

# The labor market in Poland, 2000–2021

## Employment has been rising, but disadvantaged groups and low participation of older people pose challenges

Keywords: wages, labor supply, unemployment, temporary contracts, Poland

### ELEVATOR PITCH

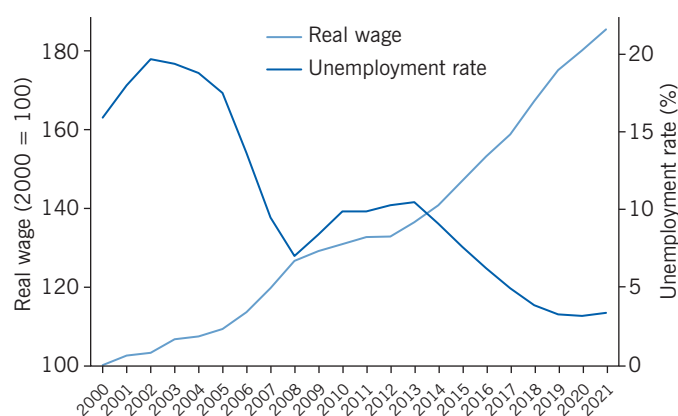
In the early 2000s, Poland’s unemployment rate reached 20%. That is now a distant memory, as employment has increased noticeably and the unemployment rate had dropped to 3.4% in 2021. The labor force participation of older workers increased following reforms aimed at prolonging careers. However, participation remains low compared to most developed countries and the reversal of the statutory retirement age in 2017 leaves Poland vulnerable to the effects of population aging. Rising immigration has eased the resulting labor shortages, but women, people with disabilities, and agricultural workers remain underemployed. During the Covid-19 pandemic the slowdown in economic growth and increase in unemployment were small.

### KEY FINDINGS

#### Pros

- ⊕ The employment rate for people aged 15–64 increased significantly between 2000 and 2021, while the unemployment rate declined noticeably over the same period; long-term unemployment dropped from 10% in 2003 to 0.6% in 2021.
- ⊕ In 2021, the labor force participation of older workers reached its highest level since the 1990s.
- ⊕ Real wages increased by 87% between 2000 and 2021.
- ⊕ Real wage growth was the highest at the bottom of the wage distribution, and earnings inequality has decreased in the last two decades.
- ⊕ In 2012–2016, Poland had the highest share of temporary employment in the EU, but it has decreased since then.

Unemployment rate and real wage growth in Poland



Source: Authors' own compilation based on Statistics Poland data. Online at: <https://stat.gov.pl>; Eurostat data. Online at: [https://ec.europa.eu/eurostat/databrowser/explore/all/all\\_themes](https://ec.europa.eu/eurostat/databrowser/explore/all/all_themes)

#### Cons

- ⊖ Labor force participation of older workers remains low compared to most developed countries; the reduction of the retirement age in 2017 exacerbates the decline in labor supply resulting from population aging.
- ⊖ The adjusted gender pay gap remains high.
- ⊖ The total compensation of employees as a share of GDP is among the lowest in the EU.
- ⊖ The share of agricultural employment remains high.
- ⊖ Lack of a migration strategy hampers the impact of immigration on labor shortages.

### AUTHOR'S MAIN MESSAGE

The Polish labor market appears to be in very good shape: the employment rate is historically high, and the unemployment rate has dropped to a record low level. Since the mid-2000s, wage growth has accelerated, and wage inequality has declined, supported by the rising minimum wage. However, labor force participation at older ages remains low, and the rapidly aging population will further reduce labor supply. Since 2014, large immigration inflows have reduced labor shortages, but mainly in low-skilled jobs. The lack of migration and integration policy hinders matching migrant workers with jobs.