



Poland

Assessment of the 2008-2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective: The extent of synergies between growth and jobs policies and social inclusion policies

A Study of National Policies

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October 2008



On behalf of the
European Commission
DG Employment, Social Affairs and Equal Opportunities



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Summary

The assessment of implementation of the 2005-2008 NRP lacks a broader social perspective. Although the NRP 2008-2011 recognises the social dimension as an important factor of the economic growth, attention given to the social inclusion process is very limited. There is no recognition of social inclusion policy as an important factor of employment and growth and jobs policies.

The problems presented by the recent economic slowdown are overlooked. NRP was formulated on the assumption of continuing the high economic growth which Poland experienced in the past three years.

The impact of the economic and employment policies on the inclusion policy is reflected only in a limited degree. It has been reflected explicitly in the efforts aimed at ensuring general access to the Internet. The social dimension is implicitly present in such areas as the reform of the labour market services, employment of older persons and efforts to allow reconciling work and family responsibilities. However, the social perspective is lacking within the economic and employment policy. There is no assessment of the impact of macro and micro-economic policies and employment policy on the situation of persons at risk of poverty and social exclusion. The issue of a considerable number of working poor is not identified and addressed. NRP does not explicitly respond to the 2008 recommendations and points to watch, their social dimension has been acknowledged to a limited extent only. In particular, missing is a comprehensive employment policy, in particular addressing persons from the social groups at risk of poverty and exclusion. It failed to take up the question of reviewing income support measures from the perspective of necessary increase of benefit from taking up employment by the persons previously excluded from the labour market. The question of building up the infrastructure of child care facilities was addressed, but the proposed measures are insufficient. A positive example of mutual reinforcing of the growth and jobs and inclusion perspective is the strategy of the employment of the older workers. The strategy balances the restriction to the social benefits with labour market activation measures within the flexicurity framework.

Also social dimension of the economic process is recognized only in a limited degree. The links between social dimension and economic and employment growth (feeding in) have been explicitly recognised only in relation to development of social economy and reforms in the area of formal education. There was no attention paid to anti-discrimination policy as an important factor of employment policy. No account was taken of the need for improving access to health services and medical rehabilitation as significant factors for increasing employment activity of the population, particularly of older and disabled persons. There are no measures to ensure better access to inexpensive housing (including social housing) as an element improving mobility of labour resources. The process of modernisation of the social protection can negatively impact the size of the poverty among households of disabled persons.

The lack of synergy between the growth and jobs and social inclusion policy can result from the fact that social inclusion seems to be not the priority of the Polish government. The objective of the NRP is the creation of foundation for sustainable socio-economic growth improving the citizens' living standard. However, it overlooks the processes which lead to social exclusion and poverty even in the well developing economy and increasing wealth.

The involvement of the stakeholders into the preparation process of NRP was very limited and there are no plans of their participation in the monitoring of the NRP implementation. Especially, the involvement of the non-governmental organizations representing the excluded persons and experts dealing with issues of poverty and social exclusion is missing. Should the Commission give more clearly the recommendations to the Member States to include social inclusion

perspective while preparing NRPs, the better coordination and synergy of the NRP and NRSSPSI could be achieved. It would also be helpful to intensify the process of consultations, inviting to these also the non-government organisations representing excluded people, and the experts involved with poverty and social exclusion issues.

1. Overall assessment of implementation of the 2005-2008 NRP during the past year from a social inclusion perspective

The report on implementation last year of the modified Lisbon Strategy pays little heed to recommendations of the 2007 Spring European Council, which stressed that "*the common social objectives of Member States should be better taken into account within the Lisbon agenda*". Some progress in accommodating the social inclusion perspective is to be seen in the reform of the labour market institutions, however, the links between economic growth, employment and social inclusion policies are lacking.

Setting uniform standards in providing labour market services should result in improvement of access and better quality of public employment services. The regulations on reconciling work with family responsibilities which was already accepted by the Parliament can accelerate, to some extent, the increase of employment of women raising small children and help to prevent poverty among families with children. Positive results in countering social exclusion are to be yielded by the results of efforts to shape the framework for a system of vocational training.

