

Chapter IV

Job changes and the situation on the labour market

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Over the past five years Poland has witnessed a dramatic intensification of problems associated with jobs. This chapter is devoted to the nature, causes and consequences of those problems. A significant element of this chapter is also the description of labour market policies and their complex setting. The discussion is concluded with an analysis of the influence of European policies (currently – with Poland's EU membership – the European Employment Strategy) on changes in labour market policies in Poland.

The basic question faced by Polish social-economic policies in the context of the labour market is that of how modernization, restructuring and improvement in labour productivity should be reconciled with an increase in employment. Although the reader shall not find an answer to this question in the present chapter, perhaps with this question in mind he or she will better understand the tendencies of change on the labour market in Poland and the dilemmas of the employment policies being pursued.

1. Characteristics of the Polish labour market

During the 14 years of systemic transformation from 1989 to 2003, employment in Poland shrank by more than 3.2 million people.¹ The Polish economy moved from an era of full employment, although highly inefficient from an economic point of view, to an era of high unemployment with an acute shortage of jobs.

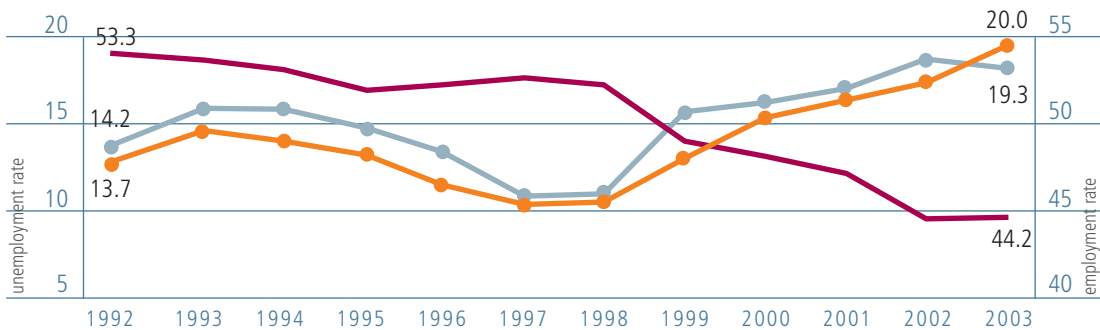
The rapid drop in employment which took place at the beginning of the 1990s ceased during the prosperity period (1994-1997 – see Chapter II), when in 1996 and 1997 the number of employed actually increased by 1 million. In 1998 the decline in employment resumed with even greater force and came to a halt not until 2002 at a very grave level. The end of the declining trend in the employment rate (ER) is

comforting, but the low value of this indicator gives reason for concern. One study has shown that the ER ratio is 51.5% (Labour and Economy Ministry 10/2004); the survey conducted by GUS (the Labour Force Survey – LFS) arrived at 44%.

The opposite of the employment rate is the unemployment rate. Looking at the figure below, one can clearly see two waves of rising unemployment. The first took place at the beginning of the transformation period, while the second at the turn of the millennium. Since 1998, there has been a strong upward tendency in the unemployment rate. The highest rate of registered unemployment was observed in the first half of 2004 when it reached over 20%. By the end of the year it had declined to slightly below 19%.

The issues regarding employment are diverse. The factors which affect an individual's situation on the labour market include education, age and general health, as well as gender and place of residence.

Figure 1. Employment rate and unemployment rate in Poland in the years 1990-2003 (in %)



Source: GUS – Statistical Yearbook – editions from relevant years; GUS – LFS Economic activity of the Polish public, editions from relevant years.

- unemployment rate according to LFS
- registered unemployment rate
- employment rate

¹ The development of the situation on the labour market Poland was presented in detail in the UNDP/CASE report (2004) entitled "In concern for work".

Employment by gender

Tendencies in the employment of women compared to that of men indicate that women have lost fewer jobs in the transformation period than men have. In 1990, women constituted 45.2% of the total workforce. By the end of 2002, the share of women in the total number of employed had increased to 47.6% (GUS 2003). However, and similarly as in other countries, the professional activity of women in Poland still lags behind that of men (the difference currently amounts to 14%-15% – see figure below).

The lower decline in the employment rate of women compared to that of men is a characteristic observed not only in Poland, but also in other transformation countries (Nesporova 2002). The unemployment of men is strongly related to the process of restructuring industry. The intensification of these processes towards the end of the 1990s in Poland caused the rate of job destruction to be much stronger than before, even than during the beginning of the transformation period. At the same time, the rate of new job creation was too slow to absorb those who were leaving the eliminated jobs (from World Bank research – Rutkowski, 2002).

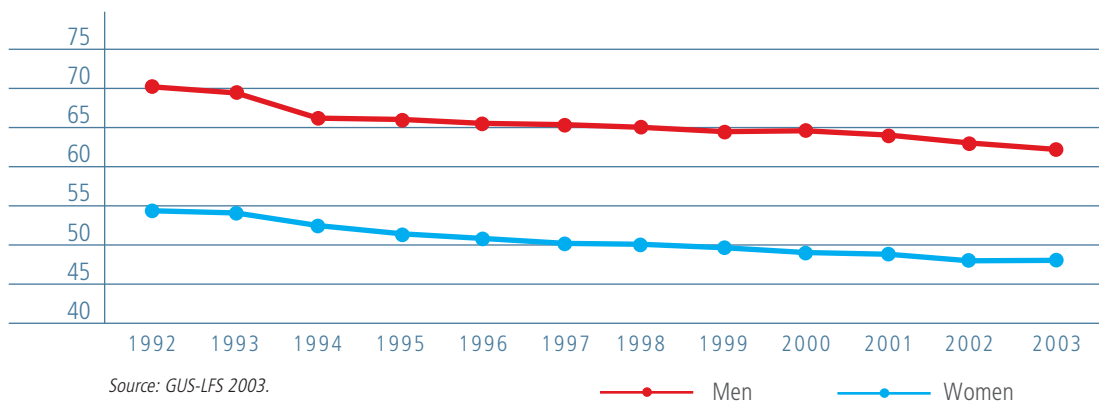
The restructuring process covered such sectors as heavy industry and transport, areas mostly employing men. On top

of this, there was the issue of the construction sector, which strongly reacted to changes in business activity.

Although women have lost fewer jobs than men have, their situation on the labour market is tougher. Unemployment among women is higher and differences in unemployment between the sexes persist or have even increased, as over the most recent period. While unemployment among men tends to be declining, unemployment among women appears to be rising: among men it was at a level of 18-20%, while among women 20-21% (according to the LFS). It was more common for women to join the jobless ranks because of layoffs than for men. Women are also experiencing considerable difficulties in returning to the labour market. Data on the average duration of job searches confirm that women are more often affected by the problem of long-term unemployment.

A significant factor exacerbating women's problems on the labour market is the burden of housework they must bear as a result of the underdevelopment of services that would allow them to effectively combine professional and family roles. The proverbial "two-front" nature of women's work forces them to choose such a career path that allows them to shoulder the double load. The issue of the double burden of women in former communist countries is outlined in comparative studies carried out by Pirella Paci (World Bank, 2002).

Figure 2. Indicator of economic activity according to gender (in %)

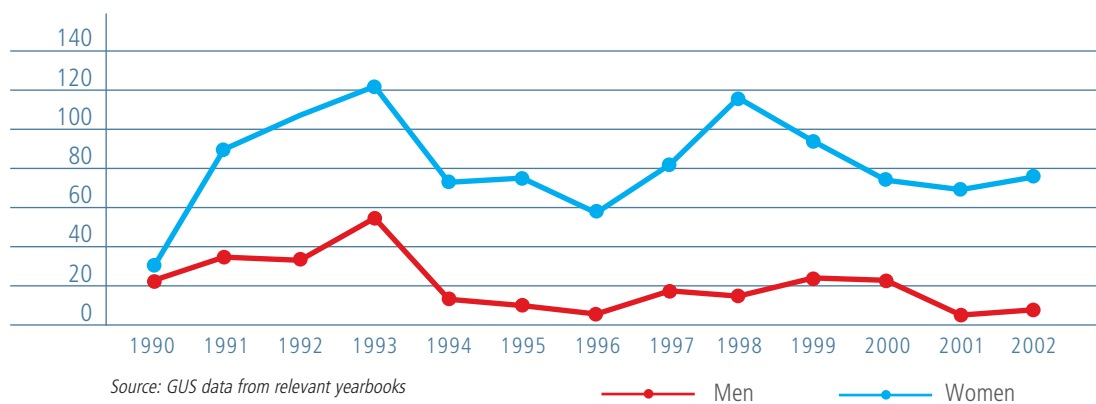


Poland is listed among those countries where the development of nursing, child-rearing and care services is exceptionally poor.

