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#### **IBS Policy Paper** From research to public policy

## INCREASING FEMALE LABOUR FORCE PARTICIPATION IN POLAND

Iga Magda

#### Main message

Women in Poland work less often than women in the EU. Increasing their labour force participation should be supported for three reasons: (1) it would lessen the decreasing labour supply driven by demographic changes; (2) women willing to work but facing obstacles to economic activity would be able to enter the labour market; and (3) it would limit the problem of low old age pensions in the future.

There are three groups of women with the lowest labour force participation: women with lower education; women living in small towns and rural areas; mothers of two. They have to contend with non-flexible working hours, jobs that are financially and physically unattractive, the burden of household and childcare chores, and the lack of early education and care facilities for small children. Their economic activity is further limited by certain solutions in terms of taxes and social benefits that reduce the cost-effectiveness of taking up work.

There are three areas where public policy could increase women's labour force participation: parent-friendly labour market; better quality of care and educational services for small children; and greater involvement of men in childcare and household chores.



#### Facts and figures

- 63% of women aged 15-64 in Poland participate in the labour market, compared to 68% in the EU28.

- 80% is the labour force participation rate of women aged 25-49. This figure is 1 percentage point (pp.) higher than the EU average, but almost 10 pp. lower than in countries with the highest labour force participation.

- around 700,000 women could join the labour market if the economic activity rate of women aged 25-49 was on the level currently observed in countries with the highest labour force participation.

- more than half of women on the labour market have completed higher education (53%, two times more than 15 years ago).

- 60% of working Polish women have no possibility to decide about their workday start and finish times (two times more than in the EU as a whole).



#### Women's labour force participation rate by age (%), selected EU countries, 2018

Source: calculated by the authors based on Eurostat data.

## Introduction

The labour force participation of Polish women is low compared to other EU Member States. This situation has negative macro- and microeconomic consequences. It translates into lower GDP, lower proceeds from social contributions and taxes, and therefore limited possibilities of financing social transfers and public services. Women's low labour force participation indicates a faster decrease in labour supply, which is very dynamic in Poland anyway. Apart from that, countries with low labour force participation of women have lower fertility rates, as difficulties in reconciling professional and family life negatively affect decisions about expanding one's family.

On the microeconomic level, economic inactivity – particularly prolonged – leads to lower income from employment, reduced opportunities to return to employment, fewer opportunities to find better-paid employment, and consequently, to a much worse situation following retirement (lower retirement pay, higher risk of not receiving retirement pensions, risk of poverty). Women's low employment rate also indicates a waste of human capital.

This paper focuses on women aged 25-49. The labour force participation of Polish women aged 50+ is low owing to low retirement age and other benefits that enable them to exit the labour market at an earlier stage. For this reason, this group has been excluded from our analysis. Neither have we analysed the economic activity of the youngest women, aged 15-24, because most of them are in education.

On average, Polish women aged 25-49 participate in the labour market as often as women in other EU countries. Nevertheless, labour force participation is very diverse among various groups of women. Figure 1 shows groups of women with high and low labour force participation rates (compared to other EU countries).

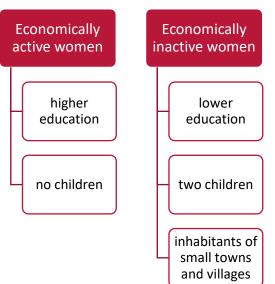


Figure 1: Polish women with high and low labour force participation (economically active and inactive, respectively, for simplicity)

There are many causes of economic inactivity, with the need to take care of children being a major one. However, childcare as an obstacle to employment often results from a number of other limitations, such as lack of high quality early education and care facilities, unattractive jobs with non-flexible working hours that require lengthy and costly commuting, as well as incentives from the tax and social benefit systems. Owing to the latter, taking up a low-paid job is often uneconomic, which poses the second important obstacle. Thirdly, reconciling working and family life is continuously hampered by men's low involvement in childcare and household chores.

There is considerable room to increase women's labour force participation. At present, the activity rate for many groups of women is not just lower than in countries with the highest rates of women's labour force participation, but even lower than the EU average. At the same time, in 20-30 years, even the highest levels of women's labour force participation in the EU will be average at most, inadequate to labour market changes driven by population ageing. Increasing women's employment rate is both required and desirable, and should be achieved by undertaking action in three areas: improving financial and non-financial work incentives for parents; increasing access to high quality childcare and education; supporting cultural changes favouring women's professional aspirations.

