CEFMR Working Paper
3/2007

DEMOGRAPHIC DEVELOPMENTS, LABOUR MARKETS AND INTERNATIONAL MIGRATION IN POLAND - POLICY CHALLENGES

Marek Kupiszewski (ed.)
DEMOGRAPHIC DEVELOPMENT, LABOUR MARKETS AND INTERNATIONAL MIGRATION IN POLAND – POLICY CHALLENGES

Marek Kupiszewski* (ed.)

Authors: Jakub Bijak*, Paweł Kaczmarczyk/, Anna Kicinger*, Weronika Kloc-Nowak*, Marek Kupiszewski*, Joanna Napierała/

* Central European Forum for Migration and Population Research in Warsaw
/ Centre of Migration Research, University of Warsaw

Abstract: The paper studies labour migration in Poland with the aim to elaborate various migration policy options for the future. The analysis takes into account demographic and labour force projections, economic developments, recent migration trends, as well as an assessment of labour migration policies schemes and practices in the country.

Keywords: Demographic change, labour market, international migration, policies, Poland

The report constitutes preliminary outcomes of the Polish case study prepared within the research project “European Cooperation in Labour Migration: Search for Best Practices” for the European Commission, DG Justice, Freedom and Security (contract no. JLS/2005/ ARGO/GC/06), coordinated by IOM - International Organisation for Migration, Mission with Regional Functions in Budapest. Project management: Mr. Heikki Mattila, IOM Budapest, scientific coordination: Dr. Elmar Hönekopp, IAB Nuremberg (gratefully acknowledged).

Reprinted with the kind permission of IOM Budapest

The views presented in this paper are those of the authors and do not necessarily reflect those of the European Commission, IOM – International Organization for Migration, Institute of Geography and Spatial Organization of the Polish Academy of Sciences, Foundation for Population, Migration and Environment, or University of Warsaw.

Editor
ul. Twarda 51/55, 00-818 Warsaw, Poland
tel. +48 22 697 88 34, fax +48 22 697 88 43
e-mail: cefmr@cefmr.pan.pl
Internet: www.cefmr.pan.pl

© Copyright by IOM – International Organization for Migration
This edition: Central European Forum for Migration and Population Research
Warsaw, December 2007

ISSN 1732-0631
ISBN 978-83-60462-08-9
Contents

Introduction (Anna Kicinger) ................................................................................................................................................. 3
  Background – mobility transition in Poland in the last two decades .................................................................................. 3
  Open questions for the future ............................................................................................................................................... 4
  Aims, scope and structure of the current study with respect to Poland ............................................................................. 4

Chapter 1: Demographic developments (Jakub Bijak) ................................................................................................. 6
  1.1. Key assumptions on the future population and labour force developments in Poland ............................................ 7
  1.2. Population and labour force in Poland forecasted for the first half of the 21st century ............................................. 11
  1.3. Opportunities and threats posed by population and labour force ageing ............................................................... 14
  1.4. Long-term efficiency of selected policy alternatives ............................................................................................... 15

Chapter 2: Labour market developments (Paweł Kaczmarczyk, Joanna Napierała) .................. 19
  2.1. Introduction – the labour market in Poland in the transition period ........................................................................... 19
  2.2. Background information on the Polish economy: recent and future economic developments .................................. 20
  2.3. General overview of the situation on the labour market .............................................................................................. 22
  2.4. Current and expected trends in labour demand in Poland ........................................................................................... 27
  2.5. Challenges to the Polish labour market .................................................................................................................... 29

Chapter 3: Migration and employment of migrants (Weronika Kloc-Nowak) ......................... 34
  3.1. Immigration to Poland: basic trends and features ....................................................................................................... 34
  3.2. Immigrants on the labour market in Poland ................................................................................................................ 36
  3.3. Emigration from Poland before and after the EU accession ......................................................................................... 40
  3.4. Effects of emigration for Poland .................................................................................................................................. 45

Chapter 4: Formulating migration policies: policy and politics change in the making (Anna Kicinger) .............................................................................................................................................. 48
  4.1. Polish migration policy: basic characteristics and overview of developments after 1989 ........................................... 48
  4.2. Managing the outflow of Polish nationals: a wealth and variety of historic experience versus contemporary challenges ........................................................................................................................................ 50
  4.3. Managing the inflow of immigrants: work permit system with growing numbers of exemptions ................................ 55

Chapter 5: Conclusions (Marek Kupiszewski, Jakub Bijak, Anna Kicinger) ......................... 59
  5.1. Summary of the main findings for Poland ..................................................................................................................... 59
  5.2. Migration and labour force policy recommendations ................................................................................................ 59
  5.3. Implications and suggestions for future research ....................................................................................................... 62

References ........................................................................................................................................................................... 64
Introduction (Anna Kicinger)

Background – mobility transition in Poland in the last two decades

The relative liberalism of Poland’s exit policy during the 1980s, if compared with other countries of Eastern bloc, resulted in the growth of international mobility experience among Poles, till then seriously repressed by the systemic restrictions of communist regime. The mobility patterns of the 1980s consisted of settlement emigration, outflow of asylum seekers to the West, and the irregular employment and petty trade of official “tourist”, often combined with overstaying of their visas. The large scale outflow of the decade led to serious population losses (Sakson 2002) on the one hand, and to the establishment of migratory patterns and networks in Western Europe on the other (Jaźwińska, Okólski 2001). The migratory experience of the 1980s, was soon overshadowed by the rapid increase in international mobility after 1989 transformation when all the countries in the region lifted travel restrictions (Okólski 2004c, Stola 2001a). The new mobility patterns in the Central and Eastern Europe included also Poland, that transformed from emigration only to emigration-and-immigration country. Both in official statistics, and in research estimates, Poland maintained its status as net sender in European migratory flows. A novelty was the experience of inflow of immigrants that did triggered a need for the new regulation and policies responding to the new phenomena.

Since 1989 remaining beyond the main political agenda, the issues of emigration and immigration became topical only after the EU enlargement. The considerable outflow highlighted, and often overestimated by media, turned public and political interest to emigration issues. Incidents of work camps for Poles in Italy and abuses of their rights in other countries brought the issues of protection of Polish workers abroad to the limelight. At the same time, the first signs of labour market shortages sparkled a more open debate on the necessity to liberalise the immigration policy, till then strictly focus on the labour market protection.

Given the recent post-accession migratory and labour market developments in Poland, the issue of cooperation to manage labour migration in Europe becomes crucial for Poland. Although she still represents more a sending, than a receiving country in the European labour migration system, the revealed labour market shortages clearly indicate that the immigration to Poland is likely to rise in the future. Thus Poland should be immensely interested in proper labour migration regulations and practices: first as a sending country, aiming to offer best protection and employment conditions to Poles abroad, and secondly as the receiving country, aiming to manage migration flows with a view to meet the emerging labour market shortages and to enhance the overall economic growth of the country.
Open questions for the future

Many questions could be asked in relation to changing labour flows in an enlarging Europe. From Poland’s perspective, one of most important is whether Poland will continue to be a source of labour force for other EU countries? Historically, since 19th century Poland has continuously been an important sender in European and world migration system and it seems that this trend will continue in the foreseeable future. The key question is, to what extent emigration and natural decrease loss will be compensated by immigration. It will be interesting to see whether Ukraine and other Eastern and South-Eastern European countries could provide labour force for Poland in the future. This will be a question of utmost importance for Poland, and Polish policy-makers.

Another issue for consideration is what can be learned from the experiences of countries like Ireland, Portugal or Spain? One can seek analogies between the migratory experience of the Central European and the southern countries for two reasons. First, the transformation from the emigration to immigration countries that occurred in the South of the European continent is anticipated in the Central Europe. Secondly, the post accession experience is often compared and the experiences of Southern European countries became basis for some forecasts on the future migratory outflow from the new member states that joined the EU in 2004 and 2007.

The research presented in this report only partially answers the above formulated questions, and definitely further studies are needed in order to fully understand the complicated phenomena of future labour flows in the enlarging Europe.

Aims, scope and structure of the current study with respect to Poland.

The aim of this research is to provide a comprehensive overview of labour migration phenomenon in Poland from the economic, demographic, social and policy standpoints. The report collects, summarises and organises essential facts on migratory flows to and from the country, and confronts this knowledge with the labour market and demographic perspectives. Furthermore, it offers a presentation and critical assessment of the policy tools used to manage the economically-motivated immigration to and emigration from the country with a view to inform policy-makers and other key stakeholders in the field.

Labour migration represents an immensely important part of the whole migratory movements in Europe. The research presented in this report was based on the existing data and research in the field with exception of the population forecasts. The latter were prepared especially for the purpose of this study basing on the most recent available data. Given the many times pointed shortcomings of Polish migration statistics (Okólski 1997), all the data in the study were used carefully and provided, as far as possible, with the explanations on their limitations. An
analysis of press cuts was carried out for the purpose of Chapters 4 and 5 with the aim to track the current policy and politics changes with regard to labour migration, as well as to study the impact of media on the changing social perception of the character and scale of migratory movements. Thus, the careful analysis of most popular Polish dailies, namely Gazeta Wyborcza, Rzeczpospolita, Dziennik, and weekly magazines (Polityka, Tygodnik Powszechny) was carried out as a complementary source of information.

The structure of the study is as follows: It starts with the chapter analysing the demographic situation of Poland. It looks into the forecasts of demographic development, analysis the consequences of imminent depopulation and ageing and looks at the effectiveness of various population policies. The demographic perspectives make place for the labour market considerations (Chapter 2). They familiarise the reader with some background information on the Polish national economy and labour market, current and expected trends in labour demand and supply in Poland as well as introduce the complicated links between the unemployment and employment in the shadow economy what is specifically important given the regular and irregular participation of migrants in labour markets of the receiving countries.

After the presentation of the demographic and economic perspectives, as the necessary background for further research, the overview of basic data on the economic migration in Poland are presented (Chapter 3). They data on the inflow and outflow from the country are explained and various economic aspects of the phenomenon are presented. The activity of immigrants on Polish labour market is studied thoroughly, taking into account both regular and irregular employment of migrants. The economic effects of the increased post-accession emigration are presented, illustrated by a special case study on the outflow of medical staff and its consequences.

The study ends with the policy perspective. A brief overview of Polish migration policy developments after 1989 is presented (Chapter 4) with special focus on labour mobility issues. The regulations aimed at managing the outflow and inflow of economic migrants from and to the country are under scrutiny, complemented by the policy considerations on the future development of Polish labour migration policy. The overview of policy developments constitutes a background for the closing Chapter 5 presenting the summary of the main findings for Poland, migration and labour force policy recommendations as well as suggestions for future research.
Chapter 1: Demographic developments (Jakub Bijak)

On the verge of the 21st century, in 2004, Polish population officially amounted to about 38.2 million permanent residents, which definition, however, does not take into account the long-term legacy of unregistered emigration. According to the data of Eurostat, in 2004 the number of deaths (363.5 thousand) exceeded the number of births (356.1 thousand), yielding a negative natural population change of -7.4 thousand people. On the top of that, the official negative migration balance of -9.4 thousand persons, with heavily underestimated outflows, referring only to registered permanent migrants, adds up to a total annual population change of about -0.4‰ in 2004. In reality, due to higher levels of actual emigration a more rapid population decline was most likely observed in Poland in the year of accession to the European Union.

The underlying demographic changes – fertility and mortality decline – which gained pace during the system transformation in the 1990s, can be interpreted on the grounds of the theory of the 'second demographic transition' (Kotowska 1999). This approach stresses the role of changes of values and norms accompanying the socio-economic development in a rapidly-modernising Polish society. Although the Polish population and labour force still remain relatively young in comparison with other European countries, this is mainly due to cohort effects associated with the baby-boom of the late 1950s and its 'echo' from the early 1980s. Moreover, in Poland, the socio-economic (and thus also demographic) changes accelerated only after the shift from a centrally-planned to a free-market economy in 1989, while in Western European countries these processes were already on-going for two or three decades.

All the aforementioned factors result in one of the youngest demographic structures in the European Union, with the number of people aged 15–64 years (70% of the population) exceeding over 5.3 times the number of persons aged 65 years or more (13%). Labour force participation rates in younger ages, especially concerning women, are also relatively high as for European standards, which was also to some extent the legacy of the socialist economy (Saczuk 2004). Nevertheless, given low total fertility rates since the 1990s (only 1.2 child per woman in 2004), the 'momentum' of population dynamics in Poland is already negative, so that the young structures will not be sustainable in the future.

In order to predict, how the demographic situation of Poland would change in the first half of the 21st century, population and labour force forecast has been computed for the period 2005–2054, on the basis of assumptions presented in Section 1.1. The forecast has been prepared for all nine ARGO countries, treated here as one multi-regional population system, with elements (countries) linked by migratory flows.

1 Already the 2002 population census identified over 600 thousand people, who were abroad for a year or longer, although remaining in the registers of the permanent population of Poland (cf. Bijak and Koryś, 2006). After the EU enlargement this number has increased, although by an unknown factor – realistic 'guesses' vary between additional several hundred thousand and one million people.
The aim of the current chapter is to present demographic and labour force developments in Poland expected in the first half of the 21st century, together with their selected socio-economic implications. The structure of the chapter follows the logic of a forecasting process: on the basis of the assumptions presented in Section 1.1, the results of demographic and labour force predictions are obtained, which are subsequently discussed and compared with other forecasts in Section 1.2. Further, the consequences of the foreseen population processes are briefly addressed in Section 1.3, followed by an assessment of plausibility of various demographic and labour force policy options, offered in Section 1.4.

1.1. Key assumptions on the future population and labour force developments in Poland

Assumptions of forecasts prepared for the purpose of this study for the period 2005–2054 are made with respect to the future developments of four characteristics of the Polish population: (1) fertility, in terms of total fertility rates (TFR), (2) mortality, in terms of life expectancy at birth; (3) international migration flows, both within the system of nine countries under study (emigration rates per 1,000 population of a sending country), and net ‘external’ migration flows, as well as (4) age-specific labour force participation rates. The rationale behind particular assumptions largely follows the qualitative and quantitative arguments presented in the 2002-based CEFMR population and labour force forecasts (Bijak et al. 2007, 2008).

The forecast was prepared using MULTIPOLES (MULTIstate POPulation model for multiLEVEL Systems) model of population dynamics (for a description of the model, see Kupiszewska and Kupiszewski 2005). The underlying data on demographic variables (base population size and structure, fertility, mortality, and migration) come from the NewCronos database of Eurostat, and the yearbook “Recent Demographic Developments in Europe” of the Council of Europe (2005). Labour force participation data come from the ILO estimates available from the Laborsta database, and consider only persons aged 15+.

For fertility it has been assumed that the TFR (a synthetic period measure of the number of newborn children per women in the reproductive age, i.e. 15–49 years) is expected to slowly increase from the current levels just above 1.2 up to 1.5 by the end of the forecast horizon. The target value is slightly lower than the 1.6 assumed by the Eurostat (2005) and the 2006 revision of the projections of the United Nations (2007), though higher than the mean forecast of 1.4 obtained by Matysiak and Nowok (2006). In order to informally account for the uncertainty of the assumption, an alternative, “high-fertility” scenario assumes that the values

---

2 Bearing in mind the distinction between the terms ‘forecast’ and ‘projection’, we use the former one throughout the paper, as it reflects our beliefs in the future developments of the variables under study. We are nonetheless aware that any forecast beyond the horizon of 20–30 years is difficult to justify in a scientific manner. Therefore, we assume continuation of trends for the period after 2030.


derived using the methodology described above are cumulatively increased by 0.01 a year, so as to reach the targets higher from the base ones by 0.5 child per woman by 2054.

For mortality, the assumptions are based on the life expectancy at birth \( (e_0, LE) \). For Poland, as for all countries under study, we assume future mortality improvements resulting in an increase of \( e_0 \) for both sexes. A slow convergence of life expectancies for males and females was assumed, as well as the universal character of mortality improvements for all age groups until mid-2040s. Afterwards, due to technological life-saving developments, reducing infant mortality close to the “biological minimum”, mortality decreases are assumed primarily for persons aged 20 years or more. The resulting life expectancy values are expected to equal 80.4 years for males and 85.8 for females around 2050, slightly more optimistic than the Eurostat (2005) assumptions (79.1 and 84.4 years, respectively), as well as those of the United Nations (2007): 77.4 and 84.3 years. Matysiak and Nowok (2006) obtained a slightly smaller mean estimate for males (79.2 years), and a slightly more optimistic for females (86.7 years).

The expected TFR trajectories in both scenarios, as well as the life expectancy assumptions are illustrated in Figure 1.1, showing trends observed in the past and foreseen until 2054.

