



2016 OECD ECONOMIC SURVEY OF POLAND

Investing in infrastructure and skills

Warsaw, 22 March 2016

www.oecd.org/eco/surveys/economic-survey-Poland.htm



@OECDeconomy

@OECD





Outline

- Key messages
- Ensuring sound public finances
- Maintaining financial stability
- Strengthening employment and job quality
- Enhancing skills
- Improving the business environment
- Raising infrastructure investment



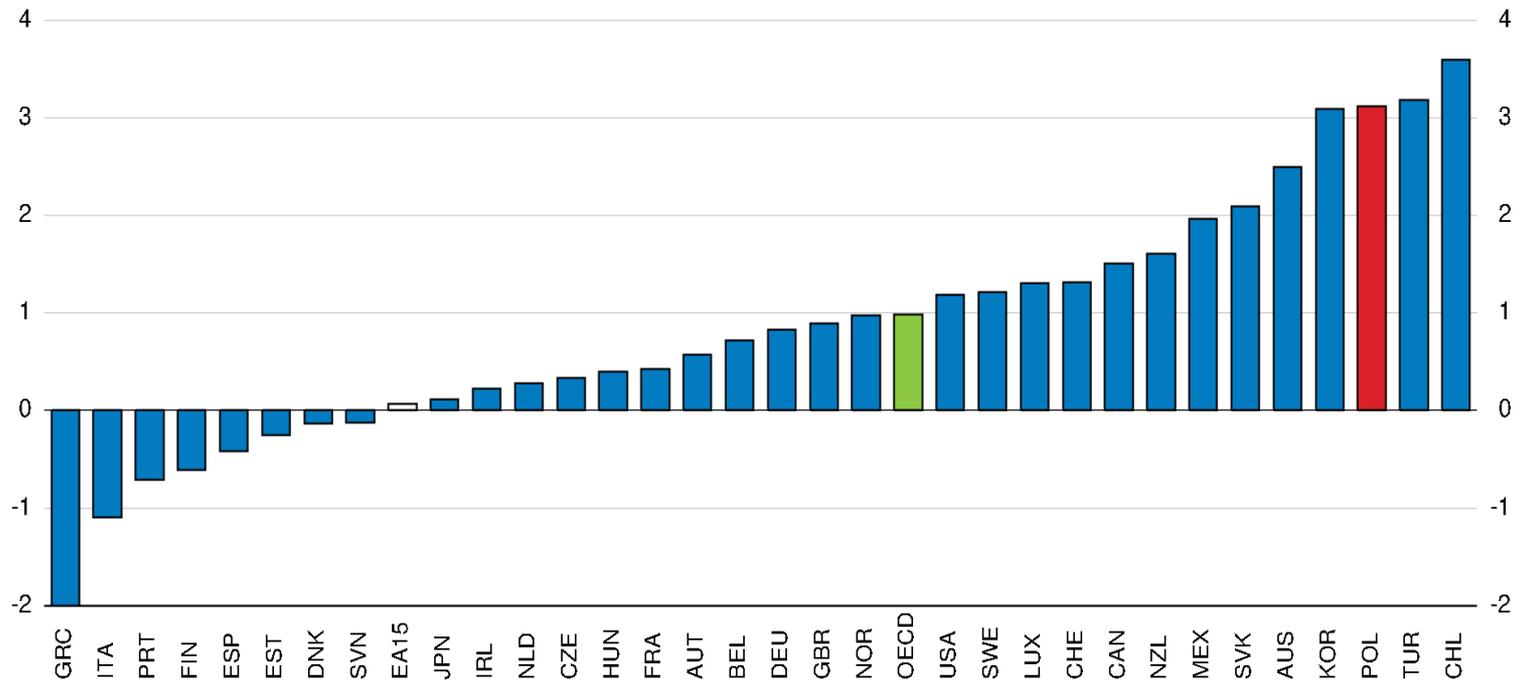
Key messages



Growth has been robust

Real GDP growth, 2007-15

Average annual growth rates



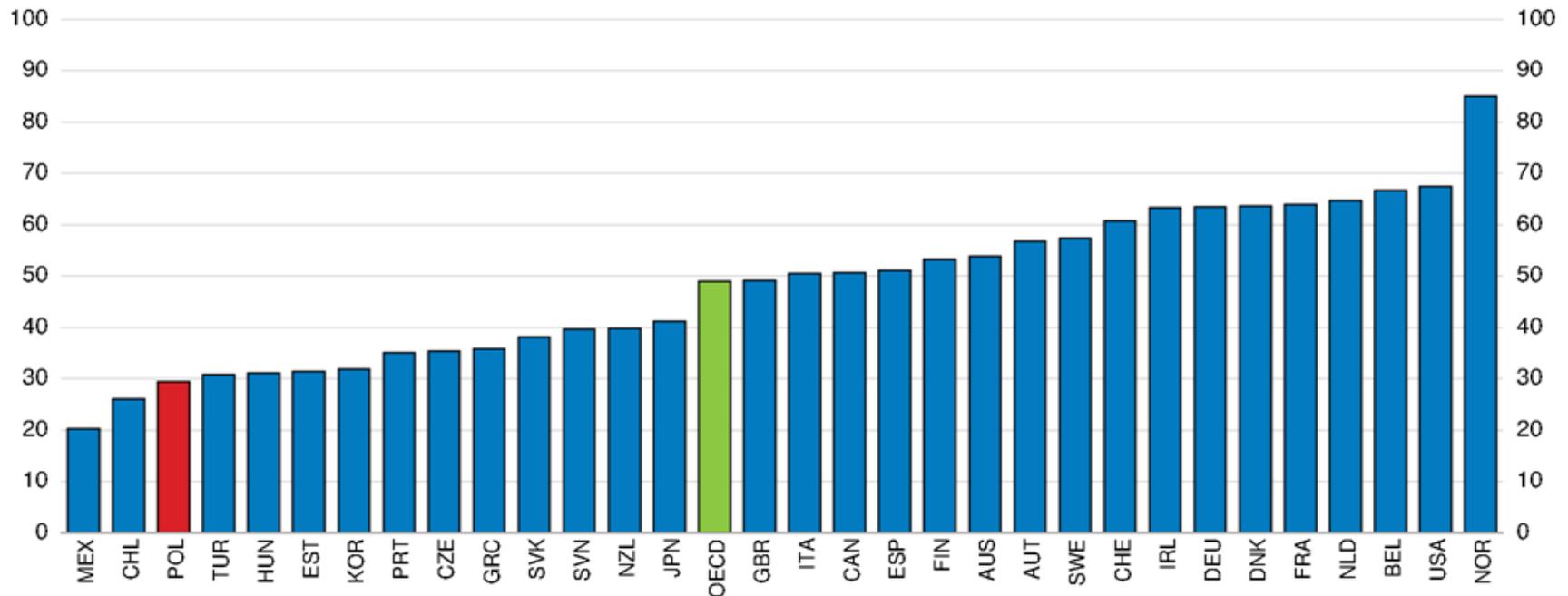
Source: OECD, *Economic Outlook 98 Database* (and updates) .



