

# **OECD Economic Surveys: Poland 2025**

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# OECD Economic Surveys: Poland 2025

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# Foreword

This Economic Survey was prepared by Zuzana Smidova and Srdan Tatomir, under the supervision of Sebastian Barnes. Research assistance was provided by Lutecia Daniel, Damien Azzopardi and editorial support by Jean-Rémi Bertrand. Annex A was prepared by Miroslaw Błażej and Marius Górajski of Statistics Poland.

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Information about this and previous Surveys and more information about how Surveys are prepared is available at <https://www.oecd.org/en/topics/economic-surveys.html> .



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## Basic statistics of Poland, 2024

(Numbers in parentheses refer to the OECD average)

LAND, PEOPLE AND ELECTORAL CYCLE					
Population (million, 2023)	36.7		Population density per km <sup>2</sup> (2023)	119.8	(39.2)
Under 15 (% , 2023)	14.9	(17.0)	Life expectancy at birth (years, 2023, OECD: 2022)	78.6	(80.6)
Over 65 (% , 2023)	18.5	(18.3)	Men (2023, OECD: 2022)	74.8	(78.0)
International migrant stock (% of population)	4.5	(15.7)	Women (2023, OECD: 2022)	82.4	(83.2)
Latest 5-year average growth (%)	-0.7	(0.4)	Latest general election	October 2023	
ECONOMY					
Gross domestic product (GDP)			Headline inflation (y-o-y % change, Dec-2024)	4.7	(4.68)
In current prices (billion USD, 2023)	810.0		Key monetary policy rate (% , Jan-2025)	5.75	
In current prices (billion PLN, 2023)	3 400.9		Value added shares (% , 2023)		
Latest 5-year average real growth (%)	2.6	(1.7)	Agriculture, forestry and fishing	3.2	(2.8)
Per capita (thousand USD PPP, 2023) <sup>1</sup>	46.6	(59.0)	Industry including construction	31.7	(27.2)
			Services	65.0	(70.0)
GENERAL GOVERNMENT (Per cent of GDP)					
Expenditure (2023)	47.1	(42.9)	Gross financial debt (2023, OECD: 2022)	62.4	(109.6)
Revenue (2023)	41.8	(38.1)	Net financial debt (2023, OECD: 2022)	36.2	(66.5)
EXTERNAL ACCOUNTS					
Exchange rate (PLN per USD)	3.98		Main exports (% of total merchandise exports, 2023)		
PPP exchange rate (USA = 1, 2023)	1.99		Machinery and electronics	26.3	
In per cent of GDP			Transportation	12.2	
Exports of goods and services (2023)	58.2	(31.2)	Metals	9.8	
Imports of goods and services (2023)	52.4	(31.2)	Main imports (% of total merchandise imports, 2023)		
Current account balance (2023)	1.8	(-0.3)	Machinery and electronics	23.1	
Net international investment position (2023)	-34.8		Transportation	11.1	
			Chemicals	10.1	
LABOUR MARKET, SKILLS AND INNOVATION					
Employment rate (aged 15 and over, % , 2023)	56.5	(58.0)	Unemployment rate, Labour Force Survey (aged 15 and over, % , 2023)	2.8	(4.8)
Men (2023)	64.0	(65.5)	Youth (aged 15-24, % , 2023)	11.3	(10.6)
Women (2023)	49.7	(50.8)	Long-term unemployed (1 year and over, % , 2023)	0.7	(1.0)
Participation rate (aged 15 and over, % , 2023)	58.1	(60.9)	Tertiary educational attainment (aged 25-64, % , 2023)	37.9	(41.0)
Average hours worked per year (2023)	1 803	(1 742)	Gross domestic expenditure on R&D (% of GDP, 2021)	1.4	(2.9)
ENVIRONMENT					
Total primary energy supply per capita (toe, 2023)	2.7	(3.7)	CO <sub>2</sub> emissions from fuel combustion per capita (tonnes, 2023)	7.2	(7.6)
Renewables (% , 2023)	14.0	(12.5)	Water abstractions per capita (1 000 m <sup>3</sup> , 2022)	0.3	
Exposure to air pollution (more than 10 µg/m <sup>3</sup> of PM 2.5, % of population, 2020)	99.3	(56.5)	Municipal waste per capita (tonnes, 2022)	0.4	(0.5)
SOCIETY					
Income inequality (Gini coefficient, 2022, OECD: latest available)	0.270	(0.316)	Education outcomes (PISA 2022 score)		
Relative poverty rate (% , 2022, OECD: latest available)	9.1	(11.7)	Reading	489	(476)
Median disposable household income (thousand USD PPP, 2022, OECD: 2021)	29.3	(30.0)	Mathematics	489	(472)
Public and private spending (% of GDP)			Science	499	(485)
Health care (2023)	7.0	(9.2)	Share of women in parliament (% , 2023)	29.3	(32.8)
Pensions (2019)	11.0	(9.5)	Net official development assistance (% of GNI, 2022)	0.5	(0.4)
Education (total spending, 2020)	4.6	(5.1)			

Note: The year is indicated in parenthesis if it deviates from the year in the main title of this table. Where the OECD aggregate is not provided in the source database, a simple OECD average of latest available data is calculated where data exist for at least 80% of member countries.

<sup>1</sup> The OECD aggregate refers to weighted average.

Source: Calculations based on data extracted from databases of the following organisations: OECD, International Energy Agency, International Labour Organisation, International Monetary Fund, United Nations, World Bank.



# Executive summary

## Key messages:

1. Following large increases in social, health and defence spending, Poland requires a sustained fiscal adjustment to reduce the deficit and avoid excess demand, while addressing rising ageing costs.
2. The effectiveness of the health system and health outcomes can be improved by a range of reforms improving incentives, staffing, investment and prevention.
3. Greenhouse gas emissions have declined, but faster policy action in the energy, transport and housing sectors is needed to meet climate targets.
4. Continued convergence and productivity growth can be supported by upskilling, improving the governance of state-owned enterprises and developing a comprehensive migration strategy.

## Continuing economic convergence while increasing living standards sustainably

After the pandemic and the initial impact of Russia's war of aggression on Ukraine, Poland should ensure a return to a path of strong economic growth, manage population ageing, improve health and long-term care, and accelerate the green transition.

**Poland's economic performance and standards of living have improved significantly over recent decades.** A supportive business environment, combined with a well-educated population, have attracted foreign investment and innovative businesses. Inequalities in disposable income remain low, but poor health holds back life expectancy and the quality of life.

**Progress has slowed in recent years as the pandemic and the war in Ukraine took a toll on society and the economy.** Health outcomes deteriorated after the pandemic. Inflation increased sharply and the economy contracted. Energy security became a priority as progress on decarbonisation stalled, while the war led to higher defence spending.

**Poland will need to ensure inflation is durably contained and the public finances are on a prudent path in order to support growth.**

The coalition government, elected in 2023, plans a fiscal consolidation in 2026-28, while safeguarding investment, healthcare, defence and social policies.

**To continue raising living standards and to address long-term challenges such as population ageing and the green transition, further measures are needed.** An ageing population risks constraining growth as it exacerbates labour shortages, while future pension needs are likely to exert fiscal pressure. Improving relatively low health outcomes is increasingly important as the population ages. Upskilling, improved governance, and making more and better use of skilled migration can raise productivity further. Successfully managing the transition away from a carbon-intensive to a greener economy will help businesses and consumers to adjust.

## Managing the economic recovery, narrowing the deficit and improving long-run fiscal sustainability

Economic activity is projected to rebound in 2025-26 as inflationary pressures and financial conditions ease. Fiscal support measures, combined with additional spending on social policies, health and defence, have opened up a substantial fiscal deficit. Achieving a prudent fiscal path will require reducing expenditures and boosting tax revenues, while ensuring sustainable pension provision and adequately funding the green transition.

**Following a substantial inflation shock, which weighed on activity, the economy returned to growth in mid-2023** (Figure 1), **supported by trade and public investment, as well as a moderation of food and energy inflation.** Headline inflation has fallen sharply from its peak and reached the target in early 2024, but a withdrawal of food and energy support has pushed it back up. Core inflation remains elevated amid a tight labour market and strong wage growth. With the withdrawal of the remaining energy support measures delayed to the second half of 2025, headline inflation is projected to rise to 5% in 2025,

and decrease to 3.9% in 2026. Monetary policy is expected to remain restrictive, but interest rates should gradually ease as wage growth slows and inflationary pressures recede durably. Improving external demand, falling inflation and easing financial conditions will support growth. Real GDP is projected to expand by 3.4% in 2025 and 3% in 2026 (Table 1).

**The economic outlook remains uncertain.** Continued high wage growth could lead to strong consumption growth and pose an upside risk to inflation. Weaker global demand could weigh on exports while fiscal consolidation could take a toll

on growth. The recovery could be also derailed by regional and global geopolitical developments.

**The financial system appears resilient, but risks should be monitored closely.** Variable mortgage interest rates are widespread, but households have managed to adjust to higher borrowing costs. Banks' exposure to the commercial property market is limited and corporate credit risk remains low. Resolution of long-standing legal risks from disputes around foreign-currency loans has advanced.

**In 2024, the fiscal deficit increased to 5.8% of GDP** and should be broadly similar in 2025. Despite buoyant revenues, higher spending on social policies, health, defence, and energy and food-related supports have widened the gap between revenues and expenditures. The government's medium-term fiscal plan foresees a four-year fiscal consolidation with a modest adjustment in 2025 and annual consolidation of around 1% of GDP in 2026-28.

**Table 1. Growth should continue at robust rates**

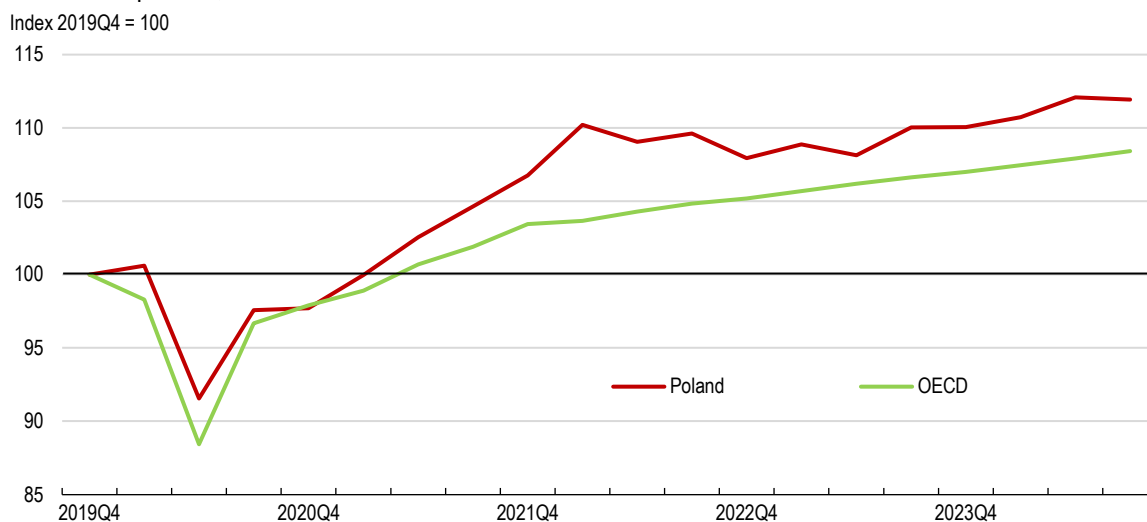
Annual growth rates, %, unless specified

	2023	2024	2025	2026
Real GDP	0.0	2.8	3.4	3.0
Private consumption	-0.3	3.7	3.5	3.1
Unemployment rate (% labour force)	2.8	2.9	3.2	3.3
Inflation	11.5	3.8	5.0	3.9
General government balance	-5.3	-5.8	-5.8	-5.1
Current account	1.8	0.4	-0.9	-1.1

Source: OECD, Economic Outlook 116 November 2024.

**Figure 1. The economy regained momentum in 2024**

Gross domestic product, volume



Source: OECD, National Accounts database.

StatLink  <https://stat.link/jqpf0>

**Given the significant deficit, the planned fiscal adjustment is welcome.** The adjustment during 2026-28 is ambitious and likely to dampen growth in the years ahead. Narrowing the deficit will allow

for a better balance of fiscal and monetary policies. To increase revenues efficiently and fairly, a broadening of the tax base would help. More revenues can be raised by changing the base of

annual property tax from surface area to value, as is the case in the majority of OECD countries. Developing comprehensive vehicle taxation based on emissions, raising fuel duties, reducing the number of items with preferential value added tax rates, as well as raising environmental taxes, would yield much needed revenue. The efficiency of family spending can be improved by withdrawing transfers at higher income levels. The budgetary process should include comprehensive spending and tax expenditure reviews.

**Long-term fiscal pressures from population ageing and the green transition need to be addressed.** Current plans assume a substantial

### Strengthening the healthcare system

Healthcare spending has historically been comparatively low, although it is now rising. Despite recent improvements, health outcomes have been poor. Any additional spending should focus on better treatment and more prevention and be linked to efficiency gains. A sustainable framework of long-term care for an ageing population is needed.

**Despite significant improvements in health outcomes over the past two decades, life expectancy is still among the lowest in the OECD (Figure 2).** Men live shorter than women, while the number of healthy life years lags behind most OECD countries. More than half of all deaths are due to diseases of the circulatory system and cancer. Healthcare services are widely available, but healthcare costs for patients are not fully covered by the public system, which puts poorer households at risk. Public spending on healthcare has been rising and is planned to reach 7% of GDP in 2027, up from an estimated 5.8% in 2023.

**Efficiency in the healthcare sector can be improved by strengthening prevention and care coordination through making more use of incentives within primary care.** A shift towards integrated care is under way, but many primary care practices experience difficulties in finding specialist clinics to cooperate with, while incentives for better performance are too low. Despite higher spending, the removal of limits on visits to specialists has not shortened waiting times.

**The hospital system is large, complex and poorly coordinated.** The number of hospital beds is relatively high. Hospitals are persistently indebted and management quality is variable.

reduction in the pension replacement rate in coming decades, while private retirement saving remains low, creating a risk of higher state spending in the future. Indexing the statutory retirement age to rising life-expectancy and gradually aligning the retirement age of women with that of men would help, while regulatory stability is needed for asset-backed pension plans. Public investment in infrastructure and adaptation as well as support for the most affected workers and households will be needed to facilitate the green transition, and new sources of revenue need to be developed.

Rationalising the system while ensuring that services reflect adequately regional health needs would reduce costs and improve outcomes. Executive education and training and higher accountability for hospital performance could raise the overall managerial quality. Further investment is also needed.

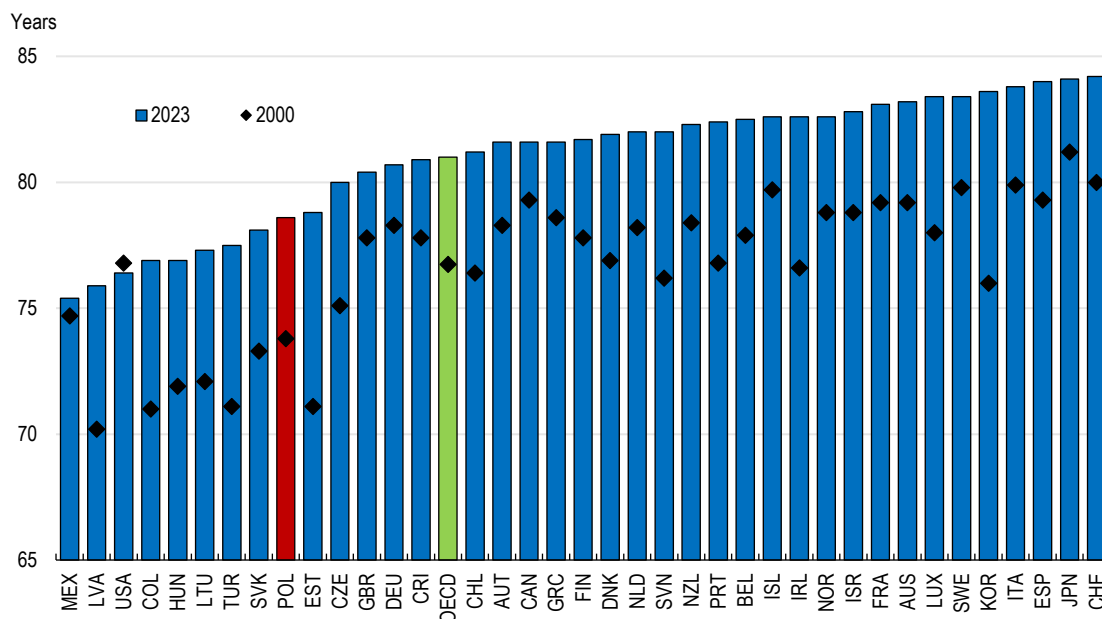
**Poland has experienced a persistent shortage of health workers due to an insufficient number of medical and nursing graduates, an ageing workforce, and migration.** This has contributed to long waiting times and reduced access to healthcare. Following recent increases, salaries have now become competitive, but working conditions need to be improved. Staff shortages are hampering access to healthcare, particularly in rural areas. The authorities should continue to raise the number of training places for nurses and develop a comprehensive workforce strategy.

**Preventable mortality is relatively high.** Low participation in cancer screening should be raised to increase chances of successful treatment. More emphasis on prevention can reduce behavioural health risks and reduce healthcare costs. Excise duties on tobacco and alcohol should be raised further while opening hours and the number of shops selling alcohol should be restricted.

**Currently, most long-term care is provided informally by households.** An expansion of residential care and formal home-based care, which can improve wellbeing and increase the

participation of carers in the formal labour market, is needed. This requires development of the care sector and an approach to funding based on needs and linked to both income and wealth.

**Figure 2. Life expectancy has risen but remains below the OECD average**



Source: OECD Health Statistics.

StatLink  <https://stat.link/so7quj>

## Reducing emissions while adapting to climate change

Progress in reducing greenhouse gas emissions in Poland has been slow and the challenge of reducing the economy's reliance on carbon-based energy is considerable. A draft National Climate and Energy Plan 2030 published last year is an important step forward in terms of ambition and planned policies.

**Despite decreasing emissions, Poland is likely to fall short of international commitments to reduce emissions.** Following years of little policy action, progress in reducing emissions sustainably needs to accelerate (Figure 3), notably by setting out a clear long-term path of carbon pricing. The draft of National Climate and Energy Plan is welcome as it sets more ambitious goals in line with international commitments.

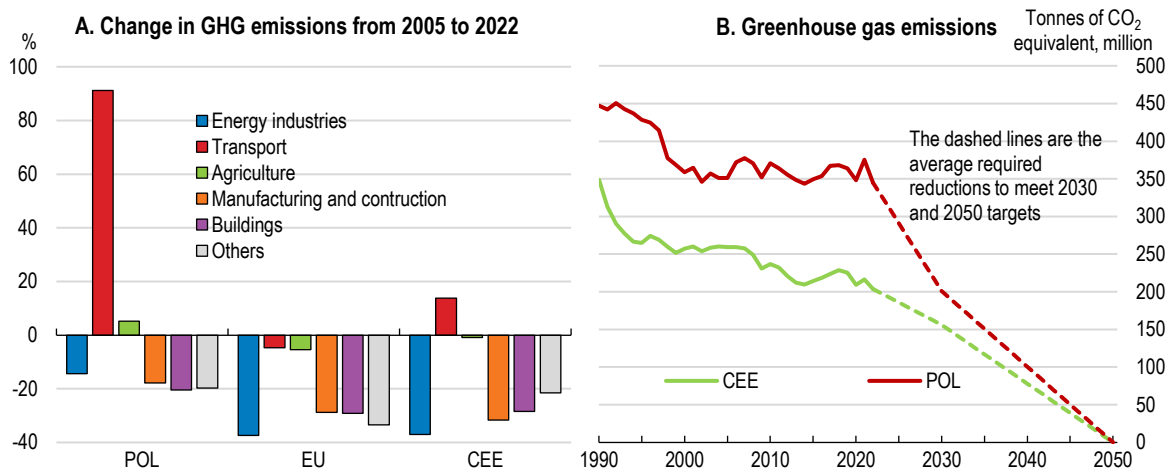
**Due to heavy reliance on coal, the energy sector accounts for more than 40% of emissions.** The current policy is focused on increasing renewables and nuclear capacity. A more ambitious phase-out of coal is needed and should also include lignite coal. To resolve potential

grid connection bottlenecks, sustained and timely investments in electricity infrastructure should continue.

**Emissions from the transport and buildings sectors are sizeable.** Current reform of vehicle taxation falls short of international best practices. It should include all cars, be based on emissions and accompanied by strengthening public transport.

**Climate change is increasing the frequency of extreme weather events in Poland, such as floods, prolonged droughts, and major storms.** Adaptation strategies are in place across all levels of government, but coordination and the assessment of implementation is challenging.

**Figure 3. Progress towards climate goals needs to accelerate**



Note: CEE is the average of Czechia, Hungary and the Slovak Republic. The linear path is an interpolated path to the emission reduction targets for 2030 (-55%) and 2050 (net zero emissions).

Source: OECD Emissions database and Environmental Protection Agency.

StatLink  <https://stat.link/q5t4kh>

## Ensuring productivity convergence can help sustain growth

Productivity convergence has been substantial but will gradually slow down. Improving the business environment further, reforming the governance of state-owned enterprises, increasing upskilling and boosting innovation can help raise productivity growth. A comprehensive immigration strategy could help address specific skill shortages.

**The economy has doubled in size over the past two decades as it grew faster than neighbouring Central European countries and at twice the OECD average.** Continued productivity convergence will lead to higher growth than the OECD average but will gradually slow down.

**Improving regulation and reforming the governance of state-owned enterprises could help boost competition and sustain continued productivity growth.** Regulatory barriers to competition in services and network sectors should be lowered and the insolvency framework strengthened. State ownership remains important. Governance of state-owned enterprises should be better aligned with OECD guidelines. Adopting a national strategy for public integrity and strengthening the implementation of the framework would improve the business environment.

Despite rising private R&D investments, innovation capacity remains low. Polish firms are half as likely to introduce product and business innovations than their EU counterparts. Generous subsidies for R&D exist, and their impact should be monitored and evaluated to maximise their effectiveness.

**Persistent skill shortages, driven by workforce ageing, are a constraint on continued productivity growth.** While this has been partly offset by rising labour market participation and migration, there is scope to further boost the labour supply among older workers and women. More widespread upskilling of workers and entrepreneurs would be welcome. Immigration could help alleviate skill shortages, but a comprehensive migration strategy including a focus on integration policies will be needed.

Main findings	Key recommendations
<b>Returning to fiscal prudence as growth picks up, while improving long-run fiscal sustainability</b>	
Inflation has declined significantly but, despite reaching the target in the first half of 2024, it has risen again and remains above target. The labour market has been robust and wages have been growing strongly.	Ensure monetary policy remains sufficiently restrictive to bring inflation to target in the medium-term.
A large structural fiscal deficit has opened up in recent years due to higher social, health and defence spending. The government has announced a medium-term consolidation.	Implement the planned medium-term fiscal consolidation.
Poland has amended its spending review process, but its use has been limited.	Carry out comprehensive spending reviews and introduce tax expenditure reviews, integrating both in the budgetary process.
Universal family cash benefits increased considerably in recent years, helping low-income families but at high fiscal cost.	Review the need for universal family benefits and withdraw transfers at higher income levels.
The largest share of tax revenues comes from consumption taxes, while income taxes play a smaller role.	To raise more revenue, increase property and environmental taxes, and streamline the number of items at preferential VAT rates.
The sustainability of the pension system will be challenged by pension age. Men can retire at 65 years and women five years earlier.	Gradually bring the statutory retirement age for women in line with that for men and link the retirement age to improvements in life expectancy.
<b>Strengthening the healthcare system</b>	
Family doctors are predominantly compensated on a capitation basis. Financial incentives for key activities such as prevention account for a small share of doctors' incomes.	Further increase the use of incentives within primary care to encourage key activities and cost-effectiveness.
The hospital sector is relatively large and inefficient. The organisation of hospital care is complex and poorly coordinated. Hospitals are persistently indebted while their management quality is variable.	Rationalise the hospital system while ensuring services adequately reflect regional health needs.
The workforce is ageing and the number of nurses is relatively low.	Continue to raise the number of training places for nurses.
Alcohol consumption is among the highest in the OECD and has risen over time. Cigarette consumption rose after 2015 as tobacco became more affordable. Almost two-thirds of all adults in Poland are overweight, above the EU average.	Further increase the prices and take measures to deter the consumption of alcohol, tobacco and unhealthy foods.
Long-term care expenditure is low and supply is underdeveloped, while demand for care will increase as the population ages.	Develop a framework for long-term care and expand both residential care and home-based care.
<b>Reducing greenhouse gas emissions and adapting to climate change</b>	
A clear trajectory for carbon prices at the national level would facilitate the transition for industry and other sectors.	Set out a clear long-term path of carbon pricing, that includes an increase in the national emissions fee to the EU-ETS levels.
The economy remains emission intensive, mainly due to the importance of coal. Hard coal mines are set to close by 2049, but no phase-out of lignite coal is planned.	Accelerate hard coal phase-out and set a target for lignite coal.
Emissions in the transport sector increased in recent years. Vehicle taxation lags behind OECD best practices.	Develop a comprehensive vehicle tax, based on the 'polluter-pays' principle.
Adaptation strategies are in place across various levels of government. Coordination and monitoring of progress across the government has proved challenging.	Strengthen coordination and monitoring of progress in climate adaptation across levels of government.
<b>Ensuring productivity convergence</b>	
State ownership remains important, including in network sectors.	Improve the governance of state-owned enterprises in line with OECD guidelines and review regularly the necessity of state ownership.
An overall strategy on public integrity has been lacking since 2022.	Adopt a national strategy for public integrity and allocate adequate resources to its implementation.
Despite increased inflows of migrants in recent years, Poland does not have a comprehensive migration strategy that includes integration policies.	Adopt a comprehensive migration strategy that will include long-term vision, monitoring and integration programmes.

# 1. Supporting the recovery and sustainable growth

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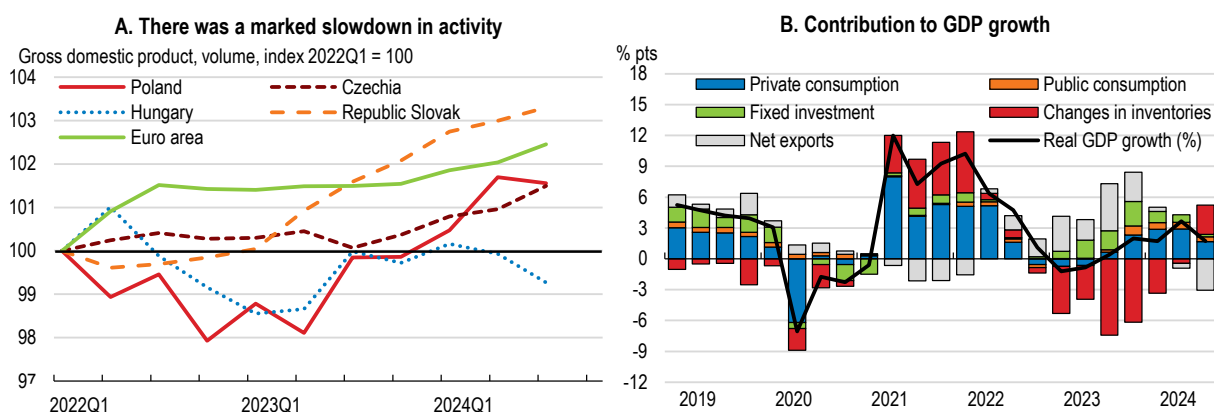
Poland has been significantly affected by Russia's war of aggression against Ukraine. Output levels declined from 2022 to mid-2023 as inflation surged, driven by high energy and food prices. The financial system has remained stable. While the economy has been recovering since mid-2023 as inflation declined, inflationary pressure from the relatively robust labour market suggests that monetary policy should remain sufficiently restrictive to ensure that inflation durably returns to target. Substantial fiscal policy measures to support the economy together with permanent increases to social, health and defence spending have widened the budget deficit. Fiscal consolidation is needed to moderate inflationary pressures and to ensure the public finances are on a prudent path. Raising tax revenues by increasing property and environmental taxes and streamlining preferential consumption tax rates and exemptions should be on the policy agenda. Family benefits should be better targeted. In the longer term, given limited private retirement savings, the ageing population poses a risk to public finances. Aligning the statutory retirement age for women in line with that for men and linking the retirement age to improvements in life expectancy would help to manage pension costs.

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## The economy has been recovering as high inflation subsides

The Polish economy is recovering from the energy shock and high inflation. Prior to the pandemic, real GDP was growing significantly above the OECD average and growth was particularly strong, at 4.5%, in 2019. The pandemic hit Poland hard, but the economy had already recovered to pre-pandemic levels by the start of 2021 and real GDP expanded by a further 10.2% in the year to Q1 2022. However, since the start of Russia's war of aggression against Ukraine in February 2022, growth has been dragged down by higher uncertainty, and high European energy and food prices. Trade with Ukraine has increased sharply in both directions, although it impacted Polish agricultural markets, and demand has increased for logistics services, defence equipment, vehicle repair and other areas. Real GDP declined significantly over 2022, driven by high inflation and weak consumption growth. The fall in output was greater than in other Central and Eastern European countries, particularly due to weak investment and a large unwinding of inventories (Figure 1.1). This was partly offset by growth in exports, while imports fell. The economy has been recovering since the beginning of 2023 and has attained early 2022 output levels in 2024, but it has lagged behind the OECD average. Despite more recent strength in growth, the recovery has been gradual and a significant output gap remains.

**Figure 1.1. The economic recovery is driven by growing consumption**



Source: OECD Analytical database; and Eurostat.

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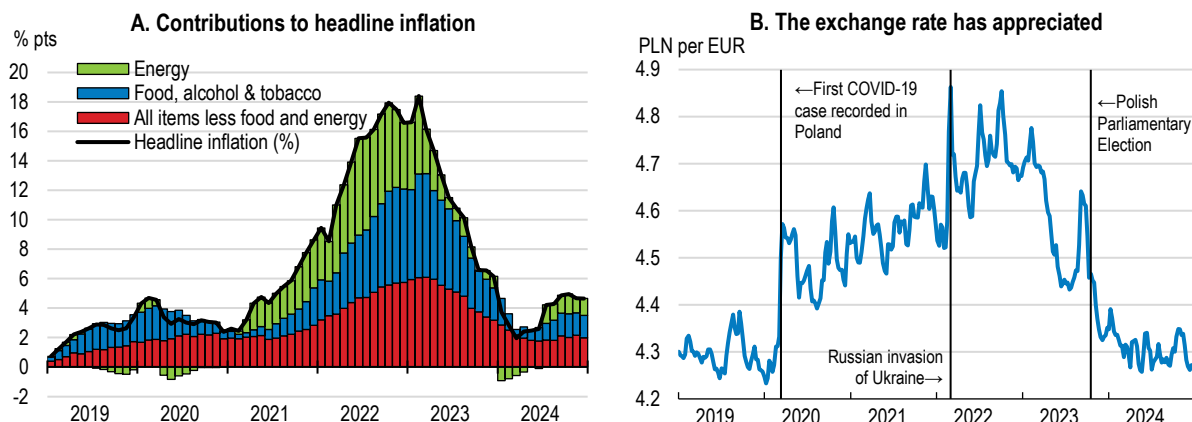
### ***The war in Ukraine led to higher inflation and weakened domestic demand***

Poland's inflation shock was substantial, similar to neighbouring countries but higher than in most OECD countries. Food and energy prices, already higher than before the pandemic, sharply increased following Russia's invasion of Ukraine, exacerbated by a depreciation in the exchange rate, and pushed up headline inflation to its highest levels since the mid-1990s (Figure 1.2). Policy measures, which reduced value added tax (VAT) on basic food products and capped energy prices, were substantial and lowered headline inflation by approximately 4 percentage points. Headline inflation peaked at 18.4% by February 2023. Higher energy prices have also indirectly affected the cost of goods and services. Companies have managed to pass these costs through and, in many industries, boost their profit margins (Gradzewicz, 2024). This contributed to push up core inflation to 12.3% by March 2023.

Inflation has declined, but it has risen again more recently and is above target. Many of the external shocks that have pushed up inflation are unwinding. Energy and food price growth have moderated, while the exchange rate has appreciated and is back to pre-pandemic levels (Figure 1.2). Together with an easing in global supply chain tensions, Polish producer prices have continued to fall in 2024. By March 2024, headline inflation had fallen to 2%, reaching briefly the central bank's target. However, as VAT on basic

food products was reintroduced in April and energy support measures were gradually withdrawn from the summer onwards, inflation rose back up to 4.7% in December. Core inflation had also declined over the first half of 2024, but it rose again in the second half of the year and was 4% in December. Services' inflation remains elevated as wage growth has continued to be relatively strong over the year, although some of that has been absorbed by companies through reduced profit margins.

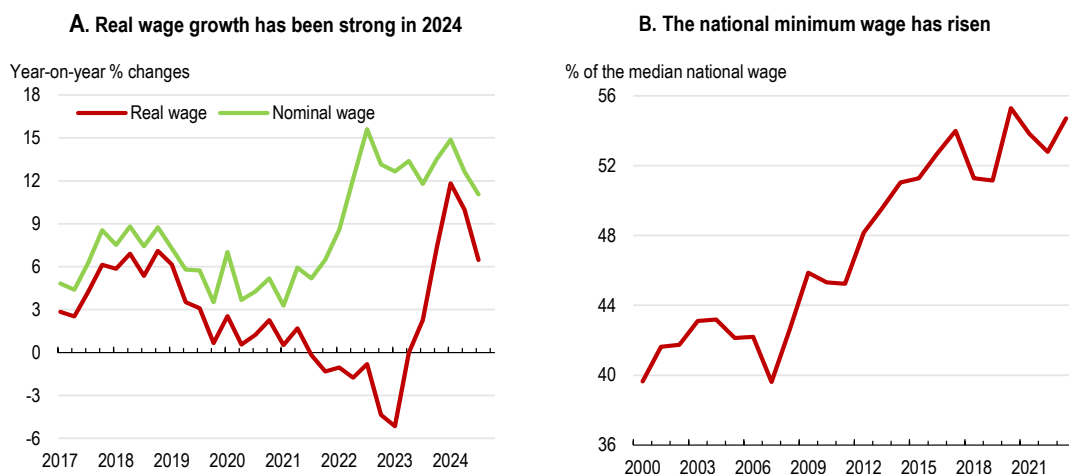
**Figure 1.2. Headline inflation has declined substantially but has recently increased above target**



Note: The inflation target is defined as 2.5% with a symmetric band for deviations of +/-1 percentage point in the medium term.  
Source: OECD Consumer Price Indices database; and National Bank of Poland.

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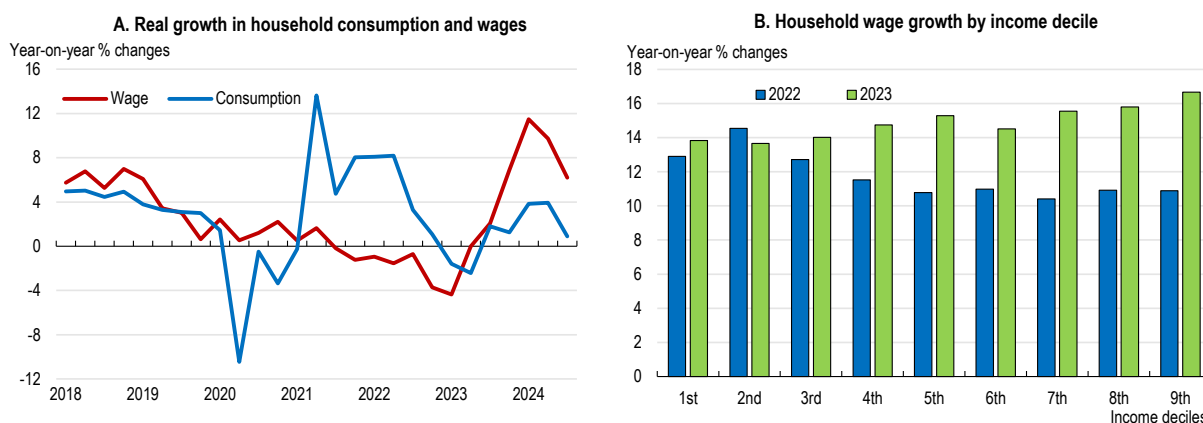
Wage growth rose strongly after the war in Ukraine started, driven by high inflation, and has been around 13% since 2023 (Figure 1.3, A). The national minimum wage has risen and contributed to aggregate wage growth as the government raised it by 16% in January 2023 and by around 20% in 2024 (Figure 1.3, B). A further increase of 8.5% has been proposed for 2025. Relative to most OECD countries, national minimum wages account for a higher share of median wages and a higher proportion of workers earn lower wages. Together with 20% pay rises for public sector workers and 30% for teachers, public sector wage growth has outpaced private sector wage growth. In the economy as a whole, nominal wage growth initially lagged inflation but since mid-2023 it was higher, leading to positive real wage growth. This real wage growth broadly matched productivity growth in the beginning, but it has since grown faster. Consequently, this is making Polish workers more expensive relative to other countries and has reduced the Polish economy's cost-competitiveness, although this follows a period prior to the pandemic when productivity rose faster than real wages. There is uncertainty about to what extent strong wage growth might persist and pass through to inflation. However, firms are planning to reduce the pace of pay increases over the coming year and there are signs that employment has started to soften (NBP, 2024a; 2024c). Union coverage is relatively low in Poland and private sector wages are likely to adjust to market conditions.

**Figure 1.3. Real wages have been growing strongly in 2024**

Source: OECD Analytical database; and OECD Earnings database.

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Household consumption is slowly growing again. Consumer spending had significantly weakened due to a spike in uncertainty at the start of 2022 and the unexpected rise in inflation that pulled down consumer confidence. Negative real wage growth contributed to an annual fall of 2.4% in real private consumption by mid-2023 (Figure 1.4, A). This was reflected in much weaker activity in wholesale and retail trade. The extent of the decline was mitigated by several factors. A large inflow of Ukrainian refugees and the help provided to them boosted consumption levels. Moreover, income growth among poorer households was relatively robust, partly supported by increases in minimum wage and policies that limited energy and food price inflation (Figure 1.4, B). Households also ran down savings accumulated during the pandemic to smooth consumption. As real wages started rising again in mid-2023, private consumption started recovering. Purchases of durable goods bounced back, signalling growing confidence. However, having run down their savings since 2022, households have become increasingly cautious. In 2024, only a fraction of the record increases in real wages translated into higher consumption. Surveys suggest a desire by households to rebuild savings (NBP, 2024a).

**Figure 1.4. The recovery in private consumption has been supported by growing wages**

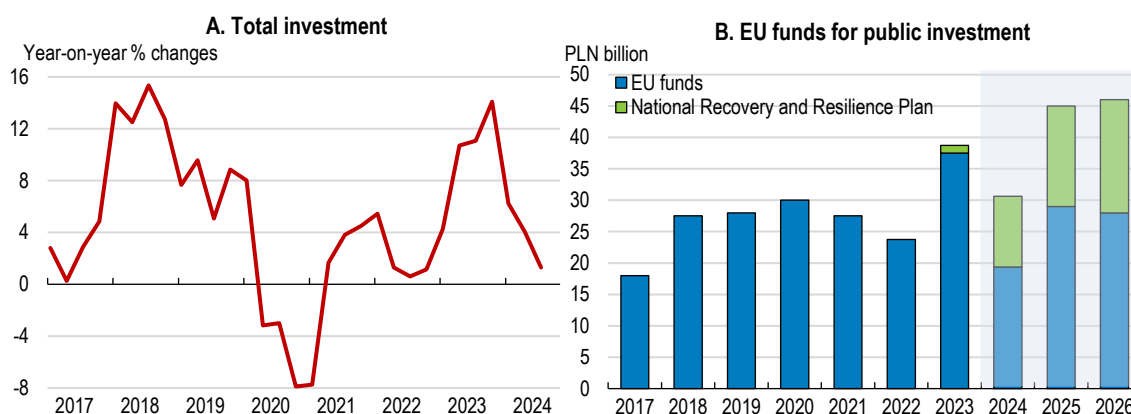
Note: In Panel B, there is no reported survey data on income in the 10<sup>th</sup> decile.

Source: OECD Analytical database; and Eurostat, National Bank of Poland and Statistics Poland.

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Total gross fixed capital formation expanded by 2.1% over 2022 and rose by 10% in 2023, (Figure 1.5 A). This was driven by public investment and EU funds. High uncertainty, lower business confidence and higher costs of capital have led to weaker private investment growth. Housing and commercial real estate investment has significantly contracted. Some companies have been reluctant to invest given the proximity of the war and due to uncertainty around the stability of domestic regulations and EU funds (Kasek and Benecki, 2024). On the other hand, Poland remains attractive to foreign investors and FDI increased strongly between 2021 and 2023, boosted by the development of chip and battery parts production. Public investment surged as projects funded under the previous EU financial framework were completed. However, investment growth was more sluggish in 2024 as new EU funds were disbursed slowly, partly due to delays in implementing the Recovery and Resilience Plan. The slowdown is likely to be temporary as inflows of EU funds pick up in 2025 (Figure 1.5, B). It is unclear, though, to what extent investment will accelerate as a tight labour market makes it difficult to find workers.

**Figure 1.5. Investment growth has been robust and supported by EU funds**



Note: Data in Panel B are approximate.

Source: OECD Analytical database; and National Bank of Poland, Ministry of European and Regional Development.

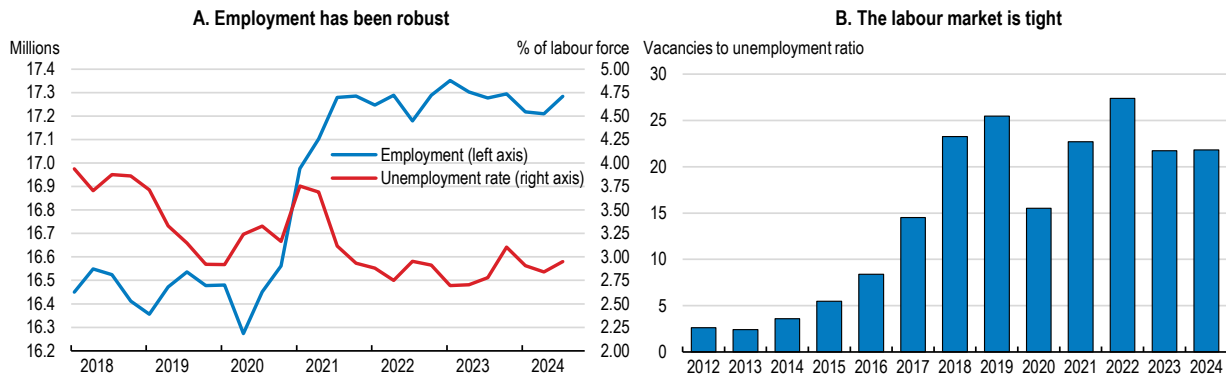
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The labour market has been relatively resilient so far. While Poland's economy has grown, the working age population has been steadily decreasing since 2010. However, growing labour demand drove up the employment rate and pushed up the labour market participation rate. Despite the sharp slowdown in activity since 2022 and an influx of Ukrainian workers, employment levels have been broadly unchanged. The labour market has remained tight, which drives up hiring and firing costs and may partly explain why some firms hoarded labour during the downturn. The unemployment rate has been at record lows just under 3% in recent years, while the number of vacancies relative to those unemployed was around 20% in the first three quarters of 2024, similar to before the pandemic (Figure 1.6). Workers are more difficult to find in information and communications technology (ICT), construction, and transportation and storage, but are more easily found in industry and administrative and support services.

Migration has helped address labour shortages. It has been playing an increasing role in the economy as the share of migrants has risen six-fold since 2015 to 1 million registered foreign workers by the end of July 2024. These workers are mostly from Ukraine and Belarus. Since the start in the war in Ukraine, many Ukrainian men working in Poland left their jobs in agriculture, construction and manufacturing to return to Ukraine. At the same time, around a million Ukrainians, mostly women and children, came to Poland. They integrated quickly and almost 70% of adults found work by mid-2024, mostly in services. On balance, this raised labour supply by 2% and alleviated pressure on wage growth. Further migrant inflows could occur this winter if conditions in Ukraine deteriorate. Nevertheless, migration has historically played a smaller


role in the Polish labour market than in most other OECD countries, but may need to play a greater role to address specific skills shortages and as the population ages.

**Figure 1.6. Unemployment has been at record lows and the labour market remains tight**



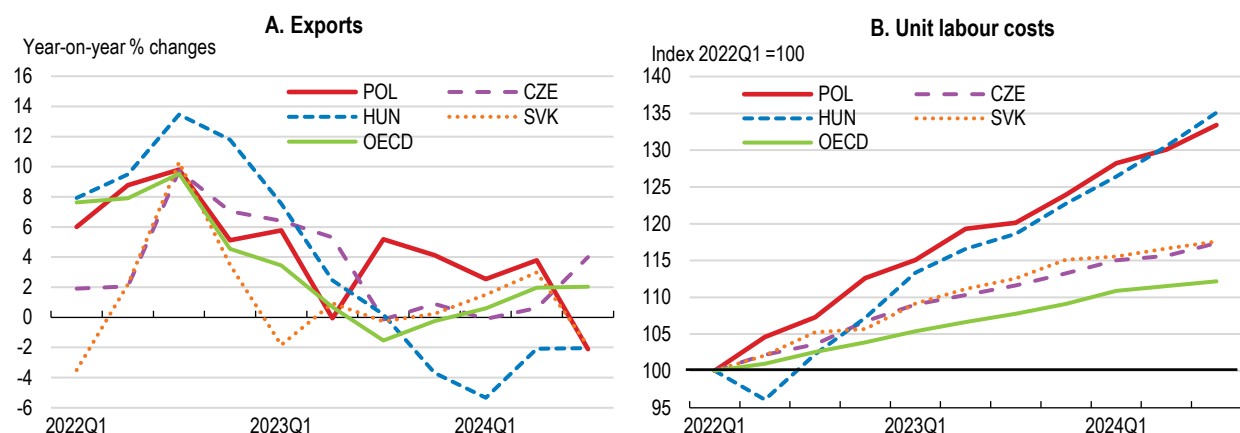
Note: In Panel B data for 2024 represents an average of the first three quarters of the year.

Source: OECD Analytical database; and Statistics Poland.

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Trade has supported economic growth, despite a deteriorating external environment. Poland suffered a 3.6% decline in its terms of trade over 2022 due to exchange rate depreciation and higher prices for imported fuel and food. Imports rose strongly on the back of higher energy and food prices in 2022, although weaker consumption also weighed on import volumes. As global supply tensions eased, the unwinding of previously built-up inventories reduced import demand over 2023. At the same time, exports have been relatively resilient, growing faster than GDP and imports. However, competitiveness has declined as unit labour costs have increased by over 30%, rising relative to the OECD and neighbouring countries. The current account has been in surplus since the start of 2023 but has fallen into a deficit of 0.3% of GDP in the second quarter of 2024. An appreciation of zloty since mid-2023 and slowdown in European trade partners, notably Germany, is weighing on manufacturing and exports. The current account surplus was limited by a negative primary income balance, which reflects foreign FDI profits. External imbalances are relatively low. Poland's net international investment position relative to GDP was a moderate -32% in mid-2024, while total foreign debt declined and stood at 50% at the start of 2024, the lowest level since 2007.

**Figure 1.7. Export growth has been relatively resilient despite some loss in competitiveness**



Source: OECD Analytical Database.

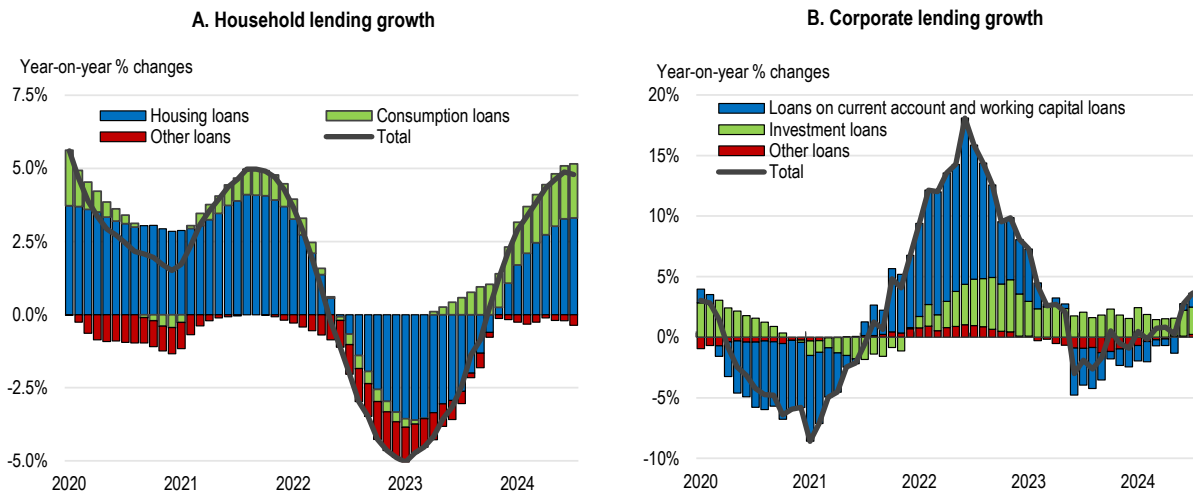
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### ***Monetary policy has contributed to lower inflation***

Monetary policy has been tightened in response to higher inflation. Having already lifted interest rates from 0.1% in October 2021, the National Bank of Poland continued raising the reference rate from 2.25% in January 2022 to 6.75% by September 2022, substantially increasing the cost of credit for households and firms. This had led to a contraction in borrowing, while boosting deposits in banks (Figure 1.8). Higher interest rates contributed to a slowing of growth and a widening of the output gap, exerting downward pressure on inflation. Consequently, headline inflation more than halved between February and September 2023 while core inflation declined by a third. Inflation expectations have remained anchored. Falling inflation allowed the central bank to decrease interest rates by 1 percentage point in the autumn of 2023, but interest rates have remained unchanged since then due to concerns about inflation persistence.