**Figure 1.1. TFR and \( e_0 \) in Poland: observed until 2004 and assumed for 2005–2054**

![Figure 1.1](image)

Source: Eurostat (New Cronos), Council of Europe (2005), own computations

The MULTIPOLES model, which is de-facto a multiregional model (Kupiszewska, Kupiszewski 2005) requires for a multinational forecast preparation of migration assumptions for two classes of migration: origin-destination intra-system international migration for flows between modelled countries (in case of the ARGO 2005 project – a 9 x 8 matrix) and for each country, the net migration gain/loss resulting from the exchange of population between this country and the rest of world. These two types of flows are treated differently in the model.

The scenarios for origin-destination migration are defined as a set of matrices with multipliers applied to the matrix of origin-destination specific emigration rates per 1,000 inhabitants of the sending country observed in 2004 (Kupiszewska and Kupiszewski 2005). The estimated flows for 2004 are taken as maximum values from the ones reported by the origin and
destination countries (Kupiszewski 2002: 109), and adjusted proportionally, whenever data were available by citizenship of migrants and not by origin/destination.

In order to address the uncertainty of migration forecasts, we consider two scenarios. The first one, labelled 'Development and Liberalisation' (D&L), foresees economic development and deregulation of international migration, and is characterised by an assumption of a reasonable economic growth (2–5% GDP increase per annum). Socio-economic development in different parts of the world, would imply strong pull factors in the developed economies, and the associated liberalisation of migration control measures. On the contrary, the second scenario, labelled ‘Stagnation and Control’ (S&C), assumes flagging economy and restrictive migration policies, coupled with strong push factors in the worse-off countries.

After the enlargement of the European Union Poland has been loosing migrants mainly due to labour market attractiveness in the EU countries which lifted restrictions on the access to their labour markets, in particular, in the United Kingdom and Ireland. For that reason, emigration to the UK in the period 2005–2009 is expected to increase five times under the D&L scenario, and four times under the S&C variant, as compared to the baseline values from 2004. In the subsequent five-year period, the propensity to emigrate is expected to halve, and in the three following ones (until 2029) – to reduce by about a quarter per period, and remain constant thereafter. We expect that the post-accession increase of emigration to Italy and Portugal will be much smaller: we assume the outflow from Poland to grow by 5% (D&L) or by 2.5% (S&C) until 2009, followed by a decline by 0.5% per each five-year period until 2029, and constancy afterwards. We also assume the propensity to migrate from Poland to other five Central and Eastern European countries under study not to change throughout the forecast horizon. The 2004 sex structure of migration has been universally assumed, so as the average age schedule for emigration from Central European countries under study from the base year.

The second migratory variable, for which assumptions are made, is net ‘external’ migration of particular countries, concerning population exchange with all countries outside the ARGO-9 system. For the purpose of scenario-setting, such an aggregate has been de-composed into two additive components: migration balance with non-ARGO-9 countries of the European Union and EFTA, and net migration from the other parts of the world.

With respect to the former, intra-EU and EFTA component, we expect that almost all EU and EFTA countries will lift restriction on mobility of labour in 2009, the exceptions being Germany and Austria, which will likely do so in 2011, and Switzerland – in 2014. For the D&L scenario, we therefore assume an increasing net emigration until 2014 by a factor of 1.25 per each five-year period, followed by a decline to a zero balance by 2024. Subsequently, an ever-slower increase of net migration gains is foreseen, due to growing return migration, ultimately reaching the levels from the base period, only with the opposite (plus) sign. In the S&C variant we assume that although the demand for migrants will be weaker due to flagging economies of Western Europe, the negative push factors at source will prevail. This will result
in a doubling net emigration loss by in two first forecast periods (2005–2009 and 2010–2015). Later on we expect a slow increase to zero by 2054, mainly due to some return migration.

For net ‘external’ migration from countries other than the EU and EFTA, we assume that population ageing and strong demand for labour in Europe will result in a 15-fold increase of net migration gain of Poland in the D&L scenario, in comparison with the initial 2004 level of 942 persons. In the S&C variant, we expect a decline of this value by a half. The trajectories resulting from adding both components of net ‘external’ migration are shown in Figure 1.2, alongside the age schedules expressed in terms of percentages, adding up to 100 for net migratory gains, or to –100 for loses.

Figure 1.2. Net external migration from/to Poland: scenarios and age schedules

Assumptions on labour force participation rates for 2054, following the discussion in Saczuk (2004), are shown in Figure 1.3 together with the initial (2004) and mid-term (2029) patterns.

Figure 1.3. Country-specific age patterns of economic activity in Poland: 2004, 2029 and 2054

The applied definition of labour force participation (hereafter also ‘economic activity’), concerns any type of paid occupation, whether full-time or part-time. We believe that in the 50-years perspective part-time and temporary jobs will become increasingly popular among Europe’s youth, to some extent independently from the future developments of the rates of
enrolment in higher education. Moreover, population ageing will most likely enforce a raise in the retirement age, so as to increase the economic activity of older age groups (for Poland, over 50 years of age). Figure 1.3 also presents the ‘maximum activity’ patterns, obtained from cross-country and cross-time (1985–2002) age-specific maxima for 27 European countries analysed in Saczuk (2004), corrected downwards for groups 70–74 and 75+.

1.2. Population and labour force in Poland forecasted for the first half of the 21st century

On the basis of assumptions presented in Section 1.1, a population and labour force forecast for nine ARGO countries, including Poland, has been computed for the period 2005–2054. Obtained trajectories of forecasted population size and overall labour force resources (labour supply) in Poland, as well as the corresponding initial and target age structures, are presented in Figures 1.4 and 1.5, respectively.

Figure 1.4. Forecasted population, labour force developments and net migration in Poland: 2004–2054

In the forecast, the global population size of Poland is expected to decline from 38.2 million in 2004 to between 29.4 and 30.3 million people (corresponding to a decline by 21–23%), respectively under the S&C and D&L migration scenarios. Hypothetical status quo scenario, with constant 2004 migration retained for fifty years, yields 29.6 million people, while the ‘high fertility’ simulation under the ‘development’ migration regime – 33.4 million (decline by 13%). The results for the overall labour force resources include a decline from 17.2 million in 2004 to between 12.3 and 12.8 million people respectively under the S&C or D&L migration scenarios, corresponding to a decrease by between 25 and 29% of the initial value. The ‘high fertility’ simulation yields 13.9 million people in the labour supply by 2054 (decrease by 19%). In turn, the ‘maximum activity’ simulation, also based on the D&L migration assumptions, but assuming an instantaneous (by 2009) increase of age-specific labour force participation rates to the maximum values shown in Figure 1.3, produces an overall labour supply of 15.1 million people in fifty years (a 12% decline).
Figure 1.5. Age structures of population and labour force in Poland: 2004 and 2054 (forecasts)

From the above results it can be seen that depopulation and decline of the total labour supply is a serious issue that is very likely to concern Poland in the coming half a century, even under an optimistic labour participation scenario. Nevertheless, the forecasted changes in the age structures are much more profound, with on-going advancement of population and workforce ageing (see Figure 1.5). In order to examine the pace and selected economic outcomes of the ageing process, we analysed the following four proxy indicators (cf. Bijak et al. 2007):

- **Potential Support Ratio** (PSR), a purely demographic indicator of ageing defined as the ratio of population in the productive age (15–64) to population aged 65 years or over;
- **Labour Force Participation Rate** (LFPR), a share of the overall labour force resources in the total population aged 15 years or more;
- **Economic Elderly Support Ratio** (EESR), a proxy indicator of pension system support, defined roughly as the ratio of contributors (active population aged 15 years or more) to the receivers of pension benefits (inactive population aged 65 years or more);
- **Labour Market Support Ratio** (LMSR), a most general proxy indicator of an overall support of the labour market, being a ratio of the active to the inactive population, both in the aged of 15 years or more.
The values of the above-mentioned variables for 2004, 2029 and 2054, giving approximate insights into various aspects of the expected population and labour force ageing under four different scenarios (stagnation – S&C, development – D&L, high fertility, and maximum economic activity) are presented in Table 1.1. Population ageing, as measured by the PSR, is going to substantially advance in all scenarios, even under the ‘high fertility’ regime, in all cases decreasing over three times during the forecast horizon. In turn, the long-term impact of an assumed increase in age-specific labour force participation rates on the economic activity of the whole population is going to be limited: only in the middle run the overall LFPR is expected to increase, as indicated by the values for 2029. Afterwards, this increase is going to be followed by a further decline, due to the ever stronger advancement of population ageing and ever smaller potential of further improvements in age-specific activity rates. This process, as a result of which only about a half of population aged 15 years or more will be economically active in 2054, seems to be very difficult to counteract against, as it concerns all scenarios, including the ‘maximum activity’ one.

Table 1.1. Age structures of population and labour force in Poland: 2004 and 2054 (forecasts)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2004 Base</th>
<th>2029</th>
<th>2054</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stagnation</td>
<td>Development</td>
<td>High fertility</td>
</tr>
<tr>
<td>PSR (population 15-64 / population 65+)</td>
<td>5.36</td>
<td>2.72</td>
<td>2.75</td>
</tr>
<tr>
<td>LFPR (active 15+ / population 15+)</td>
<td>0.54</td>
<td>0.61</td>
<td>0.60</td>
</tr>
<tr>
<td>EESR (active 15+ / inactive 65+)</td>
<td>3.67</td>
<td>2.12</td>
<td>2.14</td>
</tr>
<tr>
<td>LMSR (active 15+ / inactive 15+)</td>
<td>1.18</td>
<td>1.10</td>
<td>1.10</td>
</tr>
</tbody>
</table>

Source: Eurostat (NewCronos), ILO (Laborsta), own computations

The burden of ageing on pension systems and the whole labour markets, as measured by the EESR and LMSR proxies is also going to increase substantially. The EESR is envisaged to decline under all scenarios, while the LMSR – in all but the ‘maximum activity’ one, assuming an instantaneous increase of activity patterns by 2009. The latter scenario is the only one that prevents the LMSR to decline below one in the next half of the century – all the remaining ones, including the ‘high fertility’ variant, lead to the situation, when there are more people supported by others than economically active supporters.

Results of forecasts prepared for the purpose of the current study are very similar to the ones produced by national and international agencies, as well as individual researchers. In addition to the results presented above, Table 1.2 presents the population size and PSR forecasted (or projected) for about 2030 and 2050 by the Polish Central Statistical Office (CSO 2004), Eurostat (2005), the Statistical Division of the United Nations (2007), as well as by Matysiak and Nowok (2006). The visible differences can be largely attributed to higher fertility assumed in the study of Eurostat, or lower in the case of CSO. The projections of CSO and
Eurostat include results at a regional level: CSO down to NUTS-4, and Eurostat at NUTS-2; although especially in the former case, the assumptions on internal and international migration, crucial for such a detailed scale of analysis, are by necessity very simplistic.

Table 1.2. Comparison of selected forecasts / projections for Poland, about 2030 and 2050: Aggregates

<table>
<thead>
<tr>
<th>Variable:</th>
<th>Population x 1000 (initial in 2004: 38 182)</th>
<th>PSR (initial in 2004: 5.36)</th>
</tr>
</thead>
<tbody>
<tr>
<td>scenario</td>
<td>D&amp;L</td>
<td>S&amp;C</td>
</tr>
<tr>
<td>2029* / 2030</td>
<td>35 367*</td>
<td>35 081*</td>
</tr>
<tr>
<td>2049* / 2050</td>
<td>31 341*</td>
<td>30 598*</td>
</tr>
</tbody>
</table>

* Figures from the current study concern 2029 and 2049; ** M–N stands for the forecast of A. Matysiak and B. Nowok (2006); *** PSR quoted by Matysiak and Nowok (2006), concerning ages 19–64 / 65+, is not directly comparable with the other ones.


1.3. Opportunities and threats posed by population and labour force ageing

The civilization, economic and technological changes, which have led to a fertility decline, but also to lengthening the human life-span in the developed countries, will likely contribute to further advancements of population ageing. The situation of Poland is no exception, moreover, the mentioned processes are likely to be more rapid than in other European countries, due to relatively young age structures of the Polish population and labour force at the beginning of the 21st century. The mentioned changes will undoubtedly have a significant impact on the economy and social cohesion of the country, especially in the context of the functioning of health care and pension systems, but also in other areas of social life.

The existing literature provides very ambiguous suggestions as to the possible direction and mechanisms of such impact, which can pose both opportunities and threats for the society, as summarised in Figure 1.6 (Kupiszewski et al. 2006). The opportunity factors include higher levels of education (human capital), social capital, innovativeness and the related productivity growth, while the main threats are related to the decline of labour supply, problems with sustainability of social security systems and the condition of public finance, decline in individual savings, emergence of intergenerational conflicts and the increase of social inequalities. Some of the challenges can be met by applying rational policies — one example are the costs of health care, for which it is suggested that they depend on the time remaining to death rather than on the biological age (Fuchs, 1984). Several other issues, however, need to be especially addressed by the policy-makers and social partners with due attention.

In the Polish context, one of the main challenges in the context of ageing are very low rates of labour force participation and employment. Data for the first quarter of 2006 indicate that in Poland only 62.8% of people in the age group of 15–64 years were economically active, which result was among the four lowest rates in the EU-27, and the respective employment
rate of 52.6% was the lowest one in the European Union (Romans and Hardarson 2006). Taking this into account, the age-specific activity and employment rates should significantly improve in the future, in order at least not to worsen the situation of the labour supply.

Figure 1.6. Impact of population ageing on the economy and social cohesion

![Diagram showing the impact of population ageing on the economy and social cohesion.]

Source: Kupiszewski et al. (2006: 30, 33), Figures 3 and 4, based on the literature review presented in the quoted source.

Another key issue is the sustainability of social security systems, which in a long term cannot be achieved without raising the retirement age. In Poland, the official age of retirement is 60 years for women and 65 for men, the real one being even lower, due to various regulations and privileges, which discourage people from working longer. Under the assumptions of the current forecast, with life expectancy in 2054 foreseen to equal 80.4 years for males and 85.8 years for females, such retirement ages are impossible to uphold, especially as they are very unfavourable for women in terms of the height of their future pensions.

1.4. Long-term efficiency of selected policy alternatives

The forecasts presented above are based on assumptions regarding four characteristics of the population: fertility, mortality, migration and labour force participation. From that point of view, the possible areas of challenge for any reasonable policy means, aimed at counteracting the unfavourable side-effects of ageing, are threefold: (1) to increase fertility, (2) to increase immigration and (3) to increase economic activity. For obvious reasons, any policy aiming at an increase in mortality, is not a moral option. The current section examines the long-term plausibility of the three possibilities from the demographic perspective bearing in mind that, as noted by Coleman (2002), the remedies for the negative side-effects of population ageing should be sought among economic and labour market policies rather than demographic ones.

From the demographic point of view, the long-term reduction of population disequilibrium can be achieved only through a fertility increase (e.g. Lesthaeghe 2000), which can mitigate changes related to population and labour force ageing or decline. Despite the existence of such a seemingly simple solution, increasing fertility in developed countries in practice
encounters difficulties related to the efficiency of the applied population policy means. In a comprehensive report on the subject, Grant et al. (2004) argue that none of single policy instruments alone would ultimately yield the expected results, which can be obtained only by combining various mechanisms, which often are very expensive. It has to be noted that, due to the inertia of population processes, the impact of an increased fertility on population and labour force dynamics will be observed with a delay of some 20–30 years (Lutz et al. 2003).

In Poland, until very recently, the public debate on policy means designed in order to increase fertility levels was hardly existent, and limited to a peculiar belief in a pro-natalist impact of one-off childbirth benefits of about 250 EUR each, paid to each new mother regardless of her income status. A more serious debate has started about the time of writing this paper (March 2007), instigated by a set of government propositions including the lengthening of a parental leave, which could be shared between both parents, child-related tax deductions, prolonging the opening hours of nurseries and kindergartens, and the promotion of flexible forms of employment for women. Since the plans are very ambitious, especially given high budgetary deficit and poor condition of Polish public finance in general, they may encounter various obstacles in realisation, despite the rational character of most of them. Moreover, it is also unclear, whether certain solutions (as the lengthening of a parental leave) will not cause the effect opposite to the expected, pushing women out of the labour market and further decreasing the childbearing propensity.

