

MINISTRY OF ECONOMIC AFFAIRS AND LABOUR

POLAND 2005
REPORT
LABOUR MARKET

WARSAW 2005

Prepared by

Ministry of Economic Affairs and Labour
Economic Analyses and Forecasting Department

in cooperation with the following departments:

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Labour Market Department; Remuneration Department; European Social Fund Management Department

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ISSN 1731-8211

Łamanie i druk: ZWP MGiP. Zam. 1935/05.

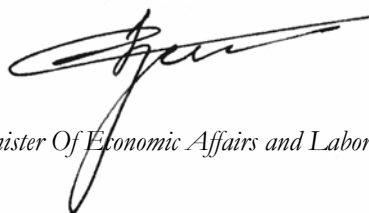
Ladies and Gentlemen!

We have the pleasure to present to You the current editions of the "Reports on the Economy", which our Ministry has prepared for a number of years. Aside from the overall description of the basic events and macroeconomic trends which apply to the whole economy, the Reports offer a detailed presentation of the most important areas (industry, foreign trade, the labor market).

The year 2004 brought positive changes in the political and socio-economic situation of the country. On 1st May, Poland became a full-fledged member of the European Union. Certainly, accession to the European Union has contributed to the improvement of the political and economic image of the country, to increased rate of economic growth and revival of the Polish exports. The consumers have certainly noticed an increase in the price of goods, but the entrepreneurs appreciated the easier exchange of commodities with other countries, and the improvement of economic results achieved by their firms. They have also experienced a strong impulse for modernization and the reduction of costs of their business activity (especially in enterprises producing goods for export, and in the transport sector). Certain signals appeared which show that Poles intend to profit from the possibilities of working and studying abroad. The first period of membership has also confirmed that Poland shall be a net beneficiary of the Union's budget.

The second half of 2004, and year 2005 are the period of calming the short-term effects of the so-called "EU impulse", and the subsequent years will bring "normalcy" of functioning in the new structures. Membership in the European Union offers Poland a huge opportunity to bridge the gap separating it from the most developed societies. The experience of the European Union, its financial support and the possibilities for the economic, scientific and cultural integration with the Member Countries, offer Poland a new perspective for development. However, to meet the expectations of the Common Market, an initiative on our part is necessary. It is necessary to improve the competitiveness of Polish firms, and to base the development of economy on knowledge and growth of innovation. On 29th June 2005, the Council of Ministers has approved the National Development Plan for the years 2007–2013 – the comprehensive plan for the social and economic development of the country. In the course of work on the NDP, a debate on the future of the country was held. The planned activities are meant to assure stable development of the Polish economy and accelerate the process of convergence with countries of the European Union.

Jacek Piechota



Minister Of Economic Affairs and Labor

Warsaw , September 2005

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Chapter 1

DEMOGRAPHIC BACKGROUND

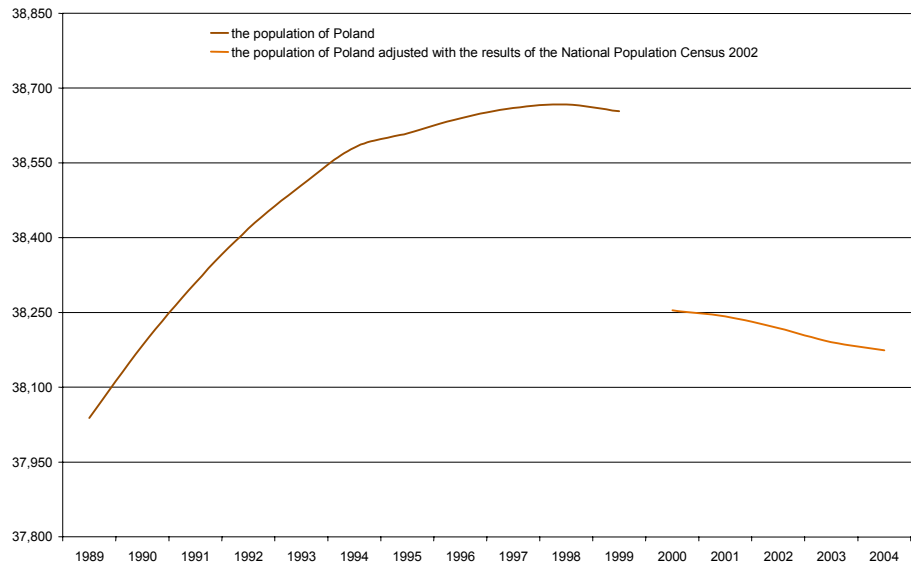
The year 2004 was another – the sixth subsequent – year characterized by a real decline in the number of population, and negative population growth. The population of Poland at the end of 2004 reached 38.17 million inhabitants, and was lower by 17 thousand persons, compared to 2003. In the years 1999–2004 the population of Poland decreased by over 102 thousand persons. This is caused by a significant decline in the number of births, and the negative balance of foreign migrations.

Population growth in 2004 was negative and reached – 7.4 thousand persons. Compared to 2003, it was reduced by almost a half. However, given the low total fertility rate (around 1.23 in 2004), below the replacement level¹, we should expect further decrease of Poland's population.

The population of Poland is still relatively young, compared to other European countries. In 2004, over 21% of the total population was at the pre-productive age (0–17 years), and 63.5% in the productive age (18–59/64 years). Despite that, since the early 1990s we have been observing a systematic decrease in the share of the youngest group (by 8.7 percentage points in the years 1989–2004); and a slow increase in the number of persons at post-productive age (the share of persons aged 60/65 in the whole population rose by 2.7 percentage points in the years 1989–2004). Given the decreasing number of births, and the higher average life expectancy in Poland – both for men and women – in the coming years we can expect the current tendencies to become more pronounced.

¹ In demographics it is assumed that in order to keep the population on an unchanged level for a longer period of time, the total fertility rate should not be lower than the level of 2.1. children per one woman. Only in such case the number of deaths is offset with the number of births – which keeps the population on an unchanged level.

Chart 1. The population of Poland in the years 1989-2004 (in thousand persons)

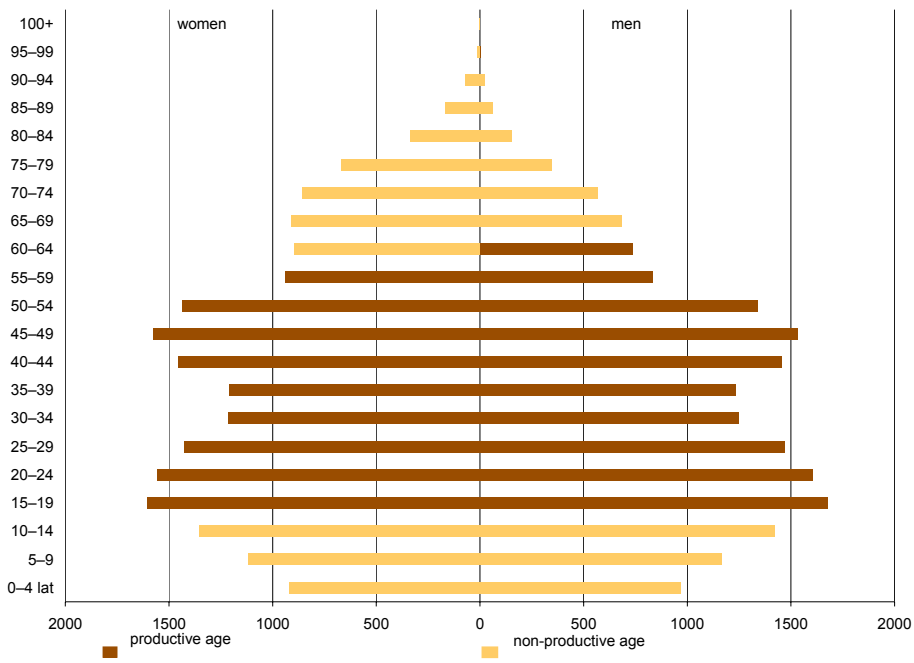
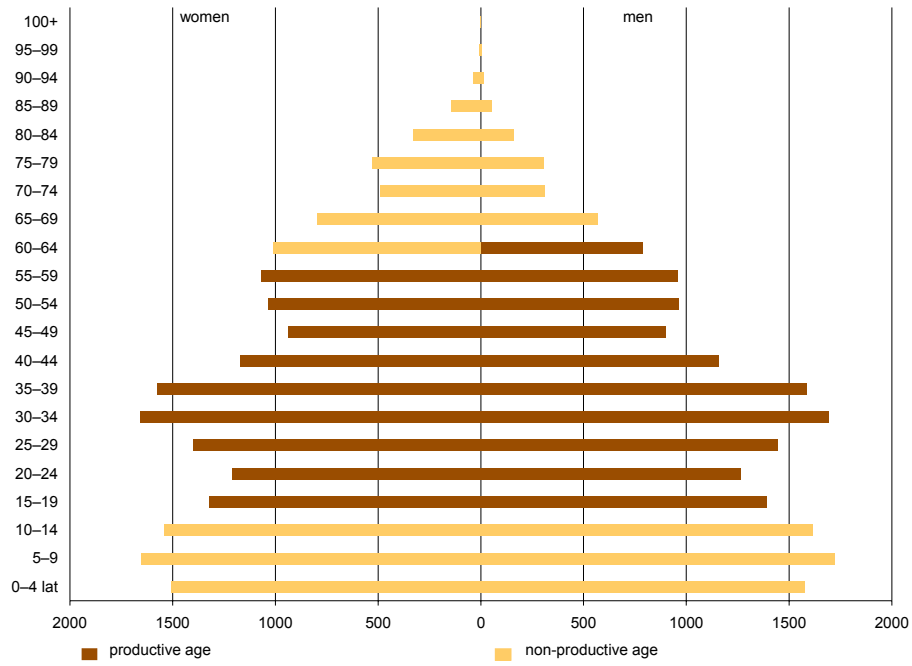


Source: Central Statistical Office.

The rising number of persons at post-productive age influences the growth of the dependency ratio – the proportion of persons aged 65 and over to the number of persons aged 15–64. In 2004, this ratio was on a level similar to the one from 2003, that is, 18.7%. In the longer run, we observe its systematic growth – in the years 1989–2004 it reached 3.4 percentage points.

In 2004, Poland had over 24 million inhabitants at productive age. The share of this group in the total population is rising systematically. It is related to the fact that in the recent years, the persons born during the demographic boom of the early 1980's have reached the productive age. On the other hand, the persons born during the post-war "baby boom" will only reach the retirement age in a few years' time. For this reason, in the years 2000–2004 the number of persons at the productive age rose by 980 thousand. The increased inflow of young people to the labour market, coupled with insufficient demand for labour, can cause a growth in the number of unemployed. On the other hand, today a large proportion of the young people prolong the period of economic inactivity, by continuing education on the tertiary level. Coupled with the fact that the subsequent, increasingly numerous cohorts born during the post-war years reach retirement age, it can cause a strong increase in the number of economically inactive persons over the coming years.

Chart 2. Structure of Poland's population on the basis of age in the years 1988 and 2004



Source: National Population Census, 1988 and 2002, Central Statistical Office.

Chapter 2

TENDENCIES ON THE LABOUR MARKET

The years 2003–2004, and the first half of 2005, brought a change of trends in the labour market. In 2003, a significant reduction in the growth rate of the number of unemployed, and a decrease of the number of employed and economically active was observed. In 2004, the number of the unemployed decreased, while the number of employed and economically active rose. Despite these changes, the situation on the Polish labour market is still very difficult, compared to the other countries of the European Union.

Table 1. The unemployment rate and employment rate in Poland and countries of the EU, in the years 1994–2004

Description	1999	2000	2001	2002	2003	2004*
unemployment rate						
Poland	13.4	16.4	18.5	19.8	19.2	18.8
EU – 15	8.7	7.8	7.4	7.7	8.0	8.1
EU – 25	9.2	8.7	8.6	8.9	9.0	9.0
New member states	11.8	13.6	14.5	14.8	14.3	14.1
employment rate (15–64 years)						
Poland	57.6	55.0	53.4	51.5	51.2	51.7
EU – 15	62.5	63.4	64.1	64.2	64.3	64.7
EU – 25	61.9	62.4	62.8	62.8	62.9	63.3
New member states	59.0	57.4	56.6	55.8	55.9	56.0

* Preliminary data.

Source: "Indicators for monitoring the Employment Guidelines, 2004/2005", the European Commission, "Structural Indicators", Eurostat.

Poland is characterized not only by the highest unemployment rate (similar, slightly lower unemployment rate is found in Slovakia, but it is coupled with much higher economic activity than in Poland), but also by the lowest rates of economic activity and employment. Compared to 2003, these differences did not deepen (in the case of employment rate), or even became lower (in the case of unemployment rate). This was caused, on one hand, by the equal increase

of employment rate in Poland and in the EU; and on the other, by the decline of unemployment rate in Poland, while it remained unchanged in the EU.

