

Policy Highlights

Regional Economic Inactivity Trends in Poland



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- **About this policy highlights**

This booklet reproduces highlights from the *Regional Economic Inactivity Trends in Poland* report, which analyzes differences in economic inactivity across Polish regions. The OECD report sheds light on the drivers of economic inactivity across Polish regions and analyses them in light of both individual and structural factors associated with labour force participation. The report falls within the Programme of Work of the OECD's Local Employment and Economic Development Committee.



The full book is accessible at

<https://doi.org/10.1787/483a6a25-en>.

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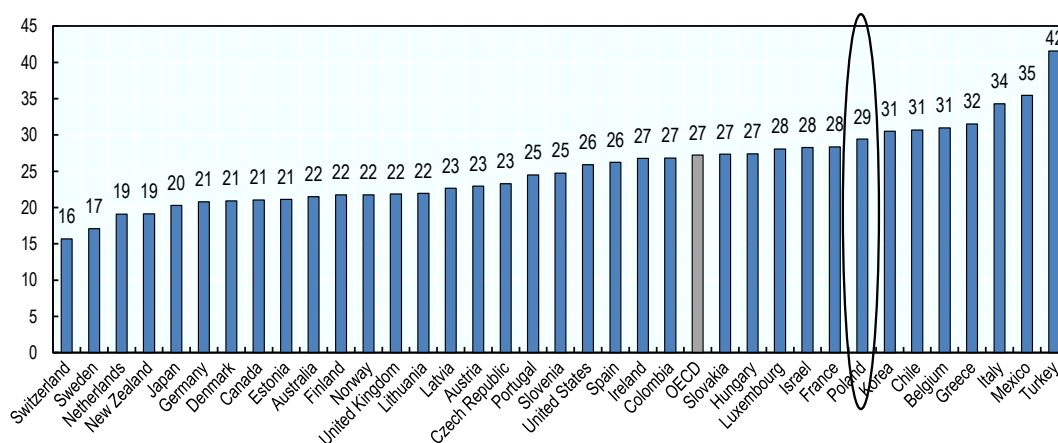
Economic inactivity remains relatively high, and large regional differences persist

Economic inactivity in Poland continues to be above the OECD average. Although economic inactivity decreased 5 percentage points between 2000 and 2019, labour force participation in Poland remains relatively low. In 2019, 29% of the working-age population in Poland was economically inactive, a rate two percentage points above the OECD average of 27% and 13 percentage points above Switzerland, the OECD country with the lowest economic inactivity rate.

Increasing labour force participation has a positive effect on public finances and removes constraints to economic growth. A larger labour force decreases public spending on social protection if activated individuals manage to find employment. A low labour force participation rate can also constrain economic growth. The problem of economic inactivity is exacerbated by a shrinking working-age population. In 2019, Poland's old-age dependency ratio – measured by the population aged 65 and over divided by the population aged 15 to 64 – stood at 26.4% – close to the OECD average – with little regional variation. Like in many other European countries, this ratio is projected to increase rapidly and reach 52.2% by 2050. Activating those of working age will be key to funding the pension system in the future.

The economically inactive are defined as those of working age who do not participate in the labour market, either by choice, such as early retirees or students, or due to constraints, such as disabilities or childcare responsibilities.

Economic inactivity among 15 to 64 year-olds across the OECD in 2019, in percent



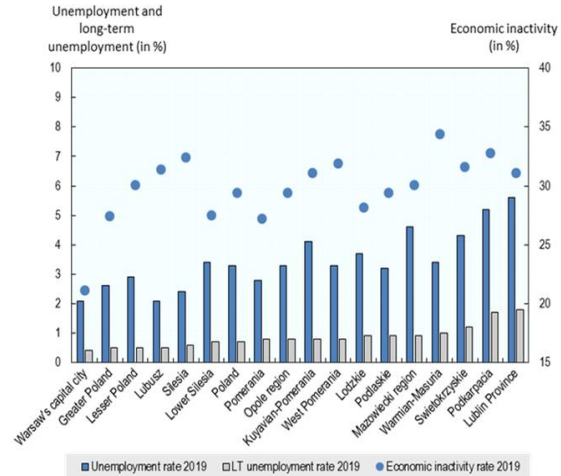
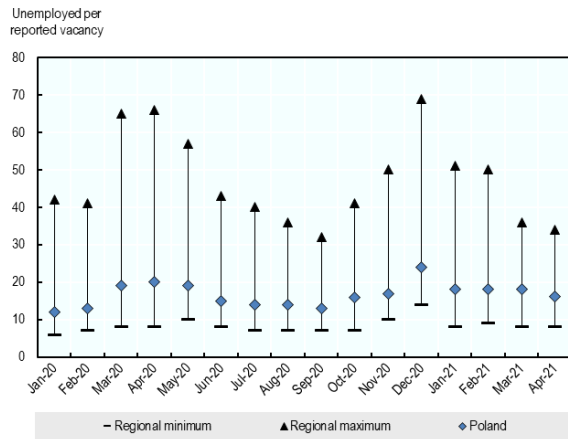
Source: OECD Statistics.