Investment in infrastructure and skills will support higher living standards and well-being

Labour productivity levels

USD per hour worked (PPPs), 2014

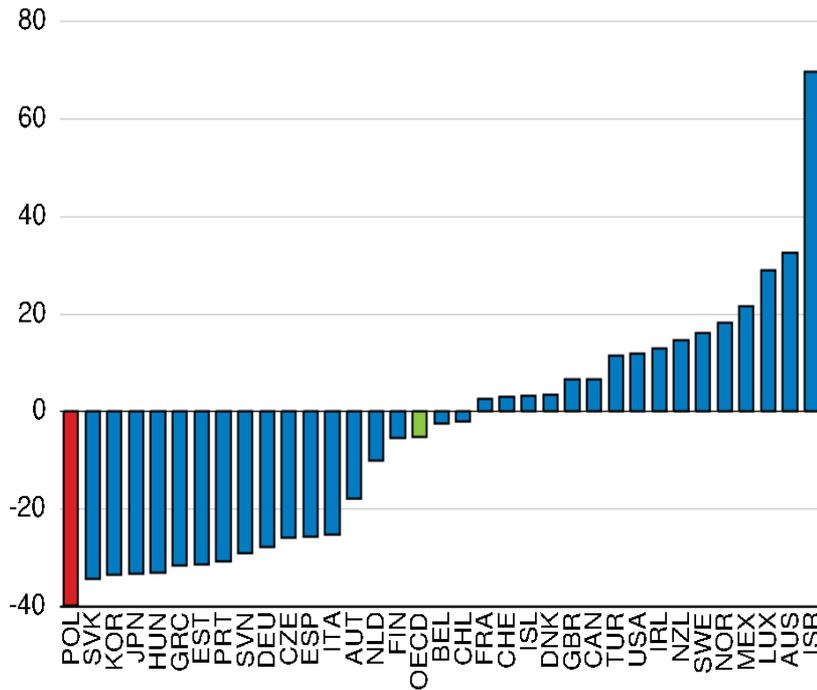


Source: OECD, National Accounts and Productivity Databases.

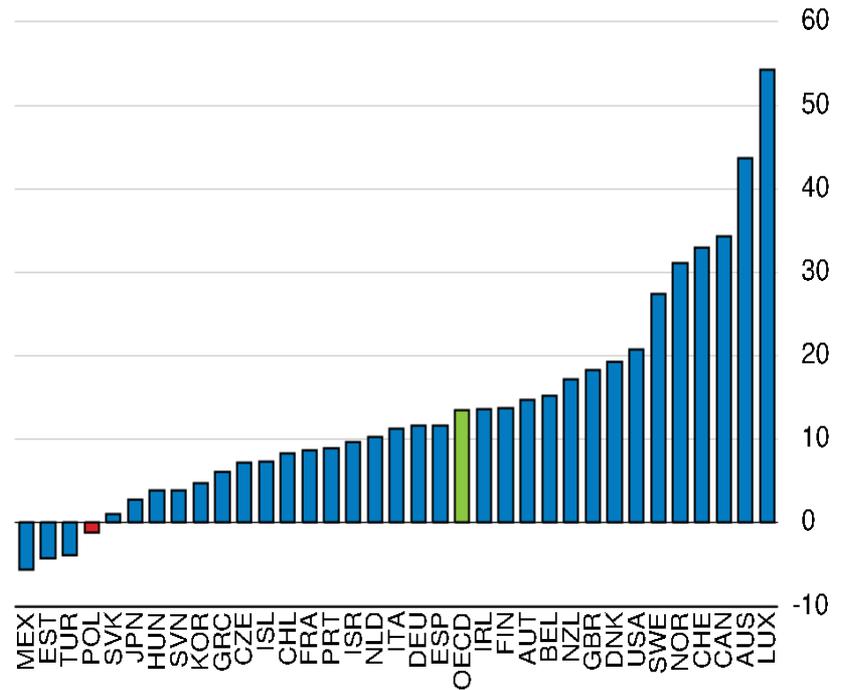


Raising employment and attracting workers will help head off extreme demographic pressures

Working-age population
Percentage change, 2015-60



Migration's impact on working-age population
Contribution to percentage change, 2015-60



Source: United Nations (2015), *World Population Prospects: The 2015 Revision*.

