



# Crisis in Poland? Green Island with Consolidation Plan

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Executive Council

# EAPN POLAND in a nutshell

- Birth year – 2007 (with 3-year pregnancy period)
- EAPN PL has no legal identity – host NGO is national federation of social NGOs (WRZOS)
- Our members: 29 NGOs (federations and single organizations)
- We are partner of Social Watch Poland (Joint Report on Poverty and Social Exclusion in early 2011)
- Our latest initiative with four other NGOs: EAPN PL statement concerning priorities of Polish Presidency
- Our main problems: slow growth, lack of money (two small projects in the past, similar one was not accepted recently)

## Real GDP per person

Q4 2007 to Q2 2011, % change



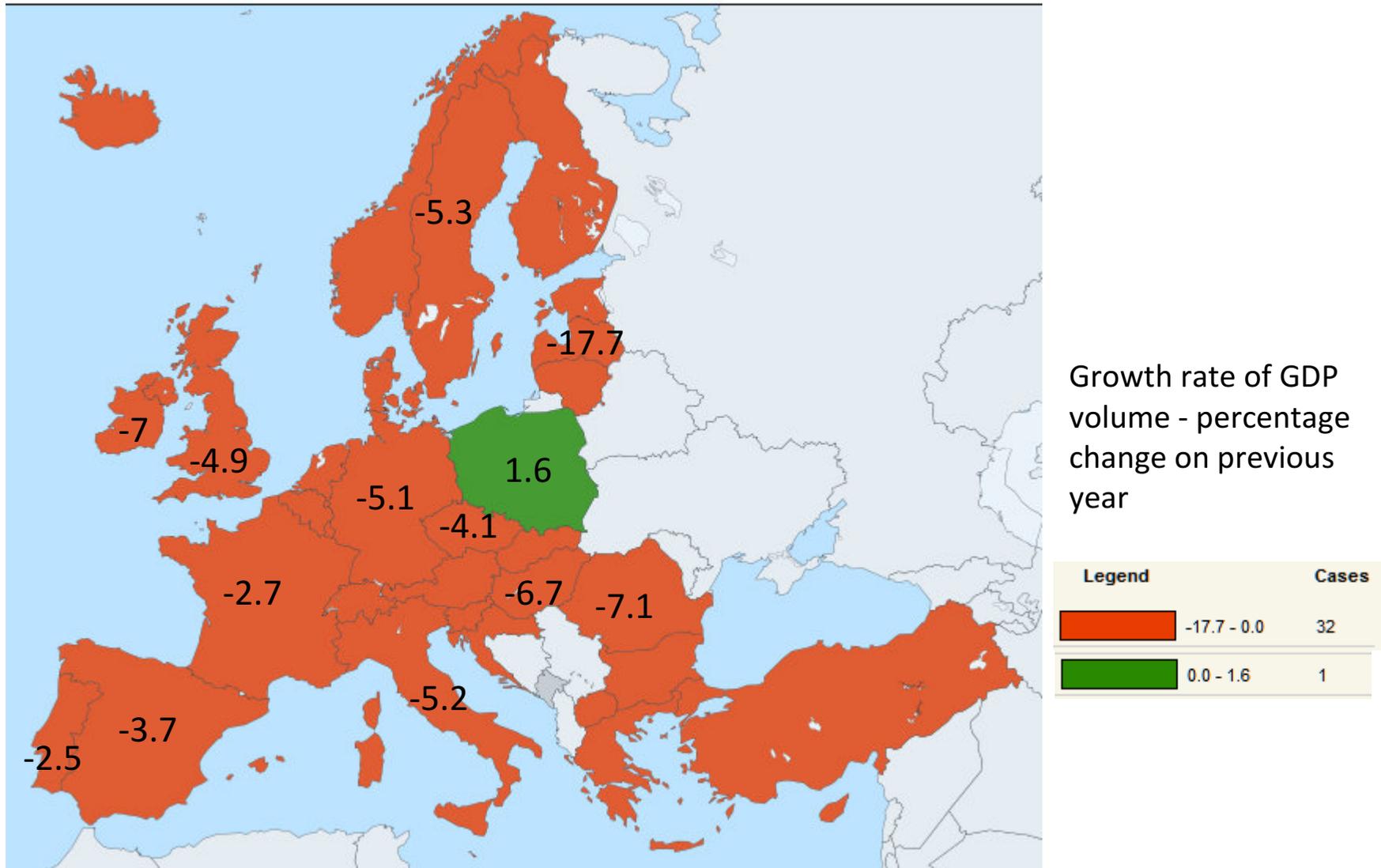
Sources: Economist Intelligence Unit; Haver Analytics; IMF; JPMorgan; *The Economist*

\*Q2 2011 estimate

# Crisis? Not in Poland!

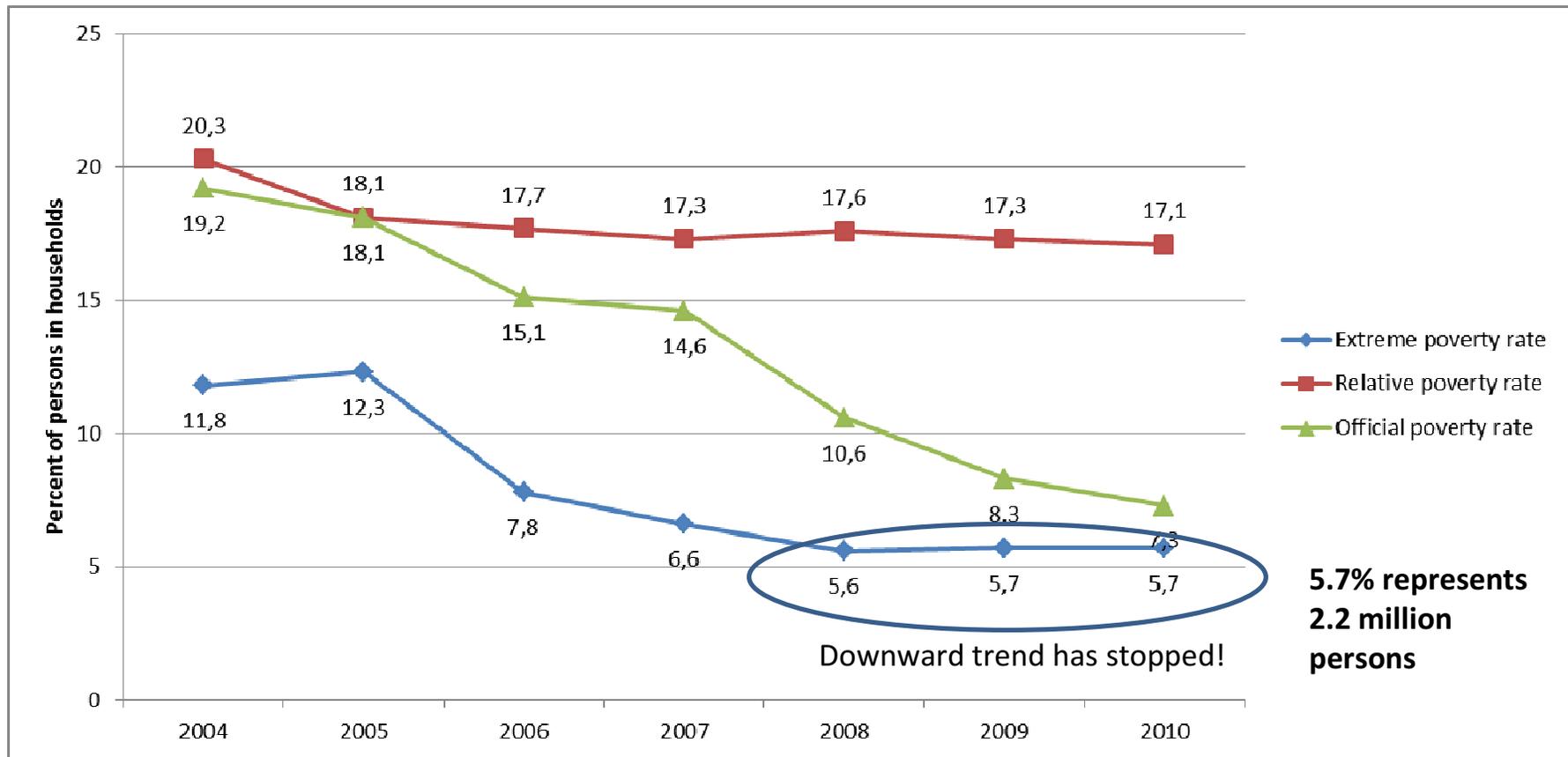
## Poland in 2009: Green Island

Only one country from 33 with positive GDP growth rate



Term 'green island' was invented and popularized by Polish government officials at media conference in 2009

