

**EUGENIUSZ KWIATKOWSKI**

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## **Accession to European Union and the Polish Labour Market**

### **Abstract**

*In the paper I am considering the influence of integration with the EU on the labour market situation in Poland. I do not attempt to make quantitative assessment of the influence of accession on the labour market situation in Poland. I limit my deliberations to show the directions and mechanisms of the influence of integration with the European Union on the Polish labour market, some attention paying to numerous dilemmas and challenges that Polish economy encounters.*

### **1. Introduction**

The topic included in the title can be understood at least in two ways. On the one hand, it can be understood as a comparative analysis of the labour market in Poland and the labour market in the European Union member states. Such a perspective underlines the differences and the distance between these markets and necessary Polish labour market adjustments to European Union standards. On the other hand, it can be understood as an influence of the process of Poland's integration with the European Union on the Polish labour market. This perspective switches focus to changes likely to happen on the labour market in Poland in connection with our accession to the European Union.

In this paper I refer to the topic through the prism of both perspectives, although not covering it fully. On the ground of the comparative analysis of labour markets I am considering merely some aspects focussing on those which essentially affect the influence of integration on the labour market situation in Poland. Even more important limitations concern the second perspective.

I do not attempt to make an interesting and, as a matter of fact, important though extremely complicated assessment of the influence of accession on the labour market situation in Poland. I limit my deliberations to show the directions and mechanisms of the influence of integration with the European Union on the Polish labour market, some attention paying to numerous dilemmas and challenges that Polish economy encounters.

The structure of the paper is as follows. In the second part, the characteristics and principles of integration of European Union countries which may be important for the influence of Poland's membership in the European Union on our labour market are discussed. In the third part, changes in the labour market in Poland are shown from the macroeconomic perspective. The fourth part is devoted to the characteristics of the Polish labour market before accession compared with labour markets of the European Union. In the fifth part, an emphasis is laid on the presentation of these determinants of the situation in the labour market which may be of importance when considering the influence of integration with the European Union on the labour market. The main focus of the sixth part is the directions and mechanisms of the influence of integration with the European Union on the Polish labour market. The seventh part contains summary and conclusions.

## **2. The main characteristics and principles of integration of European Union countries**

Analysing the problem of consequences of integration with the European Union for the Polish labour market it is advisable to realise the characteristics and the nature of the integration grouping whose member Poland will soon become. In particular, of importance are here some assumptions and principles of economic policy which provide the basis for the functioning of member economies and find their expression in the European Union documents and solutions negotiated by the Polish side between 1998–2002 and adopted during the Copenhagen Summit in December 2002.

First of all it should be underlined that the European Union is an integration grouping consisting in most cases of highly developed countries. It is reflected among others in the levels of production and consumption per capita in these countries, which are significantly higher than in Poland. GDP per capita is in European Union countries on average by 2.6 times higher than in Poland (see Table 1).

**Table 1. Gross domestic product per capita in selected countries in 1999 (according to purchasing power parity)**

Country	in USD	EU-15=100
Denmark	26 770	114
Germany	23 819	101
Great Britain	22 876	97
France	22 067	94
Spain	18 215	78
Portugal	16 437	70
Greece	15 140	64
EU—15	23 500	100
Slovenia	15 685	67
The Czech Republic	13 408	57
Hungary	11 273	48
Slovakia	10 255	44
Poland	8 832	38
Estonia	7 909	34
Lithuania	6 750	29
Latvia	5 893	25

*Source:* own calculations based on Economic Survey of Europe, 2001.

Even in less developed European Union countries such as Greece, Portugal and Spain these levels are much higher than in Poland. It should be noticed that the gap between Poland and the existing European Union member states with respect to GDP per capita is mainly related with the differences in the levels of labour productivity which obviously translates into a general competitive position of integrating economies. The existence of a large development gap between Poland and the majority of European Union countries is a fact that has various consequences for the influence of membership on the Polish labour market.

From the beginning of May 2004 Poland joins the grouping which is a free trade zone. All barriers (including also non-tariff barriers) in trade in industrial goods between member states will be lifted. In addition, free trade in agricultural products will be introduced, although these goods will have to meet numerous sanitary conditions and be subject to the rules of the Common Agricultural Policy and solutions negotiated and accepted in Copenhagen. Domestic producers will then face a full competition from producers from other member states. However, the change in this field should bring about no essential

consequences, as a fundamental liberalisation in trade in industrial goods took place during the pre-accession period as a result of the earlier signed Association Treaty.

Moreover, we join the grouping being a tariff union, which means the application by member states of uniform tariff rates towards third countries. The adjustments in this field will mean changes in tariffs for some goods in relations with third countries and related possible changes in domestic prices. Tariffs for industrial goods and alcohol and tobacco will be reduced resulting in increased competition, while tariffs for, among others, fish, milk and cereal will go up. In the topical literature it is underlined that the consequences of changes in tariffs for domestic production should be rather small (E. Kawecka-Wyrzykowska 2003, p. 158–159).

The European Union is additionally an integration grouping with the nature of a common market, which means the existence of so called „four liberties and freedoms” i.e. a free movement of goods, capital, services and people within the grouping’s internal market. As a matter of fact, a free movement of employees will be introduced within the period of 7 years from the accession date, but already in the first year of membership significant concessions will be adopted, while in subsequent years reductions of the transition period by other member states have been announced.

It should be stressed that the European Union is becoming to a more and more large extent an integration grouping based on the principle of an economic union. Since the Rome Treaty more and more areas of economic policy have become subject to a co-ordination or even unification on the Community level. A high degree of the Community-driven economic policy concerns particularly trade policy, agricultural policy, tax policy in the field of indirect taxes, regional policy, or monetary policy in case of countries which belong to the Economic and Monetary Union. This means that member states base considerable areas of their economic policy on principles set out at the Community level. Poland’s membership in the European Union will certainly require respecting these arrangements and making necessary adjustments in economic policy. It is worth stressing that all this concerns labour market policy only to a small extent.

