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THE LABOUR MARKET INSTITUTIONS IN POLAND - STRUCTURE AND ANALYSIS ACCORDING TO THE ACTS¹

Abstract

The labour market is of great importance as it has two basic economic functions. On one hand, it offers income to the suppliers of labour services and, on the other hand, it constitutes a source of work force for the demanders of labour services. Wages obtained from the sale of labour constitute a source of livelihood for the majority of people. Other income, for example pensions for land owners or interests rates for capital owners, seem to be of secondary importance. The government and its institutions can influence the functioning of the labour market with respect to supply and demand. If the government raises income taxes, it limits employees' income. This results in limiting consumption and the alternative cost of leisure time, which, in turn, leads to limiting labour supply by households. There is analysis Polish labour institutions structure and its influence on functioning of the labour market. Other economic factors are only marked. The article bases on actual Polish employment legislation (main act and the revisions).

Key words: labour, employment, labour market

Introduction

The Act regulating the promotion of employment and labour market institutions was passed by the Polish parliament in April 2004 and come into effect on 1 May 2004. The legislation is concentrate on the state's duties with respect to employment protection and activating unemployed people. This Act put into force in stages. The Act as a whole law was done on 1 June, with isolated provisions coming into force on 1 September 2004 and on 1 January 2005, and several updates in 2006.

Labour market institutions are defined in article as a public and nonpublic entities implementing tasks related to the labour market, their priority being establishing contacts between employees and employers, or performing vocational development activities on the labour market. This definition is by the act on promotion of employment and labour market institutions (Dz.U.04.99.1001 z późn. zm.).

The Act includes a catalogue of labour market institutions as follows:

- Public employment services – consist of employment authorities (the Minister of Labour, a Voivode, the Marshal of a voivodship, or a Staroste), poviats and voivodship labour offices, an office servicing the minister competent for labour issues as well as voivodship offices which implement the provisions of the Act; they can delegate some of the tasks defined by the Act to the units of self-governments, non-governmental institutions, training institutions, trade union organizations, employers' organizations, and employment agencies.

¹ This article is made by statute works nr S/WZ/03/06

- Voluntary Work Corps is a national entity specialized in operations for the benefit of youth and in particular for the youth in danger of social exclusion, and for the unemployed under 25 years of age,
- employment agencies are non-public organizational units providing services in the domain of work exchange with Polish and foreign employers, vocational counselling, personal counselling, and temporary work,
- training institutions are public and non-public entities providing non-school education pursuant to separate provisions,
- institutions for social dialog are organizations and institutions dealing with labour market problems: trade union organizations, organizations of employers, the unemployed, and non-governmental ones cooperating with public employment services and Voluntary Work Corps in implementation of the tasks defined by the Act,
- local partnership institutions are institutions that realize initiatives of labour market partners, established to realize the tasks under the Act and supported by the local self-government authorities.

Labour market institutions in Poland- law and economics issues

Public employment services are defined as a system of poviats and voivodship labour offices established by self-governmental authorities of the adequate level in order to function within the framework of self-governments as well as the structures of the minister competent for labour issues, and to implement tasks directly relating to the labour market. The Act defines the scope of competence of individual public employment services. It should be mentioned that administration is doubled in this domain in Poland – the organs of public authority as well as those of self-government function in a gmina, poviat, and voivodship.

The voivodship self-government (the marshal) is responsible, among other things, for the following issues in the area of labour market policy (article 8 of the Act): defining and coordinating regional labour market policy and development of human resources in consideration of the national labour market policy through preparation and implementation of a regional pro-employment action plan, allocating the Labour Fund means at its disposal, in consideration of the directions and priorities defined in the regional pro-employment action plan, to employment and activities aimed at employment promotion, development of human resources, and unemployment prevention.

Tasks of voivodship self-government are realized by the voivodship labour office which is an organizational unit of this voivodship self-government. Voivodship self-government, however, realizes the tasks related to the participation in the EURES network through EURES line managers, EURES counsellors, and EURES assistants operating within the voivodship labour office. The information and career centre functions within the framework of the voivodship labour office as a specialized unit that:

- supports poviat labour offices in vocational counseling by providing specialized services in career planning to the unemployed and those seeking employment,
- prepares, updates, and promotes vocational information in the voivodship,
- conducts activating classes for the unemployed and those seeking employment,
- cooperates in providing EURES services.