The distribution of women's labour resources in the public and private sectors of the economy has undergone significant changes during the transformation period. By the end of 2002 the share of women among all employees had increased to 54.8% in the public sector, while it had decreased to 45.1% in the private sector (GUS 2003).

is taking place in farming or outside of it. The share of women among all entrepreneurs outside of individual farming is also increasing, although with fluctuations. In 1989 it amounted to over 26%. It reached a peak of 40.2% in 1998 and currently it amounts to 37% (2002 data).

Figure 3. Increase in the number of self-employed (1989=100)



These changes can hardly be viewed positively when one bears in mind that the number of employees in the public sector is showing a strong downward tendency, while in the private sector employment is increasing.

A particularly interesting tendency of women's behaviour on the labour market in Poland is the high rate of growth in the number of self-employed.

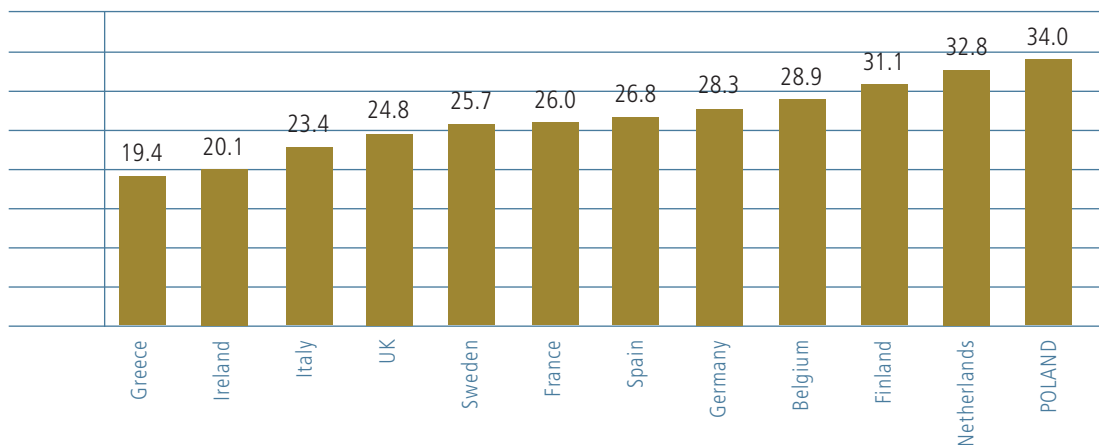
The high share of self-employed is partly due to the considerable independence of women in rural areas, specifically on farms. However, the picture of the growth of entrepreneurship by gender does not change when we examine if it

Women entrepreneurs in cities, unlike those living in rural areas,² are characterized by a relatively high level of education, particularly among those who are employers. Most of them have at least high school education (76%, as compared with 67% among men).

Compared with other European countries, the share of women among the self-employed is the highest in Poland. One needs to keep in mind, however, that this result is affected by the significant share of women among the self-employed who run the numerous though relatively small farms.

² Information on the entrepreneurship of women comes from studies conducted by Ewa Lisowska (Lisowska 2001)

Figure 4. The share of women among the total number of self-employed in Poland and selected EU countries (average for the years 1990-1997)



Source: OECD 2000 and calculations based on Lisowska 2001.

Employment by education

Although the decline in employment evident since 1998 concerns people with all levels of educational qualifications, the difference in the unemployment rate between persons with higher and those with elementary education has increased to an astonishing magnitude. The employment rate of persons with higher education amounts to around 80%, while that of persons with elementary education less than 20%. The low employment rate among high school graduates – 35% – is also noteworthy. Studies show that the lack of skills is closely correlated to older age, disability and social background.

Against the background of the low employability of unskilled persons, the question arises as to whether special programmes should be prepared to support their employment and which concept should be chosen for motivating such persons (who do not participate in standard ALMP programmes), to work. One expert's response to this question is

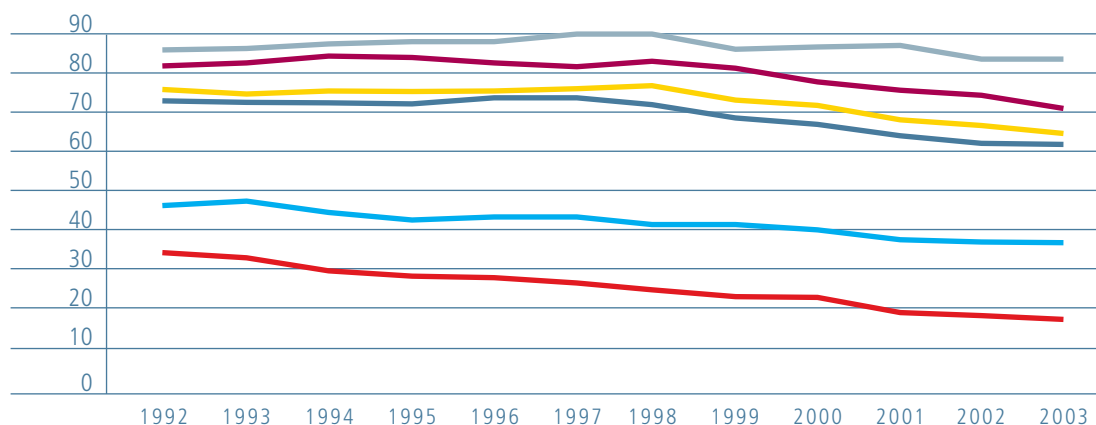
positive: programmes for this group of people should be created, ones to be based on the proper preparation of employment services to apply tailor-made measures (Sztanderska 2004).

Employment by age

The labour market is visibly segmented as regards age. While the employment rate of persons aged 24-54 amounts to 60%, for the youngest (15-24 bracket) and the oldest (54-retirement age) it is barely above 20%. For persons in retirement age the employment rate is single-digit.

On the one hand, the barriers impeding a successful professional start for young Poles are associated with the poor quality of education, the relative lack of self-motivated improvement of skills, and lack of knowledge on how to find work. On the other hand, the problems for young people in entering the labour market are associated with the natural

Figure 5. Employment rate by level of education (in %)



Note: for the years 1992-1998 data for November is presented, for the years 1999-2003 data for Q4.

Source: GUS-LFS – Economic activity of the Polish public, relevant editions.

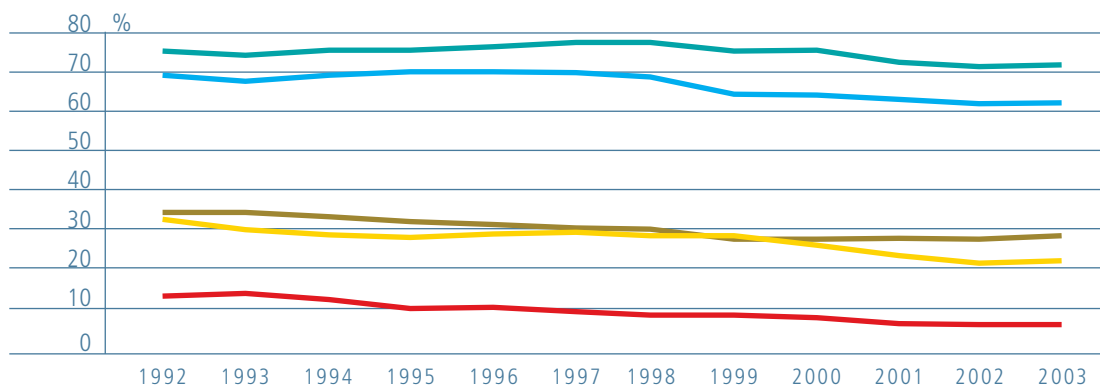


aversion of employers towards hiring staff without professional experience and the relatively high costs of labour (meaning not the salary cost of labour, but the excessive ratio of non-salary to salary costs).

Polish programmes for activating youth (the Promotion of the Professional Activity of Youth Programme, Graduate, First Job) have embraced a relatively small scope of unemployed graduates. The focus of labour offices has too often been dominated by consultations, advice, standard training and subsidies for employers to finance internships for young people, who upon their completion return to unemployment. There is a need for programmes that would provide a greater stimulus for employers to permanently hire young people, as well as for ones that would encourage and motivate the bolder and more industrious representatives of the young generation to begin their own business activities.

The difficulty which older people are experiencing in maintaining their jobs is mainly associated with the restructuring processes in the economy. In result, they often lose their jobs before reaching retirement age and usually have no chance of finding new ones. The skills of the older generation are often too low and inadequate for the needs of a transforming economy. In these circumstances, older employees were leaving the labour market and taking advantage of the social benefits offered in the retirement-disability benefit scheme or special benefits from the Labour Fund. This costly policy is now changing. Current policies include both programmes aimed at supporting the employment of older employees (e.g., 50+), as well as the extension of the official retirement age. However, the effects of these programmes will depend primarily on the general improvement of the situation on the labour market, as well as on the future pace of the processes of Poland's economic restructuring.

