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**Article**

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## ACTIVE LABOUR MARKET POLICIES IN POLAND

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### The situation in the labour market after Poland joined the European Union

Poland's European Union accession opened up new job markets for Polish people in many countries of the European Community and effectively reduced unemployment in Poland. In 2004 the number of unemployed persons reached 2,999,600 and in 2008 it decreased to 1,473,800 persons, while the unemployment rate dropped by almost 10 percentage points to 9.5 percent. Unfortunately, due to the economic crisis that began in the United States in 2007 and reached Europe in 2008, the number of unemployed started to rise again. At the end of 2009 the number of unemployed persons totalled 1,892,700 (with an 11.9 percent unemployment rate), while two years later the number of unemployed stood at 1,982,700 and the unemployment rate had grown to 12.5 percent.

During the period of 2005–2011 the Polish labour market was characterised by significant liquidity. The inflow of unemployed persons had been decreasing prior to 2008 when it reached the level of 2,476,000, but in 2009 it grew by over 600 thousand persons and stayed at a similar level in 2010; although a slight downward trend was then observed. The year 2011 marked a quick deepening of this trend and the size of the inflow fell to 2,591,000 persons. However, the largest outflow from unemployment occurred

in 2006 and amounted to 3,156,000 persons. In subsequent years unemployment decreased and in 2009 it reached the level of 2,664,800 persons. The situation improved in 2010 – the outflow rose by over 300,000 persons only to deteriorate again in the following year when the outflow decreased by over 400,000 unemployed persons and sank to the level of 2,563,500. Undertaking employment made the largest contribution to the outflow from unemployment; however, its share fell systematically from 45.2 percent in 2005 to 38.0 percent in 2009. In 2010 it increased slightly to 39.7 percent and in 2011 it grew again to 44.1 percent. The share of subsidised employment in the population undertaking employment increased until the year 2010, growing from 13.7 to 21.7 percent. In 2011, due to a significant decrease in the level of expenditure on active labour market programmes from the Labour Fund, the share fell to 9.8 percent. The share of deregistration from the population of unemployed persons resulting from their failure to confirm their readiness to undertake employment, on the other hand, remained relatively stable at 30–33 percent. In the time period 2005–2008 the outflow from unemployment exceeded the inflow (the largest difference was noted in 2007 – over 560,000 persons), which resulted in a decrease in the unemployment level. In subsequent years the situation reversed – the inflow exceeded the outflow (by almost 420,000 persons in 2009; 62,000 in 2010; and 28,000 in 2011), which contributed to growth in the unemployment level.

Table 1

### The number of registered unemployed persons and job-seekers in Poland in 2005–2011

Years	Registered unemployed persons	Unemployment rate (%)	Job seekers
	as at the end of the time period		
2005	2,773,000	17.6	62,107
2006	2,309,410	14.8	56,768
2007	1,746,573	11.2	49,360
2008	1,473,752	9.5	44,409
2009	1,892,680	11.9	46,176
2010	1,954,706	12.3	45,506
2011	1,982,676	12.5	39,701

Source: Ministry for Labour and Social Policy.

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Table 2

## Inflows and outflows from unemployment in Poland in the years 2005–2011

Years	Registered unemployed persons 'inflow'	Deregistered unemployed persons 'outflow'	Out of which for the following reasons:		
			Undertaking employment	Out of which: subsidised work	Non-confirmation of readiness to undertake employment
	in the reported time period				
2005	2,793,181	3,019,782	1,365,790	186,693	993,124
2006	2,692,351	3,155,941	1,412,799	163,019	972,176
2007	2,491,242	3,054,079	1,266,439	185,766	949,210
2008	2,476,583	2,749,404	1,052,077	186,659	874,934
2009	3,083,757	2,664,829	1,012,375	202,329	837,751
2010	3,041,964	2,979,835	1,183,296	256,343	874,100
2011	2,591,458	2,563,488	1,130,697	110,844	827,765

Source: Ministry for Labour and Social Policy.

