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**COMPONENT ONE**

**Labour Market and**

**Vocational Education and Training**

**in Poland**

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**Labour and Social Policy**

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1. Summary

Poland’s social, fiscal and economic situation is good and the labour market is booming. Nevertheless, Poland has to safeguard growth prospects by addressing the challenges connected to rapidly shrinking working-age population and ageing, shortages of skilled workers and highly educated specialists and by boosting innovation. The mobility patterns show that despite regional discrepancies in the level of economic development internal mobility in search for better jobs is hindered by relatively low wages, lack of affordable housing and insufficient social services. Policies of regional and local development aimed at stopping the outflow of residents play a role too. Job vacancies have been to some extend filled by migrant workers mainly from Ukraine, but such temporary immigration from Eastern neighbour countries has reached its limits and new migration policy is needed. The labour reservoir are inactive population, in particular women, older and low-skilled people whose employment rate has been always below EU average as well as unemployed and employees in badly matched jobs. Supporting development of high quality human capital is a great challenge. Poles are relatively well educated compared to many of their EU counterparts. The majority of population have at least upper secondary education and among young people, almost half have higher education degrees. The dropout level is also below EU average. However, the participation of adults in lifelong learning is very low and many adults have their basic skills at the lowest level. Vocational education and training was neglected until recently. People with Vocational education & training qualifications compared to those with higher education were more likely to be unemployed or at risk of poverty and social exclusion and the transition from education to labour market has been longer for Vocational education & training graduates compared to Higher education graduates. Currently Vocational education & training system undergoes major reforms and the public and private investments in Vocational education & training are increasing. The new integrated qualification system has been established to stimulate participation in Life-long learning and facilitate mobility and skills supply. Higher education system and R&D sector are being reformed too. Pressure on human capital development and greater responsiveness to the needs of employers are also the basis for reforming public employment services.

1. Current economic and socio-demographic situation

## **Economy**

Currently the Polish economy is in the upward phase of the business cycle and GDP rose in 2017 by 4.6%[[1]](#footnote-1). Poland’s income gap narrowed vis-a-vis the “old” EU countries and its GDP per capita in PPP terms in 2017 stood at 70 % of the EU average. However the main driver of Polish economy is the consumption. Innovation activity and Research and Development investments remain weak. Poland’s share in global trade in high technology products is moderate[[2]](#footnote-2). Only a small percentage of companies operating in Poland conducts research and development or implements innovations. Also the labour productivity is 40% below OECD average (OECD 2018). Furthermore, more and more companies indicate labour shortages as a key factor limiting firms’ growth (Deloitte, 2017). To sustain raising living standards it’s essential to reach untapped labour reservoir, boost skills and strenghten higher education, research and innovation.

## **Demography**

In 2017, the population of Poland reached 38,434 thousand residents (GUS, 2018a). The fertility rates have been falling since 1990s and recent slight increase in number of births was only a temporary effect resulting from the improvement of the financial situation of families. The population forecast indicates that number of women aged 25-29 and 30-34 will decrease (GUS, 2017a) and the chances that the number of births will significantly increase significantly are weak. The aging process of the Polish population is therefore accelerating. The group of people aged 65 in 2017 constituted 17% of the general population and according to forecasts, in 2050, every third inhabitant of Poland will be 65 years old or more (GUS, 2018a).

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## **Mobility patterns**

The majority of Poles live in towns they were born. The data from the National Population and Housing Census shows that 57% of the total population did not leave theirs towns for a period of 12 months or longer (GUS, 2014b). Almost 39% of the total population of the country are migrants who have come or returned to the place of current residence - earlier they lived in a different place by at least a year. For almost 96% of the population arriving, the previous place of residence was a different place in the country, and only for 4% - abroad. Therefore internal migrations prevailed. People changed their place of residence mostly for family reasons (46%, followed by housing reasons (29%), work (9%) or education (5%). Women, young and better educated people are more likely to change their place of residence.

