podkarpacia.

3.3.1. Regional characteristics and the differences in economic inactivity across regions in Poland

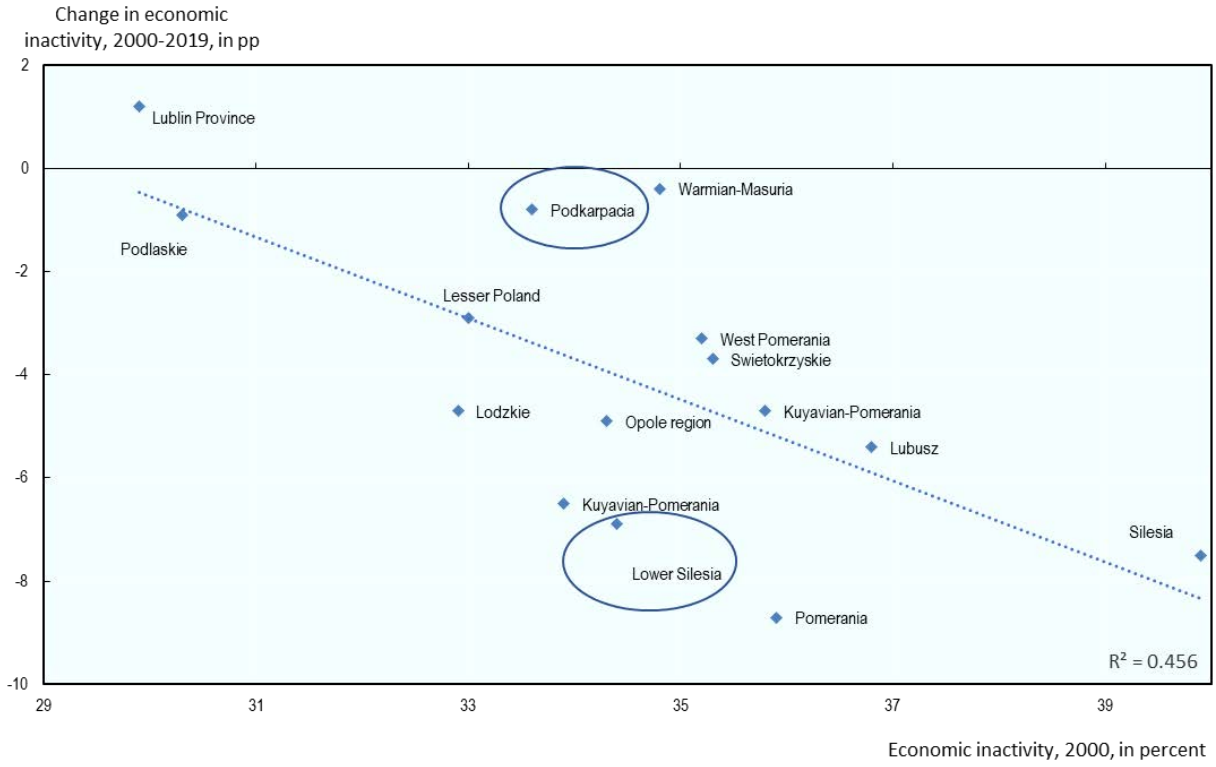
The share of the economically inactive population differs across Polish regions. In 2019, economic inactivity varied by over 13 percentage points between regions. In Warmian-Masuria, economic inactivity reached over 34%, while it was slightly above 21% in Warsaw. In 2019, economic inactivity fell below the OECD average in Pomerania, Greater Poland and Lower Silesia, while it remained above the average across all Polish regions.

Regional economic inactivity rates converged over the past two decades in Poland. Regions with historically high economic inactivity rates saw their economic inactivity rates declining the most on average. Thus, on average, regions with historically high economic inactivity rates managed to tap into their economically inactive population relatively more, likely due to higher potential at the margin of the

economically inactive when inactivity is high. Figure 3.9 shows that these convergence dynamics are able to explain almost half of the fall in economic inactivity across Poland when excluding the Warsaw capital city and the surrounding Mazowiecki region.

Figure 3.9. Economic inactivity rates converged across Polish regions over the past two decades

The correlation of regional economic inactivity in 2000 and the change in economic inactivity between 2000 and 2019, TL2 regions



Note: The sample of TL2 regions excludes the Warsaw capital city and the Mazowiecki region for the lack of available historical data. Changes in economic inactivity rates calculated based on Participation Rate 15-64 (% labour force 15-64 over population 15-64).
Source: OECD Regional Database.

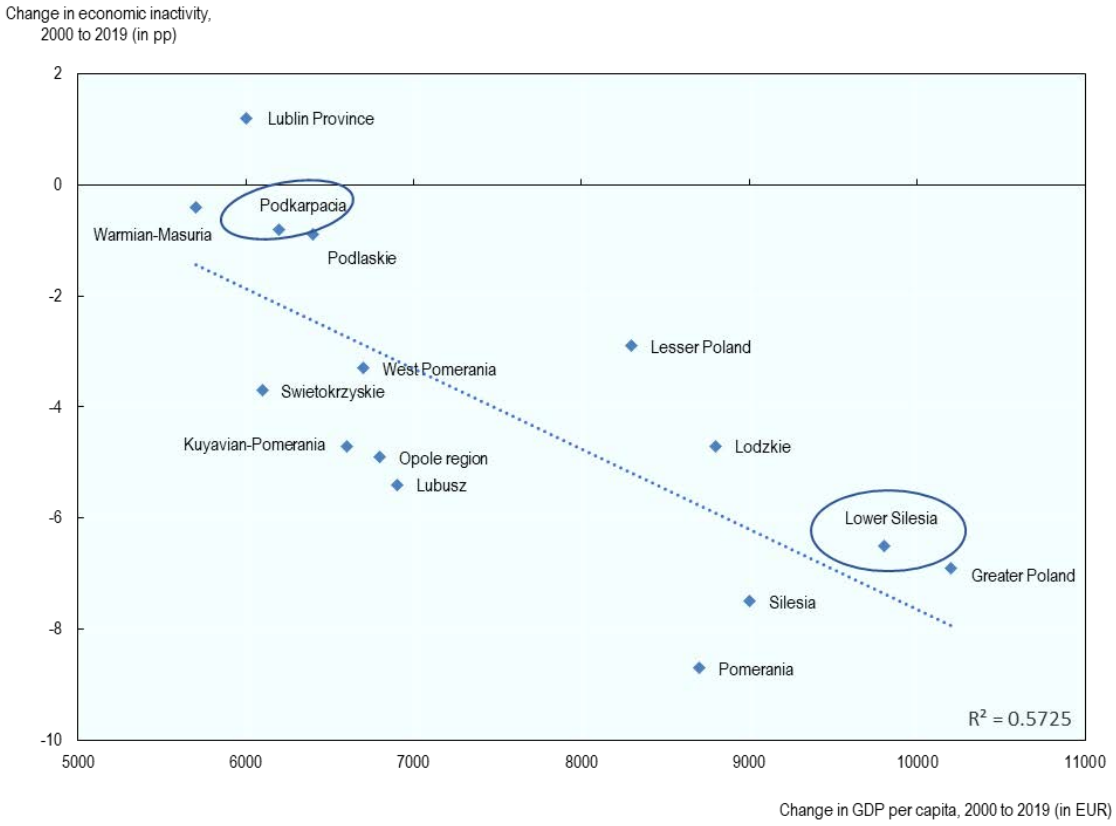
However, some regions outperformed and others fell below the expected convergence across regions. Lower Silesia outperformed compared to the trend and dropped to being one of the regions with the the lowest economic inactivity rates in Poland. Lower Silesia, where economic inactivity stood at 34.4% in 2000 managed to add 6.9% of its working age population to the labour force. On the other hand, Podkarpacia, where economic inactivity stood at 33.6% in 2000 still had an economic inactivity rate of 32.8% in 2019.

Trends in economic inactivity across Polish regions are closely tied to trends in regional GDP. All regions in Poland saw their per capita production rising sharply over the past two decades. Even in the least economically developed region of Poland, the Warmian-Masurian voivodeship, GDP per capita more than doubled from 2000 to 2019, rising from EUR 3 900 to EUR 9 500 at current market prices. However, other regions such as the Warsaw capital region where economic inactivity is the lowest in Poland, experienced a rise from EUR 10 600 to EUR 30 500 in GDP per capita at current market prices, exacerbating regional inequalities and providing a potential explanation for differing trends in economic inactivity across Polish regions. In fact, over the past two decades, changes in GDP per capita are strongly

associated with differences in regional economic inactivity trends, even when excluding the Warsaw capital region as shown in Figure 3.10.

Figure 3.10. Trends in regional GDP per capita and changes in economic inactivity rates

The correlation of the change in regional GDP per capita between 2000 and 2019 and the change in economic inactivity between 2000 and 2019, TL2 regions

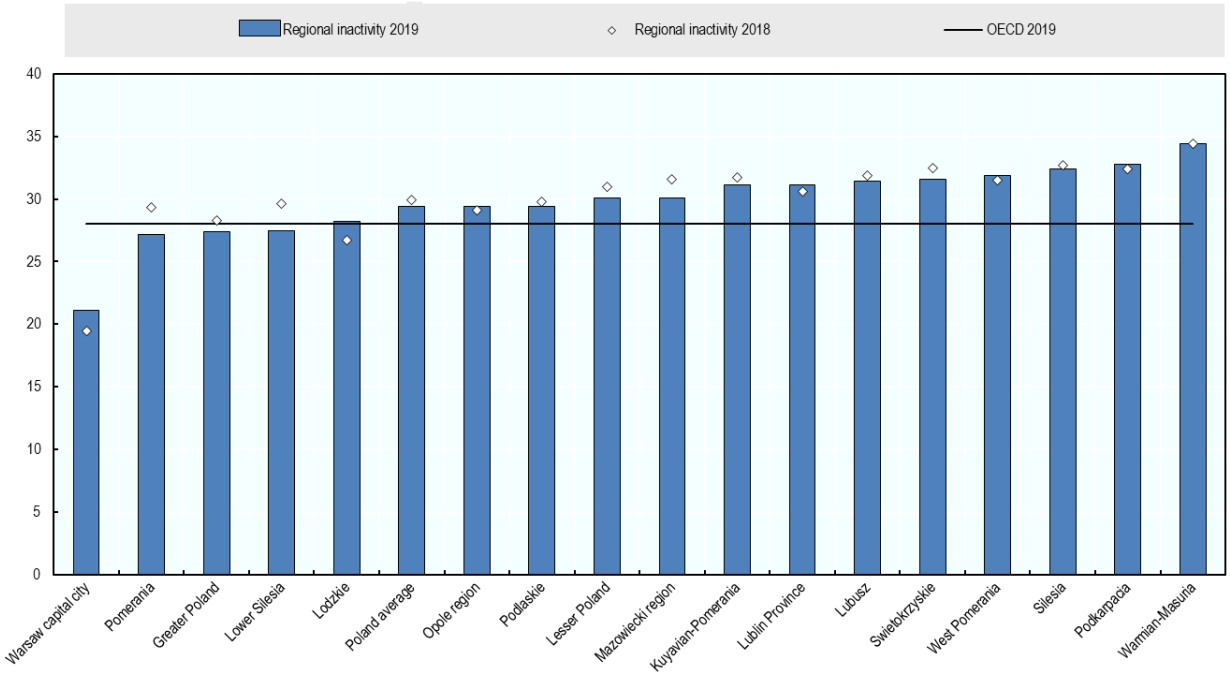


Note: The sample of TL2 regions excludes the Warsaw capital city and the Mazowiecki region for the lack of available historical data. Changes in economic inactivity rates calculated based on Participation Rate 15-64 (% labour force 15-64 over population 15-64).
Source: Eurostat Regional Database (nama_10r_2gdp) and OECD Regional database.

Short-term trends in economic inactivity also vary across Polish regions. Between 2018 and 2019, two-thirds of regions saw the share of economically inactive people decrease, following the national average and generally continuing the long-term convergence dynamic (Figure 3.11). For example, in some regions with high economic inactivity, such as Silesia and Swietokrzyskie, the share of the economically inactive population decreased from 32.7% to 32.4% and from 32.5% to 31.6%, respectively. Conversely, in one-third of the regions, the share of the economically inactive population increased. In some regions, these short-term fluctuations oppose long-term positive trends. For example, in Warsaw capital city and Lodzkie, economic inactivity rose from 19.5% to 21.1% and from 26.7% to 28.2%, respectively, between 2018 and 2019.

Figure 3.11 Inactivity rates increased in a third of Polish regions between 2018 and 2019

Inactivity rate (% labour force 15-64 over population 15-64), TL2 regions of Poland



Note: Inactivity rates calculated based on Participation Rate 15-64 (% labour force 15-64 over population 15-64).
Source: OECD Regional database.

In Poland, population-level regional differences may explain some of the short-term fluctuations in economic acitivity, but do not appear to be a large factor explaining long-term trends. In other OECD countries, higher regional economic inactivity has been tied to the greater presence of economically inactive groups such as retirees, students or stay-at-home parents (Barr, Magrini and Meghnagi, 2019[2]). In Poland, regions containing student centres include the Warsaw capital region, Kraków in Lesser Poland or Wrocław in Lower Silesia. Between 2018 and 2019 economic inactivity increased in Warsaw capital city and Lodzkie, home to major urban centres. Rises in the student population or other trends related to urban employment may help explain this short-term trend. However, Warsaw capital city, Kraków and Wrocław, contain smaller overall shares of economically inactive people relative to other Polish regions: 21.1%, 30.1% and 27.5%, respectively.

3.3.2. In the case study regions of Lower Silesia and Podkarpacia, the foreign investment and firm size may play a role in diverging economic inactivity rates

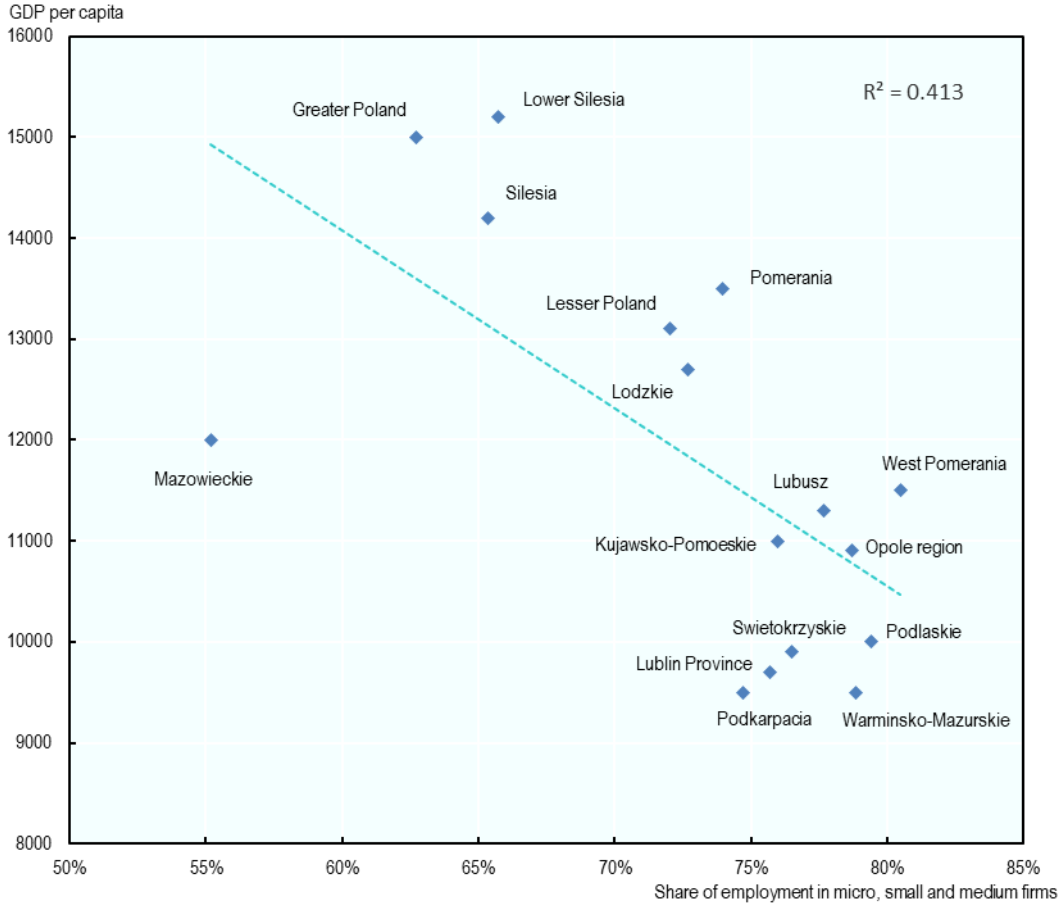
Geography and better access to the EU market provide possible explanations for the differing economic trajectories of Lower Silesia and Podkarpacia. Following Poland's accession to the EU in 2004, both the Warsaw capital region and the Polish regions bordering the EU benefitted from relatively large increases in foreign capital investments (Ambroziak, 2019[5]). The foreign capital stock in regions bordering Germany increased by up to 400% per capita (in West Pomerania). Lower Silesia, a region bordering both Germany and the Czech Republic, with its student and economic hub of the Wroclaw metropolitan region, experienced a rise in its foreign capital stock of around 150%. Most of the foreign capital originated from Germany, but the region also attracted foreign capital from Italy, Switzerland and the USA. In total, 8.6% of Poland's total foreign capital stock was invested in Lower Silesia in 2017. On

the other hand, the per capita foreign capital stock remained virtually unchanged at very low levels in Podkarpacia, Podlaskie and the Lublin Province between 2005 and 2017, regions located at the external border of the EU (Ambroziak, 2019[5]).

The lack of foreign investment in the East of Poland translates into the lack of large enterprises in these regions. Figure 3.12 shows that the share of local employment in SMEs in total employment is strongly associated with regional GDP per capita across Polish regions, which in turn is linked to economic inactivity. For example, in the regions of Lower Silesia, Silesia and Greater Poland, the share of employment in SMEs stood at 66%, 65% and 63% respectively. In Podkarpackie, Podlaskie and Lublin, the most Eastern regions of Poland, these shares stood at 76%, 79% and 75%.

Figure 3.12. SMEs and regional GDP

GDP per capita and the share of regional employment in micro, small and medium-sized firms, 2019



Note: The y-axis shows regional GDP per capita in EUR in 2019. The x-axis shows the regional share of employment in companies with 249 employees or less in 2019, thus following a simplified definition of SMEs based only on staff headcount.
Source: Eurostat (nama_10r_2gdp) and Statistics Poland (K25-G454-P2893)

Local level support to SMEs could therefore benefit lagging regions in particular. Technical assistance and mentoring to small businesses at the local level could build on existing local business centres and contact points for EU funds (OECD, 2020[6]). A pilot project to identify local strengths and weaknesses in attracting entrepreneurs with the objective to build "business services centres" in some medium-sized cities (Radom, Tarnów, Elbląg and Chełm) was completed in 2019 (Ministerstwo Rozwoju, 2019[7]). The main recommendations from the pilot include

- better cooperation of cities with local universities and secondary schools to improve the local human capital base
- work on the image of the city, its cultural offer and leisure activities to attract young workers;
- incentivize local developers to build modern office space in collaboration with industries cities are trying to attract.

In addition, a broader strategy of internationalising SMEs could further boost employment and income opportunities in lagging regions. The high economic growth in Poland following its transition to a free market economy can partly be attributed to an increasing internationalisation of firms. However, Poland's SMEs have not integrated into global value chains the same way as larger companies. One of the key reasons is the low productivity of SMEs in Poland compared to other OECD countries (OECD, 2020[6]). Boosting productivity of small companies in particular could therefore increase their capacity to export, which could improve local income opportunities and encourage labour force participation in lagging regions. Box 3.2 summarizes the key policy levers the OECD recommends in its 2020 OECD Economic Surveys on Poland.

Box 3.2. Key recommendations to support internationalising SMEs from the 2020 OECD Economic Survey

The recommendations to improve the productivity of SMEs in Poland to help their integration into global value chains centre on four key investments: within-firm training, easing red tape for SMEs, investing into transport and digital infrastructure in regions that host large numbers of SMEs and adapt innovation policies to smaller firms.

Enhancing life-long learning and workplace training are essential to make SMEs more competitive. Public support to training programmes can help SMEs cover parts of the relatively high costs they face when training their employees due to low retention rates. Highly skilled managers play a particularly vital role. Managers in SMEs could therefore benefit from the dissemination of high-performing organisational and management practices by the government.

The administrative costs for SMEs could be eased further. These costs relate to setting up new firms, streamlining court procedures, service regulations and tax compliance. For example, in 2019, Poland was the only country in the OECD where the time needed for tax compliance exceeded 300 hours per year (p. 79).