Further sections of the chapter present the situation on the Polish labour market in 2004 and – wherever possible – during the first half of 2005. Data on the labour market in Poland is presented, primarily, on the basis of Labour Force Survey (LFS), conducted since 1992 by the Central Statistical Office. These data are also supplemented with data on registered unemployment, derived from the reports of local (county-level) labour offices from all over the country. In some cases, the LFS data presented are seasonally adjusted by the Economic Analyses and Forecasting Department, and may as such differ from the raw LFS data.

The LFS presents data on the number of unemployed per quarters. This is a questionnaire survey, and its results are generalised to the whole population. It enables not only the collection of data on the number of employed, unemployed and economically inactive; their structure in terms of gender, age or education; but allows also to determine the following: motivation to search for work, the methods of looking for employment, sources of income, educational activity.

The LFS data for 2003 take into account the change of methodology for generalising the survey's results onto the whole population. These results are fully comparable with the later years, but not fully comparable with data for the previous years. Given the above, further part of this chapter presents an analysis of processes on the labour market in 2003 and 2004. If not otherwise stated, the data refers to population aged 15 years and more.

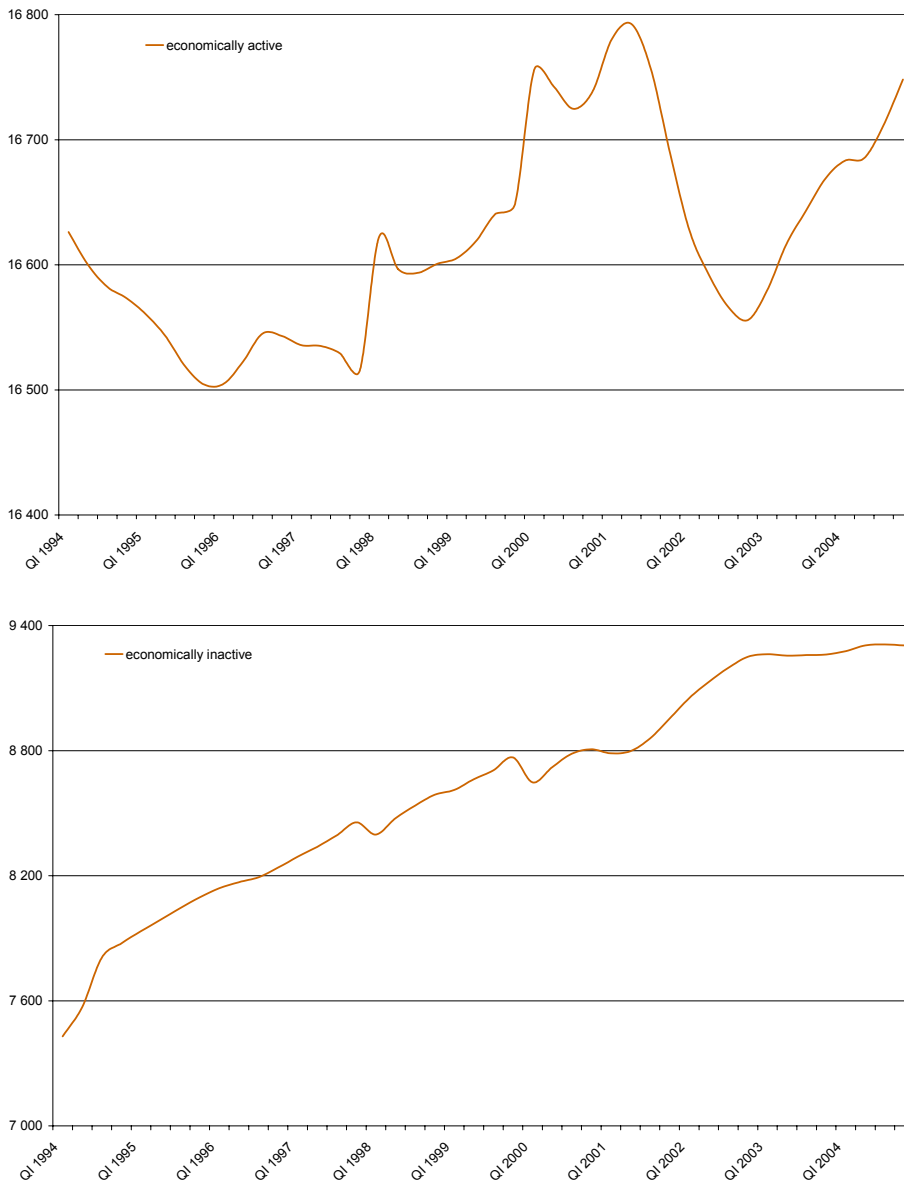
2.1. Persons economically active and inactive

The economically active population is defined as all persons employed and unemployed. The economically inactive population is defined as all those persons who – regardless of the reason – are not employed and do not seek employment.

In 2004, the number economically active persons amounted to 17,023 thousand people, which was an increase by 81 thousand persons, compared to the previous year. In the years 2002–2003, a contrary trend was registered, as during these years a decline in the number of economically active persons was recorded, by 161 thousand and 274 thousand persons, respectively (in the case of 2003, this decrease was actually lower, as the change in the

LFS methodology caused a reduction of the basic values). During the 1st quarter of 2005, the number of economically active fell slightly, compared to the same period of last year – the reduction reached only 8 thousand persons.

Chart 3. The number of economically active and inactive persons in the years 1994–2004, in thousand persons (seasonally adjusted).



Source: *Employment in Poland 2005*, Ministry of Economic Affairs and Labour.

In 2004, the proportion of economically active persons in the population aged 15+ amounted to 54.7%. In the case of persons aged 15–64, this value reached 64.2%. Compared to 2003, these rates did not undergo significant changes.

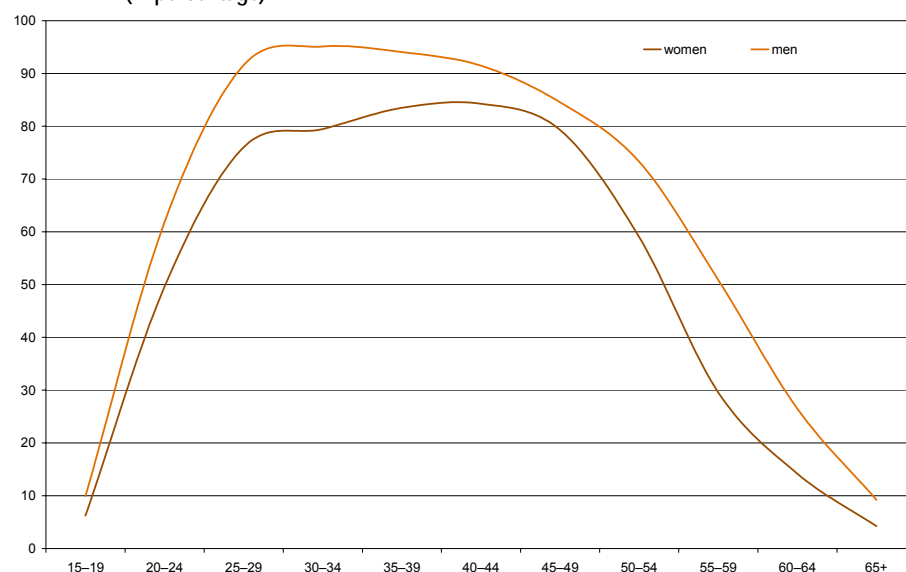
During the 1st quarter of 2005, the economic activity rate reached the level of 54.5% (64.1% for persons aged 15–64). These rates fell slightly, compared to the same period of the previous year, by 0.3 and 0.4 percentage point, respectively. This was due to both the slight decline in the number of economically active persons, and an increase of population in these age groups.

The highest levels of economic activity are seen among persons aged 30 to 44 years, for whom the activity rate in 2004 exceeded 88%. The lowest economic activity is seen among persons from the extreme age ranges – 15 to 19 years, and 65+ years old (8% and 6%, respectively). In case of very young persons – up to 19 years of age – the economic activity is relatively low, due primarily to the fact that such persons continue their education in secondary and tertiary schools; as well as due to legal restrictions on work of under-age persons. For persons aged 20–24, the activity rate reached 55.7% – but still, compared to the older age groups, this is a relatively low level. This is caused by the fact that many persons choose to continue education on the tertiary level, and some women decide to raise children (this applies, in particular, to women with low education level). The activity rate rises quickly among persons aged 25–29 – primarily due to the fact that graduates of tertiary schools enter the job market. Interestingly, the increase of persons continuing their education on the tertiary level is accompanied by a decrease of economic activity among persons 20 to 24 years (from 57.1% in 2003 to 55.5% in 2004).

On the other hand, very low economic activity is seen among older persons. In the case of persons in retirement age, this is a natural occurrence. However, the low economic activity rate seen already among persons aged 50 and over has a very negative influence on the labour market, and on the social security system. This results from the fact that a large proportion of older workers (that is, aged 45–59/4 years) withdraw from the labour market

and profit from the option of earlier retirement, or receive other benefits from the social security system. In Poland, despite the fact that the legal retirement age is set at 60 for women, and 65 for men, many persons retire earlier. In 2004, the average age of persons who were granted retirement pensions from the Social Insurance Fund reached 56.8 years – 58.7 for men, and 56 for women. Apart from earlier retirement, persons in the immobile age were also able to profit from pre-retirement benefits. The possibility of obtaining this benefit was significantly reduced in 2004. In consequence, the average age of withdrawal from the labour market is relatively low in Poland, compared to other countries of the EU. According to Eurostat, in 2003 it reached 58 years on the average (56.4 years for women, and 59.8 for men). Those values were lower than in EU-25 by 3 percentage points, 4.1 percentage points and 1.7 percentage points, respectively.

Chart 4. The economic activity rate according to 5-years age and gender groups in 2004 (in percentage)



Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, on the basis of LFS data.

Women are characterized by much lower economic activity than men. The economic activity rates in 2004 reached the levels of 47.8% for women and

62.2% for men (in the age group 15–64, they reached 58.4% and 70.2%, respectively). The highest level of economic activity is seen among men aged 25 to 44, for whom the activity rate in 2004 exceeded 92.6%. In the case of women, the highest economic activity is seen in the age group 35–44, where this rate reached the level of 83.6% in 2004. Women aged 25–34 are characterized by much lower economic activity than men – the difference between the respective activity rates amounts to as much as 16 percentage points. This situation may be a result of the significant inactivity of women, tied to the various family obligations, running the household, and the fact that women are much more involved in education.

The factor which strongly influences the level of economic activity is the education level. The highest economic activity is seen among persons with tertiary education. The economic activity rate for this group in 2004 exceeded the level of 79% (for persons aged 25–44 it was on the highest level, of above 94%). The lower the education level, the greater the percentage of economically inactive. Among persons with primary education level, in 2004 only 29% worked or was unemployed. In the group aged 20–64 – persons who do not frequently continue their education – this rate reached the level of 52%. In 2004, economic activity rose only in case of persons with primary education (1.2 percentage point) and lower secondary education. Economic activity dropped the most among persons with general secondary education and tertiary education, by the following values: 1.5 percentage point for general secondary education; 1.2 percentage point for secondary vocational education; 1 percentage point for post-secondary and 0.7 percentage points for tertiary education. During the 1st quarter of 2005, compared to the 1st quarter of 2004, the economic activity rate dropped by 1 to almost 2 percentage points for all education levels, with the exception of tertiary education. In the second case, a very slight increase was observed – by 0.1 percentage point.

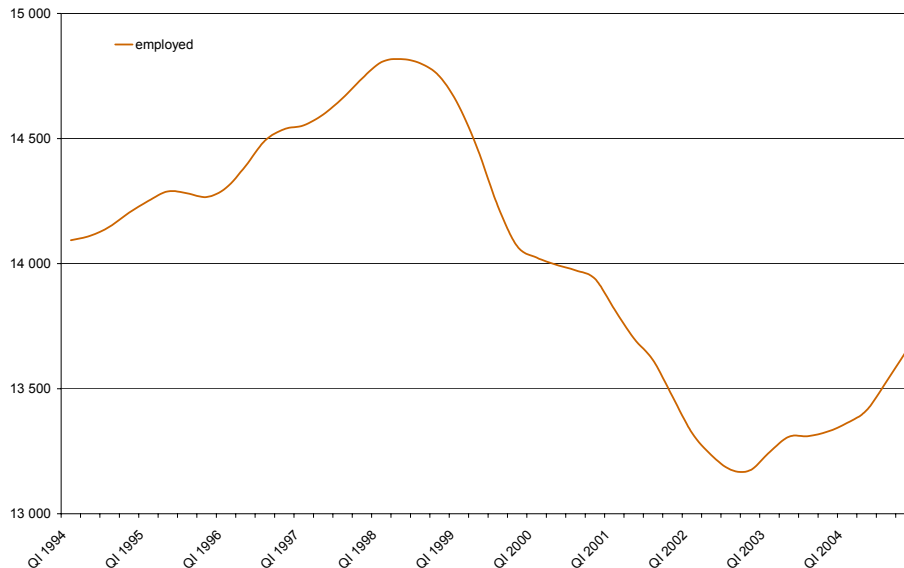
In 2004, the number of economically inactive persons increased to a very small extent compared to 2003 – by 87 thousand persons; and reached the total of 14,097 thousand persons. Despite that, in 2004 there was observed a slight reduction of the burden on the employed persons with the non-working persons. In 2003, there have been 1,273 non-working persons per 1000 of the employed, in 2004 this number was reduced to 1,264. There have been 960 non-working men per each 1000 of employed men (in 2003 – 984); and 1,615 non-working

women per 1000 employed women (in 2003 – 1620). The basic reasons for inactivity are: retirement (35.5%), education and training (25.1%), illness and disability (21.7%). Among the other reasons, family obligations and running the household caused the passivity of over 1241 thousand persons (9%).

