



## The economic and social effects of Polish membership in the European Union

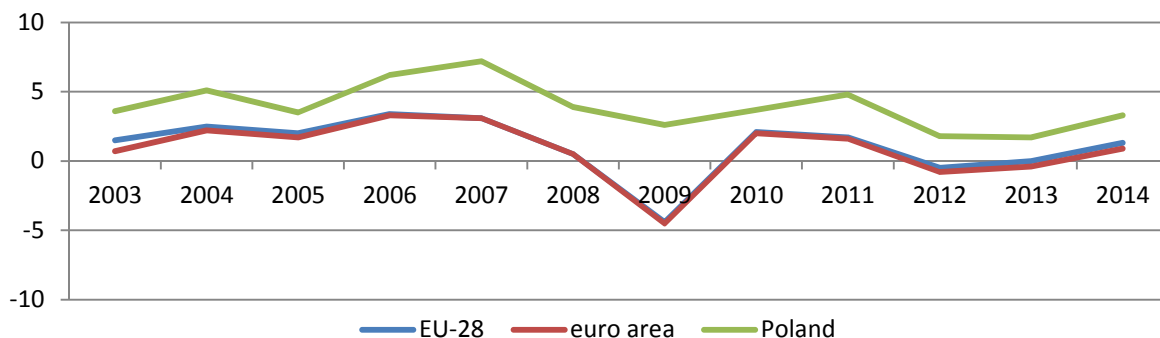
### Memo in relation to the eleventh anniversary of Polish accession to the EU

#### Poland – leader in economic growth

GDP growth in Poland amounted in 2014 to 3.3% (1.7% in 2013), while the EU average was 1.3%. After the recession in 2013, the euro area recorded only a slight growth of 0.9%<sup>1</sup>. The performance of the Polish economy was among the best in the whole European Union. According to Eurostat data, only Ireland (4.8%), Hungary (3.6%) and Malta (3.5%) had higher results – these countries, however, registered declines of GDP in previous years<sup>2</sup>. **The Polish economy has not recorded any negative value of economic growth throughout the period of its membership in the EU.**

Other Central and Eastern Europe economies reported slightly lower results than Poland but still above those in Western Europe. For example, Slovakia grew by 2.4%, Romania by 3.0% (estimates) and the Czech Republic by 2.0%<sup>3</sup>.

**Chart 1. Economic growth in EU-28, euro area and Poland.**



Source: own calculations based on Eurostat data, access: 21.04.2015

The cumulative GDP growth in relation to 2003 amounted in Poland to 53%. In the case of other EU-28 countries, it was 12% of the average for the whole Union, and 9% for the euro area. The average

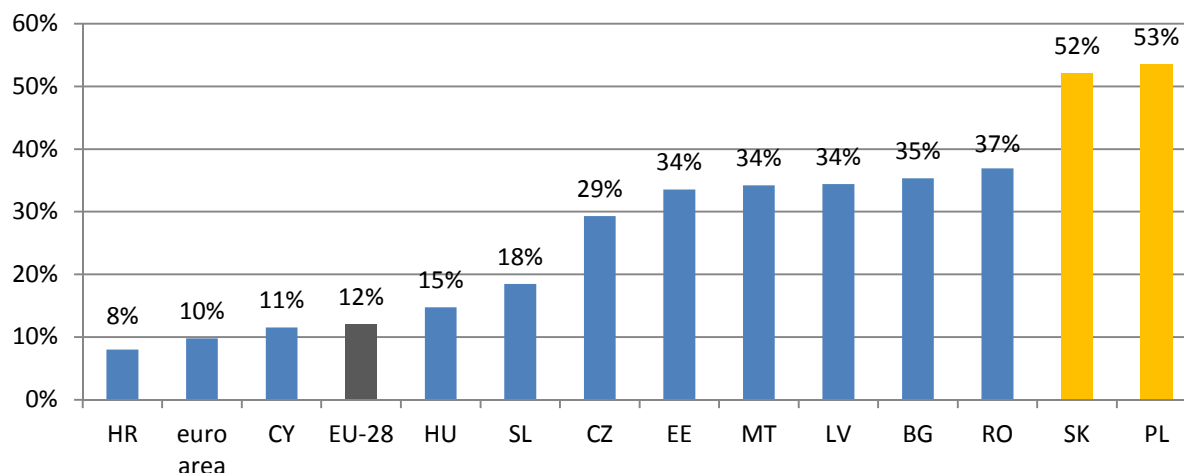
<sup>1</sup> Based on European Economic Forecast, European Commission Winter 2015.

<sup>2</sup> Ireland recorded declines in years 2008-2010 (-2.6% in 2008, -6.4% in 2009, -0.3% in 2010) and -0.3% in 2012. 2013 ended for Ireland with growth by 0.2%. Hungary recorded a decline by 6.6% in 2009 and 1.5% in 2012. In 2013 the Hungarian economy grew by 1.5%. In the period 2010-2014 Malta grew annually by 2.5% but lost 2.5% of GDP in 2009.

<sup>3</sup> Based on Eurostat data.

for countries which joined EU after 2004<sup>4</sup> was approx. 32%<sup>5</sup>. The second best result was in Slovakia (52%). The average for other CEE countries was 16 pp lower than for Poland. Such a noticeable difference can be accounted to higher average annual growth rates in Poland and to the fact that **Poland was the only country which not only did not record a recession, but also did not achieve a level of economic growth lower than 1.5%.**

**Chart 2. Cumulative GDP growth in region, 2003-2014 (2003=100).**



Source: own calculations based on Eurostat data, access: 21.04.2015

The good economic performance of Poland in the 11<sup>th</sup> year of membership compared with other Member States' performance was mainly due to **internal factors, mostly the demand of domestic consumers and investors.** The strength and stability of the Polish economy in 2014 was built on high rates of investment, as well as private and public consumption. The good financial standing of households was maintained by a significant improvement on the labour market, an increase in wages by 3.4% (year on year)<sup>6</sup> and a historically low level of inflation, which led to a loosening in monetary policy. This resulted in an increase in disposable income of households and triggered an increase in consumption.

