FRIEDRICH EBERT STIFTUNG

STUDY

Youth Unemployment in Poland

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- Poland has suffered less from the global economic crisis than many other countries, at least in statistical terms. The main negative phenomena affecting young people include the rise in unemployment and the growth of precarious employment and in-work poverty. However, these problems were pressing even before the crisis. Consequently, one should speak of two problems in tandem: structural problems (low labour demand, problems with the education system and labour market transitions, as well as skills mismatches) and issues that are crisis-driven (especially the further decline in labour demand and constrained spending on labour market policy).

- Unemployment is especially high among young people aged 15–24, more specifically those with only a basic vocational education. University graduates show the lowest unemployment rates, but the unemployment rate for this group has been on the rise since 2008.

- The measures that should be taken include an ›unfreezing‹ of the existing surplus in the Labour Fund for job training and job placement, the redirection of national and European resources to vocational training and a stronger engagement by the social partners, especially employers, in skills formation.

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Introduction

The financial crisis of 2008 continues to affect the economies of all the European Union member states. The impact has been profound, bringing about not only a decline in GDP and ravaging labour markets, but also a change in the shape of public finances. From the social perspective, one of the most important effects of the crisis has been the sharp increase in unemployment since 2008, especially among young people. This is also the case in Poland where the level of youth unemployment has increased significantly since 2008. However, this rise was not as dramatic as in other countries due to the fact that the Polish labour market was characterised by a comparatively high level of youth unemployment prior to 2008. What has changed dramatically since 2008 is the nature of youth employment, the most typical development being the growth of precarious employment based on fixed-term contracts, especially among the youngest workers.

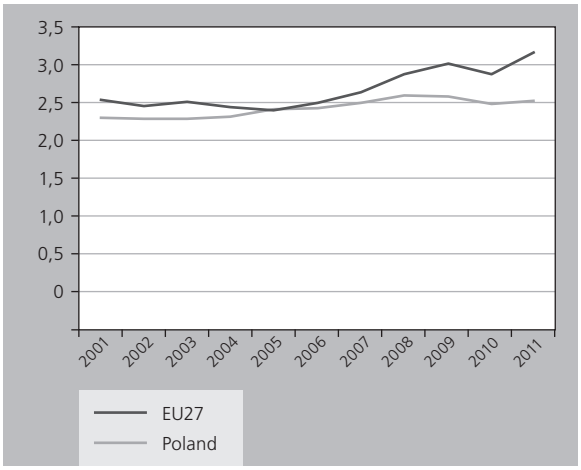
The aim of this paper is to explore these issues in more detail, with a particular focus on the dynamics of the labour market: unemployment, employment and inactivity rates over the past decade. Attention will also be paid to the nature of atypical employment and the consequences of this form of contractual agreement for employment pathways and financial wellbeing. The paper also focuses on the transition from the education system to the labour market for young adults, with an emphasis on skills mismatches. The important problem of the lack of interest among employers in shaping the skills of young people through vocational education and in-work training will also be considered. This situation is bring about a segmentation of the labour market, with the majority of young workers occupying less stable and low-paid positions.

1. The Economic Situation in Poland since 1989

During the period 1990–2003, when Polish GDP grew by 34 per cent, 2.8 million jobs were lost. Labour productivity grew by 60 per cent compared to 1989, accompanied by major shifts in the structure of the economy. Agriculture and forestry's share of GDP declined from 29 per cent to 17.2 per cent, the share of production in industry and construction decreased from 35.2 per cent to 29.2 per cent, while the role of services increased significantly from 35.8 per cent to 54.7 per cent (Kabaj 2005). In the subsequent years these trends have continued, characterised by a decrease in employment in agriculture and the growth of the service sector. A second important development has been the decrease in demand for labour due to increased labour productivity. As a result, the Polish economy has grown comparatively fast, but without creating new jobs (MPiPS 2010).

Even though Poland has weathered the global crisis comparatively well (the Polish economy has been performing relatively well and in 2009 was the only EU country where GDP growth was positive, at 1.6 per cent), the main negative phenomena affecting young people include the rise in unemployment and the growth of precarious employment and in-work poverty (EC 2011). It should be remembered, however, that the comparatively lower dynamics of youth-related problems (such as graduate unemployment) should be considered in light of the fact that these were already significant issues before the crisis. Nevertheless, if one looks at the ratio of the youth unemployment rate to the adult unemployment rate, the negative trend that started in 2008 becomes apparent.

Figure 1: Ratio of youth (15–24) unemployment rate to adult (25–64) unemployment rate, the EU27 and Poland, 2001–2011

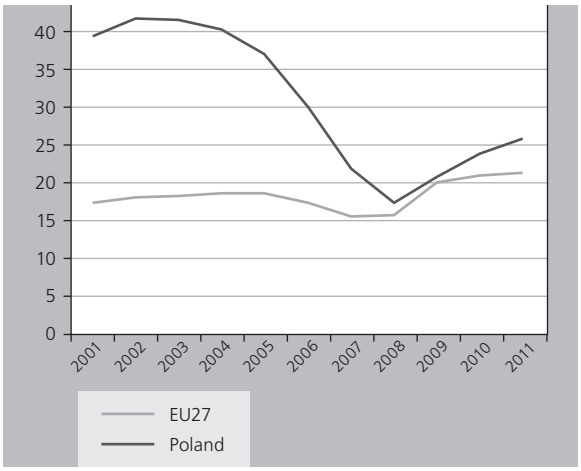


Source: Eurostat, author's calculations.

Such a situation calls for urgent systemic action. In the sections that follow we explore the labour market situation of young people in more detail.

2. Youth Unemployment in Poland

Figure 2: Youth (15–24) unemployment rates, average for the EU27 and Poland, 2001–2011

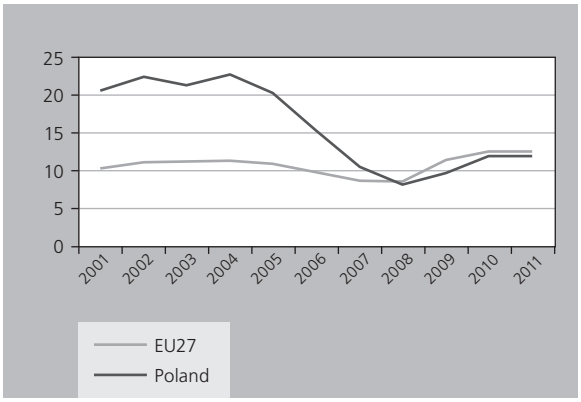


Source: Eurostat, author's calculations.

The story of Polish youth unemployment up until 2008 differs significantly from the wider EU picture. Poland entered the twenty-first century with a youth unemployment rate almost double the EU average: in the first quarter of 2000 it reached almost 38 per cent. Between 2002 and 2003 it almost reached 44 per cent. After 2004, the unemployment level continuously declined until the end of 2008, when it dropped to 17 per cent. Since then, the unemployment rate has risen steadily, standing at 27.8 per cent in the first quarter of 2012.