However, the approach lacks a broader social perspective. Description of economic trends fails to take into account an analysis of the impact which rapid economic growth exerted on the level of poverty and long-term unemployment. In particular, NRP fails to answer the question whether and to what extent the rapid economic growth of the past few years transcribes into improved situation of persons at risk of poverty and social exclusion. There is also no analysis of the impact exerted by specific steps taken, such as discontinuation of long-term supply contracts in the electric power industry on the situation of low income consumers. The employment policy is seen in NRP primarily from the macro-economic perspective (increasing employment of older productive-age people), without showing any understanding for the process of integration on the labour market those at most risk of exclusion.

2. Assessment of the 2008-2011 NRP from the perspective of social inclusion

2.1 Overall assessment

The NRP 2008-2011 recognises the social dimension (priority: 'Active Society') as an important factor of the economic growth. However, attention has been focused more on the role of the non-government sector and development of social dialogue than on the process of social inclusion. The links between social dimension and economic and employment growth (feeding in) have been explicitly recognised only in relation to development of social economy and reforms in the area of formal education. There was no recognition of the links between anti-discrimination policy and employment growth. No account was taken of the need for improving access to health

services and medical rehabilitation as significant factors for increasing employment activity of the population, particularly of older and disabled persons. There are no measures to ensure better access to inexpensive housing (including social housing) as an element improving mobility of labour resources.

Social dimension of the economic process (feeding out) is accorded recognition only in a limited degree. It has been reflected explicitly in the efforts aimed at ensuring general access to the Internet. The social dimension of measures is implicitly present in such areas as active employment of older persons (tightening access to early retirement, combined with a support programme for employment of older people) and efforts to allow reconciling work and family responsibilities.

However, the social perspective is lacking within the economic and employment policy. There is no assessment of the impact exerted by macro and micro-economic policies and employment policy on the situation of persons at risk of poverty and social exclusion. Especially, there are no estimates of how decentralising public finances will reflect on geographic disparities, no estimates of how the policies concerning grid sectors will reflect on household budgets of persons living in poverty. NRP does not explicitly respond to the 2008 recommendations and points to watch¹, their social dimension has been acknowledged to a limited extent only. In particular, missing is a comprehensive employment policy, in particular addressing persons from the social groups at risk of poverty and exclusion. It failed to take up the question of reviewing income support measures from the perspective of necessary increase of benefit from taking up employment by the persons previously excluded from the labour market. The question of building up the infrastructure of child care facilities was addressed, but the proposed measures are insufficient.

The problems presented by the recent economic slowdown are overlooked. NRP was formulated on the assumption of continuing the high economic growth which Poland experienced in the past three years². However, it is still difficult to estimate the impact of the international financial crisis on the situation of the Polish economy and the situation on the labour market.

NRP makes no direct references to NSRSPSI. The links between the two documents are mainly of formal nature, without indicating any synergies.

¹ Recommendations and points to watch 2008 for Poland concern:

- Public finances reform;
- Opening the markets in grid sectors;
- Increasing the employment ratio of older workers;
- More focus on conducting active employment policies with respect to the most at-risk social groups;
- Implementing life-long learning strategies;
- Carrying out reforms in the research & development area;
- Implementing reforms of the public research sector;
- Raising the level and effectiveness of active employment policy by developing a comprehensive strategy consistent with an integrated approach based on the *flexicurity* model, meaning a balance between flexibility and security of employment, particularly as regards employment of older people and those from social groups at risk of poverty
- Reviewing the social security system, with a view to increasing incentives for taking up employment;
- Improving the system of education and training with a view to needs of the labour market;
- Modernising the transportation infrastructure;
- Speeding up the process of registering businesses;
- Ensuring timely implementation of programmes in the area of e-administration;
- Improving transposition of internal market directives to national law;
- Building up the child care infrastructure.

² Only in late November the Government adopted a decision to scale down from 4.8% to 3.7% the assumptions concerning 2009 economic growth on which the budget is to be based, with further corrections of the budget possible, should there be faltering of economic development.

2.2 Feeding out

Employment and feeding out

Flexicurity See: modernization of the social protection system.