The economic crisis has significantly slowed down the pace of economic growth in the European Union. Member States, with different intensity, recorded declines in GDP after 2007. **At present, the EU-28 countries average GDP is at a level similar to that in 2007 (approx. 0.5% above), while Poland has exceeded its GDP level of 2007 by almost 24%<sup>7</sup>.**

The good economic standing of Poland during a period of a low rate of growth in other European countries favours the continuation of the catching-up process. **In 2013 Polish GDP per capita, as measured by PPS, was at the level of 68.1% of the EU-28 average.** This means an increase by 19.3 pp as compared to 2003. Polish GDP per capita in relation to EU-28 average is 1 pp higher than that of Hungary, which just before 2004 was 13 pp higher than Poland.

<sup>4</sup> Excluding Cyprus, Malta and Croatia.

<sup>5</sup> Own calculations based on Eurostat data. The highest cumulative GDP among EU Member States, which joined EU before 2004, had Sweden – 23%, Austria, Germany and UK – approx. 19%.

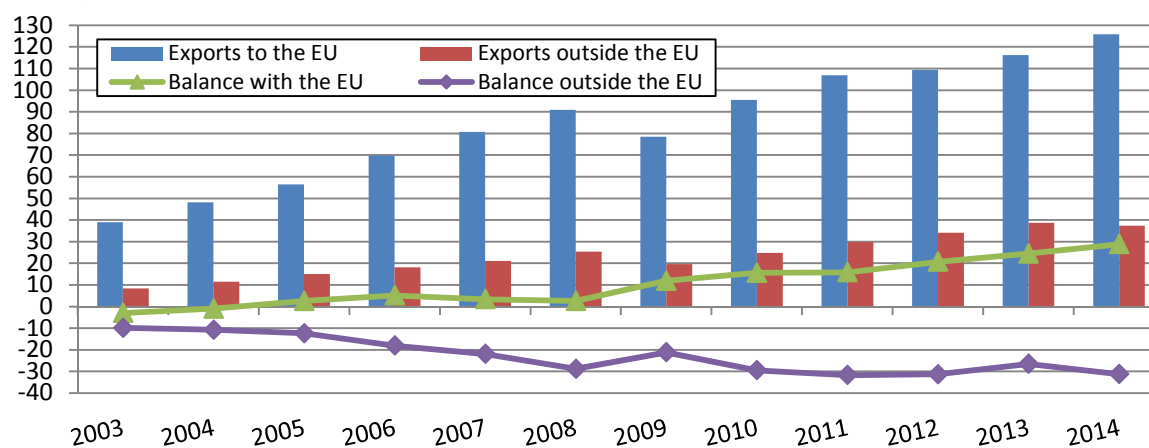
<sup>6</sup> Based on GUS data.

<sup>7</sup> Based on Eurostat data.

## Record-breaking results in foreign trade

**In spite of tough political and economic conditions, in 2014 record-breaking results in Polish foreign trade were recorded.** Exports of goods in general achieved the historic value of EUR 163.1 billion and the figure was higher by 5.2% than that recorded a year earlier. At a time when imports grew at a slightly faster pace (by 5.5%), this period closed with a deficit of approx. EUR 2.5 billion (by approx. EUR 0.5 billion more than in 2013)<sup>8</sup>.

**Chart 3. Value of Poland's exports and trade balance with the EU and non-EU countries (in EUR billion).**



Source: Ministry of Economy, Central Statistical Office (provisional data).

**Such good export results were possible largely due to positive trends in trade with the European Union Member States. In 2014 Polish exports to the EU grew by 8.1% (to EUR 125.8 billion)** in comparison with a decrease with non-EU countries by 3.5% (to EUR 37.4 billion). As a result, during slower dynamics of imports from the EU (increase by 5.6%), Poland achieved its best trade balance with the EU since accession. A record positive balance of EUR 28.8 billion (i.e. by 17.6% more than in 2013) almost compensated the trade deficit with non-EU countries (EUR 31.2 billion)<sup>9</sup>. The value of the positive trade balance with the EU Member States is equal to 7% of Polish GDP, which proves that trade with the EU is still the engine of development in the Polish economy.

Trade results in the 11th year of our presence in the **EU suggest that the EU is still the key foreign market for Polish products.** The presence on the single market was a solid safeguard for Polish exporters in 2014 in the case of negative consequences connected with the crisis in Ukraine and Russian embargo, as well as a decline in demand for imports in some non-EU countries which are important trade partners for Poland<sup>10</sup>.

**In 2014 the reversal of the 5-year trend of gradually decreasing the share of the EU in Polish exports in favour of non-EU countries was observed.** In 2014 the share of the EU in Polish exports accounted for 77% (i.e. 2 percentage points more than the previous year). Polish companies are still

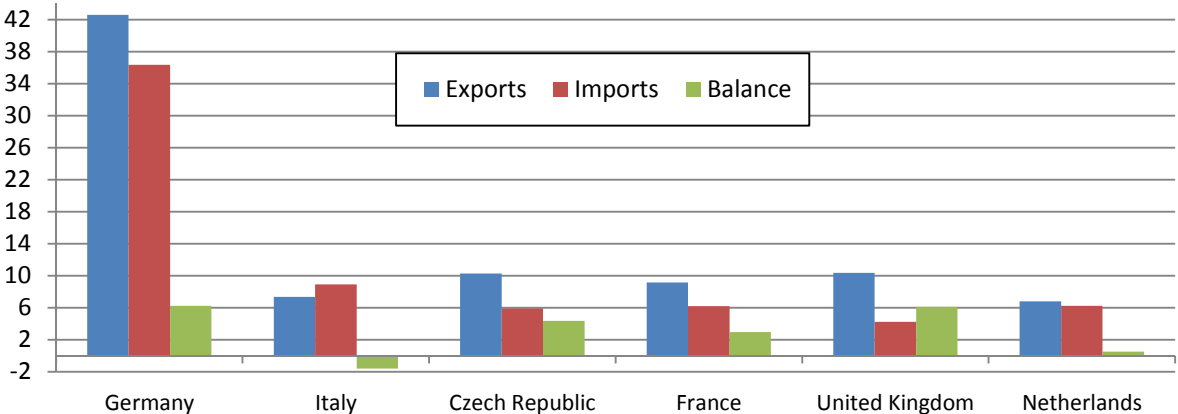
<sup>8</sup> Therefore exports and imports after 11 years of Poland's presence in the EU was higher by 244% and 175% respectively. According to the forecasts of the Ministry of Economy for 2015, exports will increase by another 5.5% (to reach EUR 172.1 billion) and imports by 5% (to EUR 173.9 billion); source: Ministry of Economy, Central Statistical Office (provisional data).

