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ANALYSIS OF

POLISH LABOUR MARKET AND

HRM PRACTICES

Relatore:

Prof. Staffolani Stefano

Tesi di Laurea di:

Allegrezza Thomas

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INTRODUCTION

The term “Human resources” is used to describe the group of people composing the workforce of a company or an organization which are fundamental for businesses.

As the famous American tycoon, Steve Wynn, said:

“Human Resources isn’t thing we do. It’s the thing that runs our business”

Even more important than human resources per se, is the management of these workers within a company. Human Resource Management (HRM) is defined as:

“[...] a strategic area involving the policies, practices and administrative structures concerned with developing and enhancing the most valuable resources of an organisation and its people. [...]” (Siena, 2015, p.19).

It is universally recognised as a fundamental activity in any organisation, a natural consequence of employing people and resources within it to sustain competitive advantage. With the development of recent technologies, the organisation of working life is also gradually going through a period of change. The digital era demands new ways of conceiving and structuring work, both in its management and organisation. For this reason, the traditional HRM has been joined by a new system called Electronic Human Resources Management (e-HRM), which aims to integrate traditional management methods with the new requirements proposed by the digitalisation process.

The paper stems from the desire to analyse the characteristics of human resources management in Poland. Since today the discipline has largely transcended the

simple boundaries of corporate HR departments, it is necessary to consider other factors that may influence staff interaction and management methods in a country, in particular psychology, sociology, economics and law. However, when dealing with a country's HRM characteristics, it is not enough to speak about the methodologies and uses of companies and managers, but it is necessary to have a more general and complete picture of the entire labour market. For this reason, the paper explains the human resources management practices used in Poland, it gives an account of the history and culture of the country, it describes the characteristics of the labour market as well as it deals with the law regulating the employment of people.

The first chapter is an analysis of the Polish labour market and its characteristics, firstly at a national level, then it moves on to a more specific and regional analysis. These latter are prepared by dividing Polish voivodeships in three macro-regions: the eastern region, the western region and the central part of the country. At a national level, after reporting some historical information about Poland since the Fall of the Berlin Wall, the analysis gives a general overview, by describing the characteristics of Polish economy and population as well as by reporting the main statistical data. Once the general situation has been provided, the paper describes the labour market in depth, by indicating the characteristics of employment and unemployment in the country with the relative national and regional statistical data. These data are then compared with Italian and European equivalent in order to

compare the Polish situation with that of other countries. Finally, the paper reports on how the state acts on the labour market. In particular, the following are described: the Polish educational system and how more education leads to a greater likelihood of getting a job; unemployment benefits aimed at supporting needy families in difficulty; how the state intervenes to fight undeclared work.

The second chapter is a discussion of the Polish labour system and the principles that regulates the working relationships. Being aware of which regulations govern the labour market is not important just to avoid possible sanctions or legal disputes, but also to ensure that employees are treated fairly, correctly and in line with the regulations in force. For this reason, after giving a big picture of the system, types of contracts and their conditions of employment are described together with employees' rights and the conditions for the termination of the employment. Among these latter the description of anti-discrimination and harassment law is particularly important as, in addition to giving a bad image of the company, it is one of the justifications for the termination of the employment relationship. A separate paragraph is devoted to collective relations and their importance both historically and culturally within a post-communist country like Poland. Finally, given the significant percentage of workers and companies using this type of agreement, a part of the chapter is reserved for the so-called self-employed. Here, in addition to describing the types of contracts that can be used and their conditions, a comparison is made with common employment contracts.

The last chapter is reserved to the main argument of the dissertation: the human resources management practices used in Poland. However, before starting the discussion, it was necessary to dedicate part of the chapter to the cultural characteristics of the Polish employee. Culture is a major challenge for any human-related activity, including human resources management, and it has a considerable influence on working relationships. Within an organization, culture determines the behaviour of employees, guides strategies, helps to define goals and modes of action. Values and ways of thinking are determined by the cultural background of each person and the experiences accumulated over a lifetime, both private and professional. Managers and entrepreneurs must be aware of the cultural nuances in the workplace such as time, pace of work, risk perceptions, effectiveness of rewards, quality of work, because they can influence the quality of work, the stability of relationship as well as the effectiveness of motivational instruments. Having completed this kind of preamble, it was then possible to describe the customs and habits aimed at managing employees within a Polish company, starting with the acquisition methods and moving on to the investment of companies made on the employees. Finally, the last part is devoted to the HR department through a description of its characteristics and its weight, in terms of importance, within Polish organisations.

I. POLISH LABOUR MARKET

The economic growth¹ of a country is the result of economic, financial and political strategies that support the most important components of the market. Among those elements that allow us to understand whether the economy of a country is growing or not, there is the labour market. The labour market is defined as the place where workers can find a paid job (offer) and employers look for employees that are willing to work at a determined salary (demand). Similarly, to what happens in most markets, the price for work is determined by the equilibrium point between demand and offer, with some exceptions. In fact, in some countries the law defines minimum wages that must not be negatively exceeded and, in addition to this, trade union influence can affect wage levels. The wage levels of a country are important for the overall economy as they are the main component of families' income, which are also the final consumer. Generally speaking, when a country has a strong labour market that can support the overall domestic market, it is less vulnerable to negative shocks and, consequently, it has more opportunities for growth. On the other hand, a high level of unemployment will create an uncertainty-based market, where consumers would reduce their spending and, in this way, affecting the Gross Domestic Product (GDP).

¹ Economic growth is the increase in the production of goods and services per head of population over a stated period of time (Oxford Dictionary).

There are several indicators of labour market's health and how much it can contribute to the economic growth of a country.

First of all, employment trends, which regards the variation on the number of employees in private firms. An increase in this indicator signifies that the employers have hired more people with respect to the previous period and it could signal economic wellness.

The second indicator is the unemployment rate, which represents the workforce that is unemployed and that is currently looking for a job. A high rate will cause a decrease of the income available for consumers and consequently, a reduction of the overall expense of the population (population's expense accounts for the 70% of the Gross Domestic product of a country). These will cause scepticism among consumers who will increase their savings, even among the employed, and it could generate an economic spiral. On the other hand, a low rate of unemployment will increase the average salary and affect the inflation rate. Therefore, the equilibrium rate of unemployment is considered to be among 4% and 6% of the workforce.

The third indicator is the average hourly wage of a country which allows to understand the increase in personal income during the period of analysis.

According to their dimension and focus, it is possible to distinguish regional, national and international labour markets. Regional labour markets regard a group of job offers for which a job-looker can apply, within a particular region or area determined by the cost of distance (in terms of geographical distance, time and costs

sustained to reach the workplace) while national labour markets regard the whole territory of a country. Only in recent years, the term “international labour market” has been added due to the globalization. Today, people can easily move from a part of the world to another as well as work from another country without the need of moving. In addition to this, many governments have signed international agreement in order to simplify the movement of people beyond borders and in this way, they have created transnational labour markets. It is the case of the European Union, within which members have signed international agreements regarding the free movement of people across borders of Member States.

I. 1. NATIONAL LABOUR MARKET

Polish Economy is considered to be one of the most interesting markets where to invest thanks to the growth in recent decades. After the fall of the Berlin wall in 1989 and the end of the URSS, Poland has been characterized by huge changes: from a planned economy, completely controlled by the government, it became a free-market economy. The process of economic liberalization had been the fastest among the countries that were part of the Warsaw Pact, and, today, it is considered to be a successful post-communist country. In addition to this, since 2004, Poland has joined the European Union. The entry into the Single Market has pushed the domestic economy’s boom, and Polish economy has not stopped growing since then. After the financial crises of 2008 and the consequent global recession, Polish economy was able to continue growing, even though at a slowed pace, despite the

difficulties that were all the rage all over the world (the only country that has not had recession within the European Union).

Nowadays, Poland has an industrialized-mixed economy with a developed market which is mainly pushed by the service sector that accounts for the 57% of the GDP, followed by the industry (40% of GDP) and the agriculture (3% of GDP). The most important productions within the country regard machineries and transport equipment, vehicles, chemical products, electronic equipment and plastics. Thanks to its central position, the country has developed trading relationship both with European countries and with Asian one. Indeed, the main trading partners for Polish import and export are Germany, China, France, Italy and United Kingdom². But that's not the only reason why, Poland it is considered to be a fertile ground for foreign investors: after the exit of the United Kingdom from the EU, Poland has become the sixth largest economy of the Union with one of the largest markets within the Old Continent and together with country's political and economic stability has made the country attractive for foreign companies. In addition, the Polish system offers a range of investments incentives such as fourteen Special Economic Zone (SEZ) and advantageous tax reliefs. Finally, the last reason why the polish market is attractive is the high availability of workforce, mostly highly qualified.

² Russia and Belarus were among these countries before the Russo-Ukrainian war.

According to the Polish Statistical Office, the current population of Poland is 38 million people, equally divided between women and men and with an average age of 41.7 years. Most of the population lives in the south-west regions of the country and in the region of Mazovia where is located the capital city, Warsaw.

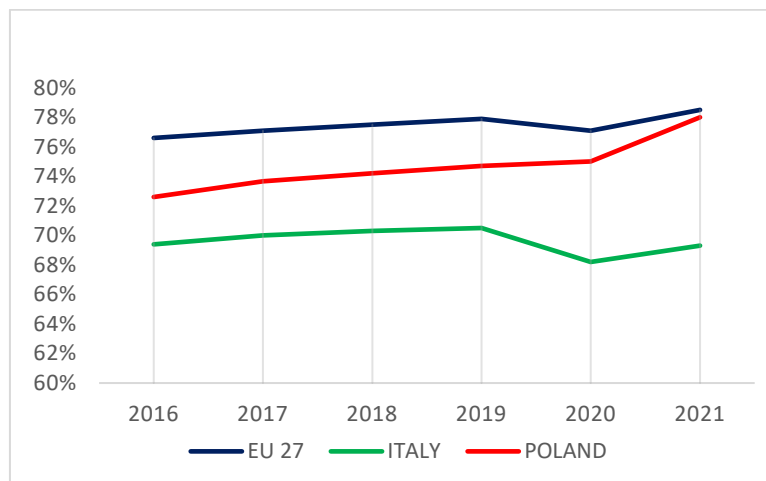
In the last years, Polish population has had a negative trend, which has been confirmed by 2021's data when a decrease of 0.48 percentage points with respect to the previous recoding has been registered. This fact, together with a decrease of young population and an increase of the elderly population, has caused a reduction in the number of people in working age (18 -59 / 64) which today, accounts for the 59,2% of the total population (-0.3% with respect to 2021). Consequently, Polish labour force has diminished as well and today it accounts for about 23 million people made up of highly qualified workers.

Even though, the workforce numbers are negative, the activity rate is following a different path due to recent reforms introduced by the government aimed at pushing labour participation.

Table I. 1 - Activity rate of people aged between 20-64

	2016	2017	2018	2019	2020	2021
EU 27	76.60%	77.10%	77.50%	77.90%	77.10%	78.50%
ITALY	69.40%	70.00%	70.30%	70.50%	68.20%	69.30%
POLAND	72.60%	73.66%	74.20%	74.70%	75.00%	78.00%

Figure I. 1 - Activity rate of people aged 20-64



More than the 78% of people in working age (people aged between 20 and 64) is within the labour market, with an increase of three percentage points with respect to the previous year. The majority of them is composed by people aged within 25 and 64, while the group aged 20-24 counts only for about the 30% of the total, mainly due to the high proportion of young people attending post-high school studies. Only a very small part of people over 64 years old is still within the active population (the 5,7%). Despite the large improvements over the last year, Polish activity rate remains slightly lower than the European average, but it is much higher than the Italian one.

I. 1. 1. Employment

The Polish labour market is healthy, and its main indicators are improving yearly, even though the COVID-19 crises has slowed the growth. The highest employment

rates are registered around the biggest cities and in particular around the capital, while the rural areas are less developed and tend to lower the national average.

Table I. 2 - Employment rate in Poland as percentage of population aged 20-64 (total and by gender)

	2016	2017	2018	2019	2020	2021	
TOTAL	68.20%	70.00%	71.40%	72.30%	72.70%	75.40%	7.20%
MALES	74.90%	77.00%	78.30%	79.70%	80.20%	82.40%	7.50%
FEMALES	61.50%	63.00%	64.50%	64.90%	65.20%	68.40%	6.90%

As it is possible to observe from the table above, the Polish employment rate has had a constant increase during the last years, even though the pandemic has slowed growth, contrary to the European trend, which has seen a decline due to COVID-19 Pandemic (2020). The expansion has been slightly larger among men rather than women and consequently, the gender gap in terms of occupation has widened, passing from 13,4 percentage points in 2016 to 14 p.p. five years later. Today, the 75.40% of total population aged between 20 and 64 years old is employed, that means the 7,2% more with respect to 2016. Astonishing, considering that the European Union employment rate is the 73% and it has had an increase of “only”, the 3,5% with respect to 2016.

Looking at each sector’s data, it can be said that the 48% of polish workers is currently employed in the service sector, which is also the polish most important economic sector, accounting for 57% of national GDP. With a lower percentage, but not by much, there is the industry sector which accounts for 45% of the overall

employed (second in terms of GDP). Finally, the primary sector contributes to the 6% of the employment being it the less important economic sector in Polish economy in terms of GDP.

According to the statistics of Polish government, almost five-hundred thousand new jobs were created in 2020 in spite of the pandemic, the 90% of which in the private sector mainly by small enterprises (up to nine employees). However, despite these encouraging data, it is possible to figure out several occupational gaps due to the low supply of some profession as reported by the Occupational Barometer³, provided by the Minister of Development, Labour and Technology. This mismatch between demand and offer of work has created unemployment among some types of workers and lack of others. Concerning the unemployment side, most regions' data show that, in 2021, the exceeding occupation were mainly shop assistants, followed by cooks, car mechanics, blacksmiths and hairdressers. Among the high-skilled jobs, which require a tertiary education, the OCSE has also noticed an overflow of workers in some professions: in particular, the administrative specialist, development specialist and economist. This highlights a mismatch also between the educational structure and the demand for labour. Regarding the lack of workers, job vacancy data shows that a deficit of workforce has been noticed among cleaning

³ The Occupational barometer is a survey provided by the Minister of Development, Labour and Technology, that highlights the situation in occupation of a country in terms of shortage of occupation, balanced occupation, surplus occupations (OCCUPATIONAL BAROMETER POLAND: <https://barometrzwodow.pl/en/>).

workers, occasional labourer, simple jobs, insurance agents and application programmer. A “job vacancy” is defined as a job that is newly created, unoccupied, or about to become vacant. To be considered vacant, the employer has to take steps in order to find a suitable candidate. In Poland, the number of vacancies highlights a significant increase in the last years and at the end of 2021 the value has reached the 1,1%, with respect to the end of 2016 when the same rate was at the 0,7%. The average number of vacant paid jobs throughout 2021 were 135,000, among which the largest amount was in Mazowieckie Voivodeship (22.6 thousand) and in Śląskie and Wielkopolskie Voivodeships (8.3 thousand each), while the smallest number of vacancies was in Lubuskie Voivodeship (1.5 thousand). This difference is probably caused by the low mobility of workers; in particular, the little internal migration from low demand areas to high demand areas, mainly large urban agglomerations, causes a spatial concentration of unemployment within low developed regions.

Most of the employment contracts used in Poland are full-time and open-ended. Part-time employment⁴ is not as used as in the rest of the European Union, where the 15% of employment contracts are part-time; in fact, only the 5% of working relationships in Poland provide for 30 hours per week or less, and they are mainly used with women. Similarly, temporary contracts⁵ are not widely used: the 11% of

⁴ Part-time employment regards workers who work less than 30 hours a week in their main job.

⁵ Temporary employment refers to contracts that have a pre-determined termination date.

job relations are based on these terms. Employers mainly offer a limited duration for working contracts to people aged between 15 and 24 years old (55% of people in this age group) as well as to those near to the retirement age (30% of people in this age group).

The net wages earned by Polish employees are lower than the ones of most of their European colleagues. On average, in 2021, Polish workers' wage was 5.662,53 PLN which corresponds to about 1230 €⁶ a month (about 16.000 € a year), while the European Union average at the end of 2021 was 1.818€ a month. This dissimilarity in wages is caused by differences in the cost of living and in the currency power. Regarding the first point, thanks to the World Bank's International Comparison Program⁷, it is possible to compare the cost of living in different countries with different currencies⁸: Poland has a cost of life much lower than most of the European countries and this partially explains the differences in salaries even though this gap is reducing yearly. Secondly, Polish national currency, the "Złoty" (often referred to by the acronym PLN), has a lower value than Euro and it can partially explain the lower prices. In order to have a more objective comparison, the currency "problem" could be overcome by using special conversion rates called Purchasing Power Parities (PPPs). These are based on household final consumption

⁶ According to the exchange rate at the end of 2021, which was 1€ = 4,5909 PLN.

⁷ The International Comparison Program (ICP) is a program of the World Bank that produces international comparable prices and volume measures for Gross Domestic Product.

⁸ The World Bank comparison adjusted the average cost of living inside the USA to an index of 100, while all other countries are adjusted around this value.

expenditure in each country expressed in national currencies to an artificial unit called Purchasing Power Standard (PPS). Thanks to PPS, it is possible to remove differences in price levels of different territories and to confront workers net earnings. In this terms, the annual net earnings of Polish workers were on average 18.281,47 PPS at the end of 2021 which was much lower than the European average (24.336,37 PPS). These data refer to an average worker, but the ratio of net to gross earnings depend on the individual situation referring to an average worker. Differences exist with respect to marital status (single vs. married), number of workers (only in the case of couples), number of dependent children, and level of gross earnings, expressed as percentage. Information on net earnings (net pay taken home, in absolute values) and related tax-benefit rates (in %) complements gross-earnings data with respect to disposable earnings. The transition from gross to net earnings requires the deduction of income taxes and employee's social security contributions from the gross amounts and the addition of family allowances, if appropriate.

Regarding the mismatch between the wages of women and the one of men, it is possible to use the unadjusted gender pay gap (GPG) provided by the Eurostat Database. It represents the difference between the average gross hourly earnings of male and female employees as a percentage of the average gross hourly earnings of paid male employees. Data shows a gap between women wages that is becoming smaller and smaller every year: from the 7% of 2016 today it has reached the 4,50%.

This means that in Poland, women earn 4,50 PLN less than men for every 100 PLN earned by the other sex, a gap that is much lower with respect to the European Average (13%).

From companies' point of view, the costs that they have to sustain for employees, in terms of salaries, taxes and subsidies, have increased in the last ten years of about the 5%. This increase was much higher than in the rest of Europe, where on average there was a plus 2%, and it is mainly due to the growth of wages, explained by the rising cost of living, as well as taxes.