The analysis is divided into five sections. The first one identifies groups of women with low labour force participation rates. Section two outlines multiple reasons behind their economic inactivity. Section three aims to establish to what extent the labour market favours women's labour force participation . Section four discusses the changing social norms and cultural factors that influence decisions about economic activity and inactivity. Finally, section five contains policy conclusions.

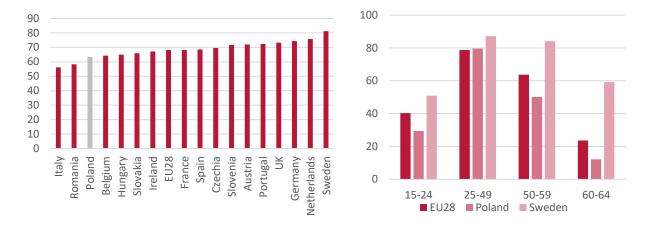
## 1. Women with low labour force participation

The total labour force participation rate of women in Poland is low compared to other EU Member States. Just over 63% of working-age women in Poland (15-64) participate in the labour market compared to the EU28 average of 68%. In Sweden – a country that serves as a model for the successful inclusion of women in the labour market, where the economic activity of women is among the highest in the EU – women's labour force participation exceeds 80% (Chart 1). In Poland, women's economic activity rate is particularly low in the youngest and oldest age groups (Chart 2). The share of women aged 15-24 on the labour market is 10 pp. lower than the EU28 average, and the gap is even higher for women aged 50-64. The inactivity of women aged 15-24 mostly results from their pursuit of higher education. In the case of older women, their lower labour force participation in Poland is mainly due to low retirement age.

**The labour force participation of women aged 25-49 in Poland is similar to the EU average.** At the same time, there is considerable room to improve it – in Slovenia, which ranks first in that respect, the female labour force participation rate in this age group is 10 pp. higher than in Poland. Not only Nordic countries, but also Baltic states and Croatia demonstrate higher labour force participation than Poland. The further part of this paper is devoted to women in this age group and an analysis of their economic activity and inactivity.

Chart 1. Women's labour force participation rate (%), age group: 15-64, selected EU countries, 2018.





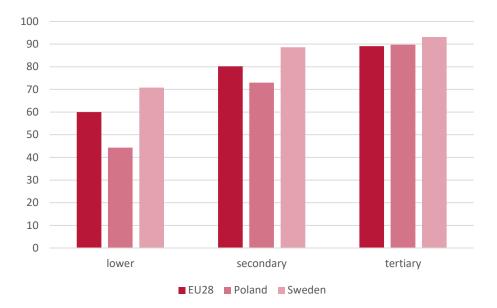
Source: calculated by the authors based on Eurostat data. Sweden (Chart 2) represents countries with the highest labour force participation of women aged 25-49, such as Denmark, Portugal, Lithuania, Latvia and Slovenia.

There are three main factors that differentiate women's labour force participation, namely level of education, the presence of children and their age, and place of residence. Below we have identified subgroups of women with the lowest labour force participation compared to other EU Member States.

Women with higher education participate in the labour market more frequently. Almost 90% of them are employed or seeking employment (2018), like in the EU28 (Chart 3). In the aforementioned Sweden and Slovenia, this activity rate is slightly higher (by 3-4 pp.). Were Poland to attain that level, this would mean – given the current demographics – the inclusion of 90,000-120,000 women with higher education in the labour market.

Less educated Polish women participate in the labour market less frequently. The labour force participation rate of Polish women with secondary education is considerably lower than the EU28 average (more than 7 pp.), and the difference is even greater (exceeding 15 pp.) for women who only completed lower secondary education. The gap between activity rates in Sweden and Slovenia is even larger. Increasing the labour force participation of less educated Polish women to levels currently observed in Sweden or Slovenia would mean an additional 550,000-630,000 women (aged 25-49) on the labour market, mostly with secondary education.