The second possible option to reduce the imbalance of population structures resulting from the ageing process is an increased migration, which would ‘replace’ the shrinking generations of the local population. The idea has been analysed and criticised by many demographers (an overview is presented in Saczuk 2003). A recent research by the authors of the current study (Bijak et al. 2007, 2008) examines the issue of ‘replacement migration’ in the context of possible remedies against the negative side-effects of population ageing, for 27 European countries including Poland. In line with the results of the report of the United Nations (2000), the magnitude of the obtained numbers shows the long-term implausibility of counter-ageing measures relying solely on immigration. For example, preserving the potential support ratio (PSR) level from 2002, equal 5.5, for the subsequent half a century, other factors unchanged, would require additional 108.4 million hypothetical immigrants, which is about three times the current population of the country. Preserving the initial labour market support ratio (LMSR) of 1.2 throughout the fifty-year horizon implies an inflow of 26.3 million ‘replacement migrants’ (Bijak et al. 2008).

The above-mentioned numbers clearly indicate the implausibility of thinking about ‘replacement migration’ as a serious long-term option aimed at reducing the forecasted demographic imbalance. On the contrary – as migrants themselves are subject to ageing and

---

at least to some extent adapt the fertility patterns prevailing in the host society (cf. discussion in Kulu 2005), the ‘replacement’ mechanism generates ever-greater waves of hypothetical immigrants that would be needed to sustain the basic parameters of demographic and labour force structures. In the long run, the outcome is thus a demographic equivalent of fraudulent ‘financial pyramids’ schemes.

Apart from the increase of fertility and migration, the third factor mitigating the unfavourable effects of population ageing on the labour market, especially in the perspective of the coming fifty years, is the increase of the economic activity. Labour force participation in Europe is relatively low, as compared for example to the United States, which has been already acknowledged at the EU level by the authors of the Lisbon Strategy. The Strategy stresses here the primary importance of the economic activity among women and the elderly. As mentioned before, especially in Poland, where the economic activity rates are among the lowest ones in the whole European Union, there is a large potential for improvements in that respect. It has to be, however, stressed that the policy instruments aimed at increasing labour force participation should be consistent with the ones aimed at increasing fertility, creating an environment, in which career and family life can be reconciled.

In order to assess the long-term efficiency of various policy goals from the point of view of the basic proxy indicators concerning demographic and labour force structures, several simulations have been performed. In particular, the analysis focuses on labour market support ratios (LMSR), defined as the ratio of the economically active population to the inactive one, both concerning people aged 15 years or more. Treating the status quo scenario as the reference, we compared the outcome of three hypothetical paths of population development: (1) an increase of immigration and decrease of emigration, as assumed in the ‘Development and liberalisation’ scenario, (2) an instantaneous fertility increase by 0.5 child per woman starting from 2009, and (3) an increase of economic activity to the ‘maximum plausible’ patterns, derived from the cross-country maxima observed in the period 1985–2002. The latter option implicitly assumes a rise in the factual retirement age.

The results of simulations, discussed already in Section 1.2, are presented in Figure 1.7, whereby the initial (2004) LMSR value of 1.18 is expected to decline to 0.88 by 2054, under the assumption of no change in migration patterns (status quo). Under the ‘Development and Liberalisation’ migration scenario, the final LMSR value would equal 0.92, while the ‘high fertility’ simulation, with TFR gradually increased up to 2.0 child per woman by the end of the horizon, would yield the ratio of 0.96. Finally, the third option – a significant increase in economic activity rates to the ‘maximum’ patterns – would imply that the LMSR in 2054 would equal 1.29, thus, not only more than one, but even more than initially (Figure 1.7).

The presented results confirm our suggestions made elsewhere (Bijak et al. 2007, 2008) that in order to maintain the structural features of population and labour force, in particular the ratio of the economically active to inactive population, at least in the 50-years horizon, the
most efficient mechanism would be to significantly increase labour force participation. Neither higher fertility nor more favourable migratory scenario would not prevent the LMSR from declining below one, thus yielding a situation, where there would be less people active on the labour market than people supported by their work.

Figure 1.7. Labour Market Support Ratio, 2004 and 2054: policy simulations for Poland

On the other hand, economic activity cannot increase endlessly, being subject to biological limits. Ultimately, fertility would have to raise in order to moderate the ageing process, although the impact of such an increase would be seen with a delay of several decades. In that respect it is crucial to ensure that the proposed policy tools aimed at increasing fertility and economic activity of women do not contradict each other. Nevertheless, given the results presented above, as well as the outcome of various ‘replacement’ studies (United Nations 2000, Bijak et al. 2008), migration should be seen here only as a short-term solution aimed at filling shortages of labour in particular sectors of the economy, rather than as a demographic ‘replacement’ in the rapidly ageing populations, such as the Polish one (Korcelli 2003).
Chapter 2: Labour market developments
(Paweł Kaczmarczyk, Joanna Napierawa)

2.1. Introduction – the labour market in Poland in the transition period

The aim of this chapter is to provide a broad overview of the situation on the Polish labour market in the transition period. The main emphasis will be placed on those processes and facts which are, at least to some extent, related to out- and immigration.

The structure of this chapter is as follows. We will start with an overview of the recent economic developments in Poland, in order to provide the context of observed labour market performance. Then we shall turn to a general overview of past, recent and future trends on the labour market and labour market related issues, mainly the demand side of the process. In the final part we shall attempt to identify major challenges to the Polish labour market, concentrating on those related to mobility and migration.

Since 1989, the Polish labour market experienced massive changes which are clearly recognizable when analyzing major indicators, such as level of employment, activity rate (participation rate) or unemployment rate.

Figure 2.1. Activity rate, employment rate and unemployment rate in Poland, persons aged 15 and more, 1990–2006 (%)
When analyzing data from the above presented figure, one may distinguish a few sub-periods with respect to the situation on the labour market:

- In the early period (1989–1994/1995), as a consequence of restructuring of Polish companies including state-owned agricultural enterprises, a massive decrease in employment and activity rate with simultaneous growth in unemployment rate was noted.
- In the second phase (1995–1998), predominantly due to economic expansion and dynamic development of small and medium businesses, employment in the national economy started to rise and unemployment decreased. However, activity rates decreased as well.
- In the next phase (1998–2003), the Polish labour market experienced the biggest fall among all EU-25 members in all labour market indicators. Such unfavourable labour market situation was a consequence firstly of the so-called Russian crisis and the related trade deficit (1998–1999), and secondly of serious failures of economic policy. Changes associated with the demand shock and crisis were massive, particularly in industrial sectors (a decrease in employment rate by 21% in the years 1998–2002), and consequently, in the so-called 'old industrial regions'.
- In 2003 Poland entered the phase of recovery which was clearly consistent with the generally observed trends in Europe.

We would like to put forward the following hypothesis: labour market developments are to some extent a consequence of general macroeconomic performance; however, a relative inertia of participation and employment rates may suggest that structural and institutional factors related closely to the labour market are more important than fluctuations associated with the business cycle (i.e. demand and supply shocks).

2.2. Background information on the Polish economy: recent and future economic developments

After a period of significantly lower pace of economic growth at the turn of the centuries, in 2003 a clear improvement in the economic climate was recorded, and this tendency was strengthened in the following years. Economic growth (measured by the rate of real GDP growth) equalled 3.8% in 2003, 5.3% in 2004, and 3.5% in 2005, and continued to grow in 2006 (Figure 2.2)\(^6\). According to first estimates, in 2006 the GDP growth rate equalled 5.8%. From the forecasts available it follows that such a high pace of development is to be expected also in the next few years.

\(^6\) A change in the economic situation is particularly well visible upon comparison with the developments in years 2001–2002 (1.1 and 1.4 % of GDP growth respectively).
Dynamic economic growth over the years 2003–2006 can be attributed predominantly to positive tendencies with regard to domestic demand. Interestingly, a significant increase was noted not only in the case of private consumption recorded already in the previous decade, but also in the case of accumulation (investments)\(^7\).

**Figure 2.2. Decomposition of GDP growth in 1994–2005, and GDP growth forecasts (2006–2008)**

* estimated values for 2006–2008

*Source: Own elaboration based on the CSO data, CASE (2006) and Ministry of Economy (2006b)*

The data presented above suggests that the increase in investment and, to some extent, private consumption played a crucial role in the recent GDP growth. However, the most stable growth factor over the whole analyzed period was domestic demand. This should be attributed to stable growth in employment (see below) and gradual increase in nominal wages (on average of 5% annually), while inflation remains very low (real wages increased by around 4% annually). The increase in consumption was also a consequence of rising pensions and a slowly decreasing saving rate for the whole economy. Additionally, since the early 2000s debts of Polish households have been growing significantly\(^8\). Between 2000 and 2004 an important growth factor was also net export; however, due to the fact that in the transition economy international trade was very sensitive to cyclical fluctuations and exchange rates changes, it would be extremely risky to assume that export may become the most important factor of economic growth in the near future. A negative feature is the increase of import from Asia, and particularly from China, which increased import by over 35% in 2006.

\(^7\) E.g. in the III quarter of 2006, a 5.5% growth in consumption was recorded (as compared with an analogous period in the previous year), while investments grew at the rate of around 20%.

\(^8\) This was particularly due to expansion of mortgages but also credits for consumption purposes. As a consequence, the value of credits increased by 20 % in 2005 only (a growth by 10.2 billion PLN), whereas consumption credits constituted around 47 % of the total debt (Ministry of Economy 2006).
Looking at future tendencies in economic growth, it is necessary to emphasize the importance of at least a few factors:

- Non-orthodox determinants of investment – particularly such factors as post-accession ventures aiming at harmonization of standards and other pro-development activities, implementation of EU-funded investment projects, and foreign positive perception of the economic situation are expected to favour accumulation expansion in the coming years.

- Foreign direct investment (FDI) inflow is expected, as in previous years, to influence in a positive way the structure of economic activity, trade balance and competitiveness of the economy.

- Wage level may play an important role in future developments. If labour shortages – as a consequence of labour market mismatches and/or outflow abroad – will lead to higher expectations concerning earnings, it may easily cause wage pressure in the whole economy and an increase in the inflation rate.

- Growth rate is strongly correlated with the trade balance. On the one hand, GDP growth rate may decrease with the increase in import intensity of the economy – according to many experts (e.g. CASE 2006), negative trade balance will have an important negative effect on GDP growth in the coming years. On the other hand, one may believe that such development is rather unlikely if one examines the dynamics of sectoral changes in Poland, particularly the dynamic development of the construction sector.

- Pace of economic growth should depend on the scale and effectiveness of EU funds absorption. In this respect, a particularly important role is to be attributed to government bodies and agencies and their absorptive capacities. It seems that the way of usage of the EU funds may be far more important that scale of the funds’ inflow.

- Scale and durability of economic growth in Poland will strongly depend on the fiscal policy and public finances. Over the years 2001–2004, the state budget deficit (including debt of the state and local government bodies) approached 5% of GDP (3.3 – 4.8%). The main problem is that such a high deficit is, to a large extent, a consequence of an unfavourable structure of expenses, out of which almost 70% constitute so-called fixed expenditures, particularly associated with the social security system. In consequence we have seen a raising public debt: from 280 billion PLN (37.6% of GDP) in 2000, to 468 billion PLN (47.7% of GDP) in 2005 (Ministry of Regional Development 2006).

2.3. General overview of the situation on the labour market

The level of economic activity of the population remains one of the major problems of the Polish labour market. The participation rate was decreasing since the early 1990s and reached a very low level at the turn of the century. An increase in the participation rate had only been recorded for the 15–24 age group, particularly among those with tertiary education (see Table 2.1). In 2005, for the first time since 1992, an increase in the activity rate was recorded (this rate had reached its minimum a year before, in 2004). Still, the increase was marginal (0.2%).
and the level reached (54.9%) was far below EU standards. Additionally, in 2006 a decrease in participation rate was noted which may question possible positive long term developments with respect to this characteristic. Similarly, an increase in the employment rate was observed since 2003, reaching 45.2% in 2005 (Ministry of Economy 2006b). Interestingly, it follows from the data that even in the recovery phase there are no incentives to enter the labour market and start looking for a job.

Table 2.1. Synthetic measures of the situation on the Polish labour market, 1992–2006 (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation rate (persons aged 15 and more)</td>
<td>61.7</td>
<td>57.1</td>
<td>56.6</td>
<td>56.4</td>
<td>55.8</td>
<td>55.0</td>
<td>54.8</td>
<td>54.8</td>
<td>55.2</td>
<td>53.9</td>
</tr>
<tr>
<td>Employment rate (persons aged 15 and more)</td>
<td>53.3</td>
<td>51.0</td>
<td>48.0</td>
<td>47.4</td>
<td>45.5</td>
<td>44.1</td>
<td>44.2</td>
<td>44.9</td>
<td>45.9</td>
<td>46.5</td>
</tr>
<tr>
<td>Employment rate (persons aged between 15 and 59/64)</td>
<td>61.6</td>
<td>60.6</td>
<td>58.0</td>
<td>56.5</td>
<td>54.9</td>
<td>53.0</td>
<td>52.8</td>
<td>52.7</td>
<td>56.6</td>
<td>n.a.</td>
</tr>
<tr>
<td>Unemployment rate (Labour Force Survey, persons aged 15 and more)</td>
<td>13.7</td>
<td>10.6</td>
<td>15.3</td>
<td>16.0</td>
<td>18.5</td>
<td>19.7</td>
<td>19.3</td>
<td>18.2</td>
<td>16.7</td>
<td>13.9</td>
</tr>
<tr>
<td>Share of long-term unemployed among all unemployed</td>
<td>33.1</td>
<td>37.4</td>
<td>32.9</td>
<td>37.9</td>
<td>43.1</td>
<td>48.4</td>
<td>49.7</td>
<td>53.7</td>
<td>57.7</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Source: Ministry of Economy 2006a, Eurostat

Both data from labour offices and data gathered through the nationally representative Labour Force Survey\(^9\) indicated positive trends with regard to employment and unemployment rates. In the 3rd quarter of 2006, employment increased by around 2% as compared to an analogous period in the previous year\(^{10}\). The highest increase was recorded in private companies (3.5%). The most dynamic sectors included real estate and business activities, trade, and construction. Decrease in employment was recorded predominantly in the ‘traditional’ sectors, such as mining (a 2.9% decrease in the 3rd quarter of 2006 as compared to an analogous period in the previous year) (CSO 2007a). The direction of these changes is consistent with the evolution of a general employment structure: the share of employment in services is growing (over 53% of all employed in 2005), and the share of employment in agriculture (and to some extent in industry and construction) is decreasing (Figure 2.3).

\(^9\) Data provided by the Labour Force Survey (LFS) differs from those coming from labour offices due to differences in the definitions applied. According to LFS, an employed person is somebody aged 15 or more who performed for at least one hour any work generating pay or income or conducted their own economic activity, or should have worked but did not do it due to sickness, maternity leave etc. during the reference week. Respectively, the unemployed are understood as all persons who meet the following conditions: were not employed in the reference week, were actively looking for job and were ready / able to take up employment within two weeks after the reference week (definition coherent with the Eurostat recommendation).

\(^{10}\) In the 2nd quarter year to year increase equalled 1.4 %.
However, Poland is still a country with an archaic structure of employment. In 2005 the share of those employed in agriculture equalled 17.4%, while the EU average was below 5%. According to experts, employment in agriculture is a reservoir which absorbs both open and hidden unemployment (the latter is estimated at the level of at least 1 million persons) (Ministry of Economy 2006a, 2006b).

Moreover, as clearly shown by Figure 2.4 structure of employment varies strongly from region to region. In a few Polish regions (Podlaskie, Lubelskie, Świętokrzyskie) the majority
of workforce is employed in agriculture while in so-called old-industrial regions (i.e. Śląskie) industry is still the major job provider. Due to many structural factors (incl. low internal mobility rates) such a picture remains stable in last few years.

The most positive tendencies were recorded in the case of unemployment. The registered unemployment rate has been decreasing since 2004 and, in the case of the unemployment rate based on the LFS definition, these changes appeared even earlier. At the end of the 3rd quarter of 2006, there were around 2.36 million registered unemployed, which means over 120 thousand less than in the previous quarter and almost 400 thousand less than in an analogous period the year before. As a consequence, the unemployment rate decreased to more or less 15% (to compare, in the 3rd quarter of 2005 it equalled 17.2%) (CSO 2007a). Such a strong decrease was predominantly a consequence of smaller inflow to unemployment, i.e. a smaller number of persons registering themselves as unemployed in labour offices. In the 3rd quarter of 2006, the inflow to unemployment was equal to 697 thousand persons, i.e. over 8% less than in the previous year (3rd quarter). However, similar conclusions can be drawn from the LFS data, whereby in this case the decrease in unemployment rate started even earlier and is more clearly visible. In the 2nd quarter of 2006, 23% less unemployed than the year before were recorded, and the unemployment rate decreased from 18.1% to 14.1%! (CSO 2007a).