The labour market policy began to be Community-driven only in recent years. Basically, until the beginning of the 1990s it is difficult to see the signs of integration of labour market policy among member states. In the White Book entitled „Growth, Competitiveness and Employment” from 1993 a growth of employment was underlined as an important pillar (beside an economic growth and competitiveness) of the European Union’s economic strategy. In 1994 in Essen, the Council of the European Union formulated the economic strategy containing elements of labour market policy (a necessity to develop vocational

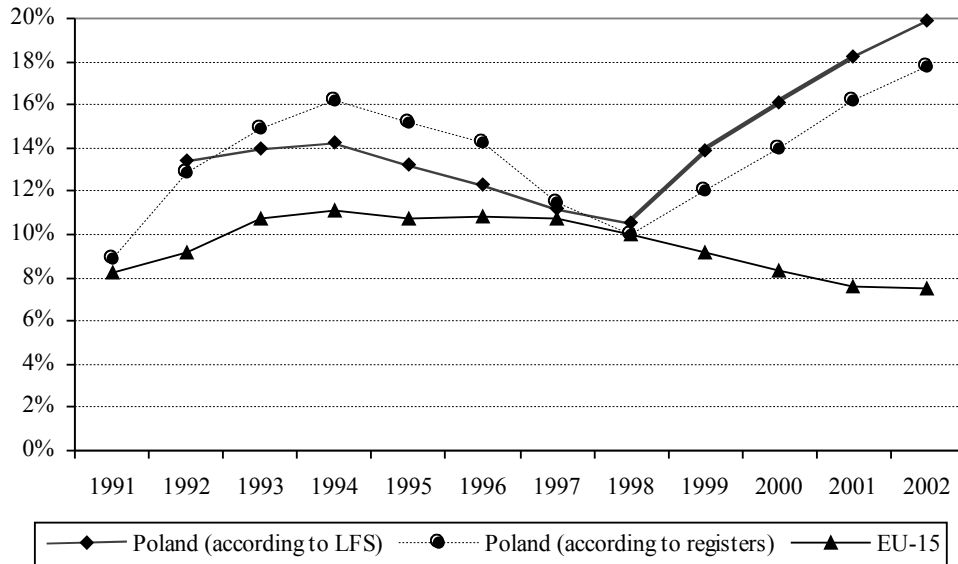
training, flexible forms of employment, a necessity to reduce non-wage labour costs and an improvement of the effectiveness of labour market programmes) as well as recommended to use them by member states. In the Amsterdam Treaty from 1997, high employment was mentioned among the macroeconomic goals. Moreover, member states undertook a commitment to co-ordinate their labour market policies. The labour market policy began to be Community-driven as a result of the arrangements worked out during the Luxembourg summit in 1997, where the guidelines for employment policy and the criteria of its evaluation were adopted. In addition, member states became obliged to prepare National Action Plans for Employment and to monitor them. Also during the summit of the European Council held in Lisbon in 2000, a crucial role of an employment growth in knowledge-based economy was underlined. The above mentioned arrangements included in documents of the European Union point to the fact that a gradual unification of labour market policy in member states is actually taking place, although fundamental elements of this policy are still subject to the national legislation.

In order to accomplish the goals and tasks of the Community's economic policies various funds that provide their financial basis are created in the European Union. Among them there are different structural funds such as the European Social Fund, the European Regional Development Fund, the Cohesion Fund, the European Agriculture Guidance and Guarantee Funds as well as funds that finance sectoral programmes in agriculture and direct subsidies to agricultural production. All these funds will be put at the disposal of Polish applicants in size and on conditions accepted during the negotiation process.

### **3. The tendencies of change in GDP, labour productivity, employment and unemployment in Poland as compared with the European Union**

Let us now have a closer look at the labour market developments in Poland as compared with the European Union. Special focus will be directed towards the tendencies of change in these economic indicators, which are important to verify the role of the convergence hypothesis in shaping a jobless economic growth.

Figure 1 presents the tendencies of changes in unemployment rates in Poland and in the European Union (the average rate for EU-15) between 1991-2002. Data for Poland are derived from two sources of information: registers kept at labour offices and the Labour Force Survey (LFS).

**Figure 1. Unemployment rate in Poland and EU between 1991–2002 (annual average in %)**

Source: *Registered unemployment, 1st and 3rd Quarter 2003*, Central Statistical Office, Warsaw 2003, p. 1.

As it is seen in Figure 1, independently of the source of statistical information, unemployment rates in Poland showed different tendencies of change. Taking into consideration these tendencies, the surveyed period can be divided into three subperiods: until 1994 inclusive, when unemployment rates were growing, the years 1995–1998, when these rates were showing downward tendencies and the subperiod starting in 1999, during which a repeated increase in unemployment rates was taking place. It is worth noticing that the relationships between the unemployment rates derived from the two mentioned statistical sources underwent a change in the analysed period. Until 1997, the rates of registered unemployment exceeded the LFS unemployment rates, while starting from 1998 the relationships between these rates were reversed. This change can be explained to a significant extent by a weaker motivation of unemployed persons to register at labour offices, mainly due to more stringent criteria required to apply for unemployment benefits and to participate in labour market programmes.

When comparing unemployment rates in Poland with analogous rates in the European Union (see Figure 1) attention should be paid to two moments. Firstly, the directions of changes in the unemployment rate in the European Union were somewhat different than in Poland. The growth tendencies of the

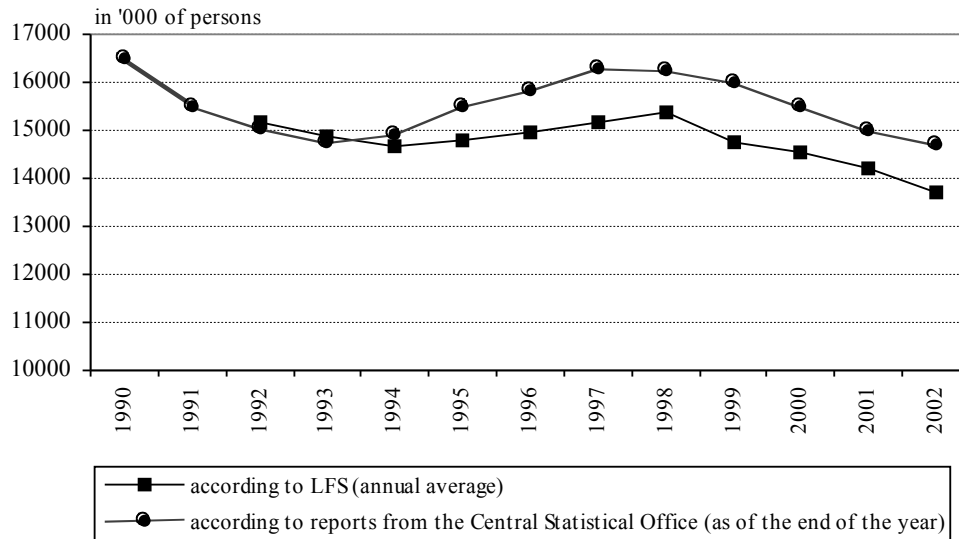
rate were seen in the EU only at the beginning of the 1990s (until 1994), whereas in subsequent years there was a uniform downward tendency. Secondly, an average unemployment rate in the European Union was lower than in Poland in the entire analysed period. Of particular concern can be the fact that this difference was biggest at the end of the analysed period, in years preceding accession to the European Union.