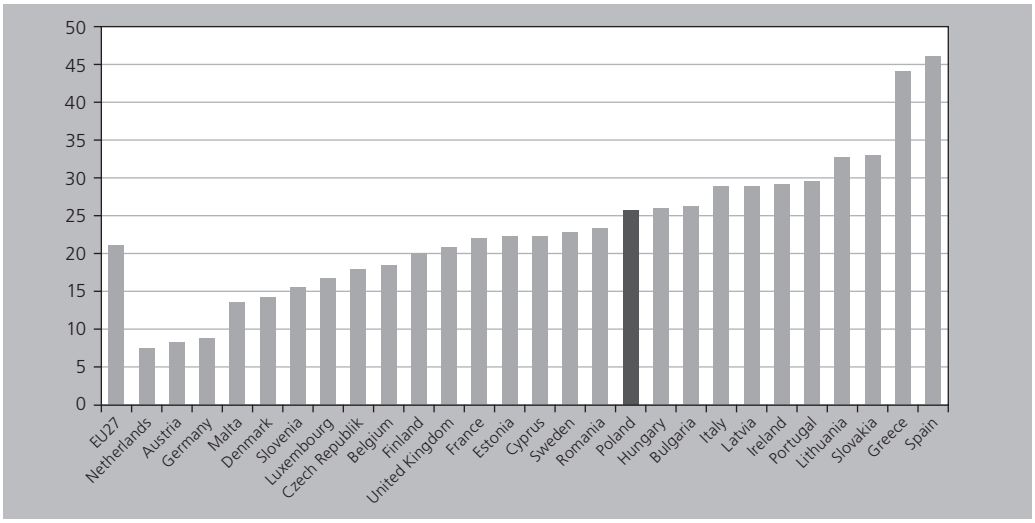
In many respects, the changes in the unemployment rate for young people aged 25–29 resemble the comparative dynamics presented for younger cohorts. The situation for Polish youth was more severe: in the early 2000s, the unemployment rate exceeded 20 per cent and then, following a significant decline, it almost converged with the European average. Since then, the Polish unemployment rate for young people aged 25–29 has been below the EU27 average.

Figure 4: Youth (25–29) unemployment rates, average for the EU27 and Poland, 2001–2011



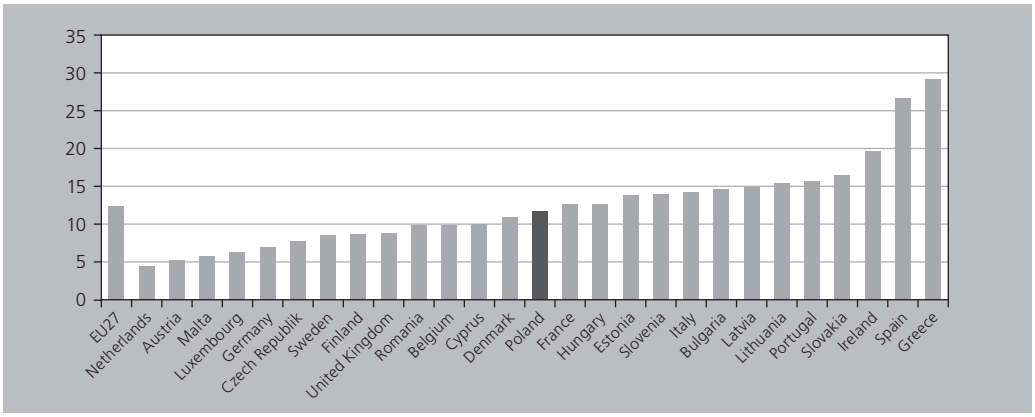
Source: Eurostat, author's calculations.

Figure 3: Youth (15–24) unemployment rate in the European Union, 2011



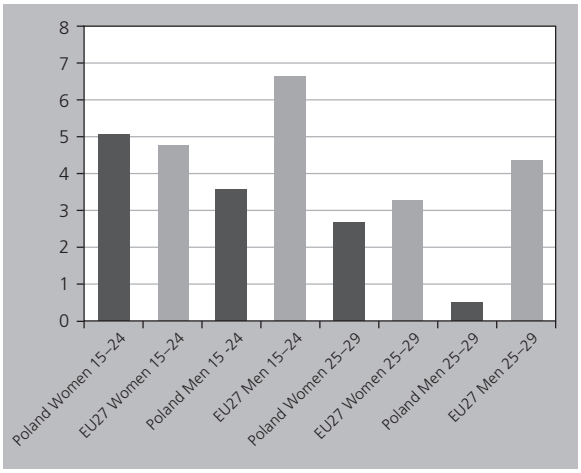
Source: Eurostat, author's calculations.

Figure 5: Youth (25–29) unemployment rate in the European Union, 2011



Source: Eurostat, author's calculations.

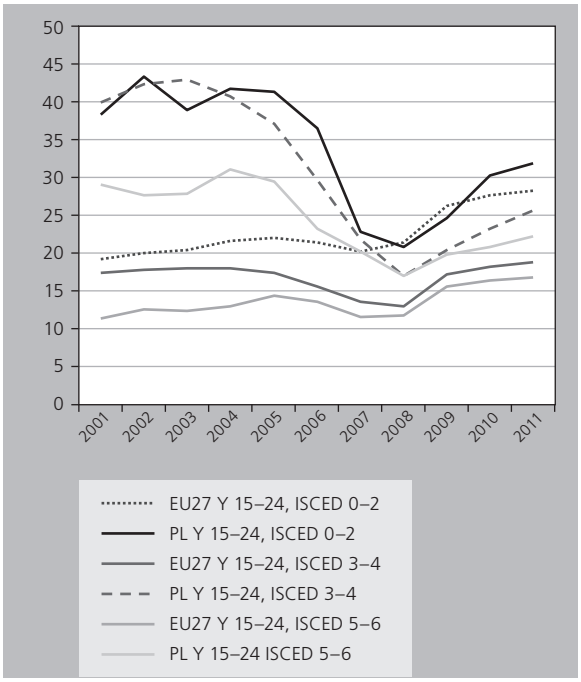
Figure 6: Change of youth unemployment rates between 2007 and 2011 by gender and age groups, percentage points



Source: Eurostat, author's calculations.

The changes in unemployment in the context of the crisis have a clear gender dimension. In the age group 15–24 in Poland it has been primarily women who have been affected by unemployment. For the age group 25–29, the trend has been different, with Polish men being more affected by unemployment compared to the EU27 average and Polish women being less affected than the European average.

Figure 7: Youth (15–24) unemployment rates, average for the EU27 countries and Poland, 2001–2011, by educational attainment

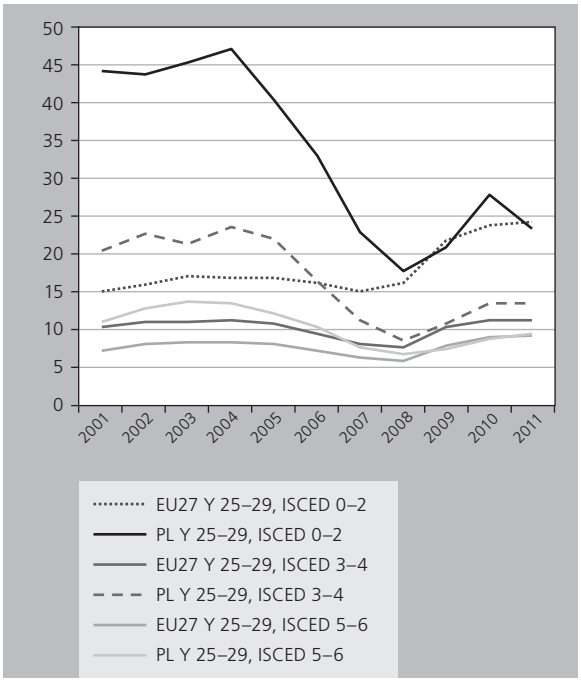


Source: Eurostat, author's calculations.

The unemployment rates for cohorts with different educational attainment levels show a significant variation. While young people with the lowest attainment levels were the most affected by the crisis in the EU, in Poland one could observe a decline in unemployment levels in this group, bearing in mind the exceptionally high levels of unemployment in the early 2000s. This problem

became obvious especially in the case of those with a post-secondary education, where the drop in the unemployment level exceeded 15 percentage points. As for university degree attainment in Poland, after a small increase in 2005, a drop in the unemployment level can be noted.