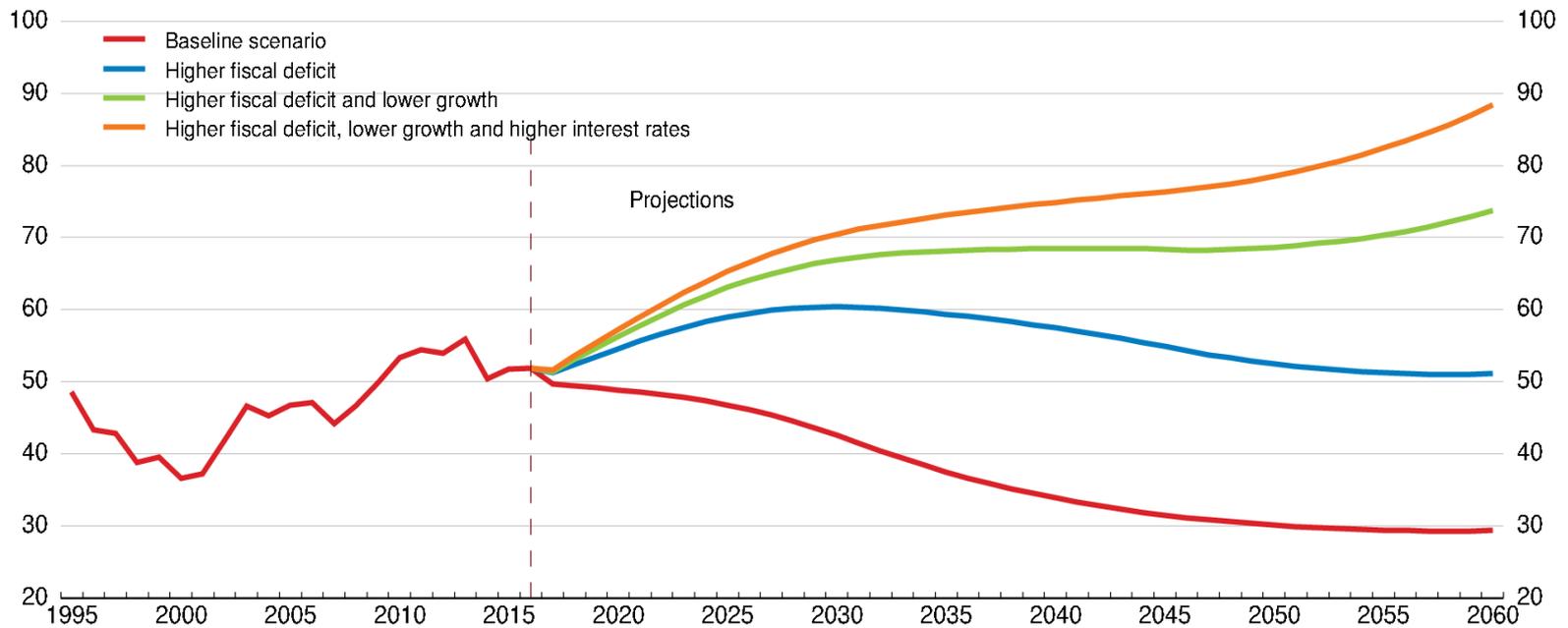


Ensuring sound public finances



There is a risk of fiscal slippage

Debt simulations Per cent of GDP



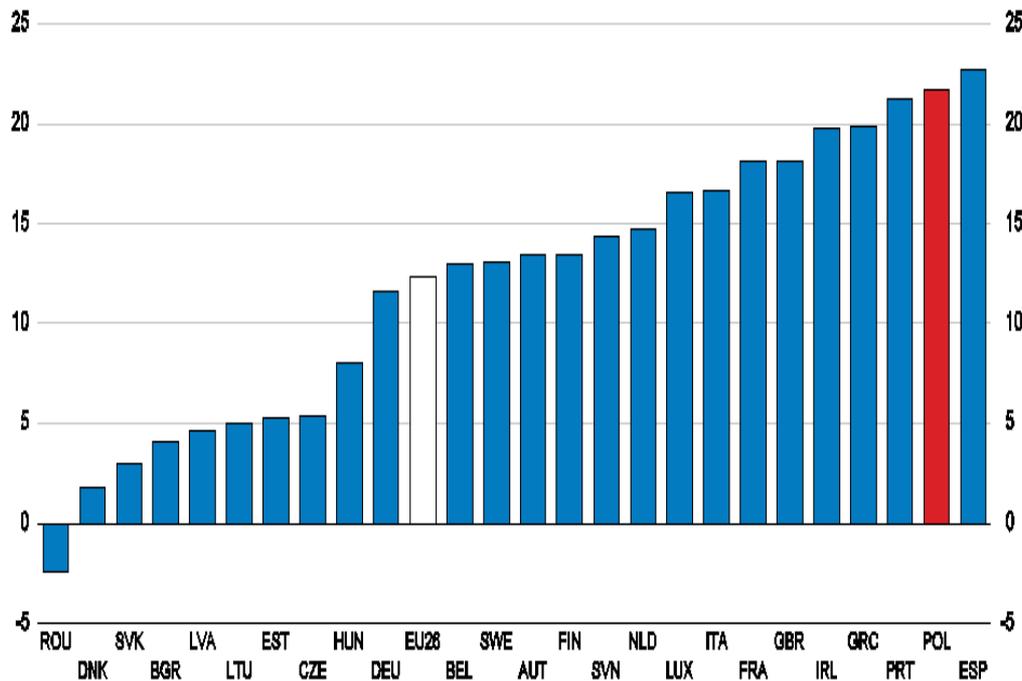
Source: OECD (2015), *Economic Outlook 98 Database* (and updates), *OECD Long-Term Database* and OECD calculations.



Higher revenues are needed

VAT revenue shortfall due to tax breaks

Per cent of potential revenue, 2013



- ✓ *Withdraw reduced VAT rates and exemptions*
- ✓ *Increase property and green taxes*
- ✓ *Strengthen the tax administration*

Source: European Commission (2015), *Study to quantify and analyse the VAT Gap in the EU Member States*.

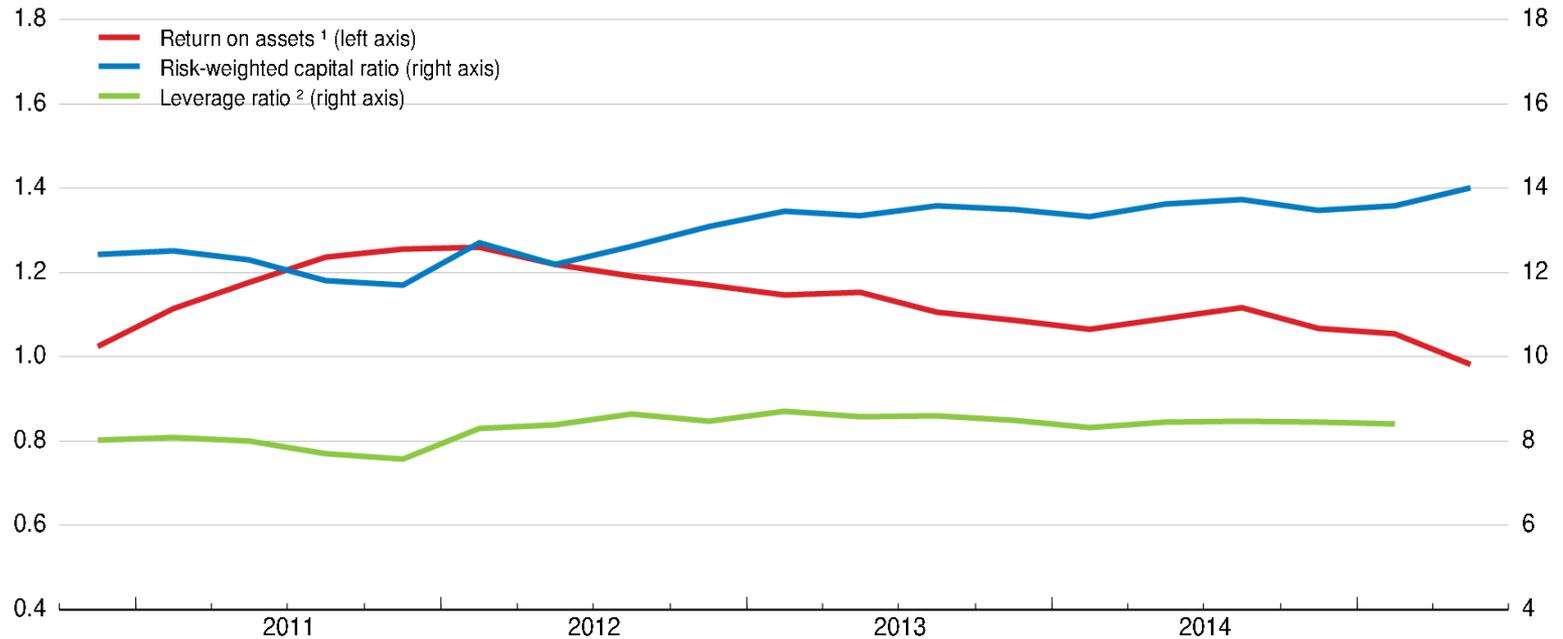


Maintaining financial stability



The financial system is sound, despite lower profits

Bank profitability and capital adequacy



1. 12-month profits in percent of 12-month assets.

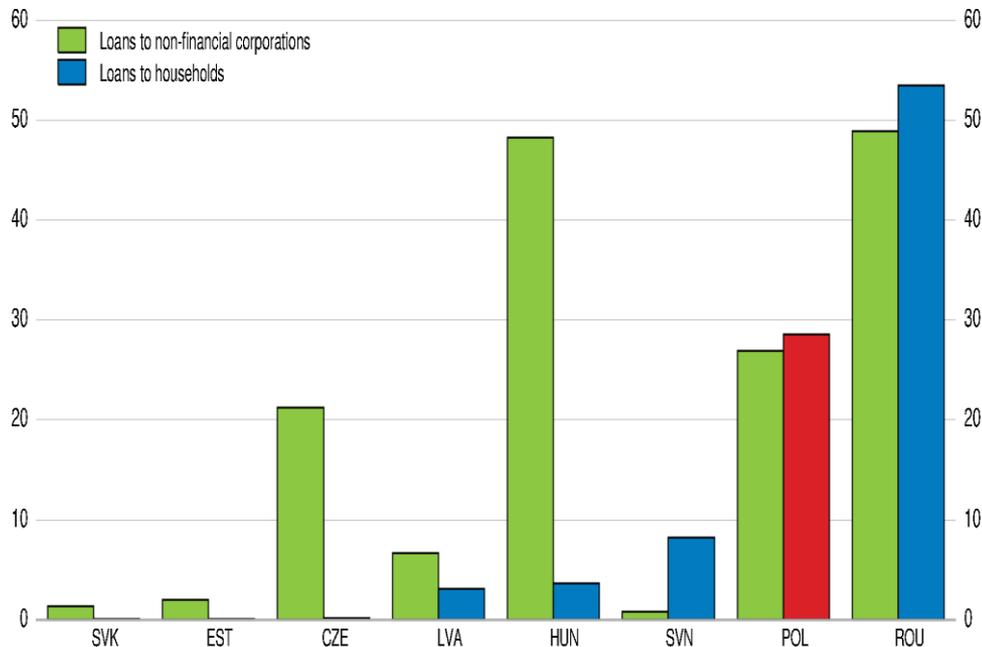
2. Median capital ratio (core capital over unweighted assets).