I. 1. 2. Unemployment

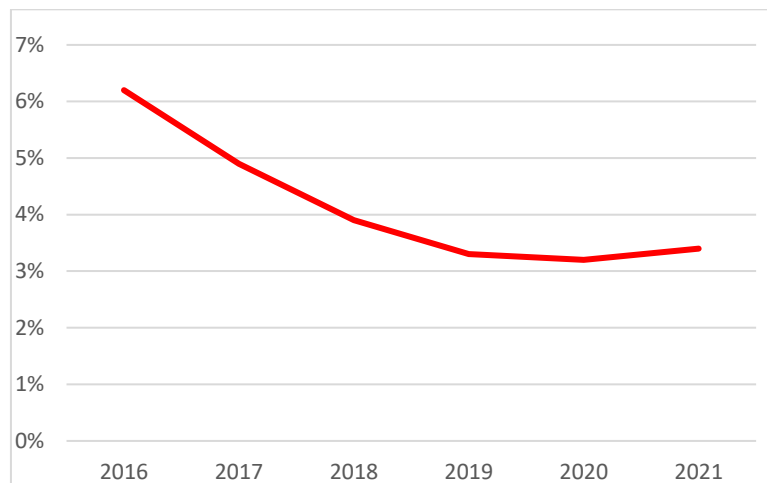
After the fall of URSS, Poland registered the European record for the highest rate of unemployment two times: in 1993 with the 16,4% of unemployed and in 2002 with the 20%. However, with the entrance in the European Union, in 2004, the negative trend reversed. Initially, the Single Market caused mass immigration from other countries, helping the unemployment rate to worsen and despite country's economic growth, "leadership" in terms of unemployment was retained until 2007. With the economic crises of 2008, Poland's economic growth slowed down and the decreasing in unemployment rate got slower as well. Nevertheless, Poland was the fastest country to recover from the crisis and national growth regained power almost immediately. Nowadays, according to Eurostat data, with the 3,4% of unemployed persons, Poland has one of the lowest unemployment rates in the EU after The

Czech Republic, the Netherlands, Germany and Malta.

Table I. 3 - Unemployment rate in Poland of people aged between 20 and 64 (Total and by sex)

	2016	2017	2018	2019	2020	2021	
TOTAL	6.20%	4.90%	3.90%	3.30%	3.20%	3.40%	-2.80%
MALES	6.10%	4.90%	3.80%	3.00%	3.10%	3.30%	-2.80%
FEMALES	6.20%	4.90%	3.90%	3.60%	3.30%	3.40%	-2.80%

Figure I. 2 – Total unemployment rate in Poland of people aged between 20 and 64



As it is possible to see from the graph above, the rate has decreased of 2,8 percentage points both in absolute terms and relatively to women and men. Among the unemployed, only 0.9 per cent fall into so-called “long-term unemployment”. Women have a slightly higher rate than men, similarly to what happen with the employment rate, but in this case the gender gap is minimal. This value gets worse by looking at young workers aged between 15 and 24 years old, who, in 8,9% of cases, are looking for employment. By looking at the data, it is possible to highlight

a seasonality of unemployment. In particular, an increase in the number of people registered with employment centres during the first months of the year as well as during the last ones. These numbers decrease during the middle segment of the year because of seasonal works in the construction, agricultural and tourism sectors.

At the territorial level, unemployment has had different trends in Poland with wide disparities between more and less developed areas. This is due to imbalances in both the socio-economic development of regions and their geographical location. At the end of June 2021, the difference between the lowest unemployment rate, in Warmińsko-Mazurskie province (9.2%), while the highest, in Wielkopolskie province (3.5%), was 5.7 percentage points. The urban areas have generally a lower unemployment rate, and in the largest cities, there is almost no unemployment: in Warsaw, for example, the unemployment rate at the end of 2021 was 1.8 %, the same as in Katowice; while in Wrocław, unemployment rate was 2 % during the same period which can be considered a natural unemployment⁹. On the other hand, the rural areas present higher unemployment in percentage that sometimes can reach the 10%.

According to data provided by the Polish government for the last four months of 2021, on average, an unemployed person spends about eight months to find a new

⁹ The natural rate of unemployment represents the lowest unemployment rate whereby inflation is stable. Which is the exact rate being still at the centre of a debate, but many economists consider an unemployment level between 2% and 5% not to be a particular concern for the overall economy.

job. Comparing the above data with 2008, it can be seen that this time-lapse has decreased by 5 months. Among the unemployed, the jobseeker living in rural areas, as well as women aged between 25 and 44 are not able to find a job in the short term. In contrast, living in the city, and in particular in the largest cities of the west, increases the chance of finding employment earlier than the national average. Dividing according to the level of education, the higher the qualification of the unemployed person, the higher are the chances of finding a job within the first three months.

I. 1. 3. Comparison Tables

Here, there are tables to make a comparison between the current Italian situation and the Polish one. The following tables show general macroeconomic indicators, in order to give an overview of the macroeconomic characteristics of the two countries, and then construct the next table by identifying the most important components for this work.

Table I. 4 - Italian and Polish macroeconomic indicators comparison

	POLAND	ITALY
Balance of payment (MLN €)	- 3,539.90 €	44,642.00 €
GDP per capita (PPS per capita)	24,961.50 €	30,635.80 €
% Increment of GDP per capita during the last ten years	44.00%	15.00%
GDP (MLN €)	574,385.40 €	1,775,436.40 €
% Increment of GDP during the last ten years	48.00%	9.00%

Table I. 5 - Italian and Polish population indicators comparison

	POLAND	ITALY
Total population on 1st January	37,840,001.00	59,236,213.00
Average population	37,899,070.00	59,438,851.00
% of men on total population	48.38%	48.73%
% of women on total population	51.62%	51.27%
Median age of population	41.60	44.40
% Variation of total population with respect to 10 years ago	-0.59%	-0.27%
Total emigration	161,666.00	159,884.00
Total immigration	210,615.00	247,526.00

Table I. 6 - Italian and Polish labour market indicators comparison

	POLAND	ITALY
Job Vacancy rate	1.10%	1.70%
Number of people between 15 and 29 years neither employed nor in education or training	747,000.00	2,032,000.00
Percentage increase in number of people between 15 and 29 years neither employed nor in education or training	-41.00%	-9.00%
Activity rate	75.90%	68.80%
Men activity rate	84.00%	79.10%
Women activity rate	67.60%	60.10%
Unemployment rate	3.40%	9.40%
Male unemployment rate	3.30%	8.50%
Female unemployment rate	3.40%	10.50%
Unemployment rate of people between 15 and 24 years	11.90%	29.70%
% Variation of unemployment rate with respect to ten years ago	-6.80%	-1.20%
Long term unemployment (% of population in the workforce)	0.90%	5.40%
Employment rate	68.20%	61.40%
Male employment rate	82.40%	72.40%
Female employment rate	68.40%	53.20%
% Variation of employment rate with respect to ten years ago	5.50%	1.40%

Employment rate of people between 15 and 24 years	28.20%	16.60%
Employed persons working part-time (% of total employment)	5.90%	18.60%
Employed person with temporary contracts (% of total employment)	11.70%	12.90%

Table I. 7 - Italian and Polish earnings and taxes comparison

	POLAND	ITALY
Annual net earnings	10,642.95 €	23,947.75 €
Percentage increase in net earnings with respect to 2012	47.00%	18.00%
Total annual earnings	16,336.30 €	44,779.24 €
Gender pay gap (%)	4.50%	4.20%
Total taxes	893.86 €	6,854.57 €
tax rate increase as earnings increases per person	13.00%	143.00%

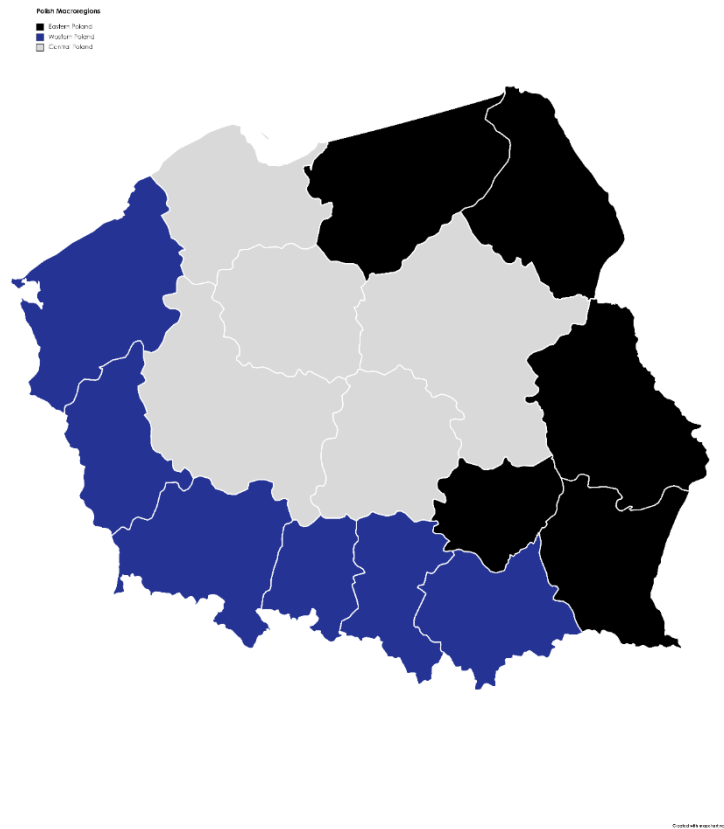
I. 2. REGIONAL LABOUR MARKET

Poland is divided in 16 administrative provinces called Voivodeship. The biggest region in terms of population is the Mazowieckie Region, whose main city is Warsaw which is the most populated polish city. On the contrary, the least populated zone is the Opolskie region.

Polish economy is characterized by regional disparities where high industrialized regions have the best GDP values and labour market data compared to the least industrialized Voivodeship. Regarding the divergences in income, they can be partially explained by the different development of the two macro-regions of the country (western and eastern). Poland's eastern regions are between the less developed one and at the same time, the poorest both within the country itself and

within the European Union, while the western part of the country is the richest area as well as the most industrialized, partially because of its position. This situation is caused by inherited trends in sectoral specialisation arising from the communist period. The poorest regions correspond to the areas that were mainly reserved to agriculture at the time of URSS, while the areas to the east were the industrial heart of the country in the period of the planned economy and it remains so today. As a consequence of this, a labour market disparity can be highlighted between eastern and western Voivodeship. The most industrialized regions are at the same time the ones with the lowest unemployment rate, while the former agricultural areas have the opposite trend even though the government is trying to reduce these disparities.

Figure I. 3 - Polish macro-regions



I. 2. 1. Eastern area

The eastern macro-region, called the “Eastern Wall” is composed of five voivodeships: Lublin (“*Lubelskie*”), Subcarpathia (“*Podkarpackie*”), Podlaskie (“*Podlaskie*”), Holy cross province (“*Świętokrzyska*”) and Warmia-Mazuria (“*Warmińsko-mazurskie*”). This group comprises two of the largest regions of Poland (Lublin and Warmia-Mazuria Voivodeships) and one of the smallest provinces in the country (Świętokrzyska Land). This macroregion is the poorest of

the country due to both internal and external factors, the most relevant being the history of this region. As a dynamically growing EU country, Poland has administered a regional policy aimed at alleviating regional disparities by boosting economic, social and territorial cohesion. The policy focuses on the entire Eastern Poland and each of its voivodeships with the principles of sustainable development in mind. However, this necessitates overcoming a number of problems both at a social level, such as the decreasing in population over the last 20 years or the low level of education of the population, and at an economic level, such as the need for a modernisation of the industry or the low entrepreneurship, that have caused the gap with other Polish regions.

The population of these areas has been decreasing in recent years due to both natural causes and immigration. Regarding the first, the population is ageing and the proportion of people in the working age is decreasing every year, as is the share of children, which for example in the Voivodeships of Świętokrzyska Land comprises 16.5 per cent. Low birth rates and the outflow of the working age groups, that are important for the functioning of the labour market, significantly weaken the development potential of the region. The second reason of the decreasing population trend is attributed to migration. Due to the low economic development of this area, people prefer to move westwards in order to find better job opportunities. This migration usually includes mainly young people or people in the prime of their productive potential who decide to move to bigger economic

centres in order to give their children better education, as well as better career opportunities for themselves.

From an economic point of view these regions are among the least developed of the country, because of the historical situations that characterized these lands (USSR decided to allocate these territories exclusively to agriculture and this led to a low industrial development of the area). As a consequence, this part of Poland has the lowest overall GDP and GDP per capita of the country; for instance, Podlasie Voivodeship has the 15th GDP of the country and the 13th GDP per capita with a value of PLN 42,976 in 2019. Agriculture is one of the most important economic sectors of the area in terms of volume of production thanks to land resources and a high proportion of rural population. The food industry plays a significant role as well, including fruit and vegetable processing, the production of sugar, dairy, milling, brewing and tobacco industries. Apiculture products and herbs are also sourced particularly the Lublin region. Apart from the agri-food sector, the mining industry also plays a significant role.

As a consequence of this different development compared to the rest of the country, labour market data are not the best ones. On average, the regions recorded an economic activity rate of 55%, which is about 2 percentage points lower than the national average, but a clear improvement is registered over 2020 and 2021. Most of these are men aged between 25 and 54, although the level of education of these people is very relevant. The unemployment rate is decreasing over the last few years

even though it remains higher than the national average. The worst situation is registered in Warmia-Masuria where the unemployment was at 9,2% (- 1,2% with respect to the previous year) while the other regions revolve around a rate of 7.5 per cent in 2021.

I. 2. 2. Western area

The western area of Poland is the most industrialized part of the country, and it is composed of five voivodeships: Silesia (“*Śląskie*”), Opole (“*Opolskie*”), Lower Silesia (“*Dolnośląskie*”), Lubusz (“*Lubuskie*”), West Pomerania (“*Zachodniopomorskie*”) and Lesser Poland (“*Małopolskie*”). The western part of the country, besides being the most westernised, is also the most industrial. On the border with Germany, in particular, most of the country's industries and production chains are located. In addition, this area includes the most important cities, including Katowice, Wrocław, Krakow and Opole.

Except for the capital most population live in this macro-region because of the many work opportunities as well as the highest development with respect to other regions, with the only exception of the Lubusz Voivodeship which is the least populous of the whole country. The area's population density is the highest of the whole country, with peaks in Silesia, where about 364 persons live for each square kilometre (the first value in the country), and Lesser Poland, that has the second

population density with 225 persons per square kilometres. Most of the inhabitants lives in cities rather than rural areas with urbanisation rate¹⁰ that stands at 46%. From an economic point of view, the western area is the most industrialised area of Poland as mentioned above. The location of the macro-area favours trade with the European Union and the establishment of foreign companies in this area. Being Polish industrial heartland, the most important sectors here are the same that drive the country's economy: manufacturing of motor vehicles, trailers, semitrailers, productions of products of wood, cork, straw and wicker as well as metal products. The tertiary sector is also developed in particular around the big cities in terms of tourism, health and education. On this last point, it must be said that the cities of Katowice and Krakow are home of the two most important and oldest universities of the country.

As far as the labour market is concerned, the area's activity rate is very similar to its eastern counterpart (around 55%). However, unemployment rates are much lower and even below the national averages, as low as about 1% in some areas such as the districts of Katowice and Wroclaw. However, even though these data are positive, by looking at the trend, it is worth mentioning that COVID 19 pandemic as affected the economy of this part of the country. Indeed, during the first quarter of 2020, most of the economic indicators that had been on a positive trend up to

¹⁰ The Urbanisation rate is the percentage of urban population in the total population.

that point, slowed down their growth. As a consequence of that, unemployment rate increased by 0,8% on average and the number of people enrolled in district labour offices increased. As the situation improved, the economy of Poland, and of this area in particular, started to grow again in the second quarter of the year and the unemployment rate quickly rise again to pre-pandemic values.

I. 2. 3 Central area

The central and last part of Poland is composed of the last five voivodeships: Pomerania (“*Pomorskie*”) Lodz (“*Łódzkie*”), Masovian (“*Mazowieckie*”), Greater Poland (“*Wielkopolskie*”) and Kuyavian-Pomerania (“*Kujawsko-Pomorskie*”). This macro-region could be considered has a half-way between the other two as it is both an industrial place, but not at the Western Poland’s level, and a primary-sector-oriented location. In addition, it is a touristic area as the major cities of the macro-region, such as Warsaw or Gdansk, are important historical and recreational locations.

Warsaw is the most populous city of the country with about 1,7 million inhabitants that constitutes the 33% of Masovian Voivodeship. However, other important cities are present in this area, in particular Gdansk, Torun, Radom and Lodz, that constitute the geographical and economic landmarks of the regions. Most of the population live in cities with a higher urbanisation rate than the national average in all provinces, and consequently the population density is high.

Regarding the economy, within these five voivodeships it is heterogeneous, ranging from agriculture to the tertiary sector and industry. With regard to the latter, most of the companies operate in the automotive and high-tech sectors, in particular, video game companies with registered offices in Lesser Poland and the Masovian Voivodeships account for 20% of the world's companies. Due to the high development of agriculture, the food industry is also developed. The service sector is mainly dedicated to tourism and BSS (Business Service Sector), with companies like PGE or KPMG that have their registered offices in Warsaw.

The pandemic affected and changed the labour market as the business activity was limited in 2020. This resulted in workers losing their employment and business owners having to suspend their activity. Consequently, at the end of the year, the unemployment rate of this area got worsen. The unemployment rate stood slightly lower the national average, even though it is diversified within districts: Warsaw District has a 2% unemployment rate, while neighbouring Radom it reached 5%. In June 2021, the highest number of persons were employed in manufacturing, trade, repair of motor vehicles.

I. 3. THE STATE WITHIN THE LABOUR MARKET

Today, each government implements its own labour market policy aimed at influencing labour supply and demand as well as to maintain or restore balance. These policies take particular account of the need to achieve the fundamental objective of high quality of life, employment and a low level of unemployment.

Because of the economic and social importance as well as the specific functions of employment, these measures are among the most important labour market measures in nations' economic policy. This is because employment fulfils two fundamental functions: economic and social. The economic function derives from the fact that employment is the basic production factor, which significantly determines the level and the quality of the creation of value of the nation. The social function, on the other hand, derives from the fulfilment of an extremely important task: satisfying the need to participate in the labour process. This is because work is an important means of personal fulfilment, making possible the realisation of life aspirations, the attainment of a desired social position, the creation of interpersonal contacts, the utilisation of professional knowledge and skills, and so on. Working is an expression of the simultaneous fulfilment of the social and economic functions, as it makes it possible to provide the means of subsistence for family members. This dualism of employment allows work to be treated as a goal and an instrument of socio-economic development at the same time. It makes also in the hierarchy of economic policy objectives of contemporary countries both full employment and labour market balance.

The government of a country can influence the labour market directly or indirectly. In a direct way, it reduces unemployment through policy instruments. For example, among the European measures to fight youth unemployment, there is the Youth Guarantee, a commitment by member states to ensure that all people under the age

of 30 are offered quality jobs, continuous training, traineeships or internships within four months of becoming unemployed or leaving school. Indirectly, it acts on workers, for example through policies to increase the level of education of the population. However, this is not enough to achieve full employment and a part of the population could still be out of work. For this reason, the governments of country usually use other instruments aimed at helping families in economic need, such as unemployment benefits.