# Poverty Trends in Poland

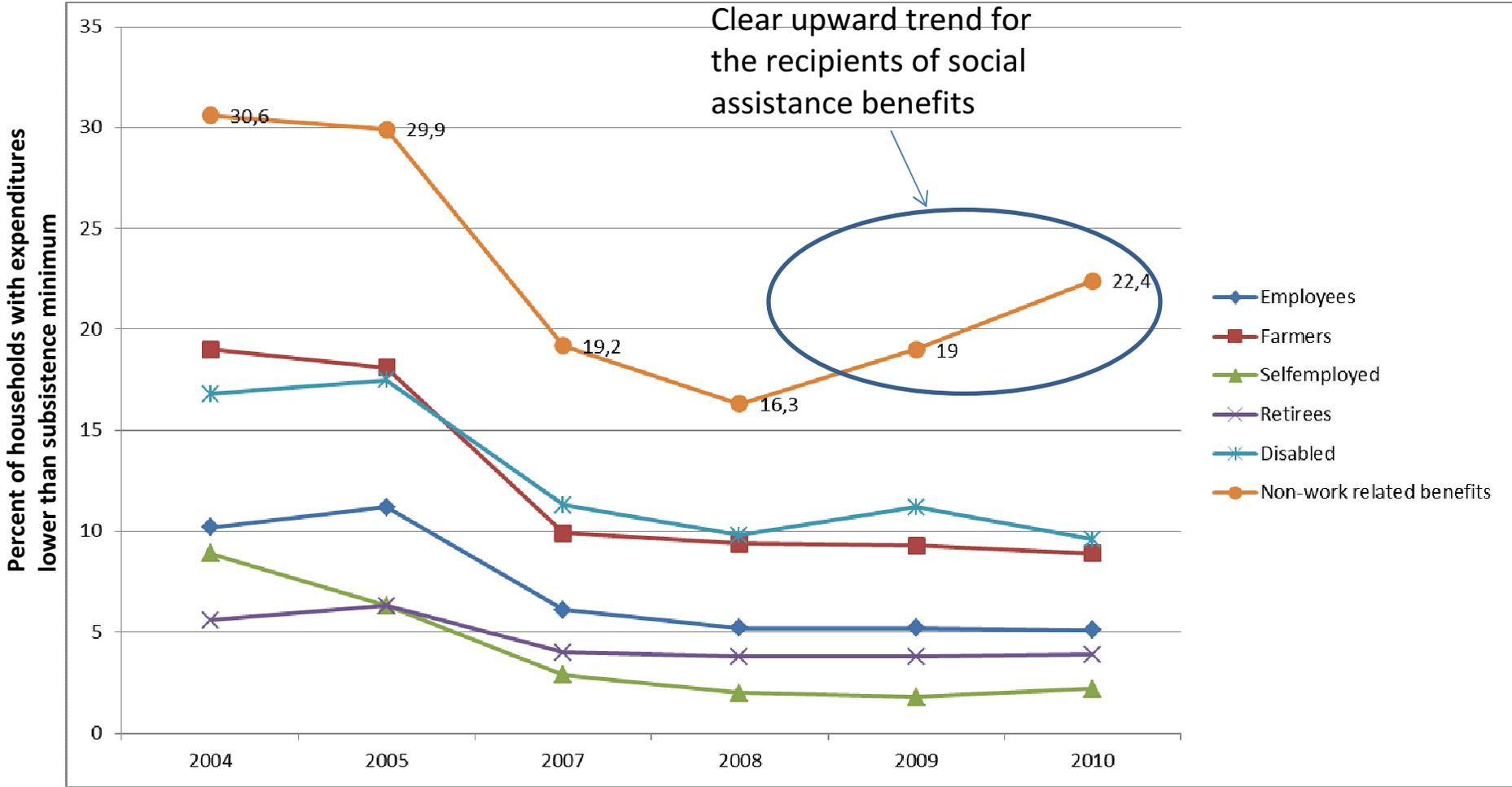


Polish Central Statistical Office, Household Budget Surveys

Poverty dimension: expenditure

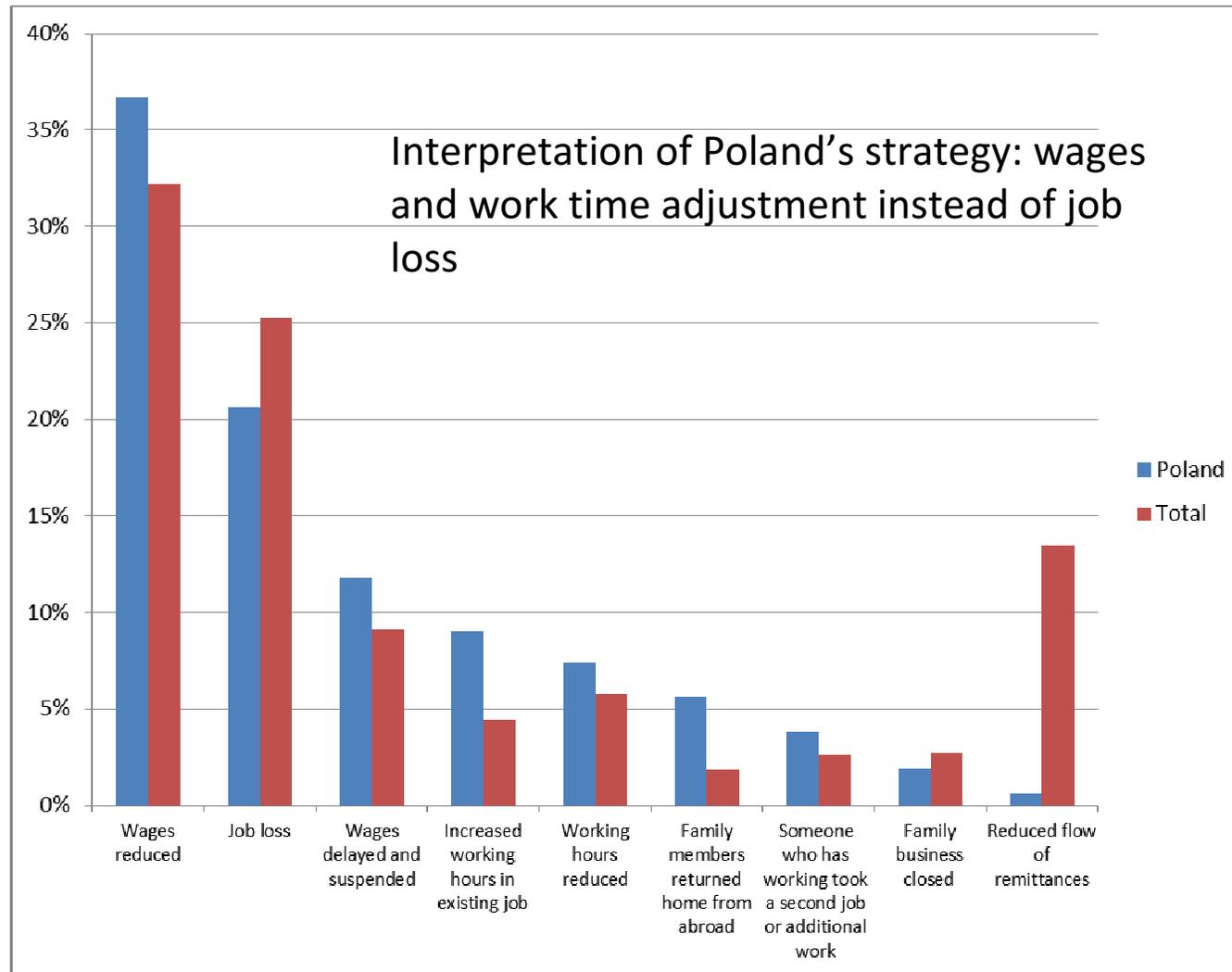
Poverty line for extreme poverty is based on basket method