According to CASE (2006), a significant reduction in the number of persons becoming unemployed may have resulted from:

- a large number of inactive persons who became discouraged to seek work, which is clearly indicated by the very low participation rate: in the 2nd quarter of 2006 the number of economically active persons was over 1.1% lower than a year before (decrease in participation rate from 54.5% to 53.6%);
- lower dynamics of dismissals in companies and the public sector, the number of persons dismissed for reasons related to the employer is decreasing very quickly at the pace of around 25% annually (since 2005);
- migration of the unemployed and potentially unemployed (however, the extent of this phenomenon is still unknown).

On the other hand, in mid-2006 the number of unemployed persons was still close to 2.5 million, and the average annual unemployment rate equalled around 16%. Interestingly, in 2006 for the first time the numbers of unemployed persons registered in labour offices appeared to be higher than those indicated by LFS (whose status due to definition applied is more closer to 'real unemployment'). This effect could be attributed to many factors including changes in legislation regarding access to public health care for registered unemployed as well as large scale emigration since May 2004.

The Polish labour market, although experiencing positive developments in the last few months, is still stigmatized by serious imbalances (which are reflected predominantly by the
very high unemployment rate and low participation rate). Factors responsible for Polish labour market performance include (Grotkowska 2007, CASE 2006, National Development Programme 2006):

- institutional and structural factors, including legislation, as a consequence, unemployment in Poland stays relatively high even in the face of very dynamic development of the economy;
- the mismatch between labour demand and labour supply;
- registration mechanisms; one may put forward the hypothesis that the real unemployment rate is in fact much lower than the registered one, because among those registered there is a large number of persons who are neither seeking employment or are willing to take up work (nevertheless, traditionally, more realistic definitions applied in the LFS led to higher unemployment rates);
- the tax policy, particularly negative impact of high taxes and so-called quasi taxes; according to recent estimates, employment related taxes in Poland are very high and equal 43.6 %, which gives Poland the 10th position among 30 OECD member countries;
- low flexibility of the labour market as a result of poor regulations, the strong position of trade unions, and the low quality of labour services;
- regional disparities on the labour market; these disparities relate to all labour market characteristics and to a large extent reflect the socio-economic potential of Polish regions;
- the increase in labour productivity; in late 1990s the average annual increase in productivity equalled around 7%; if an increase in productivity is not matched with analogous changes in demand for goods and services it may lead to labour surpluses supplied the labour market and, consequently, to a growth in unemployment. However, in Polish case the situation was more complicated (see below)

With regard to the last point, the most recent data published by the Central Statistical Office shows that in January 2007 the labour productivity increased by over 12% (as compared with an analogous period in the previous year, see Figure 2.5).

This outcome could suggest a decrease in employment growth. However, similarly as in 2006, an increase in employment was recorded. Therefore, we face a surprising situation, at least from a theoretical point of view, when productivity growth is accompanied by a growing employment rate. Such a process can be explained by the large inflow of high technologies (due to FDI inflow) which provided a chance to make use of the high competencies of Polish workers and additionally, the very high dynamics of GDP growth in the last few years. From the data presented on Figure 2.5 it follows that an increase in employment was recorded despite the fluctuations in productivity which, in fact, suggests that these processes are different in nature and we should not expect close links in the future.
2.4. Current and expected trends in labour demand in Poland

Demographic and labour force developments have been discussed in Chapter 1. In this section we will focus on labour demand. Since the early 2000s, a gradual increase in the number of new workplaces has been observed. In the first half of 2006, over 207 thousand new jobs were created (an 11% increase in comparison to the previous year). Workplaces were created in almost 40% of all the companies surveyed. Most workplaces were created in manufacturing (38% of all new vacancies), trade and repair (14.2%), real estate and business activities (12.8%), and construction (11.7%). This data shows a clear tendency towards improvement of production potential, particularly in construction and manufacturing. According to more recent data, the available number of vacancies reported was coherent with the above presented data, but also with the employment size in a given sector. Most of the vacancies were reported in manufacturing (39%), particularly in production, then in construction (15.4%), the trade and repair sector (11.8%), and in public administration, health care and social welfare related institutions. Beside the sectoral composition of vacancies, an important factor in the context of this report is the occupational structure of the demanded employees. With respect to this

---

Data on labour demand in Poland presented in this section comes from the quarterly survey carried out in the II quarter of 2006 in companies with 10 and more employees (KPMG 2007). Additionally, data from the monitoring of the National Bank of Poland carried out in December 2006 among 824 non-financial companies (except of agriculture, fishery and forestry) has been used (National Bank of Poland 2007).
The biggest number of vacancies was available for persons with basic vocational education (48.6%), and secondly for persons with tertiary education (19.2%). In terms of positions vacant at the end of the second quarter of 2006, most were for workers (34.5%) and specialists (17.3%) (National Bank of Poland 2007). Such a two-tier structure of the labour demand is quite typical for most well-developed countries and may suggest that Poland – particularly in view of its population structure changes – will need an immigrant labour force to fill the gaps in the future, particularly on the secondary labour market.

The dynamics of job creation are highly differentiated regionally. The highest activity in this respect was recorded in the Mazowieckie (for 35.9% of companies, 40.5 thousand new workplaces) and Śląskie (23.7% and 23.9 thousand, respectively) voivodships (regional administration units). The lowest number of new jobs was recorded in the Podlaskie and Opolskie voivodships (3.0 and 4.0 thousand, respectively), which clearly reflects the economic potential of given regions (National Bank of Poland 2007). Again, regional concentration of new workplaces available is consistent not only with economic activity, but also with migration patterns – it holds true both in case of regions of massive out-migration (podlaskie, opolskie), where migration seems to drain local economic potential, but also in the case of the most important immigration magnets (mazowieckie, śląskie). In a long term such disparities in job creation concentration may have a number of undesirable effects, including negative impact on labour supply and labour market equilibrium.

After many years of oversupply on the labour market – a typical phenomenon for most CEE countries under transition – Poland suddenly and mostly unexpectedly entered the period of serious labour shortages. From the research carried out among Polish employers it follows that the question of securing labour demand has recently become one of the most serious problems of Polish companies. In 2006, 11% of surveyed companies – 6 times more than in 2005 – reported serious labour shortages and this issue was reported as one of the leading barriers to growth in the case of Polish companies. These imbalances are not only a consequence of shortages in the number of economically active persons, but also of a mismatch between the educational attainment of the labour force and the needs of the labour market. Employers particularly need persons with tertiary (58% of surveyed companies), secondary vocational (50%) and basic vocational (20%) education. The most demanded specializations included: professionals (finance, insurance, marketing, logistics, and IT specialists), technicians, and skilled or unskilled craft workers. Interestingly, labour market surpluses are recorded not only in the case of highly skilled but also semi-skilled and skilled labour. This is, among others, a consequence of the structure of the Polish educational system. For example, the number of vocational schools is decreasing, while there is a visible rise in

---

12 Reasons of this situation will be analyzed in a detailed way in following parts of this report.
13 The number of companies stating that this is an important barrier to growth increased from 1.8% in Q4 2005 to 10.7% in Q4 2006 (National Bank of Poland 2007).
14 Imbalances on the Polish labour market are to a large extent a consequence of differences in regional distribution of labor supply and vacancies. In this context, low internal mobility of Polish population seems to be one of the most important issues for the labour market policy.
demand for such schools. These tendencies are expected to have an important impact on the labour market situation in the future. The potential impact includes wage pressures (35% of companies planned to raise wages in the second half of 2006, which was the highest number since 2004) and long-lasting imbalances on the local and regional labour markets leading to active recruitment of foreign labour (KPMG 2007). However, a serious empirical analysis of shortages on the Polish labour market and their consequences for economic development is still missing.

2.5. Challenges to the Polish labour market

2.5.1. Unemployment trends and perspectives: vulnerable groups and persons

Crucial factors responsible for labour market performance include sex, age, and education. Based on these factors one may identify the most vulnerable groups on the Polish labour market:

- Females constituted the most vulnerable group on the Polish labour market. In comparison to men, women had lower participation and employment rates in all age brackets and higher rates of unemployment. In 2006, in two thirds of the counties (powiat) the share of women represented 60–70% of all registered as unemployed. The biggest difference in the participation rate between men and women was observed for the 55–59 age group.

- Persons aged between 18 and 24 constitute another vulnerable group. However, in this case the rate of unemployment is combined with the low participation ratio that amounted only to 30–40%, and as a consequence the problem concerned a relatively small number of people. Nevertheless, this group was the only one that recently noted an increase by 1.4% in participation rate, contrary to people at the non-mobility age who experienced a decrease by 2.3%.

- Education is the next factor, beside sex and age, which differentiates the probability of employment. The lower the education level, the greater was the chance of being unemployed and of having lower economic activity. In the third quarter of 2006, the highest unemployment rate regarded people with lower education (20.2%), and the lowest rate was recorded for those who had tertiary education (6%). At the same time the activity rates in both groups were 22.5% and 79.5%, respectively (CSO 2007a).

Long-term unemployment is another key characteristic of the Polish labour market. Figure 2.7 indicates that Poland is seriously lagging behind the EU15 countries with respect to both unemployment rate and long-term unemployment rate, additionally, the situation worsened significantly in the first half of 2000s. In the third quarter of 2006 more than 1 million people (over 50% of the total population of the unemployed) were staying without employment for longer than 13 months, whereby the average duration of unemployment amounted to 19 months (CSO 2007a). However, the duration of long-term unemployment is higher than the average for the groups that have been mentioned as the more vulnerable on the labour market.
However, this was not the case with women, who were on average unemployed for shorter periods than men, though for the 45–74 age group the average duration of unemployment was about 5 months longer in the case of both sexes. On average people with higher education stayed 11.3 months without work, whereas people with primary education 22 months. Discouragement levels increase proportionally to the duration of job seeking. The more time they stay out of work, the greater is the probability that they will remain inactive, especially as far as people at the immobile age are concerned.

Figure 2.6. The rate of unemployment and participation rate by age and sex, LFS, 3rd quarter 2006

![Figure 2.6](image1.png)

Source: Own elaboration based on LFS, 3rd Quarter 2006

Figure 2.7. Unemployed and long-term unemployed (12 months and more) as a percentage of the total active population in the EU15 and Poland, 1994–2005 (in %)

![Figure 2.7](image2.png)

Source: Own elaboration based on EUROSTAT data
Recent statistics have shown that compared with an analogous period in the previous year, the number of people that mentioned discouragement caused by the inefficiency of job seeking as the main reason of being inactive increased by 51.6% (CASE 2006). Additionally, studies on the micro-level showed that the outflow from unemployment to employment include predominantly those persons who were without work for a relatively short period of time, the young and the relatively well-educated. This suggests that the long-term unemployed may be, at least to some extent, negatively selected, and as a consequence, mismatches and imbalances on the labour market may even be entrenched (Liwiński and Sztanderska 2007).

Figure 2.8. Unemployment rate (left chart) and participation rate by sex and education

2.5.2. Informal economy and employment

Typically, economies under transition are marked by a relatively high share of informal activities on the labour market. Similar hypotheses are commonly put forward with regard to the Polish labour market. Nevertheless, our knowledge on the scale and scope of the informal economy is rather limited. Some information concerning informal employment has been gathered through surveys carried out as sub-modules of LFS in the years 1995, 1998, and 2004 (CSO 2005).\(^\text{15}\)

\(^{15}\) In all of these surveys the point of interest was unregistered employment understood as employment without a valid contract (no social or health security payments, no taxes paid) or self-employment, whereby in the latter case the self-employed person did not fulfill his or her fiscal duties.
According to the data provided by these surveys, the scale of unregistered employment decreased between 1998 and 2004. In the first 9 months of 2004, almost 1,317 thousand persons worked in the shadow economy, while in 1998 (January – August) relevant number equalled 1,431 thousand. At the same time around 1,019 thousand households took advantage of illegal work or services (in 1998: 1,418 thousand). Both surveys showed clearly that illegal employment is a common phenomenon in Poland. In fact, in 2004 unregistered workers constituted 9.6% of all (legally) employed, while in 1998 this share equalled 9.3%.

Additionally, as compared to 1998, the number of those persons for whom unregistered employment constituted their main job was relatively higher in 2004 and increased from 650 to 829 thousand. Employment in the shadow economy was the main activity relatively more frequently for women and persons living in cities. Unregistered employment is performed by almost all generations of Poles, persons coming from various social groups, however:

- men constituted the highest share among unregistered workers (63%),
- shares of persons living in urban and rural areas are similar (52% and 48%, respectively), but we should keep in mind that the number of households in urban areas is twice as high as in rural areas,
- the highest propensity to illegal employment was recorded in the case of persons aged 45-49, and also 25-34 (men), and 35-44 (women),
- around 70% of persons taking up employment in the illegal economy was constituted by persons with basic or vocational education, and only by 6% of persons with tertiary education (the only one group with the dominant position of women).

With regard to sectoral composition, the most important role was played by agriculture-related activities (278 thousand employed persons in 2004, additionally 227 engaged in neighbourly help), then repair or installation services (188 thousand), construction (149 thousand), repairs (cars and machines, 83 thousand), and trade (83 thousand). Segmentation of the shadow economy with respect to sex was clearly visible: men were employed predominantly in construction and repair, women in household services and trade.

There exist no unambiguous data on the impact of employment on informal labour market on the Polish economy and GDP formation. All known estimates differ significantly. E.g according to Polish Ministry of Finance (following Central Statistical Office) the extent of shadow economy is estimated between 25 and 30% of GDP, according to European Commission the size of informal sector in Poland shall be smaller and equal less than 15% of GDP (2004, CASE 2006). However, most of economists claim that the extent of shadow economy is far smaller than it was in the first phase of transition.
2.5.3. **Foreigners on Polish labour market**

Similarly to the research on the shadow economy, knowledge on participation of foreigners in
the Polish labour market is very limited. Analyses based on registered employment only
showed that the largest demand for foreign labour is generated by small and medium-size
enterprises; however, this is not relevant to their share in the total number of active companies
in Poland (Golinowska 2004). For example, in 2000–2002 companies which employed less
than 5 workers employed around 35% of all foreigners in Poland, yet they constituted almost
95% of all companies in Poland. Demand for foreign labour is strongly concentrated with
respect to sectors of economy: the highest share of foreigners who received work permits was
employed in the trade and repair sector (over 30% of all holding a work permit in 2002),
followed by industry (17%), education (14%), and real estate (11%).

With regard to skill level and occupations, the dominant group consisted of professionals and
managers (over 50% in 2002), then experts and advisors (27%), and teachers (22%).
Foreigners legally employed in Poland are very well educated: most of them completed at
least secondary education. This kind of structure shows clearly that available statistical data
provides information on only one specific sector of the labour market which is relatively
easily accessible for foreigners. There is no information on employment in the shadow
economy and low-wage sectors; however, according to different estimates the number of
immigrants employed in these sectors may be many times higher than of those employed
legally.

From other sources it follows that Polish employers have demonstrated rather limited interest
in employing foreign workers so far (Kalski, Łazarczyk 2005). Almost 90% of the surveyed
companies did not even attempt to recruit foreign labour, and this type of employment was
typical only for companies with foreign capital participation (foreigners were employed in
over 40% of them, predominantly at expert positions). However, every 5th company declared
a willingness to employ qualified workers coming from other EU countries. This, in turn, may
suggest that due to increasing labour shortages, Polish employers are increasingly interested
in seeking workers abroad.
Chapter 3: Migration and employment of migrants
(Weronika Kloc-Nowak)

Data on migration to Poland have been vastly criticised for their incompleteness and inadequate choice of definitions (Kędelski 1994, Okolski 1997, Sakson 2002). Therefore, to draw the most accurate picture of migration to and from Poland we have to confront a variety of sources such as the National Census of Population of 2002, Central Statistical Office (CSO) data on registered migration, Office for Repatriation and Aliens data on residence permits issued and Ministry of Labour and Social Policy concerning the work of foreigners. Polish data on emigration are confronted and supplemented with the receiving countries’ statistics, especially those of the UK.

3.1. Immigration to Poland: basic trends and features

Each year Polish CSO reports the number of immigrants registering for permanent residence with the local administration. This does not reflect the actual inflow of foreigners in the given year, but rather the number of residence permits issued and refugee statuses granted plus the returns of Polish nationals who had lived abroad. This way the immigration statistics report administrative actions, rather than the actual migration. Immigration of a foreigner may be reported even a few years after his arrival – or may not be reported at all if the person fails to satisfy the permanent residence permit criteria.

Figure 3.1. Permanent immigration to Poland, 1989–2005

![Graph showing immigration to Poland, 1989–2005](image)

Source: CSO statistical and demographic yearbooks, various years.