I. 3. 1. Education

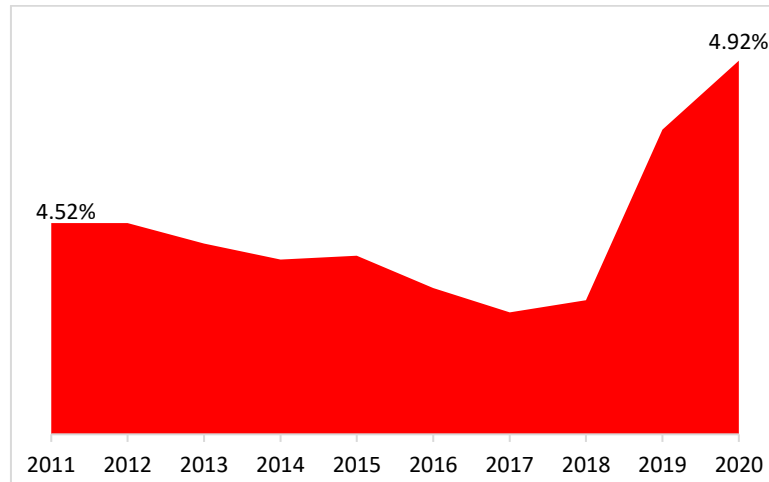
In the evolution of the human capital of a country, one of the most important elements is education and the knowledge gained thanks to it. According to the “Human Capital Theory”¹¹ investing in education allows the economic growth of a country by, among many other things, increasing the productivity of workers and their efficiency. Even though the more qualified and professional is the personnel the more it costs, it is more convenient, from organization’s point of view, to hire high-skilled workers. As a consequence, in order to increase the national income, it is fundamental to develop domestic human capital. For people, on the other hand, having a high education corresponds both to a higher chance of finding a job, and, above all, to receiving a higher income.

¹¹ The Human Capital Theory is a thesis developed in 1960 by Gary Becker and Theodore Shultz that expresses the idea that people can increase their productivity thanks to greater education and skills training. As a consequence, companies should invest in training and education in order to increase their workforce efficiency.

The process of creation and conservation of human capital is considered to be an investment from families' point of view, and it depends on the quality of the educational system as well as the government expenses in this field. In Poland, education costs are increasing every year. With respect to the previous year, in 2021, families have paid the 29% more for each student enrolled in high schools. At the same time, university fees have increased as well, both in the case of public universities, where families have paid the 37% more with respect to 2016 for each student, and for private universities, where the increase has been smaller (about the 7%). In the case of both bachelor's degree and master's degree, students can benefit of a system of financial aid in the form scholarships, regardless of their effective situation. These instruments have been used by the 17% of PhD and university student in Poland.

On the other side, from government point of view, the costs sustained by local authorities for education and instruction was about 80 billion of PLN, in 2019, which corresponds to the 26,8% of the overall spending. Most of these costs were incurred for the implementation of tasks aimed at ensuring the universality of higher education, the equalisation of educational opportunities and the improvement of the level and quality of education, while a smaller part has been allocated to the research activity of high schools and to research projects.

Figure I. 4 - Public expenditure in education as percentage of GDP



With respect to the GDP, after a period of decline, Polish public expenditure in education has increased in the last four years to almost 5%. This turnaround was caused by the reform of 2017 that has had important consequences in the organization of pre-school education institutions as well as primary and secondary education networks by local authorities. On this topic, Poland is perfectly in line with the European Union Average. In addition to this, the government has supported schools and institution managed by educational centres, such as prisons or rehabilitation centres, for about 4 billion of PLN (5,4% more with respect to 2016).

The modern Polish educational system was developed in 1999, when the government redefined the length of each step of the educational pathway: 6 years for primary school, 3 for junior high school, called “*Gimnazjum*”, and 3 for senior high school, called “*liceum*”. It was in this period, that was defined the current age

limits with regard to compulsory schooling: every student must go to school from the age of 7 to the age of 18. In 2017, the system was reformed, and the “Law on School Education” was introduced by then-government which reformed the education course.

The Pre-school education is considered to be the first level of the system and it is reserved to children between three and six years; generally, it is not mandatory, but at the age of six pupils are obliged to do one year of kindergarten in order to start the primary school the following year. Within the European Union, Poland is one of the least developed countries with regard to pre-primary school and the number of children enrolled in kindergarten is rather inferior than the European average.

Once children have reached the right age, they start the primary school, in Polish it is called “*szkola podstawowa*”. Primary school lasts for 8 years, and it is divided in two parts: the first 3 years, students are followed by one teacher who teaches all the scheduled subjects, which are Polish, math, a foreign language, physical education and Religion; the second part lasts 5 years, during which students learn further disciplines taught by different teachers (one for each subject). At the end of the eighth years, students have to take a test which does not have a minimum grade to be passed.

Once finished their primary school, students start the upper secondary school. The secondary level of education has the aim of preparing students to enter either into the labour market or into tertiary education. Students that decide to focus on a

specific profession will choose a “*Technikum*” that last for 5 years. They receive both formation and work experience thanks to internships, in order to be prepared to start working as soon as they finish school. Interest in this path is increasing in the last years and, the number of students that are enrolled in a “*Technikum*” was the 41% in 2021 (in 2017 it was 38%). Differently, students can choose to spend 4 years in a “*liceum*” which is more general schools with the aim of preparing students for universities and that had been chosen by the 45% of students in 2021.

The last educational step is the tertiary education that follows the “Bolognese” model, the same of Italian universities: a three-year bachelor’s degree; the possibility of two more years to get a master’s degree. Some of these master’s degree are offered in a unique long-cycle programme that lasts between four and six years. In the last five years, it is possible to observe a widespread tendency among teenager to continue their educational path after the secondary school. Indeed, the number of students enrolled at the first year of university has increased by 1,1% with respect to 2020, while people that sign up in a master’s degree has increased by 4%. As a consequence, it is possible to expect that the quality of human capital would increase as well.

The 2017 reform has brought an increase in the number of students with upper levels of education, as highlighted by the data prepared by the GUS¹².

¹² *Główny Urząd Statystyczny* – Central Statistical office of Poland.

Table I. 8 - Percentage of people aged 15-64 by level of education

	2016	2017	2018	2019	2020	
TERTIARY EDUCATION	22.82%	23.72%	24.37%	25.15%	25.73%	2.91%
SECONDARY EDUCATION	33.60%	33.75%	33.97%	34.07%	34.41%	0.81%
VOCATIONAL EDUCATION	24.37%	24.25%	24.06%	23.66%	23.49%	-0.88%
INCOMPLETE EDUCATION	19.22%	18.28%	17.60%	17.12%	16.38%	-2.84%

Between 2016 and 2020 the percentage of people (18 or older) with tertiary education has increased by 2,9 points; while, at the same time, the percentage of people with primary education or incomplete education is decreased by 2,8 points. This increase in the level of education has resulted in an increase in the number of professionally active people with higher education by 10% over the past 4 years. Therefore, this shows the existence of a link between having a higher education and being a professionally active person. Looking at the differences among gender, it is possible to notice that the number of women that reach a higher educational level is greater with respect to the number of men. By analysing the levels of education within the regions, the best results were obtained in the Mazowieckie Voivodeship, where the 35% of the population has a university degree, and the Lower Silesia Voivodeship.

The OECD Programme for International Assessment (PISA)¹³ has evaluated the characteristics and the effectiveness of polish educational system. During the last survey, in 2018, Poland was positioned among the first four countries within the European Union, 10th among the countries that participated to the programme.

The high educational level of polish population has been confirmed also by more recent data: in 2020, the percentage of people with a secondary educational level or higher was of 93,2%, while the average of European Union Countries was of 79% for the same period. In addition, the school dropout rate is significantly lower in Poland than the European average: the 5,4% of Polish students leave school without finishing their studies (boys have a higher rate than women) while the EU average was the 10%. However, the trend is different, as the European average is falling rapidly, while the abandonment rates in Poland has increased slightly.

That a higher level of education corresponds to a higher employment rate and, usually a higher wage, is a common fact in all labour markets: higher the level of education higher the opportunity to find a job and to earn a higher wage. However, the percentage of increment is different by country and thanks to the Eurostat data

¹³ The Programme for International Student Assessment (PISA) is a triennial survey of fifteen-year-old students with the aim of evaluating country's educational system. The survey measures in an objective and comparable way the knowledge of those students in three main fields: reading and interpretation, natural sciences and mathematics. The results allow to internationally compare in an objective way the capacity of young people to analyse, reason and communicate their thoughts and whether they are prepared for lifelong learning.

it is possible to highlight this difference in Poland and to make a comparison with other markets, such as the Italian one.

In general, the opportunities to find a job are higher for people with a higher education level, and consequently, the unemployment rate of the most qualified workers is lower than their peers that have finished their studies earlier. This is confirmed by the table below.

Table I. 9 - Employment and unemployment rate by level of education in Italy and Poland

EMPLOYMENT BY EDUCATION LEVEL			
	BELOW SECONDARY	UPPER SECONDARY	TERTIARY
POLAND	46.92%	71.55%	89.09%
ITALY	51.68%	70.47%	80.78%

UNEMPLOYMENT BY EDUCATION LEVEL			
	BELOW SECONDARY	UPPER SECONDARY	TERTIARY
POLAND	8,24%	2,84%	1,79%
ITALY	11,90%	7,25%	5,14%

Figure I. 5 - Employment by educational level

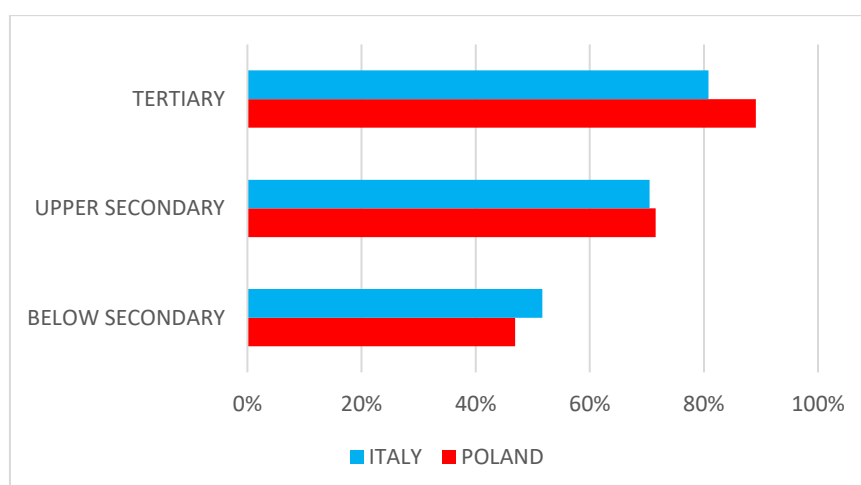
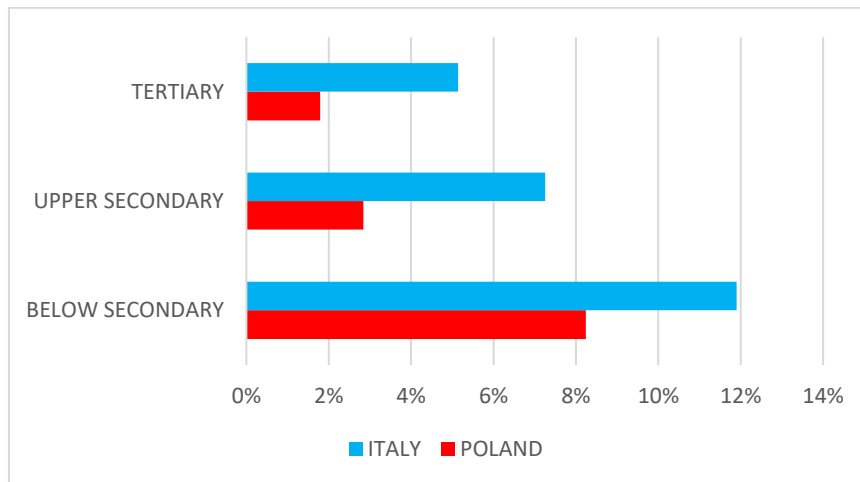


Figure I. 6 - Unemployment by educational level



As it is possible to notice in the table, there exist a discrepancy between all Italian rates and the corresponding Polish ones. This difference may be caused both by the higher Italian unemployment rates, reaching 9.40% in 2021 compared to 3.40% in Poland, as well as by the incongruity between the Italian educational offers and what is asked by companies. The gap is particularly relevant from the secondary level of education onwards: almost all the people with a tertiary education can find a job in Poland differently to what happens in Italy where the unemployment rate reaches the 5% among those with a university degree. In addition to this, for all three educational levels, a disaccord can be seen between employment rate and unemployment rate in both states: for example, in tertiary education in Poland the employment rate is 89% while the unemployment is 1,8%. This is due to the fact that not all young people who finish their education (whether secondary or tertiary level) enter the labour market immediately, some may decide to continue their

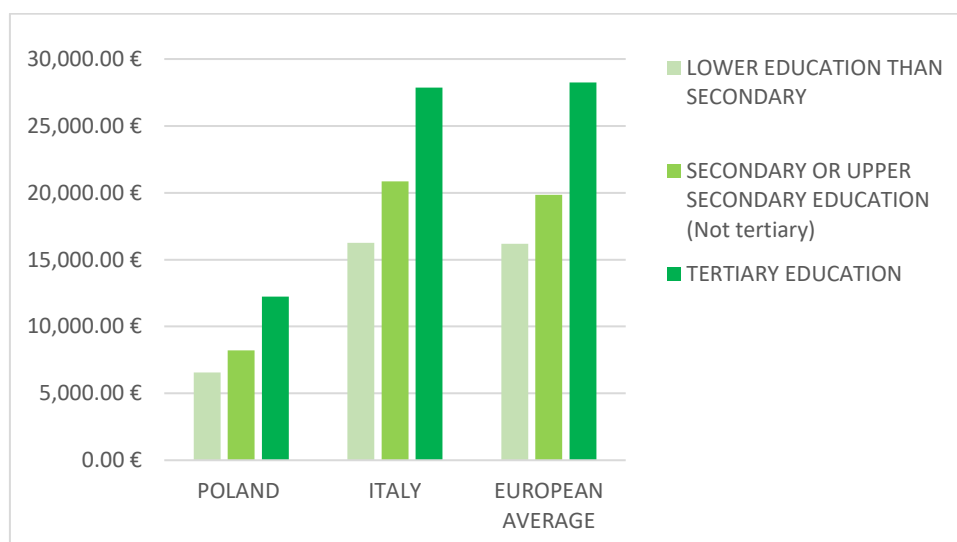
studies. For instance, by taking again the tertiary education in Poland we can imagine that the remaining 9,2% are guys that have decided to continue their educational path by following a PhD course.

Differences exists in the salaries as well, regardless of workers' level of education. More qualified people find more favourable working conditions both in terms of career opportunities and salary.

Table I. 10 - Average net income by level of education in 2020 (in Euro)

	POLAND	ITALY	EUROPEAN AVERAGE
LOWER EDUCATION THAN SECONDARY	6,569.00 €	16,265.00 €	16,195.00 €
SECONDARY OR UPPER SECONDARY EDUCATION (Not tertiary)	8,215.00 €	20,842.00 €	19,841.00 €
TERTIARY EDUCATION	12,244.00 €	27,875.00 €	28,242.00 €

Figure I. 7 - Average net income by level of education in 2020 (in euro)



Even though Polish cost of live is much lower than Italian one and despite the different currency in the two countries, by increasing their level of education, student could expect to earn more in percentage, in Poland than Italy or the European average. Further confirmation of the above, is research of the OCSE that states that the highest gross average wages have been earned by people who have a higher education with at least a PhD. In general, those workers earn the 68,4% more than the ones that have not finished their studies, while people with a secondary vocational education received 17,2% more than people with a basic education in 2018. As it is possible to see from the table above, this relation is more evident the higher the level of education. The lower differentiation in salary among those workers with a lower level of education may highlight that the competencies of employee are more relevant in this situation.

On the other hand, adult education in Poland is not developed as in the rest of the EU. In 2020, the participation to classes of people among twenty-five and sixty-four years old has not been even half the EU average. These poor results have been confirmed by the investigation “Adult Learning”, in which worse results than Polish one had been obtained only by Romania, Greece and Bulgaria. However, in the last 10 years, Poland is trying to improve and innovate their adult education system, in particular regarding vocational training within the context of the European

Qualification Framework (EQF)¹⁴. There has also been a growing concern for developing professional Standards. In particular, over 250 National Professional Qualification Standards have been developed by the Institute for Sustainable Technologies showing the new trend towards the development of specialists.

Nowadays, because of the globalization of information, work and culture, the labour market gives increasing importance to the knowledge and competencies of foreign languages. Language skills contribute to higher opportunities for labour mobility and increase business competitiveness. According to the investigation on “Adult learning”, in Poland more than two thirds of people among the age of 18 and the age of 69 knows at least a foreign language. However, the level of knowledge is medium-low for most of those people with the exception of those who have skills in a second language (23%). The most known foreign languages are English, Russian and German: English is the most widely spoken foreign language, while German is mainly known in the west part of the country and Russian is talked in eastern Poland¹⁵. Compared to the European average, the level of knowledge of foreign languages is lower: in Poland, 40.9% of people aged between 25 and 64

¹⁴ The European Qualifications Framework (EQF) is a system for comparing the professional qualifications of citizens of European countries. As of 14 February 2008, for each qualification issued in Europe, the corresponding EQF level can be identified indicated by an index from 1 to 8 that evaluates knowledge, skills and competences. This allows for the comparison of qualifications acquired in different countries.

¹⁵ The two languages are the most known because of the educational system that was present during the communist period, when next to Polish language, Russian (on the eastern side) and German (on the western side) were taught to polish students.

stated that they have used the foreign language they were most familiar with at a good or advanced level, compared to 55.1% average of the European Union.

I. 3. 2. Unemployment benefits

Even in the worst periods, during the 90's, a political conflict around the problem of unemployment has never manifested itself. Trade unions decided to adopt a liberal approach by relegating unemployment simply to a price to be paid for the transformation of the nation, while the politics decided not to intervene. Today, the system still relies on that current of thought and polish benefits are mainly insurance-based system composed of a mix of approaches. In fact, even if attempts were made to introduce more state control around unemployment benefits together with obligation for the unemployed to attend training courses, the benefit system still suffers from the fact that support to jobless is not considered legitimate unless their situation is caused by age or disability. Therefore, nowadays, unemployment insurance has turned into welfare assistance, and active policies often obscure what is no more than financial support.

The Voivodeship labour offices are competent of providing assistance to unemployed or jobseekers in finding an occupation and, at the same time, they help companies to find the right worker for a vacant position. This activity of assistance regards job placement services, career counselling, training and the implementation of subsidised employment programmes. These offices are also competent for the evaluation and the possible acceptance of the requests: here, the assigned social

worker will assess the applicant's income and monetary situation of the jobless as well as of his family, within 14 days from the request. The structure is further articulated at the territorial level in the so-called Powiat¹⁶ labour offices which pay out unemployment benefits and acquire and manage funds to fight unemployment. For those that have problems to find a job, the polish government has provided a series of benefits, in cash or other forms, to help families to overcome hard situations and to live decently. First of all, an unemployment allowance (in polish "*zasilek dla bezrobotnych*") is entitled to people without jobs who are looking for it. The rules for granting unemployment benefits are laid down in the Act of 20 April 2004 on the Promotion of Employment and Labour Market Institutions. According to these provisions, the right to unemployment benefits is granted to an unemployed person registered within the competent labour office after fulfilling certain conditions. A jobless can apply for unemployment benefits if there is no suitable work, internship, adult apprenticeship, training, intervention work or public work. Another condition concerns the performance of work during the 18-month period immediately preceding the date of registration, for a total of at least 365 days. Within this period, the person must have earned a remuneration at least equal to the minimum wage, from which the obligation to pay contributions to the Labour Fund arises. However, there exist exceptions to this obligation. For example, employers

¹⁶ A '*Powiat*' correspond to the Italian prefecture or other countries' district.

are exempt from paying contributions to the Labour Fund for employees who are at least 55 years old for women and 60 years old for men. In such exceptional situations, the worker will be entitled to the allowance even without the requisites. The amount of such allowance is gross PLN 1.240,80 within the first 90 days, and gross PLN 974,40 from the 91st day. If the jobless has less than 5 years of working experience the benefits are reduced to the 80% of the gross amount, which correspond to PLN 992,70 for the first ninety days and PLN 779,60 later. On the other hand, in case of a more-than-twenty-years unemployed, the unemployment allowance reaches the 120% of the normal value (PLN 1.489,00 for the first three months, PLN 1.169,30 then).

