



**YOUNG POLE DOES NOT
FLEE FROM WORK**

WARSAW ENTERPRISE INSTITUTE

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**SITUATION OF YOUNG PEOPLE ON THE POLISH LABOR
MARKET IN THE CONTEXT OF THE OPERATION OF SMES**

WARSAW 2022

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Introduction

This report addresses the situation of young people on the labour market with a particular focus on the role of small and medium-sized enterprises. The perception of work has changed significantly in recent years. On the one hand, career prospects have broadened as a result of increasing globalisation, while the development of new technologies has improved and automated the performance of many tasks and created a number of new areas of employment. On the other hand, new generations are entering working life, often with a completely different approach to earning a living from their parents.

The media often raise the issue of the difficult situation of young people on the labour market, the high level of unemployment in this group or the mismatch with employers' expectations. In addition, the experience of the pandemic and the economic downturn was a negative factor causing redundancies and making it difficult to find suitable work¹.

Currently, the war in Ukraine (although its impact is not taken into account in the report) may also turn the labour market upside down – Poland is receiving a very large group of refugees, most of whom are women, children and elderly people, who will be largely outside the labour market. In contrast, young men who have working in Poland so far may even return to their homeland to take part in the war effort.

Due to employment problems, the term NEET (*Not in Employment, Education or Training*) was coined at the EU level to describe a group of people who are not in employment, education or training².

The aim of this report is to determine whether the situation of young people on the labour market is really so difficult and bad? Are they passive and not interested in professional activity? Apart from the diagnosis, recommendations for further actions for the development of the labour market for young people will also be formulated.

¹ <https://businessinsider.com.pl/zla-sytuacja-mlodych-na-ryнку-pracy-dane-mowia-same-za-siebie/h0qkqkn>.

² <https://www.eurofound.europa.eu/topic/neets>.

Summary

- **The report focuses on young people aged 15–29 and their situation on the labour market.**
- Contrary to appearances, **indicators characterising the Polish labour market are quite favourable** in comparison to the European Union.
- ➔ **The economic activity of young people in Poland in two key groups (20–24 and 25–29) is similar to the EU level, or even higher.** Only the youngest group has a significantly lower activity rate. At the same time, Poland does not diverge from countries with similar levels of wealth and development.
- ➔ **The level of unemployment of young Poles in recent years has been gradually decreasing and is significantly lower than in the European Union.** Only during the pandemic a slight increase was observed.
- ➔ **Unemployment is much higher among persons aged 20–29 with primary and lower secondary education.** In terms of upper secondary and post-secondary education and tertiary education, the figures are very similar.
- Employers indicate that **young people are unsuited to the labour market.** Above all, they **lack practice and experience, and education is mismatched with the requirements of the market**, therefore it is necessary to incur expenditure on raising qualifications and additional training.
- Young people often **work on the basis of civil law contracts**, which are associated with lower costs for the employer, but which do not guarantee employment stability. At the same time, **young people are much more flexible**, and the work they provide is often of temporary or casual nature.
- From the perspective of the young, the favourable situation on the labour market is **the supply gap consisting in staff shortage**. As a result, employers have **less opportunity to choose between candidates** and this also leads to **lowering employment requirements**.
- Although the situation of young people on the labour market is not the worst, this does not mean that additional measures should not be taken to improve it. **The key role in employing young people should be played by small and medium-sized enterprises**, which are responsible for generating the largest number of workplaces in Poland.

- **It is necessary to promote work in SMEs among young people**, but also to create preferential conditions encouraging entrepreneurs to employ people under 30. First and foremost, **the extension of reliefs limiting the costs of employment**. At the same time, it is worth taking employers' expectations into account when creating curricula or traineeships.
- As part of activating young people within the SMEs sector, EU funds intended to support the employment of this group of people can be used. At the same time, it should be borne in mind that **not only is financial support important, but also ensuring an appropriate regulatory environment – legal certainty and simple procedures** (including in the area of legal and labour law).



Characteristics of the population

In publications on the labour market, young people are defined differently. Usually the lower limit is the age of 15, when the possibility of taking up employment begins, while employment before the age of 18 is usually connected with seasonal work or apprenticeship. The upper limit, on the other hand, is established in various ways, most often within the range of 24–34 years.

In this report, "young people" are generally considered to be the population aged 15–29. This caesura seems to be appropriate, as it covers the entry and first years of functioning on the labour market of persons who have finished primary and secondary education, as well as persons with tertiary education. The same way this group is defined at the EU level, e.g. in the context of the definition of NEET³ or beneficiaries of the youth employment support⁴. On the opposite, people over 30 already

have some work experience and are considered a strong group of employees⁵.

In Poland in 2020, out of 38.27 million inhabitants, young people constituted 16.11 percent of the population, i.e. 6.17 million people. The corresponding statistic in 2010 was 22.17 percent and in 2015 – 18.79 percent, reflecting the trend of an ageing population. Among young people, men accounted for 51.07 percent and women for 48.93 percent, while 53.92 percent of this group lived in urban areas and 46.08 percent in rural areas, with the proportion in the total population being 59.86 percent versus 40.14 percent. In age subgroups, urban residents accounted for 55.11 percent among 15–19 year olds, 52.73 percent among – 20–24 years old and 54.00 percent – 25–29 years old⁶. Thus, the data do not indicate a significant change of residence after leaving education and seeking employment in urban centres.

³ <https://www.eurofound.europa.eu/topic/neets>.

⁴ https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/youth-employment-support_pl.

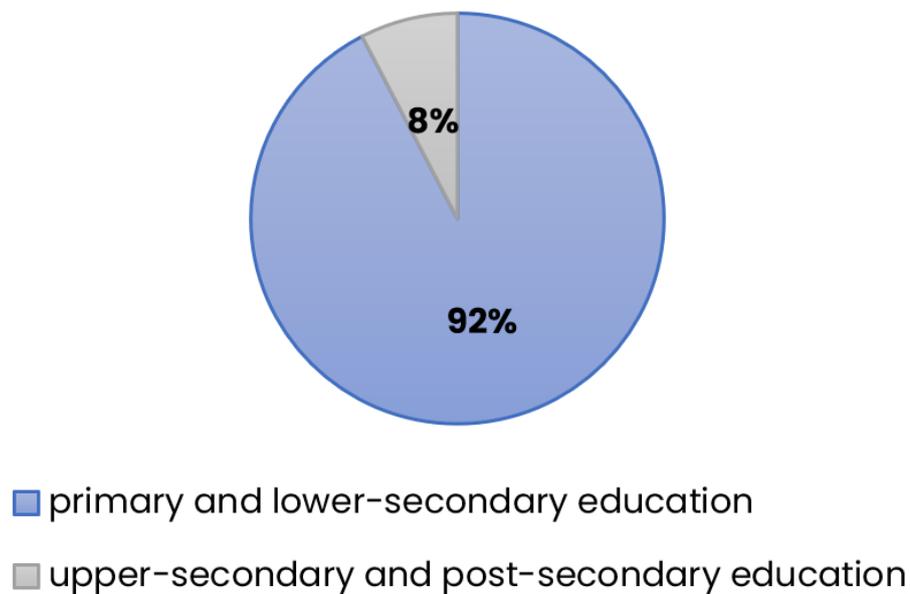
⁵ https://www.isp.org.pl/uploads/download/mlodzi-na-ryнку-pracy-raport-z-badania_pl_1648767035.pdf.