Generally, over the last 15 years immigration to Poland increased significantly as illustrated in the Figure 3.1. In 1989 CSO registered the inflow of 2.2 thousand persons, which then started to rise to reach over 8 thousand in the period 1995–1998. Then the registered immigration fell and remained below 8 thousand for 5 years. This was a result not only of the decrease in the inflow but also of the introduction of the Aliens Act in 1997, which extended
the period of stay on a temporary permit, before an immigrant could register for permanent residence, to 5 years. Accordingly, the increase since 2003 can be contributed to the postponed registrations. Significantly, 2004 witnessed the largest registered permanent immigration since 1959 (Kępińska 2006).

According to the CSO statistics during the last 15 years countries from which the most significant registered permanent immigration took place were Germany, USA and Ukraine. The analysis of number of residence permits issued to foreign citizens (Office for Repatriation and Aliens 2006) reveals that Ukraine is the country sending to Poland the largest number of foreigners. In 2005, 1,518 Ukrainian citizens received permanent residence permits and 8,304 temporary residence permits. In the same year German citizens were granted 1,027 temporary and 5,090 permanent residence permits of the type for EU citizens. One may suspect that immigrants from Germany and USA are to large extend Poles coming back from abroad. This is justified by the fact that registered inflow from these countries, not so much affected by the Aliens Act, didn't decline significantly in 1999–2003.

Polish CSO also provides data on immigrants registered for temporary residence of over 2 months. These numbers were increasing from 18 thousand in 1997 to 43.6 thousand in 2000 and have been fluctuating since 2000. In 2005 there were 42,417 temporary immigrants (CSO 2006). This number may be treated as an approximation of the stock of immigrants holding temporary residence permit in a given year, as, since 1999 the permits have to be renewed annually.

The National Census of Population in 2002 made it possible to characterise the stock of foreigners living in Poland at that time. The analysis below will concern only the immigrants with foreign citizenship, not the Polish return migrants. The number of foreign citizens, born abroad and residing permanently in Poland in 2002 was 29,748, and residing on a temporary basis – 23,032. Among both categories of migrants, citizens of the former USSR were found most frequently (see Table 3.1).

Table 3.1. Foreign population according to type of residence permit and citizenship, 2002

<table>
<thead>
<tr>
<th>Citizenship</th>
<th>Ukrainian</th>
<th>Russian</th>
<th>Belarusian</th>
<th>Vietnamese</th>
<th>German</th>
<th>Total foreign population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[%]</td>
<td>[%]</td>
<td>[%]</td>
<td>[%]</td>
<td>[%]</td>
<td></td>
</tr>
<tr>
<td>permanent residence</td>
<td>23</td>
<td>6 723</td>
<td>14</td>
<td>4 016</td>
<td>7</td>
<td>2 023</td>
</tr>
<tr>
<td>temporary residence</td>
<td>29</td>
<td>6 610</td>
<td>8</td>
<td>1 912</td>
<td>8</td>
<td>1 820</td>
</tr>
</tbody>
</table>


There is a slightly larger share of males in immigrant populations (50% among permanent residents and 51% among temporary ones) than in Polish population in general (48.4%). As illustrated in the Figure 3.2, immigrants, especially males, are characterized by a much larger share of persons in the productive age (Okolski 2006). This feature is persistent over time: in
the 2005, 70% of permanent immigrants and 85% of temporary ones recorded by the CSO were in the age of economic activity (CSO 2006).¹⁶

**Figure 3.2. Productive age population among Polish nationals and immigrants, 2002**

Note: In Poland as the productive age we understand 15–64 for males and 15–59 for females.

Among the immigrant population, the share of persons with tertiary education is 34%, compared to only 10% among nationals. Similarly the least qualified group is twice more frequent among nationals than among foreigners (both groups aged 15+, Okólski 2006, based on the census data).¹⁷ In 2005 among the registered immigrants ²¹% had higher and 34% had secondary education. Clearly, the immigrant population is not only younger than the receiving one, but also much better educated.

### 3.2. Immigrants on the Polish labour market

According to the Census, in 2002 there were 21,415 working foreigners (62.5% of them were male, 62% permanent residents). This was only 0.17% of the working population of Poland.

Foreign immigrants were economically less active than Polish citizens (see Figure 3.3.). Although male immigrants' level of activity was close to the country's average, the difference was more evident among females: only 33% of immigrant women worked, while 42% were economically inactive (Okólski 2006).

¹⁶ Immigrants of all citizenships, including Polish – see remarks above concerning migration registered by CSO.
¹⁷ The shares of people with secondary and higher education among the Polish nationals might be underestimated as population aged 15–23 is often still enrolled, while immigrants usually come after they have finished education (excluding students). Yet the difference in favour of the immigrants remains evident.
¹⁸ Including Polish citizens.
Figure 3.3. Economic activity of Polish nationals and immigrants, 2002

![Chart showing economic activity of Polish nationals and immigrants, 2002](chart.png)

Note: In Poland as the productive age we understand 15–64 for males and 15–59 for females.

Annually the data on work permits issued to foreigners on the Polish labour market are supplied by the Ministry of Labour and Social Policy. They do not include certain EU citizens or foreigners who have the right to be employed such as spouses of Polish citizens.

The number of work permits has been growing in the 1990s until it stabilised around 20,000 per year between 1998 and 2001 (Figure 3.4). The peak of over 24.6 thousand permits in 2002 marks a change in regulations (a new category of migrants had to obtain permits). Since then the number of work permits has dropped significantly (Kępińska 2006). The decline in the number of work permits was the strongest for the citizens of EU countries, especially those, with whom Poland reciprocally opened labour markets: UK, Ireland, Sweden, new member states, but also France. As a result, the share of permits issued to non-EU citizens increased: in 2005 among all work permit holders\(^{19}\) Ukrainians alone accounted for 26% with 2897 work permits issued (CSO 2006). The share of women among work permit holders declined from approximately one third in 2004 to one fifth in 2005, as women were more numerous among EU-workers than among the non-EU applicants (Kępińska 2006). Approximately 43% of permits issued in 2005 were first time permits for newly arrived foreign workers (*idem*).

A vast majority (96%) of the work permits issued were valid for three months or more. 44% of permits were for employment in companies with up to 9 workers (the proportion increased between 2002 and 2005). Small companies dominated among employers of workers from the former USSR and Asia. In comparison, the Westerners obtained permits rather in larger companies (e.g. Germans and French mostly in companies with 250 or more employees, cf. Kępińska 2006).

\(^{19}\) Including foreigners working in sub-contracting foreign companies, which is a much smaller group than the individuals.
Most work permits were issued in manufacturing and retail sectors (Figure 3.5.). Immigrants from Asia dominated in hotels and restaurants while foreigners from the former USSR had the largest share in education, manufacturing, health and social work. While looking at the construction sector, one has to bear in mind that additionally over 600 Ukrainians, Belarusians and Russians received permits through subcontracting companies, which were mostly (69%) operating in constructions (Kępińska 2006).

Teaching stands out as one of the most popular professions for labour migrants to Poland: it accounted for 10% of the work permits in 2005. Comparably, during the 2002 census 11% of employed permanent immigrants and 20% of temporary ones worked as teachers (Napierala...
While the native speakers, mostly Americans and British, are valuable for the sake of their mother tongue, teachers from the East may be considered as the only specialists available for the price Polish schools can afford (Frelak 2005).

Work permits are not distributed evenly between the regions of Poland. In 2004 half of them (over 6000 individual permits) were issued in Mazowieckie voivodship. 5 voivodships in the West and South of Poland issued over 500 permits each. In the remaining 10 the number was below 500 (Kępińska 2005). Registered foreign labour concentrated in the most industrialised regions, with large cities. The pattern has been maintained since over a decade, as a very similar distribution was reported in the 1990s (Głąbicka, Sakson 1997).

Hardly any data are available on illegal residence and employment of foreigners in Poland. The number of recognised cases of undocumented employment of foreigners fell by 40% between 2003 (2711 cases) and 2005 (1680), yet over the same period the number of labour inspections decreased by 20%. Half of the recognised foreign workers were Ukrainians, a quarter – Belarusians. It is striking, that the largest number of cases (795 illegal foreign workers, 47% of the total number identified in Poland) was recorded in Lubelskie voivodship in eastern Poland, which in contrast had one of the lowest numbers of work permits (Kępińska 2006).

Neither the work permits data nor the census reported significant number of foreigners employed in agriculture (4%) or care and domestic services (3%) (Napierala 2006). However, various research reveal that many immigrants work in these branches – yet illegally. According to Grzymała-Kazłowska and Okolski (2003) since 1997 illegal employment in these sectors and in construction have been dominated by Ukrainian workers, when petty trade of the early 90s ceased to be profitable.

There is only scarce research on the subject of illegal employment of foreigners in farming in Poland. The below summary is based on press materials from the period 2006–2007 and qualitative research done by Antoniowski (1997, 2002).

In the 90s Ukrainian workers came to the Polish farmers as a blessing, because the Polish workers ready to take employment for the money offered by farmers were unreliable, abusing alcohol, and avoiding work. Ukrainians came in organised groups, ready to work hard for over 12 hours per day. As they used tourist three months’ visas their desired length of stay fit the demand of Polish farmers for seasonal labour during harvests of fruits and vegetables. In the period 1996–1997 such farm workers earned ca 2.50 PLN per hour, in addition they were provided with free accommodation and some food. Antoniowski estimated a Polish farmer saved ca 320PLN monthly (ca 80 Euros at present rate), hiring Ukrainians instead of Poles (if he would find Poles willing to do this kind of work at all). During qualitative research it was revealed that most of the farm workers were between 30 and 55 years old, the sex structure was balanced, as women worked mostly in harvesting and sorting fruits and vegetables, while
men were responsible for machines and constructions in the farm. After the accession, when thousands of Poles found unskilled jobs abroad, Polish farmers became even more dependent on the foreign labour. Yet, in 2006 the activity of Polish Border Guards increased making it more difficult for the Ukrainians to enter Poland. As a result many farmers complained about being deprived of their usual harvesters and risking substantial loss if their crops were left in the fields and orchards.

In Poland irregular employment is a large problem, concerning not only foreigners. The costs of social contributions and taxes are very high for the employer. In addition, in case of immigrant labour, work permit procedure is costly and long (involves labour market testing). If the employer can only afford cheap labour, these additional expenses make legal employment of foreigners fall below the limit of profitability (Gmaj 2005, Frelak 2005). The immigrants themselves don’t put pressure employers to legalise their work as it would reduce their wages. Both sides ignore the risk of being identified by the labour inspectors – in private houses or small rural communities it is minimal.

3.3. Emigration from Poland before and after the EU accession

Official emigration data for Poland published by the CSO show the number of people deregistering from their place of residence with the intention to move abroad permanently. This number has been fluctuating around the level of 20 thousand per year since 1989 (Figure 3.6). However, these data do not reflect the real trends as people avoid deregistration. If we compare the CSO data with the information obtained during the 2002 Census about the year of departure of persons who had been absent for at least 12 months, we find that the census revealed 449 thousand more emigrants of this category. CSO accounted for 293 thousands deregistrations for the period 1989–2001, while the National Census of Population 2002 recorded 786 thousand of the registered residents of Poland who had been abroad for over 2 months, 626 thousand of them – for over 12 months. Most of them left between 1989 and 2001, however the year of departure of 79 thousand emigrants was unknown and 98 thousand left in 1988 or earlier (CSO 2003). All these people were still registered and treated by the Central Statistical Office as inhabitants of Poland. However, for the year 2006 CSO estimated permanent emigration number to increase to 51 thousand (CSO 2007b) which would finally reflect, although with a delay, the enlarged outflow after the accession.

---

20 Data from the population register for January-September plus estimates for the last quarter of 2006.
Among persons temporary absent, identified in the National Census of Population 2002, women prevailed (53.8%) and were usually younger (most numerous group aged 20–24) than men (most numerous group aged 25–29). The largest numbers of emigrants went to Germany (294.3 thousand), USA (158 thousand) and Italy (39.3 thousand) (CSO 2003). Of 576 thousand emigrants aged 15+ who at the moment of census lived abroad for over 12 months, 14% had tertiary education, compared to 10.4% of the resident population in 2002 (Fihel, Kaczmarczyk, Okolski 2006).

In 2005 out of 22.2 thousand of registered permanent emigrants 46.6% were women. Among female emigrants, 25–29 and 20–24 age groups are dominant, while among male ones: 15–19 and 20–24, thus we see that the phenomenon of permanent emigration turned to younger age groups than in the period 1989–2001. The share of people with tertiary education among registered permanent emigrants aged 15+ was 12% in 200521 and women were better educated (15%) than men (10%). Among 31.1 thousand people who registered their temporary stay abroad in 2005, 72% were males, half of them aged 20–24. Among women, group aged 25–29 was most numerous. No data on education level of this category of migrants were published (CSO 2006).

Finally, information on emigrants available from the quarterly Labour Force Survey22, shows on average 250 thousand Poles staying abroad for over 2 months in 2004 and an increase in 2005 to 275 thousands in the first half of the year. The number of long term (over 12 months) migrants has been constant in the recent years (ca 100 thousands), while the number of temporary migrants (absent for 2–12 months) more than doubled between 2002 and the post-

---

21 12% of those whose education level was known. However, these data are not of good quality, 25% have unknown education level. It is impossible to compare with previous years as for 2002 the education level was unknown for 65% registered emigrants.

22 Emigration data from LFS are based on information given by other household members, thus only migrants who left families in Poland are recorded.
The share of emigrants with tertiary education recorded by LFS in 2004 was over 10% and has increased slightly in comparison to 2001–2003 (Fihel, Kaczmarszyk, Okólski 2006). According to the LFS between 2000 and 2004 the share of people aged 15–24 among migrants increased to almost 30% (World Bank 2006).

Countries to which the highest numbers of Poles migrate are Germany, the UK and – outside Europe – the USA. However, due to differences in definition and registration methods, Polish data on destination of emigrants from Poland are not comparable with the statistics of receiving countries, as proven by the double entry vectors (see Table 3.2).

Table 3.2 Emigration from Poland to selected European countries, 2005

<table>
<thead>
<tr>
<th>Country of destination:</th>
<th>Germany</th>
<th>United Kingdom</th>
<th>Austria</th>
<th>Spain</th>
<th>Netherlands</th>
<th>Sweden</th>
<th>Norway</th>
<th>Denmark</th>
<th>Cyprus</th>
<th>Czech Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported by:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the receiving country</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland: permanent emigration</td>
<td>12317</td>
<td>3072</td>
<td>308</td>
<td>265</td>
<td>393</td>
<td>268</td>
<td>72</td>
<td>58</td>
<td>6</td>
<td>49</td>
</tr>
<tr>
<td>temporary stay (&gt; 2 months)*</td>
<td>8070</td>
<td>7843</td>
<td>657</td>
<td>793</td>
<td>2126</td>
<td>358</td>
<td>234</td>
<td>127</td>
<td>80</td>
<td>110</td>
</tr>
</tbody>
</table>

* Data on persons de-registering for a temporary stay of over 2 months are not treated as emigrants from Poland. They were presented here for the sake of comparison, as other countries usually have much more liberal definitions of migration than Poland. Still, even including the registered temporary emigration, Polish data underestimate the flows from Poland in comparison to the receiving countries’ data. Table presents 10 countries with the highest flows among those for which all the figures were available.

Source: Eurostat data, Polish CSO.

The sectors in which Poles work abroad can be identified thanks to the host countries’ data. For example in the UK (see Figure 3.7) of over 350 thousand Polish workers registered between May 2004 and December 200623 majority were found in the administration, business and management services. However, this does not identify their position, as they could be only auxiliary or even cleaning staff in offices. Moreover, all workers employed through employment agencies fall into this category, despite the sector they really work in. Poles in UK frequently do physical unskilled jobs in industry, agriculture or services (mainly in the Hospitality & Catering sector). At the same time UK tends to attract highly educated Poles (over 30% have tertiary education), which suggests that their human capital is wasted there. In Ireland migrants from Poland and other EU8 are employed in both low and high-skilled sectors (World Bank 2006).

Apart from the relatively new massive inflow to UK and Ireland, still pertain the patterns of Polish illegal labour migration developed in the 1990s (e.g. to Belgium; Grzymała-Kazłowska 2001) or even earlier (to Germany; Kaczmarszyk 2001). The jobs undertaken illegally by

---

23 For the details of the methodology of Workers Registration Scheme and the limitations of its data see “Accession Monitoring Report May 2004 – December 2006” (Home Office 2007).
Poles in these countries are usually in construction (males) and care and domestic services (females). The scale of employment of Polish women as domestic workers or carers is difficult to estimate in Germany or Belgium, while for example in Italy 25 thousand Poles revealed such activity during the abolition in 2003 (Rosińska-Kordasiewicz 2005).