<sup>9</sup> Data from: *Syntetyczna informacja o eksporcie i imporcie Polski za 2012 rok (according to provisional data of Ministry of Finance and Central Statistical Office)*, Ministry of Economy, Warsaw, February 2013.

<sup>10</sup> According to the International Monetary Fund, GDP growth in 2014 was smaller than in the previous year in countries such as: the United States, Japan, Turkey, China, Russia and Brazil, which accounts for 10% of Polish exports.

able to exploit development potential connected with a presence on the internal market and to deepen trade relations within the EU. In 2014, in comparison with the previous year, Poland achieved an increased turnover with almost all EU Member States and a historically high trade surplus with main trade partners – i.e. with Germany (EUR 6.2 billion), for which Poland is the 8th largest trade partner – as well as with the United Kingdom (EUR 6.1 billion), the Czech Republic (EUR 4.4 billion) or France (EUR 3.0 billion)<sup>11</sup>. In the case of the United Kingdom, Poland recorded a six-fold increase in trade surplus since accession to the EU and this country has become the second largest recipient of Polish exports (more than EUR 10 billion); therefore, Poland supports the United Kingdom's presence in the EU.

**Chart 4. Poland's trade with main trade partners in the EU in 2014 (in EUR billion).**



Source: Ministry of Economy, Central Statistical Office (provisional data).

**It must be mentioned that as a result of Poland's accession to the EU, the level of trade has also increased substantially with Central and Eastern European countries** that joined the EU at the same time. Between 2003 and 2014, exports to this group of countries increased by 3.5 times – from EUR 6.2 billion to EUR 27.7 billion, and the trade surplus reached a historically high level of EUR 12.2 billion (i.e. almost 10 times more than in 2003).

The above-mentioned data confirms that **Polish exporters after EU accession have not only gained a strong position on the markets of Western Europe, but have also consolidated their position in the region.** During 11 years of Poland's presence in the EU, they have increased their share in exports within the EU from 2% to 4.3%, which is the best rate among all Member States<sup>12</sup>.

Strengthening links between Poland and some EU economies, as well as integration in supply chains, leads to the pro-export structure of economies such as Germany or the United Kingdom fostering large volumes of orders for production and services from Poland. It is estimated that in 2009 the share of Polish production in goods exported from Germany accounted for 3%, and 1.5% from the United Kingdom<sup>13</sup>. More recent data are difficult to obtain, but in the situation of strengthening these countries' position as the main partners for Poland's exports, this value could currently be much larger. **New incentives for development of international trade (i.e. agreements with key partners) could influence an increase in exports of the main EU economies, to which Poland is**

<sup>11</sup> Source: Ministry of Economy, Central Statistical Office (provisional data).

<sup>12</sup> Own calculation based on Eurostat database.

<sup>13</sup> Own calculation based on Trade in Value Added (OECD) database for 2009.

**strongly linked.** A good example is the United States, whose share in Polish exports is almost twice as high if indirect trade through EU Member States is included.

**In 2014 the biggest changes were recorded in trade relations with countries from the Commonwealth of Independent States (CIS).** During one year the share of this market in Poland's exports shrank from 9.9% to 7.8%, which was influenced in particular by the deterioration of exports to Ukraine (by 27%) and to Russia (by 14%). However, Russia's actions weakened the position of this country as Poland's largest partner in imports – in 2014 a decrease in imports by ca. EUR 1.7 billion was recorded, and as a consequence the trade balance was improved by more than EUR 500 million<sup>14</sup>. In comparison, the remaining largest CIS countries managed to improve their position on the Polish market (growing imports from Ukraine, Kazakhstan and Belarus).

**In the case of other non-EU countries, varying trends were observed.** The biggest export dynamics were recorded in relations with countries such as Australia (increase in relation to year 2013 by 24%), Canada (by 25%), Vietnam (by 17%), South Africa (by 11%) and China (by 6%). In turn, we saw the stabilization of exports that have been growing in recent years to developed economies, such as the United States (at the level of ca. EUR 3.6 billion) or Japan (ca. EUR 0.5 billion). In this situation free trade agreements negotiated by the EU can be another incentive for stimulation of trade with these countries. Data shows that Poland has benefited from the agreements that have been concluded by the EU so far. An example is the free trade agreement with South Korea – two years after its implementation, exports to this country have increased by an average 80% (and in some sectors much more, e.g. exports of combustion engines increased more than three times). When it comes to the agreement with the United States (TTIP) that is being negotiated, Poland can benefit mostly through the investment channel – in the last 25 years the value of American investments in Poland has increased to ca. EUR 25 billion, with nearly 800 companies with American capital that employ ca. 200 000 people<sup>15</sup>.

In 2014, 39.7% of Poland's exports of goods consisted of the production of electrical and machinery equipment industry (an increase in nominal values by 6.3% in relation to 2013). A significant part of exports also includes products of the chemical industry (13.9%, increase by 3.8%), food and agricultural products (13.1%, increase by 4.5%) and metallurgy products (10.7%, increase by 2.7%)<sup>16</sup>. Thanks to Poland's integration with the EU, our home products have gained more credibility. It is worth mentioning that **the importance of highly-processed goods in Poland's exports is still growing and we are maintaining our leading position in the EU in exports of products in significant branches of industry.** The examples of big industries in which a historically high level of exports to the EU in 2014 was recorded, are: the automotive industry (ca. EUR 14.5 billion, out of which 37% to Germany) and furniture (ca. EUR 7.7 billion, 16% share in furniture exports within the EU). Additionally, there is a constantly increasing share of high-tech exports in overall exports – in 2013 it was 6.7%, while before EU accession – ca. 2.5%. **The positive trends outlined above result in year-on-year growth of export revenues in the financial results of companies;** while in 2003 this share amounted to ca. 14.5%, in 2013 it grew to 20.8%<sup>17</sup>.