Source: KNF and Narodowy Bank Polski.



Maintaining financial stability

Share of foreign-currency-denominated loans



- ✓ *Carefully assess the benefits and costs of a possible conversion of foreign-currency-denominated mortgages.*
- ✓ *Develop further the domestic mortgage bond market to reduce bank reliance on short-term funding.*

Source: ECB.



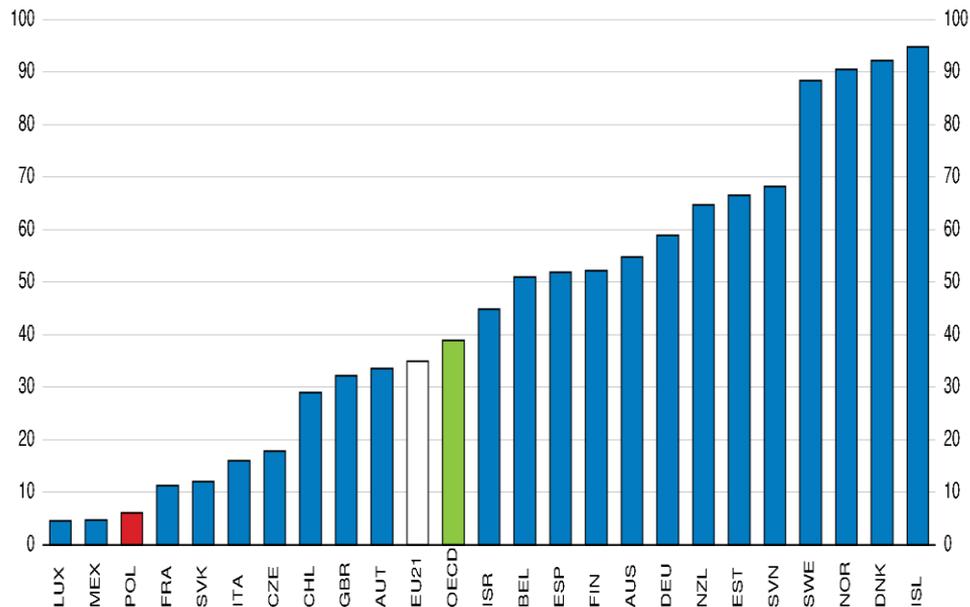
Strengthening employment and job quality



Employment of women needs to increase

Enrolment in childcare, 2013

1-3 year olds



- ✓ *Develop childcare facilities*
- ✓ *Develop long-term care facilities*
- ✓ *Move towards individual taxation*

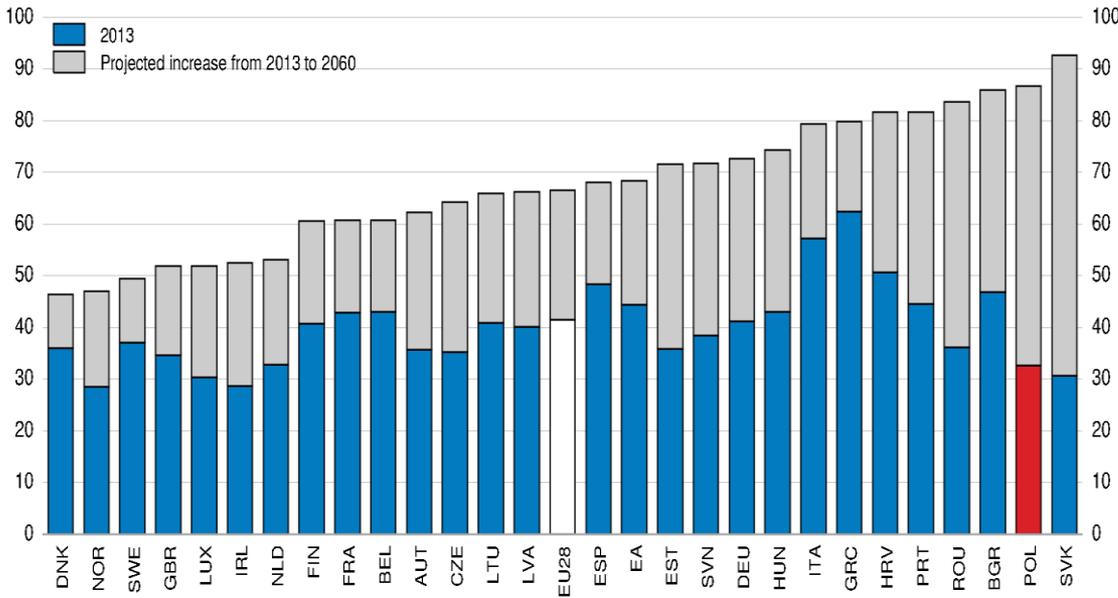
Source: OECD, *Education at a Glance* database.



Improving the employment of seniors

Economic old-age dependency ratio¹

Per cent



✓ *Increase the statutory pension age, as previously planned.*

✓ *If early retirement is to be allowed, it should be at the same age for men and women and at actuarially neutral discounts.*

1. Measured as inactive population aged 65 and over as a ratio to the 15-64 employed population.

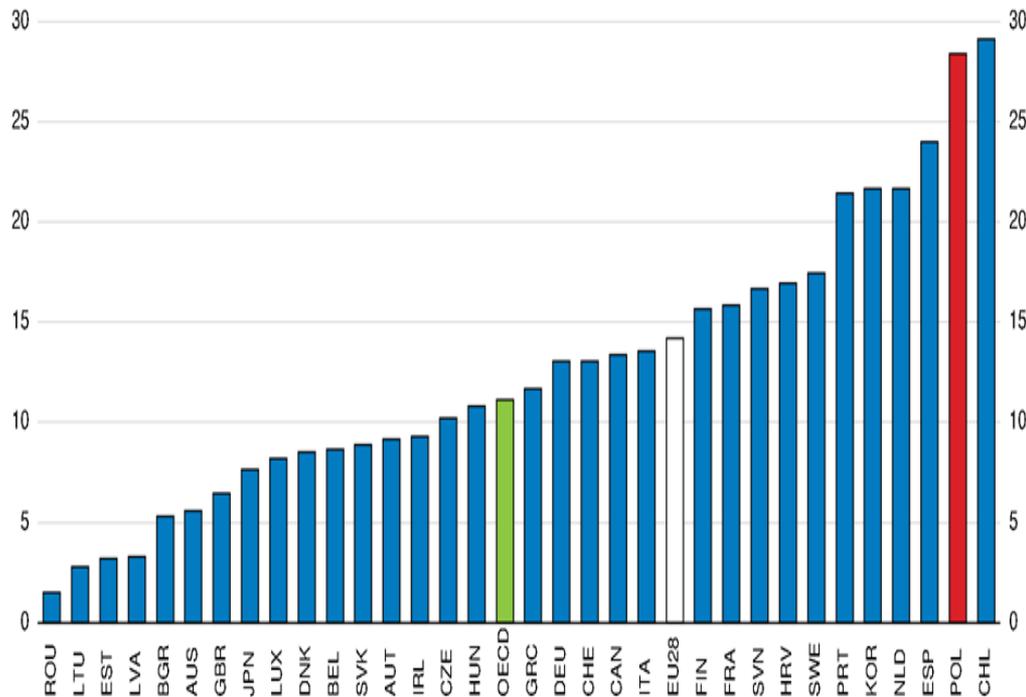
Source: European Commission (2015), *The Ageing Report*.