# Extreme Poverty in Groups with Different Income Source



Central Statistical Office, Households Budget Surveys

# Main Crisis Transmission Channels in Poland

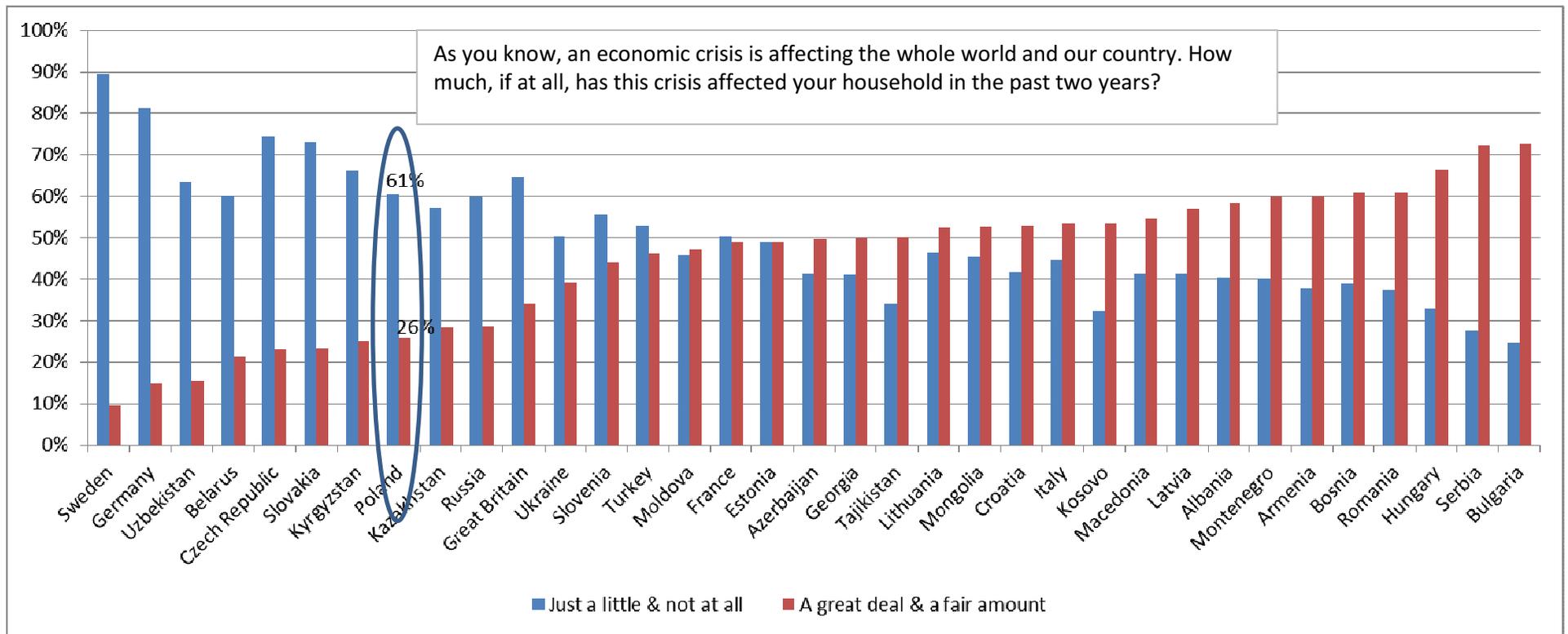


Job loss = head of household + other member of household

Total – 39,000 households from 34 countries

Own calculation and chart, data from Life in Transition Survey II database, 2010

# Subjective Impact of the Crisis



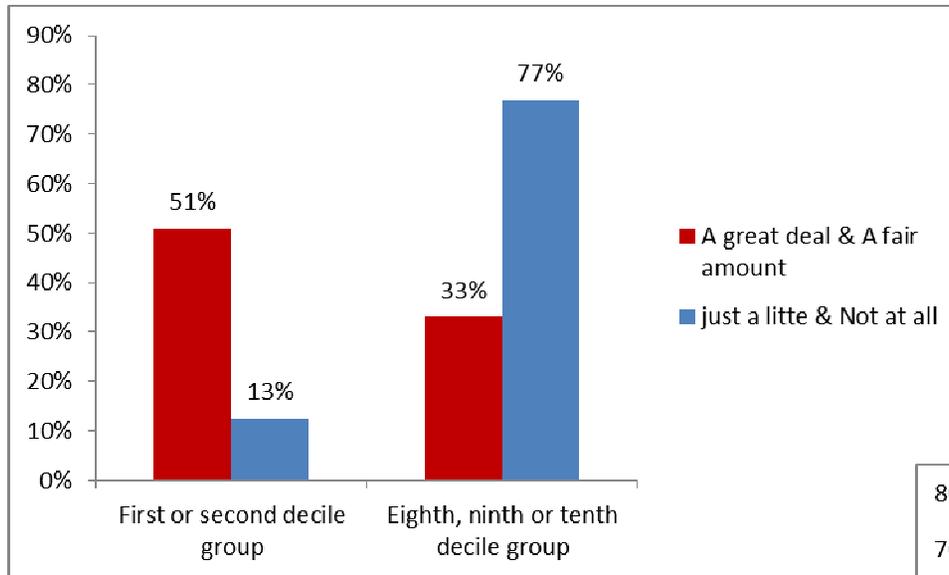
,Just a little' and ',not at all' answers – indicator of non-impact (blue)

,A great deal' and ',a fair amount' answers – indicator of negative impact (red)

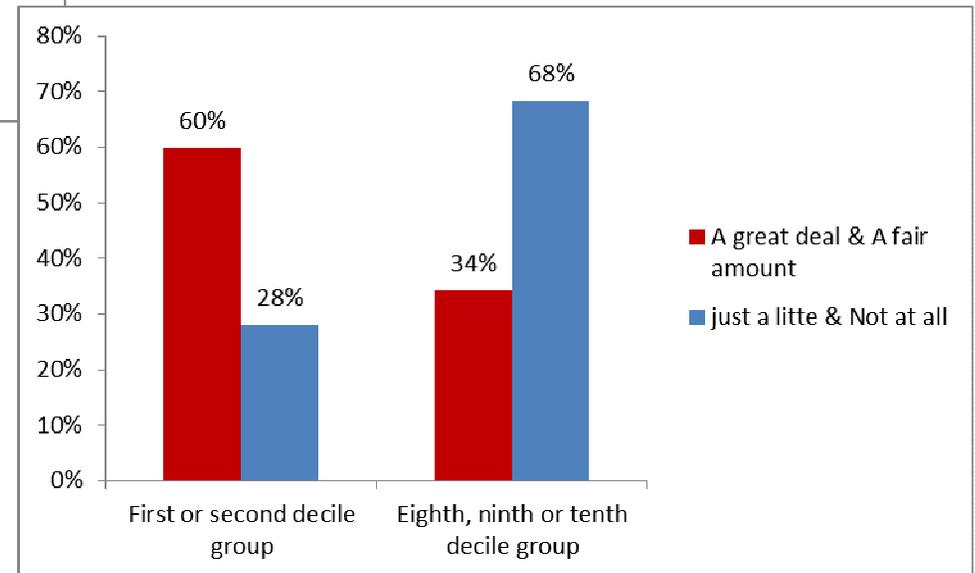
Own calculation and chart, data from LiTS II database, 2010

# Unequal Subjective Impact of the Crisis

Panel A. Poland



Panel B. Total (39,000 households, 34 countries)

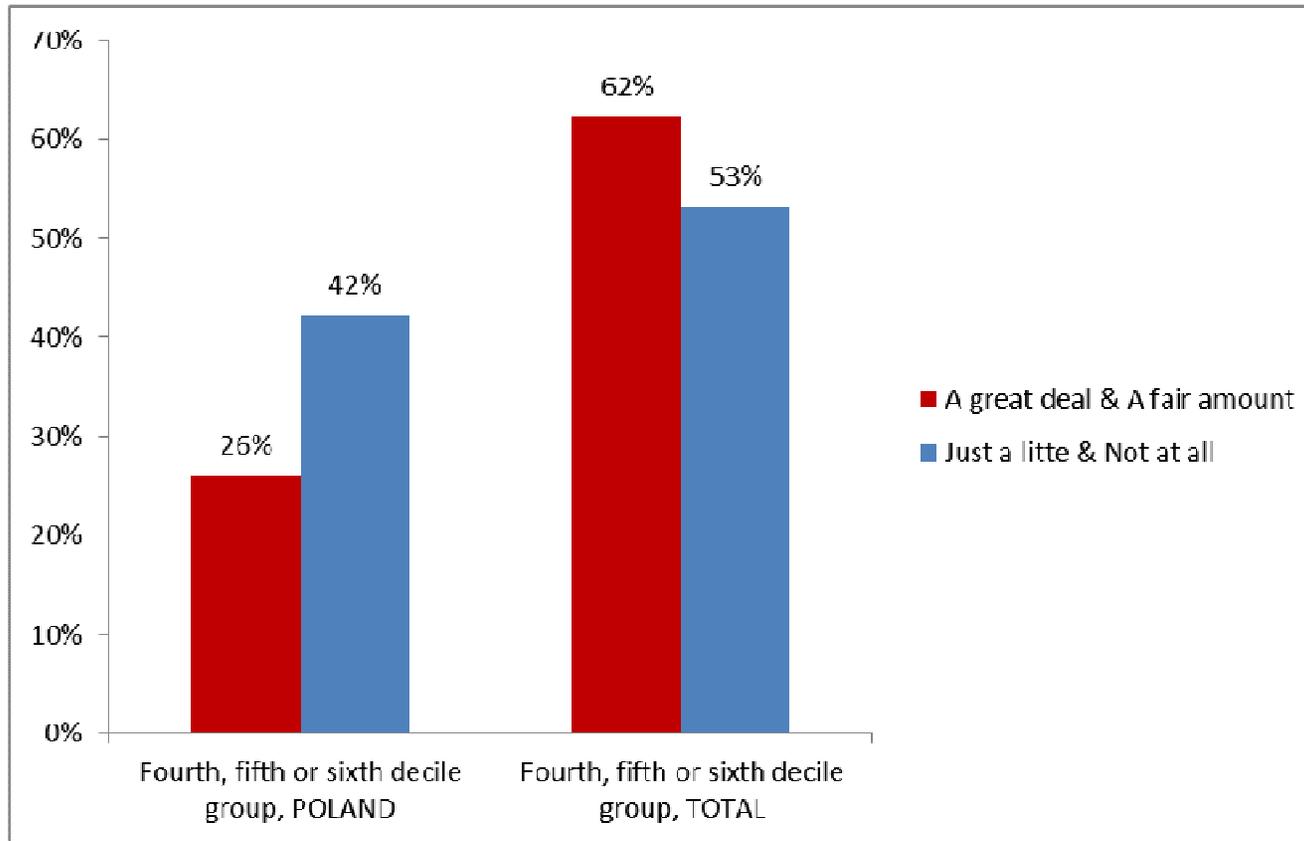


## Subjective status question

*Please imagine a ten-step ladder where on the bottom, the first step, stand the poorest 10% people in our country, and on the highest step, the tenth, stand the richest 10% of people in our country. **On which step of the ten is your household today?***