As a rule, the right to unemployment benefits is granted to unemployed from the date of registration with the competent Powiat labour office. The duration of the benefit varies based on the manner in which the contract was terminated: if the contract has been concluded by mutual agreement or unilaterally by the worker, the benefit last for ninety days from the date of registration; in the case of dismissal, this period is even longer and amounts to 180 days. An unemployed person may receive the allowance for 365 days in the following situations:

- He lives in the “*Powiat*”, whose unemployment rate on 30th of June of the year preceding the day of acquisition of entitlement to unemployment benefit exceeded 150% of the average unemployment rate in the country

- He is over 50 years of age and have been entitled to unemployment benefits for at least 20 years;
- He has at least one dependent child under the age of 15, and the spouse is also unemployed and has lost entitlement to the allowance due to the expiry of the period of receipt of the allowance following the date on which the unemployed person became entitled to the allowance;
- He is single parent with at least one child up to the age of 15.

In addition to the unemployment allowance, there are other benefits that labour offices can reserve for those people who find themselves without work, that could be called social support, and which may be in cash as well as in other forms. In cash form a person with no income can obtain:

- A permanent allowance, called “*zasilek stały*”, which are supports to the income of people whose work capacity is compromised by age or by disability. Its amount varies between 30 PLN a month to 701 PLN for the same period;
- A periodic allowance, called “*zasilek okresowy*”, which is provided to families who have not a sufficient income to meet their vital needs;
- An earmarked allowance and the special needs allowance, called “*zasilek celowy i specjalny zasilek celowy*”, which are one-off payments made to individuals and families to enable them to satisfy their most urgent essential needs such as to buy medicines, fuel);

- benefits and loans for economic independence, called “*zasilek i pożyczka na ekonomiczne usamodzielnienie*”;
- assistance for becoming independent and to continue education, called “*pomoc na usamodzielnienie oraz kontynuowanie nauki*”;
- Supplementary parental benefit (“*rodzicielskie świadczenie uzupełniające*”).

In addition to these kinds of benefits, social assistance may be provided in other forms such as credited tickets or contribution for health and welfare assistance.

I. 3. 3. Undeclared work

In Poland, a common definition of undeclared work is not provided by the law: in the Act of 20th of April 2004 on the Promotion of Employment it is possible to find the concept of “illegal employment” as well as the situations that include this concept which is used by Polish institutions and stakeholders; a second definition is provided by the GUS to explain their methodological approach to the measurement of this phenomenon. To summarize, there are three situations in which a working relation is considered to be illegal:

- When there is no written confirmation about the type of contract concluded as well as its terms and condition;
- When the employer does not report the contract to the social insurance system;

- When the unemployed does not notify the working relationship to the competed labour office.

In 1998, the European commission gave a set of explanation of why companies use undeclared work such as tax and social contribution levels, or burden of general costs and administrative procedures. These conditions created a situation in which formal employment is not profitable as the shadow economy case.

Since 2014, the European Union imposed the obligation to include illegal activities on the national statistics. Estimates on the underground economy are provided by several institution and they include data on the undervaluation of production and income, tax evasion and estimates on individuals engaged in undeclared work; however, the estimates differ from one to another as certain data are not available. One of the most reputable estimations is contained in the Extended Labour Force Survey, which was made periodically from 1995 to 2014. Even though estimates about shadow economy as percentage of GDP remained constant around 13%, the number of people involved in undeclared work diminished drastically both in absolute and in relative terms. With respect to the first measurement, when the percentage of undeclared work on the total number of employed was about 15%, the last measurement showed a minus 10%. Another estimate to consider is the one carried out by the Polish Central Statistical Office between 2000 and 2014. During this period, the use of hidden labour initially had an upward trend until it peaked in 2008. The high value of this year was caused by a decrease in employment that

brought the share of shadow economy workers in the total employed to 6%. Taking these differences into account with due caution, we can indicate that the percentage of people working in the informal economy showed a downward trend in the years 1995–2014.

At the legal level, undeclared work is not allowed and, consequently, the state has provided for sanctions and impediments in order to minimise this phenomenon. As far as the employee is concerned, he or she does not bear the negative consequences of illegal employment, since most of the information obligations concerning employment lie with the employer. However, if the worker has the status of unemployed, he/she is obliged to inform the local labour office within 7 days from starting working. An unemployed person who has taken up employment, other gainful activity or economic activity without informing the competent Powiat labour office is punished with a fine ranging from 500 PLN to 5,000 PLN.

On the other hand, the employer must comply with three legal obligations in order not to incur sanctions for undeclared work: registering the employee with the social insurance within 7 days of employment; calculating, collecting and paying social security contributions to the tax office; and the obligation to confirm in writing the employment contract concluded with the employee before allowing him/her to work and the terms of the contract. First of all, the insurance obligation arises for the employee from the date of establishment of the employment relationship until the date of the end of the relationship, and for the contractor. In the event that the

employer does not fulfil the aforementioned obligation, it will incur a fine of up to PLN 5,000.

As to the second obligation, the employer's liability is both for uncollected tax and for tax collected and not paid. The Criminal Tax Code provides that the penalty for failure to collect or collection of tax in a lower amount, as well as for failure to pay the collected tax to the Tax Agency in time may be either a fine or imprisonment for up to 3 years, or both of them. Finally, failure to comply with the written form requirements for both the contract and the conditions governing, the employment relationship is punishable with a fine of PLN 1,000 to 30,000.

II. POLISH LABOUR LAW

Polish law is divided into two categories: universally binding laws, which are contained into the constitution, the statute, ratified international agreements as well as regulation; and internal laws that include all other acts and are binding only on the organs of public administration and self-governed organizational units.

The Polish labour system is known for low personnel costs as well as easy access to well-qualified workers thanks to the highly developed public university system. For this reason, many large companies are moving their facilities to this country today. However, the system is not as certain as it seems because of an ever-evolving tax and social security system and the heavy activity of trade unions in labour relationships. In general, both employees' and employers' rights are contained within a varied legal framework.

The general principles of freedom of work and the social rights of people are contained within the Polish Constitution. The Constitution was promulgated in 1997 after an approval referendum and it establishes the principles of the Republic of Poland.

The most important source of labour relations rules is the Labour Code. It was developed in 1974, as amended, in which the main elements of the employment relationship (nature, termination...) are determined. After Polish entrance in the European Union (2004), the code was modified a first time in November and, subsequently, in December 2008 in order to align national rules to the guidelines of

the Union. The first amendment regarded equal opportunities, health and safety in the workplace. It has introduced measures to increase the security and the health of workers in the workplace such as the obligation of training of fire safety personnel, which is a mandatory figure in all places where at least one employee works. In addition to this, the change has added measures aimed at reducing discrimination, harassment, and violation of equal treatment in the workplace. For instance, workers returning after maternity leave, or its equivalent have the right to recover the jobs they had before the leave, or they must be assigned to positions that are equal in terms of required skills and retribution. The second amendment was about parental leaves and childcare. Thanks to this modification, the duration and the criteria of assignment of maternity leave, parental leave as well as adoption leave were defined. In addition, it enhanced childcare rights. The law provides for important hygiene and safety regulations at work, especially to protect women and minors, who may not be employed at night, neither in conditions particularly harmful to health nor during overtime. These rules are applied only to workers employed with employment contracts, while other persons working under civil law agreements are not legally considered employees.

Other sources of rules governing the employment relationship are contained in acts and secondary legislation which define employees' and employers' rights and obligations, and in collective agreements.

During the last three years, two new legislations have come into force. In 2019, a new regulation on the protection of personal data was promulgated, introducing detailed requirements about monitoring at work as well as rules about the protection of personal data both of employees and of candidates. In addition, in September 2020, because of COVID 19 Pandemic the government was forced to update the regulation on remote working. However, the ministry of labour has not provided any precise draft yet.

II. 1. TERMS OF EMPLOYMENT

Once the employee is selected by a company after the selection process, the parties enter into a working agreement and within seven days from the start of the working activity, the employer has to register the newly employed in the Social Insurance Institution (ZUS¹⁷). Further, the employer has to report a set of specific statements and forms to the authorities. In Poland, the most popular agreements about work are through employment contracts¹⁸. Even Though through civil law agreements are used as well. Once one of these two agreements is signed, it cannot be exchanged for the other. The first gives workers rights that are not available under civil law contracts: it allows workers to improve their qualification; to receive remuneration, even though they are not able to work because of health problems; it determines the rules for end of the contract as well as for overtime pay; and it allows

¹⁷ The Polish Social Insurance Institution is named “*Zakład Ubezpieczeń Społecznych*” (ZUS).

¹⁸ The Polish Labour law and other work-related acts apply only to persons employed with employment agreements., while performing work on civil law basis is not considered employment.

workers to record the length of service. When the parties agreed to sign an employment contract, they have obligations to fulfil which are established by the labour law: the employee undertakes to perform work for the benefit of the employer when and where the employer specifies; the employer undertakes to employ the employee in exchange for a remuneration. In addition to this, contracts cannot contain less favourable conditions than the ones provided by the law.

The contract of employment must be in written form, and it must be in Polish. In case the employee has not sufficient knowledge of the polish language to understand the condition contained in the contract, the employer must provide him with a translated facsimile in another understandable language. Bilingual contracts may also exist as long as one of those languages is Polish.

The contract must define the main elements of the working relationship, including:

- the parties involved,
- the date of its conclusion,
- the place where the job is performed,
- the remuneration for that type of work, by specifying the components,
- the working time,
- the starting date.

Any change about the conditions of work or remuneration requires the written form.

In addition to this, the employer must notify the employee in written form about any other condition within 7 days from the conclusion of the agreement such as

daily and weekly working time hours, how often the salary is paid, holiday entitlement, and notice period. If work regulations have not been adopted in the employing establishment, the information must also include: night-time hours; place, date and time of remuneration payment; procedures for confirming arrival; and conditions that justifies absence from work.

With regard to the type of contract, the employee can be hired part-time or full-time by using the three contracts reported in the labour code: contracts for a trial period, fixed term contracts, and contracts for unlimited term.

The first sort of contracts is used when one of the parties or both of them wants to know better the characteristics and the qualification of the counterpart as well as the condition of future execution of mutual agreements in the workplace. In principle, probationary contracts must not exceed three months and the validity period of the contract ends within the period for which the contract was signed. It is prohibited to conclude a second trial agreement unless the employee is hired for another position or for a different type of work as well as after a lapse of at least 3 years since the employee last held that job. The contract may be terminated prematurely by the consent of both parties, but it cannot be terminated unilaterally. Fixed term employment contracts are signed by the parties for a period that suits for both. The particularity of time-based contracts is that, as their name implies, they are valid until a specific date that must not be longer than 33 months. If the employment relationship is longer than this period, at the end of the 33rd month the

worker is automatically hired with a not defined period contract. Four exceptions exist to this limit:

- Contracts for the replacement of an employee during justified absence from work;
- Contracts for performance or occasional seasonal work;
- Contracts for performance of work for a term of office;
- In case the employer gives objective reasons attributable to the employee and, only in this situation, the relevant district labour inspector must be notified in writing from the employer.

A single employer can hire more than an employee with temporary contracts, but the relationship cannot be renewed with this format more than three times. The contract can be terminated prematurely by the consent of both parties but not unilaterally (unless the employee has worked for the employer for less than 6 months or this possibility has been specified in the contract).

Finally, the most used employment contract is the unlimited term, also called open-ended contracts. It is signed to create a long-term relationship between employee and employer. Differently from the fixed term, the contract can be terminated unilaterally either by the employee and the employer, in addition to the termination by agreement.

All foreigners can sign the same type of working agreement as polish citizens, but distinctions exist on the basis of the country of origin. European citizens have

unlimited access to the Polish labour market, meaning that they can be employed in Poland freely unless they plan to live in the country more than 3 months (in this case they need to register their stay in the provincial office). On the other hand, persons coming from outside the Union, or a member state of the European Economic Area must obtain a work permit and an appropriate entry visa unless the person is legally staying in Poland by other means. A work permit allows foreigners to obtain a working visa and consequently, to work legally in the country. The request must be done by the entity for which the person applies at the competent voivodeship office by written application and the procedure lasts between two and three months. The application document contains the entity for which the person will work and the position the person will hold as well as the expiry date (not longer than 3 years). If employees change company or they are moved to a new position, a new permit will be required. The permit can be extended or updated without any time limit. There are 6 kind of work permits:

- Type A: it regards the case of a foreigner who will work in Poland for an entity whose seat, place of residence, branch, plant, or other form of organized activity is in Poland;
- Type B: it is when a foreigner performs a function of management of a legal person entered in the Polish register of entrepreneur or being a capital company;

- Type C: it is required when a foreigner working for a foreign company is posted to the Polish territory for more than 30 days a year;
- Type D: it is obtained by a foreign company without facilities in Poland for a foreign worker who is posted in the country in order to provide occasional or temporary service;
- Type E: it is obtained for a foreigner who will work for a non-domestic company, who will be posted in Poland for more than 30 days a year for other purpose than the other cases;
- Type S: it is obtained by foreigners who work in activities specified in the Regulation of the Minister of Family, Labour and Social Policy of December 2017, such as activities causally related to agriculture, forestry, hunting and fishing, or catering and accommodation.

Workers having their citizenship in Armenia, Georgia, Moldova and Ukraine can be excluded from this work permit request and perform work in Poland on the basis of an employer's statement about the intention to employ a foreigner¹⁹. However, the foreigner cannot work on such statement longer than 2 years and it cannot be seasonally employed.

The base remuneration of the employee is defined in the employment contract, and it is usually based on the kind of work, the qualification required to perform it

¹⁹ Before the Russian-Ukrainian war, the citizens of the Russian Federation and the Republic of Belarus could benefit of this exception.

as well as the quantity and the quality thereof. However, the remuneration cannot be lower than minimum wage which is yearly updated by the Council of Ministers and in 2022, it is PLN 3.010 gross. This value is determined by the government together with collective labour agreements on the basis of the principles and the procedures provided in the Minimum Wage Act. Additional remuneration could be earned based on bonuses and awards which are defined at the bargaining stage or directly by the employer, but also, they are mandatory due to the worker, for instance, in case of overtime hours.

II. 1. 1. Condition of employment

In Poland, employees cannot work more than 8 hours a day and 40 hours a week, as defined by law. However, the law specifies that the employer can introduce other working-time system that allows to extend the daily amount of working time. In addition to this, the legislator has introduced the possibility to shorten or extend the daily working time. The Labour code establishes that overtime must be justified, and it is accepted when there is risk for human life or for the environment and in the event of employer's need. However, the weekly overtime may not exceed 48 hours a week. Furthermore, it is employer's duty to grant 11 consecutive hours of rest within a 24-hour day. There also exists an annual limit to overtime hours, which is set at 150 hours a year by the labour code. If the employer is not obligated by a collected labour agreement or by work rules and procedures, it is acceptable to decide a higher number of overtime hours than the one established by the legislator,

always bearing in mind the 48-hour weekly limit. Minors between the age of 15 and 18 enjoy reduced working hours.

According to the labour code, every employee is entitled to time away from the workplace upon justification during which he receives part or all his regular pay. Among those benefits recognized by Polish law, the employee is entitled to an annual paid vacation leave. Its duration depends on the period of employment of the worker: if he/she has been employed in the company for more than 10 years the leave is 26 days a year, otherwise an employee can benefit of 20 days of paid leave (upon employee's application, the leave can be divided). Within this calculation are included periods of previous employment too, regardless of the intervals or how the relationship concluded, as well as periods of education (they cannot be aggregated). When an employee is pursuing a course of study and working at the same time, the employment period for the calculation of the leave includes either the period of attending school or the duration of employment, depending on which is more favourable for the employee. Legislative work on the amendment to the Labour Code has been underway since 2016. One of the proposed changes is the introduction of 26 days of paid leave for all employees regardless of the length of service. These changes will enter into force most probably in the second half of 2022 together with the new provisions concerning, inter alia, parental leave, which are required due to EU directives. Apart from holiday leaves, workers are entitled

to time away from work on Sundays and public holidays²⁰. In addition, employers may authorise other bonuses or leaves to reward the employee that perform well at work, outside those to which he or she is entitled by right.

In addition to this, an employee has right to sickness leave for the period during which he is unable to work. Sickness leave means that worker's remuneration is up to the 100% of the regular one, depending on the cause of the incapacity, and it is paid by the employer for the first 33 days of sickness and by the institutions for the remaining period (up to 182 days).

At written request, the polish employer can grant unpaid leave to his employee also to perform another work in another company on the basis of an agreement concluded with the other employer. However, this period of leave is not counted as an employment period for the calculation of other benefits. In the case of periods of leave longer than 3 months, the parties may include the possibility to recall the applicant if needed. Only in this situation, such leave is part of the calculation on which employee's rights are based.

Maternity leave relates to giving birth to a child during employment and it is reserved to women without considering their length of service. The duration depends on the number and age of children, ranging between 20 and 37 weeks (in case of five or more children), and it is a right which can be exercised only in kind.

²⁰ In Poland there are 13 public holidays a year.

Fathers of new-born children have also the right to partially exercise their maternity leave, provided that: the mother has already used eight weeks of maternity leave, or she is unable to care for the new-born child due to health problems. Maternity leaves are also recognized to employees who have adopted or have fostered children following a court order, until the age of 7 with the same duration of the common maternity leave. Generally, in case of birth of a child the parents will receive 100% of their basic remuneration for the first period of the leave and the 60% for the remaining period. If the mother has used at least 14 weeks of maternity leave after the delivery, she can renounce to remaining part. In such situation, the unused time of the maternity leave is awarded to the employee in her payroll. In case the father is raising the child, he is entitled to a paternity leave of 2 weeks. Workers of both sexes are also entitled of optional maternity leave, while fathers of children aged under one year are entitled of optional paternity leave of 2 weeks. Finally, employees are entitled to part-time working hours for up to 12 months after the birth of the child.

Other leaves include disability leaves, recognized to persons that have a recognized severe or moderate disability which allows workers to additional 10 working days a year of leave. In addition, the employer must release workers from work for two days in case of their wedding, birth of a child as well as death or funeral of relatives, and one days in case of wedding of a parent. Other special leaves are entitled to

blood donors on the day of donation and to persons who must appear in front of the court or administrative body.

II. 1. 2. Tax regime and the polish pension system

Similarly, to what happens in other countries, the Polish employers and employees are obliged to pay monthly contribution to social and health insurance until the 15th or the 20th day of the following month. The principles of social insurance coverage and the rules of establishing social insurance contributions are regulated in the Act on the social insurance system, under which employees are subject to mandatory pension, disability, health and accident insurance. The amount of such benefits is dependent on a percentage rate established in the act.

