

KRZYSZTOF MARCZEWSKI

Szkoła Główna Handlowa

The „Generations’ Solidarity” Programme and Its Impact on the Labour Market¹

Under the conditions of deteriorating financing possibilities there are revealed, to a wider than usually scale, dilemmas of the choice of directions of public spending and the problems related to the applied methods of budget planning. The articles is devoted to an analysis of functioning of the programme “Generations’ Solidarity”, an important governmental plan for increasing occupational activity of people aged 50+, against the background of overall situation of public finance in Poland in 2007-2012.

The economic slowdown caused by the outburst of the global financial crisis terminated, in spite of retention of the positive GDP growth rate, recovery in Poland. The three-point positive output gap of the year 2008 quickly began to decrease, to become negative since the year 2012 and the unemployment rate climbed over the same time-period to the two-digit level (see Table 1). Those developments in the real sphere had their negative effect on the public finance stance. Even the relatively high, till the year 2009, then in 2011, inflation, which usually facilitates maintaining the dynamics of tax receipts owing to indirect taxes, the budget main revenue item, failed to discipline the government and self-government sector’s deficit.

Table 1

Basic macroeconomic indicators – Poland

Macroeconomic indicators	2007	2008	2009	2010	2011	2012
GDP volume growth in %	6.8	5.1	1.6	3.9	4.3	2.0
Output gap in % of potential GDP	2.4	3.0	1.2	1.0	0.5	-1.3
GDP deflator growth in %	4.0	3.1	3.7	1.4	3.1	2.3
Nominal GDP growth in %	11.1	8.4	5.4	5.4	7.5	4.3
Unemployment rate in %	9.6	7.1	8.1	9.6	9.6	10.2

Source: *European Economic Forecast – Spring 2012, Autumn 2012, Winter 2013*, European Commission, Brussels 2012-2013.

¹ The article was prepared within the framework of the statutory work entitled “Performance Budgeting in the Context of Public Finance Reform in the European Union Member States (Part II)” fulfilled by the author in the Collegium of Management and Finance of the Warsaw School of Economics (Szkoła Główna Handlowa in Polish) in April 2013.

In the first phase of the crisis (i.e. till 2009), the share of revenues of the public finance sector in GDP decreased by 3 percentage points with the parallel, two-point growth of expenditure share (Table 2). In result, the budget deficit tripled in relation to GDP. What's more, the major part of aggravation of the public finance balance resulted from deepening of the structural deficit; therefore, it was not an effect of the cyclical factor's action: the increment of deficit between 2007 and 2009 by 5.5 p.p. was accompanied by the increment of the structural deficit by as much as 5.4 p.p. There also disappeared the surplus of the primary balance of public finance what entailed, together with the negative effect of exchange differences, an intense increment of the relation of public debt to GDP.

Table 2**Basic fiscal indicators – Poland**

Fiscal indicators	2007	2008	2009	2010	2011	2012
Public revenue in % of GDP	40.3	39.5	37.2	37.6	38.4	38.4
Public spending in % of GDP	42.2	43.2	44.6	45.4	43.4	42.3
Public finance balance in % of GDP	-1.9	-3.7	-7.4	-7.8	-5.0	-3.9
Public finance structural balance in % of GDP	-2.8	-4.8	-8.2	-8.3	-5.2	-3.0
Public finance primary balance in % of GDP	0.4	-1.5	-4.8	-5.2	-2.3	-0.8
Public debt in % of GDP	45.0	47.1	50.9	54.8	56.4	55.8

Source: As in Table 1.

In the second phase of the crisis (2010-2012), acceleration of the GDP growth rate and the government's austerity measures enabled improvement of the fiscal situation. The share of revenue of the public finance sector in GDP increased by 1.2 p.p., while the share of expenditure decreased by 2.3 p.p. In result, the sector's deficit related to GDP dropped by one half, whereas the structural deficit even in a more profound way. However, the primary balance remained negative, facilitating petrification of the relation of the public debt to GDP at the level by 5 p.p. higher than in 2009 and more than by 10 p. p. higher than in 2007.

If the dynamics of indirect taxes (i.e. production and import taxes) decreased upon the crisis outburst mainly in result of reduction of the domestic demand growth rate, then the growth rate of direct taxes (i.e. income taxes and property taxes) was significantly reduced in result of the decided already in 2007 but enforced only at the beginning of 2009 reductions of the disability contribution and rates of personal income tax. Jointly these two sources of budget receipts were responsible for a considerable aggravation of the relation of public revenue to GDP in the first phase of the crisis (Table 3). In its reaction to that development of the situation, the government raised since the year 2011 the basic rate of tax on goods and services (VAT) as well as ex-

cise duty on a number of goods. Moreover, there increased receipts on the account of social security contributions and there apparently grew, in relation to GDP, other incomes, including those on account of dividends paid by companies with the State Treasury's share. The further aggravation of the business condition noted in 2012, however, curbed the earlier growth of receipts on account of indirect taxes.