⁶ <https://stat.gov.pl/obszary-tematyczne/roczniki-statystyczne/roczniki-statystyczne/rocznik-statystyczny-rzeczypospolitej-polskiej-2021,2,21.html>.

The education of young people is clearly dependent on the division into age sub-groups. The youngest group – 15–19 years of age – is dominated by primary and lower-secondary education (92 percent), and there is also upper-secondary and post-secondary education (8 percent), while tertiary education cannot be attained in practice at this age. In the group of people aged 20– 24, 83 percent had upper-secondary and post-secondary education, 8 percent primary and lower-secondary education and 9 percent tertiary education. It should be borne in

mind, that the first group may also include students who have not yet completed their education. In the oldest group, in which most people should have already finished their education, 33 percent had tertiary education, and 60 percent had upper-secondary and post-secondary education. The share of people with primary and lower-secondary education was very similar to the younger age group, which indicates that less than 10 percent of the current population of young people complete their education at this level.

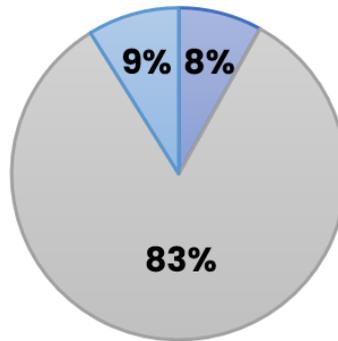
Graph 1. Educational attainment of persons aged 15–19 in Q4 2021



Source: own work based on Eurostat



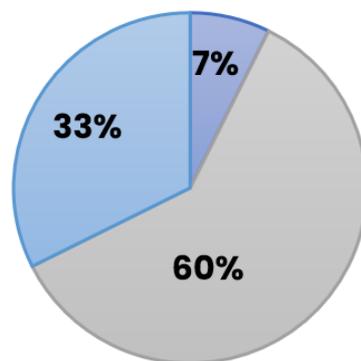
Graph 2. Educational attainment of persons aged 20–24 in Q4 2021



- primary and lower-secondary education
- upper-secondary and post-secondary education
- tertiary education

Source: own work based on Eurostat

Graph 3. Educational attainment of persons aged 25–29 in Q4 2021



- primary and lower-secondary education
- upper-secondary and post-secondary education
- tertiary education

Source: own work based on Eurostat



General situation of young people on the labour market

This section will present statistics from 2010–2021 on the labour force participation of young people, including:

- ➔ comparison between analogous age groups in Poland, the European Union and countries with similar levels of wealth and development – the Czech Republic and Hungary, in order to identify possible differences between countries;
- ➔ tabulation of Polish data for all age groups together with the entire workin-

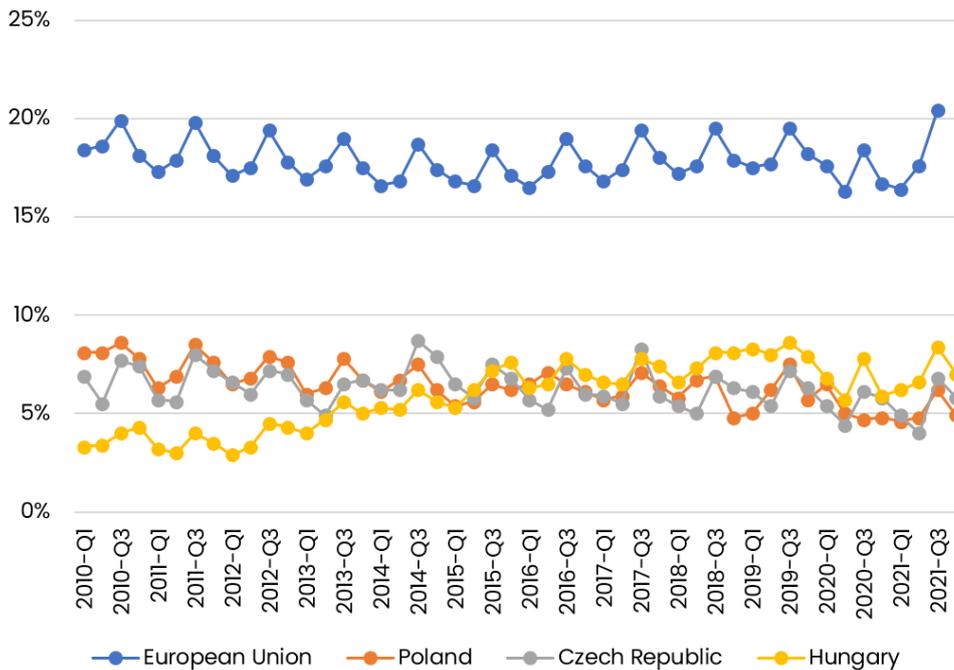
g-age population, in order to identify age-specific deviations.

Labour force

Labour force are all persons ready to take up employment, both employed and unemployed jobseekers. Among young people, the rate may be lower than in other age groups primarily due to education.



Graph 4. Persons in the labour force aged 15–19 years

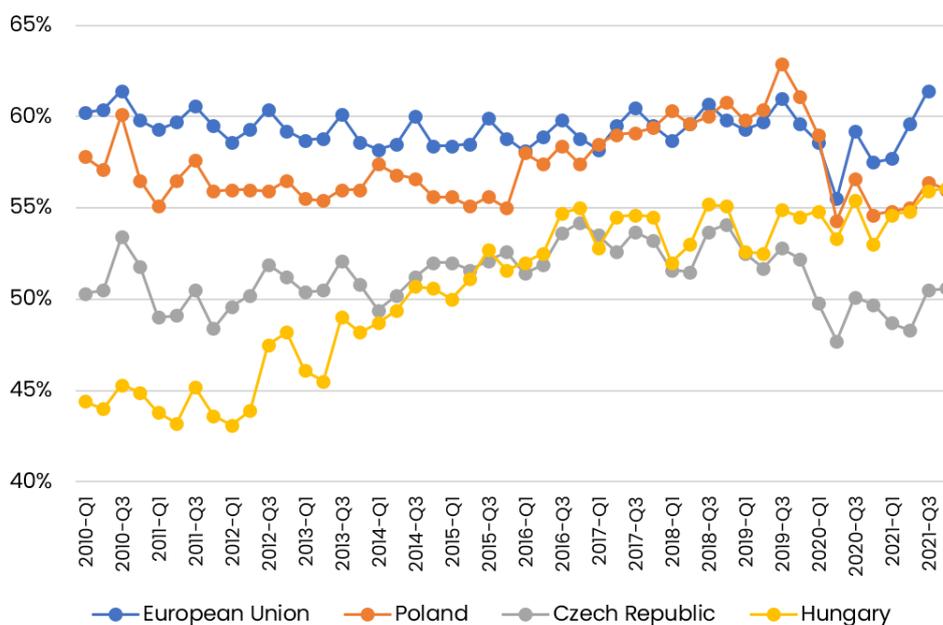


Source: own work based on Eurostat

There is a significant disproportion between persons in the labour force aged 15–19 in Poland and the European Union. Poles are more than twice less active (activity between 5 and 10 percent, compared to 15–20 percent in the EU). In addition, the data is