The economic inactivity rate differed across regions by 13.3 percentage points in 2019. Among 15 to 64 year-olds, it stood at 21.1% in the Warsaw capital region and at 34.4% in Warmian-Masuria. Some Polish regions struggle relatively more to decrease economic inactivity rates for historical and geographical reasons. Trends in economic inactivity across Polish regions are closely tied to trends in regional GDP per capita, which can in turn be linked to market access advantages, including the ability to attract foreign capital, and historically large employment shares in agriculture.

Poland has come out of the COVID-19 pandemic relatively unscathed but the lack of labour demand during the downturn hit some lagging regions disproportionately. The regions of Eastern Poland, in particular Podkarpacka, Podlaskie and Lublin Province, experienced the sharpest absolute rise in the

number of registered unemployed per job offer. Regions in Poland with higher levels of unemployment also show higher levels of economic inactivity, and the COVID-19 pandemic may have compounded shifts from unemployment to long-term unemployment and into economic inactivity.

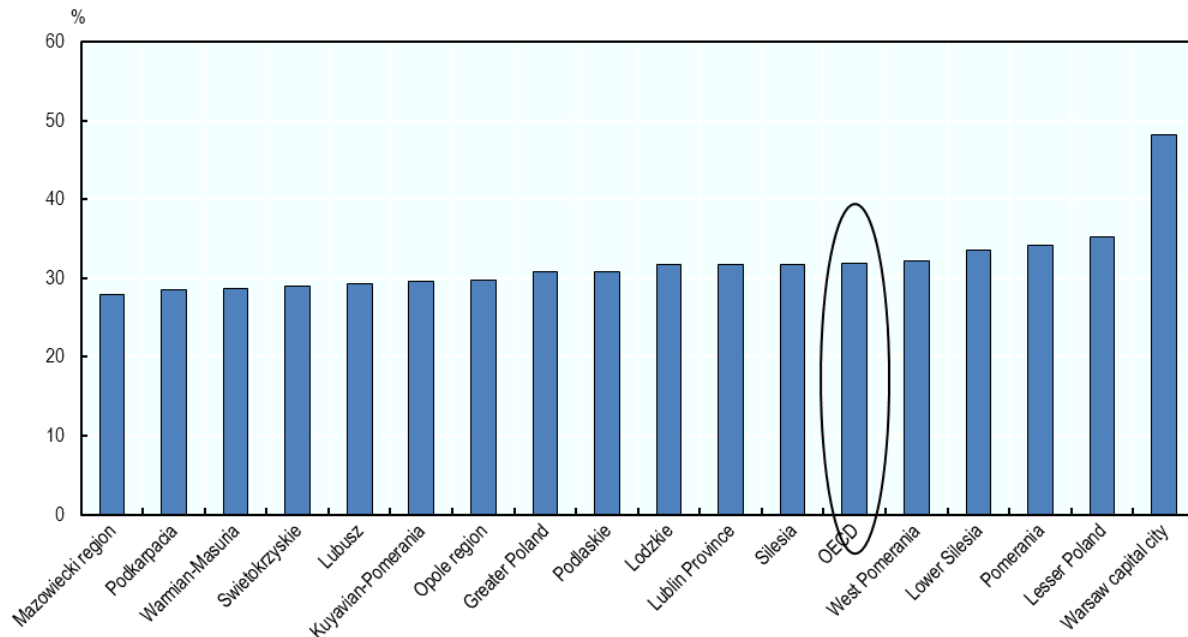
Region-specific declines in labour demand during the COVID-19 pandemic may push some (long-term) unemployed into economic inactivity



Source: Statistics Poland and OECD Regional Database.