Figure 3.7. Polish applications to Workers Registration Scheme by occupation, May 2004–December 2006

<table>
<thead>
<tr>
<th>Occupation</th>
<th>% of Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>9%</td>
</tr>
<tr>
<td>Administration, Business &amp; Management Services</td>
<td>39%</td>
</tr>
<tr>
<td>Hospitality &amp; Catering</td>
<td>20%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7%</td>
</tr>
<tr>
<td>Food/Fish/Meat processing</td>
<td>5%</td>
</tr>
<tr>
<td>Entertainment &amp; Leisure</td>
<td>1%</td>
</tr>
<tr>
<td>Transport</td>
<td>3%</td>
</tr>
<tr>
<td>Total – Other Occupations /Not stated</td>
<td>3%</td>
</tr>
<tr>
<td>Construction &amp; Land Services</td>
<td>4%</td>
</tr>
<tr>
<td>Retail &amp; Related Services</td>
<td>4%</td>
</tr>
<tr>
<td>Health &amp; Medical Services</td>
<td>5%</td>
</tr>
</tbody>
</table>

Each year there is also a group of short term migrants – seasonal workers employed based on bilateral agreements. The numbers show clearly that seasonal work is the most popular type international labour mobility of Poles (Table 3.3).

Table 3.3. Work permits issued to Polish citizens in selected EEA countries (in thousands), 2005

<table>
<thead>
<tr>
<th>Country</th>
<th>Austria</th>
<th>Belgium</th>
<th>Czech Rep.</th>
<th>Finland</th>
<th>France</th>
<th>Germany</th>
<th>Iceland</th>
<th>Italy</th>
<th>Norway</th>
<th>Spain</th>
<th>Sweden</th>
<th>Switzerland</th>
</tr>
</thead>
<tbody>
<tr>
<td>number of permits</td>
<td>10</td>
<td>3.4</td>
<td>3.8</td>
<td>0.2</td>
<td>9.7</td>
<td>321.6</td>
<td>2.1</td>
<td>33.5</td>
<td>24.2</td>
<td>11.6</td>
<td>28</td>
<td>3.8</td>
</tr>
<tr>
<td>of which seasonal</td>
<td>5.2</td>
<td>3.1</td>
<td>no data</td>
<td>permit not needed</td>
<td>8.2</td>
<td>273</td>
<td>no data</td>
<td>20.5</td>
<td>no data</td>
<td>no data</td>
<td>permit not needed</td>
<td>2.6</td>
</tr>
</tbody>
</table>


The most important receiving country is Germany, where the number of workers exceeded 250 thousands in 2002 and 320 thousand in 2005 (World Bank 2006). Seasonal workers are mostly males (82% in the study of Korczyńska (2003), 2/3 according to the representative survey done by CMR in 2002 (Kaczmarczyk, Łukowski 2004)), aged mostly in their thirties (Korczyńska 2003, Kaczmarczyk, Łukowski 2004). Female workers, in turn, are either younger (44% below 25) or older (22% 41–45) (Korczyńska 2003). Majority (63% in
Korczynska’s study, 50% according to Kaczmarczyk and Łukowski) of the seasonal workers have jobs in Poland, the rest are unemployed or economically inactive – the structure does not differ significantly from the whole Polish population. The seasonal workers usually have their education level below secondary, mostly vocational. The data on the share of workers with tertiary education vary from 2% (Korczyńska 2003) to as much as 11.1% (Kaczmarczyk, Łukowski 2004).

The seasonal work is a specific phenomenon as on the one hand according to the UN definition migration does not take place, but on the other – these people bring in remittances, they are often under- or unemployed in Poland so their work on the German market constitutes the core of their economic activity, very often their migration is a repeated activity (81% of surveyed by Korczyńska (2003) were not first time seasonal migrants), forming a long term element of their and their families’ life (Okólski 2004). Although seasonal work brings sometimes significant income to the migrant household, in the long term it may conserve the lack of economic activity of the other household members or keep unemployed persons passive in the national labour market during the rest of the year\(^ {24}\). As a result, a seasonal worker, although gains income for living, becomes permanently marginalised on the Polish labour market (Fihel 2004).

Circulation and seasonal migration are both the forms of mobility considered as characteristic for the transformation period. After 1989 geographers (Korcelli 1994) observed a transition from internal to international mobility. At the same time, this international mobility didn’t take, as it had been expected, the form of a mass exodus, but only of circular or pendular mobility. The share of people from highly urbanised areas among migrants diminished, while the share of inhabitants of peripheral regions increased. This type of workers before 1980s used to be quite mobile internally, commuting to work in industry, without moving to towns permanently. After the transformation they transposed their mode of functioning into circulation on international arena (Jaźwińska, Okólski 2001). It was developed through a well institutionalised network, sending people from small towns of mostly eastern Poland to western Europe. Poles work there mostly illegally, as domestic workers or on construction sites. In Poland, with the money earned abroad they build houses, purchase durable goods, invest in farms or small business in the town. Similarly as in the seasonal work, mostly poorly educated people take part in the activity. The massive movement was enabled after 1989 by establishment of direct international bus connections by the local transport operators, thanks to which it resembles simple commuting. This type of migration is referred to as incomplete migration (Okólski 2004).

\(^{24}\) According to LFS 28% of all the unemployed found employment within one year, while among the unemployed who took part in seasonal work abroad – only 10% became employed in Poland within the year. The seasonal workers are not available during some part of the year, they may also avoid such stable employment which would prevent them from going abroad next year (Fihel 2004).
3.4. Impact of emigration on Poland

Emigration from Poland has been increasing since 1998, however, the post-accession increase is not a simple continuation of the trend, as the outflow visibly strengthened after May 2004. leading to the Shortages of labour, especially qualified, caused managerial problems and increase of salaries for workers. In construction the effect of emigration is combined with lack of qualified workers, as a few years ago depression in this sector had led to change in qualifications of some workers and closing of vocational schools. In 2005 the salaries in that sector doubled the national average. In regions with construction boom (Warsaw, big cities) the increase was even bigger. In 2006 the regional labour offices reported 42.5% increase in the number of job offers in construction sector. The number of unemployed qualified to work in constructions diminished, but still was relatively large, what shows that some of them are not skilled enough to be hired or are not unemployed in reality. Basing on the opinions of employers, Ministry of Constructions estimates at least 150 thousand workers lacking in construction of buildings, letting aside construction of roads or other infrastructure. Most of the employers call for opening of the labour market for workers from the East (Dziennik 03.10.2006, Gazeta Wyborcza 11.01.2007). Another solution for some companies would be to invest in vocational training to guarantee the supply of qualified labour. Thus emigration may become an impulse for adjusting the vocational training system to the needs of Polish economy.

Remittances, especially of the migrants who had been unemployed in the country of origin, can significantly increase the financial resources of emigrants’ households. In 2005, in comparison to 2002, the balance of private transfers doubled and equalled 19 million PLN (6.9 million USD), of which the Ministry of Economy (2007) estimates over half to be transfers of salaries earned abroad. In 2005 private transfers equalled to 35% of the value of another development factor – the direct and portfolio foreign investment. One also has to remember that a large proportion of migrants bring or send their salaries home as cash – which is not registered. Although remittances are only in small part (ca 6%) invested in business, and largely supports current expenditures of households (ca 45%), still the increased consumption influences positively the local and national economy, also due to the multiplier effect (Ministry of Economy 2007).

Return migrants, bring back economic and human capital earned abroad. After 1989 Poland has become an attractive destination for return migrants for both political freedom and economic development reasons. Yet the data on return migrants are not recorded systematically – migrants who had not de-registered when going abroad (a frequent situation if emigrating from communist regime) don’t have to register their return either. During the National Census of Population in 2002, there were 50,074 immigrants with Polish citizenship. Although some of them might have acquired the citizenship in Poland, the vast majority are

---

25 Minutes from the meeting in the Polish Parliament, 14.02.2007 during which the report was presented: http://orka.sejm.gov.pl/Biuletyn.nsf
returning Poles. Among the Polish citizens 71% were born in Poland, among the double Polish-German: 59%, among Polish-other citizenship holders – only 44% were born in Poland (Fihel, Górny, Matejko 2006). The return migrants were very well educated: 31% had tertiary and 31% secondary education. 40% return migrants with only Polish citizenship and 30% among return migrants with two or more citizenships were aged between 30 and 49, therefore at the same time quite experienced and still productive. The return migrants settled mostly in urban areas or regions with high emigration rates and emigration traditions (southern Poland). Among return migrants with tertiary education 90% settled in towns, of which 1/3 in Warsaw agglomeration. Among 12 thousand return migrants with higher education 75% worked and 8% looked for employment – the level of economic activity was much higher than in whole Polish population. In general, 48% of the employed return migrants were working as specialists and managers – the top positions on the labour market (Fihel, Górny, Matejko 2006). Return migrants are on average not as well educated as immigrant foreigners but they have other assets (language proficiency, citizenship) allowing them to succeed in the labour market.

The future decisions of the present Polish emigrants will be shaped by conditions in both Polish and host countries’ markets. According to Jończy’s research on emigration from Opole region: salary in Poland of on average 2,650 PLN for males and 1,841 PLN for females would be enough to attract Poles working in the EU back (Jończy 2003). However, apart from earnings level, other conditions, for example regulations concerning entrepreneurship, taxation as well as efficiency of administration and juridical system, should change in order for Poland to achieve a similar success in attracting emigrants back as Ireland or South Korea.

Poland experienced significant brain drain in the communist period, when emigrants were better educated than the whole population. Some of them returned after the transformation. In the light of official data between 1990 and 2003 Poland even experienced a brain gain – the number of highly educated immigrants was higher than the parallel group of emigrants (Kaczmarszyk, Okolski 2005). The National Census of Population showed a slightly higher share of highly educated persons among emigrants (especially emigrating after 1997) than among the whole population. After the accession emigration started to be perceived as serious brain drain, as migrants are often highly skilled (doctors, IT specialists) or have potential to become ones in future (students and graduates). As they are often employed below their qualifications, it is rather a brain waste and is rightly described and commented in press under such titles as: “Polish elite engaged in British shops” (Gazeta Wyborcza 17.02.2006) or “I fell down to the lumpen proletariat” (Tygodnik Powszechny 22.08.2006).

Availability of medical services in Poland is much lower than in many western countries: in Poland in 2004 there were 432 persons per working doctor, while 295 in Germany and 251 in Belgium (CSO 2006). Very low relative number of medical specialists available to the population makes even a small emigration a problem for the health care system. In the period between May 2004 and July 2006, 5% of Polish medical personnel requested certificates
confirming their diplomas which are necessary for work abroad, 2.3% are estimated to have already gone abroad. By specialisation, the largest migration potential is shown by anesthesiologists (15%) and surgeons. Loss of qualified nurses is also an issue: 6 thousand (3% of the total number of employed in Poland) nurses and midwives asked for their certificates (Ministry of Health 2007). In addition, nurses often leave Poland without asking for the certificate, as they plan to work as carers in private care centres.

The result is 4,113 vacancies for doctors and 3,541 for nurses reported by public hospitals solely. The ministry refers to emigration rather as a threat for future, although in case of anesthesia and intensive therapy the problem is “already visible” (Ministry of Health 2007). There is no clear response to the problem. Polish local authorities counted on replacing emigrant staff by doctors from the East – yet foreigners cannot open private clinics and if they are limited to work in the public system – the wages offered in Poland are not attractive enough.

The real effects and the dramatic perception of the emigration resulted in a few initiatives to attract various types of emigrants back to Poland. In research the Foundation for Polish Science decided to offer scholarships for returnees with PhD (called “Homing” programme26). The scholarship include 100 thousand PLN (ca 25 thousand Euros) paid during 2 years, roughly an equivalent of a professional salary. In 2006, the foundation granted 16 scholarships27 for which there had been 46 applications. Also in 2006, the city of Wroclaw became famous with its action of attracting return migrants28. The city has 10% unemployment but lacks workers in various professions, especially given planned investments. Thus the target of its action are not only the former inhabitants but all well educated Poles, unsatisfied with their unskilled jobs in the UK or Ireland. Several other towns decided to follow this example and appeal to the emigrants29. Finally, this year the Polish government has started a campaign “Patriotism of tomorrow”, promoting modern patriotic and civic attitudes and thus aiming to persuade young people to stay in their homeland30.

26 http://www.fnp.org.pl/ang/programy/homing_more.html
27 http://www.fnp.org.pl/aktualnosci/aktualnosci.html#startHoming07
Chapter 4: Formulating migration policies: policy and politics change in the making (Anna Kicinger)

A brief overview of Polish migration policy developments after 1989 will be presented in this chapter with special focus on labour mobility issues. The basic characteristics and general description of policy developments (section 4.1) will be followed by the presentation of regulations aimed at managing the outflow (section 4.2) and inflow (section 4.3) of economic migrants from and to the country. The policy considerations on the future development of Polish labour migration policy will be presented in the end of the chapter.

4.1. Polish migration policy: basic characteristics and overview of developments after 1989.

Poland entered the new post-1989 period with limited experiences in regulating the inflow but ample experience of more or less restrictive exit policy of communist regime (Stola 2001a). The increase in international mobility of both Poles and foreigners that followed the transformation resulted in a need to respond to the new phenomena and challenges that arose from new migratory patterns created in the Central and Eastern Europe after the years of forcible repressed spatial mobility (Okolski 2004b). The reorientation from exit to entry regulation was the major shift in state policy on migrations. The finally liberalised exit regulations were to be combined with the new regulations on entry in a new geopolitical and economic order. Security concerns relating to the enhanced international mobility represented the most important challenge in the beginnings of the 1990s (Kicinger 2005). The cooperation with the Western European countries aimed at combating the illegal migration, international criminal activities started already in the beginning of the decade. Polish authorities engaged in the European cooperation within the Budapest process and joined the nascent new European migration regime created by the spreading network of readmission agreements in Europe.

Also the background for the new Polish asylum policy were laid down in the beginning of the 1990 when Poland accessed the Geneva Convention and New York Protocol along with the European Human Rights Convention. Following that, Poland, soon acknowledged as a safe country of origin and safe third country by Western states, was put at the risk of becoming a buffer zone for refugees heading for the West. Thus, given the progressing closure of Western countries, and despite the fact that the inflow in the 1990s remained relatively moderate, the policy instruments used by Western countries in their battle against asylum crisis were soon transposed to Polish asylum policy, as if in anticipation of potential inflow. In general, it can be underlined, that the developed asylum system proved to be a relatively well managed field of migration policy. An interesting policy decision was the introduction of the permit for tolerated stay in 2003, in response to the rising numbers of asylum seekers, mainly Chechens, that could not meet the Geneva convention criteria, yet at the same time could not be returned.
home for humanitarian reasons. The permit for tolerated stay offered to such persons basic humanitarian protection in Poland, including a right to work and to social assistance.

The policy decision that turned out to be of immense importance for the scale of inflow to the country, was the decision to maintain the non-visa regime with the ex-USSR countries. The visa-lifting agreement of 1979, originating from communist times and practically inactive before 1989 (non-visa regime was of no importance given that the access to passports was limited on both sides of the border). The liberalisation of passports law enabled the Poles and their Eastern neighbours to travel freely and the formerly restricted mobility flourished. Between 1988 and 1991, the number of arrivals from USSR to Poland more than quadrupled and reached 7.5 million arrivals in 1991 (Okoński 2004b: 32). The petty traders from the East, soon transformed in the irregular, seasonal or temporary workers employed in some sectors, mainly agriculture, construction, but also as house keepers and care givers. This phenomenon represented an irregular yet most important in terms of scale stream of inflow of foreign labour to Poland. The policy challenge posed by the irregularity of employment has been only recently met by some government attempts to open legal channels for labour immigration from neighbouring countries that will described in more detail in section 4.3.

The policy towards Polish co-ethnics abroad also constitutes an unsolved migration policy challenge. Although, the 1990s witnessed the revival of the idea of repatriation of Poles from the East, the subsequent regulations on repatriation led to very limited results in terms of numbers of repatriates that actually arrived in Poland in comparison to the estimated potential of persons of Polish origin in the East. The regulations limited the geographical scope of repatriation (only Asiatic Republics of the former USSR and Asiatic parts of the Russian Federation) and the laid the financial burden mainly on local communities (gmina) without adequate financial support from the central government. Consequently, the voices are raised that the repatriation policy needs reformulation, so that it encompass not only the provisions on repatriation, but also some forms of facilitation to settle in Poland by all members of Polish diaspora abroad. Thus, the discussions on the Charter of a Pole, that would give a privileged access to Polish territory and possibly labour market to persons of Polish origin, were resumed in 2005 after the centre-right coalition under Jarosław Kaczyński came to power.