highly seasonal, indicating greater activity in holiday periods. It should be noted, that the data for Poland do not differ significantly from the observations for the Czech Republic and Hungary.

Graph 5. Persons in the labour force aged 20–24 years

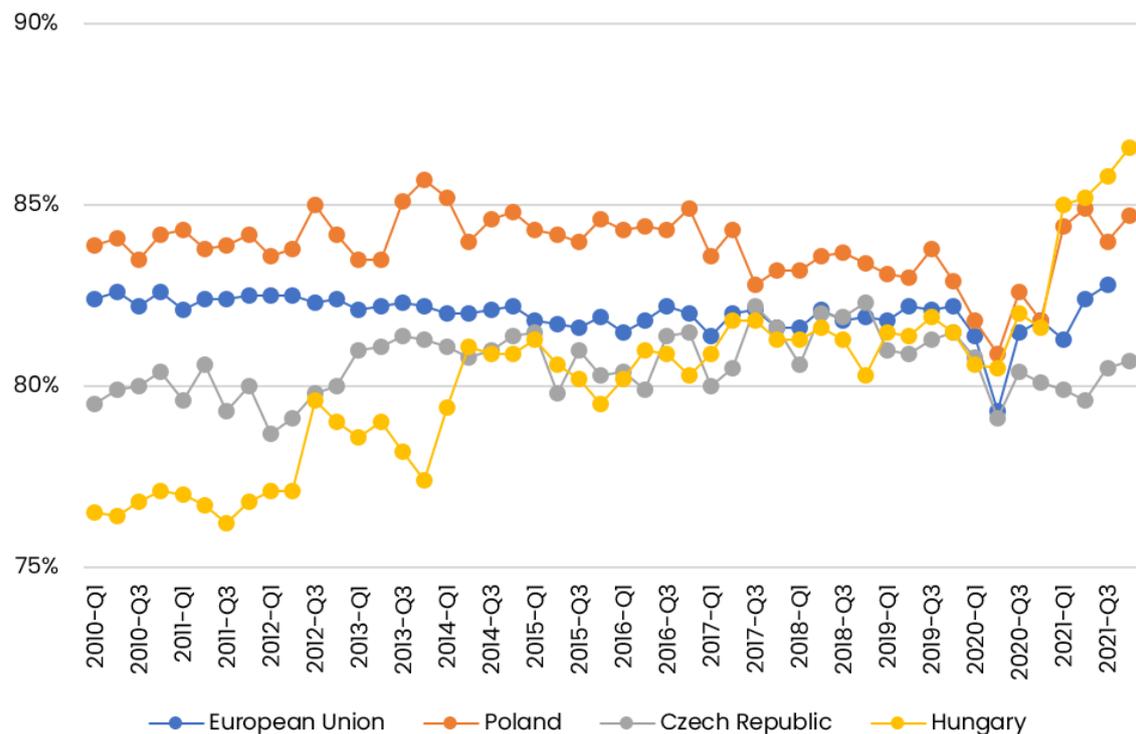


Source: own work based on Eurostat

In the 20–24 age group, Poles were also less active than average Europeans in the initial observation period, but since the end of 2015 there has been a significant increase in the labour force, unfortunately halted most likely by the pandemic, whose negative effects, according to the data, were felt more in Poland. Labour force in this group fluctuated between 54 and 64

percent, while compared to the Czech Republic and Hungary by 2019. Poland had a higher level of labour force by several or even more than a dozen percentage points. Currently, the figures for Poland and the Czech Republic are very similar, while the activity of Hungarians is about 5 percentage points lower.

Graph 6. Persons in the labour force aged 25–29 years



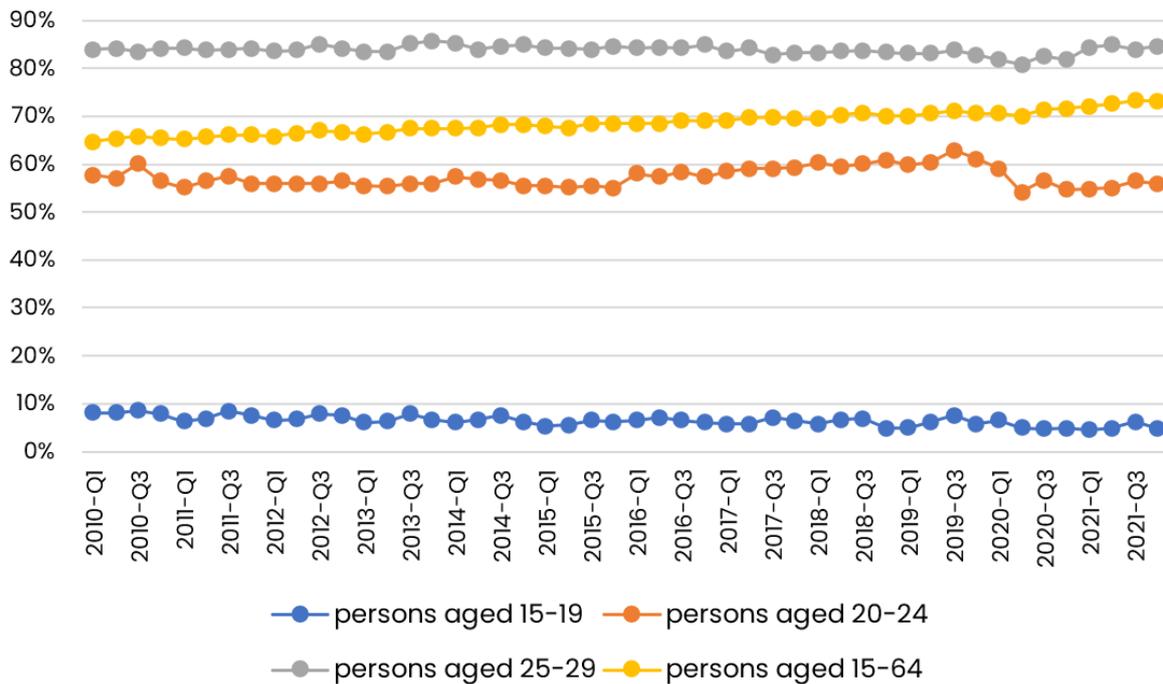
Source: own work based on Eurostat

Young people aged 25–29 in Poland had higher activity levels than their European peers until the pandemic. After a slump

in 2020, activity levels have returned to previous values of around 85 percent in recent quarters.