SMEs could also benefit from further public investment into their research and investment. This would not just increase their innovative output but also encourage SMEs to adapt state-of-the-art technology.

Finally, improving transport and digital infrastructure in lagging reasons that host relatively large numbers of SMEs would have a direct effect on decreasing trade costs from these regions.

Source: (OECD, 2020[6])

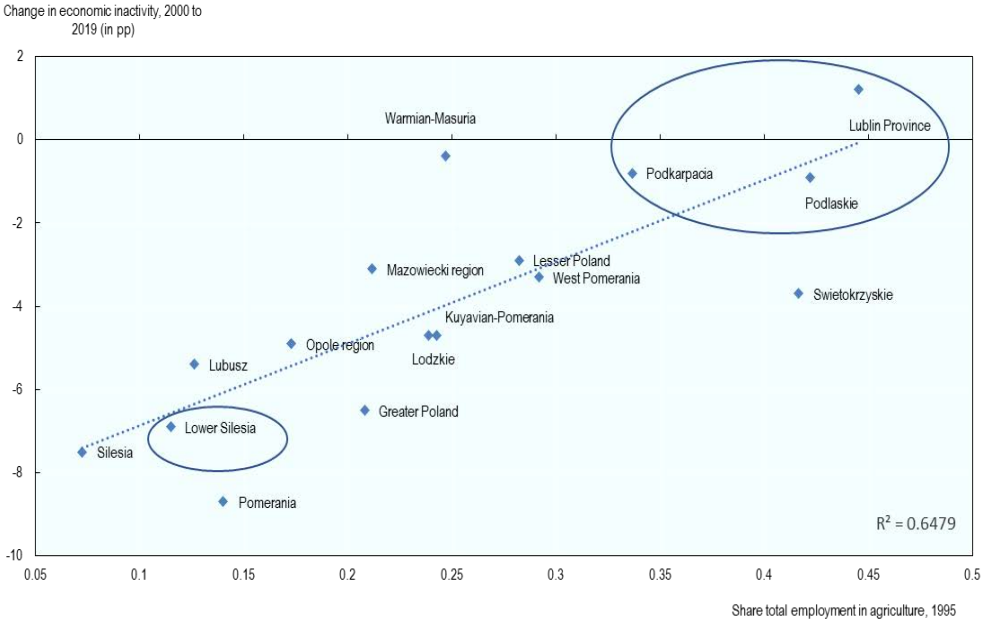
3.3.3. Large regional agricultural sectors are strongly associated with a lower decline in economic inactivity since 2000

The rapid decline of the large agricultural sector in Poland may still weigh on economic inactivity today. Employment in agriculture declined strongly all across Poland over the past three decades. Overall, the share of employment in the agricultural sector in overall employment declined from 22.6% in 1995 to 9.1% in 2019. In absolute terms, the agricultural sector lost around 1.8 million jobs. With employment in manufacturing only slightly increasing over time, new employment in the wake of high economic growth rates was mostly created in the service sector, which gained around 2.9 million jobs over the 1995 to 2019 period.

The Eastern regions of Poland bore the brunt of the decline in agricultural activity, providing an additional potential reason for their relatively unfavourable trends in economic inactivity. Apart from the geographical disadvantage, the historical economic sector composition in the Eastern parts of Poland may act as an additional obstacle to faster economic growth and may make these regions less attractive for foreign investment. Figure 3.13 shows the high correlation between the share of agricultural employment in total employment in 1995 and subsequent trends in economic inactivity from 2001 to 2019 for all Polish regions outside the Warsaw capital region. The voivodeships located at the Eastern border, Podkarpacia, Podlaskie and Lublin Province, as well as Swietokrzyskie. had large agricultural sectors, with 34%, 42%, 45% and 42% of the total employed workforce employed in agriculture in 1995. Their ineconomic inactivity rates showed no or very small improvements over the past two decades. On the other hand, regions such as Lower Silesia had a relatively less prominent agricultural sector (12% in total employment in 1995) and experienced a much faster decline in economic inactivity between 2000 and 2019.

Figure 3.13. The historical importance of the agricultural sector and regional trends in economic inactivity

The correlation of the share of employment in agriculture in 1995 and the change in economic inactivity between 2000 and 2019, TL2 regions



Note: Share of total employment calculated as workers employed in agriculture as a share of total workers employmed. Warsaw capital region excluded due to lack of historical data availability. The change in economic inactivity for the Mazowiecki region pertains to the the 2010 to 2019 period due to the lack of earlier data.
Source: OECD calculation based on Statistics Poland (K4-G380-P2356) and OECD Regional Database.

Similar historical legacy costs have been found in other countries. For example, OECD research has found that local economic structure has also shaped the form and degree of economic inactivity across regions in the United Kingdom Box 3.3.

Box 3.3. Local economic history and economic inactivity

In the United Kingdom, economic inactivity is highest in former hubs for industrial manufacturing

Measuring the share of the economically inactive in cities, OECD research has found that those UK cities which used to house a large mining or manufacturing sector have a higher share of economically inactive people in the 50-64 age range. Mining, manufacturing or logistics represented over half of employment in 1951 in 25 of 32 cities with a higher than average rate of economic inactivity in the UK in 2017. These included cities such as Mansfield, Blackburn and Sunderland in northern England. Such cities also record higher shares of those with long-term illness, which may also contribute to higher rates of economic inactivity as many long-term sick become unable to work.

In these cities, many workers between 50 and 64 also record low levels of qualifications and skills. This could be linked to shortcomings in retraining policies, or a lack of attractive positions for those who used to work in heavy industry in the regions. Many of the cities with the highest shares of jobs at risk of automation also contain the highest shares of economic inactivity, compounding inequalities between regions.

Source: (Barr, Magrini and Meghnagi, 2019[2])

Agricultural employment may exhibit further distortions that are difficult to capture in Labour Force Surveys. Some farm owners employ family members that add little to the productivity of the farm and could be more productively utilised elsewhere (OECD, 2018[4]). This underutilisation of labour is linked to economic inactivity in two ways. First, it may lead to an underestimation of economic inactivity if those employed on family farms report themselves as working in labour force surveys. Second, the lack of work contracts in within-family farm employment leads to similar issues around potential old-age poverty the economically inactive face.

The underutilisation of skills in agriculture persists across Polish regions (OECD, 2018[4]). However, the magnitude of the problem has declined due to the decline in total employment in agriculture. In the regions of Kuyavian-Pomerania, Lublin Province, Lesser Poland, Podkarpacia, Podlaskie and Swietokrzyskie, where the share of agriculture was high historically, the underutilization of labour in agriculture is likely to be strongest (KOŁODZIEJCZAK, 2020[8]).

Regional differences in the size of the informal economy in Poland are unlikely to explain geographical differences in economic inactivity rates. In Poland, around 3% of workers have no written contract at all according to Labour Force Statistics (OECD, 2020[6]). However, while the geographical concentration of informal work coincides with larger economic inactivity rates, these phenomena are unlikely to be linked causally. Rather, they are likely to have the common explanation of fewer attractive locally available income opportunities (see also Box 3.4). Thus, while stricter labour law enforcement remains important, such measures are unlikely to have large effects on regional labour force participation.

Box 3.4. Informal activity across Polish regions

Little research on the informal economy across Polish regions exists but scarce evidence based on the 2010-2014 Human Capital Balance (BKL) survey suggests that there is only limited overlap between the segments of the population engaging in informal work and the economically inactive within the working-age population. While the low- educated and youth are more likely to engage in informal employment, men are more likely to work informally than women across all age-cohorts. The informal economy further exists primarily in medium-sized towns rather than in rural areas (Beręsewicz and Nikulin, 2018[9]). This indicates that informal employment is a phenomenon that differs from the underutilisation of skills found in agricultural areas of Poland (OECD, 2018[4]).

Labour force status itself is a clear predictor of working informally. However, the economically inactive are only slightly more likely to engage in informal activity compared to the full-time employed. Part-time employment, unemployment and long-term unemployment, on the other hand, are strongly associated with individuals' propensity to engage in informal economic activity (Beręsewicz and Nikulin, 2018[9]). This observation can provide a partial explanation for the persistent observed gap between the registered unemployment rate and the unemployment rate derived from Labour Force Surveys in Poland.

Similar to economic inactivity, informal economic activity is largest in the Eastern regions of Poland (Nikulin and Sobiechowska-Ziegert, 2018[10]; Beręsewicz and Nikulin, 2018[9]). A possible explanation lies in the lower GDP per capita in these regions. The level of regional economic development may reflect the relatively worse formal employment opportunities available, in terms of both income and quality of jobs. Thus, informal employment may be partly driven by the same underlying structural factors as economic inactivity, albeit not necessarily by the same population groups.

3.4. Regional implications of global labour market trends

3.4.1. The COVID-19 pandemic could accelerate automation, compunding risks for those economically inactive

Regions across Poland face a relatively high risk of jobs changing or dissapearing due to automation compared to the average across OECD countries. In the median OECD region, the share of jobs at a high or significant risk of automation is 47.2% (Figure 3.14). According to the OECD, jobs at high risk of automation are like to dissapear completely as over 70% of tasks associated with the job may be replaced by technology, while those at significant risk have between 50% and 70% of their tasks vulnerable to replacement (Nedelkoska and Quintini, 2018[11]). In Poland, all regions but Warsaw capital city, where 40% of jobs are at some risk of automation, face a risk higher than 48%.

The COVID-19 pandemic could accelerate automation within firms. Early evidence suggests companies are digitalising and automating the way they produce and deliver services in response to social distancing requirements and tighter margins (Pissarides, 2020[12]). Evidence from the aftermath of the 2008 financial crisis in the United States also shows those areas facing the steepest downturns in employment tended to see firms increase their capital stock and change their skill requirements away from routine occupations (Hershbein and Kahn, 2017[13]). This research posits firms make labour-saving cost changes to their production during crises in the face of tigther marings. Taken together, this process can contribute to "jobless" recoveries in which employment does not recover fully.

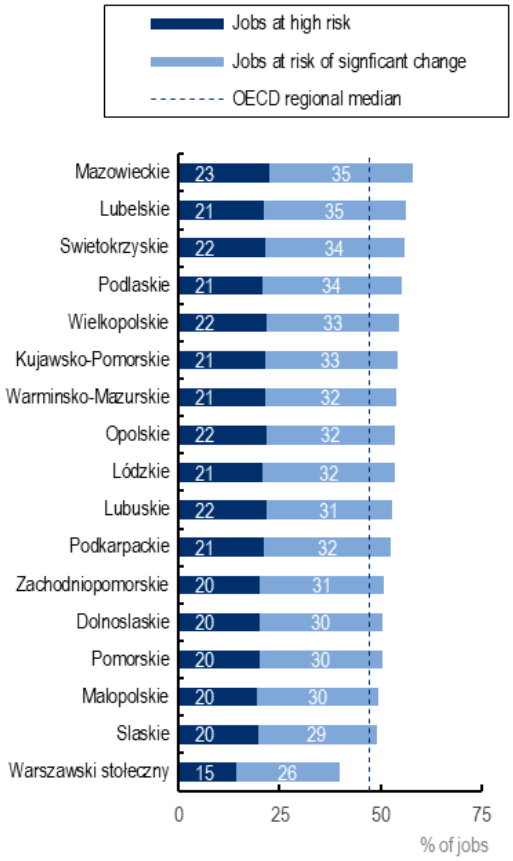
The risk of automation varies significantly across regions. In Mazowieckie, Lublin Province and Swietokrzyskie, the OECD estimates 58%, 56% and 56% of jobs to be at significant or high risk of

automation respectively, the highest shares in the country (Figure 3.14). In Mazowieckie, 23% of jobs are at high risk of automation, the highest proportion in Poland. In Silesia, Lesser Poland and Pomerania, meanwhile, 49%, 50% and 50% of jobs respectively are at high or significant risk, the lowest shares in Poland after Warsaw capital city. Employment in these regions may be particularly susceptible to automation due to the presence of sectors containing vulnerable occupations, such as construction and manufacturing, major employers in the region. Especially in Swietokrzyskie and Mazowieckie, the share of regional GDP in industry and construction or industry exceeds the Polish national average (European Commission, 2021[14]).

In these regions, those workers who are displaced by changes may face economic inactivity when unemployed spells lengthen, weighing on their economic and social wellbeing. OECD research in the United States has shown that a large share of workers displaced by structural changes have remained economically inactive. In particular, a share of US workers who have been displaced due to import competition have suffered durable losses in income and struggle to find work (OECD, 2019[15]). Many of the specific skills they held for work in export industries may not be reconvertable in local labour markets, weighing on their capacity to find jobs of equivalent quality. In the same way, automation could supress or reshape jobs in Poland's export-oriented industrial sectors as the effects of the pandemic persist, displacing workers with firm-specific skills durably. Here, an agreement between worker representatives, government and business representatives could ensure a fair and productive transition to a 4.0 industry. Poland can turn to international examples on how to lean on social dialogue to anticipate the effects of automation in industry (Box 3.5).

Figure 3.14. Outside the capital region, most Polish regions have a greather share of jobs at risk of automation than the OECD median region

Share of jobs at risk of automation, 2018



Note: In Panel A "high risk" refers to the share of workers whose job faces a risk of automation of 70% or above. "Significant risk of change" reflects the share of workers whose job faces a risk of automation between 50% and 70%. In Panel B, high-skill occupations include jobs classified under the ISCO-88 major groups 1 (legislators, senior officials, and managers); 2 (professionals); and 3 (technicians and associate professionals). Middle-skill occupations include jobs classified under the ISCO-88 major groups 4 (clerks); 6 (skilled agricultural workers); 7 (craft and related trades workers); and 8 (plant and machine operators and assemblers). Low-skill occupations include jobs classified under the ISCO-88 major groups 5 (service workers and shop and market sales workers); and 9 (elementary occupations). Regions displayed in Polish language, please refer to figure 1 for English translation.

Source: OECD calculations based on Survey of Adult Skills (PIAAC) (2012); and EU Labour Force Survey; Nedelkoska, L. and G. Quintini (2018), "Automation, skills use and training", https://doi.org/10.1787/2e2f4eea-en. Figure drawn from OECD (2020), Job Creation and Local Economic Development 2020: Rebuilding Better, OECD Publishing, Paris, https://doi.org/10.1787/b02b2f39-en.

Box 3.5. In Spain, social dialogue is being used for fair automation

The risk of economic inactivity can be minimised when worker and firm representatives agree on fair transitions

In Spain, decentralisation has allowed for social dialogue to develop signifncatly at the level of regions. In 2019, in the Basque Country, Spain, the region's social partners and the government relaunched the Mesa de Diálogo Social. The roundtable allows social partners to steer public policies and lay the bases for collective bargaining agreements through thematic work sessions. The work of the roundtable complements firm and sector-level collective bargaining. In 2019, the roundtable addressed public policies challenges such as :

- Equality between men and women;
- Employment;
- Training;
- Occupational health and safety;
- Industry and;
- Lifelong learning.

These discussion bore fruit. The Basque Country created new occupational health and safety observatories, and a renewed commitment from social partners and government to better inform students of Vocational Education and Training (VET) pathways.

The *Pacto Social Vasco para una Transición justa a la Industria 4.0*

One of the roundtable's innovative initiatives is the *Pacto Social Vasco para una Transición justa a la Industria 4.0,* or the pact for a fair transition to a 4.0 industry. As manufacturing remains an important employer in the Basque Country, social partners have agreed the sector's digitalisation should occur in a fair manner that protects workers and allows them to train for new production processes, or transition to new positions. This approach is especially relevant in the face of COVID-19, which risk increasing the use of labour-saving technology within companies as social distancing requirements endure. The Basque government will also contibute to the transition, putting in place training programmes to retrain workers to respond to skill needs identified by social partners. The region's public employment service, Lanbide, meanwhile, will find employment for those who lose their jobs. In 2021 negotiations continued for the plan, though social partners are already adapting the plan to COVID-19. Social partners and the government are developing a plan for those sectors facing the sharpest crises to retrain and relocate employees.

Source: (OECD, 2020[16])

3.4.2. Economic inactivity exists in a polarising labour market in Poland

Since 2000, the Polish labour market has undergone job polarisation. Job polarisation is a process in which the relative shares of high and low-skill jobs grow, while those of middle-skill jobs fall. Job polarisation is a process of change in the occupational structure of an economy. In Poland between 2000 and 2018, the relative share of middle-skills jobs has decreased by 9.8 percentage points, that of high-skill jobs has increased by 10.3 percentage points and that of low-skill jobs has decreased by 0.5 percentage points (Figure 3.15). In total, Poland gained 262 400 low-skills jobs, shed 666 000 middle-skill jobs and gained 2 213 700 high-skill jobs. This a sign the economy is upskilling its jobs. The quality of jobs, however,

may not be keeping pace with upskilling as the incidence of non-standard work contracts increased in Poland over this period (Lewandowski, Góra and Lis, 2017[17]).

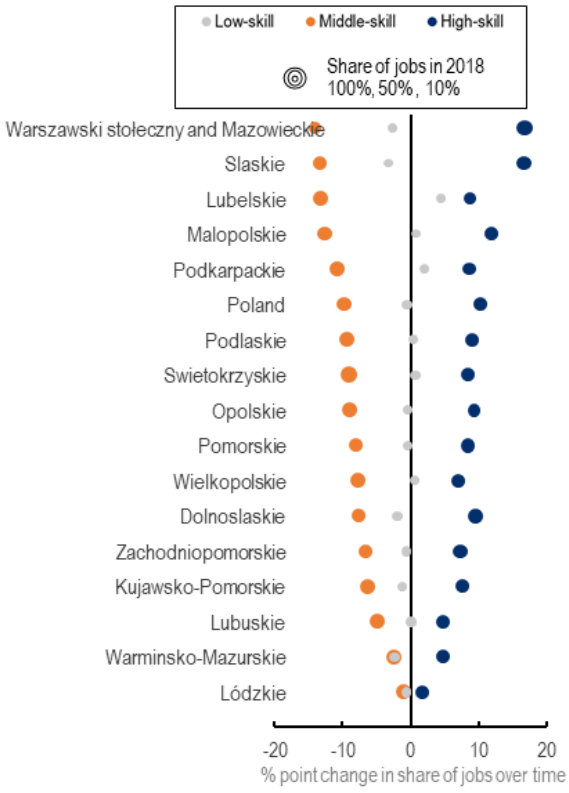
Job polarisation also shapes economic inactivity by determining labour demand. After the 2008 financial crisis, research has shown that job polarisation, by decreasing the demand for middle-skill occupations in Europe, weighing on the labour market participation of men with lower levels of education (Verdugo and Allègre, 2017[18]). The same research suggests polarisation accelerated following the great recession across Europe. There is a risk of durable labour market exclusion for those with lower levels of education as the occupational structure of the Polish labour market evolves after COVID-19. As the pandemic reshapes demand for Polish exports durably, many workers in trade-related sectors may see their jobs supressed or automated. Although a large-scale wage subsidy policy is maintaining jobs and incomes throughout Poland since 2020, these will likely be lifted progressively across sectors as firms face a redefined demand for their products. Those workers will require social and educational assitance to ensure the pandemic does not discourage and exclude them from participating on the labour market.

Job polarisation in Poland has also unfolded differently across regions. The polarisation pattern has been most noted in the Warsaw capital region, Mazowieckie and Silesia, where middle-skill jobs have decreased by relative shares of 14.1 and 13.3 percentage points, representing a decrease of 162 500 and an increase of 26300 jobs respectively (Figure 3.15). In these regions, the share of low-skill jobs have also decreased by 2.7 and 3.3 percentage points respectively, but low-skill jobs increased in absolute numbers by 9000 and 47300 jobs respectively. Contrary to this pattern, regions such as Lublin Province and Podkarpacia have seen their shares of low-skill jobs increase by 4.5 and 2.1 percentage points respectively. Although predictions remain speculative as the COVID-19 pandemic continues, it is possible those regions that have faced steeper levels of middle and low-skill jobs loss may see lower skill workers at higher risk of falling into economic inactivity as the crisis may accelerate the polarisation pattern.

Polish voivodeships track changes in labour demand within their annual Occupational Barometer. An expert panel gets together annually to fill in questionnaires that asks questions on occupation-specific labour demand. The surveys are then used to forecast within-occuption labour demand. Local labour offices also utilize the survey data to design appropriate training for the unemployed. An alternative approach to the Occupational Barometer is the more skill-oriented “Abilitic2Perform” method applied in Wallonia, Belgium (see Box 3.6).