The Act on Employment Protection and Labour Market Institutions,<sup>1</sup> which took effect on the day that Poland joined the European Union, laid emphasis on active forms of unemployment prevention. It was possible due to the change implemented in September 2004 which shifted pre-retirement benefits and allowances from the Labour Fund to ZUS (The Social Insurance Company). These changes were accompanied by an economic upswing and, therefore, by increased payments made to the Labour Fund which, in the period preceding 2010, led to covering an increasing number of unemployed persons with active instruments of labour market policies. In 2005 the number of unemployed persons involved in active forms of unemployment prevention was 561,700, but in 2007 this figure increased to 672,800 and in 2010 to 788,000. In the year 2012 the number of the unemployed who completed active programmes on the labour market halved and amounted to 382,300. However, an improvement was noted in the employment effects of those undertakings. In 2009 47.9 percent of the unemployed covered by the employment programmes became employed; however, in 2007 this index was higher by almost 10 percentage points (57.7 percent), but in 2010 it fell to 54.2 percent and in the following year rose to 55.7 percent.

Expenditure from the Labour Fund, which was destined to palliate the effects of unemployment and fight this phenome-

non, remained at a fairly constant level throughout 2005–2008 and fluctuated between 5.4 and 5.8 billion PLN; however, in 2009 alone this expenditure doubled to reach the level of 11.2 billion PLN. In 2010 the rate of increase in expenditure from the Labour Fund was relatively small – expenditure rose by about 10 percent to reach 12.4 billion PLN. The year 2011 saw a decrease in expenditure of almost 30 percent to the level of 8.8 billion PLN. The structure of expenditure also changed. Prior to the year 2008, expenditure as a share of allowances and benefits had fallen from 54.0 to 33.2 percent. In subsequent years there was growth and in 2011 the level of 54.8 percent was reached (this was partially due to the inclusion of the payment of pre-retirement allowances and benefits previously realised by the Social Insurance Company to the Labour Fund). Expenditure as a share of unemployment prevention programmes increased from 37.0 percent in 2005 to 54.5 percent in 2010. However, in 2011 it decreased

Table 3

Expenditure from the Labour Fund in Poland in the years 2005–2011  
(in millions of zloty)

Years	Total expenditure	Allowances and benefits	Unemployment prevention programmes		Other
			Total	Active labour market programmes	
2005	5,551	2,998	2,052	1,870	456
2006	5,500	2,805	2,219	2,029	467
2007	5,367	2,268	2,710	2,493	390
2008	5,753	1,911	3,362	3,111	480
2009	11,245	4,504	6,205	4,016	536
2010	12,376	5,014	6,745	5,323	617
2011	8,751	4,796	3,328	1,920	628

Source: Ministry for Labour and Social Policy.

<sup>1</sup> See State Journal of Laws, 2004, no. 99, item 101.

to 38.0 percent and a particularly dramatic fall was noted in expenditure on active labour market policies. In 2011 this expenditure was reduced by 64.0 percent versus the previous year and its share of total expenditure from the Labour Fund fell from 43.0 percent in 2010 to 21.9 percent in 2011 to reach the lowest level of the past decade.

### Active labour market measures

By virtue of the aforementioned Act on Employment Promotion and Labour Market Institutions, a new division of active labour market policies was introduced into labour market services and labour market instruments in Poland in 2004. The act specified the following four fundamental types of labour market services: work exchange, vocational counselling and information, aid in active search for a job, and the organisation of training courses.

The following constitute labour market instruments supporting labour market policies:

- Financing the cost of travel to the employer that submits the job offer,
- Financing the cost of accommodation in the work place paid by a person who was sent by a district job centre to undertake employment,
- Co-financing of the furnishing of a work place, of commencing a business activity, of the costs of consultations and counselling, etc.,
- Reimbursing the costs borne for the social insurance contributions paid related to the employment of an unemployed person, and
- Financing unemployment prevention additional allowances.

In order to activate unemployed persons the following instruments have been defined within the labour market policies in Poland: training courses, intervention works, public works, vocational training at the work place, placements, means for creating work places and socially useful works. These instruments impact the supply and demand sides of the labour market. The supply-oriented instruments include training courses, placements, and vocational training at the work place which, since the year 2009, have taken the form of adult vocational training. The demand-oriented instruments, in turn, include subsidised employment, which takes the following forms: intervention works, public works, socially useful works, funds for adults' engaging in a business activity and for furnishing a

workplace for an unemployed person and are assigned by a district job centre.