Graph 7. Labour force in Poland



Source: own work based on Eurostat

Comparing the labour force of different age groups in Poland, the results do not seem to raise any major objections. The "oldest" group of young people shows the highest willingness to take up employment, above the values for the entire working-age population – these are people who have most likely already completed their education and are at the stage of looking for or performing their first job. Lower activity of other groups is probably connected with continuing education.

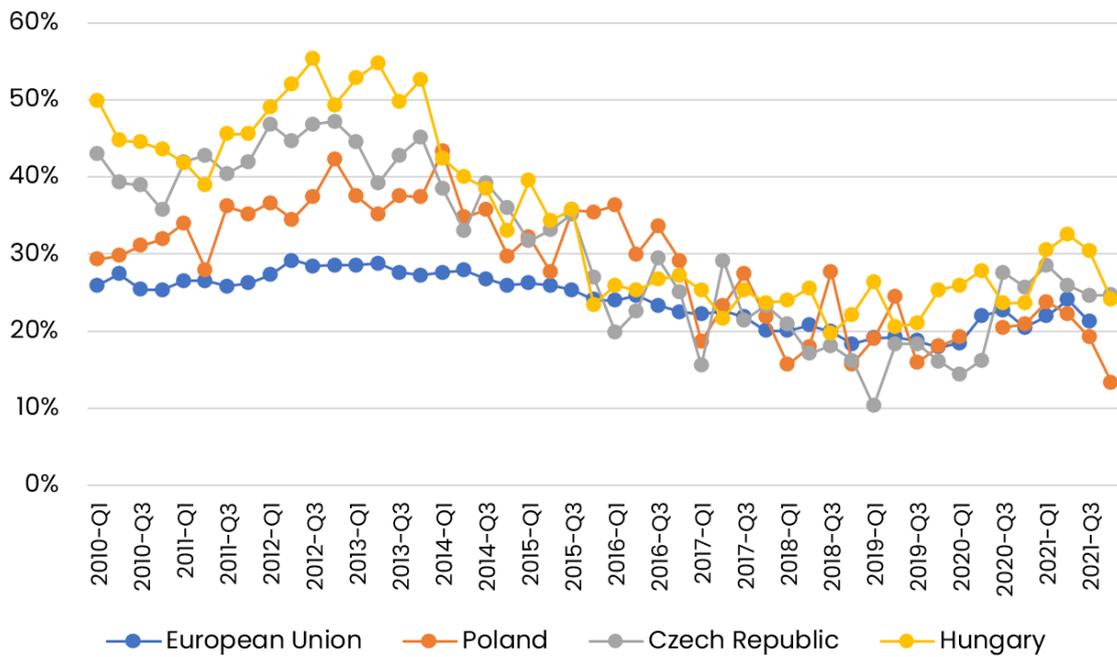
the level of education and time availability of people in this group, looking for a job can be problematic, so the relatively high value of the ratio should not be too worrying, especially in the context of its gradual decline.

Unemployment

When analysing data on unemployment, one should point out the relatively high values in the case of Poland for people aged 15-19. Only a few years ago, the percentage of unemployed people in this group was over 40 percent, but it gradually decreased and approached the EU level. A similar trend with large fluctuations occurred also in the Czech Republic and Hungary. Given



Graph 8. Unemployment of people aged 15–19

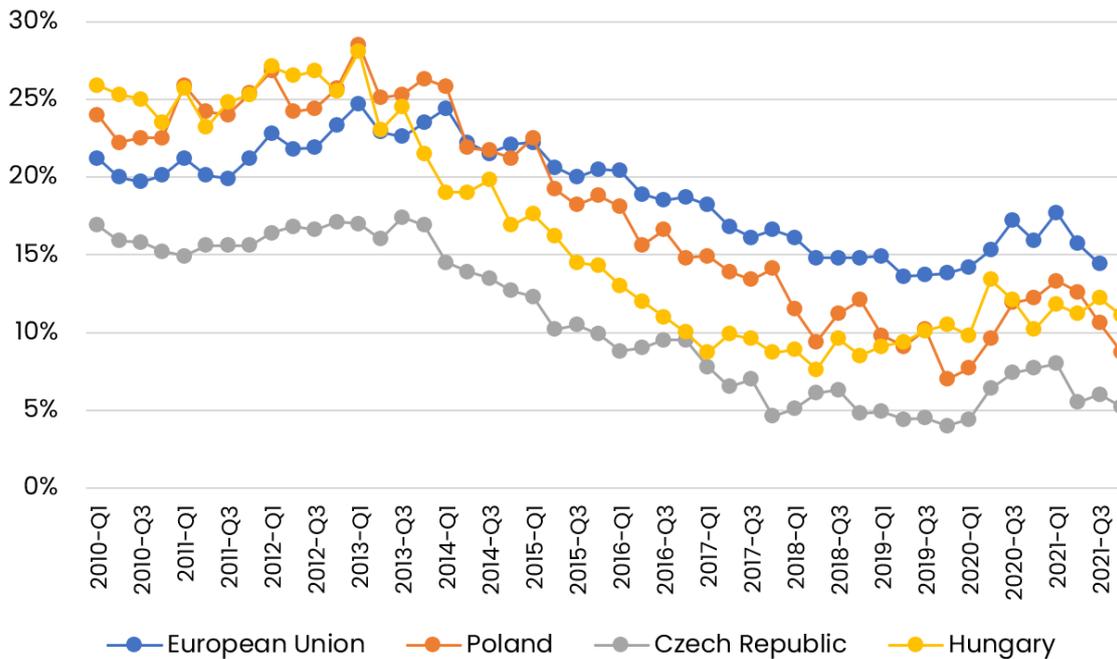


Source: own work based on Eurostat

A positive effect should be noted in the 20–24 age group – in recent years, the unemployment rate has been gradually decreasing, from less than 25 percent to around 10 percent. The decreasing trend

is also visible in European, Czech and Hungarian data, with only the Czech Republic having a lower unemployment rate for this group than Poland.