2.2. The employed

In 2004, the number of employed persons reached the level of 13,794 thousand and was higher by 176 thousand persons (1.3%) compared to 2003. During the first quarter of 2005, the number of employed amounted to 13,767 persons which was 302 thousand persons more, compared to 1st quarter of 2004 (or 2.2%). In 2003, the downward trend in the number of the employed was reversed. Starting from the 1st quarter, the number of the employed started to rise systematically. In consequence, during the 1st quarter of 2005 their number was higher, compared to the 1st quarter of 2003, by 419 thousand persons (a 3% increase).

Chart 5. The employed in Poland the years 1994–2004 (in thousands persons, seasonally adjusted).



Source: *Employment in Poland 2005*, Ministry of Economic Affairs and Labour.

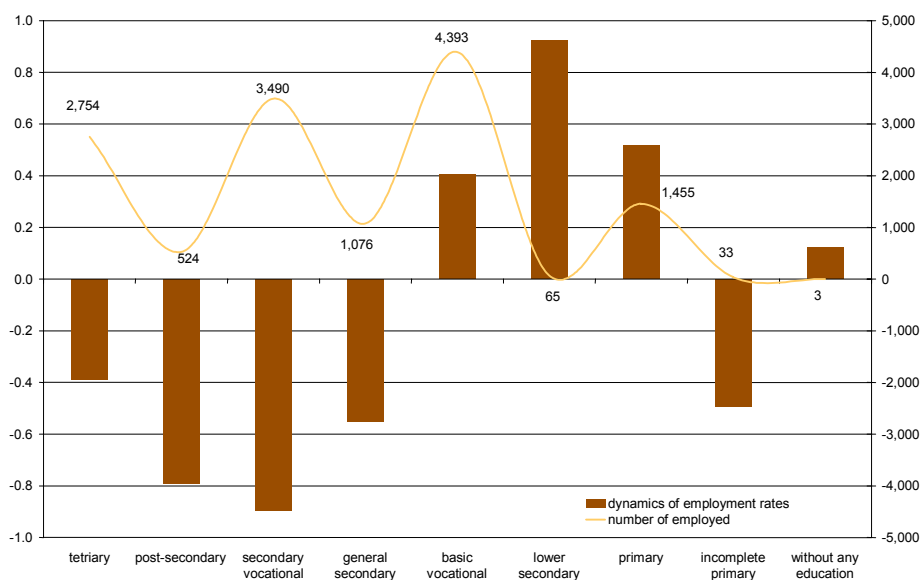
In 2004, the economic activity rate reached the level of 44.3% (for the age group 15–64 it reached 51.9%). Comparing these values with 2003, we can see a slight improvement of the rates, by 0.3 percentage points and 0.5 percentage points, respectively. In the 1st quarter of 2005, the employment rate amounted to 44.1% (51.8% in the age group 15–64). It was higher, compared to the 1st quarter of 2004, by 0.7 percentage point (0.9 percentage point). This improvement occurred thanks to the higher employment rate among men (1.6 percentage point), while the rate for women fell slightly (by 0.1 percentage point).

Men work much more frequently than women, which is illustrated by the employment rate broken down per the genders. In 2004, it reached the level of 51% for men (57.4% in the group aged 15–64); and 38.2% for women (46.4% for the group aged 15–64). During the 1st quarter of 2005, the employment rate for men amounted to 51.3%, which was a 1.6 percentage point increase, compared to the same period of the previous year. In the case of women, the rate remained on an almost unchanged level of 37.5%. Compared to the same period of the previous year, an increase of barely 0.1 percentage point was registered.

Not only less women work – but also their working hours are shorter. In 2004, women worked on the average for 37.9 hours per week, while men worked usually 5.7 hours a week more. This data changed to a very small extent over the previous years.

The factor which determines the probability of finding employment is the level of education of the given individual. In 2004, the employment rate among persons with the highest education level reached 73.5%. The difference between employment rates of persons with tertiary education, and those who completed at least lower secondary education reached 56.2 percentage points. Compared to 2003, it rose by 0.2 percentage points. In the 1st quarter of 2005, the employment rates for these groups amounted to 73.8% and 16%, respectively. The difference reached 57.8 percentage points, and compared to the same period of the previous year, it rose by 1.1 points. In 2004, in comparison to the previous year, employment rates rose only among persons with low level of education, as illustrated by Chart 6. The strongest increase was recorded in the case of persons with lower secondary education, but it applied to a very small group of persons.

Chart 6. Dynamic of employment rates (compared to the same period of the previous year) in percentage points, and the number of employed in thousands, per education level in 2004



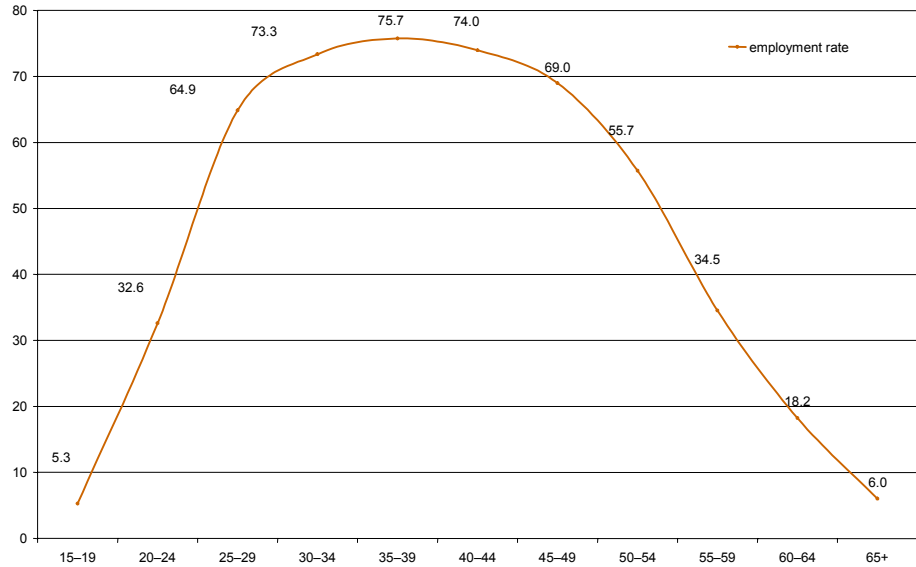
Source: LFS, Central Statistical Office.

The number of employed persons and their share in the population is very strongly differentiated in terms of age. The highest employment rate is seen among persons aged 30 to 44. For this group, the economic activity rate reached the level of 74.3%. The indicators characterising the situation of persons in pre-retirement age are dramatically low. In 2004, the employment rate for persons aged 55 to 64 was on the level of 28%, which was 0.5% point less than in 2003.

During the 1st quarter of 2005, compared to 1st quarter of 2004, the employment rate rose for all age groups. The highest increase was recorded among persons aged 35–44.

Usually the residents of rural areas are characterized by higher economic activity and higher employment rates, than the city dwellers. In both cases, this is probably attributed to the high level of hidden unemployment and the seasonal nature of rural works. In 2004, the employment rate for rural residents reached the level of 46.1%, compared to 43.3% among city dwellers.

Chart 7. Employment rate broken down per age, in 2004



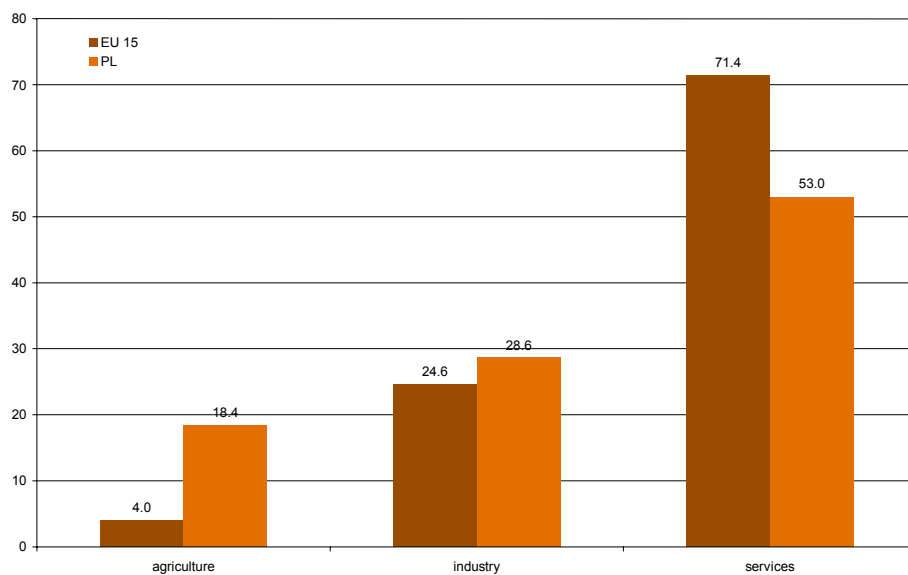
Source: LFS, Central Statistical Office.

In the 1st quarter of 2005, employment rates in rural and urban areas increased slightly, compared to the 1st quarter of 2004 and of 2003 and reached the levels of 45.2% and 43.4% respectively.

From the perspective of sectors of the economy, the structure of employed improves systematically. Every year, the number of employed in agriculture decreases, while the number of persons working in the services and industry sectors rises. In 2004, about 18% of all employed worked in agriculture, 28.8% in industry, and 53.2% in services. When we compare the data to 2003, we notice the falling share of agriculture in employment structure – by 2 percentage points, and the balanced increase in shares of industry and services.

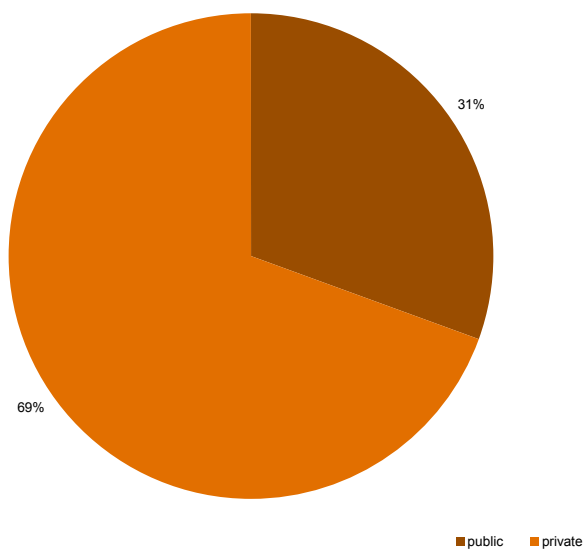
The ownership structure of the Polish economy also improves. In 2004, about 30.5% of all employed worked in the public sector. This share fell by 1.7% points, compared to 2003. During the 1st quarter of 2005, the downward trend of the number of employed in the public sector remained in place (compared to the same period of 2003).

Chart 8. The employed per economic sectors in Poland and EU-15 in 2003



Source: LFS, Central Statistical Office.

Chart 9. The employed per ownership sectors in Poland in 2004



Source: LFS, Central Statistical Office.

2.3. The unemployed

In Poland, data on unemployment is derived from two sources: the Labour Force Survey conducted by the Central Statistical Office, and the registers maintained by the Local Labour Offices. These data differ from each other, which is due to varied research methodologies, the definition of the unemployed and the reporting periods.

In LFS, the unemployed are persons aged 15–74 (since 2001), who simultaneously fulfil three conditions: were not employed within the reference week (did not work a single hour during the analysed week); actively sought work, i.e. within a four week period undertook activities to find work; and were available to work within a fortnight after the reference week.

The statistics of registered unemployment are collected under state statistics activities, from the Local and Provincial Labour Offices. These statistics cover the whole population of persons registered in the Labour Offices (i.e. meeting the criteria which are defined in the Law on promoting employment and the labour market institutions). This database covers all persons who during the given period were recorded in the registers of the Labour Offices, and persons seeking employment, but not registered with the Labour Office, who came to the office for vocational counselling.