Going forward, monetary policy should maintain its restrictive stance. There is scope to gradually lower interest rates further as inflationary pressures ease durably. An earlier appreciation of the exchange rate is exerting downward inflationary pressure. Polish producer prices indicate goods inflation is likely to be subdued. However, services inflation remains elevated and is driven by strong wage growth and a robust labour market. The spare capacity in the economy should help moderate wage growth. Nonetheless, there is uncertainty around this disinflation process and the timing of inflation stabilising around the target. In this context, monetary policy should remain sufficiently restrictive but ease gradually towards a more neutral stance as data confirm that inflationary pressures are dissipating and spare capacity in the economy is diminishing. Fiscal consolidation will help reduce inflationary pressure and support monetary policy easing.

**Figure 1.8. Monetary policy has been restrictive and lending has contracted**



Note: Panel A represents transactional changes. The Other category covers credit card loans, loans to individual entrepreneurs and individual farmers as well as other receivables.

Source: National Bank of Poland.

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### ***The economy should continue to recover as inflation falls towards the target***

The economy should continue to recover as inflation eases. While output has recovered to pre-war levels at the start of 2024, there is still a significant degree of spare capacity, which is expected to fade as the economy grows. Headline inflation is projected to eventually return to target, but the planned withdrawal of energy support measures at the end of 2025 will slow its decline. Consequently, headline inflation should average around 5% over 2025 and decline to 3.9% over 2026, but is expected to reach the upper range of the inflation target by the second half of 2026. Core inflation should broadly decline as pressure from the labour market eases and wage growth slows. The recovery will be driven by domestic demand. Private consumption should grow, boosted by higher incomes and gradually decreasing interest rates. After a slowdown in investment growth in 2024, the disbursement of new EU funds should lead to a strong pick up in investment activity in 2025. Real GDP is projected to grow by 2.8% in 2024, 3.4% in 2025 and 3% in 2026 (Table 1.1).

**Table 1.1. The economic recovery will be driven by consumption and investment**

	2021	2022	2023	2024	2025	2026
	Current prices (PLN billion)	Percentage changes, volume (2020 prices)				
<b>GDP at market prices</b>	2 660.6	5.5	0.0	2.8	3.4	3.0
Private consumption	1 504.6	5.1	-0.3	3.7	3.5	3.1
Government consumption	490.1	1.1	4.3	7.0	5.0	2.4
Gross fixed capital formation	455.6	2.1	9.9	4.2	9.5	6.0
Final domestic demand	2 450.6	3.7	2.5	4.5	4.9	3.5
Stockbuilding <sup>1</sup>	578.0	1.7	-5.3	-1.5	0.2	0.0
Total domestic demand	2 572.7	5.5	-3.0	2.9	5.1	3.5
Exports of goods and services	1 518.5	7.4	3.7	1.3	2.3	3.8
Imports of goods and services	1 430.6	6.9	-1.5	4.2	5.9	4.7
Net exports <sup>1</sup>	87.9	0.5	3.2	-1.4	-1.7	-0.4
<b>Memorandum items</b>						
GDP deflator		10.3	9.8	3.5	4.8	3.4
Consumer price index		14.4	11.5	3.8	5.0	3.9
Core inflation index <sup>2</sup>		9.0	9.9	4.5	4.3	3.5
Unemployment rate (% of labour force)		2.9	2.8	2.9	3.2	3.3
Household saving ratio, net (% of disposable income)		-2.9	0.9	3.9	3.2	2.6
General government financial balance (% of GDP)		-3.4	-5.3	-5.8	-5.8	-5.1
General government underlying primary balance (% of potential GDP)		-3.0	-3.5	-3.5	-3.4	-2.3
General government debt, Maastricht definition (% of GDP)		48.9	49.7	53.4	56.1	58.6
Current account balance (% of GDP)		-2.2	1.8	0.4	-0.9	-1.1

1. Contributions to changes in real GDP, actual amount in the first column.

2. Consumer price index excluding food and energy.

Source: OECD Economic Outlook 116 database.

The new government elected in 2023 has set out a range of reforms (Box 1.1). The government's fiscal plan, outlined in a medium-term strategy consistent with the revised EU fiscal rules, envisages a small narrowing of the deficit in 2025 as the economy recovers and temporary support measures are gradually phased out. The pace of fiscal consolidation is then expected to increase substantially from 2026 to 2028. Monetary policy is projected to gradually ease as interest rates decrease to a more neutral stance by the end of 2026 conditional on a durable decline in inflationary pressures.

### Box 1.1. Policy priorities of the current government

A coalition of the Civic Coalition, the Third Way and the Left has been in government since December 2023. The key policy priorities include:

**Improving the economic environment** through a more predictable tax and regulatory framework, unblocking and expediting the disbursement of EU Recovery and Resilience funding, and reducing the tax burden for smaller businesses.

**Strengthening science and higher education** through restoring university autonomy, raising funding for R&D and improving public-private cooperation to boost innovation. **Raising spending on education**, introducing healthier nutrition in schools and reforming the curriculum to develop skills

relevant for new technologies, improving problem-solving and social skills, and boosting knowledge of foreign languages.

**Reforming the judiciary** through ‘depoliticisation’ of key appointments and shortening the length and cost of proceedings. **Strengthening the public sector** by raising remuneration, and by professionalising the civil service. **Improving governance** through higher transparency, boosting efforts to fight corruption and improving corporate governance of state bodies and publicly owned companies.

**Strengthening women’s rights** by expanding support for couples wishing to conceive, and pregnant women. Policy will boost support for women returning to work after maternity, including expanding the nurseries network, and will aim to improve gender pay gaps and equal treatment in the labour market.

**Expanding social support** by increasing benefits for families, people with disabilities, carers and by construction of municipal and social housing and support for renovation.

**Improving the quality and accessibility of the healthcare system** by raising spending on healthcare, reducing hospital debt, strengthening the role of primary care and expanding mental healthcare services.

**Accelerating efforts to address climate change** through boosting the use of renewable energy, developing nuclear energy, and modernising and expanding the energy grid. Policies will continue to aim for affordable energy prices for households and firms based on market competition. A just and fair transition is planned for employees in the energy sector.

**Expanding the efficiency and accessibility of public transport** through restoring bus connections, developing the rail network, and facilitating travel across different public transport providers.

**Bolstering national defence** through cooperation with the EU and NATO and investing in more equipment while raising the army’s efficiency.

Source: [Umowa Koalicyjna](#) (2023).

The outlook is clouded by a number of uncertainties. It is unclear to what extent inflation will be persistent. Continued high wage growth accompanied by strong national minimum wage increases could pose an upside risk to inflation and a downside risk to growth. Such a scenario would warrant interest rates to be higher for longer. Faster-than-expected absorption of EU funds could boost investment, but short timeframes and labour shortages could also hinder its implementation. Geopolitical risks remain elevated. Further trade disruptions could increase inflation and lower growth, while fiscal consolidation could take a toll on growth. An escalation of the war in Ukraine or a broadening of the conflict could lead to disruption, higher uncertainty and currency depreciation, pushing inflation up and growth down (Table 1.2).

**Table 1.2. Events that could entail major changes to the outlook**

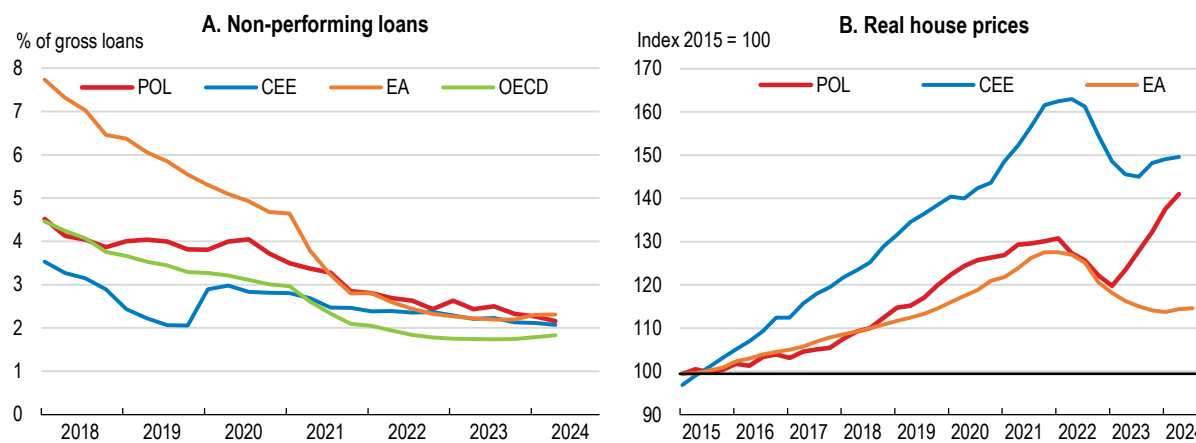
Shock	Likely impact	Policy response options
Significant trade disruptions through an escalation of tariffs or protectionist measures and/or disruptions to trade flows in the Suez and Panama canals.	Weaker short-term and long-term productivity and growth, higher inflation.	Diversify trade partners and monitor supply-chain risks. Ensure sufficient inventories of critical commodities, such as natural gas. Continue efforts to attract foreign direct investment.
Given Poland’s proximity to the conflict in Ukraine, a large-scale cyberattack or sabotage of critical infrastructure is possible.	Severe disruptions to e-government services, payment systems, and/or energy supply.	Invest in cyber security and build contingency plans to minimise the effects of sabotage. Accelerate investment in the national grid and renewables in order to decentralise and diversify energy supply.
Escalation of the geopolitical tensions in the region.	Higher uncertainty, currency depreciation, higher inflation and lower growth.	Maintain investment in national defence. Develop a funded contingency package of time-limited and targeted measures to stabilise the economy if needed.

## The financial system has remained stable

Prior to the pandemic, household borrowing was growing in line with GDP and continued rising through the pandemic as interest rates fell to record lows. However, as interest rates on mortgages have roughly doubled relative to the pre-pandemic period, new mortgage lending has declined. Even though most mortgages have floating rates, households have managed to adjust to higher borrowing costs. Having initially contracted, consumer credit resumed growing under more stringent lending conditions. Household lending as a share of GDP fell from about a third of GDP to a quarter, lower than in many OECD countries. At the same time, the rate of non-performing loans has slightly declined (Figure 1.9, A). This is partly due to low leverage among borrowing households, but high nominal wage growth and low unemployment rates have also helped. Payment holidays, which were introduced in 2022 and allow borrowers to smooth their payments, have been extended until the end of 2024, although they became a subject to income criteria. Overall, households pose limited credit risk to banks' balance sheets.

Housing market activity has eased. The rise in interest rates has depressed both housing demand and supply. Transactions have declined, while the number of new building permits and housing investment have contracted. This has led to a fall in real residential prices between 2022 and mid-2023, although they have recovered since (Figure 1.9, B). Real rental prices remained broadly stable, except in Warsaw where they rose as a result of immigration from Ukraine. The '2% Safe Mortgage' subsidy programme provided reduced borrowing rates to first-time borrowers and temporarily boosted mortgages and transactions in the second half of 2023. Housing market activity continued recovering in 2024 although growth in new mortgages applications slowed as the programme ended. The current government is no longer considering expanding subsidised loans for new homes by lowering the interest rate from 2% to 0% for younger buyers, while other mechanisms to support the housing market are being developed. Any new demand-side policies risk raising housing prices further given a relatively fixed supply of housing.

**Figure 1.9. The rate of non-performing loans has been broadly stable**



Note: CEE stands for Central and Eastern Europe which corresponds to the average of Czechia, Hungary and the Slovak Republic. EA stands for Euro area.

Source: IMF Financial Soundness Statistics; and OECD Housing prices database.

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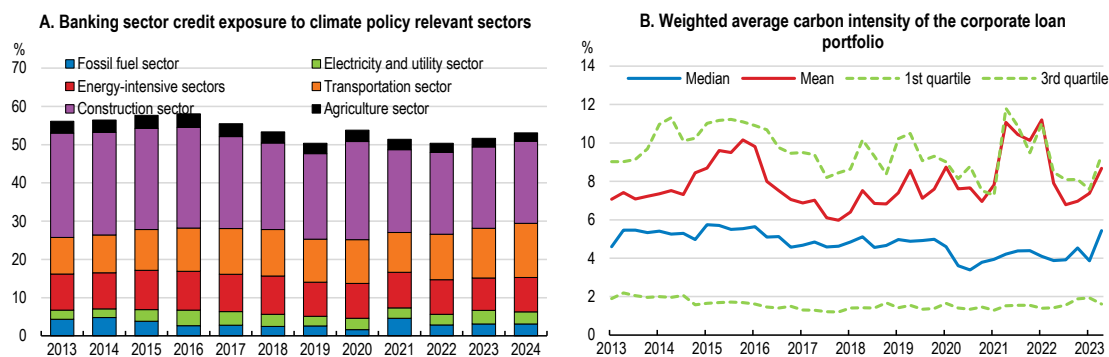
The market for commercial real estate is undergoing significant changes but has been broadly resilient. Demand for office and retail space has been decreasing due to growth in teleworking and e-commerce, while demand for warehouses has risen. This has been mostly matched by supply as vacancy rates have been steady and rents have increased. So far, the rate of non-performing loans has been stable. Banks'

exposure to commercial real estate is relatively low as it makes up 16% all corporate loans. Other institutions, such as investment funds and insurance companies, also have limited exposure (NBP, 2024b).

Corporate credit risk remains low. Demand for credit among firms has decreased over the past two years, partly as a result of higher uncertainty and interest rates, while the unwinding of accumulated inventories has contributed to lower demand for financing working capital. Loans for investment have continued to grow, but companies are well placed to finance investment out of retained profits. Subsidies, loans and grants during the pandemic boosted corporate deposits. Corporate leverage is among the lowest in the EU. Consequently, non-performing loans have been relatively stable, although loans to entrepreneurs have experienced more distress. Given banks' limited exposure to firms, credit risk remains low. The availability of bank funding should help support the expected acceleration in investment.

Climate-related risks are a challenge for the economy and, to a lesser extent, the financial system. Banks and insurance companies are directly exposed through the value of collateral assets that may be affected by a changing climate and/or climate policies. Estimates suggest that around half of all corporate loans are in climate-sensitive sectors, similar to the EU average. Exposure to companies operating directly under the EU ETS accounts for just over 10%. The carbon intensity of the corporate loan portfolio has remained broadly constant since 2014 but there is significant variation in intensities among banks (Figure 1.10). While corporate loans make up a minority of banks' assets, banks are also indirectly exposed as the transition to net zero might affect the incomes of corporate and household borrowers. Better data is needed to identify climate risks more accurately in the financial system. EU regulatory efforts to increase environmental data reporting by financial institutions and large enterprises will help. Once implemented on a national level, Poland should conduct climate stress tests for banks, insurers as well as for relevant state-owned companies such as the state development bank and state-owned energy companies.

**Figure 1.10. Climate-related credit exposure has been relatively constant over the past decade**



Note: In Panel A, figures are a share of the banks' portfolio of outstanding corporate loans. 2024 corresponds to the first semester.

Source: National Bank of Poland.

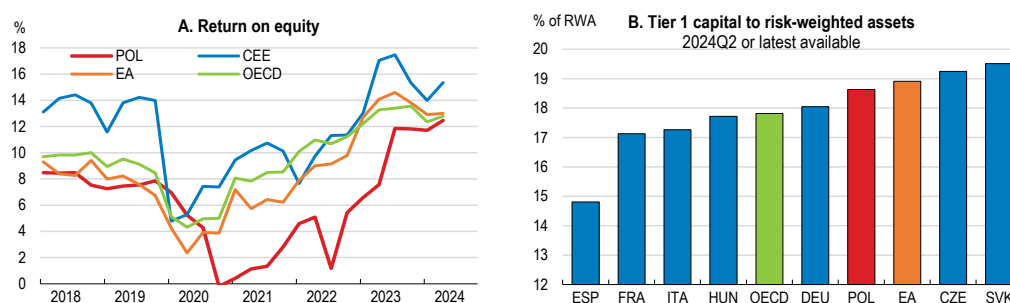
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Long-standing legal risks from disputes around foreign-currency loans remain significant, although progress has been made on their resolution. These loans, mainly denominated in Swiss francs, were granted before 2012 as large interest differentials and a favourable exchange rate trend until 2008 made them more attractive than borrowing in domestic currency. The appreciation of the franc vis-à-vis the zloty since 2008 led to markedly higher payments and a significant increase in the value of outstanding loans in zloty. Borrowers began challenging banks based on consumer protection grounds. By mid-2024, 110 000 loans had been settled out-of-court, while 165 000 cases are pending in courts (NBP, 2024d). The value of these loans has declined over time accounting for 6% of banks' mortgage portfolios in August 2024, with some banks affected more than others (NBP, 2024b; 2024d). Recent Court of Justice of the European Union rulings have been favourable to borrowers, making resolution more costly for banks. Although most of the loans have been written off at a significant loss to banks, there are still 80 000 borrowers with loans


denominated in Swiss francs who have not settled or gone to court. On-going provisioning and recognition of losses is likely to continue to be a claim on banks' resources for the coming years, but this remains manageable. Nonetheless, uncertainty regarding legal risks will continue for some time as national courts work through the cases.

The financial system has remained stable. In Poland, finance is mostly intermediated through the banking system. Roughly 40% of the banking system is foreign owned. Around half of banks' assets consist of loans to households and firms while roughly a quarter are invested in public debt such as government bonds. Profits rose strongly since 2022 and were historically high in the year to August 2024. Earnings growth was helped by higher interest rates, which boosts net interest margins, and broadly stable default rates, but this was partly offset by rising employee wages and higher legal risk provisions. The return on assets rose above 1% by the middle of 2024. The return on equity has more than doubled over 2022-2023 to 12%, but it is still below neighbouring Central and Eastern European countries (Figure 1.11, A). Banks are well capitalised and liquid (Figure 1.11, B). Recent stress tests suggest they could withstand large losses (NBP, 2024b; 2024d).

**Figure 1.11. Bank profitability has risen but lags other Central and Eastern European countries**



Source: IMF Financial Soundness Indicators.

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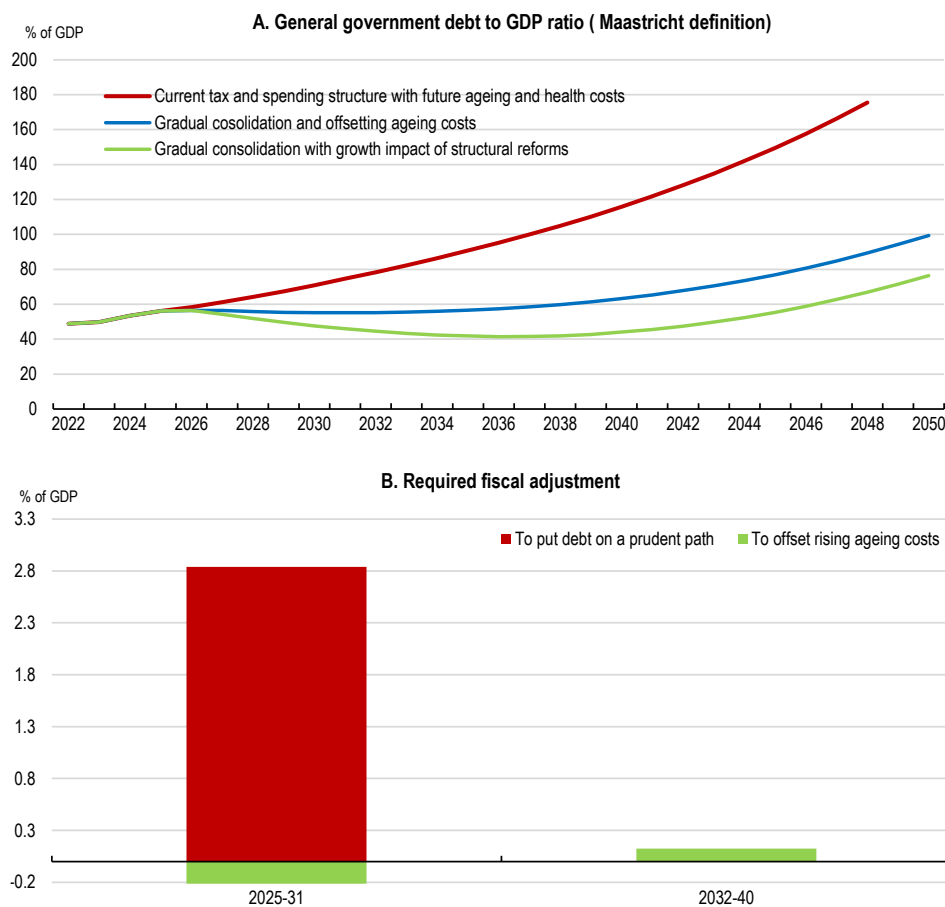
## A significant budget deficit has emerged

Fiscal policy has supported the economy during the COVID-19 pandemic and the energy crisis. Substantial energy support, expansion of social benefits, and lowering of consumption taxes on food, combined with increased spending on defence, have led to a considerable deterioration of the public finances. Most of the cost-of-living crisis measures were untargeted and could have been provided in a less costly and more efficient way. Moreover, these supports were extended several times over the period of 2022-24, and again into September 2025. In 2023, public finances deteriorated to a deficit of 5.3% of GDP, almost two percentage points larger than the year before, and the debt-to-GDP ratio stood at 49.7% (EU Maastricht definition). For 2024, the authorities project a deficit of 5.8% on the back of 20% growth in public sector wages, further increases in social benefits, as well as rising defence and healthcare spending. The debt-to-GDP ratio is expected to have increased to 54.6% (EU Maastricht definition).

With current tax and spending settings, the debt-to-GDP ratio would surpass 60% of GDP in 2026 (EU Maastricht definition). As a result of the significant structural budget deficit, rising interest rate costs and in the absence of any fiscal consolidation, the debt ratio will continue to rise in the coming years. Implementing planned fiscal consolidation in line with the EU and domestic rules and managing costs of the current pension system would broadly stabilise the debt below the 60% of GDP EU benchmark in the medium term but it requires a significant fiscal effort of close to 3% of GDP in total (Figure 1.12, blue line). An illustrative example of tax and spending measures to achieve this consolidation, based on recommendations in this and past Survey, is set out in Box 1.2 (Table 1.4).

In the long term, major pressure for the public finances will come from population ageing. As discussed below, the cost of the current public pension system is projected to increase by more than 0.5% of GDP over the next five years as the population ages (European Commission, 2024b). However, in the long term, this assumes a continued reduction in the value of public pensions to a replacement rate of around 40%, while private pension savings remain weak, creating a risk of future pressure on pension spending. The illustrative scenario in Figure 1.12 (red line) assumes a counterfactual where the replacement rate remains at around the current level of 60%. In that case, the government debt ratio would rise significantly in the absence of policy action. Government debt dynamics would be supported by structural reforms that raise the level of GDP. The third scenario in Figure 1.12 (green line) assumes higher GDP growth resulting from an implementation of structural reforms recommended in this and previous Survey: a gradual unification and an increase of the pension age, decreasing competition-hindering product market regulation, and advancing digitalisation (Table 1.3). These illustrative scenarios of debt developments assume that growth will be modestly reduced by the cost of the climate transition, but do not include potential fiscal costs and positive effects that mitigation and decarbonisation policies can have (Guillemete and Chateau, 2023).

**Figure 1.12. The government debt ratio would rise in the coming years without fiscal consolidation and measures to address pension pressures**



Note: The illustrative scenarios include effects of the low-carbon energy transition for Poland. Consolidation scenario assumes an improvement in the primary fiscal balance by 0.94 % of GDP per year to lower headline deficit below EU 3% of GDP benchmark during 2026-28, as announced by the government in November 2024.

Source: OECD calculations based on OECD Economic Outlook database and OECD Long-Term Model.

StatLink  <https://stat.link/f3x5ra>

## Box 1.2. Potential impact of recommended reforms and fiscal measures

Table 1.3 broadly illustrates the growth impact of some key structural reforms proposed in this and the previous Survey. Such estimates are based on cross-country estimates from OECD research and provide an illustrative sense of the potential impact as they are associated with considerable uncertainties.

**Table 1.3. Potential impact of selected proposed reforms on the level of GDP per capita**

Policy		10-year effect	Long run effect (2050)
Lowering competitiveness barriers in product market regulations (PMR)	Decrease regulation in services and entry barriers in various occupations, reduce state ownership in the economy	1.0%	2.2%
Increasing statutory retirement age	Gradual increase in line with life expectancy and aligning the retirement age of women to that of men	2.8%	7.4%
Increasing investment rate	Increasing investment rate to that of the OECD aggregate for next ten years	3.5%	2.8%
Increasing digitalisation among companies	Raising total factor productivity by increasing the take up of digital technologies in the economy	8.5%	9.2%
<b>Total</b>		<b>16%</b>	<b>22%</b>

Note: Illustrative estimates based on historical relationships between reforms and growth in OECD countries. Policies to increase digitalisation among companies were covered in the in-depth chapter of 2023 Economic Survey.

Source: OECD calculations based on the OECD Long-term Model.

The fiscal impacts of these measures, together with consolidation measures, are presented in Table 1.4. These estimates do not account for indirect effects, such as those induced by the positive impact of the reforms on growth and, therefore, tax revenues. Additional effects are not included, such as efficiency savings that could be obtained by measures such as hospital network consolidation or improved management of public investment and state-owned enterprises.

**Table 1.4. Illustrative direct fiscal impact of selected recommended reforms**

Reform	Medium-term fiscal savings (+) and costs (-), % of GDP
Increase of the pension age in line with increases in life expectancy, aligning special pensions with general rules	+ 1.0
Broadening of the VAT and streamlining items in the reduced rates	+ 0.7
Doubling of alcohol duties	+ 0.2
Reforming annual tax from immovable property	++
Increase of fuel excise duties	+
Increase of motor vehicle taxation	+ 0.2
Spending reviews aiming for a 2.5% cut in public expenditure	+ 1.2
Reform of health policy, of which:	- 0.3
Improved targeting of social policies and reducing out-of-pocket payments for low income	0.3
Increasing training places for nurses	-0.2
Consolidation of the hospital network	+0.2
Increased spending on long term care	--
<b>Total</b>	<b>+ 3.0</b>
Memorandum items:	
<i>Planned increase in health spending</i>	-1.0

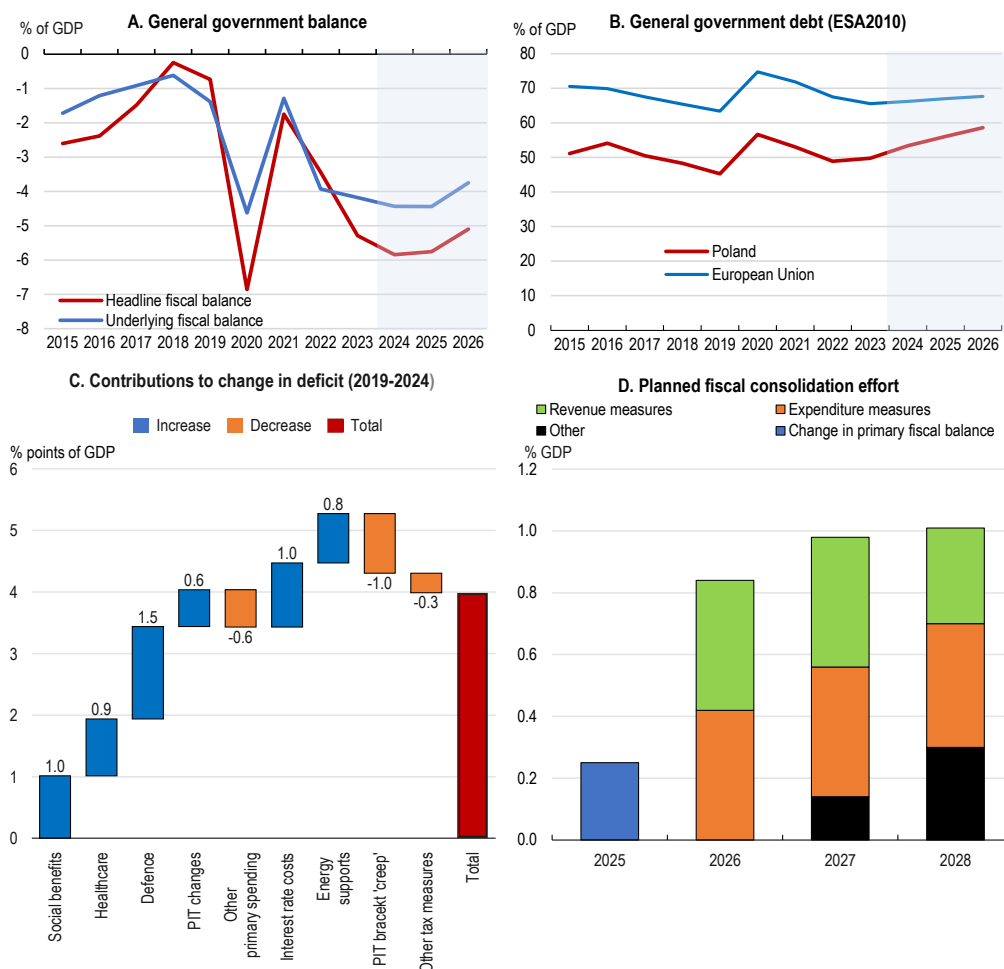
Source: OECD calculations.

## Balancing fiscal consolidation with increased spending needs

The deterioration of the underlying fiscal position in recent years is due to family and pension benefits that increased by over 2% of GDP compared to the pre-pandemic era, higher health and defence spending and tax reforms in 2019 and 2022, with a fiscal cost of around 0.6% of GDP (Figure 1.13). These were partly offset by other changes, such as non-indexation of income tax thresholds. OECD estimates of the structural position of the general government point to an underlying budget deficit of around 5 percentage points of GDP in 2024.

The 2025 budget assumes an improvement in the fiscal position by 0.25% of GDP, mainly from a withdrawal of energy and food-support measures. This implies little improvement in the underlying fiscal position, although is more restrictive when rising defence spending is included. The general government balance is expected to reach 5.8% of GDP (OECD, 2024d). Further extension of energy-price supports, spending pressures in the health sector and the cost of recent floods in southern parts of the country, which have been estimated at 0.1% of GDP, create upside risks to the 2025 deficit. Public sector wages are expected to increase by 5%, close to the projected inflation.

**Figure 1.13. Fiscal support measures and structural increases in spending have led to a worsening of the public finances**



Note: ESA 2010 general government debt corresponds to 'Maastricht debt' definition. Panel D shows planned fiscal adjustment as announced in the Medium-term fiscal and structural plan published in November 2024.

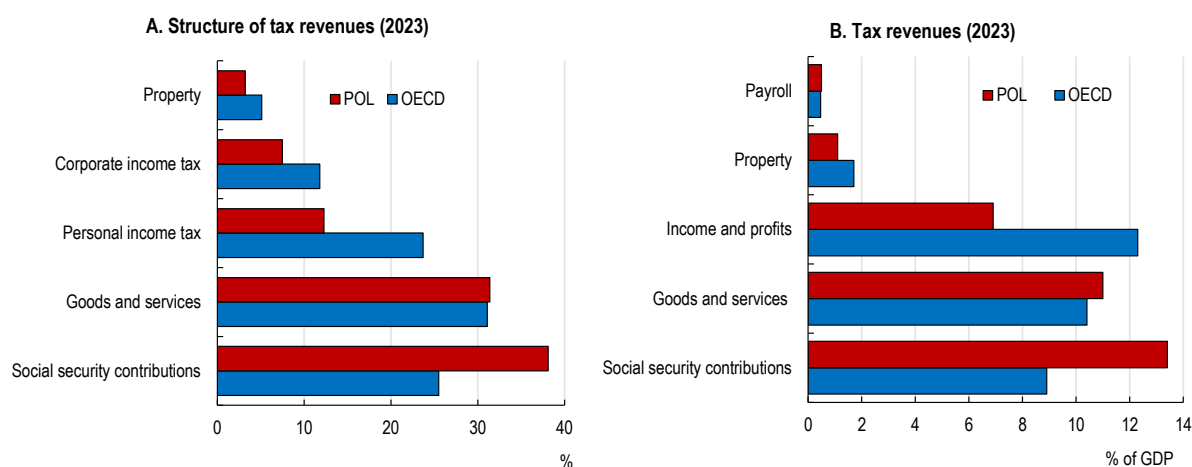
Source: Republic of Poland (2024), OECD Economic Outlook 116 database.

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Given the size of the underlying deficit, the risks of further inflationary pressures in a tight labour market, and future age-related spending pressures, tightening of the fiscal stance is appropriate. An ambitious medium-term fiscal consolidation plan was announced in the autumn of 2024. While there is little improvement in 2025 it foresees a consolidation of close to 1% of GDP annually in 2026-28 (Figure 1.13, Panel D). The cumulated 3-percent of GDP improvement over three years is likely to have a significant dampening effect on growth, although it could contribute to a more balanced macroeconomic policy mix, allowing monetary policy to lower rates while improving fiscal sustainability. The plans are ambitious and may be challenging to achieve in terms of required tax and spending adjustment. The government has indicated that it would involve a restraint on spending and taxes, relying on freezing income tax bands and slow nominal spending growth, but no further details have been provided on specific measures. Poland faces considerable spending pressures. Public healthcare spending is planned to rise to 7% of GDP by 2027, while further funding pressures in the health system that are not accounted for in the medium-term consolidation plan have emerged (Chapter 2). Political economy of the climate transition calls for more recycling of carbon pricing revenues and important investments are needed to accelerate the transition (Chapter 3). The expenditures on defence, that reached 4.3% of GDP last year, are expected to increase further.

Government revenue increases should consider property and environmental taxation. As part of a consolidation package and to finance spending commitments, there is scope to increase government revenues. Poland's tax-to-GDP ratio of 35.2% is close to the OECD average of 34%, having increased by 6 percentage points from a decade ago. Poland raises the largest part of its tax revenue from social security contributions and consumption taxes, as do other middle-income OECD countries. Personal and corporate income taxes were below OECD average and property taxation plays a smaller role (Figure 1.14).

**Figure 1.14. Poland's tax structure relies on consumption taxes and social security contributions**



Source: OECD, Revenue Statistics 2024 database.

StatLink  <https://stat.link/hruz0s>

There is scope to increase tax revenues from immovable property. Given tax efficiency and equity considerations, the authorities should focus on bringing immovable property taxation in-line with OECD best practices. Currently, tax liability on property is based on the surface area of buildings (residential buildings PLN 1.15/m<sup>2</sup>, business building PLN 33.1/m<sup>2</sup>) and the land (different rates for different types of land exist, with the highest rate for land used for business purposes of PLN 1.34/m<sup>2</sup>). Business properties are taxed at 2% based on their initial value. While the revenues go to local municipalities, the central government sets the maximum rate. Poland should move towards a system of value-based property taxation, used in most OECD countries, that reflects more accurately land value and would be more

progressive and efficient (OECD, 2022a). The current system is a poor proxy for taxpayers' housing wealth and ability to pay, as it does not account for other property characteristics and its location, which is a key determinant of its value. Simulations of marginal effective taxation of housing investment illustrate that its taxation is low and in particular for debt-financed rented housing (Brys et al, 2022). Lifting the tax rate limits or setting only a country-wide minimum rate and allowing municipalities to go above it, would give municipalities larger revenue raising autonomy. Differentiating rates for secondary properties increases progressivity of the taxation. Such taxation could be phased in gradually and with deferral mechanisms. A flat amount of tax relief or a cap on tax liability for low-income low-wealth households can mitigate its impact for cash constrained households. Allowing for tax payments in instalments, third-party remittance or tax deferral can help address liquidity issues. Such measures have been used for instance in Canada or Denmark. Switching to value-based taxation would necessitate a regular update of property values, which has been facilitated with the development of digital technologies.

Raising the rate or broadening the tax base of inheritance taxation could also be considered. Revenues from inheritance, estate and gift taxes are very low among most OECD countries and its revenues exceed 1% of total taxation only in Belgium, France, Japan and Korea (OECD, 2021). Poland applies progressive multiple tax rates based on the value of inheritance and the relation between the donor and the beneficiary. While in principle the tax rate for the spouse and children increases from 3% to 7% based on the value, in practice they can apply for a total exemption. The tax rate increases from 12 to 20% for non-related parties.

Introduction of a comprehensive motor vehicle tax based on emissions would raise revenue and support climate objectives (Chapter 3). Poland does not apply any annual tax on vehicle ownership at the national level, although its introduction for company cars has been scheduled for 2026, and should reflect the emissions content of vehicles. It will apply to around 10% of passenger cars and small vans. Purchase of a vehicle is subject to VAT and an excise duty that differentiates based on the engine size and value of the vehicle rather than being directly linked to emissions. When the purchase is among private persons a 2% tax on civil law transactions also applies. Heavy goods vehicles (over 3.5 tonnes) are taxed at the municipal level (OECD, 2022b). Annual taxes on vehicle ownership are widespread in OECD countries, and differentiate on the basis of polluting emissions, with the aim of incentivising the purchase of less polluting vehicles. The planned annual car tax should be extended to include all cars (Chapter 3).

VAT is imposed at the rate of 23%, but there is a wide range of preferential rates. VAT accounts for around 22% of overall taxation revenue and 8% of GDP. Two lower rates are applied widely: 5% for basic food stuffs, certain supplies for children (e.g. car seat), books and e-books and 8% for newspapers, magazines, supplies in agriculture, hotel accommodation, restaurant and catering services, as well as veterinary services. In addition to exemptions applied in most OECD countries, such as for postal services, medical care and cultural services, Poland excludes commercial renting or tenancy, supply of building land and land development (OECD, 2022a). During the pandemic, the VAT rate was reduced temporarily to zero for certain COVID-19-related medical products such as tests and vaccines, as in many other OECD countries. VAT rates for energy were lowered during the recent period of high energy prices and elevated inflation, and a zero VAT for basic food stuffs was applied from February 2022 until March 2024. While the VAT revenue ratio, a measure of the extent to which the VAT collects revenue on final consumption expenditure, is close to the OECD average, national estimates show that up to 15% more revenues could be collected, around 0.7% of GDP (Republic of Poland, 2024). Estimates of the redistributive effect of reduced VAT rates show a regressive impact in case of Poland (European Commission, 2024a). There is scope to reduce the number of goods and services subject to preferential rates to broaden the base and raise revenues. A relatively high general threshold (above PLN 200 000/EUR 47 000) could be also reviewed.

Earlier government plans to decrease effective rates of personal income tax and lower health contributions paid by the self-employed have been put on hold, which is welcome. A plan to double the basic income tax credit which currently stands at PLN 2 500/month (around a third of the average wage) would have a considerable fiscal cost of PLN 30-40 bn, over 1% of GDP. Linking the basic income tax allowance to

developments in inflation would help to prevent future “bracket creep”, as done in several OECD countries such as Germany and the Netherlands (OECD, 2023a).

Reviewing existing tax expenditures could also help to yield new revenues. The latest available review of tax expenditures, published in 2018, identified the value of such expenditures at 5.6% of GDP with the lower VAT rate, exemption of family benefits from PIT and various CIT exemptions being the biggest items. The tax system has undergone considerable changes since (Ministry of Finance, 2018). Regular reporting and reviewing of tax expenditures as a part of the budgetary documentation can increase transparency of such policies and foster an assessment of and debate about their efficiency. The favourable tax treatment of agriculture incomes could also be re-examined.

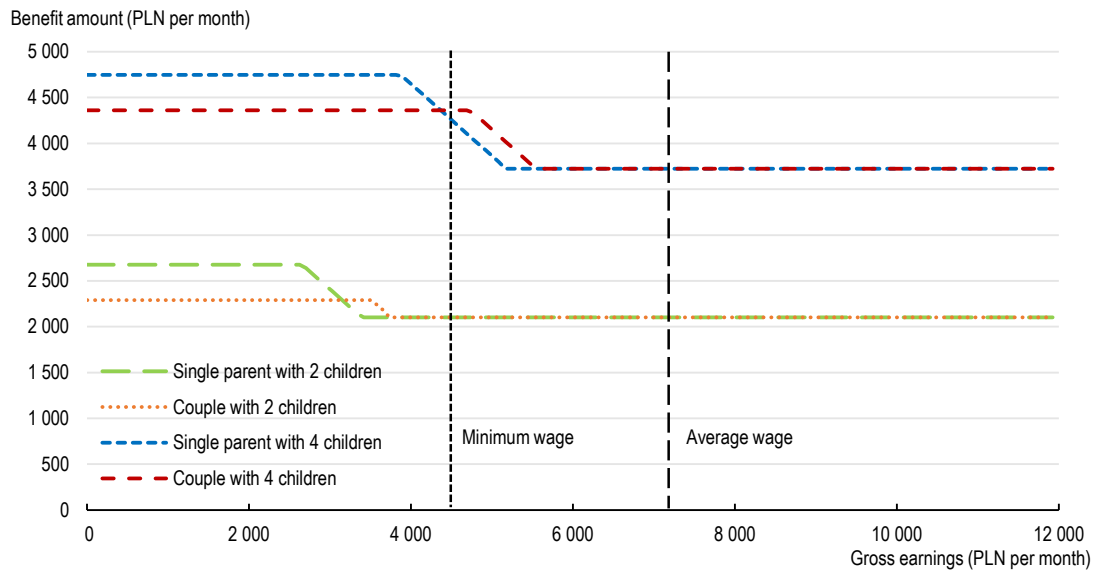
### ***Consolidation should focus on increasing the efficiency of expenditures***

While revenues provide some scope to improve the public finances, specific public spending items could be better targeted to achieve their objectives and there is room to find savings more broadly. General government expenditure reached around 44% of GDP in 2022, which was above the OECD average but below regional peers. Recent years have seen a considerable increase in spending on social policies, such as family, healthcare, pensions and defence, while public investment has fluctuated but on average stood at around 4.3% of GDP over the past decade.

Given the low level of public capital and the productive nature of such investments, investment should be spared any consolidation effort, as currently planned. Around half of public investment goes to economic infrastructure such as roads, and a third to social infrastructure such as hospitals and schools (IMF, 2020). The country is one of the largest recipients of EU funds, with an expected annual average of almost 3.5% of GDP during 2021-29. These include large infrastructure projects such as road and rail network upgrades, as well as investments to enhance the green transition such as offshore wind energy and thermal building renovations. However, to increase the efficiency of such investments the management framework needs to improve (IMF, 2022). Coordination between various levels of government and public bodies should be enhanced. If there is no financing from the state budget or EU funds, investments by sub-national governments do not require any formal discussion with the central government. Monitoring of investment plans of state-owned enterprises (SOEs) is limited and fragmented. Furthermore, project selection could be improved by building a single ‘pipeline’ of ready projects. Standard methods should be developed to estimate maintenance needs. Given the large number of public investors, a consolidated monitoring of the implementation status of major projects, submitted annually to the Parliament, could help with efficiency and timely delivery. Requiring systematic ex-post reviews of major investments could lead to improvements in project management in the future.

Poland is among the biggest spenders on family policy in the OECD, following increases in recent years: The social benefit system was around 1.5% of GDP bigger in 2023 compared to situation before the pandemic, notably due to real term increases in spending on families and pensioners (Family 800+ programme, 13<sup>th</sup> and 14<sup>th</sup> pensions, etc). While family policy has been successful in reducing child poverty, the universal nature of the more recent benefits is costly and leaves many households with very different levels of income receiving the same relatively generous supports (Figure 1.15) (Table 1.5). This approach should be reviewed with the aim of ensuring the most effective help for families that need it most, while preserving incentives to work. Earlier studies show that only a fraction of the child benefit programme went to the poorest income quintile (Myck and Trzcinski, 2019; Magda et al, 2018). The adequacy of family and social assistance benefits is reviewed every three years, and such a review is currently on-going, which presents a good opportunity to explore options for better targeting transfers and whether certain benefits could be linked to inflation, limiting the need for future discretionary measures. Reducing transfers to higher income households would reduce the costs of providing support without undermining social objectives or work incentives.

**Figure 1.15. Targeting of family benefits is limited**  
2024



Source: OECD Tax and benefit model.

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**Table 1.5. Overview of family benefits**

		Means-tested	Universal	Tax treatment	Indexation	Benefit level	Expenditure in 2023
Family 800+	Program Rodzina 800 Plus		x	Non-taxable	-	PLN 800 (EUR 186) per child per month	PLN 42 bn
Good start program	Dobry start		x	Non-taxable	-	PLN 300 (EUR 69) per child per year PLN 1.3bn	
Subsidy for formal center-based childcare			x	Non-taxable	-	Up to PLN 400 (EUR 93 ) per month per child	PLN 0.4 bn
Family care capital	Rodziny kapitał opiekuńczy		x	Non-taxable	-	PLN 500 (EUR 115) or PLN 1 000 (EUR 230) per child per month for two or one year	PLN 2.2 bn
Birth grant	Becikowe	x		Non-taxable	-	PLN 1000 (EUR 230) per child per birth	PLN 0.11 bn
Warsaw nursery voucher		x		Non-taxable	-	PLN 400 (EUR 93) per child per month for those on a waiting list of a public nursery	PLN 3.3 mil
Family allowances	Zasiłek rodzinny	x		Non-taxable	Every 3 years	Varies according to income and number of children in household	PLN 1.4 bn

Note: Benefit amounts have been converted with market exchange rate on Nov 27, 2024.

Source: OECD Tax and Benefits model.

Further expenditure measures should be identified based on spending reviews. Although these have been in place since 2015, they played only a limited role so far in the budgetary process and have been used mainly for reallocation of resources (OECD, 2022). Spending reviews have been strengthened and linked to the budgetary process in 2023. During 2024-26 spending reviews of long-term care, programmes supporting people with disabilities, programmes for protection of cultural heritage and support for thermos-renovations, are planned. This is welcome and should be followed up by improvements in institutional capacities in the ministries. The experience of OECD countries shows that to be effective, spending reviews require strong political ownership and commitment, and should have clear objectives and scope, transparency and accountability for implementation in addition to being integrated in the budgetary process (Tryggvadottir, 2022). The National Audit Office (NIK) carries out regular audits of public spending that points to various areas for improvement.

State involvement in the economy remains widespread, including in companies where the need for full public ownership is not clear cut, such as a commercial bank, one of the largest insurance companies, fuel and energy companies, arms manufacturers as well as a copper and silver mining company. While shares of some of the SOEs are already traded on the Warsaw stock exchange, further sale of these assets should be considered in the current consolidation plan. Moreover, the governance of SOEs can be also improved, as discussed in Chapter 4.

### ***Improving budgetary transparency and aligning the domestic with the EU fiscal framework***

The Polish fiscal framework, based on a constitutional debt limit and an expenditure stabilisation rule, contributed to decreasing public debt prior to the pandemic. In the current budgetary situation, the expenditure rule requires at least an annual fiscal adjustment of 0.5% of GDP, unless the EU Council recommends a lower fiscal adjustment. Under the European fiscal rules, a net expenditure path over a four-to-seven-year adjustment period is required to ensure that the debt ratio does not rise in the medium term, taking into account ageing costs.

The Polish national debt and expenditure stabilisation rules have been aligned with the revised European fiscal framework last year (Lam et al, 2024). The authorities should adopt a stronger medium-term focus at the national level, for instance, by publishing long-term growth projections and extending the time horizon of the expenditure rule. To reduce risks stemming from potentially over-optimistic or under-pessimistic growth and inflation forecasts, that feed into the expenditure rule, Poland plans to implement the EU requirement for independent oversight of macroeconomic forecasts. The European and national frameworks differ in terms of items that are excluded. Communicating potential divergence to policymakers could be challenging, and setting up a fiscal council can help to improve the fiscal policy debate and strengthen accountability of the rules. Past use of off-budgetary funds, such as the funds managed by the BGK, the public development bank, undermined the transparency of the national fiscal framework.

The fiscal council should start functioning in 2026. Some oversight of fiscal policy has been carried out in the past by other bodies: the Supreme Audit Office carries out ex-post analysis and assessment of compliance with fiscal rules, the central bank's Monetary Policy Council assesses the policy mix of the draft budget reporting to the Council of Ministers, and the Social Dialogue Council focuses on assumptions on wages and pensions. Nevertheless, these fragmented arrangements led to poor budget transparency and public finance management (Ministry of Finance, 2024; Ministry of Finance and the World Bank, 2024). The proposed legislation for an independent fiscal council is welcome. It would have a mandate to give an opinion on the official macroeconomic projections, compliance with the fiscal rules, the budgetary framework and *ad hoc* tasks as requested by the government. There would be a "comply or explain" principle for the government if did not follow the Council's opinions on compliance with the rules. The Council would have the right to obtain information necessary to fulfil its tasks and could make public any refusal to provide such information. The Council would have 7 members: each would be required to be

independent and appropriately qualified with each member appointed by a different political body or stakeholders subject to a recruitment process and could serve for up to a maximum of two consecutive 6-year terms. The Council would have a dedicated budget of around PLN 10 million (EUR 2.3 million). The initial term of the Council and political support will be important to establish its reputation and its contribution, including on long-term fiscal pressures.

## Building a credible and adequate pension system

Poland's population is ageing as life expectancy increases and larger cohorts of the population, today's 35–50-year-olds, reach retirement age. The old-age dependency ratio, the share of population aged 65 and older as a share of the population aged 20–64, is set to increase from 30% to 55% in 2050, faster than OECD average. Pensions consist of a guaranteed minimum and a payment from an earnings-related notional account with an interest rate equal to the growth of the wage bill but not less than price inflation. The overall contribution rate is 19.5% (OECD, 2023a). The statutory retirement age is 65 for men and 60 for women. The authorities project that public pension costs will remain stable at around 10% of GDP between now and 2045 and actually decrease by 0.5% of GDP over the period of 2045–70 (European Commission, 2024b). However, this assumes a reduction in pension benefits driven by the gradual shift to a public 'notional' defined-contribution scheme. The replacement rate of public pensions is set to fall from current 60% to 40% by 2060, one of the lowest future net replacement rates in the OECD (OECD, 2023b; European Commission, 2024b).