Generally, Polish migration policy after 1989 developed under the predominant influence of EU requirements in a bureaucratic and non-politicized way (Weinar 2006). The Western influences have played a role in Polish migration policy shaping already since the beginnings of the 1990s. The influences become even more evident after 2001 when the negotiations on the Justice and Home Affairs (JHA) chapter started and Poland had to adopt its migration law to the changing EU acquis in the field. The regulations on migration, mainly immigration, were shaped under the institutional processes of policy learning and policy transfer from the West (Weinar 2006: 221). As proved by Weinar, the processes of Europeanisation of policy started already in the 1990s, well before the EU accession and accelerated in during the
negotiations process. The scope and extent of Europeanisation depended on the policy field. In some fields, such as asylum policy, the Europeanisation turned out to be a predominating factor, whereas in other fields, such as e. g. visa policy, the scope of Europeanisation remained lower (Kicinger, Weinär and Górny 2007).

The way of migration policy-making in Poland could have been until recently best characterised as non-politicised, with major role of bureaucracy and administration. The circle of main stakeholders in policy-making process was limited. From the formal institutional perspective, although the competences in migration become relatively dispersed and no governmental organ existed that would be wholly responsible for migration matters, the Ministry of Interior took the lead in the central administration already in the beginning of the 1990. This position was strengthen with the creation of Office for Repatriation and Aliens (Urząd ds. Repatriacji i Cudzoziemców) that was to be supervised by the Ministry. The issues of employment of Poles abroad and foreigners in Poland generally remained under the purview of the Ministry of Labour and Social Policy. The latter took on also the responsibility for integration issues.

Polish migration policy making process has till only recently been a scarcely politicised issue with practically no involvement of political parties and very minor role of public opinion resulting for practically non-existent public debate. The latter was limited to the tiny circles of academics and NGOs interested in migration and asylum. Nor political parties, nor single politician, nor the trade unions revealed any interest in migration. Only the media attention on the post-accession outflow did stir the public and political debate on emigration and, consequently, also on immigration issues. This resulted in considerable changes in Polish migration policy and politics, with new actors that entered the scene and new policy dimensions relating both to outflow and inflow management. The policy and politics changes are currently in the making.

4.2. Managing the outflow of Polish nationals: a wealth and variety of historic experience versus contemporary challenges.

Poland, as a country of emigration, had ample experience in regulation of outflow, both during the interwar period (1918–1939) when state actively supported emigrants (Kołodziej 1982) as well as during the communist regime (1945–1989) when various restrictions (mostly the limited access to passports) turned out to be more or less effective in the hampering the outflow (Stola 2001b). The retreat from restrictions after 1989 led to liberal exit policy, similarly to Western liberal democratic states, but the freedom to exit was also combined by the active state engagement to ensure Poles the possibilities to travel and work abroad. Several policy tools were used for this purpose, among them the bilateral agreements with various European countries.
Bilateral agreements with immigration countries were used by Polish government already in the interwar period as a policy tool in regulating the outflow. First, emigration convention with France, was concluded as early as in 1919, shortly after the resurrection of Polish state. The rationale behind the agreements were not only to provide access to foreign labour markets by Polish national, but also to negotiate the best conditions for Polish workers and protect them.

Totally different was the practice of communist regime. The bilateral agreements on exchange of labour were perceived through the ideological lenses of cooperation among socialist states, yet they had also some more pragmatic reasons behind. The agreements concluded with socialist (i.a. German Democratic Republic) and Arab countries in the 1970s enabled some numbers of Polish workers, mostly of construction sector, to take up employment abroad. Due to the political system and the international relations both within the East and between the East and West, the employment of Polish workers abroad was organised and supervised by the state.

In 1989 Poland was bound by several agreements on the exchange of workers that no longer corresponded to the new reality31. Instead, soon after the transformation a network of new agreements with neighbouring countries was established. The rationale behind them was mainly to establish or develop good-neighbourly relations between the countries. In practice, agreements with Czechoslovakia (1992), Ukraine (1994), Russia (1994), Lithuania (1994), and Byelorussia (1995), turned out to be of no importance for the migratory flows as they did not provided for any quotas nor privileges for the mutual employment of nationals. The agreements stated that the employment would be unlimited yet subject to national laws on the employment of foreigners, which in practice meant the normal procedure of work permit system (Dworańczyk 2002).

More important, in terms of the impact on the flows, were the agreements with western countries on the exchange of trainees or on seasonal employment concluded between Poland and Germany (1990), France (1990 and 1992), Luxembourg (1996), Switzerland (1993), and Spain (2002). Of them, most important proved to be agreements on seasonal employment with Germany, Spain and to some extent France32. The rationale behind the agreements on the part of Polish government was to enable Poles to work gainfully abroad as one of the means to combat unemployment. The seasonal work abroad as a policy tool to alleviate the rising problems on the Polish labour market, was clearly stated in the Ministry of Labour and Social Policy documents of 1991 and 1994 (Okolski 2004a: 26–27).

The agreement with Germany was signed on 8th December 1990 as the Statement by Ministry of Labour and Social Policy of the Republic of Poland and Federal Ministry of Labour and

31 Only one of the agreements, with Libya (1980, modified in 1994), limited to the medical staff, is still in force.
32 Other bilateral agreements did not significantly shaped the migratory flows as they provided for the very small limits (e.g. 30 trainees in case of the agreement with Luxembourg).
The seasonal employment was unlimited but dependent on the demand by the German employers. Basing on the agreement, the procedures on employment of Poles in Germany were quickly implemented. They proved to be very effective and transparent (Okólski 2004a: 26). Over 90% of job offers related to the employment in agriculture. The German employer wishing to employ a Pole could issue an blank or named invitation which, after the agreement of German local labour office, is passed to Poland to regional labour office or to the selected person respectively. Interestingly enough, as proved by Korczyńska (2003: 99), vast majority of all job offers from the beginning constituted named invitations directed to specific persons (always more than 98% of all offers). This is especially important from the point of view of migration management. The possibilities of Poland to steer the job offers to regions with highest unemployment levels were seriously limited.

The regulations on the conditions of employment of the Polish seasonal workers in Germany (working conditions, social security, accommodation) were developed in the Agreement between the State Labour Office and Bundesanstalt für Arbeit in 1999 (Korczyńska 2003: 91). According to the agreement, Polish workers have to be employed on equal rights as native in relation to working hours and pay. The issues of social security schemes were also regulated. Polish workers, alike other national or non-national workers in Germany are subject to obligatory social security contributions, with the exception if they are employed for less than 50 working days a year and their employment has no professional character (e.g. they are students, housewives, self-employed, or employed in Poland and work in Germany during the annual leave).

The seasonal migration from Poland to Germany, based on the unpublished bilateral agreement of 1990, can be claimed a success and an example of fruitful collaboration in migration management in Europe, which was beneficial to both sides. Seasonal migration has been continuously on the rise in 1990s and 2000. According to latest data, the number of Polish seasonal workers in Germany in 2005 reached over 270 thousands persons (in comparison with 131 thousands in 1992), and it was only a slight decline after the peak in 2004 when over 286 thousands work permits to Polish seasonal workers were issued

33 Similar agreements were concluded with Romania, Slovakia, Czech Republic, Hungary and Bulgaria.
Generally, as acknowledged by research (Korczyńska 2003, Kaczmarczyk, Łukowski 2004), the role of seasonal employment in Germany on the local, family and individual level in Poland was hard to overestimate given the hardships of structural economic transformation in the country. On the other side, Polish seasonal workers alleviated the serious labour shortages in German agriculture where German unemployed, despite several attempts by the government, were unwilling to work (Dietz 2004). However, as rightfully suggested by Okólski (2004: 33), the success of the bilateral agreement did not depend only on the clear and effective institutional regulations. The basis for the smooth development of the migratory stream was the earlier, pre-1989, mobility of Poles and their experience of illegal employment in Germany during the officially “tourist” visits. The former contacts between Poles and German employers enabled the latter to issue from the beginning a named job offers to Poles, immediately after such an opportunity arose.

Other bilateral agreements that provided the basis for the legal outflow of seasonal workers from Poland were concluded with France (1992) and Spain (2002). The cooperation with Spain, was signed on 21 May 2002 and provided for the possibility of mutual employment of seasonal workers for periods not exceeding 9 months in a year. The recruitment procedure was established on the basis of specific offers by employers from the receiving country managed through the government agencies of the sending country (Kępińska, Okólski 2002: 3). The number of Polish seasonal workers in Spain has been on the rise and reached above 12 thousand persons in 2004. The agreement on seasonal work of Poles in France (1992) was very similar to agreement with Germany (unlimited seasonal employment up to 6 months, mainly in agriculture with blank or named offers issued by French employers and passed to Polish Ministry of Labour via Office Des Migrations Internationales – OMI). Yet the numbers of Polish seasonal workers in France, (alike in Spain), never reached the German levels, and amounted only to 7.3 thousands of workers in 200434.

Apart from international intergovernmental agreements, the possibilities to work abroad were provided by the agreements between the State Labour Office (Krajowy Urząd Pracy, between 1993–2002 a central governmental institution in charge of state labour market policy) and its partners abroad. The agreements were sector specific and related to medical staff (mainly nurses) (agreement with Norway Labour Directorate of January 2000 and collaboration with branch organisations in Italy) or to workers of hospitality sector (for the purpose of training in Ireland, or for seasonal employment on Jersey, UK).

The working possibilities abroad, apart from jobs offered by regional labour offices, are provided by the private job agencies, many of which specialised in sending Poles abroad. The system of job agencies is to some extent regulated by state to eliminate the abuses. A job agency has to have a certificate issued by the Ministry of Labour and Social Policy (earlier by the State Labour Office). According to official statistics, in 2007 above 1,700 agencies for

34 Data on the seasonal employment of Poles in France and Spain from Ministry of Labour and Social Policy:
recruitment abroad legally operated in Poland (www.kraz.praca.gov.pl). The dynamic rise in the number of the agencies could have been noticed in recent years (in 2001 there only 114 agencies for recruitment abroad).

Apart from various bilateral agreements, another opportunity to manage the outflow from Poland arose along to approaching Poland’s membership in the European Union. The freedom of movement idea that encompass the EU citizens right to undertake the gainful employment in any EU country on the non-discriminatory bases, become in public perception one of the main practical benefits of EU membership. Two dimensions of government involvement could be discern in this area: first the battle during the negotiations over the transition periods clauses; and secondly, the government efforts to ensure the open labour markets of the EU-15 once the transition periods were agreed. Polish Ministry of Labour or even Prime Ministers, actively lobbied for the opening of EU labour markets first before 2004, and then, before the end of the first two-year period of restrictions in May 2006.

The post-accession outflow attracted great media attention in Poland and become a primary source of the politicization of the migration issues in the country. The access of Poles to European labour markets became topical already during the process of negotiations and also later, when the subsequent countries in a domino process announced that the transition periods will be used. The opening of the British, Irish and Swedish labour markets attracted the media attention and the post-accession outflow to these countries was almost enthusiastically reported in all dailies, TV and other media (compare ‘Bitwa o Anglię’ (Battle of England) cycle in Rzeczpospolita or ‘Przystanek Europa’ (Station Europe) in Gazeta Wyborcza). Consequently, the unexpected scale of the post-accession outflow, albeit hard to precisely estimate, did raised serious policy concerns in Poland. The current policy developments are the state efforts to ensure the protection of Polish workers abroad. This is especially important given the dramatic reports on the work camps of slavery labour of Polish workers in Italy, but also on the right abuses in the countries such as Spain or the UK. The initiatives of various governments bodies were triggered off by the activities of the Ombudsman who actively engaged in the promotion of enhanced protection of Polish workers abroad (www.rpo.gov.pl).

Another important dimension in recent policy developments, are local initiatives aimed at promotion of return of Polish migrants from the West. Such initiative was launched by the local authorities of Wrocław, but they are followed by other examples such as Śrem.

To sum up, it has to be underlined that evident policy and politics change occurred after the EU accession. The scope of the policy on the outflow was broadened. The policy action, till then dominated by the efforts to ensure work possibilities abroad, developed to enhance the migrant rights protection and the return initiatives. More involvement of various policy actors marked also a politics change, with the important role of the media in stirring the public debate.
4.3. Managing the inflow of immigrants: work permit system with growing numbers of exemptions.

As a predominately emigration country, Poland does not have long traditions in regulating the inflow of typically economic immigrants. Both the interwar and communist period experience of inflow were narrowed mainly to relatively small politically-motivated inflow (e.g. Greek and Chilean refugees invited by communist governments). Only the liberalisation of international mobility in the whole Central and Eastern European region after 1989 changes did enabled citizens of Eastern countries to travel to Poland on a more substantial scale and attracted economically-motivated foreigners to Poland. This resulted in a need to establish rules on employment of foreigners in Poland.

First regulations on employment of foreigners were issued as early as in December 1989 (Act on Employment of 29 December 1989\(^{35}\)). The Act introduced the obligation by employer to apply for a regional labour office's (Wojewódzki Urząd Pracy) agreement in order to employ a foreigner. The regional labour office was obliged to take into account the situation on the local labour market in its decision. This might be considered a regulation issued in anticipation of the future skyrocketing unemployment levels that became one of the most burning challenges of the economy transition process in Poland (Kicinger 2005: 19).

The regulation introduced already in 1989 were then developed in the changing acts on employment followed by the ordinances by the Ministry of Labour that created the work permit system in Poland. The basic principles of work permit scheme were laid down already in 1991. According to the Act on employment and unemployment of 1991\(^{36}\), the work permit for foreigners was to be issued by the regional labour office for a specific time, specific position and specific employer. The regional labour office was obliged to consider the situation on the local labour market. The procedure was more complicated since 1995. According to the Act on employment and combating the unemployment of 1994\(^{37}\), the foreigner wishing to be employed in Poland had to receive first the stay permit and the consent for employment, and only then the work permit could be issued. The cost of work permit was settled as the minimal monthly payment in Poland.

The rules on the employment of foreigners were never radically liberalised since then and up till now the decisive criterion taken into consideration while issuing the work permit in Poland is the situation on the local labour market (labour market testing procedure – it must be proved that no Polish or since 2004 EU applicant is available for the position). Since 2007, the work permits are issued by the Marshal of the Voivodship. The work permits are issued for a fixed time, specific employer and employee and for a specific job position. Generally,

\(^{35}\) Dziennik Ustaw 1989, No 75, item 446.
\(^{36}\) Dziennik Ustaw 1991 No 106, item 457.
\(^{37}\) Dziennik Ustaw 1995, No 1, item 1.
the work permit scheme could be perceived as a policy tool to realise the labour market policy aiming at the labour market protection.

However, two groups of foreigners fall beyond the work permit scheme: firstly, various groups of incomers that were exempt from work permit procedure by the virtue of law, and secondly, persons that did not manage (or for various reasons not wanted) to enter the scheme and undertook the irregular employment.

The number of groups of foreigners that are exempt from work permit procedure has been on constant rise. First, researchers employed in the higher education institutions and in Polish Academy of Sciences, foreigners with the permit to settle in Poland (than renamed as permanent residence permit) and recognized refugees were allowed to work in Poland without the work permit. With time passing, new groups were covered by the exemptions from the work permit system. According to the current regulations\(^{38}\), the groups that are exempt from work permit procedure encompass also: persons enjoying the permit for tolerated stay, or temporary protection, EU long-term residents (that received the status in Poland or in other EU country), spouses and dependants of Polish nationals that enjoy the temporary residence permit. Additionally, the free access to Polish labour market is provided for the spouses and family members enjoying the temporary residence permit of the: refugees, long-term residents, persons with permit to settle, permit for tolerated stay or under temporary protection. Moreover, from work permit procedure are exempted students of daily studies (for three-month employment) and foreign language teachers if they teach their native language. Overall, the regulations are very detailed. One of the recent important developments is that since September 2006 the nationals of the neighbouring countries are allowed for the short term, up to three-months’ long employment in agriculture.

The number of categories of foreigners that are not obliged to apply for the work permit has recently considerably increased due to the EU accession. Although Poland in the first two year after accession did use the opportunity to apply the reciprocal restrictions in labour market access versus old-EU countries, yet since January 2007, by the virtue of the Ministry of Labour and Social Policy ordinance of 10 January 2007, all restrictions towards EU countries, including new members – Bulgaria and Romania, were lifted and Poland allowed for fully free access to its labour market by EU, EEA and Swiss nationals and their family members.