The size of unemployment in economy depends on a number of factors. They concern primarily labour demand, labour supply, the scale of structural imbalances on the labour market and the labour market effectiveness. Let us have a closer look at labour demand and its role in giving explanations for the tendencies of unemployment changes. Due to limitations of statistical data, the analysis of labour demand will be based on data concerning the number of persons working in economy.

In Figure 2 the tendencies of changes in the number of working persons in Poland over the previous period of transition were shown. As it can be seen from Figure 2, a long-term downward trend in the number of working persons took place, both if data from registers are considered (a fall in the number of working persons by ca. 11% between 1990–2002) and the LFS data (a decline by almost 10% between 1992–2002). With respect to the directions of changes in the number of working persons three subperiods can be distinguished: a decrease in the number of working persons throughout 1990–1993 (according to the LFS data the decrease maintained until 1994), an increase in the number of working persons between 1994–1997 (according to LFS between 1995–1998) and a repeated decline of this rate since 1998 (according to LFS since 1999). These subperiods overlap principally with the subperiods of changes in unemployment rates in Polish economy. Thus, it should be concluded that changes in labour demand explain to a large extent the tendencies of unemployment changes in Poland.

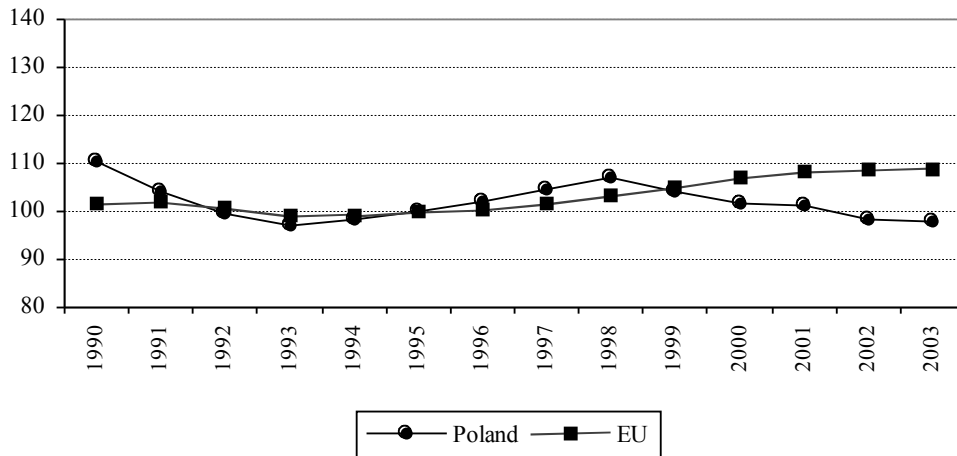
When comparing the tendencies of changes in the number of working persons in Poland and in the European Union (see Figure 3, where Eurostat's statistical data were used) it can be said that although there was a downward trend in the number of working persons in Polish economy, in the European Union we witnessed an upward trend over this period. Moreover, attention should be paid to significantly stronger fluctuations in the number of working persons in Poland than in the European Union.

**Figure 2. Number of working persons in Poland between 1990–2002 (in '000 of persons)**



Source: *Aktywność ekonomiczna ludności Polski (The economic activity of population in Poland)*, różne wydania z lat 1992–2003 (different issues from 1992–2003), Central Statistical Office, Warsaw; *Statistical Yearbooks of Central Statistical Office, different issues from 1995–2003*, Central Statistical Office, Warsaw; GUS webpage: [www.stat.gov.pl](http://www.stat.gov.pl)

**Figure 3. Tendencies of change in the number of working persons in Poland and EU between 1990–2003 (1995=100)**

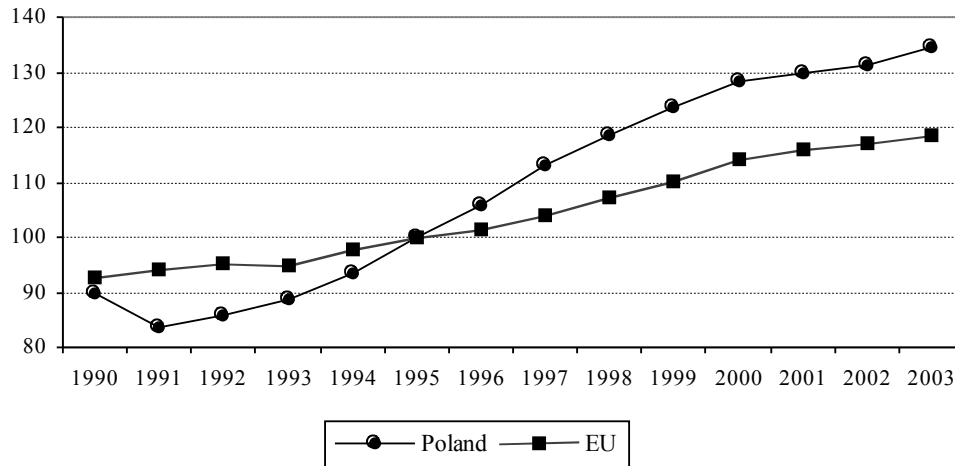


Source: *Employment in Europe 2003*, European Commission, Luxembourg 2003, p. 209 and 234, own calculations.



Taking into consideration determinants of the number of working persons in economy, attention should be paid to the dynamics of production treated in the Keynesian theory as a basic factor determining labour demand.

**Figure 4. Tendencies of change in GDP in Poland and EU between 1990–2003 (1995=100)**



Source: as for Figure 3, p. 202 and 208.