Table 3**Specific fiscal indicators – revenues in % of GDP**

Types of revenues	2007	2008	2009	2010	2011	2012
Production and import taxes	14.1	14.2	12.8	13.6	13.8	12.9
Income and property taxes	8.6	8.6	7.4	6.9	7.0	7.2
Other current taxes	0.6	0.5	0.5	0.5	0.5	0.5
Social security contributions	12.0	11.3	11.3	11.1	11.4	12.3
Other	4.2	2.6	5.6	6.3	5.7	5.5

Source: Eurostat.

On the side of expenditure, the growth of their share in GDP in the first phase of the crisis was mainly caused by increased payments of old age and disability pensions (therefore, of the so-called other transfers) as well as investment expenditure (see Table 4). Moreover, since 2009, under influence of the level of indebtedness and growing interest rates, there increased quite distinctly interest payments. On the other hand, an inhibitory effect on public spending was caused by freezing of wages and salaries in the budget sphere. In the second phase of the crisis, the relative reduction of expenditure concerned, first of all, payments of other transfers (*inter alia*, owing to the reduction of contributions transferred to the Open Pension Funds) as well as investment expenditure in connection with finalisation of a number of projects related to Euro 2012.

General government expenditure arranged by functions² (in the COFOG classification) apparently shows (see Table 5) that till the year 2009 cuts related mainly to expenditure on defence and education, whereas protected was expenditure on social protection (particularly on old age and disability pensions) as well as on economic affairs (and especially on public investments). In the second phase of the crisis (2010-2011), the relative reduction touched expenditure on social protection (partly due to the correction of regulations

² Data on spending in this scheme the EU member states are obliged to deliver to Eurostat within 12 months after the reference year. Hence there is at present lack of the data for 2012. Moreover, obligatory is delivery of the data only at the highest 10-element level of aggregation. Therefore, many countries do not deliver their data at the second level of aggregation at all, i.e. by COFOG groups; see *General Government Expenditure in 2011 – Focus on the Functions 'Social Protection' and 'Health'*, Eurostat, Statistics in Focus, no. 9/2013, p. 7.

concerning OPF) as well as on health and on housing and community amenities. On the other hand, relatively high was expenditure on economic affairs and education.

Table 4**Specific fiscal indicators – expenditure arranged by form in % of GDP**

Types of expenditure	2007	2008	2009	2010	2011	2012
Labour costs	9.6	10.0	10.3	10.2	9.7	9.7
Intermediate consumption	6.0	6.2	5.7	6.2	5.7	5.6
Transfers in kind	2.0	2.1	2.2	2.2	2.1	2.2
Other transfers	14.2	14.0	14.7	14.8	14.1	14.2
Interest	2.3	2.2	2.6	2.7	2.7	2.8
Subsidies	0.6	0.6	0.5	0.5	0.5	0.4
Gross fixed capital formation	4.3	4.6	5.3	5.7	5.8	4.7
Other	3.2	3.5	3.3	3.1	2.8	2.7

Source: As in Table 3.

Table 5**Specific fiscal indicators – expenditure by COFOG in % of GDP**

Expenditure by functions	2007	2008	2009	2010	2011
General public services	5.6	5.4	5.8	5.9	5.8
Defence	1.4	1.4	1.1	1.3	1.2
Public order and safety	1.8	1.9	2.0	1.9	1.8
Economic affairs	4.7	4.9	5.3	5.8	5.6
Environmental protection	0.6	0.6	0.7	0.7	0.7
Housing and community amenities	1.2	1.2	1.2	0.8	0.9
Health	4.5	5.1	5.1	5.0	4.7
Recreation, culture and religion	1.1	1.3	1.3	1.4	1.3
Education	5.7	5.7	5.6	5.6	5.5
Social protection	15.6	15.6	16.5	16.9	15.9

Source: As in Table 3.