Teleworking has proven an efficient tool to avoid layoffs during the Covid-19 pandemic. However, in over half of Polish regions, the share of jobs amenable to teleworking is lower than the OECD average of 32%. This may be due to the higher share of industrial jobs requiring physical presence. Polish SMEs, in particular, could benefit from targeted support to make the shift to long-term teleworking and ensure those unable to remote work do not face prolonged economic exclusion.

Share of jobs amenable to teleworking by Polish regions in 2018

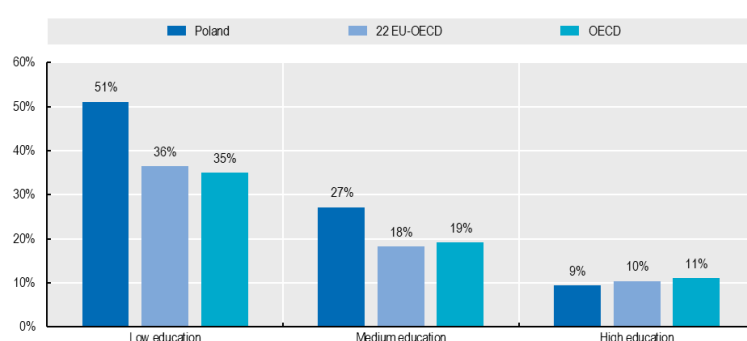


Source: OECD (2020), OECD Regions and Cities at a Glance 2020, <https://doi.org/10.1787/959d5ba0-en>.

Economic inactivity is highest among vulnerable population groups

Labour market participation in Poland is highly uneven across populations with different skill levels. Nine out of ten individuals who have high levels of education are active in the labour market. In contrast, one in two individuals with low levels of education do not participate in the labour market. As observed in the numbers corresponding to the rest of the European countries, it is common that individuals with low education levels are less likely to participate in the active labour force than those with higher education levels, but the educational gap in labour force participation is particularly high in Poland.

Economic inactivity by educational attainment



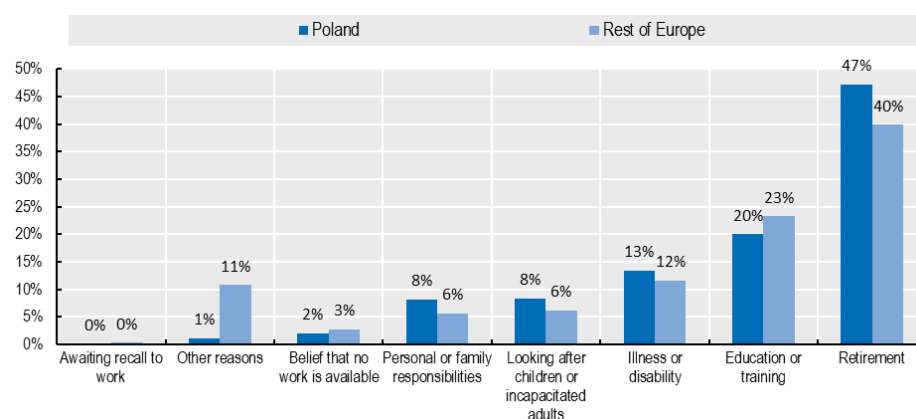
Women are also less likely to be economically active. The share of economically inactive women (aged 15-64) decreased from over 40% to 36.6% between 2000 and 2019, but the difference in economic inactivity rates between men and women increased from 11 percentage points to over 14 percentage points in the same period.

Source: OECD Regional Database.

In Poland, older people are a large group among the economically inactive. Indeed, in 2019, the economically inactivity rate of people aged between 55 and 64 years stood at 49%, compared to 15% among those aged between 25 and 54.

Disability, or more broadly illness, is another main reason for economic inactivity in Poland. According to the Labour Force Survey in 2020, 69% of all working-age people with a legally documented disability were economically inactive (see the box below). The low level of economic activity among people with disabilities has been ongoing for many decades. In 2010, only 26% of men and women with legally documented disabilities participated in the labour market.