Figure 4 presents the tendencies of changes in Gross Domestic Product between 1990–2003. As it results from this figure, both in Poland and in the European Union a long-term upward tendency in GDP took place, with an average growth rate higher in Poland than in the European Union. Unlike in the European Union, in Polish economy there was a downward tendency of GDP, which took place in the initial period of transition. Taking into consideration long-term tendencies it can be said that a decrease in the number of working persons was accompanied by a growth of production in Polish economy. GDP growth tendencies could not secure an increase in the number of working persons.

In Figure 5 annual changes in GDP and in the number of working persons in Poland were confronted. As it follows from the figure, firstly, a GDP fall in 1991 was accompanied by a decrease in the number of working persons, although it was weaker than the GDP fall. Therefore, it can be concluded that the size of overemployment inherited after the centrally-planned economy increased. Secondly, the GDP growth that took place between 1992–2002 was accompanied by both increases and decreases in the number of working persons. Thirdly, only a relatively high GDP increase (ca. 5% annually) entailed a growth in the number of working persons in economy. Fourthly, the observed tendencies of changes in GDP and in the number of working persons point to the

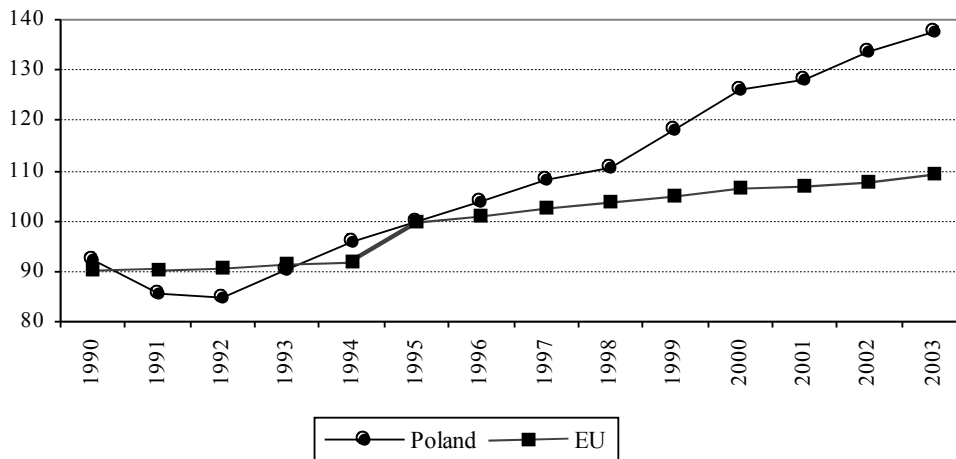
existence in Polish economy of strong processes of an overemployment reduction and an increase in labour productivity.

**Figure 5. Changes in GDP and in the number of working persons in Poland between 1991–2002 (in % annually)**



Source: *Statistical Yearbook 1998*, Central Statistical Office, Warsaw, p. 509 and 122; *Statistical Yearbook 2003*, Central Statistical Office, Warsaw, p. 580; website of Central Statistical Office: [www.stat.gov.pl](http://www.stat.gov.pl)

**Figure 6. Tendencies of change in labour productivity in Poland and EU between 1990–2003 (1995=100)**



Source: as for Figure 3.

The tendencies of changes in labour productivity (calculated as GDP per 1 working person) are shown in Figure 6. As it results from the figure, after a decline in labour productivity in 1991 and 1992, in subsequent years of the transition period the rate was growing permanently in Polish economy. Over the entire 1990–2002 period, the level of labour productivity increased by over 60%. From the viewpoint of a competitiveness improvement of Polish economy, this is a highly positive tendency. This is because it creates chances for better development opportunities of domestic producers in the open market of international competition. It should be noted that the dynamics of growth in labour productivity is in the European Union weaker than in Poland (see Figure 6). So strong an increase in labour productivity in Polish economy obviously could not remain without an influence on the labour market situation. A strong increase in labour productivity just explains why only a relatively high GDP increase entails a growth in the number of working persons.

**Table 2. Changes in employment, GDP and labour productivity in Poland and EU between 1991–2002 (annual average in %)**

Items	1991–1993	1994–1997	1998–2002
<b>Poland</b>			
1. Employment	– 4.16	1.87	– 1.12
2. GDP	– 0.26	6.25	3.04
3. Labour productivity	4.00	4.30	4.34
<b>EU</b>			
1. Employment	– 0.80	0.55	1.42
2. GDP	0.86	2.32	2.38
3. Labour productivity	1.93	1.82	0.98

*Source: Employment in Europe 2003, European Commission, Luxembourg 2003, p. 202, 208–209, 234; own calculations.*

In Table 2 the dynamics of employment, GDP and labour productivity in Poland and in the European Union throughout 1991–2002 were put together. This period was divided into three subperiods reflecting the directions of changes in employment in Polish economy. As it results from the table, firstly, an annual average rate of labour productivity growth was in all three subperiods much higher in Poland than in the European Union. This confirms the hypothesis about the economic convergence. Secondly, the contribution of employment growth to GDP growth was in Poland lower than in the European Union, particularly at the end of the analysed period. In 1998–2002, the rates

were at the level of  $-0.36$  for Poland and  $0.59$  for the European Union, which means that almost 60% of GDP growth in the European Union was a result of an employment growth, whereas in Poland every single percentage point of GDP growth was connected with an employment decrease by 0.36 percentage point.

#### 4. Labour market in Poland in comparison with European Union countries

Poland's membership in the European Union can bring diverse changes on the domestic labour market. In the context of possible changes it is advisable to have first a closer look at the characteristics of the Polish labour market on the eve of European Union membership. Its confrontation with labour markets in European Union countries depicts not only differences and the distance between them, but also suggests a possible way and directions of changes on the Polish labour market, if the economic convergence theory is to be trusted.