Comparing the scale of spending on individual functions in Poland and in other countries of the European Union, one may catch differences in spending preferences and their evolution in the period of crisis. This aim is achieved owing to the below-

specified index of spending preferences (PI), modelled on the known on the ground of the theory of international trade index of revealed comparative advantage (RCA):

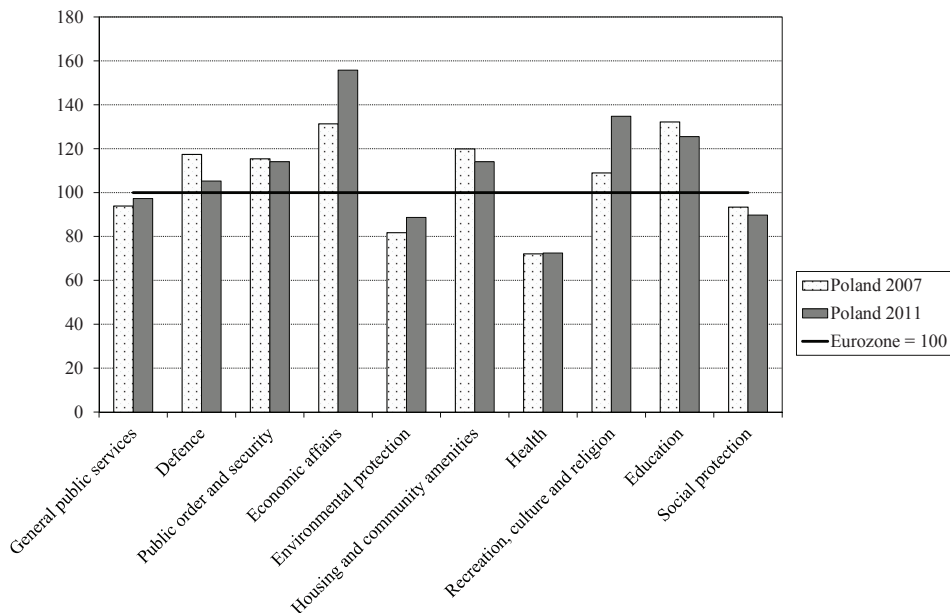
$$PI_i = \frac{\frac{w_i}{\sum_{i=1}^n w_i}}{\frac{w_i^*}{\sum_{i=1}^n w_i^*}}$$

where:

w_i – expenditure on i-th function by COFOG in the country surveyed,

w_i^* – expenditure on i-th function by COFOG in the reference country (group of countries).

Figure 1
Spending preferences in Poland against the background of preferences in the Eurozone by COFOG functions



Source: Author's own calculations based on the Eurostat's data.

Figure 1 shows so computed spending preferences in Poland against the background of expenditure preferences in the Eurozone countries in 2007 and 2011. As one can see, these preferences' scheme remained, despite the crisis, quite stable. Compared to the Eurozone, in Poland, there is preferred spending on defence, public order and safety, economic affairs, housing and community amenities, recreation, and education. On the other hand, there are lower ranked general public services, environmental protection, health, and social protection. In 2011, as referred to the pre-crisis year 2007, expenditure preferences in Poland, compared to the spending preferences in the Eurozone, shifted to the benefit of payments on economic affairs (primarily in connection with spending on public investments), environmental protection as well as on recreation (mainly for the reason of current costs incurred on organisation of Euro 2012), and general public services (mainly due to the growth of public debt redemption costs). On the other hand, there shifted to disadvantage the spending preferences in the area of defence; public order and safety; housing and community amenities; education, and social protection. There remained the discrimination of expenditure in the socially important area of health. Its share in total spending remained at the level almost by 30% lower than its share in the expenditures of the Eurozone countries.

Figure 2

Expenditures on social protection of the unemployed in 2002-2011



Source: As in Figure 1.

By the COFOG classification, it is not possible to separate total public spending related to the labour market. At the second level of aggregation, there are available only data on the scale of expenditure on social protection of the unemployed, therefore a passive form of public intervention in the labour market. Figure 2 presents the comparison of expenditures (in relation to GDP) on this objective in Poland with expenditures in the two countries of Visegrad Group. That expenditure in Poland is relatively the highest what is connected with the high level of unemployment in Poland, though, paradoxically, in the period of crisis, it demonstrates a declining trend.

The basic tool for execution of public spending by functions is in Poland the performance budget. Pursuant to the provisions of the Public Finance Act, the performance budget is a consolidated plan of expenditures for the budgetary year and the two successive years for the state budgetary units, state special-purpose funds, executive agencies, budget economy institutions, and state legal persons referred to in Art. 9 para. 14, prepared by performance issues.³ In Art. 2 of the Public Finance Act, there is defined the structure of performance budget applied in Poland as follows:

“Whenever the Act says of the performance scheme, it shall mean the statement, respectively, of the state budget expenditure or costs of the entity of the public finance sector prepared by the state’s functions, meaning individual areas of the state measures, and:

- budgetary measures grouping expenditures by objectives,
 - budgetary sub-measures grouping measures enabling accomplishment of the performance objectives, within which those sub-measures were separated
- together with a description of objectives of those measures and sub-measures as well as with the base and target measures of the degree of achievement of the objectives of state’s activity, meaning value-specified, quantitative or descriptive definition of the base and target level of effects from the outlays incurred”.