Figure 3.15. Labour markets are polarising differently across Poland

Job polarisation, 2000-2018



Note: Regions displayed in Polish language, please refer to figure 1 for English translation.
Source: OECD (2020), OECD Employment Outlook 2019: The Future of Work, https://doi.org/10.1787/9ee00155-en. Figure drawn from OECD (2020), Job Creation and Local Economic Development 2020: Rebuilding Better, OECD Publishing, Paris, https://doi.org/10.1787/b02b2f39-en.

Box 3.6. Regional skills mapping in Wallonia, Belgium

By mobilising big data and expert groups, the public employment service of Wallonia tracks occupational change

Every year, the Public Employment Service (PES) of Wallonia, Le Forem, analyses skill demand in different sectors. Le Forem's yearly analyses feed into training offerings for Wallonia's business clusters. PES staff and industry-specific experts work on different steps of the analysis:

- (1) PES staff create occupational reports for each sector using data from the PES;
- (2) Sector-specific expert groups, composed of PES staff and outside experts, receive the report;
- (3) The groups use a methor known as Abilitic2Perform to idenfity skills required for each occupation and skills group. The groups identify how each sector may evolve;
- (4) Expert groups agree on the most likely scenario, and identify how skills needs may evolve;
- (5) Training departments receive the results and design training programmes taking into account the results of the analysis.

Industries gain from this process as they can better quantify their skills needs, while job seekers and PES staff can gain better understanding of labour market demand.

In 2020, Le Forem published *Métiers en tension de recrutement en Wallonie*, identifying three major reasons for labour market gaps:

- Candidate profiles do not correspond to the need of a firm, such as qualification, skills, mobility or languages;
- Working conditions, whether perceived or real, do not incite job seekers to apply to a job or accept an offer, including due to contract type, wages, hours or physical/mental charge;
- Insufficient candidates, as the demand for certain jobs may surpass the number of job seekers available.

The COVID-19 pandemic is likely to reshape labour market demand durably. As Job Retention (JR) schemes are eased across OECD countries, this will carry new groups of unemployed looking for work. Skills mapping exercises, particularly those that pair big data use with interviews with industry experts, can help track the way skills demand evolves. Anticipating these changes can ensure that those who face job loss are supported, and that trainining opportunities can orient them into growing occupations.

Source: Adapted from (OECD, 2020[16]), originally (Le Forem, 2020[19]).

3.4.3. Regional economic inactivity effects of the green transition

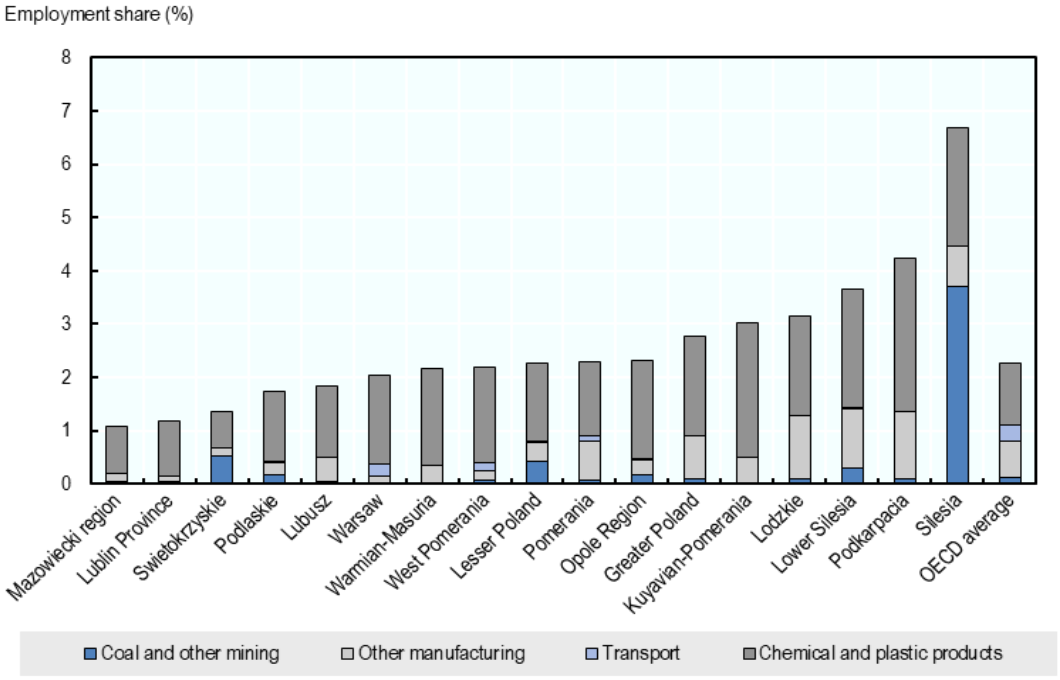
Poland, like other OECD countries, will experience both employment gains and losses due to the transition to net zero greenhouse gas emissions. To become a net-zero emissions economy by 2050, the primary EU target year as envisioned by the Paris agreement, Poland will have to transform its energy system gradually. Jobs will be at risk in industries such as coal and other mining, manufacturing, transport and chemical and plastic production.

Some regions in Poland face a relatively higher risk of job loss due to the net-zero transition. Figure 3.16 shows the employment share in industries at risk in Polish TL-2 regions compared to the OECD average. Most Polish regions only face moderate risks of employment loss. For all regions but Silesia, the share of employment in industries at risk of job loss is below 4.6%, around the OECD average. However,

in Silesia, due to its heavy dependence on mining of coal and lignite, the share of employment in sectors at risk stands at 6.7% (Figure 3.16).

Figure 3.16. Employment in industries at risk due to the net-zero transition

Percent of total regional employment, large regions (TL2), 2017



Note: The y-axis shows the employment share in industries put at risk until 2040. For details on the methodology, see OECD Regional Outlook 2021 (OECD, 2021, p. 106[20])
Source: (OECD, 2021, p. 5[21])

Place-based policies can help regions such as Silesia to manage the transition to mitigate the risk of employment loss resulting in longer lasting economic inactivity. To avoid a rise in economic inactivity, regions facing job losses due to the net-zero transition can help smoothing that transition through smart local active labour market policies that target those who are likely at risk of job loss. An example of such a policy developed in the Belgian region Flanders is presented in Box 3.7.

Box 3.7. Regional policies to avoid an increase in economic inactivity due to the net-zero transition – an example from Flanders, Belgium

Active labour market policies offered by VDAB, the regional public employment service of Flanders, have started to focus on the green transition by integrating "green skills" into their training programmes. For instance, in the construction sector, programmes have begun integrating sustainable building and energy efficiency methods. VDAB has also developed a building centre to co-ordinate with actors in the building sector and develop training curricula with local partners.

A key feature of VDAB's approach to the transition of the economy towards green jobs is the devolution of some services to regional employment offices, providing them with flexibility to deliver active labour market policies. District offices can involve local labour market actors and develop strategies based on local realities. The involvement of local actors makes it easier to anticipate risks to specific industries and develop strategies with local companies and unions to ensure processes and workers adopt accordingly.

These partnerships do not take place in isolation but complement VDAB's Flanders-wide programmes.

Source: (OECD, 2021, pp. 202-203[20])

There will also be employment gains due to the net-zero transition but their geography is less certain. The largest employment gains are likely to occur in renewable power production and the recycling of material. Other gains are likely to come from electric vehicle production and the service sector (OECD, 2021[20]). Since the renewable energy sector is relatively more employment-intensive than the fossil fuel industry, there may be net gains from the transition (European Commission, 2018[22]). However, it is unclear where these gains will occur geographically (OECD, 2021[20]).

"Green skills" could be integrated into Poland's Occupational Barometer surveys. Poland currently lacks a long-term labour market demand forecast. Such long-term forecasting could be integrated into the existing Occupational Barometer surveys. The on-going matching of the Polish Classification of Occupations and Specialisations to the European Skills, Competences, Qualifications and Occupations Taxonomy (ESCO) and the International Standard Classification of Occupations (ISCO-08) will ensure international comparability of these forecasts.

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Note

[1] A comprehensive review of best practices to improve labour market participation of people with health issues and disability can be found in (OECD, 2010[23]).

4. Re-designing policies to support vulnerable groups and drive recovery

This chapter analyses public policies addressed to the economically inactive. The first part takes a close look at institutions in Poland that provide support to the unemployed and the economically inactive, the public employment services (4.2.) and social assistance (4.3.). The second part analyses the role of actors outside these main governmental service providers, with a particular focus on the social economy (4.4.). The final part then addresses local public policies targeted at key groups of economically inactive people: people with disabilities, older people of working age and women (4.5.).

In Brief

- **There is no policy in Poland directly aimed at re-activating the economically inactive and the category as a target group has appeared only in recent years in programmes financed by the European Social Fund (ESF)**. As a result, there is a lack of comprehensive public policies addressed to the economically inactive, while undertaken actions are not always sufficiently coordinated between the different governmental actors involved. Public employment services (PES) primarily target the unemployed. Among these, PES mainly work with unemployed who are motivated and active in their job search, striving to maximize employment and cost effectiveness indicators. Instrumets tailored towards working with unemployed in more precarious situations could therefore be expanded.
- **The economically inactive therefore rely on the support from local social assistance institutions, which primarily provide benefit payments**. This stands in stark contrast to the needs of the economically inactive to successfully (re)integrate into the labour market. For those outside the labour force, comprehensive support measures are required that include a combination of professional and social integration support. Lacking such targeted support, economically inactive people find themselves falling throught the institutional cracks between PES and social integration assistance.
- **In response to these challenges, the social economy could play an important role across Polish regions.** Attempts to create institutions combining the functions of employment and social assistance services such as social employment units, social integration centres and social integration clubs have existed in Poland for years. However, there are relatively few of them, the scale of operation is marginal, and they are unevenly distributed across Polish regions. In most cases, the availability of their services is subordinated to specific project cycles and coordination with other forms of assistance is often lacking. For over 10 years, European Funds have been investing heavily in the development of the social economy in Poland, supporting the creation and development of social enterprises, primarily in the form of social cooperatives. However, the scale of this sector is still insufficient to address the volume of needs to integrate the economically inactive. The 2021 draft act on the social economy, which aims to accelerate the development of this sector is promising.
- **Policy action will need to be targeted to the drivers of economic inactivity by demographic group (e.g., people with disabilities, older people of working age and women)**. While each group shows disproportionally high economic inactivity rates compared to working-age men, the reasons for their lack of labour force participation are fundamentally different. Approximately 70% of working-age people with disabilities are economically inactive. However, the vast majority of funds addressing the issue supports already active persons with disabilities. Thus, economically inactive persons with disability lack structured support. The pension system and the relatively low retirement age in Poland currently shape low economic activity among older people of working age. New cohorts of older people of working age are increasingly better educated and in better health condition, and therefore remain active in the labour market for longer. Lifelong learning programmes to facilitiate continued labour market participation of older persons are currently underdeveloped. Business opening hours, insufficient childcare, inflexible and long working hours, and low wages discourage women's employment in Poland.

4.1. Introduction

Economically inactive people are a largely untapped resource and a cost for public finances, calling for targeted support adapted to the needs of different demographics in different types of regions. This chapter analyses the institutional landscape in Poland, with a specific focus on the support economically inactive receive and where bottlenecks occur—particularly across levels of government. Section 4.2 analyses the role of public employment services (PES). Sections 4.3 and 4.4 discuss the role of institutions and the social economy, including non-governmental organisations (NGOs) outside the PES, that support the re-integration of the economically inactive into the labour force. Section 4.5 then addresses specific active labour market policies.

4.2. Public employment services: what role for economically inactive people?

4.2.1. Unemployed persons who still report they are looking for work are the main service recipients of public employment services

Public employment services are the main delivery service for active labour market policy in Poland. Although other labour market institutions such as non-governmental organisations and private employment agencies exist, PES provide services to the majority of the jobless in Poland. Public employment services act at three independent levels (OECD, 2020, p. 5[1])

- **National:** Ministry of Development, Labour and Technology, responsible for setting the regulatory framework, managing the Labour Fund, and financing active labour market policies;
- **Regional:** Voivodeship employment offices, responsible for regional strategies on the labour market, regional analyses and selected services for specific groups, such as career support services for youth (OECD, 2016[2]);
- **Local:** County employment offices, responsible for delivering services to employers and job seekers. This includes providing benefits to eligible unemployed and the implementation of active labour market policies.

PES in Poland are regulated by the *Law on promotion of employment and labour market institutions* (Government of Poland, 2004[3]). The Polish government passed the Law in 2004, when the situation in the labour market varied significantly relative to 2021, with much higher rates of unemployment. As defined in the Law, an unemployed person is one who is:

- Registered in the local labour office;
- Aged between 18 and 60 for women and between 18 and 65 for men;
- Not employed and not performing any other gainful work;
- Capable and ready to take up full-time work, or if the person is disabled, capable and ready to take up employment for at least half of potential working time;
- Not in school.

To further be entitled to unemployment benefits, the unemployed individual must have been employed for 12 months over the most recent 18 months period.

The Law, however, also defines another category of clients for public employment services: the jobseeker. The criteria for registration as a jobseeker are much less strict than for the unemployed. As defined in the Law, a jobseeker is a person registered with the local employment office, seeking employment, other gainful work or other forms of social assistance. In practice, almost anyone can register as a jobseeker. In November 2020, local employment offices registered 26 000 jobseekers, or 2.5% of all

persons registered in local employment offices. This proportion has been stable for years. Jobseekers are therefore a small share of PES service recipients.[1]

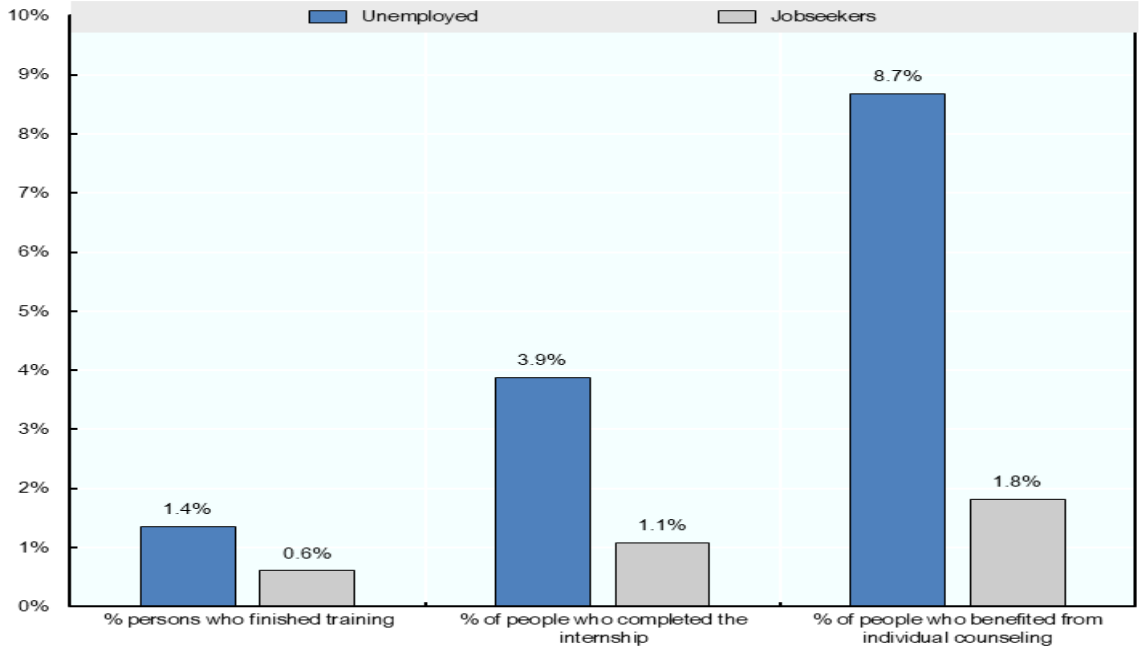
The group of jobseekers tends to be more detached from the labour market, and includes a high proportion of persons with disabilities. Compared to those defined as unemployed, they often have socio-economic profiles closer to people who are economically inactive due to being discouraged to search for work or long-term unemployment.

Jobseekers can use job search instruments offered by local employment offices. Jobseekers use mostly three PES instruments: training, counselling, and internships. In 2019, jobseekers used these tools much less frequently than the unemployed (Figure 4.1). Around 1.4% of the unemployed participated, compared to 0.6% for jobseekers. Around 3.9% of the unemployed undertook internships through PES, compared to 1.1% of jobseekers. This difference is even greater for those who received job counselling, where 8.7% of unemployed persons took part, compared to 1.8% of jobseekers.

Services provided by PES are also less likely to lead to employment for jobseekers relative to the unemployed. Effectiveness, measured as employment three months after completing the service, is significantly lower for jobseekers. After three months, 73.7%, 86.2% and 46.7% of the unemployed who participated in training, internships and counselling, respectively, were employed, compared to 8.1%, 17.8% and 8.9% of jobseekers who had completed the same activities (Figure 4.2). Not considering subsidized employment, the effectiveness of these policies on the labour market integration of jobseekers is lower. Training and counselling, in particular, resulted in 40.9% and 15.2% job placements respectively for the unemployed, compared to just 3.2% and 1.6% of jobseekers (Figure 4.3).

Figure 4.1. Jobseekers revert to PES services less often compared to the unemployed

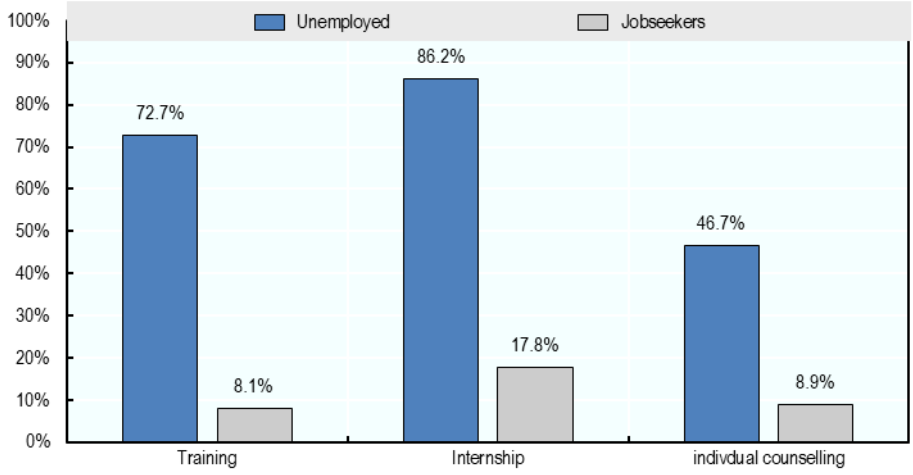
Percentage of unemployed and jobseekers benefitting from training, internships and individual counselling



Note: Unemployed refer to individuals registered in local employment office as unemployed. Jobseekers refer to individuals registered in local employment office as jobseeker. Percentage calculated as the number of individuals who completed a given programme in 2019, divided by the number of unemployed at the end of 2018, plus the inflow of newly-registered unemployed in 2019.
Source: Ministry of Family, Labour and Social Policy, Unemployment in Poland, 2019; Tables 95a and 95b in https://psz.praca.gov.pl/documents/10828/12933131/Bezrobocie%20w%20Polsce%20w%202019%20roku%20-%20raport%20tabelaryczny.XLSX/1a0107c9-bd02-46cc-912a-4959025a2e5e?t=1594881921555 (accessed 23/06/2021).

Figure 4.2. PES services are less effective at helping jobseekers find work compared to unemployed persons

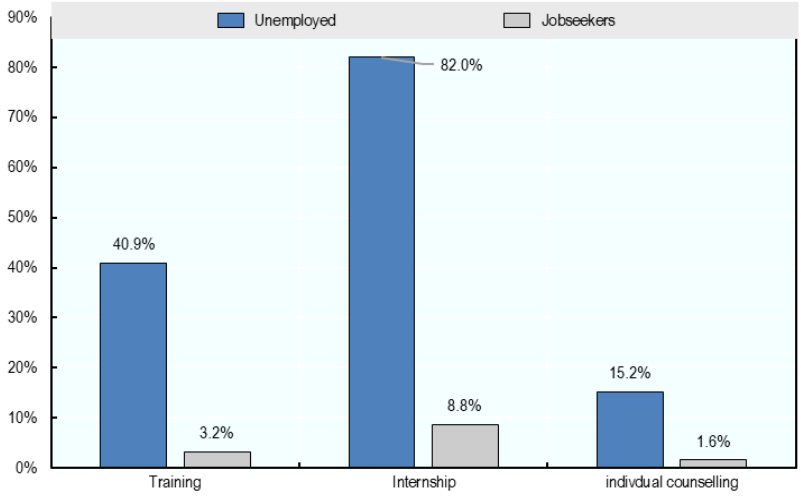
Effectiveness of selected services of labour market policy for the unemployed and jobseekers in 2019



Note: Unemployed refer to individuals registered in local employment office as unemployed. Jobseekers refer to individuals registered in local employment office as jobseeker.
Source: Ministry of Family, Labour and Social Policy, Unemployment in Poland, 2019. Ministry of Family, Labour and Social Policy, Unemployment in Poland, 2019; Tables 95a and 95b in https://psz.praca.gov.pl/documents/10828/12933131/Bezrobocie%20w%20Polsce%20w%202019%20roku%20-%20raport%20tabelaryczny.XLSX/1a0107c9-bd02-46cc-912a-4959025a2e5e?t=1594881921555 (accessed 23/06/2021).