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<sup>14</sup> Source: Ministry of Economy, Central Statistical Office (provisional data).

<sup>15</sup> Based on the report: *Wspólny sukces! 25 lat polsko-amerykańskich relacji gospodarczych*, American Chamber of Commerce in Poland/KPMG, 2014.

<sup>16</sup> Source: Ministry of Economy, Central Statistical Office (provisional data).

<sup>17</sup> Based on reports: *Bilansowe wyniki finansowe podmiotów gospodarczych*, Central Statistical Office.

**Poland's accession to the EU accelerated a trend typical for developed countries: an increase in services exports and the share of this sector in GDP creation.** In 2014 revenues from services exports amounted to ca. EUR 36 billion (ca. 9% of GDP), and at the same time a historically high surplus of EUR 9 billion in trade in services was recorded<sup>18</sup>. Transport remains the most important export sector in this area. In 2013, with a historically high volume of freight transport (147 billion tonne-kilometres), Poland maintained its position as the leader among EU carriers in international road transport – our share in EU market grew to 24% (from the level of 9% in 2004)<sup>19</sup>. The unfavourable situation connected with the Russian embargo could have a negative impact on the results of Polish road transport companies.. However, it is optimistic that the number of Polish companies in this branch operating on the EU market is still growing (in 2014 it was about 29.5 thousand i.e. over 4.5% more than a year earlier)<sup>20</sup>. Good results in exports in services are also connected with the development of business and service centres, both with foreign and Polish capital. At the end of 2014, ca. 660 of such centres were operational in Poland and they employed a historically high number of 150 000 workers<sup>21</sup>.

### **Investment attractiveness**

**The net inflow of Foreign Direct Investment (FDI) in 2013 reached a level of 2.2 billion euro – a decrease by 60% as compared to the previous year<sup>22</sup>.** The reduction was due to the noticeable withdrawal of capital in transit, reducing investment in the financial sector and a slower pace of growth of economies from where the capital flows (mainly euro area). But the significant drop in numbers compared to previous years (e.g. 10.5 billion euro net inflow in 2010) results from changes in methodology<sup>23</sup>.

The largest FDI inflows in 2013 came from the UK (3.3 billion euro), Germany (1.9 billion euro) and Switzerland (1.0 billion euro). Divestments were made by entities registered in Jersey (-3.4 billion euro)<sup>24</sup> and Luxembourg (-1.8 billion euro). Nearly 91% of net investments in 2013 came from Member States.

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<sup>18</sup> Based on balance of payments data, National Bank of Poland.

<sup>19</sup> Source: Eurostat data or own calculation based on it.

<sup>20</sup> Main Inspectorate of Road Transport data.

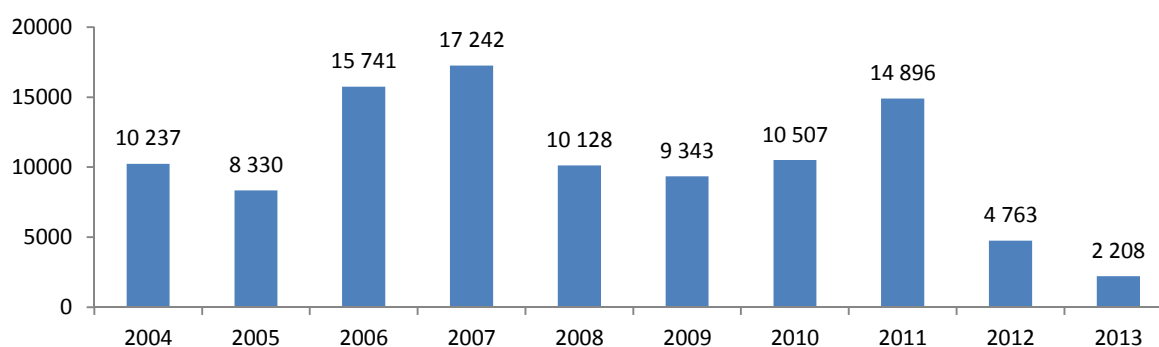
<sup>21</sup> Report *10 lat sektora nowoczesnych usług biznesowych w Polsce*, PAliiZ/Hays Polska, 2015.

<sup>22</sup> National Bank of Poland data and own calculations. Data from: *„Zagraniczne inwestycje bezpośrednie w Polsce w 2013 roku*, Narodowy Bank Polski, Warszawa 2014.

<sup>23</sup> Similar to 2012, the value of inflow was significantly lowered by so-called capital in transit – assets of special purpose vehicles, which are reinvested in another country. Capital in transit does not influence economic performance and the labour market in Poland.

<sup>24</sup> Such a high reduction in inflow of FDI from Jersey can be interpreted as lower tolerance of tax evasion, and as such can be interpreted positively.

**Chart 5. Net inflow of Foreign Direct Investments to Poland in 2004-2013 (in EUR million).**



Source: National Bank of Poland (as of: 21.04.2015).

**Polish membership of the EU is perceived as one of the key factors in making the country the most attractive for investment in the region** (1<sup>st</sup> place among CEE countries in the 10<sup>th</sup> edition of a survey carried out by Polish-German Chamber of Industry and Commerce). Other qualities of the Polish economy quoted in particular in the survey were Polish workers, with their qualifications and productivity.

**The value of accumulated Foreign Direct Investments in Poland in 2013 amounted to 160 billion euro, which is an increase by 4% compared to 2012 (154 billion euro).** Throughout membership in the EU the value of FDIs has increased by 264% from 44 billion euro in 2003. Countries from which the most investment came are mainly: Germany (27.5 billion euro) and the Netherlands (25.9 billion euro). The share of EU-27 Member States was more than 90%.

In 2013 net outflow of Polish FDI abroad was negative (-1 billion euro), reflecting the continuation of a trend of repatriation of invested capital (e.g. 2.1 billion euro from Luxembourg). In 2013 the highest value of Polish FDI went to Cyprus (444 million euro), the UK (325 million euro), Denmark (267 million euro) and Germany (187 million euro).