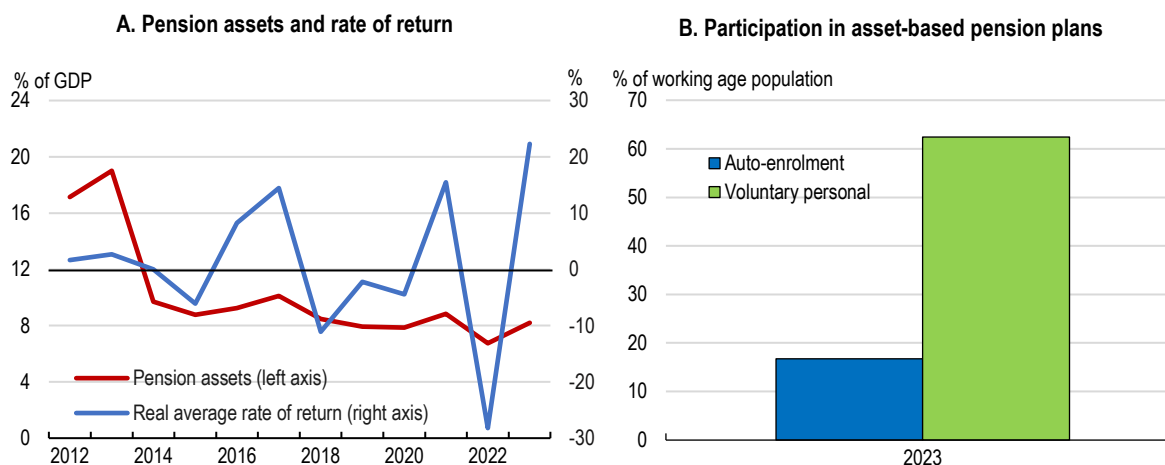
In absence of adequate private savings, current plans to reduce public pension benefits lack credibility. Policymakers are likely to intervene with pension increases, as they did in 2019 and 2021 when the so-called 13<sup>th</sup> and 14<sup>th</sup> pensions, initially one-off payments, became a permanent feature at a cost of 1% of GDP. If current replacement rates are maintained, fiscal pressure from pension expenditures would rise by 3.5% of GDP by 2045 (Guillemette and Chateau, 2023). In addition, special pension schemes, available for farmers, security forces, judges and prosecutors, which cover about 22% of pensioners at a cost of 2.6% of GDP, remain important. More than half of this group are self-employed farmers, as around 10% of employment is in agriculture. Several features of these pensions lead to higher benefits, such as the use of best 10 years of pensionable earnings as a basis for security and defence personnel pensions or more favourable indexation rules for judges and prosecutors (Eckefeldt and Patarau, 2020). Special pensions are largely financed from the general government budget. While their generosity and early retirement options have been reduced, their necessity should be reviewed as those not clearly linked to occupational risks could be a source of inequity.

Private pension savings, currently voluntary, have not increased anywhere near to the amount required to maintain plausible overall replacements rates for Polish citizens (Figure 1.16). While more than half of the working-age population has a voluntary asset-backed pension plan, benefiting from favourable tax treatment, contributions remain small (OECD, 2023b). This is partly a legacy of a previous pension reform that mandated private savings but was reversed later. Three various types of savings were supplemented with a voluntary occupational defined-contribution scheme with auto-enrolment introduced in 2019 ("Employee Capital Plan", PPK). A gradual increase in coverage of the PPK is under way, with participation rate currently at 49% of eligible employees. Contribution rates are on average 3.5% of salary. Although these can go up to 8% when combining employee and employer contributions, the majority of people save the minimum amount. The funds are accessible once reaching 60 years of age either in a lump sum or at least a 10-year pay-out.


Given past policy reversal on private pension savings that have undermined the citizens' trust, maintaining regulatory stability is key for rebuilding the reputation of asset-based pension savings. Pension funds' assets, at around 8% of GDP in 2023, consist mainly of equities, as a result of regulation. Some of the recent losses were recuperated in 2023 (Figure 1.16) (OECD, 2024b). Ten years prior to reaching the

statutory retirement age, retirement savings from other pension plans (apart from the PPK) are gradually transferred to the public system, following a life-cycle approach, and paid out by the state fund (ZUS). While the motivation for such an arrangement was to avoid creating a potentially costly annuities market, it could be undermining the trust in the system given past policy reversals.

**Figure 1.16. Private pension savings are widespread, but assets are low**



Source: OECD Global Pension Statistics.

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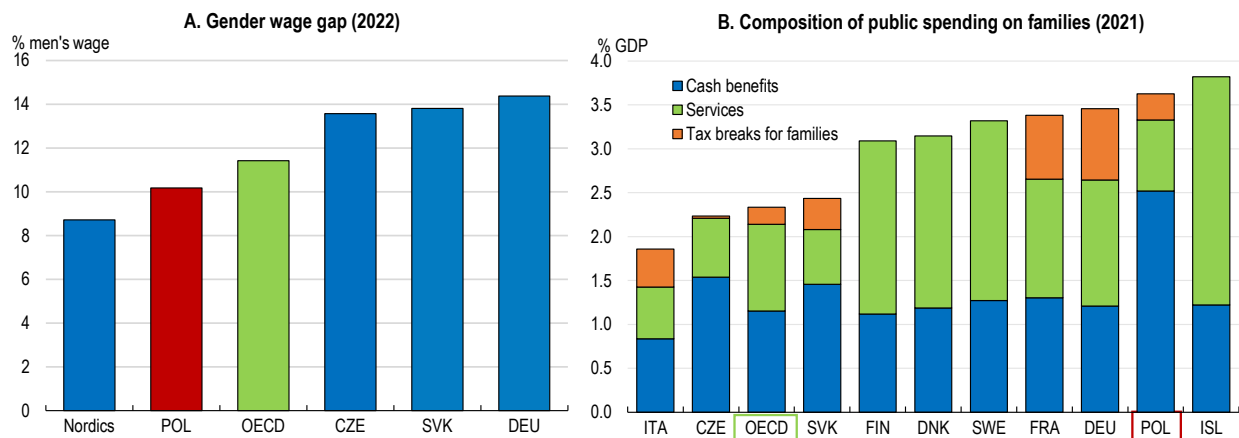
To encourage people to work longer, pensions increase if people postpone retirement beyond the statutory age (65 for men and 60 for women) and there are tax incentives up to a certain threshold. Men tend to leave the labour market at around 64.2, close to the statutory age, and women at 61.2, which is below the OECD average (OECD, 2023b). The required contributory period for a minimum pension is 25 years for men and 20 years for women. Those over the retirement age who do not claim a pension and continue to work are exempt from personal income tax up to PLN 85 528 (1.2 times the average wage). Providing these incentives is relatively costly and working life could be extended in a more efficient way by raising the statutory retirement age. Model estimates of raising the retirement age by one year suggest that the employment rate of people aged between 55-74 could increase by over 2 percentage points (Morgavi, 2024). By 2066, the average statutory retirement age across the OECD countries will rise to 66 years, and only a handful of countries will maintain a lower retirement age for women. Raising the statutory retirement age, including by gradually aligning the female with the male statutory retirement age and increasing them in line with gains in life expectancy, would improve the financial position of the pension system and boost growth, potentially allowing the replacement rate to be higher than currently planned. Another incentive for longer working lives could be to increase the minimum pensions benefit with longer working years or increase the number of years required to reach the minimum benefit.

## Ensuring that growth remains inclusive

Living standards have increased and social inequality has remained low, below the OECD average although higher than in other Central European countries. Relative poverty rates are low compared to most OECD countries and have remained broadly stable since the pandemic. Supported by government policies to contain the rise in food and energy prices, strong income growth among lower income households has helped to cushion the recent inflationary period. Nevertheless, extreme poverty rates rose from 4.6% to 6.6% in 2023.

When looking at the gender pay gap, gender inequality appears low, but important differences between men and women remain, notably in the distribution of unpaid work. Women's total earnings were, on average, 9% lower than men's in 2022, which is one of the lowest gender pay gaps in the EU (Figure 1.17, A). The largest difference existed for women between the age of 35-44 with a reversal of this gap for those between 55-64 years. Research based on Polish administrative data estimates that women who have children receive earnings that are around a third lower than men's, which is higher than in Scandinavia but lower than in English-speaking countries. This 'child penalty' on women's earnings is likely to be driven by lower labour market participation, which is significantly lower than that for men with children (Palka, 2024). However, for those women working the gender gap in hours is only between 2-3 hours per week. Lack of flexibility and the low prevalence of part-time work might be a barrier to female labour market participation. Women tend to be underrepresented in leadership positions. Although it has been steadily rising, the share of women on management and supervisory boards in the largest listed Polish companies was 18% in 2023, while the share of female MPs in Parliament was around 30% in 2024 (Olszewska-Miszuris and Kloka, 2024; IPU, 2024).

**Figure 1.17. The gender pay gap is low and family policy is focused on cash benefits**



Note: In Panel A, the difference between median wages of men and women, relative to the median wages of men is reported; wages are the gross earnings of full-time dependent employees. Nordic countries correspond to the average of Denmark, Finland, Norway and Sweden. OECD refers to the average of the 38 member countries. In Panel B, OECD refers to the average of the 38 member countries.

Source: OECD Distribution of earnings database.; and OECD Social Expenditure database.

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A major factor keeping women out of the labour market is childcare and other caring responsibilities. So far, most of the family policy focus has been on cash benefits and expansion of childcare for older children. The experience of OECD countries suggests that effective family policies combine various tools, such as tax-breaks, childcare services, benefits and measures to improve the work-life balance. Family policy was already one of the most generous among the OECD countries in 2021 (Figure 1.17, B) and, although more recent data is not readily available, the generosity of the benefits has increased since. Despite a recent expansion of childcare facilities, the share of 0-2-year-old infants enrolled in childcare is relatively low at around 10%, mainly due to lack of places as around 40% of municipalities do not have nursery facilities. However, most children aged 3-5 are enrolled in early childhood education. An expansion of childcare should also include facilities for very young children.

Making it easier for fathers to assume caring responsibilities can also boost women's labour market participation and lessen gender inequalities. Poland has extended parental leave rights for fathers. Parents can share 36 months of unpaid parental leave. As of 2023, fathers can take two-weeks of parental leave within the first year, paid at 100% of their wage and 9 weeks out of 8 months of parental leave are reserved for fathers at 70% of previous salary, although this is less generous than the OECD average. These policy

changes are relatively recent and only around 1% of fathers exercised their rights in 2022, among the lowest in the OECD (Andrian, 2023). Higher use of parental leave by fathers may lead to more equal division of responsibilities across a child's entire childhood. In addition, further development of long-term care, as discussed in Chapter 2, can also support older women caring for family and keep them in the labour market for longer.

## Main findings and policy recommendations

MAIN FINDINGS	RECOMMENDATIONS
<b>Macroeconomic and financial stability</b>	
Inflation has declined significantly but, despite reaching the target in the first half of 2024, it has risen again and remains above target. The labour market has been robust and wages have been growing strongly.	<b>Ensure monetary policy remains sufficiently restrictive to bring inflation to target in the medium-term.</b>
The financial system has remained stable. The banking system is well capitalized and liquid, and able to withstand large shocks. Climate-related financial risks appear low but available information is not detailed enough to form a better assessment.	Conduct climate stress tests across banks, insurers and relevant large state-owned companies.
<b>Balancing fiscal consolidation with increased spending needs</b>	
A large structural fiscal deficit has opened up in recent years due to higher social, health and defence spending. The government has announced a medium-term consolidation. Poland has amended its spending review process, but its use has been limited.	<b>Implement the planned medium-term fiscal consolidation.</b>  <b>Carry out comprehensive spending reviews and introduce tax expenditure reviews, integrating both in the budgetary process.</b>
Universal family cash benefits increased considerably in recent years, helping low-income families but at high fiscal cost.	<b>Review the need for universal family benefits and withdraw transfers at higher income levels.</b>
The largest share of tax revenues comes from consumption taxes, while income taxes play a smaller role.	<b>To raise more revenue, increase property and environmental taxes, and streamline the number of items at preferential VAT rates.</b>
The government aims to decrease labour taxation by doubling the basic tax allowance.	Index the basic tax allowance to inflation developments.
State involvement in the economy is considerable, including in assets of no strategic importance.	Sell at least partially non-strategic state assets.
The current fiscal framework lacks a fiscal council and medium-term focus.	Implement the planned fiscal council.
<b>Building a credible and adequate pension system</b>	
The sustainability of the pension system will be challenged by pension age. Men can retire at 65 years and women five years earlier.	<b>Gradually bring the statutory retirement age for women in line with that for men and link the retirement age to improvements in life expectancy.</b> Link minimum pension amounts to the length of the contributory period.
Private pensions savings remain limited yet are expected to play an increasing role as replacement rates from the public system fall.	Maintain regulatory stability of private pensions plans to rebuild trust and encourage higher contribution rates.
At a cost of 2.6% of GDP and covering around 20% of pensioners, special pension schemes remain important.	Phase out special pension schemes and ensure that remaining schemes reflect fairly occupational risks.
<b>Ensuring continued inclusiveness</b>	
The pay gap is low and family policies have been made more inclusive for fathers. Lack of childcare capacity limits the work life balance for parents of very young children.	Shift the family policy focus away from cash benefits to services and increase the number of childcare places for very young children.

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## 2. Towards better healthcare

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Poland has made significant progress in improving the health of its citizens, but health outcomes still lag behind most OECD countries. Healthcare services are widely available, although healthcare costs for patients are not fully covered by the public system, which puts poorer households at risk. While Poland's spending on healthcare has been relatively low, rationalising excess capacity in the hospital system and making more use of incentives in primary care would raise efficiency and improve care. However, to provide better healthcare services on a sustainable basis, it will be important to continue to boost the relatively low numbers of nurses. Moreover, improvements to treatment and a greater focus on prevention, particularly related to health risks around tobacco and alcohol use, could significantly improve health. The government is raising spending to meet rising demand and improve health outcomes. It has mostly focused additional resources on boosting the workforce, but further increases in spending should focus on a specific range of health measures and be more closely linked to efficiency savings. Pressures from the ageing population will remain and long-term care needs to be expanded in a sustainable way.

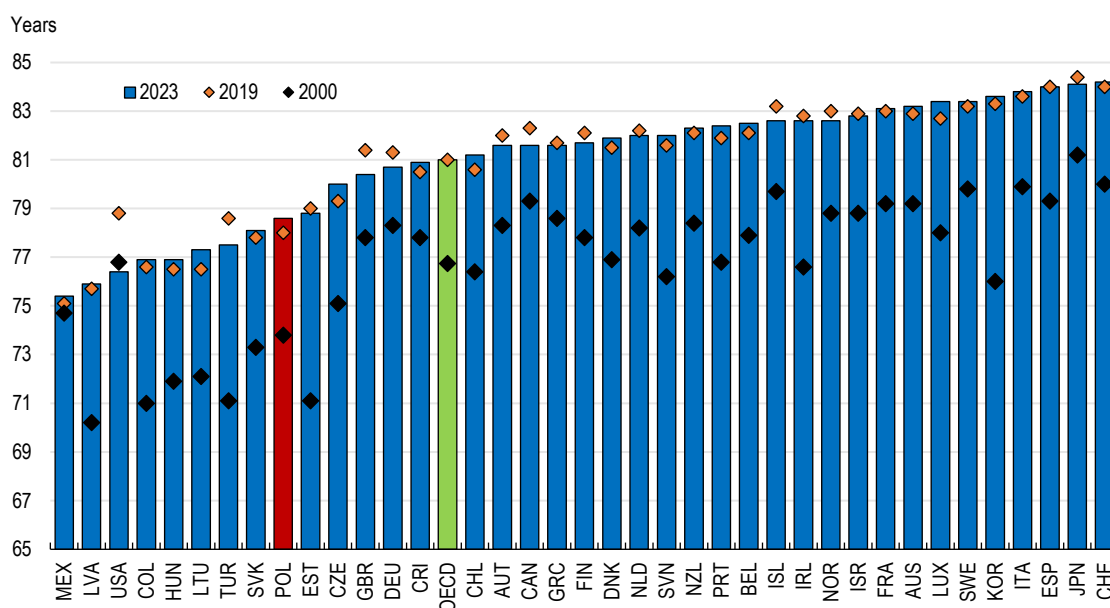
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## Introduction

Poland has made progress in improving health outcomes over the past two decades. Life expectancy at birth rose by 4.2 years between 2000 and 2019 to 78 years (Figure 2.1), mostly driven by large declines in mortality from cardiovascular disease. Life expectancy fell sharply in 2021 due to COVID-19 but recovered to 78.6 years in 2023. This is the highest in Polish history but below the OECD average. People in Poland can expect to live longer and spend their older years in better health than most of their Central and Eastern European and Baltic peers, but Poland still lags behind the majority of OECD countries. Health outcomes tend to be worse for people on low incomes and men. Around 4% of the population report unmet needs, above the OECD average.

**Figure 2.1. Life expectancy at birth has risen since 2000 but remains below the OECD average**

Life expectancy at birth



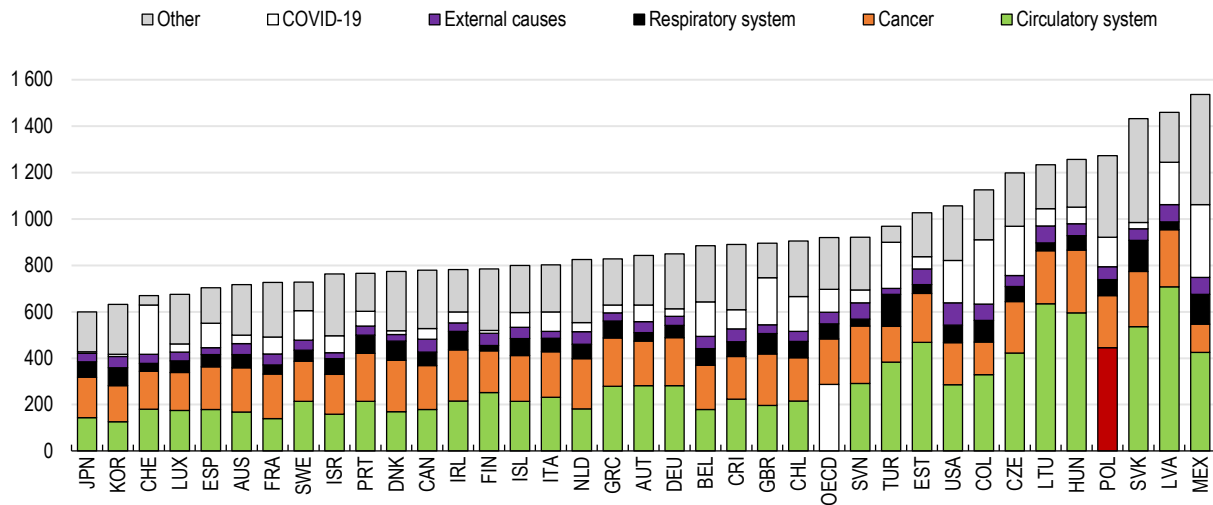
Source: OECD Health Statistics.

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Almost half of all deaths are due to circulatory system disease, such as ischaemic heart diseases, hypertension and stroke. These diseases are 50% more prevalent than the OECD average (Figure 2.2). Cancer contributes to around a fifth of all deaths, and the cancer mortality rate is higher than the OECD average. Treatable mortality, deaths that could be avoided through earlier detection and treatment, are relatively high for circulatory diseases. Moreover, over two fifths of all deaths are related to smoking, alcohol consumption, and low physical activity, and could be reduced through better public health programmes that address these behavioural risk factors, (OECD, 2023b).

## Figure 2.2. Mortality rates are driven by relatively high circulatory diseases and cancer deaths

Death rates per 100 000 population (age-standardised), 2022 or latest available



Note: External causes of death include accidents, suicides, homicides, and other causes.

Source: OECD Health Statistics.

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The pandemic took a significant toll on health and highlighted the limitations of the healthcare system. COVID-19 infections directly increased deaths among the population and Poland was affected more than most OECD countries (Box 2.1). However, the pandemic also indirectly worsened health outcomes as treatments were postponed and participation in cancer screening dropped. Deaths due to other causes also rose. The healthcare system was put under strain and showed several limitations. Despite large hospital capacity, it was difficult to scale up healthcare services partly due to pre-existing staff shortages. Poland's progress on digitalising healthcare services illustrated how more digital and better coordinated health systems could provide more resilience during a pandemic.

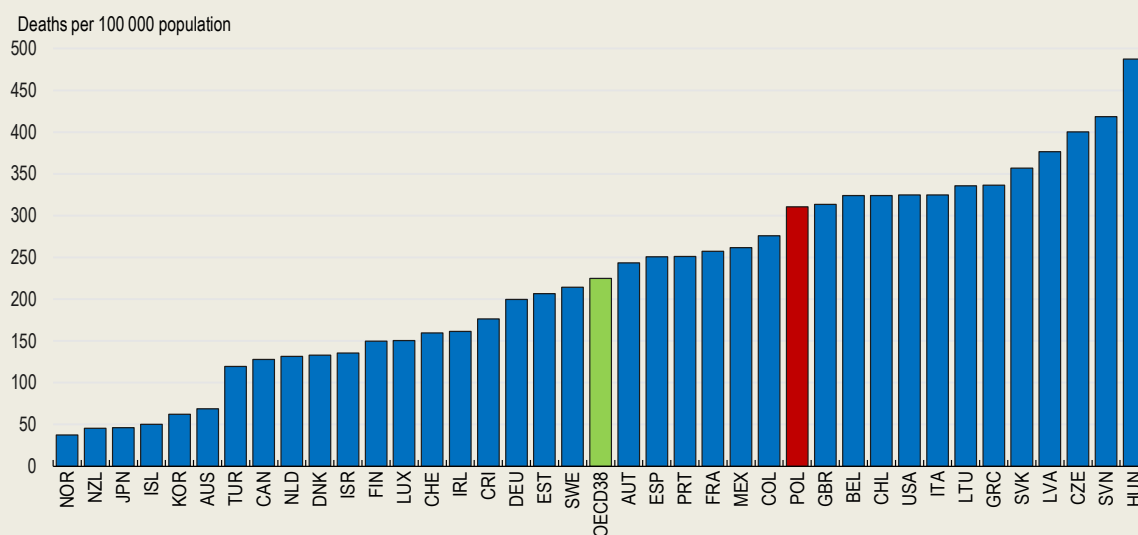
To boost health outcomes, Poland should continue to pursue a comprehensive approach to reforming the healthcare system. The 'Healthy Future' strategy sets out a range of goals to improve health and the Polish government is planning to further increase funding for healthcare. Higher funding should be directed to priority areas and go hand-in-hand with measures to improve working practices and reduce costs. This chapter explores key aspects of the healthcare system where increasing funding and boosting efficiency can support achieving these goals. Section 2 looks at how healthcare coverage and financial protection can be improved. Section 3 discusses how existing resources could be more efficiently managed, while Section 4 presents policy options to tackle staff shortages. Section 5 looks at ways to improve treatment and prevention to boost health outcomes, while Section 6 considers the financing of the healthcare system and expanding long-term care.

### Box 2.1. The impact of COVID-19 on public health in Poland

The initial wave of COVID-19 infections in early 2020 was effectively contained with a strict lockdown. The lockdown was progressively relaxed from the end of April and, with few restrictions over the summer, COVID-19 cases started rising again. This was met with localised restrictions and eventually a national lockdown as cases peaked in November 2020. Restrictions were subsequently eased more gradually, and a softer lockdown was implemented during a second and stronger wave in the spring of 2021. As vaccination rates picked up, restrictions became less stringent over the summer, but they remained in place until 2022 when they were further relaxed. However, progress on vaccination slowed considerably by 2023 as people were more hesitant to get a booster.


Poland was affected by the pandemic to a greater extent than many other countries. Between 2020 and 2022, the number of deaths directly attributable to COVID-19 was higher than in most OECD countries (Figure 2.3). Vaccination rates were below the EU average in 2022, particularly among older people. Poland's large hospital capacity helped absorb more serious cases, although pre-existing staff shortages made it difficult to scale up healthcare services during the pandemic. This led to suspensions in elective care and volumes of surgical procedures fell. Participation in cancer screening also declined sharply. However, rapid digitalisation allowed some services to remain available.

**Figure 2.3. Poland experienced a relatively higher number of deaths during the pandemic**



Note: According to WHO guidelines, a "COVID-19 death is defined for surveillance purposes as a death resulting from a clinically compatible illness in a probable or confirmed COVID-19 case, unless there is a clear alternative cause of death that cannot be related to COVID-19 disease (e.g. trauma)". Separate codes were issued for cause of death by testing or by clinical or epidemiological diagnosis. COVID-19 deaths figures presented here account for the combined years 2020 to 2022 and are subsequently converted into rates per 100 000 population using 2021 population data from the United Nations 2022 Revision of World Population Prospects. For more details, please see OECD (2023a).

Source: OECD Health at a Glance 2023 , OECD (2023b).

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## Improving healthcare coverage and enhancing financial protection

The Polish healthcare system is built around public health insurance with broad coverage across the population that funds, among other things, primary care, hospital care, and long-term care. The funding of the system is relatively centralised, while the provision of healthcare is organised at different levels of government (Box 2.2). Poland spent an estimated 7.0% of GDP on healthcare in 2023, among the lowest shares in the OECD, although spending has increased substantially in recent years. In the past, around three quarters of spending has been financed publicly. The rest is financed privately through voluntary healthcare insurance, accounting for 7-8%, and out-of-pocket spending that has normally made up just under 20% of spending on healthcare.

### Box 2.2. An overview of the Polish healthcare system

The Constitution of the Republic of Poland gives all citizens the right to equal health services financed from public funds and guarantees the right to health to protection as a human right. Healthcare legislation is the responsibility of the Parliament which, with the support of the Supreme Audit Office, also holds the government accountable. The Council of Ministers, in cooperation with other ministries, is responsible for developing the National Health Strategy. The Ministry of Health issues further executive regulations for the healthcare sector, such as defining the benefits basket while the local authorities directly regulate some of the local health care providers.

The main aspects of the Polish healthcare system operations are relatively centralised. The Ministry of Health is in charge of health sector governance and its organisation. At the central level, the Ministry is responsible for financing, which is implemented by the National Health Fund. The Ministry establishes the statutory basket of benefits supported by the Agency for Health Technology Assessment and Tariff System. The National Institute of Public Health helps the Ministry form national health policy. The Ministry is also responsible for healthcare workforce planning. The E-Health Centre supports the digitalisation of healthcare, while the Centre for Monitoring Quality in Health Care monitors quality of healthcare services and organises accreditation and training. The Chief Sanitary Inspectorate and the State Pharmaceutical Inspection ensure compliance in healthcare and pharmaceutical markets.

The Ministry interacts with multiple layers of government to implement healthcare services. On a national level, the Ministry of Health consults with other ministries, as well as professional chambers, on the education of medical staff. On a regional level, the Ministry consults with representatives from Polish regions (*voivode*) on health services and professional education.

The National Health Fund delegates the purchasing of healthcare services to its 16 regional branches with budgets reflecting the size and composition of the population and its health needs. The *voivodes* are mainly responsible for health promotion and prevention, particularly in occupational medicine, mental health and addiction services.

The organisation, governance and monitoring of healthcare is delegated according to levels of complexity. The Ministry of Health is responsible for university hospitals and clinics, and the National Health Fund organises primary care at the national level. The *voivodes* own and operate larger hospitals while the counties (*powiats*) own and run smaller hospitals with basic specialities. Municipalities (*gminas*) organise prevention programmes for local areas.

Source: Sowada et al, 2019.

Public insurance coverage of health services is almost universal (Box 2.3). Insurance is mandatory for workers and pensioners while others can be covered as co-insured family members living in the same household. The state provides insurance for many groups, such as the long-term unemployed, and children and pregnant women are given full access to public healthcare. Poland has also provided healthcare for 1.2 million Ukrainian refugees since February 2022, including mental healthcare, and reimbursed medicines on similar terms available to Polish citizens (OECD, 2023b). Overall, around 96.9% of the resident population is covered by public health insurance with most of those not covered estimated to live abroad without having deregistered in Poland (Sowada et al, 2019).

While public health insurance provides access to a range of healthcare services, it does not fully cover the cost of those services. In 2023, there has been a significant expansion of coverage for medicines for the young and older people (see below). The overall public financial coverage of healthcare costs in 2022, and prior to recent changes, stood at 74% of total health spending, similar to Hungary but below Czechia and Slovakia. The share varied by type of care. Coverage of hospital care costs is high, but outpatient medical care coverage is below the OECD average. Dental care costs were covered to a lower extent than in most other Central and Eastern European countries. Financial coverage of medicines was only 34% in 2022, well below the OECD average (Figure 2.4). The partial coverage of healthcare costs led to significant out-of-pocket spending. In 2022, households paid for 18.8% of all healthcare costs out of their own pocket, accounting for 1.2% of GDP, around the OECD average of 18.5%. The majority of out-of-pocket spending was due to medicines and medical devices. Long waiting times and unmet health needs have led people to pay for private dentistry and outpatient health services.

### **Box 2.3. Financial coverage of public healthcare services**

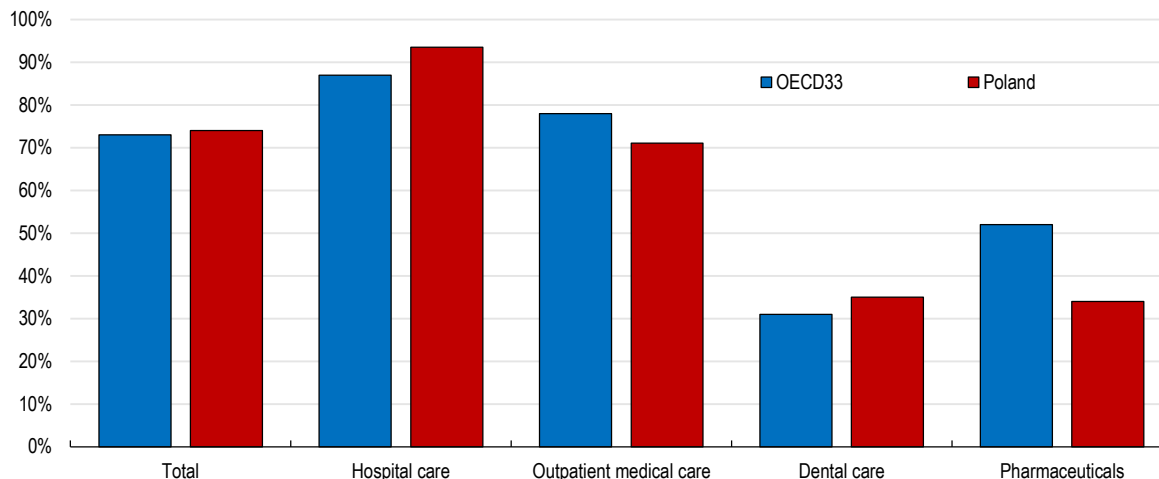
Public healthcare services are comprehensive and statutory health insurance offers broad financial coverage. Publicly funded healthcare services can be provided by either the public or private sector, and many are free. For example, primary and secondary healthcare including emergency care, is free at the point of use. Palliative care is also free. Prescribed medicines are reimbursed to a certain extent although a wide range is free for those aged under 18 and 65 years and older. Medicines provided in inpatient settings and those taken regularly are fully covered by public health insurance. While private voluntary health insurance and subscription packages can be purchased by anyone, they are often bought by companies to provide additional employee benefits and they tend to facilitate faster access to health care services, mostly for specialists.

Primary healthcare is provided mainly by individual or small groups of private practitioners who offer preventive and curative services, assessments, screening and diagnostics, and vaccinations. They act as gate keepers since patients have to obtain a referral to access most specialist care. Night and holiday care is provided by on-call physicians and in hospital emergency wards.

Secondary care is offered by specialised ambulatory care providers, which are predominantly private, and hospitals, which are mostly publicly owned. Both primary and secondary care is free. Long-term care is provided by both health and social insurance, and in both health and social sectors the number of places in residential care homes is limited. Day care is available, although most long-term care is done by family members (Figure 2.33). While publicly insured dental healthcare is widely accessible at predominantly private dentistry practices and covers a range of dental services, only a small share of dental costs is covered.


## Figure 2.4. Financial coverage of pharmaceutical costs has been below the OECD average

Government and compulsory insurance spending as a proportion of total health spending by type of care, 2022 or latest year available



Note: Healthcare coverage is defined by the share of the population entitled to services, the range of services included in a benefit package and the proportion of costs covered by government schemes and compulsory insurance schemes. Hospital care refers to inpatient curative and rehabilitative care (which is mainly provided in hospitals); outpatient medical care to all outpatient curative and rehabilitative care excluding dental care; and pharmaceuticals to prescribed and over-the-counter medicines, including medical non-durables. The OECD32 average does not include Colombia, Costa Rica, Mexico, New Zealand, Türkiye and the United States.

Source: OECD Health Statistics.

StatLink  <https://stat.link/5z8asp>

Out-of-pocket spending has been widespread among households and has caused some to experience financial difficulties. In 2019, 8.6% of all households experienced catastrophic health spending, where payments exceed 40% of household income. Around two thirds of those households were among the poorest 20% in Poland. This had risen to 9.4% in 2021. Particularly affected are households on social benefits, large families, households comprising members with disabilities, and pensioners. Catastrophic spending is predominantly driven by high spending on medicines. Many of those are over-the-counter medicines. This could be related to difficulties in healthcare access.

Financial protection mechanisms for households facing high healthcare costs have been substantially extended for the young and the old in 2023, but they remain limited for working people on low incomes and are not targeted. Those aged 75 years and older have been exempt from co-payment for most medicines since 2016. As of September 2023, the exemptions have been broadened to all people aged 65 years and older, as well as children under the age of 18. The list of free medicines currently covers 90% of prescription medicines, which has boosted financial protection for these groups. The expansion of publicly-funded dental care benefits, albeit from a low base, has also helped. However, these changes do not cover those working age people on low incomes. Local authorities, depending on their financial capacity, can contribute to the costs of medicine or treatment for people receiving income support. However, financial protection mechanisms are not explicitly linked to income and there are no caps on the co-payments for medicines and medical products.

To further reduce poverty risks related to high out-of-pocket spending and improve public health, financial protection should be strengthened and targeted towards households at risk. Policy should now focus on the reimbursement of medicines for people with low incomes or chronic conditions. Co-payments are required for prescription medicines based on the percentage of the price with no limit on co-payments,

although fixed co-payments are applied to medicines prescribed for regular and prolonged use. There are no exemptions that explicitly benefit poor households and people with chronic conditions. Poland should bolster financial support for prescription medicines and partly contribute to the purchase of non-prescription medicines. For example, Estonia's reforms in 2018 lowered the eligibility threshold for qualifying for co-payments from EUR 300 to EUR 100, with the benefit automatically applied when patients purchase medicines. Although there is no cap on co-payments, this has lowered out-of-pocket spending in Estonia and reduced the risk of impoverishment (OECD, 2024c). In Poland, the Reimbursement Act has been revised to reimburse some long-term over-the-counter medicines from 2023 onwards. Limiting co-payments for households in the bottom quintile of the income distribution in order to avoid catastrophic spending could cost around 0.3% of GDP.

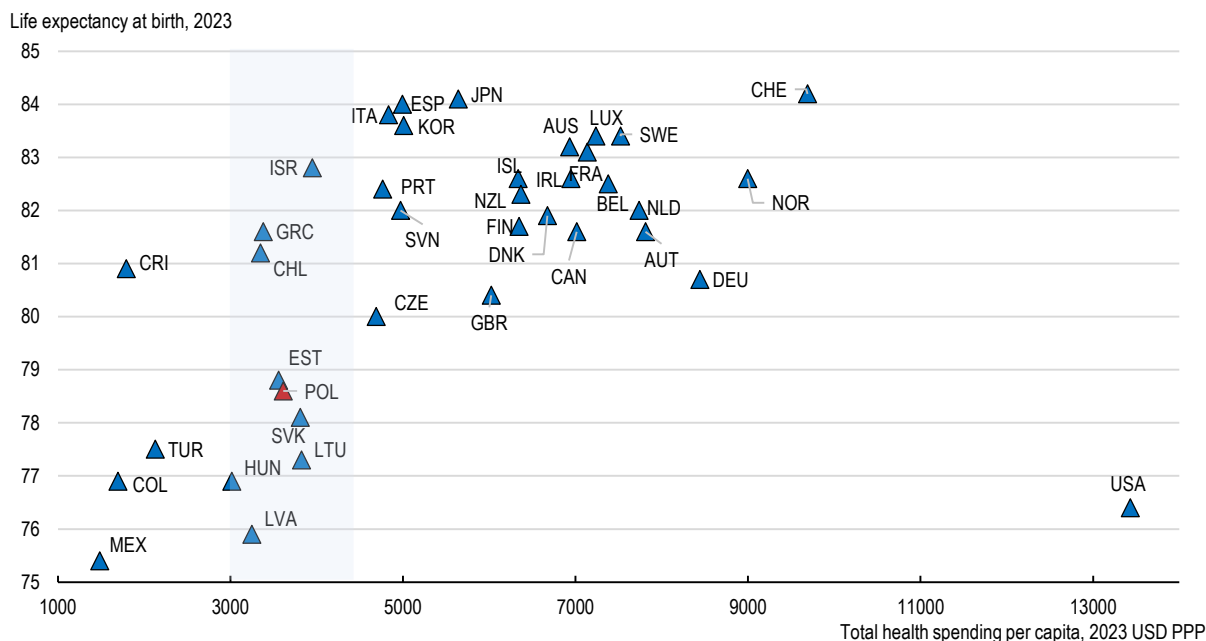
## Raising efficiency and improving care

Poland achieves satisfactory health outcomes given the low level of spending. Life expectancy has increased by 2.5 years between 2008 and 2019 as avoidable mortality has fallen by a fifth over the same period. At the same time, total spending on healthcare in purchasing power parity terms has risen by 50%, although it has been broadly constant as a share of GDP and comparatively low at around 6.4% on average. To improve efficiency, Poland has taken specific actions, such as introducing the Agency for Health Technology Assessment and Tariff Systems in 2015 which plays a stronger role than in many other European countries in determining the basket of benefits and setting tariffs. New health programmes and investments are subject to evaluation that aims to ensure that they are efficient and tailored to the health needs of local populations (Sowada et al, 2019). Furthermore, markets for pharmaceuticals are fairly liberal, which has made medicines widely available and less expensive than in other countries.

While it is difficult to measure the efficiency of the health system, Poland achieves higher life expectancy than Hungary and Lithuania while spending similar amounts or less, but other countries, such as Greece and Chile, have similar health spending and higher life expectancies (Figure 2.5). A recent OECD study by Dutu and Sicari (2020) uses a non-parametric technique to estimate a frontier of countries' health spending performance that controls for a range of determinants such as spending, socio-economic and lifestyle factors. Although subject to uncertainty, this analysis suggests that the potential for Poland to raise life expectancy without further increasing spending is greater than in some other OECD countries. While this may not be easy to achieve, many of the treatment and prevention measures recommended in Section 2.5 would boost efficiency at little additional cost. Reforms to primary healthcare and hospitals can help make greater use of existing resources, while digitalisation has the potential to boost efficiency further.

**Figure 2.5. There is room to improve health outcomes in Poland without increasing spending**

Total healthcare spending as a share of GDP



Note: The shaded area highlights countries with levels of health spending per capita that are relatively close to Poland's spending levels.

Source: OECD Health Statistics.

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### ***Making more use of financial incentives in primary and specialist care***

Primary healthcare is the main entry point to the Polish healthcare system. Primary healthcare services cover diagnostics, treatment, and nursing, as well as health promotion and disease prevention. Family doctors serve as gatekeepers, as patients usually have to obtain a referral before accessing specialist care. However, high workloads and a relatively strong reliance on capitation fees have incentivised family doctors to conduct fewer diagnostics and refer patients to more expensive specialists, reducing their gatekeeping role.

Family doctors have predominantly been compensated on a capitation basis (Box 2.4). However, performance-related compensation can drive higher efficiency of healthcare provision. For example, it has improved health and lowered costs in Estonia (Lai et al, 2015). The use of financial incentives within primary healthcare is relatively low, although it is increasing. From 2022, family doctors in Poland have had dedicated diagnostic budgets that allow them to order additional tests from a specific list. In addition, incentive allowances have been introduced since mid-2022 to boost prevention. However, the incentives are not directly related to improvements in patients' health outcomes and only make up around 2% of family doctors' incomes. In some OECD countries, they account for 5% to 20% of pay. In the United Kingdom, up to 10% of GP practice income comes from incentive payments in the quality and outcomes framework; in Türkiye, around 20% of primary care provider salaries are incentive payments.

By contrast, specialists are mostly compensated on a fee-for-service basis. Compared to capitation payments, which can lead to under-provision of healthcare services, fees reward activity but do not provide effective incentives for doctors to work efficiently and can lead to overprovision. As the limits on visits to specialists were removed in 2021 and public funding rose in 2024, there was a marked increase in the number of visits per patient with little overall improvement in waiting times. Limits on visits to specialists funded by public insurance should be restored. Furthermore, specialist payment mechanisms could be

reviewed. A blended model of fixed and variable payments could potentially boost efficiency without adversely affecting health outcomes. Bonuses and awards that reward efficiency on a per capita basis could also raise efficiency, with incentives higher in regions where waiting times are longer. For example, in October 2024 waiting times for cardiologists' appointments varied nationally between 99 and 434 days.

#### Box 2.4. Payment mechanisms in Polish healthcare

**Primary care** services are mostly paid for by annual capitation payments. Family doctors receive capitation payments for each patient on their list that adjusted for patient age. Since 2017, aspects of performance-based payments have been introduced. There is a bundled payment for providing coordinated care, a special activity-based budget for providing preventive care, separate budgets for diagnostic and specialist ambulatory care, as well as elements of incentive pay depending on treatment outcomes and quality of provided care. Nurses also receive annual capitation payments with higher payments for children, older people and people in social assistance homes.

**Specialist care** is remunerated on a fee-for-service basis with the level of payments depending on the services provided during the visit. Services and payments can also be case-based and related to the diagnosis-related group system (DRG). There are some aspects of pay-for-performance for coordinated care.

**Acute hospital care**, including specialist care in outpatient hospital departments, is also based on DRG payments since 2008. The hospital network established in 2017 introduced new biannual lump sum payments. These are made for complex care provision, which covers most hospital and outpatient specialist services. This allows for more flexible management of financial resources than DRGs. Non-complex care is financed via DRGs. Some services, such as chemotherapy, are paid for on a fee-for-service basis. The size of lump sum funding is partly related to good performance and higher care quality, while pay-for-performance payments are used for coordinated care.

**Emergency medical care** is financed by a lump sum payment to cover fixed costs of running a department and by per diem fees for patients. **Dental care** is charged as a fee for each service provided. Within **long-term care**, residential care services are paid per day with regional governments contributing with lump sum payments. Home care is paid for on a fee-for service basis.

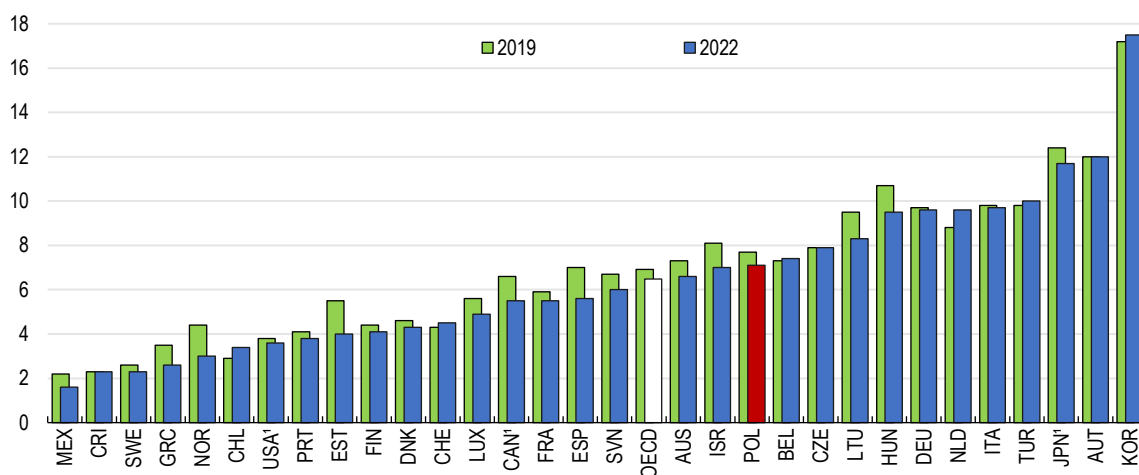
Source: Sowada et al (2019; 2022).

User charges can contribute towards more efficient use of healthcare services while avoiding additional pressure on financially vulnerable households. People in Poland see their doctors more often than in many other OECD countries (Figure 2.6) and there are no charges for consultations within primary and specialist healthcare. There are no limits on the number of visits to specialists and there is no cost to cancelling or missing an appointment. This contributes to additional demand for healthcare services and long waiting lists. Introducing a small user charge for certain groups might not meaningfully reduce access to healthcare but could reduce unnecessary visits and improve use of medical resources without undermining access to healthcare. While equal access to publicly funded health services is guaranteed by the constitution, this has not prevented introducing similar charges in other OECD countries, such as Czechia. Moreover, there could be a small fee to be paid for last-minute cancellations and missed appointments. The use of private healthcare services in Poland already demonstrates willingness to pay. However, survey evidence suggests that Poles are opposed to paying for existing public services without any improvement in quality or access (Tambor, 2018). To maximise public acceptance, a small fee could be introduced alongside better or new services, such as a reduction in waiting times. Exemptions to any fee should be made for children, those on low incomes and with chronic health conditions, to avoid unduly limiting access. While

a low fee with exemptions would raise only modest revenue, user charges should help free up some resources within primary and specialist healthcare by changing behaviour and encouraging more efficient use of doctors' time. Additional measures such as using teleconsultations for prescription renewals or offering basic health advice through an app, as in Estonia, could further raise efficiency.

**Figure 2.6. People in Poland tend to see doctors more often than in other OECD countries**

Annual doctor consultations per person



Note: 1. Latest data available from 2021.

Source: OECD Health Statistics.

StatLink  <https://stat.link/tocq2y>

Poland is expanding its use of integrated care, which is designed to provide better care to patients and links primary and hospital care more closely. Integrated care systems bring together different healthcare providers in joint treatment of a patient's health condition. There is evidence that it improves health outcomes and reduces costs in the medium- to long-term (Baxter et al 2018; Timpel et al 2020). Poland has piloted the 'PHC Plus' programme that provided comprehensive and coordinated care for adults eligible for prevention programs, people with multiple chronic conditions and/or complex needs, and other vulnerable populations. The pilot programme was implemented between July 2018 and September 2021, covering 47 primary healthcare facilities and 71 000 participating patients. The results were encouraging. An evaluation of the programme pointed to improved patient-reported health outcomes and satisfaction (WB, 2021a). But, it also highlighted the need for additional resources, such as care coordinators, to help manage the higher workload, as well as the importance of bundled payments to drive better healthcare. This helped pave the way to introducing coordinated care.

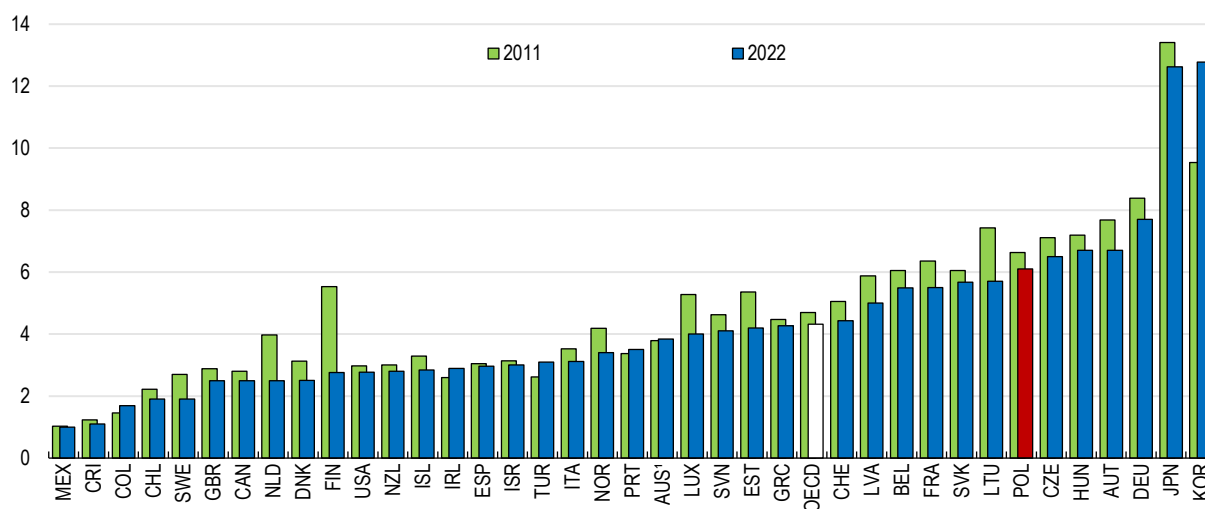
Since late 2022, the Ministry of Health has been rolling out coordinated care within primary healthcare nationwide, but on a voluntary basis. The areas covered are cardiology, diabetology, pulmonology, endocrinology, and nephrology. Participating healthcare providers are given improved access to diagnostics and specialist consultations, as well as more resources for disease prevention and health promotion. By September 2024, 37% of all primary healthcare practices - covering just under half of the population - offered coordinated care. Many more practices wanted to participate but experienced difficulties in finding specialist clinics to cooperate with. For smaller practices, the lack of additional staff resources also proved an obstacle (KLRP, 2024). The National Health Fund should provide family doctors with lists of interested specialists to facilitate cooperation. More healthcare staff, including care coordinators, should also help support further development of coordinated care networks.