Reasons for Economic Inactivity in 2019



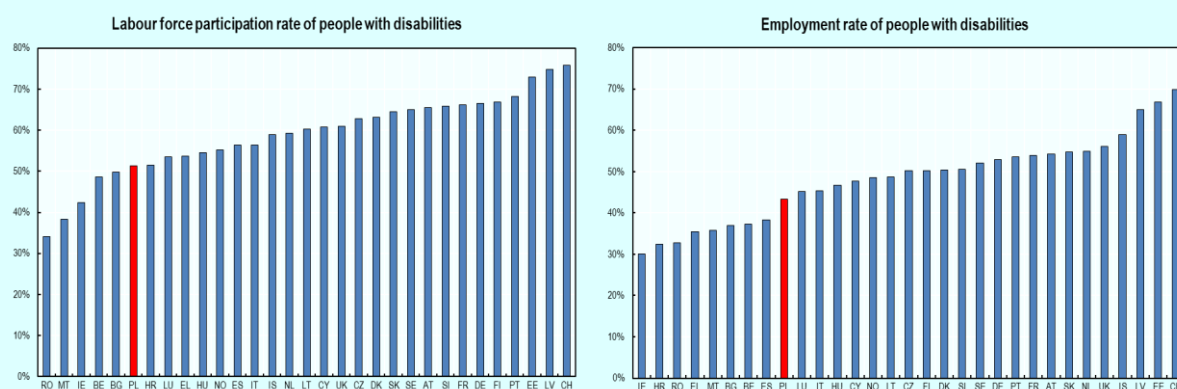
Source: OECD calculations based on EU-LFS.



LABOUR FORCE PARTICIPATION OF PEOPLE WITH DISABILITIES IN POLAND

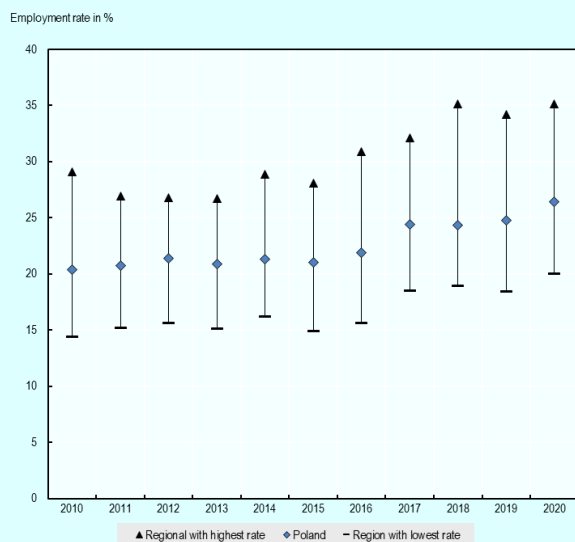
The labour force participation rate and the employment rate among people with disabilities is low in Poland compared to other European countries. In the EU-SILC survey, people with disabilities can be identified based on a question on “long-standing health condition or illness”. The survey allows for a comparison between Poland and other European countries. In 2018, the labour force participation rate of working-age people with disabilities stood at 51% in Poland, compared to 61% in Europe on average. Similarly, the employment rate of working-age people with disabilities was 43% in Poland, compared to 50% in Europe on average.

Labour force participation rate and employment rate of people with disabilities in 2018, international comparison



Source: OECD calculations based on EU-SILC.

Employment rate of people with legally confirmed disability



Source: Statistics Poland

Among working-age people with a certified disability, the employment rate is even lower in Poland, and large regional disparities persist. The Polish Labour Force Survey contains a question on the legal certification of disability status, is a more narrow definition of disability, as not all individuals with a long-standing health condition or illness have obtained the certificate. These certificates distinguish between three levels of disability: Severe, moderate and mild. In official statistics, people of these three groups are pooled together. Between 2010 and 2020, the national-level employment rate of people with legally confirmed disability increased from 20% to 26% among people of working age. However, there is a strong regional variation: In 2020, the gap between the region with the highest employment rate among people with legally confirmed disability (Lubusz) and the region with the lowest employment rate (Warmian-Masuria) was 15 percentage points.