Access to regular jobs needs to improve

Temporary employment

As a percentage of total dependent employment, 2014



- ✓ *Strengthen labour law enforcement and further align contributions on civil and labour law contracts*
- ✓ *An earned income tax credit could strengthen incentives for low-wage workers to take up a regular job*

Source: OECD, Labour Force Statistics Database.

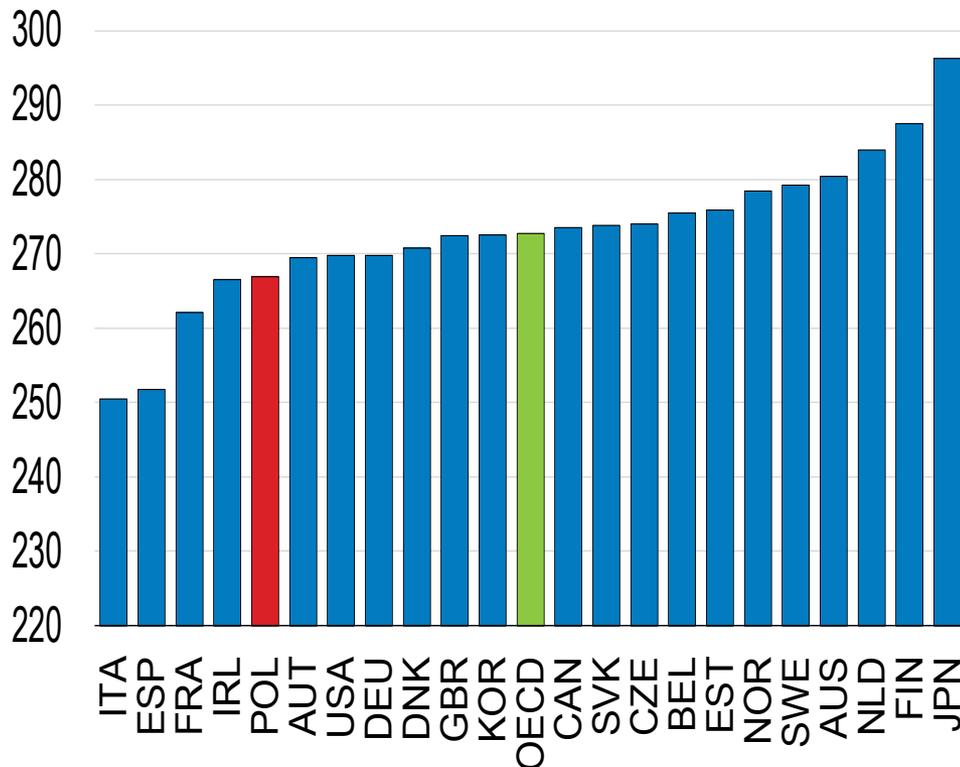


Improving skills



Skills need to increase further

**Literacy proficiency scores
for those aged 16-65, 2012**



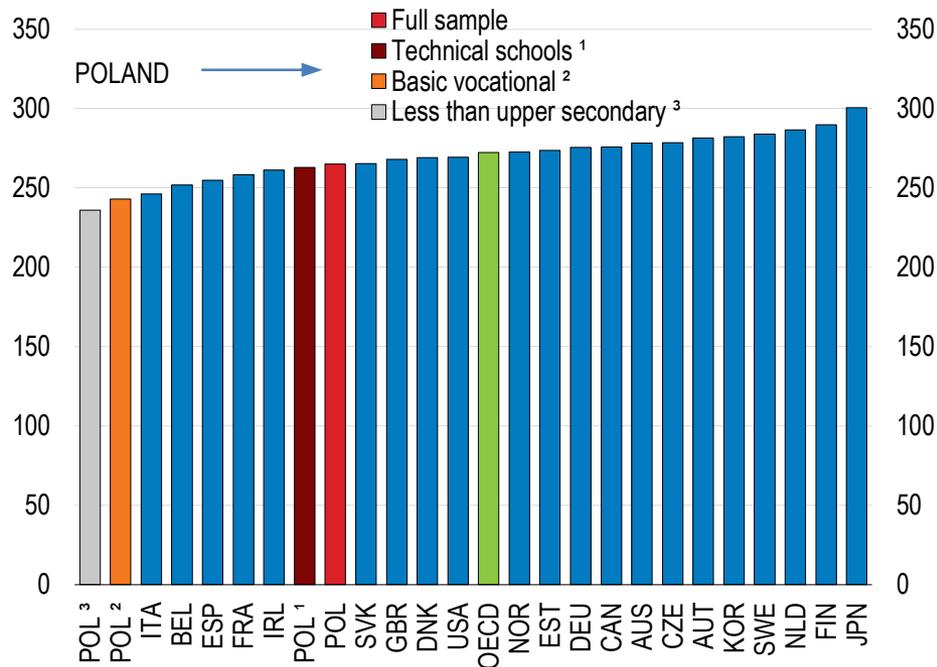
- ✓ *Continue to expand access to early childhood education, particularly for the poor*
- ✓ *Continue to strengthen individual support for weaker students*
- ✓ *Develop a basic skills strategy*

Source: OECD, Survey of International Adult Skills.



Basic vocational schools need reform

Mean PIAAC literacy proficiency score for 16-29 year-olds with vocational education, 2012



✓ *Attract the best teachers to basic vocational schools, e.g. through attractive pay and career prospects*

✓ *Encourage more enterprises to offer work placements for vocational students*

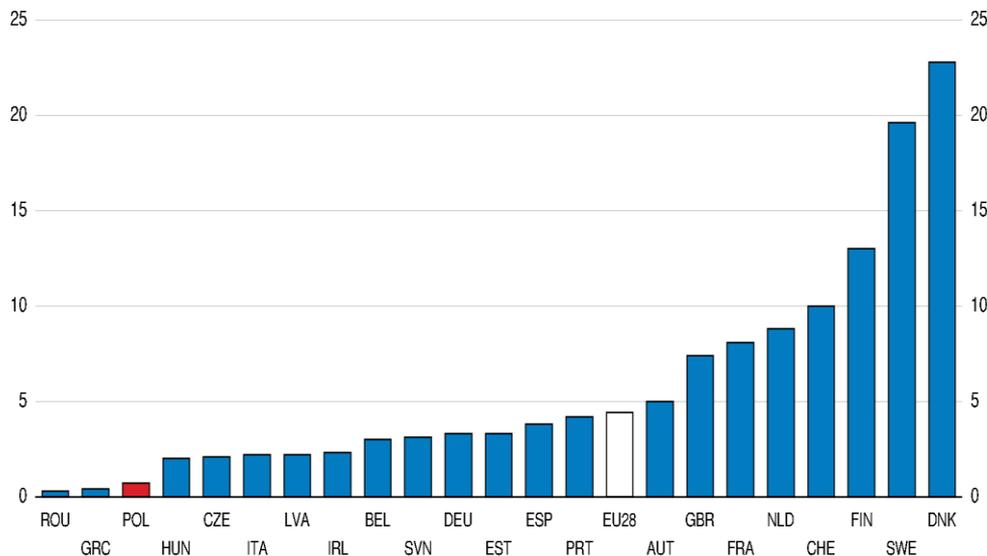
1. Mean PIAAC literacy proficiency score for Polish adults having attended technical schools.
2. Mean PIAAC literacy proficiency score for Polish adults having attended basic vocational education.
3. Mean PIAAC literacy proficiency score for Polish adults with less than upper secondary education.