## Consolidating hospitals and improving their performance

The Polish hospital sector plays a significant role in the health system but is relatively large and inefficient. Two-thirds of hospitals are publicly owned, and they account for almost 90% of all available beds. There were around 900 private hospitals in 2022, which are usually small and focus on a single specialty. The number of beds in both the public and private sector relative to the population has been slowly decreasing, but it remains relatively high at 6.1 which is a third above the OECD average (Figure 2.7). Public sector hospitals accounted for 4.91 beds per population of 1 000. The occupancy rate was 71% in 2022, around 10 percentage points below countries with more utilised hospitals, such as Switzerland or the United Kingdom, suggesting a significant degree of overcapacity. Productivity growth has been small as hospital discharge rates rose only slightly over the past decade (OECD, 2023b).

**Figure 2.7. The number of beds in the Polish hospital sector is relatively high**

Number of hospital beds in the public and private sectors per 1 000 population



Note: 1. Latest data from 2017.

Source: OECD Health Statistics.

StatLink  <https://stat.link/mf2eu>

The organisation of hospital care is relatively complex and suffers from a lack of coordination. The ownership and management of public hospitals is fragmented across ministries, medical universities and three levels of regional government comprising *voivodes* (regions), *powiats* (counties), and *gminas* (municipalities). Hospitals are funded centrally by the National Health Fund, which contracts the services and disburses the funds through its 16 regional offices. However, incentives for owners to ensure that hospitals are financially sustainable are low and the central government has periodically helped reduce debt. Since 2019, the Constitutional Tribunal has ruled that regional governments cannot be held responsible for their hospitals' debt (Dubas-Jakóbczyk et al, 2023). Furthermore, there is no single steering entity at the regional or central level that could rationalise hospital resources, which is often politically resisted at the local level and especially when the hospital is the major employer in the city or county. As many as half of all hospitals generated a gross loss and 40% were in arrears in 2018. Total hospital debt was around PLN 25 bn at the start of 2024, equivalent to 0.7% of GDP, although this was exacerbated by the pandemic.

Hospital ownership and funding should be more closely matched to put the system on a more sustainable footing, align spending to available resources and improve incentives to increase efficiency and rationalise

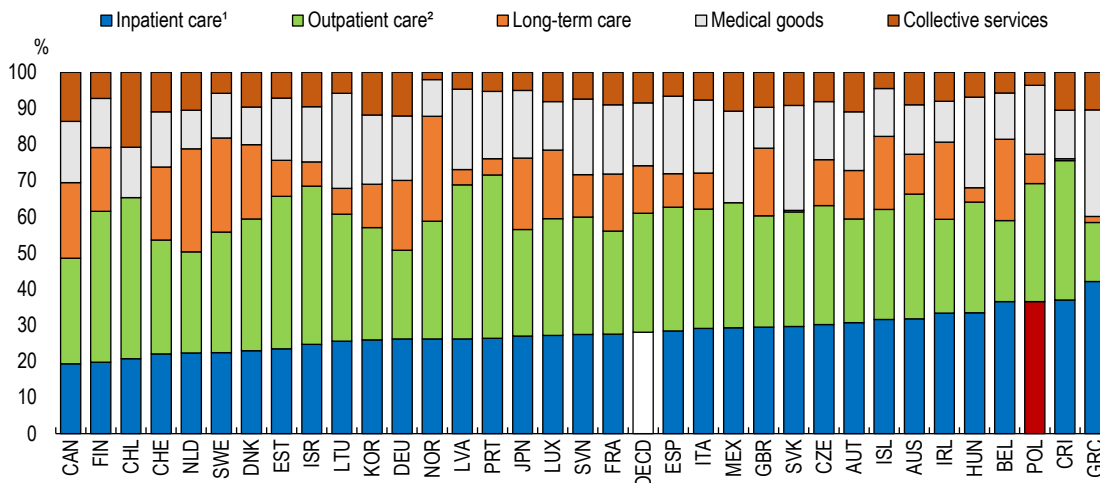
the available capacity. The reforms put forward in 2021 proposed centralising the hospital system or parts of it at the national level. But, full centralisation was resisted by regional governments, which own 85% of hospitals. An alternative could be to transfer ownership to the 16 *voivodes*, which would own all the hospitals in their region and receive funds for managing them but would need to accept financial responsibility to ensure that budget constraints are enforced. A regional setup would benefit from efficiency gains from some centralisation of management, as well as much better alignment of incentives. At the same time, the loss of flexibility at the local level can be mitigated through coordination with the region's counties and municipalities, which is currently absent. New legislation proposed in 2024 offers flexibility and regulatory incentives for hospitals to merge, but on an entirely voluntary basis. Hospitals will be able to apply to move towards shorter treatments and to reduce services, subject to approval from the president of the National Health Fund. Those hospitals with losses over 1% of revenues, however, will be required to restructure over a ten-year period after which any outstanding debts will become obligations of the owners. The overall reform will be implemented in stages and should be completed by 2034, which should provide enough time for consultation and to develop sufficient ownership among stakeholders.

The hospital system needs to be rationalised to increase efficiency, reduce costs and better meet regional health needs. Detailed maps of health needs, published by the Ministry of Health, have not yet been used fully for planning hospital resources (WB, 2021b). The development of the hospital network was based on existing infrastructure and was not tailored to identified geographic health needs (Dubas-Jakóbczyk et al, 2019). The National Health Fund's funding model differentiates spending based on a region's population and age structure to an extent, but richer regions tend to be allocated more resources than poorer ones (Sowada et al, 2019). It is unclear to what extent minimum required levels of healthcare services proposed in the latest hospital network legislation will constrain hospital budgets. More binding measures could reduce overcapacity and improve financial sustainability. For example, reducing the number of beds to bring the hospital network to a size similar to Slovakia, Belgium or France, could reduce costs by around 0.2% of GDP. Some degree of spare capacity should also be reserved for emergencies, as the pandemic has shown. Existing infrastructure could be repurposed for other types of healthcare where feasible, particularly where hospitals account for a large share of local employment. Some hospitals are already being converted to long-term care homes as part of the Polish Recovery and Resilience Plan (RRP) (see Section 2.6.2) but other facilities could also be developed as primary health care centres.

Making more use of outpatient care could lower costs and boost efficiency. Inpatient care, which is care provided by hospitals, accounted for a third of all health spending in 2021, above the OECD average (Figure 2.8). This type of care tends to be more costly than outpatient care partly as a result of additional accommodation costs. However, advances in technology have allowed the duration of some medical procedures to be shortened and moved to outpatient care settings, improving the experience for patients and reducing the cost. Over 90% of eye cataract surgeries are now carried out as ambulatory cases, as in most OECD countries. However, the share of radiotherapy treatments conducted in a day is below 65% in half of the regions (Figure 2.9). The share of tonsillectomies carried out on the same day was only 2.5% in 2021, far below the OECD average of 40% (OECD, 2023a). Greater use of outpatient care is financially incentivised within the hospital network, but does not include one-day procedures, which are contracted separately (Dubas-Jakóbczyk et al, 2019). Hospitals outside the network, mostly private, do not have such incentives. The use of financial incentives to further encourage the shift from inpatient to outpatient care should be broadened.

**Figure 2.8. Healthcare is still strongly reliant on inpatient hospital care**

Health expenditure by type of service, 2022 or latest

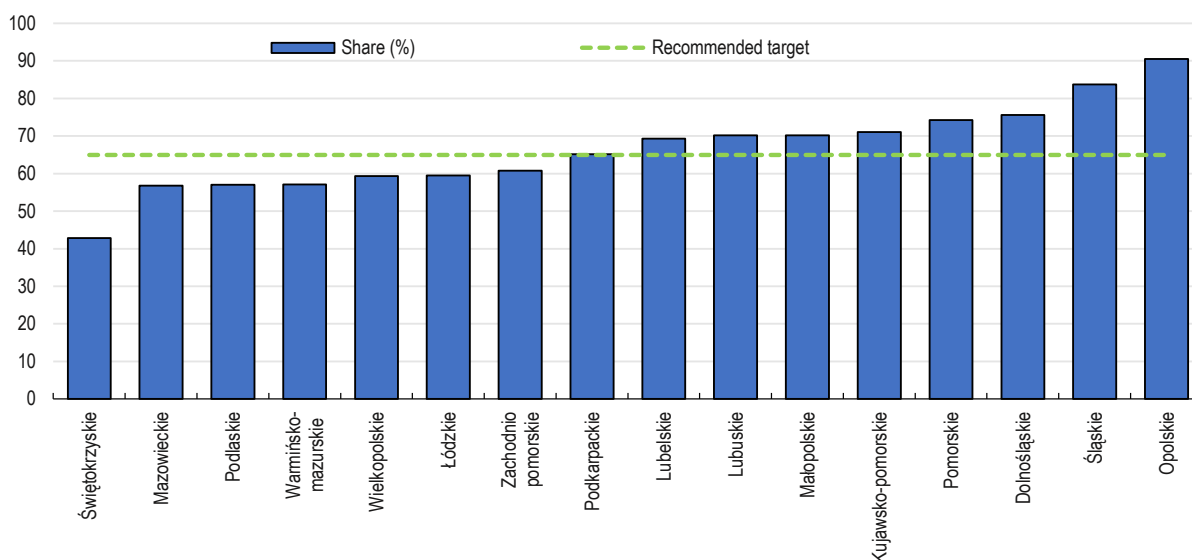


Note: Countries are ranked by curative-rehabilitative care as a share of current expenditure on health. 1. Refers to curative-rehabilitative care in inpatient and day care settings. 2. Refers to outpatient care, including specialist care, as well as home care and ancillary services. Source: OECD Health Statistics.

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**Figure 2.9. More radiotherapy treatments could be done within a day**

Share of one-day radiotherapy treatments by region, 2023



Source: Centrum e-Zdrowia.

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More coordination at the national and regional level could lead to better utilisation of existing resources and unlock additional efficiency savings. There are no formal joint procurement schemes for medicines and equipment, which could reduce costs (Sowada et al, 2019). Procurement of medicines and equipment can be coordinated between hospitals with the same owners, such as a *voivodeship*. Moreover, central

government decisions on salaries for nurses and doctors are not reflected in a timely manner in the National Health Fund's contracted healthcare services. Consequently, recent sharp increases in wages are exerting additional financial pressure on hospitals. Better coordination and synchronisation at the central level of government could reduce some of the financial pressure on hospitals.

Comprehensive measurement of quality will enable improvement in hospital healthcare. The 2017 hospital reform only considered financial indicators when assessing hospital performance. However, safe equipment accounts for less than 50% of all equipment owned while only 27% of hospitals use an electronic register of adverse events (IPPiEZ, 2023). The 2023 Health Care Quality and Patient Safety Act will raise the level of healthcare quality and patient safety, and a set of indicators is being developed. Some hospitals already collect data on quality but not in a consistent manner (WB, 2021b). To be effective, quality assessments at the system as well as hospital level should be related to management and staff objectives to incentivise increases in performance.

Improving management will be essential to drive better hospital performance. Low management quality has, in part, contributed to hospital indebtedness (WB, 2021). Several case studies of highly indebted hospitals indicated the existence of numerous problems related to ineffective management. When reforms were implemented in the past, they were often not complemented with appropriate management changes in individual hospitals. Many hospitals' financial sustainability was little improved by previous debt relief programmes (Dubas-Jakóbczyk and Koziel 2020). Management quality should be raised by developing leadership and managerial capacity through mandatory training. Executive education programmes at universities, aimed at middle and senior hospital executives, were recently expanded and proposed legislation will require hospital managers to undergo additional training in restructuring and management methods. However, equally important will be to introduce accountability mechanisms whereby good performance is rewarded and bad performance sanctioned.

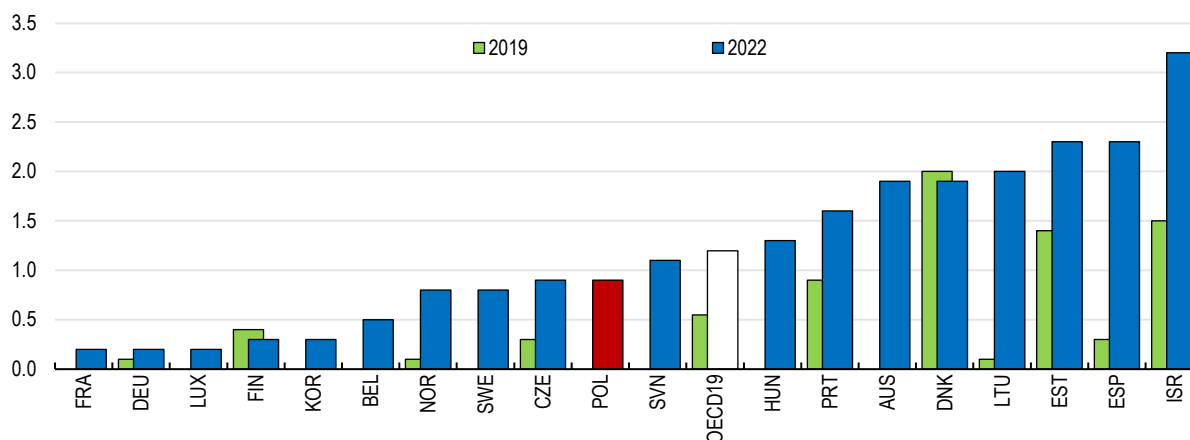
### ***Reaping the benefits of digital healthcare***

The pandemic accelerated the digitalisation of healthcare in Poland. Online services available in the Patient's Portal have been significantly expanded to include e-prescriptions, teleconsultations, e-sick leave, e-referrals and electronic medical records. People can securely view and control access to their medical information. Teleconsultations were rarely used prior to the pandemic, but by 2021 62% of adults had a teleconsultation. Teleconsultations made up just under a fifth of all doctor consultations in 2022 and are now firmly established (Figure 2.10) (OECD, 2023b). In 2022, 96% of prescriptions were electronic and sick leave is paperless. These services are also available in a mobile app, both in Polish and Ukrainian, making healthcare services even more accessible. As a result, the maturity of Poland's e-health systems has been ranked as the fifth highest in the EU in 2022 (EC, 2024b).

Nonetheless, the use of digital healthcare for primary uses should be further improved. Housed in the Ministry of Health, the e-Health centre has developed and maintains the central health platform that allows healthcare provider systems to connect, view, record and share medical information. Around 80% of medical entities and practices have enough equipment and IT solutions to enable electronic medical records to be created, processed and stored. However, the use of electronic medical records could be developed more. Around 40% of facilities do not have a repository for medical records. Less than half of practices are not indexing records in the central health system and less than 20% use the system to exchange information with other medical practice. Instead, electronic health records are exchanged through hard copies. While digitalisation is generally welcome by healthcare staff, more than half of entities and practices in the health sector face barriers to further digitalisation. Two thirds of hospitals and, overall, a third of all entities identified a lack of sufficient financial resources as a key barrier while around a tenth reported a lack of digital skills as an obstacle to further digitalisation (CeZ, 2023). Investment will be bolstered by the EU Recovery and Resilience Facility funds although they have been delayed and are time-limited. Poland should ensure sufficient financing for digital projects, particularly among hospitals.


**Figure 2.10. Teleconsultations are common and are around the OECD average**

Annual doctor teleconsultations per person



Note: The OECD19 average includes Australia, Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Hungary, Israel, Korea, Lithuania, Luxembourg, Norway, Poland, Portugal, Slovenia, Spain, and Sweden.

Source: OECD Health Statistics.

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There is potential to develop more analytical capacity. Rules and regulations are guided by the EU and, similar to other Member States, Poland is participating in the development of the European Health Data Space. Technical standards that drive data integration and use are in place and Poland has key institutions to support the digitalisation of the healthcare system. But to make the most out of the data, further developing analytical skills will be key. Currently, data is used to develop maps of health needs and some health providers already use artificial intelligence (AI) in oncology. The e-health centre is also developing a data management tool to improve the collection and distribution of blood in the health sector. But, there are many more potential uses of health data. To support secondary applications of data, digital skills and advanced analytics in medical education should be expanded. Poland should also invest more in advanced analytics in the Ministry of Health, the National Health Fund and regional authorities.

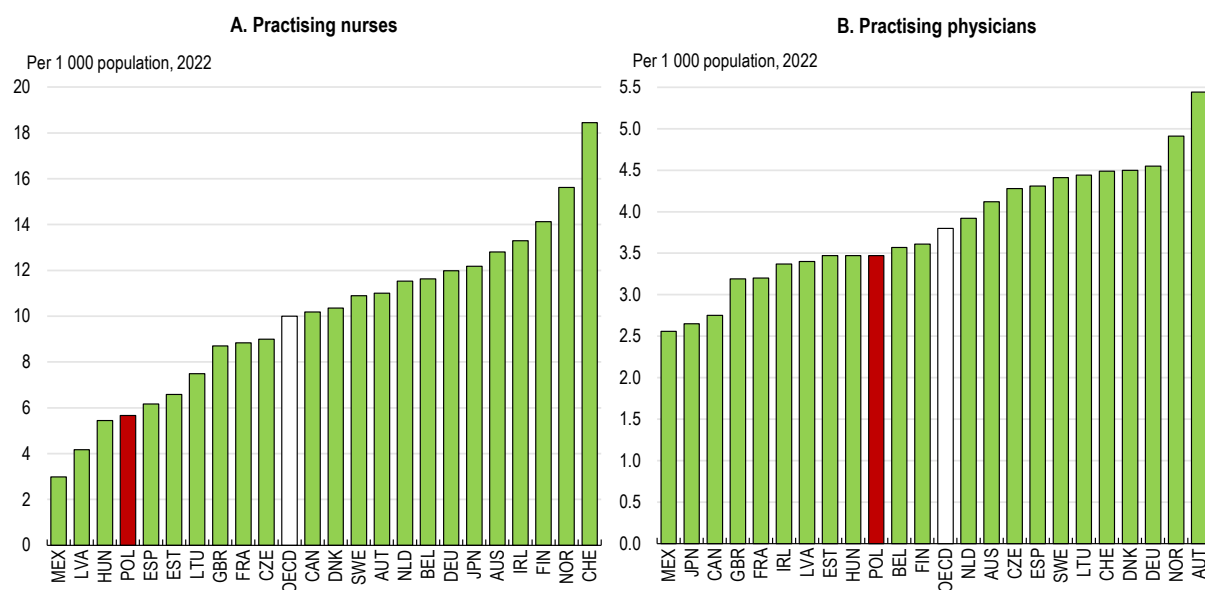
## Ensuring an adequate healthcare workforce for the future

A shortage of healthcare workers has contributed to subpar quality of healthcare, although in recent years Poland has made significant progress in boosting the numbers of nurses and doctors. Adequate healthcare staff levels are essential to a resilient healthcare system since workloads can surge during a crisis as the pandemic has shown (OECD, 2023f). Poland has experienced a persistent shortage of health workers due to an insufficient number of medical and nursing graduates, an ageing workforce, and migration. This has contributed to long waiting times and lower access to healthcare (NIK, 2022). At the end of 2023, there were 7 674 vacancies, accounting for around 1% of all jobs in the healthcare and social work sector. Shortages of healthcare staff tend to be more pronounced in small counties, around large cities and in rural areas (Sowada et al, 2022).

The number of health workers relative to the population is low in Poland compared to other OECD countries. Although it has been slowly rising since 2008, employment in the healthcare and social sector made up just 6.5% of the total in 2021, a third lower than the OECD average and lower than in most European OECD countries. In 2022, there were 3.5 practising doctors per 1 000 people, which was around the OECD average, but there were just 5.7 nurses per 1 000 people (Figure 2.11). To reach average OECD levels, Poland is boosting the number of doctors, but it will have to increase the number of nurses by

around 50% or 115 000 nurses from 2022 levels to reach this norm. The numbers of dentists and pharmacists are also below the OECD average. Poland has the fewest care workers relative to its population in the OECD (OECD, 2023a). At the same time, Polish health and social care staff worked some of the longest hours among European countries, averaging 39.1 hours per week in 2023, which is around four and half hours more than the EU average. While this can help increase the volume of care, it can create risks to patients and to medical staff, as well as make the profession less attractive.

**Figure 2.11. The number of nurses per capita is significantly below the OECD average**



Notes: The OECD average is unweighted.

Source: OECD Health Statistics.

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In the context of a declining workforce and a tight labour market, increasing the healthcare workforce will be a significant challenge. More workers will be needed as the demand for healthcare grows, but the ageing workforce is likely to worsen the shortage further. Projections suggest that between 2020 and 2030 the demand for additional healthcare staff will rise by 31%, while it will rise by 51% in social care, more than three times as fast than the average projected growth in the EU (Schneider et al, 2022). Addressing this will require a sustained multi-pronged policy effort. Improving working conditions will play a key role as remuneration has become competitive. Better retention policies will help keep some nurses and doctors working for longer. However, more doctors and nurses, in particular, will need to be trained in priority areas. Poland could also make more use of immigration to boost its healthcare workforce. To ensure an adequate healthcare workforce for the future, data collection will need to improve, and long-term comprehensive strategic planning is needed.

### ***Improving working conditions, ensuring competitive pay, and boosting retention***

Poor working conditions, characterised by long hours and a high workload, have been a longstanding issue (Sowada et al, 2019; Domagala et al, 2022). Alongside pay, working conditions have been one of the main issues in healthcare staff protests in 2017 and 2021. In the past, they were a key reason driving emigration of nurses and doctors from Poland (Domagala et al, 2022). There is evidence that long hours and high workloads have also worsened the quality of medical care and (NIK, 2023). This has potential implications for patient safety. For example, a recent study in Australia suggests that an additional patient per nurse

increases the likelihood of inpatient death by 7% within 30 days (McHugh et al, 2021). Working conditions in the health system need to improve to make the medical profession more attractive.

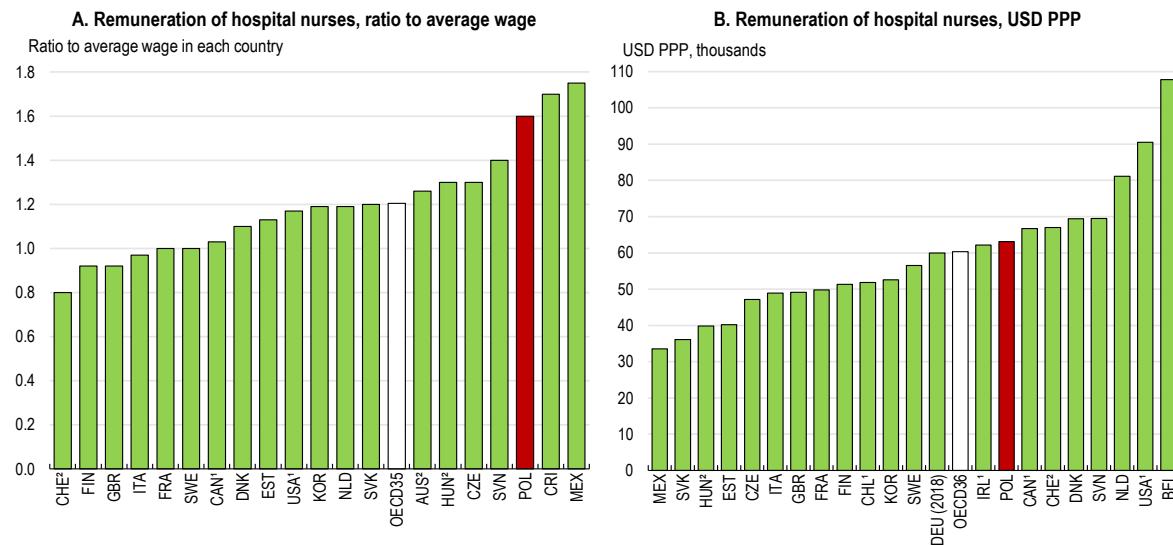
Setting personnel standards for the whole healthcare sector can lead to better working conditions. The Labour Code regulates Occupational Health and Safety, but this pertains to the physical safety of workers. Regulations that prescribe quality standards and working hours in healthcare are largely missing and those that exist are not enforced. For example, there is a general limit of 37 hours and 55 minutes per week for employees, but many doctors opt out. In some cases, doctors worked continuously for several days (NIK, 2023). For those working as contractors, there are no specified working hours and working conditions (Euraxess, 2024). Limits of working hours for nurses and midwives are set out in law but not enforced. More explicit guidance on working practices, such as setting limits on the number of patient consultations in a given time period and overtime hours, should be provided for all healthcare staff. Improving working conditions will necessitate additional resources as fewer hours will require more staff to maintain existing levels of healthcare and will need to be phased in gradually as more nurses and doctors are trained.

Nurses' pay has become competitive following recent increases. In the past, relatively low salaries contributed to a low number of nurses, especially as many emigrated to other EU countries. Comprehensive regulation of minimum basic salaries in the health sector was introduced in 2017 and automatic annual indexation ensures they are raised at least at the rate of national average wage growth. Between 2019 and 2022, wage growth in healthcare was among the highest in the OECD (OECD, 2023f). In 2022, the ratio of Polish nurses' average wages was 1.6 times higher than the national average wage, among the highest in the OECD average (Figure 2.12 A). When adjusted for differences in purchasing power, salaries relative to traditional destination countries such as the United Kingdom, have improved although they still below countries such as Germany and Belgium (Figure 2.12, B). In 2023 and 2024, wage growth has been around 12-13% each year and broadly in line with growth in the rest of the economy (OECD, 2023b). This has ensured that nurses' pay relative to the average national wage remained competitive and automatic wage indexation should ensure these gains are maintained.

Doctors' pay has risen strongly since 2012 and is now significantly higher than in the past, which has helped make the medical profession more attractive and has reduced emigration. However, the increases in specialists' remuneration have not kept pace with increases for generalists and specialists' remuneration remains lower in comparative terms. Doctors spend most of their time working in the public sector, but many also work in the private sector. In the public sector, general practitioners earned a little over twice the national wage in 2022, broadly similar to the OECD average (Figure 2.13, A). Appropriate pay for family doctors is helpful in encouraging people to choose this career path. However, unusually, specialists' remuneration was far below those of generalists and among the lowest in the OECD in 2021 relative to the overall wage level (Figure 2.13, B). Relatively low remuneration can drive doctors to work in the private sector where they can earn more. Thus, there is scope to further boost the relative pay for specialised doctors, while maintaining pay for family doctors in order to continue supporting the shift towards primary healthcare.

## Figure 2.12. Average salaries for nurses have been competitive

2022 or nearest year

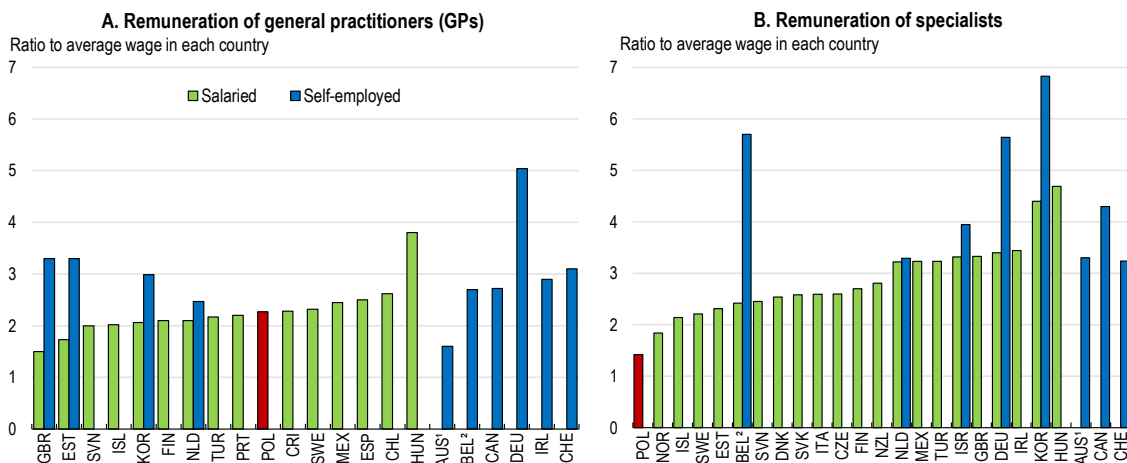


Note: In Panel A, remuneration refers to average gross annual income for nurses working full time, including social security contributions and income taxes payable by the employee. The data for some countries do not include overtime payments. Nurses' income is compared to the national average wage of full-time employees in each country. 1. Data refer to registered ("professional") nurses only in the US, Canada, Ireland and Chile (resulting in an over-estimation). 2. The data for New Zealand and Switzerland include "associate professional" nurses, who have lower qualifications and revenues. In Panel B, 1. The data also include "associate professional" nurses who have lower qualifications and income. Source: OECD Health Statistics.

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## Figure 2.13. Remuneration for specialists is comparatively lower than in most OECD countries

Remuneration relative to the average national wage, 2022 or latest available

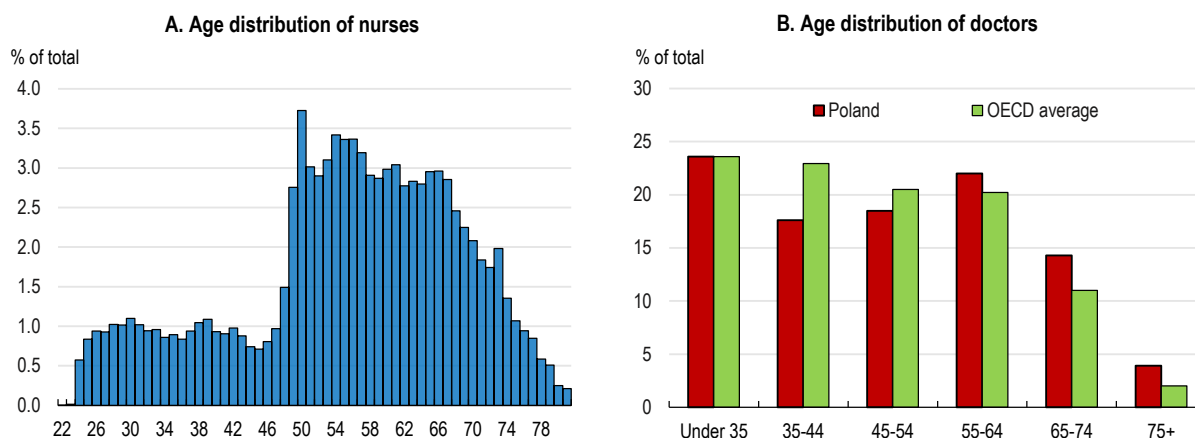


Note: Remuneration refers to average gross annual income, including social security contributions and income taxes payable by the employee. It usually excludes practice expenses for self-employed doctors. Doctors' income is compared to national average wages of full-time employees in each country. 1. Includes physicians in training (leading to an underestimation). 2. Includes practice expenses (leading to an overestimation). Source: OECD Health Statistics.

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Many nurses and doctors are close to or over retirement age (Figure 2.14). Since October 2017, the retirement age has been reduced to 60 years for women and 65 years for men regardless of the date of birth, which can exacerbate worker shortages. Around 20% of working nurses and 24% of doctors of retirement age. Poland has allowed older workers to benefit from pensions while working, which has increased financial incentives to postpone retirement but should also focus on areas where there are current or imminent shortages. For example, in the German state of Thuringia GPs aged 65 and above are eligible for additional pay in underserved rural areas (OECD, 2016). Non-financial incentives can be equally as important. Studies suggest that reducing working hours and workload intensity can encourage doctors to practice longer (Silver et al, 2016; Cleland et al, 2022). More flexible hours and shifts can encourage nurses to work longer, too (WHO, 2022; Rodwell, 2023). But, opening hours for practices run by family doctors are long and the regulations make it difficult for smaller practices to flexibly adjust them. These rules should be relaxed to facilitate the retention of older doctors and nurses, particularly in areas that are at risk of losing healthcare access due to retirement of healthcare staff.

**Figure 2.14. Poland faces an ageing healthcare workforce**



Note: Data for nurses is for 2023. Data for doctors is for 2022 or the latest available year.  
Source: Supreme Chamber of Nurses and Midwives; OECD Health Statistics.

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### ***Training more nurses and doctors***

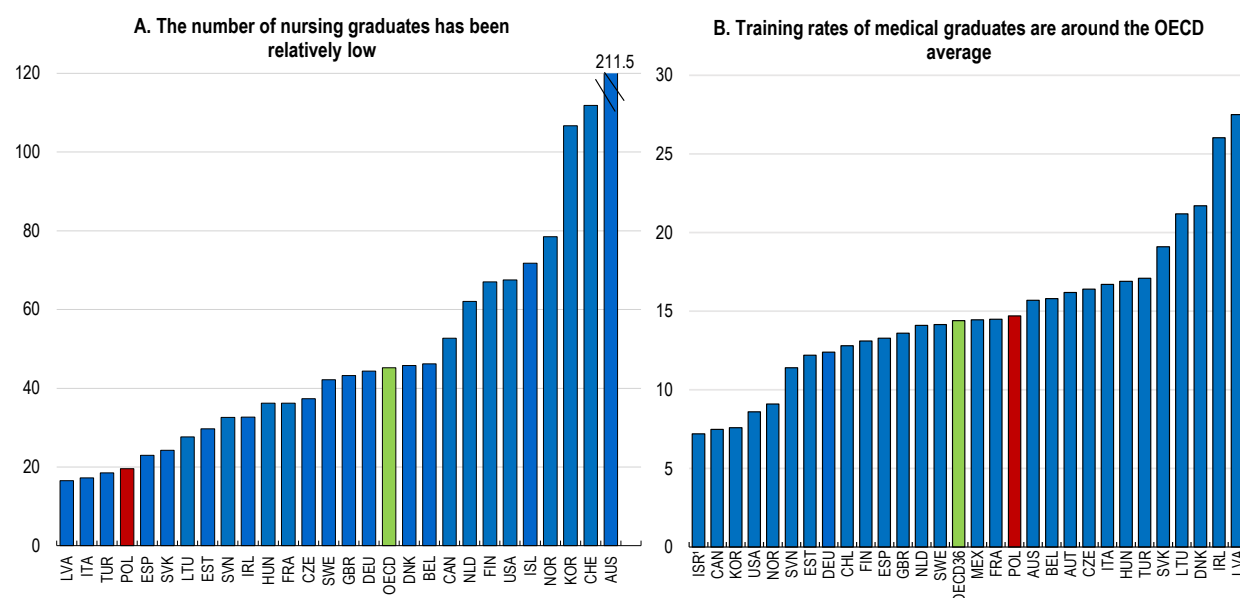
The rate of training of new medical personnel has been too low to keep up with needs, address shortages, manage the ageing workforce and support needed improvements in care. The training rate of nurses in Poland has been much lower than in most OECD countries (Figure 2.15, A). However, the number of nursing graduates has almost tripled from its low in 2016 to around 16 892 nurses in 2023 as the number of schools educating nurses and midwives expanded significantly to 121 schools. While the increase in training is sufficient to broadly maintain the existing nursing workforce, it is still far below the training rates needed to reach average OECD levels. Training healthcare assistants to take over administrative tasks from nurses, where appropriate, could also help boost effective nursing resources. Nonetheless, the number of nursing graduates needs to be raised substantially further. The additional number of nurses to close the gap with the OECD average could cost roughly 0.4% of GDP per year. More nurses will eventually allow for increased task-shifting and could free up doctors where needed.

More doctors are needed to meet demand. Between 2005-22, the authorities increased the number places in medical studies by around 160%. This has boosted training rates, increasing them 40-50% between 2011 and 2022, and resulting in a 20% increase in medical graduates over 2019-22. There were 5 500 medical graduates in 2022, representing a training rate slightly above the OECD average and this should

continue rising as higher numbers of students graduate (Figure 2.15, B). New dentists were trained at rates above most OECD countries. The Ministry of Health, in coordination with the Ministry of Higher Education, has continued raising admissions and increasing the number of universities offering medical studies. For the 2024/25 academic year, the number of available places was 10% higher than in 2021 and available at two more universities, bringing the total to 33. In addition, five universities have applied but did not receive accreditation to provide medical education. There are shortages of lecturers, which can affect the quality of teaching, especially in universities that have not trained medical students before and in newly created courses (NIK, 2023). With the Ministry of Health aiming to further increase the number of medical admissions to 10 000, it will be important to accompany the additional expansion of medical education with adequate resources. While the target training rates will help address shortages in the medium term, there is a risk there could be an excess number of doctors in coming decades. The Ministry of Health projections suggest the supply of doctors could exceed demand by 2034. Thus, it will be important to calibrate training rates as part of workforce planning in order to avoid inefficiencies in healthcare spending.

**Figure 2.15. The number of nursing graduates has been relatively low**

Training rates per 100 000 inhabitants, 2022



Note: A large number of medical graduates are int'l students in some countries (e.g. Ireland, the Slovak Republic, Czechia and Hungary). Data excludes int'l students, resulting in an under-estimation (about 15% of graduates in Israel and 5% in New Zealand were int'l students in 2021). Source: OECD Health Statistics.

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The additional supply of doctors should be balanced across different specialisations. Since 2012, the Ministry of Health has designated specific specialties as priorities and increased the number of available residencies in those specialties (Michalik et al, 2024). In 2015, this was complemented by additional public funding for residency places (Sowada et al, 2019). The salaries for priority specialisations are higher than for other residencies. Currently, 23 specialties are prioritised out of a total of 77. Despite these incentives, some specialised training programmes such as those in internal medicine, paediatrics, and general surgery, do not attract a sufficient number of doctors (NIK, 2022). Interest in specialisations should be better aligned with needs.

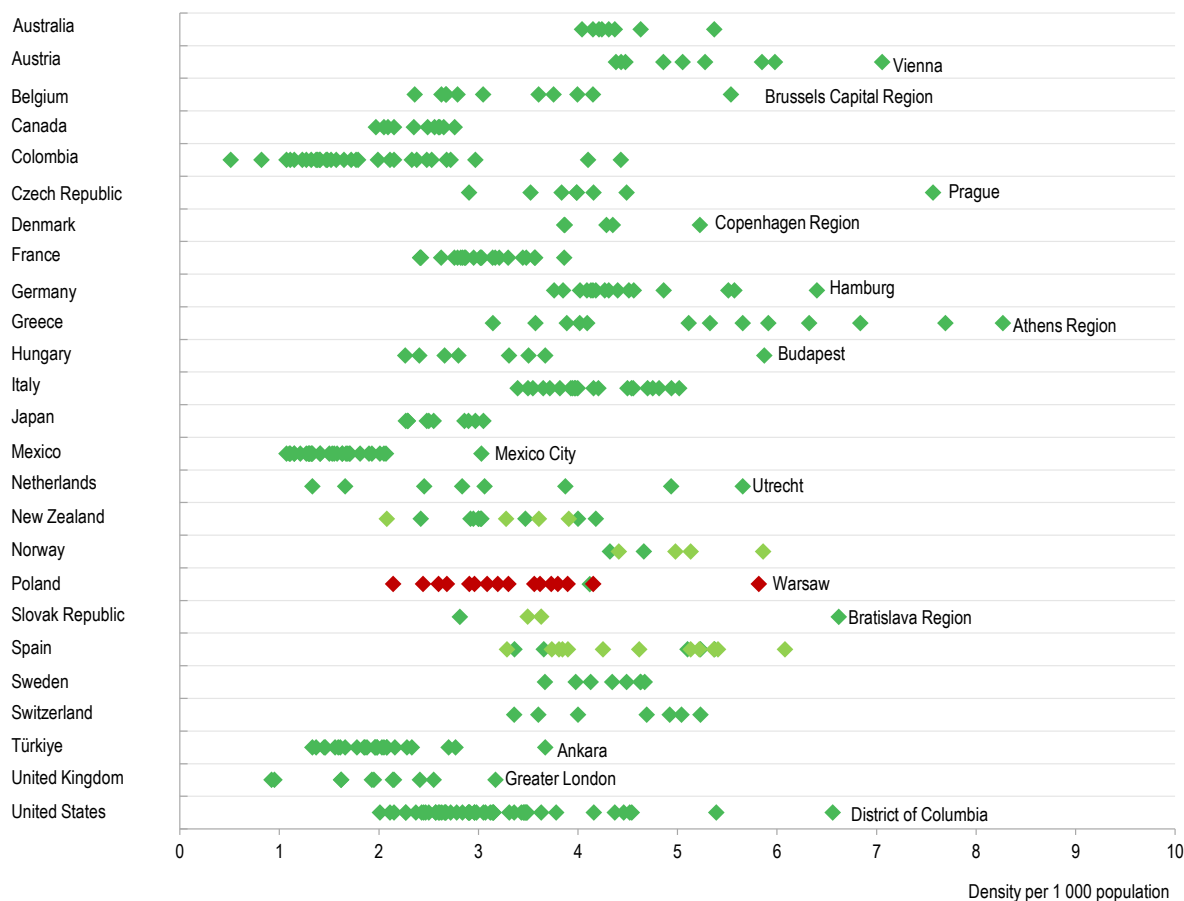
Recent research suggests that financial compensation is a key driver of a choice of specialisation among medical graduates, especially as many would like the option to work both in the public and private sectors (Michalik et al, 2024). Yet, salaries for resident doctors in priority specialisations have decreased

substantially relative to others although they are still higher than in non-priority specialisations (NIK, 2023). This differential should be raised. More generally, salaries across specialisations in the healthcare system could be more differentiated to entice medical graduates to specialise in fields where the highest shortages exist. However, non-financial factors such as working conditions and flexible hours are also highly important and specialisations that do not seem to offer a good work-life balance tend to attract fewer medical graduates (Michalik et al, 2024). Focusing on improving working conditions and, in particular, in specialisations with the highest shortages, could boost the number of doctors in those respective fields.

Staff also need to be broadly based across the country to ensure good access to healthcare. The geographical distribution of healthcare staff is uneven among Poland's regions (Sowada et al, 2019). For example, Warsaw has three times as many physicians than the Wielkopolskie region relative to population (Figure 2.16). In general, urban areas tend to have more doctors than rural areas in many OECD countries. To mitigate this, the Ministry of Health has worked with regional governments (*voivodeships*) since 2008 to broaden medical education to non-medical universities in regions with high shortages and it is now possible to study medicine in all regions. For nurses, there are 121 public and private schools of which 36 schools also offer education for midwives (Sowada et al, 2019). However, they are less prevalent in the western part of the country. As part of its strategy on nursing and midwifery, the Ministry of Health is aiming to increase training places in those regions where the shortages are the highest (MZ, 2017). However, it is not clear that regional gaps have narrowed over time. Efforts to attract more doctors and nurses to rural areas could be complemented by admitting more students from rural areas by offering scholarships, for example, as this can also increase regional mobility (MacQueen et al, 2017).

**Figure 2.16. The distribution of healthcare staff is uneven across Polish regions**

Physician density, by level 2 regions, 2022 (or nearest year)



Note: Latest data for Denmark and Sweden refers to 2021 and 2020 for Finland.

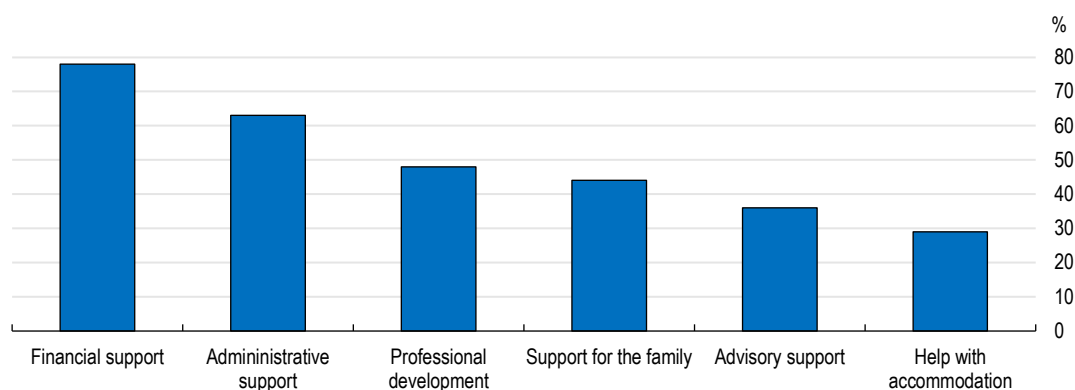
Source: OECD Regional Database.

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A package of policies combining financial incentives, administrative and professional support could further raise the attractiveness of working in rural areas. Survey evidence suggests that higher financial incentives are key to attracting more doctors to rural areas alongside administrative support for running a practice and support for professional development (Figure 2.17). Currently, there are no national financial incentives to take up work in rural areas, although some local governments offer additional stipends, housing allowances and travel assistance. The Ministry is working with local governments to help provide housing for nurses relocating to more remote areas (MZ, 2017). The Ministry should systematically introduce more financial support through fixed additional payments or higher capitation fees for doctors working in underserved rural areas. More flexible working hours would also help boost the work-life balance and may attract younger doctors. Developing primary health centres that allow multiple doctors to work in the same place could, in some cases, more efficiently provide additional support and flexibility. For example, France has financially supported doctors to set up their practices in underserved areas and given monthly stipends to medical students and interns who, after completing their training, agree to practise for a minimum duration in those areas.


## Figure 2.17. Financial incentives and administrative support could boost rural healthcare access

Factors that would encourage doctors to work in rural areas, 2022



Note: The question asked in the survey was: “Which actions do you think would encourage young doctors to work in remote, rural areas?”. Financial support refers to financial incentives to work in rural areas. Administrative support includes finding appropriate premises, providing staff, co-financing employee training, and co-financing equipment purchases. Support for the family refers to help with finding work for spouses and/or help with placing children in a nursery or kindergarten. Advisory support refers to tax and legal advice.

Source: Federation of Health Care Employers’ Associations(2022).

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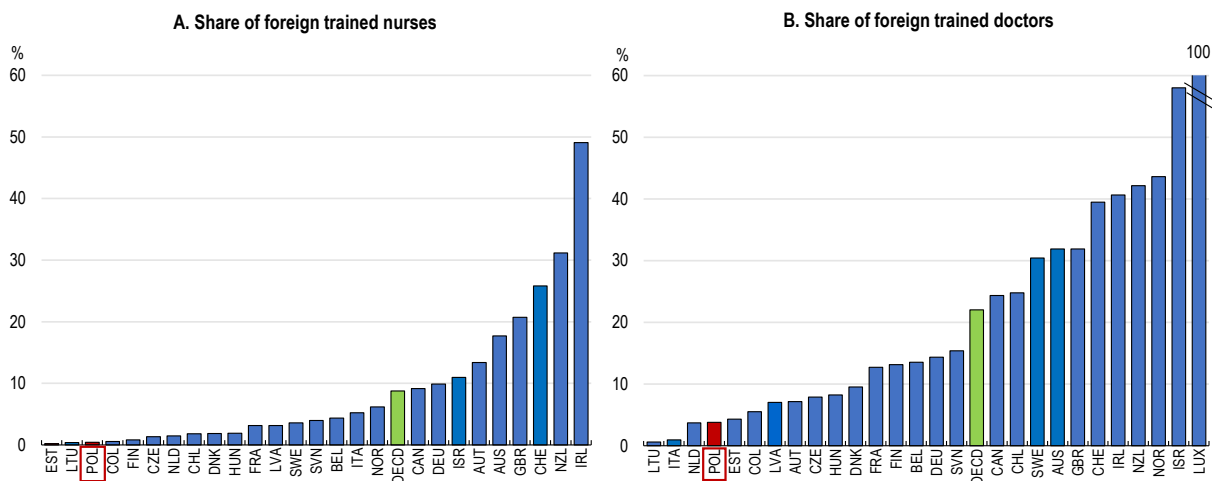
### ***Making more use of foreign workers***

Greater use of foreign workers could help alleviate labour shortages in healthcare, particularly given the lags in expanding the number of Polish healthcare professionals. Foreign-trained nurses only accounted for 0.4% of nurses in Poland in 2022, one of the lowest shares among OECD countries (Figure 2.18, A). They have historically mostly come from Ukraine (Janik, 2020). More foreign nurses should be attracted to help address shortages in the short term, including in long-term care. Raising the number of foreign-trained doctors can also fill vacancies. Only 3.8% of doctors were foreign-trained in Poland, well below the OECD average (Figure 2.18, B). They tend to be mostly from Ukraine, Germany, Belarus, Czechia, Lithuania, Russia, Syria and Sweden (Kowalska-Bobko et al, 2021).

Poland has made it easier for foreign non-EU healthcare professionals to work in the Polish system. While there are no restrictions on EU nationals working in healthcare in Poland, professionals from non-EU countries had to meet a number of requirements before they can practice in Poland. This included the recognition of a foreign diploma, evidence of an internship, a medical examination, and fluency in the Polish language. Since 2020, the immigration process has been considerably simplified. Now, medical licenses can be directly issued by the Ministry of Health, and foreign healthcare professionals have five years to meet the requirements. Adequate knowledge of Polish language is still required, but no formal test is necessary. A dedicated hotline has been established in 2022 to assist with the application process. This has paved the way for 5 408 Ukrainian healthcare professionals to obtain a temporary medical license by September 2024. Simplified procedures, conditional on minimum quality criteria and a working level knowledge of Polish, supports higher immigration, which will help address staff shortages. Proving training support for learning the Polish language and improving medical skills is important in ensuring the successful integration of foreign healthcare workers.

**Figure 2.18. Foreign-trained healthcare professionals could help alleviate shortages**

2022 or latest year available



Source: OECD Health Statistics.