Figure 8: Youth (25–29) unemployment rates, average for the EU27 countries and Poland, 2001–2011, by educational attainment

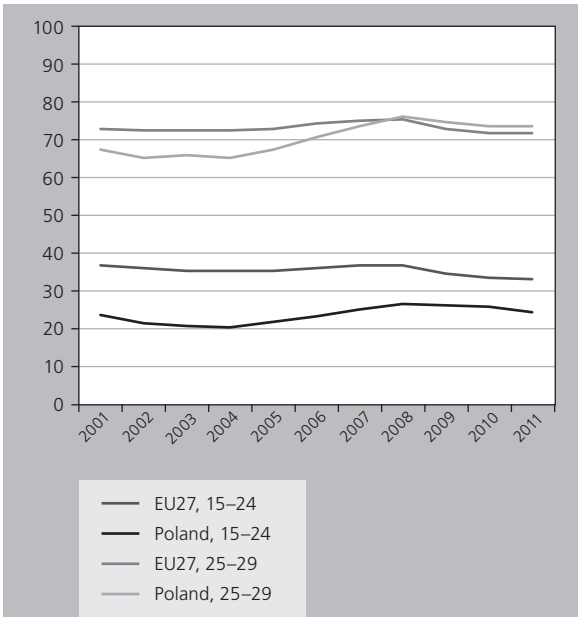


Source: Eurostat, author's calculations.

2.1 Employment of Young Poles

The employment rate of young Poles (15–24) remained around 10 percentage points below the EU average in the period 2001–2011. This is a result of the ›education boom‹ that has taken place during the past 15 years (see below). Therefore, if one looks at the employment levels of young people aged 25–29, who most likely finish tertiary education, the difference is significantly reduced. The most striking thing here is that in the younger age group, the employment rate of women in Poland is significantly lower than the EU27 average. This is a combined effect of female-driven growth in tertiary education and a lack of instruments that might enable them to reconcile work and childcare responsibilities.

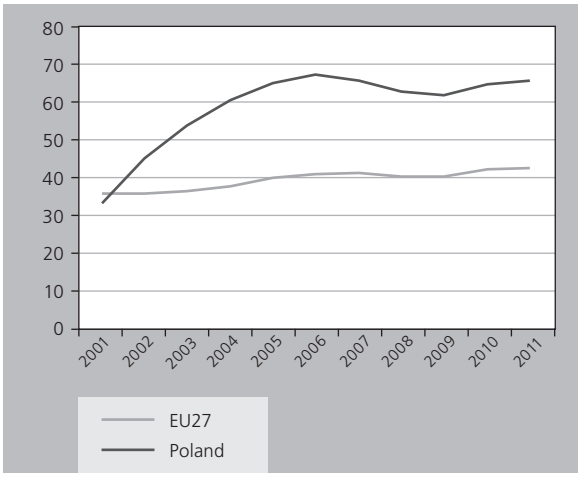
Figure 9: Youth employment rates, average for the EU27 and Poland, by age groups, 2001–2011



Source: Eurostat, author's calculations.

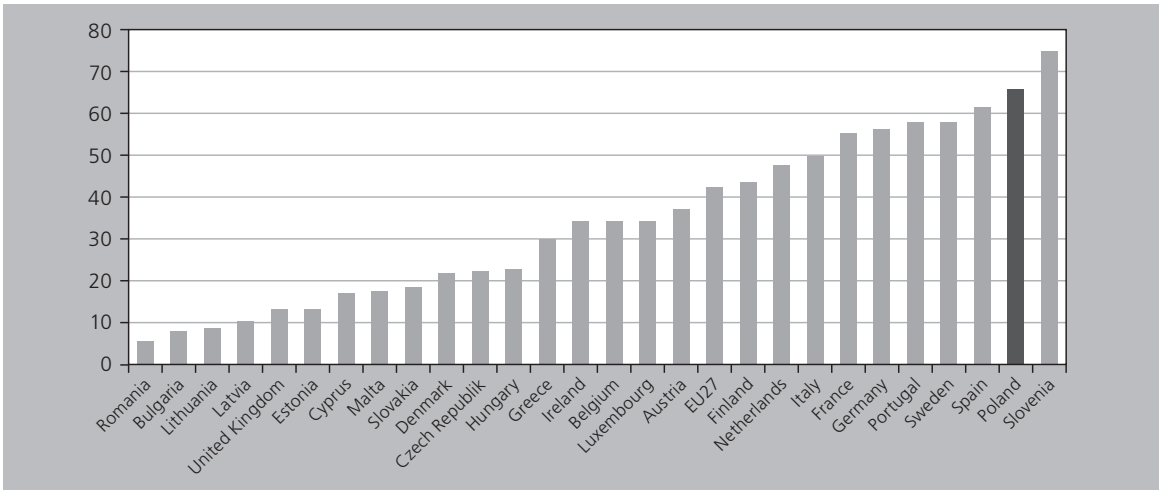
Another remarkable phenomenon in the EU is employment based on fixed-term contracts in the age group 15–24. Figure 10 illustrates the spectacular growth of such work contracts in Poland. While the average for European countries increased by 6.6 percentage points and equalled 42.5 per cent in 2011, in Poland the share of temporary employment almost doubled to reach 66 per cent.

Figure 10: The share of youth (15–24) temporary employment in total youth employment, average for the EU27 and Poland, 2001–2011



Source: Eurostat, author's calculations.

Figure 11: The share of youth (15–24) temporary employment in total youth employment in the European Union, 2011

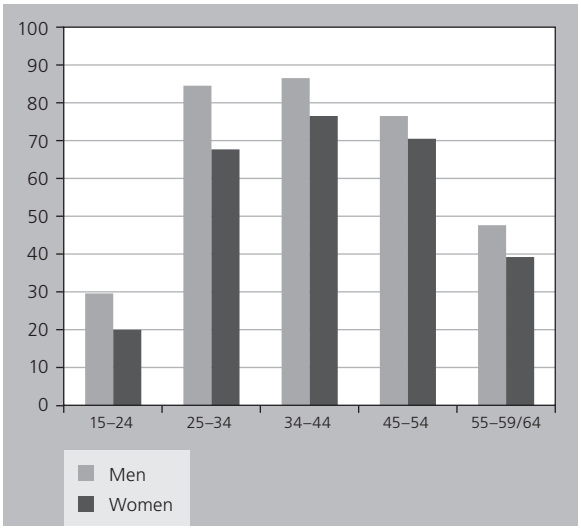


Source: Eurostat, author's calculations.

2.2 Low Level of Women's Employment

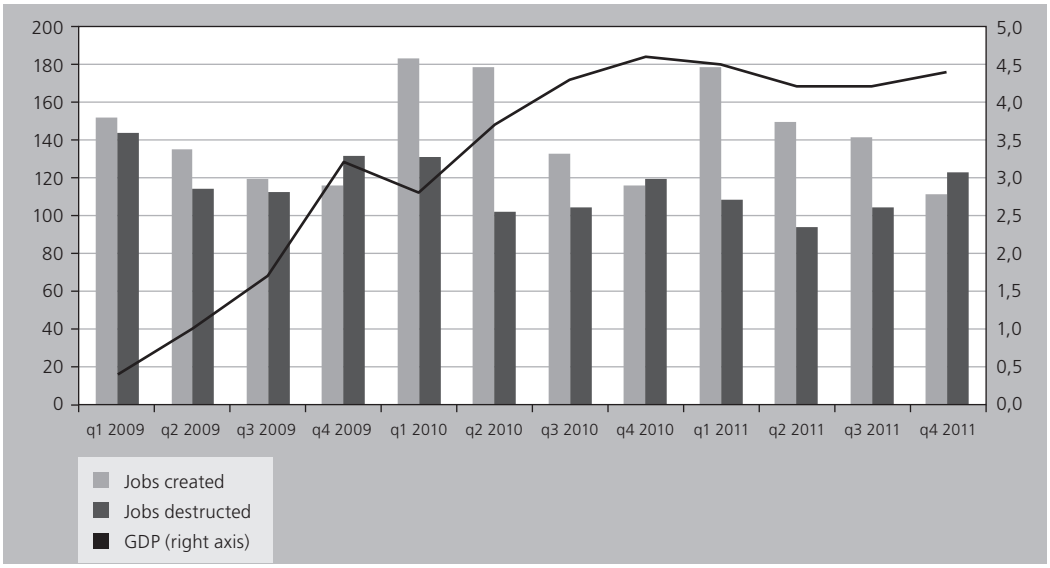
The issue of low levels of economic activity is gender-specific. The most important self-reported reason for young women's labour market inactivity is the lack of access to childcare services (nursery schools and kindergartens). At the same time, young Poles declare that the fear of losing their job is due to either discrimination against mothers or temporary deactivation, which may hamper their employment chances in future (Szelewa 2012). The employment level gap is most significant in the age group 25–29, where it reached 17 percentage points at the end of 2011 (GUS 2012).