With regard to the rural-urban migration historically the major trend was the migration from rural to urban areas. The trend reversed in late 1990s and currently we observe higher outflow from urban areas than inflow. This is mainly caused by the outflow of residents from the city centers to the nearby villages (GUS, 2017d). Commuting to work concerns 32% of all workers and men are more likely to commute than women (GUS, 2014a).

At the end of 2016, there were around 2, 515 thousand Poles living temporarily outside Poland (GUS, 2017b). The vast majority - about 2, 096 thousand lived in EU Member States, mainly in Great Britain (788 thousand), Germany (687 thousand), the Netherlands (116 thousand) and Ireland (112 thousand). Most of the emigrants (73%) migrated in search for work and at least some of them constitute the potential labour reservoir as they may decide to return to Poland.

## **Labour market situation**

The situation on the labour market is good with the unemployment rate at record low level. However, the employment rate does not grow as expected and remains low in particular among women, older and low-skilled persons.

Job vacancies have reached high level. They are mainly concentrated in the private sector and in medium and large enterprises (GUS, 2018e). Large number of vacancies are filled by temporary migrant workers mainly Ukrainians and citizens of other Eastern neighbour countries. However this reservoir of labour force is drying up and Poland faces the urgent need to reformulate its migration policy. Foreign immigration keeps the wages down despite low unemployment but the wage pressure is strengthening.

The employment rate in first quarter of 2018 was 54% (48.2% for women and 64.5% for men) (GUS, 2018c). The level of economic activity rate among people with the lowest level
education in the same period was 16.2%, among those with basic vocational education - 56.3% while in the group of people with higher education - 80.5%. The employment rate of people above 55 years of age was 47.6%.

The number of unemployed registered in labour offices at the end of June 2018 amounted to 967 thousand and is decreasing (GUS, 2018a). The registered unemployment rate 5.9%. The highest unemployment rate was registered in Warmińsko-Mazurskie region (10.0%) and the lowest in Wielkopolskie region (3.3%). The share of women among unemployed amounted to 56.2%. The share of people with basic vocational education or less was 53.5%. The majority of registered unemployed are long-term unemployed (over 12 months) and their activation requires overcoming additional barriers related to their health status, personal situation or lack of motivation.

The unemployment rate based on LFS among people with higher education in the first quarter of 2018 was 2.2%. The highest unemployment rate (11.1%) was recorded among people with the lowest level of education (at most gymnasium) (GUS, 2018c).

In the first quarter of 2018, the total number of passive persons over 15 was 13,405 thousand people (GUS, 2018c). The great part of the entire passive population consists of people over 60/65, of whom over 90% are people whose main cause of inactivity is retirement. In the youngest age category, almost all of inactive people were in the formal education system. In the group of economically inactive people aged 20-64, i.e. the most common reason for not seeking work is retirement and illness or disability. The recent lowering of the retirement age increased the number of retirees despite some efforts taken to encourage older workers to remain longer in employment to avoid the risk of old-age poverty. Another reason for inactivity are also care for children or other dependents, other personal or family reasons and education. Despite improvements in last decade access to childcare remains insufficient, especially in rural areas, and institutional long-term care for the elderly falls significantly short of needs. Both, care for children and elderly and gender difference in life expectancy explain women’s predominance among inactive population. Furthermore, the large family benefits introduced in 2016 to increase the fertility rate and bring down the poverty rate among families with large number of children apparently discourage less skilled women to enter the labour market after childbirth or induce them to withdraw from the labour market. Poverty and income inequality have fallen, also due to the large family benefits introduced in 2016). According to the Eurostat data the risk of poverty or social exclusion dropped from 28% in 2009 to 20% in 2017.