Apart from paying their own share, polish employers are obliged to pay the employee's social security contribution to the social security authorities (ZUS) on a monthly basis. On average the employer pays between the 19,21% and the 22,41% of employee's gross salary to the ZUS, while the employee reaches the 13,71%. Both the social security shares of the employer and employee are tax-deductible items in their respective PIT²¹ settlements. Those percentages are paid by people having an average gross salary lower than the cap of PLN 177,660 (2022). If, on the other hand, the gross salary exceeds this level, the over-part is subject to an

²¹ The Personal Income Tax, or PIT, is a tax on polish resident's total income regardless of where it is earned.

additional contribution rate of between 3.22% and 6.41% payable by the employer and 2.45% on employee's shoulders. Going into detail, the contributions consist of:

Table II. 11 - Percentage of social and health contribution for employees and employers up to 2022's cap

TYPE CONTRIBUTION	EMPLOYEE (%)	EMPLOYER (%)
Pensions and disability insurance	11,26%	16,26%
Sickness insurance	2.45%	N/A
Accident Insurance ²²	N/A	from 0.67% to 3.30%
Labour Fund	N/A	2.45%
Employee Guaranteed benefits fund	N/A	0.10%
TOTAL PERCENTAGE	13,71%	from 19,48% to 22,11%

Employees and employers are obliged to pay about the 35% of the gross remuneration as contribution which is slightly lower than the Italian rate (in 2021, it was about the 40% of the gross remuneration). In addition to these, a universal social savings program has been created in 2018 thanks to the Act on Employee, capital and Plan with the aim of increasing the financial security of Poles. The Employee Capital Plans, or PPK²³, is a voluntary pension system for those who pay social security contributions. Participant workers can accumulate funds within this system dividing between a one-off payment and other quotas divided for a period of 10 years, that will be paid after the age of 60. The state participates with an initial

²² For employers that employ less than nine employees the accident insurance is 1,67% of the gross salary

²³ In Polish “*Pracownicze Plan Kapitałowe*”.

contribution of PLN 250 and adds another PLN 240 each year. The obligatory basic contribution is mainly financed by both the employee and the employing entity's funds on the basis of the rates defined by the act. Their participation consists of a basic contribution rate of 1.5% for the employer and 2% for the employee, as basis of pension and disability insurance contribution. Then, it is added an additional contribution of 2% rate at the employee's side and 2.5% for the employer. Even though the participation is voluntary, people are automatically assigned to PPK, but they can resign from paying upon written declaration, while companies are obliged to create their own funds.

Other than the above-mentioned contributions, workers, board members together with entrepreneurs must pay a monthly rate for health insurance. On the employees' side, the monthly rate of contribution is the 9% of the assessment base. The latter is composed of individual gross income minus the amount that workers pay in the form of contributions. With the Polish Deal, from the beginning of 2022, the 7,75% of the health insurance contribution is no longer tax deductible, and, as a result, the entire 9% will be placed on the shoulders of workers' income. The new regulation has brought changes on the entrepreneurs' side too.

Currently, contributions depend on the tax regime in which the company is located, but it cannot be lower than PLN 270,90 a month:

- 4.9% of income for sole entrepreneurs' companies taxed at flat rate (19%);

- 9% of income for sole entrepreneurs' companies taxed according to the tax scale (17% / 32%);
- a specific contribution depending on the amount of annual revenues for sole proprietorships taxed with a lump sum on recorded revenues: for revenues up to PLN 60,000.00 the health insurance is PLN 335,94 per month; for revenue between PLN 60,000.00 and 300,000.00 it reaches PLN 559,89 per month; for higher revenues, the insurance is PLN 1,007.81 per month.

Part of these contributions are reserved to the pension funds of Polish workers. The Polish pension system is composed of three pillars: the first regards the Social Insurance Agency, which manage funds which are not invested but added to the recipient's account and valued; the second pillar is based on the operations of Open Pensions Funds whose task is to trade and increase the amount; the third pillar consists of the employee pension scheme and the Individual Retirement account. While the first two pillars are mandatory, the third is voluntary. Pensions under the first pillar are based on the sum of contributions recorded on individual account of the recipient at the Social Insurance Agency, the valorised initial capital and an average lifespan for women and men. The amount of the pension under the second and the third pillar depends on the investment effectiveness of the funds. At the moment, the retirement age is sixty years for women and sixty-five for men and, only after reaching this age, it is possible to apply for it. The only exception are

bridge retirement pensions for workers performing particular occupations that can benefit of pension five years in advance (for instance, miners).

In addition to these contributions, polish residents pay a personal income tax (PIT) on their incomes. The current rate is 17% up to a certain income level and 32% thereafter. As of 2022, new regulations on taxation came into force and changed the income target from which taxation increases. Until 2021 the limit was PLN 85,528, whereas the new tax law set a level of PLN 120,000. This means that as of today, a person earning more than 120,000 PLN will pay 17% PIT up to the target (15,300 PLN), and on each additional PLN the person will pay 32%.

II. 2. EMPLOYEES' RIGHTS

Every European worker has minimum rights relating to health and safety at work, equal opportunities for men and women, protection against every kind of discrimination. Individual EU countries must make sure that their national laws protect these rights laid down by EU employment directives. In order to align the legislation to the European one, the Polish legislator has provided a wide variety of rights that must be respected by the employer from the first interview for recruitment purposes to the moment when the working relationship ends.

Starting from the beginning of the working path, when a company wants to hire a new employee, protection of candidates' information is provided by the law. Indeed, Polish law provides strict limitation on background checks, which is only allowed to obtain information about the candidate that might relate to the job

position. Some exceptions to this limitation are allowed only in case of candidate's detailed and explicit consent. However, the lack of such consent must not be cause of disadvantageous treatment of the candidate. Regarding personal data, the law specifies that the interviewer could ask candidates only determined personal data, directly provided by the candidates themselves in a statement, such as name, surname, date of birth, contact data, education, professional experience, and employment history. Additional data may be demanded only with the consent of the candidate, with the only exceptions of criminal convictions, offences, and information about personal life.

Among the rights of employees, it is important to include safety and health in the workplace. It is employers' task to ensure healthy and safe working condition for their employees. In order to better manage this task, if the company employs more than 100 employees, a special internal body must be created. In addition, among company's tasks, before the newly hired starts working, the employer is obliged to provide an initial OHS training (Occupational Health and Safety training) and follow that with periodical sessions.

The employer has to organise work in a hygienic and safe way and to reduce strenuousness, particularly in monotonous jobs. Other tasks of companies are to make sure that the principles of health and safety are followed by everyone, to issue instructions to remedy breaches, as well as to supervise the implementation of instructions and, in case of changing in health and safety needs or rules, adapting

conditions to the new requests. The company has also to develop a coherent policy in order to prevent accidents and occupational diseases in the facility as well as to ensure additional recommendations of social labour inspector. Finally, the law particularly protects the security of young workers, pregnant women and disabled people. If these health and safety conditions are not respected, workers have the right to refrain from work and notify their manager immediately. Employees are entitled to initial, periodic and follow-up medical examinations. The employer bears the medical examination costs and, if possible, should schedule them during work hours. Employees cannot start working without a valid medical certificate stating that there are no contraindications to work in a specific role.

The employer is also obliged to provide a workplace suitable for employees with disabilities through the creation of elevators, doors and everything that is useful for them. In addition to this, disabled employees have additional rights in terms of more flexibility of working hours and leaves as well as the prohibition of overtime or night work. However, these rights depend on the level of disability specified by the working authority.

Within the workplace the employer has power to reduce employee's use of internet or social media. In order to verify the compliance with this provision, the employer can use monitors, can verify employee's business emails as well as he can review any workers' communication. The use of such tools is possible just to ensure the

organization of work and not to waste working time. However, these provisions should be included in the work regulations.

On the other hand, the worker is bound by obligations of confidentiality: the worker is obliged not to disclose information about the firm that could harm it. In the event of a breach of this obligation, the employer shall end the contract without notice.

In case of transfer of the company, the new employer becomes part of the agreements of the former one, including the relationships with employees. As a consequence, under the principle of legal successor, the new owner acquires the duty to respect workers' rights as well as the obligations established in the employment. Similarly, irrespective of the transfer of ownership of the company, the employees retain the same tasks and duties as before. It is employer's duty to inform worker's representatives or trade unions about the new ownership, at least 30 days before the effective change. The arguments of this notification are the planned transfer date, the reasons, the effects on the workers and the activities concerning the conditions of employee.

II. 2. 1. Anti-discrimination and harassment

Anti-discrimination law refers to the group of rules aimed at reducing the discrimination and the different treatment of particular groups of people on the grounds of their sex, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnic origin, denomination and sexual orientation. Within this macro-group of laws, the Polish legislator created a special section

about discrimination in the workplace, in which, in addition to the types named above, it has added the discriminatory treatment on the grounds of employment for a definite or indefinite term as well as full-time or part-time contracts. The Polish law defines the equal treatment in employment as the prohibition of any direct and indirect discrimination in the workplace. Direct discrimination is when, based on the abovementioned factors, an employee is treated less favourably than another in the same situation. Indirect discrimination occurs when an apparently neutral practice, criterion, or provision puts or would put all or a large number of employees belonging to a particular group in a disadvantageous position on one or more grounds previously indicated (unless it is justified by a legitimate aim). Any unwanted conduct aimed at violating the dignity of an employee and of creating an intimidating or hostile environment is treated as harassment. It is employer's obligation to provide a healthy workplace, aimed at preventing any form of discrimination, and equal treatment. For instance, the employer should inform employees of the actions that constitute discrimination and the consequences of such behaviour. The employer must also provide the contents of the provision about equal treatment in employment in written form or ensure that workers have access to such statements. Breaching these obligations justifies the termination of the contract without notice by employee. In addition to this, it is a common place among Polish companies, to introduce specific anti-discrimination policies by themselves. In the event of discrimination by an employer against an employee, the damaged

can claim with damages in a court proceeding. It is employer's duty to prove that the reasons of the different treatment are justified by objective reasons. In case the court states that applicant's rights have been violated, he or she is entitled to receive at least the minimum remuneration. A particular case is the one of mobbing. Mobbing is defined by the Oxford dictionary as "Systematic persecution exercised in the workplace by colleagues or superiors against an individual, mostly consisting of minor daily acts of social exclusion, psychological violence or professional sabotage, but which may go as far as physical aggression". A bullied employee has additional rights if his/her health has deteriorated as a result of bullying at work and may claim financial compensation from the employer for the damage suffered, particularly, if he/she terminated the employment contract as a result of this. In this situation, the employee's statement of will when terminating the employment contract, must be made in writing, giving the grounds for termination that justify the termination thereof.

Discrimination occurs regarding remuneration too: employees have the right to the same remuneration for the same work of the same value²⁴. Such remuneration includes all components of wage, regardless of their name, as well as work-related benefits allocated to employees in their payroll. In case employees suspect any form of remuneration-related discrimination, they can take the situation either to the

²⁴ Work of the same value means a job, the performance of which requires comparable qualification from the employees as well as responsibility and effort

court or to the National Labour Inspectorate. In the request, they should indicate the alleged cause of discrimination as well as facts related to the violation in order to define whether the discrimination has been caused by objective reasons. If the court confirm the suspects, the employees may claim compensation in the amount of the difference between the remuneration they should have received and the actual remuneration, for a period up to 3 years. In order to avoid this kind of remuneration problem big companies, with more than 1.000 employees have started to introduce pay equity regulation. As they cannot afford such instrument, smaller firms have introduced a clause of confidentiality within employment contracts which forbids employees talking about their remuneration, sometimes under the threat of dismissal.

II. 3. COLLECTIVE RELATIONS

Collective relations and, in particular, trade unions have had a very important role in Polish history. On 9th August 1980, the Gdansk Shipyard authorities sacked opposition activist Anna Walentynowicz. This caused anger and indignation among her colleagues and on the 14th of August all the workers went on strike to demand her re-hiring as well as an increase in wages and benefits, and the construction of a monument in memory of the shipyard workers, victims of the December 1970 repressions. Between the 16th and 17th of August, the International Strike Committee (MKS) was formed, chaired by Lech Wałęsa and supported by intellectuals. Thanks to the immovability of the strikers and the spread of protests

in factories across the country, on 31st of August the government gave in to the protesters' demands through the signing of an agreement. The agreement concluded between the state and the strikers' representatives established the Independent Self-Directed Trade Union "*Solidarność*"²⁵. In the autumn of the same year, at the first National Convention, *Solidarność* approved the union's programme: "The Independent and Self-Governing Republic of Poland", which becomes a symbol of the idea of democracy and self-management. This caused the reaction of the government and a few days later the head of state and first secretary of Polish United Workers Party (PZPR)²⁶ declared the state of war. Thanks to this action, the government was able to suspend most civil liberties and to intern thousands of persons. This did not deter the strikers and the few *Solidarność* leaders left called for the struggle to continue. After several years of repression, the government was forced to start negotiation with the movement that led to semi-free elections in 1989 and to the end of communism in Poland.

Polish constitution establishes the principle of freedom of association, which results in the possibility of creating trade unions or employers' organisation freely as well as to join such organizations. Collective relations, trade unions and employers' organisations rules are regulated by the Trade Union Act of 1991 and in the Act on Employers' Organisation. The law defines trade unions as voluntary organizations

²⁵ "*Solidarność*" in polish means Solidarity.

²⁶ The Polish United Workers' Party, also called with the acronym PZPR, was the communist party which ruled Poland from the end of WWII to 1989 under the influence of the URSS.

that associate workers which have the role of protecting and representing workers and their interest. A trade union is established under a resolution on its establishment adopted by at least 10 people in order to find the association who provide for its registration. These associations operate on the basis of statutes written by the members which describe the structure and define their legal personality. They are managed by a founding committee composed of three/seven members while the number of members is not limited. Trade unions main scope is to co-participate in creating advantageous condition for work, life and rest of workers. To do that the law gives power to trade unions to act on behalf of workers and to conclude agreements that ensure appropriate working condition as well as to give opinions or notice about labour law modification. In addition to this role, they oversee whether the labour law is being observed and ensures that employers implement in an appropriate way the labour legislation. Furthermore, the employer is obliged to consult and inform trade unions about all important decisions on employees such as the transfer of the facility to another company, the conditions of telework, even though they cannot participate in management decisions. Finally, upon a motion they can defend both their associated and non-associated workers' rights against the employer.

Today, the trade union density is low in Poland (they cover about the 12% of employees which corresponds to 1,3 million workers) even though the number of organisations is high. The most relevant trade unions organisation, that cover the

87% of union members are NSZZ Solidarność (“*Niezależny Samorządny Związek Zawodowy “Solidarność”*”²⁷), OPZZ (“*Ogólnopolskie Porozumienie Związków Zawodowych*”²⁸) and FZZ (“*Forum Związków Zawodowych*”²⁹), according to a survey of the GUS.

Employees could be represented by other bodies different from trade unions. The principles of electing employees’ representatives are different from a company to another. If the company has more than 50 employees, it can establish work councils with consultative and advisory role.

On the other side, employers’ associations are corporate an organizations with the legal person status based on the collectiveness of their member. Their role regards the protection of employers’ rights, with the aim of protecting businesses and organizations.

II. 3. 1. Labour disputes

Labour disputes may refer to work conditions, remunerations or social benefits, as well as to trade union rights and freedoms. Usually, these problems refer to a group of people, since individual problems are solved before a court. Collective disputes are conducted between trade unions and employers, and they are solved through a

²⁷ In English “Solidarity” was founded in 1980 and today it is the most popular one with more than five-hundred thousand employees in 2019.

²⁸ In English “All-Poland Alliance of Trade Unions” was founded in 1984 and today, it is the second union of the country.

²⁹ In English “Trade Unions Forum” was founded in 2002 and today, it accounts for more than 300 thousand workers.

process composed of a first phase of negotiation. If this does not bring to a common solution, it will lead in principle, to a mediation, followed by an arbitration, and in the worst case, into a strike. A strike can only be called after the failure of negotiations, mediation and arbitration and the law regulates the organizational methods of the strikes and protest. The abuse of this instrument may lead to penal consequences.

II. 4. TERMINATION OF EMPLOYMENT

The law divides the termination of employment contracts between collective dismissal and individual dismissal. Collective dismissals are described within the labour code as the event in which the employer that employs at least 20 employees needs to terminate more than one working relations for external reasons from workers: 10 workers in case of companies with less than 100 employees; 10% of employees for workforces between 100 and 300 employees; 30 employees for bigger companies. These thresholds include terminations of mutual agreements if at least 5 of these have been initiated by the employer. It is employer's obligation to notify company's work council about any matters relating to employment status and structure, any predicted or proposed changes in this respect, and actions taken to maintain the current level of employment and to consult them for such decisions. However, the consultation will only be necessary when the anticipated changes are permanent or significant. In addition, in case of collective dismissals, the employer may be obliged to consult trade organisation or worker's representatives in order to

conclude the settlement agreement. In these consultations the parties define principles and actions to undertake in matters concerning the workers involved in the dismissal. Once the agreement has been found the dismissal takes shape within 30 days. Small companies³⁰ are not subject to the group dismissal procedure.

Individual dismissal regards the termination of a contract of an individual worker. The employment contract may be ended only on the grounds indicated in the Labour Code. Neither collective labour nor employer-employee agreements can define any other way of termination different from the ones of the Code nor combine those provision. The law establishes that the parties may terminate an employment contract:

- Under a settlement agreement between the parties;
- by a unilateral statement of either party to the employment agreement while preserving the notice period (termination on a notice);
- by a unilateral statement of either party to the employment agreement without keeping the notice period (termination without notice);
- upon the end of the term for which the employment agreement was concluded.

In the two cases of unilateral conclusion of the relationship, the Code specifies that the termination should be made in writing. If the contract is terminated with notice,

³⁰ Small companies are considered to be firms employing less than 20 employees.

the document must include a real, concrete and understandable justification in case of permanent contracts where the notice period is specified. Notice periods of a week or multiple weeks always end on Saturday, and notice periods of a month or multiple months always end on the last day of the month. The termination notice period depends on the type of agreement as well as the period of employment. In case of not fixed or fixed term agreement, the notice period is: two weeks if the employee has worked in the company six weeks or less; one month if the worker has been employed between six months and three years; three months for more than three years employments. For probationary period, the notice period is: three working days for trial periods started less than two weeks before; one week for probationary relationships lasting between two weeks and three months; two weeks in the last case. Otherwise, one of the parties may conclude an agreement without notice, also referred to as summary dismissal. The Labour Code itself specifies the reasons that are considered to be acceptable to terminate the relationship without notice and it specifies that each party has to provide the causes for the non-notification. This kind of termination may be justified for a number of reasons, but it is only allowed when certain statutory conditions are met. The reasons must be real and specific, so that the employee can easily understand the grounds for termination of the agreement. On the employer side, the situations justifying the non-notification are:

- In case of severe violation of employee's basic duties;

- In case of offences, confirmed by a final court sentence, that prevents further employment in the current job position;
- If the employee loses a license required to perform the job;
- As a consequence of an illness longer than three months if the employee has been employed for less than 6 months or, otherwise, in case of illness longer than the total period of remuneration, welfare and sickness benefits on that account;
- In case of any other unjustified absence from work longer than a month.

While the employee may conclude the agreement without notice in case of a medical certificate that reports a harmful effect of work on his health and the employer within a determinate period fails to transfer him in another appropriate position, or in case of sever violation of employer's basic duties such as failure for remuneration.

In connection with the termination of the employment relationships for reasons that do not concern the employee, both in case of collective and individual dismissal, the worker is entitled to severance payment. The amount of this is set by the law for some special categories³¹, but generally it may not exceed 15 times the minimum remuneration for that position, defined in the Act on Minimum wage. This limit could be exceeded by agreement among the parties, but it cannot be less

³¹ Government agency representatives, teachers, persons who perform homebased workers and others.

advantageous for the employee than what provides from the general sources of labour.