Own calculation and charts, LiTS II database, 2010

# What About Middle Class?



Subjective impact of the crisis and subjective economic status

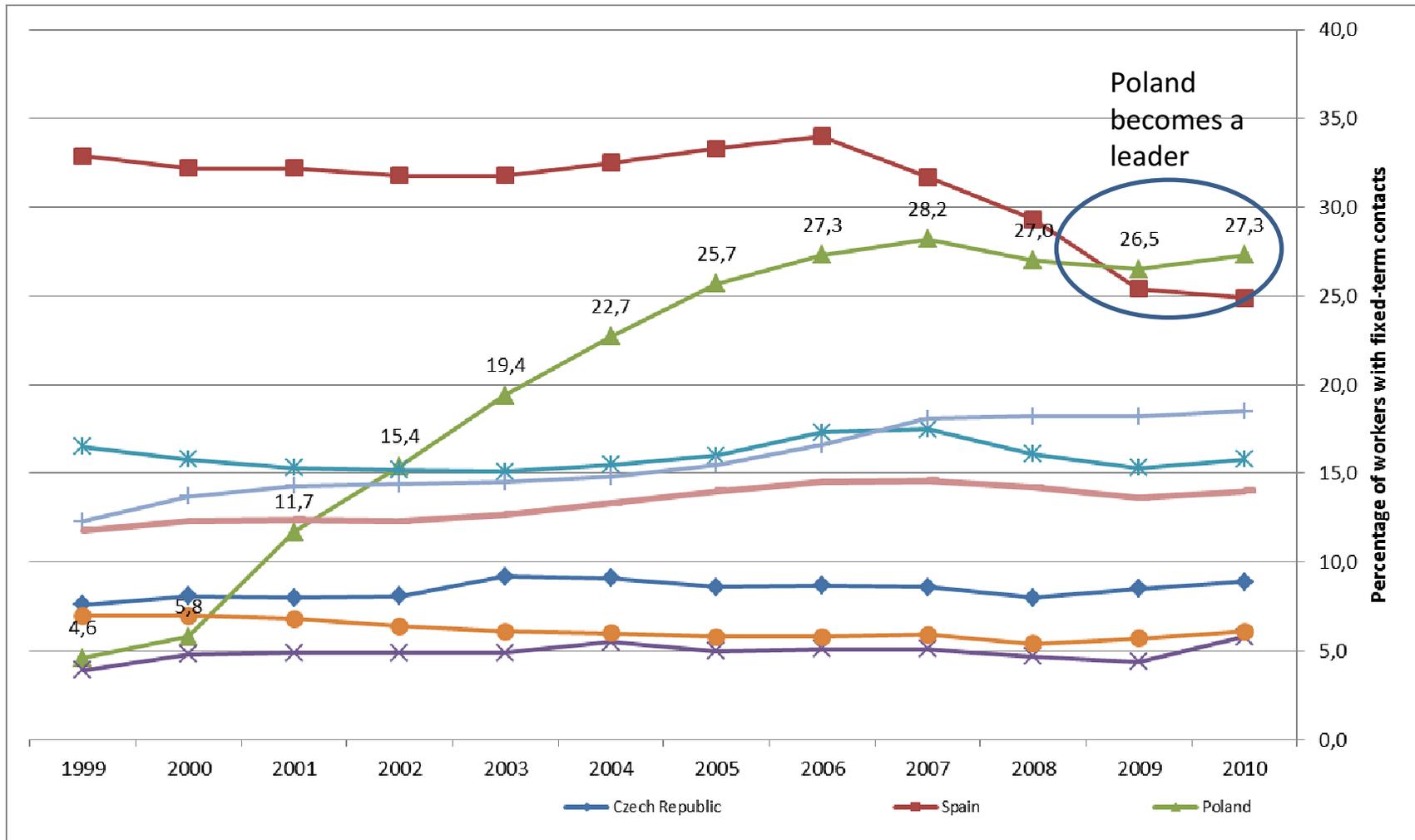
Own calculation and chart, LiTS II database, 2010

# Austerity Measures – Labour Market

- Act on mitigating the effects of economic crisis on employees and employers (1st July 2009). It temporary (until the end of 2011) enables more labour market flexibility than is allowed in labour code

Type of employer	Measures
All non-public employers	<ul style="list-style-type: none"> <li>— less restrictive working time and overtime regulation</li> <li>— less restrictive fixed-term contract regulation (obligatory)</li> </ul>
Non-public employers with temporary economic difficulties	<ul style="list-style-type: none"> <li>— possibility of reduction working hours with proportional reduction of wages</li> <li>— possibility of economic stoppage (both with partial compensation for affected workers from Guaranteed Workers Benefits Fund)</li> </ul>

# Huge Increase in Fixed-Term Contracts



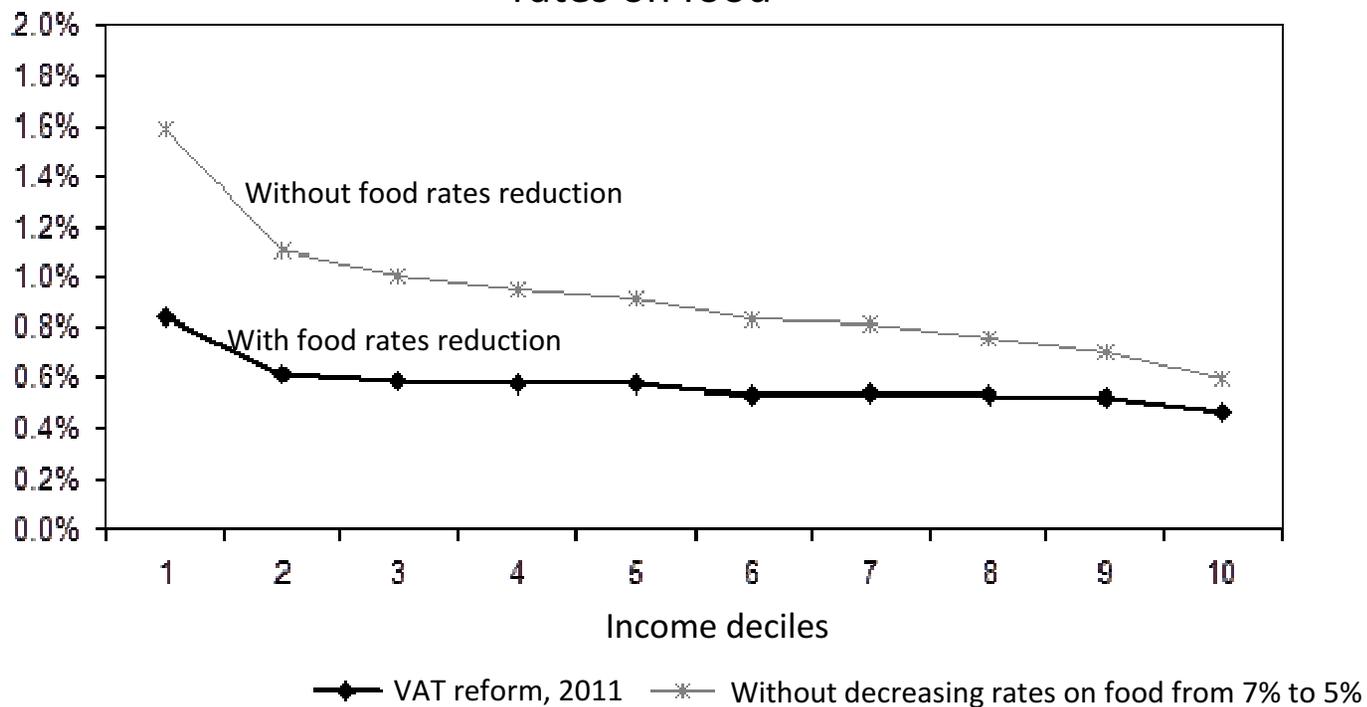
Eurostat database, own chart

In 2011 media coverage: junk contracts, especially in context of young university graduates searching for stable jobs

# Austerity Measures - Taxes

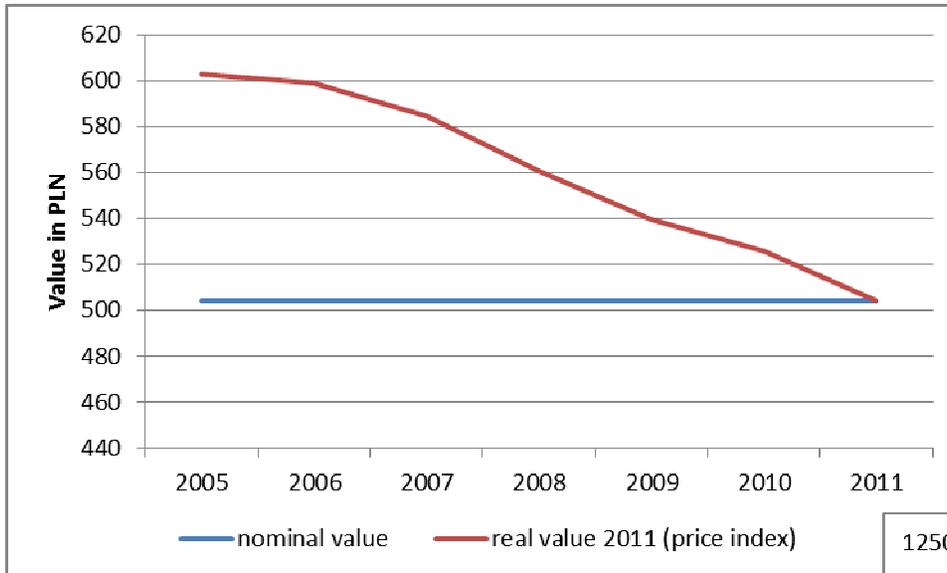
VAT reform – the increase in general rate from 22% to 23%, but decrease in rates on some basic food items from 7% to 5%

