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**Trends and Structures of Active Labour Market Policies
in Poland, 2000–2003**

Abstract

In the conditions of high structural unemployment in Poland, active labour market policy has an important role to play. Instruments of this policy, if used effectively, may reduce the negative phenomenon of unemployment. Therefore, the main aim of this paper is to evaluate the role of active labour market policy in Poland throughout the 2000–2003 period that gives consideration to its main instruments, its participants, and its expenditures. In many cases, the point of departure for this evaluation will be experiences of the European Union in the respective field.

1. Introduction

High unemployment in Poland poses undoubtedly one of the most difficult socio-economic problems. The number of unemployed registered at labour offices amounted to 3,175,700 persons at the end of 2003 and to 3,273,000 persons according to the study on the economic activity of population (BAEL), while the unemployment rate reached the level of 18% and 19.3% of economically active population, respectively (*Quarterly information...*, 2004 p. 7–10; *Economic activity...*, 2004, p. XLIII). Unemployment in Poland is mainly of structural nature, which is expressed in lack of adjustments of the labour supply structure to the labour demand structure with respect to the needed skills, professions and spatial deployment. The main factor that determines this unemployment is the need for structural transformations in the Polish economy

aimed to enhance its innovative capacity, competitiveness and effectiveness, and driven by the processes of its transition and integration with the European Union.

In the conditions of high structural unemployment, an important role to play belongs to active labour market policy. If used effectively, the instruments of this policy may reduce unemployment of this kind. Therefore, the main aim of this paper is to evaluate the role of active labour market policy in Poland throughout the 2000–2003 period that gives consideration to its main instruments, its participants, and its expenditures. In many cases, the point of departure for this evaluation will be experiences of the European Union in the respective field.

Active labour market policy comprises a set of activities and instruments that enable vocational re-activation of unemployed and an improvement of structural adjustments between labour demand and labour supply, and thereby enhance the chance to reduce unemployment. The main tasks of this policy include (Kwiatkowski 2002, p. 301–304)¹:

- vocational activation of unemployed;
- lowering structural unadjustments in the labour market;
- an achievement of a growth in labour force productivity;
- an impact on the size of employment and unemployment;
- a verification of readiness of unemployed persons to take up a job.

Thus, active labour market policy attempts to attain the employment, structural and productive goals. It is supposed to be „a bridge” between unemployment and prospective employment in the sense that it activates economically unemployed persons and supports their search for an appropriate job (Wiśniewski 1994, p. 37). As a rule, it does not create permanent jobs, but instead the conditions to generate them.

Many instruments are used to accomplish the primary goals and tasks of active policy. The main goals and tasks, used in the Polish economy, include (Kwiatkowska, Leszczyński 1998, p. 38–45):

- labour intermediation services;
- vocational counseling;
- intervention works;
- public works;

¹ Legal regulations concerning vocational activation of unemployed are included in: „Journal of Laws” 2001, No. 6, Item 56, amending the law of 14.12.1994 („Journal of Laws” 1995, No. 1, item 1).

- vocational training and retraining;
- loans for employers and loans for unemployed persons to start a business activity;
- programmes of vocational activation of graduates (subsidized jobs, scholarships and traineeships at employers' places);
- special programmes for persons particularly endangered with long-term unemployment.

Evidently, labour market programmes cover many activities. As a result of activities undertaken by public employment services in the field of labour intermediation and vocational counselling, as well as training and retraining, it is possible to improve structural adjustments of unemployed and job offers. In addition, training and retraining do not merely prevent from depreciation of professional skills in hand, but also provide an opportunity to change the profession and improve skills, and thereby influence in a positive way average productivity of unemployed and enhance their mobility in the labour market (access to vocational information and places of work). An involvement of unemployed persons into various forms of temporary and subsidized employment (among others, intervention works and public works) enables to prevent them from economic inactivity and to increase a possibility to get a relatively permanent job (eg. graduate traineeships at employers' places).

2. Participants of active labour market programmes

Labour offices play a crucial role in economic activation of unemployed persons and job seekers. They implement the policy of the government in the field of labour market service, and secure mainly the right to labour intermediation and vocational counselling for the unemployed. As a result of the conducted decentralisation of public employment services, labour offices are dependent exclusively on regional and powiat (district) administration². This poses the chance for more effective activities on regional and local markets through making an accurate diagnosis of the situation and determining the directions of structural changes on these markets, as well as promoting new places of work and training and retraining.

² The reform consisted in a withdrawal from hierarchical dependencies of labour offices; Local Labour Offices (until the end of 1999), and then Powiat Labour Offices (since 2000) were hierarchically dependent on Regional Labour Offices (until the end of 2001), and these, in turn, on the National Labour Office, while the latter on the Ministry of Labour and Social Policy.