Job creation NRP does not define a comprehensive employment strategy, in particular addressing persons from the social groups at risk of poverty and exclusion. NRP focuses solely on employment activity of older people and youth, omitting provisions to address the sizeable group of unemployed and inactive persons facing particular difficulties, such as disabled persons, low qualified and low skilled persons, the long-term unemployed, etc. people This holds particularly for disabled persons, the exceptionally low employment share of whom (16%) is the consequence of the still lacking comprehensive approach to the activation of disabled persons including education and life-long learning, early medical rehabilitation, and of other barriers.

Some progress can be seen in the area of labour market policy. The reform of the labour market institution should improve servicing of the persons facing difficult situation at the labour market. NRP includes plans for upgrading the quality of training for the unemployed and ensuring universal access to core labour market services (job exchange, occupational counselling and occupational information), along with ensuring wider access to labour market services. The reform of the labour market services, currently being formulated by Parliament³, is also to include instruments to improve specific servicing of the persons facing difficult situations on the labour market, such as individual action plans (for persons unemployed for more than 6 months), possibility of launching special programmes adapted specifically to the requirements of the local labour markets, and closer collaboration with social assistance centres. Still, real improvements in service quality provided by labour offices will depend to a large extent on the work load faced by personnel of these offices. In a climate of rapidly shrinking unemployment, conditions emerge for improving service quality without increasing staffing of employment services. The situation could worsen dramatically, should an economic crisis result in increased unemployment.

Adequate income from work Even though Poland is a EU country with a high share of the working poor, NRP does not propose any direct measures to improve the situation in this area. Policy to date, including the policy defined in the latest NAP Inclusion, does not identify the working poor as a policy target group. In effect, the situation of the working poor is determined by diverse, contradictory policy elements. In this context note should be taken of two questions.

First of all, in recent years the measures resulted in the increase of low wages were implemented. Minimum pay has increased 20% since 2007, while average remuneration increased 10% over the same period, and starting 2009, minimum pay will be raised another 12%. At the same time, in 2007-2008 there was a reduction in the rate of social contribution paid by employees, and in 2009 a tax reform will come into force Unfortunately, the benefits of these measures are not distributed progressively, so lower paid employees will gain relatively lesser benefits.

Second of all, one should note the lack of measures to change the formula of benefits award in such a way as to ensure that active employment would result in significant improvement of the income situation. The need for such measures was indicated in the country specific recommendations 2008. Most social benefits in Poland are not contingent on employment activity, yet entitlement to many benefits is means-tested (family allowances and social assistance benefits) and the means-test thresholds are set extremely low. In effect, taking up even a low paid job results in radical reduction or even loss of any right to the income support.

³Draft act on the amendments of the Act on promotion of employment and institutions of the labour market (Parliamentary copy Nr 1196, in Polish):
[http://orka.sejm.gov.pl/Druki6ka.nsf/0/E6AA9BABB8F77088C12574EA005DBEA3/\\$file/1196-ustawa.doc](http://orka.sejm.gov.pl/Druki6ka.nsf/0/E6AA9BABB8F77088C12574EA005DBEA3/$file/1196-ustawa.doc)

Reconciliation of work and family life Reconciling of work and family responsibilities is a typical example of mutual reinforcement of growth and jobs and social integration policies. Facilities for reconciling holding jobs with family responsibilities are a must for increasing employment of women in Poland. At the same time, since low employment activity of adults is one of the critical factors behind poverty of families, such a policy is also significant from the perspective of reducing the poverty risk of families with children. In effect, it is something positive that both documents – NRP and NAP Inclusion – include provisions for measures in this area.

The measures specified in NRP for facilities in reconciling work with family responsibilities are reflected in an Act⁴ just adopted by Parliament. This Act provides for gradual extension of maternal leave (up to 26 weeks, with possibility of partially combining with half-time employment) and introduction of paternal leave (up to 2 weeks), possibilities for employers to fund plant crèches and kindergartens, reductions in social contributions for the enterprises employing parents returning from maternal and child-rearing leaves, increases in pension contribution paid for the persons on child-rearing leave.