Figure 6. The employment rate for different age brackets



Note: for 1992-1998 data for November, for the years 1999-2003 for Q4.

Source: GUS-LFS – Economic activity of the Polish public, relevant editions.



Employment of the disabled

A deep division on the labour market is to be observed when it comes to employment of the disabled. The chances for disabled people to find work are lower, mainly due to the obvious reason of their physical condition (and assumed lower labour productivity), but also because of their relatively lower skills, infrastructural barriers to mobility, as well as their relatively low motivation to hold a job.

Although the labour market for people with disabilities is divided into a protected one and an open one, with the major group of the working disabled in Poland employed at Protected Enterprises (ZPCh) and cooperatives of the disabled, the professional activity and employment rates of disabled people are very low. The relevant ratios are 20% and 15% respectively. These are among the lowest ratios in the EU.³ This is partly due to the generally difficult situation on the labour market, but it is also a result of the very low level of skills and the relative ease of obtaining social benefits

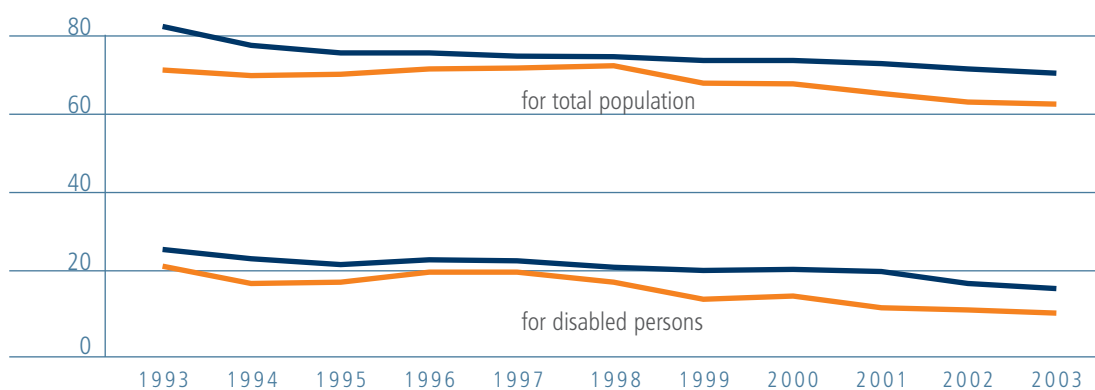
(i.e., the possibility of receiving disability benefits) that replace potential earnings.

In assessing the employment of the disabled in Poland, one needs to take into account the fact that the effort for them to undertake work is disproportionately large. As a result of architectural barriers and totally unsuitable means of public transport, disabled persons, even those with a good and well-adapted workplace, cannot bear the daily burden of commuting unless she/he is employed in a ZPCh or a cooperative that organizes employee transportation and provides support in access to rehabilitation. As a consequence, while the overall employment of disabled is low, employment on the sheltered market in Poland compared to other countries is high.

³ Extensive information on the work-related problems for disabled persons can be found in publication by IPiSS "The social integration of disabled people. Evaluation of institutional activity" (Golinowska 2004).

The high rate of employment of the disabled in the protected labour market has also been affected by the favourable system of organization and generous financing of ZPChs, which have contributed to their dynamic development. The efficiency of this growth was overall rather low, however, and in the new decade significant changes were introduced in the system for supporting employment of the disabled.⁴ The support funds will now be tied to employment of a disabled person without regard to the status of the employer. These changes prompt fears on the part of the communities of disabled people, as to whether their chances for employment might not drastically shrink in the new legal-financial framework. For the sheltered labour market might significantly decrease, and employers on the open market may still be insufficiently interested in employing disabled persons.

Figure 7: Professional activity rate and employment rate of disabled persons *



* Note: for the years 1992-1998 data for November, for the years 1999-2003 for Q4.

Source: GUS-LFS – Economic activity of the Polish public, relevant editions.

— professional activity rate
— employment rate

⁴ The law amending i.a., the statute on professional and social rehabilitation and the employment of disabled persons, DzU from 2003, no. 7, paragraph 79, which came into effect in 2004.

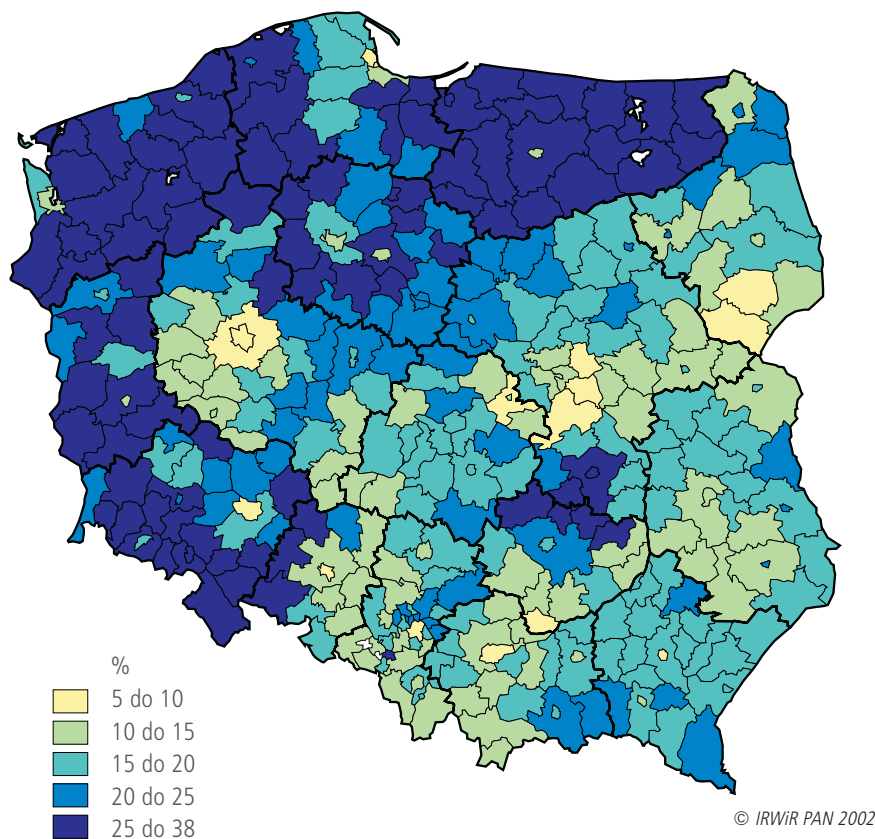
Employment and unemployment
by geographical distribution

Employment opportunities differ greatly across the country. This is not always evident when we use data grouped by macro-regions or even by voivodeships, although differences are visible in these breakdowns, as well. In Q4 of 2002, with the average nationwide unemployment rate of 19.7% (GUS-LFS 2004), in some voivodeships these rates were at a relatively high level (Dolnośląskie – 27.2%, Zachodniopomorskie – 25.9%, Lubuskie – 25.9%), while in others they were much lower (Małopolskie – 16.1%, Lubelskie – 16.6%,

Mazowieckie – 16.9%). The presence of the Lubelskie voivodeship in the latter group might appear as somewhat surprising, but it need be noted that this is a region with traditionally well-developed individual farming, which absorbs labour force surpluses.

It is only the data for the districts (powiats) that shows a world of dramatic differences. The rate of unemployment is extremely high in certain districts in the north and west of the country, where there is large rural unemployment (following the closure of the PGRs or state-run farms). There the rate is four times higher than in the most rapidly developing districts.