The condition of effective operations of labour offices is the functioning of a well-developed labour intermediation that consists in gaining job offers and their optimal management through finding an appropriate candidate for a given place of work or transferring these offers for further use in the Job Offers Database on other labour markets. A new challenge for labour offices is to become involved in the realisation of the Eures (European Employment Services) programme that was initiated in 1993 and whose aim is to provide information on free places of work and the living conditions of potential employees who intend to be employed in a given country of the European Economic Area (EU-15 and Iceland, Liechtenstein, Norway), as well as to provide assistance to employers in the recruitment of employees from other countries and from border regions (Kozyr 2003). All advisers involved in the realisation of the Eures programme undergo basic training and attend a one year long supplementary course on, among others, EU social and tax law, employment policy, education and training offers, etc.

The condition of effective operations of labour offices in the field of labour intermediation is their close cooperation with employers and gaining job offers. Table 1 presents reported job offers in Poland in the 2000–2003 period.

Table 1. Job offers in Poland, 2000–2003

Item	2000	2001	2002	2003
Job offers in total (in '000)	607.9	465.7	555.5	817.7
of which:				
- subsidized work,	241.2	117.3	198.9	384.2
- in public sector	120.5	82.7	122.5	204.5
Dynamics of job offers in total 2000 = 100	100.0	76.6	91.4	134.5
Number of unemployed per 1 job offer, as of the end of year	474.1	587.7	387.6	308.3

Source: Bezrobocie rejestrowane I kwartał 2004 (Registered unemployment I quarter 2004), Central Statistical Office, Warsaw 2004, p. 3, own calculations.

As it follows from the data included in Table 1, the lowest number of job offers was available at labour offices in 2001. The number of job offers was 23.4% lower than in 2000, despite a significant increase in the number of registered unemployed persons by 15.3% between 2000–2001 and a growth in an unemployment rate from 15.1 to 17.5%³. This also had an influence on an

³ The number of registered unemployed persons amounted to 2,702,000 persons in 2000, and it grew to 3,115,100 persons in 2001. According to the study on the economic activity of population, the respective figures were 2,760,000 and 3,186,000, whilst the unemployment rate increased from

increase in the number of unemployed per 1 job offer by 113.6 persons. A clear improvement in the inflow of job offers to labour offices took place in 2003. In relation to the year 2000, the number of job offers increased by 34.5%, and the number of unemployed increased by 17.5% at the same time. Whilst compared to 2002, the number of job offers in 2003 increased by 47.2%, with a small fall in unemployment by 1.3%⁴. Also the share of job offers subsidized from the Labour Fund in the total number of offers increased to 47% (they accounted for merely 25% of the total number of job offers in 2001 and 36% in 2002), as well as the share of job offers from the public sector to 25% in 2003 (22% in 2002 and 17.7% in 2001). The symptom of such positive changes was manifested by a decline in the number of unemployed per 1 job offer that took place in 2003 (by 279.4 persons compared with the year 2001 and by 79.3 persons compared with 2002). But still the relationship is very unfavourable.

Thus, one should strongly advocate the need for a search of new solutions and for undertaking activities aimed at raising the effectiveness of employment services in the field of labour intermediation. Well-prepared and active labour intermediaries are needed in order to develop and impart dynamism to the penetration of the labour market. The quality of their work should be evaluated primarily on the basis of the number of received job offers, particularly for the problem groups that exist in the labour market. It is recommended that labour intermediaries along with vocational counsellors make up ca. 50% of the total staff of labour offices in order to perform their principal tasks in a more effective and efficient way⁵. Of some importance are also technical facilities of labour offices, the quality of, among others, office equipment, information systems and communication means, which are necessary

16% in 2000 to 18.5% in 2001. *Statistical Yearbook of the Republic of Poland 2003*, Central Statistical Office, Warsaw, p. 160–161; *Aktywność ekonomiczna ludności Polski IV kwartał 2003 (Economic activity of population in Poland IV quarter 2003)*, Central Statistical Office, Warsaw 2004, p. XLII.

⁴ In the year 2002, the level of unemployment was relatively very high. The number of registered unemployed amounted to 3,217,000 persons (according to BAEL, it was 3,375,000), while the unemployment rate reached 18% (and 19.7% according to BAEL). In the year 2003, registered unemployment decreased to 3,175,700 persons (3,273,000 according to BAEL), and the unemployment rate was stable (18%), although according to BAEL it diminished to 19.3%; *Kwartalna informacja o rynku pracy (Quarterly information on the labour market)*, Central Statistical Office, Warsaw 2004, p. 7–10.