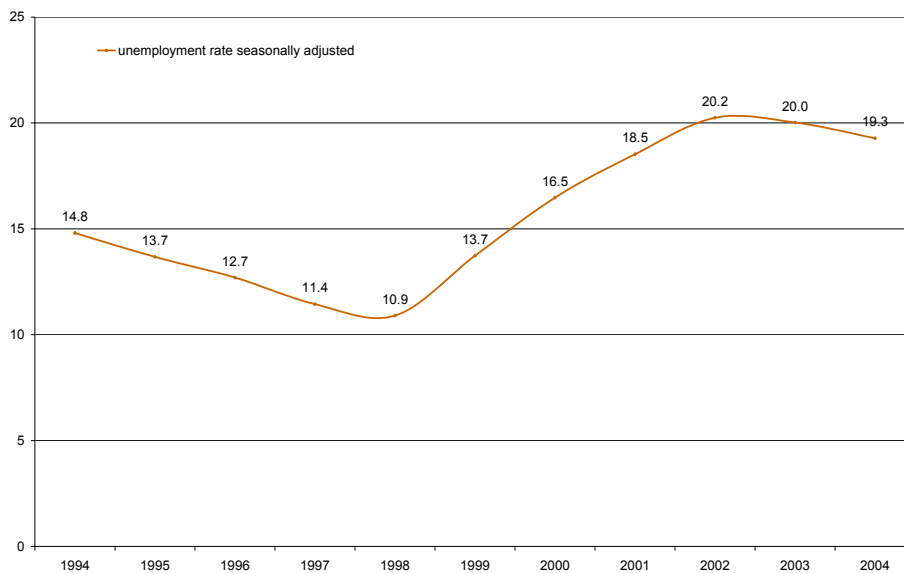
In this case, the unemployed are defined as persons aged 18–59/64, registered with the Local Labour Office, who are not employed and do not perform any salaried work, are able and ready to undertake employment, do not study (with the exception of schools for adults, and tertiary schools in the evening or extramural system), are not entitled to retirement pension or work disability benefits, do not own a farm and do not obtain income on property, exceeding half of the minimum wage on a monthly basis, or revenues from special areas of agricultural production.

2.3.1. The unemployed according to LFS

In 2004 the average number of jobless in Poland reached 3,229 thousand persons. This number dropped, compared to 2003, by 99 thousand persons. Starting from the 1st quarter of 2003 positive changes have been noticed in Poland in terms of the number of employed and the unemployment rate. In

2003 the negative growth trend of the number of employed has been reversed. For the first time since 1999 a decrease of the average annual number of unemployed was registered. According to adjusted seasonally LFS data, the number of unemployed persons aged 15–64 in 2003 dropped by 29 thousand persons, and in 2004, by another 108 thousand persons. This tendency remained in place also in 2005. During the 1st quarter of 2005, the number of unemployed persons was lower than during the same period of the previous year, by 307 thousand persons.

Chart 10. The unemployment rate in Poland in the years 1992–2004 (in %)



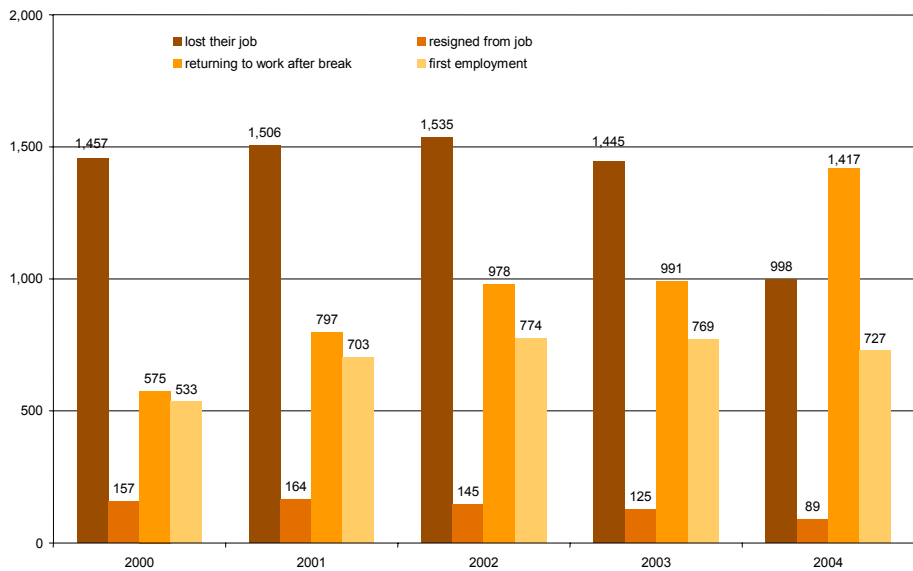
Source: *Employment in Poland 2005*, Ministry of Economic Affairs and Labour.

The positive changes in the number of unemployed led also to a lower unemployment rate. In 2004, the unemployment rate reached 19%, which was 0.6 percentage point less than in 2003. During the 1st quarter of 2005, the unemployment rate dropped to 18.9%, which was 1.8 percentage point less than in the 1st quarter of 2004. For the 15–64 age group, the unemployment rate was on a slightly higher level – 19.3%.

Aside from the reduction of the general number of the unemployed, the reasons for unemployment have also changed, as illustrated in Chart 10.

In 2004, the largest group of unemployed were persons returning to work after a break (44%), and persons who have lost work (31%). It is worth noting that the share of the second group is systematically falling every year – in 2000, these persons constituted 54% of all unemployed, and in 2003 – 43.4%. The proportion of persons who resigned from is also falling – from 2003 to 2004, their share in the total number of unemployed fell by 1% point. In the 1st quarter of 2005, compared to the same period of 2004, the share of unemployed returning to work after a break rose by almost 2% points.

Chart 11. Sources of recruitment of the unemployed in the years 2000–2004



Note: Data for 2003 and 2004 is not fully comparable with data for the previous years.

Source: LFS, Central Statistical Office.

The largest problems in the labour market are encountered by the youngest persons – 15 to 24 – due to their age. In 2004, the unemployment rate among these persons reached the level of 40.8%. It is worth to stress that it fell by 2.2% points, compared to 2003. However, the young people are characterized by very low level of economic activity (its rate in this age group amounted to 33.8% in 2004). Hence, this very high unemployment rate refers to a relatively small number of persons. The young unemployed persons constituted in 2004 as much as 24.4% of the whole unemployed population. A significant part of the young people enter the labour market late, which

is caused by continuation of education on the tertiary, or tertiary vocational level. It is also worth remembering that the young people who look for their first work are unemployed for a certain period, by very definition, which influences this unemployment rate, much higher than in the case of the rest of the population.

The lowest unemployment rate is present among the oldest age groups – persons aged 55 and more. In 2004 the employment rate for persons aged 55 to 59 was on the level of 12.8% and 7.5% in the case of persons aged 60–64. This situation is due primarily to the fact that the older persons when losing jobs become rather economically inactive than unemployed. For persons in the so-called prime age – the years of the highest economic activity – unemployment rate in 2004 remained on the level of 17.5%.

The next factor which strongly differentiates chances in the labour market is education level. Analysis of LFS results show clearly, that the lower the education level of a person, the harder it is to find work. According to LFS, in 2004 the highest unemployment levels were found among persons with primary education (28.1%), basic vocational (23%) and general secondary education (21.3%). In the case of persons with primary and incomplete primary education unemployment rate rose compared to 2003 by 1.7% point and 2.9% points, respectively. In the case of other education levels it dropped slightly (from 0.1% point for post-secondary education to 1.3 percentage point for general secondary education).

From the standpoint of place of residence, lower unemployment rate is found among residents of rural areas, than among city-dwellers. In 2004, the unemployment rate measured according to this criteria reached the level of 17.6% and 19.8%, respectively. Compared to 2003 both rates fell by 0.2 percentage point and 1 percentage point, respectively. Given the above the difference between these unemployment rates – which amounted to 3 percentage points in 2003 – was reduced to 2.2 percentage points in 2004.

Poland has a relatively high regional differentiation of unemployment rates which remain on a similar level for several years. In 2004 the difference between the province with the highest unemployment rate (the Dolnośląskie province – 25%) and with the lowest one (Mazowieckie province – 14.6%) amounted to 10.4 percentage points. In the years 2000–2003 this difference

reached the level of 10–12 percentage points. In 2004 the highest levels of unemployment aside from the Dolnośląskie province were recorded in the Zachodnio-pomorskie (23.8%) and Lubuskie provinces (23.2%). Situation in these provinces has improved slightly, compared to 2003, when those regions also had the highest unemployment levels.

The average time of searching for work amounted to 16.3 months in 2004. Compared to the previous years we see that this period becomes longer – but in 2004 the growth dynamics of the average job-seeking time slowed down. In 2003 the average time of searching for work was only slightly shorter than in 2004 – the growth reached only 0.8%. In comparison, in 2000 the average job-seeking time reached 13.5 months and in 2002 it rose to 15.5 months. Unfortunately in the 1st quarter of 2005 this period was significantly extended compared to the 1st quarter of 2004 – from 15.7 to 17.2 months.

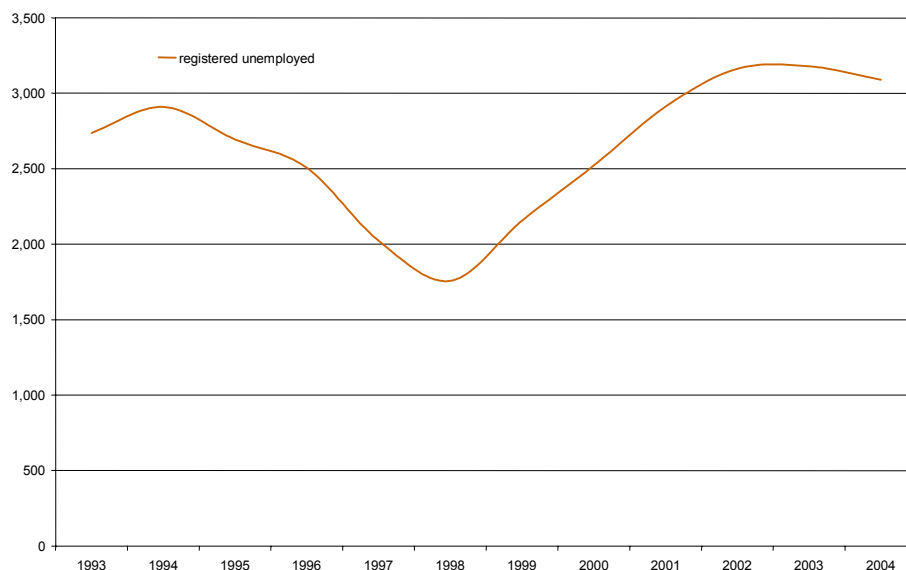
In 2004, about 1,545 thousand persons remained without employment for longer than 12 months. They amounted to 48% of all unemployed. The number of long-term unemployed fell, compared to 2003, by 107 thousand persons; and their share in the total number of unemployed fell by 1.8 percentage points. If we state, according to the Eurostat definition, that long-term unemployed are young persons (aged 15 to 24) who remain unemployed for over 6 months; and adults who remain unemployed for over 12 months then the number of long-term unemployed in 2004 reaches 1,720 thousand persons and their share in the total number of unemployed – 53.3% (compared to 55.4% in 2003). Despite the visible decrease in the number of long-term unemployed and their share in the total number of unemployed their number is still on an excessively high level. These persons are particularly threatened with permanent exclusion from employment. Long periods of joblessness cause a significant depreciation of economically qualifications. Coupled with the basic social and economic characteristics, this creates significant problems for the economic activation of this group. Long-term unemployment usually concerns persons with a low level of economically qualifications or who do not match the demand reported by employers. This is accompanied by very low level of participation in continued learning. In Poland both the persons who are unemployed for a long time and persons with generally low qualifications participate in very small numbers in continued learning – i.e. in any

form of increasing or changing professional qualifications. Most frequently qualifications are developed by persons with better education who do not have significant problems with finding employment.

2.3.2. Registered unemployment

In 2004, about 3,091 persons were registered with the Local Labour Offices, as an annual average – that is, 88.5 thousand persons less than a year ago. The average annual unemployment rate was on the level of 19.6%, and was lower by 0.4% points, compared to 2003. In 2004 for the first time since 1998 a decrease of the annual number of unemployed was registered for the first time. Analysis of data for the first six months of 2005 (compared to the same periods of the previous years) confirms the reversal of trends in the labour market. During the first half of 2005 the number of unemployed persons dropped on the average by 216 thousand persons, (that is, by 6.8%) compared to 2004 and by 272 thousands (that is, by 8.4%) than in 2003. Unemployment rate for that period reached the level of 18.9% (1st half of 2005), 20.1% (1st half of 2004) and 20.3% (1st half of 2003).

Chart 12. Average annual number of unemployed registered at the Local Labour Offices in Poland, in the years 1993–2004



Source: Ministry of Economic Affairs and Labour, Central Statistical Office.

In 2005 not only the growth in the number of unemployed was much lower in the beginning of the year compared to the previous years, but also the unemployment decline was much more pronounced in the subsequent months, compared to the previous years. During the period from January to June 2005 the number of unemployed fell by 227.6 thousand persons (during the same period of 2004 – 222 thousand persons, and in 2003 – 186 thousand persons).

The territorial differentiation of unemployment rates – similarly as under LFS – is relatively large. In June 2005 the difference between unemployment rate between the provinces with the highest and the lowest rates reached 13.6 percentage points. It should be noted that those disproportions become reduced. In June 2003 the difference amounted to 14.2%, and in June 2004, 14.5%. The highest rate of registered unemployment in June 2005 was seen in the following provinces: Warmińsko-Mazurskie (28%), Zachodniopomorskie (27.6%), Lubuskie (24.4%) and Kujawsko-Pomorskie (22.5%). The lowest rate of registered unemployment was found in the Małopolskie (14.0%), Mazowieckie (14.4%) and Podlaskie (14.7%) provinces.