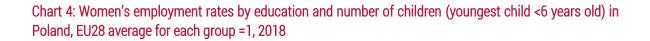
Note: In Poland, ISCED 0–2 stands for lower secondary or lower education; ISCED 3–4 for basic vocational, secondary or post-secondary education; and ISCED 5–8 for higher education.

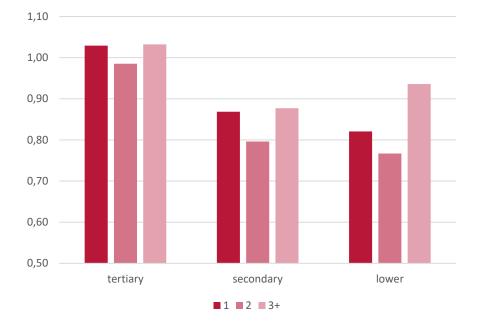
Source: own work based on Eurostat data.

There is no clear pattern of how having children influences women's employment. In Poland, childless women as well as women with one or three and more children work more often than the EU average (compared to women with the same number of children). The employment rate of Polish women with higher education who are childless or have one child is particularly high. Their employment level exceeds not just the EU average, but is also higher than in Sweden. The above is contrasted with the low employment level of Polish women with two children.

**Differences in economic activity between Poland and the EU are most visible in the case of mothers of two.** This holds true for women with both higher and lower education levels (in the latter case, the gap in their employment compared to the EU average is clearly growing). Furthermore, the employment disproportion for women with two children in Poland and the EU is greatest in the case of women whose youngest child has not yet turned 6 (Chart 4), and lower among women whose youngest child is aged over 11. Such patterns of differentiation suggest the existence of factors – be it social norms, limited access to childcare, or financial incentives – that influence the employment of women with two children, particularly less-educated ones.

Women living in large cities participate in the labour market much more often than those inhabiting small towns and rural areas. This concerns both women with higher and secondary education.

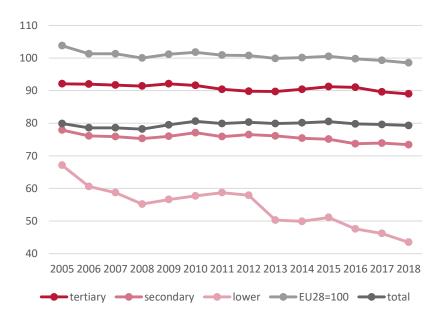




Source: calculated by the authors based on Eurostat data.

**Over the last few years, women's labour force participation has been decreasing.** After a period of decline between 2005 and 2008, the activity rate increased slightly between 2008 and 2015, with certain swings during the economic downturn of 2012-13 (Chart 5). Since 2016, the aggregated labour force participation rate has been decreasing somewhat, both in absolute terms and compared to the EU average.





Source: calculated by the authors based on Eurostat data.

The total labour force participation rate is stabilized over time by the growing share of women with higher education. While they only comprised 25% of economically active women aged 25-49 in 2005, their share grew to 53% in 2018. Without this change, the current activity rate would have been ca. 6 pp. lower than in 2005. Labour force participation is clearly weaker among women with low education levels, and is also significantly decreasing among women with secondary education. Both trends have a long-term nature, and were already visible in the mid-2000s. The economic activity of women with higher education experienced greater fluctuations, which reflected changes in the general situation on the labour market. Nevertheless, even among women with higher education women's labour force participation rate was lower in 2015 than in 2005, and has been on the decline since 2016. One could speculate that these changes result from the so-called *income effect* – growing salaries and social benefits enable some households to withdraw one of their members (usually the woman) from the labour market.

The 'Family 500+' allowance contributed to women's lower labour force participation after 2016. According to available estimates, in the first year after it was introduced, it contributed to ca. 100,000 women leaving the labour market; in the long term, this could affect around 160,000 women (Magda, Kiełczewska and Brandt, 2018; Myck 2016, Myck and Trzciński 2019).

## 2. Causes of economic inactivity

Low labour force participation of Polish women is predominantly caused by family obligations. More than 75% of women who are outside the labour market, are not employed or seeking employment because of childcare or other family duties. A similarly high share of family obligations indicated as the main reason behind economic inactivity is recorded in Czechia and Slovakia, a percentage that is significantly higher than the EU average of 52%. In Sweden, family obligations are declared as inactivity reason by 18% of women outside the labour market.