⁵ This recommendation is even more justified in view of the fact that only 10–15% of the entire staff working at labour offices deal with labour intermediation and vocational counselling, which means that more than 2,000 unemployed fall to 1 intermediary, while 1 employee of the Powiat Labour Office falls to 218 unemployed persons; M. Kabaj, *Strategie i programy przeciwdziałania bezrobociu w Unii Europejskiej i w Polsce The strategies and programmes of counteracting unemployment in the European Union and in Poland*, Wydawnictwo Naukowe SCHOLAR, Warsaw 2004, p. 124–125.

to collect information and transfer it more rapidly between employment services, employers and job seekers. In order to squeeze high unemployment, the need for pluralisation of labour intermediation, through the development of private employment agencies, is highlighted. The cooperation between private and public labour intermediation institutions can bring effects in the form of a higher number of job offers and to increase significantly the chances of unemployed persons to find employment (*National Strategy of Employment...*, 1999, p. 45).

The activities of labour offices also comprise vocational counselling. It consists in providing professional assistance to unemployed and job seekers in the selection of appropriate profession and place of work, and to employers in the selection of candidates for work at positions that require specific psychophysical predispositions. Such assistance is given by vocational counsellors of powiat labour offices and centres for information and career planning at regional labour offices. Vocational advice can be given to individuals or groups, and is available for all who want to make use of it.

The economic activation of unemployed is reinforced through activities of so called job clubs, run by labour offices (and other institutions). Job clubs organise regular group meetings aimed to give practical skills to job-seekers. Unemployed and other job-seeking persons learn, among others, active methods of job search, and principles of analysis of job offers, acquire skills of how to present himself or herself, how to negotiate with employers, get more confidence in own skills, and recognize the importance of active attitudes in the labour market.

Table 2. Unemployed persons who use vocational counselling and Job Clubs services in Poland, 2000–2003

Item	2000	2001	2002	2003
Participants:				
- in vocational counselling (in '000)	192.3	187.3	271.6	285.8
- share in total unemployment (in %)	7.1	6.0	8.4	9.0
- in Job Clubs (in '000)	60.3	44.8	53.3	55.5
- share in total unemployment (in %)	2.2	1.4	1.7	1.7

Source: Informacja o rynku pracy z grudnia 2000, 2001, 2002, 2003 (Information on the labour market of December 2000, 2001, 2002, 2003), Ministry of Economy, Labour and Social Policy, Warsaw, own calculations.

Between 2000–2003, an upward tendency in the number of participants in vocational counselling is quite evident in Poland (see Table 2). The highest number of advice was given in 2003. The proportion of unemployed who took advantage of them reached 9%, compared with 6–8% in previous years. The

number of participants in job clubs' activities was relatively low in the surveyed years. A sharp decline in participation of unemployed in 2001 resulted in the fact that despite an upward tendency that took place in the following years, the level of participation in job clubs in the year 2003, did not achieve the level of the year 2000. In the 2002–2003 period, the activation of unemployed as a result of job clubs' activities covered 1.7% of the total number of unemployed, and it reached the highest 2.2% of total unemployment in the year 2000.

A relatively low number of persons making use of the job clubs' offer in relation to persons registered as unemployed is the result of personnel problems of labour offices. The number of job clubs' leaders is too low. The functions that they are supposed to perform often have to be taken over by vocational counsellors, which results in them being substantially burdened with additional tasks and usually lower effectiveness of work. For this reason, few job clubs in Poland fulfil standard three-week courses that comprise two weeks of training and one week of the practical use of knowledge and skills to seek job. The majority of job clubs organise several days' meetings (2–3 days in most cases) with unemployed. Therefore, the courses provide only general information or have the form of very specialist workshops (*Unemployment 2003...*, 2004, p. 107). In the conditions of high unemployment in Poland, the use of vocational counselling and job clubs is still insufficient in relation to their proven role among active labour market instruments in EU countries.

Unemployed persons registered at powiat labour offices can participate in various active labour market programmes financed out of the Labour Fund. The number of participants in basic active programmes, i.e. training, intervention works, public works, loans and traineeship at employers' places is presented in Table 3.