The levels of unemployment, availability of job offers or average remuneration strongly differ depending on the region and also within the region. Structural mismatches are partially a result of relatively low mobility. The scale of internal migration from areas with low demand for labour to the areas with higher demand is insufficient. This leads to the persistence of high unemployment in some regions despite labour shortages in other dynamically developing areas. Main reasons for low internal mobility are lack of affordable housing and relatively low wages. Other factors are insufficient access to childcare and elderly care that forces people to rely on their relatives’ support. Furthermore, policies aimed at supporting internal migration from less to more economically dynamic regions and metropolitan areas are challenged by regional development policies and programmes. Many smaller and medium-size towns and cities faced with the threat of severe depopulation undertakes efforts to stop the outflow of inhabitants and attract its former residents to return.

1. Vocational education & training system and participation in lifelong learning

## **Educational system**

The education system in Poland is centrally managed by two institutions – the Ministry of National Education (general and vocational education) and the Ministry of Science and Higher Education (higher education). The national educational policy is developed and carried out centrally, while the administration of education and the running of schools are decentralized.

Education is compulsory until the age of 18 and full-time compulsory education at school concerns children and young people aged 6–16 years, whereas part-time compulsory education (to be provided either at school or at the employers’ premises) concerns young people aged 16–18 years.

Currently Poland undergoes educational reform. Previous educational system included 6-year primary education and 3-year lower-secondary education (gymnasium). Upper-secondary education lasted 3-4 years depending on the programme. In 2017 the gymnasium stopped enrolling new students and primary education was extended by 2 years, followed by 3-,4-or 5- years secondary education depending on the programme. Higher education institutions offer first-, second- and third-cycle programmes. There is also a tertiary non higher education institutions offering vocational education to secondary school graduates (Graph 1). Adult education is provided by public and non-public schools for adults, public and non-public HEIs, continuing education centres, practical training centres and further and in-service training centres.

Graph 1. The structure of Polish education system

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*Source:* European Commission/EACEA/Eurydice, 2017. *The Structure of the European Education Systems 2017/18: Schematic Diagrams*. Eurydice Facts and Figures. Luxembourg: Publications Office of the European Union.

## **Educational attainment level of Poles**

The educational attainment level of Poles is constantly increasing, in particular the share of people with higher education is growing. According to the Eurostat Poland has one of the highest percentages in the EU of people with at least (upper) secondary education (corresponding to EQF level 3 or 4) – 92.1% of population aged 25-64 as well as with higher education among younger cohorts – 45.7% of population aged 30-34 in 2017. Women are better educated than men (more than 30% of women have higher education compared to 20% of men).

However, the study by the Programme for the International Assessment of Adult Competencies (PIAAC) shows that the problem is the quality of its education and some 15 % of adults has serious problems with both using texts and calculations to cope with life, and 13% have problems in either reading or mathematical thinking. Only 38% of adults have at least some basic digital skills (computer and internet) (IBE, 2013). Furthermore, deficits in basic skills are perceived as embarrassing and people with low qualifications and skills are least likely to benefit from any educational offers. This has also to do with very traditional understanding of education in Poland (classrooms, teachers) and fear of low skilled adults to re-enter the educational environment associated with frustration or failure.

## **Participation in education and lifelong learning**

Thanks to the effective implementation of compulsory education and the obligation and well-organized program for the reintegration of young people who left school, an indicator of early school leaving in Poland is very low. According to the Eurostat in 2017, the percentage of people aged 18-24 years prematurely leaving education and training was 5.0, well below EU average but slightly above target Europe 2020 national target set at 4.5%.

Participation in pre-school education has constantly risen since 2001 and reached almost 95% of children aged 4 or more. The availability and affordability of childcare services in Poland have improved significantly with exception of childcare provision for youngest children below 3 years of age.

Among lower secondary school (gymnasium) graduates, the most popular educational track has been general upper secondary leading directly to higher education. The share of students attending technical schools was 38.8% in the school year 2016/2017, while only 14% of students chose basic vocational schools (GUS, 2018d). For many years Vocational education & training schools were neglected and Vocational education & training graduates and in general people with Vocational education & training qualifications compared to those with higher education were more likely to be unemployed or at risk of poverty and social exclusion and their transition from education to labour market has been longer.