**Table 3. Rates of employment, unemployment and activity in the 15–64 age group in EU countries and Poland in 2002 (in %)**

Country	Employment rate	Unemployment rate	Activity rate
Belgium	59.7	6.9	64.1
Denmark	76.4	4.3	79.9
Germany	65.4	8.6	71.5
Greece	56.9	9.8	63.1
Spain	58.4	11.1	65.8
France	62.9	8.7	69.0
Ireland	65.0	4.3	67.9
Italy	55.4	9.3	61.0
Luxembourg	63.6	2.8	65.3
The Netherlands	74.5	2.8	76.5
Austria	68.2	4.9	71.7
Portugal	68.6	4.8	72.1
Finland	69.1	10.5	77.2
Sweden	74.0	5.0	78.0
Great Britain	71.5	5.1	75.3
EU-15	64.2	7.7	69.6
Poland	51.7	20.2	64.9

*Source: Employment in Europe 2003, European Commission, p. 35.*

One of the characteristics of the Polish labour market on the eve of membership is a very high unemployment rate. In 2002 the rate (calculated with the use of the Labour Force Survey method) exceeded 20%, while the average rate for the European Union was 7.7% and in a number of EU member states it was even less than 5% (see Table 3).

This comparison would be even worse if the size of significant hidden unemployment in the Polish economy displayed by its overemployment was considered. This refers primarily to agriculture, as it was non-agriculture activities where considerable reductions of this phenomenon took place in earlier periods of transition. Such variations in the situation on the labour markets in Poland and the European Union have multiple consequences. On the one hand, a significant part of the Polish society perceives membership as an opportunity to improve the situation in the labour market. On the other hand, large differences in unemployment rates are frequently used to provide arguments for the big emigration potential in Poland (in particular by authors from the European Union countries).

Evidence for a difficult situation on the Polish labour market is given not only by high unemployment rates, but also relatively low employment rates (a relationship of the number of working persons to the number of population aged 15–64). While in some European Union countries these rates exceeded 70% in 2002 and the average rate for the entire European Union was higher than 64%, in Poland it did not reach even 52% (see Table 3). So low a rate (along with a relatively low activity rate – see Table 3) shows a big economic burden on working persons, which cannot be underestimated for the condition of public finance and the possibility to financially support the European Union programmes.

One of the characteristics of unemployment in Poland is its stagnant nature consisting in a low rotation of persons in the unemployment stock. It is worth noting that the unemployment growth in 1998–2002 resulted not from an increase in the number of persons flowing into unemployment but rather from an extension of the average duration of unemployment. The stagnant nature of Polish unemployment is displayed in a relatively large number of the long-term unemployed. The long-term unemployment rate (the relationship of the number of persons with no employment for longer than 12 months to the number of economically active persons) is very high in Poland and in 2002 approached 11%, while the average rate in the European Union amounted to 3% (Table 4).

The high rate of long-term unemployment has numerous negative socio-economic repercussions contributing to the appearance of the unemployment

hysteresis. Negative consequences of long-term unemployment have been well recognised in European Union countries and therefore an improvement of the long-term unemployment rate was included into the guidelines of the European Employment Strategy adopted in Luxembourg in 1997. Due to a high level of long-term unemployment in Poland it will not be an easy task to keep to these guidelines.

Another characteristic of unemployment in Poland is a very high unemployment rate among youth. In the 15–24 age group the rate amounted to 41.7% in 2002, while the average rate in the European Union was 15.1% (see Table 4). So high an unemployment rate among Polish youth produces various negative social and economic consequences. It is also a factor that stimulates processes of a work migration from Poland after the introduction of the free movement of employees.

**Table 4. Long-term and youth (15–24 years) unemployment rates in the EU countries and Poland in 2002 (as % of labour force)**

Country	Long-term unemployment rate	Youth unemployment rate
Belgium	3.6	18.2
Denmark	0.9	7.7
Germany	4.0	9.7
Greece	5.1	26.4
Spain	3.9	22.2
France	2.7	20.0
Ireland	1.3	8.0
Italy	5.3	27.2
Luxembourg	0.8	8.3
The Netherlands	0.7	5.2
Austria	0.8	6.8
Portugal	1.8	11.5
Finland	2.3	21.0
Sweden	1.0	11.8
Great Britain	1.1	12.1
EU—15	3.0	15.1
Poland	10.9	41.7

*Source:* as for Table 3, p. 209–234.

An important characteristic of unemployment in Poland is a relatively high level of so-called equilibrium unemployment whose main element is structural unemployment. As it results from previous research, at the end of the

1990s an equilibrium unemployment rate accounted for ca. 80% of an actual unemployment rate (see: M. Socha, U. Sztanderska 2000, p. 155).

The findings are not surprising considering big structural imbalances in the labour market and a relatively low mobility of labour force analysed from the spatial, vocational and skill perspectives. The high level of equilibrium unemployment in the Polish economy has important implications, also in the context of integration with the European Union. On the one hand, it suggests a relatively low sensitivity of unemployment in Poland to business cycles (which is essential given a possible increase in production after accession). On the other hand, it points to the fact that the development of labour market programmes addressed to problem groups (including European Union programmes) can be a quite effective instrument of the unemployment reduction.

Significant differences between Poland and European Union countries concern an active government policy in the labour market aimed mainly to reduce structural unemployment. Firstly, the level of expenditures to active labour market programmes is considerably lower in Poland than in the European Union countries, which is true not only in absolute terms but also in relative terms. In European Union countries the average rate of the share of expenditures spent on an active labour market policy in GDP was at the level of 1.1% in 1997, while in Poland at the level of merely 0.3% (see Kryńska 2001, p. 61) and continued falling in the following years (0.1% in 2000). Secondly, in Poland we have a different structure of expenditures on active labour market programmes than it is in the European Union. It is expressed by a low share of expenditures spent on training (7% compared to the European Union average of 25% – see Kryńska 2001, p. 60). Thirdly, a significantly lower proportion of unemployed persons take part in active labour market programmes in Poland (ca. 4%) than in the European Union (ca. 10%). Thus, it is necessary to say that much lower importance is attributed to active labour market programmes in Poland than in the European Union despite a significantly higher level of unemployment in Poland. These differences show changes, which have to happen in labour market policy in Poland after accession to the European Union, so as to be able to follow the aims of the European Employment Strategy.

At the end of the comparative analysis of labour markets in Poland and European Union countries focus is directed to the trisectoral employment structure. As the authors of the three-sector model (A. Fisher, C. Clark and J. Fourastie) believe, this structure is an important indicator of the country's level of economic development. In developed countries the proportion of the agricultural sector in employment is relatively low, while the proportion of the service sector is relatively high. As it follows from the comparative analysis of the trisectoral employment structure in Poland and in European Union countries,

it is the shares of the agricultural and service sectors where basic differences appear. The proportion of persons employed in the agricultural sector exceeded in Poland 18% in 2002, with the European Union average of 3.7%, while the share of the service sector was much lower in Poland than in the European Union (52.5% compared with 67.9% in EU – see Table 5). Such differences in the trisectoral employment structure are undoubtedly to a significant extent a result of differences in GDP per capita, although a certain role in so high a rate of the proportion of the agricultural sector in Poland should be attributed to the existing agrarian structure and the function of an absorber of tensions on the labour market that was played by agriculture during the transition period. Desirable directions of structural changes in employment are obvious in Poland. Poland's membership in the European Union should accelerate these changes (among others, through the structural funds and the common agricultural policy).

