



## **Polish labor 2010**

**On the 6<sup>th</sup> of May 2010 in Warsaw Janusz Śniadek, President of NSZZ ‘Solidarność’ held a press conference at which he presented the report ‘Polish labor 2010’.**

### **Summary**

The increase of Polish GDP in 2009 is the subject of many comments full of admiration on the part of foreign economists. Time will tell if the model proposed to Poland and Polish people works. However, collapse of the Baltic States and Ireland obligates to proceed with caution. High index of economic growth is not an undisputable element of superiority, even more so as we cannot view it in any other way than a result at this moment in time.

### **During the crisis the majority of economic risks was shifted to the workers**

Enterprises disposing of their reserves and lack of production directly influence economic growth and above all employment. These phenomena reflect the easiness and tendency towards reductions in the number of workers. Unlike companies in other countries where maintaining the level of employment and purchasing power lay in the center of anti-crisis actions Polish enterprises used the crisis to mainly restructure employment. At the same time in Germany work in the so called part-time unemployment scheme followed by compensation of 60 to 67% of wages by the government within 12 to 24 months allowed to keep at least 650 000 workplaces and about 250 000 in France. Today it is already producing definite economic results.

### **Dramatic increase of unemployment**

The result of the short-sightedness of Polish companies and government is increase of unemployment. According to Eurostat data unemployment rate in Poland increased in 2009 by 34%. In March 2010 it amounted to 13% already. In 2009 hundreds of thousands of workplaces were lost. There are huge differences in unemployment level depending on the region. Forecasts of a further increase of unemployment included in the convergence plan are appalling, especially if planned economic growth is to be at 3%. Meanwhile unemployment constitutes a cost as well: lower income from taxation, lower insurance contributions etc. That is why in many countries instead of maximizing profits companies with the aid of the government protected workplaces.

### **Flexibility at any price**

Meanwhile in Poland both employers as well as the government focus on further flexibility of the labor market, although it is already one of the most flexible in Europe. The number of employment contracts for a determined period of time increases steadily; it is already the highest in Europe. At the same time, deregulation of the labor market is not combined with a level of social protection sufficiently high in order to smooth social effects of the crisis. Unemployment benefits and social aid (among them housing benefit etc.) allow the unemployed to maintain the level of 77% of last income from work in Denmark, 71% in Ireland, 62% in Germany, and 60% in France.

Efficiency of work per employed person in industry in January 2010 was by 12.4% higher than a year ago, with employment on the average lower by 3.5%.

### **Household demand equals economic growth**

Maintaining the levels of employment and wages is an essential issue in Poland as in 2009 household demand was responsible for 82% of the economic growth and household consumption was still the main factor of economic growth. Unfortunately, Polish households are running up higher and higher debts and their savings are falling. Majority of Polish households do not put anything aside, and

distribution of wealth is irregular. Households' capability of self-financing is running out. At the same time, companies are showing budget surplus. The tempo of indebtedness of households and private sector is disquieting.

The number of people at risk of having problems with paying their debts increases. One of the effects of these phenomena may be a fall in individual consumption; therefore, economic growth in 2010 may be based on other factors, which means a radical change in relation to last years.

One of the reasons of a low level of savings are still low salaries, but also still growing disproportion in remunerations between lowest and highest earners. Characteristic but not positive feature of Polish distribution of wealth is a high number of people in lower income ranges. As many as 43.6% of Poles earn below 75% of average wage, and 65.4% earn below gross average wage in national economy. The differences in wages are also growing. In 1993 the difference between the highest and the lowest remunerations amounted to 493%. In 2008; however, it reached 794.1%. This means that in 2008 10% of best paid Poles earned 794.1% more than 10% of worst paid Poles.

In 2008 according to Eurostat data 11% of employees working full-time were so called working poor. This term means that income received from work does guarantee their living above poverty threshold. This situation is directly reflected in the living standard of families with children, which are among the poorest in the European Union. European Commission already in 2008 sounded a warning that every fourth child in Poland is at risk of poverty.

It is therefore necessary to constantly strive for wage increases especially for those in the lowest income range and to eliminate unjustified differences in payment for work linked to region or gender.

### **Demographic crisis**

Problems of demography are main challenges of the majority of European states. Situation of Poland in this context is especially disturbing and is among the most dangerous in Europe. Forecasts of the Main Statistical Office for years 2008–2035 assume that 'population of Poland will be systematically decreasing and the rate of this decrease will be growing'. This means huge problems on the labor market and as a consequence also problems of the pension system. Secondary effects of the population decrease will be also reflected in financial and real estate markets. The situation cannot be changed either by increasing the retirement age or by employment programs such as 50+. Main reasons of a low birth rate lie in the lack of employment security, financial instability, and weakness of family policies, insufficient infrastructure and problems with reconciliation of professional and family life.

Polish expenditure for families is after Bulgaria lowest in Europe taking into consideration purchasing power parity. It constitutes help 11 times lower than in France and 17 times lower than in Ireland.

Less than 3% of children below the age of 3 have access to a crèche or kindergarten, while by way of comparison in France it is more than 60%. In addition to that in Poland the vast majority of crèches is private and the cost of such services is too high for many families. The question of child care is even more important in Poland when taking into account the fact that working time norm is one of the highest in Europe.