*Vocational training* is an instrument of the activation of the unemployed and those seeking employment and is applied in the following situations: the lack of vocational qualifications, the need to change or complete vocational qualifications, the loss of the ability to conduct work in the position occupied hitherto, or the lack of abilities to seek employment actively. Means for training from the Labour Fund may also be allocated to employed persons over 45 years of age who are interested in their professional development. In accordance with the act, training courses may last up to 6 months; however, in cases justified by the training programme developed for a specific occupation, the duration of the training may be extended to 12 months. Training services are delivered in the following two modes: group and individual. As regards the former, a job centre may propose an eligible person to participate in training including in the annual training scheme; within the latter mode, an individual may be directed to a training course selected by himself/herself, providing participation in it is justified. The unemployed covered by training services are entitled to the following forms of financial support:

- a scholarship equal to 120 percent of the unemployment benefit;
- refund of travel, accommodation, and food costs incurred due to the participation in training; and
- refund of child care or of dependant care, up to 50 percent of the unemployment benefit.

*Placements* are organised on an employer's premises and are intended to enable unemployed persons to gain experience and acquire the skills indispensable to undertake employment. This is especially important for graduates, who naturally lack work experience. At present, however, placements are assigned to all unemployed persons whose situation in the labour market is special. Depending on the category of persons whose situation in the labour market is special, the length of vocational training has been differentiated, but the maximum duration should not exceed 12 months. Placements are regulated by contracts concluded between the district governor and the employer and follow the programme agreed upon. The programme should take into account the unemployed person's psycho-physical predispositions, health condition, his/her level of education, and the vocational qualifications acquired hitherto. It should

also specify the scope of the tasks to be realised both by the unemployed person and by the individual in charge of the unemployed person covered by the programme of placement. Within the duration of the vocational training, the unemployed person is eligible for a scholarship equal to 120 percent of the unemployment benefit. The employer is not obliged to guarantee employment to the intern after the placement is finished.

The purpose of *adult vocational preparation* is to increase adults' participation in continuing education corresponding to employers' requirements. All unemployed persons are eligible for this programme. Adult vocational preparation may take the following two forms:

- learning a job practically, and
- training for a job.

Learning a job practically usually lasts from 12 to 18 months and concludes with a qualification examination granting a vocational title, or with an examination qualifying for a journeyman. Training for a job, in turn, lasts from 3 to 6 months and also concludes with an examination checking whether candidates possess specific skills. Adult vocational preparation follows an established programme, which considers the vocational qualifications standards and both theoretical knowledge and practical skills. It is important to mention that acquiring practical skills must cover a minimum of 80 percent of the time of vocational preparation and must be conducted on the employer's premises. The employer is obliged to assign a person with the qualifications required to supervise adult vocational preparation.

*Refunds of costs* incurred by employers for creating work places for assigned unemployed persons within the adult vocational preparation programme functions as an incentive to employers. The amount of those refunds should not exceed 2 percent of the average remuneration paid out for each month of the vocational training. Another incentive to employers is a 400 PLN bonus paid out for each month of the vocational training providing the unemployed person passes the final examination. The cost of the examination is also reimbursed from the Labour Fund.

The purpose of *organising public works* is to prevent unemployed persons from becoming accustomed to economic inactivity, particularly if they are in unfavourable and very unfavourable situations in the

labour market, through temporary employment. These programmes are also intended to support the unemployed materially. Public works denote employing an unemployed person for a period of up to 12 months in the case where works are organised by communes or non-governmental organisations that statutorily deal with the following issues: protection of the environment, culture, education, physical education, tourism, health care, unemployment, and social welfare. The organiser of public works is entitled to receive the reimbursement of part of the cost of remuneration, bonuses, and social insurance contributions for a period of 6 months. In the case where the employment period exceeds 12 months, the cost borne by the employer is refunded for every second month.

*Intervention works* are aimed at vocational activation of the unemployed with a special situation in the labour market, and at creating opportunities for undertaking permanent employment. Intervention works programmes help those groups that are exposed to the threat of being vocationally withdrawn and deactivated to maintain contact with the labour market. Intervention works consist of employing an unemployed person pursuant to a contract concluded between the district governor and the employer. The employer that offers a work place to the unemployed person assigned for intervention works may receive the reimbursement of a part of the cost borne for the payment of the remuneration agreed upon in the contract, bonuses and social insurance contributions corresponding to the reimbursed remuneration. The duration of the programme may vary. The basic period of providing aid for the aforementioned groups lasts up to 6 months (or up to 12 months in cases where the reimbursement is paid out for every second month of the employment period). For some categories of the unemployed intervention initiative may last up to 12 or even up to 24 months (or up to 18 and 48 months in cases where the reimbursement is paid out for every second month of the employment period).