Impact of VAT reform with and without reduction rates on food

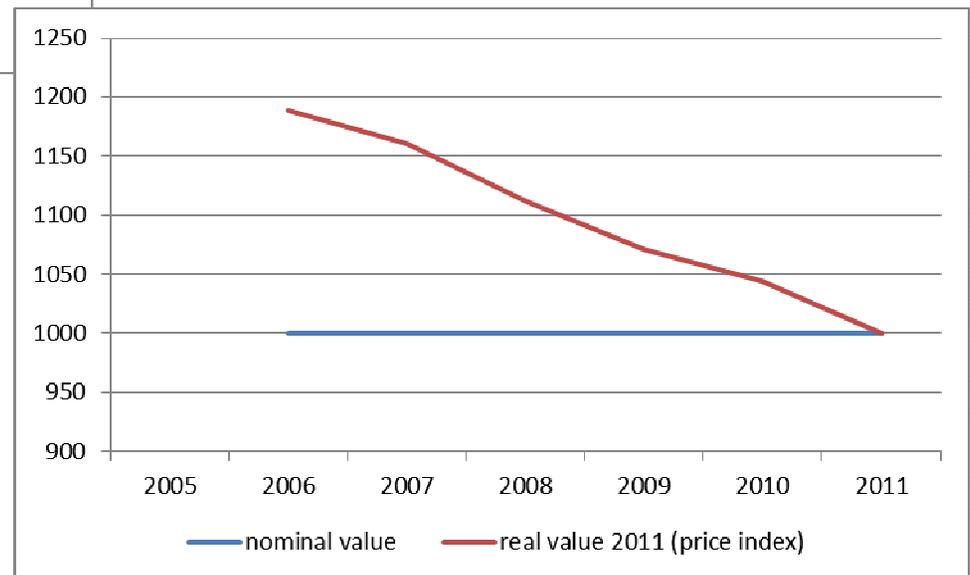


# Austerity Measures - Transfers

## Freezing of family benefit entitlement income threshold



## Non-indexation of child birth benefit

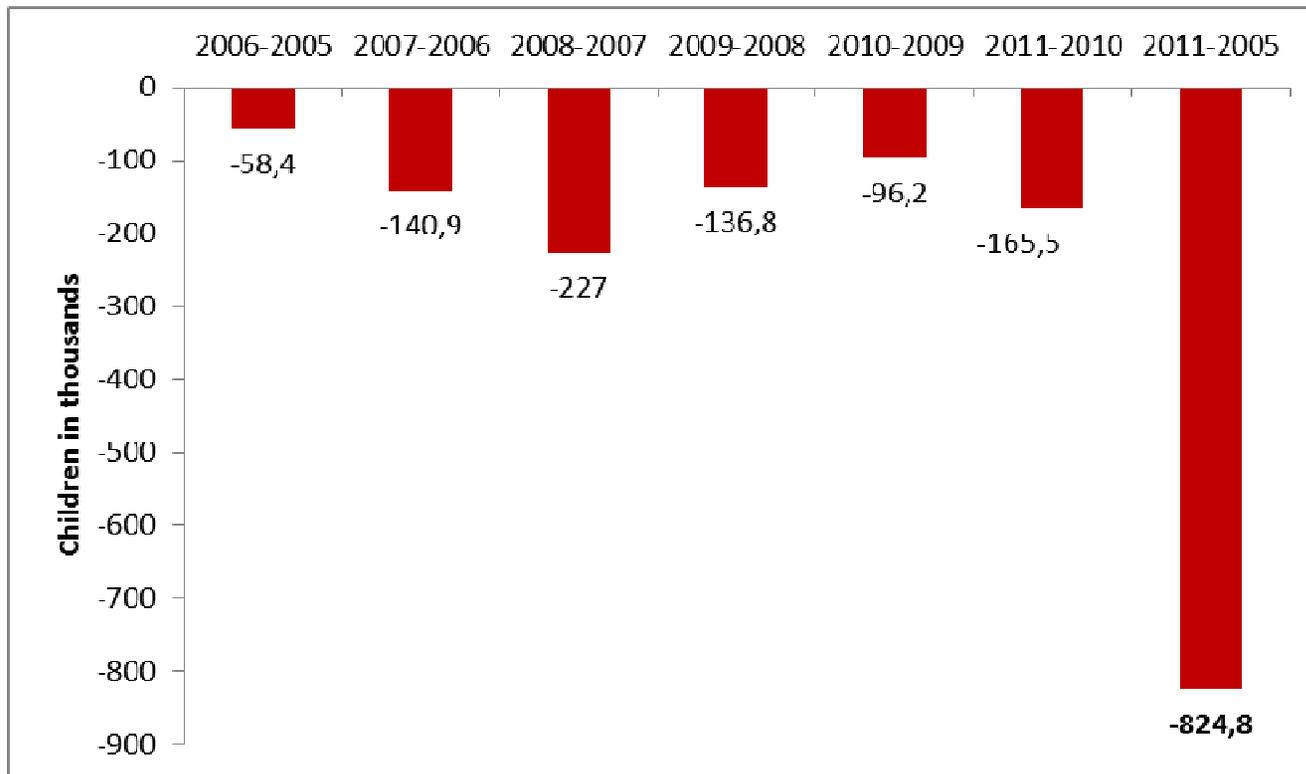


Freezing and non-indexation = decreasing of real value of thresholds and benefits = less recipients and lower benefits

Data from CenEA pre-election report, own chart

# Some Consequences of Family Benefit Income Threshold Freezing

Decreasing number of family benefit recipients due to freezing  
income entitlement threshold



