

POLAND

High unemployment and low social security



High unemployment in a society new to this concept makes for weak social security. The unemployed and their families are likely to live on or below the subsistence level, especially rural residents and women. Some resort to precarious work in the informal sector to meet their needs, while many Poles migrate to other EU countries in search of work. Meanwhile Poland is receiving refugees from other parts of the world who require social assistance.

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Accessible social security is often seen in Poland as a relic of communist economic policy. Since 1989¹ many opportunities to positively reform aspects of the socio-economic sphere have been lost. Many people experienced a worsening economic situation, becoming unemployed and even homeless. At the same time poverty has become a persistent phenomenon and many people live in poverty with no possibility of getting adequate support from the state.

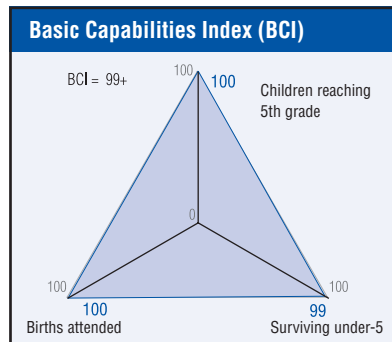
Profile of Polish poverty²

The average subsistence existence level of income in 2003 for single person households was PLN 355 (USD 129), for pensioners PLN 351 (USD 128), for families with two children PLN 1,237 (USD 451) and with three children PLN 1,560 (USD 568). For a household consisting of two adults the minimum income is PLN 584 (USD 213). Subsistence levels show us the upper limit of poverty whereas subsistence existence shows us the lower limit of poverty below which human survival is threatened.

Poverty is mainly rural, and the percentage of households living in poverty is clearly rising in the small towns. Currently, the poorest groups in the country are children and youth whereas in communist times poverty was primarily found among the elderly and pensioners. It should also be noted that poverty has been feminized by the high female unemployment rate, lower salaries, lower pensions and rising number of single mothers. However the most important cause of poverty is the high rate of unemployment. No less than 51% of households with unemployed persons in 2005 lived in poverty,

1 The year when transition from planned to free market economy began in Poland.

2 Developed by the Network of East-West Women (NEWW) in consultation with several organizations and institutions in Poland. NEWW also developed the following sections of the report: Protecting Immigrants and Informal Employment.



while only 18% of households without unemployed persons lived in poverty (Panek, 2006).

In March 2005, 23% of Polish households lived below the poverty limit. However, figures are likely overstated since households tend to understate incomes in their declarations (Panek, 2006) and not to declare income from the informal economy.

Roughly 36% of Polish families cannot afford a meal with meat, poultry, fish or their vegetarian equivalent every second day and about 9% of households cannot buy new, better clothes. Due to a lack of resources, one third of households were forced to forego dental appointments and one fifth had to give up medical appointments entirely.³

In 2007, the average monthly income was PLN 489 (USD 178), having increased fivefold since 1993 when the idea of a poverty threshold was first considered.

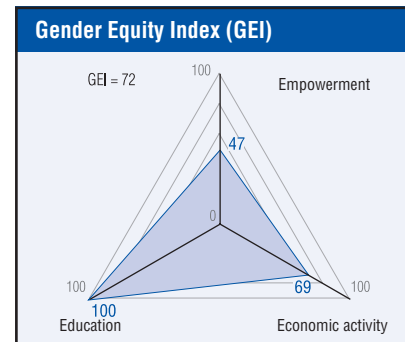
Approximately 25% of Poles think that Poland's accession to the European Union caused a rise in the number of poor people in the country, with the elderly and the poorly educated most fearful of this rise. Their fears are confirmed by the fact that well-educated people represent only 0.5% of the poor.

How welfare works

Support for people living below the poverty limit is determined by the Welfare Act, and distributed by national and local authorities, which cooperate with NGOs, the Catholic Church, other churches, religious associations, charities and individuals.

According to the Act, welfare is given to a person and families living in poverty, those who

3 <www.stat.gov.pl/cps/rde/xbcr/gus/PUBL_warunki_zycia_2004-2005.pdf>



have lost both parents, single parents in a difficult financial situation, large families, the homeless, the unemployed, the disabled, and those suffering from a long-term or serious disease or experiencing domestic violence. Victims of human trafficking, alcoholism or drug addiction, natural and ecological disasters, as well as refugees, and children and adults who leave detention centres are also covered by welfare.

Depending on the cause of poverty there are two kinds of social assistance available: financial help which consists of permanent or temporary benefits and financial help for foster families, and non-financial assistance in the form of social work, purchase of credit tickets, material help, legal and psychological counselling, family guidance, and provision of shelter.