The level of registered unemployment according to *powiat* (December, 2001)



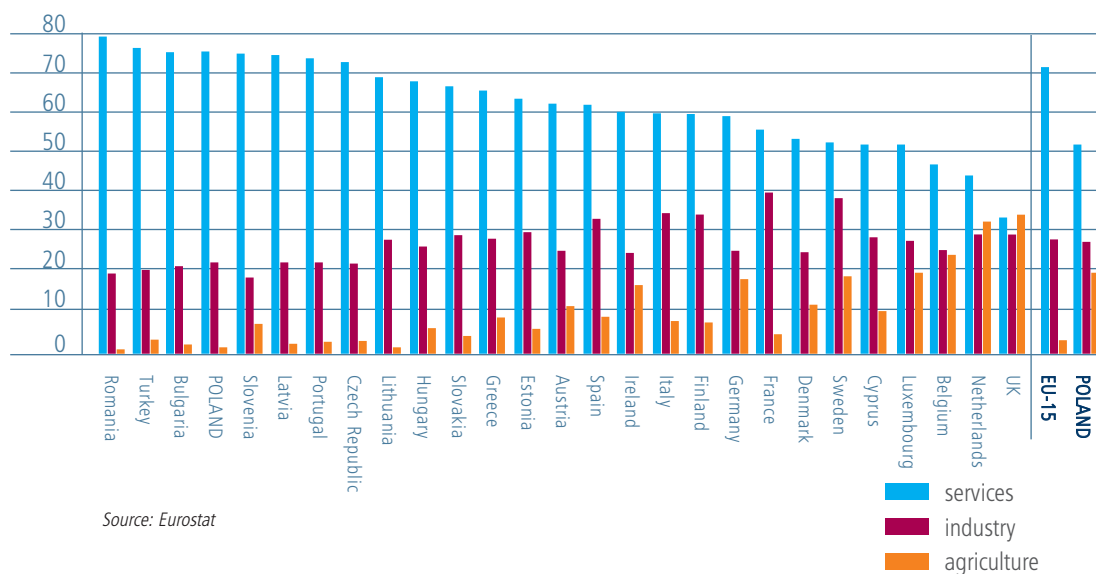
2. The limited and diverse demand for labour

The modern economy is characterized by the tendency of declining demand for work. But not in all countries is this tendency stark. Its occurrence depends on the developmental level achieved and the employment policy pursued. Within this broad tendency we can observe a diverse demand for labour in line with the segmentation of the economy, the dual nature of which is increasingly visible the more it is modernized. On the one hand, modern branches of the economy are expanding and evince very high labour productivity in reliance upon the latest technology, while on the other hand, traditional (sometimes called archaic) sectors are also still present, ones largely based on physical work.

In accord with the division of the economy, the labour market is also composed of a modern (superior) and a traditional (inferior) part. They differ not only as regards the type of work performed, but also in salaries, which are becoming increasingly diverse. The significance of high skills (both in creative, as well as reproductive type of work) in superior markets is increasing. This leads to increased interest in education, as seen in the rising educational aspirations of parents and their children. The demand for highly qualified foreign employees is also increasing. Meanwhile, the inferior markets employ people with low skills, oftentimes immigrants from countries at a lower level of development ("sending countries").

In transformation countries, affected as they are by three major and simultaneous tendencies (to wit, systemic change, restructuring and modernization, as well as globalization), the changes in employment are particularly intense.

Figure 8. Share of employment in given sectors among the total number of employees aged 15-64 in 2002



Source: Eurostat

On the one hand, labour productivity is increasing and working conditions are becoming more diverse. On the other hand, whole groups of people who are unable to adjust to the high pace and nature of change are driven out of the labour market (or they never enter it in the first place). The weakening of the average demand for labour in Poland is closely tied to the changes currently taking place. This is particularly the case when one considers that the pace of modernization is fast, while the overall economic structure (vide its high share of agriculture and obsolete industries) remains quite traditional.

Universal tendencies

The main direction of change in the modern economy, which has entered the post-industrial and post-Fordist stage, involves the dynamic growth of the service sector (3rd sector) in the structure of the generation of domestic product and of employment. This occurs at the expense of both highly productive industries (2nd sector), which fact decreases its absorption of the labour force, and at the expense of agriculture (1st sector), as well.

Of all service sectors in the EU, employment is growing at the fastest pace in business services. In second place is health care provision along with social services, which are followed in third place by IT services, and in fourth by educational services (European Commission 2002).

The increasing dominance of the service sector in the economy has significantly changed the nature of work, work relations and work organization. Service work is less uniform, it requires more of an individualized adjustment to its various features. The number of commission (per-task) and temporary work contracts is increasing, while the share of long-term employment contracts is declining. Flexible organization and the use of flexible working hours are becoming more common: both with regard to the working day, week, and year – as well as the whole professional career.

The share of work based on employment contracts is decreasing overall, with an increase in self-employment and employment in micro-businesses (up to 9 persons). At the same time, the increase in demand for employees with a higher willingness to accept flexible working conditions is conducive to increased employment in the shadow economy.

It is a paradox of modern times that despite reduced physical effort at work and increased safety (particularly in Western countries), mental stress is increasing. This is associated with the intensity of selected types of work, and emphasis on creativity, independence and responsibility. In such conditions, the unpredictability of the terms and results of work is greater.

Non-standard work, increasingly often performed in small businesses, naturally leads to a decline in the unionization of employees. Difficulties emerge in conducting societal dialogue within the framework of traditional industrial relations. There is a threat of the metastasizing of conflicts and of the problems in resolving them.

Tendencies characteristic for Poland

At the turn of the millennium, Poland experienced a number of factors that strongly reduced demand for work. On the one hand these were business-cycle causes, reflected in the decline in growth of national income, output and investment. In 2001 the rate of economic growth decreased by 3 percentage points compared to the previous year (from 4% to 1%). A rate of GDP growth under 5% per year leads to a sharp decline in employment in Poland. This is the rate that has proven necessary to maintain employment at the same level (Kwiatkowski et al 2003). This high threshold of GDP growth necessary for an increase in employment is interpreted as an example of the phenomenon of jobless growth, something characteristic for a country experiencing rapid structural and technological change.

On the other hand, economic policy has also played a significant role in the decline in employment. Its features have

included an intensification of structural changes in industry (coal mining, the steel industry, arms industry and railway transport), leading to a significant reduction in the number of jobs. According to analyses carried out by Tito Boeri and Pietro Garibaldi, almost 3 percentage points of the decline in the number of employees in Poland in 2002 is due to changes in employment in industry (Boeri, Garibaldi 2003).

The restructuring of industry was taking place against the background of a tight macroeconomic regime and a vigilant pursuit of the inflation target. At the same time, until 2002, the effects of restructuring were not being offset by a policy of creating new jobs in the surroundings of sectors undergoing restructuring, and labour market activation programmes were not given sufficient prominence.

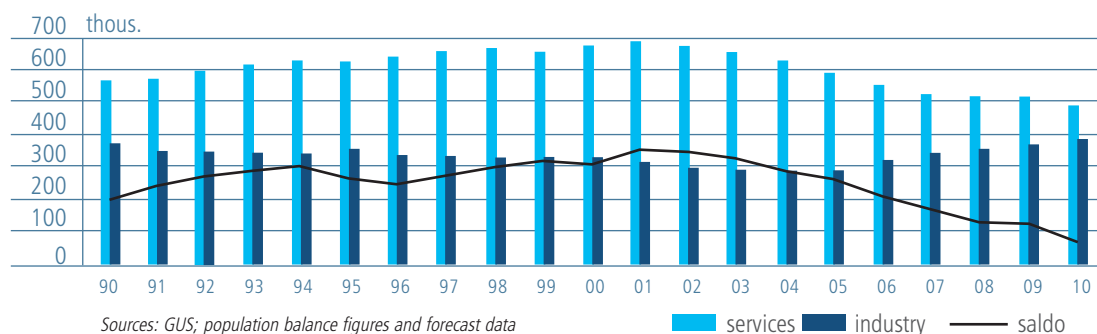
As regards the influence of restructuring on the level of employment and unemployment, it is worth pointing out that this effect could differ between the short and long-term. In the short run, restructuring could reduce demand for labour and increase unemployment through the labour-saving effects of the process of improving the efficiency of activity and implementing advanced technology. Meanwhile, the negative effects of restructuring for the labour market need not appear in the long run. The improved efficiency of businesses may help them improve both their economic and financial standing, and allow them to expand production and invest, which

together should lead to higher demand for labour. Both of these effects can be perceived in the Polish economy, although the short-term effects are more visible at present.

3. Large and non-adapted labour resources

Demographic tendencies in Poland show that a significant increase in labour resources shall have taken place over the years 1990-2010. The increase in the number of the population reaching production age has been gradually mounting since the beginning of the 1990s and it shall continue to systematically rise through to the year 2010. The rate of this growth has varied: it was weaker in the first half of the 1990s, much stronger at the turn of the millennium, and will be slower again after 2005. The increase in labour resources concentrated in the past few and coming years is the effect of prior demographic developments having come to the fore, primarily the post-war high in new births that lasted in Poland until 1956. The post-war "baby boom" experienced "after-shocks" in the 1970s that lasted until the beginning of

Figure 9: Balance of production-age population



the 1980s (the peak number of births was observed in 1983). Over the past few years the people born at that time have been filling up schools and universities and entering the labour market. Over the period of 1996-2000 the number of those in production age (18-59/64 years) increased by more than 1 million, while between 2001-2005 it will have increased by a further 1,155,000. Between 2006-2010 the increase in labour resources will decline from year to year. In 2006 it will stand at 257,000 persons (see figure 9).