Table 3. Registered unemployed participating in active labour market programmes in Poland, 2000–2003 (in '000)

Item	2000	2001	2002	2003
Training	98.7	47.6	51.1	114.9
Intervention works	99.4	39.3	33.6	99.3
Public works	50.3	29.0	68.5	132.4
Loans	5.3	2.7	2.8	5.3
Traineeships at employers' places	48.5	25.5	72.7	129.2

Source: *Statistical Yearbook of the Republic of Poland 2003*, p. 164; *Bezrobocie rejestrowane I kwartał 2004 (Registered unemployment I quarter 2004)*, Central Statistical Office, Warsaw 2004, p. 3 and 6; *Informacja o rynku pracy z grudnia 2003 (Information on the labour market of December 2003)*, Ministry of Economy, Labour and Social Policy, Warsaw.

As it can be seen from the analysis of data included in Table 3, the lowest number of participants in active labour market programmes took place in 2001. The positive changes initiated in 2002 brought their effects in a growth of the number of participants in active programmes. Throughout the entire analysed period, the biggest number of unemployed could use various forms of vocational activation in 2003. It finds its reflection in an increase, after 2001, in the share of participants in different active programmes in the general number of unemployed (see Table 4).

Table 4. Share of participants in active labour market programmes in total unemployment in Poland, 2000–2003 (in %).

Item	2000	2001	2002	2003
Unemployed in total	100.0	100.0	100.0	100.0
of which				
Participants in:				
- training	3.6	1.5	2.1	4.2
- intervention works	3.7	1.3	1.6	3.6
- public works	1.9	0.9	1.0	3.1
- loans	0.2	0.1	0.1	0.2
- traineeships at employers' places	1.8	0.8	2.3	4.1

Source: own calculations based on Table 3.

Throughout the 2000–2003 period, the highest number of unemployed participated in training. In the year 2003, the number of training participants was almost three times as large as in 2001, and their share in the general number of unemployed increased from 1.5 to 4.2%. Nevertheless, the proportion of unemployed who got training has to be considered quite low.

Training is regarded as the most important factor that increases the likelihood to find job by an unemployed person. Its aim is to give training in a given profession, retrain, raise existing professional skills, or teach the skills of job seeking and finding employment. It can improve adaptation abilities of unemployed and other job seekers to the new requirements of the labour market, and to foster them to raise systematically their skills capital (Socha, Sztanderska 2002, p. 58). Therefore, training should be given particularly to those persons who possess no professional skills or their skills are not well adjusted to the labour market needs, and those who lose their abilities to work in a previous profession. Training can be initiated either by a labour office or an unemployed person himself or herself, if, after training, the place of work is guaranteed to him or her, and the cost of training does not exceed doubled average remuneration. The duration of training should not be longer than 6 months.

Only in cases justified by training programmes it can be extended to a maximum

12 months. During the course of training, unemployed persons can receive training allowance in the amount of 20% of the unemployment benefit. Person who has not completed training through his/her own fault is obliged to pay back the training costs.

An unemployed person can also get a training loan to finance the costs of training four times as high as average remuneration currently in force in the country. There are no interests imposed on the loan, and its payment can be extended up to 18 months from the date of the training completion.

In order to raise the effectiveness of training, a broad cooperation of labour offices with training institutions and employers is recommended. As a result of cooperation, the appropriate contents and scope of training programmes adjusted to the needs of the local labour market should be specified, so as to enhance job opportunities for training participants. As experience of EU countries shows, of big importance is a selection of candidates for particular types of training from the viewpoint of their skills, as well as their intellectual and physical abilities. The activities that support the policy of vocational training of employees are considered to be necessary, particularly in small and medium-sized enterprises. Upon the application of an employer that employs at least 50 employees, the labour office can reimburse the costs of training for employees up to 50% from the Labour Fund (such possibilities are also created by the European Social Fund). The employer is obliged to provide employment to the participants of these training events for at least 12 months. If he fails to fulfil this condition, he is obliged to pay the costs of training back.

Various forms of vocational activation of graduates play an important role in fighting high structural unemployment⁶. Their goal is to make young persons acquire specific professional skills and to increase the pool of workplaces for them through employment subsidized out of the Labour Fund. Labour offices can send unemployed graduates for training⁷ or traineeships at employers' places over the period of possessing the graduate status (maximum 12 months). Traineeships at employers' places enables to get some professional experience, which in many cases constitutes the main condition for graduates to find employment. During the traineeship period, graduates fulfil tasks working

⁶ The programme participant can be only a registered unemployed graduate within 12 months from the completion of the secondary level of education, Article 2 item 1 of the Act on employment and counteracting unemployment of 14 December 1994, „Journal of Laws” 2001, No. 6, item 56 of 24 January 2001.

⁷ The graduate may receive a scholarship in the amount of 60% of the unemployment benefit throughout the time of participation in training.

full time, as it is specified at a given position. They have the right to get a scholarship in the amount equal to the basic unemployment benefit. Out of the Labour Fund financial resources, employers can get a reimbursement of paid remuneration, rewards and insurance contributions, provided they employ an unemployed graduate for the period of 12 months.