The document, which binds the state budget (in the performance scheme) with the strategic documents of the developmental policy, is the Multi-annual State Financial Plan (MSFP). It was introduced by the Public Finance Act of 27 August 2009. It is a 4-year rolling plan, being prepared in the scheme comprising the state’s functions together with objectives and indicators of the degree of their implementation. The budget expenditure classification binds directly the MSFP with the performance budget. As in the latter, expenditures in the MSFP were divided in the functional way. There was adopted the scheme of 22 functions. Every function was assigned with one or two objectives. For the purpose of monitoring the degree of accomplishment of individual functions there is adopted a set from one to four indicators.

The scope of issues being a subject of this study corresponds with the 14th function, “Labour market”. The function gathers all public measures aimed at improvement of the situation in the labour market. It covers the state’s actions in the labour market area aimed at growth of employment and reduction of unemployment as well

³ Art. 142 para. 11 of the Public Finance Act of 27 August 2009.

as the possible greatest occupational activation of citizens, a systematic improvement of job security and conditions as well as issues related to reinforce the social dialogue.

In Tables 6-7, there are presented the objectives and indicators of implementation of the function named “Labour market” in the two subsequent MSFP. As we can see, the objectives did not change. They are aimed at increasing activity as well as job security and conditions. On the other hand, modification touched the set of indicators of objectives achievement.

Table 6

**Objectives and values of indicators planned in the MSFP for 2011-2014
for the XIV function, “Labour market”**

Function 14 Objective 1: Increasing occupational activity			
<i>Indicator</i>	2011	2012 and 2013	2014
1. Employment rate	51.1%	growth	52.4%
2. Occupational activity rate	56.3%	growth	57.1%
3. Rate of unemployment registered at the year-end	10.9%	drop	8.5%
Function 14 Objective 2: Improvement of occupational safety and working conditions			
<i>Indicator</i>	2011	2012 and 2013	2014
1. Rate of accidents	8.8	drop	8.5

Source: *Wieloletni Plan Finansowy Państwa* [Multi-annual State Financial Plan] 2011-2014, Warsaw, April 2011, p. 40.

Table 7

**Objectives and values of indicators planned in the MSFP for 2012-2015
for the 14th function, “Labour market”**

Objective	Indicator				
	Name	Indicator's value			
		2012	2013	2014	2015
Increasing occupational activity	Employment rate	51.0%	51.3%	51.6	51.9%
Improvement of occupational safety and working conditions	Rate of accidents	8.6	8.6	8.6	8.6
	Per cent of controls concerning occupational health and safety in the total number of controls	70%	70%	70%	70%

Source: *Wieloletni Plan Finansowy Państwa* [Multi-annual State Financial Plan] 2012-2015, Warsaw, May 2012, p. 40-41.

Looking from the point of view of indicators classification⁴, those are mostly, what should be assessed positively, output indicators. Only the indicator “Per cent of controls concerning occupational health and safety in the total number of controls” is a performance indicator and, at the same time, with vague interpretation. There attracts attention an apparent downward revision of the planned level of the employment rate between the MSFP for the years 2011-2012 and the MSFP for the years 2012-2015. This revision reveals weakness of that indicator as it mainly depends on the economic situation and not on public interventions. The same remark concerns the withdrawn in the newest MSFP activity ratios and unemployment rate.

Generally assessing it seems that the MSFP do not yet fulfil to a satisfactory degree the role of instrument of long-term performance management in the area of the function “Labour market”. This is decided by a limited subjective scope of the Plan (not covering a number of important funds and governmental programmes) as well as the arousing various doubts set of objectives and indicators of implementation of this function. Performance budgeting in Poland, also on the long-term basis, still has been between the presentation phase and the phase of taking into account of performance, and it is far from the phase directly binding resource allocation with implementation.⁵

OECD experts in their review of the state of performance budgeting in Poland ascertained the need to choose the areas where it is potentially most useful and deepening there its particularity with a simultaneous mitigation of the requirements in those areas where benefits therefrom are less apparent. They postulated reduction of the number of output indicators to the benefit of outcome and impact indicators as well as introduction of multi-annual agreements for implementation of the selected objectives and the system of regular reviews of the incurred expenditures in terms of performance.⁶ In turn, S. Owsiak⁷ pays attention to too detailed setting forth objectives and tasks in the time perspective going beyond the fiscal year, therefore in the MSFP.

The programme „Generations' Solidarity: Actions for Increasing Occupational Activity of People Aged 50+” in the context of performance budgeting

The programme named “Generations' Solidarity: Actions for Increasing Occupational Activity of People Aged 50+” was adopted by the government in October 2008. The

⁴ See T. Lubińska (ed.), *Kierunki modernizacji zarządzania w jednostkach samorządu terytorialnego*, Difin, Warsaw 2011, p. 67-69.