It is therefore necessary to support families through increase in financial stability and wages, ensuring employment security and higher allocations in public expenditure for family policies and public services.

Reconciliation of professional and family life requires a change in workers' 'availability cult'. Poles have the longest average working week in Europe. Part-time workers in Poland are at risk of poverty that is why they often work several jobs which stands in contradiction with part-time work idea (e.g. women).

Actions helping to limit the level of poverty implemented not only in crisis times are of utmost importance. The time has come to introduce in Poland fixed instruments – stabilizers – that will help in maintaining demand and employment. In our country there are no mechanisms which would encourage companies to maintain the level of employment.

We must prevent the existence of pathologically low salaries through systematic increase of minimum wage. The demand for a minimum wage at the level of 60% of average wage is still relevant.

### **Limited access to high quality public services**

During the economic crisis limited access to health care financed from public resources is even more perceptible. Despite a tremendous progress in medical science patients' chances to take advantage of it to the full are often wasted due to organizational mistakes, inadequate level of public expenditure for health care, lack of systemic solutions (developing a national network of public hospitals). Demographic forecasts and increase of chronic diseases incidence indicate an increased demand for medical services. To respond to these challenges it is necessary to prepare a cohesive system of labor and pay arrangements in this sector. Poland should enhance the role of its medical personnel through improvements in pay regulations and working conditions, especially that health care sector is characterized by specific features: relatively difficult working conditions and special environment and functioning of health care.

### **Lack of sectoral social dialogue**

European Commission stresses that high quality of social dialogue is a basic mechanism for economic change governance and contributes to limiting these changes. A serious obstacle in building in Poland a high quality social dialogue at all levels is the lack of employers' representation. Intensive social dialogue requires a well-developed collective bargaining system. Both power as well as representativeness of social partners must be strengthened through appropriate legal regulations.

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The state is a self-regulating system. Positive GDP index is very important as well as keeping public finance deficit at a respectively low level. But equally important are investments in work security, education or higher wages guaranteeing demand or higher budget revenues or stability of social and health insurance systems. Limiting fictional self-employment or unjustified contract employment is by all means a valuable contribution to higher revenue of social insurance system. Healthier society also means higher mobility of workers, better productivity and longer work seniority. Investment in families is investment in the future, in ensuring better relations between working people and pensioners in the decades to come.

It is the government that is responsible for this system and its financing, but it is also worth to work out solutions through real dialogue, both tripartite as well as bipartite.

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## **“Why is Polish work sick?”**

### **1. Increase of unemployment – transfer of economic risk onto the workers**

The crisis in Poland has revealed the ease of transferring the economic risk onto the workers depriving them of any additional benefits instead. The effect of that is increased unemployment and loss of jobs. **For the first time in 10 years the number of newly registered unemployed exceeded 3 million.**

### **2. Profit at any cost – virtual social responsibility of companies**

Despite the crisis most of the companies in Poland have noted good financial effects. According to the Head Statistical Office the financial net profit of non-financial companies was higher by 15,8 billion PLN (25,1%) in compare to 2008. This reveals short-term governance and focusing on financial results. The flexibility of the labour market makes it possible for the companies to avoid the instruments of social governance during crisis and transfer of the costs of bad economic

conditions onto the workers, also at the expense of the entire economy (decrease of domestic demand).

**3. Inactivity of the state – no real tools for protection of workers and their purchasing power in the time of crisis.**

Germany and France chose to protect employment and purchasing power even at the cost of increased deficit. **Unemployment benefits and the social aid (housing benefits et al.) in Denmark allow the unemployed to maintain 77% of their net income, in Ireland respectively it's 71%, in Germany 62%, in France 60 %.** Work in reduced time allows the companies to reduce the working time and receive governmental compensation at the level of 60 to 67% of the decreased wage level in the period between 12 to 24 months. **Such instruments made it possible for Germany to save at least 650 thousand jobs, and some 250 thousand jobs were saved in France.** Unfortunately, in Poland so-called "anti-crisis act" which was supposed to implement similar mechanisms brought no expected results, mainly due to harsh conditions to be met by the employers to qualify for the assistance and low amount of the support.

**4. No safety – instability of the labour market.**

Poland is the European leader in fixed-term contracts, **at the level of 27.1% we took the inglorious first place from Spain.**

**5. Increasing stratification – striking income spread between the lowest and highest earners. In 2008, 10% of the highest earning Poles received salaries 794.1% higher than 10% of the lowest paid workers.** High number of low earning workers is a disgraceful quality of Polish distribution. As much as 43,6% of Poles earned less than 75% of the average monthly wage. **65.4% of Poles earned less than the gross average remuneration in the national economy.** Average pay gap between men and women in EU is 18% presently, and in Poland – 23%.

**6. Working poor**

Having a job, even full-time one, for 10% of the employed does not guarantee an income allowing for life above the poverty line. **According to Eurostat in Poland in 2008 some 11% of the full-time employed lived in poverty.**

**7. Weak sectoral social dialogue – low level of organisation of employers.**

Supra-enterprise collective agreements are impossible due to low organisation of the employers. According to the report on industrial relations in Europe, 2008, 10% increase of coverage of collective agreements reduces by 0,5% the number of workers earning less than enough to exit the poverty zone.