In the year 2001, a nationwide programme of vocational activation of graduates „First Job” was accepted. It has been fulfilled since 2002. Its aim is to cover all registered graduates with activation operations within the period of six months from the date of registration. The most popular form of economic activation proved to be graduate traineeships (more than 120,000 persons used this form in 2003 according to data from the Ministry of Economy, Labour and Social Policy), and reimbursement to be claimed for employment of graduates from academic institutions and for training. Relatively few graduates decide to start their own businesses, despite the possibility of being granted an exemption from the payment of social insurance contributions to the Social Insurance Institution (ZUS) (2,300 persons in 2003). Few graduates (807 persons in 2003) used loans for graduates to establish and run own business activity.

The effects of activities towards economic activation of graduates are presented in Tables 3 and 4. In the 2002–2003 period, a growth in the number of unemployed who serve traineeships at employers’ places is evident. In relation to the year 2001, this growth in the year 2002 was almost three times as big, while in the year 2003 five times. All this brought about an increase in the number of traineeship participants from 0.8–2.3% in the years 2000–2002 to 4.1% in 2003.

Intervention works that have been used in Poland since 1990, are considered to be subsidized work. This is because they consist in partly subsidies to employment for those employers who generate additional places of work for unemployed. It is recommended that persons sent to perform intervention works possess necessary skills, which is a better guarantee of their future employment in a given firm. An unemployed person hired within an intervention work scheme obtains a status of an employee, which means he/she gets the right for remuneration and other benefits according to the rules vested to the employees of a given enterprise. The period of subsidized employment ranges between

6 and 12 months. Employer, who hired an unemployed person for the period of 6 months, on a monthly basis receives a subsidy equal to the amount of unemployment benefit and social insurance contribution. When the period of employment is extended to 12 months, the employer obtains a reimbursement equal to unemployment benefit and social insurance contribution every second month. Intervention works allow for a temporary economic activation of unemployed, but also pose the chance of permanent employment (Kowalski

1996). Employer, who hired an unemployed person the following 6 months after the intervention works have finished, and concludes a work contract for an indefinite period with him or her, may receive a single premium in the amount of up to 150% of average remuneration.

In accordance with the Act on the promotion of employment and labour market institutions of 20 April 2004, a labour office can direct those unemployed persons to participate in intervention works, with whom the work contract has been terminated for company reasons. This concerns women who are 53 years old and men who are 58 years old, so as such persons can gain the right for pre-retirement benefits.

As it follows from Table 3, intervention works were top-ranked among active labour market instruments in the year 2000. A clear decline in the number of participants in these works took place in the 2001–2002 period. They constituted merely 1.3–1.6% of the total number of unemployed. In 2003 intervention works were undertaken by more than twice as many unemployed as in 2002 and almost four times as many as in 2001. In view of this, the proportion of unemployed within this type of work increased to 3.6% of the total number of unemployed.

Public works were implemented in Poland in 1992. Their main aim is vocational activation of long-term unemployed whose characteristics include a lower level of education and the lack of skills, and socio-economic development of a given region. They should be organised mainly within the framework of locally or regionally realised infrastructure investments and socially useful tasks connected with social protection and services to unemployed. Public works cannot violate the principles of competition in the local labour market. Their duration is in most cases 6 months long and cannot be longer than 12 months.

Public works are also regarded as subsidized work. Powiat labour offices can reimburse a part of due costs to the organiser of public works, e.g. local administration, institutions of public utility. When unemployed persons are hired for 6 months, the organiser of public works obtains the reimbursement of costs in the amount of 50% of average remuneration along with the social insurance contribution. If the duration of public works is 12 months, every second month the organiser receives the reimbursement of costs in the agreed amount not exceeding average remuneration and the social insurance contribution. In the regions endangered with structural unemployment, the organiser of public works can additionally get the reimbursement of a part of in-kind costs (to 50%), but in the amount not exceeding 25% of the granted remuneration subsidies.

Public works generate temporary jobs, which means they contribute to temporary employment of unemployed persons. The main drawback of this form

is usually high costs involved. The rationale for public works is to use them with these unemployed, who are unable to cope with the requirements of modern economy and cannot find work despite various forms of assistance. Also in EU countries, jobs generated as a result of public intervention in the labour market, which enable economic integration of these persons with their first labour market, are promoted in favour of long-term unemployed and unemployed with very low skills.