StatLink  <https://stat.link/zr5p14>

Polish migration policy should capitalise on a simplified immigration system for healthcare professionals. Having been suspended since 2016, a new migration strategy for 2025-30 is being developed. It should consider targeted bilateral migration programmes as these could boost the supply of foreign medical professionals. Several OECD countries have set up mutually beneficial migration programmes for healthcare professionals in order to facilitate migration between countries. The United Kingdom has signed memoranda of understanding with India, Kenya, Malaysia, Nepal, the Philippines and Sri Lanka to develop migration pathways that benefit the UK and the sending countries. Germany established a similar bilateral agreement with Vietnam in 2012 to train and recruit geriatric nurses, while also providing German language training (OECD, 2016). Italy has concluded bilateral agreements with Argentina and Paraguay and is currently exploring a new agreement with India to allow for the migration of nurses. Poland could benefit from a similar bilateral programme to facilitate migration from non-EU countries. It should launch campaigns in selected countries to attract more nurses, including care workers, and doctors while respecting the WHO's global code of practice on the international recruitment of health personnel.

### ***Healthcare workforce planning needs to improve***

Healthcare workforce planning could be improved through better data collection. At present, data collection is dispersed across several institutions and collected data may not always be coherent. For example, there have been large discrepancies in the nationally reported number of human resources in health and the numbers reported to international databases (Sowada et al, 2022). There are also concerns that the collected data is not complete. Central registers for nurses and doctors have not been updated on a timely basis, while no registers exist for some medical professions such as paramedics (NIK, 2022). In addition, some information such as hours worked is not collected, making it difficult to conduct evidence-based policies. There have been some improvements in using a range of databases to estimate the number of doctors, dentists, nurses and midwives (Statistics Poland, 2023). However, further progress in data collection on the healthcare workforce is necessary. Digitalisation offers an opportunity to gather more detailed and higher quality data.

Healthcare workforce planning needs to be strategic and long-term, underpinned by analytical capacity. The Department for Analysis and Strategy within the Ministry of Health is developing detailed models for

the supply of medical staff and demand for healthcare services in order to make healthcare workforce projections (NIK, 2022). Poland is also participating in the EU HEROES Joint Action platform where countries exchange best practices on workforce planning and forecasting. However, long-term projections are not systematically used in workforce planning. Decision making is still ad hoc as the Ministry of Health and the Minister of Science and Higher Education set admission limits for studies annually based on proposals by universities while training decisions are made each year in collaboration with regional governments (NIK, 2022). Moreover, in recent years, the Ministry announced admission limits only after universities started accepting applications. Although the authorities have a specific strategy on nursing and midwifery, there is no long-term comprehensive healthcare workforce strategy.

## Improving health through better treatment and more prevention

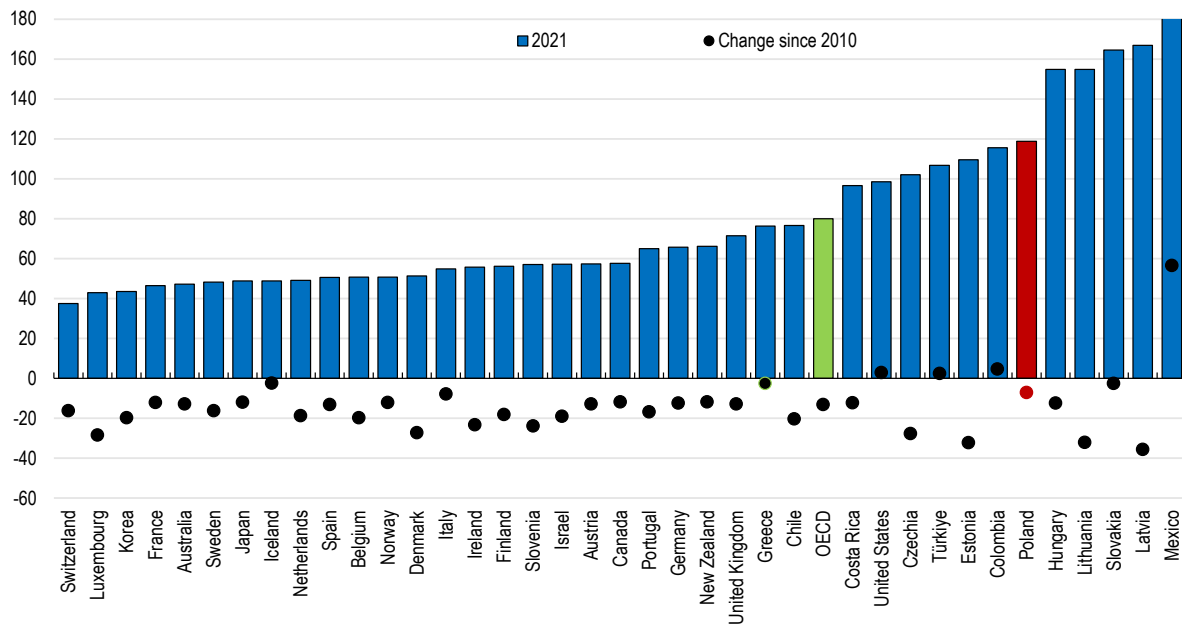
### *Detecting diseases earlier and treating them faster*

Mortality rates from treatable conditions remain elevated. Close to 10% of all deaths in 2019 could have been avoided through timelier and more effective healthcare interventions (Figure 2.19). Treatable mortality rates have fallen in line with the OECD average between 2010 and 2019, but progress has been slower than in other similar countries and it slowed due to a rise in deaths related to COVID-19. Still, treatable mortality remains around 40% higher than the OECD average. The most common causes of death that could have been avoided through treatment are ischaemic heart disease, stroke, and cancer. Overall, cancer mortality was the fifth highest in the OECD. Men are much more likely to die from cancer than women partly because cancers that affect women in Poland are more treatable (OECD, 2023d). To reduce the number of premature deaths, it is essential to detect disease early and proceed to treatment quickly and effectively.


The risk factors that lead to coronary heart disease, hypertension and stroke need to be better monitored. These risk factors are unhealthy diets and insufficient physical activity, obesity, high cholesterol, irregular heartbeats and diabetes. Poland has introduced a voluntary testing programme in July 2021, “Prevention 40 Plus”, for people aged 40 years to diagnose risks of chronic diseases. The programme has been repeatedly extended and currently lasts until 2024. Early results have been encouraging as around 10% of the eligible population has taken part and some patients have had health risks detected at an earlier stage than otherwise would have been the case (Gumulka, 2024). There are long-term benefits to better health monitoring and the programme should be made permanent, similar to health checkups offered by national insurance systems in Austria, France and Germany. However, its implementation and scope need to be evaluated so that future iterations can be improved. Moreover, as part of a greater focus on prevention in primary healthcare, family doctors should be financially incentivised to encourage at-risk patients to participate.

**Figure 2.19. Mortality from treatable conditions is elevated**

Deaths per 100 000 inhabitants (standardised rates)



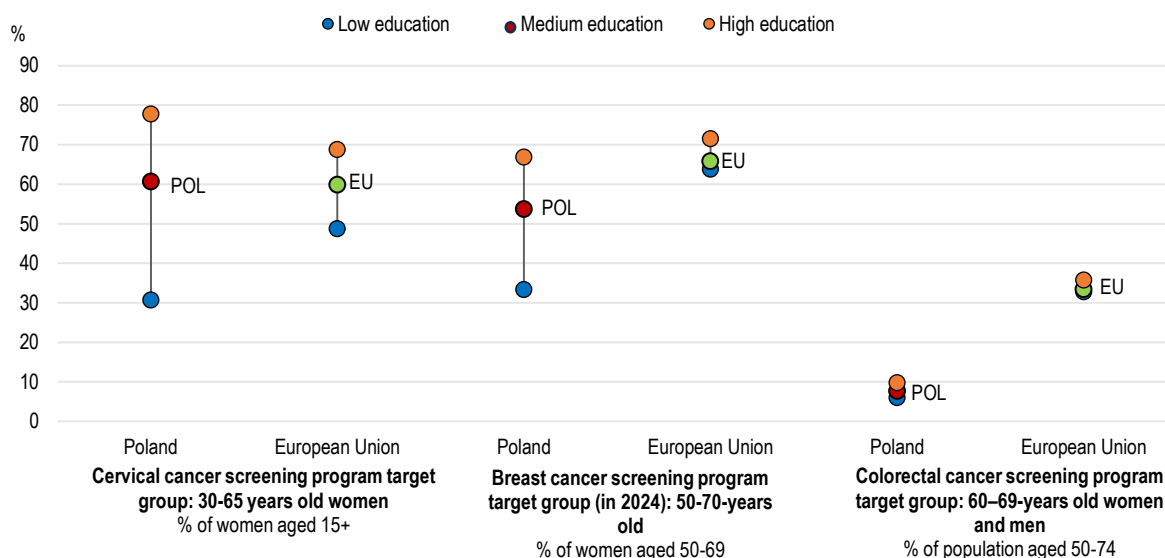
Source: OECD Health at a Glance 2023.

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Detection of cancer needs to improve. The incidence of cancer in Poland is below the EU average, but mortality rates tend to be higher than the average. The most common forms of cancer are breast, prostate, lung, colorectal, uterus and bladder cancer. Poland has been running free nationwide screening programmes for breast, cervical and colorectal cancer since the early 2000s. For cervical cancer, screening participation rates are roughly in line with the EU average. However, participation rates are low for breast cancer screening. Only 54% of women aged 50-69 in 2019 report having had a mammogram in the preceding two-year period, below the EU average. While just a third of the target population attends colorectal cancer screening in the EU, this is even lower at 8% in Poland. The participation rates tend to be lower for people with lower education (Figure 2.20). Other cancers are not systematically screened for. As a result, when cancer is detected, it is often detected at a later stage. Late diagnosis is associated with higher cancer mortality.

## Figure 2.20. People with lower education are less likely to participate in cancer screening

Survey-based screening rates, 2019



Note: The data refer to self-reported screening rates based on the European Health Interview Survey.

Source: Eurostat.

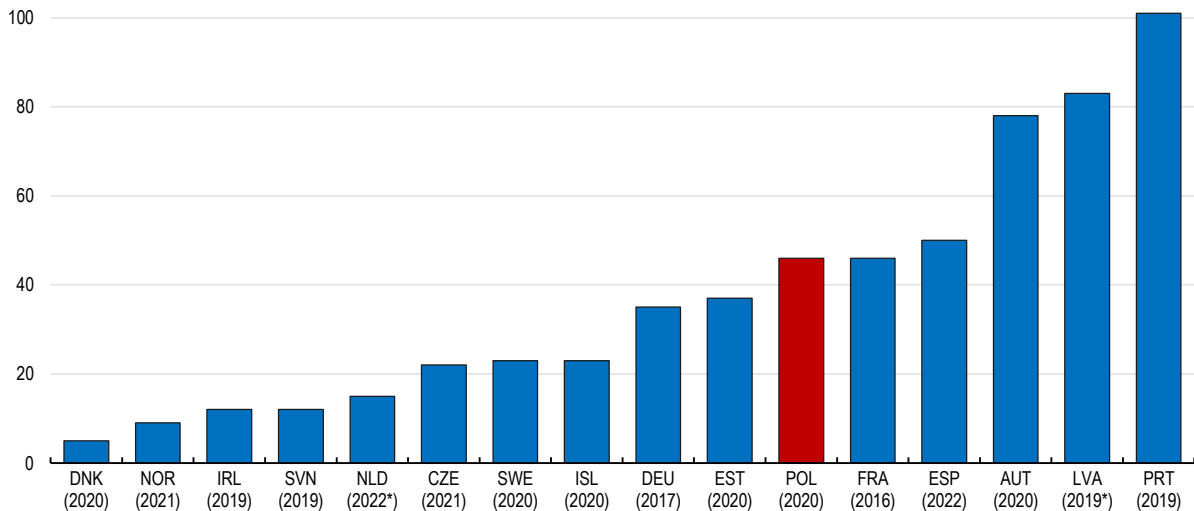
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Nationwide cancer screening programmes should be strengthened. Cancer screening is free and can be accessed without referrals. Coverage for breast cancer testing was extended to ages 45-74 as per EU recommendations, while for colorectal cancer testing Poland should raise the upper age limit from 65 to 74 as many other European countries have already done (OECD, 2024a). Participation rates should be boosted through more intensive outreach. Since 2022, invites are also sent out via the online patient portal. This should be complemented with SMS and phone calls as multiple invites are more effective in raising participation (Gruner et al, 2021). Family doctors and nurses should play a bigger role in referring at-risk patients to cancer screening. Additional cancer awareness training would support family doctors with referrals and could improve participation in screening. The National Cancer Plan 2020-2030 plans to fund and conduct information campaigns to encourage higher participation in cancer screening.

Regional disparities in cancer screening should be narrowed. Cancer incidence rates vary as much as 46% between regions in Poland (Figure 2.21). To further expand access, Poland runs mobile mammography buses to smaller towns and remote regions. In addition, a non-invasive faecal blood test for colorectal cancer has been recently introduced, which can also be taken remotely. Easier access to testing should help boost participation, but additional efforts to raise awareness, particularly among the less educated and lower income groups, are needed. France and Spain use pharmacies' wide accessibility and familiarity with patients to increase screening in more remote areas by educating on colorectal cancer and distributing tests (OECD, 2024a). Poland could make more use of its national cancer registry to target people who haven't responded to previous invites. Informational campaigns should use plain language and visual materials in partnership with local communities to reach less educated groups. For example, France and Germany employ simple language and easy-to-read-and-understand screening materials to ensure accessibility for people with low literacy levels while Slovenia and Sweden use peer-to-peer helpers who educate those within their community networks about screening (OECD, 2024a).

## Figure 2.21. The incidence of cancer varies widely across regions

Percentage difference between regions with the highest and lowest cancer incidence rates, latest year



Notes: Data are not directly comparable between EU+2 countries due to different methodologies and years of observation. For Denmark, Norway, Ireland, Sweden, Iceland, Croatia, Germany, Czechia and Bulgaria, an average of the regional differences for men and women was used. Other countries provided a measure for the total population. For Czechia, the regional incidence data only consider breast cancer for women and prostate cancer for men. \* Provisional data.

Source: OECD Policy Survey on Cancer Care Performance (2023).

StatLink  <https://stat.link/wqfipp>

Poland should consider broadening screening to other cancers. Currently, there are no lung or prostate cancer screening programmes, and the National Cancer Plan 2020-2030 envisions their introduction. Detecting prostate cancer and lung cancer can have health costs. The rate of false positives in prostate-specific antigen tests can lead to misdiagnosis while lung screening can involve harmful radiation. Poland is conducting a pilot study as a part of PRAISE-U, an EU funded project involving 12 countries, which is exploring the development of cost-effective approaches for early detection of prostate cancer (OECD, 2024a). For lung cancer screening, Poland ran a pilot programme between 2021 and 2023 targeting older heavy smokers. Evidence from an earlier regional lung cancer testing programme in Pomerania suggests they could be cost-effective (Kanarkiewicz et al, 2015). To the extent that local evidence points to public health benefits outweighing the costs, including possible false detection and overtreatment, other cancers should be tested for as well.

Treatment needs to be timelier. Five-year cancer survival rates are among the lowest in Europe (OECD, 2024a). Poland has implemented several policies to improve access to cancer care. In 2015, it introduced fast-track diagnostics and treatment pathways to speed up treatment. This led to lower waiting times for treatment but waiting times for related services, such as follow-up cancer care, increased (OECD, 2023d). In 2019-2021, the National Oncology Network has been piloted, to improve the organisation of the cancer care system with standardised patient pathways, expertise in highly specialised procedures, and quality monitoring (WHO, 2022). The network has been rolled out nationwide in 2024. There is no upper limit on the costs of cancer treatment. These reforms should improve treatment, but without more detailed evaluation they might not be well adapted to the Polish healthcare system. For example, one concern is that there is over reliance on an already stretched primary healthcare system and not enough focus on preventive measures (Sagan et al, 2022c).

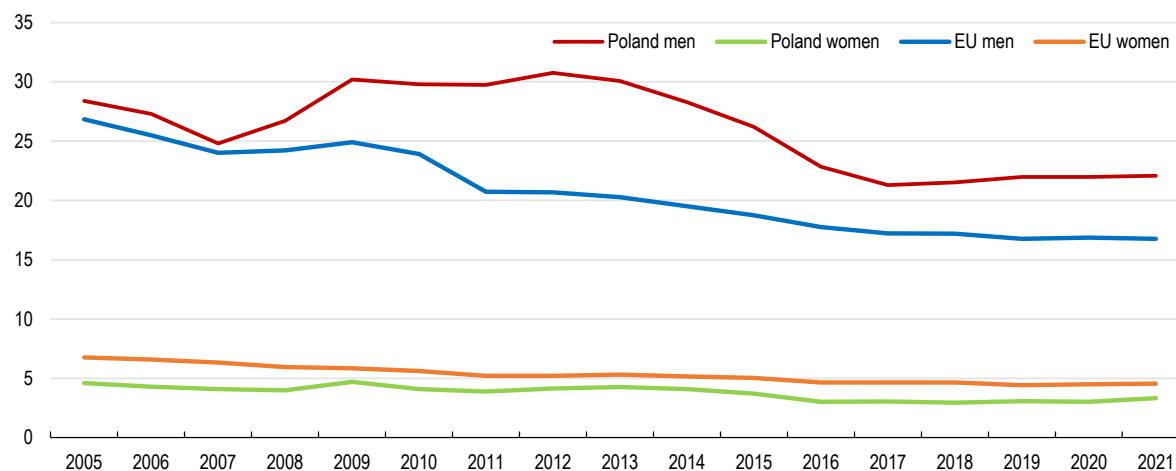
Cancer care needs to be better resourced. The shortage of healthcare staff also affects cancer care. Poland has had the lowest relative number of pathologists in the EU, which can limit the number of diagnoses. Despite increasing by 13% over 2019-2023, more doctors specialising in clinical oncology are

needed (OECD, 2023d). The lack of equipment limits capacities in treatment. For example, the number of radiotherapy centres is 70% below the EU average and among the lowest. Moreover, oncological care is unequally spread across regions and between urban and rural areas. Palliative care is well developed largely because there are many out-patient hospices, but end-of-life care is often provided informally by families or non-governmental organisations. In purchasing power parity terms, cancer spending in Poland is similar to other Central and Eastern European countries, but lower than the EU average (OECD, 2023d). This has been recognised in the National Cancer Plan 2020-2030, which aims to raise survival rates and improve early detection.

Mental health problems are a concern but remain undertreated. Survey data reports that 14% of people in Poland had mental health problems in 2019, which was below the EU average. Only 4% reported having depression compared to an EU average of 7%. People from lower incomes were more likely to suffer from depression, with women in low-income households the most affected (OECD, 2023b). However, the true prevalence of mental health issues could be higher. Low awareness, high stigma of mental illness and limited healthcare access may lead to a lack of diagnosis meaning that many mental health issues could be underreported. Administrative data on suicide rates suggests that, despite significant progress made since 2000, there were still around 12 suicides per 100 000 people in 2021. This was almost twice as high for men, whose suicide rate is above the EU average (Figure 2.22). There are indications that the pandemic worsened mental health (Wojtyniak and Goryński, 2022). Around a quarter of unmet health needs were related to mental healthcare in 2021-22 (OECD, 2023b). The economic cost of mental disorders is substantial and previous estimates put the cost at 2.8% of GDP for 2015 (OECD/EU, 2018).

**Figure 2.22. Suicide rates could come down further**

Deaths per 100 000 population (age-standardised rates)



Source: Eurostat.

StatLink  <https://stat.link/63mur5>

The authorities have made progress towards addressing mental health issues and this should continue. In the past, funding for mental healthcare was very low, accounting for 3% of the National Health Fund's expenditure, and was allocated to psychiatric hospitals (Sagan et al, 2022b; Sowada et al, 2022). The second National Mental Health Protection Programme piloted community mental health centres from 2017 to 2022. The results were positive and the number of centres rose from 40 in 2018 to 107 in 2024, accessible to 13.5 million citizens (OECD, 2023b). However, due to a lack of infrastructure, most of the community mental health centres were located in psychiatric wards. This may have contributed to social stigma and limited their use. The shift to community mental health centres is planned to continue, with a

target of 250-300 new centres by 2027, but new establishments should be separate from hospitals to reduce stigma. Furthermore, they should offer a wider range of mental healthcare services to provide comprehensive and coordinated care (OECD, 2024b). The development of new facilities will also necessitate training more specialists as discussed in Section 4.2 although Poland's innovative recovery assistants, recruited from previous patients, may partly alleviate staff shortages. More broadly, Poland has implemented the WHO's mhGAP programme that will train Polish family doctors to better recognise symptoms of common mental health conditions and give them tools to address these issues or refer patients to specialists at community mental health centres. Funding for mental healthcare has also been recently increased to PLN 4.2 billion, partly supported by EU funds.

A new programme for 2023-30 will provide more community care and focus on the mental health of children and young adults. It also aims to reduce social stigma through information and educational campaigns. Attitudes to mental health in Poland tend to be relatively positive compared to other countries, but a quarter of adults still view it as different to other health issues (The Policy Institute, 2019). These campaigns should help raise mental health awareness and they tend to work best if conducted over a longer period of time as UK experience has shown (Box 2.5). Overall, these efforts should improve mental health, as well as resilience, as the pandemic has shown how mental health, particularly among young people, can deteriorate quickly in a crisis (OECD, 2023f).

### **Box 2.5. Raising mental health awareness in the United Kingdom**

In the United Kingdom, the Department of Health organised a 'Time to Change' national programme, funded by public funds and donations, and delivered by charities, to help improve mental health and increase awareness in society as a whole.

The Time to Change programme ran in three phases between 2007 and 2021. It was a comprehensive programme that ran national advertising campaigns, partly through social media, but also targeted the low to middle socio-economic groups and engaged directly in those communities. While the first two phases focused on groups aged 25-45 and covered a broad set of issues, the final phase of the programme focused on men's mental health. Celebrities and politicians widely participated to advance mental health awareness.

The programme was considered successful. It significantly advanced the population's awareness and knowledge of mental health issues and reduced stigma. However, improvements in the knowledge of mental health and the acceptance of people with mental health issues took some time to occur, pointing to a need for consistent and long-term campaigns. While social stigma decreased in the population, the gap between men and women had not narrowed in the first two phases of the programme, suggesting tailored campaigns targeted at men might be necessary to drive further improvements.

Source: Mehta et al (2009); Henderson et al (2016, 2020).

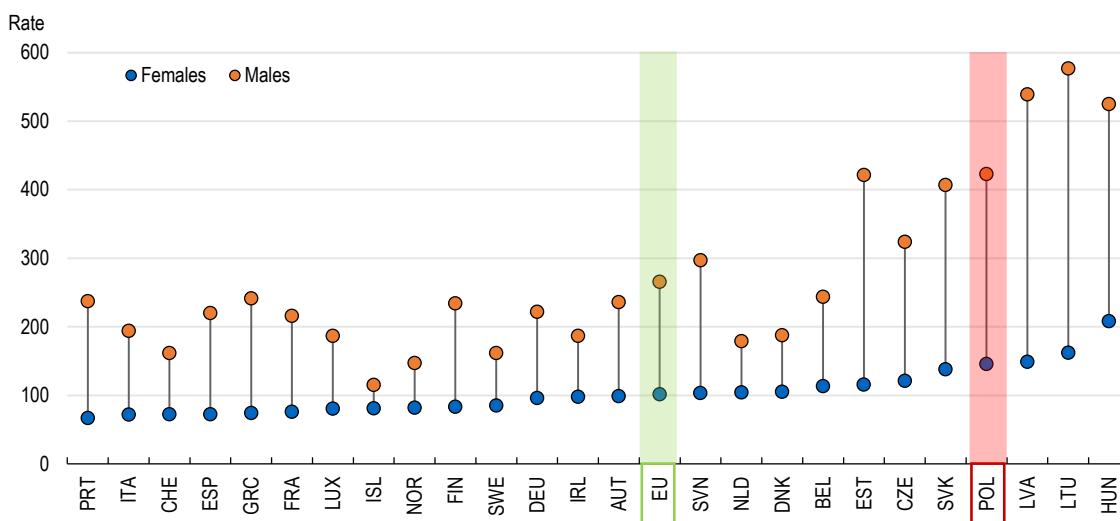
### ***Boosting health through more prevention***

Preventable death rates continue to be relatively high in Poland. Over two fifths of all deaths in 2019 were estimated to be due to preventable causes, that is, they could have been mainly avoided through public health and primary prevention programmes. Poland had reduced preventable mortality rates between 2000 and 2014 by 30%, but progress has stagnated since 2014. Moreover, preventable deaths increased by 25% in 2020 due to COVID-19. Preventable mortality remains well above the EU average, particularly among men (Figure 2.23).

Many preventable deaths are due to lifestyle choices and are related to a handful of risky behaviours (Figure 2.24). Nearly a fifth of all deaths could be attributed to tobacco (including second-hand smoke), above the EU average. Dietary risks contributed to another fifth of all deaths, above the EU average, while physical inactivity accounted for 2% of deaths (OECD, 2023b). Alcohol consumption is among the highest in the OECD (OECD, 2023a). It was responsible for 6% of all deaths in 2019 and alcohol-related mortality increased during the pandemic (Silczuk et al, 2023). Air pollution is pronounced and accounted for an estimated 8% of all deaths in 2019, twice the EU average (OECD, 2023b; 2023d).

**Figure 2.23. Preventable mortality rates remain high especially for men**

Standardised death rates for preventable diseases/conditions, persons aged less than 75 years, by gender, 2021 (per 100 000 inhabitants)

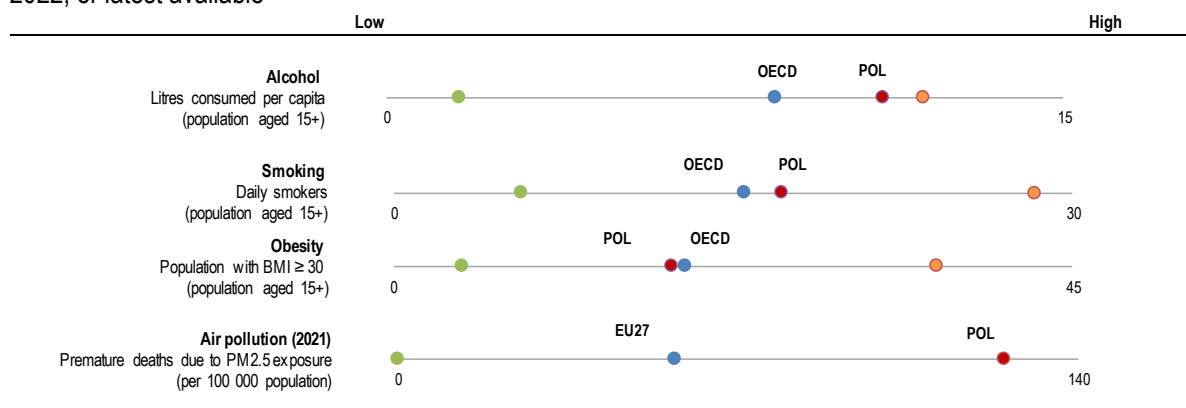


Source: Eurostat.

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**Figure 2.24. Risks from alcohol consumption and smoking are higher than the OECD average**

2022, or latest available



Note: The green circles represent the minimum and the orange circles the maximum observation in the OECD for each variable. Data for alcohol, smoking and obesity is for 2022 or the latest year available while the latest data for air pollution is 2021.

Source: OECD Health Statistics 2023, OECD Environment Statistics 2020, WHO Global Health Observatory.

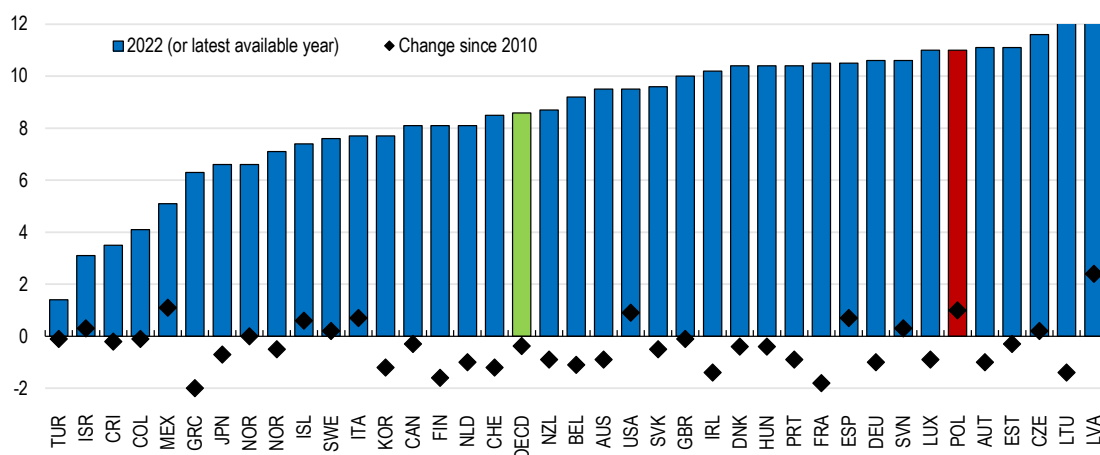
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Prevention policies typically have a high return on investment and spending on programmes that address risky behaviour and prevent people from developing diseases is highly beneficial. The 2015 Act on Public Health placed more emphasis in the National Health Programme on the promotion of healthier lifestyles and the reduction of important risk factors (OECD, 2023b). However, spending on preventive healthcare has remained broadly flat since 2015 and stood at 0.1% of GDP in 2022, among the lowest in the OECD. Given some of the highest avoidable mortality rates in the OECD, boosting preventive spending in a targeted and cost-effective manner could improve health outcomes and raise overall healthcare efficiency. Better health can also make the population more resilient in a crisis as experience during the pandemic has shown, when people in poor health were particularly at risk (OECD, 2023f).

Alcohol consumption is high. Polish people tend to drink beer and spirits, consuming 11 litres of pure alcohol on average per person in 2021, among the highest in the OECD (Figure 2.25). Official consumption has risen by 10% since 2010 while it has fallen in most OECD countries. Around a third of adults engage in heavy drinking each month, defined as consuming six or more drinks on a single occasion, with men drinking three times more alcohol than women (OECD, 2021d). Harmful alcohol use leads to many non-communicable diseases and premature deaths. It lowers economic growth through lower employment and productivity. Based on current consumption patterns, OECD simulations for Poland suggest that diseases and injuries caused by drinking above 1-1½ drinks per day lead to treatment costs equal to 3.1% of health expenditure and a level of GDP level that is 3.1% lower on average between now and 2050 (OECD, 2021d).

### Figure 2.25. Alcohol consumption is among the highest in the OECD

Consumption of alcohol among the population aged 15 years old and over (litres per capita)



Note: Reflects official and measured consumption and excludes unregistered alcohol consumption such as domestically produced spirits.

Source: OECD Health Statistics.

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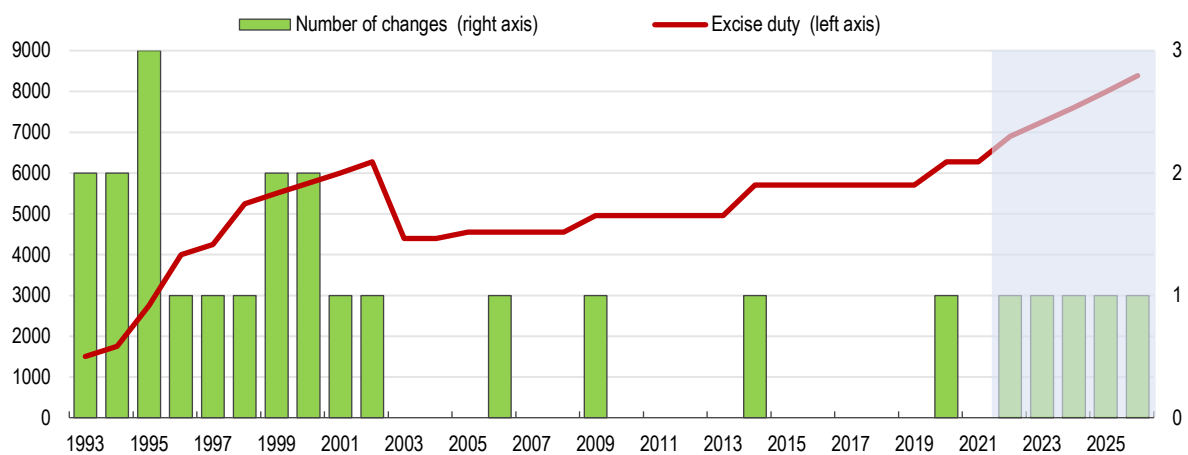
Alcohol prices need to increase in a consistent and steady manner. Financial measures, such as excise taxes and minimum unit prices on alcohol, are effective in discouraging consumption although they are regressive as the tax burden falls heavily on lower value drinks more available to low-income households. Ad valorem taxes tend to be more progressive but are not related to alcohol content and are, therefore, less effective in deterring consumption. In Poland, excise duties on alcohol were raised annually between 1993 and 2001 and contributed to a fall in consumption to 7.8 litres per capita by 2001. However, alcohol excise duties were reduced by 30% in 2003 and were subsequently raised infrequently at rates below inflation and wage growth. Nominal levels of excise duties seen in 2002 were only reached again by 2020 (Figure 2.26). As a result, alcohol affordability has risen 2.5 times and consumption surged by 40% over

two decades (Neneman, 2021). The authorities have raised excise duties by 10% in 2022 and 5% in 2023, and they plan to continue raising them by 5% until 2027. Further increases should continue to be steady and specific alcohol excise taxes should be at least indexed to inflation and real wage growth to ensure reductions in affordability are persistent. However, international cooperation is key to avoid cross-border leakage. EU directives on minimum excise rates on alcohol have remained unrevised for 30 years (Neneman, 2021).

Tighter restrictions on availability should complement higher alcohol prices. Over the last couple of decades, Poland has relaxed restrictions on purchase and advertising of alcohol (Rehm et al, 2023). Alcohol is widely available and can be bought in many retail outlets without any restrictions on the time of sale (OECD, 2021d). Introducing time limits on alcohol purchases can help. Furthermore, sales of alcohol should be restricted to fewer outlets. Latvia has banned alcohol sales at service stations. Evidence suggests lower outlet density can lead to lower alcohol consumption (OECD, 2021d). Smaller bottles sizes have made alcohol more accessible and should be banned. In addition, raising the minimum legal age for purchasing alcohol from 18 to 20 could help reduce harmful use as experience from Lithuania has shown (Rehm et al, 2023).

**Figure 2.26. Nominal excise rates on alcohol have only recently regained 2002 levels**

Policy changes and levels of excise rates on spirits



Source: Ministry of Finance.

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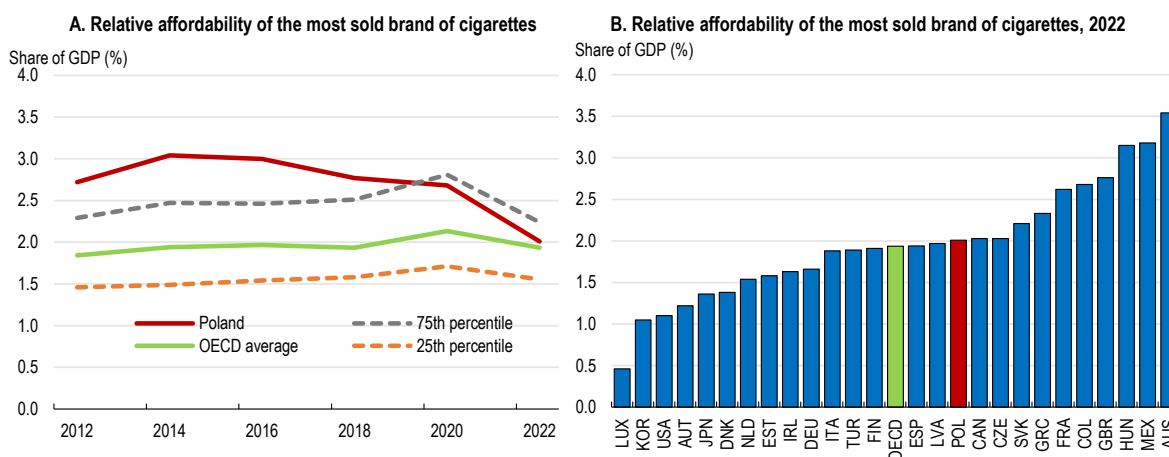
Reduced availability should be supplemented with additional restrictions on alcohol advertising. Bans on advertising can help reduce exposure and reduce consumption, particularly for young people. However, there is only a partial ban in Poland. This should be extended to a full ban on alcohol advertising like in Estonia and Lithuania, which also suffer from high alcohol consumption (OECD, 2021d). Sponsorship of sports can be harmful as it is associated with initiation of drinking for previous non-drinkers and higher levels of consumption among current drinkers (OECD, 2021d). Poland bans the advertising of spirits in sport and this should be extended to other forms of alcohol as well. For example, Spain, France, Norway and Türkiye have implemented bans on sport sponsorship across all beverages (OECD, 2021d).

Smoking has become less common, but still remains a public health risk. As in most OECD countries, smoking rates in Poland have fallen from 24% in 2011 to 17% in 2019, around the OECD average. Just under half of all smokers were heavy smokers, which was above the EU average. Men are more likely to smoke than women and smoking is less prevalent among those with higher education. However, cigarette consumption reversed its long-term decline and started rising again in 2015 (Zatoński et al, 2023). Furthermore, e-cigarettes are becoming increasingly popular among younger people (Pinkas et al, 2019).


The share of adults aged 15 years and older who used e-cigarettes, every day or occasionally, was 6% in 2019, the highest in the EU. Economic costs associated with tobacco use are substantial, amounting to PLN 58.3 billion in 2022 or 2% of GDP (Drope et al, 2022).

Tobacco should be made less affordable to discourage consumption. Excise duties, one of the most effective policy tools to disincentivise tobacco use, have been frozen in nominal terms from 2015 to 2019 (Zatoński et al, 2023). This has made cigarettes more affordable and reversed previous progress. Cigarettes in Poland were among the least affordable in the OECD in 2014, but this fell to the OECD average in 2022 (Figure 2.27). Currently, the authorities are raising tobacco excise duties by 10% annually from 2023 to 2027. There are plans to further increase planned excise duties in 2025-27 to account for recent strong growth in wages. In addition, excise duty rates on e-cigarettes are planned to more than triple over 2025-2027 albeit from a low base. Future increases should continue to rise at least as much as inflation or real wages to ensure tobacco does not become more affordable again. To help long-term and heavy smokers quit, Poland should re-introduce free treatment for tobacco dependence that was withdrawn in 2016. The authorities should also run smoking cessation campaigns targeting male smokers.

**Figure 2.27. Cigarettes have become relatively more affordable over time**



Note: Affordability is measured as the percentage of GDP per capita required to purchase 2000 cigarettes of the most sold brand.  
Source: WHO.

StatLink  <https://stat.link/2m481y>

Further restrictions on sales of tobacco and nicotine products are needed. Since 2016 there has been little progress on tobacco control policies. The government opted to observe minimum standards set out the by EU Directives while other countries acted to further discourage tobacco consumption. At the same time, enforcement of existing laws was unsatisfactory due to weak age verification (Zatoński et al, 2023). Advertising of tobacco and vaping is common in night entertainment venues (Nowicka and Balwicki, 2023). Poland should consider completely banning advertising of tobacco and tobacco-related products, including e-cigarettes. To reduce their appeal, it should adopt plain packaging and ban flavours, particularly for e-cigarettes. Compliance with regulations will need to be strengthened, too. Age verification is not legally mandatory (Stoklosa et al, 2021). It should be made so with fines applied in cases of non-compliance.

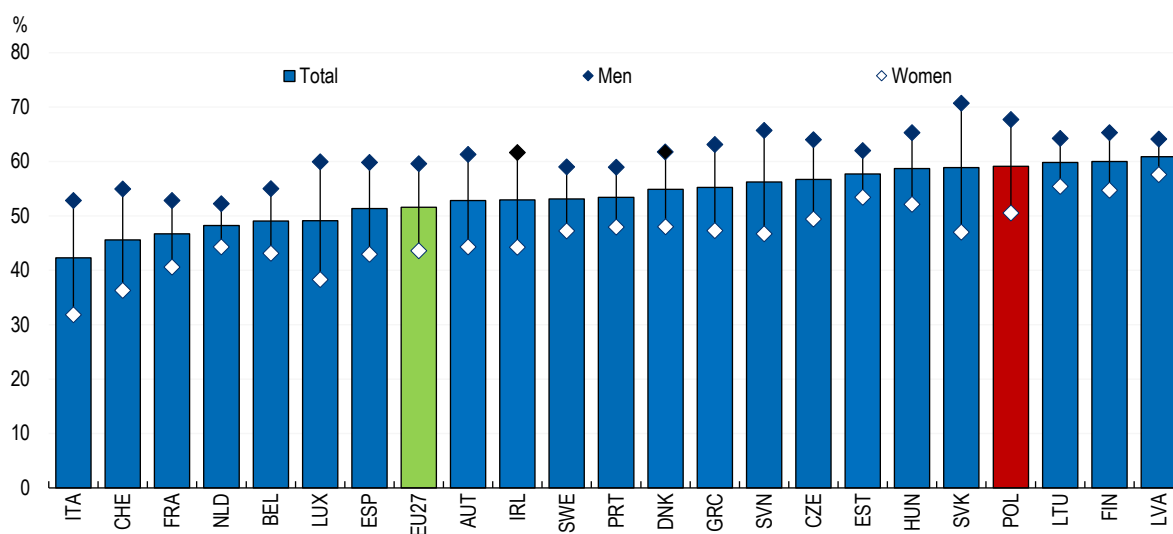
Almost 60% of all adults in Poland were overweight in 2022, above the EU average. This was more pronounced among men (Figure 2.28). This is increasingly becoming an issue for adolescents, as overweight and obesity rates have increased over the past two decades, reaching 20% in 2022 among 15-year-olds (OECD, 2023b). The rise in obesity can be ascribed to increasingly unhealthy lifestyles, including poor diet and nutrition, and insufficient levels of physical activity and sedentary behaviour (OECD, 2019). Overweight adults and associated diseases such as diabetes, cardiovascular diseases and cancer lead to

worse outcomes across a range of measures and higher health spending. Simulations suggest that Poland will be one of the most affected countries. Such conditions are estimated to shorten average life expectancy by 3.9 years between 2020 and 2050, reducing the level of GDP by 4.3% due to lower employment and productivity (OECD, 2019b).

Prevention policies that aim at improving nutrition tend to have a high return on investment and could reduce these potential costs (OECD, 2019b). Poland has set out objectives on adult and child obesity in successive National Health Programmes. It developed national food and dietary guidelines to help people make better nutritional choices. The National Institute of Public Health is the key national institute that undertake research on obesity and related issues, such as nutrition, and provide data to support the Ministry of Health. Together they implement prevention programmes at the national levels. Regional and local governments have engaged in this process to a limited extent due to restricted availability of finance and relevant skills (Brzeziński et al, 2019). In 2017, the National Centre for Nutrition Education was established to promote knowledge of healthy nutrition. As a part of this effort, the Online Diet Centre offers free consultations with dietitians and nutritionists to all adults and children. Poland participates in the EU Fruit and Vegetable Scheme and since 2015 foods high in sugar, fat and salt have been banned from school menus. Education materials on nutrition have been available to teachers from 2020 onwards (WCRF, 2024). However, nutrition still needs to improve. While the share of people eating fruit and vegetables has risen over time, fewer than one in ten adults consumed at least five portions of fruit and vegetables per day, recommended by the WHO as a key element of a healthy diet, and 38% consumed no fruit or vegetables on a daily basis in 2019 (OECD, 2022c).

### Figure 2.28. A high share of the Polish population is overweight

Overweight (including obesity) rates among the adult population, by gender, 2022



Note: Adults defined as people aged 18 years old and over. The EU average is weighted. No data is available for Ireland.

Source: OECD Health Statistics.

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Raising the relative price of unhealthy food and drinks can improve nutrition through lower consumption of unhealthy products and lead to improved nutritional composition of food and drinks. In 2021, Poland introduced fees on sugar-sweetened beverages as well as on drinks containing caffeine/taurine. The share of people consuming sweet drinks on a daily basis more than halved between 2018 and 2022 and in many cases beverages have been reformulated to reduce sugar content (Wojtyniak and Goryński, 2022). Poland should go further and introduce a broader health tax levied on unhealthy food. While taxes on unhealthy

foods are less common in OECD countries, Mexico and Hungary have introduced them. In 2011, Hungary introduced an excise levy on the salt, sugar, fat, and caffeine content of pre-packaged foods for which there were healthy alternatives. Some studies have suggested that this had led to lower consumption of the targeted products, particularly by overweight and obese consumers (Giles et al, 2019). It also resulted in product reformulation where taxes exceeded a minimum threshold, leading to a reduction or removal of sugar or fat content (Wright et al, 2019).

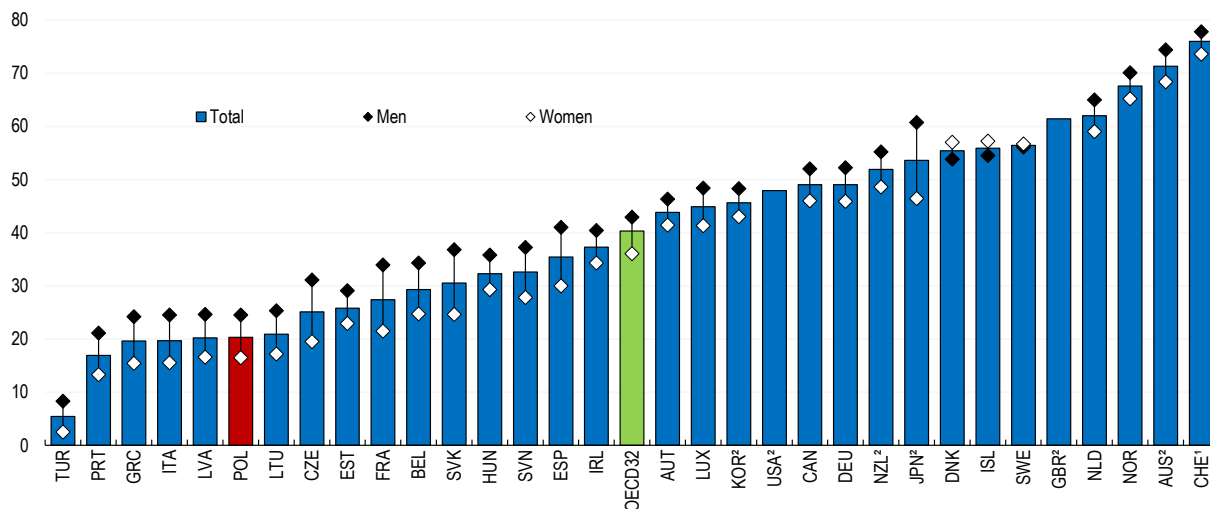
Food labelling could improve to steer people towards healthy choices. Currently, mandatory nutrition label standards and regulations refer only to EU regulations and provide nutritional information on the back of the pack. But more can be done at a national level. Front-of-pack labels can be more effective in influencing people's dietary choices (OECD, 2019). For example, Sweden operates the Keyhole logo, a voluntary scheme, that allows business to label products if they have less fat, sugar or salt, dietary fibre and whole grains, compared to other foods in the same category. In France and other EU countries, businesses can voluntarily apply a Nutri-Score label based on a five-colour scale that summarises the healthiness of a product, and provides a single, compound score (OECD, 2019). This can be particularly effective in encouraging healthier food choices (EUPHA, 2023). There are no health warnings on food products in Poland. For example, as part of its mandatory labelling system for pre-packaged foods, Chile requires products that exceed calorie, salt, sugar, or fat thresholds to have health warnings. Nutritional information should also be extended to restaurant menus as this can also help lower calorie intake (OECD, 2019).

Physical exercise, another key determinant of obesity, needs to increase. Insufficient levels of physical activity can make chronic health conditions, such as cardiovascular disease, diabetes, and back pain, more likely. While some people exercise enough, only a fifth of Poles exercised 150 minutes per week or more in 2019, a minimum threshold for sufficient physical activity recommended by the WHO (Figure 2.29). Physical exercise among adolescents is also insufficient, despite around half of adolescents participating in sports, and appears to have fallen over time (OECD/WHO, 2023e). In 2022, a little under 15% of 15-year-olds exercised at least one hour per day recommended by WHO, around the OECD average (OECD/WHO, 2023e).


Poland's policies on physical activity could be broadened and better coordinated. The National Health Programme 2021-25 contains objectives on obesity, which includes physical activity, while the National Sport Development Programme 2020 sets out explicit goals and actions on boosting physical activity. The latter has been managed by the Ministry of Sport and Tourism and has been designed well. It is based on previous evidence and is evaluated on an annual basis (Romanowska et al, 2022). However, the programme has not been updated since 2020. Moreover, it narrowly focuses on sport but not on other areas such as transport or health. There is no established coordination with the other ministries such as the Ministry of Health, Ministry of Education and Science, or the Ministries of Infrastructure, Investment and Development, and Environment (Romanowska et al, 2022). Poland should update its sport development programme and broaden it in cooperation with other relevant ministries.

**Figure 2.29. Physical activity in Poland is significantly lower than in other European countries**

Share of adults spending at least 150 minutes per week on physical activities, 2019



Note: Adults defined as people aged 18 years old and over. Sufficient physical activity is defined as attaining at least 150 minutes of moderate intensity physical activity per week, or more than 75 minutes of vigorous-intensity physical activity per week. 1. 2017 data. 2. 2020-22 data.  
Source: OECD Health at a Glance EU 2022.