Figure 4.3. The success rate outside subsidised employment is lower for training and counselling among jobseekers

Effectiveness of selected instruments and services of labour market policy for unemployed persons and jobseekers in 2019, without subsidized employment



Note: Unemployed refer to individuals registered in local employment office as unemployed. Jobseekers refer to individuals registered in local employment office as jobseeker.
Source: Ministry of Family, Labour and Social Policy, Unemployment in Poland, 2019; Tables 95a and 95b in https://psz.praca.gov.pl/documents/10828/12933131/Bezrobocie%20w%20Polsce%20w%202019%20roku%20-%20raport%20tabelaryczny.XLSX/1a0107c9-bd02-46cc-912a-4959025a2e5e?t=1594881921555 (accessed 23/06/2021).

The relatively lower effectiveness of labour market instruments for jobseekers relative to the registered unemployed may result from several factors. Jobseekers are likely in more difficult situations in the labour market compared to unemployed persons, especially as 35% of the jobseeker pool are people with disabilities. Jobseekers may also be less pressed to search for work, as a share of this pool may have other sources of income. Another reason may be linked to PES services, as local employment offices put less effort into facilitating the employment of jobseekers, considering the greater number of obstacles jobseekers face to get ready for the labour market.

4.2.2. People registered in employment offices are not considered economically inactive in Poland, but often are inactive

The Public Employment Services (PES) formally distinguishes between persons who are unemployed or seeking work, and those who are economically inactive and fall outside of PES services. However, registration in local employment offices is one of the conditions for getting access to public health services for the unemployed. Therefore, a fraction of the registered unemployed are likely not actively looking for employment in practice (OECD, 2016[2]). Some parts of the registered unemployed may be working in the informal economy or may not be ready to take up employment.

There is little up to date research on the scale of inactive persons among the registered unemployed, but exisiting evidence suggests that a significant fraction of the registered unemployed is indeed inactive. In 2015, the Social Diagnosis study identified that 57% of all registered unemployed persons were actually working in the informal economy or were economically inactive (Czapiński and Panek, 2015[4]). Compared to previous waves of the study, the share belonging to this group has grown. This is a result of the stable number of individuals active in the informal economy and the decreasing number of total unemployed. However, the exisiting evidence from the Social Diagnosis study suggests that among the registered unemployed, there is likely to be a significant fraction of persons who should be considered inactive.

In 2014, the Polish government introduced a reform of PES with a finer mechanism to profile those registered as unemployed, which was withdrawn in 2019. The main assumption of this former mechanism was that the appropriate targeting of assistance to the unemployed should improve the quality of services provided to them, its relevance and effectiveness. After the reform, all unemployed persons were divided into three groups, corresponding to three profiles of assistance:

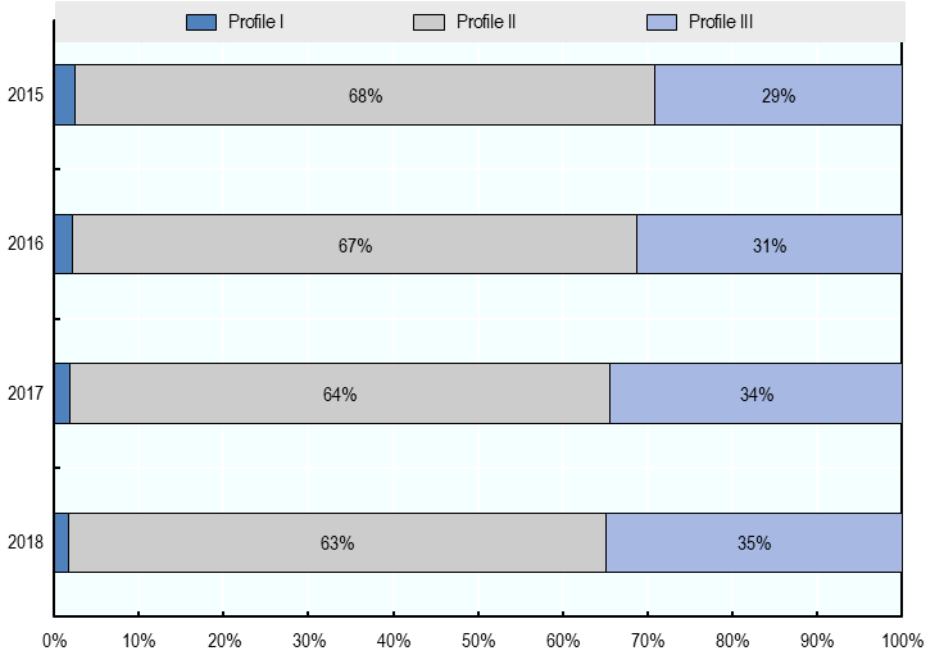
- **Profile I were persons in a relatively better labour market situation**, well prepared to enter the labour market. The assumption was that this group requires only job matching assistance;
- **Profile II were persons who need additional support to acquire decent employment**, including the acquisition of skills, professional experience and some guidance;
- **Profile III were persons who are in the the most difficult situation on the labour market**, and were considered detached from the labour market.

At the time of the 2014 reform, it was decided that PES should focus on persons from the first two groups, while persons from the third group should be supported by NGOs or social assistance centres. In practice, however, the profiling mechanisms tended to weigh against people in the most difficult situations. People of profile III did not receive assistance from employment offices, which focused on individuals categorised as profile II. At the same time, social welfare centres and NGOs did not receive adequate funding to support this group from profile III (Najwyższa Izba Kontroli (NIK), 2018[5]; Hermann-Pawłowska and Stronkowski, 2016[6]). The profiling mechanism was also widely criticized by PES employees, who pointed out its lack of flexibility to respond to individual needs of the unemployed (Flaszyńska, 2020[7]). Paired with legal concerns raised by the Constitutional Tribunal in 2018, the profiling mechanism was withdrawn in 2019.

The profiling mechanism, however, revealed that those "tagged" as profile III showed the greatest level of exclusion from the labour market. A large number of persons categorised as profile III, despite being registered in the employment office, were in practice not ready to work and were not actively looking for a job. Information on the number of persons categorised as profile III can therefore be used as an indication of the number of economically inactive people registered with employment offices as unemployed. At the end of 2018, unemployed persons assigned to profile III accounted for 35% of all registered unemployed, of which 39% were women and 30% were men (Figure 4.4). This share grew from 29% in 2015 to 35% in 2018, as the labour market situation improved. The number of persons assigned to "profile III" had decreased at a slower rate than the share of other groups of unemployed.

Figure 4.4. The share of former "profile III" unemployed has been growing as a relative share of unemployed persons in Poland

Structure of unemployed persons by the profile of assigned support, 2015-2018



Source: Ministry of Family, Labour and Social Policy, Unemployment in Poland, 2019.

4.2.3. Local PES offices struggle to support the most disadvantaged unemployed persons

PES offices were not prepared to support those formerly labelled "profile III". For this reason, a reformed regulation redirected this group to "Programmes of Active Integration", implemented by social welfare centres or NGOs. Social assistance centres, however, rarely implemented the new instrument. This was mainly due to insufficient human and financial resources for the implementation of these tasks, as well as the focus of social assistance centres on their own statutory tasks. Employment offices could also commission non-governmental organisations to implement programmes for the profile III group. However, they rarely made use of this option, an indication of the low levels of cooperation among the various institutions at the local level.

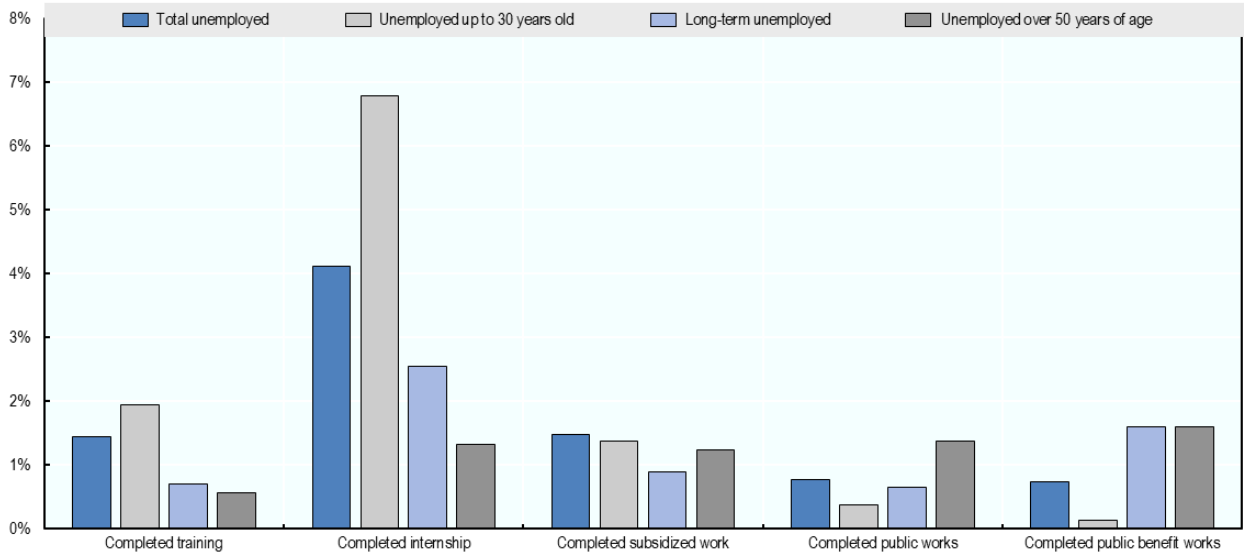
As a result, only a small fraction of unemployed persons assigned to profile III received support. The case of the profiling mechanism reveals that local employment offices focus most of their work on the

unemployed in relatively advantageous labour market situations, who are able to find work with the support of standard programmes.

Persons belonging to groups in more difficult situations, or former "profile III", are in many cases underrepresented among participants of labour market policy instruments. The Law on the promotion of employment and labour market institutions defines several categories of the unemployed who are considered to be in a particularly difficult situation on the labour market (e.g. long-term unemployed, people over 50, unemployed using social welfare benefits, people with disabilities registered as unemployed and youth) (Government of Poland, 2004[3]). However, data shows that, with the exception of youth, these groups are underrepresented in labour market measures. Younger unemployed persons have much better chances to participate in the most effective labour market measures, such as training, internships or subsidised employment, compared to the long-term unemployed or unemployed persons over the age of 50 (Figure 4.5). Unemployed in more difficult situations participate in public works or socially beneficial works in relatively larger shares. These instruments, however, are less effective measures to integrate persons into the open labour market.

Figure 4.5. Younger unemployed persons participate to a greater extent in PES programmes

Percentage of selected groups of unemployed persons participating in selected active labour market instruments and services in 2019



Source: Ministry of Family, Labour and Social Policy, Unemployment in Poland, 2019.

PES offices may be inclined to target their programmes to those unemployed persons who are most prepared and most motivated to find employment. Within the PES system, three factors may drive this inequality between unemployed persons.

Funding incentives for local PES offices may put the most excluded at a disadvantage

By evaluating the cost-effectiveness and success rates of finding employment for registered unemployed, funding mechanisms encourage PES offices to focus on those most ready to work. Data on the effectiveness of each local employment office is published every year by the Ministry of Development, Technology and Labour. Between 2015 and 2017, the Ministry distributed financial resources to local employment offices based on data on the labour market insertion of those unemployed.

The evaluation is based on only two indicators: employment effectiveness and cost-effectiveness. These indicators are not differentiated by target groups such as youth, people with disabilities or older adults, so the evaluation metrics act as an incentive for local employment offices to focus on groups most ready for employment and requiring less investment.

Standard active labour market programmes do not offer the labour market insertion assistance needed by those most detached from the labour market

The organisation and way in which PES works is standardised. Little individualised support is offered. Employment offices are prepared to work with a large number of unemployed persons who have standard difficulties in finding a job, such as the lack of skills or lack of professional experience. They also offer standard labour market services and instruments. There is relatively little room for an individualised approach to clients at local employment offices. PES representatives highlight that this situation has become worse after the 2014 reform of the operation of employment offices. The emphasis put on individualised career counselling has declined since the 2014 reform. This was a side effect of introducing a new function in employment offices: a client advisor. Career counsellors have become client advisers. As the employees of labour offices noted in interviews, as a result of this change, career counselors could spend less time on individual career counseling.

In practice, routine work with persons registered in the local employment office who have the profile of an economically inactive person is frequently limited to monthly meetings where the individual is asked to confirm his or her readiness to work. Meetings for this group tend to constitute a bureaucratic formality, with limited impact on the activation of unemployed persons (Wojewódzki Urząd Pracy w Krakowie, 2010[8]). As a result, employment offices typically do not actively support the unemployed most excluded from the labour market.

The attitude of many PES staff tends to favour "job-ready" people

Staff from local and regional PES in Poland tend to recognise that their preference is not to work with those most excluded from the labour market. Some members of staff reveal they would prefer not to link health insurance with PES registration to allow them to work only with those unemployed who are most prepared to enter the job market.[2]

Self-selection of the "job ready" unemployed into active labour market programmes may partly explain this dynamic. Higher motivation to participate in active labour market programmes may in itself serve as a partial explanation for higher participation rates in activation programmes among those prepared to work. Similarly, the unemployed most detached from the labour market may be less motivated to participate if they anticipate not to be sucessful.

A pilot project from the Podkarpacia and Swietokrzyskie voivodeships is seeking to explore the challenges of those most excluded from the labour market. Six counties entered this pilot with the Voivodeship Employment Office from Rzeszów and local enterprises. All counties are located close to Mielec and within its industrial area. The pilot sought to respond to the needs of local enterprises, facing labour shortages. A total of 50 000 unemployed persons were registered in all six local employment offices, though at the same time, the employment offices were unable to fill vacancies, even for low-skill jobs.

The idea of the project was to address the complex problems of long-term unemployed persons, who were registered as unemployed but were in fact not actually seeking work and therefore economically inactive. According to representatives of public employment offices, it took time to understand that standard activation measures may not suffice to reintegrate economically inactive into the labour market. Representatives of employment offices insisted strongly on focusing on standard activation measures and were sceptical of non-standard PES programmes.[3] The pilot continues to develop.

Some employment offices were aware that existing approaches were insufficient, and have tried developing new instruments. One example is the supportive employment coach (trener zatrudnienia wspieranego), developed and tested by the Regional Employment Office in Kraków. This instrument follows a model that exists in many European countries and is based on the assumption that the activation of long-term inactive persons requires, in the first place, long-term intensive coaching. The coaching consists of the following elements:

- Assessing the client's potential, his or her social and professional situation, needs and aspirations in order to draw up an accurate estimation of personality predispositions, professional aspirations and development opportunities;
- Motivating, analysing and supporting the client's activities as part of a Personal Supported Employment Plan. A coach establishes contacts with employers, employment offices and other labour market institutions to promote Supported Employment and sourcing jobs for specific clients;
- After finding a job for an unemployed person, introducing him or her to the company by familiarising them with the procedures and conditions of employment and the specific tasks of the workplace. With some clients, the trainer learns about the responsibilities of his or her client, and then trains them;
- Monitoring the person's adaptation in the workplace on an ongoing basis and helping to solve possible problems, as well as mediating with employers.

In Kraków, this process of coaching lasts about six months, and in the case of persons with disabilities, a minimum of twelve months (Wojewódzki Urząd Pracy w Krakowie, 2010[8]).

The model, however, turned out to be incompatible with the reality of public institutions. From 2011 to 2013, the programme was piloted in 44 labour market institutions, social assistance centres and NGOs in the Lesser Poland voivodeship. However, the pilot experience showed that the model is difficult to implement in public institutions. In employment offices, staff was unprepared to leave their office and work in the field. In social welfare centres, where social workers are used to work in the field, learning professional tasks and then teaching these to clients was a burden to staff. The time it took for the socio-economic reintegration process and its associated high costs made the project unsustainable. Public institutions are focused on efficient and speedy actions that bring quick results. The several months needed for the activation process turned out to be an obstacle. As a result, none of the employment offices participating in the pilot programme still apply the methods tested in the pilot. However, the model was almost fully adopted by some non-governmental organisations.

Box 4.1. NGOs could start to play a more important role in the economic activation of those currently not part of the labour force

Experts participating in a workshop conducted in the development phase of this report emphasized that public employment services often struggle to reach the economically inactive and provide individualized support. One solution proposed was the commissioning of social and professional activation of economically inactive people to non-governmental organizations or other social economy actors with extensive experience in the area. Going forward, it will be important to define the terms of cooperation between government and these social economy actors. It was stressed that long-term, output oriented contracts of employment services with NGOs (or other private companies) could provide a working model suitable to both parties. However, further stakeholder dialogues that discuss details on terms and conditions as well as success metrics will be necessary.

A planned reform aims to strengthen the activities of public employment services in favour of the economically inactive. As of June 2021, the Ministry of Development, Labour and Technology is working on a reform of public employment services. The main assumption of the planned reform were presented in the National Program of Recovery. One of the key elements of the planned reform is to separate health insurance (i.e. in practice, access to health services) from registration at the employment office. It is assumed that this solution should free the resources of public employment services, which would allow public employment services to shift their focus to those unemployed who need more intensive support. The reform further plans to widen the focus of public employment services towards economically inactive people (Ministerstwo Funduszy i Polityki Regionalnej, 2021[9]).

4.3. Institutions supporting economically inactive people in Poland outside of PES

The Public Employment Service devotes limited resources to the unemployed most excluded from the labour market, and does not tailor its services to those economically inactive. Other institutions in Poland, however, have taken the lead in helping those who are economically inactive. These institutions are described below.

4.3.1. Voluntary Labour Corps

The Voluntary Labour Corps (VLC) is a public organisation supervised by the ministry responsible for the labour market. In reality, it operates at the interface between labour market institutions and the education system. The target group is young people, especially the disadvantaged. Participants in Labour Corps services tend to have the following characteristics:

- experienced delays in education;
- originate from small towns;
- are from large families, with parents having lower levels of education;
- experienced dysfunctions in their families;
- have difficult personal circumstances;
- experienced difficulties with law enforcement.

These individuals are not always inactive, but at risk of becoming economically inactivite. The Volunteer Labour Corps directs its activities to:

- Adolescents (15-17 years old) who have not completed compulsory education, have problems graduating and need professional qualifications, and;
- People aged 18-25, including people who are looking for a job or want retraining, unemployed, school graduates and students.

Adolescents can receive support in VLC facilities. Education is combined with vocational preparation, which can take place in enterprises or VLC workshops. Students also receive pedagogical and psychological support, as well as social assistance. The institution yields positive results: every year 85% of students finish their education or are promoted to the next class, and 90% of those who finish pass the external vocational exams.

VLC also operates as a labour market institution. They provide services under the label “professional development”, consisting of career counselling, job placement and psychological support. These services are provided for participants of Voluntary Labour Corps and its graduates.

4.3.2. Social assistance

Social assistance plays an important role in helping those who are economically inactive. It can be assumed that a significant share of inactive persons in Poland has or had contact with social assistance. Social assistance in Poland is determined by the Law on Social Assistance, adopted in 2004 (Box 4.2).

Box 4.2. The 2004 Law on Social Assistance regulates Poland's social assistance system

In Poland, social assistance operates across communities, municipalities and regions

Social assistance operates at three levels of local government administration: community, county and voivodeship. At the community level, social assistance centres play the main role, providing most forms of financial support to people in difficult situations. At the county level, County Centres of Family Support provide more specialised support in the areas of foster care, disability and other specific issues. At the voivodeship level, Regional Centres of Social Policy have a more strategic and coordination role.