Particular cases are the termination of employment contracts of workers within a trade union as well as people within the work council. In the case of dismissal with notice of trade unions members, the employer is obliged to notify in writing the union about the termination and the reasons for that at least five days before the employee receives the letter of dismissal. If the trade union decides that the dismissal is unjustified, it may present the employer substantiated objections in writing; however, the company is not obliged to accept such objection. Works council members may not be dismissed involuntarily (either with or without notice) during their term of office without the prior consent of the works council.

With regard to the format of termination similarly rules apply to both conclusion with and without notice. The employee must be handed the original dismissal letter written in polish (an additional letter written in another language may be asked by the worker) and signed by a person authorised by the company. The letter of dismissal must include information about the employee's right to appeal to a labour court within 21 days.

The court may reject the demand if it determines that the claim is impossible or pointless and, in such case, the court awards compensation. Otherwise, in the case of breaking the law, with immediate effect the employee is entitled to obtain a

compensation or to be reinstated at work. If the contract is of unfixed duration, compensation of between two weeks' and three months' salary may be awarded. In case of workers that have access to confidential information, the disclosure of which could damage the employer, the parties could enter in a post-contractual non-competition agreement. The agreement should specify the period of the restriction and the compensation due to the employee. These cannot be lower than 25% the employee's salary for the duration of the agreement and may be paid in monthly instalments.

II. 4. 1. Termination of management board members' contracts

A management board member may be employed in a company both in civil law relationship and through common employment contract. When talking about the dismissal of a board member, we should consider both the dismissal from the board and the termination of the contract through which the person receives his remuneration which are separated operation according to polish law. A management board member may be dismissed from the corporate function without cause, unless the company deed or articles of association provide otherwise. The reasons for dismissal must be provided if a contract is terminated without notice or if a contract of unfixed duration and terminated with notice: they may be attributable to the managing director, for example the non-performance or improper performance of the managing director's duties, or not attributable to the managing director, such as redundancy). The reason must be real and specific, so that the

managing director can easily understand the grounds for dismissal. The rules for termination with notice in case of management board members are the same of workers. Notice periods usually may not be required in management board situation even though they are used in most cases.

The forms of termination of employment contracts of management board members depend on the company in which the manager is employed. In the case of limited liability companies³² management board members may be dismissed by resolution of shareholders unless the company deed states otherwise. For joint-stock companies³³ board members, the dismissal is made by the supervisory board or by shareholders, unless the articles of association state otherwise. Once the dismissal is decided the management board member concerned and court register should be notified about the decision. The validity of the dismissal starts from the date of the relevant resolution (unless the resolution itself states otherwise).

As in the previous case, for management board members employed under an employment contract if the termination of contract without notices or termination of contract of unfixed duration with notice is unlawful, the managing director may claim reinstatement or compensation. Reinstatement cannot be claimed for an unlawful termination with notice during a fixed-term or probationary contract. In addition, if the contract is of unfixed duration, compensation of between two weeks'

³² In polish "*spółka z ograniczoną odpowiedzialnością*".

³³ In polish "*spółka akcyjna*".

and three months' salary (and not less than the managing director's salary during the notice period) may be awarded. While in an unlawful termination without notice, a managing director may only claim compensation of up to three months' salary. Further entitlements can be claimed on the basis of general civil law rules. For management board members employed, post-contractual non-competition restrictions are allowed when a managing director has access to confidential information, the disclosure of which could damage the employer. In this case, the parties should enter into a separate post-termination non-competition agreement. This should specify the restricted time period and compensation due to the managing director which must, as in the employees' case, should not be lower than 25% of the managing director's salary for the duration of the agreement and it may be paid in monthly instalments. Civil law contracts may provide for competition restrictions too, but Statutory provisions on minimum compensation do not apply to management board members employed under this kind of contracts.

II. 5. SELF-EMPLOYMENT CONTRACTS

Self-employment, otherwise known as self-employment or B2B (business to business) working activity, is one of the most common forms of providing services to another company, alongside with the traditional employment contract, contract of mandate or contract to perform a specific task. According to the Cambridge Dictionary, being self-employed means "not working for an employer but finding work for yourself or having your own business". However, this general definition

can be made more precise and adapted to Polish realities. Currently, being self-employed means possessing these three characteristics at the same time:

- running a sole proprietorship (that means, having an entry in the CEIDG³⁴);
- earning money by providing services to a contractor (company) or a small number of them;
- no employees.

It should also bear in mind that the activity carried out by the autonomous worker to be considered economic has to meet two cumulative conditions. Firstly, worker's liability to third parties for the result of work and its performance is borne by the company with which he/she has signed the contract. Secondly, work is performed under the direction and at the place and time designated by the other party without bearing the economic risk of the activity. Nowadays, the offices do not approach the provisions of contracts as strictly as they did a few years ago, but it is important to structure the agreement properly. When signing such a cooperation agreement, it should be taken into account that there should be equality between the parties. In addition to that, the agreement should contain a certain amount of freedom for the self-employed in terms of time and place of work and include the scope of liability not so much towards the contractor but towards third parties/companies for damages caused by them.

³⁴ The CEIDG is a central national register of enterprisers and traders who are natural persons (self-employed persons, civil partnership enterprises).

Self-employment can take many forms, depending on the number of contractors and the relationships the person establishes with them. The first form of self-employment is that of a contract for the “provision of services to a single contractor”.

In this model, which closely resembles a traditional employment contract, only one company uses the services of a self-employed worker, who among other things may request paid holidays, paid sick leave or the use of the company's equipment and so on. A second model is the contract for the “provision of services to many contractors”. In fact, Polish law provides for the possibility of providing services to more than one contractor (often referred to as freelancers, particularly in the case of professions such as graphic designer, programmer, copywriter, etc.), which gives the worker greater freedom. In this way, the worker can develop his or her own business with consequent higher earnings and also transform the activity into a normal firm with hired employees, an office and a portfolio of clients.

Self-employment can be distinguished from so-called 'freelance work', as the latter does not necessarily involve registering a company and is usually provided to a large number of (often private) clients. Representatives of the liberal professions sometimes settle accounts on the basis of contracts for specific jobs or orders, they do not set up companies for this purpose. It is therefore difficult to speak of “self-employment” in these cases.

II. 5. 1. Differences between self-employment and employment contracts

Even though the legislation does not prohibit to set up individual companies and providing services to anyone, the authorities can always challenge such form of cooperation between the employer and the self-employed. Consequently, the right provisions in the contract are significant so that such form of cooperation is not considered a circumvention of the law. When turning to self-employment, it should bear in mind that contracts concluded with clients cannot resemble employment contracts in terms of structure and principles of cooperation. If this is not the case, the National Labour Inspectorate (NIP) may order the conclusion of an employment contract and the social security institution may demand overdue contributions, which should be paid in connection with full-time work. In this case, the consequences and the relative costs fall on the employer, while no sanction is imposed on the employee. Therefore, it is important to remember that Article 22 of the Labour Code contains specific information on what is to be considered full-time work: "By entering into an employment relationship, the employee undertakes to perform work of a specific kind for the employer and under the employer's direction and at a place and time designated by the employer, and the employer undertakes to employ the employee for remuneration". This means that if self-employment exhibits the characteristics of the content contained in the above article, then it may be considered a standard employment contract. The idea is that a self-employment contract should avoid, inter alia, the following items:

- subordination of the employee to superiors,
- the need for the employee to perform the work personally
- repetition of work, e.g. every day or at specific regular intervals,
- performing the work at the place and time indicated by the employer,
- the employee's inability to bear the risk associated with the work performed.

If a cooperation agreement specifies these information, it will be considered to be a typical employment contract. If a contract has some but not all of the above characteristics, it is the will of both parties to decide whether it is a collaboration or employment contract.

II. 5. 2. Advantages and disadvantages of being self-employed

Being self-employed has its own benefits, but it adds many risks to the working activity.

Self-employment is sometimes proposed by employers as an alternative to working agreements, mainly in order to reduce costs. If faced with such a choice, a brief financial analysis is needed. Through it, a self-employed worker can become fully aware of employer's cost and how much he or she is able to earn in both options. From the worker's point of view, self-employment has many advantages, and many people consciously choose it, recognising that the positive aspects prevail. When analysing self-employment, it is worth considering not only the financial results, but also other characteristics of this format.

The first advantage is the fact that most new entrepreneurs are entitled to “small ZUS”, which is much lower than standard social security contributions (so-called large ZUS). Preferential ZUS contributions are available for the first 24 full months of running a business. However, this form of state support is only available to companies that meet certain criteria:

- the entrepreneur has not operated for the last 5 years,
- the entrepreneur does not perform services of the same nature for the former employer as full-time activities performed by him in the current or previous tax year.

In addition, people decide by themselves how to save and invest the accumulated funds for retirement by taking their own situation into their own hands. A brief calculation is enough to see that a much greater profit can be made by setting aside PLN 500 per month on one's own than by transferring the same amount to a ZUS account.

The second point concerns the reduction of income taxes. Self-employed persons settle tax-deductible costs actually incurred, that are expenses related to their activity, thereby significantly reducing income tax. These are mainly transport costs, which the self-employed often have to sustain, especially if they regularly travel to the premises of the company they work with (tickets, cars, etc.), but also computer equipment, mobile phones, office equipment, education related to the activity, and so on. Added to this is the fact that the company's purchases can be

recognised not only as costs, but also for the relevant VAT³⁵. The general rule is that VAT on sales (due) can be reduced by deducting VAT on purchases (input VAT) from it. This means, in practice, the possibility of making VAT-free purchases, provided that they are related to the business activity carried out.

Another of the benefits of being self-employed is the fact that it is possible to pay taxes every quarter, while employees are forced to pay them every month (in most cases unknowingly, since they are included in their pay envelope). This solution has many advantages, including less frequent contact with the tax authorities, a longer period for collecting expense invoices, as well as the possibility of a longer use of tax funds. This point is quite important when it comes to the distinction between costs that may be tax-deductible and those costs that will be treated as personal expenses by the Tax Office³⁶. However, it is difficult for an individual to recognise what exactly he or she may consider as an expense. Therefore, much depends on the interpretation of the provisions. Recently, the tax office has been showing a more liberal attitude, which is reflected in the latest tax interpretations.

The fifth benefit concerns the possibility of freely developing one's own activity.

Full-time employment limits the possibility of earning money from additional

³⁵ The Value Added Tax (VAT) is the Polish tax on value added. The standard VAT rate in Poland is 23%. There are reduced rates of 8% and 5% on certain food, books, newspapers and the supply of a limited number of other services. A number of services are exempt from Polish VAT, such as financial and postal services.

³⁶ The catalogue of what cannot be considered as a tax-deductible cost is provided in Article 23 of the PIT Act.

activities. A self-employed person usually does not have this problem as he already runs a business which can be extended.

Finally, being self-employed gives more freedom in terms of time and place of work as workers can decide where and when to do the work as well as work for several companies freely.

However, if, in order to reduce the risks and costs of the economic activity, the self-employed wish to provide services only to a single employer, he/she will not benefit from the "start-up benefit" or the "small Social Security benefit" to any extent. In addition to this, he/she will also not be able to benefit in this situation from the flat tax settlement, which may be disadvantageous for people whose income is high and they will enter the so-called second tax threshold.

On the other hand, being an independent economic activity, a self-employed has to sustain costs and to deal with a lot of more risks. When considering becoming self-employed, workers must also take into account the obligations and disadvantages of self-employment. First of all, it entails additional responsibilities and costs as it is equivalent to running a business under the law and, therefore, it requires the fulfilment of the same obligations such as the need to keep accounts, documenting income (issuing invoices), collecting expense invoices, keeping records, paying social security contributions and taxes, and keeping to deadlines.

In addition, labour law grants full-time employees a number of privileges (paid leave, holidays, sickness, maternity leave, and so on) that most self-employed workers do not have (they can be agreed with the company for which they work).

Another disadvantage of being self-employed is the fact that banks may have separate rules for granting loans to people earning from business. These rules may be more restrictive than those applicable to employment contracts, especially with regard to the required duration of this form of income given the fewer guarantees compared to someone with a permanent contract.

Finally, self-employed themselves have to bear the costs of their own development as well as to pay Social Security or PIT contributions for themselves and take the consequences of their non-payment or late payment.

In conclusion, the question of working full-time or setting up one's own business is not an easy one to decide without a preliminary cost-benefit analysis. A lot also depends on each person's individual preferences and their willingness to take risks.

III. HUMAN RESOURCES MANAGEMENT PRACTICES IN POLAND

Every organisation, especially businesses, need people to maintain their activities. It is therefore necessary to organise these resources in the best possible way in order to maximise results. Human Resources (HR) is used to group managers and workers, that work for a company. The management of these resources, called Human Resources Management (HRM), refers to all the activities undertaken by an organisation relating to the acquisition, retention, development and dismissal of employees in order to ensure the efficient functioning of the organisation. It is a strategic approach aimed at maximizing employee's performance and experience by focusing on effective staffing, recruitment, deployment and supervision of workers within an organisation. These activities are carried out by a specialised department called the Human Resources department. Depending on the organisation and country, it may also appear under other names, such as human capital management department or English People Operations, Employee Success etc.

When it comes to human resources management, a distinction is made between "Soft HR" and "Hard HR". Hard HR focuses on the formal requirements resulting from the provisions of labour law including administration, payroll, leave, working time regulations, signing and termination of employment contracts, as well as social insurance. Soft HR, on the other hand, deals with the quality of work and human capital. The main objective of soft HR is to improve the quality of human resources

through the development of workers' policies, the recruitment and implementation of employees as well as the creation of engagement and motivation.

Human resources management has to adapt to the country in which it is carried out because of the many factors that differentiate both workers and companies. First of all, people's culture influences the communication methods as well as the effectiveness of motivational instruments. For example, a bonus that could be effective to motivate US workers could be completely useless in another country. Then, the law particularly affects the administrative part of human resources specialist's work. Each country has its own regulation which may affect the methods used in the management of human resources. Another factor affecting it is country's labour market. A labour market with a low level of unemployment as the Polish one, may complicate specialists' work. In this case, it will be more difficult to keep workers in the company and more will have to be invested in so-called talent.

III. 1. CHARACTERISTICS OF THE AVERAGE POLISH WORKER

Before starting the discussion, it was necessary to devote part of the chapter to the cultural characteristics of the Polish. Values, ways of thinking and behaviours are determined by the cultural background of each individual person and the experiences accumulated over a lifetime, both private and professional. As Tomasz

Kopatda³⁷ observed “It is not possible to separate history and culture from any Human Activity”.

Polish history is troubled and until the end of the First World War, Poles did not possess a national consciousness. 120 years under foreign domination³⁸, a cruel First and Second World War followed by fifty years of communism exerted a bad effect on Polish culture. In particular, Communism had a great influence on Polish culture for a long time after the fall of the USSR. But how did the Polish communist system work? The system provided high social welfare for workers, characterised by workplaces provided with a wide assortment of social services such as day-care centres, vacation lodges, and access to scarce consumer goods as well as free summer camps for kids. Universal health coverage and low prices on essential goods ensured that citizens would have significant social protection regardless of nominal income. With so much social welfare linked to the workplace, real security also required true job security. To this end, associations of workers’ representatives were established which made it almost impossible to dismiss workers, regardless of the reason. In case the management successfully dismissed a worker, the employee could still appeal to the labour court, which usually proved the latter right and

³⁷ Area Sales Manager- Poland, C. E. Roeper GmbH.

³⁸ In 1794, the three neighbour empires (Austria, Prussia and Russia) divided Poland in three parts and annexed them to their domination. West Poland became part of Germany, the south part became part of the Austro-Hungarian Empire, and the eastern side became part of the Romanov dominion. This division of Polish territory lasted until the end of the First World War, when the first Republic of Poland was founded.

obliged the employer to rehire him/her with back pay. Beside this, the state pushed managers to hire as much as possible through free wages, paid by the state, together with bonuses and promotions based on the fulfilment of production plans that were more easily achievable with more workers. As a consequence of this system, many nationalized industries were from 25% to 35% over staffed. In addition to this, the communist system included the obligation to work for all able-bodied citizens. From the end of the Second World War until the death of Josef Stalin, the system was very strict in this respect, going as far as severe penalties for unjustified absence from the workplace. The Labour Discipline Act of 1950 codified the imposition of disciplinary action, wage cuts, and/or transfer to lower-paid jobs for any unjustified one-day absence. State-defined “social parasites” were reduced through a string of administrative sanctions as well as two years' compulsory labour anywhere the state thought necessary. Decisions of this kind were made directly by the management-controlled review board, which was also free to interfere in company decisions. After 1958, more liberal reforms took place in the country, still under Russian influence, and punishments were relaxed, even though this obligation was maintained until the fall of the system. The goal of all these measures was to achieve a false full employment of the labour force.

With regard to the composition of the society, it was divided in two parts: the popularly called “THEY” were citizens within the socialist party which had power and access to all goods, while “WE” were common people that have to be obedient

towards their superiors in order to receive, sometimes, limited access to better goods as a reward, such as food, flats or bank credits. These two sides of the society remained also after the end of communism. Wojciech Bondara observed that Polish society had been composed of two parts as well: “WE”, the common people, and “THEY”, the ones that have achieved something in life. “WE” think that that the others achieved something in a dishonest or illicit way. Therefore, the creation of social inequalities between richer and poorer citizens, that characterized the last decade of the 20th century, created a popular malaise, and many poles developed negative attitudes towards companies. This social view was present in the workplace as well, where “THEY” were hierarchically superior employees, and “WE” were subordinates and it creates tensions within firms,

Living under foreign rules created within Poles the impression that all supervisors were wrong and an impolite behaviour towards them was justified. Consequently, people that lived and worked within the communist system are still influenced by it. However, today, the number of people in the labour market who have experienced this age is decreasing. These are workers between the ages of 40 and 50, who are also the group of people closest to leave the labour market and their influence on companies’ decision is low. Currently, the goal of these workers is to maintain their employment position till their retirement. Furthermore, unlike what happens in Italy, where elderly people try to continue working despite having

reached retirement age, elderly Poles once they reach the right age give up work, whatever it may be with the only exception of workers who need to work.

On the other hand, younger workers have another mentality, particularly, those that are currently entering the labour market. As unemployment rate is very low, people have different career opportunities. Consequently, the power is on the offering side of the market and young workers are conscious of having the upper hand. The objective of these when choosing a job is not to find stable employment, as is the case for the over 40s, but rather to develop and grow themselves in employment. To conclude, the younger generation, which is better educated, and which has not lived the Soviets' period, is less affected by the negative effects of the communist regime.

As a consequence of the different labour market and culture, Polish employees are accustomed to a very different style of management from the Italian one. The relationship between the entrepreneur or the hierarchically superior worker and the employee within the company cannot be imperative, particularly if the person in question is a good or even talented employee. On the contrary, the relationship is generally based on cooperation and on mutual respect so that employees are more involved in the company as a whole: the more employees feel part of the company, the more effort they will put, the better they will work. For example, hierarchical superior employees try to explain the reasons why he or she is being asked to do a certain thing. This method of communication is particularly effective with young

people, whereas more mature employees accept more imperative communication too. In addition to this, Polish workers prefer explicit and direct communication: they expect clear and precise instructions that do not offend the “judgment” of the recipient. Furthermore, employees want to work autonomously; an autonomy based on the support of the manager and regular feedback from the latter, which allows them to gradually acquire freedom of action. A “contractual” approach is important as well in order to establish clear terms of collaboration with a detailed job description. Finally, a generally short decision-making process allows for quick and pragmatic implementation with the possibility of subsequent adjustments.