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Raising physical activity levels among adolescents is important. The national curriculum makes physical education mandatory and regular evaluations ensure it meets the prescribed quality standards. Polish children spend 3-4 hours on physical education per week in primary school and 3 hours in secondary school. This could be increased. For example, in Hungary daily physical education classes were made mandatory since 2015. Several national programmes support schools in organising and promoting extracurricular sports such as the “School Sports Club” that offer additional sports supervised by teachers or “Klub” that encourages local sports clubs to offer physical activities to children and adolescents. Sport facilities are cheap or free to access for young people (WHO, 2021). These efforts have continued in 2024 as the authorities allocated PLN 300 million to the “Active School” programme. This is a joint programme by the sports and education ministries and seeks to make sports facilities available outside of school hours such as in the evenings, on weekends and during holidays for both students but also entire families (MEN, 2024). This should encourage more physical activity, particularly as parents’ levels of physical activity can influence their children’s behaviour (Górna et al, 2023). However, the programme could be made more comprehensive to expand opportunities for children to move before, during and after school. Estonia’s Schools in Motion programme also tries to make classes and travel to and from school more active. This approach could benefit Polish schools as there is scope to boost outdoor education (Michalak and Parczewska, 2022).

Existing policies to boost physical exercise among adults should focus more on active travel. Workplace-based interventions are increasingly considered as an effective tool to influence lifestyle (OECD/WHO, 2023e). The National Centre for Workplace Health Promotion and the Central Institute for Labour Protection support health promotion in companies. In 2019, only 7% of people in Poland used a bicycle or scooter as their main mode of transport, which was higher than in most European countries but lower than in neighbouring Germany (EC, 2020). This has been roughly unchanged since 2014, despite the length of bicycle lanes expanding by two thirds over that period (Wolniak, 2023). In 2020, the “Active at Work” campaign promoted active travel to work and aimed to raise awareness in companies about physical activity in the workplace. More needs to be done to encourage cycling. Supported by EU Structural Funds, Poland plans to invest almost EUR 800 million over 2021-27 to develop the cycling network further. This

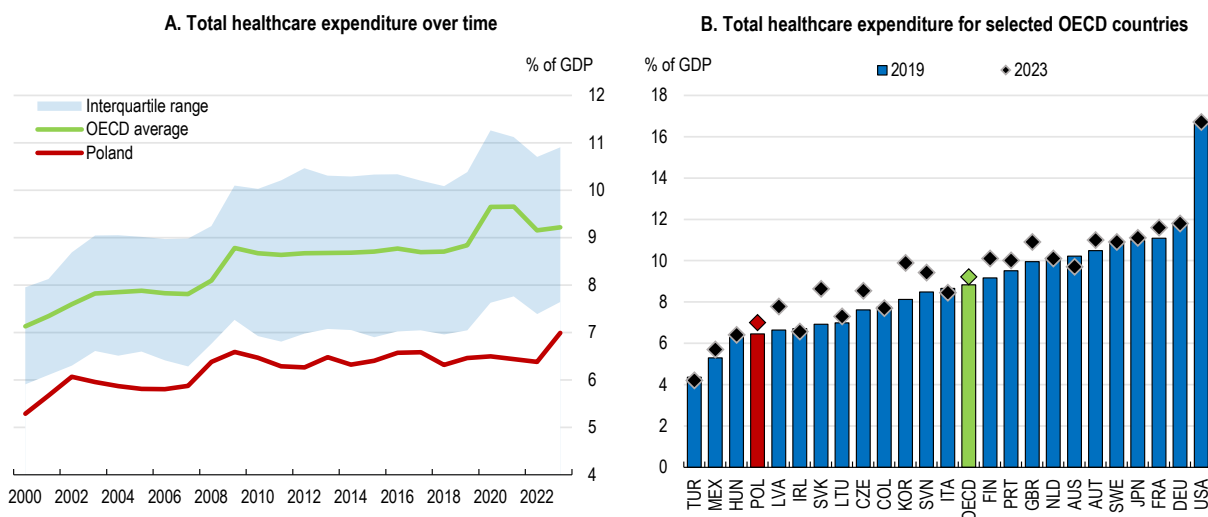
should be complemented by informational campaigns to boost cycling to work and a government-sponsored cycle to work scheme introduced in other OECD countries like the United Kingdom.

## Financing better healthcare and expanding long-term care

Preliminary estimates suggest that Poland has spent 7.0% of GDP on healthcare in 2023, higher than in previous years but still below the OECD average. Healthcare spending per capita, adjusted for purchasing power parity, rose by around two thirds from 2010 to 2022, but it has been broadly flat as a share of GDP for most of that period (Figure 2.30, A). Poland has historically been one of the lowest healthcare spenders in the OECD (Figure 2.30, B). Around three quarters of spending, normally accounting for around 4.5% of GDP, has been funded publicly. The rest has been financed privately through voluntary healthcare insurance accounting for 7-8% and out-of-pocket spending that accounts for almost 20% of spending on healthcare. However, living standards are rising and the population is ageing, adding to pressures on health costs through rising demand. Around a fifth of the population was 65 years and older in 2021 and this is set to rise to 30% in 2050, above most OECD countries (OECD, 2023a). As real incomes grow, the demand for more and better healthcare will also rise. To help address this, preliminary data indicates that public spending on healthcare has risen by 1 percentage point since 2022 to 5.7% of GDP in 2023. The government has pledged to raise public health spending to 7% of GDP by 2027, which will bring total health expenditure closer to 2023 OECD averages.

**Figure 2.30. Health spending has been among the lowest in the OECD but is rising**

Total healthcare spending as a share of GDP



Source: OECD Health Statistics.

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### Ensuring balanced healthcare finance

Public spending on healthcare has risen rapidly and was mostly concentrated on addressing workforce issues. Around half of the committed increase of 2% of GDP over 2022-27 had already occurred by 2023. Recent increases in spending have mostly focused on raising salaries to alleviate labour shortages in healthcare and automatic wage indexation will broadly ensure that the rise in spending, as a share of GDP, will last. Preliminary data for 2024 suggest that public spending has already reached last year's levels in

October and, at this rate, could add up to 6.8% of GDP in 2024 which represents an upside risk to public finances. Given the need for fiscal consolidation, any further increases in spending should focus on priorities, and will need to be delivered in a cost-effective way across a range of health areas to best improve health outcomes. Broadening spending on policies in key areas that are recommended in this chapter would add an additional 0.5% of GDP to health spending, less than the government's planned increases, and higher alcohol excise duties and efficiency savings from consolidating the hospital network could bring in 0.4% of GDP in higher revenues and lower costs. It is important that spending is raised cautiously and is conditional on reforms and efficiency gains to ensure that it leads to more healthcare services and improvements in quality. In this regard, ensuring sufficient capital investment will help raise quality. This would maximise the effects of higher healthcare spending and, in the context of the need to consolidate, would help balance other spending priorities. Further ahead, expanding long-term care could require significant public support depending on which model is adopted.

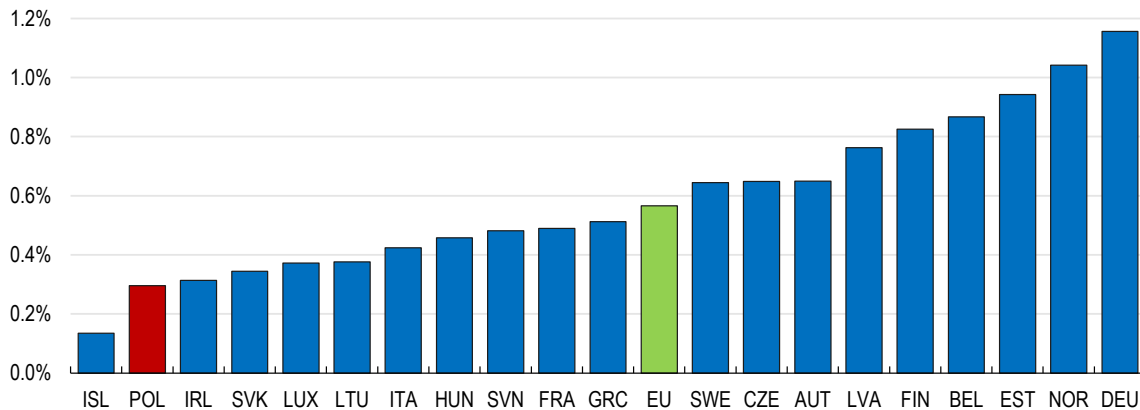
Revenues should be broadened and diversified to support additional public healthcare spending. Public health insurance is mainly financed by social contributions paid by workers and pensioners. This makes up around 80% of the public health budget operated by the National Health Fund, while the rest is financed through general taxation. The National Health Fund is under pressure, risking reduced access to health services. The Fund only receives 2-3% of its total revenue from general taxation to cover almost a quarter of patients that are non-contributing members, mostly dependants. In addition, the 2022 amendment to the Act on Medical and Dental Professions has given the Fund additional financing responsibilities for emergency medical care and medicines for people over 75 and pregnant women, among others. There is a range of options to increase funding, such as raising social contributions, higher transfers from general taxation, and higher user costs. It might be preferable to rely more on government budget transfers that are funded by general taxation, including through health taxes, partly to adequately reflect the cost of non-contributing members but also because general tax revenues are more progressive and less distorting to growth as they are not just based on wages. This should, however, not be allowed to weaken incentives to finance the health system on a sustainable basis.

Private insurance could be further developed as an alternative to public funding, but it carries risks in a system that has largely been publicly financed up to now. More private voluntary health insurance, mainly used to supplement public insurance and gain faster access to and better quality of outpatient services, could worsen equity and access. Private healthcare insurance schemes can also have negative externalities to the extent that less complex and healthier patients are diverted to private providers and more expensive treatment is left to public healthcare services. This is more likely to be the case where private insurance is supplementary, such as for specialist consultations and diagnostics, rather than dentistry where private insurance is mostly complementary. Raising VAT on private healthcare services, which are currently exempt, in areas where private healthcare competes with the public sector, could mitigate this and would reduce the subsidy for wealthier households. While out-of-pocket payments are already relatively high, they could be raised if vulnerable social groups are financially better protected.

Capital expenditure in the healthcare sector is relatively low. The healthcare infrastructure is poor and the availability of specialised medical equipment in Poland is lower than in most European countries (OECD, 2023a). The total capital stock per capita in the health sector is estimated to be one of the lowest in the EU (EIB, 2019). Poland invests around EUR 2 billion per year in the health and care sector, accounting for 0.3% of GDP, lower than the EU average of around 0.6% (Figure 2.31). National funds are supplemented by EU funds, which significantly support the healthcare infrastructure development. EU Cohesion Policy programmes will contribute around EUR 2 billion while the EU RRP will fund around EUR 4 billion of investment in healthcare infrastructure, digitalisation, and R&D over 2021-2027. But, the RRP has been delayed by two years, risking incomplete implementation of envisaged projects. Moreover, Poland has been investing less per capita than Czechia, Slovakia or Hungary over the past decade despite having a lower capital stock (EIB, 2019). Healthcare investment, driven by national funds, should be raised and sustained.

### Figure 2.31. Investment in the health and care sectors is lagging behind

Gross fixed capital formation in the health and social care sector as a share of GDP, 2023 or latest year



Source: Eurostat.

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#### **Expanding long-term care**

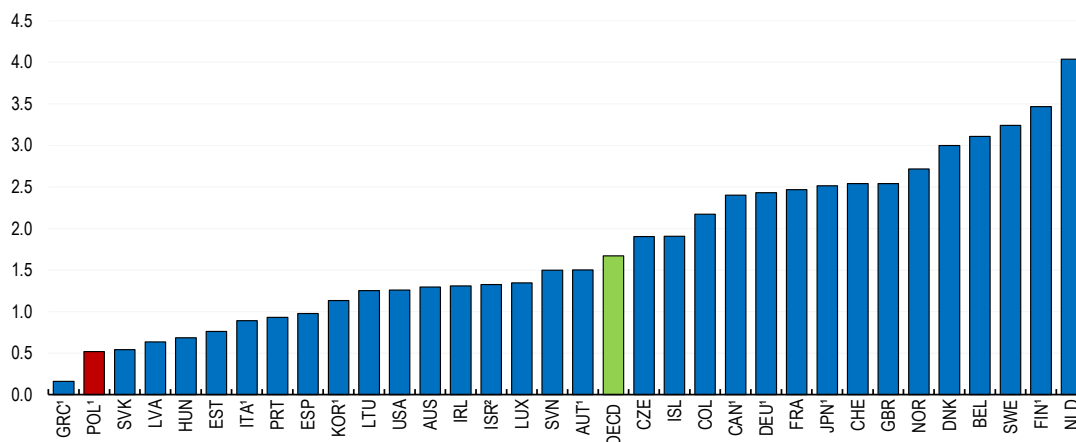
The demand for long-term care is rising as the population ages, and the government can play an important role in providing care. Older Poles are more likely to report being in poor health than their peers in most other OECD countries, particularly among lower income groups. Around 27% of the people aged 65+ are limited in their daily activities and many require social care to help with daily life. The share of the 65+ population is projected to rise 50% by 2050 while the population aged 80+ will more than double. The number of people requiring care is likely to rise to around 1.8 million (OECD, 2023a; 2024b).

However, the supply of health and social long-term care is low and cannot meet existing demand. Around 40% of older people have unmet care needs, higher than in other EU countries (OECD, 2024b). But only 13% have access to formal care, evenly balanced between institutional homes and home care, due to supply constraints. The number of beds in residential long-term care facilities is low and about four times smaller than the OECD average. Access is limited and only 1% of older people are in long-term care institutions, compared to the OECD average of 11.5%. Nearly one fifth of municipalities had no access to long-term residential care in 2019. The number of long-term care workers is five times smaller than the OECD average, which severely limits the provision of both institutional and home care. Instead, most long-term care is private and informal. This is predominantly provided by family members, mainly women, who tend to decrease their labour supply due to caring responsibilities (OECD, 2023a).

Spending on long-term care was 0.5% of GDP in 2022, among the lowest in the OECD (Figure 2.32). Spending is substantially higher in some OECD countries with similar levels of income and demographics, such as Slovenia and Czechia, and ranges between 1.5% and 1.9%. Public support tends to be a key pillar (Box 2.6). Spending needs for long-term care in Poland are projected to double by 2050, three times faster than the EU average. Population ageing is projected to increase public spending on long-term care by 3.5 percentage points of GDP by 2050. Boosting coverage to 60% would add a further 3.8 percentage points (OECD, 2024b). A long-term approach to expanding long-term care is required. As part of its health strategy, Poland is creating a system of adequate financing, developing a quality framework for long-term care services, improving the coordination of health and social institutions, and providing support to informal carers. Reforms should be comprehensive to ensure long-term care is sustainable.

**Figure 2.32. Spending on long-term care is among the lowest in the OECD**

Share of GDP, 2023 or latest year available



Note: 1. Countries not reporting spending for LTC (social). In many countries this component is therefore missing from total LTC, but in some countries it is partly included under LTC (health). 2. Country not reporting spending for LTC (health).

Source: OECD Health Statistics database.

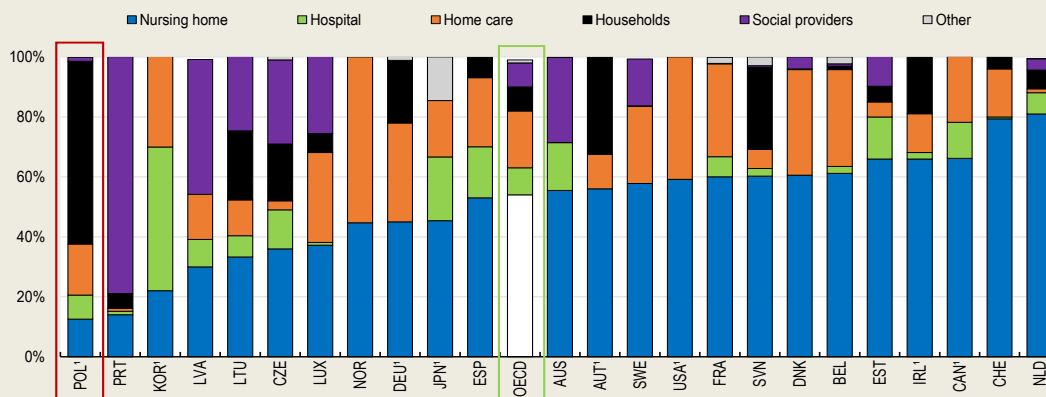
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**Box 2.6. Long-term care provision and financing in OECD countries**

Long-term care is provided by a diverse set of stakeholders such as nursing homes, healthcare institutions, and families. Home care tends to be more cost effective while institutionalised care, provided in a care home or hospital, tends to be expensive. The direct cost of informal care provided by households is low, but it is less efficient than formal home care. The importance of each varies across OECD countries. Poland spends 0.5% of GDP on long-term care, mostly health related, of which 13% is on nursing homes and 7% on hospitals. Around 70%, is provided informally by households. Other OECD countries provide more institutional and home care compared to Poland (Figure 2.33).

**Figure 2.33. Total long-term care spending in Poland is mostly covered by households**

Long-term care spending by provider, 2022 (or nearest year)



Notes: 1. Countries not reporting social LTC. The category "Social providers" refers to providers where the primary focus is on help with IADL or other social care.

Source: OECD Health Statistics.

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Most long-term care is supported through public funding and compulsory social insurance, although the share of public funding varies across countries. For example, public funding accounts for around 70% of total long-term care spending in Slovenia and Austria, and around 90% in Denmark and the Netherlands. Spending on long-term care tends to be predominantly focused on health but some OECD countries also spend on social support such as personal care services to help with daily living activities.

Most OECD countries finance long-term care spending from a number of sources. Public funding relies mainly on long-term care insurance in a few countries such as Belgium, Germany, Japan, Korea, and the Netherlands. In Germany, a share of future long-term care costs is pre-funded from current contributions. Other OECD countries rely on taxes only or on a combination of social contributions and taxes. In Scandinavian countries, central government funds are distributed across municipalities based on income and needs. Private funding for long-term care mostly comes out-of-pocket. Private insurance is available in the United States and Japan, but it only covers a fraction of the costs. Reverse mortgages and home equity schemes exist in the United States, United Kingdom, France, New Zealand, Spain and Canada, but are not used widely and are often concentrated in areas with high real estate prices.

Source: OECD (2020b), OECD (2022b).

Poland should develop institutional health and social care to meet existing and future needs. This implies higher funding, but also the development of institutions, facilities and a suitable workforce. Given the relatively high number of hospital beds, smaller hospitals should be converted to residential long-term and geriatric care facilities as planned in the RRP. Private care homes can play a role although their quality, which has been variable in the past, needs to be better monitored (Sowa-Kofta, 2018). The development of social assistance in day care homes has been supported by the Senior+ programme with over a thousand homes created since 2015 in areas with higher shares of older and lower income people. The programme is continuing until 2025, but only serves 25 000 people and remains small. The expansion of institutional health and social care needs to be accompanied by more long-term care nurses and care workers. However, employment conditions are not very attractive and could be improved. Salaries in the health and social care are low at around 60% of the national average wage and 40% of the contracts are temporary (OECD, 2020a). Training more nurses and care workers will be necessary. Targeted campaigns to change gender stereotypes and recruit more men, such as done in Norway and the UK, could help.

Home-based care will need to be further developed and better supported. Many older people are not fully independent and require assistance with daily living. Personal care provided at home is mostly provided informally by family members and, to a smaller extent, formally by nurses or care workers. However, families have been getting smaller and more dispersed while female participation in the labour market has been rising, which reduces the potential number of carers. Moreover, there are opportunity costs to informal care, it is relatively less efficient, and it exacerbates gender inequalities. Working-age people, typically women, substantially reduce their working hours during periods of informal care, which mostly last more than a year. They suffer income losses and do not make contributions to their pensions. The opportunity costs are estimated at 3.3% of GDP at a cost of 0.2% to the public budget (EC, 2021).

Benefits for home-based care should be more flexible and better targeted. Support for people who did not get a place at a residential long-term care facility or have lesser caring needs, is small and not flexible. Family members who care after disabled older adults are eligible for a monthly care allowance of PLN 520 if family income is low, but they must resign from employment and not work during the period of care. Around 25% of informal carers receive an allowance and the benefit level is low. People older than 75 years get a nursing supplement but, at PLN 215.84, it is very low. The Care 75+ programme subsidises social care services for the older population in rural areas and smaller towns since 2018, but it only helps around 100 000 people. Benefits could be better targeted and more explicitly based on an assessment of different degrees of need as is done in Germany and Slovenia. The needs-based benefits could then take income into account to ensure they are sufficiently generous to provide adequate access to health or social

long-term care assistance based on the ability to pay but help avoid poverty. In France, the ability to pay can be based on wealth and deferred until death if income is low. Recipients should also choose their care, whether it is a family member or a personal carer, who should be registered. For example, Belgium has a voucher scheme that allows benefit recipients to purchase declared home-care services.

Support services should be improved to reduce the burden on families and avoid excessive reliance on care homes as demand increases. The overall care allowance should be raised while standardising pay, and employment conditions can improve the working environment. People caring only after their family members should receive training while professional personal care workers, such as nurses, live-in or informal carers, should be registered, trained and licensed to improve the quality of care. In Poland, nurses are trained but there are no requirements for carers. For example, in Austria live-in carers are required to complete a home help course while in Denmark professional personal carers must have at least a 2.5 years degree in social and healthcare assistance. This can be enforced by requiring contracts are conditional on these standards. Making employment in home care more attractive can boost the number of domestic care workers to an extent, but it is unlikely that higher wages will be able to compete with Germany where many Polish people work in the long-term care sector. A recent strategic review has identified additional support for informal carers as a policy priority (MZ, 2024d). Poland will also need to rely on immigration if it is to significantly boost the number of professional personal carers.

## Policy recommendations

MAIN FINDINGS	RECOMMENDATIONS
<b>Improving healthcare coverage and increasing financial protection</b>	
Health insurance coverage is near-universal, but out-of-pocket spending is elevated, causing financial difficulties for some households, especially those on lower incomes.	Further reduce out-of-pocket payments in a targeted way for pharmaceuticals and dental care for low-income households and cap overall expenses.
<b>Raising efficiency and improving care</b>	
Family doctors are predominantly compensated on a capitation basis. Financial incentives for key activities such as prevention account for a small share of doctors' incomes.	<b>Further increase the use of incentives within primary care to encourage key activities and cost-effectiveness.</b>
Consultations with family doctors and specialists are free of charge.	Consider gradually introducing user charges for primary and specialist care with exemptions for children, those on low incomes, and people with chronic health conditions. Restore caps on publicly-funded specialists' visits. Review payment mechanisms for specialist doctors.
Coordinated care is being implemented, but many primary care practices lack necessary staff resources.	Facilitate networking with specialists and raise the number of care coordinators that support smaller primary care practices.
The hospital sector is relatively large and inefficient. The organisation of hospital care is complex and poorly coordinated. Hospitals are persistently indebted while their management quality is variable.	<b>Rationalise the hospital system while ensuring services adequately reflect regional health needs.</b> Better align ownership and funding by managing hospitals at the central or regional level. Improve coordination across the system through joint procurement schemes and better synchronisation of pay and health funding policies. Raise the quality and accountability of hospital management.
Digitalisation of healthcare has been accelerated by the pandemic and many services are now available online. The use of data for analytical purposes is relatively limited.	Boost analytical capacity by expanding digital skills and advanced analytics in medical education. Invest more resources in advanced analytics in government departments.
<b>Ensuring an adequate workforce to deliver healthcare services</b>	
The number of nurses and doctors is relatively low. There are acute shortages in certain specialisations, such as family medicine and psychiatry, especially in rural areas. The workforce is ageing.	Improve working conditions by setting personnel standards for the healthcare sector. Use a combination of financial and non-financial incentives to encourage doctors and nurses to postpone retirement. <b>Continue to raise the number of training places for nurses.</b> Differentiate residency contracts and pay in order to encourage specialisation where there are shortages.
Access to healthcare is unequal across regions. Urban areas have relatively more doctors and nurses than rural areas.	Make rural areas more attractive for doctors and nurses by introducing financial incentives and administrative support for new practices in underserved rural areas.
The share of foreign-trained healthcare workers is low.	Continue efforts to attract foreign-trained nurses and doctors by developing a national migration strategy that includes healthcare and setting up a bilateral migration programme to facilitate immigration.
Healthcare workforce planning is short-term and relies on limited data and analysis.	Make more use of data and modelling of healthcare demand and staffing needs in the long term to inform policy decisions. Develop a comprehensive healthcare workforce strategy.
<b>Advancing treatment and prevention to improve health outcomes</b>	
Treatable mortality rates are high. Monitoring for risk factors and cancer screening participation lags behind other EU countries.	Target cancer awareness programmes to less educated and low-income people. Broaden cancer testing to lung cancer.
Cancer survival rates are relatively low. A lack of human and physical resources is impeding further progress in cancer treatment.	Ensure resources for cancer care are more equally spread across regions.
Alcohol consumption is among the highest in the OECD and has risen over time. Alcohol has become more affordable over the past two decades. Smoking has become less common, but cigarette consumption rose after 2015 as tobacco became more affordable. Regular use of vaping products has risen and is among the highest in the EU. Almost 60% of all adults in Poland were overweight, above the EU average. Among some population groups, nutrition is poor.	<b>Further increase the prices and take measures to limit the consumption of alcohol, tobacco and unhealthy foods.</b> Raise alcohol excise duties further and index them to wage growth. Restrict availability of alcohol through shorter opening hours and a lower number of shops selling alcohol. Ban alcohol advertising in sports. Link future increases in excise duties on tobacco to wage growth, adopt plain packaging and ban all flavours. Improve nutrition by introducing taxes on unhealthy foods more generally and adopting mandatory front-of-pack labels.
Mental health problems are a concern. Suicide rates for men remain elevated. Mental health issues carry a stigma and are undertreated.	Move towards community-based mental healthcare, ensure mental health centres are separate and well-resourced, and raise awareness over time

MAIN FINDINGS	RECOMMENDATIONS
<p style="text-align: center;"><b>Financing better healthcare and expanding long-term care</b></p> <p>Public spending on healthcare is among the lowest in the OECD but is set to increase to 7% by 2027. The National Health Fund finances healthcare provision with additional transfers for those who do not pay contributions. Higher spending is concentrated on healthcare staff.</p>	<p>Continue raising public health spending, conditional on efficiency improvements, and broaden the use of additional funds to other areas. Ensure the financing of higher healthcare spending through a combination of higher contributions and transfers to the National Health Fund financed from general taxation.</p>
<p>Long-term care expenditure is low and supply is underdeveloped, while demand for care is expected to increase as the population ages. Long-term care benefits are low for older adults.</p>	<p><b>Develop a framework for long-term care and expand both residential care and home-based care.</b></p> <p>Ensure benefits for home-based care are based on needs and consider how this could be linked to income or wealth.</p>

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## 3. Managing the green transition

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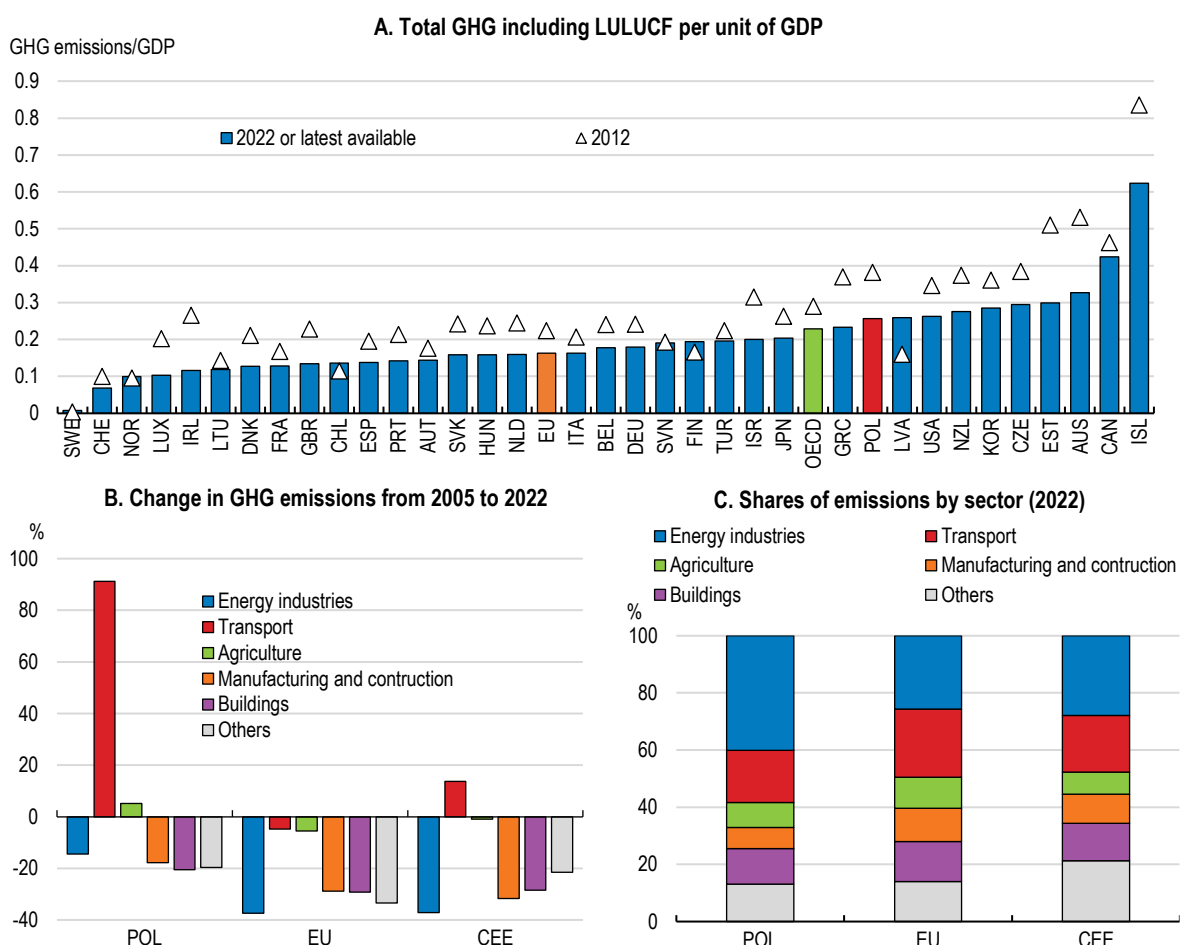
Given continued reliance on coal, the transition to an economy that produces net zero emissions by 2050 requires stepping up the implementation of policies as outlined in the draft National Energy and Climate Plan, strengthening price incentives, and a range of supporting measures. While decarbonisation of the electricity production is ongoing, it could happen faster if infrastructure capacity development and shortening of permitting times for renewables is accelerated and a more ambitious phase out of coal is adopted to send clear signals for long-term investment. In the transport sector, where emissions have doubled in the past thirty years, comprehensive motor vehicle taxation to strengthen price signal should be accompanied by sustained increases in fuel taxation, and continued investment in public transport. Support to workers and regions negatively impacted by reduced reliance on coal is available and the country is benefitting from investments in battery production. As shown by recent floods, Poland is exposed to extreme weather events that will become more frequent as temperatures increase. There is scope to strengthen the coordination of adaptation policies and insurance arrangements.

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## More progress is needed to achieve Poland's climate objectives

Poland remains the tenth largest emitter of greenhouse gases (GHG) relative to GDP in the OECD, although progress has been made in reducing overall emissions with the level falling by 15% between 1990 and 2021 (Figure 3.1). Despite policy efforts, Poland is likely to fall short of the EU's target of a 55% emissions decrease by 2030 compared to 1990 levels as emissions were lower by 23% in 2022 and current policies are unlikely to deliver on the EU 2050 target of net zero (World Bank, 2024). A draft update of National Energy and Climate Plan until 2030 was published in November 2024 and is undergoing a revision following public consultation (Ministry of Climate and Environment, 2024). The plan is welcome as it sets out more ambitious policies to achieve climate goals and its implementation will be key. Poland faces significant challenges due to its historical dependency on coal and energy investment needs but is also one of Europe's largest producers of lithium batteries and electric buses.

Figure 3.1. The Polish economy remains emissions intensive



Note: Indirect CO<sub>2</sub> emissions are excluded. CEE refers to the average of Czechia, Hungary and the Slovak Republic.

Source: OECD Emissions Database.

StatLink  <https://stat.link/5qzsa2>

Despite reaching a historic high of 30% of energy from renewables last year, the economy remains carbon-intensive due to continued reliance on coal and the role of the cement, metals, fertilisers and refined petroleum industries that are responsible for a significant share of emissions (Instrat Foundation, 2023). The cost of air pollution, approximated by the cost of morbidity and mortality, is among the highest in the OECD (Chapter 2). Nuclear power, planned to enter service in 2035, will replace some of the emissions

coming from electricity generation, which is currently the largest contributor. However, emission reductions in other sectors have been limited compared to the EU average and regional peers, and transport emissions have almost doubled since 2005 (Forum Energii, 2024) (Figure 3.1).

Although Poland's energy import dependence is lower than that of many other OECD countries, around 40% of energy consumed comes from sources abroad and this share has been increasing in recent years (Forum Energii, 2024). Imports of Russian gas were replaced by those from neighbouring countries already in 2023, with an LNG terminal and new connectors installed. Crude oil accounts for the highest share of energy imports, followed by gas and coal. Energy security has been prominent on the political agenda for some time and one of the overarching goals of the updated draft National Energy and Climate strategy. The move to renewables and nuclear energy will reduce dependence on imports. Ensuring energy security has to be balanced with continued reduction on domestically produced coal.

About half of Poland's emissions are covered by the European Emissions Trading Scheme (ETS), and this share will increase in a few years due to the forthcoming inclusion of maritime transport, fuels for buildings and road transport under EU-ETS2 in 2027. Domestic policies need to further facilitate the green transition, including strengthening domestic price signals, implementing supporting measures and compensating low-income households and coal-producing regions. Given the long-term and far-reaching impact of the transition, building political consensus and ensuring clarity on transition milestones will be essential and can help to channel much needed private sector investment. The current government is revising key strategic documents (National Climate and Energy Plan until 2030, Energy Strategy and Long-term Energy Strategy), but reaching an agreement across political parties and main stakeholders can be difficult. Establishing a Climate Council, as for instance in France, Germany or Sweden, that would gather the main stakeholders, could help in consensus building, gaining stakeholder support and build society-wide understanding of issues at hand. Including decarbonisation targets in legislation, as is the case in Germany, Denmark or the United Kingdom, should be also considered.

## Decarbonising energy production

The largest share of emissions, more than 40%, comes from the energy sector (Figure 3.1). Endowed with important deposits, Poland has long relied on coal as its primary energy source and currently over 80% of primary energy originates from fossil fuels. With the importance of coal decreasing since 1995, 60% of electricity was produced using coal in 2023 (Forum Energii, 2024). In addition to electricity generation, coal is still heavily used for individual and district residential heating, contributing to poor air quality and reducing the quality of life. The share of coal in electricity generation is expected to fall to 22.5% by 2030, 8.5% in 2025 and close to 1.3 % in 2040. The authorities have committed to closing hard coal mines by 2049, but no phase-out of lignite coal - more CO<sub>2</sub> intensive - is planned. Some OECD countries have committed to a full phase out of coal, including Canada and Germany.

Transition to net zero emissions will double the demand for electricity according to official estimates. Nuclear energy, a cornerstone of Poland's net-zero transition plans, is expected to come on stream in the next decade. Large-scale projects, as planned by the authorities, should provide around 6-9 GW. According to a governmental resolution adopted in 2022, the first large scale nuclear power plant will be located in a coastal site in Lubiatowo-Kopalino, with the first reactor due to come on stream in 2036. A second nuclear power plant is also planned. In addition, private sector is looking into feasibility of nuclear power. A recent international review acknowledged the progress made by the authorities in development of the national nuclear power programme, including in developing the necessary infrastructure (International Atomic Energy Agency, 2024). Compared to renewable energy sources that produce electricity in an intermittent way, nuclear electricity production is more stable over time while also being low carbon, although there are environmental concerns related to the storage of waste and low-probability, high-impact negative risks. It is important to underpin the nuclear projects by comprehensive cost-benefit

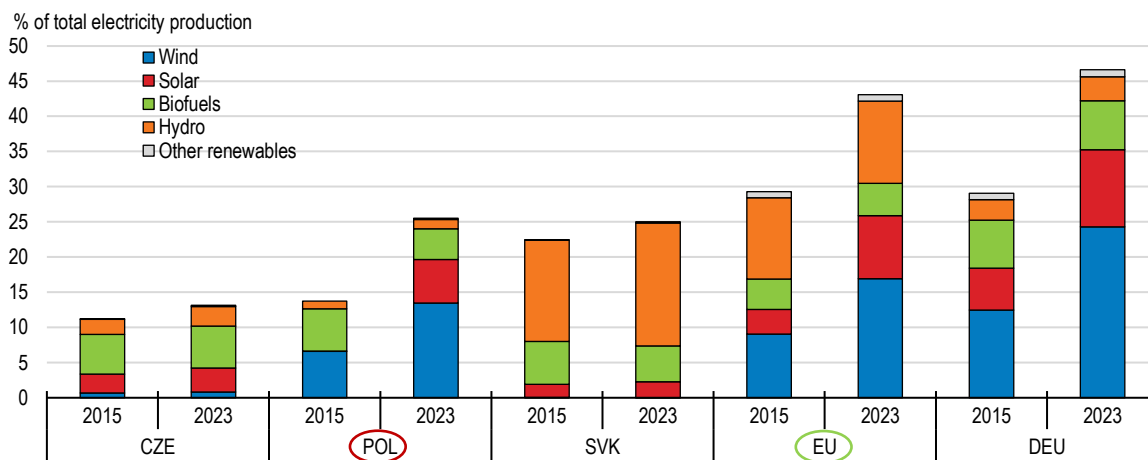
analysis. Given the size of the planned nuclear investment and its key role in decreasing reaching net zero, any potential delays will have an impact on the decarbonisation and cost overruns should be managed carefully. Energy storage is also expected to play an important role from the next decade onwards (Ministry of Climate and Environment, 2024).

## Grid capacity and permitting times continue to limit renewables expansion

Renewable energy in electricity production has nearly doubled over the past decade but from a low base (Figure 3.2). The overall share of renewables in primary energy consumed was 13% in 2022 (Forum Energii, 2024). Despite the recent strong uptake of photovoltaics in both households and industry, solar, wind and heat pumps accounted for only 3% of primary energy consumption in 2022 and two-thirds of the renewable energy was biomass, mainly wood (Forum Energii, 2024). An update of the National Energy and Climate Plan has raised the ambition and foresees 70% of electricity generation from renewables in 2040, about two-thirds in heating and cooling and over 40% in the industry. The EU goal of 29% of renewables in transport seems difficult to achieve in the Polish context, so a target of 18% in 2030 has been set (Ministry of Climate and Environment, 2024) (Table 3.1).

Such plans require strengthening of distribution, transmission and port infrastructures, as well as a reduction in permitting times. Currently, most of the coal-fired power generation is in the south and centre of the country, with corresponding transmission capacity, while for example planned offshore capacities will be located in the north, in the Baltic Sea. Recent updates of development plans by the transmission and distribution operators as well as amendments to the law on investments into transmission networks are welcome. The plan to increase grid investments by a factor of six in 2026-30 compared to 2020-25 appears challenging (ING, 2024).

**Figure 3.2. The production of renewable electricity has nearly doubled over the past decade**



Source: OECD (2024), Green Growth Indicators (database).

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**Table 3.1. Poland's renewable energy targets**

Share of renewable energy	2022	2030 targets	2040 targets
In gross final energy consumption	17%	33%	58%
In electricity	21%	56%	70%
In heating and cooling	23%	35%	63%
Industry	12%	18%	22%
In transport	6%	18%	46%

Note: Targets are preliminary as the National Energy and Climate Plan is under review following public consultation.

Source: Eurostat, Ministry of Climate and Environment (2021; 2024).

Wind power, currently mainly from onshore installations, accounts for around 14% of electricity generation. Poland plans to increase offshore wind generation significantly, but this faces planning bottlenecks. Offshore wind generation is expected to partly replace retiring coal-fired power plants (Forum Energii, 2024). To date, 9.3 GW of projects are in the pipeline, which is around half of targeted capacity. These projects are expected to become operational in 2026 with further capacity auctions scheduled for 2025 and 2027. The industry has called for further clarity on offshore development, including an update of strategic documents, such as the Spatial Development Plan for Maritime Areas, as well as the necessary port and grid infrastructure (Forum Energii, 2024b, TPA and Baker Tilly, 2023). Recently published 'designated areas' show a potential of 15.3 GW, while the estimated potential of the Polish Baltic coast is over 30 GW (Supreme Audit Office, 2019).

An amendment of the legislation on wind energy in 2023 reduced the distance requirements for onshore installations from "no less than 10 times the turbine height" to 700 metres from residential or mixed-use buildings. The authorities are working on reducing this distance further to 500 metres, while respecting regulations on noise levels and safety distances from existing electricity grids, which will further increase the potential for new onshore sites. Changes to planning and zoning regulations are in the pipeline, in particular the introduction of a 'general zoning plan' in municipalities, which would provide more transparency on development intentions and allow a simplified procedure for the adoption of zoning plans.

Poland is close to the EU target of authorising new solar installations within 2 years, but in 2021 approvals for onshore wind projects took on average 7.5 years (Borowiecki et al, 2023). The legislation for offshore wind farms has been amended in 2021, but no project has been completed yet. The EU target for approvals of offshore wind installation is 3 years. Poland, like other EU countries, plans to establish a single point of contact to coordinate and facilitate permitting. Shortening the permitting times may require more resources for permitting authorities, as has been the case in Germany or Sweden (Borowiecki et al, 2023). The authorities should also explore possibilities to simplify the permitting procedure.

Large-scale producers of renewable energy compete in auctions, where the state provides a variable premium over the market price based on a contract for difference for a period of 15 years or until 2047, and the electricity price is indexed to the inflation rate, regardless of the technology. Public support for smaller-scale renewable production consists of an installation subsidy and net billing, where the energy supplied is valued at the current market price. The authorities are planning to increase the price of the energy supplied by 23% of the current market price and allow customers to use credit generated by feeding into the grid to pay for electricity bills. There is an installation subsidy of up to 50% of the eligible costs or EUR 660 per household. Similar installation support is available for farmers, who can receive grants of up to EUR 5 500 per renewable installation. Businesses are also eligible for installation grants. In addition, the production of renewable energy is exempt from the excise duty and small-scale installations of below 5 MW pay reduced grid connection charges, while micro-installations of 50 kW or less are connected free of charge. Electricity suppliers are obliged to purchase so-called green certificates, the amount of which is set annually by the energy regulator, although the level has remained more or less constant in recent years as the programme is being phased out (TPA Poland and Baker Tilly, 2023). Such policies seem sufficient

to attract investments into renewables, conditional on available transmission capacity and streamlining of permitting times.

## Strengthening decarbonisation incentives in the industrial sector

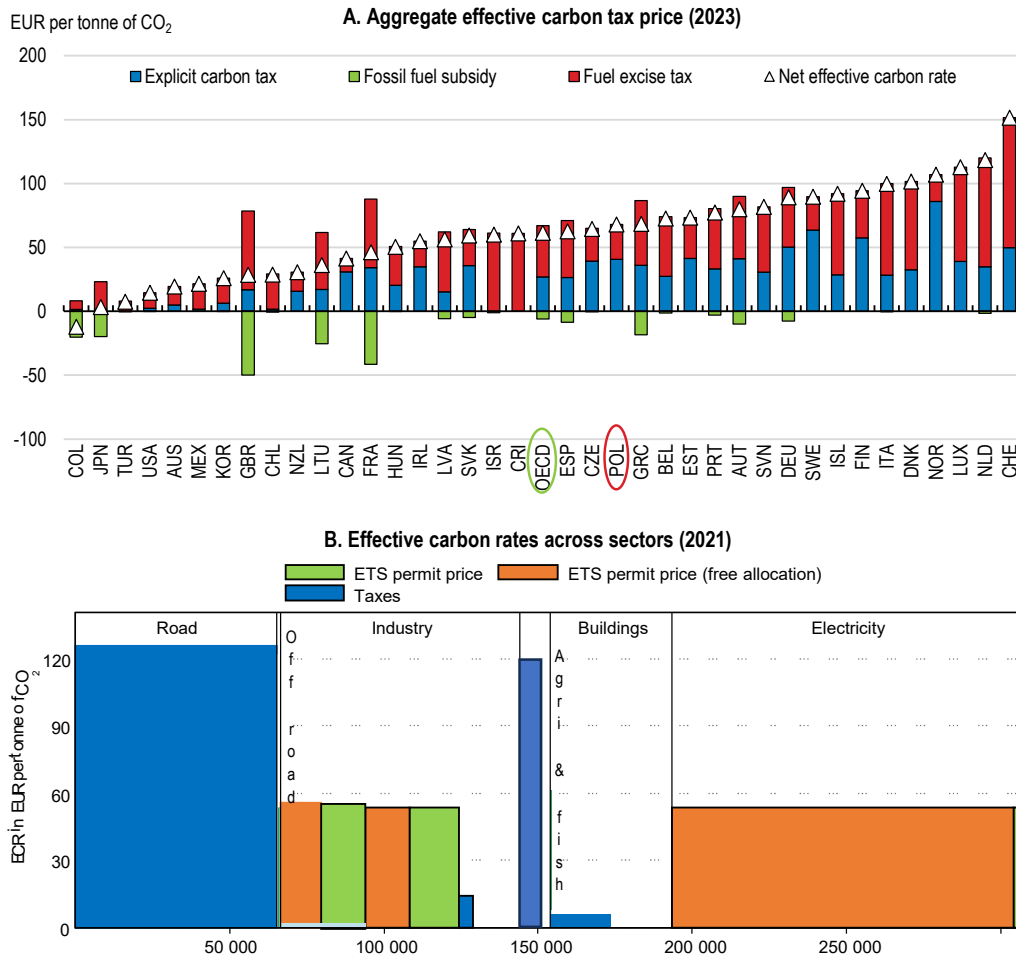
While a large part of industry is covered by the EU-ETS, domestic policy targets and price signals for heavy industry and decarbonisation incentives for smaller polluters have been weaker (Figure 3.3). Steel, cement, and fertiliser production, highly energy-intensive industries, directly account for around 2.5% of gross value added and for around 2% of employment. Steel production has so far benefited from a surplus of allocated emission allowances, but it has not been the case for the cement and chemical industries (Laskowski and Giers, 2023). In these heavy industries, increasing energy efficiency and replacing fossil fuels with less carbon intensive substitutes will have to be complemented by other technologies, such as carbon capture and storage. In addition, the new National Energy and Climate Plan foresees development of green hydrogen production, as well as development of carbon sequestration technologies (Ministry of Climate and Environment, 2024).

The phasing out of free allowances by 2034 will affect all these industries, with EU-ETS prices included. Companies that will continue to benefit from free allocations will need to meet conditionality requirements, such as energy audits and carbon neutrality plans (Borowiecki et al, 2023). Industry also benefits from excise duty exemptions on certain uses of gas and coal, such as for electricity generation, mining and metallurgical processing. Smaller polluters face a national GHG fee, considerably lower than the implied the EU-ETS price of carbon. In the medium term, this fee should be increased towards the EU-ETS price. The introduction of the EU-ETS2 scheme from 2027 will expand carbon pricing to other sectors including housing, road transport and additional sectors. Raising the national carbon fee in 2026 for ETS2 sectors towards the likely level to prevail once it is implemented would help to smooth the transition. Setting out a clear long-term path of carbon pricing would help incentivise smaller industrial polluters to invest in decarbonising technologies.

The authorities should consider a long-term approach to carbon pricing. The Netherlands and the United Kingdom have set a carbon-price floor, while other OECD countries publish an expected carbon price path to provide clear and credible incentives to companies. Furthermore, implementation of energy-audit measures with a short pay back should be made compulsory. Businesses can be awarded tradable 'white' certificates for efficiency improvements. However, in 2023, only over a thousand of such certificates were awarded, trading at an average of EUR 400/tonne. The authorities are currently reviewing the functioning of the certificates and exploring possibilities to improve the system, including its digitalisation, which is welcome.

The draft National Climate and Energy Plan foresees a reduction of emissions from industry by 20% between 2018-40. Three programs for the industry are in place focusing on i) adoption of renewables, ii) improving energy efficiency iii) adoption of cogeneration. Industry estimates based on past investment show that private funding should be sufficient for decarbonisation efforts in the case of the steel and chemical sectors, while public funding may be needed in the cement industry (Laskowski and Giers, 2023). Public consultation with key stakeholders has been irregular and targets often piecemeal and inadequate, while monitoring and implementation of past policy documents have been limited. The revised Climate Strategy contains high-level targets but should be developed into specific industry plans. The EU-ETS requires that at least half of emissions trading revenues be used for direct decarbonisation measures. The Polish Recovery and Resilience Plan earmarked around 1% of its total expenditure for industry.

**Figure 3.3. The effective carbon tax price remains low due to low national carbon taxes and low excise duties**



Note: In Panel A, OECD is an unweighted average.  
 Source: OECD Pricing Greenhouse Gas Emissions 2024.