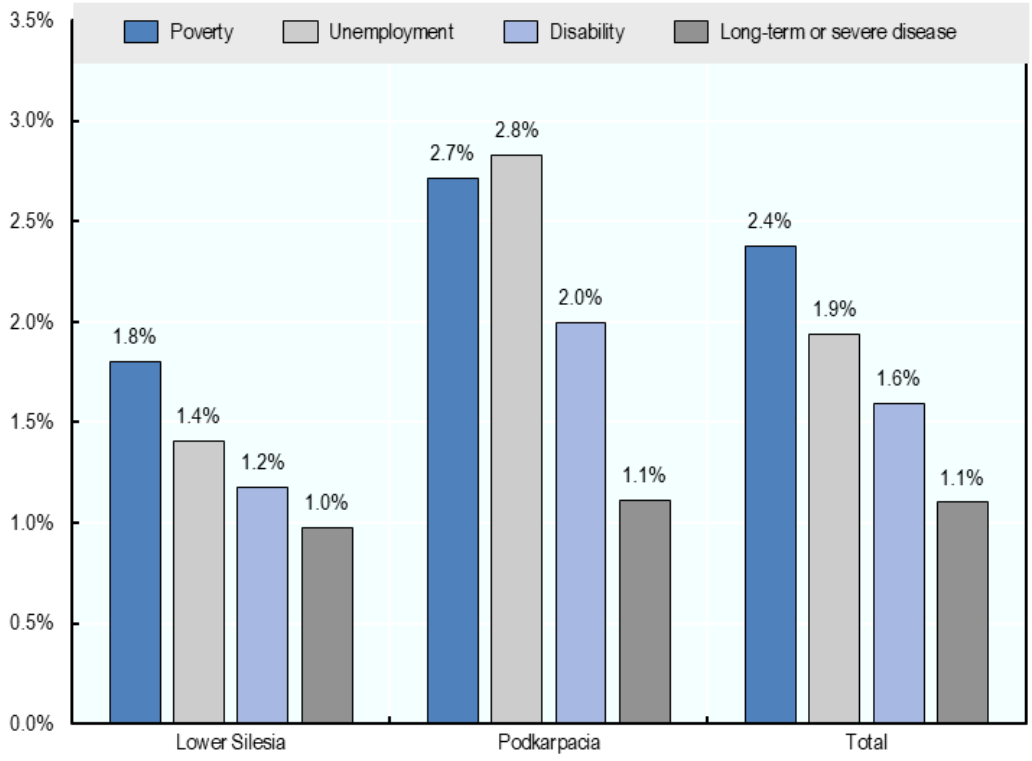
Source: (Government of Poland, 2004[10])

In 2019, 6% of the population lived in families supported by social assistance. This percentage was the highest in Warmian-Masuria and lowest in the voivodeship of Silesia. Around 32% of recipients of social assistance indicated unemployment as the main reason for accessing social assistance (Ministerstwo Rodziny, Pracy i Polityki Społecznej, 2020[11]). Thus, the remaining 68% of those receiving social assistance are economically inactive, although a significant proportion of this group are children and the elderly. Unemployment is the second main reason for receiving support, after poverty, indicating that there is significant overlap between the use of employment and social assistance services (OECD, 2016[2])

On the regional level, however, this pattern can vary. In regions with poor labour market situations, unemployment tends to be a greater or equally significant reason for receiving social assistance. For example in Podkarpacia, 2.8% of the population declared unemployment as the main reason for requesting social assistance, compared to 2.7% for poverty and 2% for disability (Figure 4.6).[4] At the national level, 2.4% of the population identified poverty as the main reason for requesting assistance, while 1.9% declared unemployment.

Figure 4.6. Reasons for requesting social assistance vary regionally

Families receiving social assistance as a percentage of the total regional population living in families receiving social assistance, by reason, selected locations



Source: Ministry of Family and Social Policy, MPiPS-03 Reports.

The unemployed who receive social assistance are registered in local employment offices. However, according to anecdotal evidence from social assistance employees, the majority of the unemployed who receive social assistance is not actively searching for a job. Some may not be ready or willing to take up just any job (Arendt, Hryniewiecka and Kukulak-Dolata, 2012[12]), while others take up temporary or seasonal work, leaving them unemployed for most of the year. The situation has many causes, ranging from family obligations, lack of access to convenient or public transport, to low or unneeded competences and qualifications, low motivation to find employment, acceptance and adjustment to the situation or substance abuse. Generally, the situation of this group is usually complex and long-lasting. It is usually worse in areas with limited job options or low-paid and low-quality job vacancies.

Social assistance office staff observe that unemployed persons accessing social assistance services have profiles resembling those who are economically inactive. In most cases, standard labour market measures are not sufficient. These persons often need individualised, interdisciplinary, and long-term support. Social assistance in Poland has been torn between redistributive and activating functions. In legal acts and programming documents, the activation function is emphasised, particularly to support people in becoming independent, an important aspect of which is helping them return to the labour force. In practice, however, social assistance typically has insufficient funds to effectively implement the activation function. As a result, it focuses on the redistributive function, or the payment of financial benefits.

Evidence suggests that social workers in Poland struggle to balance their roles as providers of job search assistance and social welfare officials. On the one hand, social workers are prepared for active social work, and on the other hand, in their daily job, they mostly focus on the implementation of the protective function of social assistance. As a result, their identity as social welfare officials, and not as

social workers is strengthened (Rymsza, 2011[13]). Social assistance does, however, offer some activation programmes, aimed at improving the independence of service beneficiaries. However, reliable data on the scale and effectiveness of these programmes does not exist. The most important instruments cited during interviews are: the social contract, public benefit works, social employment and projects financed by the European Social Fund. The first two instruments, provided by social assistance centres, are summarised in Box 4.3.

Box 4.3. Active labour market policies provided by social assistance centres are not adapted to the needs of economically inactive people

Social contract

The social contract is regulated in the Law on social assistance. According to the law, it is an "individualised support contract concluded by a social worker with a person applying for assistance, specifying the rights and obligations of the parties to the contract, as part of joint actions aimed at overcoming the difficult life situation of the person or family and to counteract social exclusion".

The social contract translates the intention of linking the right to social benefits with the obligation to participate in professional activation or social integration programmes. It is assumed here that this type of contract should strengthen the motivation of social welfare beneficiaries to participate in activation programmes and to undertake efforts to become independent, such as by looking for a job or participating in training.

In practice, however, the implementation of social contracts encounters a number of difficulties. Social welfare recipients are reluctant to enter into social contracts. Social assistance workers cite the low motivation for change and difficulties in defining and identifying problems, which often results from low self-awareness of recipients' needs, as reasons for the low appetite for engaging in social contracts. The social benefits offered by social assistance are also too low to sufficiently motivate beneficiaries.

Moreover, social contracts may be treated by social workers as a way to exert power over recipients, impeding the mutual trust necessary for an effective process of activation. Social contracts suffer from this dynamic, and there is no reliable data on its actual effects (Regionalny Ośrodek Polityki Społecznej w Szczecinie, 2014[14]).

One solution to the problem include projects financed by European Social Fund (ESF). Due to the higher level of funding, the projects make it possible to offer forms of support that are attractive to social welfare recipients, such as driving licence courses. To get access to these courses, project participants must also go through personalised support programmes. These programmes help welfare recipients to better recognise their difficulties and problems, acquire social competences necessary to function in society and the labour market, and acquire professional skills. Labour market insertion is facilitated in this context.

Public benefit works

Another instrument of activation is public benefit works. This instrument lies between labour market policy and social assistance. It is financed by employment offices but organised by social assistance centres. The instrument involves performing simple work for the local community. These jobs are limited to ten hours a week. Public benefit work can be used to build basic social competences needed for professional activation and to maintain professional activity. They are also a source of additional income for participants. However, according to data from employment offices, the effectiveness of this

instrument evaluated on its success to find employment for social welfare recipients is relatively low and amounted to only 12% of participants in 2019. The effectiveness was slightly higher for young people, parents and women, while lower for older people of working age and people with disabilities (Ministerstwo Rodziny, Pracy i Polityki Społecznej, 2019[15]) .

Source: Regionalny Ośrodek Polityki Społecznej w Szczecinie (2019), Kontrakt socjalny w praktyce, Szczecin. http://www.ois.wzp.pl/attachments/article/247/Raport_Kontrakt.pdf
Ministerstwo Rodziny, Pracy i Polityki Społecznej (2020), Informacja o bezrobotnych i poszukujących pracy w grudniu 2019 roku [Information on unemployed and jobseekers in December 2019], https://psz.praca.gov.pl/-/11341791-statystyki-strukturalne-grudzien-2019

The main reasons for the low activity of social assistance in the area of professional activation are complex. Tasks performed by social welfare services are regulated by many legal acts, amongst others on social welfare, on supporting the family and foster care, and on counteracting domestic violence. The tasks associated with these acts overlap and intersect. New programs, initiatives or legislation tend to add additional tasks to social assistance services (Miżejewski, 2014[16]).

At the same time, the capacity of social assistance units is insufficient for a growing workload. Representatives of social assistance intitutions underlined during interviews that the shortage of social workers is particuraly noticeable. According to these representatives, this is due, on the one hand, to underinvestment in the functioning of social assistance services, and on the other hand, to the lack of candidates willing to work in social assistance. This work is perceived as not very attractive and poorly paid.

The financing system does not provide any clear incentives to focus on the professional activation of social assistants clients. Currently, social assistance activities are financed from several sources: local governments' own resources, the state budget, government programs, European funds, and private resources. Public statistics separate expenditure on social assistance from the budgets of local governments and the state budget. However, some grants from the state budget are considered as a part of local government budget, not always allowing for a clear distinction of funding sources (Miżejewski, 2014[16]).

The main expenditure of social assistance is aimed at supporting care services for dependents and children, and supporting the family. The expenditure of social assistance is included in three budget chapters (according to the classification of expenditures of public finance): social assistance, other tasks of social assistance and supporting family. The main item of expenditure in the budgets of local governments are child benefits, which in 2019 accounted for 46% of all local government expenditure in these three chapters. Other important items are social housing (7%), childcare facilities for children under 3 (2%), care and educational centers for children and young people (2%), allowances and assistance in kind (2%) (Miżejewski, 2014[16]).

Budgets for economic activation services are limited andaccount for only a small share of social assistance expenditure. The main categories of expenditure by self govement budgets in the chapter social assistance included in 2019: social assistance homes (33% of all expenditures of self goverments in the chapter social assistance), social assistance centres, which included also services provided by social workers, including activation services (21%), permament benefits (7%), support centres (7%) and temporary benefits (7%) (Statistics Poland, 2019[17]).

4.4. The social economy: Including economically inactive people outside of social assistance and PES

In Poland, the social and professional activation of economically inactive people or those at risk of social exclusion is not sufficient to meet demand and is weakly integrated. On the one hand, employment offices focus on the economic activation of the more active unemployed (i.e. the "easier" clients) through professional activation services. These types of services are necessary, but strongly insufficient for inactive or excluded people. On the other hand, social assistance centres focus on providing social support, primarily through income support, and are not well prepared to provide professional activation services. In this context, neither institution is responsible for providing integrated and comprehensive activation services and social support for the economically inactive.

There have been attempts in Poland to respond to these deficits. However, they tended to consist of creating new, additional solutions and instruments, with limited comprehensive reform of the existing system. These instruments play the role of a complementary rather than a comprehensive public service. Within the moderately developed social economy in Poland (OECD, 2020[18]), the most important of these are social employment institutions and social cooperatives.

4.4.1. Social employment

Social employment (zatrudnienie socjalne) is regulated by the Law on social employment, adopted in 2003. Social employment is addressed to disadvantaged groups, persons in difficult situations, such as homelessness, substance abuse, persons with mental disorders, the long-term unemployed, those released from prison, or people with disabilities. Social employment is a part of the social economy sector and offers activities organised in one of two forms:

- Social integration centres, and;
- Social integration clubs.

Social integration centres **offer one-year programmes, providing social and vocational reintegration activities**. This is usually in the form of work, in workshops or in enterprises, in order to develop vocational skills, combined with social skills development, psychological support, the support of social workers and career counselling. The instrument provides integrated services, adjusted to the needs of the long-term unemployed, those who are inactive or threatened by social exclusion. Participants also receive an integration benefit of the amount equivalent to unemployment benefits.

The *social integration club* is a more flexible instrument, often used by social assistance centres.Training in clubs usually focuses more on the development of social competences than vocational education. Participants do not receive any financial benefits.

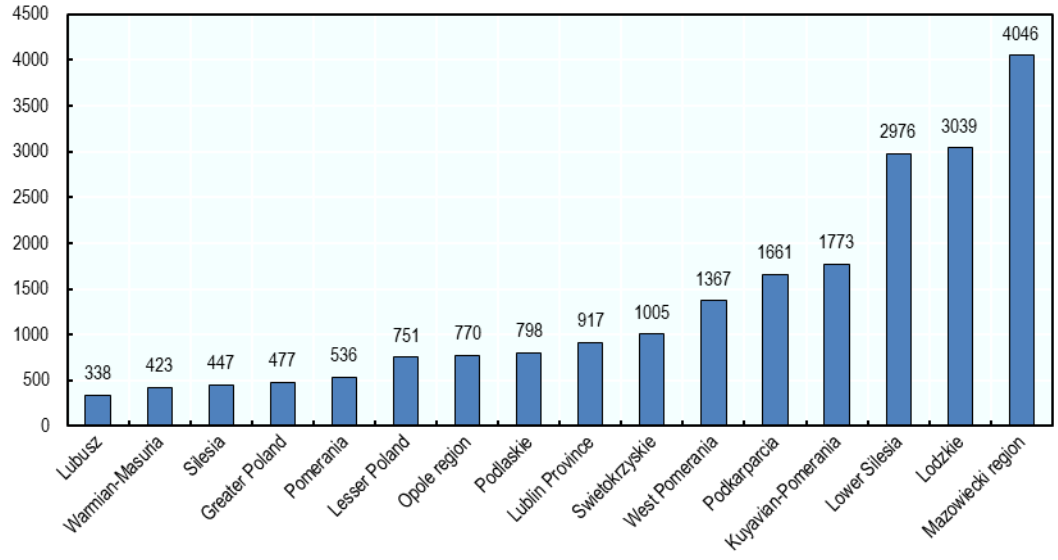
Both forms of social employment are voluntary. Furthermore, there is no universal mechanism to finance these entities. Therefore, the main problems are rather the limited number of entities, the limited scope of their activities, their uneven territorial distribution and limited financial sustainability. In 2019, 186 social integration centres operated across Poland, spread across almost 2 500 communities. Additionally, there were 260 social integration clubs, although data on the number of their participants is not available.

The scale of activities of social integration centres is very small. In 2019, about 11 000 persons participated in social integration centre activities and 5 000 completed the support programme. Around 40% of these persons became economically independent, which in most cases means that they found employment. Comparing these numbers to the size of the target group reveals the limited reach of the social integration centres. According to 2019 labour force survey data, there was an average of 83 000 long-term unemployed persons and 210 000 economically inactive persons discouraged from their job search. Thus, a total of over 300 000 people are potential participants of social employment entities.

Social employment entities are also unevenly distributed across Poland's regions. The lowest number of operating entities was present in the voivodeship of Lower Silesia (9) and the highest number in Silesia (65) – two neighbouring voivodeships with a relatively good labour market situation. This shows that the creation of social employment units is not a derivative of needs or regional policy, but likely the initiative of local actors. The number of operating institutions can also be compared to the number of long-term unemployed persons registered with employment offices at the end of 2019. Large discrepancies exist. In the Lubusz voivodeship, there were 338 long-term unemployed persons per one unit, compared to 4 046 in Mazowieckie (Figure 4.7). The large regional gaps in registration of long-term unemployed persons reveals large inequalities in access, but it also reflects different local strategies and capacities.

Figure 4.7. Large discrepancies exist in the access to social employment units of the long-term unemployed

Number of long-term unemployed persons registered in employment offices (at the end of 2019) per operating social employment unit



Source: Central Statistical Office (2020), Centra integracji społecznej, kluby integracji społecznej, zakłady aktywności zawodowej, warsztaty terapii zajęciowej w 2019 r., Ministry of Family, Labour and Social Policy, Unemployment in Poland, 2019

Another challenge is the relatively low level of coordination of the network of services provided by employment offices, social assistance and social employment units at the local level. While examples of successful cooperation in individual cases exist, there are no systemic solutions ensuring the cooperation of various institutions in providing the most optimal services tailored to the needs of people in difficult situations (Szarfenberg, Grewiński and Lizut, 2019[19]).

Szarfenberg et. al. compare the Polish experience with social employment with patterns of social and vocational integration existing in other countries. The main conclusion is that the Polish model goes in the opposite direction compared to reforms in other countries. Most countries move towards a process of integration of activation services. In Poland, complementary institutions are introduced alongside two independent systems that require better coordination. The problem is exacerbated by the fragmentation of activation services networks (Szarfenberg, Grewiński and Lizut, 2019[19]).

4.4.2. Social cooperatives

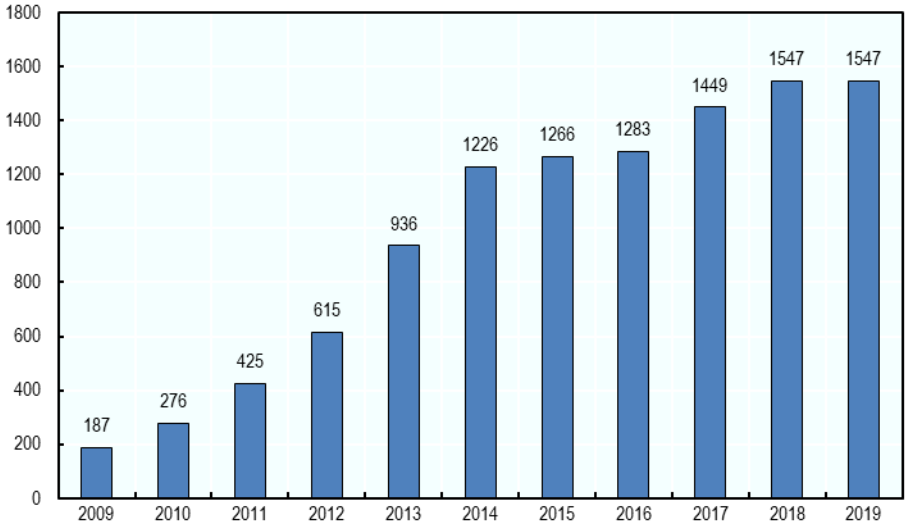
Social cooperatives have also tried to fill the gap in social and professional activation policies in Poland (Mendell et al., 2009[20]).[5] The Act on Social Cooperatives of 2006 states that the goal of social cooperatives is the social and professional reintegration of their members and employees. The development of social cooperatives accelerated after 2010, when they started receiving support from the European Social Fund (ESF). Currently, European funds support not only social cooperatives, but the wider category of social enterprises, which also includes social cooperatives. This support is provided by the nationwide network of social economy support centres (OWES), which help create and develop social enterprises by providing business, training and financial support for job creation for people at risk of social exclusion.

In practice, however, both the support centres and social enterprises themselves are more focused on operating the enterprises and less on the social and professional integration of their employees. Attempts are being made to strengthen the integration and activation services offered by the social economy support centres (Kozak, 2020[21]). However, the social economy could be better integrated with the rest of the social welfare system and public employment services. Despite significant funds allocated to support its development, the current condition of the sector is rather weak. At the end of 2019, over 1 500 social cooperatives operated in Poland, employing 8 800 persons (Figure 4.8). This is a rapid increase, considering that only 187 social cooperatives operated in Poland in 2009. However, considering the scale of economic inactivity in Poland, social cooperates still play a limited role and are unevenly distributed territorially (Ministerstwo Rodziny, Pracy i Polityki Społecznej, 2020[22]).

The rapid increase in the number of social cooperatives observed after 2010, related to the availability of European funds to support these entities, has also slowed down significantly. Multiple stakeholders have emphasised that social cooperatives are overregulated and difficult to implement, and that financial support is limited. Therefore, in recent years, other legal forms of social enterprises are being promoted, such as NGOs engaged in economic activation or non-profit companies.

Figure 4.8. The growth of social cooperatives has slowed in Poland

Number of active social cooperatives



Source: Ministerstwo Rodziny, Pracy i Polityki Społecznej (2020), Informacja o funkcjonowaniu spółdzielni socjalnych działających na podstawie ustawy z dnia 27 kwietnia 2006 r. o spółdzielniach socjalnych za okres 2018–2019, Warszawa

The new impetus for the development of the social economy in Poland may lead to a new Law on the social economy. The draft Law is currently under public consultation (Minister Rodziny i Polityki Społecznej, 2021[23]). It may introduce the status of a "social enterprise", which can be obtained by cooperatives, NGOs and non-profit companies that provide reintegration services to persons threatened by social exclusion, or that provide social services in local communities. However, the new bill has also faced criticism as it places too much administrative burden on social enterprises, while not creating sufficient incentives and conditions to create social enterprises (Ogólnopolski Związek Rewizyjny Spółdzielni Socjalnych, 2021[24]).