Given the age structure of the unemployed registered with the Labour Offices, we see that in 2004 the share of persons in non-mobile age among all unemployed rose. On the average annual basis this increase amounted to 42.4 thousand persons (5.6%). In June 2005, compared to the same period of last year, only the number of persons aged 55+ rose – by 24.2 thousand persons (22.7%).

The highest decrease of the unemployed was seen in the age group 18–24. In 2004, this decrease reached 71.1 thousand persons. Compared to 2003 this constituted 72% of all the unemployed persons. In June 2005 the number of young unemployed persons fell by further 128.1 thousand persons (16.5%) compared to June 2004. We can expect that such significant reduction in the number of young unemployed persons is tied not only to the overall improvement of situation on the labour market but is also tied to their reduced economic activity due to continuing education on the secondary and tertiary levels.

In 2004 the number of unemployed with tertiary education registered with the Local Labour Offices increased by 13 thousand persons (10%). The number of unemployed with secondary education also rose by 6.7 thousand persons (3.3%). In June 2005, compared to the same period of last year, the

share of persons with tertiary education rose by 2.8 thousand persons (2.1%), and the share of persons with basic vocational education rose by 1.9 thousand persons (0.9%) in the overall number of all registered unemployed. The highest reduction in the number of unemployed was seen among persons with vocational education – in 2004, their number fell by about 75,2 thousand persons compared to previous year (6.6%). In June 2005, their number was smaller by 127,4 thousand persons (12%) 3.1% less than in June 2004. Such a significant reduction in the number of unemployed with basic vocational education in 2005 could be tied to the start of seasonal works. However, given the structure of the unemployed registered with the Local Labour Offices persons with vocational education constituted in 2004, on the average, 34.3%; whereas persons with tertiary education – 4.6%. According to LFS persons with vocational education are characterised by the highest unemployment rate.

Analysis of the period of unemployment, on the basis of records of Local Labour Offices, shows that over half of the registered persons remain unemployed for over 12 months. One of the most worrisome factors is the share of persons who are jobless for over 2 years in the number of all unemployed. On the average in 2003 they constituted 33% of all unemployed; and in 2004 – 35%. In June 2005 such persons constituted 35.8% of all unemployed registered with the Labour Offices. This share rose, compared to June 2004, by 0.5 percentage points.

According to LFS only 76.4% (2,496 thousands) of persons considered as unemployed (on the basis of LFS criteria) were registered with the Labour Offices. During that period the actual, annual average number of persons registered with the Labour Offices amounted to 3,091 thousand persons. This means that some of the unemployed registered with the Labour Offices is classified under LFS as working (persons working more than 1 hour during the week preceding the research), or economically inactive (not looking for work, or not available to start work within two weeks directly following the research). Such differences in the data can be tied not only to the methodology differences between the two sources but also to the ineffectiveness of public employment services in Poland. Frequently the registers of Labour Offices include persons who work in the “undeclared economy”, or do not

actively seek employment – for whom the main motivation to be registered was the free health insurance.

According to data of registered unemployment in 2004, the average number of persons entitled to unemployment benefit reached 445.4 thousand persons – or 14.4% of the total number of unemployed. In the 1st half of 2005 they constituted only 13.6% of all unemployed (compared to 14.9% during the same period of 2004). According to the LFS their share is even lower – in 2004 persons collecting unemployment benefits constituted only 9.5% of all unemployed. This share dropped by 0.7 percentage point compared to 2003. During the 1st quarter of 2005 from all persons considered unemployed under LFS only 9.3% persons collected unemployment benefits. This share fell compared to the 1st quarter of 2004 by 1.2 percentage points (70 thousand persons).

In 2004 2,684 thousand people have registered at Labour Offices – this was almost 42 thousand persons more than in 2003. Among persons entering to unemployment a significant part were persons who return to the unemployed – persons, who had already been registered with the Labour Offices. In 2004 they constituted 74.2% of all persons entering registered unemployment; in 2003 – 71.3%. This group of persons includes also those who return to the status of unemployed after participation in various active labour market programmes (intervention works, public works, internships and trainings), as their unemployed status was suspended for the period of program participation. Such a large percentage of persons returning to the unemployed suggests their large difficulties with keeping jobs. This may be tied to their low attractiveness for the employers and low level of professional qualifications – we should remember that 67% of all registered unemployed are persons with low education level – basic vocational, or even lower.

The outflow from unemployment in 2004 was higher than the inflow, which caused a reduction of the number of unemployed. In 2004 over 2,860 persons left the registers of Local Labour Offices. This number was higher by 176.7 thousand persons than in 2003. The structure of outflow in 2004 did not differ from the one in 2003. It should be noted that the high number of persons who were removed from the Labour Office registers due to non-confirming their availability for work means not only persons who no longer attend the Labour

Offices but also (or perhaps primarily) persons who found employment on their own and did not inform the relevant office of that fact.

Table 2. Inflow and outflow from registered unemployment in 2003 and 2004

Description	2003		2004		Change	
	a	in %	b	in %	b-a	b/a (%)
Inflow	2,642,236		2,684,128		41,892	101.6
for the first time	759,202	28.7	693,706	25.8	-65,496	91.4
for subsequent time	1,883,034	71.3	1,990,422	74.2	107,388	105.7
Outflow	2,683,520		2,860,201		176,681	106.6
of this, because of:						
starting work	1,297,344	48.3	1,364,580	47.7	67,236	105.2
not confirming availability for work	857,778	32.0	950,523	33.2	92,745	110.8
Job offers	739,355		793,951		54,596	107.4
of this:						
subsidised work	384,178	52.0	241,155	30.4	-143,023	62.8
from the public sector	204,511	27.7	120,519	15.2	-83,992	58.9

Source: The Ministry of Economic Affairs and Labour.

The increased outflow from registered unemployment was related to the better employment offer in 2004. The number of job offers provided to the Labour Offices in 2004 was higher by 54.6 thousand, compared to 2003. It should be kept in mind that the job offers reported to the Labour Offices constitute only a part (probably small one) of all new offers in the labour market and usually cover positions for persons with low or medium education level. Another positive element is also the reduction of offers for subsidized work (public and intervention works) while the number of offers from non-subsidized work increases, especially from the private sector.

Chapter 3

CONDITIONS OF WORK

3.1. Accidents at work

In 2004, according to preliminary data of the Central Statistical Office, 87,050 persons were reported as injured in accidents at work (85,440 in 2003). This is an increase by 1.9% compared to the previous year and this number does not cover individual farming. 1,029 persons have undergone serious accidents – 2.4% more than in the previous year. Accidents at work accounted for the death of 490 persons, which was 6.1% less than in 2003. One of the consequences of accidents at work is the work incapacity of injured persons. The reported accidents at work resulted in 3,076,438 days of work incapacity. The number of work incapacity days per one injured person dropped from 36.2 days in 2003 to 35.5 days in 2004.

In 2004, the frequency rate of accidents at work (measured as number of injured per 1,000 employees) reached 8.35 (in 2003 – 8.24). The largest frequency was recorded in the following sections: mining and quarrying (16.37), manufacturing (13.94), agriculture, forestry and farming (12.74), construction (11.58), health services and social welfare (11.24), fishing (9.31), electricity, gas and water supply (8.70), transport, storage and communications (8.0).

The highest accident frequency rate (excluding employees of civil entities operating in the area of national defence and public safety) were recorded in the following provinces: Warmińsko-Mazurskie (11.41), Dolnośląskie (11.38), Opolskie (10.81), Lubuskie (10.45), Kujawsko-Pomorskie (9.63), Zachodniopomorskie (9.24), Wielkopolskie (9.04). The lowest rate was found in the following provinces: Mazowieckie (5.86), Lubelskie (6.35), Małopolskie (6.77) and Świętokrzyskie (6.83).

The main reason for accidents at work – just as in the previous years – was the improper behaviour of employee (53.7% of all accidents). The second most frequent reason was improper organization (12.8%), of that, improper organization of labour (6.4%) and of the workstation (6.4%). The next impor-

tant cause for accidents at work was the improper condition of the production means (12.2%); next the lack or improper use of production means (8.5%); and improper or insubordinate behaviour of employees (8.3%).

During the 1st quarter of 2005 there have been 13,529 persons injured in accidents at work, which was 20% less than during the same period of the previous year. Accidents at work accounted for the death of 89 persons (in the 1st quarter of 2004 – 88) and 171 have suffered serious accidents at work (in the 1st quarter of 2004 – 196). The reported accidents at work resulted in 359,850 days of work incapacity. The number of work incapacity days per one injured person dropped from 27.7 in the 1st quarter of 2004 to 26.8 in the 1st quarter of 2005.

3.2. Occupational diseases

In 2004, 3,790 cases of occupational diseases were diagnosed in Poland. The annual disease rate amounted to 41 cases per 100 thousand employees.

The highest rate is attributed to chronic diseases of the speech organs, caused by excessive efforts – 881 cases, or 23.2% of all occupational diseases.

Pneumoconiosis was the second most frequent illness in 2004 – 754 cases, which constituted 19.9% of all occupational diseases). The next big group are contagious diseases or diseases caused by parasites, or complications after such diseases – 541 cases, which amounted to 14.3% of all occupational diseases. Another frequent disease is the permanent bilateral hearing impairment of cochlear origin – 506 cases, or 13.4% of all occupational diseases). The above named medical problems constituted a total of 70.8% of all occupational diseases.

Among the other occupational diseases, the most frequent ones are: skin diseases (4.8% of the total number); illnesses of the pleura or pericardium caused by asbestos (3.4%); vibration syndrome (3.3%), neoplastic diseases (3.3%); bronchial asthma (3.2%), chronic illnesses of the motor system (2.5%), acute and chronic poisonings with chemical substances or their outcomes (2.4%).

The extremely large increase in the number of cases caused by asbestos, compared to the previous years, is related to the fact that this type of illnesses was included in the list of occupational diseases for the first time in 2002. This means that 2004 was only the second year in which such cases could be classified as occupational diseases. Thus in 2004 the cases diagnosed earlier were cumulated.

Similarly as in the previous years, most of occupational diseases in Poland arose due long-term exposure to harmful and troublesome influences. After excluding from analysis those illnesses for which the period of exposure did not play a role for their appearance – that is, contagious and invasive diseases, and illnesses caused by allergies – it turns out that 89.5% of found cases arise after an at least 10-year period, and 72.4% of cases after a 20-year period of exposure to the agent which caused the illness. This fact is also reflected in the structure of occupational illnesses broken down by age. As many as 89.9% of all cases were found with persons aged 40 years and more. The largest number of cases is seen among persons aged 50 to 59 – 46.3% of all cases.

In 2004, the highest ratios of occupational diseases per 100 thousand employed were found in the following provinces: Lubelskie (122.0), Śląskie (85.6), Podlaskie (62.6), Małopolskie (48.8), Dolnośląskie (47.2), Warmińsko-mazurskie (44.4) and Świętokrzyskie (40.9). The lowest ratios were recorded in the Mazowieckie (11.7) and Podkarpackie (19.5) provinces.

Chapter 4

THE LABOUR LAW

The situation on the labour market in 2004, and also in this year, is influenced primarily by the new regulations regarding individual labour law, which came into force on 1st January 2004 and on 1st May 2005. These include the regulations of the *law of 14th November 2003 on amendments to the Labour Code and to some related laws* (Journal of Laws no. 213, item 2081); regulations of the *law of 13th March 2003, on special rules for terminating labour relations for reasons not tied to the employees* (Journal of Laws no. 90, item 844), and provisions of the *law of 9th July 2003 on the hiring of temporary workers* (Journal of Laws no. 166, item 1608).

The first of the laws offers a number of legal solutions which increase the flexibility of labour organization and facilitate the execution of the employee's vacation entitlements – thus influencing the overall situation on the labour market. These include:

- introduction of new working time systems: the system of shortened work week and the system of weekend work,
- the popularisation of the „balanced working time” system, which allows for performing work under significantly extended daily working hours norms;
- increasing the accessibility of work performed only on Sundays and holidays;
- more flexible rules of payment for work performed on Sundays and holidays,
- facilitating taking up part-time work, after guaranteeing appropriate protection against discrimination;
- determining the employee's holidays also on the basis of work time allotment, under which he/she works;
- granting the holidays on hourly basis, corresponding to the daily working hours on the given day.

The second one stressed on the process of information and broad consultations with representation of employers at the stage which precedes group lay-offs; and on stronger participation of the county labour offices in preparations concerning offer of active forms of assistance to the laid-off workers. The most important solutions which influence the labour market situation, include:

- obligation for the employer to notify the appropriate county labour office of the plans for group lay-off;
- the possibility to hand notices, under the group lay-off, only after notification of the labour office and terminating the employment relationship not earlier than after 30 days from the date of notification.

