

Towards an innovative and inclusive economy in Poland

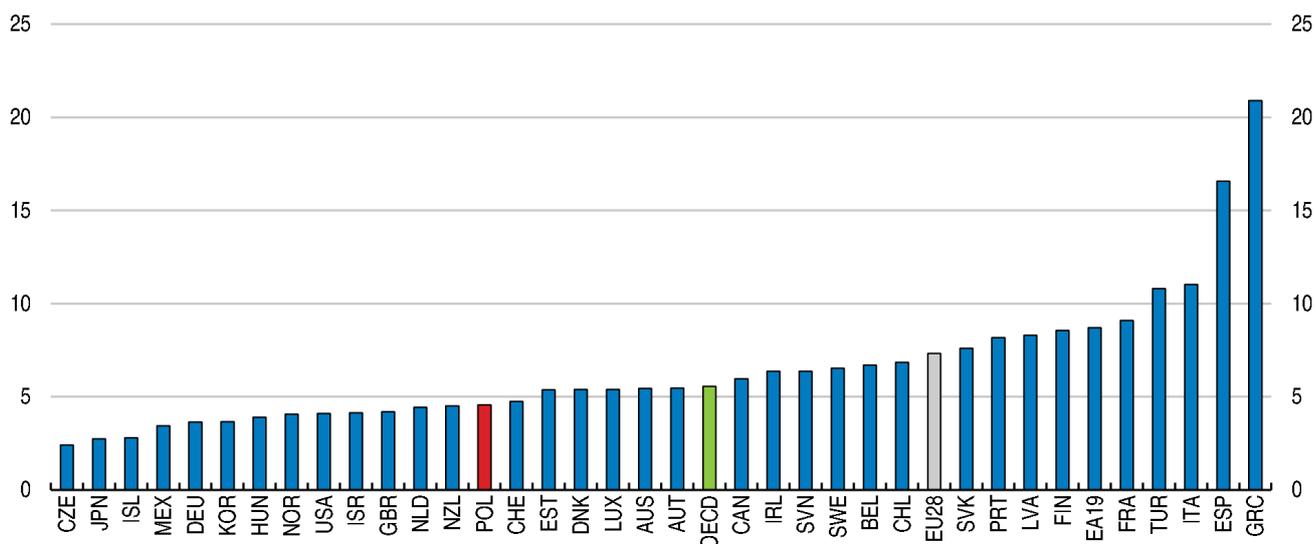
by Nicola Brandt and Pierre Guérin, Poland Desk, OECD Economics Department

The Polish economy is in a strong position. Economic growth reached 4.6% on average in 2017 and the OECD expects it to continue at around 4% over 2018/19. A good external environment, with a solid recovery in the euro area, and the child benefits introduced in 2016, the “Family 500+” programme, are the main drivers of this strong performance. Together with a booming labour market, that has brought down the unemployment rate significantly (**Figure 1**), the Family 500 + programme has also helped make economic development more inclusive, as larger parts of the population now benefit from new job opportunities and rising incomes.

In the longer run, there are challenges related to Poland’s rapidly ageing population. The recent lowering of the retirement age back to only 60 for women risks weighing on senior employment and growth prospects and heighten risks of old-age poverty, in particular for women with patchy career paths. The OECD Economic Survey of Poland argues that the government needs to step up its efforts to improve currently limited access to affordable childcare services. Insufficient institutional care for the elderly is another barrier to female employment and improved well-being for seniors.

Figure 1. The labour market is tightening

Total unemployment rate (% of labour force), Q4 2017 or latest available



Source: OECD (2018), *Labour Market Statistics* (database), <https://data.oecd.org/unemp/unemployment-rate.htm>

Raising Poland's capacity to innovate in line with the government's Strategy for Responsible Development would help strengthen productivity growth and ensure continued convergence to higher living standards. The envisaged higher education reform with its plans to strengthen the quality of doctoral training and currently weak science-industry cooperation is crucial in this respect, as research quality and the supply of researchers do not meet top OECD standards, yet. The Economic Survey recommends a continuous increase in funding for higher education and research over time and a better link of academics' career progression with their research and teaching achievements. The new academic exchange agency is an excellent opportunity to strengthen ties to foreign universities and the Polish research diaspora.

