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The effectiveness of Polish active labour market policies

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Abstract. The task of active labour market policies evaluation consists of providing supporting empirical evidence about which policy types promise superior solutions. This paper aims to answer this question using a quasi-experimentally method. The causal effects of labour market programmes are examined using a propensity score matching method. The information concerning the unemployed come from the Public Employment Services database Syriusz. The empirical results show that the most effective impact on employment was induced by start-up incentives and intervention works. The positive employment effects were also generated by the supply–oriented instruments of the labour market policies, i.e., by vocational training courses and placements. Placements are becoming a more attractive instrument for employers than intervention works since placements provide employees who do not need to be paid for their work.

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1. Introduction

Compared to the highly developed European countries, Poland has few methodological achievements in the field of active labour market policy evaluation. Taking into account the available subject literature and examples of practical applications, it can be stated that in Poland research on the causal effects of labour market policies is in its infancy. After an intensive development of the research on the effectiveness of the Polish labour market policies, initiated in the 90s and undertaken by foreign research teams, the first decade of the twenty-first century witnessed a stagnation. Apart from a few and fragmentary evaluation studies of programmes co-financed with European Union funds, there were only two major pieces of research conducted which undertook the problem of estimating the impact of basic active labour market policies offered by the public employment services on the employment situation of programme beneficiaries. It should be noted that a key hindrance to the development of research on this issue in Poland is the lack of appropriate high quality data concerning unemployed persons at an individual level. This data should be collected in a central database that integrates information about these people from different areas of the social services (Moszyński & Wiśniewski, 2020). The most important challenge is to undertake more in–depth studies of the causal effects of active labour market policies.

The aim of this article is to explore the unemployment development after Poland's integration to the European Union and empirically evaluate the labour market policies. The causal effects of labour market policies will be examined based on a propensity score matching method.

2. Unemployment and its structure

Poland's joining the European Union has opened new job markets for Polish people in many countries of the Community and has led to reducing the size of unemployment in Poland. In 2004, the number of unemployed persons reached 2999.6 thousand and it decreased to 1473.7 thousand persons in 2008, with the unemployment rate falling by almost 10 percentage points and reaching the level of 9.5%. Unfortunately, due to the economic crisis which began in the United States in 2007 and reached Europe in 2008, the number of unemployed started to rise again. Poland's GDP rose on average by 3.7% between 2008 and 2011, with the growth slowing to just 1.6% in 2009. In 2009, the number of unemployed persons reached 1892.7 thousand with an 11.9% unemployment rate and four years later the number of unemployed stood at 2157.9 and the unemployment rate grew to 13.4%. But at the end of 2019, the number of unemployed decreased to 1496.5 thousand persons and the unemployment rate fell to 5.2%.

When comparing the impact of the COVID–19 on the Polish labour market to the biggest economies in the European Union, a lower increase of the unemployment can be observed. It results from the adopted solutions in the field of state intervention. Following the outbreak of the COVID-19 pandemics, the Polish government proposed the legislative package of measures on *special solutions related to preventing, counteracting and combating COVID-19, other infectious diseases and the resulting crisis* (2020). The package, commonly referred to as the *Anti-crisis Shield*. In the area of job protection by subsidising wages, the special act offered public financial support for employers to pay wages in cases of work stoppage or reduced working time. In such cases, the state offered to step in and partially cover wages. The aid was on request, with some conditions attached.

Although no high increase in the number of persons registered as unemployed was recorded in 2020, as compared to the figures observed a few years ago, the changes which took place in 2020 were significant. In May 2020, the population of unemployed persons in the registers of labour offices exceeded a million and this figure remained in the successive months of the year. At the end of December 2020, there were 1046.4 thousand unemployed persons registered in labour offices, i.e. 180 thousand more than in December 2019. The registered unemployment rate accounted for 6.2% and was by 1 percentage point higher than a year ago (Kwiatkowski, 2022).

When comparing the inflow into and outflow from the registers of the unemployment in the labour offices in 2020, a lower number of

Table 1. Unemployment in Poland in the years 2005–2021 (as at the end of the time period)

Years	Registered unemployed in thousands	Unemployment rate (%)
2005	2773.0	17.6
2006	2309.4	14.8
2007	1746.6	11.2
2008	1473.7	9.5
2009	1892.7	11.9
2010	1954.7	12.3
2011	1982.7	12.5
2012	2136.8	13.4
2013	2157.9	13.4
2014	1825.2	11.4
2015	1563.4	9.8
2016	1335.2	8.2
2017	1081.7	6.6
2018	968.9	5.8
2019	866.4	5.2
2020	1046.4	6.2
2021	895.2	5.4

Source: Ministry for Labour and Social Policy, Labour market statistics.

new registrations may be observed, albeit there were simultaneously much fewer persons who deregistered from unemployment than in 2019. During the entire 2020, 1340.7 thousand newly unemployed persons were registered, while at the same time 1160.7 thousand persons were removed from the unemployment registers.