The poviat self-government has a separate scope of competence. Its tasks include, among other things, (article 9 of the Act) the following:

- preparing and implementing programmes of employment promotion and local labour market activation, which constitutes a component of the poviat strategy for solving social problems, referred to in separate regulations,
- acquiring and managing financial means for the implementation of the tasks related to

the activation of the local labour market.

The tasks of poviats self-government are realized by the poviats labour offices which are a component of integrated poviats administration (poviats self-government realizes tasks related to the participation in the EURES network through EURES assistants operating within poviats labour offices).

As far as national administration is concerned, the Voivode's tasks related to labour market policy comprise supervision over poviats and voivodship self-governments that realize the following tasks through poviats and voivodship labour offices, respectively:

- implementation and application of standards for labour market services,
- ensuring that the employees of labour offices meet the relevant qualification requirements,
- control over the realization of tasks resulting from the provisions of the Act and carried out by territorial self-government units.

The Voivode tasks include the following:

- 1) controlling activities within the scope defined in article 116, it means:
 - the legality of employment,
 - other paid occupation,
 - business activity, and employment of foreigners,
 - the obligation to inform poviats labour offices about employing an unemployed person or about providing such person with other paid occupation,
 - the obligation to inform poviats labour offices by the unemployed about taking up employment or other paid occupation,
 - obligation of payment Labour Fund contributions,
 - the obligation to register with employment agency register in the case of conducting a business activity which requires such registration,
 - running an employment agency pursuant to the provisions of the Act;
- 2) defining, upon consultation with the marshal of the voivodship, the criteria for issuing pledges and work permits to foreigners; the criteria cannot include requirements that discriminate candidates against sex, age, disability, race, nationality, sexual preferences, political views or religious denomination, nor against trade union membership;
- 3) organizing and financing of the training courses for the employees of poviats and voivodship labour offices;
- 4) issuing licenses to job exchange specialists and vocational counselors;
- 5) issuing pledges and work permits for foreigners;
- 6) realization of the task of a higher-level organ in administrative procedures related to unemployment benefit.

Unless the Act states otherwise, in administrative procedures related to the realization of tasks resulting from the Act, the cognizance lies with the Staroste and the Voivode is a higher-level organ.

Pursuant to article 11 of the Act, Voluntary Work Corps is a state budget entity supervised by the minister responsible for labour issues. It realizes state tasks in the domain of employment and the prevention of marginalization and social exclusion of the youth, as well as the tasks of providing the youth with education, among other things, through enabling young persons acquiring vocational qualifications and complementing their education. It should be noticed that Voluntary Work Corps can refund the costs borne by the employer for the salaries and social security insurance of young employees, employed on the basis of work contract to obtain vocational training up to the amount of the lowest rate, defined in separate provisions, binding in the period for which the refund is made on the basis of a contract

concluded with the employer or an organization associating employers.

The Act specifies the regulations of providing services in the following domains (chapter 6 of the Act):

- work exchange in the territory of the Republic of Poland and work exchange with foreign employers who employ Polish citizens (the entities providing such services are referred to as work exchange agencies),
- personal counselling (the entities providing such services are referred to as personal counselling agencies),
- vocational counselling (the entities providing such services are referred to as vocational counseling agencies),
- temporary employment (the entities providing such services are referred to as temporary employment agencies).

It means that entities willing to provide the above services are obliged to register with work exchange agencies register run by the minister responsible for labour issues, which is confirmed by issuing the relevant certificate.

An employment agency should treat all the people equally. It cannot discriminate people for whom it is seeking employment, or other paid occupation. The scope of discrimination is analogous to that specified in the case of discrimination by the employer. What is important, is that an employment agency cannot charge people whom it is helping seek employment (Niedźwiedzka, 2004). An agency can demand a refund of costs incurred to send a person to work abroad.

Article 20 of the Act includes regulations regarding training institutions. Yet, these regulations refer only to institutions offering trainings for the unemployed or those seeking employment. The entities willing to obtain a commission, financed from the public means, to conduct training courses, should register with the register of training institutions maintained by the voivodship labour office where a given training institution is seated. In order to be entered into the register, a training institution should be accredited by the education welfare officer. An application along with the following information should be submitted: the subject matter of conducted training, the staff providing training, the premises, equipment, and teaching aids at its disposal, the methods of assessing training quality, the number of the unemployed and those seeking employment trained last year, help granted in acquiring employment, or other paid occupation, provided on completing the training.