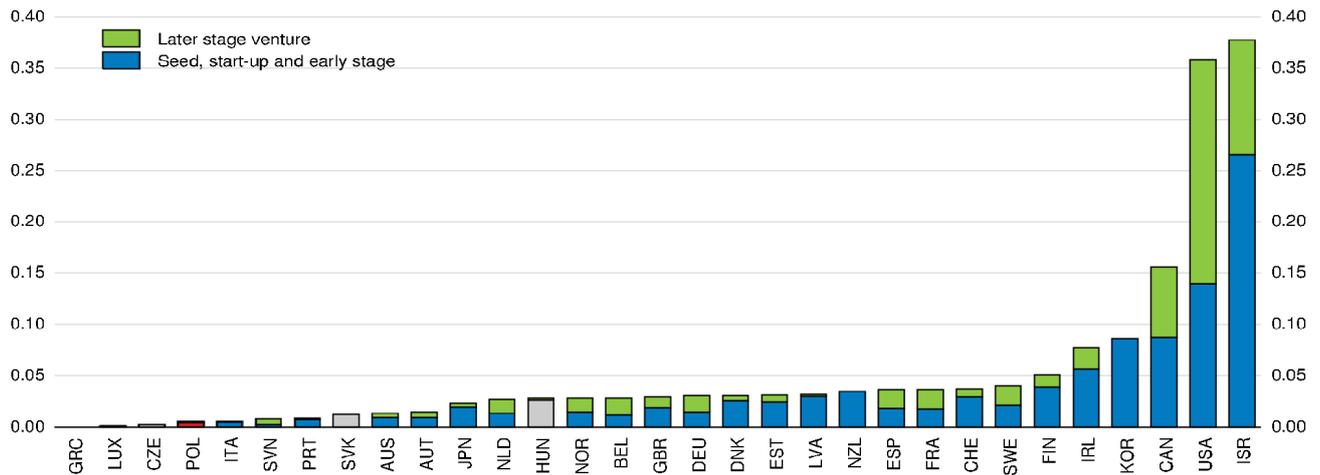
Too many adults have weak basic and digital skills, including managers and tertiary graduates, and vocational training suffers from weak employer engagement and insufficient alignment with labour market needs. Yet, participation in adult training is weak. Developing a national skills strategy with a strong basic skills component and engaging employers to develop more workplace-based vocational education and adult training would boost skills and help secure stronger and more inclusive growth by building the basis for faster productivity

gains in Poland's numerous micro-enterprises.

Private-sector R&D spending is low, particularly among SMEs, hindering new technology absorption and innovation. The government has stepped up the previously limited R&D tax relief and strengthened hitherto weak venture capital investments programmes, which can be well-suited for innovative firms engaging in high risk-return projects (**Figure 2**). To ensure the quality of such programmes, it will be important to strengthen impact assessment of public support for innovation. Examples from OECD countries, including Denmark, Australia, the Netherlands and New Zealand, suggest that more systematic private sector involvement into planning and monitoring innovation support programmes can help the government to identify the right policies.

Additional revenues or spending prioritisations are required to finance additional spending in higher education and research, skills, but also infrastructure and health care, and prepare for a possible decline of the availability of EU structural funds for innovation and public infrastructure programmes. Options include a stronger role for more progressive personal income taxes, more limited reliance on reduced VAT rates, and higher environmental taxes that would generate additional revenues with favourable effects on public health and environmental efficiency.

Figure 2. Boosting finance for innovative start-ups is key
 Venture capital investments as a percentage of GDP¹, 2016²



1. Only the value of total venture capital investments is available for Korea and New Zealand.

2. Or latest year available.

Source: OECD (2017), *OECD Entrepreneurship at a Glance 2017*, OECD Publishing, Paris.

Further reading

OECD (2018), *OECD Economic Surveys: Poland 2018*, OECD Publishing, Paris.

http://dx.doi.org/10.1787/eco_surveys-pol-2018-en