⁵ Classification of the phases of performance budgeting implementation according to: *Performance Budgeting in OECD Countries*, OECD, Paris 2007, p. 21-22.

⁶ Hawkesworth, I., Trapp, L., Nielsen, D. E., *Performance Budgeting in Poland: An OECD Review*, OECD Journal on Budgeting, vol. 2001/1, p. 30-31.

⁷ Owsiak, S., *Wieloletnie planowanie finansowe a funkcjonowanie budżetu zadaniowego*, Studia Biura Analiz Sejmowych, No. 1/2013, p. 46.

programme is a package of measures at the governmental and self-governmental level aimed at improvement of the state of occupational activity of people aged 50+. The strategic objective of the programme is to achieve by the year 2020 the employment rate of people aged 55-64 at the level of 50%. At the moment of start of the programme this ratio accounted for 31.6%.

The adoption of the programme by the Council of Ministers was preceded by a comprehensive diagnosis of the situation of people aged 50+ in the labour market, taking into consideration international experience.⁸ It comprised the demographic issues, characteristics of the target population, description of the human capital and competencies of people aged 50+, strategies of actions by individuals of the near-retirement age, reasons for early withdrawal from the labour market in Poland. Based on that, there was fixed the programme's structure.

The programme is implemented in a multiple manner and comprises the following directions:⁹

- improvement of the equilibrium in the system of financial incentives to employ people aged 50+ and to extend the working life by those people,
- counteracting discrimination by age,
- assistance for the disabled, particularly aged 50+,
- promotion of training in order to improve employability and productivity of employees aged 45+,
- improvement of job attractiveness and working conditions,
- promoting active ageing,
- promoting gender equality.

In the middle of the 12-year period of programme implementation, i.e. in 2014, there is to take place an interim review which has to adjust it to the EU new financial perspective for the years 2014-2020 as a considerable part of measures is financed on the means of the European Social Fund (ESF). Measures implementation takes place at the central, provincial and district (county) levels. Measures at the central level cover with its scope legislative work as well as non-legislative one (including the projects co-financed from the ESF) implemented by the following institutions: the Agency for Restructuring and Modernisation of Agriculture (ARMA), the Human Resources Development Centre, the Ministry of National Education, the Ministry of Labour and Social Policy, the Ministry of Agriculture and Rural Development, the Ministry of Regional Development, the Ministry of Health, and the Polish Agency for Enterprise Development.

A supplement of the programme is the Implementation Document adopted by the Council of Ministers in January 2010. It imposes the obligation to monitor and pre-

⁸ The programme "Generations' Solidarity: Actions for Increasing Occupational Activity of People Aged 50+", the programme adopted by the Council of Ministers on 17 October 2008, Warsaw, October 2008.

⁹ Report on implementation of the programme "Generations' Solidarity: Actions for Increasing Occupational Activity of People Aged 50+", Ministry of Labour and Social Policy, Warsaw, January 2011.

pare annual reports on the degree of the programme implementation. This task is in charge of the national coordinator of the programme. For the purposes of monitoring, there was fixed a list of operational objectives and developed a base of indicators of their implementation. The main goal is, as it has already been mentioned, achievement by the year 2020 of the rate of employment of people aged 55-64 at the level of 50%. It is accompanied by 7 supplementary objectives:

Objective 1: Improvement of working conditions related to hiring employees aged 50+.

Objective 2: Improvement of competencies and qualifications of employees aged 50+.

Objective 3: Reduction of labour costs related to hiring employees aged 50+.

Objective 4: Activation of the unemployed or those endangered by job loss aged 50+.

Objective 5: Occupational activation of disabled people.

Objective 6: Increasing opportunities to employ women through development of services allowing them to reconcile their family life and work.

Objective 7: Extension of an active retirement age.

The most important actions undertaken within the framework of the programme included:

- introduction of exemption of contributions to the Labour Fund and the Guaranteed Employee Benefits Fund for employers hiring people aged 50+;
- reduction for those people to 14 days of the illness time-period for which the employer pays their remuneration;
- introduction of facilitation for raising vocational qualifications by employees, the unemployed and job-seekers aged 50 and 50+;
- introduction of the regulations limiting the number of people eligible to earlier retirement;
- improvement of the conditions of development of the system of care about children in order to prevent premature vocational deactivation of grandmothers and grandfathers.