However, the regulations introduced under the new law address only a portion of the problems faced by families, women in particular, on the labour market. Unfortunately, NPR is lacking clear and comprehensive strategy on employment of women. In particular, one notes absence of a comprehensive approach to addressing the problem of lacking access to childcare. The planned measures for increase the access to the child care such as mandatory pre-school education for children aged 5 years old and possibilities for employers to fund plant crèches and kindergartens are not sufficient to reverse very negative situation in this field.⁵ Lacking also is a more active approach to employment activity of women, including measures counteracting their discrimination in the labour market.

Older workers and active ageing Measures to promote active employment for the 50+ persons can serve as a good example of synergies between macro-economic policy, employment policy and social inclusion. NPR combines the limitation of the access to early retirement with the activation policy for older workers. The sweeping cut-down of entitlements to early retirement and implementation of a program to bolster employment of 50+ persons will reflect positively on macro-economic stability and employment and will reinforce the economic growth. On the other hand, these policies will bring positive effects on the social adequacy and financial stability of the old-age pension system. Particularly, while amount of the old-age benefits in the reformed social insurance system depends on the amount of accumulated capital of social contributions, it will have a positive effect on the social protection of elderly.

SMEs – The contribution of SMEs to creating employment for those distant from the labour market is not considered.

⁴ Act from 20th November 2008 on the amendments of the Labour Code and certain other acts.

⁵ According to the regulation on social fund, the possibilities to fund child care by employers concern only those enterprises that have more than 20 employees. While the amount of the financial sources allocated in the social fund depends on the number of employees, only bigger enterprises may have ability to finance the institutional child care for their employees. However, in Poland more than 40% of employees are employed in micro enterprises (up to 9 employees), about 11% in enterprises with 10-49 employees, and less than 40% in bigger enterprises (50 and more employees). See: Report on SME-s in Poland in years 2006-2007, The Polish Agency for Enterprise Development (PARP), 2008)

Economic growth, financial sustainability and feeding out

Modernisation of social protection system NRP makes no explicit reference to the impact of the modernisation of the social protection system to the area of poverty. The list of reforms in this area covers old-age and disability social insurance system.

The main aim of NRP measures designed to modernise the social protection system is to extend the period of employment of older workers and to prevent early withdrawal from the labour market. The measures cover limitation of access to early retirement and activation programs for older workers. The balance between social protection restriction and activation measures seems to be preserved, and the strategy can be a good example of flexicurity approach.

The planned implementation of a new regulation on investments of the open pensions fund in order to reduce the risk of persons in pre-retirement age will positively influence the social sustainability of the new old-age system. In addition, some changes in the regulations on savings in the third, voluntary pillar of the old-age system are needed in order to increase the coverage of this system and increase the social protection of the elderly in the future.

Contrary to the policies in the old-age pensions area, the announced changes in the disability pensions will reduce the social protection of the disabled persons and increase the poverty risk among families of disabled persons⁶. The changes in the formula of the disabled pensions are introduced in order to reduce the number of people interested in gaining entitlement to such a benefit. However, the reform is not accompanied by the comprehensive employment strategy of the disabled persons⁷, so the lower benefits will worsen the material situation of the disabled persons and their families. Also the amount of the survivors' benefits will decrease in the future as a result of the pension reform. This will lead to more poverty in the households for which disability and survivors' pensions provide the main source of maintenance. According to CSO data, households of disability and survivors pensioners are twice as frequently at risk of relative and absolute poverty as households of old-age pensioners. The poverty indicator for persons living in such households in 2007 amounted to 25.3% of relative poverty and 11.3% of absolute poverty.⁸

NRP is also missing a clear plan regarding rising the retirement age for women. Continuing with the present retirement age for women (60 years) considerably increases their risk of poverty.

Impact of fiscal policy. NPR assumes that the fulfilling of the requirements of convergence with the Euro zone will be possible under conditions of high economic growth without reduction of the social expenditure. However, the significant savings in social spending are to be achieved by implementing the reforms which are just being finalized: reducing access to early retirement and changing the formula of disability pensions. This second measure, as signalled earlier, will result in deterioration of social protection for disabled persons.