**Table 5. Structure of employment from the three-sector perspective in EU countries and Poland in 2002 (in %)**

Country	Agricultural sector	Manufacturing sector	Service sector
Belgium	1.8	25.8	72.4
Denmark	3.0	23.6	73.4
Germany	2.4	32.5	65.1
Greece	14.6	22.8	62.5
Spain	5.8	31.4	62.7
France	4.0	25.5	70.5
Ireland	6.1	28.2	65.7
Italy	4.7	31.8	63.5
Luxembourg	1.9	20.1	77.9
The Netherlands	2.9	21.1	76.1
Austria	5.4	29.0	65.6
Portugal	8.5	35.5	55.9
Finland	5.3	27.2	67.5
Sweden	2.2	23.1	74.7
Great Britain	1.3	24.3	74.4
EU-15	3.7	28.4	67.9
Poland	18.5	29.1	52.5

*Source:* as for Table 3, p. 37.

## 5. The determinants of labour market situation

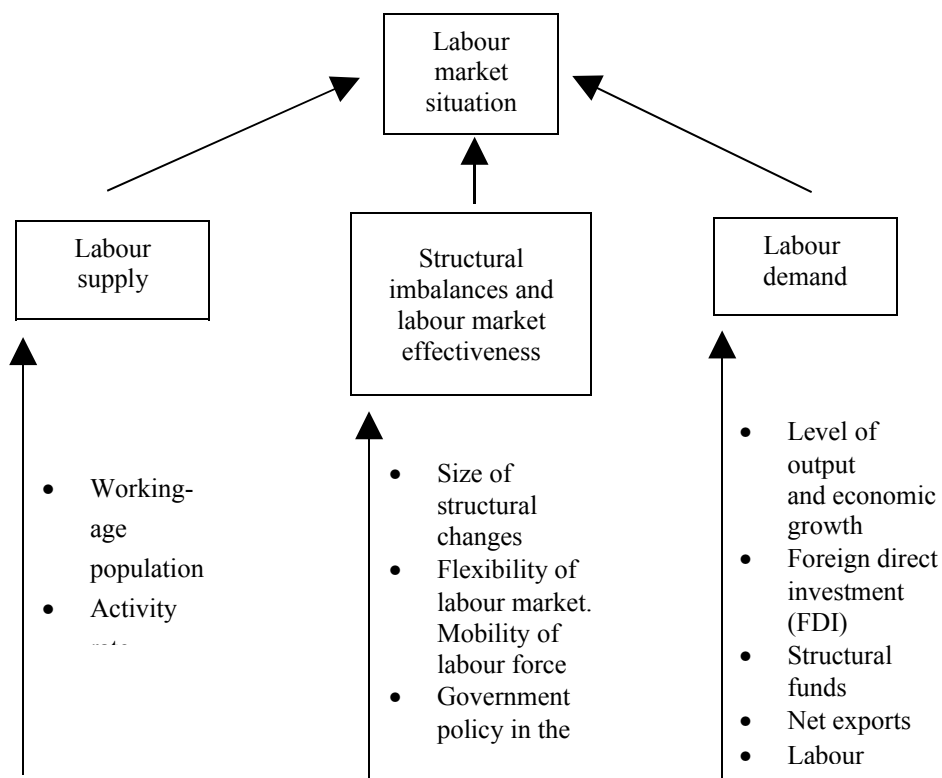


The labour market situation depends on many determinants. It is not the aim of these deliberations to present all factors in an exhaustive manner. Main focus will be directed towards those which may be important when analysing the influence of integration processes on the labour market situation in Poland.

Generally speaking, all factors that determine the labour market situation can be divided into three groups (see Figure 7):

- related to labour supply;
- related to labour demand;
- related to structural imbalances in the labour market and the labour market effectiveness.

**Figure 7. Determinants of the labour market situation**



Source: own elaboration.

From among factors determining the supply side of the labour market, an important role in the field of the influence of integration processes on the labour market situation can be played by cross-border migrations of population. It is obvious that in the case of a negative migration balance tensions in the labour market are alleviated. It is worth noting that when analysing an influence of external migrations on the labour market situation, of big importance is not only the migration balance but also the structure of emigrants and immigrants, especially with respect to professional skills and education as it is important for labour productivity and the dynamics of economic growth.

As concerns factors related to the demand side of the labour market, primarily three factors by means of which the influence of accession on the labour market situation is exerted, are worth stressing here. These are:

- foreign direct investment;
- transfers of funds from the European Union;
- net exports.

Foreign direct investments bring about numerous favourable results for economy and the labour market situation. First of all, they raise general investment outlays in the country and create new jobs. In addition, foreign direct investments are an important innovation carrier, which in turn affect positively the dynamics of economic growth. As a matter of fact, it should be noted that foreign direct investments can also to a certain extent displace domestic production and employment and contribute to an increase in imports that weakens the level and growth of employment. However, the aggregate effect of the influence of foreign direct investment on employment, particularly in the longer term, seems to be positive.

As far as transfers of funds from the European Union are concerned, their positive effects for domestic employment and unemployment are obvious. They can directly improve the situation in the labour market through a stimulation of economic activities of unemployed persons owing to their participation in labour market programmes, and also through the development of vocational training as well as the development of rural areas. Attention should also be paid to demand-generating effects of the transfer of funds raising the level of domestic production.

As concerns the effects of net exports on the labour market situation, within the frame of a short-term analysis a favourable influence in the case of positive net exports and an unfavourable influence in the case of negative net exports should be assumed. When analysing this influence, an important role is played also by the structure of exports and imports, and the share of investment imports in particular. High rates of this share bring in the longer term

considerable benefits with respect to economic growth and domestic employment.

