

Examples of anti-crisis measures supported by the ESF in Poland.

How to revitalise the economy by investing in training.

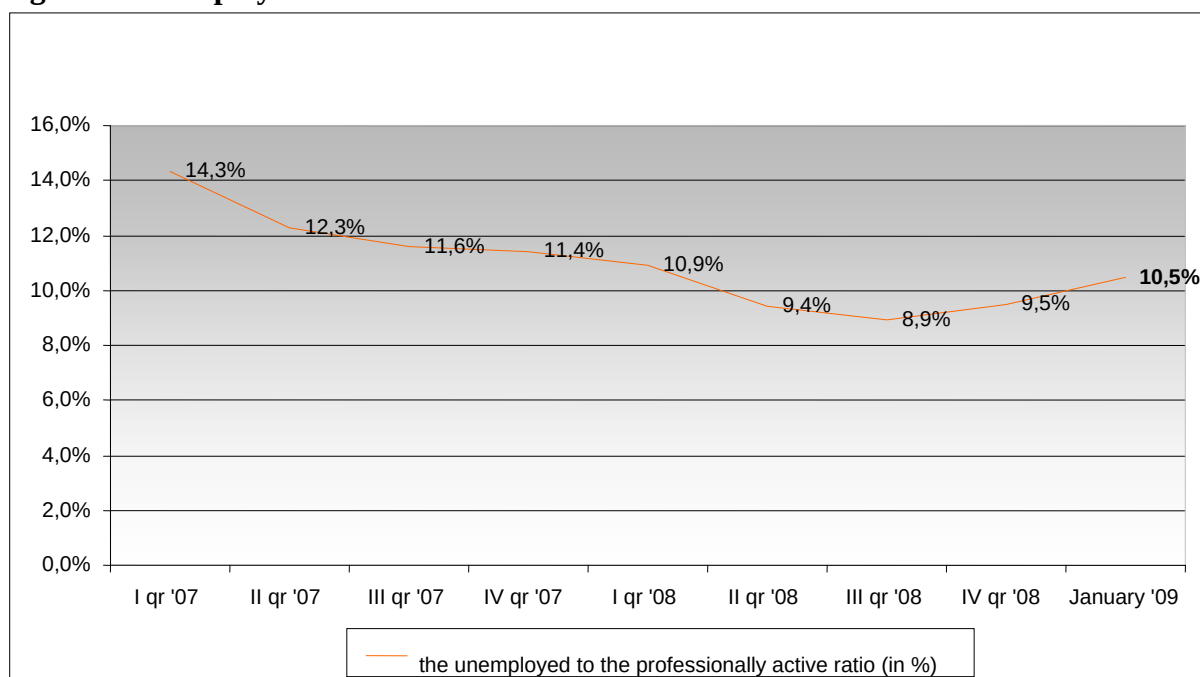
1. Macroeconomic situation

A considerable slowdown of growth in the global economy has been observed in the last year. The indicators of the economic situation in Poland are more optimistic than in other EU Member States – although the economy is becoming weaker, the growth is still being recorded. In comparison to EU-15 and EU-27 countries, the effects of the economic slowdown in Poland are delayed. Therefore, it is hard to predict whether the economic slowdown in Poland will turn into a recession in the nearest future.

In February 2009 the National Bank of Poland presented its prognosis of the GDP growth dynamics. The new prognosis results from the reconsideration of the forecasts proposed in October 2008 and it is less optimistic than it was before. According to the National Bank of Poland, GDP growth dynamics will become weaker until the third quarter of 2009 and can be down to zero. This negative tendency is said to change and lead to an increase in GDP growth dynamics in the following quarters.

Such symptoms of the economic slowdown as squeeze on credits, tumbling stock markets, slump in consumption and investments affect directly the situation on the labour market. The labour market statistics in Poland reflect this negative trend.

Figure 2. Unemployment rate in Poland in %.