Figure 12: The gender employment gap in Poland for selected age groups, 4th quarter 2011



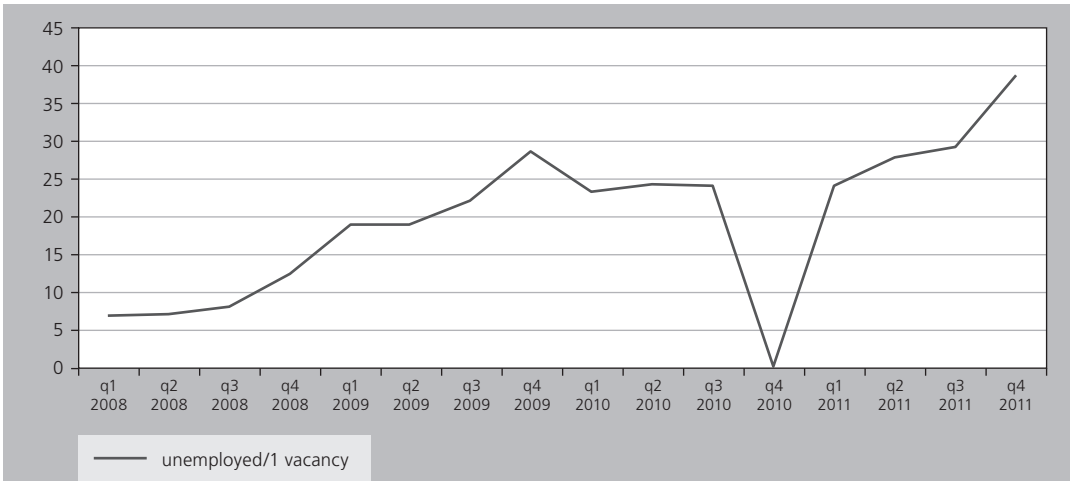
Source: GUS 2012, author's calculations.

Figure 13: Destruction and creation of jobs in Poland, 2009–2011



Source: GUS various years, author's calculations.

Figure 14: The ratio of unemployed individuals to available vacancies in Poland, 2008–2011



Source: GUS various years, author's calculations.

3. Job Creation and Destruction in the Polish Labour Market

Unemployment data should be complemented by the data on labour demand, as it helps us to understand the extent to which inflows to employment are the result of the creation of new jobs or whether existing workplaces are being filled by new workers. Another important aspect is the destruction of workplaces. Overall, the analysis provides a picture of net job creation.

The net creation of jobs was smallest in 2009, during the economic slowdown. With a recovery in GDP in 2010, net job creation took place, especially in the first two quarters. In the last quarter of 2011, we can observe a net job destruction. While these trends can be partially associated with seasonal fluctuations, net job creation has a specific characteristic. Since 2010 increased gross job reallocation has occurred, but with new jobs based mostly on fixed-term contracts (GUS 2011). Therefore, the most significant change in the post-crisis labour mar-

ket, apart from the growth in unemployment, was the creation of more precarious employment. In other words, increased investment by companies is improving labour productivity to a larger extent than it is creating new workplaces (Tyrowicz 2011).

Another way of assessing the performance of the labour market is by contrasting the number of job vacancies which were available at the end of each quarter with the number of unemployed persons. While at the beginning of 2008 there were almost 7 unemployed persons for one vacancy, this number grew to 38 unemployed for one available vacancy at the end of 2011.

3.1 Migration of Young Poles

For decades there has been a negative migration balance in Poland, with the biggest pulling factor being work. Since the EU enlargement in 2004 the number of Poles residing abroad has more than doubled. It is estimated that the peak year was 2007, when almost 2.3 million Poles resided abroad. In 2008 and 2009 there was a return of migrants to Poland, approximately 10–15 per cent (GUS 2011). The results of the most recent 2011 Census indicate that around 2 million Poles migrated, the main destination countries being the United Kingdom (30.2 per cent), Germany (21.6 per cent), the United States (11.4 per cent), Ireland (6.5 per cent) and the Netherlands (4.6 per cent). Out of this total number, around two-thirds of migrants resided abroad for longer than one year (GUS 2012).

In this context, the so-called ›export of unemployment‹ hypothesis should be assessed. When we look at the demographic structure of Polish migrants to other EU countries, most of them are men (approximately 65 per cent of the migrating population) and young individuals (more than 50 per cent of migrants are aged 20–29). When we analyse the education level of migrants, 60 per cent of migrants have a vocational education background (lower secondary and secondary), while 20 per cent of them have a higher education (with women dominating in this group) (Kaczmarczyk 2011).

When Poland joined the EU, the level of youth unemployment was exceptionally high by international standards. If we combine the demographic structure of migrants with the labour market situation, the ›export of unemployment‹ hypothesis seems at least partially valid (Kaczmarczyk and Mioduszewska 2009).

The second important issue is the ›brain-drain‹ phenomenon. In the case of Poland the migration of highly qualified individuals is striking. However, it is estimated that, at least in the short term, the outflow will not cause deficits in the labour markets due to the *oversupply of university graduates* (Kaczmarczyk 2011). An even more important aspect is that only one in ten migrants with a university degree has a job matching his/her level of qualifications. Therefore, one must also emphasise the ›brain-waste‹ in this context (Szafraniec 2011). However, the turn of events most noted in the Polish context is the lack of highly qualified manual workers who migrated and whom the educational system is not able to replace.

3.2 Precarious Employment of Young People in Poland

As demonstrated above, the Polish labour market experienced a sharp rise in the proportion of young people employed on a fixed-term basis. While the international evidence regarding the impact of youth unemployment on individuals' further employment chances is not robust, some conclusions can be drawn. A study conducted by OECD (OECD 2011) points out that fixed-term contract employment becomes a ›trap‹: workers move from employer to employer on this basis or become unemployed within one or two years (from 11 per cent to 24 per cent). The ›trap‹ concerns not only the form of employment, but also its quality. The OECD study emphasises that compared to workers with open-ended contracts, those employed on a fixed-term basis undergo training less often (Scarpetta, Sonnet, and Manfredi 2010).

The study of Polish temporary workers based on EU-SILC data and conducted by Kiersztyn and Dierzgowski for the period 2005–2008 confirms that this form of employment is associated with peripheral segments of the labour market. In 2005, in the 18–24 age group, the proportion of temporary workers in total employment was 67.49 per cent. The proportion fluctuated, reaching more than 70 per cent in 2006 and dropping to 62.73 per cent in 2008. In the 25–29 age group, the proportion of those with fixed contracts in total employment was significantly lower in 2005 (38.75 per cent), increasing to 39.88 per cent in 2008. Thus, temporary employment is concentrated in the youngest age group. At the same

time, more than half (53.79 per cent) of the population of young temporary workers remains in education.