It should be mentioned that the entry in question is free of charge, and the voivodship labour office confirms the entry into the register of training institutions, issue the relevant certificate, and informs the minister responsible for labour issues on the entry into the register.

The problem of unemployment is a complex issue which cannot be solved without dialog and cooperation with social partners. Thus, employment boards were established with the Main Employment Board advising the minister responsible for labour issues². Employment boards are advisory and consulting bodies for the minister, marshal, or staroste respectively.

Employment boards consist of:

- the representatives of trade union and employers' organizations,
- self-government institutions,
- non-governmental organizations (if their statutory tasks include labour market issues),
- scholars.

It should be emphasized that the employer is obliged to let an employee go on leave to participate in the employment board meetings. The employee has the right to receive

² it inspires the activities that aim at full and productive employment and the development of human resources

remuneration for such absence according to the principles of remuneration for a paid leave. On request of members of employment boards who reside outside the town of the board session, the costs of travel by public transport are reimbursed from the Labour Fund by the minister responsible for labour issues, marshal, or staroste respectively; the reimbursement is made pursuant to the separate provisions on official trips within the country, made by employees of national or self-government units of the budget sector.

The system of public employment (Kryńska, 2004) services is currently based on commissioning and contracting employment services³ by public employment services to:

- territorial self-government units,
- non-governmental organization whose statutory tasks include labour market issues,
- trade unions,
- employers' organizations,
- training institutions,
- employment agencies⁴.

The realization of tasks may be conducted in the form of commissioning the realization of tasks or supporting the realization of tasks. An open competition should be held in both cases. It should be held in compliance with the principles of subsidiarity, effectiveness, fair competition and openness. If a given task may be realized in a more effective manner by purchasing services in compliance with the procedures specified in the provisions on public procurement – the issues above are not necessary⁵.

The services provided by labour market institutions are executed in accordance with statutory law in force by public employment services and employment agencies. The main ways of the services are⁶: employment services, EURES services, professional counseling and information etc. All of them are supported by labour market instruments. These are the following:

- 1) financing travel costs:
 - to the employer who submits a job offer or the work place,
 - the cost of internship,
 - vocational training at the work place,
 - training or vocational counseling classes outside the place of residence,
 - where a person was sent by the powiat labour office.
- 2) financing accommodation costs in the work place incurred by a person was sent by powiat labour office to undertake employment, or other paid occupation, internship, vocational training at the work place, or a training outside the place of this person's permanent residence,
- 3) co-financing of furnishing the work place, engaging into a business activity, legal assistance, consultations and counselling,
- 4) reimbursing the costs borne to pay social security insurance contributions related to the employment of an unemployed person sent by the labour office,
- 5) financing of unemployment prevention additional allowances⁷.

In comparison with the old regulations of labour market-related matters, the Act places

³ except for the issues subject to administrative decisions realized

⁴ voluntary workers may provide services aimed at realization of the tasks regarding labour market services for the benefit of the above entities

⁵ the regulations concerning making an offer, commissioning, and contracting services can be found in articles 24-32 of the Act

⁶ all kind of labour market services are defined in articles 35-43 of the Act

⁷ pursuant to stipulations specified in articles 45-61 of the Act

more emphasis on activation of unemployed than on welfare. It acting the enshrines function as a dramatic overhaul of the employment services' operating model (Czarzasty, 2005). Labour market institutions have previously acted as a dispenser of unemployment benefits. Their tasks have changed in time, now the main purpose is to aid the jobless people in actively looking for work.

A series of regulatory measures stated in the Act are aimed to targeted groups within the population. The most threatened by unemployment group are the youngest people in the age below 25 and the oldest, who are over 50 years old. The act is addressed to people whose unemployment lasts for a long time(two years or more) and also to uneducated people. It takes care for lone parents of children aged up to seven and disabled persons. For example, in view of the Act, people aged 50 or more had the opportunity to spent the time receiving unemployment benefit. It is credited towards the combined length of employment, necessary to gram advantages such a retirement benefit.