Graph 9. Unemployment of people aged 20–24



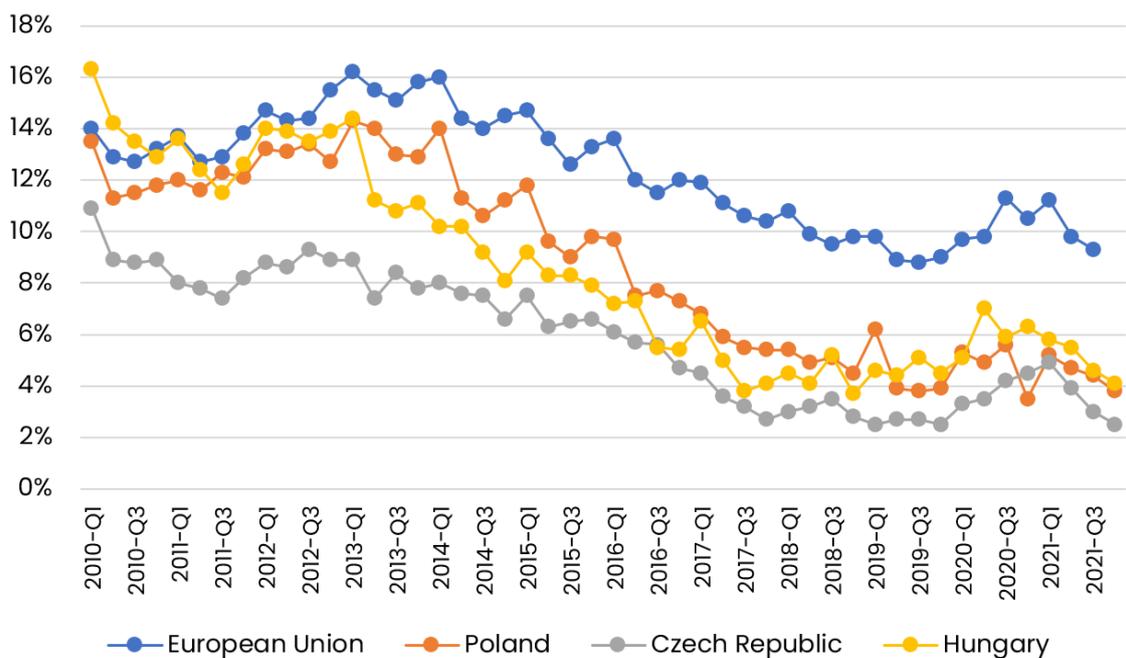
Source: own work based on Eurostat



A similar situation is observed among people aged 25–29. In the last years a decrease of the share of the unemployed in the population could be observed and in the last quarters the rate stabilized. What is important, the level of unemployment

in Poland is significantly lower than in the European Union and similar to the level in Hungary – in this group it is only about 4 percent, with the EU values being more than twice as high.

Graph 10. Unemployment of people aged 25–29

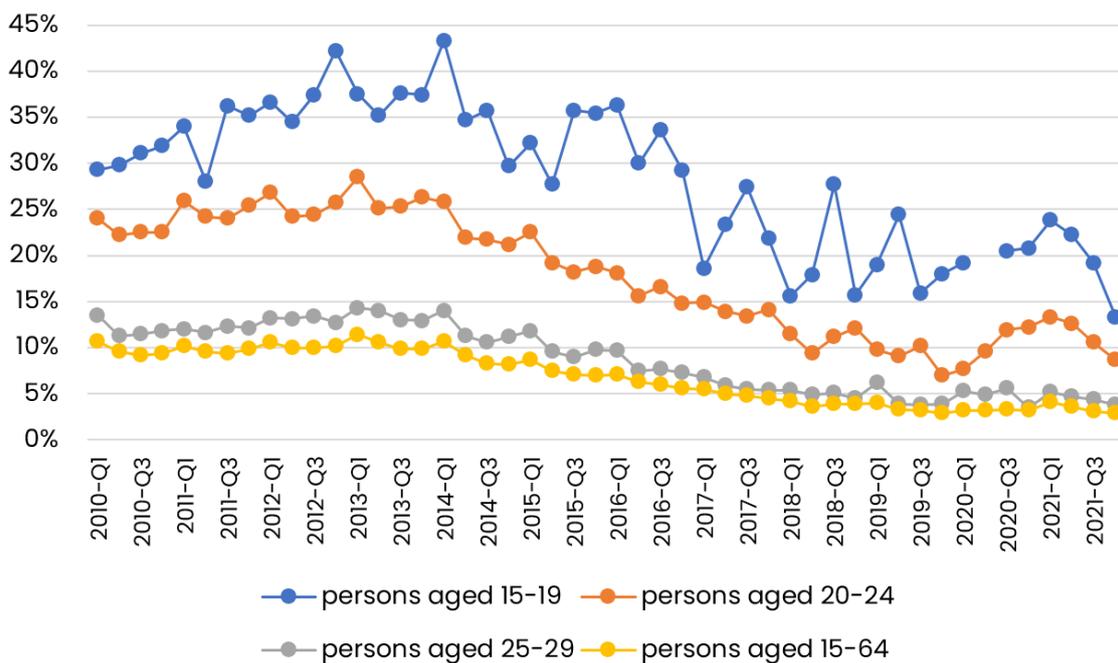


Source: own work based on Eurostat

When analysing data on unemployment for different age groups in Poland, it should be indicated that the rate is higher for young people than for the whole population. It is most visible in the group of people aged 15–19 and 20–24, with decreasing tendencies. As already indicated, the functioning of the youngest group on the labour market may be difficult due to lack of education and potential continuation of education. In the 20–24 age group, insufficient qualifications or lack of experience may also be

a problem, but attention should be paid to the successive decrease in the unemployment rate, with a temporary increase during the pandemic. On the other hand, the percentage of the unemployed aged 25–29 is similar to the corresponding value for the whole population, with a mild downward trend, suggesting that lack of experience and educational attainment is responsible for the key differences between the groups.