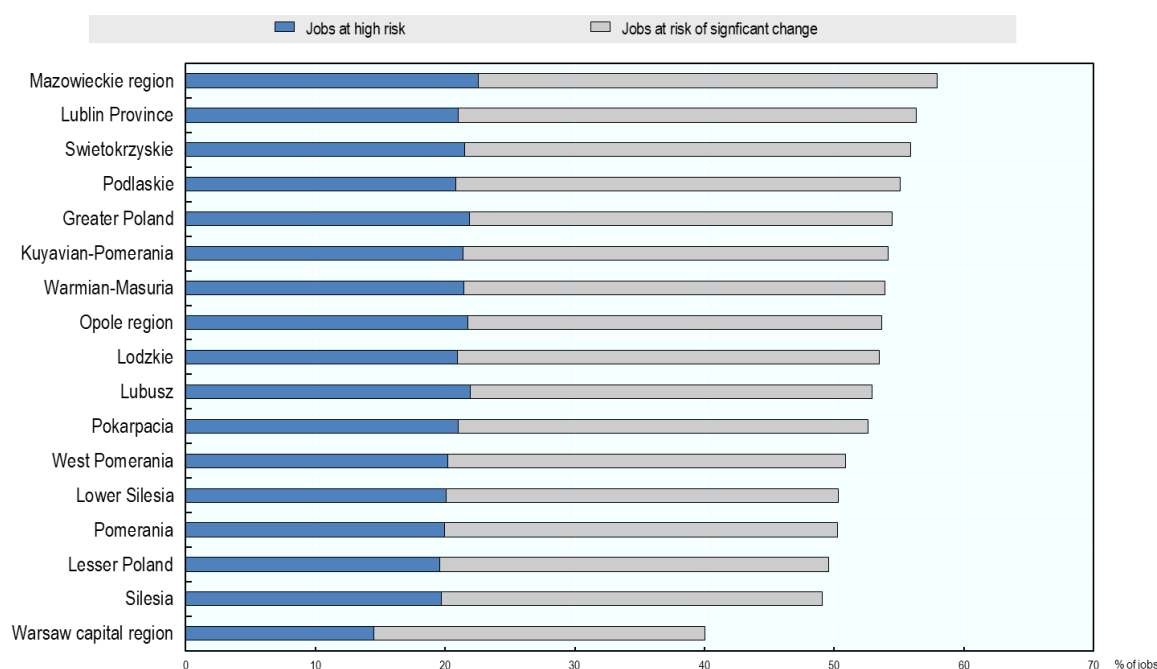
Trends in economic inactivity will depend on the evolution of labour market megatrends

The automation of jobs, job polarisation, the ageing society and the transition towards net-zero greenhouse gas emissions will all have varying effects across Polish regional labour markets. Some workers may face an increased risk of job loss and region-specific employment effects will depend on the regional industrial sector composition. Policymakers can target workers adversely affected by these trends to avoid a rise in unemployment and economic inactivity.

As automation may have accelerated during the COVID-19 pandemic, workers who are displaced face a risk of economic inactivity when unemployment spells grow longer. Automation could suppress or reshape jobs in Poland's export-oriented industrial sectors, displacing workers with firm-specific skills. Some regions are particularly vulnerable. In Mazowieckie, Lublin Province and Swietokrzyskie, the OECD estimates 58%, 56% and 56% of jobs to be at significant or high risk of automation respectively, the highest shares in Poland. Jobs in these regions may be particularly susceptible to automation due to the size of sectors containing vulnerable occupations, such as construction and manufacturing.

In Poland, all regions but the Warsaw capital region face a risk higher than 48% of high or significant change from automation. Upskilling and reskilling policies can help workers affected by these trends.