*Socially useful works* are primarily aimed at the realisation of social purposes and are targeted at the unemployed who are not eligible for an unemployment benefit and are recipients of social benefits. These instruments are to prevent demoralisation and teach persons threatened by social exclusion how to work. Socially useful works may last up to 10 hours per week. These works are realised based on a contract concluded between the district governor and the



commune for the benefit, of which the social works are going to be conducted. The unemployed person assigned to them is entitled to receive an hourly rate of a minimum of 7.70 Polish *zloty* for every effective working hour.

The means allocated to the creation of new work places cover the following: a one-off subsidy paid out to the unemployed person to commence business activity, refunds paid out to the employer, the cost of furnishing or providing additional equipment for a work-stand in return for employing the assigned unemployed person. They are aimed at supporting self-employment and the development of regional small businesses. At present, the amount of means granted to an unemployed person for commencing business activities or providing additional equipment for a work-stand cannot exceed 600 percent of the average remuneration earned in Poland. In addition, an unemployed person may receive the reimbursement of the documented cost of legal assistance, consultations or counselling. The unemployed person who received the support is obliged to continue the business activity for a period of 12 months or must return the subsidy. The employer representing the small or medium-sized enterprise is obliged to maintain the work place for a period of 2 years.

The number of the unemployed engaged in active labour market policies rose in the time period 2005–2010 by approximately 40 percent and the number of unemployed persons in that period fell by 35 percent. Therefore, the number of the unemployed

who were engaged in active labour market policies increased significantly. However, 2011 saw a decline in the number of the unemployed by 1.4 percent and the number of persons engaged in active programmes decreased substantially (by over 46 percent) and the programmes covered merely 15 percent of the total number of the unemployed in Poland.

The largest expansion in undertaking business activities and creating new work places was noted in the years 2005–2010 when the number of the unemployed engaged in these programmes increased by over 300 percent. The number of the unemployed participating in placements rose by almost 84 percent, while the figure for those participating in training courses increased by nearly 21 percent. However, a fall was noted in the number of unemployed persons engaged in intervention works (by 39 percent). The decrease in the proportion of intervention works was related to the rigorous legal requirements related to the employment of an unemployed person after the completion of intervention works. Placements were regulated by less rigorous regulations and after the amendments made in the act at the end of 2008, when the subject scope was extended, it became even more favourable. The year 2011 saw a decrease in the number of persons involved in all of the active programmes. The sharpest fall in the number of participants was noted in training courses, public works and in supporting business activities. The decline was due to the poor situation of public finances and the drastic cuts in the means allocated to the activation of the unemployed.

Table 4

#### Number of unemployed persons engaged in active labour market policies in Poland in the years 2005–2011

Years	Total	Training	Intervention works	Public works	Socially useful works	Placements	Vocational training at the work place	Means allocated to undertaking business activities	Furnishing and providing additional equipment to a work-stand
The numbers of unemployed persons engaged in the programmes are expressed in thousands.									
2005	561.7	150.7	70.9	69.2	x	162.7	67.0	27.9	13.1
2006	594.3	146.9	69.1	32.7	61.5	169.1	58.3	34.9	21.8
2007	672.8	178.1	59.1	40.9	73.4	173.0	65.8	45.1	37.4
2008	652.3	168.3	46.0	44.5	63.9	169.9	79.4	52.2	28.0
2009	684.6	168.3	40.3	54.0	65.8	256.7	7.2	63.9	28.4
2010	788.7	182.4	43.2	74.6	67.6	299.3	1.1	77.0	44.6
2011	302.0	53.8	28.5	22.8	49.7	110.5	0.3	26.1	10.7

Source: Ministry for Labour and Social Policy.

Placements had the largest share in the structure of the unemployed engaged in specific active labour market programmes in the years 2005-2006. Their share rose from 27 to 37 percent. Training programmes came second; however, their share was on the decrease – it dropped from 29 to 24 percent. The share of intervention works also halved, while the share of public works decreased by one-third. An increase, however, was noted in the amount of means allocated to commencing business activities and creating work places (from 8 to 16 percent).

### Effectiveness of active labour market policies

The effectiveness of the fundamental active labour market policies applied in Poland in 2009 was evaluated. The analysis performed was quasi-experimental and was based on a propensity score matching method (Rosenbaum and Rubin 1983). In the view of many evaluation specialists, this method gives satisfactory results in the scope of the evaluation of active labour market policies at the microeconomic level.