The most characteristic features of unemployment structures in Poland are:

1. A considerable proportion of unemployed people, 51.1 per cent have only vocational education and complete or incomplete elementary education.
2. The phenomenon of long-term unemployment has become more widespread – 39.7 per cent in the total number of unemployed.
3. A high proportion of women in the total number of unemployed – 53.7 per cent.
4. A high spatial differentiation of the rate of unemployment – 3.7% in the Greater Poland province and 10.2% in the Warmian-Masurian province.

Throughout the 2008-2019 period, the fast pace of economic growth significantly influenced the increase in demand for labour. The increasing economic emigration and the decline in the number of people at the working age significantly limited the labour supply. Many industries experienced labour shortages. Immigration from countries across the eastern border has somewhat remedied this problem. At the end of 2021, the number of foreigners employed in Poland with social security reached 890 thousand people (ZUS, 2021). The majority of them were citizens of the former Soviet Union. Among them, the Ukrainians constituted the largest group.

One of the most soaring problems of the Polish labour market is its so-called grey zone or black market economy which, according to estimations carried out by the Polish Central Statistical Office, produces about 15% of the GDP (GUS, 2017) . The black market economy employs a total of 880 thousand people, however 50% of them treat this job as a main workplace. Lately, this black market is not increasing but is still an important part of the

economy. The main reasons for this employment are high taxes and high obligatory social security contributions paid only by employers.

3. Active labour market policies measures

Active labour market policies aim to keep workers employed, bring them into employment, increase their productivity and earnings, and improve the functioning of the labour markets. These programmes for unemployed workers – such as job search assistance, labour market training, wage subsidies, and direct job creation in the public sector – are an important element of Poland's efforts to combat unemployment.

In Poland in 2004 by virtue of *the act on employment promotion and labour market institutions* (2004) a new division of active labour market policies was introduced into labour market services and labour market instruments. The act specified the following four fundamental types of labour market services: job placement, vocational counselling and information, active job search assistance and organisation of training courses.

In order to prepare and encourage unemployed persons, the following instruments have been defined within the labour market policies in Poland: training courses, intervention works, public works, placements, start-up incentives and other means for creating workplaces, as well as socially useful works. These instruments impact the supply and demand sides of the labour market. The supply-oriented instruments include training courses, placements, and vocational training. The demand-oriented instruments, in turn, include subsidised employment, which takes the following forms: start-ups, intervention works, public works, socially useful works and for the furnishing of a work place for an unemployed person assigned by a district labour office.

Placements are organised on employer's premises and are intended to enable unemployed persons to gain experience and acquire skills indispensable to undertake employment. This is especially important for graduates, who naturally lack work experience. At present, however, placements are assigned to all unemployed persons whose situation in the labour market is special. Depending on the category of persons whose situation in the labour market is special, the length of vocational training has been differentiated but the maximum duration should not exceed 12 months.

Intervention works are aimed at vocational activation of the unemployed whose situation in the labour market is special and at creating opportunities for undertaking permanent employment. Intervention works programmes help those groups which are exposed to the threat of being vocationally withdrawn and unprepared to maintain contact with the labour market. Intervention works consist in employing an unemployed person pursuant to a contract concluded between the district governor and the employer. The employer that offers a workplace to the unemployed person assigned for intervention works may receive a reimbursement of a part of the cost borne for the payment of the remuneration agreed upon in the contract, bonuses, and social insurance contributions corresponding to the reimbursed remuneration. The duration of the programme may vary. The basic period of providing aid for the aforementioned groups lasts up to 6 months (or up to 12 months in the case where the reimbursement is paid out for every second month of the employment period). For some categories of the unemployed intervention works may last up to 12 or even up to 24 months.

The purpose of organising public works is to prevent unemployed persons from becoming accustomed to economic inactivity, in particular, in unfavourable and very unfavourable situations in the labour market, through temporary employment. These programmes are also intended to support the unemployed materially. Public works denote employing an unemployed person for the period of time up to 12 months in the case where works are organised by communes or non-governmental organisations which statutorily deal with the following issues: protection of the environment, culture, education, physical education, tourism, health care, unemployment, and social welfare. The organiser of public works is entitled to receive for the period of 6 months the reimbursement of part of the cost of remuneration, bonuses, and social insurance contributions. In the case where the employment period exceeds 12 months, the cost borne by the employer is refunded for every second month.

Socially useful works are primarily aimed at the realisation of social purposes and are targeted to the unemployed who are not eligible for an unemployment benefit and are recipients of social benefits. These instruments are to prevent demoralisation and teach persons threatened by social exclusion how to work. Socially useful works may last up to 10 hours per week. These works are realised based on a contract concluded between the district governor and the commune for the benefit of whom the public works are going to be conducted. The unemployed person assigned to them is entitled to receive an hourly rate of a minimum of 9 zloty for every effective working hour.