Graph 11. Unemployment in Poland



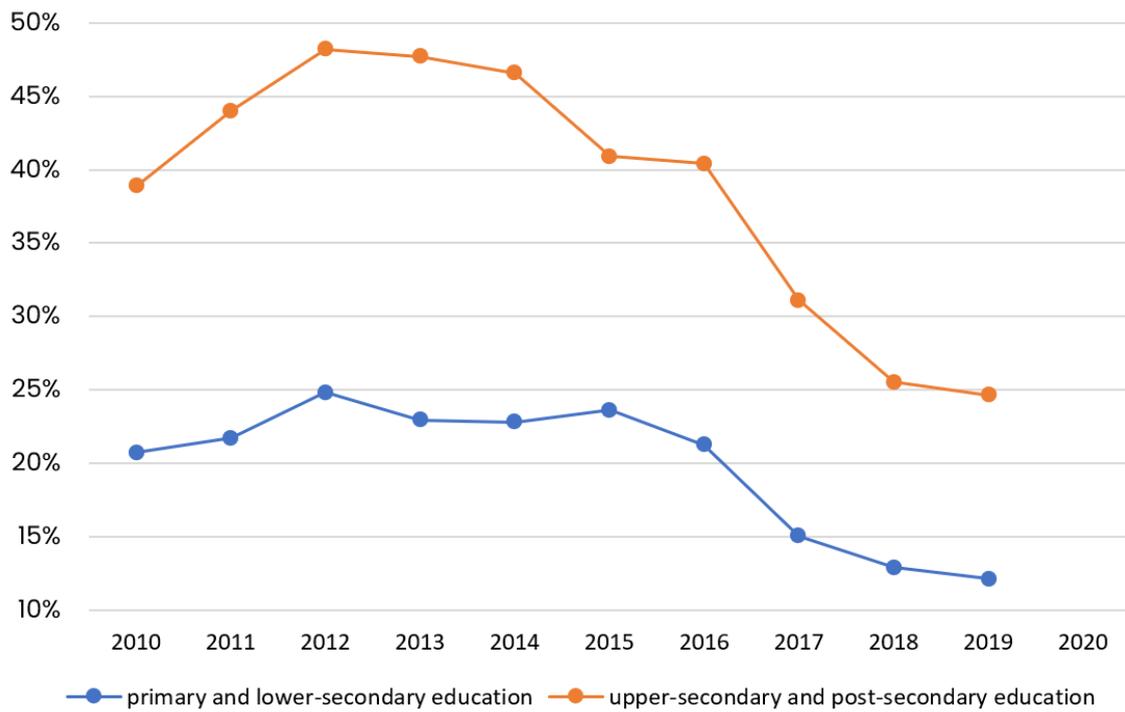
Source: own work based on Eurostat

The presented data indicate a less favourable situation of young people on the labour market in comparison to other age groups, however, the differences, except for the youngest group with a quite specific profile, are not very significant and have been increasingly blurred in recent years. At the same time, the situation in Poland is more favourable than on average in the European Union, and with every subsequent period, it continues to improve.

Additionally, it is worth taking into account data on unemployment by education level.

Among persons aged 15–19, the rate is approximately twice lower for primary and lower secondary education than for upper secondary and post-secondary education. It should be remembered, that people from the latter group constitute a small percentage of this group. The results suggest that the most difficult moment in looking for a job is the end of secondary education. This is probably due to the fact that some people take their first full-time job at that time, with relatively low qualifications for the labour market.

Graph 12. Unemployment of people aged 15–19



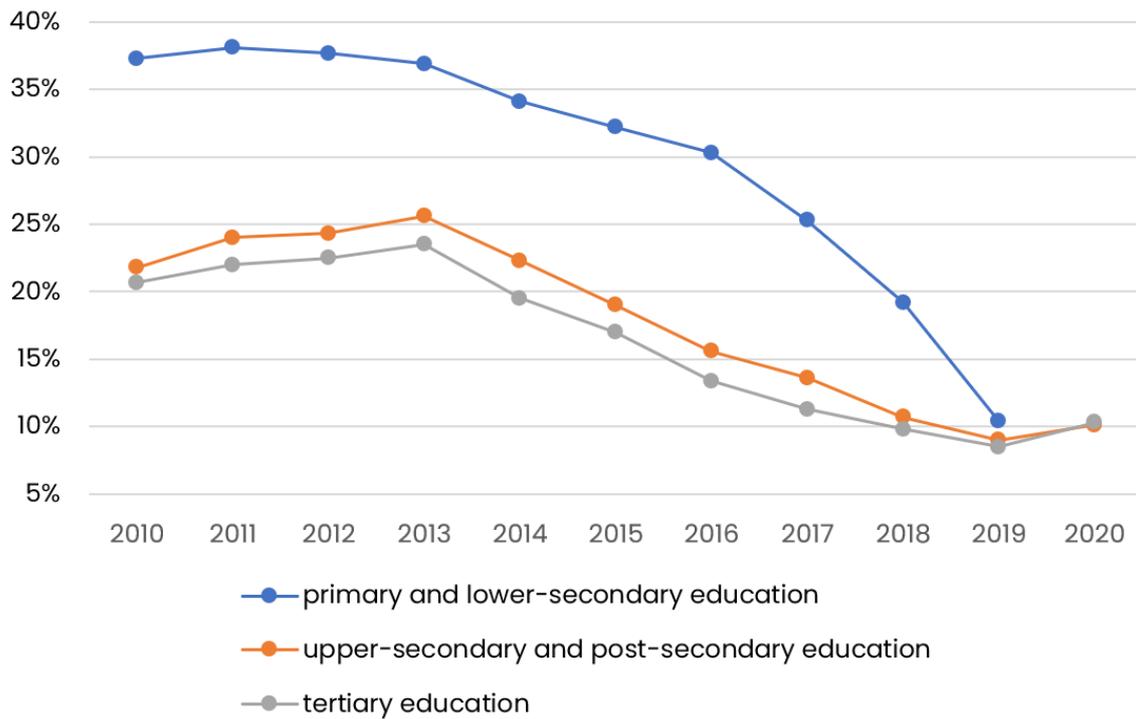
Source: own work based on Eurostat

For the 20–24 age group, the highest unemployment rate over recent years has been for those with primary and lower-secondary education, with a gradual decline. In the

other categories, the data was very similar, and in 2019 the unemployment rate in this age group was quite similar regardless of education.