Data from CenEA pre-election report, own chart

# Unequal Impact of the 2007-2011 Tax and Transfers Reforms

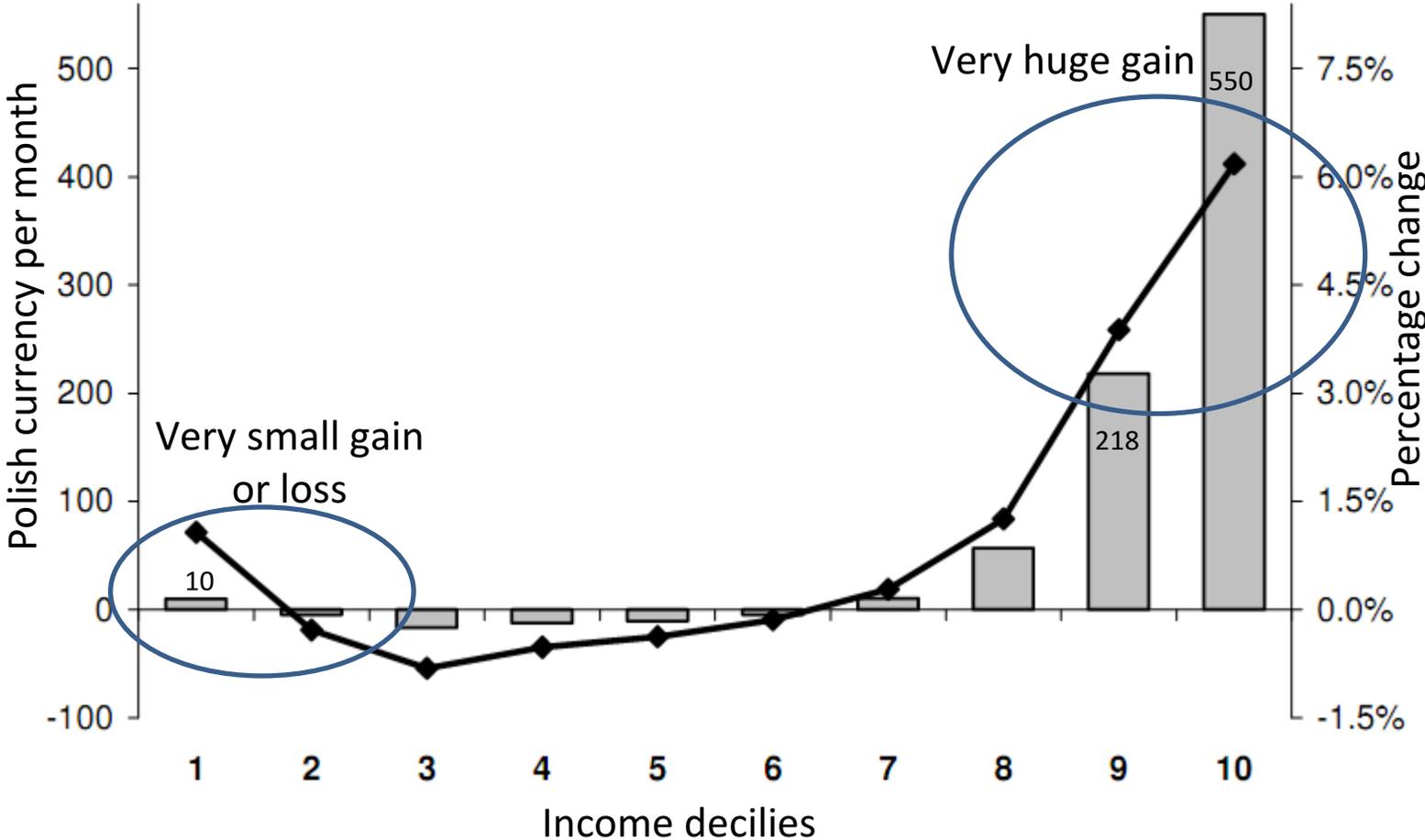


Chart from CenEA pre-election report

# Examples of Non-Austerity Measures

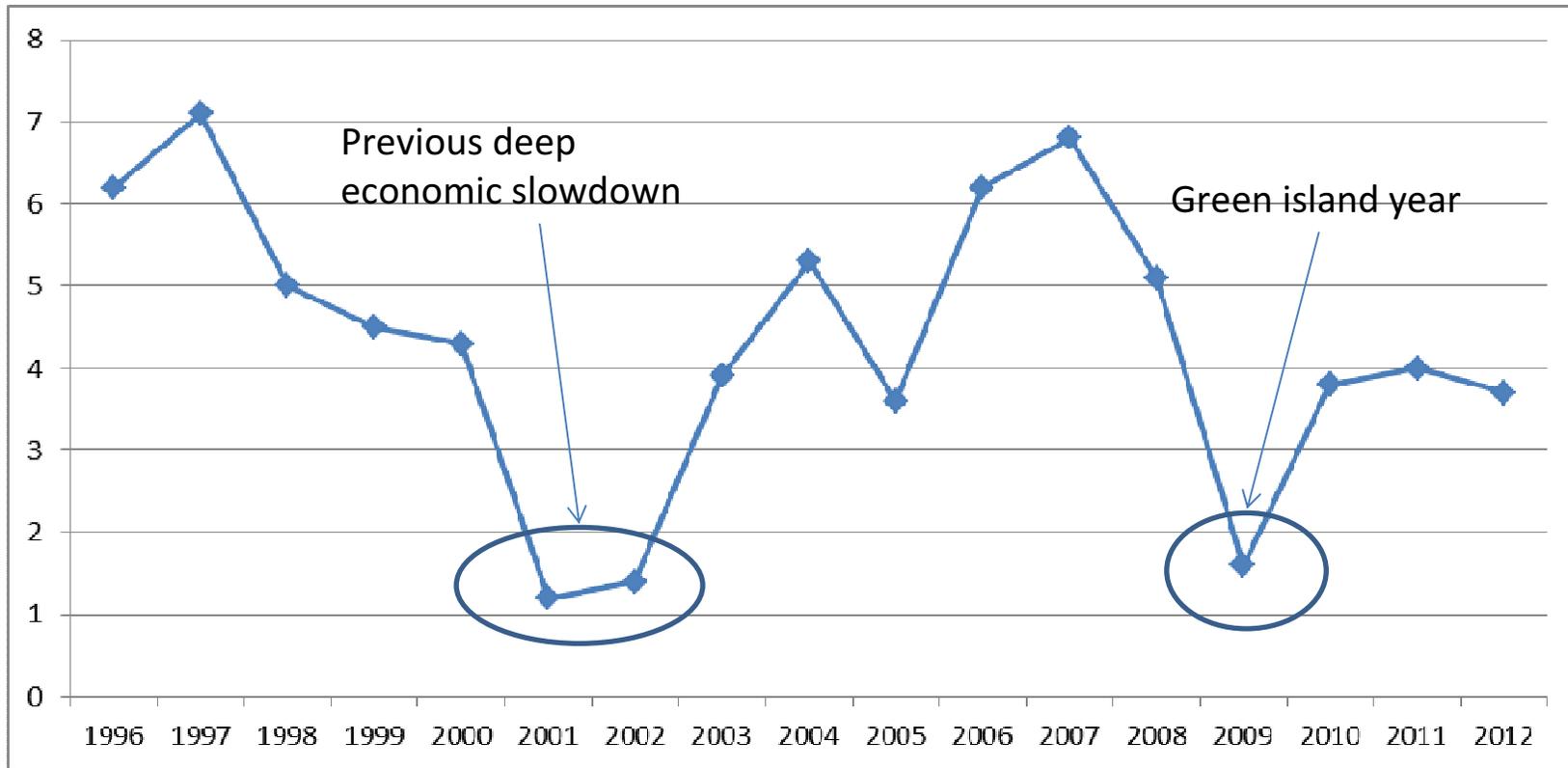
- In 2010 parliament passed the law **allowing to combine income from work and social assistance benefits** (only for those who signed social contract, and only for two months)
- From 2010 **carer's allowance for those resigning from work due to care responsibilities became universal** (previously it was income tested)
- In 2011 government decided **to increase the minimum wage** by over 8 percent (from 2012), it is 41% of current average wage in Poland
- In 2011 government decided **to increase limit of income from work which can be combined with disability social pension** (for the disabled from young age, before 18 with some exceptions)

# Voices from the Ground

- Bad news
  - Raising costs of living
  - More people in more intensive need
  - New class of people in searching for help – younger, able to work, over-indebted
  - Less public money for some NGOs
  - Fewer donors and less generous gifts
- Good news
  - More volunteers (NGO from big city)