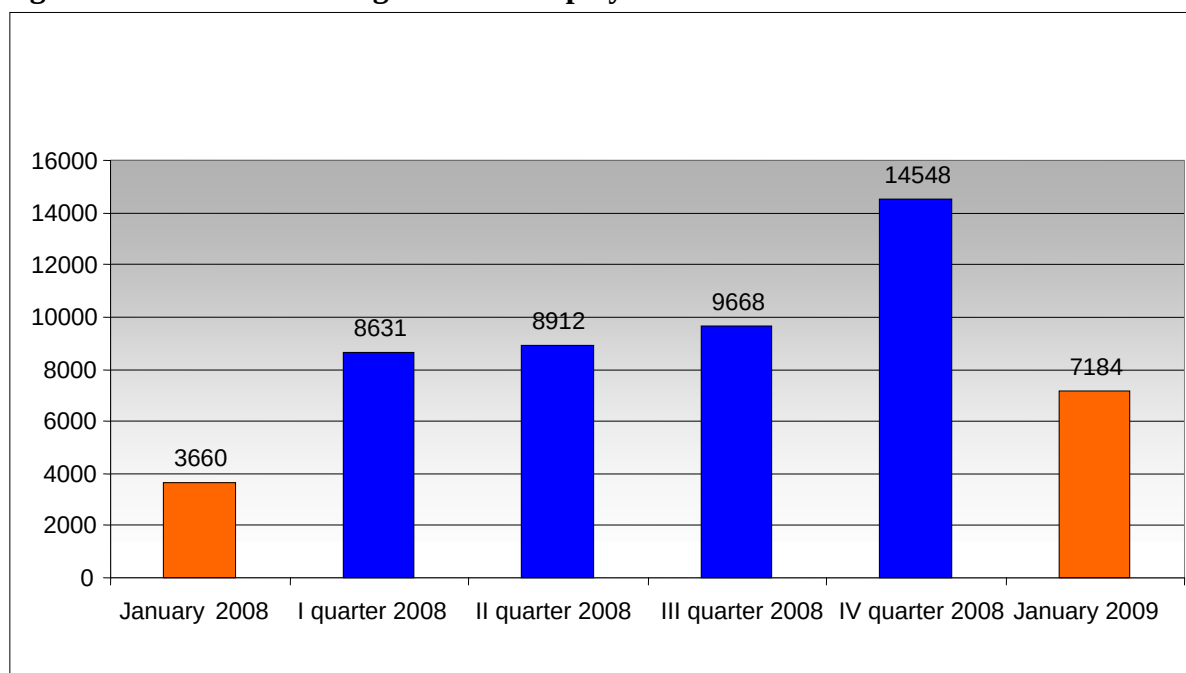


Source: Labour market statistics, PSZ (Public Employment Services).

For the last two years an unemployment rate in Poland has been decreasing significantly. The downward trend has reversed since the beginning of 4th quarter in 2008. The increase of unemployment rate was recorded at the beginning of 2009. In comparison to December 2008, in January 2009 the number of the unemployed increased by 160,000 people, from 9,5% (data as of the end of December 2008) to 10,5%. It is the highest increase ever recorded in January in the last 10 years. Such a trend is observed every year and it is caused by seasonal character of employment. However, one should notice that in the analogous period last year an unemployment rate was declining. From November 2008 an unemployment rate has been rising considerably.

The number of employees made redundant by enterprises indicates that the companies become weaker. The following data reveals that at the end of 2008 the number of employees made redundant increased. As compared with the 3rd quarter 2008, the number of such layoffs in the 4th quarter 2008 increased by 5,000. Simultaneously in January 2009 the number of redundancies amounted to 50% of the total number of redundancies in 4th quarter 2008. At the same time it was almost by a half higher than in its analogous period – January 2008.

Figure 3. The number of registered unemployed made redundant.



Source: Labour market statistics, PSZ (Public Employment Services).

Faced with the progressing economic downturn, it is necessary to intensify actions on all levels in the area of labour market. In order to combat an adverse impact of the current economic situation, it is particularly advisable to make use of the structural funds. In the context of labour market the support offered by the European Social Fund seems to be essential.