The number of participants in public works in Poland was somewhat lower than in the case of intervention works throughout the surveyed years. In the 2000–2003 period, it almost doubled, which contributed to an increase in the share of unemployed persons employed within the framework of public works from 1.9% to 3.1% of the total number of unemployed. It is of significant importance for the reduction of high long-term unemployment in Poland⁸.

Loans play the least important role among active labour market instruments. The number of persons who used loans was the same in 2000 and 2003 (5,300 persons), and their share in total unemployment remained at the level of 0.2%. Loans exert their influence on the reduction of unemployment through their use in order to generate new jobs. Loans for unemployed allow them to start their own business activity, release their entrepreneurial spirit and foster the development of small and medium-sized enterprises. Since 1 June 2004, unemployed persons have been granted a one-time right to receive money in order to start their business activity in the amount not exceeding 500% of average remuneration, and to get the reimbursement (up to 80%) of documented costs of legal assistance, consultations or counselling in the amount not exceeding, however, average remuneration.

Loans for enterprises to generate new jobs for unemployed persons sent by powiat labour offices provide an opportunity to employers for the company development. The loan should be used to organise workplaces within the agreed time schedule and to hire unemployed for the period of at least 24 months. The time of the full repayment of the loan cannot be longer than 3 years, and in the case of jobs in individual farms – 4 years. Loans for enterprises should constitute a special form of assistance for poorly developed areas characterised by the level of GDP per 1 inhabitant lower than 75% of the average level of GDP per 1 inhabitant in the European Union. For small and medium-sized enterprises that operate in these areas, the loan cannot exceed 65% of the costs

⁸ In 2003 (IV quarter) the share of long-term unemployed (over 12 months) in total unemployment amounted to 52.5%, *Bezrobocie rejestrowane I kwartał 2004 (Registered unemployment I quarter 2004)*, Central Statistical Office, Warsaw 2004, p. 21, own calculations.

of investment, while for the remaining enterprises – 50% of the costs of investments supporting the generation of new jobs⁹.

3. The dynamics and structure of the Labour Fund expenditures on active labour market programmes

All activities undertaken within the framework of labour market policy are financed out of the Labour Fund. The size of financial resources directed for labour market programmes and the structure of their distribution decide on the effectiveness of labour market policy.

The amount of the Labour Fund expenditures has been growing in the subsequent years. Also the share of the Labour Fund expenditures in GDP showed an upward tendency, but still it should be assessed as not very large (1.3% of GDP in 2002), particularly in view of high unemployment rate in Poland (which was 19.7% in 2002, according to the study on the economic activity of population). In OECD countries, this share amounts to ca. 3% of GDP on average, with a much lower scale of unemployment compared with that in Poland. Across the European Union, labour market programmes received support of 227.3 billion USD in 2000, which is 2.68% of GDP, with the average unemployment rate of 8.0% (Kabaj 2002, p. 89)¹⁰. The dynamics of real expenditures of the Labour Fund was diverse. Throughout the 2000–2001 period, these expenditures showed an upward tendency that was aggravated in 2002. A renewed, stronger growth took place in 2003 (by 16.5% in real terms, as compared with the year 2002).

Table 5. The Labour Fund expenditures in Poland, 2000–2003

Item	2000	2001	2002	2003
Labour Fund expenditures (in million PLN)				
- in total	6,945.9	8,597.2	9,972.6	11,749.8
- as % of GDP	0.97	1.1	1.3	-
Dynamics of Labour Fund expenditures (previous year = 100)				
- in current prices	121.6	123.8	116.0	117.8
- in constant prices	110.1	117.3	113.9	116.5

⁹ Article 18, item 1, point 1 of the Act on employment and counteracting unemployment of 14 December 1994, „Journal of Laws” 2003, No. 58, item 514.

¹⁰ *Strategie i programy...*, *op. cit.*; *Bezrobocie rejestrowane I–IV kwartał 2002 r. (Registered unemployment I–IV quarter 2002)*, Central Statistical Office, Warsaw 2003, p. 1; In the year 2002, the annual average unemployment rate in EU-15 amounted to 7.5% (7.8% at the end of the year).

Source: Information on labour market, Ministry of Economy, Labour and Social Policy, www.mgpips.gov.pl, Statistical Yearbook of the Republic of Poland 2003, p. 353 and 579; Concise Statistical Yearbook of Poland 2004, Central Statistical Office, Warsaw, p. 197; own calculations.