4. Ill adaptation in skill structure

The effort undertaken in the area of upgrading skills in the 1990s was evidenced primarily in the quantitative change in the structure of education. Literally historical changes have taken place in this regard. Those with higher education rose to very high levels, even by West European standards. The number of students per 10,000 people currently equals 450, as compared with 105 (i.e., 4.5 times fewer) back in 1990. At the same time, problems have emerged concerning the diversity of education standards, quality of education and its adjustment to the needs of the labour market.

The disparity in education standards is already apparent at very young ages as a result of the insufficient availability of pre-school education, something which would offer an opportunity to overcome the developmental deficiencies of children from underprivileged environments and to earlier prepare children for the new and tougher school demands. At higher levels of education, disparities are exacerbated on the one hand by the sorting of youth for passage to comprehensive high schools or to vocational schools, the latter being perceived as inferior. On the other hand is the selection process channelling pupils to superior urban schools or to inferior schools in small towns and villages. This general ten-

dency is not contradicted by cases of the existence of very good schools in small towns, as well as substandard schools with a poor teaching standard in big cities.

The problems of insufficient teaching quality rest primarily in the lack of focus within curricula on the formation of basic skills, namely language and communication skills, mathematical and academic thinking, and issues regarding cooperation and teamwork. These deficiencies were starkly revealed by the results of the Programme for International Student Assessment – PISA⁵. That test was conducted in 2000 and assessed the abilities of 15-year old pupils in three areas: reading comprehension, mathematical thinking and logical thinking. The results for Polish youth, as compared with that in other countries, were not optimistic. They also showed significant differences in teaching results depending on the social disparities between students and the quality of education in respective schools. The test was repeated three years later only with regard to reading comprehension, with much better results than previously, although the differences between Polish 15-year olds remained sizeable.

Another type of problem lies in the inadequate reorientation of vocational education – at all levels – to the needs of the labour market. Curriculum realignments and student internships are always carried out with considerable difficulties. Their effective realization encounters numerous barriers of different types, from controversies regarding concepts, the lack of information and analytical tools, staffing shortages, to financial problems. The responsibility for solving problems in this area falls to local governments, and the results of this are mixed. There are positive examples in many towns, but there are also cases of neglect and impotence. Municipal and district governments now have the opportunity to obtain support in the form of European Union structural funds in the area of education, particularly as part of the Human Resources Development programme.

⁵ PISA – this is a programme for student assessment carried out by the Organization for Economic Cooperation and Development (OECD) - devoted to evaluating the skills of students completing elementary and (junior high) schools.

Governmental education policy as regards the place of vocational education in the education system has been varied. In recent years there was something of a reversal of the previous concept according to which high schools were to play the predominant role in middle education, with vocational education being transferred onto the shoulders of employers and the market. Employers did not take up this responsibility and the government withdrew from its plans to some extent. However, this withdrawal from the concept of first-line support for comprehensive high schools does not, for the time being, imply a more active involvement in resolving the problems of vocational education.

Institutions of higher learning are taking their own initiatives to help students find an effective route to the labour market. At present these are at an early stage of development: career offices, professional advisory services, cooperation with potential employers, skill-based education and the formation of behaviours useful in professional life. Perhaps a more efficient system of supporting the start of students in their professions will eventually be created out of these singular activities.

The increasingly relevant phenomenon of the misalignment of education to the needs of the labour market is compensated only to a very small extent by education outside of the school system. Employers are not financing training for their employees (with the exception of the financial sector and some groups of companies with foreign capital), while education for the unemployed and those threatened by unemployment within labour market institutional structures encounters financial barriers, as well as the preferences stipulated in the autonomous policies of local governments.

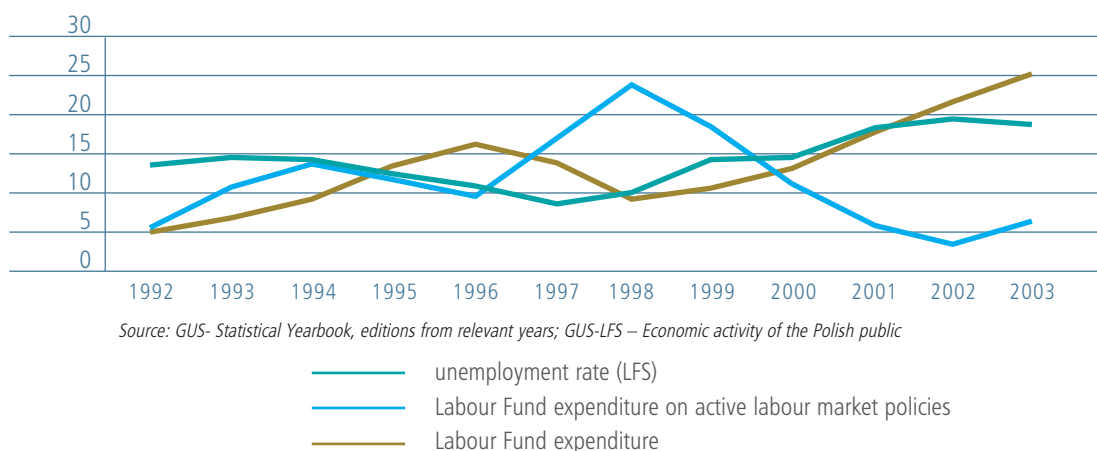
Adult or lifetime education requires comprehensive and systemic solutions. It appears that the first steps in the right direction have already been made. The government drafted and approved the Strategy for the Development of Lifetime Education to 2010, while the amended law on the education system includes regulations on the accreditation of institutions providing lifetime education outside of the school system. Application to receive such accreditation is not obligatory, but it is expected that accreditation will be conducive to attaining a higher quality of education services for adults. Overall, despite the positive quantitative changes which

have taken place to date, education faces another historic challenge, namely, the need to improve the quality of education, as adjusted to the needs of the new labour market and the new service economy, and to achieve high productivity and greater mastery of information. Although other countries also face this challenge, meeting it will be more difficult in Poland. This is because of the historical gaps in the development of education that still have to be made up for, as well as the need to limit the increasing disparities in the education system.

the labour market were transferred to districts (powiats), the new and weakest tier of local government.

The shortage of funds for ALMPs is connected to the structure of both Labour Fund revenues, as well as expenditures. Although the Fund is financed by several revenue sources, each of them has been limited. The first source is that of contributions from employers; the second, a budget subsidy that largely reflects current financial decisions⁶; the third, additional funds from the so-called property restitution reserve

Figure 10: Labour Fund expenditure against the unemployment rate (in %)



5. The weaknesses of labour market policy

In the period of the slowdown of economic growth and the second wave of unemployment, the significance of active labour market policies declined. The decentralization of employment services (1999/2000) severely limited the possibility of carrying out these policies. The tasks associated with

(used for labour market policies since 2002); and the fourth, bank loans. This means that, faced with a chronic shortage of funds, the Labour Fund has to increase its indebtedness. The last source is that of funds from the European Social Fund that complement the funds which can be generated domestically.

⁶ Subsidies from the central budget have been frozen on several occasions, which has led to the interruption of policies carried out and the loss of credibility for employment services as partners in carrying out projects together with employers (involving, for example, subsidized employment of unemployed persons). When the Labour Fund obtained the right to resort to financing from bank loans in order to continue its programmes, it began to accumulate debt, which fact also acts to ensure their continuation. At the end of 2003, the Fund's debt amounted to 3.1 billion zloties.

As regards the structure of expenditures, while revenues declined in real terms, one of the expenditure items markedly increased, thereby reducing the funds available for other purposes. This item was that of pre-retirement benefits. Labour Fund expenditures for this purpose amounted to almost 5 billion zloties in 2003 (for almost 500,000 people collecting these benefits), while another 5 billion zloties was spent on unemployment benefits and only 1.3 billion zloties on active labour market policies.

With such limited funds and the rigid structure of financing labour market policies, it was difficult to carry out this policy at all, particularly as concerns activating the unemployed. In the optimal period for ALMP policies, with unemployment relatively low (1998), spending on active programmes constituted over 23% of all Labour Fund expenditures, while in the most difficult period it fell to around 5% (2002). Nevertheless, over the dozen or so years of active labour market policies, these programmes provided service to more than 4.5 million people (Boni 2004).

6. Insufficient support for creating new jobs

The domination of policies of macroeconomic stabilization and of modernizing the economy, ones often requiring intense restructuring programmes, has pushed government efforts to create new jobs into the background. One could even say that the level of unemployment in Poland is the price both of having opened up and introduced market mechanisms, as well as of the acceleration of the country's modernization. However, the price has been too high. This is why much more significance than at present should be attached to policies of supporting employment. Its main elements are the support of entrepreneurship and broader access to capital.