For the purposes of monitoring achievement of individual objectives of the programme there was used a set of 16 basic indicators. There are included, *inter alia*, such variables as the average age of retirement, share of people aged 45-64 raising their qualifications, per cent of accident victims aged 55-64, tax wedge for people aged 50+, employers' savings connected with a shorter time-period of financing illness by them, per cent of the unemployed aged 55-64 seeking jobs for more than 12 months, rate of employment of disabled people aged 55-64, rate of employment of women aged 55-64, and the average age of withdrawal from the labour market.¹⁰

It is worth to emphasise the fact that these indicators have the nature of outcome indicators and they were usually adequately chosen in relation to objectives. However,

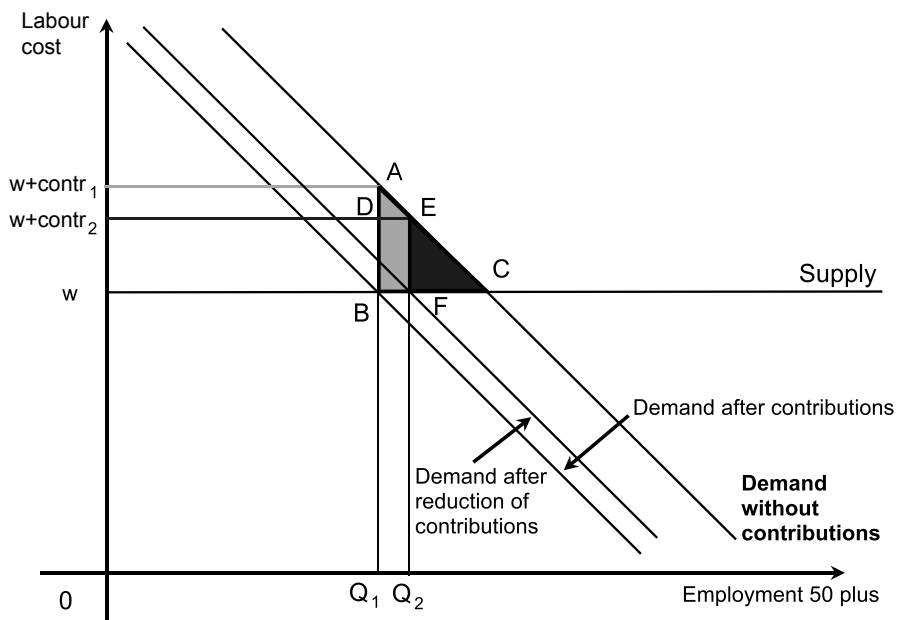
¹⁰ Report on implementation of the programme "Generations' Solidarity: Actions for Increasing Occupational Activity of People Aged 50+ in 2010-2011" of November 2012.

one may postulate supplementing the set thereof by an estimate of improvement of the Social Insurance Fund (SIF) revenue and budget on account of the increase of contributions in social insurance, and taxes on personal income received owing to occupational activation of people covered by the programme.

This reasoning is illustrated by Figure 3 where there is presented, in the convention of the model of partial equilibrium, impact on labour market of the reduction of contributions to social insurance, being a part of the programme. In the initial situation, the point of equilibrium in the labour market for people aged 50+ is the point B. Employment is at the level of $0Q_1$, with the labour cost (taking into account the full amount of contributions) at the level of $0w+contr_1$. The reduction of contributions leads to a shift of the line of demand for labour right to the top. In effect, the new point of equilibrium is located at F. It is characterised, compared to the point of initial equilibrium, by a higher level of employment ($0Q_2$), achieved owing to the lower labour cost ($0w+contr_2$). The social welfare increases by the field ABFE. This is comprised of the growth of surplus of employees by the field of trapezoid A. $0w+contr_1$. $0w+contr_2$, E as well as a decrease of Funds' contribution revenues by

Figure 3

Programme 50 plus (under assumption of perfectly flexible labour supply)



Source: Author's own elaboration.

the field $A, w+contr_1, w+contr_2, D$ as well as the growth of PIT revenues, and on account of contributions to social insurance paid by the newly employed by the field DBFE. Despite the growth of overall social welfare, an outcome of this action may be negative for the public finance sector. It will be so in the case where the amount of the loss of contribution revenues from employees aged 50+ exceeds the amount of increment of revenues on account of personal income taxes and contributions paid by the newly employed. It is much probable; however, it is worth to estimate the latter positive effect not to overestimate the budget costs of the programme.

The anticipated at the moment of its launch structure of costs of the programme for the years 2009-2015 was as follows. Out of the total amount of approx. 24 billion zlotys¹¹, the costs financed by the ESF were to account for 9.9 billion zlotys. The estimated for 14.1 billion zlotys national costs included the costs of reduced contributions to the Labour Fund (6 billion zlotys), costs of reduced contributions to the Guaranteed Employee Benefits Fund (0.6 billion zlotys), subsidy from the Labour Fund (2.1 billion zlotys), costs of payments of sickness benefits by the Social Insurance Institution (ZUS) (3.4 billion zlotys), and costs of bridging old-age pensions (2 billion zlotys).¹²

In the course of implementation of the programme, the list of financing sources was extended. Besides the Labour Fund, the Guaranteed Employee Benefits Fund, the Old-Age Bridging Pension Fund, the Social Insurance Fund, and the European Social Fund (ESF), there took place in it the European Agricultural Fund for Rural Development (EAFRD).