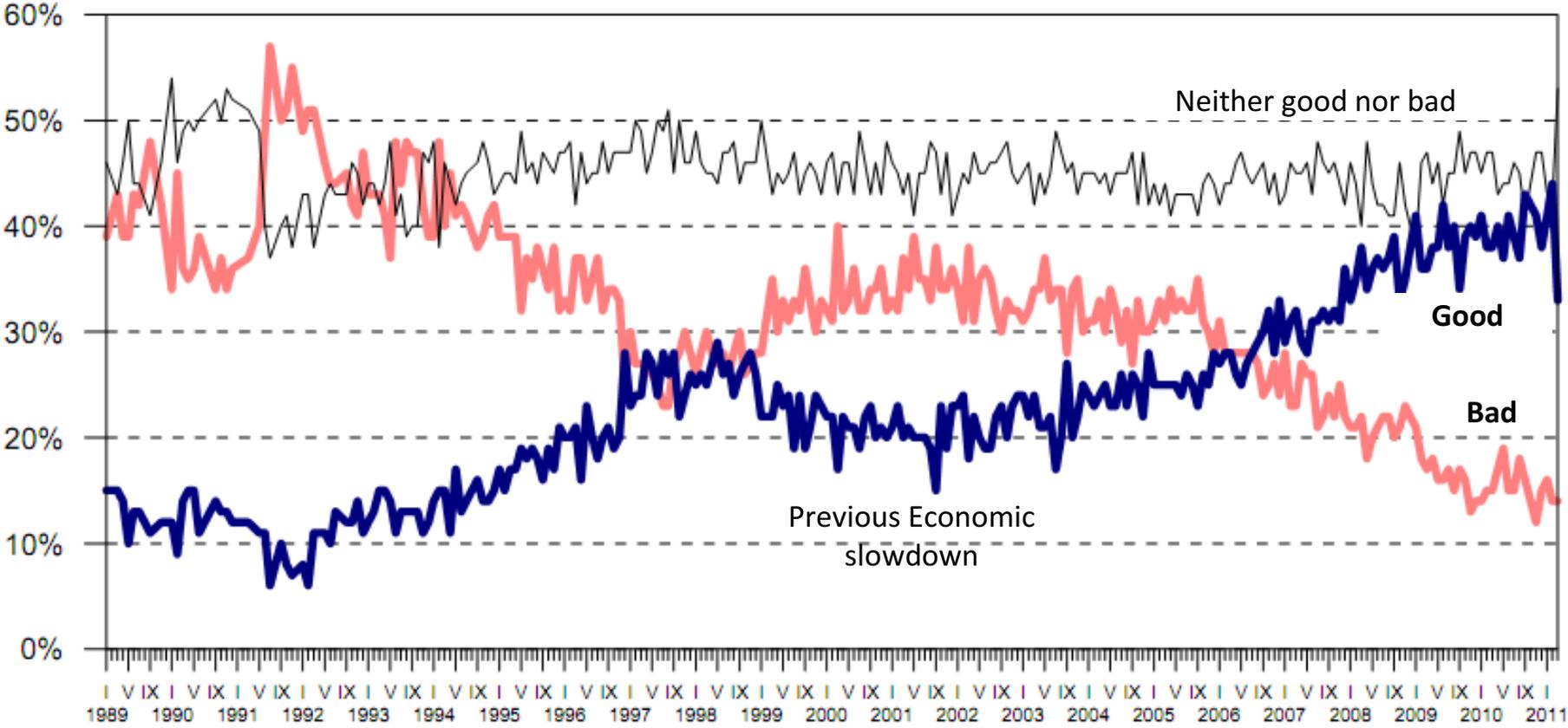
# Appendix

# Real GDP Growth rate in Poland 1996-2012



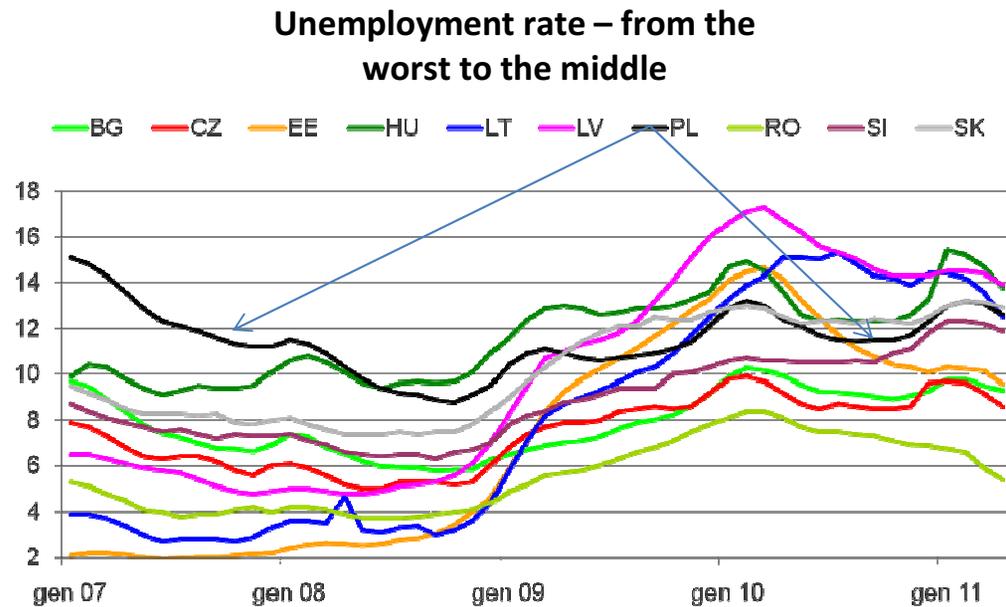
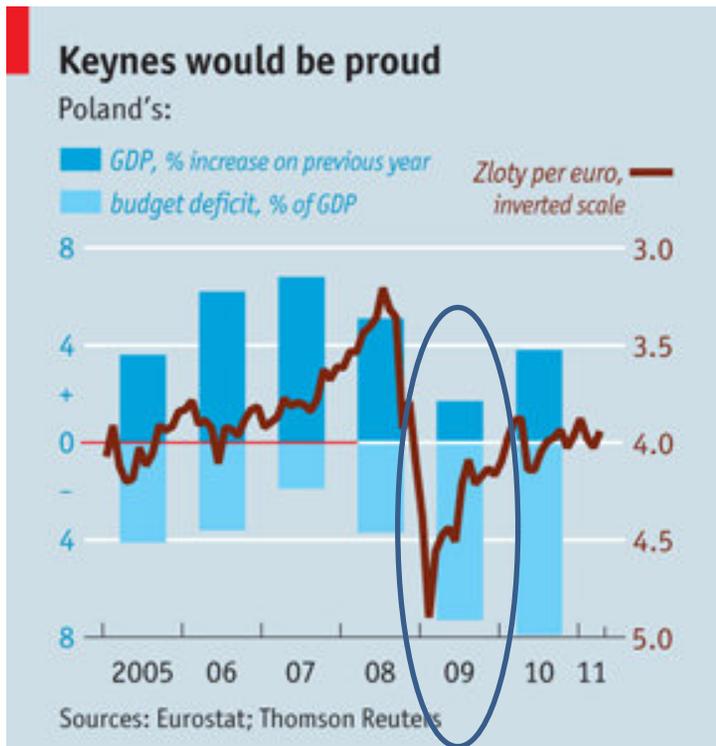
Growth rate of GDP volume - percentage change on previous year, Eurostat data

# Self-Assessment of Household's Material Well-Being 1989-2011



CBOS report, 2011

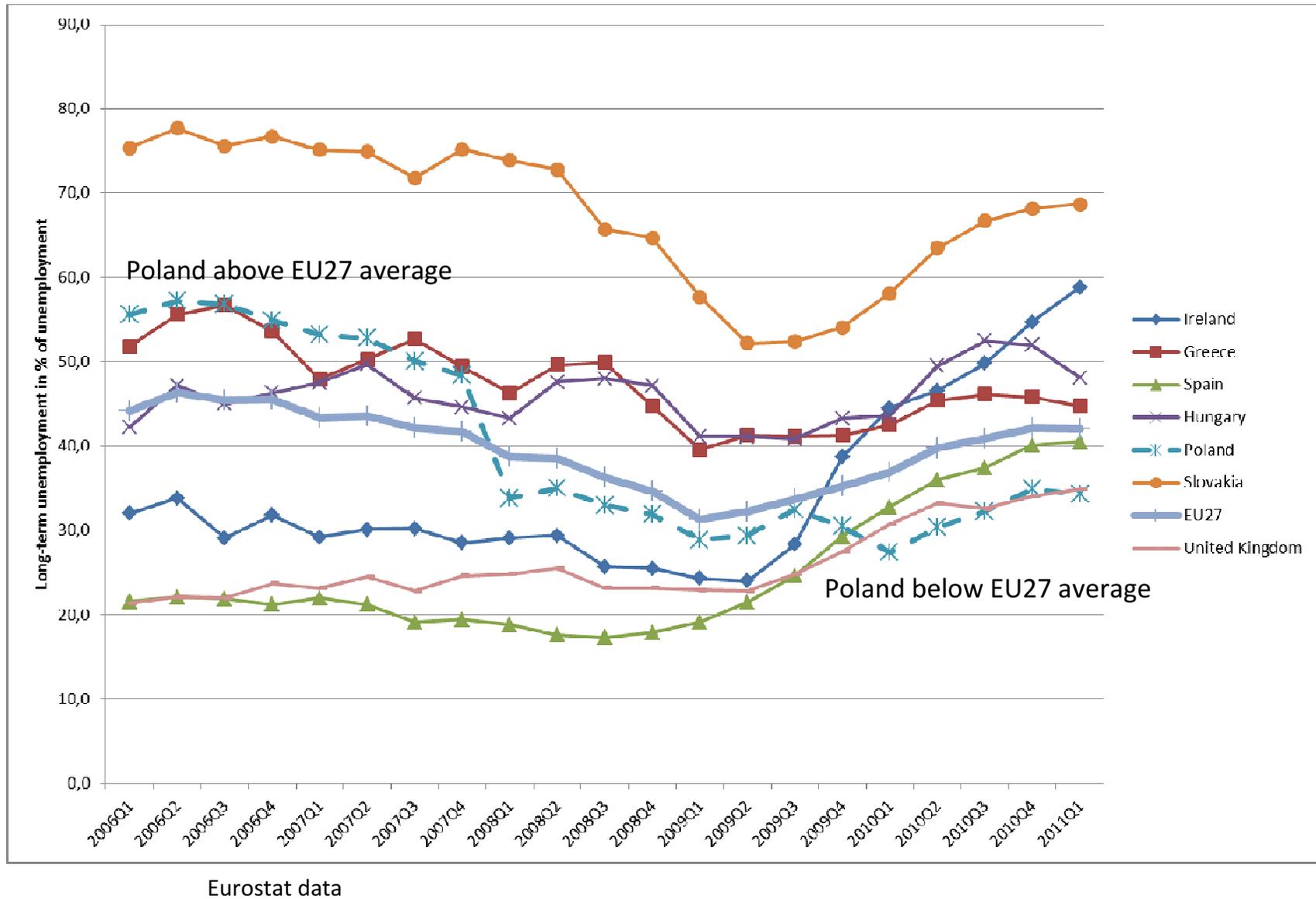
# Green Island



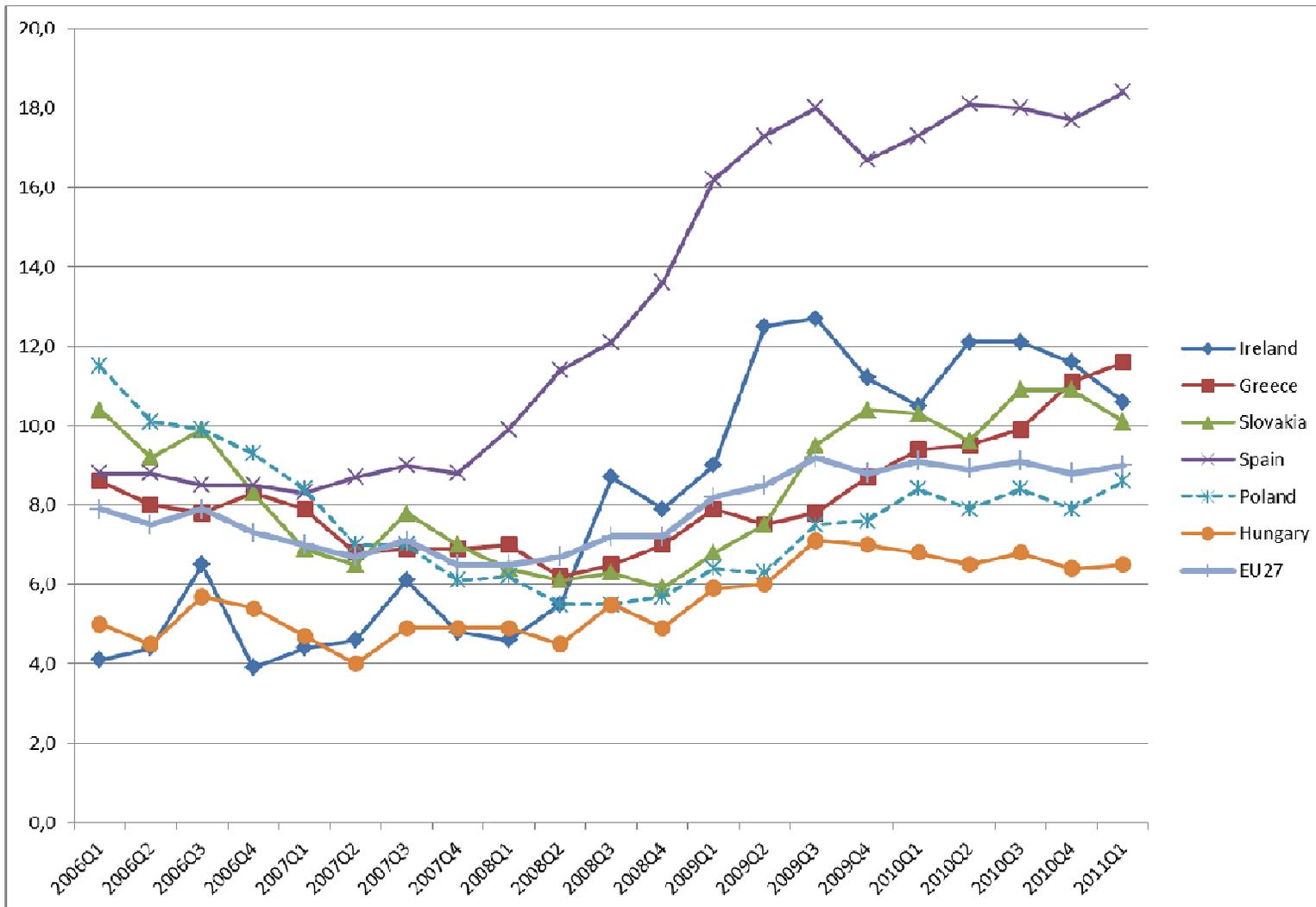
At 59.3% of adults employed, Poland has the 5<sup>th</sup> lowest employment rate in the OECD much lower than that of the OECD average of 66.1%. However, Poland is one of the few OECD countries to have a fall in unemployment rates (-1.4% points) over the 2007-2009 period of economic crisis.