Share of jobs at risk of automation by Polish region in 2018



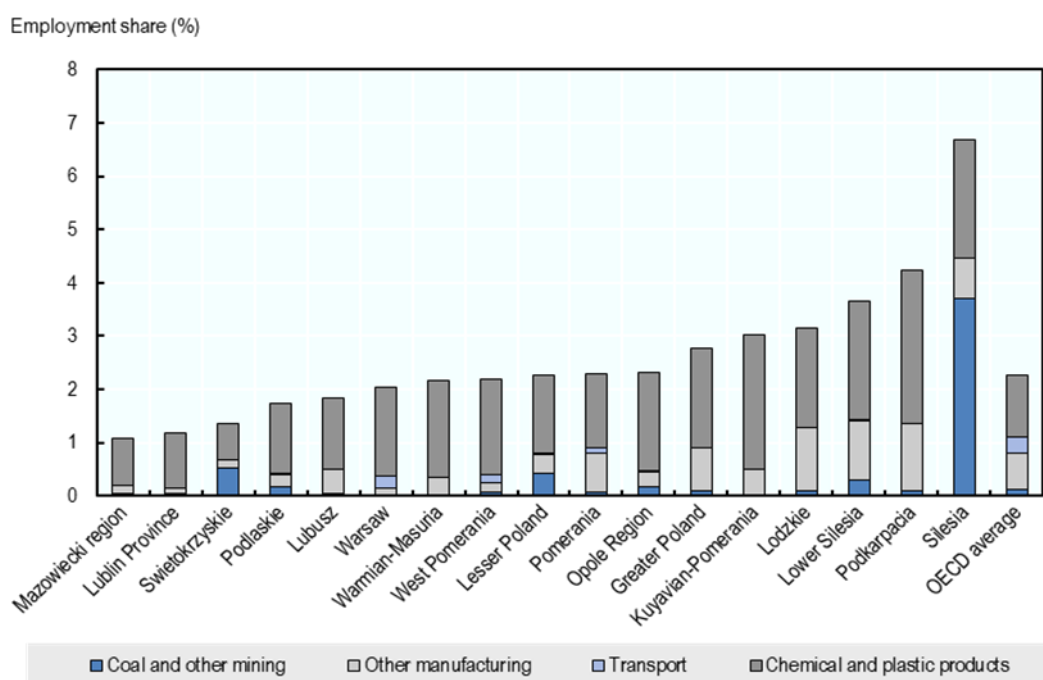
Source: OECD calculations based on Survey of Adult Skills (PIAAC) (2012); and EU Labour Force Survey; Nedelkoska, L. and G. Quintini (2018), "Automation, skills use and training", <https://doi.org/10.1787/2e2f4eea-en>. Figure drawn from OECD (2020), Job Creation and Local Economic Development 2020: Rebuilding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

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

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

Some Polish regions will experience employment gains and losses due to the transition to net-zero greenhouse gas emissions. To become a net-zero emissions economy by 2050, Poland will have to transform its energy system gradually. Jobs will be at risk in industries such as coal and other mining, manufacturing, transport and chemical and plastic production. Some regions in Poland face a relatively high risk of job loss due to the green transition. In Silesia, due to its heavy dependence on mining of coal and lignite, the share of employment in sectors at risk stands at 6.7%. Employment gains, on the other hand, are more difficult to forecast but may not coincide with employment losses geographically.

Share of regional employment at risk due to the net-zero transition in 2017



Source: OECD Regional Outlook 2021 – Country notes – Poland.

OECD Recommendations

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

Facilitate local transitions to telework for greater resilience in pandemics and to increase economic activity	
<ul style="list-style-type: none"> ✓ Provide technical assistance and financing to purchase supplies to SMEs and independent workers to make the transition to teleworking. 	<p>Polish national or regional governments could set funds aside to help local SMEs and independent workers upscale or adapt their activities to remote work. Such programmes can dispatch consultants to SMEs, for them to receive advice on how to best adapt to accelerated digitalisation through a series of actions, such as advice on creating online collaborative workspaces and mobile office tools, as well as subsidies for teleworking equipment and reinforcing cybersecurity. The existing teleworking grant that targets parents with children under the age of 6 could be extended in its scope and coverage by including parents of children aged 6 and above, and to those caring for elderly relatives living in the same household.</p>
Connect local economic opportunities and social services to those economically inactive willing to work	
<ul style="list-style-type: none"> ✓ Make personal care, IT and childcare services available for those in need to facilitate access to the labour market 	<p>Poland could make individual state-recognised cheques available to those who need to hire home-based assistance, allowing both the individuals and those caring for them to turn to education, training or job search. Assistance can take the form of mobility help, personal care at home or help installing internet infrastructure to facilitate telework.</p>
<ul style="list-style-type: none"> ✓ Further develop childcare infrastructure for very young children, in particular in regions with the highest economic inactivity rates 	<p>The availability of care for children up to 3 years of age is still lagging behind. Expanding services tailored to caring for young children similar to pre-school education would likely benefit the labour market participation of economically inactive women with caring responsibilities. Geographically, it would benefit the voivodeships of Eastern Poland, where economic inactivity is relatively high and childcare provision for the youngest children relatively underdeveloped.</p>
<ul style="list-style-type: none"> ✓ Public employment services could focus more on active labour market policies for people with disabilities 	<p>Stronger incentives could be introduced for the PES to increase training opportunities for people with disabilities and to boost their participation in labour market programmes. In the case of projects financed by the ESF, older people of working age and people with disabilities could be treated as priority groups.</p>
<ul style="list-style-type: none"> ✓ Funds supporting the vocational integration of people with disabilities could encourage the employment of economically inactive 	<p>An incentive mechanism could include a greater differentiation of wage subsidy rates. A relatively higher wage subsidy could be paid for the first 12-24 months of employment to people with disabilities who were previously economically inactive or long-term unemployed. Moreover, the share of funding from the State Fund for Rehabilitation of Disabled People (PFRON) funds allocated to non-governmental organisations for the professional activation of people with disabilities at the national and regional level could be gradually increased.</p>