The means allocated to the creation of new workplaces cover the following: a one-off subsidy paid out to the unemployed person to commence business activity, refunds paid out to the employer, and the cost of furnishing or providing additional equipment for a work-stand in return for employing the assigned unemployed person. They are aimed at supporting self-employment and the development of regional small businesses. At present, the amount of means granted to an unemployed person for commencing business activities or providing additional equipment for a work-stand cannot exceed 600% of the average monthly remuneration earned in Poland. The unemployed person who received the support is obliged to continue the business activity for a period of 12 months under pain of returning the subsidy. The employer representing the small or medium-sized enterprise is obliged to maintain the workplace for a period of 2 years.

To sum up, the share of expenditure on labour market policy in relation to GDP is relatively small in Poland. In 2019, before the pandemic, the average share for OECD countries was 1.29% of GDP, while in Poland this stood at only 0.45% of GDP. However, with such a low level of expenditure, over 70% of funds were allocated to active instruments of labour market policies. The high share of subsidised employment in expenditure on active labour market policy is worrying.

4. Methodological aspects of evaluation

It would be a massive undertaking to assess all the economic and social effects of active labour market programmes in any depth. Because the range of outcomes possible at both the macroeconomic and microeconomic levels is wide, different types of evaluation are needed to meet the various demands of policymakers.

In an era of growing competition and increasing pressure on the high effectiveness of activities undertaken by various players of economic life, researching the causal effects of public treatments is the foundation of the so-called evidence-based policies. It allows the capturing of the causal relationships between treatments undertaken, the results observed and the determination of the real effect (the net effect); that is a treatment–induced change, which cannot be ascribed to the impact of other factors. The theoretical framework for reasoning in the scope of the identification of causal dependence determines the so-called concept of the counterfactual (Heckman, 2005), which boils down to the idea of attempting to assess the hypothetical effects of events, which are an alternative to what actually happened. This is related to the occurrence of the fundamental problem of causal inference (Holland, 1986), since observing for the purpose of a specific unit at a specific time the effects of two mutually exclusive events (participation and non-participation in a programme) is impossible.

In studies of causal effects, based on the counterfactual, two trends can be clearly seen: the statistical trend, which was contributed by the significant scientific works of Rubin and Rosenbaum (1983) and the econometric trend whose leading representative is Heckman (2005).

For the purpose of the analysis of causal effects of different treatments at the microeconomic level, experimental methods or quasi-experimental are applied. Due to the wide access to administrative data which are less expensive than the experimental type of data, studying the effects of active labour market programmes in European countries was based primarily on quasi-experimental methods (Maksim, Wiśniewski 2012). Research undertaken in the 90s focused on a traditional static approach (static evaluation framework) consisting of

juxtaposing participation in one active programme at a specific point in time with the situation of non-participation in any labour market programme (comparing the results obtained in two groups: the treatment group and the control group). The main interest was to investigate the real impact of unemployed persons' participation in those programmes on their employment situation after the programme, measured by an unemployed person's taking up employment, shortening the duration of unemployment, or the level of income earned from work.

5. Empirical evidence

Our analysis performed is quasi-experimental and based on a propensity score matching method (Harber, 2007). In the view of many evaluation specialists, this method gives satisfactory results in the scope of the evaluation of active labour market policies at the microeconomic level.

The effects of the policies were evaluated based on information describing 65,931 unemployed taken from the information system for public employment services in Poland (Syriusz database) exclusively. That means that the labour market status of participants of active labour market measures as well as of unemployed persons not participating in the programmes was determined based only on the data stored in the register of a labour office.

In the present research in the case of a group assigned to active forms, the gross effect stands for the percentage of persons who after the completion of a programme were deregistered due to undertaking employment within three months after the date of its completion. The net effect of a programme constitutes the difference between the percentage of the employed from a group of unemployed persons participating in active labour market policies and from a control group matched by means of the nearest neighbor method.

On the national scale, the most effective impact on employment was induced by start-up incentives and intervention works. The positive employment effects were also generated by the supply–oriented instruments of the labour market policies, i.e., by vocational training courses and placements; however, these effects were considerably weaker than the effects resulting from means allocated to undertaking business activities or intervention works. Participation in socially useful works had a negative impact on the chances of being employed and the impact of public works proved statistically insignificant.

The employment effects of subsidies for engaging in economic activity as well as of intervention works appear to be overvalued due to the measuring method applied in labour offices, which leads to a considerable overstatement of the gross effects of those instruments.