OECD and other sources

# Long-Term Unemployment



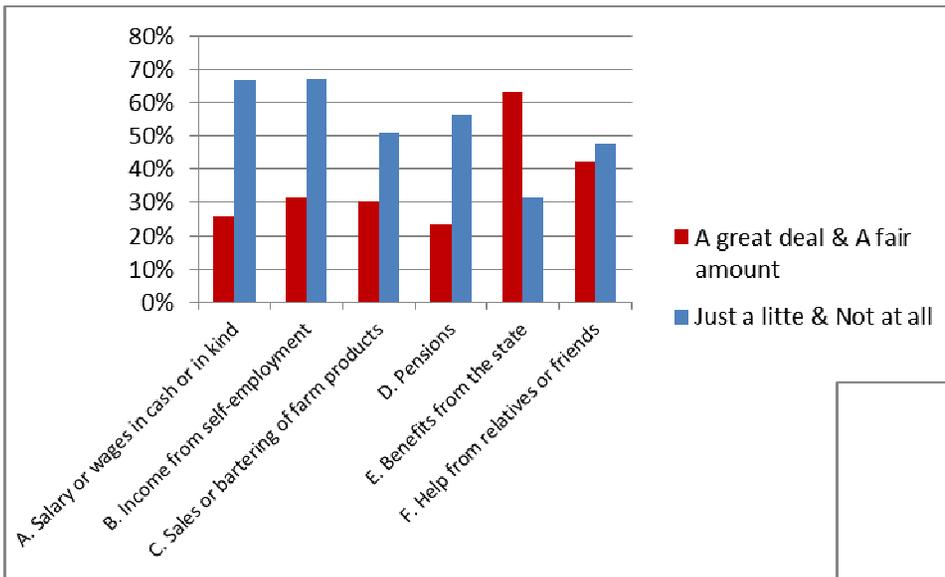
# Youth Unemployment Rate



Eurostat data, age group 15-25

# Subjective Impact of the Crisis and Most Important Source of Income

Panel A. Poland

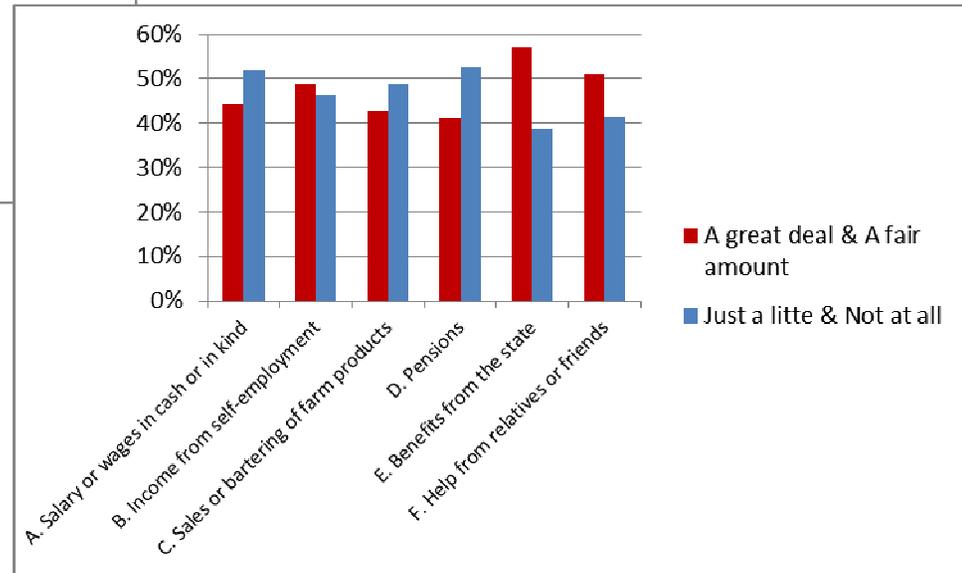


Warning: extremely small number of respondents in categories E and F

Own calculation and charts, LiTS II database, 2010

*As you know, an economic crisis is affecting the whole world and our country. How much, if at all, has this crisis affected your household in the past two years?*

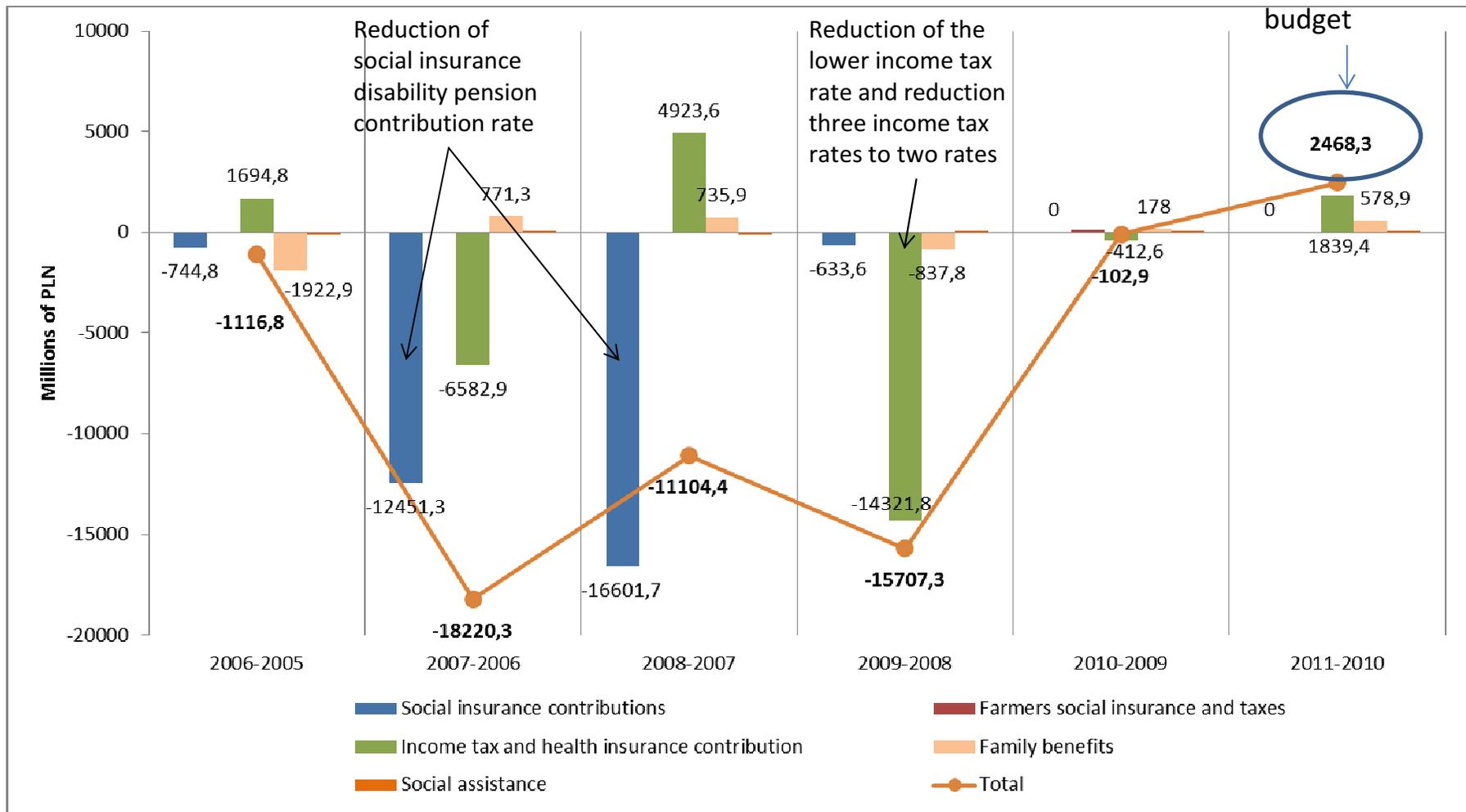
Panel B. Total (surveyed almost 39,000 households in 34 countries)



# Crisis Mitigation Act and Labour Market in 2010

- 6591 workers affected and 5792 thousands PLN in compensations
  - Economic stoppage: 4388 workers and 2741 thousands PLN
  - Reduction of working time: 2203 workers and 2243 thousands PLN
  - Compensation of social insurance contribution: 6591 and 808 thousands PLN

# Impact of Tax-Transfer Reforms on Public Finances



Data from CenEA pre-election report, own chart