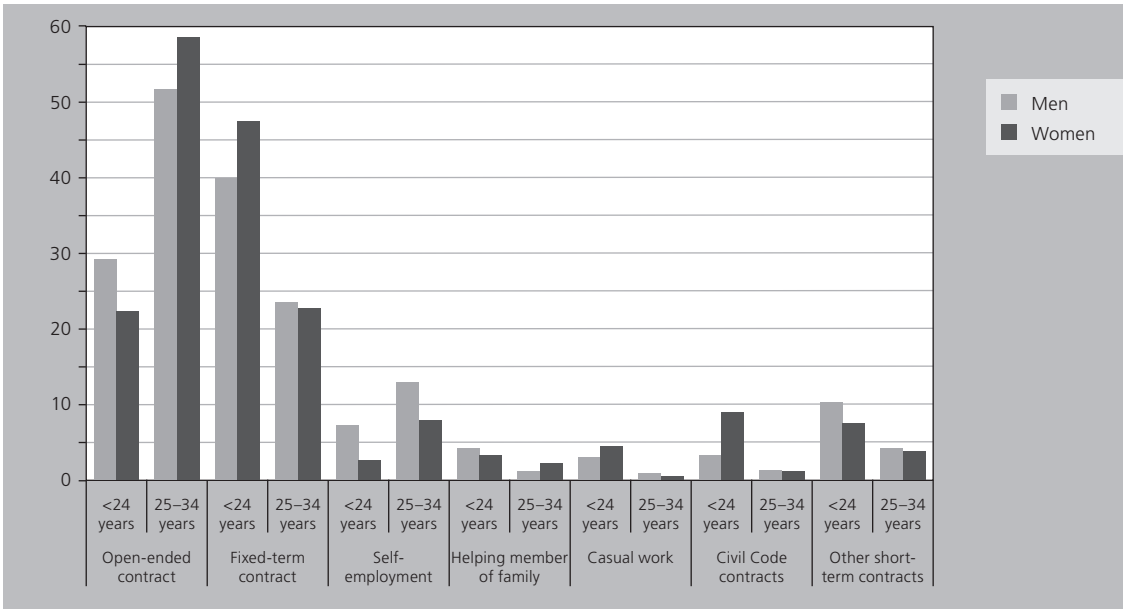
When we look at the educational attainment of temporary workers, 48.03 per cent of them finished only primary and lower secondary education, which means a very high concentration of individuals with low skills in this type of employment. Out of the population employed in Poland, only 29.91 per cent of individuals with secondary (both vocational and general) education and only 17.52 per cent of university graduates were temporary workers.

The educational attainment of temporary employees suggests that most of them perform relatively simple tasks. The data from the study confirm this hypothesis: 44.45 per cent of unskilled workers and 41.36 per cent of individuals employed in the service and retail sectors had fixed-term contracts. The proportion was much smaller for white-collar workers, and especially for those occupying supervisory posts (13.21 per cent). With regard to job experience, 64.75 per cent of individuals with less than three years' experience had temporary contracts. Finally, 77.64 per cent of individuals with at least one month of unemployment in the preceding year were temporary workers. It should be noted that the data presented were relatively stable throughout the period under analysis (Kiersztyn and Dierzgowski 2012).

The second type of employment contract concerns so-called Civil Code contracts. These contracts have significantly reduced social protection rights: in contrast to employment based on the Labour Code, sickness, maternity or unemployment are not compulsorily covered under civil law contracts. Also, in some cases health care insurance is not mandatory, which means that a significant number of workers are not insured. Moreover, employment based on the Civil Code is not subject to regulations regarding minimum wage, working time, holidays and overtime remuneration, and a record of years of service is also not included.

A common feature of this type of contract and fixed-term employment is that their incidence decreases with the age of workers (see Figure 15), but is also negatively correlated with educational attainment. The Labour Inspectorate report for 2011 indicates that 21 per cent of workers in the control group of companies were employed based on such contracts. Importantly, the problem of using civil contracts in situations where regular contracts should be used is gaining significance. A similar trend is observed in the case of forced self-employment (PIP 2012).

Figure 15: Employment of men and women according to contract type, 2011



Source: Czapiński, J., and T. Panek, eds. 2011, p. 135.

The main issue concerning fixed-term contracts is whether it is a stepping stone to more stable employment or whether such precarious employment creates a trap of employment insecurity. Baranowska et al. analysed the dynamics of exiting from this type of employment for graduates over a period of three years after graduating between 1998 and 2005, the period of the highest youth unemployment in Poland since 1989. Out of the group of young temporary workers, 10.7 per cent moved on to permanent employment, 19 per cent became unemployed and 11 per cent became inactive; 59 per cent of workers continued under their temporary status. In other words, for the majority of young workers, temporary employment does not open possibilities for permanent employment. One of the most important factors for a successful transition from temporary to permanent employment has been shown to be tuition-free higher education as compared to paid higher education (Baranowska, Gebel and Kotowska 2011).

Kiersztyn's analysis for the period 2005–2008 indicates that a successful transition to a permanent contract is more probable for men than for women. Importantly, her study does not find the transition to an open-ended contract more probable for younger workers as compared to older ones. In other words, this means that the ›stepping stone‹ hypothesis with respect to youth temporary employment is not confirmed (Kiersztyn 2012).

The Diagnoza Społeczna *(Social Diagnosis)* survey also studied transitions from different types of employment or unemployment (Czapiński and Panek 2011). The analysis deals with individuals aged 15–34, covering the period 2009–2011 so that one can infer from the data the performance of the Polish labour market in times of crisis.

The data show that during the two-year time span, being in any kind of paid activity increased the probability of being employed on a permanent basis compared to unemployment as an initial status. Being employed, if only as a part-time worker, is one of the most important conditions preventing young workers from subsequent unemployment. However, only 40.3 per cent of temporary workers became permanent workers, and this number is even lower for other types of contracts, such as those based on Civil Code regulations. Out of all forms of precarious employment, probationary employment gave the biggest probability of permanent employment in the following years (53.8 per cent).

Table 1: Changes in labour market status 2009–2011 among persons at the age of 15–34 (percentage of persons according to status in 2009)

Status in 2009	Probability of starting an open ended contract in 2011 according to the status from 2009	Probability of status in 2011 by the unemployed in 2009	Probability of unemployment in 2011 according to the status from 2009
Open-ended contract	75,6	13	3,4
Fixed-term contract	40,3	22,3	7,8
Employer	12,5	0	0
Self-employed	7,1	3,8	2,7
Helping family member	5,3	0	6,7
Employed on a casual basis	27,3	1,4	18,2
Other fixed-term contracts	28,8	2,1	13,6
Employed on a trial basis	53,8	0	15,4
Task-specific contract	30	3,1	10
Informal work (no contract)	10	4,1	36,7
Other forms of work	14,3	0,3	0
Unemployed	13	31,8	31,8
Inactive	6,1	18,2	9,8

Source: Czapiński, J., and T. Panek, eds. 2011, Table 4.9.6.

From the results presented above, one may conclude that while the transition from precarious employment to more stable employment does take place, prolonged temporary employment status is typical for several groups of young workers. Moreover, precarious employment, especially fixed-term contracts, goes beyond the instability of employment and concerns the conditions of work, one of them being the level of remuneration. Kiersztyn's study focuses specifically on the economic consequences of fixed-term contracts in Poland. Even when the study controlled for economic sector, socio-economic characteristics, full- and part-time employment and gender,

the difference between the two categories of workers amounted to 25 per cent. For full-time workers, the difference continued to be considerable, between 14 to 18 per cent, depending on the year. This affected the poverty risk and the risk of financial exclusion (lack of access to financial services) among fixed-time employees. Compared to other categories, this group of workers faced an almost four times higher risk of poverty and double the probability of financial exclusion (Kiersztyn 2012).

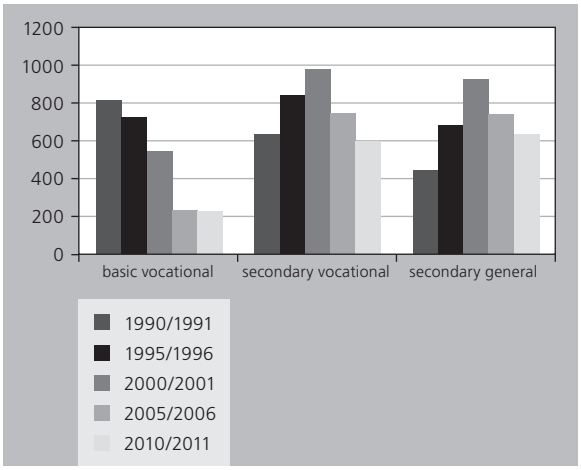
4. The Education System in Poland

The education system has been subject to several important changes since 1989. At the same time a significant change in the educational attainment of Poles has taken place during the past two decades. The most visible process has been the so-called »educational boom«, reflected in a steep growth of the proportion of Poles with a higher education.