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**More efforts are needed to reduce emissions from road transport**

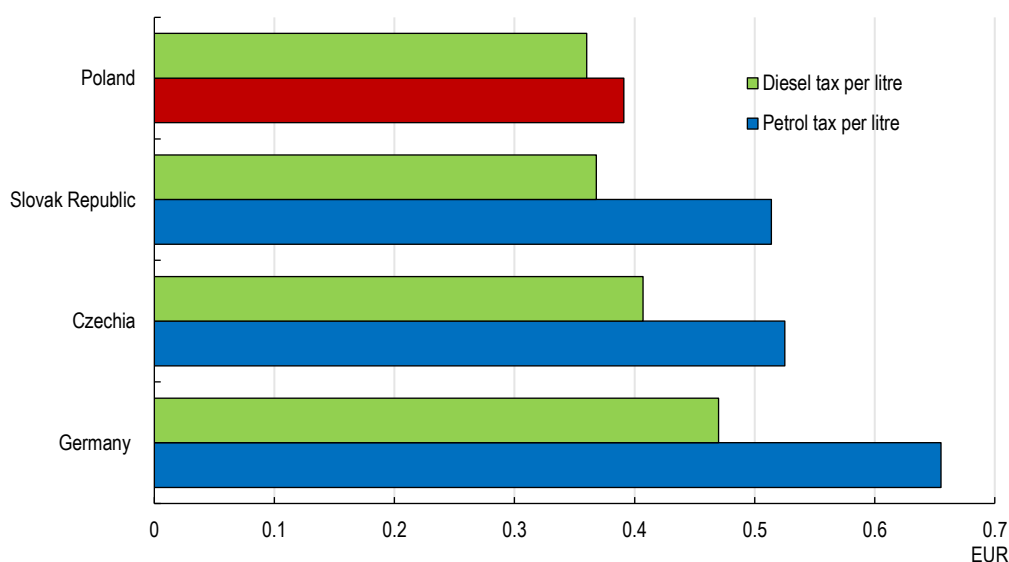
Decarbonising the transport sector, which is responsible for 20% of GHG emissions, is challenging due to growing consumer demand. Emissions have doubled since 1990 and are projected to increase further (Juszczak and Rabiega, 2022). With nearly 30 million registered cars for the population of 36.7 million, Poland is one of the most motorised EU countries and tends to import older and inefficient cars. The truck fleet is significant, accounting for a fifth of EU international freight transport, comparable to Germany (Eurostat, 2024).

Current car and fuel taxation lags behind OECD best practices. There is scope to increase fuel excise taxes, which are low by European standards although similar to some neighbouring countries (Figure 3.4). Duty on diesel should at least be aligned to the duty on petrol, if not higher, to reflect the emissions content. The authorities are working on a revision of the registration fee, to take effect at the end of 2024, and a new annual vehicle tax is planned for 2026 based on the ‘polluter-pays’ principle but will apply only to company cars. This needs to be broadened to include all cars. A targeted car scrappage scheme for older vehicles that would incentivise drivers to upgrade to more fuel-efficient vehicles should be also considered.

It could be subsidised by the newly generated vehicle tax revenues and focus on low-income households. Experience from the US, Germany and France shows that such schemes, if well-designed and well-targeted, can effectively lower emissions (OECD/ITF, 2011). As the car fleet renews to low emissions vehicles, revenues from such taxation will eventually fall and the authorities will have to consider other means, such as distance-based charging. Public transport is expanding across several cities, and investment into upgrading its quality is also taking place. Combined with increasing carbon prices, investment and efforts to boost the attractiveness of public transport should continue, in particular in urban areas.

**Figure 3.4. Fuel excise duties remain low**

2024



Source: Tax Foundation.

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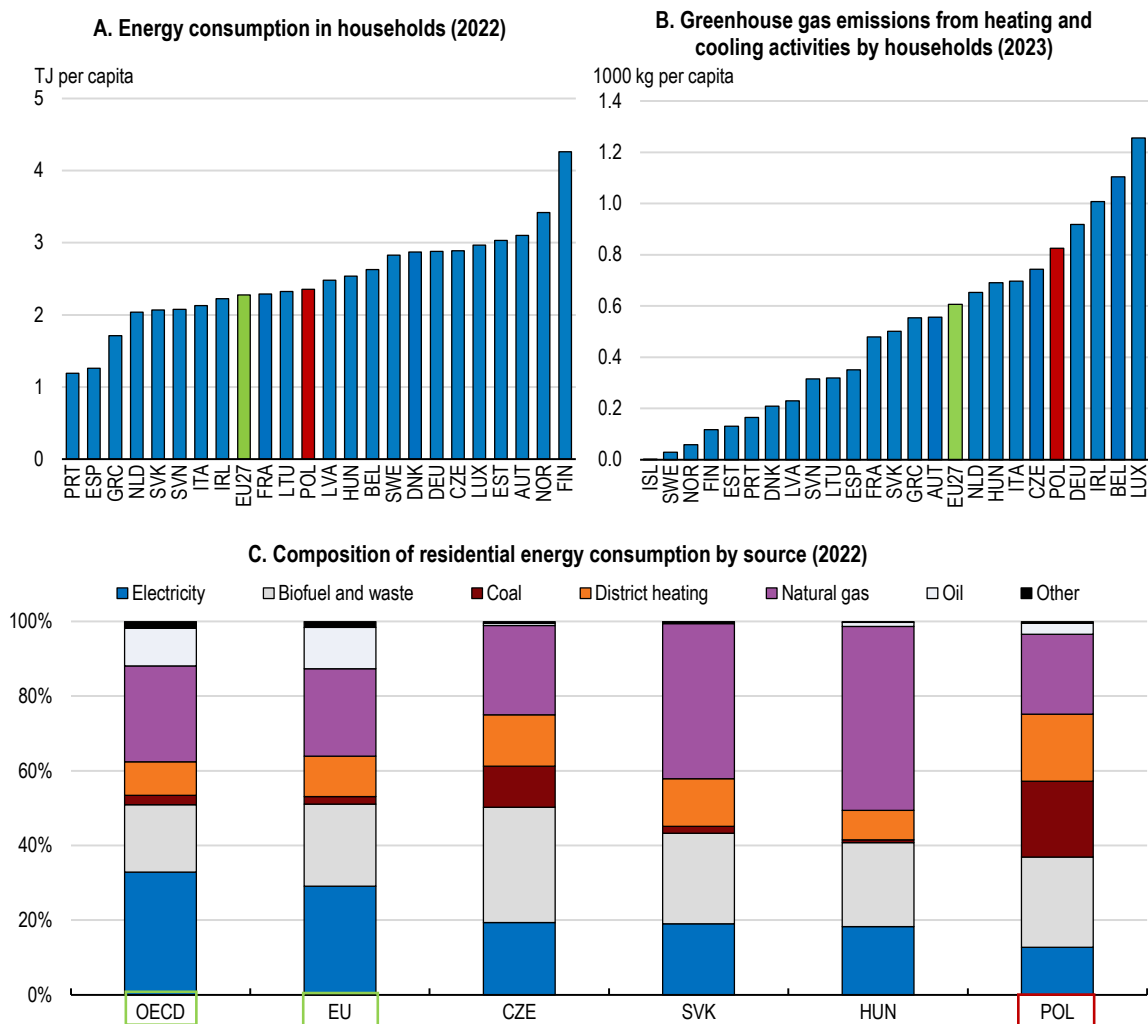
The number of electric vehicles (EVs) remain limited, mainly due to low affordability. There were around 70 000 EVs in June 2024, a 54% increase compared to a year earlier, but accounting for only 4% of new passenger cars sold (European Commission, 2024). Overall, EVs made up only 0.2% of all passenger cars in 2023, compared to an average of 1.7% in the EU. The development of the second-hand EV market is likely to be key to local demand. Public support schemes for EV purchases include company cars and public procurement. EU-wide plans for charging infrastructure along the main roads and motorways every 60 kilometres, hydrogen refuelling stations every 200 kilometres by 2030, and the planned ban on the sale of combustion engines from 2035 should help to increase the uptake of electric and zero emission vehicles. The establishment of low emission zones, such as those in Warsaw and Krakow, in cities with more than 100 000 inhabitants where air pollution exceeds limits, should also help.

Only about 20% of freight was transported by rail in 2020. Over 60% of the rail network is electrified and high-speed rail connections between major cities and the capital have been announced. The expansion of the EU-ETS will include fuels used in maritime transport and free emission allowances in the aviation sector will be phased out by 2026. Maritime and aviation fuels will be subject to higher energy taxes in 2033. Taxing aviation fuels on domestic flights, before the EU-wide regulation applies, should be considered (Teuch and Ribanski, 2021). Ensuring efficient and speedy investment in public transport will be an important incentive for shifting passenger transport as disincentives for personal use of cars increase.

## Emissions from buildings merit more policy attention

Carbon pricing in the buildings sector is low (Hoeller et al, 2023). The CO<sub>2</sub> emission intensity of buildings in Poland is high due to coal-fired heating, which remains important for both individual and district heating, accounting for around 10% of GHG emissions (IEA, 2022) (Figure 3.5). The energy intensity of the residential sector has decreased only modestly over past two decades (Hoeller et al, 2023). Moreover, residential heating is the main source of particulate air pollution. Around 60% of residential buildings rely on coal or biomass boilers, 35% on district heating systems, and 5% on heat pumps. Most of the housing stock consists of single-family houses, while multi-family houses account for around 8% of housing stock, but the share of the population is split more equally across housing types (Statistics Poland, 2024). About 40% of multi-family houses need retrofitting and the share is even higher single-family houses. A public strategy for renovations targets 3.8% of buildings per year undergoing thermal renovations. In 2022, a number of significant measures were introduced to mitigate inflated energy prices, such as a freeze of natural gas prices for households, subsidies for households using coal and fuel for heating, lower VAT for electricity and heat. While they protected households from the energy price shock and most of them are now being scaled back, it is important that consumer prices reflect market conditions and externalities.

Figure 3.5. Buildings' GHG emissions remain high



Source: OECD Greenhouse Gas Emissions database; and IEA World Energy Balance database.

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Measures are being taken to raise the cost of housing-related emissions and to support the retrofitting of heating systems and increase energy efficiency. Based on EU policy, fossil fuels in the residential sector should be phased out by 2040 and existing buildings should meet zero-emissions standards by 2050 (European Commission, 2024). The expansion of the EU-ETS 2 to heating fuels in 2027 will increase the cost of carbon-based energy. More than EUR 11 billion of EU funding is available over the next 7 years for thermal modernisation and protection of people at risk of energy poverty.

Given the scale of the challenge and difficulties for many households in changing their heating systems and thermal renovations, public intervention is supporting such investments. Around EUR 22 billion of support is available in the main public support programme for single family dwellings, the Clean Air Programme, over a span of 10 years (equivalent to around 0.3% of GDP each year) (Table 3.2). This programme offers pre-financing for low-income households, who represent over 20% of beneficiaries (Sokolowski, 2023). The interest in the programme has increased in recent years, although a generally low level of savings among households has been holding up the pace of renovations. Some commercial banks take part in the programme, and the scale of their involvement could be expanded further. It has supported almost 700 000 projects with an investment of PLN 18 bn (around 0.5% of GDP), and funding applications are for the double of that amount. The main focus has been on replacing polluting sources of energy, including replacing coal-based heaters with gas, popular among many households. In 2023, around 40% of the applications included a comprehensive retrofit that leads to significant energy savings. Evaluations of the programme point to a considerable administrative burden in the application process (World Bank and National Fund for Environmental Protection and Water Management, 2024). Single-family house owners benefit from tax-base deductions of up to PLN 53 000/EUR 11 200 for the costs of thermal renovations. The tax incentive could be made conditional on achieving a certain level of energy standards and extended to other forms of ownership.

**Table 3.2. Public programmes supporting housing renovations**

Programme	Target group	Allocated resources	Availability of pre-funding
Clean Air Programme	Owners or co-owners of residential buildings, separate residential units	EUR 22 bn, 2018-2029	Yes
Thermo programme (thermo-modernisation and Renovation Fund)	Housing cooperatives, housing communities, municipalities, social housing, firms, individual home-owners	RRF: EUR 240 mil, 2023-2026 State budget: PLN 375 mil	Yes (for municipal dwellings)
“My electricity” programme	Individuals producing electricity for their own use	EUR 113 mil, 2021-2023	No
“My heat” programme	Owners of new single-family dwellings	EUR 127 mil	No

Source: Sokolowski (2023), Ministry of Development and Technology.

There seems to be a lack of information on who lives in the least efficient housing, identified at around 900 000 dwellings, which complicates estimates of the cost of the investment needed and the design of adequate incentives for targeting these households (Forum Energii, 2024). Only the Clean Air programme allows pre-financing, which is key for cash-constrained low-income households. Another public programme, destined for urban areas with high pollution levels, is implemented in cooperation with local municipalities. With one of the largest district heating capacities in the region and around three quarters of the facilities still using coal, regulatory obstacles hindering the decarbonisation of this district heating should be reduced (Solarthermalworld, 2023).

The pace of thermal renovation in multi-family dwellings has been modest. Public support programmes has been in place since 1998 and tax incentives were available during 1992-2005. Having undergone renovations in the past, these do not necessarily adhere to high thermal standards applicable today. In 2023, over three thousand applications were awarded public support, and overall more than 50 000 projects have been approved, corresponding to around 2 million dwellings. A burdensome application

process is potentially slowing down the take up of the public support and should be revised, although in recent months the authorities have experienced a promising pickup in demand (Forum Energii, 2024).

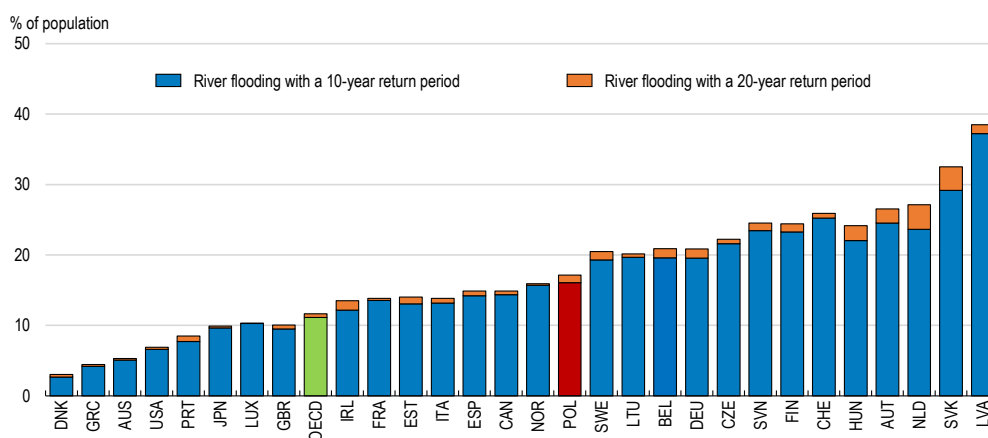
The private rental market, where a problem of split incentives between landlords and renters often results in underinvestment in energy efficiency, is relatively small in Poland, with around a million of housing units and majority of them in housing cooperatives. Several international studies point to lack of information among both renters and homeowners, as a reason for overestimating energy performance (de Mello, 2023). As of last year, the EU's requirement for energy performance certificates applies to new construction and buildings that are subject to a sale or lease. Poland could go further in its efforts to retrofit the building and housing stock by tightening the conditions for renting based on energy efficiency, extending energy certification to all buildings and introducing compulsory life-cycle carbon reporting in the real estate sector. The Netherlands applies energy performance certification to all properties, thereby increasing awareness of the potential for economic benefits of retrofitting across all tenure types. France is gradually tightening the energy efficiency standards for rental dwellings, requiring a minimum category of D (consumption of up to 250 kWh per m<sup>2</sup>) by 2034.

### Strengthening adaptation policies

Climate change is increasing the frequency of extreme weather events in Poland, such as floods, prolonged droughts, and major storms (Figure 3.6). In September 2024 floods affected the south of Poland and resulted in several deaths and considerable damage to property. Heavy rain and flooding in 2020 affected one of the country's coal storage facilities, leading to an interruption of power generation, while a heatwave in 2015 forced the country's transmission system operator to restrict industrial electricity use (IEA, 2024). The average temperature increase in Poland has outpaced the OECD average and many European countries, and over 15% of workers reported heat-related discomfort. The temperatures are projected to continue to rise throughout this century, with the number of days above 25 degrees increasing from 29 in the last decade to 52 days in 2070-29 (IEA, 2022). Extreme rainfall (over 50 mm per day) has become more frequent. Major storms with very strong winds pose a threat to overhead power lines, which still dominate electricity distribution (IEA, 2022). Temperature increases have been more pronounced in the eastern and western parts of the country than in the centre, while flooding has mainly affected the south. In the north, rising sea levels will increase flooding risks on the coast.

**Figure 3.6. Poland is vulnerable to river flooding**

Population exposed to river flooding (2020)



Source: OECD International Programme for Action on Climate (IPAC) Dashboard (<https://www.oecd.org/climate-action/ipac/>); and Maes, M. J. A., et al. (2022), "Monitoring exposure to climate-related hazards: Indicator methodology and key results".

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Adaptation efforts are shared across different levels of government according to their respective sectoral responsibilities and geographical boundaries. While awareness and planning has increased in the largest cities, it is still lagging in rural areas. More than 130 cities (covering 36% of the population and more than a half of the urban population) have reviewed key climate-related challenges and have adaptation plans in place. A further 50 cities are currently working on adaptation plans covering an additional 6% of population. Other policy tools include increasing awareness of 'blue and green' infrastructure, such as the use of natural features in urban environments, awareness raising campaigns and data collection on the achievement of adaptation goals by cities. So far, most of the funding for the development of adaptation policies and programmes has come from EU funds which, with its 7-year funding horizon, allows for medium-term planning. Stronger coordination and monitoring could strengthen climate adaptation policies. An update of the National Adaptation Strategy, including key performance indicators and timelines to allow quantifiable measurements of overall performance, can help to improve consistency across sectoral adaptation policies. Enforcing restrictions on the construction of dwellings in flood prone areas, and updating these regularly, should be also high on the policy agenda.

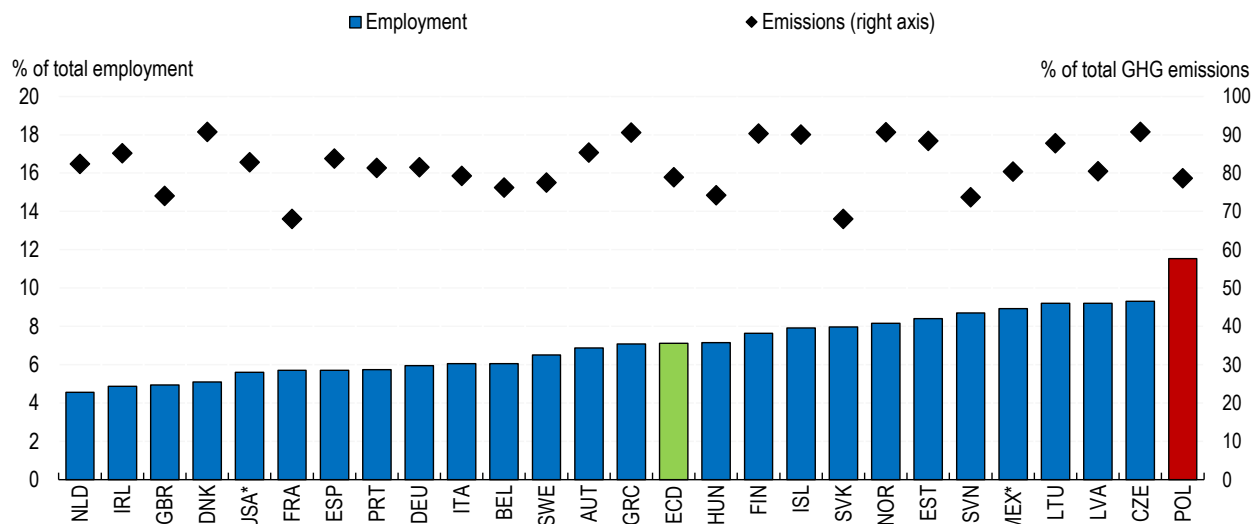
Expanding insurance protection against extreme weather events climate can help manage the economic cost of climate change. In Poland, only 7% of climate-related disaster losses were insured during 1980-2022 (EEA, 2023). Mandating more comprehensive private insurance for natural disasters should be envisaged, possibly with some state backing for catastrophic events. Climate-related risks could be added to mandatory certification of buildings, as is the case in Germany. Switzerland mandates building insurance against natural catastrophes in majority of its cantons, which either private or public insurers provide. In France, the CATNAT insurance scheme mandates a premium at a flat rate for all property and motor vehicle insurance policies to insure against natural disasters (OECD/The World Bank, 2019). Subsidising insurance for vulnerable households could address potential concerns about housing affordability (OECD, 2021).

## Managing the distributional impacts of the green transition

Some 12% of workers in Poland are employed in emissions-intensive jobs, the highest share among OECD countries, although this estimate excludes agriculture with around 10% of employment in Poland (OECD, 2024) (Figure 3.7). Projections based on the OECD ENV-Linkages Model show that most high-emission industries are expected to see noticeable declines in employment before 2030 because of the implementation of climate-mitigation measures in line with the EU emission reduction targets (Fit-for-55) (Borgonovi et al, 2023). Many of these job losses are concentrated around mining areas and where fossil-fuel related jobs play a major role in the local economy. Moreover, past evidence shows that workers from the emissions-intensive industries often change jobs into similarly emissions-intensive occupations. Currently, much of the green transition planning is driven at the regional level, and inclusion of social partners has been ensured. Nevertheless, certain tripartite agreements have not been adhered to and concerns about sustainability of others have been raised (Forum Energii, 2024; ESEC, 2023). A long-term strategy based on the local economic potential, its comparative advantages and encompassing societal and cultural challenges, has been absent. Furthermore, local stakeholders point out the need for campaigns raising awareness of the impacts of energy transition, increasing people's willingness to change and availability of relevant reskilling activities backed up by an analysis of supply and demand that goes beyond the current favourable labour market trends (ESEC, 2023).

**Figure 3.7. Less than a fifth of workers are employed in emissions-intensive jobs**

Share of employment and GHG emissions in high-emission industries (2019)



Note: \*Data refer to 2016 and to CO<sub>2</sub> emissions for Mexico and the United States. Average across 26 OECD countries shown. Agriculture is excluded.

Source: OECD National Accounts and Eurostat Air Emissions Accounts.

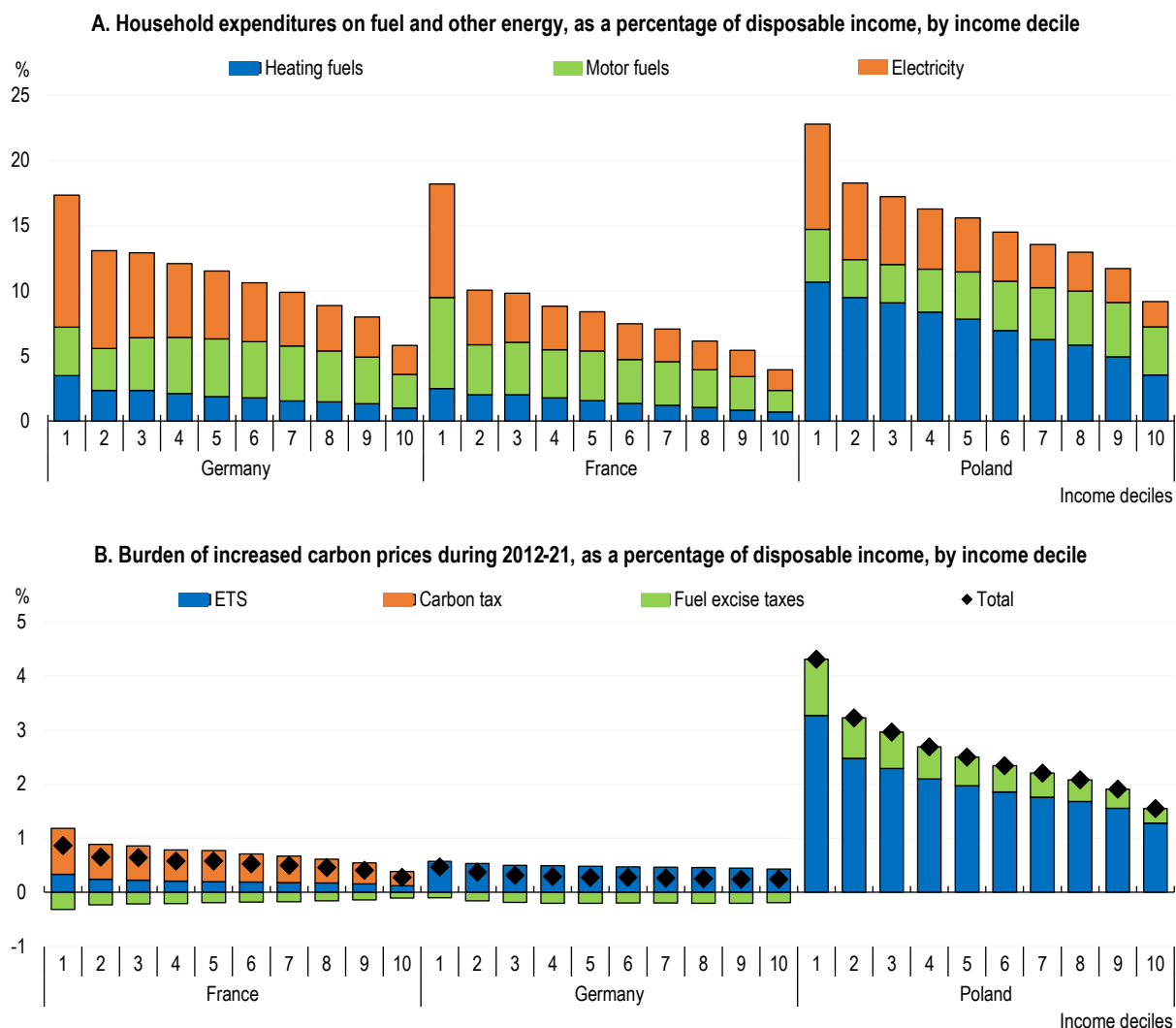
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The coal mining industry has undergone a major restructuring in the past and a large share of its workers is close to retirement (OECD, 2023). Nevertheless, other industries will be also affected. The current tight labour market, combined with a declining size of the workforce due to population ageing, should help to facilitate the transition. Jobs in less emissions-intensive sectors tend to be located elsewhere and labour mobility has been low, but such data may be distorted in the past by a relatively high tendency of workers to emigrate. Policies supporting job reallocations, including affordability of housing and upskilling will be important. Adult participation in lifelong learning remains moderate, while occupational barriers in services remain high (Chapter 3).

Mitigating measures for low-income and rural households that spend most of their income on goods and services with a large carbon footprint are needed (OECD, 2024). In Poland, poor households spent more than one fifth of their income on energy and around 14% are affected by energy poverty (Figure 3.8, A). The burden of increased carbon pricing during the past decade has been between 1.8% for the highest income decile to almost 5% in the lowest income decile (Figure 3.8, B). While energy consumption is a key driver of household emissions, households' carbon footprint also contains spending on other goods, such as food and transport. In low-income households, these are often necessity goods whose consumption is difficult to reduce. Given that households in higher income deciles spend a larger share of their income on motor fuels, increasing motor fuel excise taxes could partly alleviate distributional concerns.

Strengthening price signals, as suggested earlier, should be accompanied by revenue recycling. Several OECD countries such as Austria, Lithuania, Ireland, Switzerland, or New Zealand address distributional concerns of carbon pricing by a partial or full recycling of carbon-related tax revenue (OECD, 2024). Although rising carbon prices are designed to narrow the tax base of polluting activities eventually, this is a gradual process and their decline is a matter of decades. Cushioning adjustment costs for affected households can help to improve the political economy of the green transition. Another policy option that could be explored is lowering labour taxation as higher carbon taxation brings in new revenues. The current fiscal situation does not offer much scope for revenue recycling, but such measures should be considered as the fiscal situation improves.

**Figure 3.8. Poorer households spend a larger share of their income on energy**



Note: Groups 1-10 refer to income deciles (equivalised disposable household income). In Panel A, heating fuel includes expenditure on gas (natural gas and town gas), liquified hydrocarbons, kerosene and other liquid fuels, coal and other solid fuels. Motor fuel includes expenditure on diesel and petrol for transportation. In Panel B, change in the cost of household-specific consumption baskets, as a share of disposable household incomes, taking consumption baskets (2015 in EU countries) and the fuel mix and carbon intensity of consumption (using the 2016 vintage of the environmentally extended World Input-Output Database – WIOD) as fixed.

Source: OECD calculations using household budget surveys (2015 for EU countries), OECD Effective Carbon Rates data, IEA emissions factors for different fuels and WIOD input-output data (for electricity).

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## Policy recommendations

MAIN FINDINGS	RECOMMENDATIONS
Following years of low policy action, green transition policies and their implementation need to pick up the pace. Policy goals for the green transition remain divisive across the political spectrum.	Consider establishing a Climate Council that would include main stakeholders and help build a society-wide understanding of the transition and include decarbonisation targets in legislation.
<b>Decarbonising energy production and industry</b>	
The economy remains emissions-intensive, mainly due to the importance of coal. Hard coal mines are set to close by 2049, but no phase-out of lignite coal is planned.	<b>Accelerate hard coal phase out and set a target for lignite coal.</b>
Changing the energy mix requires grid capacities that differ from those available today. Infrastructure investments are planned.	Continue with sustained and timely investments in electricity infrastructure.
Permitting times for wind energy remain long, with limited clarity on the size of potential development areas.	Implement planned streamlining of planning and zoning regulations and establish a single point of contact for the permitting. Allocate adequate resources to the permitting authorities.
The industry sector will be affected considerably by the green transition.	Set out a clear decarbonisation strategy for the industry sector that will streamline existing public support and set specific targets.
A clear trajectory for carbon prices at the national level would facilitate the transition for industry and other sectors.	<b>Set out a clear long-term path of carbon pricing, that includes an increase in the national emissions fee to the EU-ETS levels.</b> Mandate the implementation of energy-audit measures with a short payback period.
<b>The buildings sector merits more policy attention</b>	
Reaching the EU target of zero-emission building stock by 2050 will require more and deeper building renovations and decarbonisation of heating systems.	Focus support on deep renovation and the decarbonisation of heating, prioritising low-income households and extend certification of energy performance to all buildings.
<b>Strengthening decarbonisation incentives in transport</b>	
Emissions in the transport sector increased in recent years. Vehicle taxation lags behind OECD best practices.	<b>Develop a comprehensive vehicle taxation, based on the 'polluter-pays' principle.</b> Continue investment in public transport. Consider a car scrappage scheme.
Fuel excise duties are low.	Increase gradually fuel excise duties, including aligning diesel to petrol duties or their emissions content.
<b>Strengthening adaptation policies</b>	
Adaptation strategies are in place across various levels of government, but the national strategy dates to 2013 and should be updated. Coordination and monitoring of progress across the government has proved challenging.	Update the national adaptation strategy, including key performance indicators and timelines to allow quantifiable measurements. <b>Strengthen coordination and monitoring of progress in climate adaptation across levels of government.</b>
The share of insured climate-related damages is low.	Consider mandating insurance against climate related risks.
<b>Managing labour market transitions and distributional impacts</b>	
While the share of workers in emission intensive industries is moderate, and some sectors, such as coal mining have already undergone considerable downsizing, a long-term vision for most affected regions is missing.	Develop a long-term strategic vision for the regions affected by the phase out of polluting industries.
Political economy and distributional impacts of policies strengthening carbon prices are challenging.	As the fiscal situation improves and environmental revenues increase, recycle funds to support the transition, consider a 'climate dividend' or lowering labour taxation to alleviate negative distributional impact.

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## 4. Sustaining productivity growth

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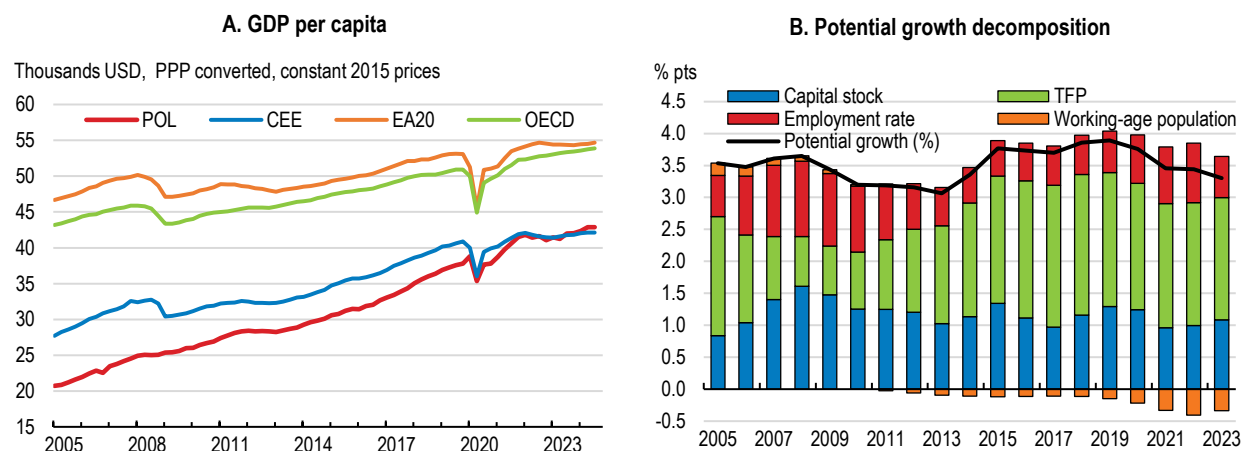
The Polish economy has doubled in size over past two decades as real GDP per capita grew by 3.9% between 2005 and 2021, faster than neighbouring Central and Eastern European countries and twice the OECD average. Continued productivity convergence is likely to lead to higher growth than the OECD average but will gradually slow. Polish companies face challenges of moving up the value chain, population ageing and a shortage of skills. Further improvements in the business environment, such as reforms to the governance of state-owned enterprises, lowering regulatory barriers in services and adopting a public integrity strategy, could help boost competition and sustain continued productivity growth. Polish firms are less innovative than firms in some neighbouring countries and public supports have been in part re-oriented towards a greater reliance on tax incentives. Skills shortages should be addressed with more training and upskilling, especially among small and medium-sized companies, as well as through targeted awareness campaigns and a comprehensive migration strategy.

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## Introduction

The Polish economy has doubled in size over the past two decades and caught up significantly closer to its regional peers in terms of labour productivity and employment. In per capita terms, real GDP grew at 3.9% between 2005 and 2021, faster than neighbouring Central and Eastern European countries and at twice the OECD average. This helped Polish living standards converge from around half of OECD levels to 80% by 2021. These improvements were largely driven by productivity growth (Figure 4.1). Looking ahead, continued productivity convergence is likely to lead to growth higher than the OECD average but will gradually slow down. To remain attractive for foreign investment as an entry point to the EU market, Poland needs to manage structural changes such as decarbonisation and labour force ageing. As Polish companies move up the value chain, policies that support innovation and upskilling will be increasingly important. The chapter focusses on policies to improve the business environment and innovation, and to address skills shortages through training and migration.

**Figure 4.1. Convergence of the Polish economy has been strong**



Note: CEE refers to the average of Czechia, Hungary and the Slovak Republic.

Source: OECD Analytical database and OECD Quarterly National Account database.

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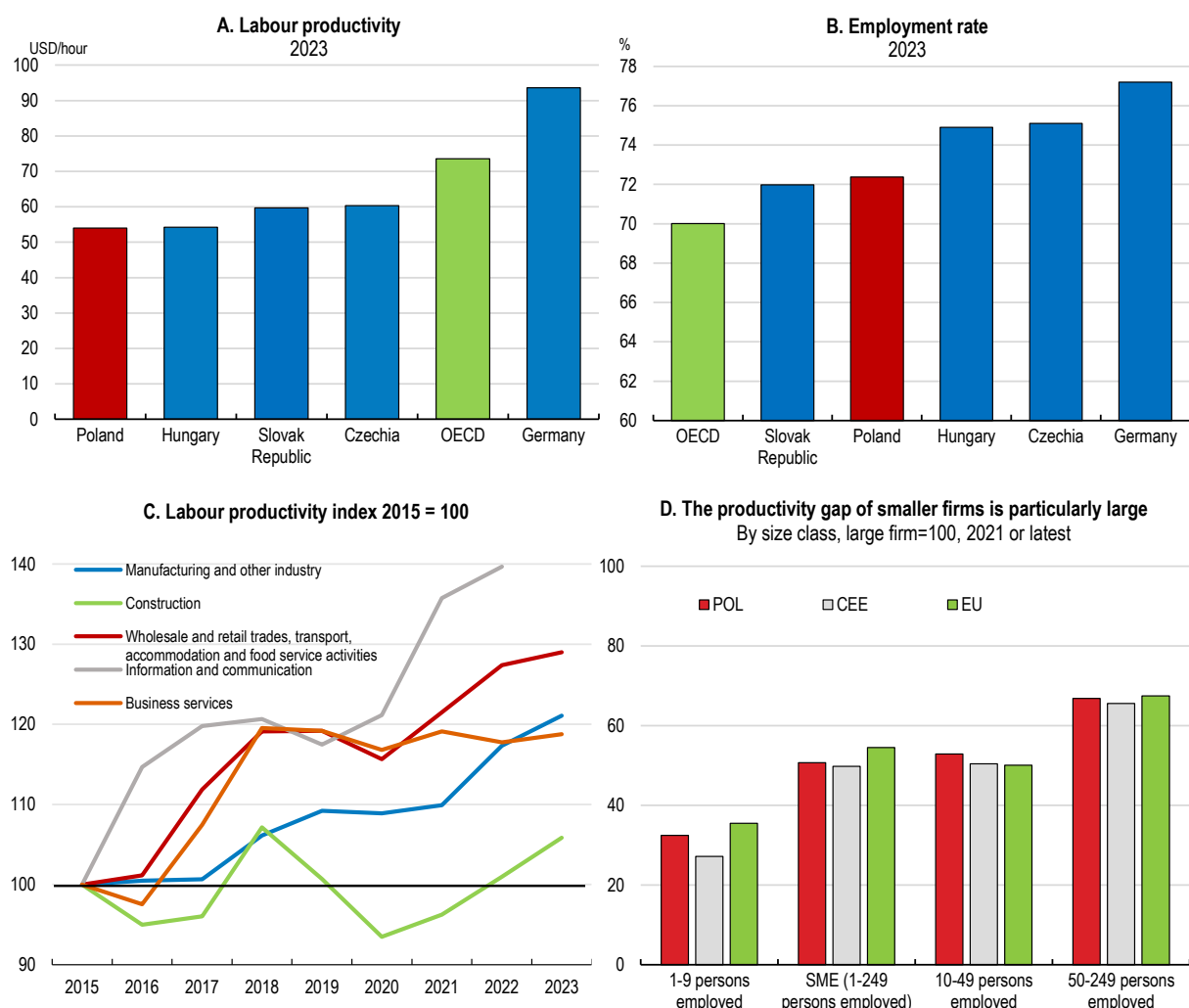
## Foreign investment and trade have supported productivity growth

Productivity growth has been broad-based across the economy, with solid average yearly growth of 3.6% in distribution, 2.25% in business services and 2.6% in manufacturing since 2015 (Figure 4.2). Up to 2022, the ICT sector experienced the fastest growth, although it accounts for only around 7% of gross value in the economy. Increasing trade openness is helping the productivity convergence with exporting firms having experienced faster productivity growth than the average. Over a third of domestic value added is driven by foreign demand. Nevertheless, at around 10%, the share of high-tech exports is moderate.

While FDI flows have remained solid, overall business investment rates have stagnated since 2009. Poland's industrial policy has been built around attracting foreign investors to 'special economic zones' with infrastructure, grants and tax incentives, targeting specific sectors, regions or value chains, and carried out mainly by the investment promotion agency (PAIH). In 2023, inward FDI stock stood at 40% of GDP, slightly lower than in its regional peers and OECD average but higher than in Germany. The investment is concentrated in sectors with medium productivity and high R&D expenditure, such as manufacturing, ICT and financial services (OECD, 2025, *forthcoming*). Business investment is lower than the EU average and regional peer countries, with relatively low investment in intangibles and ICT

equipment (ING, 2024; OECD, 2023). This has been partly attributed to stronger past investment in real estate and offset by public investment, supported by the EU funds (Hagemeyer et al, 2021). As labour becomes more expensive, boosting output and productivity will require further investment in automation and digitalisation.

**Figure 4.2. Productivity convergence has been strong but scope for further progress remains**



Note: CEE refers to the average of Czechia, Hungary and the Slovak Republic.

Source: OECD-Compendium-of-Productivity-Indicators-2024 database.

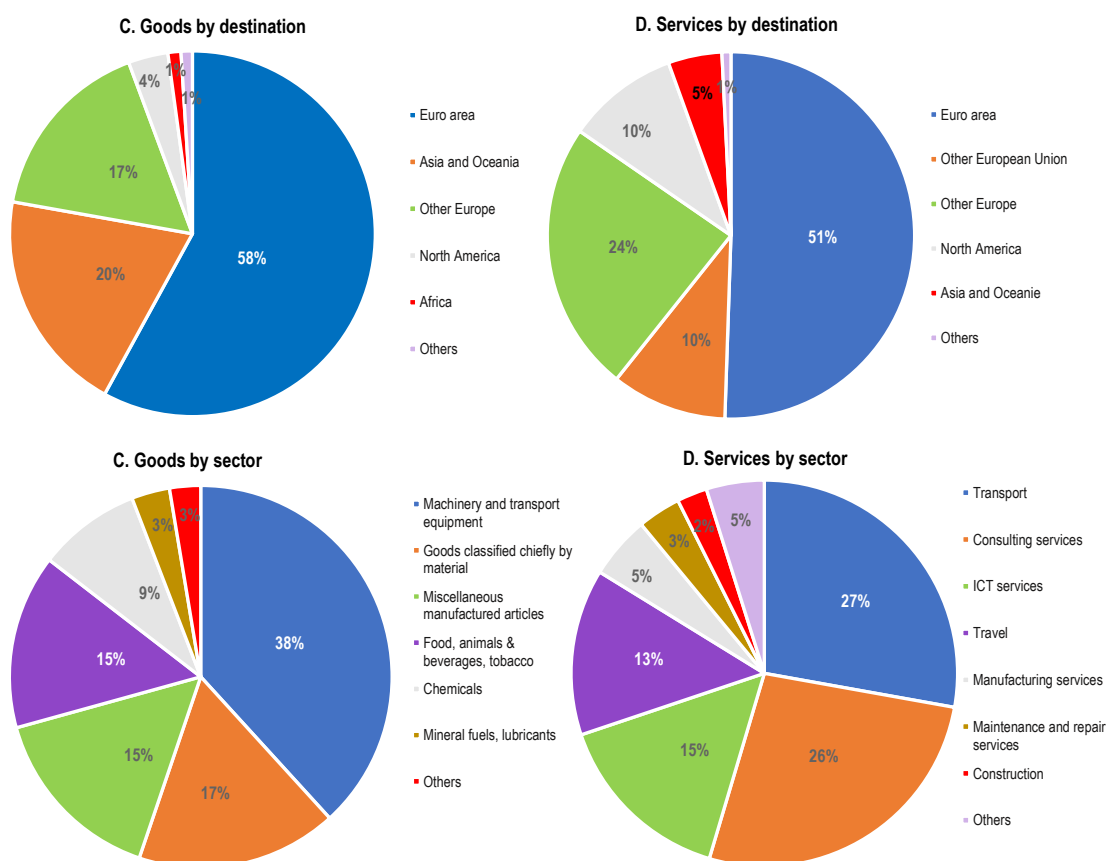
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Exports, inward foreign investment and participation in European value chains have played a key role in supporting Polish production and productivity growth. Exports rose from 27% of GDP in 2000 to 63% in 2022, and in recent years trade has been relatively resilient, growing faster than GDP. However, competitiveness had declined since the energy crisis due to rising wages with unit labour costs increasing by over 20%, faster than the OECD average and somewhat more than in neighbouring countries. While Poland enjoyed some gains in competitiveness in the years before the pandemic, the impact of these developments needs to be carefully monitored. Poland's main trading partners are in Europe, with the euro area accounting for half of both goods and services exports (Figure 4.3). The main export goods are machinery and transport equipment, vehicles and vessels. Services, accounting for around a third of total

exports, are dominated by transport and tourism with a growing importance of business services. Poland is well connected to German global value chains (GVC), both in terms of forward and backward participation (WTO, 2023). Nevertheless, Poland's downstream position, focused on assembling imported intermediate inputs, limits local procurement and weakens linkages between foreign multinationals and domestic suppliers (OECD, 2025, *forthcoming*). Further diversification of Poland's activities and trade partners may be beneficial to widen the range of opportunities and to reflect evolving demand.

### Figure 4.3. European markets play a key role in Polish foreign trade

Share of exports by sector and destination, 2023 or latest year available



Note: In Panel C, Others include crude materials, beverages and tobacco, animal and vegetable oils, and commodities and transactions. In Panel D, Others include R&D services, financial services, insurance and pension, construction services, and cultural services.

Source: OECD International Trade Statistics.

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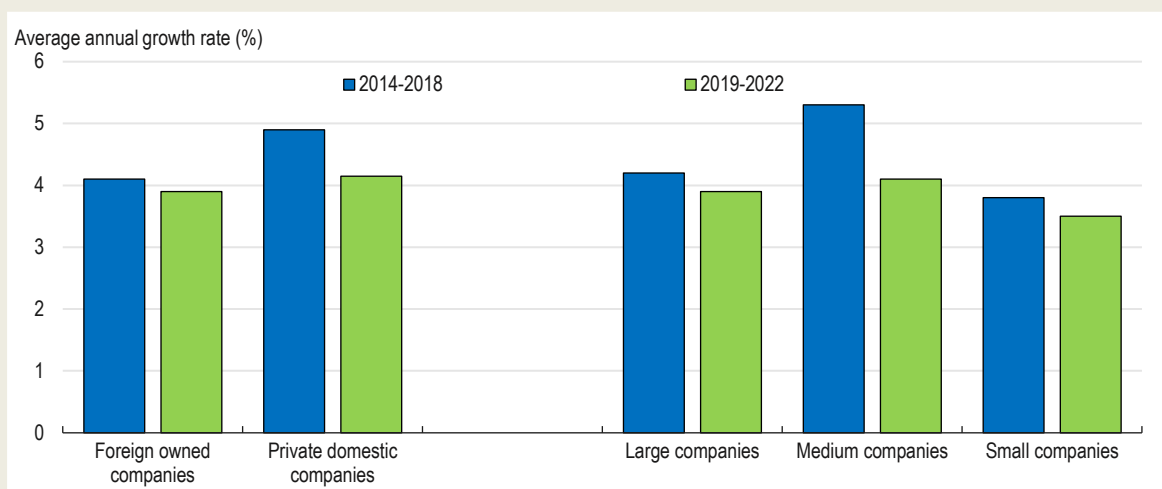
Firm-level analysis illustrates that companies exporting most of their production experienced high growth rates of labour and total factor productivity over the period of 2008-21 and also in the more recent years compared to other firms (Box 4.1) (Statistics Poland, 2022). Over a third of high-growth firms, defined as those whose revenues increased by more than 70% in past three years, were industrial exporters (Statistics Poland, 2024). Furthermore, the data suggest that firms facing greater competitive pressures have seen strong productivity growth since 2014 (Box 4.1).

### Box 4.1. Productivity and TFP growth in Polish firms since the Global Financial Crisis

Micro-aggregation of firm-level data provides valuable insights on the drivers of productivity since 2014. Experimental statistics from a panel dataset compiled by Statistics Poland based on the Annual Enterprise Survey has been made available for this *Economic Survey* and covers non-financial companies with 9 and more full-time workers, using a firm-level Cobb-Douglas production function to construct measures of productivity (Annex A).


The dataset shows a picture similar to the national accounts of steady productivity growth across the pre-period COVID (2014-18) and more recent years (2019-22) (Figure 4.4). The aggregate productivity growth is above the economy-wide based on national accounts (SNA), which can reflect the fact that the sample excludes micro-firms and other parts of the economy included in the SNA. The steady labour productivity growth holds across firms of different sizes and for domestic firms and foreign-owned companies. The largest contribution to overall annual TFP growth over the period has come from manufacturing, professional and administrative services as well as ICT in more recent years.

**Figure 4.4. Labour productivity growth remained steady across the economy**



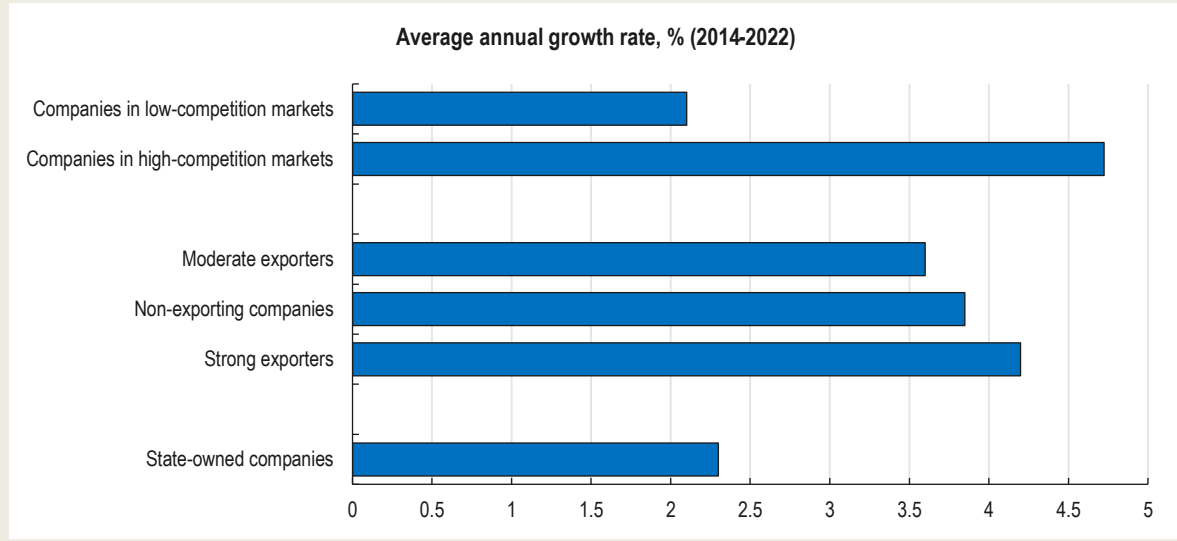
Note: Labour productivity calculated as a ratio of gross values added to number of full-time employees (Equation (2) in Annex A). Experimental statistics compiled from a panel of firm-level data collected and produced by Statistics Poland.

Source: Statistics Poland.