By the end of 2013 the cumulative value of Polish FDIs amounted to 20.7 billion euro, which means a decline in their value (due to exchange rate fluctuations and valuation, but investment activity as well) by 12%. During membership the value of Polish FDI abroad has increased 68-fold (2003 it was 303 million euro). 72% of the cumulative value of Polish FDI has been invested in the EU-27.

### **Financial balance after 11 years of membership**

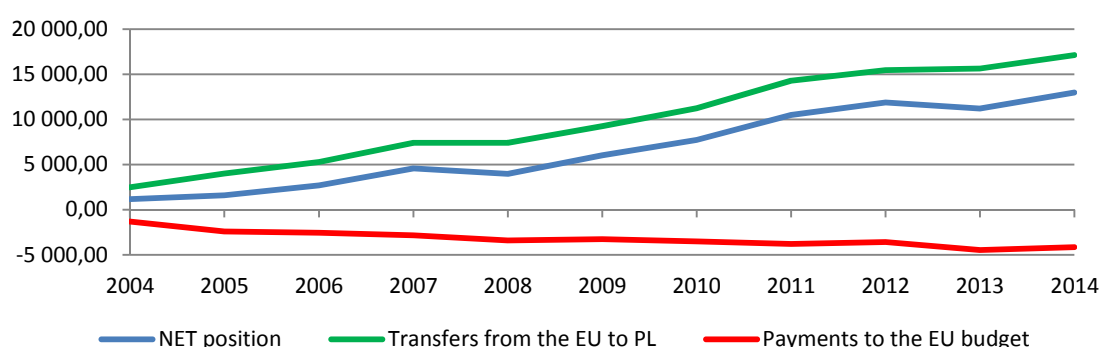
Financial transfers from the EU budget remain a key factor for Polish economic growth. In the period from 1<sup>st</sup> May 2004 to 31<sup>st</sup> December 2014, they amounted to a total of EUR 109.6 billion. During the same time Poland paid to the EU budget EUR 35 billion as its Member State contribution<sup>25</sup> and

<sup>25</sup> This amount comprised EUR 24 billion of own resources based on Polish Gross National Income (GNI), EUR 5.1 billion of own resources based on VAT, EUR 3.6 billion of Traditional Own Resources (TOR), and EUR 2.3 billion for the other countries' rebates (in particular the UK rebate).

EUR 143 m as a reimbursement of funds. This means that **the eleven-year balance of financial transfers between Poland and the EU is positive and amounts to EUR 74.3 billion**<sup>26</sup>.

In the last eleven years we have seen a **substantial increase in financial transfers from the EU** – from EUR 2.5 billion in 2004 to EUR 13 billion in 2014 (after deduction of national contribution and reimbursement of funds). Funds allocated to Poland in 2014 increased by as much as 15.9% compared to 2013. EU funds made up 1.21% of Poland's GDP in 2004 and 4.15% in 2014, respectively. Net funds received by Poland from the EU budget (after deduction of national contribution) constituted 0.57% of Poland's GDP in 2004, whereas in 2014 it was 3.15%.

**Chart 6. Balance of financial flows between Poland and the EU in 2004-2014 (in EUR million).**



Source: Zestawienie transferów finansowych środków unijnych w ciągu 128 miesięcy członkostwa (grudzień 2014 r.), Ministry of Finance.

Of the entire financial envelope, **EUR 70.7 billion was allocated to cohesion policy** (approx. 65% of the total funds received), EUR 34.5 billion to the common agriculture policy (approx. 32% of the total funds received), and EUR 4 billion were the remaining transfers (approx. 4% of the total funds received). At the same time Poland contribution to the EU budget amounted to approx. EUR 35 billion, which means that **for every zloty paid to the EU budget, Poland received more than three times (3.12) more in the form of transfers**.

### Benefits from the cohesion policy

In the period 2004-2013 a **total of EUR 80 billion**<sup>27</sup> was allocated to the implementation of the cohesion policy in Poland. Thanks to EU funds, **176 000 different projects** could be implemented<sup>28</sup>. This had a positive impact on the growth dynamic of our GDP, enhanced the competitiveness of the Polish economy, boosted entrepreneurship and created new jobs. Thanks to funds received in 2007-2013, we were able to<sup>29</sup>:

- create **407 623** new jobs,
- support **30 706** enterprises,

<sup>26</sup> Zestawienie transferów finansowych środków unijnych w ciągu 128 miesięcy członkostwa (grudzień 2014 r.), Ministry of Finance.

<sup>27</sup> Within 2004-2006 and 2007-2013 financial perspectives.

<sup>28</sup> According to the cohesion policy rules, funds can be used up until the end of 2015.

<sup>29</sup> Based on the contracts signed with the beneficiaries at the end of February 2015.



- support **259** business environment institutions,
- support **1 413** universities and research units,
- support **642** research centres,
- finance **1 852** laboratories,
- build **491** sewage treatment plants,
- finance **696** investment in renewable sources of energy,
- build **11 306** km of roads, including **1 413** km of motorways and expressways,
- buy or upgrade **2 632** units of the public transport fleet,
- build or modernize **1 663** km of railway lines.

According to data from the end of 2014, the level of absorption<sup>30</sup> of cohesion policy funds in Poland amounted to over 85%<sup>31</sup>. In comparison, the level of absorption in other Member States is as follows: SI – 81.7%, HU – 76.3%, BG – 63.2%, SK – 60.1%, RO – 56.3%, HU – 45.1%. At the same time, the contracts that were concluded with beneficiaries of EU funds account already for approx. 102% of Poland’s allocation for the years 2007-2013. **Poland is the leader in absorption in our region.**

**EU funds, in particular the cohesion policy, played a significant role in the financing of public investments<sup>32</sup> in Poland.** For example, in 2010-2012 the cohesion policy funds with national co-financing accounted for approx. 55% of the funds allocated to Poland for public investments. In comparison, the situation in other Member States is as follows: SK – over 90%, HU – almost 90%, BG – over 80%, LT – almost 80%, EE – 70%, LT – over 60%, PT – over 50%<sup>33</sup>.