Till the half of 2010, the planned expenditures on the undertaken actions amounted to 17 billion zlotys, of which there was spent the amount of 7.8 billion zlotys. Of that, 37% accounted for resources from the ESF, and the second largest source of financing was the EAFRD (22.9%). However, the amount of the plan expenditures addressed directly to the target group of people was significantly lesser as 3.6 billion zlotys, of which there was spent the amount of 2.3 billion zlotys.¹³

In the performance scheme, we have a statement of costs and effects of implementation of the programme only from the year 2010. Table 8 includes those data but only related to the target group of people. In 2010-2011, there was assigned the amount of 987 billion zlotys for implementation of the programme. The biggest sums were spent on tasks from Objective 4: Activation of the unemployed (53.4%), then on tasks from Objective 2: Improvement of employees' competencies and qualifications (19.2%), and those from Objective 7: Extension of the effective retirement age (19.1%). The remaining objectives accounted in aggregate for merely 8.3% of total expenditure.¹⁴

¹¹ 1 euro = 3.5166 PLN in 2008 on average.

¹² Report on implementation of the programme "Generations' Solidarity: Actions for Increasing Occupational Activity of People Aged 50+ in 2010-2011", Ministry of Labour and Social Policy, Warsaw, November 2012, p. 12-14.

¹³ Report on implementation of the programme "Generations' Solidarity: Actions for Increasing Occupational Activity of People Aged 50+", Ministry of Labour and Social Policy, Warsaw, January 2011, p.25-26.

¹⁴ Report on implementation of the programme "Generations' Solidarity: Actions for Increasing Occupational Activity of People Aged 50+ in 2010-2011", Ministry of Labour and Social Policy, Warsaw, November 2012, p.16.

Table 8
Spending on objectives and number of people covered by the programme in 2010-2011

Specification	Plan, total, in thous. zł	Expenditures in thous. zlotys				Number of people aged 50+	Expenditures per capita in zlotys
		total expend.	ESF/ EAFRD	state budget means	Labour Fund		
Total	1 137 030.9	986 757.0	508 370.7	304 951.7	173 434.6	156 905	6 288.9
1. Improvement of working conditions, promotion of hiring employees aged 50+ and age management	69 635.8	51 205.9	43 377.9	7 827.9	0.0	18 461	x
2. Improvement of competencies and qualifications of employees aged 50+	181 881.1	189 027.3	160 202.6	28 824.6	0.0	47 479	3 981.3
3. Reduction of labour costs related to hiring employees aged 50+							
4. Activation of the unemployed or those endangered by job loss aged 50+	597 719.8	527 165.9	293 890.4	59 840.9	173 434.6	80 237	6 570.1
5. Occupational activation of disabled people	2 192.5	2 176.4	0.0	2 176.4	0.0	1 823	1 193.9
6. Increasing opportunities to employ women through development of services allowing them to reconcile their family life and work	63 201.7	28 501.7	10 899.8	17 601.9	0.0	8 905	3 200.6
7. Extension of an active retirement age	222 400.0	188 680.0	0.0	188 680.0	0.0	0	x

Source: Report on implementation of the programme "Generations' Solidarity: Actions for Increasing Occupational Activity of People Aged 50+ in 2010-2011", Ministry of Labour and Social Policy, Warsaw, November 2012, p.15.

More than 51% of expenditures were financed from EU funds, 31% from the state budget, whereas the remaining less than 18% – from the Labour Fund.

If the tasks within the framework of Objective 4 and Objective 2 concern mainly actions of the information, consulting and training nature, the Objective 7 has been implemented administratively through the reduction since 1 January 2009 of the number of people eligible to an early retirement. Not numerous, working under specific conditions, individuals were eligible to receive their bridging old-age pensions. These expenditures are financed by the Old-Age Bridging Pension Fund. Those pensions' costs are charged to costs of the programme.

There attracts attention quite a low execution of Objective 6. The main reason for that was lack of local authorities' resources for their own contribution in creation of new places for child care.

It seems not proper to neglect in the current costs (see Table 8) of the programme revenue losses on account of contributions to the Labour Fund and the Guaranteed Employee Benefits Fund as well as the growth of ZUS payments on account of sickness benefits. Thought relevant decisions were made earlier, their financial consequences are still going on. It is also worth to estimate increments of tax and contributions proceeds achieved owing to the reactivation, thanks to the programme, of people who had lost their jobs.