Analysing an influence of the above mentioned three factors on the situation in the labour market two perspectives are worth noting, within which this influence is exerted:

- a short-term perspective when changes in these factors affect domestic employment and unemployment through their influence on demand effects and the production level;
- a long-term perspective when these factors can affect employment and unemployment by means of their influence on supply effects and economic growth (this refers particularly to foreign direct investment and transfers of funds from the European Union).

Taking into consideration a long-term perspective of the influence of integration processes on employment and unemployment, in which a crucial role is played by their influence on the dynamics of economic growth, also the dynamics of labour productivity is to be considered. As it is known, given a lower dynamics of labour productivity growth the effects for employment providing a *ceteris paribus* assumption will be more favourable. However, if the processes of integration with the European Union raise the dynamics of labour productivity in national economy, a positive influence on the labour market situation would be weaker at that time.

The labour market situation also depends on the degree of structural imbalances on the labour market (imbalances between the structure of labour supply and the structure of labour demand with respect to skills, professions, education, place of living and place of work) and labour market effectiveness. In this group of determinants three factors are worth to be discussed in more detail. These are:

- the scale of structural changes in production and employment. Given a larger scale of structural changes, structural imbalances in the labour market can be bigger and the labour market situation worse;
- flexibility of the labour market, and mobility of labour force and flexibility of employment and flexibility of working time in particular. Given higher mobility and flexibility smaller structural imbalances in the labour market and consequently a better situation in this market can be expected;
- the scope and effectiveness of a government labour market policy. The higher the scope of an active government labour market policy (the more participants in labour market programmes) and the more effective the government labour market policy are, the smaller structural imbalances in this market and the better labour market situation.

## 6. The directions of influence of integration with the European Union on the labour market in Poland

Let us now consider likely changes in the Polish labour market connected with the processes of integration with the European Union. However, it should be clarified from the very beginning that an author's intention is not to present the tendencies of changes in the labour market situation which can happen in the coming years, but rather to identify the direction in which Poland's membership in the European Union may affect changes in these tendencies.

As concerns foreseen tendencies in the field of external migrations, a significant development of research in this field in recent years should be noted. Attempts to assess the migration tendencies were undertaken both in the Polish literature and in foreign works.

In works of foreign authors a large emigration potential in Poland is underlined. Starting the analysis of factors determining foreign migrations (a relatively low level of GDP per capita in Poland as compared with European Union countries and a relatively high unemployment rate in Poland as compared to the European Union), authors from European Union countries suggest an enormously high emigration potential in Polish economy. It should be stressed that these assessments do not take into consideration a number of barriers to emigration processes, particularly language, cultural and economic barriers. Taking into account these barriers it should be said that the assessments of the emigration potential in Poland made by Western authors are much exaggerated. This view finds support in both a downward tendency of the emigration size in Poland in the 1990s (see Table 6) and the experience of Spain, Portugal, Ireland and Greece, where no significant increase in the emigration wave was recorded after their accession to the European Union.

**Table 6. Size of emigration from Poland between 1981–2002 (in persons)**

Years	Number of emigrants	Years	Number of emigrants
1891–1985	120 148	1998	22 177
1986–1990	146 820	1999	21 536
1991–1995	112 725	2000	26 999
1995	26 277	2001	23 368
1996	21 297	2002	24 532
1997	20 210		

*Source:* K. Iglicka, 2001, p. 47; Concise Statistical Yearbook of Poland 2003, Warsaw 2003, p. 133

Far more credible seem to be more moderate assessments of future emigration processes made by Polish authors which take into consideration a whole variety of social barriers to emigration processes (see Table 7). These remarks do not mean that in Poland a positive migration balance may occur. Very likely is a negative balance of external migrations, which will mitigate tensions in the labour market in Poland.

**Table 7. Foreseen size of emigration from Poland to European Union countries in 2010 (in '000 of persons)**

Country	Variant A (current GDP relations)	Variant B (slow GDP growth in Poland)	Variant C (rapid GDP growth in Poland)
Germany	410	276	195
France	134	77	43
Austria	123	61	23
Belgium	106	48	14
The Netherlands	104	48	15
Sweden	102	46	12
Italy	93	52	27
Great Britain	91	50	25
Finland	90	38	6
Denmark	85	42	16
Spain	45	14	0
Ireland	44	5	0
Luxembourg	34	15	4
Greece	12	0	0
Portugal	0	0	0
Total	1472	771	380

Variant A – real GDP growth in Poland by 2 – 3% annually;

Variant B – real GDP growth in Poland by 4% annually;

Variant C – real GDP growth in Poland by 7% annually.

*Source:* L. Zienkowski, 2001, p. 117.

As concerns the structure of external migrations, many arguments speak for a favourable structure from the viewpoint of Polish economy. Previous experience shows that persons with lower professional skills and with vocational or primary education predominate among emigrants. A relatively small proportion among emigrants consisted of persons with higher skills and education. As a matter of fact, high unemployment rates among young people in

Poland stimulate the emigration processes of persons with a higher level of skills, however this tendency should not be of fundamental importance. Taking into consideration the fact that in European Union countries there are tendencies for the relative labour demand to increase with respect to simple and arduous works and those not requiring high skills, it should be assumed that these tendencies will maintain also in the nearest future and sustain the existing structure of emigrants with respect to skills and education. As regards the structure of immigrants from the European Union to Poland, many symptoms suggest that, among immigrants, persons with high skills and education will predominate. As previous experience shows, along with the inflow of foreign capital goes the transfer of labour force with high skills. It should be expected that the speeding-up of the foreign capital inflow to Poland will intensify these tendencies.

Table 8 contains data about the cumulated value of foreign direct investment in Poland in 1990–2001. As it can be concluded from the table, there is a strong upward tendency with respect to the discussed category in this period. It should be assumed that Poland's membership in the European Union will strengthen these tendencies. Such a scenario is confirmed by experiences from Spain, Portugal and Ireland, in which a significant increase in foreign direct investment happened after gaining membership. Therefore, positive effects of the growth of foreign direct investment for employment in the short and longer term should be assumed.