Successful Polish development is closely related to the efficient use of EU funds. There are several reasons why Poland has done so well. First of all, we have made good use of the experience gained in the pre-accession period. Furthermore, the legal framework for the development policy was created gradually. Therefore, it was rightly decided to establish a ministry that would bear full responsibility for programming and implementing a substantial share of funds under the cohesion policy. We also took care to improve the qualifications of personnel involved in the programming and implementation of the cohesion policy, both at central and self-government levels of administration.

For the period 2014-2020 Poland negotiated EUR 72.8 billion for the cohesion policy<sup>34</sup>. Due to the protracted negotiations of programming documents, the process of implementation of the EU funds has only started. However, we can already say that Poland is the leader of the modern approach to cohesion policy. In particular, in the 2014-2020 financial perspective, Poland plans to quadruple the share of financial instruments at the expense of grants. More funds will be earmarked for investments in the R&D sector. Furthermore, regional governments will manage a larger than ever share of EU funds – in 2007-2013 approx. 25% of all the funds were managed by regional governments, in 2014-2020 this share will increase to almost 40%.

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<sup>30</sup> Understood as an amount of disbursement in relation to the total allocation of funds to each of the Member States for the period 2007-2013 (to be completed by the end of 2015).

<sup>31</sup> DG REGIO data.

<sup>32</sup> Understood as gross fixed capital formation.

<sup>33</sup> Sixth report on economic, social and territorial cohesion, July 2014, p. XV.

<sup>34</sup> Fixed prices as of 2011, after deducting transfer to the Connecting Europe Facility.

## Transformation of the agriculture and fisheries sectors

**After accession, the share of agri-food exports in overall exports continued to increase, from 8.4% in 2003 to 13.1% in 2014.** The overall imports share of agricultural products continued to grow likewise, from 5.9% in 2003 to 8.9% in 2014. **The foreign trade of agri-food products, as opposed to total trade, has a permanent positive balance.** Since accession, Poland's trade surplus of agri-food products has increased fifteen-fold (from EUR 433 million in 2003 to more than EUR 6.5 billion in 2014). The overall Polish agri-food export increased fivefold, from EUR 4 billion in 2003 to EUR 21.3 billion in 2014 (an increase of 4.5% compared to 2013). Since May 2004, Poland has progressively built a strong and sure position on the European market. In 2014 the EU accounted for almost 80% of Poland's exports and 70% of its imports. **Poland's trade surplus with EU Member States increased from EUR 0.5 billion in 2003 to EUR 6.6 billion in 2014.**

Until the introduction in August 2014 of the Russian import ban on certain agricultural products and foodstuff from EU countries, Poland's agri-food export to the countries of the Community of Independent States (CIS) had consistently increased. However, due to restrictions decided by Russia, export in this direction has dropped. **In 2014 the value of Poland's agri-food exports to CIS countries amounted to EUR 1.7 billion and was 22.9% lower than in 2013. With Russia this amounted to EUR 882 million, which means a decrease of 30%.** Shipping to CIS countries amounted to 7.9% of the value of the total agri-food export and was much lower than in 2013 (by 10.7%).

**Poland continues to be in the group of the biggest CAP beneficiaries.** From May 2004 to December 2014, rural areas in Poland received almost EUR 34.5 billion from the EU budget. Direct payments made up over a half of this amount – EUR 18 billion. EU funding granted to the Rural Development Policy exceeded EUR 14.3 billion, and EUR 1.4 billion was earmarked for market interventions.

Efficient use of EU funds and modernization of Polish agriculture have more than tripled farmers' incomes since 2003. The prices of agricultural land have increased more than fivefold. It should be emphasized that this was due to the growing incomes of Polish farmers, not to the mass buying of Polish land by foreigners.

Poland's fishing industry received EUR 936 million of EU aid: EUR 201.8 million for 2004–2006 and EUR 734.1 million for 2007–2013. Allocation of the European Maritime and Fisheries Fund, designed for 2014–2020, exceeds EUR 531 million – added together with state support (about EUR 170 million) it amounts to EUR 710 million. Poland is one of the largest beneficiaries of European support, the fourth largest recipient after Spain, France and Italy.

## Changes on the Polish labour market

Economic growth has been accompanied by major changes in the labour market. **Within the first 10 years of our presence in the EU, approximately 2 million jobs were created, which represented more than 21% of all net new jobs in the entire EU.** In 2004–2008 Poland experienced a dynamic growth in employment and in 2008 unemployment fell to a record low level of 7.1%<sup>35</sup>.

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<sup>35</sup> Eurostat, *Unemployment rate, by sex, %*.

Back in 2007, Poland, along with Slovakia, was the country with the highest unemployment rate in the European Union. Since then, despite the economic crisis in Europe, Poland has managed to reduce the unemployment rate to below the EU average. In 2007–2014 Poland, along with two other EU countries (Germany and Malta), reported a decrease in the unemployment rate (while in the EU there was an increase by as much as 3 p.p., from 7.2% to 10.2%).

**In 2014 the situation on the Polish labour market clearly improved. The rapid decrease in the unemployment rate, which commenced in the second quarter of 2013, continued, and in the fourth quarter of 2014 stood at the level of 8.3%, compared with 10% for the whole European Union<sup>36</sup>.** In 2014 the number of unemployed decreased by approx. 332 000 in comparison with the previous year. Some of the reasons for such a recovery on the labour market were economic growth in 2014 and promising predictions in this matter for the coming years, as well as the positive business environment and entrepreneurs' optimism.

In 2014 the total number of employees aged 15 and over exceeded 16 million<sup>37</sup>, which resulted in an increase in the employment rate of people aged 20-64 to 67.4%<sup>38</sup> (Poland's goal within the Europe 2020 Strategy is to achieve 71% by 2020).

**Despite the significant improvement in 2014, the high level of youth unemployment is still a challenge. In 2014, in Poland, the unemployment rate of people under 25 stood at the level of 23.9%,** and was slightly higher than the EU-28 average (22.2%) and the EU-18 average (23.8%). Among the V4 countries, the Czech Republic (15.9%) and Hungary (20.4%) recorded better results<sup>39</sup>.