Build on existing labour market institutions to integrate the economically inactive

Begin the process of integrating public employment services and social assistance services	
<ul style="list-style-type: none"> ✓ The integration of services provided by different institutions could be encouraged to address the complex needs of economically inactive persons 	<p>Economically inactive persons are often in need of services that combine social support and work, but public employment services and social assistance centres are often unprepared to deliver the full range of required services. These services could be integrated and tailored to individual needs. Following the examples of other countries, these services could begin to work together such that they act as complementary institutions offering a full range of services “under one roof”.</p>
Direct European Social Funds (ESF) to people who are economically inactive and at risk of social exclusion	
<ul style="list-style-type: none"> ✓ Utilize the ESF as an effective instrument to serve economically inactive persons 	<p>ESF funded projects, particularly those implemented by non-governmental organizations (NGOs), have more flexibility and can be better adapted to the specific needs of those in the most difficult situations. National and regional authorities could ensure that ESF projects target economically inactive persons. Regional authorities responsible for the implementation of ESF-funded programmes could provide strong incentives for project providers to support those in the most precarious situations with individualised solutions.</p>
Strengthen the competences of the staff involved in the activation of economically inactive people	
<ul style="list-style-type: none"> ✓ Train PES staff to take effective actions and target the economically inactive 	<p>Knowledge and experience dissemination could be enhanced by organising training workshops and conferences, and issuing best practice guides and tips on working with different groups of economically inactive people.</p>
Mobilise social economy actors to support the integration of the economically inactive	
<ul style="list-style-type: none"> ✓ Consider testing a volunteer-based programme to direct discouraged, inactive and long-term unemployed people to local associations 	<p>Many of those most excluded from the labour market may not be ready to enter the open labour market. The economically inactive in Poland often have low levels of educational attainment, disabilities or caring responsibilities. Poland could consider creating local committees, made up of public employment services, associations, local elected officials and social economy actors. Committees could identify those among the economically inactive who wish to work, build their skills and progressively seek opportunities in the open labour market.</p>

Respond to labour market megatrends across Poland's regions

Learning from social dialogue to ensure the future of work does not drive economic inactivity	
<ul style="list-style-type: none"> ✓ Strengthen the existing Social Dialogue Council to develop measures for the digital transition of industry 	<p>Social dialogue centred on a fair transition would allow government to liaise with unions and firm representatives on how to best ensure workers can be adequately trained for new technologies, while those who lose their jobs can be supported and helped into new positions. The Social Dialogue Council launched by social partners and the Polish government in 2020 could be an opportunity to plan thematic work sessions on this topic.</p>
The retention of older workers in the labour market requires a comprehensive and integrated policy approach	
<ul style="list-style-type: none"> ✓ Consider a comprehensive investment in skills, health, work organisation and working conditions of older workers 	<p>It is advisable to create a body composed of key stakeholders with an impact on policies supporting the labour force participation of older people. The main task of the body would be to improve the coordination of actions undertaken by different ministries. Representatives of employers and trade unions could be invited to participate in the body. It is further advisable to launch a programme that would co-finance activities undertaken by entrepreneurs to extend the working life of their employees: improving competences, introducing solutions to improve the ergonomics of work, increasing the use of flexible forms of employment and promoting lifestyle changes. These activities could be co-financed from ESF funds.</p>
Place-based policies could support the green transition and mitigate the risk of a rise in economic inactivity	
<ul style="list-style-type: none"> ✓ Avoid a rise in regional economic inactivity due to the net-zero transition through local active labour market policies that target those who are likely at risk of job loss 	<p>Training programmes offered by Polish regional employment services could start to integrate the development of “green skills”. These policies would differ from those currently supported by the Occupational Barometer surveys as they would have to take a more long-term perspective of changing skill requirements within industries. One example from Flanders, Belgium, is the training of workers in the construction sector, where training offered by local employment services includes sustainable building and energy efficiency methods to prepare the sector for future skill requirements. “Green skills” can be included in the Occupational Barometer after Poland’s implementation of the European Skills, Competences, Qualifications and Occupations Taxonomy (ESCO).</p>

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