Supporting entrepreneurship

One of the significant elements of economic development is that of the favourable conditions for the development of entrepreneurship, in which small companies are currently of special importance. Small and medium-sized enterprises constitute almost 99% of the total number of businesses, the figure for which is 1.8 million. They generate around 46% of Poland's GDP and employ around 66% of the total number of employees in the enterprise sector (Balcerowicz et al. 2002).

The development of entrepreneurship was a spontaneous and intensive phenomenon at the beginning of the economic transformation in Poland (Beksiak 2001). It seemed that this process would continue under its own steam. However, the growth of entrepreneurship slowed down and barriers emerged that were not addressed effectively. These barriers were of a regulative, administrative, as well as fiscal nature. Barriers associated with the legal system include: the frequent changes of regulations, short periods of *vacatio legis* before their introduction, unclear laws, as well as excessively detailed regulations.

Concerning administration, one could observe the systematic limiting of the freedom of commercial activity. The formation of barriers in this regard included primarily the justice system, tax administration, as well as central and local government administration. In the second half of the 1990s there were mounting complaints about the inefficiency of courts and the system of executing the laws, about prolonged legal proceedings, and the impunity of public officials who made mistakes and breached the law. One of the favourable changes worth noting in this regard was the introduction of the Law on Freedom of Commercial Activity, which should contribute to a significant reduction in the barriers to the functioning of enterprises (the law was passed in May 2004).

The high costs of conducting commercial activity are a significant factor constraining the development of businesses. Their main source is that of the high non-salary labour costs,

primarily the high social insurance contributions, including obligatory pension contributions. However, its reduction is not possible in the near future without undermining the financial stability of the pension system in a situation of continuing pension reform, something which entails transition costs. This is why it is so important to reduce contributions to other elements of social insurance, in particular disability and sickness benefits. The government public expenditure reduction programme (also called the Hausner plan) did go in the direction of such measures (see Chapter 2).

The legal and administrative barriers to entrepreneurship have proven to be fairly lasting. Surveys conducted among entrepreneurs, statements issued by business chambers, and expert reports have all been pointing to these problems for a number of years. The problem is that their origins lie deep in the structure of the political and legal system and in the rules the state financial system is based on. An additional problem has been the weak lobbying power of organizations representing employers in the political system. Furthermore, some of the barriers, particularly those related to changing regulations, as well as changing political rules, are an objective result of the very high pace of the Polish transformation.

Access to capital

Limited access to capital is also a significant barrier to commercial activity in Poland. Thus far during the period of developing a market economy, capital has been expensive and poorly accessible. This is due in part to institutional factors .

Banks did not constitute the main source of capital for the majority of Polish businesses, not only small and mid-sized ones. Only around 15% of companies from the small and medium-sized company sector regularly use bank loans, while among small ones, the activity of as many as 90% is based on their own financial resources (according to MPSPiG report 2003). Meanwhile, the share of households among

bank borrowers has been steadily increasing.

The first barrier preventing the use of loan financing was that of the high interest rates associated with the central bank's policy aimed at lowering the high rate of inflation. The problem of the strict pursuit of the inflation target and too slow a pace of interest rate reduction has been the subject of constant debates and political disputes in recent years. One needs to keep in mind, however, that once the interest rates were lowered, the commercial banks' reaction to central bank decisions was weak, which prolonged the period of high interest rates.

Another barrier was seen in the safety measures taken against bad loans. After the first occurrence of such loans in Poland, very high provision standards were adopted, ones which in some cases were even higher than in EU countries (for example, the high minimum reserve requirement rate and its taxation) and in reality they strongly constrained⁷ the role of the banking system in the creation of entrepreneurship. Following entry into the EU, the standards limiting banks' credit risk have been eased.

Another difficulty is the threat of decreasing access on the part of businesses, particularly small and medium-sized ones, to loans in local banks due to the changes taking place in the structure of trans-local, trans-regional and trans-national banks (i.e., the consolidation of the banking sector). These tendencies, caused by certain processes of globalization, are in stark opposition to capital needs on the local level⁸.

⁷ In 2002-2003 banks undertook measures to "clean" their loan portfolios. New loan scoring methods were applied which contributed to the resolute execution of dues, sometimes at the cost of the bankruptcy of creditors (Gazeta Bankowa Nr 5/2004, p. 24).

⁸ There is a reasonably prosperous cooperative bank sector in Poland – around 600 banks, 3000 outlets, 10 million customers (NBP 2003) – which has been able to systematically increase its share in assets of the banking system (currently at around 5%), with solid results obtained on lending activity. The level of bad debts in this segment of Polish banking remains far lower than in the sector overall. Cooperative banks are facing the problem of further increases in the minimum value of their own funds (eventually to 1 million euro), which fact causes the need for structural change (mergers and acquisitions) with ambiguous benefits for clients/businesses.

In their lending policies with regard to small and medium-sized businesses, banks were expecting to share the risk with the government. It took Polish authorities quite a long time to realise this and so far the government's involvement in loan guarantees has been very limited.⁹ It was not until 2004 that the number of guarantees issued by the central and local governments increased dynamically.

The subsidizing of opening new businesses also has not been high on the government's agenda in the past five years, despite the high level of unemployment. Programmes financed by the government and with EU Phare funds provide support mainly in the form of information and advisory services, without offering small firms investment aid.¹⁰ Moreover such forms for financing business activity as leasing, factoring, or venture capital are used to a much smaller extent than in EU countries, although the leasing sector did grow at a high pace in 2002-2003.

Overall, the role of the banking system in supporting entrepreneurship – in the creation of businesses, their development and in supporting them in crisis times – is totally unsuited to the relevant needs when considering the dynamism and level of development of Poland's market economy.

⁹ In 2000-2003 the government devoted only 30-40 million zloties per year for this purpose.

¹⁰ The exception here is that of loans from the Labour Fund for the unemployed who are launching their own business. However, they are a distinct group and a marginal one among the total number of people choosing to become self-employed.

¹¹ In 1999 the employers association "Polish Confederation of Private Employers" (PKPP) was founded. This confederation has played a significant role in counterbalancing (or even obtaining an advantage over) trade unions with the interests and arguments of employers.

7. Flexibility Polish style

The discussion about flexibility – or, more broadly, about deregulation of the labour market – has gained momentum in Poland as the employment situation has deteriorated. This discussion has focused mainly on labour legislation, the minimum salary and labour costs.

The flexibility of labour legislation

Beginning in 2000, the increasingly active employer associations¹¹ began to demand amendments to the Labour Code that would give employers greater freedom in firing and hiring employees. In 2002, following intense discussions, several significant changes were introduced in labour law to increase their flexibility. These changes primarily affected small businesses with regard to regulations that govern labour and the organization of work. The costs of redundancies in the case of group layoffs were reduced. New forms of employment were introduced, for example, temporary employment. The employers' obligation to offer employees a permanent job contract after two fixed-term contracts was limited.

These were not all the changes that employers put forward in the debate. Nevertheless, the amendments to the labour code significantly increased the level of flexibility of labour regulations in Poland, although the actual flexibility of the labour market was already significant before. This is why it was possible to conduct restructuring on such a large scale at the turn of the century without disturbing societal peace and without high costs for employers, although some of the social packages offered to employees constituted a noticeable burden for public finances (i.e., for taxpayers).

All in all, the index of the rigidity of employment conditions used in international comparisons indicates that current Po-

lish labour legislation is fairly flexible. However, some authors claim that the actual legal protection of employment, both in the recent past and today, has been none too high in Poland (Riboud et al 2001).

The extent of desirable labour market flexibility is a subject of dispute among experts. A number of them have questioned the role of labour market deregulation in lowering unemployment. K. Frieske gave his view on this matter with the telling title, "Mystifications of deregulation" (Frieske 2004). Undoubtedly flexibility does not change much if it is meant to be the only factor serving to reduce unemployment. However, one cannot overlook its important role in allowing the parties to labour relations to adjust quickly to changing conditions on the labour market and to strengthening competition in the global world. On the other hand, there are well-known cases of abuse of the employers' freedom as well as of breaching the basic provisions of the labour law. Poland has experienced situations straight out of the "wild" capitalism period: failure to pay salaries and/or their unilateral reduction, working hours considerably exceeding legal limits, working in unacceptable conditions, sometimes even working on terms of near-slavery.