Table 6. The structure of the Labour Fund expenditures in Poland, 2000–2003 (in %)

Item	2000	2001	2002	2003
Expenditures in total	100.0	100.0	100.0	100.0
of which:				
- benefits and allowances	82.8	84.8	89.0	85.6
- active forms	11.1	7.0	5.4	8.2
- reimbursement of wages and salaries of young employees	3.5	4.6	3.4	3.5
- other expenditures	2.6	3.5	2.2	2.6

Source: as in Table 5, own calculations.

Within the entire surveyed period, expenditures on pre-retirement benefits and allowances for unemployed dominated in the structure of the Labour Fund expenses. They remained at the level of more than 80%, and peaked in the 2002–2003 period. As it is known, for both years the unemployment rates were relatively higher than those in years 2000–2001, so the need for these funds was big. As a result, expenditures on active labour market programmes absorbed only a relatively small portion of the Labour Fund resources.

Throughout the 2000–2003 period, the share of these expenditures in the Labour Fund decreased by 2.9 percentage points (to 8.2% in 2003), in spite of the fact that this is those programmes that contribute to the reduction of unemployment. The shares of expenditures on the reimbursement of wages and salaries of young employees and other expenditures remained at a quite stable level (3.5% and 2.6% respectively throughout the 2000–2003 period).

In the European Union countries, the structure of expenditures to pursue labour market policy is different than that in Poland. In 2000, 40% of EU total public expenditures, on average, went on active labour market programmes, and 60% on benefits for unemployed and early retirement financing (Wiśniewski, 2000, p. 281). Such structure of Labour Fund expenditures is expected to be achieved in Poland by the year 2006.

The amount of total expenditures on active policy in Poland was lower and lower in the following years of the 2000–2002 period and had not been increasing until the year 2003 (by 430 million PLN, as compared to 2002, and by 201.2 million PLN, as compared to 2000). The share of these expenditures was around 0.1% of GDP (in EU countries, the share was 1% of GDP in 2000). As regards the size of expenditures on individual active forms, it can be seen that they had not been increasing substantially until 2003, as compared with the previous years under survey. Some exception is provided by public works, which had been receiving less and less financial resources in the subsequent years.

Table 7. The Labour Fund expenditures on active programmes in Poland, 2000–2003

Item	2000	2001	2002	2003
Expenditures on active programmes (in million PLN)				
- in total	767.8	604.4	539.4	969.0
- as % of GDP	0.11	0.08	0.07	-
- per 1 unemployed in PLN	284.1	194.0	167.7	305.1
of which expenditures on (in million PLN)				
- training	79.5	55.5	50.8	140.0
- intervention works	150.4	156.6	93.5	235.9
- public works	146.2	115.6	88.4	87.0
- loans	120.2	67.1	68.6	-
- activation of graduates	234.4	183.5	223.7	450.0
- other	37.1	26.1	14.4	56.0

Source: as in Table 5, own calculations.

A downward tendency in expenditures on active programmes that took place in the 2000–2002 period, accompanied by high growing unemployment, brought about a fall in the level of these expenditures per 1 unemployed. Therefore, the number of participants in active programmes decreased. An increase in the size of funds for economic activation of unemployed in 2003, and per 1 unemployed person, resulted in the growth of the number of participants in active labour market programmes, which is very important for the reduction of unemployment. Thus, it can be concluded that an increase in expenditures on active labour market programmes should allow for the rate of unemployment growth and be as proportional as possible in order to reduce the size of unemployment.

Data included in Table 8 provide an evidence for a decrease in total expenditures on active programmes on a year-to-year basis between 2000–2002. The decrease also took place for individual programmes. A certain exception was expenditures on loans and vocational activation of graduates, which began to grow already in 2002. An increase in expenditures on active labour market programmes, and in particular on training and intervention works, could have not been observed until 2003. A fall in expenditures concerned public works that is one of the most costly labour market instruments.

Table 8. Dynamics of expenditures on active labour market programmes in Poland w latach 2000–2003, in constant prices, previous year= 100

Item	2000	2001	2002	2003
Expenditures in total	63.4	74.6	87.7	177.7
Training	64.0	66.2	89.9	272.6
Intervention works	90.6	98.7	58.7	249.6
Public works	63.8	74.9	75.1	97.5
Loans	65.5	52.9	100.4	-
Activation of graduates	80.1	74.2	119.7	198.9
Other	45.9	66.6	54.0	384.7

Source: own calculations based on data from Table 7.

The importance of particular active labour market programmes in counteracting unemployment is presented in Table 9. Data included therein show the structure of expenditures on active forms throughout the 2000–2003 period.