Compared to older cohorts, young Poles tend to be better educated: 80 per cent of students attend schools which allow them to enter into competition for university education. A significant change in the proportion of school leavers completing general secondary education and lower vocational education took place around 2002–2004.

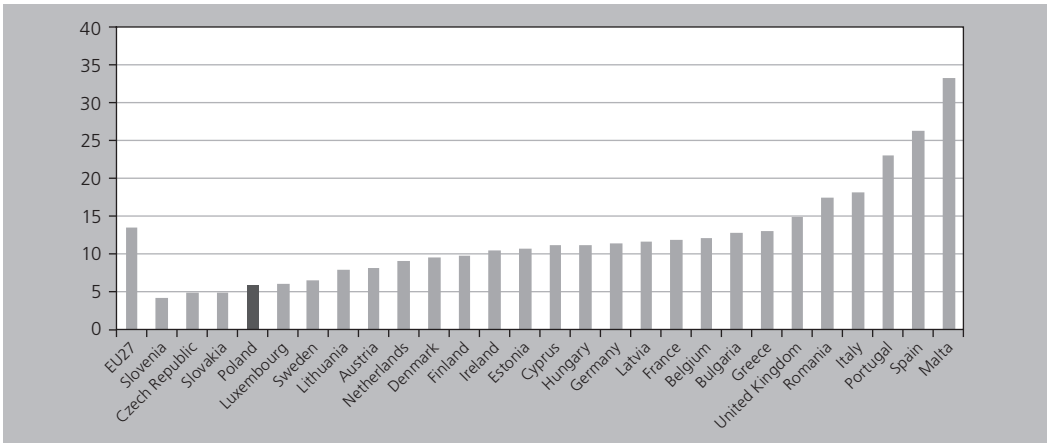
It is worth noting that secondary vocational education is also treated as a path to general education: around 87 per cent of students took the final exam, which is comparable to general secondary schools (91 per cent). Only 56 per cent of vocational secondary schools' students took the vocational exams, considerably less than those of basic vocational schools (87 per cent) (Szafraniec 2011). Figure 16 illustrates the dynamics of enrolment numbers for the main types of secondary schools between 1990 and 2010.

Figure 16: Number of students in different types of secondary schools in Poland (in thousands), 1990–2010



Source: GUS, author's calculations.

Figure 17: Share of the population aged 18–24 with at most a lower secondary education and not in further education or training



Source: Eurostat, author's calculations.

Finally, the territorial differences in educational attainment should be noted: on average, the inhabitants of urban areas are better educated than the rural population. Rural/urban differences also play a role in the performance of pupils: on average, those from rural areas perform worse than their colleagues from towns. Interestingly, the dynamics of higher education attainment growth during the past 15 years was twice as high in the rural areas.

While the Polish educational system has several weaknesses, as mentioned above, it performs fairly well in terms of educational outputs. This has been confirmed by PISA tests, where Poland scores relatively high, and during the past decade it has improved its position in the rankings. Among the EU countries Poland scores fifth in reading, sixth in science and eleventh in mathematics. Additionally, when it comes to the problem of early leavers – which is a major concern for policymakers at the European level – Poland has been dealing with it relatively well.

4.1 Higher Education

While in 1990 around 12 per cent of individuals aged 19–24 were studying, currently this number is around 40 per cent (net value). While the ratio of young adults attending higher education is expected to be maintained, the number of students will decrease in the coming decades due to less numerous cohorts (the number of students was highest in the mid-2000s) (GUS 2010).

Another major characteristic of the tertiary education sector is the development of private institutions which can award BA and MA degrees to students. In Poland, the share of students attending these private higher educational institutions is the highest among OECD countries. However, while significantly more numerous than public universities, private higher institutions educate less than 30 per cent of students (GUS 2011).

An important characteristic of Polish higher education is the importance of extramural studies, such as those taking place in the afternoon or during weekends. While in the public sector around one third of students follow extramural study programmes, in the case of private institutions this proportion is as high as 82 per cent. The increase in the number of students and institutions has not been matched by an increase in the number of academic teachers. Therefore the majority of private institutions' graduates face the risk of not matching the standard typical of public intramural university education.

The choice of school type and the decision to continue education, especially the choice of a vocational or a general path and whether to enter university, strongly depends on the educational background of parents. This difference impacts university level choices: young people from relatively poorer backgrounds and smaller towns or rural areas enter private institutions – one of the main motives is accessibility to such higher education possibilities outside big academic centres. Altogether, such mechanisms lead to a partial reproduction of social and educational inequalities, which may affect future career outcomes (Sztanderska and Wojciechowski 2008).

4.2 Vocational Education

Since the mid-1990s, an outflow from vocational education towards general education has been observed. This trend has especially affected basic vocational schools. At the same time, graduates from these schools have experienced significant problems with finding a job despite their education, which in other cases increases the probability of a successful transition to the labour market. Such a profound problem is a sign of poor performance in this segment of the education system, which further negatively affects the attractiveness of vocational schooling.

Several factors contributing to the decline of vocational training have been identified. First, the negative self-selection that takes place in the process of admission. Also, many vocational schools offer education and training for qualifications which are or will soon be obsolete (in agriculture, for example). Finally, in the process of vocational education, practical training plays a minor role. As a result, the acquired skills do not match the demands of employers.

However, diplomas from vocational education are not widely recognised by employers, as during final examinations the emphasis is on theoretical knowledge (Sztanderska and Wojciechowski 2008). Employers often complain that school leavers do not have sufficient work experience; however, as the section below demonstrates, employers have only a limited interest in participating in

training and vocational certification, as well as in indicating demand for the skills needed.

4.3 Relations between the Education System and Employers

In research conducted among companies in 2009, 27 per cent of them declared involvement in the training activities of individuals not employed by them. As in the case of other training activities, larger companies were 10 times more often involved in training than small or micro companies. The predominance of companies from the public sector was also visible in this case (Frączek et al. 2011).

In 2010, less than 23 per cent of Polish companies cooperated with a school or a centre for practical training. Out of the companies that did cooperate, 63 per cent engaged in practical training, 60 per cent in in-company training, 50 per cent sponsored schools and another 48 per cent provided both practical and theoretical training. A significantly lower number of companies (5–6 per cent) take part in other forms of cooperation with schools, such as preparing curricula, training teachers, or providing materials and equipment. The forms of cooperation have been stable for several years (MEN 2011).

The highest degree of cooperation can be witnessed in basic vocational schools in the fields of food processing and food production, mechanics, and tourism and hotels. Importantly, 64 per cent of cooperative programmes were initiated by those in the education sector, often on the personal initiative of a school director or a teacher (MEN 2011). Only in 20 per cent of cases was it a company that approached a school. Significantly, vocational certification takes place mainly outside companies: only 19 per cent of those cooperating have a certification centre at which practical exams can take place (MEN 2011).

Thus, cooperation between companies and the education sector is not the outcome of system-defined rules, but rather a combination of local conditions and initiatives from both sides.

5. Transition from Education to Employment

The analysis of unemployment dynamics with respect to educational attainment confirms that since 2008 young people with only a primary education have been hardest hit by unemployment, while those with a higher education have fared best. The results are valid for both new entrants to the labour market and young people with some job experience.

The study by Baranowska et al. shows that for graduates of secondary vocational schools the transition to employment takes less time than is the case for general secondary school graduates, especially in the case of graduates with vocational education and company-based training. At the same time, the latter is no guarantee of better chances of a transition to open-ended contracts in general, as the positive effect has been identified only in the case of basic vocational schools (Baranowska, Gebel and Kotowska 2011).