The third of the laws listed above, which legalizes flexible form of employment – the temporary work – is meant in particular to:

- regulate the legal status of a temporary work agency, and of its customer – the employer;
- determine the scope of application of labour law provisions to the temporary workers;
- detail the rights and obligations of the employer using the services of the temporary work agency, and the agency itself that are tied to the performance of work by the temporary employee;
- determine the scope of application of labour law provisions to the temporary workers, hired under civil law contracts.

During the discussed period, three amendments have been also introduced to the Labour Code. They covered the following areas:

- special protection for the employment of employees at the pre-retirement age;
- the thresholds for financial deductions which can be made from remuneration upon written approval of the employee;
- definition of the protection period before terminating employment contract without notice, without the employee's fault, and setting the level of remuneration for work incapacity period caused by necessary medical tests for candidates for donors of cells, tissues and organs, and by undergoing the procedure of donating cells, tissues and organs.

In 2004 and during the 1st half of 2005, some steps were made in order to introduce the following legislation:

- two amendments to the regulation of the Council of Ministers dated 28th May 1996, on vocational training of juveniles and their remuneration – work is completed;
- legal regulation for the salaried performance of household works by unemployed persons (the draft law amending the law on employment promotion and labour market institutions has been passed to the Parliament).

Chapter 5

SALARIES AND LABOUR PRODUCTIVITY

5.1. Salaries

5.1.1. Average gross monthly salary in the national economy

The average gross monthly salary in the national economy in 2004 amounted to PLN 2,289.57 and was higher by 4.8%, compared to the previous year. The dynamics of the average salary was higher than the dynamics of Consumer Price Index which amounted to 103.5%. As a result salaries rose by 1.3% in real terms. In comparison, the increase of real salaries in 2003 amounted to 3.4%.

During the analyzed period, there have been no fundamental changes in the proportions of average salaries between the public and private sectors. In 2004, the average salary in the public sector was higher by 19.3% than in the private sector. This difference was reduced, compared to the previous year, by barely 0.4 percentage point. Detailed information is presented in Table 3.

Table 3. Average salary per sector in the years 2003–2004

Years	Average salary			Dynamics compared to the previous year	Rate
	overall	public sector	private sector	overall	columns (3:4)
	in PLN			in %	
2003	2,185.02	2,422.57	2,023.67	104.2	119.7
2004	2,289.57	2,555.43	2,141.39	104.8	119.3

Source: Statistical Bulletin of the Central Statistical Office no. 4/2005, *Employment and salaries in the national economy in 2004*, Central Statistical Office.

In the years 2003–2004 in the public sector self-financing entities offered better salaries than budget-financed ones. The average salary in budget-financed entities in 2004 amounted to PLN 2,384.98, and constituted 96.1% of the average salary in self-financing entities. This proportion increased compared to 2003, when it amounted to 95.6%.

The level of average salary varied significantly across the sections of national economy. The sections with the highest level of average salary included:

- financial intermediation – PLN 4,204.51;
- public administration and national defence – PLN 2,926.93;
- transport, storage and communication – PLN 2,751.71.

On the other hand, the lowest level of average salary was recorded in the following sections:

- hotels and restaurants – PLN 1,795.74;
- health protection and social assistance – PLN 1,888.37;
- fishery – PLN 2,098.45.

The highest average salary, recorded in the financial intermediation section, was 2.3 times higher from the lowest average salary recorded in the hotels and restaurants section.

Analysis of salaries on the regional level also shows significant variations in the level of average salary. In 2004 the difference between the highest and the lowest average salary in the individual provinces amounted to PLN 1,089.49, or 53.1%. This difference fell by 0.2 percentage point, compared to 2003.

Mazowieckie Province is the region with the highest level of average salary, it amounts to PLN 3,142.61, and equals 137.3% of average salary in the national economy.

Salaries higher than the average in the national economy are also found in the following provinces: Śląskie – by 10.3%, Pomorskie – by 6.1% and Dolnośląskie – by 4.5%. In the remaining provinces, the level of average salary was lower than the national average. The lowest level of average salary is found in the Podkarpackie Province – PLN 1,972.71, less by 10.3% than the average national salary.

Over the last two years no significant changes occurred in the ranking of the individual provinces in terms of the level of average salary.

5.1.2. Minimum remuneration for work

In 2004 the minimum remuneration for work was set at PLN 824, which constituted 36% of the average salary in the national economy. This difference fell by 0.6 percentage point, compared to 2003.

Since 1st January 2005, the minimum wage has increased by 3% (that is, by the forecasted inflation level) – to PLN 849. It amounts to 35% of the forecasted average salary in the national economy.

5.2. Labour productivity

In 2004 the GDP growth reached 5.4%. One of the main factors determining that growth was the increase in the total productivity of production factors.

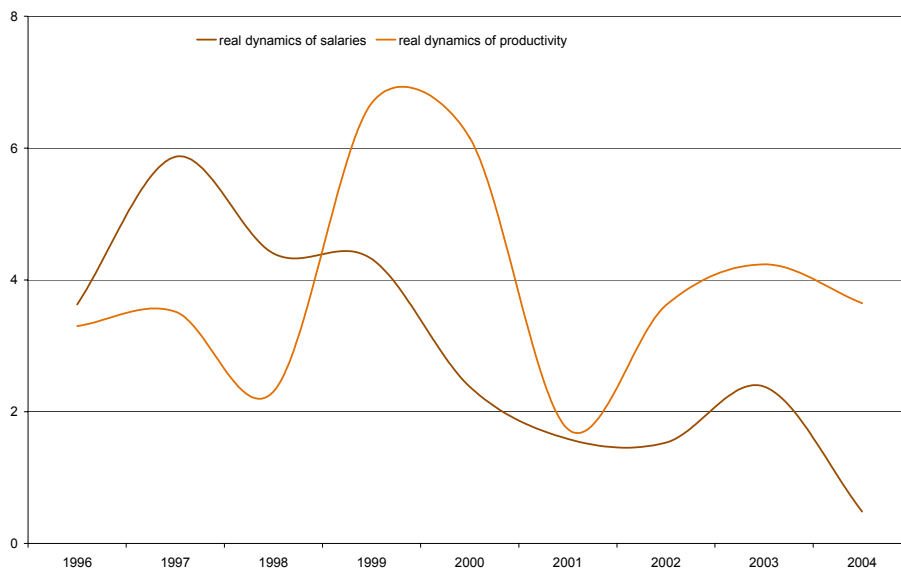
Table 4. The employed, value added and productivity in the national economy in 2003 and 2004

Description	2003	2004
Number of employed (annual average, in thousand)	14,487.0	14,676.0*
Gross value added (in current prices, million PLN)	711,999.0	771,386.0
Productivity (in current prices, thousand PLN)	49.2	52.6
Real dynamics of productivity	104.2	103.6

* Estimates on the basis of LFS data.

Source: Calculations of the Economic Analyses and Forecasting Department, Ministry of Economic Affairs and Labour, and Central Statistical Office data.

Chart 13. Real dynamics of labour productivity and salaries in the years 1996–2004 (in %)



Source: Calculations of the Ministry of Economic Affairs and Labour on the basis of data of the Central Statistical Office.

In 2004 productivity measured as value added per one employee in the national economy, rose in real terms by 3.6% and amounted to PLN 52.6 thousand. It is worth to stress that for the first time since 1999, an increase of the annual average number of employed was recorded. Thus, the increase of productivity was not attributed mainly to decrease of employment, as it was during the previous years.

The year 2004 was another subsequent year in which the real growth of labour productivity was higher than the increase of real salaries. This has a positive influence on the competitiveness of the Polish economy (unit labour costs, which are one of the main competitiveness factors, decrease), and thus, on improving the situation on the labour market. In 2004 the effective dynamics of salaries reached 0.5% and was 3.1% points smaller than the dynamics of productivity (compared to the 1.1% point difference in 2003).

Chapter 6

LABOUR MARKET POLICY

In Poland, policy of the labour market is executed by the central government and local government. The relevant bodies are: the minister responsible for labour issues (under government administration) and the local authorities of provinces and counties under self-government administration. A very important role in implementing the policy assumptions is played by the public employment services, and primarily by the provincial and county labour offices, which are directly responsible for supporting the unemployed in search for work, and the employers – in the search for needed employees.

Under the Polish conditions, the labour market policy is determined by regulations contained in laws determining the basic tasks of the state and individual structures of the administration; as well as the organization of institutional services for the labour market, the structure and designation of expenses made by the state in order to prevent the results of unemployment. The basic legislative act in this respect was, for many years, the law on employment and counteracting unemployment, which has been updated many times in the course of its 10-year validity period. As the changed conditions after Poland's accession to the European Union called for further updates and due to the fact that this law lost its flexibility to a certain extent, because of the far-reaching changes in the labour markets and in services for it, a decision was made to develop a new document. It was supposed to take into account all changes, occurring in the labour market and in its environment, and to merge all the regulations which were dispersed across other documents in one legislative act. On 1st June 2004, the new law regulating the labour market policy came into force – the law on promotion of employment and institutions of the labour market. It introduces a number of solutions, aiming at adapting the Polish regulations to the requirements of laws of the European Union, improving the organization of the labour market, introducing and applying new instruments for activation of the unemployed, as well as rationalizing expenses.

In the first case, this includes the previously unknown in Poland issues of public aid and the free movement of persons (including the European employment mechanism, the EURES), as well as the National Action Plans for Employment, which are prepared by all member countries of the European Union.

In the subsequent areas, new solutions were adopted, which limit expenses for public works organized by labour offices. The concepts of regional programs and local projects were introduced (which is tied also to the above mentioned National Action Plan). The concept of special programs was terminated, and the specific tools applied under these programs were introduced into the permanent practice of employment services. The law identifies the so-called persons in special situation on the labour market, to whom additional activating programmes are addressed. These group include: unemployed aged up to 25, long-term unemployed, unemployed over 50 years old, unemployed without professional qualifications, unemployed who raise on their own at least one child up to 7 years old, and disabled unemployed. The new law introduces also the possibility for the labour market institutions to execute tasks which so far have been reserved only for the public employment services – e.g. vocational counselling.

One of the most important changes was the separate regulation for the system of pre-retirement benefits (with the law dated 30th April 2004 on the pre-retirement benefits), and the move of disbursement of these allowances to the Social Insurance Institution (ZUS). This action was meant to restore the financial stability of the Labour Fund, and to increase the proportion of resources designated for active programs of the labour market in the total expenses. Separating the ongoing service of pre-retirement benefits and pre-retirement allowances from the county labour offices is meant to cause more effective utilization of the personnel of the labour offices.

In the area of institutional services, the labour market institutions have been defined, which has a significant influence on improving the delivery of qualified services. According to the law, the institutions of the labour market include:

- public employment services – employment bodies, county and provincial labour offices;
- Voluntary Labour Corps – which deal with employment of young people, preventing their marginalization and social exclusion;

- employment agencies – non-public entities which provide services in the areas of job placement and employment (in Poland and abroad), vocational counselling, personnel counselling and temporary work;
- training institutions – public and non-public institutions engaged in education outside schools;
- social dialogue institutions – organizations and institutions, both public and non-public, which deal with labour market issues (organizations of labour unions, of employers, unemployed, non-government institutions) which cooperate with the public employment services and the Voluntary Labour Corps;
- local partnership institutions – institutions which implement partners' initiatives in the labour market.

Significant changes have been made in the organization of labour offices. They refer both to the area of financing employment services, and to the quality of the services they provide. On the first issue, labour offices can no longer hire workers under public works – this option was replaced by the possibility for obtaining financial subsidies for this employment from the Labour Fund resources. A list of key professions, plus additional remuneration for persons who perform them, was introduced with respect to employees of labour offices dealing with job placement services, vocational counselling, vocational development, programs, leaders of job clubs and the EURES personnel. The quality of services became the key issue, and universal standards for their delivery have been introduced.

The concept of human resources development was also defined, with the introduction of a number of innovative solutions: the training fund (set up by employers), training leaves, job-rotation, outplacement and activation subsidies for persons undergoing in-service training.

The new law facilitates the establishment of labour market policy on all levels of management, and improves cooperation in the regional and local level. This has been made mainly by increasing the representation of employment councils of all levels, as a result of foregoing the stiff parity rules regarding the number of local partners' representatives. The new rules have also significantly extended the opportunity for representatives of science and non-government organizations to be members of the councils.

The regulation in its current shape is fully matched to the needs of the Polish labour market, and to the challenges of the Lisbon Strategy. However, the Polish specific style of managing the labour market differs significantly from the European practice, and does not always allow to intervene into the processes occurring on that market.

6.1. The Labour Fund

Most actions in the area of labour market policy are financed from the resources of the Labour Fund. As of 1st May 2004, it is possible to implement programs in the area of human resources development, targeted also at the unemployed, that are co-financed from the resources of the European Social Fund.