However, the main purpose of the Act is concentration on activation measures (Czarzasty, 2005). The labour market institutions are the public authorities have possibilities to:

- subsidise, for example: a period of up to 12 months commuting and accommodation costs insofar as they relate to taking up paid employment or an internship/apprenticeship,
- subsidise the purchase of equipment needed for work/business activity,
- reimburse to employers that recruit unemployed people the social insurance contributions paid in relation to these workers.

The following basic elements constitute the labour market: human resources and their exploitation, division of employees according to the respective sectors of the national economy, the structure and rate of unemployment. So, not only the government and institutional regulations are most important. There are some important factors below, which are involved with law and the economics conditions.

According the research of Ministry of Labour and Social Policy the longlasting increasing the taxes and social contributions has an influence on employment level (Raport of Ministry of Economy, 2005). And also flexibility of law regulations is important (table 1), it explain common changes in labour acts.

Labour supply results from the demand for goods and consumption services (Stawna, 2003). However, consumption is not the only one to give pleasure, and thus, to generate utility. Hence, the concept of alternative costs appears. If consumption gained with an hour's work gives one less pleasure than an hour's nap, one will choose leisure, not work. Man makes choices all the time. The more one works, the less leisure time is left for consumption which, in turn, is enabled by a higher income. However, the consumption of goods purchased with the money earned for the last hour of work does not appear to give such pleasure as the consumption of goods purchased with the money earned for the first hours of work. If more leisure time is given up for the sake of work, the leisure time results in greater marginal utility, when compared with the situation of having more leisure time. Consumption gained in this way is characterized by decreasing marginal utility (Borkowska, 2003). Many various factors influence decisions regarding labour supply, i.e. the choice between work and leisure. The most important one is the rate of pay, i.e. the income obtained for a period of time, e.g. one hour. The higher the rate of pay is, i.e. the higher the income, the higher the readiness to work. The rate of pay does not refer only to work hours. Resigning from work hours means resigning from the income generated during those hours, that is, from the rate of pay.

Table 1. The flexibility of labour law regulations and employment/unemployment in short and long period of time

	Short time	Long time
Influence on unemployment level	Low costs of reducting the workers off and minimal cost of employ can result in to fastest absorption of shocks in demand for work	Higher flexibility has no influence on general level of unemployment, rather negative
Influence on employment level	Flexible law regulations improves appropriate adjustment to labour demand changes, and also lead to bigger changeability of employ (if its done threw employment and redundancy) or to the bigger variability of working hours, if the regulations are threw change in organization of work	Flexible law regulations can be involved with higher level of employment, but it is necessary to build the professional activity up, the influence is incident to other labour market institutions, f. ex. trade unions

Source: Own compilation

Other important factors are prices of goods and consumption services. The higher the prices, the fewer goods and services can be purchased with our income, thus, it is not worth increasing the work time. A nominal wage is the amount of money received by an employee on the pay day, i.e. a wage in PLN. A real wage, on the other hand, is the number of products that can be bought with the money constituting a nominal wage. Another factor affecting the decision on labour supply is the policy of the government. If the government levies high income taxes, it limits employee's consumption. Tax increase leads to limiting labour supply because of income decrease, and it simultaneously encourages increasing leisure time as alternative costs decrease as well (Drozdowski, 2002). The supply curve shows the relation between supply and prices. The labour market deals with individual labour supply, i.e. supply provided by single household, and market labour supply, i.e. the overall market supply (Borkowska, 2003).

Labour demand concerns companies offering goods and services. Aiming at the maximum profit, they choose such production value that will enable them achieving this aim. Yet, in order to produce, companies need to employ labour force. Marginal revenues show how much total revenues increase as a result of increasing the sale by one unit. Marginal revenue product (MRP) is a total revenue increase achieved by the company by selling the products manufactured by the additional unit.

On the labour market, the price is the nominal rate of pay, and the labour demand is claimed by the companies in need of such a productive factor (Ehrenberg, 2003). If the rate of pay increases, the company has to pay more to its employees, which increases the costs. Also on the labour market it is true that the relation between the price and demand is reverse: the higher rate of pay, the smaller demand; the lower rate, the bigger demand. The company's

demand curve is the same as the curve of the marginal revenue product of labour. It happens so, because the producer employs an optimal number of employees to maximize the profits. If the cost of hiring an additional employee is lower than the revenue he generates, it is worth employing him. Similarly, if the cost of hiring a worker is higher than the revenue he generates, it is not worth employing him. If the cost of hiring a worker is equal to the revenues he generates, the company achieves maximum profits. This happens when the rate of pay is equal to the marginal revenue product of labour. The value of the company's labour demand is determined in this way. The curve of individual labour demand illustrates the relation between the rate of pay and the demand value in a given period of time, and is the same as the curve of the marginal revenue product of labour. As far as demand is concerned, the labour market is shaped by all its companies. That is why, the market demand curve can be obtained by adding horizontally individual demand values for each rate of pay.