**Table 8. Cumulated value of foreign direct investment in Poland between 1990–2001 (in million USD)**

Years	FDI value	Years	FDI value
1990	120	1996	14 027
1991	369	1997	20 567
1992	1 605	1998	30 651
1993	3 224	1999	38 912
1994	4 926	2000	49 652
1995	7 798	2001	56 833

*Source: Ocena sytuacji społeczno-gospodarczej w 1998 roku [The evaluation of the socio-economic situation in 1998], Government Centre for Strategic Studies, Warsaw 1999, p. 54; data of Polish Foreign Investment Agency.*

A positive influence on the labour market situation in Poland can be expected with regard to the transfer of payments from the European Union budget to our country. After receiving membership, the size of transfers

of financial resources will be growing in subsequent years totalling almost 20 billion euro in 2013 (see Table 9). These considerable resources (over 4% of GDP after 2007) will support the development of production and employment in Poland, initially through demand effects and later also through supply effects. It is worth stressing that a significant part of the transfers of financial resources will be directed towards the development of economic and human infrastructure, thereby contributing to the improvement of economic effectiveness.

**Table 9. Payments from the EU budget to Poland (current prices), 2004–2013 (in million euro)**

Years	Structural funds	Cohesion fund	Common Agricultural Policy	Internal policies and institution development	Lump sum for the improvement of budget liquidity	Pre-accession aid	Total payments	(%) Payments as percentage of GDP (in
2004	912	28	389	315	489	1071	3212	1.4
2005	1669	332	1770	458	619	927	5775	2.4
2006	1813	607	2197	573	517	585	6292	2.4
2007	6115	946	2487	457	0	153	10157	3.7
2008	7799	1555	2816	472	0	19	12661	4.3
2009	8973	2159	3283	545	0	0	14959	4.7
2010	8779	2821	3725	637	0	0	15962	4.6
2011	8955	3526	4186	673	0	0	17340	4.7
2012	9134	4145	4660	713	0	0	18652	4.6
2013	9317	4630	5157	755	0	0	19859	4.5

Source: P. Samecki, 2003, p. 45 i 47.

An impact of integration with the European Union on the Polish labour market through the influence on net exports does not look optimistic, at least in a short term. Previous tendencies in the balance of foreign trade turnover were highly unfavourable (see Table 10); however a decrease in the negative balance in recent years should be mentioned. Taking into consideration quite high import intensiveness of Polish economy, it is difficult to assume significant changes in the balance of foreign trade turnover in the years to follow. However, an

improvement in this field can be expected in the longer term alongside with an improved competitiveness of Polish economy.



**Table 10. Foreign trade turnover (current prices) in Poland between 1990–2002 (in million USD)**

Years	Exports	Imports	Net balance	Net balance with EU
1990	14 322	9 528	4 794	2 170.4
1991	14 903	15 522	– 618	538.5
1992	13 187	15 913	– 2 726	– 940.9
1993	14 143	18 834	– 4 691	– 1 751.6
1994	17 240	21 569	– 4 329	– 1 582.1
1995	22 895	29 050	– 6 155	– 2 770.0
1996	24 440	37 137	– 12 697	– 7 591.7
1997	27 250	43 895	– 16 645	– 10 472.2
1998	28 228	47 053	– 18 825	– 11 757.5
1999	27 407	45 911	– 18 504	– 10 499.1
2000	31 651	48 940	– 17 289	– 7 807.2
2001	36 092	50 275	– 14 183	– 5 878.3
2002	41 010	55 113	– 14 103	

Source: *Gospodarka Polski 1997 (Polish economy 1997)*, Government Centre for Strategic Studies, Warsaw 1997, p. 148; *Ocena sytuacji społeczno-gospodarczej w 1998 r. (The evaluation of the socio-economic situation in 1998)*, Government Centre for Strategic Studies, Warsaw 1999, p. 16; *Concise Statistical Yearbook of Poland 2000*, p. 344–348 and 2003, p. 371; M. Kabaj, 2003, p. 75.

Summarising, although an increased inflow of foreign direct investment and funds from the European Union will be raising domestic production and employment, the maintaining negative net exports will weaken these tendencies. All in all, a growth of production as a result of membership can be expected, being more significant in medium and longer term. Effects of these processes for employment will, however, be weaker due to strong tendencies to jobless economic growth in Poland. It is worth noticing that since the middle of the 1990s the pace of a labour productivity growth (measured by the value of GDP per 1 employee) is very high in Polish economy and ranges from 4 to 5% annually. If the pace is going to be maintained in the future (which is quite likely in the condition of a strong competitive pressure and the openness of economy), pro-employment effects of an acceleration of economic growth will be initially minimal.

It is difficult to assess clearly an impact of membership on the labour market made via structural imbalances and labour market effectiveness. On the one hand, an increased scale of structural changes in employment as an effect of

membership should be assumed, even despite of the acceptance of the simplified system of direct subsidies in agriculture restraining an outflow of labour force from agriculture. On the other hand, the transfer of payments from the European Union to Poland is to a large extent directed towards an improvement of the labour force mobility and labour market flexibility, which should diminish structural imbalances of labour demand and supply. Due to the fact that an improvement of labour force flexibility can occur in the longer run, initially negative consequences for the labour market of an acceleration of structural changes and reallocation of labour force ought to be taken into account.

### **Summary**

The integration with the European Union poses a big challenge for Polish economy. We are integrating with a grouping characterised by a high level of economic development, and modern and highly competitive production. In order to remain competitive among such partners, a number of adjustment processes should be developed in Polish economy, including adjustments in the field of labour market. These adjustments (e.g. guidelines for labour market policy), although not easy to realize and in the short term producing various unfavourable effects for the labour market, are in the long run very desirable and contribute to an improvement of competitiveness of Polish economy.

Accession to the European Union falls into the period characterising by a difficult situation in the labour market in Poland (relatively high unemployment, an obsolete employment structure). The perspectives for the Polish labour market depend to a large degree on internal and external development factors and government policy in the field of employment and unemployment. Membership in the European Union should be utilised to support national policy in the area of employment and unemployment.

The impact of membership in the European Union on the situation on the Polish labour market is to a large extent dependent on the time horizon of the analysis. In the short term (2–3 years) the effects produced by factors deteriorating the labour market situation (negative net exports, accelerated structural changes and a reallocation of labour force, and implementation of technological progress and a growth in labour productivity) can outweigh the effects generated by factors improving the situation in this market (a negative balance of foreign migrations, a transfer of financial resources from the European Union to Poland, programs of an improvement of labour force mobility). In the medium and long term the strength of influence of both groups of factors should be reversed, and consequently a more favourable impact of accession on the situation in the labour market in Poland can be expected.

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