* * *

In general, despite the difficult situation in public finance, operation of the programme "Generations' Solidarity" can be assessed positively. It is well designed and managed. The level of implementation of the strategic goal of the programme measured with the rate of employment of people aged 55-64 has raised as compared to the moment of its start by more than 7 percentage points, reaching 38.7% in 2012. However, it should be emphasised that the essential reason for that success was legislative amendments forcing extension of the economic activity period, hence, only a fragment of actions of this programme. And there is lack of an analysis of impact of that extension on employment opportunities for young people entering the labour market. So far, there have not been sufficient analyses on efficacy of the implemented training courses for maintaining employment of the people covered by them, either.

Bibliography

European Economic Forecast – Spring 2012, Autumn 2012, Winter 2013, European Commission, Brussels 2012-2013.
General Government Expenditure in 2011 – Focus on the Functions 'Social Protection' and 'Health', Eurostat, Statistics in Focus, no. 9/2013.

- Hawkesworth, I., Trapp, L., Nielsen, D. E., *Performance Budgeting in Poland: An OECD Review*, OECD, Journal on Budgeting, vol. 2001/1.
- Lubińska, T. (ed.), *Kierunki modernizacji zarządzania w jednostkach samorządu terytorialnego*, Difin, Warsaw 2011.
- Owsiak, S., *Wieloletnie planowanie finansowe a funkcjonowanie budżetu zadaniowego*, Studia Biura Analiz Sejmowych, No. 1/2013.
- Performance Budgeting in OECD Countries*, OECD, Paris 2007.
- Programme “Generations’ Solidarity. Actions for Increasing Occupational Activity of People Aged 50+”, the programme adopted by the Council of Ministers on 17 October 2008, Warsaw, October 2008.
- Report on implementation of the programme “Generations’ Solidarity: Actions for Increasing Occupational Activity of People Aged 50+”*, Ministry of Labour and Social Policy, Warsaw, January 2011.
- Report on implementation of the programme “Generations’ Solidarity: Actions for Increasing Occupational Activity of People Aged 50+ in 2010-2011”*, Ministry of Labour and Social Policy, Warsaw, November 2012.
- Wieloletni Plan Finansowy Państwa* [Multi-annual State Financial Plan] 2011-2014, Warsaw, April 2011.
- Wieloletni Plan Finansowy Państwa* [Multi-annual State Financial Plan] 2012-2015, Warsaw, May 2012.

Summary

The Polish labour market is characterised by parallel two maladies: on the one hand, a relatively low activity rate and, on the other hand, a relatively high unemployment. Both factors constitute a low, against the background of other countries of the European Union, level of the employment rate. The article analyses in this context the governmental programme “Generations’ Solidarity” whose basic aim is to raise the employment rate in the group of people aged 50+. This issue is considered against the background of the overall situation of public finances and the preferred directions of public spending. Though the programme, initiated in 2008, is well designed and managed, and the rate of employment of people aged 55-64 has apparently improved in the course of implementation thereof, nevertheless we must stress that the progress, still insufficient, has been achieved primarily owing to the legislation amendments forcing extension of the time-period of occupational activity, and not influenced by the positive stimuli contained in the programme.

Key words: labour market, rate of employment of people aged 50+, performance budget, public finances.

JEL codes: H50, J21, J32, J38

Program „Solidarność Pokoleń” i jego wpływ na rozwój rynku pracy

Streszczenie

Polski rynek pracy charakteryzują dwa negatywne zjawiska: z jednej strony relatywnie niska stopa aktywności zawodowej, a z drugiej strony – relatywnie wysokie bezrobocie. Czynniki te składają się na niski, na tle innych krajów Unii Europejskiej, poziom wskaźnika zatrudnienia. Artykuł analizuje w tym kontekście rządowy program „Solidarność Pokoleń”, którego podstawowym celem jest podniesienie wskaźnika zatrudnienia w grupie osób w wieku ponad 50 lat. Zagadnienie jest rozpatrywane na tle ogólnej sytuacji finansów państwa i preferowanych kierunków wydatków publicznych. Choć program, zainicjowany w 2008 r., jest dobrze zaprojektowany i zarządzany, a wskaźnik zatrudnienia osób w wieku 55-64 lata wyraźnie w trakcie jego realizacji się poprawił, to jednak trzeba mieć na uwadze, że postęp ten, ciągle zresztą niewystarczający, został osiągnięty przede wszystkim dzięki zmianom legislacyjnym wymuszającym przedłużenie okresu aktywności zawodowej, a nie pod wpływem bodźców pozytywnych zawartych w tym programie.

Słowa kluczowe: rynek pracy, wskaźnik zatrudnienia osób w wieku ponad 50 lat, budżet zadaniowy, finanse publiczne.

Kody JEL: H50, J21, J32, J38