Labour costs

The low costs of labour constitute one of the main factors that contribute to the favourable decisions of employers regarding employment. Salary costs are relatively low in Poland and compared to older EU member states they are very low. Meanwhile, non-salary labour costs are relatively high. They are determined by the high level of social contributions. Together with minimum salary regulations, this results in a "tax wedge effect" in the case of low salaries. This means that a net salary which is in fact unattractive for a potential employee (e.g., because it is below the "threshold salary", i.e., the level sufficient to attract someone to take up employment), is at the same time such a high burden for the employer that he looks to solutions that might make it pos-

sible to avoid the problem, including solutions within the realm of the shadow-economy.

Since social contributions are a permanent element of the existing social security system and it would be difficult to quickly reduce them, the solutions being proposed focus on differentiation of the minimum salary¹² as a measure which would make the labour market more flexible. The intention of these proposals would be to achieve lower non-salary costs of labour for the lowest earning groups, as well as in those groups and places where the threshold salary is lower. This would include regions where the costs of living are lower, as well as young employees who are still supported by their parents and can treat work more as an internship than as a basic source of income.

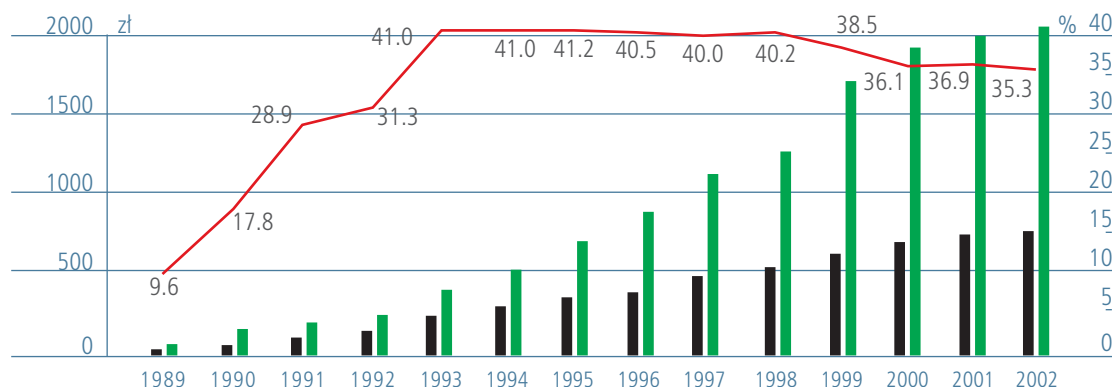
Proposals with regard to differentiation of the minimum salary have met with the unalterably negative reaction of trade unions. Nevertheless, taking into account the results of discussions on the role of the minimum salary in limiting employment at high unemployment levels, the government managed to push through some changes with regard to school graduates. The minimum salary for this group has been reduced to 80% of the normal level in the graduates' first year of work and to 90% in the second year. These levels are to hold for the period in which the demographic high is entering the labour market, i.e., until the end of 2005.

The figure below depicts the tendencies in the ratio of the minimum salary to the average one. One can clearly see that the downturn of the business cycle has affected the tendency of this ratio. Between 1993-1998 the ratio of the minimum salary to the average gross salary amounted to around 40% (in 1992 – slightly over 31%). Since 1998 the level of the minimum salary in relation to the average salary has been declining (in 2003 it reached 35%). The pressure of unemployment (particularly in low-skilled groups that are earning low salaries), has undoubtedly had an effect on the

¹² These proposals are repeated all the time. They are also among the headline recommendations of the latest Bank Report on the social situation in Poland (World Bank 2004).

deterioration of this ratio. The decline of the ratio of the minimum salary to the average one in recent years was associated with a small decline in the real value of the former (in the 1999-2002 period by 1.5%).

Figure 11. Ratio of minimum to average salary



*In the years 1989-1991 increased by a 20% tax on salaries; in the years 1999-2002 including social contributions.

Source: Boni et al. 2004; data on salaries was collected from the Journal of Laws (Dziennik Ustaw) and GUS statistical yearbooks for the relevant years

■ minimum annual salary
■ average gross salary*
— the ratio between them

Work in the shadow economy

A significant element of the labour market's real flexibility is the work in the shadow economy, sometimes called the informal labour market. This is work performed without an official employment relationship between the employer and the employee in the form of a written employment contract and without the employer's guaranteeing numerous employee rights, ones primarily associated with social insurance (health, pension, disability and accident insurance). The undertaking of such work is mainly associated with the lack of alternative employment opportunities, as well as the desire to avoid taxation of salaries and non-salary labour costs. Informal employment provides employers with the benefit of a reduction in unit labour costs. Businesses oper-

ating in the shadow economy do not fulfill their obligations towards the state.

It is difficult to precisely determine the scale of employment in the shadow economy. According to GUS estimates the number of people working informally is between 1 and 2.2 million, which amounts to 5.1%-9% of the total number of employed (these estimates are based on various studies).¹³ It should be noted that the increase in the phenomenon of non-registered work is taking place in line with the deterioration of business conditions since 1998, and particularly since 2000.

¹³ GUS estimates do not encompass the entire phenomenon of shadow economy employment. They do not include illegal activity, nor, to some extent, the activity of unregistered employers. Therefore, GUS estimates are more representative of the term hidden, than illegal, employment.

GUS studies show that unregistered work is more often performed by men than women, both in the cities, as well as rural areas. It is mainly performed by persons from 25-44 years old who account for approximately 50% of all persons employed in the shadow economy. However, unregistered work is also performed by young people, for more than 60% of whom this is their only work. This reflects the generally difficult position of young people on the labour market. The unemployment rate for persons under the age of 24 is currently around 40%. Young people are a relatively cheap source of labour, particularly when they do not have appropriate professional training.

The vast majority of people working in the shadow economy have low skills, with only elementary (sometimes incomplete elementary) or basic vocational education. They constitute around 70% of total unregistered employment. Low skills limit their possibilities of finding employment on the official market in the circumstances of high non-salary labour costs. Highly skilled people are also working in the shadow economy. However, for them this form of work is usually complementary, and involves such tasks as private lessons, translations, IT or advisory services.

Shadow economy work reduces the scale of official unemployment, which is usually defined as registered unemploy-

ment. A broad survey study "Social diagnosis 2003" commissioned by the government (Czapiński/Panek 2003) allows for an evaluation of unemployment's magnitude by weighing the different motivations of persons registered as unemployed. In the table below such behaviour is interpreted as the behaviour of the unemployed, which also takes into account work in the shadow economy. Factoring in unregistered work, the rate of unemployment would be lower than the standard by some 6%. The results of this study have spurred broad discussion in Poland on the "truth" about unemployment.

Belief that the real rate of unemployment is lower than officially reported is also shared by M. Góra (Góra 2004). It is worth noting in this vein that it is not unregistered employment which matters most here, but rather the failure to search for work. On the one hand this is due to the high threshold salary for those groups of the population who are working part-time in agriculture, or are living off income earned from seasonal work abroad. On the other hand this is due to the actual incapacity to take up work, as in the case of the nursing-caring obligations performed in families by women who are otherwise registered as unemployed.

Table 1: Unemployment rate by different unemployment criteria (in %)

N ^o	Unemployment criteria	Unemployment rate among persons in professionally active age (18-60/65)
1	Registration in the labour office	19.6
2	Registration + readiness to take up work	16.6
3	Registration + readiness to take up work + searching for work	14.8
4	Registration + readiness to take up work + searching for work + income below 850 zł a month + not having worked full-time in the past week	13.5

Source: Kotowska in Czapiński/ Panek 2003

8. Economic migration

Economic migration undoubtedly constitutes a significant element of relieving the difficult situation on the labour market. However, the problem of migration in Poland is not unequivocal. Polish employees have been present on many foreign labour markets and for a long period of time. On the one hand this is the effect of prior (pre-1989) migration (also political) and the work relations of that time, as well as the use of contact networks that facilitated migration decisions. On the other hand, this is the result of measures introduced during the 1990s, making economic migration easier as part of bilateral international agreements regarding employment. Each year, there are some 300,000-500,000 Poles going to work abroad in seasonal jobs, contract-specific jobs, and on the basis of trans-border green cards.

There is steady demand for Poles abroad.¹⁴ The factors encouraging people to take up jobs abroad play an important role in shaping the process of migration. The phenomenon of economic migration, which is gaining strength in the era of globalization, serves to intensify the international cost competition of enterprises. Professional migration gives recipient countries a good opportunity to overcome problems like that of labour market segmentation (division into superior and inferior markets), skill mismatches and even problems of different levels of flexibility with regard to non-stand-

ard organization of work (for example, in services). However, it is now more difficult to take advantage of foreign employees, reducing the whole costs of employment in the legal economy. Anti-discrimination regulations and trade unions are keeping guard over the equal treatment of employees. This is why businesses frequently move to countries where labour costs are notably lower, so that they can face international competition.