4.4.3. European Social Fund

The European Social Fund (ESF) is an important instrument for professional and social activation. ESF strengthens the activities of public employment services, social assistance and many non-governmental organisations in Poland. ESF has brought two innovations to Polish active labour market policies.

Including inactive persons as a target group in the labour market policy and social assistance.

In Poland, for the 2014-2020 period, the ESF was implemented in one national programme and 16 regional programmes. Direct support to persons (unemployed, economically inactive, working) is generally provided at the regional level. There are exceptions, however. One relates to active labour market programmes targeted at young people, which are implemented at the national level.

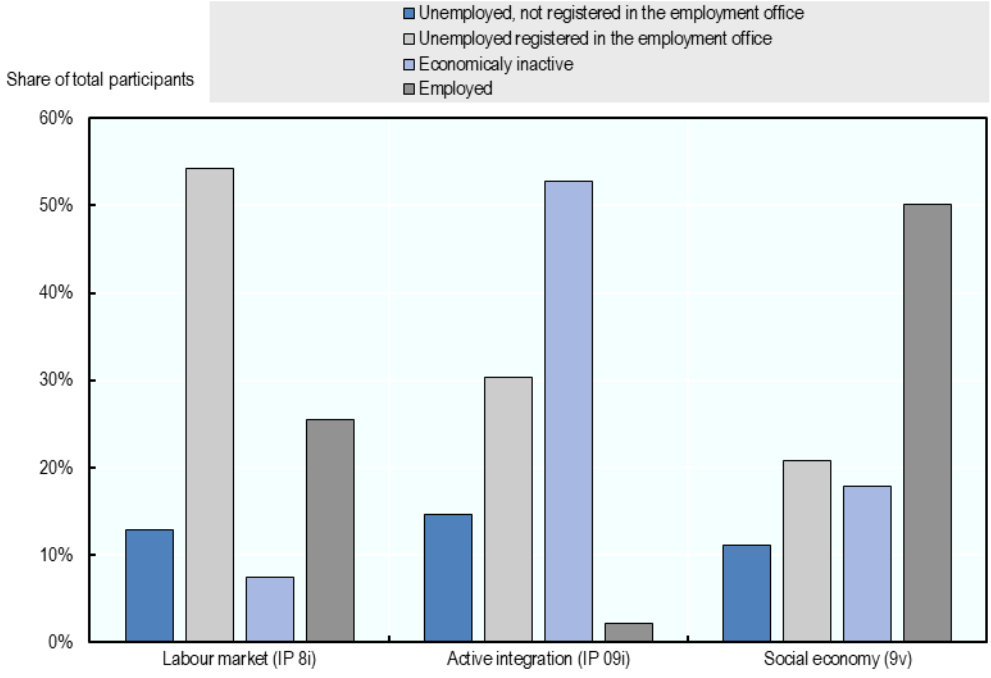
Programmes financed by European funds identify the economically inactive as a target group, unlike Poland's PES. The fact that this group was included specifically as a target group is a first for social policy in Poland. Professionally inactive people have been indicated as the target group both in projects implemented in the area of the labour market and in the area of social inclusion. This resulted in the inclusion of inactive persons as labour market activation project participants. However, it is worth noting that the share of the economically inactive among the participants differs by voivodeship. Activities in the field of the labour market (investment priority 8ii) addressed to young people (up to 29 years of age) were mainly attended by the unemployed. The economically inactive constituted only 10% of participants, ranging from 6% in Kuyavian-Pomerania and Podkarpacia to 15% in Lower Silesia.

Regional operational programme data from Podkarpacia and Lower Silesia show that participation of economically inactive persons in projects varies depending on the field of intervention (Figure 4.9**)**. It is relatively low for labour market measures and relatively higher in the area of social inclusion programmes. It should be stressed that public employment services are allowed to provide support only to registered unemployed persons in their projects. Inactive persons can participate in projects implemented by NGOs. The data thus confirms the strong concentration of labour market policies on unemployed persons and the marginal participation of inactive persons.

Data also show that there are significant differences in the participation of inactive persons in the area of social inclusion. Participation is relatively higher in active integration and relatively lower in social economy programmes. This may be a result of the specific feature of the social economy support, which is also addressed to employees of social enterprises and the broad environment of the social economy.

Figure 4.9. Economically inactive persons participate in projects implemented mainly in the area of active integration

Labour market status of project participants at the time of joining the project

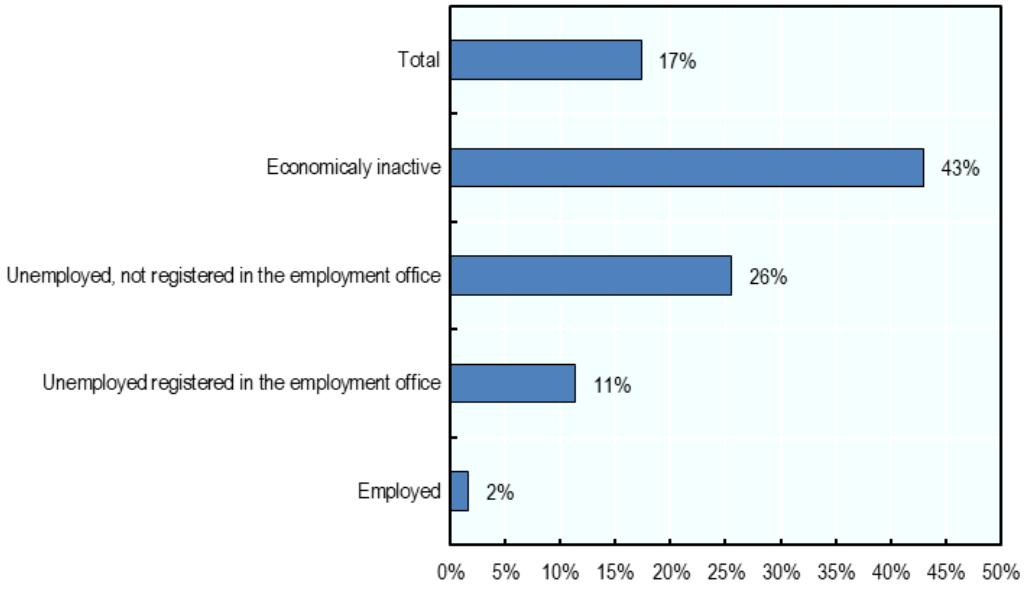


Source: Ministry of Funds and Regional Policy, Data from the monitoring system SL-2014 for Podkarpacia and Lower Silesia.
Note: Distinction between unemployed registered in the employment office and unemployed not registered in the employment office made for participants of ESF projects only. These categories do not represent official statistics.

Economically inactive persons participating in ESF projects are generally in a worse situation compared to the unemployed and the employed. Their inactivity correlates with disability (Figure 4.10). In Podkarpacia and Lower Silesia, persons with disabilities accounted for 43% of project participants who were inactive, and only 11% of those categorised as unemployed.

Figure 4.10. More people with disabilities are among the economically inactive participants of ESF projects

Percentage of people with disabilities among project participants by labour market status at the time of entering a project in the Lower Silesia and Podkarpacia ROP, Investment Priority 8i, 9i, 9v

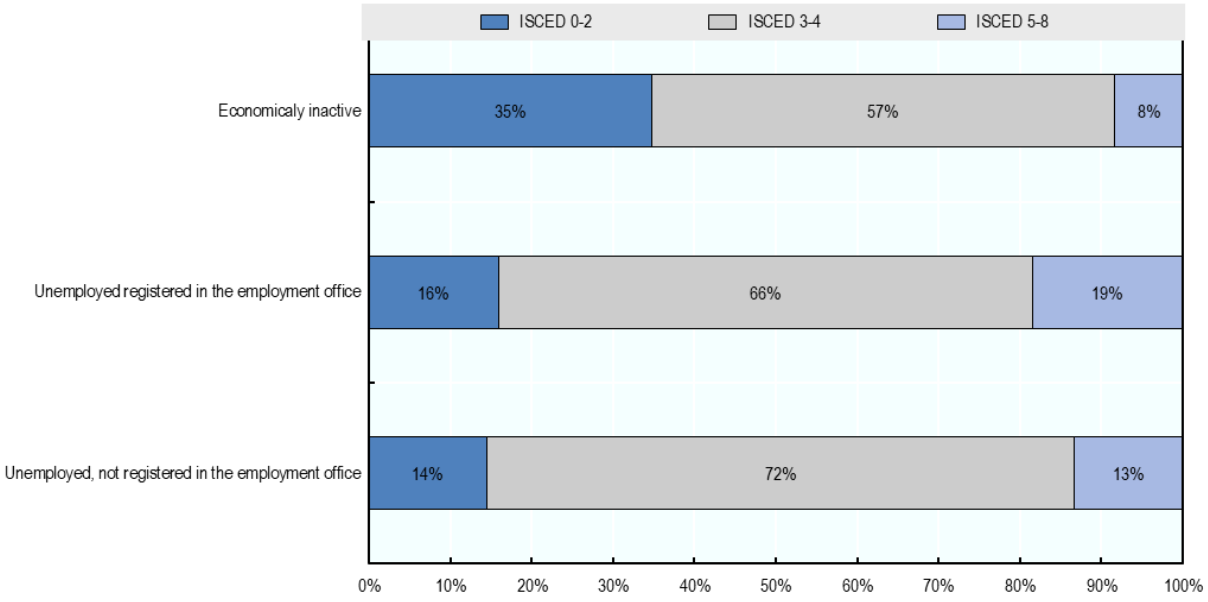


Source: Ministry of Funds and Regional Policy, Data from the monitoring system SL-2014 for Podkarpacia and Lower Silesia.
Note: Distinction between unemployed registered in the employment office and unemployed not registered in the employment office made for participants of ESF projects only. These categories do not represent official statistics.

Economically inactive participants in ESF projects have a lower level of education compared to unemployed participants. Among inactive project participants, 35% had only the lowest level of education and only 8% had a high level of education (Figure 4.11).

Figure 4.11. More people have a low education level among the economically inactive participants of ESF projects than among unemployed participants

Project participants by level of education and by labour market status at the time of entering a project in the Lower Silesia and Podkarpacia ROP in Investment Priority 8i, 9i, 9v



Source: Ministry of Funds and Regional Policy, Data from the monitoring system SL-2014 for Podkarpacia and Lower Silesia.
Note: Distinction between unemployed registered in the employment office and unemployed not registered in the employment office made for participants of ESF projects only. These categories do not represent official statistics.

ESF projects can be implemented by public employment services, social welfare centres, NGOs, and private companies. Projects implemented by PES or social assistance centres have some weaknesses, as described in chapters 3.1 and 3.3. Public employment services focus primarily on professional activation of those unemployed that are more easily placeable, while social assistance centres focus to a large extent on social integration of the long-term unemployed and economically inactive. However, in the latter case, an attempt was made to implement more comprehensive projects, which is described in more detail below.

Numerous projects on social and professional activation are also implemented by NGOs. According to regional institutions, it is the non-governmental organisations that manage to effectively combine social and professional activation. Non-governmental organisations can more flexibly adjust the scope of support to the needs of participants, as they are not limited by detailed legal regulations. They also often have experience in combining various elements of social and professional integration. Their staff is often better prepared for such an integrated approach than the rigid public sector.

Many NGOs have developed an effective approach to the activation of economically inactive persons. Projects usually offer a support pathway: a set of activities that, implemented gradually, is intended to lead to effective activation. In most cases, more emphasis is placed on social activation at the beginning: changing attitudes, developing social competence, and helping to solve social problems. Professional activation begins at a later stage: recognition of professional experience, training, internships, and support in the workplace. Project providers usually underline that this first phase is necessary for success. However, project providers also acknowledge that for some groups, a first phase that is too long can be daunting, resulting in participants dropping out of projects.

Box 4.4. ABRAMIS Foundation as an example of the effective integration of inactive persons

The ABRAMIS Foundation operates in Zgorzelec, a city on the Polish-German border in the Lower Silesian voivodeship. For over 10 years, the Foundation has been working on the social and professional activation of people in particularly difficult situations. Professionally inactive people dominate among the Foundation's clients. It is practically the only such institution in the county of 90 000 inhabitants.

The standard support programme of the Foundation includes consultations with a psychologist, a career counsellor who helps to determine professional experience, and an employment broker who finds suitable job offers. Participants are directed to vocational training and internships. At the same time, they participate in workshops to develop psychosocial competences. They can also use the services of a psychologist or substance abuse therapist.

Source: https://fundabramis.pl.tl/ (accessed 22/06/2021)

The projects implemented by NGOs, which successfully combine social and vocational integration, have many elements in common. On the basis of analysing a number of models in different projects, researchers have identified the elements that are common to many projects implemented by NGOs that successfully combine social and vocational integration:

- the support is comprehensive - social activation complements professional activation; it is often complemented by additional activities (therapy, counselling);
- support is essentially individual; work with the client is conducted by psychologists or specialised trainers;
- an individual plan is used to precisely define deficits or potential and to find corrective tools;
- the offer of professional activation is adjusted to the options available on the labour market;
- assistance is gradated - some benefits (e.g. rent subsidies, telephone equipment, etc.) are available only after the first stages of activation;
- solutions are sought that facilitate the reconciliation of family and professional life;
- protective measures are introduced in the labour market during the initial period after starting work (e.g. work in a social enterprise, mentoring and regular contact with people who have started work) (Kwiecińska-Zdrenka, 2019[25]).

The implementation of projects for economically inactive people also has its challenges. The most important of them is to reach out to the economically inactive and encourage them to participate in a project. Some may not be interested in participating due to the risk of losing social benefits or difficulties in accessing childcare. Project designers usually collaborate with various organisations and institutions in reaching out, but word of mouth is usually the most effective method. In order to encourage participation in such projects, attractive elements are often included: driving licence courses, paid internships, etc. After joining the project, most participants are quickly convinced that they should participate and benefit from the support. Only around 30% of participants drop out. Substance abuse, problems with the law, etc. are significant factors.

Implementation of system projects by social assistance institutions

Social assistance units began implementing ESF projects. These were first introduced in the 2007-2013 programming period. Social assistance units could apply for funds outside of the competition procedure. These projects constituted a set of activities related to social, professional, educational and health activation. In practice, they were an important supplement to the standard tools offered by social welfare centres. They allowed for the actual implementation of the activation function of social assistance

and became an important supplement to the routine activities of social assistance centres. In these projects, models of vocational activation and social reintegration were combined, thus offering clients more comprehensive services.

The effectiveness of the projects financed by ESF depends largely on their target group. According to evaluation studies, 18% -28% of participants in projects in the field of social inclusion and 46% -67% of participants in projects in the field of the labour market entered employment within six months after the end of project participation. These differences are expected, given the more difficult situation of clients of institutions that implemented projects in the area of social inclusion (Zub et al., 2015[26]).

Projects implemented by social assistance centres have many advantages but also face challenges, particularly timing of services and sustainability. One of them is the project nature of these activities, as ESF projects start at a specific point in time and are targeted to a specific group of participants, and usually have a fairly detailed scope and duration of support. As a result, activation services are not always available when they are needed, but rather within the project cycle. The scope and duration of support cannot be fully adapted to the needs of recipients but must fit within the adopted project framework. Some flexibility is possible in projects, but its scope depends on the project leaders' experience in planning and securing funding for projects, as well as the approach of the institutions supervising these projects.

It should also be noted that the implementation of projects run by social assistance centres under the ESF is strongly influenced by the capacity of social assistance institutions. Units with less staff, expertise and financial capacity do not have enough resources to implement projects. And even if they implement them, they face difficulties such as staff shortages, limited access to specialists and a small or non-existent support infrastructure among the institutions in the social assistance community (Banasiewicz et al., 2014[27]).

Projects addressed to economically inactive people at risk of exclusion also reveal two broad approaches within labour market policy-making in Poland.

- **According to some, ESF projects for the economically inactive, especially those implemented by social welfare institutions or non-governmental organisations, should primarily focus on social reintegration**. Thus, programmes should restore the ability of participants to function in society and in a group. Only people who have undergone the process of social reintegration and who have been "prepared" should be referred to professional activation programmes, implemented, for example, by local employment offices. From this perspective, these projects should not be monitored in terms of the achieved employment effect.
- **The second position emphasizes the integrative function of work and is closer to the "job first" approach**. Supporters argue that work itself creates the environment to develop and train social skills.

In Poland, the emphasis on social integration is clearly the dominant position among representatives of aid institutions. However, existing literature underlines the large variety in needs of economically inactive people or people at risk of social exclusion. Some will first require help in solving their problems in life, e.g. debt, substance abuse, mental health challenges, or housing issues, while others may benefit socially from labour market integration .

4.5. How Poland targets Active Labour Market Policies

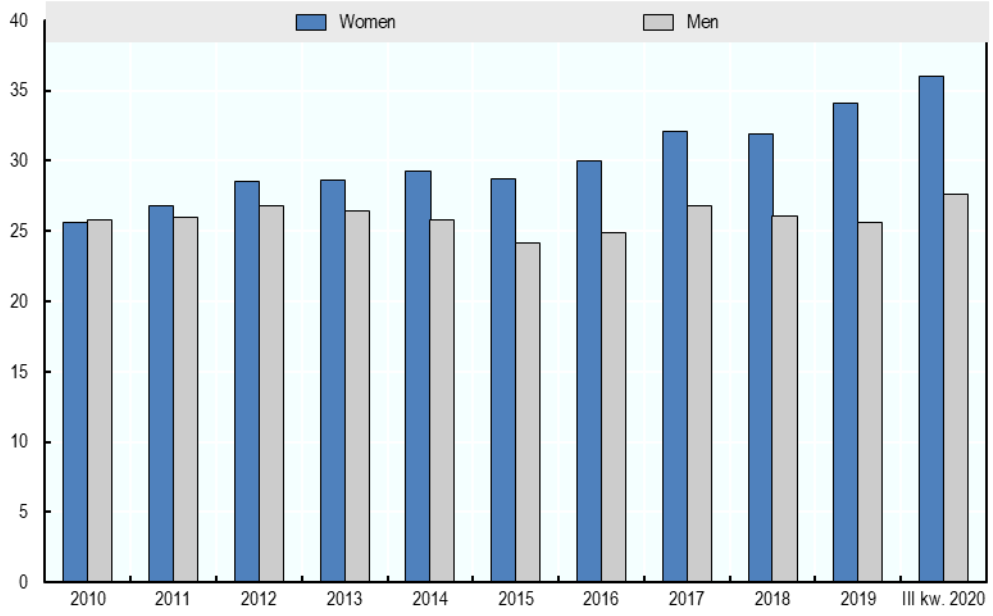
4.5.1. Labour market policy towards people with disabilities in Poland

Disability, or more broadly – illness, is one of the main reasons for inactivity in Poland. According to the LFS in 2020, 69% of all people with disabilities of working age were inactive. The low level of the

economic activity of people with disabilities has been ongoing for many decades. In 2010, only 26% of men and women with disabilities participated in the labour market (Figure 4.12). The economic activity of men with disabilities has stayed relatively stable, falling to 25% in 2014, before rising to 28% in 2020. The rate of women with disabilities participating in the labour market, however, has risen from 26% in 2010 to 36% in 2020.

Figure 4.12. The activity rate of men with disabilities has remained stable, while that of women has risen

Activity rate of disabled men and women, 2010-2020



Source: Statistics Poland, Labour Force Survey, Kwartalne i roczne dane z BAEL GUS 1993-III kw. 2020 roku aktualizacja15.02.2021 roku., http://niepelnosprawni.gov.pl/p,81,bael (Accessed 24.06.2021)

The activation of people with disabilities in Poland is financed from three main sources:

- **The National Fund for the Rehabilitation of Disabled Persons (PFRON)**, a special fund, financed by contributions from employers who do not reach the minimum level of employment specified in the regulations for people with disabilities;
- **The Labour Fund**, a special fund, also financed by contributions from employers, to finance unemployment benefits and active labour market policies;
- **The European Social Fund**.

All funds focus mostly on supporting the employment of people with disabilities who are already active, and very limited resources are targeted to the activation of economically inactive people. The main source of financing for these activities is PFRON. 98% of PFRON funds are spent on vocational and social activation. However, the vast majority of these funds are allocated to co-financing the cost of employers to employ people with disabilities. In 2019, PLN 3.3 billion (710 million Euro) were spent for this purpose.

This subsidy is intended to encourage employers to employ people with disabilities. The amount of the subsidy for salaries depends on the level of disability. However, remuneration subsidies do not differ depending on, for example, the status of a person with a disability in the labor market. As a result, the

same wage subsidy is allocated to employers employing people with disabilities with extensive professional experience, as well as people who had never previously been active on the labor market. In November 2019, funding was received by 32 000 employers who hired 246 000 people with disabilities. There is no independent assessment of the extent to which this instrument fulfils its function (PFRON, 2020[28]). This instrument is specifically aimed at employers, serving as a demand side policy. It is also indirectly used by people with disabilities working in subsidised workplaces.