**Some of the inactive women would like to work, but are not actively seeking employment.** This concerns 37% of women aged 25-49 in Poland – a percentage higher than the EU average (28%) and much higher than the share of women outside the labour market willing to work in Czechia (10%) or Slovakia (12%). There are many reasons why women are not seeking employment: small number of available jobs in the place of residence; for persons with potentially low wages and high costs of taking up a job, associated, e.g., with the cost of commuting and ensuring childcare provision, taking up a job is unprofitable; cultural pressure and social norms influencing decisions about individual childcare provision.

**Opportunities to take up work are reduced by the low availability of different forms of childcare.** Although the availability of early education and childcare facilities has greatly improved in Poland over the last two decades, still only one in ten children aged 0-3 has a secured place at a nursery – while more than two-thirds of municipalities in Poland have no available places for children under three. Alternative, more flexible forms of childcare provision (such as childminders) are growing dynamically, but their availability is still low. Another limitation to nursery care is not just its unavailability, but its price (particularly when most available forms are private, i.e. not co-funded by municipal authorities). The quality of childcare is also important as well as the still persistent perception of the nursery as a 'child storage' facility devised for the sole purpose of 'pushing' women into the labour market. The reality is quite the contrary: nurseries are a very important

education facility at an early, crucial stage of life. They support the development of social, linguistic and cognitive skills. This role of nurseries is particularly important for children with low cultural capital background. For this reason, greater access is required to various forms of care and education for the youngest children, not necessarily on a full-time basis, so that they may serve to promote equal social and development opportunities for children. Facilitating mothers' economic (and/or educational) activity is merely a positive 'side effect' of children's early education.

Limited availability of kindergartens represents another obstacle to employment for women living in rural areas. Only 50% of 3-year-olds in rural areas go to kindergarten, a much lower percentage than in cities (90%), where a more frequent obstacle to using such services is their high price. Another obstacle are the limited hours when childcare is available, which preclude parents from flexibly reconciling work and family obligations. For instance, according to a study analysing the causes of economic inactivity in the Subcarpathian region (WUP Rzeszów 2019), one in five schoolchildren has no possibility to use a day-care or after-school centre, and among those in operation, almost 70% close earlier than 5 p.m., and 45% before 4 p.m., which hinders the organization of parents' working time and commutes.

For some women, taking up work is unprofitable. This concerns, in particular, single mothers and women with potentially low wages. The tax and benefit system – set thresholds, amount of benefits and the rules of their withdrawal – means that taking up a low-paid job would lower the total income of a household. This difference becomes even greater if we take into account the cost of childcare provision. Consequently, working becomes unprofitable in the short-term cost-benefit analysis (which fails to include long-term benefits of work, such as gaining experience or accumulating pension contributions).

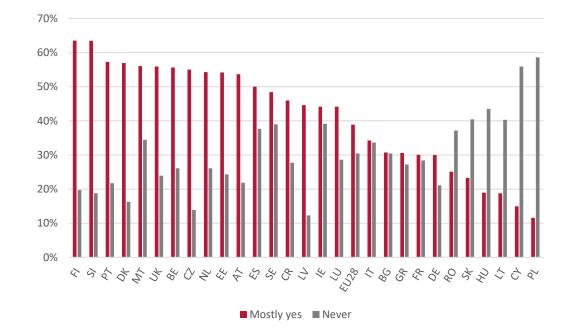
Women's labour force participation is also limited by employment offices not being oriented towards persons outside the labour market. Only a part of the non-working female population is registered with employment offices, which is a prerequisite for access to job placement, career counselling or training services on offer (Smoter 2019). Non-working women who are not registered with employment offices, but who consider returning to the labour market, have to 'take the first step' on their own. And that may be very difficult, especially following a prolonged period of economic inactivity.

### 3. Labour market in Poland and women's labour force participation

The Polish labour market is not very friendly for parents of young children. Only a small number of Polish women are free to decide about their workday start and finish times, which would enable them to reconcile work with childcare obligations. This option is available to 12% of working women, compared to ca. 40% in the EU28 (Chart 6). The situation persists despite numerous demands and recommendations to make the labour market more flexible and introduce solutions that would be more conducive to reconciling work and family life. Most women in Poland have no option to decide about their working hours (this share is two times higher than in the EU).