The interpretation of the obtained effects of training is a more complex task. The training courses analysed concerned various vocational areas and these courses varied by their length and quality of

Table 2. The gross and net employment effects of active labour market policies in Poland

Active labour market measures	Gross employment effects (in %)	Net employment effects – impact (in % points)
Training	43.2	8.7***
Placements	34.0	3.1***
Intervention works	45.0	15.6***
Socially useful works	11.2	–8.9***
Public works	30.3	4.7
Means allocated to undertaking business activities (start-up incentives)	100.0	62.6***

*** p<0.01, **p<0.05, *p<0.1
Source: own calculation based on the data derived from the Syriusz system.

teaching. For instance, longer training courses due to the lock-in effect may have had much weaker impact than short ones. The poor learning outcome may have been influenced by both the factors related to didactic aspects of the training and by mismatching the teaching content to the current needs of the labour market. The low effectiveness of vocational training courses may also be explained by deadweight loss, which means that those forms of raising qualifications were to a large degree targeted at persons who portended well on the labour market and would undertake employment without using this type of support. The net effects of training courses may have also been undervalued.

The net effects of placements also seem surprisingly weak, though young unemployed people without any vocational experience willingly apply for it. Mention must be made that as of 1st February 2009 the body of persons eligible for placements was extended to the entire group of the most disadvantaged in the labour market and this fact has probably contributed to the lowering of the effectiveness of this form of preparation. In light of the research conducted by the Institute for Structural Research (Bukowski, 2009), placements constituted an effective form of supporting unemployed youth who completed primary or secondary education. At present, placements are becoming a more attractive instrument for employers than intervention works since placements provide employees who do not need to be paid for their work and there is no obligation to guarantee employment to them on the completion of the placement. It may be inferred that the inappropriate targeting of placements has become a major factor in determining the low employment effectiveness of this instrument.

The results of the analysis confirm that socially useful works are not instruments that help persons stop being unemployed. Participation in socially useful works impacted negatively on an unemployed person's chance to undertake employment. However, it does not mean that using this instrument should be abandoned. Socially useful works are intended to realise goals that are different from other programmes. Their role consists in preventing demoralisation and in shaping positive attitudes to work in persons endangered by social exclusion. Therefore, the evaluation of this programme based only on measuring employment effects does not appear to be fully justified since undertaking employment is not the only measurement of the success of socially useful works.

Public works, in a similar way to socially useful works, cannot be looked upon as a means of labour market policy that increases the chances for being employed. The earlier evaluation research on active labour market policies in Poland conducted by the Institute for Structural Research as well as other analyses of employment programmes in selected EU member states confirm the occurrence of the negative net effects of public works or of a statistically insignificant impact of that programme on the likelihood of stopping being unemployed (Caliendo et al. 2005, Kluve 2007). Public works are usually accompanied by stigmatization that most likely has a significant impact on the effectiveness of that form of aid. Public works cease to fulfil preparedness functions and more and more frequently they are functioning as an instrument of passive labour market policies whose major goal is to improve the material situation of the unemployed that fall into hard–to–place groups of the labour market.

6. Conclusions

There are many ways to improve the effectiveness of the labour market policy. There is no one unique model solution that can be recommended as a recipe for success (Wiśniewski, Zawadzki 2010). However, the experience to date allows us to indicate the following basic directions of activities aimed at increasing the effectiveness of state intervention.

First, one of the greatest challenges in the labour market is an aging population. Poland is not only facing a shortage of employees caused by the aging of the society, but also a constantly growing share of people in the immobile age (i.e., over 50) in employment. This forces a paradigm shift consisting of departure from solutions favoring professional deactivation and premature withdrawal from the labour market of older people towards activities promoting the continuation of professional work even after reaching the statutory retirement age. However, employment services do not have the possibility to implement a fully individualised approaches to the elderly unemployed and to use innovative forms of

support. A more flexible way of operation of labour offices should be introduced, that enables full individualisation of services offered to the unemployed in the 50+ group. Individual coaching and mentoring also have a large role to play here.

Secondly, in order to solve the problem of labour shortage, it is necessary to activate the unemployed and those who are economically inactive to a greater extent. To this end, the objectives and instruments of the labour market policy should be reoriented. Currently, the policy is too much oriented towards counteracting unemployment by means of subsidised employment instruments. Such an approach has an impact on the demand side of the labour market. In conditions of low unemployment, active employment programmes should be focused on the supply side through strengthening the role of job placement, career counseling, and training for the unemployed.

Third, during the pandemic the active labour market policies should be flexible and responsive, to allow quick reactions to economic shocks. Effective training programmes are needed to ensure labour supply adequately meets labour demand. The public discussion about the re orientation towards training policies, which can help economies reallocate labour to support economic restructuring, should begin.

Fourth, the effectiveness of the labour market policies is determined by the proper evaluation of the measures that have been undertaken. Evaluating the impact of the measures introduced or redesigned during the pandemic is essential to promote cost-effectiveness.

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