The study shows a positive rate of return from additional years of education: tertiary education decreases the likelihood of fixed-term employment compared to secondary education. Paradoxically, those graduates who studied in private tertiary institutions are less likely to experience a transition to fixed-term contracts. One important finding is that the educational attainment of parents strongly affects the propensity of graduates to enter temporary contracts: the higher the human capital of parents, the smaller the chance of a young person being employed part-time (Fedorowicz and Sitek 2011).

5.1 Demand for Skills

In many respects, the skills employers are seeking are not age-specific. However, apart from vocational qualifications, employers also look for a certain profile in terms of »soft skills« and work experience in potential new employees. Therefore, while this section offers an overview of the preferences of employers towards employment in given categories, one should not assume a direct match with young people in the labour market.

The data from 2010 and 2011 show that, from the perspective of young workers entering the labour market, one of the disadvantaging factors is that the most valued characteristic of a candidate is job experience (68 per cent

of employers). Next comes educational profile (around 60 per cent), vocational education (36–38 per cent) and knowledge of a foreign language (38–46 per cent). In specialist professions, certificates and experience play an even more important role.

In 2010 and 2011, approximately 75 per cent of employers encountered problems finding a proper candidate, especially with regard to qualified manual workers (50 per cent of employers indicated problems), specialists (30 per cent) and employees in services (24 per cent). The most common problem reported was a lack of skills – especially vocational skills – and a lack of experience (Kocór, Strzebońska and Keler 2012). In principle, most employers are satisfied with the competences of newly appointed workers; however, more than half of the companies indicated a need to offer additional training.

In 2011, the biggest demand for workers was concentrated in branches such as construction (22 per cent of firms were looking workers), transportation production and mining (19 per cent). The demand was also indicated in services such as the retail trade, tourism, gastronomy (17 per cent) and specialised services (17 per cent). The lowest demand was in the education sector, both private (11 per cent) and public (7 per cent). The biggest decline in demand between 2010 and 2011 was noted in private education (11 percentage points) and in health care and social services (7 percentage points). Relatively small numbers of new workplaces were created in the sectors in which worker turnover is high, such as in construction, transportation and retail, as well as in hotels and tourism (Tyrowicz 2011).

Finally, it is especially worth noting in the context of problematic transitions from education to the labour market that a marginal number of employers cooperated with the career offices of schools and higher education institutions. On average only 5 per cent of employers used this form of cooperation in order to find the workers they wanted.

5.2 Supply of Skills

The recently conducted study *Bilans Kapitału Ludzkiego (Human Capital Balance sheet)* provides an overview of the skills acquired in particular types of education. In 2011, the most popular fields of study in secondary education were IT and economics. Out of the ten most popular fields of study, eight were delivered by secondary vocational schools, only one by basic vocational schools.

The most popular fields of study in basic vocational education were car mechanics (17.7 per cent of students), cookery (13.2 per cent), hairdressing (11.3 per cent) and training to be a shop assistant (9.7 per cent). Altogether, these four vocations attracted more than a half of all students whose preferences remain stable over time (Jelonek and Szklarczyk 2012).

Generally, trends concerning choice of study are fairly stable. Mid-level science and technical vocational pathways dominate. Next, fields related to business and administration activities and personal services are gaining in popularity, while those related to traditional manual manufacturing are on the decline. Finally, popular fields of study also include those connected to setting up one's own business.

The distribution of students across different fields in tertiary education was as follows. In the fields of science, mathematics and computing, around 8.1 per cent of all Polish students were enrolled, while 13.6 per cent of students followed programmes in the field of education. While almost 40 per cent of students were enrolled in different fields of social science, business and law, the share of Polish students in the humanities and the arts was 9.2 per cent. In the case of engineering, manufacturing and construction, Poland scored below the European average (13.2 and 15 per cent respectively). A mere 2 per cent of Polish students are enrolled in agriculture and veterinary programmes.

It should be noted that while students going on to tertiary education prefer fields of study broadly understood as the humanities, recently one can observe an outflow of students from these fields and an inflow to the technical, science and medical fields. At the master's degree level, the most popular study programmes are management, education, economics, finance and administration. Interestingly, while technical universities offer mostly technical study programmes at the bachelor level, their master's programmes include a significant proportion of humanities and business studies (Jelonek and Szklarczyk 2012).

5.3 Job Search and Public Employment Services

As reported in 2011, most Poles who are looking for a job contact the Public Employment Services. However, the majority of job seekers find employment thanks to their personal networks. Accordingly, 74 per cent of job seekers used family or friend networks, 63 per cent looked for the assistance of employment services and 55 per cent approached an employer directly. On the other hand, half of all companies used the Public Employment Service as a channel to find job candidates, with 60 per cent of them assessing this assistance positively. However, the most frequently used channel for recruiting new employees was networks of family and friends; this form was also seen as the most effective.

Approximately two-thirds of individuals looking for a job used between two and four strategies to find a job, while a mere 17 per cent relied on only one method. At the same time, more than two-thirds of those unemployed who used the assistance of the Public Employment Services were dissatisfied with the quality of service they received. The time spent on job search is also age-specific, with more than 50 per cent of youth aged 18–24 finding a job within 6 months. However, as many as 25 per cent of job seekers in this age group spent more than 13 months finding a job (Czarnik and Turek 2012).

When one looks at the sectors of the economy in which young Poles looked for a job in 2011, a profile emerges. In the age group 18–24, the biggest share of job seekers (22 per cent) looked for employment in the service sector (in retail, gastronomy, hair dressing), 14 per cent looked for office employment while 12 per cent looked for jobs for qualified workers. The same percentage (12 per cent) was looking for any kind of job. Individuals aged 25–34 were looking for employment in the service sector (22 per cent), office jobs (16 per cent) and jobs for specialists (14 per cent). The growth in the importance of specialist jobs in this age category should be associated with university graduates entering the labour market. The preference for the »any job option« declines slightly with age.

A separate category of individuals looking for a job are persons who are employed, but seeking to change jobs. According to the survey, this group comprised 8.4 per cent of workers, the biggest share of such individuals being found among the youngest workers. While in the age group 18–24 the share was as high as 18 per cent, in the group 25–34, the share declined to 10 per cent.

Finally, patterns in the job seeking of university graduates should be considered. The study *Badanie Kapitału Ludzkiego* analysed the situation of labour market entrants five years after graduation. Among those who graduated a year before the survey, 21 per cent were unemployed. The average for the five-year period was 12 per cent. The unemployment rate was significantly different on the basis of education received. The highest average unemployment rate was found among graduates from fields of study such as public services (28 per cent), social sciences (18 per cent), law (16 per cent), education (15 per cent), economics (12 per cent), administration (12 per cent) and the humanities (12 per cent). It should be emphasised that apart from the public services the fields of study from which the largest share of unemployed was identified are also the most popular among Polish young people.

6. Political Parties' and Trade Unions' Policies on Youth Unemployment in Poland

The issue of youth unemployment used to be the subject of limited political debate in Poland. However, currently the issue is treated by the majority of political parties as part of the broader issue of labour market performance in Poland. Therefore, the main measure regarding the quality of work and pay proposed by the Democratic Left Alliance (SLD) concerns the reduction of precarious employment in Poland. SLD also emphasises the importance of a job guarantee for each graduate leaving the education system. For this purpose it is proposed to use the resources of the Labour Fund.

The work of the Tripartite Commission, which is a major labour relations forum in Poland, did not deal with the issue of youth unemployment directly. Instead, the Commission debated and drafted the proposals that were introduced in the form of the so-called anti-crisis package in mid-2009. The main topics under debate concerned the specific situation of young people and involved increasing the minimum wage and co-financing training for workers from the Labour Fund (see below).

Similarly, the trade unions in Poland emphasised the necessity of the same tax and social contributions treatment

with regard to different bases of employment (with a special emphasis on Civil Code contracts, which are less costly for employers, mainly because of preferential contributions treatment). Recently, major Polish trade unions announced campaigns to address the problems of youth employment, the main topics being a reduction in atypical employment through the equal treatment of different types of contract.