The era of one-way migration from Central and Eastern European countries to the EU, most notably Germany, is coming to an end. For Poland, the Czech Republic, Slovakia and Hungary are indeed becoming recipient countries. The main group of economic immigrants comes from neighbouring countries in the East (Ukraine, Belarus and Russia), but also Vietnam and China. The scale of legal economic immigration is not large, with the Czech Republic recording the highest rate (around 2% of employment, 0.1% in Poland), but the rate of inflow is quite dynamic. There is also an illegal labour market functioning in this area. In Poland it is probably larger than the legal employment of foreigners.

Western professionals are increasingly often coming to work in Poland. They are employed by companies with American, German, UK or other ownership, but also in Polish companies cooperating with foreign ones.¹⁵ Notwithstanding this, foreigners are signing individual employment contracts with Polish employers based on employment permits.

Poland's integration with the European Union did not open up the EU labour market to Polish employees in line with the principle of freedom of the movement of labour. Some countries have applied restrictions in this regard, Germany (the main recipient of Polish economic migration) notably among them. As a result of these constraints, a larger stream of short-term economic migration was directed to other countries, especially the United Kingdom, Ireland and Sweden. Over the past few months, young people have been leaving Poland, mostly in search of a way to earn money quickly and to learn English. From the perspective of recipient countries, this was an opportunity to develop those sectors in which

¹⁴ The largest country receiving economic migration from Poland is Germany. Poles working in Germany are usually employed in seasonal jobs and on temporary contracts. The share of economic migration from Poland constitutes a significant part of the total number of foreigners working there. Germany remains the country extending the largest number of offers in this regard (Hoenekopp 2003). Similarly as other foreign employees, Poles are mostly employed in Germany in worker positions and in non-modern sectors (traditional services, construction, agriculture, simple services), they have low skills (clearly lower than domestic employees) and their chances for a good position on the German market compared to those of German citizens are notably lower.

¹⁵ The reader shall find an explanation of the demand for foreigners' work in Poland in Golinowska (ed) 2004.

employment of a domestic employee would require a much higher salary. The difference in the threshold salary of a British citizen and a young candidate from Poland is so fundamental that, without immigrants, many jobs would not have been created at all.

9. The role of the EU in Poland's employment policies

When discussing the influence of the EU on Poland's employment policies, one cannot limit the focus only to presenting the National Employment Strategy that has been adopted for realization in line with the guidelines of the Luxembourg Process and the principle of common coordination. EU support in the area of the labour market had already been taking place beforehand. It was being carried out as part of Phare projects and concerned three main types of activities: supporting entrepreneurship, supporting the development of labour market institutions and supporting the development of infrastructure in local and regional centres.

Supporting the SME sector from EU aid

In the first half of the 1990s the Polish SME sector was mainly receiving support from abroad. Support of entrepreneurship is one of the main pillars of EU policy. Since the launch of Phare, EU programmes to support entrepreneurship have been a constant presence. Aside from Phare, support for the SME sector was also provided by the US government (US AID, the loan programme of the Polish-American Entrepreneurship Fund) the governments of other countries and international organizations.

Support for the SME sector was provided via two channels. Individual entrepreneurs received it in the form of loans, subsidies, training and advisory services. Institutions from the business environment also received support.

At present, public aid to enterprises is to a large extent conditioned upon the scope of activities resulting from EU programmes. This includes financing from Phare programmes, which are coming to an end.¹⁶ Investment and advisory aid is provided in such areas as enterprise management, exports, the implementation of innovation and new technology, obtaining quality certificates, and adapting businesses to EU safety norms. Considering the number of businesses and their needs, this is still quite little.

Loans and loan guarantees are provided on a smaller scale than subsidies. Entrepreneurs have access to them thanks to the financial support of specialized lending institutions and guarantees from the state budget.

More extensive support will only be possible after the launch of programmes financed from Structural Funds¹⁷, which has already begun to take place.

¹⁶ Allocations for the SME sector in Phare 2000-2003 amounted to almost 200 million euro (with around 150 million euro from Phare and necessary cofinancing from the state budget amounting to a further 50 million euro). This amount was used to provide subsidies to around 17,000 businesses (Boni 2004).

¹⁷ Public funds devoted to the direct support of enterprises (Priority 2 of the sector operational programme "Improvement of competitiveness of enterprises") amount to almost 970 million euro: 684 from the European Regional Development Fund and 286 from domestic public resources. The provision of these funds will also bring about sizeable private outlays on the part of entrepreneurs estimated at more than 1 billion euro. In addition, more than 250 million euro is planned for training programmes in businesses, with 190 million from EFS, 63 million from domestic public resources and almost 8 million will be provided by businesses benefiting from training (Boni 2004).

The National Employment Strategy and the National Social Integration Strategy

Already during the pre-accession period, and in connection with the Luxembourg process, the National Action Plan was drafted in Poland. In January 2000, the government adopted the "National Strategy for Increasing Employment and the Development of Human Resources", the first document drafted in line with the guidelines and methodology of the European Employment Strategy. This document did not immediately stimulate the proper undertakings. One could say that it served more to promote the European concept of employment and acquainted Poles with the methodology proposed. Although the strategy document was binding until 2004, other documents have played a bigger role in defining the present direction of actions on the labour market (see Chapter 2), as they take into account the new elements of European concepts, in particular the Lisbon Strategy.

The new guidelines of the Lisbon Strategy have put forth three complementary goals with regard to employment: (1) high employment (at a 70% employment rate level); (2) improvement in the quality and productivity of work; and (3) the strengthening of social cohesion and integration.

The core of the European concept is to achieve a high level of employment by also activating persons with "low employability". In previous labour market policies as pursued by many countries, including Poland, these persons were induced to leave the labour market by offers of sizeable benefits. This was mainly the case for disabled and older persons, particularly when their skill level was low. The policy of activation calls for more intense efforts in areas of lifelong learning, the medical and professional rehabilitation of the disabled, creating appropriate conditions for their mobility (including architectural), as well as creating anti-discrimination regulations.

This element of the employment strategy is closely related to the social integration strategy. Its concept has already been

drafted in Poland (NSIS 2004). That document places particular emphasis on quality education (adjusted to the needs of the labour market, as a basis of preparation for work) and on measures aimed at keeping people on the labour market.

It is as yet too early to evaluate the possible results of the two strategies. It is worth noting, however, that a change in the direction of activation from a welfare state to a state that supports work (*the workfare state*) is particularly desirable in Poland. The professional deactivation that has taken place in Poland is very costly and through the high costs of social insurance it reduced the incentive to create new jobs. The vicious circle of a negative linkage between work and benefits for the professionally inactive population could be broken through implementation of the *workfare state* concept.

Conclusions

The difficulties of the labour market in Poland are the result of the transformational and restructuring processes that Poland (as well as other transformation countries) has been subject to throughout the 1990s. The restructuring changes in industry and in agriculture that took place in Poland had a much broader scope and faster pace than the similar such processes that took place in older EU member countries. In addition, Central and Eastern European countries are also affected by globalization, the effects of which are often more acute in this part of Europe because of its lower level of economic development.

In these circumstances, the Polish employment strategy cannot amount to a simple adoption of the strategies of Western European countries, the composition (structure) of the origins of their unemployment being so different in Poland. That composition includes certain factors which either no

longer have any significance in Western countries, or their significance is very limited – for example, the great prominence of agriculture or the coal mining industry. As a result of this, the instruments for job creation in Western EU countries have a different hierarchy than they would have in Poland.

Four areas of activity are of particular importance for the improvement of the situation on the Polish labour market:

- The introduction of structural changes in the economy, taking into account employment criteria in a way that they serve the long-term employment strategy.
- Developmental support for business activity of various magnitudes, through improvement of access to capital and the abolition of administrative and fiscal barriers.
- An improvement of the quality of labour resources via better education and the development of lifelong education.
- The rationalization of active labour market policies, including the development of effective instruments for activation of the unemployed, including long-term unemployed.

A significant variable determining the realization of Poland's employment strategy is the political will to assign priority status to job creation. The high average rate of unemployment, its disturbing structure, the high unemployment among the younger generations, and the increasing duration of unemployment – these are phenomena which should concern every responsible politician. The consequences of aggravating this tendency constitute a serious threat to balanced growth, in all of its dimensions;

- the economic, because human capital is being wasted and the foundations of growth are being undermined by the increasing scale of the redistribution of social programmes for the non-working population,
- the social, because an increasingly broad part of the population is being deprived of the experience of working, is being disintegrated and marginalized, pushed into the shadow economy and to living conditions at absolute poverty levels,

- the political, because of the radicalization of sentiments and political organizations, this creating a threat to stability and social peace.