A public pension predicament⁴

The current pension system does not function well. In 2001 the risk of poverty for people over the age of 65 was 6.6%. This risk rises to 18% for those people between 60 and 64 years of age (KSE, 2005). Current estimations predict that by 2025 the pension funds will be insufficient, and therefore, the current generation of 20 to 30-year-olds cannot count on the public pension system (CSO, 2007).

The new retirement system started in 1999 by adopting a second, fully funded old age security pillar consisting of privately managed but publicly owned pension funds (Sta'ko, 2003). The private pension funds have also been operating a third pillar

4 The sections of the report on pensions, privatization, health and unemployment insurance have been developed by the Karat Coalition.

separately but this programme only includes 2% of the insured since it is not financially accessible for the majority of employers (KSE, 2005).

Since the pension received depends on the size and number of the contributions paid over one's working life, the current system contributes to gender inequality and the significant gap in the economic status between men and women. On average women earn less than men, hence their monthly contributions are smaller. Furthermore, since the age of retirement is different for women (60) and men (65), the contribution period for women is shorter by five years and results in their pensions being 30% lower than men's. A woman retiring at the age of 60 receives 58% of her last salary, but if she worked five years longer she would receive 86%. The current political discourse about retirement age is not focused on gender equality. Earlier retirement by women is justified by the "the traditional institution of the grandmother" since they are the ones who care for grandchildren and facilitate young women having large families (Kostrzewski and Mi'czy'ski, 2006).

Impacts of privatization

Privatization of the once almost entirely public economy has been extensive. Between 1990 and 1992, almost 30% of the state-owned enterprises were privatized (Gorzela, 1994). In 2002 the private sector produced 72% of gross domestic product (GDP) while in the beginning of the 1990s it produced only 30%. The government planned that by 2005 state enterprises would produce less than 20% of GDP (Ministry of the Treasury, 2002). However, this did not happen due to a slowing down of the privatization process, which practically stopped in 2006. This change in the privatization trend was unfortunately not the result of any true social concerns, but rather due to the populist nature of the ruling coalition.

In 2006 only the RUCH company, a newsstand operation with over 30,000 kiosks located throughout Poland, was undergoing privatization. Even in this case privatization was limited to the issue of 27% of share capital.⁵ It was sold on the Warsaw Stock Exchange in the only manner of privatization acceptable to the current economically inept government. Despite the government being extremely critical of privatization and not wanting to be perceived as having a negative impact on the economy, they did not include a social package in the initial public offer. This is despite the fact that the privatization of RUCH could lead to a 40% decrease in its largely female workforce. Furthermore, the 15% of shares which must be given to employees by Polish privatization regulations were not awarded. Additionally, no effort was made to prepare RUCH employees for the change in ownership and its possible consequences. In June 2007 RUCH employee trade unions announced a strike alert in response to news of further privatization.⁶

5 <www.ipo.pl>

6 <www.bankier.pl>

Public health hardships

Although the obligatory insurance system covers most social groups, some people are not entitled to this service and must buy voluntary insurance to access public health services. This rule does not apply to pregnant women and minors who are entitled to the public health services regardless of their insurance status. The public health system is highly inefficient, with long waiting lists and limited access to quality services. This affects mainly the poorest part of the society, especially the elderly, most of whom are women.

Reproductive and sexual health needs are neglected and women's reproductive rights are being violated. Apart from a strict abortion law, family planning services are not accessible in the public health system and contraceptives are not subsidized. School curricula lack obligatory and comprehensive sexual education which affects mostly girls and young women who are exposed to a higher risk of contracting sexually transmitted diseases and getting pregnancy. Teenage mothers account for up to 7% of all births in Poland (Federation for Women and Family Planning, n.d.).

Uninsured work force

The period after 1989 saw a loss in economic stability. Under the previous system employment was guaranteed for all; therefore Polish society was ill-prepared for the 'new phenomenon' of unemployment (Lohmann and Seibert, 2003). At the beginning of the transformation in 1990 the democratic government introduced an unemployment benefit received by 70.2% of workers who had lost their jobs. Unemployment increased over the period from approximately 6% at the start of the transition to 20% at the time of Poland's accession to the EU in 2003. Unfortunately subsequent governments dramatically limited unemployment benefits.

A large legal migration to other EU countries contributed to a decrease in unemployment. In 2006, the unemployment rate was 13.6% but the percentage of unemployed receiving benefits had decreased as well to only 13.4% in 2007.

The concept of unemployment insurance was rather unknown in Poland until the first non-socialist government opened a discussion on the subject. Unfortunately, there were no follow-up or legal proposals made by subsequent governments. On 14 June 2007 this issue was presented by the Vice Minister of the Ministry of Labour and Social Affairs to the Polish Parliamentary Commission on Labour, demonstrating political will to establish an unemployment insurance system. A first draft of the new law could be ready in 2007 (Anka, 2007).