### **Migration of Poles to the EU and their impact on the Polish economy**

Poland's accession to the European Union opened up the European labour market to Polish citizens. Free movement of persons is considered one of the greatest benefits of EU accession. Although it is difficult to pinpoint the exact scale of migration after 2004, it is assumed **that the number of Polish emigrants who left Poland for one of the EU countries can be estimated at 1.3 million people<sup>40</sup>.**

From the beginning, the migration of Poles to the EU countries was irregular – by far the biggest wave of migration was reported in 2004 - 2007. After that period, the emigration slowed down and number of Poles in EU countries stabilized (there was a slight increase in 2012 and 2013). Currently more than 1.8 million people from Poland live in EU countries<sup>41</sup>, mainly in the UK, Germany, Ireland, Italy and the Netherlands. **Among these countries, Poles are recently increasingly willing to stay in Germany (growth in 2012-2014 by about 60 000, i.e. by 11%). The United Kingdom still remains a popular destination.**

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<sup>36</sup> Eurostat, *Unemployment rate by sex and age groups - quarterly average*. According to Central Statistical Office the unemployment rate in December 2014 r. stood at the level of 11,5%.

<sup>37</sup> Labour Force Survey (BAEL), Central Statistical Office.

<sup>38</sup> National Reform Programme for the implementation of the Europe 2020 Strategy, 2015/2016 update.

<sup>39</sup> Eurostat, *Unemployment rate by age group, %*.

<sup>40</sup> Based on the data from the Central Statistical Office and from the National Census regarding temporary stays.

<sup>41</sup> The Central Statistical Office's figures show that in 2013 there were 1.789 million Poles in the EU. While Eurostat figures estimate the number of Poles living in the EU at the level of 1.851 million (data for 2014; do not include FR, EL, HR, CY, AT, LU). Source: *Information on the size and direction of Polish temporary emigration in the years 2004 - 2013*, Central Statistical Office, October 2014; Eurostat, *Population on 1 January by five year age group, sex and citizenship*.

Importantly, however, despite the large scale of emigration, **Poland is a country with moderate emigration potential**. When compared to Estonia (5.7%), Bulgaria (6.9%), Latvia (7%), Lithuania (9%), Croatia (8%) and Romania (11.6%), **the share of emigrants in the total population is noticeably smaller (Poland – 4.9%)<sup>42</sup>**.

**In recent years, there has been a slow increase in return migration**. It is estimated that in 2012 (compared to 2011) in Poland there was a 33% increase in the number of returning migrants (this is the best result among all CEE countries<sup>43</sup>). Yet it is worth noting that Poland still holds a negative balance in definitive international migrations - in 2013 the migration balance for permanent residence was estimated at -20 000, whereas in 2014 it was -15 000<sup>44</sup>.

Emigration from Poland is mostly driven by economic factors<sup>45</sup>, particularly by the low level of wages in the country of origin (the average gross hourly wage in Poland is 6.8 euro, in EU-28 countries 18.6 euro and in the euro zone countries 21.6 euro<sup>46</sup>). Although the rapid economic growth and relatively low unemployment rate should have encouraged Poles to return to their country, the regional differences on the Polish labour market and the perception of the European labour market as the only viable alternative to the local one are significantly influencing migration processes. Currently, it seems that in the near future there will be no significant reduction in the number of Poles living abroad (majority of Polish emigrants declare their willingness to stay abroad)<sup>47</sup>. Yet the positive signal resulting from young people's migration preferences should be noted (young Poles declare a willingness to go abroad more rarely than their peers in other CEE countries)<sup>48</sup>.

Remittances from Poles working in the EU have become an important positive outcome of migration of Poles after 2004. **During the eleven years of our EU membership, the total sum of private transfers made by migrants working in the EU amounted to EUR 36.4 billion**. According to National Bank of Poland estimates, in 2014 Polish migrants transferred EUR 3.3 billion to Poland, which is a decrease of approx. 6%, compared to the previous year.

Decline in the value of private transfers in recent years is caused by the downturn in the economies of the host countries (and thus a smaller number of job offers, and lower level of wages), as well as the improvement of the economic situation in Poland. These factors have affected the stabilization of

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<sup>42</sup> Data for 2013. M. Duszczyc, K. Matuszczyk, *Migration in the 21st century from the perspective of CEE countries - an opportunity or a threat*, CEED Institute, Warsaw 2014.

<sup>43</sup> M. Duszczyc, K. Matuszczyk, *A one-way ticket? Migration in Europe from the perspective of CEE countries*, CEED Institute, Warsaw 2015.

<sup>44</sup> Basic information about the demographic development of Poland up to 2014, Central Statistical Office.

<sup>45</sup> M. Duszczyc, K. Matuszczyk, *A one-way ticket ...* p.36. Contrary to popular belief, the major factor stimulating migration from Poland is the opportunity of higher wages, not unemployment. In every sector surveyed, higher wages were indicated by more than 70% of the respondents, whereas unemployment was indicated by approx. 30% of respondents, with the exception of the construction sector, with only 11 % of respondents emphasizing this cause.

<sup>46</sup> Data for 2014. Source: Eurostat, *Hourly labour costs*.

<sup>47</sup> M. Duszczyc, K. Matuszczyk, *A one-way ticket ...* p.31. The vast majority of respondents (on average 85%, with the highest result in the manufacturing sector – 97.8% and the lowest in the service sector – 73.8%) declare their willingness to extend their employment abroad or to go abroad again. Similar conclusions can be drawn from the emigration survey conducted by the Polish Central Bank (NBP) in the UK, Ireland, Germany and the Netherlands. NBP study shows that in the years 2012 - 2014 the percentage of people planning permanent residence in IE and the UK rose respectively by 20 and 9 pp (in both cases up to 54%). On the other hand a slight decline can be observed in the case of NL and DE (respectively by 3 and 2 pp; to the level of 34% in the case of NL and 40% for DE).