Employees with small children have to adjust to workplace requirements, as employers rarely adapt workplaces to parental limitations. Consequently, some women find themselves unable to adjust to non-flexible work conditions, and do not return to work following maternity leave. The practice of reorganizing working hours and conditions for employees is almost non-existent, a fact that is backed by data. Polish

women declare that childcare influences their professional situation – leading to a change in income, working hours or scope of responsibilities – much less often (26%) than other European women (38%). This could mean that the women who remain in employment have adapted to the labour market (thanks to, e.g., access to institutional care, assistance of others in childcare), with workplaces rarely adapting to their needs.





#### Source: Eurostat.

**Reconciling work and family life is particularly difficult for inhabitants of small towns and rural areas.** In their case, flexible working hours are even less prevalent (they are available to 10% inhabitants of small towns and 7% of rural inhabitants, compared to 16% of inhabitants of large cities). Furthermore, women living in small towns and rural areas more often indicate demanding or exhausting work as a difficulty in reconciling work and childcare obligations. Not only is this problem more widespread than among inhabitants of large cities, but also more frequent than among inhabitants of small towns and rural areas in other European countries.

Non-flexible working hours represent a particular problem for less-educated women. 71% of women with low education and 63% of women with secondary education have no option of deciding about the start and finish times of their workday. What is more, while flexitime is more prevalent among better-educated persons in both towns and cities, only ca. 7% of rural inhabitants declare the possibility of deciding their workday start and finish times, irrespective of their level of education. Consequently, for this reason, workplaces available in rural areas and small towns may not be particularly attractive for women, even if they are close to their place of residence.

**Few Polish women work on a part-time basis.** Working part time makes it easier for parents of small children to stay on the labour market, but Polish women rarely work part time, even if they have children. Only 6% of women reduced their working hours owing to childcare obligations – in the EU, this percentage was three times higher (2018). In total, only 8% of women aged 25-49 work on a part-time basis in Poland. This low

share of part-time employment is typical for Central and Eastern European countries – in the EU-15 one in three women work part time, most often justifying this by the need to take care of children or other dependent persons. It could be assumed that part-time work in Poland is limited both by a less flexible labour market and financial reasons – insufficient household income that would result from going part time.

Polish women name long working hours and demanding or exhausting nature of work as factors posing the greatest problems in reconciling work and childcare. These two problems are dominant in Poland, while unpredictable work schedule was indicated more frequently by women in the EU. Demanding, exhausting work poses problems particularly for less-educated women, contributing to their lower economic activity.

Work also becomes less attractive as a result of transport exclusion affecting a number of small towns and villages. The lack of public transport, public transport timetables that are not adapted to working hours and high prices of transport with unsubsidised private operators all hinder taking up employment. They force women to look for a job in their place of residence, which obviously limits their choice. 73% of women and 66% of men work in the municipality or commune where they live.

# 4. Social norms, cultural patterns and women's labour force participation

The economic inactivity of some women may stem from their beliefs about the social roles of women and men. As a result, some women decide to withdraw from the labour market and devote themselves to household work and childcare. Research fails to give a clear answer whether the share of women who make this decision in Poland is higher than in other EU countries. On the one hand, the Polish society is generally viewed as more conservative. On the other hand, Poland – like other post-socialist CEE countries – traditionally had high women's employment rates (strengthened by economic necessity). Moreover, a number of signals indicate that social norms are evolving and Polish women ever more frequently declare their support for equality in terms of women's labour market participation.

More than 40% of Polish women believe that the fact a woman is economically active has more advantages that disadvantages for her family life. In Poland, the share of women who believe family life suffers when the mother is working full-time is only slightly higher than the EU28 average. What is more, almost 50% of Poles believe that if the father earns less money than the mother, he should resign from his job and take care of the children (this is declared by a similar share of European citizens).

**More and more women notice the advantages of economic activity.** Few women currently believe that the fact a woman is working has more disadvantages than advantages in terms of her family life (8%). This share is twice lower than in the 1990s. The percentage of Poles who believe that in view of the insufficient number of jobs, men should be the first to take them, is also twice lower than in the mid-2000s, when almost 40% of Polish citizens agreed with this statement. Support for a partnership-based family model is clearly on the rise – from 37% (1997) to 46% in 2013.