2. Challenges posed by the implementation of the Human Capital Operational Programme in the context of the European Recovery Plan

Faced with the deteriorating economic situation, the European Union is taking initiatives to coordinate actions performed individually by the Member States. The main objective of the EU is to counteract the negative effects of the economic slowdown. One of such initiatives is the Communication from the Commission to the European Council as of 26th November 2008 *European Economic Recovery Plan* [COM(2008) 800]. In its communication the European Commission has presented four strategic aims of the economic recovery programme:

1. Swiftly stimulate demand and boost consumers' confidence;
2. Lessen the human cost of the economic slowdown and its impact on the most vulnerable. Thus actions can be taken to prevent further reductions in employment and consequently, help the most vulnerable to long-term unemployment return promptly to the labour market;
3. Help Europe to prepare to take advantage when the economic growth returns so that the European economy can meet the demands of competitiveness and the needs of the future, as outlined in the Lisbon Strategy for Growth and Jobs. That involves pursuing necessary structural reforms, supporting innovation, and building a knowledge economy;
4. Speed up a shift towards a low carbon economy.

In the context of the strategic aims outlined in the Communication of the EC, the actions co-financed from the European Social Fund can support most effectively the second and the third of the above-mentioned aims. Therefore, ensuring a smooth implementation of the Operational Programme Human Capital poses an extreme challenge. The programme should be an effective instrument that helps to minimize the human cost of the economic slowdown and, at the same time, provide necessary conditions for the development of human capital in the present economic situation.

3. Supporting trainings addressed to workers and unemployed in the context of anti - crisis measures

If a collapsing company is forced to make its workforce redundant, the employees should receive assistance. Only then the assistance proves to be effective. It is crucial to provide support (for example, in a form of training and retraining) either during the term of notice or immediately after the dismissal. That is to shorten the unemployment period. Simultaneously enterprises that were granted support are required to comply with the general regulations on state aid. This means organising trainings for the employees, providing counselling services to SMEs and subsidising employment. Entrepreneurs are obliged to make private contributions to the project in the amount stipulated by the regulation on state aid and return the means that were granted not for the intended use. However, entrepreneurs are not required to make private contributions to trainings exclusively in cash. They can contribute by offering remunerations to the employees who take part in the training (an equivalent of the financial contribution). This is an alternative to the use of a training budget. Therefore, making contributions to the trainings of workforce does not require incurring additional expenses because of the granted state aid.

3.1 “Rapid reaction projects” for professional reintegration of people who were affected by the negative impact of the economic downturn

Within the rapid reaction projects the systemic beneficiary (a public entity or a private entity assigned by the public entity to implement the project) functions as an “operator” of assistance for the owners of enterprises that undergo modernization and restructuring processes due to the economic slowdown. Employers (including entrepreneurs) will not have to apply for the support on their own through calls for proposals. Instead they will refer to the respective entity, managing “the rapid reaction” projects, which should remain in “a standby mode” in order to receive training aid for the workers and those who are covered by outplacement programme.

3.2 Mobility allowance and top up salary compensation allowance

The mobility allowance is addressed to the employees whose job contract has been terminated due to reasons not concerning the worker and who found another job in more than 50 km from the present place of living. The allowance is offered to the project participant to cover the commuting expenses and other costs of accommodation in the new place. The top up salary compensation allowance is addressed to a person who takes part in an outplacement programme under the OP HC project and receives a lower salary than they obtained in the previous place of employment. The allowance will be equivalent to a treble amount of the difference between the gross value of the previous remuneration (higher) and the present remuneration (lower). If the applicant files the documents that confirm a no shorter than 3-month employment period at a new place, the allowance will not have to be returned. Employment relations should not be terminated through the fault of an employee in the above-specified period. Both instruments should be combined with training assistance offered to unemployed person.

3.3 “Training instead of redundancies” (improving availability of the public assistance for the enterprises affected by the economic downturn)

Legislative reforms are most required during the economic crisis because enterprises limit expenses on their current business activity. Such enterprises are reluctant to make investments in professional development of their employees and enhance the quality of human capital. Instead they downsize their workforce. In order to prevent redundancies there has been designed a mechanism under the OP HC that makes trainings and counselling more available for entrepreneurs. This is to reduce the number of negative effects of the economic slump (also the number of redundancies) in the long-term perspective. That could be achieved through enhancing flexibility of the workforce without necessity to make private contributions in the process of trainings. The mechanism in question involves utilization of “de minimis” support for trainings in companies and introduces a new form of assistance for the enterprises suffering from crisis. This form of assistance will allow to grant a fixed sum of money compliant with the common market no less than € 500,000. Those instruments shall encourage entrepreneurs to hold the workforce in companies without making any investments in their trainings and counselling.