The Labour Fund functions since 1st January 1990, as an extra budgetary fund with no legal status. The holder of the Labour Fund is the minister responsible for labour issues. The main goal of the Labour Fund is to alleviate the consequences of joblessness (financing payments of allowances for the unemployed); and to finance programs which support promotion of employment, alleviation of the results of unemployment, and professional activation. As of 1997, the Labour Fund has also disbursed the pre-retirement benefits and pre-retirement allowances.²

The level and structure of revenues and expenses of the Labour Fund is influenced by the situation on the labour market: the number of employed, the level of unemployment, the number of persons entitled to benefits and allowances financed from this Fund, and the resources provided for in the financial plan of the Labour Fund, designated for financing programs meant to actively combat unemployment.

The revenues of the Labour Fund consist of obligatory contributions paid by employers for their employees whose gross salary is not lower than the

² As of 1st January 2002, no new pre-retirement allowances were granted. As of 1st September 2004, the possibilities of obtaining pre-retirement benefits were significantly reduced; and handling of pre-retirement benefits and pre-retirement allowances was moved from the Labour Fund to the Social Insurance Institution (ZUS).

minimum wage and contributions paid by persons running their own business activity. The level of the contribution has not been changed since 1999, and amounts to 2.45% of gross salary. In addition, the Labour Fund may be supported with a subsidy from the state budget, and with other revenues, including: interest on cash held in bank account of employment bodies, repayments of capital and interest of loans granted from the Labour Fund, payments of employers made when hiring foreigners. The Fund can also contract credits and loans to supplement its resources, necessary to pay unemployment benefits. As of 1st May 2004, the revenues of the Fund include also money obtained from the EU budget, designated for co-financing of projects financed from the resources of the Labour Fund, and actions related with the participation of public employment services in EURES.

The resources of the Labour Fund are directed by the holder of the Labour Fund – the minister responsible for labour issues – to the local governments of provinces and counties (county labour offices) which directly pay the benefits and allowances to the entitled persons, as well as initiate and finance active labour market. The expenses of the Labour Fund are allocated, among others, for the following purposes:

- financing of unemployment benefits, activation allowances and integration allowances, disbursed by the county labour offices;
- financing of programs promoting employment, alleviating the consequences of unemployment, job activation (training and medical tests for the unemployed, intervention works, public works, additional equipment for workstations, scholarships, refunds for the employers – who hire adolescent workers under employment contract as part of their vocational internships – the costs of salaries paid to the adolescent workers and their social security contributions, etc.);
- financing the tasks resulting from the participation of public employment services in the EURES network;
- the remaining expenses include primarily the costs of: disbursing allowances and benefits for the unemployed and other entitled persons, the mailing of notifications and summons to the unemployed, repayment of loans contracted by the Labour Fund, costs tied to the labour market research, financing the development and maintenance of IT systems of labour offices.

The planned revenues and expenses of the Labour Fund are included in the budget law. The 2004 budget law defined expenses of the Labour Fund as PLN 11,128,183 thousand. The actual expenses reached PLN 9,142,255 thousand, and they were smaller by PLN 1,986,645 thousand than the amount written in the budget law, that is by 17.9%. Compared to 2003, the expenses of the Labour Fund in 2004 were lower by PLN 1,352,183 thousand, or by 12.9%. The planned expenses were met thanks to a credit contracted by the Labour Fund of PLN 1,600,000 thousand.

Table 5. Revenues and expenses of the Labour Fund (in million PLN)

Description	2003	2004
Total revenues of the Labour Fund	9,812.4	7,097.3
of this:		
obligatory contribution;	5,572.4	5,868.7
subsidy from the state budget;	3,944.0	1,102.5
other revenues;	295.9	126.1
Total expenses of the Labour Fund	1,094.4	9,142.3
of this:		
allowances and benefits;	8,717.6	7,251.4
employment promotion programs (including adolescents)	1,406.6	1,433.2
other expenses	370.3	457.7

Source: Report on the execution of the state budget for 2003 and 2004.

6.1.1. Passive labour market policies

Passive labour market policies, that is: unemployment benefits, pre-retirement benefits, pre-retirement allowances accounted for the largest item in the expenses of the Labour Fund in 2004. Their total share in the expenses of the Fund reached 87.5% in 2001 and 89.4% in 2002. In 2003, the situation improved slightly. The share of expenses for benefits and allowances in the total expenses was on the level of 83%, and in 2004 it decreased further, down to 79.3%. However, the improved structure of expenses of the Labour Fund was primarily due to the fact that the pre-retirement benefits and pre-retirement allowances were paid by the Fund only until August 2004. As of 1st August 2004, the disbursement of these benefits was transferred to the Social Insurance Fund, and their handling to the ZUS. Given the growth dynamics of the expenses from the Labour Fund related to the unemployment benefits,

one should notice the downward trend of expenses for this purpose. This is due to the decreasing proportion of persons entitled to such benefits. In 2004, the expenses of the Labour Fund for unemployment allowances were lower from the 2003 level by almost 8% (by 14% from expenses planned for 2004). In 2004, the number of persons collecting unemployment benefits fell, compared to the previous year, by 39.9 thousand persons (8.5%).

Analysing the expenses for pre-retirement benefits and pre-retirement allowances, it should be kept in mind that the 2004 data refers only to the first 8 months of the year. The average monthly expenses for pre-retirement benefits³ in 2004 fell by 9%, compared to 2003. During that same period, average monthly expenses for pre-retirement allowances rose by over 44.5%. In the first instance, the decrease of the costs of pre-retirement allowances is due to the fact that as of 2002 no new allowances are granted. The significant increase of expenses for pre-retirement allowances could be tied to the increased inflow of people into this system, caused by the announced changes in legislation and sharper criteria for granting these benefits.

Table 6. Benefits and allowances from the Labour Fund in the years 2003–2004

Description	2003	2004*	2003	2004*
	in thousand PLN		in thousand persons	
Total	817.6	746.6	982.3	999.2
unemployment benefits	341.4	350.2	472.4	432.5
pre-retirement allowances	296.2	295.9	188.9	277.7
pre-retirement benefits	280.0	100.5	321.0	289.0

* Data for the pre-retirement benefits and allowances cover period from January to August 2004.

Source: Report on the execution of the state budget for 2004.

In 2004, the average benefits and allowances (not including the paid contributions for social security) for a full month amounted to:

- the basic unemployment benefit – PLN 504.00,
- pre-retirement benefit – PLN 692.30,
- pre-retirement allowance – PLN 988.40.

³ This includes expenses made in the course of the whole year, both from the Labour Fund and the Social Insurance Fund.

According to the 2004 budget law, the unemployment benefits, pre-retirement allowances and pre-retirement benefits and other benefits granted to jobless persons (training allowance, scholarships for graduates in training or internship) have been increased (valued) on 1st March 2004, by the CPI for 2nd half of 2003 compared to 1st half of 2003, which amounted to -0.2%.

6.1.2. Active forms of combating unemployment

The main task of the public employment services, financed by the Labour Fund, is organization and financing of programs for vocational activation of the unemployed and job-seekers. Those tasks are performed in cases when the Local Labour Offices are unable to provide appropriate employment offers for the unemployed.

The forms of vocational activation, under the total amount allocated by the Fund for the given county for this purpose, are determined on an individual basis by the county administrators, upon consulting with the county employment councils. These forms include:

- various forms of training;
- intervention works and public works;
- loans (refund of costs) for the unemployed or employers, granted for the purpose of financing the costs of undertaking own business activity, and in the case of employers – refund of the costs of equipping workstations;
- professional activation of graduates and adolescents;
- other labour market policies, defined in the law on promotion of employment and the labour market institutions.

The law on promotion of employment and the labour market institutions introduced also a number of new instruments for professional activation of the unemployed. These include such elements as activation allowances, integration benefits, benefits which cover the costs of care for child up to 7 years old, financial support for starting business activity. As of June 2004, the loans granted to the unemployed for financing their own business activity, and to the employers for creating additional jobs were removed. Instead, new mechanisms were introduced: for refunding the employers the costs of equipping workstations for the referred unemployed; and for the unemployed – one-off grant for starting one's own business activity and refund of costs for legal and consulting services.

The law identifies the persons in special situation on the labour market, for whom the Local Labour Offices can apply additional activation tools. The new instruments for activation of the unemployed were not covered under the financial plan of the Fund. Therefore, there exist discrepancies between the amounts allocated for activation of the unemployed under the budget law, and the actual expenses.

In 2004, PLN 1,433,184 thousand were spent on active forms of combating unemployment – including the refunds of salaries and social security contributions for adolescent employees. This amount constituted 15.7% of the total Fund's expenses. Compared to the revised plan, that was 86.4%. The actual expenses were lower than the revised plan by PLN 226,311 thousand, or by 13.6%.

Table 7. Expenses for the active forms (in thousand PLN)

Description	Plan after adjustments	Execution	Percentage of execution compared to adjusted plan
Training	186,000	128,078	68.9
Intervention works	321,940	231,271	71.8
Public works	383,920	281,303	73.3
Graduates / unemployed up to 25 years old	485,700	530,737	109.3
Refund of salaries for adolescents	201,300	141,220	70.2
Special programs	33,635	22,625	67.3
Costs of creating new workplaces	12,000	84,844	707.0
Other	0	2	
Cancellations of loans	35,000	13,104	37.4
Activation payments	x	4.6	x
Integration benefits	x	0.2	x
Total	1,659,495	1,433,189	

Source: State budget execution for 2004.

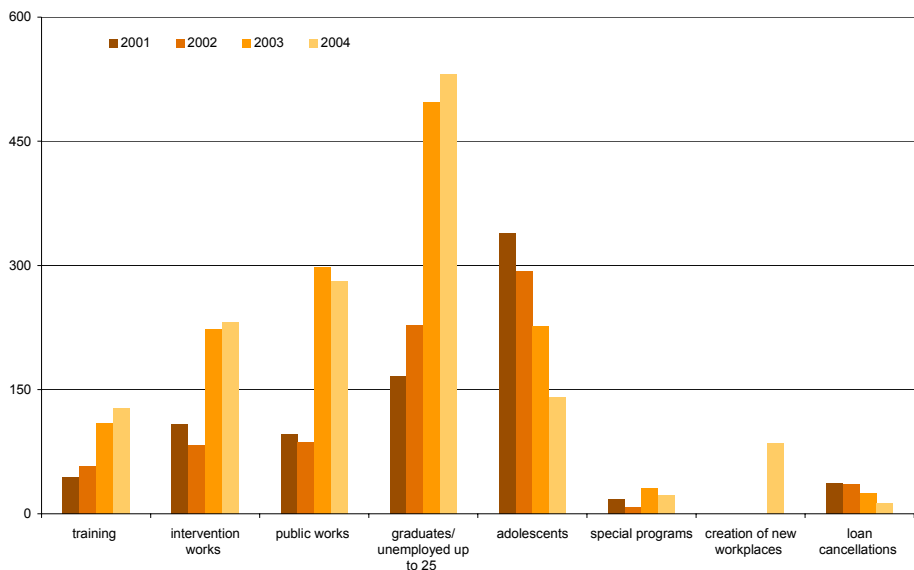
In the second half of 2004, less than PLN 90 thousand were spent for the new forms of activation of the unemployed. Meanwhile, the refunds of costs of additional equipment for workplaces for the referred unemployed, took up a total of PLN 84,844 thousand. Of this:

- starting of business activity by 6,471 thousand of unemployed – PLN 73,582 thousand;
- refunds for the employers, for the costs of equipping 3,446 new workplaces – PLN 11,262 thousand.

In 2004, the Labour Fund spent PLN 40,488 thousand for loans for the unemployed and the employers, for the creation of additional jobs and for training loans.

From all the activation programs, the largest amounts were spent on the activation of graduates and persons aged up to 25. Expenses for these purposes amounted to 37% of all expenses of the Labour Fund for the activation of the unemployed. Other significant elements of the expenses were also: public works (19.6%), intervention works (16.1%) and trainings (8.9%).

Chart 14. Structure of expenses for active labour market programmes in the years 2001–2004, including adolescents and granted loans



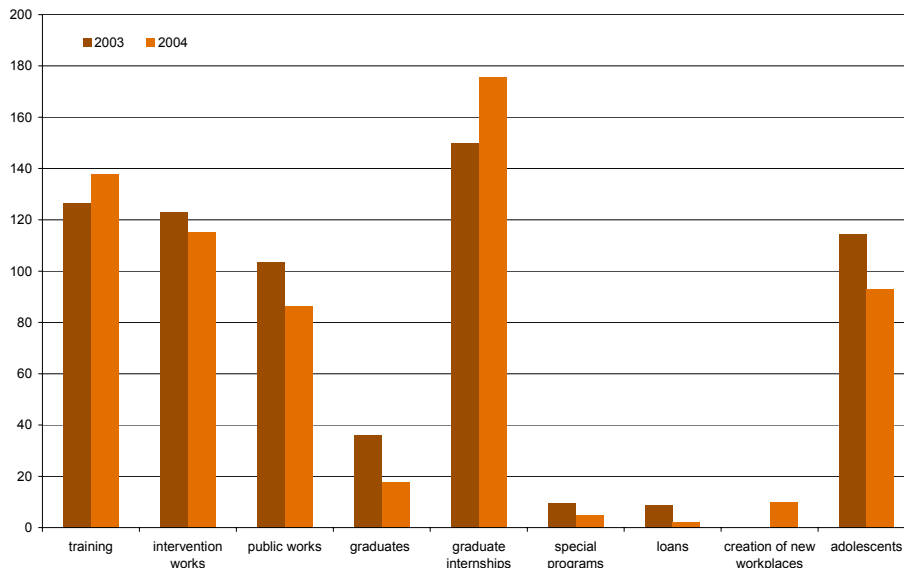
Source: Own calculations on the basis of Reports on budget execution for the years 2001–2004.