Men declare their support for women's equality on the labour market less frequently than women. This partly explains the discrepancy between declarations concerning desired and pursued family models. For instance, in 2009 54% of Polish women declared that the man should give up his job and take care of the children, if he

earns less than their mother; at the same time, the share of men who concurred with this statement was significantly lower (43%). Gender inequality holds strong in terms of the division of household chores and childcare, which results in a disproportionately high burden on the women. On average, women spend over four hours more than men on childcare and household chores (even if they also work full-time). Male involvement in childcare and household chores is growing, but at a slow pace.

## 5. Policy conclusions

Increasing women's employment levels is both desirable and possible, but requires policy support. There are three areas where public policy could increase women's labour force participation: improving financial and non-financial incentives of work for parents; increasing access to high quality childcare and education; supporting cultural changes favouring women's professional aspirations.

Sample solutions include:

- Tax and benefit system. The financial attractiveness of work may be increased through changes in the income tax-free allowance, tax-deductible expenses or additional benefits related to economic activity. All of the above could support women's inclusion in the labour market, particularly lower-skilled women. This role could also be played by a rational minimum wage policy backed with an analysis of the impact of introduced changes on women's situation on the labour market.
- Lower cost of taking up work. The financial attractiveness of work can also be increased by transport subsidies as well as lowering the cost and facilitating care of children and other dependent persons.
- Greater support for employment offices. If employment offices were able to reach women not registered with them, and present them with a solid, comprehensive offer supporting their entry or return to the labour market (individual counselling, trainings, traineeships), women, especially those with low qualifications and short job experience, would find it easier to return to the labour market.
- Lower wage gap between men and women. Decreasing women's wage discrimination would make their economic activity more attractive. Combating the pay gap is not easy it could be supported by regulations and incentives, e.g. to publish job offers with remuneration levels and wage gap data in companies. In the long-term, lowering the wage gap will be fostered by all actions that facilitate reconciling work and family life and are conducive to increasing male involvement in childcare and household chores to a much larger extent than at present.
- Job quality. Improving the quality of jobs will make them more attractive in non-financial terms, representing an additional incentive for women to enter the labour market. Unhealthy work conditions, such as stress or physical burden in the workplace, pose a particular challenge here. These could be addressed by better organisation of work conditions and their supervision, as well as automation that would enable employees to take over less exhaustive activities. Work attractiveness will also increase with the popularisation of part-time work and growing share of people working based on an employment contract for an indefinite term.
- Good quality childcare and education facilities. Access to childcare and education provision should keep growing, taking into account the context of demographic changes. In view of the falling number of children, investing in traditional nurseries is not substantiated in all localities. Other flexible solutions enabling children's inclusion in the education system already at an early stage may be

more desirable here (family nurseries, childminders, combined with the commune's/municipality's additional educational offer, with flexible working hours). The quality of childcare and educational services provided as well as awareness of the role they play in children's physical and emotional development are crucial. Early education and high quality care of the youngest children shape their further educational path, social and cognitive development and health. They have a significant impact on creating equality of opportunity, particularly for children with lower social capital, who come from families with lower income and education levels. Only high quality education and care will encourage women to take up this offer, enabling them to either seek employment or improve their qualifications.

- Greater involvement of men in childcare and household chores. It is particularly important to engage fathers in childcare at an early stage, as it will increase their involvement in childcare in the future and make it easier for women to enter or return to the labour market. This could also be achieved by actions popularising the image of a father involved in childcare and household chores. In turn, the above would lessen the oft-observed discrimination of men using parental, paternity or sick leaves, who are negatively viewed in the dominant, traditional model of an uninvolved father, who 'helps out' at most. One of the institutional tools that may help redistribute parental responsibilities among partners is the introduction of childcare leave for fathers (non-transferable to the mother) and incentives to use it.
- Involving companies in improving work attractiveness for women and reducing obstacles to female employment. The aforementioned policies require employers' support in their implementation. Employers are directly involved in shaping the attractiveness and quality of jobs they offer, influencing the welfare of their employees as well as the safety and comfort of work. Companies should attach greater care to gender equality in the workplace, in particular in terms of parents, for instance by using existing, proved solutions in that respect.

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