7. Labour Market Policy in the Context of Austerity

Polish labour market policy has been characterised by relatively low extension, especially when it comes to unemployment benefits (Polakowski and Szelewa 2008). At the end of 2011 only 16.5 per cent of all registered unemployed were eligible to draw unemployment benefits (GUS 2012). Due to the eligibility rules, very few young people qualify for benefits, as they are required to have worked for a period of 12 months during the 18 months preceding their registration as unemployed (MPiPS 2011).

The major source of financing labour market policy has been the Labour Fund *(Fundusz Pracy)*. The Labour Fund is financed from contributions equalling 2.45 per cent of gross wages. The Fund deals with passive labour market measures (mainly unemployment benefits) and active measures, such as training or subsidised employment. Since the mid-2000s, the Labour Fund has been in relatively good shape and showing a surplus. However, in recent years expenditure from the Fund has been reduced. Such a decision had to do with the government plans not to exceed the level of public debt. As a result, in 2011 the amount of spending on active labour market policy was reduced by half. Such measures decreased the number of individuals taking part in subsidised traineeships from almost 300,000 in 2010 to only 109,000 a year later (MPiPS 2012). Importantly, out of the active labour market policy measures, subsidised traineeship is found to be one of the most effective. Currently, the surplus of the Fund is estimated to be around 5 billion Polish zloty and most labour market experts agree that making these resources available is the condition most needed to more effectively combat unemployment in Poland (Dolny 2011).

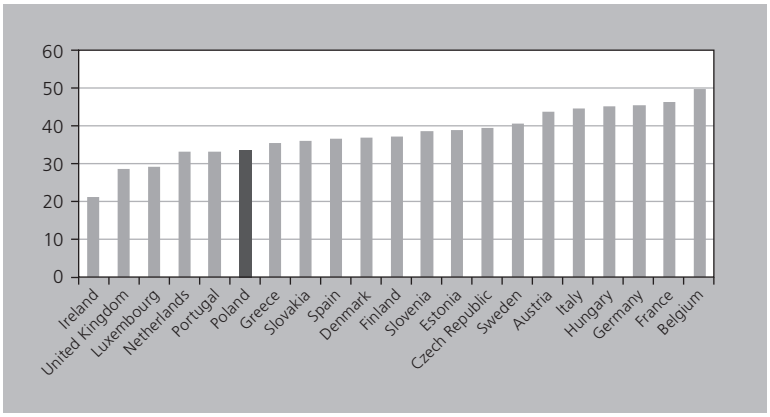
In this context we should mention the role of the private sector in delivering training services. This type of activity has become widespread since Poland joined the European Union and Polish training companies gained access to the financial resources from the European Social Fund. A total of 83 per cent of training services in Poland are delivered by the private sector, and 47 per cent of clients come from the Public Employment Services. The most common type of training is related to »soft skills«, such as personal development, which require only limited investment in training infrastructure (Szczucka, Turek and Worek 2012). This issue is seen as the main weakness of private sector training services in Poland (Sztanderska 2010).

One of the most important statutory solutions aimed at mitigating the impact of the economic slowdown was introduced on 22 August 2009. The main measures were targeted at employers and included: more flexible management of working time, a temporary reduction in working hours and wages, with a simplified procedure, financial aid for employers introducing reduced working time or production stoppages (wage subsidies and stipends), financial support for those employers who want to increase the human capital of their employees and the possibility of repeated employment based on fixed-term contracts of 24 months (MPiPS 2010).

The last measures are of particular importance because in the period of the anti-crisis package the rule that after two consecutive fixed-term contracts with the same employer, the third contract must be a permanent one was suspended (MPiPS 2010). However, a limit regarding the period in which fixed-term contracts can be used was imposed. Importantly, unlike in the case of other measures, the rule on fixed-term contracts can be applied by all employers. This legal measure can at least partially explain the growing role of fixed-term contracts that can be observed in labour market statistics: 41 per cent of employers used this measure (Spytek-Bandurska and Szylko-Skoczny 2012).

Another important measure that is part of the anti-crisis package mentioned above was the increased possibility for employers to invest in their workers' skills. This possibility was not extensively used by Polish employers, which is in line with the general reluctance to invest in human capital in Poland (Frączek et al. 2011): it is estimated that only 29 per cent of employers use this opportunity (Spytek-Bandurska and Szylko-Skoczny 2012).

Figure 18: Tax wedge for workers on low wages in selected European countries, 2011



Source: Eurostat, author's calculations.

The recent government initiative »Young People in the Labour Market« *(Młodzi na Rynku Pracy),* launched in May 2012, is the first systematic attempt to tackle youth unemployment. The aim of the project is to increase the employability of young Poles by providing them with additional training and mobility instruments. The main instruments are vouchers for training (both in-firm and those offered by vocational schools) and mobility allowances. However, a number of drawbacks of this initiative immediately come to mind. The first problem is financing: the programme is to be financed from the Labour Fund, which, as mentioned above, is constrained because of its impact on public finances. Second, although the programme deals with the problems of those who enter the labour market it focuses on retraining and changing the educational profile of graduates. While such an approach is partially justified, as the unemployment of graduates is significant, the main emphasis should be put on the creation of skills and qualifications at the education stage. Finally, the programme focuses on the supply side of the labour market. As presented in this report, unemployment in Poland is rooted in the limited demand for workers.

The last point is often used by business organisations, which argue it is the labour-related costs – especially the tax wedge – that prevent Polish employers from hiring more young workers. However, an international comparison of the tax wedge for workers with low wages (which would be typical of young workers, especially those with low skills) reveals that the Polish tax system does not put a high burden on employment.

8. Conclusions

The general aim of this report is to present the situation of Polish young people in the context of labour market participation. A specific development in recent years in the Polish labour market has been the rapid growth of temporary employment. While this type of employment might be a stepping stone towards the stable employment of young workers, a significant proportion of young temporary employees face the risk of prolonged instability and other adverse effects associated with fixed-term contracts.

We have also presented the results of surveys on the demand for skills. The workers most in demand are those with basic vocational and secondary vocational skills, especially related to production and construction. When it comes to specialists with a university degree, most in demand are finance and management specialists, medical professionals and production specialists. Therefore, one should talk about a significant skills mismatch, as the graduates from the most popular fields of study – such as the humanities, education and social sciences – belong to the group of workers least in demand. Additionally, one should keep in mind the spatial mismatch: young people from rural areas are on average less educated and have much poorer prospects when looking for a job as the offers are concentrated in urban areas.

We have paid particular attention to the role employers play in skills formation. Despite direct financial incentives, Polish employers are among the least active in the EU

in terms of cooperation with the education system with regard to vocational education, training, career opportunities and curricula design. At the same time, in several surveys employers emphasise problems with finding suitable candidates, especially with a certain set of vocational skills.

Based on these conclusions, the following recommendations are proposed:

The effectiveness of the labour market policy in Poland is constrained by fiscal considerations. The Labour Fund runs a significant surplus, but the resources are not used to finance pro-employment measures, such as training. Therefore it is necessary to remove the constraints on pro-employment spending from the Labour Fund. This is especially important because, as shown above, simple measures aimed at stimulating GDP growth may not translate into an increase in stable jobs.

The resources devoted to training activities are mainly used to improve soft skills. However, there is a strong need for building certified qualifications among young job seekers and so it is advised to redirect public resources (including the European Social Fund) from soft skills training towards investment in vocational skills (including vocational training infrastructure).

The role of the social partners, especially employers, in the process of skills formation remains limited. It is recommended to create a systemic solution to strengthening the role of employers in the process of education, including vocational training, curricula design as well as a systemic method for defining skills demand.

The choice of educational paths among Polish young people is not supported systemically. In order to counteract this tendency, it is recommended to introduce job counselling at all post-primary levels of education. A stable system for financing job counselling should be an integral part of this solution.

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