Graph 13. Unemployment of people aged 20–24



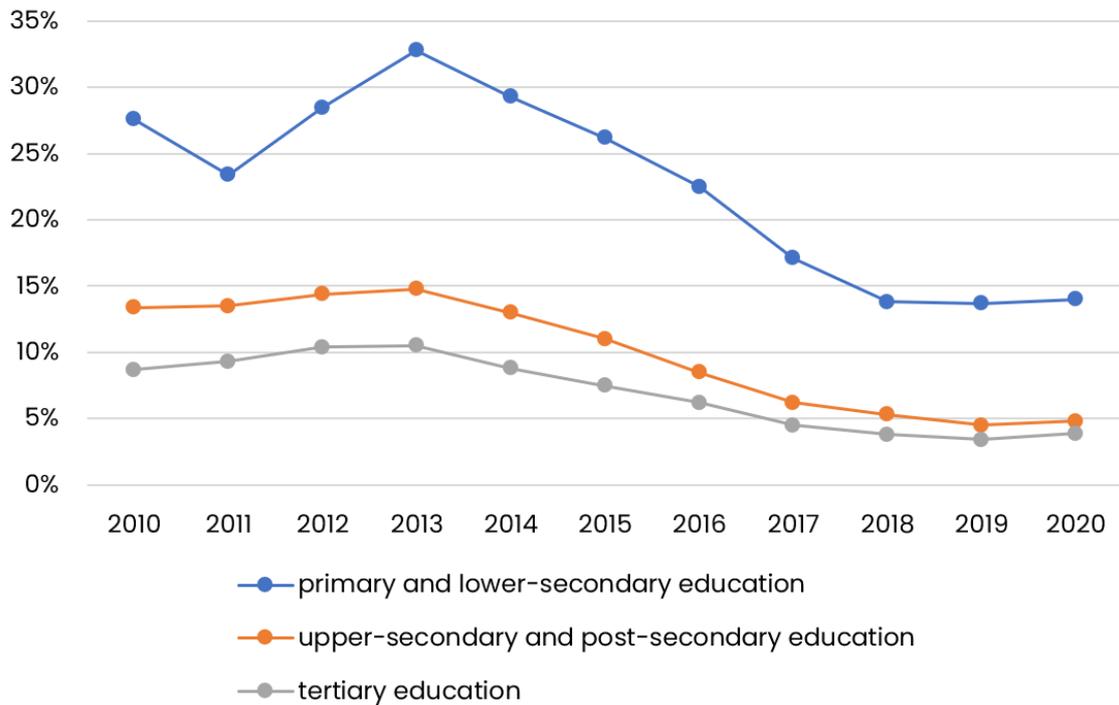
Source: own work based on Eurostat

In the oldest group of young people, a similar relation is observed – having primary and lower-secondary education causes a significant increase in the unemployment rate. At the same time, despite a decrease

in the value of the coefficient in the last years, it is still several times higher than in the case of upper-secondary and post-secondary or tertiary education.



Graph 14. Unemployment of people aged 25–29



Source: own work based on Eurostat

Over the past 10 years, the level of unemployment among young Poles has been gradually decreasing (with minor exceptions in the initial period of the pandemic). Despite quite significant differences at the beginning of 2010 between data from Po-

land and the EU average, currently these values, except for the youngest group, are quite similar. At the same time, very similar levels of unemployment are observed in the Czech Republic and Hungary.



Barriers to employment of young people

One of the most important problems in the labour market is the mismatch between candidates and employers' expectations. In particular in the context of young people, the problem of lack of practice and experience is emphasized, but also the mismatch between education and market needs⁷. In such a case, employing an employee may be connected with additional expenses for additional training and raising his/her qualifications. Moreover, the young generation is often assessed as demanding and not willing to work.

Another problem faced by young people is the lack of stability of employment, they often work on the basis of civil law contracts. This form of contract is connected with much lower costs for employers, but it increases the level of uncertainty for both parties – each of them has the possibility of easier termination of cooperation, which is not favourable for investing in the development of the employee⁸.

It should be noted, that young people are very flexible – they decide to change jobs more often and prefer conditions that provide them with greater freedom, such as remote working. At the same time, they often take up casual or temporary jobs, e.g. during holidays.

At the same time, a specific situation of a huge gap is observed on the labour market – it is estimated that only in Poland by 2025 there may be a shortage of 1.5 million employees. Low birth rate, ageing society or economic emigration, have caused employers to strive harder for employees. A comparison of offers published by employers in 2015 and 2019 shows⁹ that the range of requirements is decreasing and the offer of benefits offered to employees is increasing. In 2019, among the offers analysed, only 56 percent contained experience requirements, where four years earlier it was as high as 70 percent. Similarly, the education requirement dropped

⁷ https://netprstorage.s3.eu-west-1.amazonaws.com/6/3006/776449/efl_mlodzi_praca_raport_www.pdf.

⁸ https://archiwum.ncbr.gov.pl/fileadmin/user_upload/import/tt_content/files/POWR.03.01.00-IP.08-00-3MU18/zalacznik_nr_12_polski_rynek_pracy_wyzwania_i_kierunki_dzialan_na_podstawie_badan_bilans_kapitalu_ludzkiego_20102015.pdf.

⁹ <https://www.pwc.pl/pl/media/2019/2019-01-22-luka-rynek-pracy-2025-pwc.html>.

significantly from 64 percent in 2015 to 44 percent four years later.

Thus, employers have less and less choice of candidates when hiring, so that lack of relevant qualifications or other concerns

for young people may not be as important. Especially since employers acknowledge that young people train faster and assimilate knowledge better, and that entrusting them with a job can, if the right measures are taken, be considered an investment¹⁰.

¹⁰ https://efl.pl/wp-content/uploads/2016/08/EFL_MLODZI_PRACA_RAPORT_www.pdf.

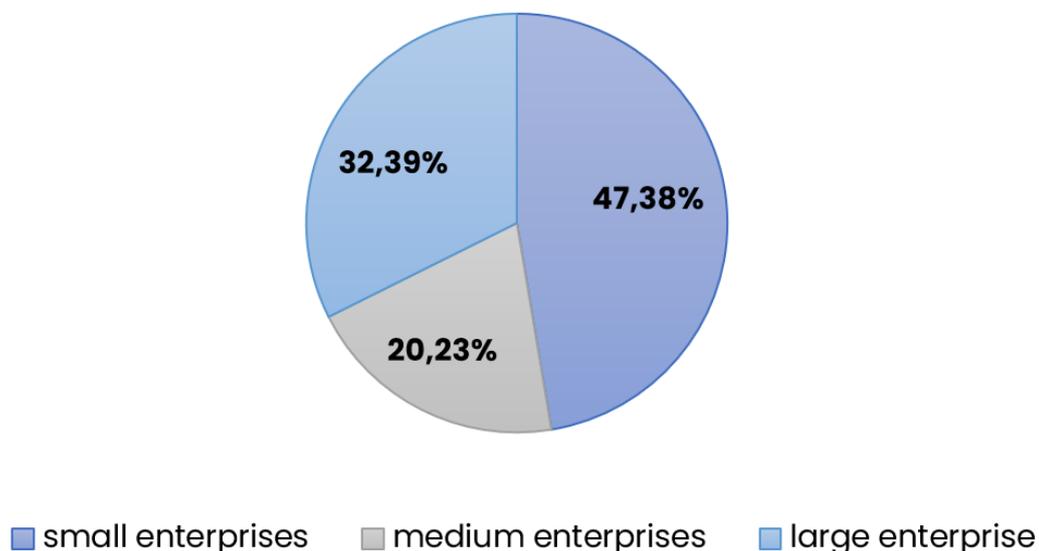


The role of SMEs in employing young people

The situation of young people on the labour market, contrary to popular opinions, is not the worst. In recent years, the level of unemployment among this group has been decreasing and does not deviate from observations in countries with similar levels of wealth and development. There

was a specific period at the beginning of the pandemic, but this was a temporary aberration rather than a permanent market disturbance. However, this does not mean that ways to improve the situation should not be sought.

Graph 15. Employment in Poland by business size in 2020



Source: own work based on GUS

First of all, the sector of small and medium enterprises should be taken into account, which collectively constitute one of the largest employers, employing nearly 68

percent of the working population in Poland. What is equally important, small and medium enterprises are willing to invest in human capital more intensively than in fixed

assets – the share of SMEs in employment was higher than the share in investments¹¹.