The effects of the policies were evaluated based on the information on the unemployed taken from the *Syriusz* database (information system for public employment services in Poland) exclusively. That means that the labour market status of participants of active labour market measures as well as of unemployed persons not participating in the programmes was determined based only on the data stored in the register of a job centre.

In the present research in the case of a group assigned to active forms, the gross effect stands for the percent-

age of persons who, after completion of a programme, were deregistered due to undertaking employment within three months after the date of its completion. The net effect of a programme constitutes the difference between the percentage of the employed from a group of unemployed persons participating in active labour market policies and from a control group matched by means of the nearest neighbour method.

On a nationwide scale, the most effective measures in terms of understanding the impact on employment turned out to be start-up incentives and intervention works. Positive employment effects were also generated by the supply-oriented instruments of the labour market policies, i.e. by vocational training courses and placements; however, these effects were considerably weaker than the effects resulting from means allocated to undertaking business activities or intervention works. Participation in socially useful works had a negative impact on the chances of being employed and the impact of public works proved statistically insignificant.

The employment effects of subsidies for engaging in economic activity as well as of intervention works appear to be overvalued due to the measuring method applied in labour offices, which leads to a considerable overstatement of the gross effects of those instruments.

The interpretation of the obtained effects of training is a more complex task. The training courses analysed concerned various vocational areas and these courses varied in terms of their length and the quality of teaching. For instance, longer training courses due to

the lock-in effect may have had a much weaker impact than short ones. The poor learning outcome may have been influenced by both the factors related to didactic aspects of the training and by mismatching the teaching content to the current needs of the labour market. The low effectiveness of vocational training courses may also be explained by dead-weight loss, which means that those forms of raising qualifications were to a large degree targeted at persons who portended well on the labour market and would undertake employment

Table 5

#### The gross and net employment effects of active labour market policies in Poland in 2009

Active labour market measures	Gross employment effects (in %)	Net employment effects – impact (in % points)
Training	43.2	8.7***
Placements	34.0	3.1***
Intervention works	45.0	15.6***
Socially useful works	11.2	– 8.9***
Public works	30.3	4.7
Means allocated to undertaking business activities (start-up incentives)	100.0	62.6***
Note: *** p<0.01; ** p<0.05; * p<0.1		

Source: Authors' own calculation based on the data derived from the *Syriusz* system.

without using this type of support. The net effects of training courses may also have been undervalued.

The net effects of placements also seem surprisingly weak, although young unemployed people without any vocational experience willingly apply for them. It is worth mentioning that on 1 February 2009 the body of persons eligible for placements was extended to the whole group of the most disadvantaged in the labour market; and this fact has probably contributed to lowering the effectiveness of this form of activation. In the light of the research conducted by the Institute for Structural Research (see Bukowski 2009), placements constituted an effective form of supporting unemployed youths who completed primary or secondary education. At present placements are becoming a more attractive instrument for employers than intervention works since placements provide employees who do not need to be paid for their work and there is no obligation to guarantee employment to them on completion of the placement. It may be inferred that the inappropriate targeting of placements has become a major factor determining the low employment effectiveness of this instrument.

The results of the analysis confirm that socially useful works are not activating instruments that help individuals to return to employment. Participation in socially useful works negatively impacted an unemployed person's chance to undertake employment. However, it does not mean that using this instrument should be abandoned. Socially useful works are intended to realise goals that are different from other active programmes. Their role consists in preventing demoralisation and in shaping positive attitudes to work in persons endangered by social exclusion. Therefore, the evaluation of this programme based only on measuring employment effects does not appear to be fully justified since undertaking employment is not the only measurement of the success of socially useful works.

Public works, like socially useful works, cannot be looked upon as a means of labour market policies that increase the chances of gaining employment. The earlier evaluation research on active labour market policies in Poland conducted by the Institute for Structural Research as well as other analyses of employment programmes in selected EU member states confirm the occurrence of the negative net effects of public works, or of a statistically insignificant impact of that programme on the likelihood of stopping unemployment (see Caliendo *et al.* 2005;

Kluve 2007). Public works are usually accompanied by a stigmatisation that probably has a significant impact on their effectiveness. Public works cease to fulfil activation functions and increasingly frequently function as an instrument of passive labour market policies whose major goal is to improve the material situation of the unemployed that fall into hard-to-place groups on the labour market.

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