Territorial differences and regional gaps NRP does not address the regional differences. The sole exception is the reform of the educational, which accommodates the need for levelling out the differences in educational opportunities for rural and small town children. The planned decentralization of the public finance and competences (shift of the public finance and power to

⁶ Change in the formula of the disability pensions will lead to lowering the amount of such pensions for people with low earnings (below the national average) and short employment histories.

See: Draft Act changing the Act on old-age and disability pensions from the Social Insurance Fund and certain other Acts, Tables, <http://www.mps.gov.pl/bip/index.php?idkat=1567#id4696>

⁷ Elements of such strategy can be found in the NSRSPSI 2008-2010. Unfortunately, it is not mainstreamed into different sectoral policies.

⁸ Relative poverty – 50% % of average monthly household spending ; absolute poverty - takes into account only the needs which cannot be put off in time, and consumption below this level leads to biological degradation (CSO 2008).

the regional and local governments) will, according to NRP, improve the access and quality of service provided to citizens by local governments. However, no assessment is provided about the impact of decentralization on regional inequalities in the access to services and finances of territorial governments.

Access to the internet Measures to increase access to internet give particular attention to ensuring the access of those experiencing poverty and social inclusion. Counteracting digital exclusion by financing access to the Internet for low-income persons is one of the two objectives set by the programme of ‘Developing information society, ensuring broadband access to the Internet and raising IT skills’.

Financial inclusion NRP does not address the problem of financial exclusion, notwithstanding the high proportion of the population using no banking services in Poland. It also does not note the progress which has been achieved in the issue of the over-indebtedness among people experiencing poverty and social exclusion. The Act on consumer bankruptcy⁹, aimed at containing poverty and social exclusion due to debt of individuals and households is now in the final phase of parliamentary proceedings. The new regulations will limit the eligibility for bankruptcy proceedings only to the persons who have become insolvent due to exceptional circumstances beyond their control; debt relief will be as a rule contingent on having the debtor meet at least a portion of her/his liabilities – and filing for the procedure will not be possible more frequently than once every ten years

Access to housing NRP does not take up the question of improving access to housing, even though the shortage of inexpensive housing for rent is a problem severely limiting labour force mobility, and by the same token a factor conducive to permeating the deep differences of situation between local labour markets.

2.3 Feeding in

Active Inclusion: The successful implementation of active inclusion policy requires a holistic approach to persons furthest from the labour market. This consist of combining the resources intended for securing adequate income support with labour market opportunities and better access to quality services¹⁰. Both NAP Inclusion and NRP lack such a comprehensive approach to employment activation of persons furthest from the labour market¹¹. The new instruments are concentrated only on the labour market measures, but fail to offer a broader approach combining application of different social services and measures improving income support for those distant from the labour market, especially for disabled persons and the long-term unemployed.

Education, training and lifelong learning

Looking for a positive example of bringing out the mutual links between social inclusion and growth and jobs policies, one can point to, with some reservation, the planned reforms in the school education system. Actions in this area cover lowering the age of starting obligatory school education to 6 year olds, ensuring full coverage of kindergarten education for 5 year olds, modernising school curricula and upgrading equipment of schools. These actions should yield, on

⁹ Act from 24th October 2008, amending the Act – Bankruptcy and Redress Law and the Act on court fees in civil proceedings

¹⁰ See: Communication of the Commission: “Modernising social protection for greater social justice and economic cohesion: taking forward the active inclusion of people furthest from the labour market.” (COM (2007) 620 final).

¹¹ A positive example of a holistic approach accommodating active inclusion approach are the programmes carried out by Social Integration Centres. Still, the outreach of these programmes is marginal, even considering their planned extension in the years 2008-2011.

the one hand, improved quality of education leading to more competitive economy and, on the other hand, will contribute to levelling-out the differences in educational chances. As evident from OECD-PISA research, Poland is one of the countries in which educational achievements in the school system is closely correlated with the material situation and social status of the pupils' parents and their upbringing environment.¹²

Nonetheless, the planned strategy is not sufficiently comprehensive from social inclusion perspective. Even though NRP explicitly points to the need for levelling-out educational chances, it fails to address such systemic sources of differentiating educational opportunities as the selection following completion of obligatory education or the informal segregation of pupils within schools.