Source: OECD (2013), *OECD Skills Outlook 2013* and OECD calculations.



Adult education will be key

Participation in continuing education of low-educated 25-64 year-olds¹ 2014, per cent²



- ✓ *Offering shorter and modular courses outside of working hours is the right approach to enhance participation*
- ✓ *Validation of experience and skills might be particularly helpful for migrants and older workers*
- ✓ *Language and computer training will be important*

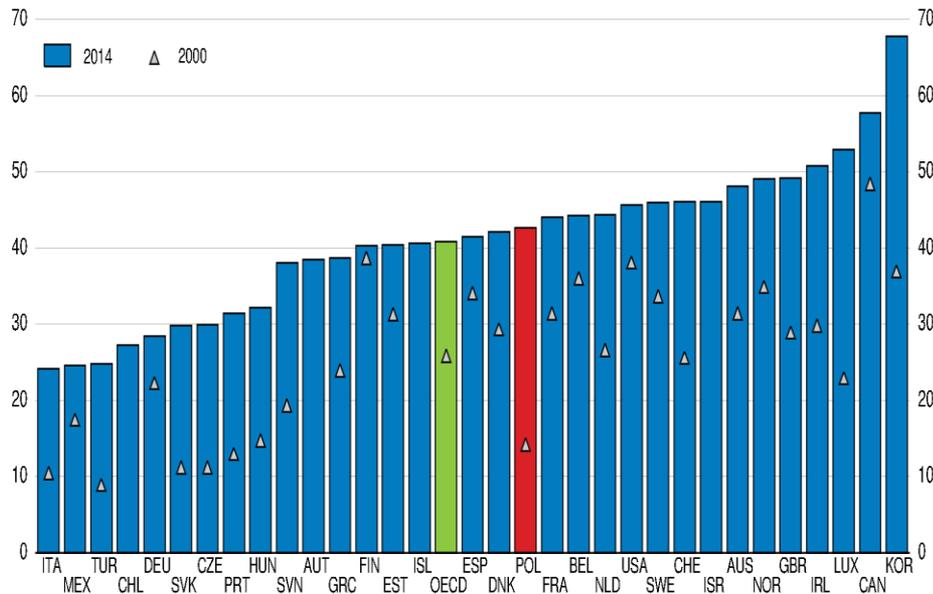
1. Less than upper secondary education, ISCED levels 0-2.
2. Percentage of individuals having had training in the 4 weeks preceding the survey.

Source: Eurostat.



Strengthening the quality of tertiary education

Tertiary education attainment rates of individuals aged 25 to 34 Per cent



- ✓ *Link university teachers' pay and career prospects to their performance*
- ✓ *Strengthen ties with business and foreign universities*
- ✓ *Continue efforts to set up high-quality orientation services for pupils and students.*

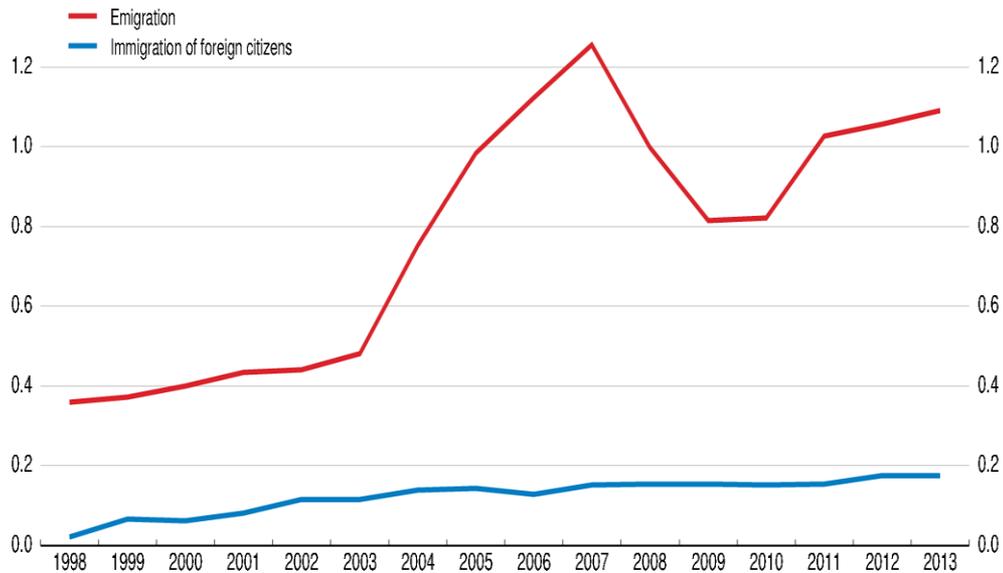
Source: OECD, *Education at a Glance 2015 Database*.



Attracting workers would benefit Poland

Poland's migration flows

As a percentage of the working-age population



Source: OECD, *International Migration Database*.

- ✓ *Advertise Polish job, investment and business opportunities abroad*
- ✓ *Ease foreign credentials recognition*
- ✓ *Provide information on how to work in Poland for return migrants and foreign immigrants alike.*
- ✓ *Train job counsellors to advise immigrants and people who want to set up a business*

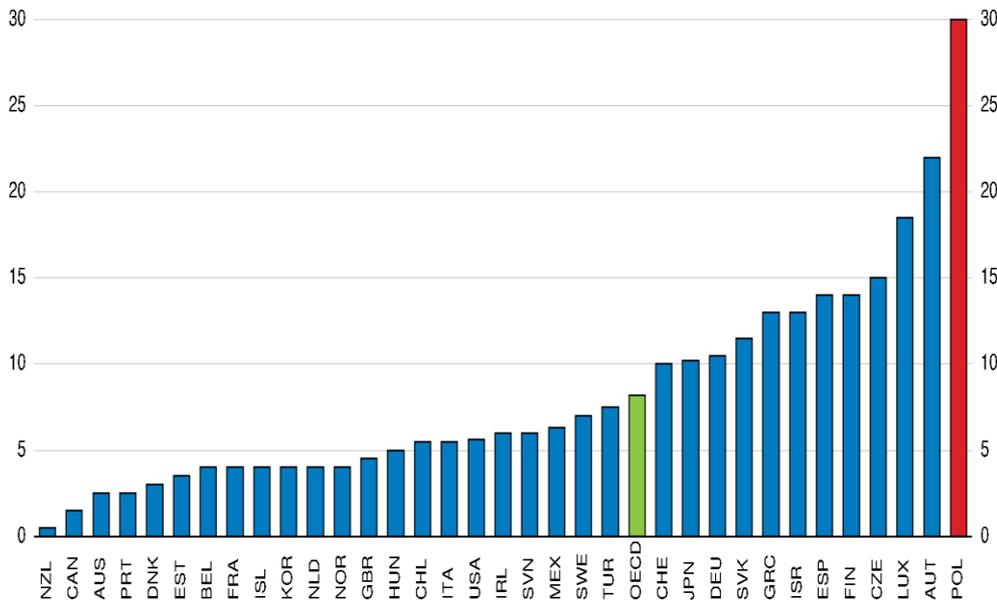


Improving the business environment and technology diffusion



Improving the business environment

Days needed to start a business, 2015 ¹



- ✓ *Streamline business registration procedures*
- ✓ *Monitor the impact of the recent reform of insolvency law*
- ✓ *Reform the R&D support system*