Conclusion

The legislation Act regulated the promotion of employment and labour market institutions was adopted in something of a hurry. The main aim of adopting by 1 May 2004 was Poland's accession to the European Union. There were several ten adopting changes during 2 years. Flexibility of the Act and changes are healthy for labour economics, but not favourable to entrepreneurial activities.

An important change made by the law are the rules of the registration of employment agencies and institution of duty (engaging in professional labour market intermediation and advice) have to obtain a licence issued by the minister charged with labour affairs.

There are in chapter 7 defined: the role and the duties of the social partners in their capacity as a legislatively designated institution of the labour market. There is also the relevance of social dialogue for employment promotion according to the updated Act on regarding promotion of employment and labour market institutions. Act is confirmed that labour market policies are pursued by the government in cooperation with the social partners. The nature of such cooperation's platform are presented in the National Employment Council and also in the regional employment councils having review and advisory bodies' status.

The Act on the promotion of employment and labour market institutions provides a legal basis for the establishment. Self-financed training funds of employers, expenditure from which can be qualified for complete or partial reimbursement from the public institutions. For example in the case when an employee can not work (is sent for conference, training etc.) for a long time (over 22 days), the company gets a chance to recruit unemployed person on the basis of a contract for substitution. If recruited temporarily person to fill the absent job is assigned by the labour office, both of costs (training and remuneration) may be partly reimbursed from the Labour Fund.

In turn, the trade unions and the employers' associations should be in cooperation with the public employment services in the provision of EURES services. Such a cooperation system between the public authorities and the social partners which respect of labour and employment protection is able to support the form of initiatives at regional and county level. Local institutions can also be in commission with the social partners, of course if they own any labour market institutions other than the labour offices. The cooperation purpose is to perform tasks relating to employment promotion and to vocational activation of unemployed people (Czarzasty, 2005). On a timely basis empowered entities may also approach the authorities with their own entrepreneurial initiatives. There is several ways to receive funds. It can be done by way of an open bidding procedure, where the projects will be executed, and where the selected entities may apply for public funding receiving in the form of earmarked grants.

The Act also contains for monitored redundancy programs- obligatory for entrepreneurs employing at least 100 people and contemplating collective redundancies. According the program the company cooperates with the labour office. It should provide the redundant employees with support in the area of training, career counselling and employment intermediation, and to assist them with active job-hunting.

There are many regulations in the Act created to motivate unemployed people for looking for jobs actively. One of these instruments are benefits, possible for an unemployed who takes up a job paying less than the minimum monthly wage succoured by unemployment benefit.

The government in march 2006 accepted draft of social cooperations. The project head for limiting marginalization and social exclusion effect and directed to social social integration. The main purpose o the draft is to reinvent to labour market people in danger of social exclusion and unemployees without work perspectives. The act will enable professional activity for unemployees. Social cooperations would be equitable economic activity, but all profits will not be shared for cooperation's members as usual, but allocated on cultural and educational activity running in aid of it's members or local entities. The part of remuneration (in the amount of social insurance premium) can be reimbursed from the Labour Found. Authorized to running social cooperations are: unemployee persons, homeless (in progress of out of homeless program), people in drug or alcohol addiction, dismissed from penal institutions, refugees, disabled. There are about 130 social cooperations in European Union which employ 2,3 million employers. The most spectacular effects are visible in Italy, Finland and Spain.

The influence of the government policy on the labour market is very important. The government can influence the functioning of the labour market with respect to supply and demand. If the government raises income taxes, it limits employees' income. This results in limiting consumption and the alternative cost of leisure time, which, in turn, leads to limiting labour supply by households. The government can also introduce a minimal wage in badly-paid occupations. Introducing a minimal wage to a given market, the government disorganizes this market, because there are those who win, and those who lose. Those who win remain employed and obtain a better wage; those who lose are dismissed. The result of such an interference is unemployment.

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