Table 9. The structure of expenditures on active forms in Poland, 2000–2003 (in %)

Item	2000	2001	2002	2003
Expenditures on active forms				
In total	100.0	100.0	100.0	100.0
of which expenditures on:				
- training	10.4	9.2	9.4	14.4
- intervention works	19.6	25.9	17.3	24.3
- public works	19.0	19.1	16.4	8.9
- loans	15.7	11.1	12.7	-
- activation of graduates	30.5	30.4	41.5	46.4
- other	4.8	4.3	2.7	5.8

Source: as in Table 5, own calculations based on Table 7.

In the surveyed period, the programme of vocational activation of graduates played a major role among active labour market instruments, and it received relatively the largest portion of financial resources (from more than 30% to 46.4% in 2003). It was followed by intervention works. The share of expenditures on these works was relatively high in 2001 (almost 26%) and somewhat lower in 2003 (24.3%). Between 2000–2002, an important role was attributed to public works. Expenditures thereon accounted for 16–19% of total

expenditures on active programmes. The proportion of expenditures on public works did not decrease until 2003 when it was about 9%.

Training played a relatively small role among active labour market programmes. Throughout the 2000–2002 period, the share of expenditures on training in total expenditures was 9–10%. A certain increase in the share, up to more than 14%, took place in 2003, but still it is not significant, particularly in view of the importance of training in raising the chances of unemployed to find employment. Relatively more money than for training was spent on loans (11–15% of total expenditures). The interest in the remaining programmes, including also special programmes, was not very big, which is confirmed by the fact that their share in active expenditures was lowest (and did not exceed 6%)¹¹.

The analysis of the dynamics and the structure of Labour Fund expenditures speaks for the formulation of a conclusion about the further need for the expansion of active labour market programmes and the strengthening of the role of training in the structure of expenditures on these programmes. In the majority of EU countries training plays the most important role among active labour market programmes. In 1999, about 28% of totally available financial resources were spent on average to achieve this purpose. In Denmark and Portugal it was even more than 50% (*Active Labour Market Policies...*, p. 33).

The effectiveness of active programmes in Poland in 2001, as measured by the number of participants therein, who received job within the three months' period after the programme completion, was highest for vocational activation of graduates (73.5%), followed by intervention works (67.8%) and training (48.6%). Least effective were public works, as only 13% of their participants found employment. In 2002, 33% of unemployed, who completed training in that year, took up a job. Among them, more than 50% were persons who completed training in the field of health and safety at work and tourist market services (Borkowska 2002, p. 33; *Unemployment in 2002...*, p. 111).

Conclusions

The analysis carried out in this paper allows to formulate the following conclusions:

¹¹ Special programmes are particularly oriented towards employees dismissed from work for company reasons and the unemployed persons especially endangered with long-term unemployment and its effects who belong to so called risk groups. Expenditures on these programmes co-finance places of work for these persons at employers' companies and training of these persons, and give support to economic activity undertaken by these persons.

- The importance of active policy in the reduction of the size of unemployment and in decreasing structural unadjustments in the labour market is widely acknowledged. It is reflected in many basic documents of the EU and Poland, developed government programmes and legal regulations.
- Active labour market policy should be an integral element of pro-employment economic policy of the country, which guarantees higher effectiveness of actions that are undertaken to improve the situation in the labour market.
- Public employment services determine largely the effectiveness of active labour market policy. The decentralization of their activities (that takes place since 2000) gives the possibility of mutual cooperation between labour offices and local and regional administration, which should foster the better recognition of labour market needs and undertaking activities aimed to reduce unemployment. The continuation of improvements in the field of labour intermediation and vocational counselling, as well as job clubs' activities, which increase the chances of unemployed persons to find employment and help employers to find appropriate employees, seems to be necessary.
- Experiences of developed European countries show that training should play the most important role among active labour market policy instruments. In order to raise their effectiveness, the appropriate contents and scope of training programmes should be specified and target-oriented selection of training participants should be made. From this viewpoint, a cooperation of labour offices with employers and training institutions is of big importance.
- The degree of economic activation of unemployed in Poland between 2000–2003 needs to be assessed as too low in the conditions of growing unemployment. In the year 2003 that appeared to be best from this point of view, participants of such active forms as training, intervention works, public works, traineeships at employers' places and loans, constituted 17% of the total number of unemployed.
- In the conditions of growing unemployment, financial outlays on the realisation of labour market policy should be increased proportionally and used more effectively. The proportion of the Labour Fund expenditures in GDP of Poland throughout the 2000–2003 period remained quite low (0.97–1.3%), as compared with a quite regular share of ca. 3% of GDP in OECD countries.

- In order to increase vocational activation of unemployed persons it is necessary to change the structure of use of the Labour Fund expenditures, which would be reflected in a shift of a significant amount of financial resources from passive into active programmes.

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