1. Median duration that corporate lawyers indicate is necessary in practice to complete a procedure with minimum follow-up with government agencies and no extra payments.

Source: World Bank (2015), *Doing Business*, 2016.



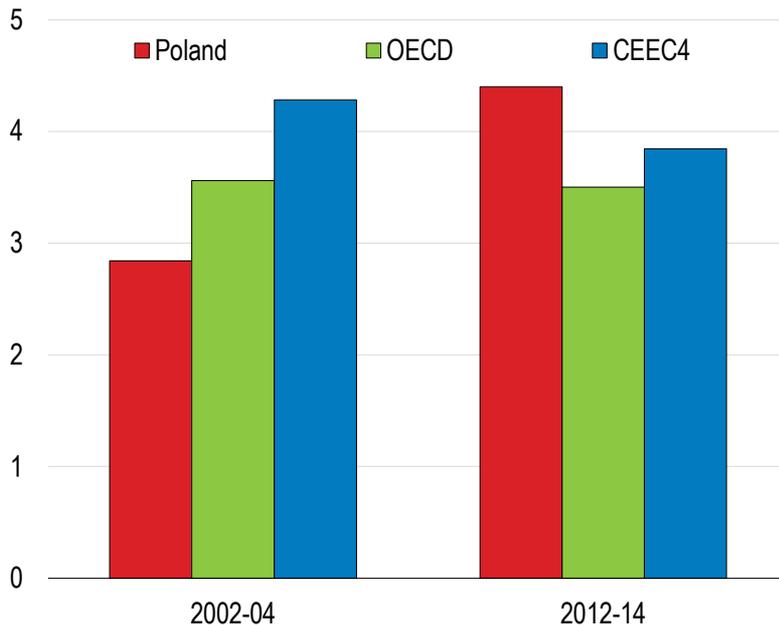
Improving infrastructure investments



Public investment has increased, but perceived infrastructure quality is lagging

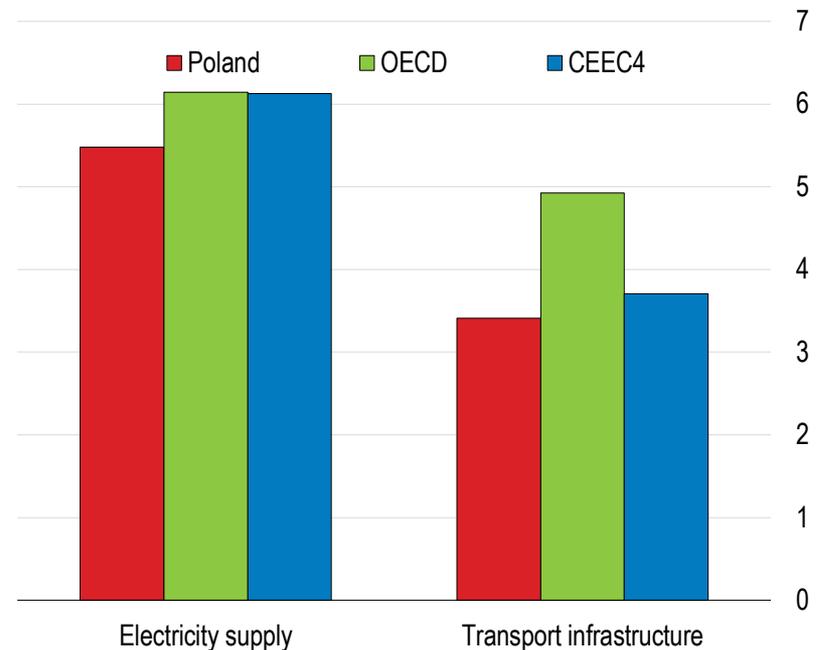
Public investment

% of GDP



Perceived quality of infrastructure

Index from 0 to 7 (highest), 2015



Source: OECD (2015), *Annual National Accounts Database* and World Economic Forum.



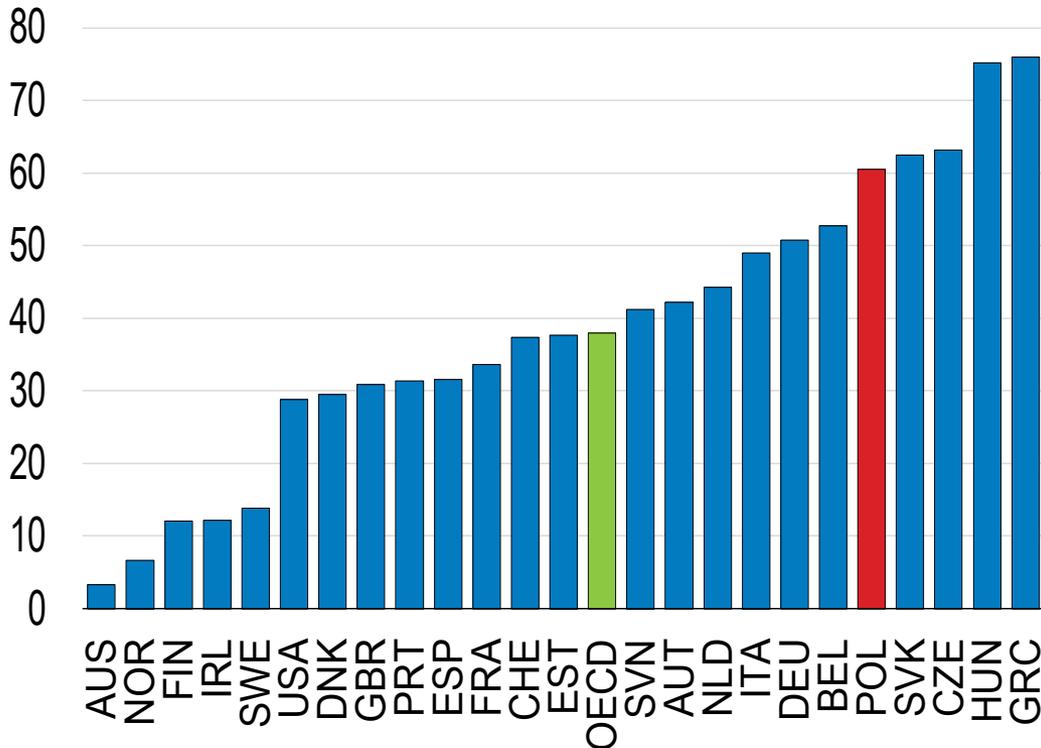
Improving infrastructure investment

- ✓ *Systematically publish cost-benefit analyses*
- ✓ *Better integrate environmental and health criteria to the evaluation of projects*
- ✓ *Bolster local capacity by:*
 - *Providing more central-government assistance.*
 - *Increasing incentives for collaboration across levels of government.*
 - *Rationalising and standardising purchasing procedures, centralising orders and promoting e-procurement take-up.*
- ✓ *Reduce regulatory uncertainty*