During the 1st half of 2004, the Labour Fund granted loans for a total of PLN 40,488 thousand – 1,490 unemployed persons received funds to start their own business activity, and employers received funds to create 729

workplaces for the unemployed. Out of this total sum, training loans amounting to PLN 471 thousand were also financed. In 2004, cancellations of loans amounted to PLN 13,104 thousand – 37.4% of expenses planned for that purpose. In the second half of 2004, after the discontinuation of loans which were replaced with refunds for creating and equipping workplaces, the Labour Fund granted non-returnable refunds for 6,471 persons starting business activity; and refunded the employers the costs of creating 3,446 new jobs.

In 2004, a total of 567,291 persons were covered by various forms of professional activation (apart from adolescents), this accounted for 9,676 persons more than in 2003 (1.7%). The number of adolescents included in the active labour market programs in 2004 reached 92,998 persons and was smaller by 21.3 thousand persons (18.7%) than in 2003. In 2004, the numbers of persons participating in training and internships for graduates rose by 8.9% and 17.3% respectively. In the case of intervention works and public works, the decreasing participation in these programs is related to the fact that these forms of activation are being gradually discontinued.

Chart 15. Number of persons covered by active labour market policies in 2003 and 2004



Source: Ministry of Economic Affairs and Labour.

The effectiveness of the active labour market programs – defined as the rate of persons who found work after participation in the program to the total number of persons participating in the program – offered by the public employment services is low. In 2004, it reached the level of 42.6% and dropped by 3 percentage points, compared to the previous year. Persons who in 2004 participated in the active labour market programs amounted to only 18.4% of all unemployed; and persons for whom these programs were effective constituted only 6.1% of the total number of unemployed.

Table 8. The effectiveness of active labour market programs, executed in 2004

Description	Number of persons participating in the program	Number of persons who completed the program (a)	Number of persons who found employment after completing program (b)	Effectiveness of employment in percentage (b:a)
Training	137,815	130,180	34,932	26.8
Intervention works	115,334	96,082	64,212	66.8
Public works	86,244	75,832	15,337	20.2
Refunds graduates / unemployed up to 25 years old	17,607	16,233	11,637	71.7
Graduate internships	175,740	118,708	47,774	40.2
Special programs	5,018	3,806	1,876	49.3
Loans	2,219		2,219	
Creation of new workplaces	9,917		9,917	
Other tasks	17,397	3,164	1,126	35.6
Total	567,291	444,005	189,030	42.6

Source: Ministry of Economic Affairs and Labour

Another measure of the effectiveness of labour market programs is the employment effectiveness, measured as total cost of program participation per one person employed after completing the program. Given these costs, and the employment rate after completing the program, we see that the probability of finding employment is the highest in the case of intervention works, refund of salaries for graduates and persons aged less than 25 years (not including loans and refunds for creation of new workplaces), while the costs of the program were relatively low. In the case of loans and refunds for creation

of new workplaces, effectiveness amounts to 100%, as the granting of such benefit is directly connected with hiring the unemployed person. Meanwhile various forms of trainings, despite the relatively low costs of program participation, are the least effective in terms of employment probability after program completion. This can suggest that the subject of trainings is often maladjusted to the demand for specific skills on the local labour market.

Table 9. Costs of participation in active programs of the labour market, and effectiveness of these programs in 2004

Type of program	Cost of participation in program (in PLN / person)	Cost per person who completed the program (in PLN / person)	Cost per person who upon completion of the program found employment (in PLN / person)
Training	926	981	3,655
Intervention works	2,016	2,423	3,625
Public works	3,245	3,690	18,247
Refunds graduates / unemployed up to 25 years old	2,661	2,886	4,024
Internships	2,605	3,856	9,582
Special programs	4,091	5,394	10,943
Other programs, total	1,044	5,740	16,130
Loans, total	18,887	18,887	18,887
Creation of new workplaces – total	8,847	8,847	8,847
Total	2,315	2,958	6,947

Source: Ministry of Economic Affairs and Labour.

The above analysis should be supplemented with programs addressed at adolescents, such as refunds of salaries and social security contributions. In 2004, the refunds of salaries and social security contributions were made for 93 thousand adolescent employees on a monthly average basis.

Chapter 7

ACTIONS FINANCED FROM THE EUROPEAN UNION FUNDS

The basic financial instrument of the European Union, which aims at supporting the labour market and increasing the quality of human capital, is the European Social Fund. It was established on the basis of the European Community Treaty of 1957. The most important goals for the years 2000–2006 include:

- the prevention and combating of unemployment, in particular long-term unemployment and unemployment among young people;
- professional integration of persons threatened with exclusion from the labour market;
- promotion of equal chances in the labour market (via the EQUAL initiative);
- increasing and updating professional skills of employees;
- strengthening the human capital in science and technology;
- facilitating the professional and geographical mobility of employees.

The Fund is a financial instrument which implements the European Employment Strategy and the related Employment Guidelines, and its goals match the goals set forth in these documents.

Actions financed by the Fund focus primarily on improving the quality of human capital, and supporting the development of the labour market in the regions which are poorer, less developed or scarcely populated. About 70% of the Fund's resources is spent for activities in these regions.

The use of the Fund's resources on the national level is done on the basis of programs for the allocation of funds, prepared by the individual member countries together with the European Commission. Such programs are the basis for spending funds by authorities on the national, regional and local levels; by educational and training institutions, voluntary organizations and social partners (trade unions, union councils, associations of employers and individual enterprises).

Financial resources of the European Social Fund are spent under two operational programs: The Sectoral Operational Programme – Human Resources Development; The Integrated Regional Operational Programme – (Priority 2) and the Community Initiative EQUAL.

In 2004, Poland commenced the implementation of the SOP Human Resources Development (SOP HRD) 2004–2006. The main goal of SOP HRD is the creation of an open, knowledge-based society, by providing conditions for the development of human resources due to training, education and work. The increase of knowledge and professional qualifications of the society and of the public employment services will allow to increase the chances for finding and keeping employment; and shall provide the development of entrepreneurship and competitiveness of enterprises.

Under SOP HRD, three Priorities are being carried out:

- Priority 1: Active labour market and professional and social inclusion policy;
- Priority 2: Development of knowledge-based society;
- Priority 3: Technical Assistance.

The implementation of projects under all priorities and activities of the SOP HRD started in 2004. The first to be implemented were projects selected under non-competition procedure (1st quarter of 2004); and at the end of the 3rd quarter the implementing institutions commenced selection of projects under competition procedures. In 2004, a total of 130 projects were implemented. The total value of implemented projects – their financing from the ESF – amounted to PLN 1,729,180.5 thousand, which constitutes:

- 28.75% of granted financial resources for the whole program period 2004–2006 (according to the financial plan in Programme Complement);
- 123.07% of granted financial resources for 2004 (according to the financial plan in Programme Complement).

Actions implemented under Priority 1 support the reform of public employment services; and are also meant to provide support for persons who are in the most difficult situation on the labour market. Persons identified as the groups, which need support in the labour market include primarily: the long-term unemployed, unemployed youths, disabled persons, women and the so-called

high-risk groups – persons addicted to alcohol and drugs, the homeless, former prisoners and refugees. For each of these groups an appropriate type of support, adapted to the individual needs, is provided. This support includes: training, educational seminars, counselling, vocational counselling, subsidized employment, internship, in-service training and promotion of local initiatives.

Under Priority 1, 48 projects were being implemented in 2004. The total value of implemented projects – their financing from the ESF – amounted to PLN 352,517.7 thousand, which constitutes:

- 12.15% of granted financial resources for the whole program period 2004–2004 (according to the financial plan in Programme Complement);
- 51.98% of granted financial resources for 2004 (according to the financial plan in Programme Complement).

Actions programmed under Priority 2 cover the strengthening of the system of education and continued learning, including the adaptation of the schools' educational offer to the changing labour market; and improvement of the quality of lifelong learning. Implementation of these activities will contribute to the implementation of the currently developed *Strategy for the development of lifelong learning until 2010*. Implementation will also cover forms of support meant to increase the qualifications of employees, which should contribute to the development of entrepreneurship and increasing the adaptation potential and competitiveness of existing enterprises – especially in sectors using advanced technologies.

Under Priority 2, 34 projects were being implemented with total value amounting to PLN 1,335,891.5 thousand (co-financed by the ESF), which accounts for:

- 44.05% of granted financial resources for the whole program period 2004–2004 (according to the financial plan in Programme Complement);
- 188.53% of granted financial resources for 2004 (according to the financial plan in Programme Complement).

Implementation of Priority 3 of the SOP HRD is meant to contribute to the fullest possible utilization of the granted resources, to provide appropriate management and promotion of ESF.

In 2004 under Priority 3 there were 73 projects approved for implementation. Given the fact that some of the beneficiaries have withdrawn their projects from implementation, on 31st December 2004, the number of projects implemented outside competition reached 48. The total value of implemented projects – their financing from the ESF – amounted to PLN 40,771.3 thousand, which constitutes:

- 52.15% of granted financial resources for the whole program period 2004–2004 (according to the financial in Programme Complement);
- 223.22% of granted financial resources for 2004 (according to the financial plan in Programme Complement).

It is expected that the results of SOP HRD implementation will contribute to improve situation of the unemployed, of young persons entering the labour market for the first time, of women and groups threatened with social exclusion. SOP HRD should result in increased social participation in continued learning, growth of entrepreneurship and improved competitiveness of small and medium-sized enterprises.

Starting from 2004, part of the actions of public employment services connected with vocational activation of unemployed persons can be supported by the European Social Fund. The scope of implementation of actions under the SOP HRD will have an important influence on the level of revenues of the Labour Fund and in consequence on maintaining financial liquidity by that Fund in 2005, as well as on the level of funds that could be designated in the coming years for financing of programs which actively combat unemployment.

In 2004, the Country and Provincial Labour Offices implemented 37 projects under Actions 1.2 – “Perspectives for the youth” and 1.3 – “Counteracting and combating long-term unemployment”. Another 49 projects have undergone formal verification. These projects included:

- internship/ in-service training and training meant to adapt qualifications to the needs of the labour market;
- subsidized employment;
- training and granting one-off funds for commencing own business activity.

The total value of projects implemented under Action 1.2 amounted to PLN 148,676.6 thousand (co-financed by the ESF), which constitutes:

- 18.25% of granted financial resources for Action 1.2, for the whole program period 2004–2004 (co-financed from ESF);
- 78.12% of granted financial resources for Action 1.2, for 2004.

The total value of projects implemented under Action 1.3 amounted to PLN 100,787.6 thousand (co-financed by the ESF), which constitutes:

- 12.67% of granted financial resources for Action 1.3, for the whole program period 2004–2004;
- 54.12% of granted financial resources for Action 1.3 for 2004.

Under the Integrated Regional Operational Programme supporting regional development, resources of the ESF are used to co-finance Priority 2: “Strengthening the human resources development in regions”. The purpose of this Priority is to create conditions for the development of human resources on the regional and local level, preventing unemployment by vocational re-orientation of employees threatened with loss of job, and retraining of persons leaving the agriculture sector.

Actions under this Priority focus primarily on residents of areas threatened with marginalization – most of all residents of rural areas and areas where the industry is undergoing restructuring.

Actions implemented under this Priority are meant to:

- increase the professional mobility and the ability to adapt qualifications and skills to the needs of the local labour market – including adaptation of the training offer to the requirements of the local labour market;
- facilitating access to training on higher level (secondary and tertiary) for young people from rural areas, areas undergoing restructuring and from other areas threatened with marginalization;
- professional reorientation of persons leaving agriculture and persons threatened with restructuring processes;
- promotion of and support for entrepreneurship;
- increasing the regional potential in the area of innovation, by strengthening cooperation between enterprises operating in the regional and local market with the research and development institutions.

In 2004, under Priority 2 of the IROP there were 1676 projects submitted, of which only 586 were approved by the Implementing Institution. The provided financing amounted to PLN 2,0440.4 thousand, and constituted 10.55% of the funds allocated for the years 2004–2006. The largest number of projects was implemented under Action 2.2: “Equalizing educational opportunities through scholarship programmes”, for which over 69% of resources of that Priority, spent during 2004, were allocated.

The resources of the ESF are spent also under the Community Initiative EQUAL, which main goal is to prevent the discrimination in the labour market. Projects implemented in this area cover the following issues:

- fight against discrimination in the workplace;
- crating databases of projects managed in the various countries (in order to foster better exchange of information and promotion of “good practices”);
- joint initiatives of the Commission and Member Countries fostering the experience and priorities defined in the EQUAL program.

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