



INCOMPLETE STRATEGY

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- *The Warsaw Enterprise Institute believes that the instruments it presents are insufficient and will not break down the real barrier standing in the way of having children: institutional uncertainty.*
- *The changes to the Labour Code announced in the Strategy may achieve the opposite of the intended effect, pushing young people out of the labor market or reducing their salaries.*

The government has announced the Demographic Strategy 2040, which is supposed to be an answer to the problem of the aging society and declining fertility rates. The Warsaw Enterprise Institute believes that the instruments presented in the Strategy miss the target to a large extent, as they fail to address the real barrier standing in the way of having children: institutional uncertainty caused, among others, by extremely uncertain laws, an unclear fiscal system and a dysfunctional judiciary.

The government's strategy consists mainly of the already known social benefits (500+, 300+, maluch+, etc.), housing subsidies already announced in the Polish Deal (flats without own contribution, housing vouchers), and promises to expand the crèche infrastructure or support the family. The only real novelty is the announcement of changes to the Labour Code, consisting of providing greater work flexibility to young parents, reducing the total duration of term contracts for young people to 15 months, and protecting young parents against dismissal within a year after the child's birth.

These instruments are supposed to reduce the material insecurity of young people, which they indicate in surveys as an important barrier to having children. Unfortunately, as we show in the recently published „Zeszyty Gospodarki” [Economic Notebooks], such policies have not brought about fertility changes worth their costs in any country, i.e. such that would raise the fertility rate to at least 2.1 (a child per woman of reproductive age). The impact of individual social or infrastructural policies on fertility is marginal and has much more political utility (consolidating the electorate) than demographic. The demographic situation will not be improved, and may even be worsened, by the announced changes to labor law, in particular, employment protection for young parents one year after the birth of their child. Today, pregnant women have employment protection, and this in itself causes employers to avoid hiring young women because of the potential costs - just as they avoid hiring people of pre-retirement age, also protected from dismissal. These costs will increase (also for men), and so the reluctance to hire young people will increase. Even if it is overcome by a general shortage of labor, employers will cover the increased uncertainty costs from lower salaries paid to employees. In a word, Poles will get richer more slowly.

A much better way to reduce material insecurity among the young than handouts and regulations will be to ensure Poland's dynamic economic development, and the way to do this is to simplify and stabilize economic, tax, and labor law. It is about making all Poles, and not only selected groups, feel that their material status is improving and uncertainty of the future is decreasing. In a word, it is about deep institutional reform. Good pro-development institutions are conducive to fertility - for example, the fertility rate of Polish women in the UK was estimated in 2011 (the only available data) to be as high as 2.5 percent. For example, the fertility rate of Polish women in the UK was estimated in 2011 (the only available data) at as high as 2.1 (in Poland at the time it was 1.3).

The Demographic Strategy does not raise these issues at all. Of course, some of its elements should be appreciated - such as the aforementioned expansion of crèche infrastructure - but it amounts to replacing the components of a broken car without considering the most important of them, i.e. the engine. A new engine, and therefore dynamic economic development, would also make it possible to limit emigration from Poland. As mainly young people emigrate from Poland, this would automatically translate into a higher fertility rate. High economic growth would also attract a greater number of immigrants willing to work in Poland. Unfortunately, the issue of immigration is not included in the Strategy either.