Long- or short term irregular workers naturally fall beyond the work permit system. State policy on these groups has been recently marked by government attempts to regularize their status. An unprecedented event in Poland was the single regularisation action (\textit{abolicja}) aimed at foreigners that illegally resided in Poland for several years. The opportunity for

\(^{38}\) Currently, it is regulated by the Act on the promotion of employment and labour market institutions of 2004 (with the following changes) Dziennik Ustaw 2004 No 99 item 1001, and the Ordinance of the Ministry of Labour and Social Policy of 30 August 2006, Dziennik Ustaw 2006 No 156, item. 1116.
regularisation of their status was provided by the 2003 Act on Aliens (article 154). According to the Act, foreigners that resided continuously on the territory of Poland for at least six years (at least since 1 January 1997) could apply to voivod (a regional administrative office) for the legalisation of their stay under certain conditions. They had to prove that they could support themselves and their dependants for the period of a year without public support and that they had a place to live and an offer or a promise of a job. Applications for the one-year temporary residence permit that would legalise their stay in Poland were to be launched between 1 September (when the new Act entered into force) and 31 December 2003. 3,508 foreigners from 62 countries decided to apply for the legalisation of their stay. Armenian and Vietnamese accounted for the majority of applications, as they lodged 1,626 (46%) and 1,341 (38%) applications respectively (Kepińska 2004:13). Majority of the applications were lodged in Mazowieckie region (36%). The positive decisions were issued to 2,413 applicants, including 1,052 for Armenians and 1,001 for Vietnamese nationals. To sum up, the representatives of Vietnamese and Armenian diasporas in Poland benefited most from this regularisation.

As showed in section 3.2, large, albeit hard to estimate, market for short-term irregular employment of foreigners developed and persisted in Poland during the 1990s and in the beginning of the 21 century. An ambivalent approach to this phenomenon developed, called by Kicinger (2005) a silent tolerance policy. As claimed by the author, from the formal point of view, the state authorities had always declared the fight against all forms of irregular employment, let it Poles, let it foreigners. At the same time, the implementation of the regulations that would actually hamper the inflow of irregular workers was highly ineffective. Visas were not introduced until it was obligatory from the point of view of EU demands, the possibility to refuse entry on the grounds that actual aim of entry (irregular employment) was different from the declared (tourism) was not regularly used. The usage of the fake “invitations” or “vouchers” by the false tourists as border crossing strategy with the silent consent of the Polish Border Guard was acknowledge by empirical research (Stola 1997). Also the labour inspections, generally ineffective in combating the “hidden” employment in Poland, did not contribute to the restrictive policy course on the employment of foreigners in Poland (Kicinger 2005: 21). All in all, irregular workers, mainly from Ukraine, were de facto tolerated by Polish authorities. The rationale behind such toleration were the foreign policy goals and economic benefits that arose from this kind of employment (see more on that in chapter 3). The toleration policy must have remained “silent”, in other words not officially declared, due to the general policy line in managing the inflow that was based on the labour market protection. Given the high unemployment levels, the issue of more openness towards the workers from the East, in fact was never seriously considered on the political agenda till 2004.

Only the economic, social and political changes after EU accession enabled a significant policy turn in this regard. The EU enlargement and its aftermath turned out to be of utmost
importance for migration policy and politics in Poland after 2004, especially in policy fields relating to economic migration. The post-enlargement enthusiasm has relatively soon made place for the first reports on the potential or real labour force gaps in Poland that result from the enhanced emigration. The fact that numbers of emigrants became widely exaggerated in the media (the highest number was cited by headlines of the popular daily *Gazeta Wyborcza* – 2 million Poles that emigrated since enlargement June 2006), additionally fuelled the social perception of mass emigration experience. Concurrently to the media campaign, the economic processes that started after the EU enlargement also contributed to the changing perception of migration and politicization of the issues. The post-accession economic growth, has contributed to the lowering of the level of unemployment since 2004. This, combined with the media attention to the emigration made grounds for the policy changes. Last but not least political factor that contributed to the policy change was the rise in activity of various, early almost non-existent, groups lobbying for the increased legal immigration from the East. The economic growth and following more positive social attitudes made better climate for these claims and encouraged some interest groups to clearly articulate their demands. Most active became employers’ organisations in construction and agriculture that suffered from the lack of workers most acutely.

In consequence of the above described processes, government undertook several steps to meet the labour demands by the interest groups. This change makes a great difference to the whole policy-making process in Poland, till then administrative and bureaucratic without public opinion or interest groups involvement. First, as mentioned above, since September 2006, nationals of neighbouring countries were exempted from the work permit procedure for the up to 3 month employment in agriculture. In line with more open policy, lies also the government decision to abandon all restrictions in access to Polish labour market by EU nationals, irrespective of the reciprocal restrictions. The freedom of movement encompassed also new EU members – Bulgaria and Romania. Finally, government revealed in January 2007 their plans to make an appendix to the bilateral agreement with Ukraine and eventually to negotiate a new agreement (which takes more time, about a year) on the mutual employment.

Summarising, it must be stated that after 15 years of administrative policy aiming at enabling Poles employment abroad and limiting the possibilities for the employment of foreigners in Poland, a significant policy turn is in the making since about 2005. The economic growth combined with the considerable and topical outflow after the EU accession resulted in policy and politics changes. A more cautious approach to emigration, combined with first return initiatives, was complemented by a more liberal labour market admission policy.

---

Chapter 5: Conclusions
(Marek Kupiszewski, Jakub Bijak, Anna Kicinger)

5.1. Summary of the main findings for Poland

Over the whole twentieth century Poland suffered a loss of population due to migration, albeit with different intensity. The transition of Poland from emigration to immigration country, heralded in the last years, has not occurred yet and it may take some time to happen. However, a transition from emigration to emigration-and-immigration country is apparent. The last years, after the accession of Poland to the European Union, have been characterised with substantial outflows, especially of young people. It is difficult to assess now, whether this outflow is predominantly permanent, or of medium-, short-term, or circular nature. According to the forecasts, including the one presented in the current study (Chapter 1), the large scale outflows are bound to decrease in a foreseeable future. Yet, nowadays the brain drain and brain waste seem to be phenomena that attract increasing research attention and raise serious political concerns. Deskilling process occurs while many people with tertiary education take unskilled jobs after emigrating from Poland whereas part of emigration, especially in medical professions, is a typical brain drain example.

The main features of population dynamics are, as discussed in Section 1: negative net migration, low fertility, well below the replacement level, decreasing mortality, and negative natural change. These components have led to a total population decline and ageing, which are most likely going to intensify in the future. Another important phenomenon, consequent to population decline and ageing processes, is a decrease and ageing of the labour force, which may lead to labour shortages, unless there are substantial changes in labour demand.

On the labour market we currently witness two parallel processes: substantial unemployment, although decreasing due to economic boom and emigration, and lack of labour on some labour markets, enhanced by emigration of specialists and skilled workers. Also the shortages of unskilled labour are acute, especially in the agriculture sector.

5.2. Migration and labour force policy recommendations

Although migration policy plays a role in migration management, its impact is often reduced to a considerable degree to regulatory mechanisms and steering of the flows, with limited possibilities to influence the migration drivers. The latter, as widely researched in migration studies, often are enrooted in the economic conditions of receiving and sending countries. Thus, in our view, key determinants of immigration and emigration processes include: the economic policy of a country, its economic performance, efficiency of legal and taxation systems, quality of life, access to social security systems, as well as other similar factors. In
consequence, the recommendations below will refer to a large extent to policy in general, not only to migration policy only. The recommendations should be formulated for short-term and long-term measures.

In the short term perspective, four main challenges arise: (1) how to reduce high emigration from Poland, (2) how to attract emigrants back to Poland, (3) how to lower the unemployment level, and (4) how to fill in existing vacancies on the labour market.

As proved by many studies, there are two main economic reasons for emigration, namely unemployment and low salaries. Both these push factors are likely to fade over time, as the labour shortages are already visible on local labour markets. This should lead to reduced unemployment and higher salaries, especially, but not exclusively, in the construction sector. These factors, combined with depletion of potential pool of migrants in Poland, will lead to the reduction of outflows in a relatively near future. Deep and permanent decrease in emigration could be reached only by far-going economic change and reform of the state suggested below.

Brain waste is quite difficult to tackle with any policy measures – wide spread of tertiary education, sometimes of mediocre quality, resulted in an excess supply of graduates not matching the demand of the labour markets. This made it impossible for many graduates to find a job corresponding to their qualifications. Many of them emigrate and their qualifications are either not recognised by recruiters or simply do not match demand on the receiving countries' labour markets. In short term this can be helped by a better adjustment of tertiary education institutions and students to the market needs and in the long term by the development of post-industrial knowledge-based economy.

A clear example of brain drain are the medical professions. The direct reason for this is a dire state of health system, continuously reformed, mismanaged, with blocked promotion and training paths for younger staff and humiliatingly low salaries of staff of public health care institutions. The only recommendation we can offer here is a far-going reform of health system. Current proposals in this regard include the introduction of competing insurers, a catalogue of illnesses and medical procedures being insured, additional insurance for those who wish and have resources to pay, system of contributions from patients to insured medical procedures and cash flow following patients' choices. In our view, sanation of health system should lead to the improvement of condition of work and salaries of medical professionals and ultimately lead to the reduction of emigration.

More complex problem is how to attract emigrants to return back to Poland. Kicinger, Kloc-Nowak and Kupiszewski (2006) noted that emigrants perceive Polish business environment as hostile and foreign (Irish in this case) as more friendly. Indeed, this subjective perception finds confirmation in the World Bank (2007) ranking of the ease of doing business, where Poland is classified as 75th out of 175 countries, well behind the new EU member states
The inefficiency of the Polish legal system (e.g. contract enforcement takes in Poland 1,000 days in comparison to only 20 in the Netherlands, World Bank 2004), enormous cost of employment and the lowest in the EU employment rate, making half of the working-age population paying for benefits of the other half, do not make Poland an attractive place for return migration. Given the "wait and see" attitude of part of the migrants (Eade, Drinkwater and Garapich 2006) there is a need of radical reforms aimed at improvement of business environment in Poland. The changes should focus on making Poland much more business friendly, by, first of all, reducing the employment cost. This goal may be achieved by e.g. simplifying taxation legislation, including transparent and fair tax procedures, improving judiciary system and eliminating contradictory legal regulations. Creation of transparent, business- and citizen-friendly, fair state can be expected to reduce emigration and attract return migrants.

The reduction of unemployment is one of the most complicated challenges to be faced. Currently, apart from relatively high unemployment level, there is a strong local demand for labour force, combined with the lack of willing and trained workers available on local labour markets. Partly this is due to a stark difference between the price of labour employers want to pay and the salary demanded by potential employees. This difference is augmented by two factors: availability of competing job opportunities in other EU countries and high costs of employment in Poland. Whereas the former factor will not change, the remaining solutions are the increase of salaries and the reduction of the cost of employment.

The problem of filling existing vacancies with native labour force is quite complex. It seems that there are three decisive factors: salary expectations of unemployed, which sometimes exceed the wages prevalent on the market, lack of adequate qualifications or unwillingness to work of some groups of unemployed. The first issue has been already discussed earlier. The lack of qualifications of workers could be attributed to two factors: one is reduction of vocational training of skilled and semi-skilled manual workers. Another problem is that older workers' skills are not updated, or that their vocations are not needed any longer and they need a complete re-training. These two problems should be addressed by reinstating vocational education and intensification and popularisation of life-long learning. Another factor which may help in filling local job vacancies is internal migration. The recommendation for the state policy would be to look at the mechanisms of internal migration in Poland in order to facilitate the geographic redistribution of labour available within the country.

There are also other possibilities to tackle the labour shortages. In theory longer working hours could help, but Polish employees, with 42.8 hours of work per week in 2004, are the longest working in Europe, 20% longer than in France and 13% longer than in Germany (EIRO 2006). Another option is to increase productivity, lagging in Poland well behind the richest countries in Europe. This probably is a promising way to alleviate the demographic and economic problems ahead and should be very seriously considered by the government.
However, the most important possibility is the increase in labour force participation. Existing social security, fiscal and employment regulations are extremely efficient in placing people outside the labour market. Earlier retirement schemes and inadequate invalidity benefit system places too many Poles on a benefit at a very young age. High taxation of cost of labour results in low net salaries in comparison to the cost of salary for the employer. Very narrow gap between the minimum salary and benefits makes unskilled employment uneconomic for workers, whereas low value of benefits forces many people to combine incomes from benefits with incomes from illegal work. Finally employment legislation is very protective, making termination of employment contract both difficult and expensive. The remedy to this would be to cut earlier retirement schemes, make access to the invalidity benefit much more restrictive, reduce the cost of salaries and liberalise to some extent the employment legislation.

In the long term, another key problem is the decline and ageing of the Polish population and labour force, forecasted in many demographic studies, including this one (Section 1). The most urgent issues related to these changes will be maintaining the social security systems, especially pension schemes. This challenge is faced by most European countries. Simulations show that in the case of Poland reasonable mid- and long-term results could be obtained from combining policies aiming at the increase of fertility and labour force participation, ensuring that the policy instruments undertaken in order to achieve both of these objectives do not contradict each other. As suggested by Grant et al. (2004), the efficiency of such policies would be enhanced by relying on a wide variety of policy instruments, rather than on any particular one, which, however, in the case of Poland would not be an easy task, especially given budgetary and public finance problems. As indicated in Section 1.4, migration cannot be seen as an efficient long-run solution to the problems posed by population decline and ageing, its impact being exclusively limited to the short-term perspective of filling workforce shortages in particular sectors of the economy. Acknowledging these subtleties and addressing them with due attention, not limiting oneself to the demographic and workforce aspects, but also taking into account the socio-economic setting, as well as interdependencies and trade-offs between various phenomena, seems to be one of key challenges for Polish policymakers in the first half of the 21st century.

5.3. Implications and suggestions for future research

The policy recommendations above cover a much wider scope of issues than those, which are traditionally identified as "migration policy", because we believe that migration decisions stem from a much wider set of factors. However, the proposed research agenda will be strictly limited to migration-related issues. The first of fundamental problems is migration measurement. Analysis in Section 3 of this report shows clearly that the Polish population
statistics is dysfunctional and unable to reflect actual migratory processes. No doubt the first important item on research agenda should be devoted to designing a new migration statistics.

Second on our agenda would be an in-depth research into the post-accession emigration. One possibility to assess the long-term consequences of the outflow, is the research on the plans of post-accession migrants, bearing in mind the acknowledged limitations of such an approach. Such analysis should answer the basic questions: do the migrants plan to settle abroad permanently or return? What are the conditions of the planned return? The studies on intentions should be supplemented by the research on actual migrants behaviour. Such research could possibly chart the part of migration policy aimed at attracting emigrants back to Poland. Another stream of research should look into the push factors of migration and their consequences. Identification of the former would allow us to learn what are the most important reasons driving migrants away from the country. Such studies could possibly also help answer the questions of how emigration impacts the labour markets in Poland, for example salaries. Additionally, it would be useful to have a good understanding of imbalances on the local labour markets: the need for labour, including short-term and seasonal, as well as the labour supply, which ideally should be continuously monitored and studied.

Brain drain and in particular migration of medical personnel need to be investigated thoroughly. Kaczmarczyk and Okólski (2005) do not see this as a problem, however, their analysis did not take into account regional dimension of the phenomena, neither looked at the consequences of emigration of doctors of the same specialization from peripheral hospitals. Our hypothesis is that brain drain of medical specialists may harm provision of services at regional or local levels, especially in provincial hospitals, where replacement of a specialist may be hardly possible.

Following Korcelli (1994) and Jaźwińska and Okólski (2001), there is a clear need to research the relationship between internal and international migration and examine the substitution effect hypothesis. Such research are of practical value, as they may be used for designing a policy aiming at replacing emigration with internal migration.

As demonstrated above, there are many possible directions of future research on the links between migration and labour market in Poland. These studies should be inevitably interdisciplinary and encompass various aspects of the challenges highlighted in the current analysis. In this way, the overall knowledge on the migration – labour market nexus would be broadened in a synergetic manner, in order to be successfully applied to develop and spread the best practices in managing labour migration in all Europe, including Poland.
References


Sakson, B. (2002). Wpływ "niewidzialnych" migracji zagranicznych lat osiemdziesiątych na struktury demograficzne Polski [Impact of the 'invisible' international migrations of the 1980s on demographic structures of Poland]. Warsaw: Warsaw School of Economics.


CEFMR Working Papers Series

1/2003: M. Kupiszewski, *Consequences of EU enlargement for freedom of movement between Council of Europe Member States*, ISBN 83-920313-0-X.


All CEFMR Working Papers are available at: «www.cefmr.pan.pl»