III. 1. 1. Motivation of workers

Having motivated employees is crucial for companies. This task falls to leaders: the best leaders are considered to be the best motivator as well.

Motivation is the biological, emotional, social and cognitive force that initiates, guides and maintains goal-oriented behaviours in professional and private lives. Both internal and external factors stimulate people’s desires and energy to be committed to work, to be involved in a specific role, and to make an effort in order to achieve goals. In the workplace, it regards the effort and will of workers to do what the company asks them to. Motivating is a complex process that require knowledge in different disciplines, such as management, psychology and sociology. Motivation can origin from positive factors as well as negative ones with different effects on single workers. Positive motivation has its foundation on social sanctions,

respect and success. Positively motivated workers are stimulated by willingness to be influential in the company and their internal conviction reflects their action. The success of a particular job increases the positive feelings of the worker, both physical and emotional. In this case, the leader's job is simply to push these feelings, so that the company can benefit from them. On the other hand, negative emotions are based on the fear of dismissal, relegation to a lower job position and so on. This stems from a person, who from a position of advantage, benefits from the worker's state of fear but it leads to low morale among the workforces.

Fast social changes demand human resource managers to operate not only on the current status quo but also to plan instruments basing on predictions upon the employees. Such variability is observed particularly in post-command economies such as the Polish one as well the post war period in Italy.

When trying to motivate Polish employees, it is necessary to distinguish between younger workers (Generation Y³⁹ or the Millennials, Generation Z⁴⁰), and the older generation, that includes the Baby Boomers⁴¹ as well as the Generation X⁴². The company must therefore consider some very important factors that can affect the

³⁹ Generation Y is a way of referring to the group of people who were born between 1981 and 1994 (Cambridge Dictionary).

⁴⁰ Generation Z is the newest generation, and it is composed of people born between 1997 and 2012.

⁴¹ Baby Boomers is composed of workers aged more than 50 years old, born between the end of the Second World War and 1964.

⁴² Generation X is a way of referring to the group of people who were born between 1965 and the 1980s.

effectiveness of motivational techniques. First of all, young people have not been influenced by communism and the post-communist period of crisis, while older people have. In addition, the elderly employees prefer stable employment and look for a company that will accompany them towards retirement, while the others have more strength and desire for change. Therefore, while older people when choosing a new occupation look first at the size and stability of the company that ensures them security, young people are more inclined to risk and more willing to change. Consequently, the latter are more likely to accept a job in a start-up, for example, which is often characterised by a high degree of uncertainty as to whether the company will be successful or not. Finally, young people mainly seek to develop themselves professionally. Consequently, when choosing a new job, they will be more inclined to accept an offer that, in addition to guaranteeing them a good economic remuneration, gives them the opportunity to improve and develop themselves through refresher courses, such as language or computer courses, as well as to advance their careers. Currently, the “mature” generation accounts for the 5% of the total number of employees, therefore motivation techniques should be aimed primarily at the youngest generations within the labour market for whom non-financial motivators are more important than it was for Generation X and Baby Boomers.

Within Polish companies, motivational techniques are different based on company’s origins, their sector and the available resources. Indeed, the work of

Borowski and Udaya (2014) on the motivation techniques used by Polish companies has shown that although small companies try to imitate the work of their larger counterparts, but the results are not at all the same. Generally, the most popular motivators are salary rises as well as one time increase in salaries or money bonus. However, non-financial motivators are used as well and brings positive results. These are based on the need of participation and appreciation of workers, as well as their need for personal development. One of the most important instruments is the opportunity for promotion, which is a halfway between financial and non-financial motivators. The opportunity of getting promotion and growing together with the company allows employees to develop personally and professionally as well as to get a higher wage.

In order to satisfy the need of participation of workers, polish companies use surveys and One to One motivation technique. The first are short anonymous questionnaires provided to workers in order to get feedbacks as well as discover everyday job shortages or problems and to find suitable solutions. The other method is a way to understand employees by spending a little time with them to discuss the result of their work, all success and plans for the future in terms of personal and professional development.

In addition to these methods, Polish Human resources managers utilize Recognition Programs. These programs are developed to create higher engagement with awards like the “employee of the month”, that recognizes employees’ effort and results. It

is very common for the employers to offer their employees additional benefits that include a wide variety of bonuses such as additional days off and tickets to the shows. For instance, IC&Partners Poland, with the idea of creating engagement, provides its employees with gym membership or swimming pool subscriptions, cinema discounts, and a range of other benefits.

In order to satisfy workers' need for development, and in particular young workers, companies provide them with workshops, courses and development programs that encourage workers to keep learning. What they learn can be applied in work daily duties and could have a positive impact on performance too.

Team building is another important activity within companies that can positively affect team's atmosphere and push workers to put more effort (different cultures, different ideas and different approaches can create frictions among team members that reduce workers' performance). To do that, within many polish companies, for instance, every year each team can choose a group of four people that can participate in the so called "Business Run", which is a run of about 4 kilometres to gain money for disabled children.

Finally, for some employees it is very important to have real impact on the performance of the company because they want to be involved in the critical decisions and project held at the time. As a consequence, a good non-financial motivational tool could be dividing responsibilities to push workers to do the best job when they feel the pressure and the need for their service coming from the

leadership. The research of Ddowska, Stabrawa and Lapatina on the efficiency of motivational techniques utilized in Polish companies⁴³ provides feedbacks about the effectiveness of specific motivation instruments in interviewees' opinion (scale 1–5; where 1 means “not important” and 5 means “very important”). The results of this research are provided by the following table.

Table III. 12 - Importance of specific motivation instruments (scale 1-5)

MOTIVATOR	Importance Mean
Job security	4.7
Respect	4.7
Friendliness	4.7
Pay	4.6
Education	4.5
Promotion	4.5
Praise	4.5
Skill development	4.4
Freedom	4.4
Self-satisfaction	4.3
Accomplishment	4.3

⁴³ The study is based on 8 Polish students that had participated in internships in at least two Polish companies. The students were asked to provide their opinion on how important the motivators would have been if they had been potential employees of the enterprises where they had their internships. Due to the fact that the pool of respondents was small, the results should be projected neither on the population nor on the Millennials in any of the country.

Polish motivational techniques are composed of both material, such as pay, and non-financial stimuli. In addition, all the motivators are considered to be important in these students' opinion.

III. 2. HUMAN RESOURCES ACQUISITION

According to the Cambridge dictionary, recruitment is the process of finding people to work for a company or become a new member of an organization. The recruitment process is generally composed of five stages. Everything starts with the vacancy identification. When someone leaves his/her job or when a business grows, one or more positions have to be filled by the employer. To do that the organisation identifies tasks and skills required for those positions through a job analysis (second step). A job analysis is important as it can be used to identify whether a vacancy needs to be filled or whether the tasks and duties can be redistributed to other staff. In the first situation, therefore in cases in which the activity cannot be carried out by other departments of the company, the company has to recruit one or more new employees. The job analysis is used to help writing the job description and person specification which is the third step. A job description is a document that states the tasks and responsibilities of the job as well as some related information (duties, pay, location...). This sets out clearly expectations for whoever applies to fill the vacancy. Then, it is important to create a person specification which is a document indicating the qualification needed for a job position. Thanks to this document the company has a series of objective measures through which it can judge people who

might take on the vacancy. The following step is to advertise the job either internally or externally. Internal recruitment is the process of moving someone within company's existing workforce to a vacant position. On the other hand, in the case of external recruitment the employer has to use other sources to promote a job position such as newspapers or online advertisement. In the last stage, application forms are sent out to candidates who wish to apply for the position which consist of questions set by the organisation that allow to easily compare potential candidates. It also ensures the organisations to get all the information they need. Alternatively, a curriculum vitae (CV) could be asked by the company. Curriculum vitae are prepared by the candidates themselves and are a summary of people education, qualifications and previous employment history.

Even though the steps to acquire human resources are nearly everywhere the same, the procedures adopted by managers varies from a country to another. Employers use different sourcing platform, different job boards and CV structures. Understanding the cultural side of the recruitment process is essential, but it's just as important to understand practical aspects of staffing in Poland.

III. 2. 1. External recruitment channels

Recruitment is changed over the years and today it is not as easy as it was due to the high level of employment. In a competitive situation, like the Polish labour market, it is really challenging for companies to find a good candidate for reasonable money. Since demand is high, especially for skilled worker, market

mechanisms mean that the higher the quality and potential of the workers, the higher the economic and non-financial proposal the company will have to be in order to grab the worker.

Using the right recruitment channels can make the difference when it comes to find qualified local talent. Many companies source talent through social media, and in particular LinkedIn, which is widely used by recruiters in Poland, as well as Goldenline.pl⁴⁴ (the Polish equivalent to LinkedIn). A local Facebook page could be very useful as well. Alternatively, many Polish companies use job boards in order to directly reach a pool of candidates who are actively searching for new jobs. There are some strong players on the market when it comes to generalist job boards, but in IT we are experiencing a rise of niche and specialist job boards. They will have very different approaches to attract candidates: some do it through content, others through a very specific job advertising format. The most used IT job boards are in Poland: Pracuj.pl; Praca.pl; Jobs.pl; Gazetapraca.pl; Infopraca.pl. A balanced hiring approach will often utilize both job boards and social media.

Unlike what happens in other countries, newspapers have a relatively wide reader base in Poland, and they are used to promote job position in the classifieds. Job fairs

⁴⁴ Goldenline.pl is a portal for both employers and employees where it is possible to find employer's information, job offers and contact recruiters. Unlike LinkedIn, it focuses on information about employers and employees in Poland.

are popular as well as getting involved with the local university's career centre, particularly, if the board wants to recruit recently graduated.

Recruiting agencies are used by companies to find candidates in order to speed up the process and save time and money. The choice between autonomous or non-autonomous search depends very much on the role the worker is going to cover. In Poland, there exist many recruitment agencies some of which are international companies, even though an increasingly important role is played by smaller, specialised companies that can offer more specific services to the local market. Each of these agencies has a database containing CVs, check references and characteristics of workers that allow them to identify the best worker for the skills, qualifications and characteristics needed by the applicant. The final choice, however, remains in the hands of the requesting company. Some of these important personnel search companies are DNA325, Bigram S.A., based in Warsaw, AboutHR based in Wroclaw, and Remodels, which is a technology start-up based in Gdansk. There are also public employment centres, but they are of little use as they are not efficient. Generally, small and medium-sized companies try to be autonomous in personnel recruitment in order to save money with poor results; once they realise that they have spent more than what they wanted to, they outsource.

The research of workers may be particularly difficult for foreign companies coming for the first time in Poland. Many international companies entering the Polish market, despite having a good reputation in their country and being long-

established, may be relatively unknown and they may be treated as start-ups by potential candidates, with all the attendant risks. Producing recruitment marketing material in the local language will help to increase interest in the company. For instance, a recruitment video illustrating the company and the advantages of working there can be very useful, as can website pages and advertisement in Polish as well as the use of local recruiters. In addition to this, many local recruitment platforms present in the country, whether sourcing channels or job boards, are only available in Polish.

III. 2. 2. Candidate selection

Once the company has narrowed the field and the number of desirable candidates has decreased, the employer should start interviews to find the right person. As mentioned above, cultural differences do not allow a single selection method to be used internationally. For example, in Poland, candidates might be reluctant to discuss their salary expectations at the beginning of the process, so it would be better to confirm them only after the first stages of the process. Furthermore, candidates might find it difficult to talk and prefer to discuss their career in a selection call. Finally, it is still rather unlikely that a candidate will move for a job to another city in the country. This makes recruitment in smaller cities particularly difficult.

In this phase of the recruitment process, employers have to follow rules established within the Polish Labour Code. Restrictions exist about application and interview

of the candidate. In particular, the employer is allowed to obtain only the information about the candidate indicated in the law. Some limited forms of background checks (such as verifying the references from the previous employer) might be possible after obtaining the candidate's detailed and explicit consent. However, the lack of such consent or its withdrawal (and consequently the inability to process the verification) may not be cause of disadvantageous treatment of the candidate. Processing must always comply with basic principles arising from the General Data Protection Regulation (GDPR), including the principle of adequacy and minimisation. Therefore, additional questions that force the candidate to provide information about their personal life, especially those concerning the candidate's family life and personal relationships, are strictly prohibited.

When the company has found the right candidate for its vacant position, it must do everything to get him/her to accept its offer. A written contract given at the offer stage is demanded by most Polish candidates and an offer is seriously treated only when candidates see it.

III. 2. 3. Talent acquisition

The word talent is used in many different fields with many different facets. In general, a talent is often defined as a natural aptitude one is born with (for instance, singing, painting or drawing, athletic ability): in sport, a talent is a person who can do things naturally without having to practice much; a musical talent is a person who can sing or play an instrument much better than their peers. When it comes to

Human Resources the word “talent” is a way of describing certain individuals with naturally above-average abilities that help them perform better than others, or to describe a population of high-quality, high-performing employees and potential candidates. People often have to work to develop their talents even though are usually innate and genetic. Most tasks and responsibilities in the workplace require learned skills, not instinctive talents, although talent can certainly make an employee or candidate stand out.

In Poland, these talents are particularly rare in some sectors such as IT, construction or engineering. Consequently, companies engage in real struggles and “fights” to grab people who can bring the greatest benefits to the company as quickly as possible. In 2022, 22% of Polish companies affirm that talent scarcity is a major trouble for them, second among the top-cited pain points, only to bringing in foreign talent from other states. Because of these difficulties, most Polish organization are focused on talent experience and to avoid talent scarcity. Companies are seeking ways to gain a competitive recruitment advantage as skills continue to be in short supply, competition grows fiercer across all industries, people expect more from their employers, and the Ukraine conflict adds greater complexity. Even though, the common recruitment methods can be effective, it may be necessary to find new innovative ways.

The most common method to search and hire talents is through direct sourcing. The Chartered Institute of Procurement & Supply (CIPS) defines sourcing as the

operation that: "...seeks to find, evaluate and engage suppliers to achieve cost savings and best value for goods and services which can be done through a tender process." Direct sourcing is the most classic way for companies to acquire and deploy contingent talent by minimising or eliminating third-party suppliers. This is often done through the use of a branded talent pool that the company develops itself or with the help of a managed service provider (MSP⁴⁵). By identifying and acquiring contingent resources directly, companies can gain a number of advantages. This approach offers a more agile and talent-focused model for engaging and employing flexible workers, creating a closer relationship between the company and the people needed to get the job done. At the same time, companies are able to realise greater savings and cost avoidance through these direct contingent recruitment relationships. A direct fulfilment model involving MSP typically includes critical suppliers who play an essential role in providing niche and specialised skills. This approach allows the majority of contingent workers to be directly engaged and acquire. Another key feature of a direct sourcing programme is the retention of critical talent suppliers, that will play a strategic role in the future. The objective of direct sourcing is to optimise the supply chain to integrate internally sourced talent. The implementation of talent pools and

⁴⁵ A managed service provider (MSP) is a third-party company that remotely manages customer's information technology (IT) infrastructure and end-user systems. Small and medium-sized businesses (SMBs), non-profits and government agencies use these companies to perform a defined set of day-to-day management services. These services may include network and infrastructure management, security and monitoring.

recruitment skills requires knowledge, resources and commitment from the organisation. On the other hand, using this recruitment methodology can be time-consuming and costly.

Organisations that already have a direct recruitment programme in place can turn to a managed service provider to develop the necessary infrastructure, workflows and technology stack. In addition, forward-thinking MSP providers can create a highly optimised candidate journey that takes full advantage of company's brand and features, such as programmatic job advertising and virtual recruitment tools, to find the best candidates in the most efficient and secure way. Regarding the costs, direct sourcing turns out to be less expensive than other recruitment methodologies. However, the use of MSP can be a good trade-off between costs and benefits for the company. It is structured in such a way as to help reduce talent costs so that the company can potentially reduce contingent talent spend by double digits.

Another method that allows companies to source, screen, engage, hire and onboard the right talent while building business agility is through Recruitment Process outsourcing (RPO). RPO is used to support company's hiring strategy through the latest analytics, innovative recruitment strategies, proven technologies, precise talent marketing and employer branding. Different recruitment process outsourcing exists, and the responsible has to find which is the best for the organization. One of the most used models is the "End-to-End RPO", a seamless solution encompassing all services related to permanent recruitment, including investment in recruitment

technology. This model saves the company both money and time through efficiency, recruitment results, satisfaction and compliance, but it is the most complex to implement. Project RPO is an end-to-end approach applied to a specific project, such as the launch of a new product or the opening of a new branch. It is particularly effective where the company needs the benefits of an end-to-end approach for a defined recruitment project, but at the same time it wants to maintain internal recruitment capabilities for day-to-day hiring. Another Recruitment Process Outsourcing model is “Selective RPO” which addresses and strengthens specific components of the company's internal recruitment process. When choosing this type, many employers exclusively outsource sourcing and screening processes or candidate management. Recruiter on demand (ROD) is a model that provides recruiters to help companies deal with recruitment peaks, new business initiatives, product launches or manage parts of the hiring process. Recruiting capabilities can be added immediately, without process changes or technology implementations; however, ROD generally does not involve a permanent process transformation, as is the case with other models. A final model widely used in Poland is the “Contingent Recruiter on Demand”. This gives the company greater agility in quickly introducing additional recruitment resources in order to accelerate hiring and quickly meet company demand, while ensuring a positive experience for all talent.

A Managed Service Programme (MSP) is when recruitment businesses assume primary responsibility for the management of provision, engagement and administration of temporary contract and other non-permanent workers. It is a highly effective solution for the contingent workforce.

III. 3. SORTING AND INVESTING IN EMPLOYEES

Due to the constant evolution of technologies and the continuous discoveries made by humankind, employee training has become fundamental for companies. Consequently, firms are investing money in ongoing training of employees. Around 88 million dollars are spent worldwide on training each year, but only the 34% of companies consider their training to be effective. It is therefore very important to choose the best training method for firms' workers in order to make the programme as effective as possible and to optimise company's investment. The training policies adopted by companies are different. Generally speaking, we can distinguish two types of training: onboarding, which is done immediately after worker's hiring, and ongoing training, which is provided during the overall relationship so that the workers can adapt to the numerous changes in the market.

III. 3. 1. Onboarding

The first type of training is that immediately following the start of the employment relationship which is called "onboarding". Once a new employee is hired, each company provides its own type of initial formation, whereby all the elements, in terms of competences and knowledge allow employees to be fully operational. In

this manner, the employee is integrated into the company context and becomes an integral part of both the organisation and the company's culture. Onboarding is of fundamental importance for an organisation and is closely linked to employee retention and involvement to ensure good performance over time. It is a delicate moment, which must be prepared as well as possible in order to facilitate the immediate integration of new employees. In fact, it is during the first few weeks that the new-hired forms an idea of the environment in which he/she will be working, of the colleagues with whom he/she will have to interact and, above all, understand how much one's expectations correspond to reality. In addition, studies claim that it takes three to six months to adapt to a new environment.

This period is also crucial for the employee to get an idea of the company, the employer, the culture and the organisation and to decide whether to identify themselves with a particular brand and continue their career there or to look for another employer. The employee must feel an important part of the whole, and not just a secondary, easily replaceable gear. Moreover, the adaptation process is crucial as it allows the organisation's employees to reach an immediate level of efficiency.