The share of young people in the age group that is no longer in compulsory education, not in employment nor in education and training (NEET) is moderate in Poland – 9.5% of people aged 15-24 (Eurostat). The NEET rate is higher for young people with vocational education than for those with general education. This is because a large share of persons with general upper secondary education continue their education at higher levels, while most young people with a vocational education enter the labour market. Women are especially at risk of NEET, probably due to responsibilities related to motherhood.

High educational activity of young people contrasts with very low adult participation in learning. According to the Eurostat in 2017 only 4% of adults participated in Life-long learning, compared to the EU average of 10.9%. However different studies give slightly different results. If the notion of education covers all kinds of educational activities (including self-education), and the reference period is extended the share of adults participated in Life-long learning grows. It shows that data on non-formal and informal education is very sensitive to the methodology used.

Employed are more likely to engage in Life-long learning activities than inactive or unemployed. According to the Continuing Vocational Training Survey CVTS 2015 data, 44.7% Polish companies, compared to EU-28 average of 72.6%, provided vocational training to their employees and 37.1% of employees participated in this training, compared to EU-28 average of 40.8% (Eurostat). Despite relatively low incidence of participation in CVT compared with other EU countries, in last decade we observed a significant increase of the share of companies providing training to their employees.

In 2017 only 4% of unemployed participated in training organised by PES (Ministry of Family, Labour and Social policy MRPIPS, 2018). The low incidence of engaging of unemployed in learning has to do with the socio-demographic features of unemployed (most of them are long-term unemployed whose links with the labour market are very weak) and expected low effectiveness of training as a means of labour market activation (the less motivated, less skilled unemployed the less effective training).

Adult education and CVT remain the greatest challenge. It becomes also evident that he promotion of learning at work should play a key role as it is the most common learning environment for adults. This applies in particular to older employees and those working in small and micro companies. Furthermore, effective adult learning policy requires policy orientation to non-formal education, creation of an attractive and adequate educational offer for people with low basic skills and dissemination of a new adult learning model based on three foundations: (1) an individual assessment of skills taking as a basis the demand for skills; (2) provision of flexible educational services in an adult environment, in particular at work or in close connection with work, based on short and modular cycles; (3) recognition of professional experience in the system as well as the effects of training.

1. Human capital development - major reforms

## **General education and Vocational education & training reforms**

The reform program in the education sector, initiated in recent years, aimed to adapt the structure education and curricula to the demand for skills in the labour market and challenges of modern life. In order to adjust the effects of education to the current social expectations and requirements of the labour market, emphasis was put on:

* Increasing responsiveness of Vocational education & training to the local labour market and economic needs
* Preparing young people to better navigate their careers, instilling social values ​​such as cooperation, developing interpersonal skills and competences such as creativity, innovation and entrepreneurship, critical thinking, and basic competencies such as efficient communication in Polish and in modern foreign languages (literacy), numerical skills and mathematical thinking and digital skills.

The reform of vocational education and training included changes in the structure of vocational pathways, curricula, the financing system and the increased involvement of employers. The sectoral education is now divided into two programmes. The first stage sectoral schools offer three-year programmes ending with the attainment of a vocational qualification certificate for a single qualification occupation. Graduates of this school can enter the labour market or continue their education in the second stage sectoral schools, which offer two-year programmes for further development of vocational qualifications gained in the first stage. Graduates of second stage sectoral schools can also take the secondary school examination (*matura*) and access higher education. There is also an option to enter comprehensive 5-year vocational programmes (*technicum*) ending with the attainment of both vocational qualification and secondary school examination (*matura*).

Starting in 2019, the allocation of funds for initial vocational education will be based i.a. on the demand for specific occupations in the region, the effectiveness of the education process and the level of training costs in specific occupations. The reform also introduces the obligation to cooperate with employers when launching new programmes and allows schools to open short-cycle trainings for adults ('vocational skills courses'). To further support the implementation of the Vocational education & training reform, the Ministry of Education established in January 2018 an advisory body - the Council of Vocational Schools Directors.