NRP plans the implementation of the reform of tertiary education, introduction of the national qualification frame and finalization (yet another in a long series) and implementation of the 'Strategy of life-long learning'. The planned measures should result in improving the qualifications of Poland's population, and better match of qualifications to labour market needs, improving on the one hand the competitiveness of the Polish economy and its growth, and on the other hand should reduce the risk of unemployment caused by qualifications mismatch on the labour market. However, the reforms of tertiary education do not explicitly address the problems of highly differentiated quality and major disparities in the access to tertiary education . .

Gender equality and anti-discrimination: Gender equality and anti-discrimination is not taken into consideration as factors promoting employment and growth and jobs.

Child and family poverty Preventing child and family poverty are not seen as factors promoting sustainable economic growth

Social economy NRP refers explicitly to the development of the social economy as a vital condition for increasing the level of civil activeness. Plans call for shaping appropriate legal, financial and organisational conditions for development of social enterprise, treated as an effective tool in supporting social inclusion policy. It is expected that development of social enterprise will reflect directly on increasing employment of those excluded from the labour market, in this way contributing to reducing the number of persons relying on social assistance benefits and unemployment allowances.

2.4 Governance

The coordination of the preparation process of NRP was ensured by the involvement of the High Level Inter Ministry Team for Implementation of Lisbon Strategy and the reconciliation procedure within the government. Notwithstanding these arrangements, NRP makes very limited use of the synergies inherent in growth and jobs policy and social inclusion. The shortcomings of NAP Inclusion due to the lack of comprehensive approach to social inclusion could have been one of the reasons for the absence of synergies between the two documents. However, it seems that the most important reason for this situation is the fact that social inclusion policy is not one of Polish Government priorities. The objective of the NRP is the creation of foundation for sustainable socio-economic growth in order to improve the citizens' living standard. However, it does not

¹² As shown by the OECD PISA 2006 study, in Poland there is a high correlation between the social and economic background of the communities from which students derive and their educational achievement, compared with other OECD countries (PISA-OECD 2006, figure 4.1). The indicator of segregation of students as regards the social status of their parents increased slightly between 2000 and 2006. It has been pointed out that the causes behind such considerable differentiation of educational achievements are systemic in nature (PISA 2006).

identify the challenges resulted from the processes which lead to social exclusion and poverty even in the well developing economy and increasing wealth.

Should the Commission give more clearly the recommendations to the Member States to include social inclusion perspective while preparing NRPs, the better coordination and synergy of the NRP and NRSSPSI could be achieved. It would also be helpful to intensify the process of consultations, inviting to these also the non-government organisations representing excluded people, and the experts involved with poverty and social exclusion issues.

Monitoring and assessment

The monitoring system of NRP is to apply a selection of indicators relating to the social inclusion process, such as at risk of poverty rate, long-term unemployment rate, regional disparities in the employment indicator. In the context of planned arrangements there is an absence of any indicators monitoring progress in quality of education and its disparities, and also of access to life-long learning depending on education level and age. There is no idea to involve other than government stakeholders into monitoring process.

Involvement of stakeholders

It is a paradox that even though NRP puts stress on developing the organisations harnessing civil activeness (non-government organisations as well as public-private partnerships), the very process of consultations was extremely limited in scope. There was but one single consultative meeting, and the draft text of NRP was accessible on web pages for the consultation only for a short period of time¹³. The list of institutions invited to the consultations was quite extensive. It covered regional and local administration, members of Parliament, representatives of the business associations, social dialog partners, NGOs and experts. Still, absent from the list of institutions invited for consultations were any organisations representing the perspective of excluded persons, or experts involved with issues of poverty and social exclusion.

Coordination

Responsible for coordination is the High Level Team for Implementation of Lisbon Strategy appointed by the Prime Minister. The Team includes State Secretaries of Undersecretaries from every Government Ministry. Annual reports on NRP implementation, consulted and agreed with the Government departments concerned, are presented to the Council of Ministers for acceptance.

¹³ The consultation process took place from 5 to 15 September 2008.