Greening the infrastructure

Deaths from air pollution per 100 000 inhabitants, 2013



- ✓ *Ensure that climate change policies are clear and aligned with European and international objectives*
- ✓ *Raise green taxes*

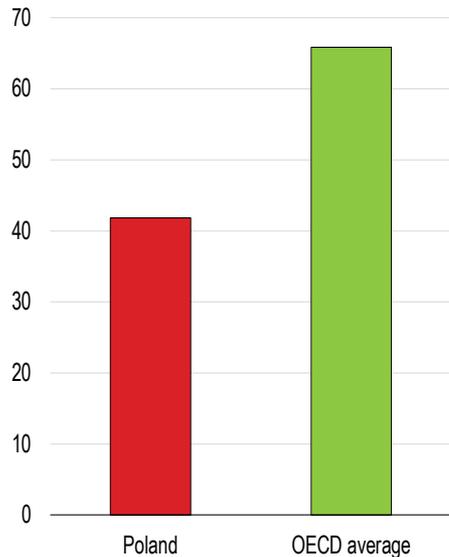
Source: Institute for Health Metrics and Evaluation, <http://viz.healthmetricsandevaluation.org/gdb-compare/>.



Renewing the energy infrastructure

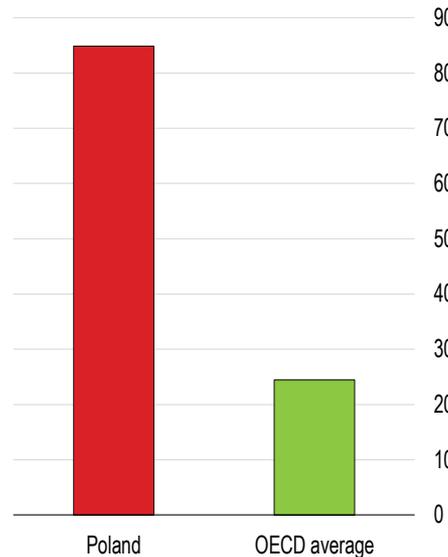
Electricity generation capacity, 2013

MWe per unit of GDP



Share of coal in generation capacity

(%)



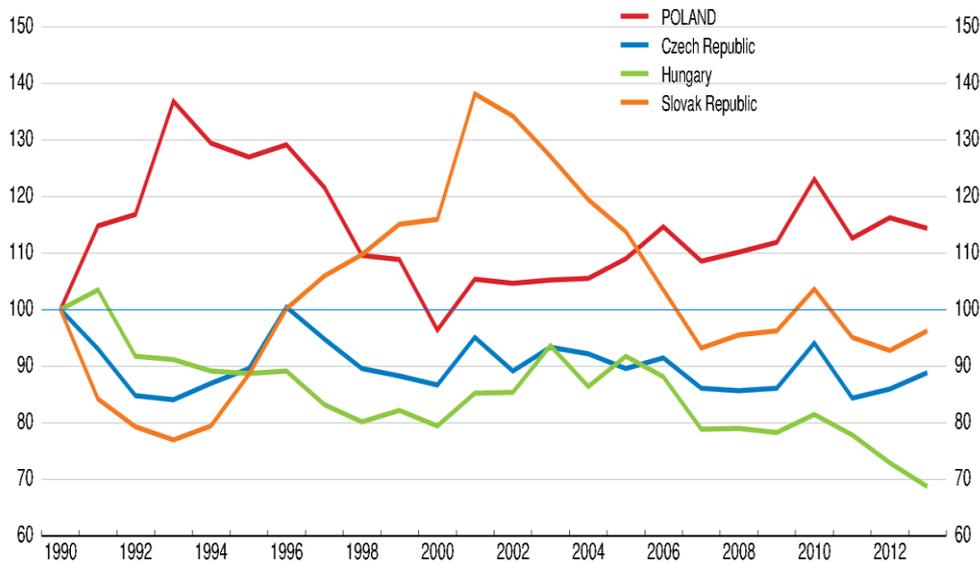
- ✓ *Invest in interconnections in the electricity and the gas sectors*
- ✓ *Evaluate the need for a capacity market to help finance new electric capacity*
- ✓ *Streamline regulatory procedures for new energy investment projects*

Source: IEA (2015), *Electricity Information 2015*; IEA (2015), *Electricity and Heat Generation*.



Increasing energy efficiency

Residential energy use Index, 1990=100



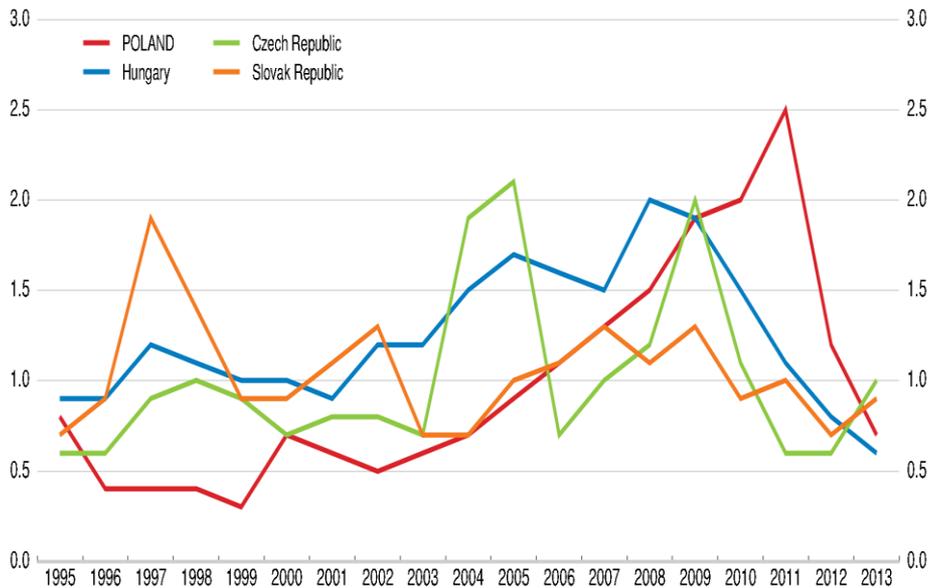
Source: Eurostat (2015), *Final energy consumption of the residential sector*.

- ✓ *Monitor the development of the market for “white certificates”*
- ✓ *Install “smart meters” for electricity more widely*
- ✓ *Ensure a higher take-up of the programme for the construction of energy-efficient houses*



Strengthening transport infrastructure

Gross government investment in transport Per cent of GDP



Source: OECD (2015), *Transport infrastructure investment and maintenance spending*.

- ✓ *Ensure funding for railways*
- ✓ *Develop local spatial plans, and increase collaboration across levels of government*
- ✓ *Allow local electronic tolling systems*
- ✓ *Improve the management and funding of local roads*



More Information...

Disclaimers:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