## **Higher education reform**

A comprehensive reform of the higher education system was adopted by Poland in summer 2018. The law commonly called the ‘Constitution for Science’ contains provisions on the general modernisation of the sector: universities (public and non-public) will be divided into academic and professional schools. A new body for university governance – the university board - will be created, with new competences including the choice of the rector. Universities will be required to establish doctoral colleges and scholarships will be guaranteed for all PhD students. Short-cycle studies will be introduced and there will be a new Council of Scientific Excellence. The higher education and science-financing model will also change, with an evaluation of the quality of scientific activities conducted every four years by the Science Evaluation Committee at institutional and not at programme level. New paths to academic teaching will also be introduced.

There is also more emphasis put on practically oriented university studies. In order to strengthen the cooperation of higher education institutions (HEIs) with the economic sector regarding study programmes, the act provides for two paths of study emphasising practical knowledge: mandatory six-month practical placements and dual-degree training. Vocational higher educational institutions will focus on providing both the local and the regional labour markets with the most sought-after specialists.

## **Integrated qualification system**

The Polish Qualifications Framework currently is one of the main tools to support lifelong learning. The Act on the Integrated Qualifications System that establishes the Polish Qualifications Framework and the integrated qualifications registry came into force in January 2016. Integrated qualifications system is open to all types of qualifications (school and outside-of-school, sectoral, state regulated and non-regulated qualifications so called „market qualifications). Apart from greater integration of already existing formal qualifications system, it aims at developing new qualifications and building the system of validation of prior learning. It was designed to provide a new impetus for development of non-formal education and facilitate job mobility as well as career and educational progression.

In addition, 15 sectoral councils for competences are planned to be established. The main aims of the sectoral councils are: (a) to collect information from various labour market stakeholders and recommend systemic solutions and changes in the area of education; (b) to stimulate cooperation between education providers and employers.

## **Employment policies**

Coping with labour shortages, reducing skills mismatches and developing relevant skills are currently major preoccupation for public employment policy in Poland.

In 2014 year several new instruments have been introduced to support human capital development and increase public investment in skills. Greater emphasis was put on unemployed-initiated training (including training vouchers), faster transition from school-to-work, greater involvement of employers in designing training programmes (through tripartite training agreements) and internal mobility (relocation grants).

New financial instrument boosting CVT had been also established in a form of the National Training Fund (NTF). National Training Fund being a separate part of the Labour Fund (created from employers’ taxation) is intended for co-financing of lifelong learning of employees and employers. Thanks to NTF, several thousand employers, most of them being micro enterprises and over 100 thousand people can take part in lifelong learning. In 2018, the Labor Fund resources allocated for the financing of tasks carried out under the NTF are set at PLN 105.6 million. The priorities of spending NTF funds in 2018 also correspond to the challenges of the labor market. The funds are intended, among others to support for lifelong learning in deficit vocations identified at a given commune or regional level, support for training combined with the use of new technologies and work organisation tools in companies, support for lifelong learning for people over 45 years of age.

In the near future some steps are planned towards even greater responsiveness of PES to the needs of employers becoming one of the major PES clients and increasing the availability and optimization of forms of assistance provided by labor offices to unemployed and job seekers. It includes:

− increasing the participation of the so-called "Poor working people" in lifelong learning by financing from the Labor Fund the costs of their training and certification;
- modifying forms of assistance for the long-term unemployed by, among others: granting long-term unemployed and unemployed without vocational qualifications priority in access to trainings;

− strengthening the role of social partners at the regional / provincial level in deciding on the allocation of NTF funds;

− granting access to the NTF for all entities paying contributions to the Labor Fund (not only employers) and people performing work on the basis of civil law contracts;
− preferential access to the NTF funds for employers investing in lifelong learning of persons ages 50+;

− financial support for returnees from migration abroad planning to start their own businesses.

Other initiatives are aimed at improving labour market information, better diagnosing the skills needs at the local labour market and short- and long-term skills forecasting.

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