The onboarding process can be planned in-house or outsourced to a specialised company, which will study the needs, challenges and problems of the organisation to design a detailed training plan. The programme will include areas such as internal communication, standards and procedures, company mission and vision, cultural

differences, team building, early talent identification and team leader training. The ability to manage the latter group is one of the key competencies influencing decisions to change jobs. If the onboarding process is well prepared and implemented, it will result in increased employee loyalty and commitment, which in turn will have an effect on work efficiency and quality.

According to Polish statistical data, when an employee goes through a structured onboarding process, he or she is 58% more likely to stay within the organisation after 3 years (employee retention). Given the ease with which people change jobs in Poland, it can be said that onboarding is a crucial activity in the country. The loss of a newly hired employee is not just financial disease, due to the need to re-hire and re-fit another candidate, but it is also detrimental to company's image. For this reason, the attention to onboarding is increasing in Poland.

The onboarding process must be implemented at the strategic, procedural and individual level. The new employee is introduced to the company and familiarised with its culture, mission, vision, communication methods, development opportunities and tasks. It is equally important that he/she gets to know the team he/she will be working with and to familiarise with any cultural differences. In general, the methods most frequently used by Polish companies include:

- Providing practical and organisational information, with a focus on internal company procedures and policies using training videos, printed material or guidelines;

- Conducting an office tour with the newly recruited employee by getting to know colleagues, managers and the mentor using lunches with their office or departmental colleagues;
- Involving the employee in formal meetings and conferences;
- Creating the agenda of activities for the first few days.

Finally, in the course of the training process, it is necessary to check the effectiveness and progress of the new employee's first weeks of work through feedback. Feedback may concern:

- the recruitment process,
- how the first day met employee's expectations,
- whether the employee has the necessary tools at his/her disposal to complete the assigned work
- whether the employee feels he/she is in line with the company's strategic objectives.

III. 3. 2. Ongoing Training

Continuous training gives employees knowledge and skills that, in turn, increase their performance and satisfaction. Business dynamics are changing at an exponential rate and the concept of “new” has become the global norm. Current times make regular employee training more important than ever.

Twenty years ago, the situation regarding “ongoing” training was very different from today: Polish economy was in a period of transition, having just emerged from

the communist closed economy, and unemployment was very high. During this period, the workers themselves sought to improve their skills and qualifications in order to make themselves more attractive to the labour market. Given the liberalisation of the economy and the consequent entry of foreign companies into Poland, many people took English courses (during communism the only two languages taught were German and Russian). The only exceptions came from the manufacturing industry, agriculture and fishing, which even had training departments in their facility where a greater need for retraining (internal source) was necessary since the external labour market lacks necessary skills and knowledge needed to compete in a free market economy.

Today, the situation is very different, and training is part of one of those corporate strategies to keep the most talented workers in the company. In particular, most firms use individual and group courses regarding IT knowledge and languages. For example, IC&Partners being a company that deals a lot with foreign customers, especially from Italy, provides a series of training activities for its workers: English courses every Friday, together with one-hour Italian courses every Tuesday and Thursday for all the employees. These courses are compulsory and in order to improve the language skills of its employees, the manager has imposed the employees the obligation to speak in Italian on work-related topics. The penalty for failing to comply with this obligation is a fine of 5 PLN.

Training is provided to those workers who are considered promising at the job level and for whom the company is willing to invest both to encourage them to stay in the company and with a view to possible future promotions. The human resources manager carries out every year or every 6 months, 360-degree evaluations aimed at understanding which people deserve the investment and potentially, a career upgrade.

Once training has been provided to a worker, the human resources manager must do everything possible not to lose the recently trained employees. It is not always so simple, as having acquired new knowledge the worker may seek new occupations in which he or she can use what he or she has learnt. To this end, efforts will be made to assign projects consistent with the employee's training course and qualifications, old and new, as well as promotions.

III. 4. ORGANIZATION OF HR DEPARTMENTS

The Human Resources department, also called personnel department, is an organizational unit responsible for the implementation and development of human resources composed of one or many employees depending on the size of the organization. This department's duties generally include attracting, maintaining and motivating employees while ensuring that organizations' goals are met, and values are upheld. Specifically, the basic tasks of the human resources departments include:

- maintaining employee records in accordance with the requirements of the legislator and the standards set by the employer;
- record keeping and regulation of working hours;
- administration of the company organisation chart;
- administration of non-wage benefits, including the company's social security fund;
- administration of the employee training system;
- administration of the periodic employee evaluation system;
- planning personnel requirements and administering the process of recruiting new employees and the process of their implementation in the company;
- administration of the company incentive systems;
- Administration of salary benefits (in some companies this task is the responsibility of the finance department);
- cooperation with trade unions.

In addition to this, there is the preparation and submission of reports to the Central Statistical Office, the Social Security Institution, the control of issues (for instance health and safety training), preparation and submission of reports to the relevant HR institutions, statistics, work certificates, employment contracts and their terminations, PFRON declarations, settlement of overtime, holidays and absences.

III. 4. 1. Internal human resources department or outsourcing personnel activities

Generally, every company that employs at least one employee has its own organisational structure, through which it can divide up tasks and competences. The number of people employed in the department depends on the size of the enterprise and the type of tasks it has to perform. Usually, these workers are human resources specialists, namely a professional responsible for monitoring all Human Resource functions with a complete knowledge of the labour law. Hiring or training a professional human resources specialist entails high costs associated with creating a qualified team from scratch.

To this end, most medium-sized to large companies have a human resources department or a personnel department within their structures. Very often the department is under the direct control of the company for the type of activities to be performed. However, mainly in smaller companies, the human resources department is encompassed by the departments dealing with the financial or administrative division. Alternatively to have a specialised internal department, the company can outsource human resources and payroll activities to a third company. The outsourcing of human resources and payroll works in such a way that a company wishing to separate these two departments from its own facilities orders part or even all of the functions to an external part. The concept has become a permanent fixture in Poland. The biggest positive points in this regard are the lowering of personnel and payroll costs in the company in terms of recruitment,

onboarding and training, and freeing the in-house legal department from the need to know the personnel labour regulations as well as confidentiality of the remuneration (data are entrusted to an external company without the risk of internal disclosure). In addition, this procedure removes client's responsibility to represent the company as an employer before the National Labour Inspectorate, the Internal Revenue Service and the Social Security Institute.

In the case of outsourcing the most important thing seems to be the choice of the external company, which will provide not only the scope of service tailored to company's needs, but also a high quality of service and extremely important. According to “The Manifest⁴⁶”, the most important companies specialised in human resources services operating in Poland are “Flairhub”, an American company with offices in Warsaw; “Devodata LLC”, a company that provide, among others, IT strategy consulting, BI & big data consulting & SI, and custom software development services to enterprise and midmarket companies and institution; “Dotlinkers”, a human resources firm located in Krakow; “Team Up IT”, which is an HR services company based in Łódź; “AboutHR”, a human resources firm, located in Kyiv (Ukraine) and Wroclaw (Poland).

The final decision on whether to outsource human resources and payroll or not should be preceded by:

⁴⁶ The Manifest is a company which gather and verify the hard data, expert insights, and actionable advice to help entrepreneurs to build brand and grow their business.

- a financial analysis of the operating costs of the internal HR and payroll structures whose tasks the company intends to outsource;
- the preparation of a list of activities and operations that can be transferred to an external company;
- an analysis of the benefits and risks of outsourcing HR and payroll (SWOT);
- an audit of the HR and payroll structures currently operating in the company;
- drawing up a list of issues that could be improved in the HR area.

III. 4. 2. Importance and role of human resources department in Polish companies

During the communist period, personnel department had an administrative role within Polish companies. Their role was to keep record of personnel data to validate qualifications for social benefits, such as the number of children or the salaries of both spouses, that were supplied by workers themselves as the law required so. However, no protection was provided by the government against the use of these information for political or sinister scope and consequently, for many years, these data were taken out in critical moments by HR departments to use it against the worker. In addition to that, HR workers reported people to authorities when they found out some interesting information about those persons' activities. HR department members were usually chosen within the Socialist party and by that fact they had influence with the authorities who distributed goods. In addition, due to

the non-necessity of higher qualification as well as to the low expectations in terms of performance, the employees of these offices had a low level of competencies. Nowadays the human resources department has gained more importance than in the past. As seen in the first chapter, the Polish labour market is in line with the rest of the world with the only, considerable, difference that the transformation into a modern economy took only twenty years (the fastest among post-communist countries). Alongside with the evolution of the labour market discussed above, a continuous development of modern technologies was, and still is, advancing. Moreover, the expectations of the so-called Generation Y entering the labour market are different from the needs of workers of older generation. This forced the need for more extensive computerisation of personnel departments and thus the use of social networks (Facebook, LinkedIn...) to communicate with the market. The nature of work has become flexible, as demonstrated during the Covid pandemic and the period immediately following when companies had exponentially increased work from home rather than in the office. Moreover, the workers are not only employed through employment contracts. Collaboration contracts allow people to “sell” their knowledge and skills to several companies at the same time. These differences from twenty years ago in Poland have forced an evolution in the role played by HR departments. From the strictly administrative role, today it covers a developmental one and a business partner function.

The subject literature offers numerous classifications of the functions performed by personnel unit today. In general, the most important task carried out by this department is the obligation to provide professional services in human resources management by offering expert knowledge as well as clear and reliable consultation in matters regarding personnel. To do that specialists have to analyse the occurring problems and to suggest solutions consistent with company's value and strategy. In addition, in contemporary human resources management, the department has to be a change agent by inspiring the management board to investigate new solutions in the field of human resource and, thus, facilitate adaptation to changes resulting from market environment. Human resources unit, as a change agent, should participate actively in the process of change of the firm and, therefore, it has to confront the realization of company strategy against the company current capacity, considering its staff competencies and motivation. Another important role played by the personnel department is that of strategist. The specialists have to cooperate with other departments and the top management within the framework of company's strategic goals. Nowadays enterprises are characterized by an increasingly tight integration of personnel processes with the company business strategy, which occurs by the expectations towards HR departments along with their role evolution. Human resources units not only co-create company's strategy, but also identify opportunities for taking optimal advantage of the potential ingrained in both employees and the entire organization.

The study proposed by two Polish researchers Katarzyna Piwowa-Sulej and Anna Krol-Jasinska of the Wroclaw University (2015) on the roles of human resources departments in Polish companies gives an idea of the most important activities played by these departments in Polish companies. Through open ended questionnaires sent via email, Polish human resources managers were asked to arrange unit's roles from the most important ("1"), to the least important ("5") ones. The results of this research are different from what one would expect. Even though the role of a functional expert is most frequently associated with HR department and in respondents' opinion, this activity status in the unit is the lowest. Therefore, Human resources specialists should desire to perform tasks of higher significance and transfer the execution of administrative tasks to line managers or external companies (outsourcing). In interviewed opinion the most needed role played by this unit in contemporary organization and, in particular in the organizations under analysis is the role of employees' spokesman. The second place is occupied by the role of strategic partner, whereas the least important function is the one of human capital developer. On the other hand, from human resources specialist, taking care of the quality of employer-employee relations, including compliance with the law, appears to be more important than undertaking strategic activities aimed at supporting the board of directors or investing in the development of existing resources. This may probably be due to several factors including the recent

economic crisis (2009), the complexity of Polish legislation, the nature of contemporary work and the skills of HR specialists.

As already mentioned, both workers and their environment are subject to constant changes that sometimes are unable to cope with. A large number of employees consider of great importance to have a signed permanent employment contract and the benefits that come with it. However, higher labour costs and the difficulty of ending the employment relationships, in Poland push employers to prefer to sign civil law contracts. The Polish government has planned changes in the legislature to align employment and civil law contracts by introducing social security contributions in the latter as well. This solution could lead to a change in the assessment of the crucial role to be played by HR units. The introduction of changes in the position of the HR department in an organisation requires a transformation of the employees' approach in terms of benefits from a strategic approach to team management. Employees in HR units have the opportunity to become partners in negotiations with company owners or board members. However, they must bear in mind that the role of strategic partner is not only prestigious, but also highly necessary. However, this approach was not observed in the companies analysed by the research and there is a concern that human resources departments do not have adequate strategic competencies.

III. 4. 3. Human resources employees and their responsibilities

The human resources manager mainly deals with people working in other departments, which makes his or her activities challenging and rather difficult. Managing the human resources department requires proper planning, organisation, motivation and control, as well as human resources management.

Human resources specialists mainly keep employment, contract and payroll records. They take care of tax and contribution settlements for employees and compliance with health and safety regulations in the company. In addition, in some organisations, human resources departments are also responsible for recruitment processes.

Working in the human resources and payroll department is an extremely responsible and demanding task. Every specialist in this field requires in-depth training and specific qualifications, and knowledge about the provisions of the labour code and tax law. For this purpose, in this department, training in labour law is often used to supplement employees' knowledge with changes in legislation.

It is important to emphasise that the human resources employees must be aware of the responsibility of his or her role. For example, it is their responsibility to remunerate employees in a timely and appropriate manner in compliance with the law and regulations. Human resources employees are responsible for the preparation, storage and archiving of all employee records and documents (contracts for new

employees, time sheets and pay slips) in accordance with legal requirements and standards agreed with the employer.

Another of HR tasks includes the implementation of all employee agreements and compliance with these. In fact, once a contract is signed, it is the human resources department that calculates not only the pay for work, but also for sick time or holidays, and draws up the pay slips as defined in the signed agreements. Pay must be guaranteed in the manner and time stipulated in the contract, without delays or inconsistencies. To have a more precise calculation regarding the salary, the specialist has to keep a record of working time as well as all exceptional situations such as sick leave, holidays, overtime and business trips. Controlling the duration of an employee's work in a given month allows the correct determination of the salary he or she is entitled to. Today, this task has become easier than in the past thanks to technological mechanisms that make it possible to quickly and accurately verify the total number of hours worked by an employee. In this sense, computer software such as “Fanurio⁴⁷” or systems for recording working hours using contactless cards or even biometric readers facilitate the specialist's work. Furthermore, it is the responsibility of the human resources department to ensure that employees have up-to-date medical examinations. According to the law, an

⁴⁷ Fanurio is a fairly simple application for measuring and regulating working time developed by Fanurio Time Tracking in Java and used by freelancers.

employer may not allow an employee who has not performed the required tests to work.

Health and safety training is another legal requirement and responsibility of the human resources department, as well as one of the employer's most important obligations.

The HR manager is in constant contact with institutions, in the form of the Revenue Agency (KAS⁴⁸), with the Social Security Institute (ZUS) with the Central Statistical Institute (GUS) and the State Fund for the Rehabilitation of Persons with Disabilities (PFRON).

In some companies the human resources department has also to recruit and train employees. This happens when the company does not have a separate department responsible for so-called “soft HR”. Therefore, the tasks of the HR specialist may include the entire process of recruiting new employees. First, it is necessary to assess the personnel needs of the company. Next, a stereotypical worker is identified in terms of qualifications, skills and competences that is ideal to fill the existing staffing gap. Then the departmental specialist searches for candidates for the job, editing and publishing job advertisements in the media, on the Internet and in employment offices (which are inefficient in Poland and consequently little used). Once a group of ideal candidates has been identified, direct contact is

⁴⁸ In polish “*Krajowa Administracja Skarbowa*”.

established through interviews conducted by the HR specialist. Once the ideal employee to fill that vacancy has been decided upon, the specialist is in charge of controlling and organising the hiring processes from the beginning until the new employee is hired and implemented (getting to know the new person with the scope of responsibilities and the organisational culture of the company).

In some companies, the tasks of human resources include looking after the professional development of employees. Employees of the human resources department examine the development needs of the organisation and based on these, prepare a training offer. They then establish cooperation with external trainers or training companies. It may happen that HR specialists personally prepare and conduct seminars for employees employed by the organisation or initiate internal training.

In cases where the company does not hire some of its employees directly, but cooperates with contract associates, it is always the human resources department that is responsible for the processing and protection of the contractors' personal data.

Personal files are a collection of employee documents relating to the initiation, conduct and termination of employment. Under labour law, the company is responsible for keeping the personal files of each employee. They consist of three parts:

- Part A consists of documents relating to the application for employment. These may be, for example, certificates of completion of studies, work certificates or a personal questionnaire.
- Part B contains the documents relating to the establishment of the employment relationship and the conduct of the employment relationship. These are employment contracts, certificates of completion of compulsory training (OSH) or documents relating to the imposition of a sanction on the employee.
- Part C contains documents resulting from the termination of employment.

The documents contained in the individual parts of personnel files contain personal data. Therefore, it is very important to store them properly as well as preventing access to unauthorised persons. Personal files must be numbered and arranged in chronological order.

Finally, in some cases, human resources activities also include collaboration with trade unions, administration of company incentive systems as well as management of periodic employee evaluation system.

An inspection of the company organised by the National Labour Inspectorate may be carried out from time to time. If irregularities occur during that inspection, the employer takes full responsibility. In turn, the HR department is liable for employees' failure to fulfil obligations and for damages caused by their actions before the employer. For example, if the HR specialist makes a mistake in

calculating the salary of an employee, the employer is committing an offence against the employee's rights.

The human resources specialists in the company have three types of responsibility:

- Ex officio liability: it may be incurred in the event of failure to meet the deadline for payment of remuneration or failure to keep personnel files. It may be associated, for example, with the withholding of a discretionary bonus.
- Responsibility for order: this relates to failure to observe organisation and order in the work process, health and safety regulations, fire regulations or failure to observe working hours.
- Material liability: a human resources specialist may receive a warning, a reprimand and even a fine. Material liability is imposed on the employee in the event of the need to compensate for damage caused by his or her action or omission. Compensation for such an action covers the actual loss and may amount to a maximum of three months' salary. However, in the case of an intentional act, payment of the full amount of damages should also be considered.

Due to the number of tasks and responsibilities, employees in the HR and payroll department can count on above-average salaries and high chances of promotion.

CONCLUSION

These pages have attempted to give an overview of human resources management practices in Poland and, to this end, to provide the necessary information on the labour market and labour law.

This analysis reveals a Polish labour market characterised by a low unemployment rate, which leads to difficulties for companies. Indeed, it is complicated to find good quality employees cheaply and even more difficult to attract the so-called “talents”. However, the greatest difficulty is keeping talented employees with high skills and great potential in the company. In order to do this, each company is looking for its own strategy of human resources management that allows to differentiate itself from competitors in order to favour the influx of workers. From what emerges in the research, a very effective method seems to be offering development opportunities to these workers. Indeed, young employees, in particular, are looking for experiences that allow them to develop themselves from a human and working point of view. Through education and training, companies have the opportunity to attract as well as to maintain within the company those workers who will enable them to make the leap. However, increasing the skills and competences of the worker may be a double-edged sword. In fact, once he or she has acquired new qualifications, the worker may look for better job position that allows him or her to use the new skills and qualities or to ask directly for a salary increase. Consequently, attention must be paid to the investment activities implemented.

In addition, how to interact with and motivate their employees differs greatly from other European countries, due to Polish cultural characteristics and history, particularly because of the Soviet domination until the late 1980s. This does not turn out to be a big problem for domestic companies but can become one for foreign companies that want to invest in Poland. To solve this problem, most corporations ask for advice to local specialist that help them in human resources management practices or directly outsource the activity.

All this goes to show the importance of human resources management within companies operating in Poland, as it enables them to facilitate work and, through talented and motivated employees, to achieve higher profits than their competitors.

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