Other vocational rehabilitation instruments are also directed primarily to people who are already professionally active, **supporting their skills and reducing labour costs**. These instruments can be targeted directly at people with disabilities or indirectly through institutions. Examples of such instruments include:

- Occupational therapy workshops (WTZ), which served 27 691 people with disabilities in 2019;
- Vocational development centres (ZAZ), where 5 280 people with disabilities worked in 2019 (PFRON, 2020[28]).

The participation of people with disabilities in occupational therapy workshops, in accordance with the provisions of the Act on vocational and social rehabilitation, are meant to support the social and professional independence of people with disabilities. However, according to PFRON data, only 1.5% of WTZ participants took up employment in 2019. Thus, WTZ actually play a small activating function, and is in practice more focused on rehabilitation and care functions.

Only a small part of PFRON funds are directed to people with disabilities who could potentially work. The most important instruments include commissioned tasks, performed by non-governmental organisations and financed by PFRON, voivodeships or counties. However, only a small part of these funds is allocated to vocational activation. In 2019, only 11% out of PLN 280 million was spent on projects supporting vocational rehabilitation. In this context, the main challenge is the uneven territorial distribution of support and the low share of people in the most difficult situation among the beneficiaries.

PFRON funds are also spent on professional activation of people with disabilities by county governments. In 2019, local governments spent PLN 48 million for this purpose, which accounted for 5.5% of the total expenditure of local county governments from PFRON. The remaining funds were allocated to social rehabilitation, including the financing of WTZ. Out of PLN 48 million for vocational rehabilitation, only 11% was allocated to labour market services and instruments targeted to jobseekers with disabilities registered in local employment offices. In 2018, 1 115 persons used these instruments (PFRON, 2020[28]). This represents only arout 5% of the people with disabilities who were registered as jobseekers in employment offices in 2019. Other funds for vocational rehabilitation are allocated to support employers or those people with disabilities already active. These funds are typically channelled to job creation, purchasing equipment that allows people with disabilities to carry out their work, and to support start-ups.

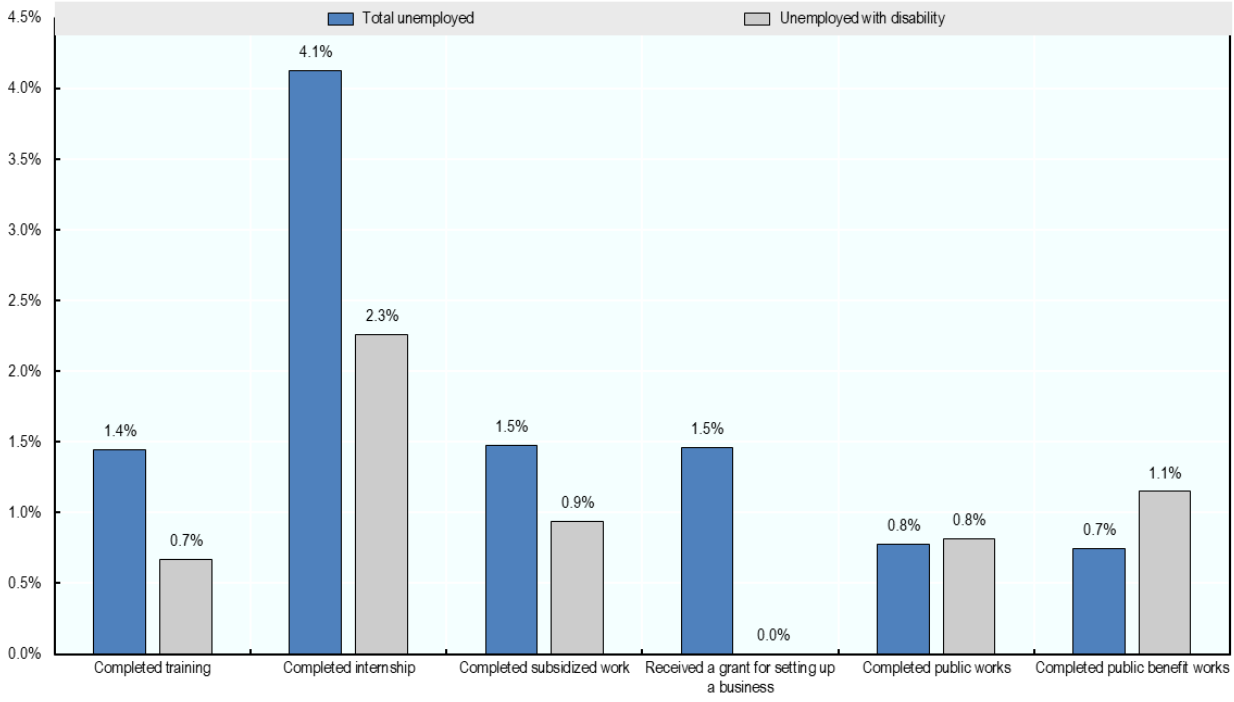
PFRON funds tend to support people with disabilities who are already in the labour market, primarily as employees and to a lesser extent unemployed. These two groups account for less than 30% of all people with disabilities, as most are economically inactive.

Persons with a disability may be registered in the local employment office either as jobseekers or or as unemployed. Activation measures for jobseekers with a disability are financed by PFRON. Activation measures for unemployed persons with a disability are financed by the Labour Fund. According to the statistics from the Public Employment Services, in 2019, there were 154 000 unemployed persons with disabilities registered with the local employment offices. They constituted 6.7% of all unemployed. Although persons with disabilities are usually in a more difficult situation in the labour market, they participate much less frequently in active labour market programmes. This is especially the case for programmes that generally result in more job placements, such as training, internships or subsidised employment. Unemployed people with disabilities participated in in 2019 at a rate of 0.7%, 2.3% and 0.9%

respectively, compared to 1.4%, 4.1% and 1.5% of the total unemployed (Figure 4.13). People with disabilities are also less likely to receive subsidies to start a business. At the same time, they participate in similar proportions as the general population in public works and social benefit works, instruments characterised by significantly lower effectiveness when evaluated on participants' likelihood of transitioning into employment.

Figure 4.13. Unemployed persons with a disability participate to a lesser extent than other unemployed people in labour market programmes offered by PES in Poland

Percentage of unemployed persons and unemployed persons with a disability participating in selected active labour market instruments and services, 2019



Note: Percentage calculated as the number of individuals who completed a given programme in 2019, divided by the number of unemployed at the end of 2018, plus the inflow of newly-registered unemployed in 2019.
Source: Ministry of Labour, Family and Social policy, Unemployment in Poland in 2019

Despite lower participation, the job placement effectiveness of programmes for people with disabilities is only slightly lower than for the general population of the unemployed. This may indicate that only the most job ready people with disabilities participate. People with disabilities in a relatively better situation may be recruited to participate in labour market instruments, revealing the need to tailor instruments to those with higher levels of disability.

The Polish government has undertaken several initiatives that may lead to a gradual change to the approach of integrating people with disabilities into the labour market. One of the new initiatives is the Solidarity Fund, under which several programs were launched. The first is the co-financing of local governments and NGOs for assistant services geared towards people with disabilities. Within this programme, people with disabilities can get help in everyday functioning, which may translate into an increase in their professional activity. Services provided by the assigned assistant include help with traveling to the work place or educational institutions, organising access to medical care, facilitating access to leisure activities and assisting with everyday activities. The scale of the program is significant. In 2021,

829 entities received funding for this type of service (Ministerstwo Rodziny i Polityki Społecznej, 2021[29]). The second important program is the co-financing of respite care, which may affect the social and professional activity of caregivers. The respite care programme aims to relieve the pressure on caregivers of persons with disabilities by supporting caregivers with their daily tasks or by temporarily taking over care duties. In 2021, 738 local government and non-governmental entities were recommended for funding through the respite care programme (Ministerstwo Rodziny i Polityki Społecznej, 2021[29]).

In 2021, the Polish government also adopted the Disability Strategy, according to which by 2030 the employment rate of people with disabilities should increase to 40%. The Strategy envisages a number of activities aimed at directly supporting people with disabilities in their activity on the labor market (Biuro Pełnomocnika Rządu do Spraw Osób Niepełnosprawnych, 2021[30]). The social economy is also expected to play a significant role here, as a place of employment of persons with disabilities.

Supported employment is being developed as a supplement to traditional active labour market programmes for persons with higher levels of disability. It is assumed that an instrument focussed on people with higher levels of disability will be launched with the support of European funds under the new EU budget plan.

The Ministry of Family and Social Policy has also started to support persons with disability in its "Inclusion of the Excluded" project. The project started in January 2021 and is financed by the European Social Fund. It aims to review and improve exisiting instruments of professional and social activation of persons with disabiliy. New instruments targetting the vocational rehabilitation of persons with disability will be pilot-tested within the project.

4.5.2. How policies in Poland (in)activate older persons

Poland is undergoing a period of rapid population ageing. The median age of the population will increase from 39 in 2015 to 45 in 2030. By the middle of the 21st century, it will reach 50 and is expected to be the fifth highest in the EU (Lewandowski and Rutkowski, 2017[31]).

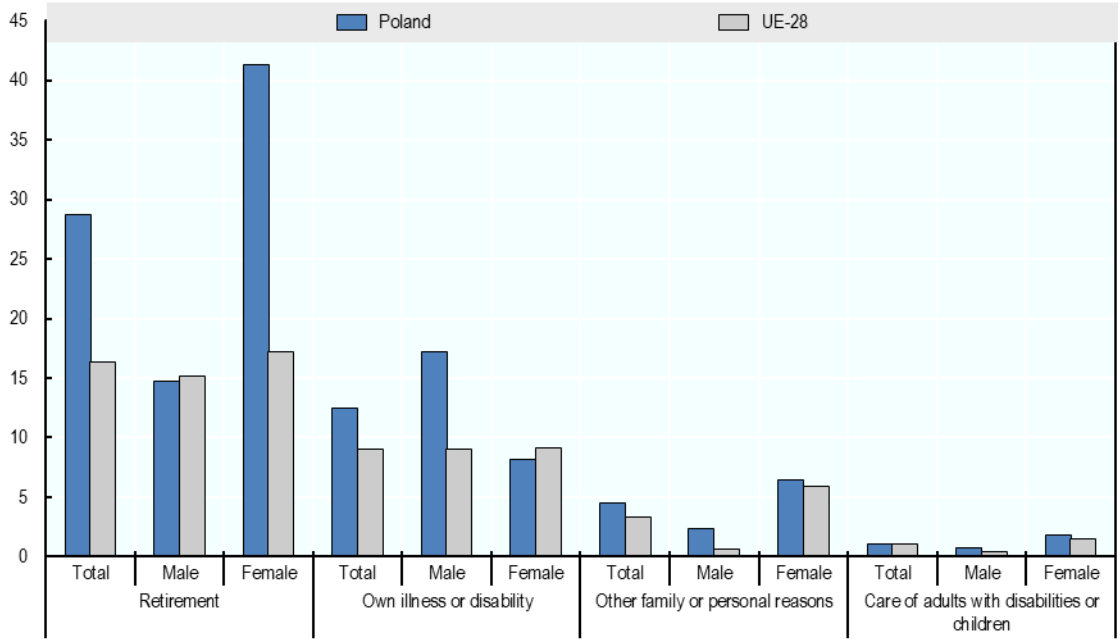
The activity rate in Poland for older people of working age is lower than in most OECD countries. In the 3rd quarter of 2020, 68% of women aged 55-59 were active and only 29% of women aged 60-64. For men, the activity rate of persons aged 55 years or more was also lower compared to the prime working age population.

The main reasons for the inactivity of older person in Poland is retirement, illness and disability and, particularly for women, family obligations. In 2019, 29% of the population aged 55-64 was inactive due to retirement. Among women, 41% of the 55-64 year olds were retired, while the share amog men was only 15% (Figure 4.14)

The main reason for the early retirement of the older people of working age is the existing pension system in Poland, in particular the retirement age. The retirement age is 60 for women and 65 for men. Two main reforms resulted in an increase in the activity rate of older person. In 2009, the possibility of early retirement was strongly limited. As of 2013, the retirement age of women and men began to gradually increase, as a result of a second reform introduced in 2012 (see Box 4.4). Since then, the percentage of women aged 55-64 who are economically inactive due to retirement declined from 53% in 2010 to 36% in 2017. In 2017, however, the latter reform was reversed. The retirement age of 60 for women and 65 for men was reinstated and the percentage of inactive women in the 55 to 64 bracket has started to grow again and reached 41% in 2019 (Figure 4.15).

Figure 4.14. Retirement, illness and disability are the main reasons for the economic inactivity of persons 55-64 years of age

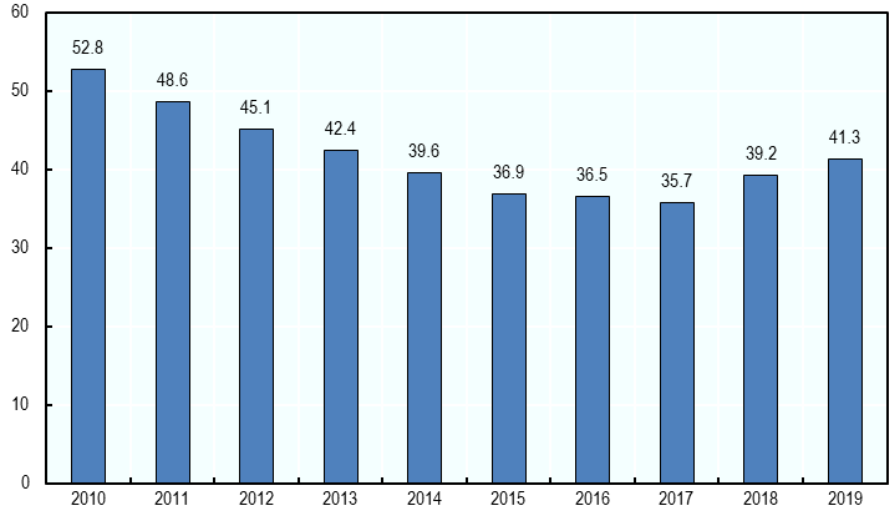
Inactive population aged 55-64 by main reasons of inactivity and sex in 2019 (in percent)



Source: Eurostat (LFSA_IGAR)

Figure 4.15. Influence of the pension system reform on the level of economic inactivity

Percentage of women aged 55-64 who are inactive due to retirement



Source: Eurostat (LFSA_IGAR)

The so-called cohort effect impacts the level of activity among older people of working age persons. The cohort effect refers to the differences in education between different generations. For example, people aged around 60 in 2020, compared to older cohorts, are on average better educated and

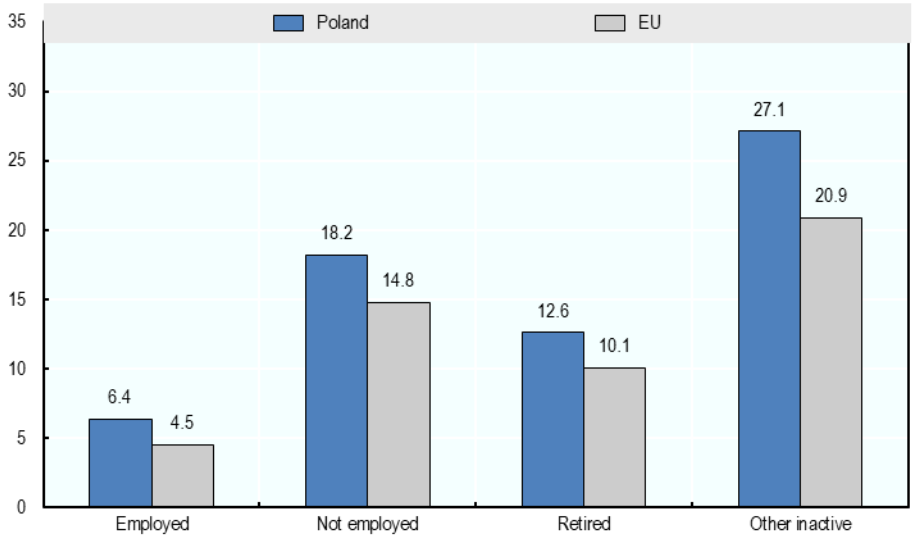
more often work in jobs where a longer working life is more likely (Szukalski, 2020[32]). This trend significantly contributed to the continuation of work after reaching the age of 60 (Lewandowski and Rutkowski, 2017[31]).

Another factor influencing the level of economic activity is health status. Generally, Poles aged 50 and over have slightly fewer healthy years of life ahead of them than the EU average. Poles aged 55-64 also assess their health status as worse than the EU average. In 2019, 61% of EU residents aged 55-64 and 42% of Poles of the same age group assessed their health as good or very good. Around 9% of EU residents and 13% of Poles assessed their health status as bad.

The difference in the health status of working and non-working older people of working age is an important factor that may explain economic inactivity among this group in Poland. Indeed 6% of Poles aged 55-64 in work assessed their health as bad, while the share stood at 27% among persons inactive for reasons other than retirement (Figure 4.16).

Figure 4.16. Inactive persons aged 55-64 assess their health status as significantly worse than those in employment

Percentage of population aged 55-64 assessing their health status as bad



Source: Eurostat (HLTH_SILC_01)

Above all, it is desirable to encourage and make it easier for older workers to stay economically active. In analysing the issue of the work of older people, an encompassing approach is needed (Lewandowski and Rutkowski, 2017[31]):

- Investments in lifelong learning, as technical progress may leave older workers behind;
- Investments in occupational health and safety, workplace ergonomics, and the mid-career identification of health obstacles and risks relating to a particular job;
- Expanding part-time and flexible working arrangements.

Currently, activities aimed at extending the economic activity of older people are scattered and therefore difficult to assess. This is due to the fact that, inter alia, comprehensive policies aimed at improving the labour market situation of older people of working age require actions in different areas, for which different ministries are responsible. As a result, the proposed programmes are included in different strategic documents. These include the Social Policy towards the elderly until 2030 (Ministerstwo Rodziny,

Pracy i Polityki Społecznej, 2018[33]), the National Health Programme for 2021-2025 (Ministerstwo Zdrowia, 2021[34]) and the National Employment Programme 2019 (Ministerstwo Rodziny, Pracy i Polityki Społecznej, 2020[11]).

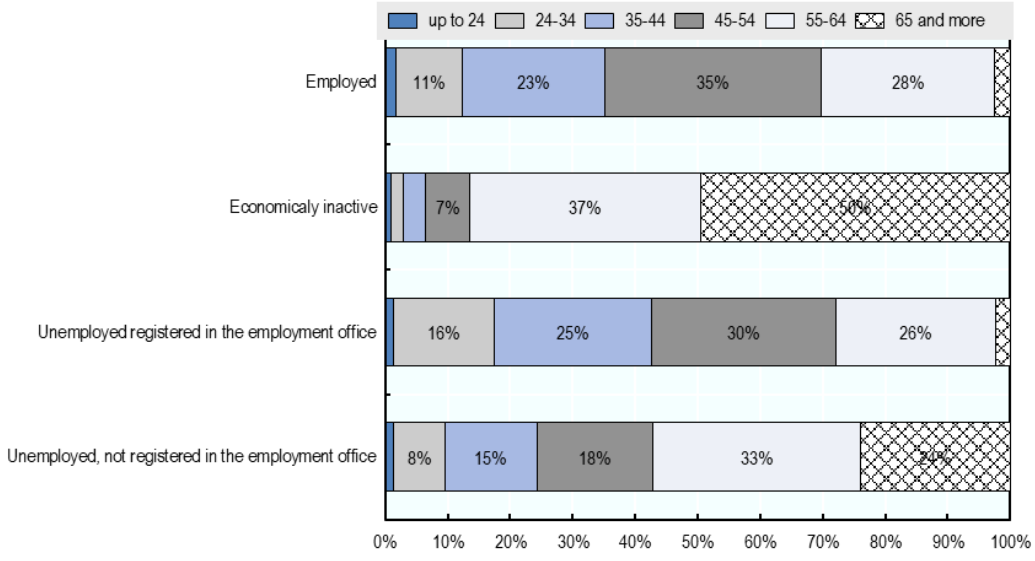
One of the important instruments for supporting the participation of older workers in the labour market is the ESF, and in particular its adult learning and lifelong learning programmes. According to the guidelines of the Ministry of Development Funds and Policy, ESF funds in the area of adult learning should in particular be allocated to support people with the largest competence gap in the field of ICT and foreign languages, and with the greatest needs in access to education, including, among others, people with low-skills and persons aged 50 years and more. This is particularly important in view of the significantly lower share of older people in lifelong learning. In 2016, 45.9% of people aged 18-69 and only 25.6% aged 60-69 participated in any form of lifelong learning (Główny Urząd Statystyczny, 2020[35]).