Protecting immigrants

Polish law divides immigrants into those looking for a job and refugees. Each group faces different laws; however these laws operate in a vacuum of political will and coherence.

According to Polish law, a refugee is a person who has a justified fear of oppression and stays outside the border of her or his country. By 2003 there were almost 30,000 petitions for refugee

status in Poland. Immigrants seeking refuge are placed in refugee centres, and receive material help, food, clothing, medical and psychological help, and pocket money since work is prohibited until refugee status is granted.

Immigrants who receive the refugee status do not have any limitation on where they want to live, acquisition of real property, recognition of certificates and diplomas or possibility to study. They also have the right to social benefits and a EUR 250 (USD 344) scholarship to learn Polish. This integration assistance is provided for a maximum of six months.

Immigrants who prove Polish descent receive the status of repatriate and receive special help (financial, courses about Polish culture and history, vocational guidance, etc.). Other immigrants require a work permit to work legally. These are granted only in relation to jobs no Polish person can perform. If a foreigner works legally she or he has all rights and responsibilities defined in the Labour Code.

Under the PHARE programme, in place since 2000, a special unit manages resources from the European Refugee Fund. This fund benefits many Polish institutions such as educational establishments, research institutes, teaching institutions, and NGOs.

Informal employment

In 2004 more than 1.3 million people were 'illegally' employed in Poland. This represents 4% of the total labour force and 9% of the passive labour force. For 63% of this group their informal activity is their sole source of income.

High taxes and unemployment rates leave workers in a vulnerable position. A 2005 survey indicated the lack of opportunity to find formal work and insufficient incomes among the main reasons for working in the informal sector (CSO, 2005).

If informal work conditions are detected employees must pay unpaid taxes, while employers must pay penalty fees and face two years in prison. The social insurance institution does not often penalize illegal employees since they already face disadvantages as unofficial workers. Members of the EU are now considering a common penalty system to increase the risks to employers of using illegal labour. In some cases these firms would be excluded from receiving national and European donations.

Approximately 1.5 million foreigners work illegally in Poland. Employers exploit these undocumented immigrants by paying lower wages and expecting more work. The risks in being employed illegally include not being fully paid for all work, not contributing to a pension, and the lack of health insurance. Workers deal with these circumstances by remaining insured in their home country.

Meanwhile, many women in the informal economy are also recipients of social security benefits such as pensions, stipends or grants. In most cases, illegal work is a necessity because they are not able to find a job in their profession. ■

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To rectify this situation there will have to be structural reforms in the social security system. This is easy to say but it will not be a simple process; it will call for policies that are based on a wide consensus among citizens of the country at all levels.

While this major process of change is taking shape, there is no reason to postpone intermediate measures like the different pension schemes granting each other reciprocal recognition, excluded groups being systematically incorporated into the system, the legislature dealing with the dozen or so bills on these matters that have been shelved, the state meeting its financial obligations to the social security system, the coordination of services between sectors, and the implementation of policies to cater to lower income sectors and unpaid workers.

For the system to really serve the whole population there will have to be a complete change of approach. ■

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Final note

The long-term solution to poverty in the Philippines is robust, *equitable and broad-based* sustainable economic growth. Even if the Philippine economy seems to be shifting to a rapid-growth track, there are few social mechanisms in place that could pull the rest of the population out of economic and social deprivation. The reality for the vast majority of poor people is that social services are unavailable, or are skewed towards the needs of the rich, or are dauntingly expensive – and this drives up social inequality.

Yet social protection contributes immensely to economic development, and the nice thing about it, according to Obermann *et al* (2006), is that it can be implemented independently of the current economic situation. For starters, they suggest merging the national programmes with community-based health care financing schemes, and creating the environment for high quality care and improved physical access. Aside from reforms in contribution and benefit structures to remove inequities and expand coverage to the informal sector, tighter oversight in the management of social insurance funds would be necessary.

As the Human Development Network observes, the government has a huge job to do in terms of facilitating reliable information, standard-setting and rationalization of involved government agencies, more vigorous encouragement of private insurance and pension plans for overseas workers, and pushing for bilateral agreements that protect Filipino workers' interests abroad (UNDP, 2002).

Social protection for all Filipinos is well within grasp: money and know-how are not what is lacking. Rather, the commitment to act is needed to challenge the status quo. The will to reform is key to making social protection work, and to do this the government must feel the heat. Civil society organizations and private companies can pick up some of the pieces, but only the government can reach the scale necessary to provide universal access to services that are free or heavily subsidized for poor people and geared to the needs of all citizens – including women and minorities, and the very poorest. Sadly, it is failing to meet this essential need. ■

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