This huge potential should be used in the context of young people. Promotion of employment by SMEs is particularly important in relation to media, which create the image of young employees (especially those after graduation) in the context of corporations or large companies. At the same time, the great diversity of SMEs results in many of them being unrecognisable by potential job candidates.

When creating activation programmes, one should first of all listen to the needs of employers, e.g. make use of their comments when creating curricula or apprenticeships. It should also take into account key barriers indicated by entrepreneurs – first of all, high costs of creating a workplace with high uncertainty as to remaining of a young employee in the company¹².

Support for employment of young people should be reasonable and adequate to needs. In particular, some forms of support are not necessarily successful, e.g. focusing on promoting entrepreneurship, in the situation when only 4 percent of young people actually decide to run their own business¹³. Non the other hand, employers, when asked about the forms of motivation for creating new jobs and employing young people, indicated above all support for covering employment costs or preferential tax settlements in the case of internship contracts.

Relieving the SMEs sector of employment costs is crucial, especially in the period of training new employees, whose work may be much less effective. The reduction of

public levies in such a situation seems to be a justified solution, which should encourage entrepreneurs to offer jobs to young people. At present, there is the so-called zero PIT for persons under 26 years of age, i.e. exclusion from paying income tax up to the amount of PLN 85 528.00 (corresponding to the border of the first tax threshold). At the same time, employers who employ students on a civil law contract are not obliged to pay social and health insurance contributions. It would be advisable to consider extending these solutions also to people who are not studying but who are taking their first steps on the labour market and to introduce an analogous solution for employment contracts to ensure greater stability for young workers.

Existing measures should also be used. The European Union has earmarked EUR 22 billion to fund a programme to youth employment support – bridge to jobs for the next generation – which aims to remove the barriers that young people face when trying to enter the labour market. The bridge is based on four pillars including:

- gwarancję a guarantee for young people that if they register on the programme they will receive an offer of employment, education, vocational preparation or training within four months;
- modernisation, making education systems more attractive, flexible and adapted to the needs of the digital and green economy;
- a new impetus to vocational preparation;
- additional measures to promote youth employment.

¹¹ https://www.politykainsight.pl/_resource/multimedium/20091348.

¹² https://efl.pl/wp-content/uploads/2016/08/EFL_MLODZI_PRACA_RAPORT_www.pdf.

¹³ https://archiwum.ncbr.gov.pl/fileadmin/user_upload/import/tt_content/files/POWR.03.01.00-IP.08-00-3MU18/zalacznik_nr_12_polski_rynek_pracy___wyzwania_i_kierunki_dzialan_na_podstawie_badan_bilans_kapitalu___ludzkiego_20102015.pdf.

Funds may be allocated by Member States, in particular, to bonuses for SMEs employing apprentices or training organised for the acquisition of new skills needed on the labour market¹⁴.

Given the willingness of SMEs to create jobs and the significant budget that can be used to financially support these activities, it is still crucial to ensure an appropriate regulatory environment. One of the main

barriers for entrepreneurs is the uncertainty of the law, high taxes and the complicated procedures¹⁵. Solutions such as simplification of regulations, not only employment law ones, ensuring their stability and limitation of tax burdens in connection with employment of young people, should constitute a positive stimulus on the labour market. This is because entrepreneurs perceive young people as an investment – risky, but with high return.

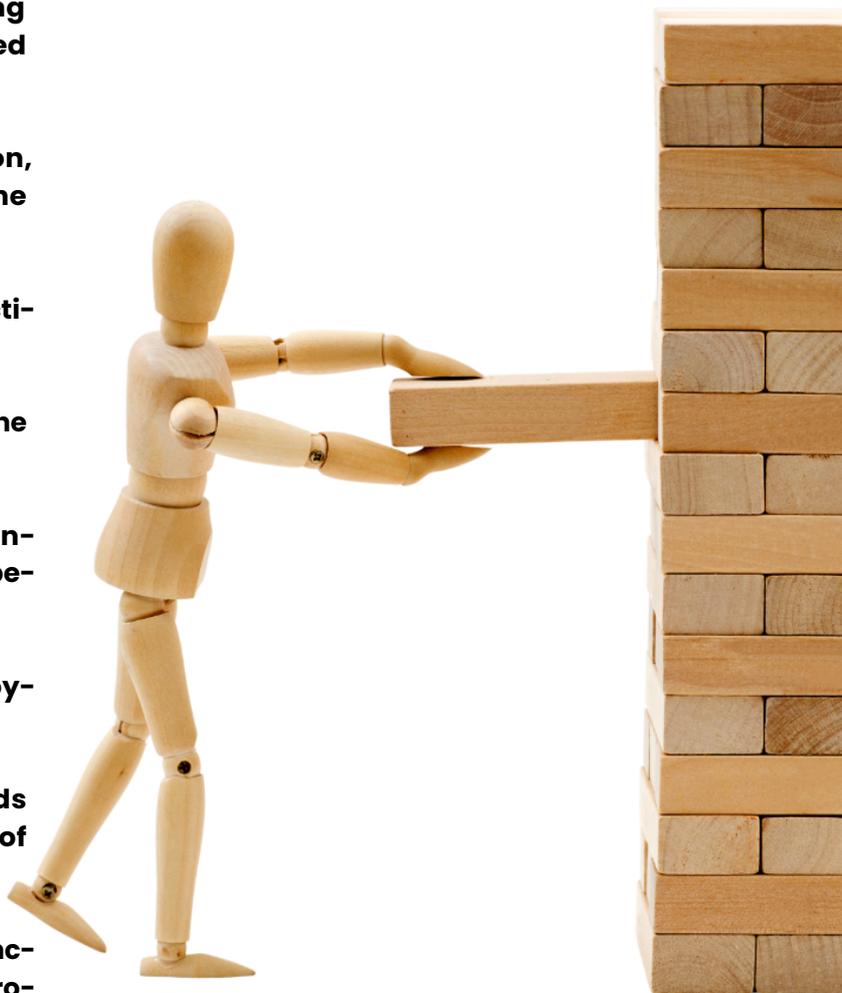
¹⁴ https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/youth-employment-support_pl.

¹⁵ <https://zpp.net.pl/wysokie-pozaplacowe-koszty-pracy-wysokie-podatki-oraz-nadmiar-obowiazkow-biurokratycznych-to-zdaniem-przedsiębiorców-największe-bariery-prowadzenia-firm-w-polsce>.



Recommendations

- **Promoting employment of young people in small and medium-sized enterprises.**
- **Adjusting the scope of education, especially apprenticeships, to the expectations of the labour market.**
- **Use of the EU funds available for activating young people.**
- **Extending the regulations limiting the costs of employment:**
 - ➔ **limitation of health and social insurance contributions for young people who are not students;**
 - ➔ **limitations also applied to employment contracts;**
 - ➔ **facilitation of obtaining refunds for costs of additional training of employees.**
- **Ensuring appropriate conditions (including legal certainty and simple procedures) for employers.**



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