Older adults are overrepresented in projects on adult learning. Based on the data on the participants of ESF projects from two voivodeships, Podkarpacia and Lower Silesia, 60% of persons participating in adult training were over 55 years of age (Figure 4.17).[6] A particularly high percentage of people aged 55 and over was economically inactive (87%) and unemployed but not registered with employment offices (57%). In the case of economically active people in work, the share of older people was clearly lower and amounted to 30%.

The proportion of older people participating in education is higher in ESF projects than in the overall population. Data for ESF projects can be compared with general statistical data on participation in labour market training programmes. According to LFS data, in the 3rd quarter of 2020, 28% of all persons who participated in non-formal forms of education within the last 4 weeks were aged 45 and above (Główny Urząd Statystyczny, 2020[36]).

Figure 4.17. 60% of the participants in training programmes for adults financed by ESF are over 55 years of age

Participants of ESF adult learning projects (Investment Priority 10iii) by age



Source: Ministry of Funds and Regional Policy, Data from the monitoring system SL-2014 for Podkarpacia and Lower Silesia.
Note: Distinction between unemployed registered in the employment office and unemployed not registered in the employment office made for participants of ESF projects only. These categories do not represent official statistics.

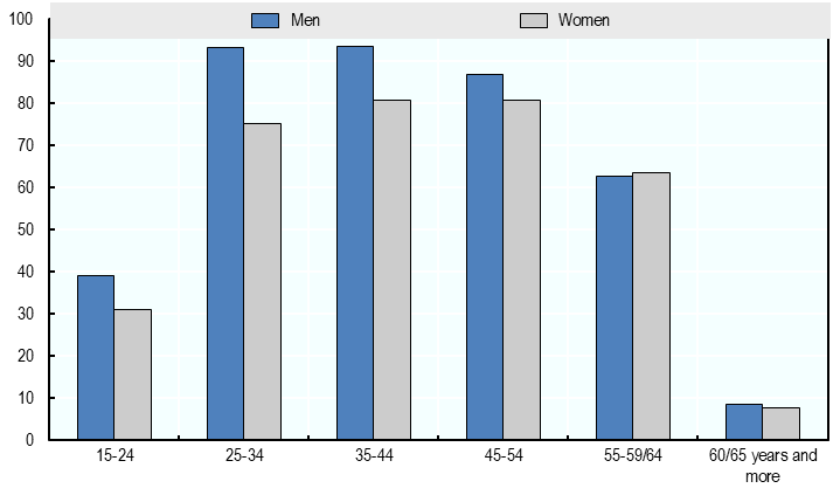
Another field of intervention of the ESF supporting active aging are regional health programmes. They are financed under Investment Priority 8vi active and healthy aging. According to the guidelines issued by the Ministry of Funds and Regional Policy, financing should aim to prevent diseases that are a significant health problem in the region; eliminating health risk factors in the workplace, and providing medical rehabilitation to facilitate a return to work (Ministerstwo Inwestycji i Rozwoju, 2019[37]). However, the scale of these programmes is rather limited. For example in Podkarpacia, plans are to have the regional health programmes cover only 2.7% of the population aged 45 years and above, while in the Lower Silesian voivodeship only 2.1% are planned to be covered. Taking into account that the programmes are usually preventive and focus on diagnostic testing for selected diseases, no significant impact of these programmes is to be expected.

4.5.3. How policies in Poland (in)activate women

The economic activity rate of women is significantly lower than the rate of men (Figure 4.18**)**. Since 2010, the gap between the labour force participation rate of women and men has remained at a level of 13-14 percentage points (age 15-64). As discussed in Chapter 1, particularly large differences are visible among younger people aged between 25 and 44. For this group, the difference in economic activity is around 15 percentage points. Among older people, the differences are less salient if the different retirement ages of men and women are taken into account. Among older people, the main factor of deactivation remains retirement.

Figure 4.18. The economic activity of men is higher than women in all age groups except those just before retirement age

Economic activity by age and sex, 2020, quarter III, 15-64 years old (in percent)

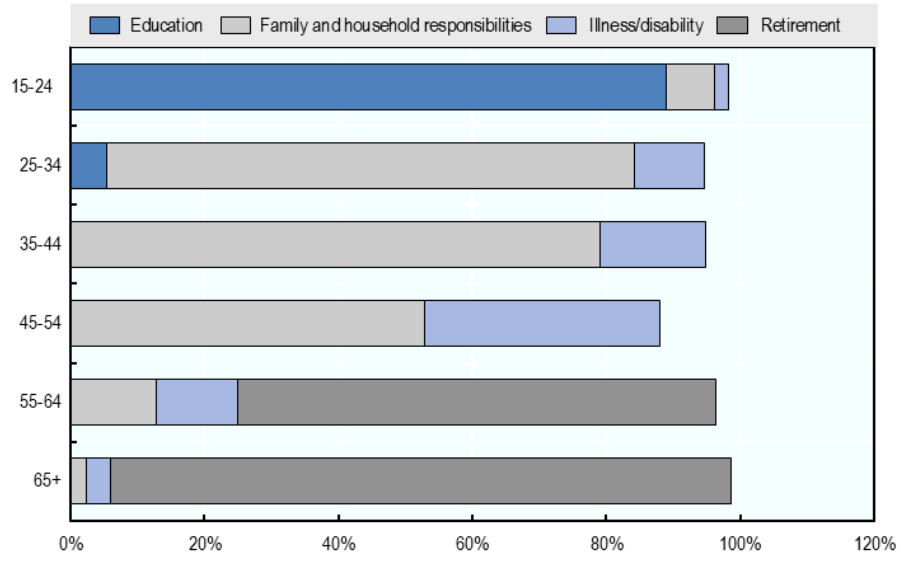


Source: Główny Urząd Statystyczny (2020), Aktywność ekonomiczna ludności Polski – III kwartał 2020 r. Labour force survey in Poland – quarter 3/2020, https://stat.gov.pl/obszary-tematyczne/rynek-pracy/pracujacy-bezrobotni-bierni-zawodowo-wg-bael/aktywnosc-ekonomiczna-ludnosci-polski-iii-kwartal-2020-roku,4,39.html

There are also large differences in the causes of professional inactivity between men and women. For young and middle-aged women, the main reason are family obligations, such as caring for children or other persons, as well as other personal or family reasons (79% of inactive women aged 24-44, Figure 4.19). In the case of younger and middle-aged men, illness and disability are the main reasons for professional inactivity (60% of inactive men aged 25-34, 54% for 35-44, Figure 4.20).

Figure 4.19. Family and household responsibilities are the dominant cause of economic inactivity among middle-aged women

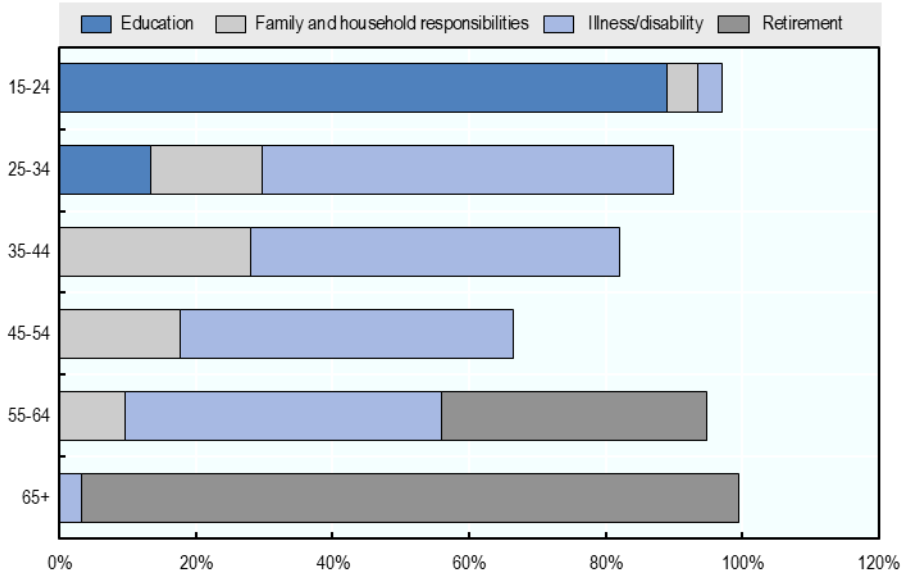
Economically inactive women by selected reasons for inactivity and age in quarter III of 2020



Source: Główny Urząd Statystyczny (2020), Aktywność ekonomiczna ludności Polski – III kwartał 2020 r. Labour force survey in Poland – quarter 3/2020, https://stat.gov.pl/obszary-tematyczne/rynek-pracy/pracujacy-bezrobotni-bierni-zawodowo-wg-bael/aktywnosc-ekonomiczna-ludnosci-polski-iii-kwartal-2020-roku,4,39.html

Figure 4.20. Illness and disability drive the economic inactivity of middle-aged men

Economically inactive men by selected reasons for inactivity and age in quarter III of 2020



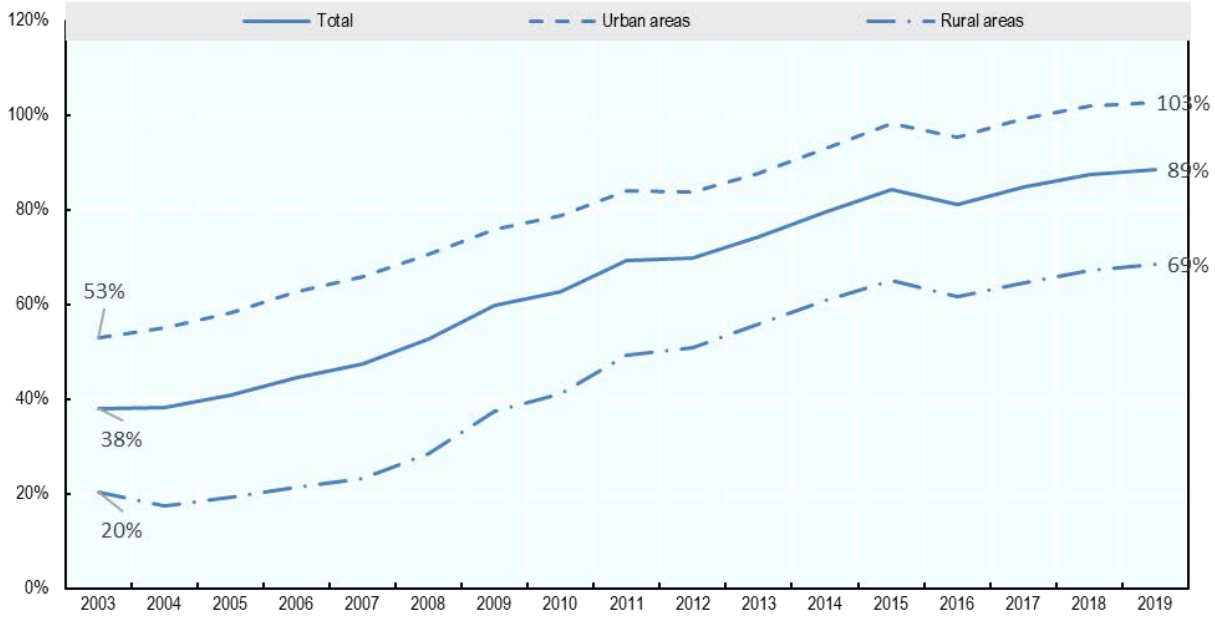
Source: Główny Urząd Statystyczny (2020), Aktywność ekonomiczna ludności Polski – III kwartał 2020 r. Labour force survey in Poland – quarter 3/2020, https://stat.gov.pl/obszary-tematyczne/rynek-pracy/pracujacy-bezrobotni-bierni-zawodowo-wg-bael/aktywnosc-ekonomiczna-ludnosci-polski-iii-kwartal-2020-roku,4,39.html

One of the key factors influencing the level of the economic activity among women is the availability of childcare services. In Poland, the availability of childcare services has improved significantly since 2003 (Figure 4.21). A number of factors contributed to the increase in the availability of childcare. State policy strongly supports the participation of children in pre-school education. In accordance with the provisions of the Education Law, children at the age of 6 must undergo compulsory pre-school preparation. Children aged 3-5 must have guaranteed access to preschool education, which is the responsibility of the local government. Local governemts are also obliged to create a network of preschool education institutions so that each child is no more than three kilometers from such a facility. Preschool education is financed from the state budget. Public kindergartens are required to provide a minimum of 5 hours of free lessons, and the fee for each additional hour is set to a maximum of PLN 1.

Access to pre-school education for children over three years of age is now high. In fact, those living in cities have widespread access to pre-school education. Places now exceed 103% of children aged 3-6. (Figure 4.21). On the other hand, in rural areas of Poland, this percentage stood at around 69% in 2019, while in some regions it was as low as 50-55%.

Figure 4.21. Access to pre-school education has been improving for years

Percentage of children aged 3-5 in pre-school



Note: Percentage above 100% indicates that at least some children from rural areas attend school in urban areas.
Source: Statistics Poland, Bank of Local Data – K19-G251-P2958

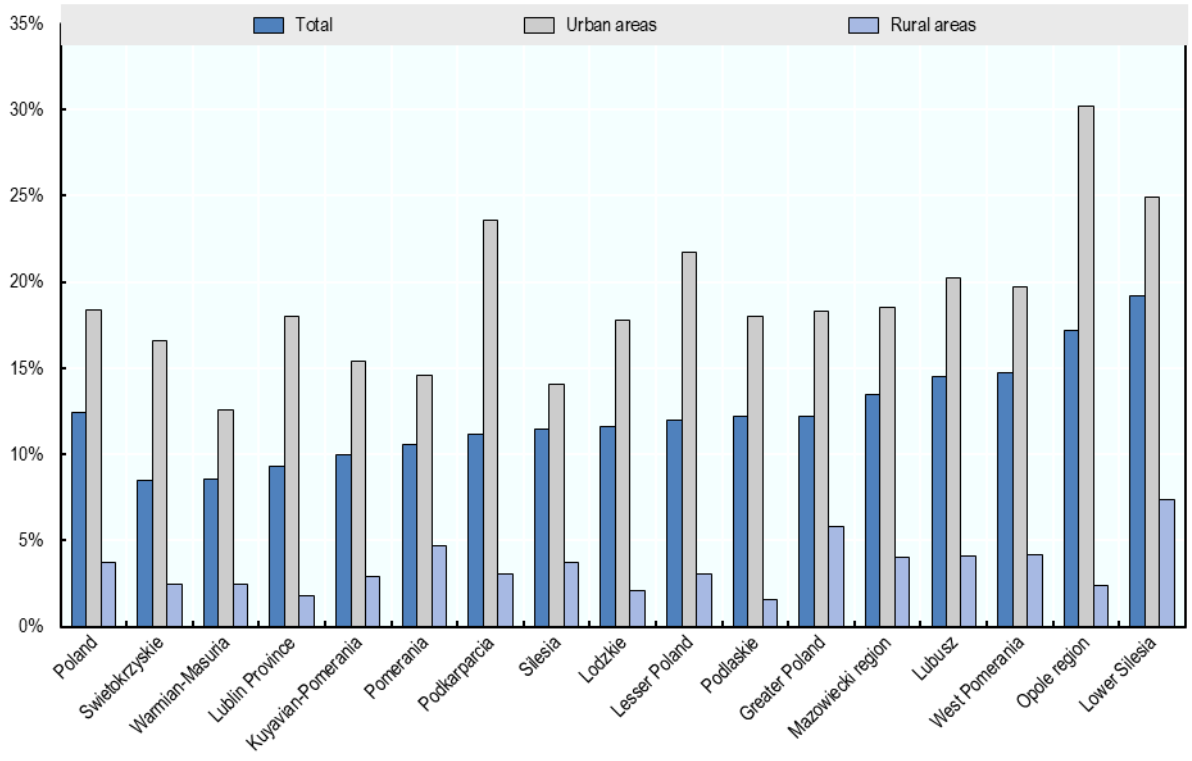
Access to childcare for children under 3 years of age is also supported by local and national governments. In 2011, the Act on the care of children up to 3 years of age was adopted. It introduced new, more flexible forms of childcare. It also relaxed the conditions for operating a nursery. In addition, the Toddler+ programme has been operating since 2011 (as of 2018 under the name “Maluch+”), which subsidizes care services for children up to 3 years of age from government funds.

However, access to childcare services for very young children is still insufficient. This particularly applies to the care of children up to 3 years of age and the availability of care and pre-school services in rural areas. In 2019, according to Statistics Poland data, only 12.4% of children under the age of 3 were covered by childcare services. Big differences also exist between voivodeships. Figure 4.22 shows that

the lowest percentage of children under the age of 3 covered by childcare can be found in the voivodeships of Eastern Poland, where agricultural production dominates (Swietokrzyskie – 8.5%, Warmian-Masuria – 8.6%). The voivodeships of Western Poland show relatively better childcare coverage (Lower Silesia – 19.2%, Opole region - 17.2%, West Pomerania - 14.7%, Lubusz - 14.5%).

Figure 4.22. There are large regional disparities in the share of children in childcare facilities

Percentage of children up to 3 years of age in childcare facilities, 2019



Source: Statistics Poland, Bank of Local Data – K22-G266-P3398

Access to childcare services, however, is not the only condition for improving the level of the economic activity of women. According to research conducted in the Podkarpacia region, 50.6% of children under the care of economically inactive persons are using institutional care at the same time. Most of them attend school, 12.0% of these children attend kindergarten and 5.5% attend a nursery. The majority of inactive parents whose children use institutional care state that their possible return to the labour market is not related to childcare, although the reason given by them for their professional inactivity is the need/desire to look after their children (Wojewódzki Urząd Pracy w Rzeszowie, 2019[38]). Access to child care therefore does not automatically lead to the economic activation of women.

In Poland, economically inactive women tend to have lower levels of educational attainment, live in smaller towns and have at least two children on average (Magda, 2020[39]). For these women, a number of other factors contribute to their inactivity. Access to care facilities is important, though the price of childcare, working hours and attitudes toward institutional childcare are also relevant factors. For some women, work can be unattractive economically due to low wages and long hours. The available income does not compensate the additional costs, loss of childcare time and potential losses of social benefits. This applies particularly to single parents and those with low levels of educational attainment, who may not be able to access well-paying jobs.

Labour markets may not be adapted to the needs of working mothers. Only 12% of working mothers in Poland can determine their working hours, compared to 40% on average in Europe. Inflexible places of work, not adapted to needs of parents, are even more common for women with lower levels of education living in smaller towns and villages. Furthermore, a very small proportion of women benefit from voluntarily reduced working hours: only 6%, compared to 18% on average in Europe. Inflexible, low-paid work places may be one of the reasons for the low willingness to work among women, even when institutional care is available.

For a share of women, beliefs about the social roles of women and men also seem important. Data suggests a larger share of women in Poland hold beliefs closer to the traditional family model compared to the EU average, with an economically inactive mother devoting her time to childcare. Similarly, men in Poland also tend to have more traditional beliefs on models of family and divisions of responsibility. Research suggests that the uneven distribution of family duties between partners is also an important factor in the economic inactivity of women (Magda, 2020[39]).

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Notes

[1]One of the main categories of jobseekers are people with disabilities. In November 2020, they constituted 35% of all jobseekers.

[2] Based on interviews with PES members of staff carried out by the OECD for this project.

[3] Based on interviews with PES members of staff carried out by the OECD for this project.

[4] One family can receive support for several reasons (e.g. disability and unemployment).

[5] The development of the social economy in Poland served many purposes and should not be limited only to the issue of social and vocational reintegration. However, the integration dimension in the Polish model is very important, particularly from the perspective of ESF funds.

[6] Data for Investment Priority 10iii, whose main aim is to support the participation of adults in training and education. It should be noted that adults also participated in training and education under other investment priorities, focused, for example, on the labour market, social integration, etc.

OECD Reviews on Local Job Creation

Regional Economic Inactivity Trends in Poland

Despite its rapid economic growth over the past decades, Poland's economic inactivity rate remains above the OECD average and regional differences in labour force participation persist. This report sheds light on the drivers of economic inactivity across Polish regions and analyses them in light of both individual and structural factors associated with labour force participation. It highlights the need for more inclusive active labour market policies to help integrate the economically inactive into labour markets across Poland. A better integration of services provided by national and local institutions, as well as a strengthened role of the social economy, is needed to address the complex needs of economically inactive persons.

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