<sup>48</sup> European Youth in 2014 Eurobarometer, p.11. 43% of young Poles declared a willingness to travel to another EU country (for study, training or work) against 55% of their counterparts in other CEE countries. A result lower than in Poland was recorded only in the Czech Republic.

the size of the Polish emigration. At the same time, some of the temporary migrants decided to return to Poland, start a family in the host country, or bring their family to the host country, which further reduced the number of remittances transferred.

Remittances from the EU in 2014 accounted for 86% of all transfers made from abroad. **The greatest number by far came from migrants working in Germany (EUR 1.3 billion, 39%) and in the UK (EUR 0.9 billion, 28%).** Due to the dynamic of migration to the UK after 2004, this country was in first place when it comes to the origin of private transfers for several years of our membership.

The value of private transfers has stabilized in the recent years. In the initial period of our membership in the EU the annual growth rate reached 30%. 2007 still remains a record year, when the private transfers from migrants working in the EU amounted to EUR 4.62 billion, which constituted approx. 2.5% of Polish GDP.

**The value of private transfers in relation to GDP fluctuates currently around 1.3%.** In comparison to other Member States from Central and East and Central Europe, this relationship is at a relatively low level (according to World Bank estimates, the value of private transfers in relation to GDP in other member states is as follows: LT – 4.5%, BG – 3.1%, LV – 2.5%, SK – 2.2%, RO – 1.9%, EE – 1.8%, HU – 1.7%).

Private transfers are still, next to foreign direct investment and EU funds, a significant source of economic growth in Poland and the stabilization of disposable income of households.

### **Social Perception of Membership**

Support for Poland's membership of the European Union for the last few years has remained stable and high. Almost eleven years after accession to the EU, **72% of surveyed Poles supported Poland's EU membership, while 22% of respondents were against**<sup>49</sup>. A positive attitude to Poland's EU membership is also universal and dominates in all surveyed socio-demographic groups. Widespread support for membership is evident both among entrepreneurs (74% "in favour" of membership), pupils and students (69% "in favour" of membership), housewives (66% "in favour" of membership) and workers (76% "in favour" of membership)<sup>50</sup>. Supporters of Poland's EU membership are also present in the relatively less enthusiastic groups, such as farmers, old-age and disability pensioners, outnumbering opponents two or three times.

Due to the global economic crisis, the public mood in the entire EU, including Poland, has deteriorated. Satisfaction with the EU is several percentage points lower than in previous surveys, but results from Poland are still higher than the EU average. Results of a survey conducted by Pew Research Centre in seven EU countries (Poland, Germany, France, Italy, the United Kingdom, Spain and Greece) show that the greatest support for the European Union was noted in Poland (72%). In comparison, the average support in the other six surveyed Member States is 51%. Moreover, half of Poles say that European economic integration has strengthened their economy, compared with an average of only 32% elsewhere.

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<sup>49</sup> Omnibus TNS Poland for MFA, April 2014.

<sup>50</sup> Ibidem.

Poles also have positive attitude towards the EU brand - **they have the most positive image of the Union among all its citizens (PL 61%, the average for the EU28 is 39%)**<sup>51</sup>. Trust of the European Union in Poland is also significantly above average (PL 49% vs. EU28 37%), as well as the belief that Polish interests are taken into account in the EU (PL 55% vs. EU28 40%)<sup>52</sup>. At the same time, eight out of ten Poles (81%) believe that the EU's voice counts in the world (EU28 69%). Since the last survey, this number has increased substantially (by 10 pp), which can be explained as a belief in the strength and position of the EU in the context of the unstable and dynamic international situation.

In public opinion, Donald Tusk's presidency will have positive consequences for Poland. In the opinion of the majority of Polish respondents, it will improve the country's image in Europe and in the world (62%) and enable better representation of Poland's interests in the European Union (60%) .

Despite such positive attitudes of Poles towards integration with the European Union, paradoxically the level of acceptance for the introduction of the single European currency is one of the lowest in Europe. Research carried out in autumn 2014 shows that only 40% of Poles support the idea of European Economic and Monetary Union with the euro as the single currency<sup>53</sup> . The level of acceptance for this idea throughout the Union is 56%. **The main reason for such public sentiment towards the euro is a concern about the increase in prices and the cost of living and, as a consequence, the deterioration of the situation of Polish citizens.** It is worth noting that it has not always been like this. Before accession, support for the adoption of the euro was estimated at 64% (opponents: 22%), and Poles regarded the euro as a natural consequence of EU membership.

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### **Information about reports summarizing EU-10 first decade of membership**

Among other countries that joined the EU on 1st May 2004, only Hungary has prepared a report summarizing the first decade of its EU membership. However, the form of the report and its substantive content differ considerably from the Polish report. The Hungarian publication is rather a booklet, showing both the most significant events on Hungary's road to the EU and its biggest achievements as a Member State. It does not contain any economic analysis which might be comparable to that carried out in the Polish publication. Other EU-10 countries have either not prepared such a summary report (at least one that has been published in English), have limited themselves to sectoral analysis (e.g. the Czech Republic), or have taken a shorter time horizon (Slovakia has published a report summarizing the first five years in the EU).

Also, the European Commission has not prepared any publication that would give a comprehensive résumé of the so-called EU-10 member states' membership in the EU. There has only been a sectoral report summarizing the impact of the common agriculture policy on new member states. Much more active in this matter were NGOs, which published quite a few reports of this kind. Most of them, however, have focused only on the Visegrad Group countries. They were also of a less complex

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<sup>51</sup> Standard Eurobarometer 82, Autumn 2014.

<sup>52</sup> Ibidem.

<sup>53</sup> Standard Eurobarometer 82, Autumn 2014. At the same time, national surveys using different methodology show that 68% of Polish respondents oppose the introduction of the euro, cf. CBOS, 151/2014, Concerns related to the introduction of the euro, in November 2014.

character, focusing either solely on the analysis of the economic situation of the new Member States during the last 10 years, or taking only a political perspective.

The Polish report stands out from other publications of this kind because it takes a comprehensive approach to the subject. The analysis of the last decade that has been conducted in it took into account both the complexity of the described issue as well as its multithreading. In addition, the Ministry of Agriculture and Rural Development and the Ministry of Infrastructure and Development prepared their own sectoral reports, which supplements the report of the MFA.