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The data suggests that firms facing greater competitive pressures have seen strong productivity growth since 2014. Companies in sectors with high competition, defined as having a Herfindahl-Hirschman index of concentration below 0.1, experienced higher labour productivity and TFP growth. Similarly, export-oriented firms, defined as those with more than 50% of revenues received from foreign markets, experienced stronger productivity growth than those with moderate or no export activities. State-owned enterprises showed the second slowest productivity growth of any of the sub-groups considered (Figure 4.5). A more granular exploration of the data could help to understand how far these differences are driven by variation across sectors and how much by differences in firm characteristics within each sector.

**Figure 4.5. Labour productivity growth has been strong among exporters and firms in competitive markets**



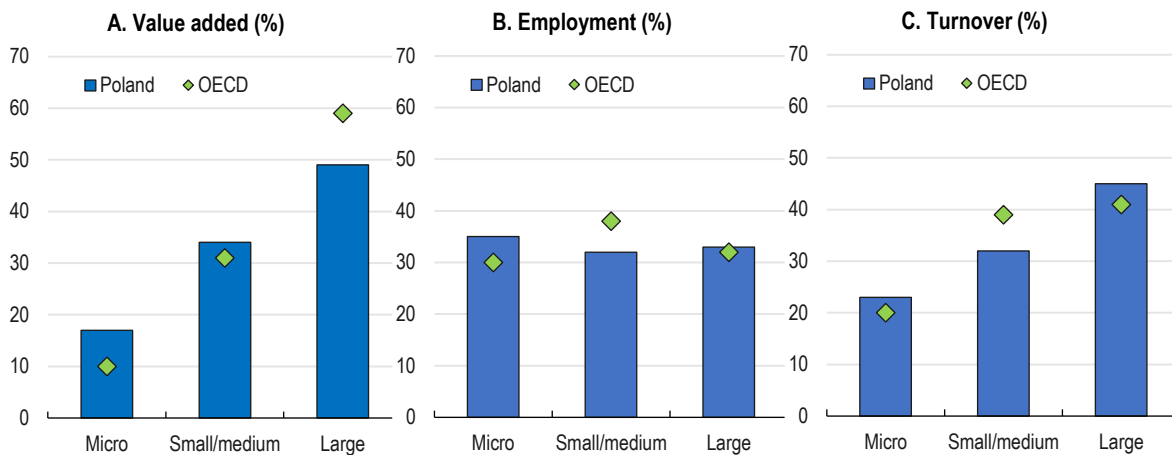
Note: Labour productivity calculated as a ratio of gross value added to number of full-time employees (Equation (2) in Annex A). Experimental statistics compiled from a panel of firm-level data collected and produced by Statistics Poland.  
 Source: Statistics Poland, 2024.

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## Removing growth obstacles in the business environment

The business sector is dominated by micro-firms, which account for more than 30% of employment, while large firms account for a similar share of employment but create half of value added in the economy (Figure 4.6). A lower share of medium-sized companies compared to OECD average, in terms of employment and turnover, points to challenges in scaling up operations (OECD, 2025, *forthcoming*).

**Figure 4.6. Employment in micro firms is important**



Note: The year of reference is 2020 (or the latest year available) and data refer to business economy, excluding financial and insurance activities. Micro firms employ 1-9 persons, small/medium firms employ 10-249 persons and large firms employ 250 and more persons.

Source: OECD Structural Demographics and Business Statistics (SDBS) and Trade by Enterprise Characteristics (TEC) databases, 2023.

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### ***Lowering regulatory barriers to competition in services and network sectors***

Poland's regulatory framework is pro-competitive, but some areas of the economy would benefit from lowering of regulatory barriers further. This can help reallocate resources to the most productive firms, underpinning continued productivity growth. The OECD's Product Market Regulation (PMR) indicators, which assess the alignment of a country's regulatory framework with international best practices, suggest that Poland's regulation of product markets is broadly favourable to competition, with the overall restrictiveness below the OECD average and similar to Denmark and France (

Figure 4.7).

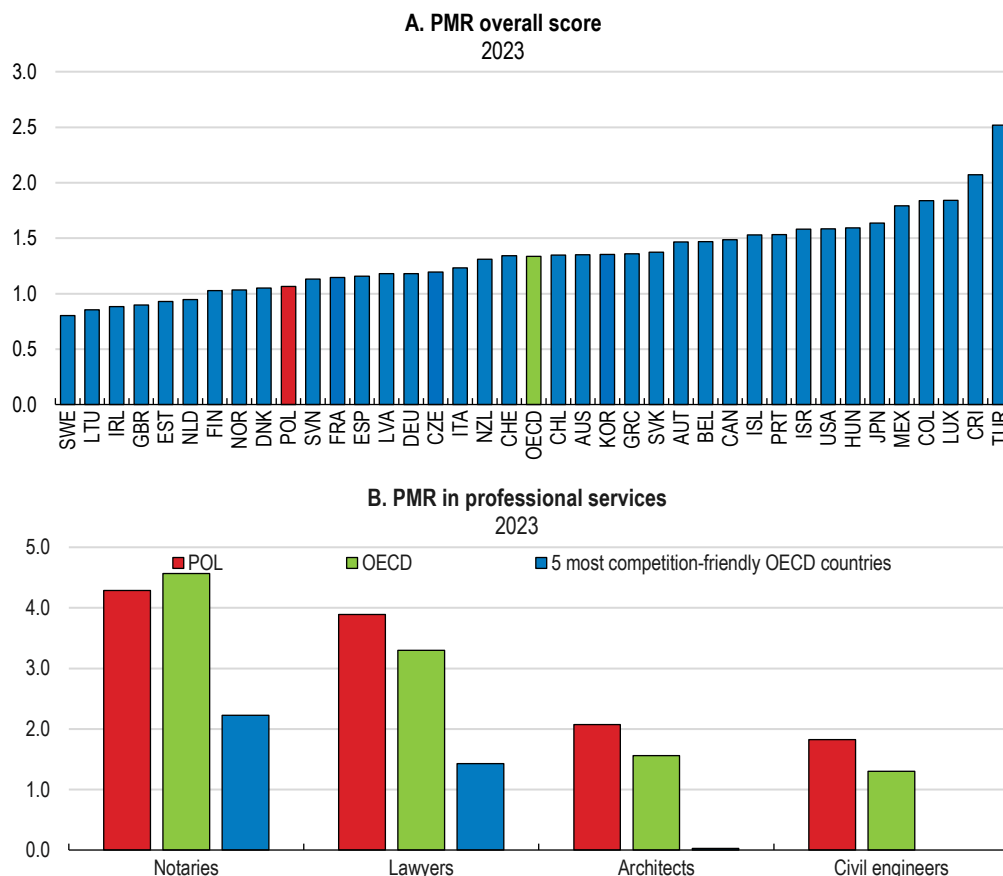
Nevertheless, barriers to competition are higher in some parts of the services sector. Regulated professions employ about 20% of the workforce in Poland. High costs in these activities impact Polish consumers and firms, including the competitiveness of Polish manufacturing firms given their use of services inputs. Professions such as lawyers, notaries and architects are subject to price regulations that do not apply in many OECD countries (

Figure 4.7). There are geographical restrictions on notaries, restrictions on advertising by lawyers and limits on setting up practices with other professions (OECD, 2022). Membership of a professional body is mandatory for notaries, architects and civil engineers. Occupational entry regulations for those providing personal services (such as aestheticians, bakers, butchers, electricians, hairdressers, painter-decorators, plumbers, driving instructors and taxi drivers) seem relatively restrictive, mainly due to qualification requirements (von Rueden and Bambalaite, 2022).

In the network sectors, state intervention in electricity markets remains higher than in some other OECD countries. While Poland complies with the EU regulation on the legal separation between various segments of the electricity market, the largest companies in generation, retail, distribution and transmission are state-owned and retail electricity prices are regulated for both domestic and non-domestic consumers. Regulated prices reduce the financial incentives to switch suppliers. Indeed, switching rates for households are among the lowest in the EU and the rate for commercial consumers is also well below the EU average (IEA, 2022).

**Figure 4.7. Lowering regulation of certain services could bring more competition**

Product Market Regulation indicators, scale 0 (from least) - 6 (to most) stringent



Note: The 5 most competition-friendly OECD countries correspond to Australia, Canada, Chile, Colombia and United Kingdom for Lawyers, Costa Rica, Ireland, The Netherlands, Sweden and United States for Notaries, Denmark, Finland, The Netherlands, New-Zealand and Sweden for Architects, Belgium, Denmark, Finland, The Netherlands and Sweden for Civil engineers.

Source: OECD Product Market Regulation database.

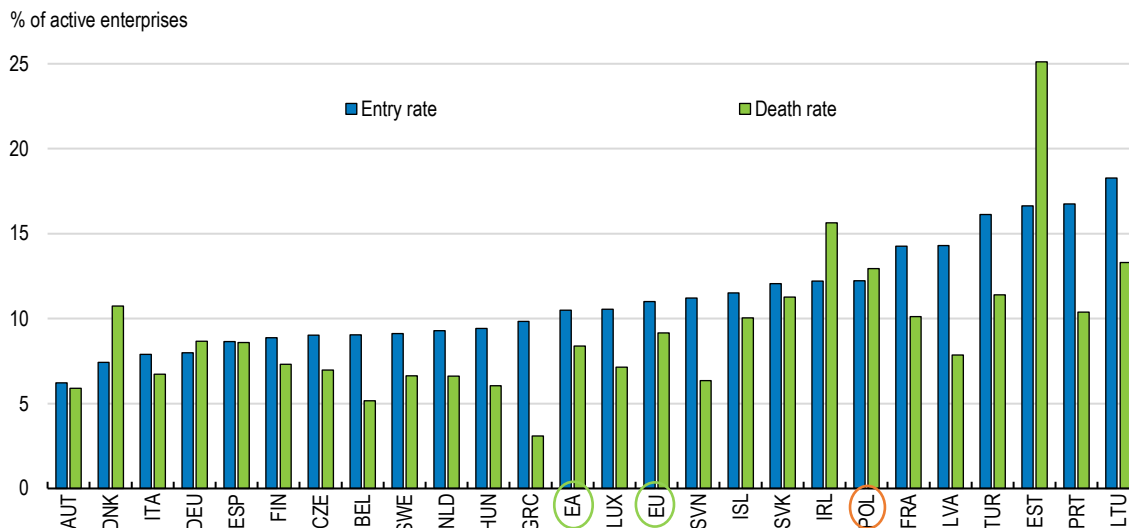
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### **Strengthening the insolvency framework**

The Polish business sector is dynamic, with healthy entry and exit rates (Figure 4.8). The design of the insolvency regime, which allows for reallocation of resources from failing businesses, matters for productivity growth as it can help shift capital and employees to more productive firms and facilitate technological diffusion by promoting experimentation (McGowan et al., 2018; Andrews et al., 2017). Such impacts are likely to be greater in sectors based on intangible capital (Demmou and Franco, 2021).

**Figure 4.8. The Polish business sector is dynamic**

2022 or latest year available



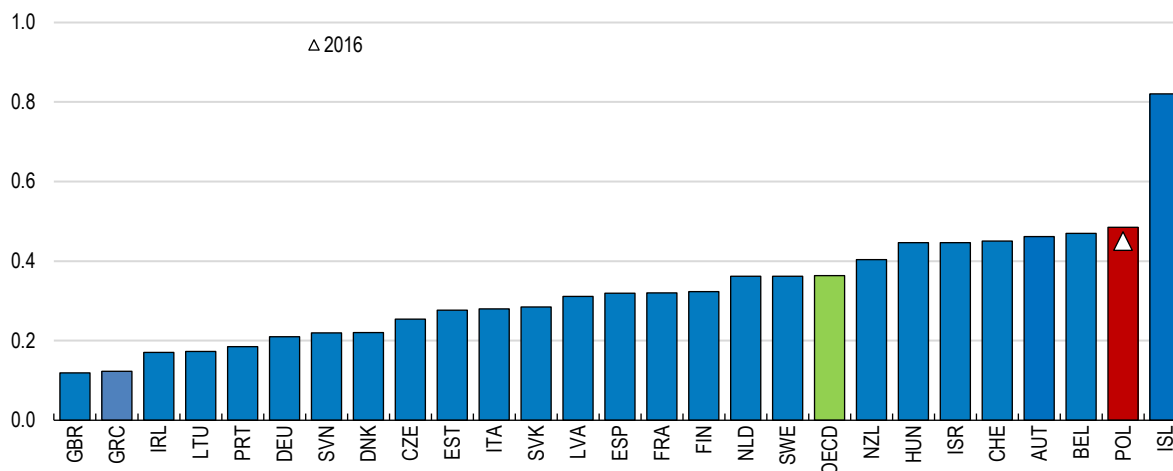
Source: Eurostat.

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During the pandemic, the insolvency framework was temporarily relaxed. More recently, with the weak economic developments in 2023, bankruptcy filings increased by 15%, although they remain at around half of the level in 2015. Poland has yet to implement the EU Directive bringing certain features of the insolvency framework closer across EU countries. In implementing those measures, it can draw on the experience of other OECD countries in lowering the time to discharge, introducing early warning systems, lowering the length of 'stay on assets', a tool that prevents actions by creditors to collect debts from a debtor that declared insolvency to keep operations of a firm going (Figure 4.9). It should also allow for court specialisation, as currently the first instance district courts deal with both simple personal bankruptcy cases as well as complex business cases of corporate restructuring. The estimated time to resolve litigious civil and commercial cases at first instance has been growing over the years and was the fifth longest in the EU in 2022 (EC, 2024a).

### Figure 4.9. Regulation of insolvency procedures can be improved

OECD insolvency indicator, scale 0 (best practice) - 1 (most stringent), 2022



Source: OECD Insolvency Indicators database

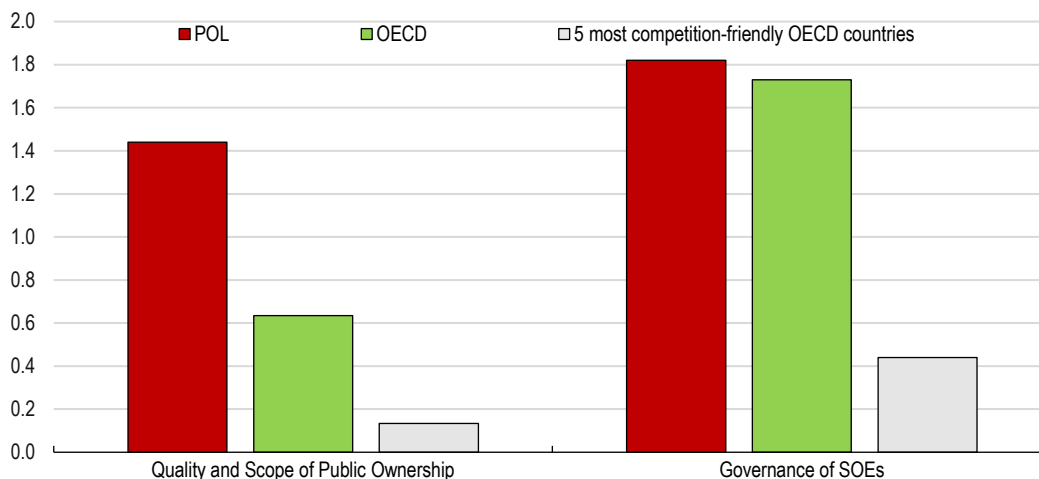
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#### **Improving governance of state-owned enterprises**

Public ownership of firms remains higher than in most other OECD countries, while firm-level data suggest that their labour productivity growth was weak during 2014-22 (Box 4.1). The public sector holds over 13% of the stock market capitalisation and half of the top 10 publicly traded companies at the Warsaw Stock Exchange have some degree of state ownership. State-owned enterprises (SOE) include one of the biggest banks and an insurance company, as well as various energy companies and utilities. Recent audits of several key SOEs point to subpar management practices (Rzeczpospolita, 2024). While there is a growing trend towards centralisation of state ownership functions among OECD countries, the governance of Polish SOEs relies largely on a decentralised model. This means that while certain SOEs are under the direct supervision of the office of the Prime Minister, others fall under several line-ministries that set and monitor corporate objectives and exercise ownership rights with a limited coordinating role for the Prime Minister. Following the change of government in 2023, replacements in the supervisory and management boards have been launched, including an introduction of open competitions, which is welcome. A new “Code of Good Practices” has been put forward by the Ministry of State assets that includes a strengthening of the selection process for board members (Rzeczpospolita, 2024).

## Figure 4.10. State involvement in the economy as measured by PMR remains important

OECD Product Market Regulation indicator, 2023, scale 0 (from least) - 6 (to most) stringent



Note: The 5 most competition-friendly OECD countries correspond to Iceland, The Netherlands, Norway, Slovenia and Sweden for Quality and Scope of Public Ownership and Finland, Italy, Norway, Slovenia and Sweden for Governance of state-owned enterprises (SOEs).

Source: OECD Product Market Regulation database.

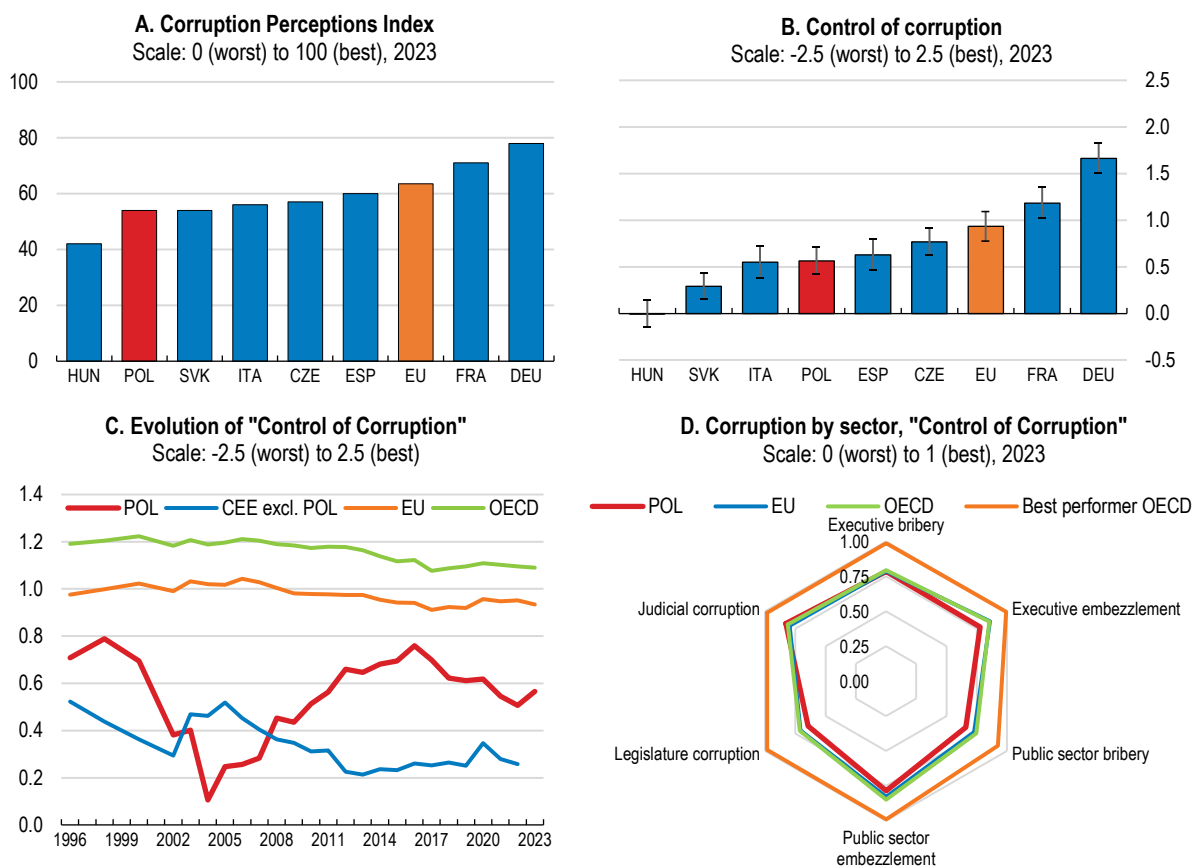
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The oversight of state-owned enterprises and their governance should be better aligned with international good practice identified in the *OECD Guidelines on Corporate Governance of State-Owned Enterprises* (EC, 2019a, OECD, 2020a). SOEs in Poland are not required to put in place internal audit functions, unless specified by a listing or other requirement. While all SOEs publish regularly individual reports that include both financial and non-financial information, an aggregate annual report about the SOE portfolio could strengthen the oversight of state ownership. The institutionalisation of non-partisan appointment committees for the selection of candidates for management and supervisory boards and minimum requirements for the number of independent SOE board members would improve the management selection process and minimise the risk of political appointments. Disclosure of remuneration of board members and key executives could be improved, as most OECD countries require SOEs to engage in some form of disclosure, but there is no such requirement in Poland. Given the high prominence of SOEs in the economy, linking explicitly their ownership with broader national objectives on climate goals could advance the green transition. Several OECD countries such as Finland, Germany or France have such policies in place (OECD, 2024a). The authorities should regularly review the necessity of state ownership and simplify the process of selling state assets, as currently each transaction is currently subject to high-level political approval from the Council of Ministers (OECD, 2020a).

### ***Rebuilding trust in government by strengthening public integrity***

The experience of corruption among the population and businesses is low and expert perceptions of control of corruption are on a par with regional peers (Figure 4.11) (OECD, 2022). Nevertheless, public trust in government has been low. The recent change of government led to several high-level investigations of former public officials. Several features of the public integrity framework could be improved (OECD, 2024a). Firstly, there is no overall strategy at the central level. In terms of internal risk and control, Poland meets the majority of OECD standards on regulations but only a half of them gets implemented. Although the legal framework for internal audit is strong, only 18% of budget organisations were audited internally during 2016-21. Moreover, Poland does not track data on the implementation of internal audit recommendations (OECD, 2024a).

**Figure 4.11. Expert-based perceptions of corruption rank Poland close to its regional peers**



Note: Panel A shows Transparency International's Corruption perceptions index. B shows the point estimate and the margin of error. Panel D shows sector-based subcomponents of the "Control of Corruption" indicator by the Varieties of Democracy Project. In panel C, peer countries consist of Czechia, Hungary and the Slovak Republic.

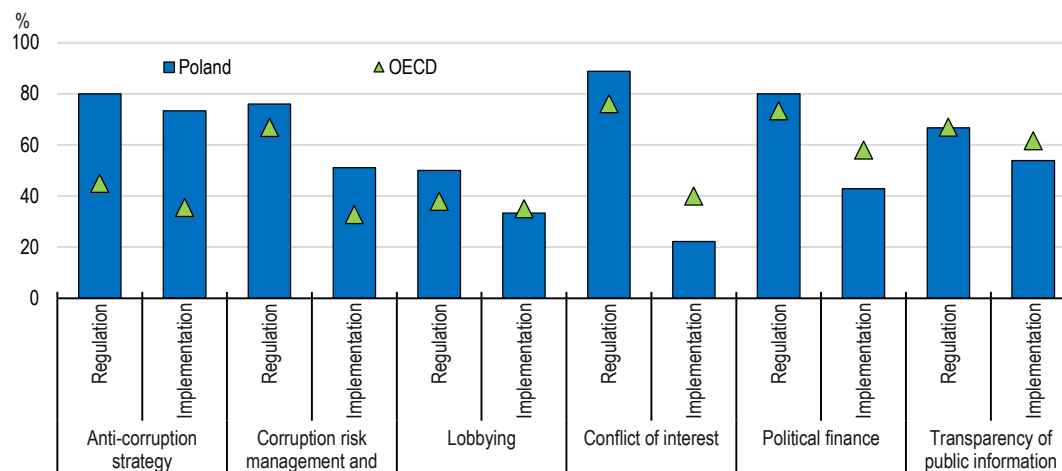
Source: Panel A: Transparency International; Panels B & C: World Bank, Worldwide Governance Indicators; Panel D: Varieties of Democracy Project, V-Dem Dataset v12.

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In lobbying, conflict of interest and political finance, the regulation and standards follow international norms, but implementation is lagging best practices (Figure 4.12) (OECD, 2024b). The Ministry of Interior and Administration is responsible for overseeing lobby activities and a lobbying register is available online, but it only includes information on the name of the lobbyist, not on the domain of intervention, the type of lobbying activity or the piece of legislation targeted as is the case in OECD best practice countries. While ministers, members of parliament, senior judges and top-tier civil servants of the executive branch submit an interest declaration, the central authority does not fully and systematically track such submissions. Poland fulfils most of the OECD standards on political finance in terms of regulation. Yet, candidates cannot be held personally accountable for violations and there is no ban on anonymous donations. Some political parties do not submit elections-related accounts on time. Moreover, the National Election Commission, the independent body overseeing the financing of political parties and election campaigns, does not publicly disclose minimum information on the different types of sanctions issued.

**Figure 4.12. Public integrity framework is above OECD average, but implementation is lagging**

OECD Public Integrity Indicators, % fulfilment of criteria for regulations and practice, 2022-2023



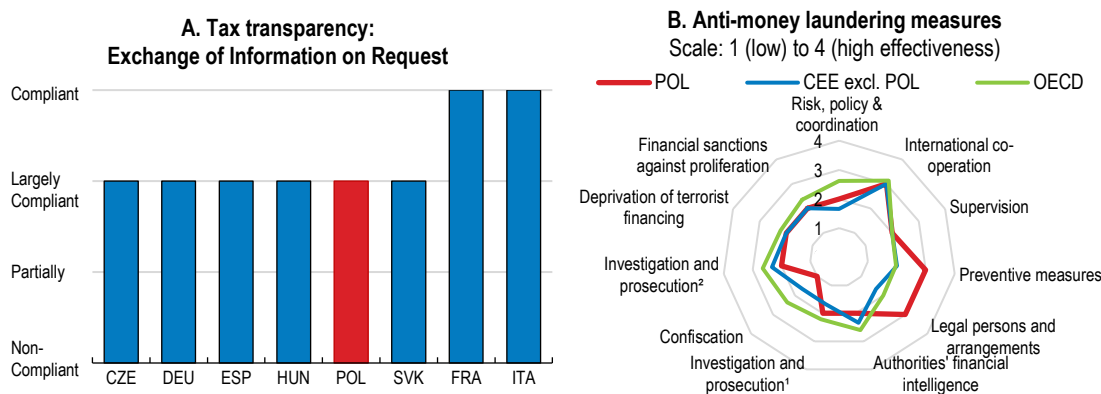
Note: The first two indicators on strategy refer to a strategy that was in place until 2022. Currently, there is no overall strategy.

Source: OECD (2024b).

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Enforcement of the *OECD's Anti-Bribery Convention* has been weak, with no convictions and corporate liability virtually impossible (OECD, 2022b, OECD, 2024c). A revision of the widely used so-called impunity provision, under which a briber can escape liability if (s)he discloses all substantive circumstances of the crime to a law enforcement authority, has been announced. However, details of this reform have not yet been made public. Poland is largely compliant with Financial Action Task Force's recommendations on anti-money laundering and terrorist financing measures (Figure 4.13).

**Figure 4.13. Poland is largely compliant with FATF's recommendations on anti-money laundering and terrorist financing**



Note: Panel A summarises the overall assessment on the exchange of information in practice from peer reviews by the Global Forum on Transparency and Exchange of Information for Tax Purposes. Peer reviews assess member jurisdictions' ability to ensure the transparency of their legal entities and arrangements and to co-operate with other tax administrations in accordance with the internationally agreed standard. The figure shows results from the ongoing second round when available, otherwise first round results are displayed. Panel B shows ratings from the FATF peer reviews of each member to assess levels of implementation of the FATF Recommendations. The ratings reflect the extent to which a country's measures are effective against 11 immediate outcomes. "Investigation and prosecution"<sup>1</sup> refer to money laundering. "Investigation and prosecution"<sup>2</sup> refer to terrorist financing.

Source: OECD Secretariat's own calculation based on the materials from the Global Forum on Transparency and Exchange of Information for Tax Purposes; and OECD, Financial Action Task Force (FATF).

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### ***Broadening access to finance***

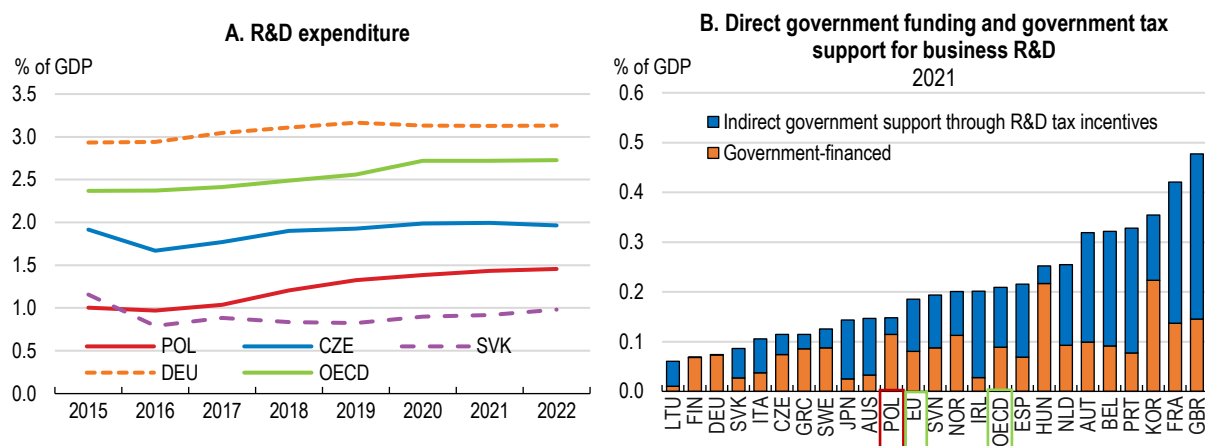
The availability of finance has been good for most firms, although some SMEs face more limited access to funding. Firms tend to finance most of their activity out of retained earnings as well as external finance. In recent years, external finance has mostly consisted of trade credit and leasing, which is more common in Poland than in other European countries. Demand for credit has fallen significantly since the start of the pandemic, but remains available albeit at higher interest rates. Banks continued to approve over 90% of loan applications. However, a minority of SMEs report more limited access to finance as a result of insufficient capital or guarantees as well as too much paperwork (European Commission, 2024a). The public development bank's (BGK) 'de minimis' programme provides loan guarantees to around a quarter of Polish entrepreneurs. To reduce informational asymmetries in loan applications a credit registry for SMEs could help.

The financial system can be developed further to broaden funding channels. Venture capital is important in supporting and funding new and innovative firms. Funding has increased by more than ten-fold since 2018 to around PLN 2 billion in 2023, supported by the Polish Development Fund that has co-invested alongside private equity funds (Kuchar et al, 2024). However, foreign investors accounted for only around 10% of transactions in 2023. Poland could incentivise foreign venture capital investment, as this could boost funding and raise expertise, particularly at later financing stages. Equally important will be to improve the attractiveness of the Polish stock market. The Warsaw Stock Exchange has not kept pace with the economy. Total capitalisation relative to GDP has dropped by a third over the past decade to 22% in 2023, less than half of the EU average. Better governance of listed state-owned enterprises, tax relief for long-term investments, and easier reporting requirements for initial public offerings could make the stock market more attractive to foreign investors and prospective firms.

### ***Innovative capacity can be boosted further***

Despite dynamic business sector and rising private R&D investments the innovation capacity remains low. In 2022, the gross domestic expenditure on R&D reached 1.5% of GDP (Figure 4.14). The share of companies innovating either in terms of product or processes remains well below the EU average (European Commission, 2024b). Polish businesses were half less likely to introduce product and business innovations than their European counterparts. At the same time, investment in intangibles has been lagging and, at 0.5% of GDP, public R&D investment has been muted. Small and medium-sized enterprises in manufacturing, which are among the most connected to foreign multi-national enterprises, encountered the highest barriers to developing innovation and adopting new technologies. These barriers included high costs, difficulties in obtaining public grants or subsidies, and skills shortages (OECD, 2025, *forthcoming*). The number of researchers (per capita) has increased but lags Czechia or Germany. While the overall number of international students has doubled between 2014-20 and foreign academic staff has also increased in recent years, the low innovation potential has been attributed to low internalization of the academic sphere and a lack of collaboration among innovative companies (European Commission, 2024).

Figure 4.14. R&amp;D investment remains moderate



Note: In Panel A R&D expenditure refers to gross domestic expenditure on research and experimental development (GERD). In Panel B indirect government support through R&D tax incentives refers to government tax relief for business R&D (GTARD) and government-financed business expenditure on R&D (BERD)

Source: OECD MSTI database; and OECD R&D tax incentives database.

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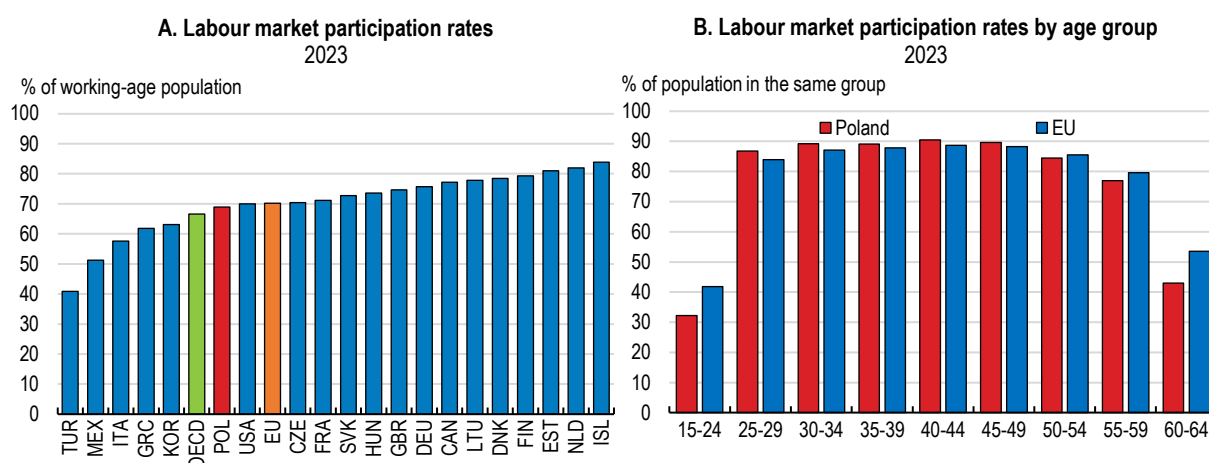
Direct public funding for R&D remains prevalent, also in the business sector (Figure 4.14). Nevertheless, tax reforms in 2016 and 2020 introduced generous tax incentives for R&D investment. In 2023, Poland had the second highest implied tax subsidy rate on R&D in the OECD. Up to 200 % R&D costs can be deducted, including investments in energy-savings improvements, recyclability of materials, as well as expenses for industrial innovations such as maintaining and obtaining a patent, and robotisation. The authorities have published explanations to help guide companies in how to claim the reliefs. The number of taxpayers using such tax incentives has increased steadily over the years, with claims reaching 0.26% of GDP in 2023, double the share in 2017 (Business Plus, 2024). Intellectual property box tax relief has been in place since 2019. To allow startups and companies that initially do not make a profit to benefit, the tax incentives could be turned into a carry-over, as done for instance in Italy. Moreover, administrative complexity of these incentives remains a challenge for SMEs and should be streamlined (OECD, 2025, *forthcoming*). The impact of the more generous tax subsidies and the scope for further re-orientation towards taxes should be carefully evaluated.

Direct public support for business R&D remains important. Two central institutions, the National Center for Research and Development and Polish Academy for Enterprise Development, cofinance innovative projects both in the business and academia from research and development to commercialization phases. Other bodies focus on academic research, start-up companies and programmes to foster cooperation of start-ups with medium and large enterprises and ‘sandboxes’ in certain industries such as fintech also exist. Research, development and innovation in small and medium sized companies are targeted by the PARP agency, a governmental body tasked with supporting SMEs. While there is a plethora of policies and programmes aimed at enhancing the productive and innovative capacities of SMEs, administrative burden of applying for public support remains an obstacle. Streamlining access to technical support and increasing awareness of these programmes could help facilitate SME access to existing business support (OECD, 2025, *forthcoming*). Regular evaluation and monitoring of the various programmes, including the tax incentives, should help to prioritise and improve them over time.


## Bolstering skills to underpin continued productivity growth

Persistent skill shortages limit continued productivity growth, in particular in the context of population ageing. The working age population has been falling steadily since 2010 to a greater extent than in the average OECD country. Meanwhile, the trend employment rate has been increasing, as a result of a growing economy, improved education and female labour market participation together with rising labour demand. At the end of 2023, 72.7% of the working age population were in the labour market, close to the OECD average, but below neighbouring Czechia and Germany (Figure 4.15). Participation rates of older workers are below the EU average so some further resources could be mobilised among the elderly (Figure 4.15). Additional reserves of labour could be drawn from the agriculture sector, where around 10% of employees work, self-employed, and disabled, but up-to-date skills are likely to be an obstacle.

**Figure 4.15. Labour market participation is around the OECD average**



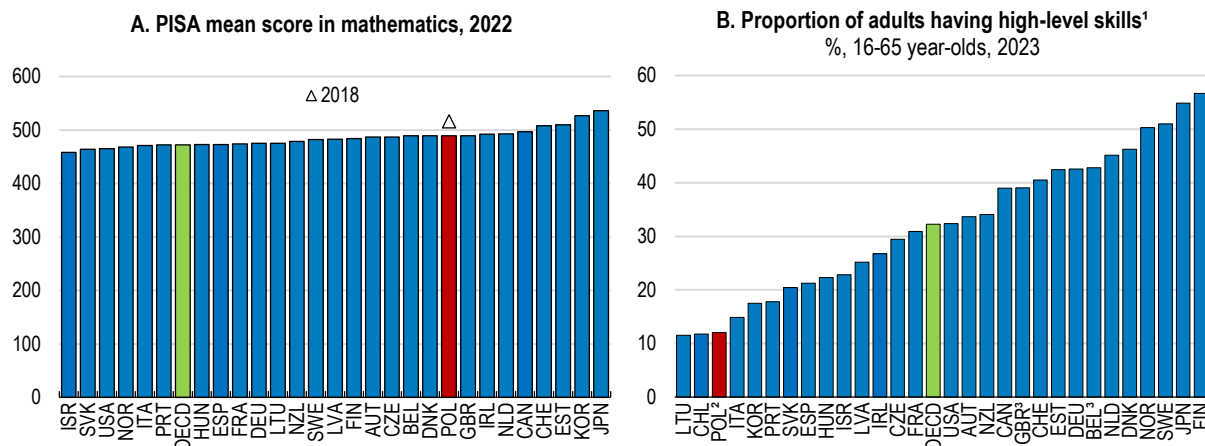
Source: OECD Labour Force statistics.

StatLink  <https://stat.link/eqvck>

### ***Equipping workers with strong and relevant skills***

Despite recent improvements in educational attainment, significant skills gaps remain. Poland ranks among the top performers in the international students PISA tests (Figure 4.16). Since 2000, the share of low educated adults has fallen more than threefold and is now among the lowest in the EU while the share of young adults with tertiary education has tripled. However, only 12% of adults have high-level skills and 27% low-level skills, which compares unfavorably with Poland's regional peers (Figure 4.16). A recent survey found that only 18% of the working age population can understand a text of more than 25 pages and 11% can do advanced math, both shares below the EU average (CEDEFOP, 2022). Poland lags also in terms of digital and foreign language skills. Digitalisation offers new growth opportunities but requires adequate skills. Managerial skills, key to implementing new technologies, are often lacking (OECD, 2023). Estimates based on Sorbe et al. (2019) suggest that closing a quarter of the gap with the best performing countries in digital adoption could raise productivity levels by as much as 9% after three years.

**Figure 4.16. Despite good educational outcomes of pupils, the share of adults with high level skills remains modest**



Note: 1. Average of percentage of adults scoring at PIAAC literacy or numeracy proficiency level 4 or 5, or scoring at problem solving in technology-rich environments level 3 or 4.

2. For Poland, caution is required in interpreting results due to the high share of respondents with unusual response patterns. See the Note for Poland in the Reader's Guide.

3. Data for Belgium refer only to Flanders, and data for the United Kingdom refer only to England.

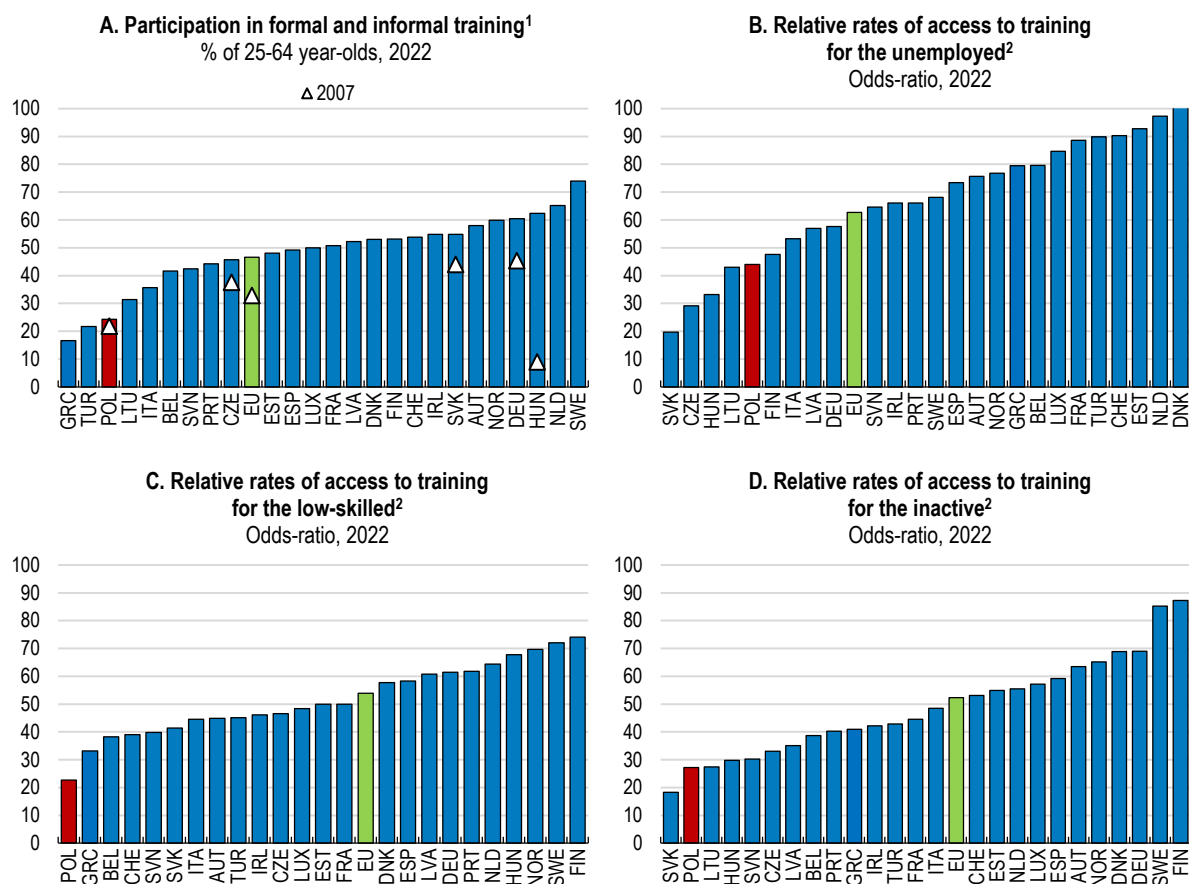
Source: OECD PISA and PIAAC databases.

StatLink  <https://stat.link/qzoyl7>

Poland faces similar issues around adult learning as other OECD countries: those with high skills and working in large companies tend to participate in adult learning, but those that need it the most, low skilled and/or working in smaller businesses, do so less frequently. Moreover, given the prevalence of small and medium-sized companies, which tend to lack the knowledge of and capacity to offer upskilling opportunities for its employees, public interventions should focus on these segments of the economy (OECD, 2021). Only around 20% of small companies provided continuing vocational training, one of the lowest shares in the EU, while in large firms this share was four times larger. Participation in life-long learning is low, although national survey data based on a broader definition of adult learning display higher rates than LFS surveys (Figure 4.17) (OECD, 2022a). Low participation rates have been attributed to low demand, rather than a limited supply of training opportunities, with a lack of perceived need and barriers such as family responsibilities holding back demand.

The importance of adult education is well recognised in Poland. The latest policy strategy ("Integrated Skills Strategy 2030"), adopted in 2020, builds on an earlier analysis in the *OECD Skills Strategy* (OECD, 2019). In addition to the National Training Fund, financed by a payroll levy on employers and with a budget of around 1% of GDP that supports employer-initiated training, considerable funding from the EU is earmarked for adult education in terms of acquiring basic and digital skills to promote social inclusion. In the past, low awareness and administrative complexity have hindered the participation of firms, while the budget is limited. PARP also supports SMEs' human capital development. It offers a wide range of training programs via its e-learning portal (PARP Academy) that has around 270 000 users and issued some 230 000 training certificates. Another online tool that allows regional authorities to allocate funding for specific adult-learning programmes that the agency offers has been introduced. To attract adults to non-school environment, often seen as more appealing for adult learning, over a hundred local community centers have been established (OECD, 2023). Moreover, Poland is currently piloting a project of individual training accounts, which is welcome given that up to 40% of workers with low education levels are on temporary contracts, one of the highest shares in the OECD (OECD, 2020). The programme will be rolled out to the working age population in 2027-28.

Figure 4.17. Participation in training is low



Note: 1. Adults aged between 25 and 64 enrolled in education or training over the last twelve months. 2. Participation rate of adults who are unemployed (with education up to the first cycle of secondary education or inactive in Panels C and D) compared to the participation rate of all adults.

Source: Eurostat (2024).

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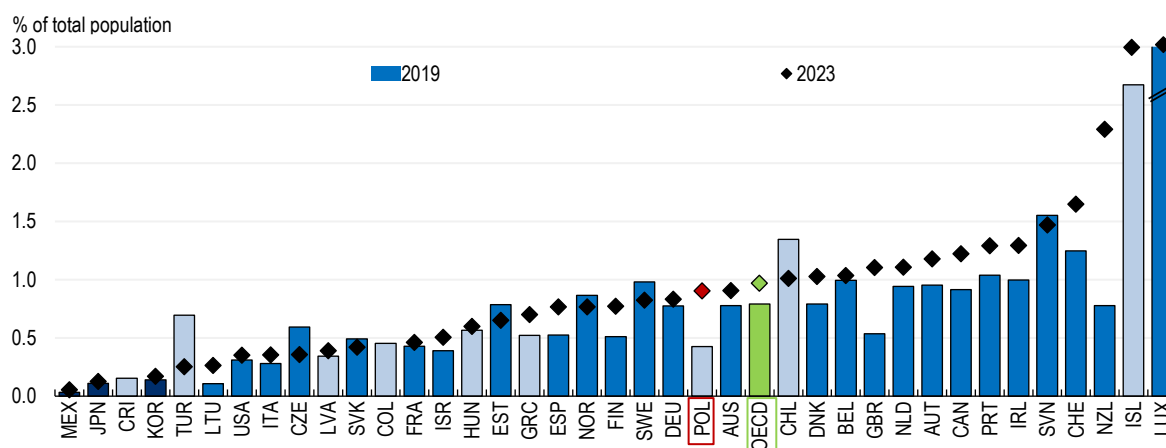
Financial incentives can help to reduce the lack of financial or human resources, which are among the main obstacles that SMEs face in terms of investing in human capital (OECD, 2021). In Poland, employees can deduct training costs up to a certain threshold from their tax liability, while employers can apply for funding from the National Training Fund. Experience of OECD countries suggests that financial incentives need to have minimal administrative burden, should be easily adaptable to new and emerging skills, involve social partners, and be monitored and evaluated. Almost 20 sectoral skill councils, where the business and academic and public sectors meet, are in operation already with more in the pipelines. The councils issue recommendations on training offered by the PARP academy but also more widely in the academia. Similar arrangements for engaging with key stakeholders exist in Chile, or Korea and can be helpful in improving the responsiveness of the skills system in general.

### ***Developing a migration strategy to address skills shortages***

Facilitating the immigration of skilled workers could play an important role in addressing local skills shortages as well as improving business internationalisation. After two decades of strong outflows, Poland has become a destination country in recent years, with the largest share of foreign-born workers coming from neighboring Ukraine and Belarus (Figure 4.18). The impact of migrants on the economy has been

estimated at around 0.24 percentage point annually for the period 2015-2023 (CASE, 2024, *forthcoming*). Currently, migration policy is employer-driven, determined by a job offer and based on temporary permits. For a high-skilled migrant, the initial work permit is for three years, with a renewal possible for up to six years, while application for a permanent residence is possible after 5 years. While the initial work permit duration and renewal is comparable to other countries in the region such as the Czech Republic, it is lower than in Germany or Canada. Eligibility for permanent residence is also shorter in countries such as Canada, New Zealand or Australia. Work permits that are linked to a specific employer and a position limit labour market movements. Access to regulated professions is more stringent than for instance in the Baltic countries. Conditions on work permits have been streamlined in recent years and the list of countries and “shortage” occupations that was covered by so-called accelerated visa application procedure has been extended (Duszczyk et al, 2024).

**Figure 4.18. Immigration has increased but remains moderate**



Note: Light blue columns are unstandardised data.

Source: OECD International Migration Outlook 2024.

StatLink  <https://stat.link/idcigl>

A special pathway for attracting ICT workers from third countries outside the EU exists, and other sectors could benefit from such arrangements. The current policies do not include any integration measures and lack a long-term vision on integration of migrants and their families, which does not bode well for Poland in the global competition for talent. Both the duration of work permits and conditions of family reunification are important in talent attraction and retention. The authorities are working on a comprehensive migration strategy but details have not yet been announced. The strategy should contain monitoring and protection of rights, such as access to education and training, as well as the monitoring of integration of foreigners. A point-based systems that exist in certain OECD countries and devolution of some of the responsibilities to lower levels of government, that can be more responsive to local labour market needs, could be explored.

## Policy recommendations

MAIN POLICY FINDINGS	RECOMMENDATIONS
<b>Removing growth obstacles in the business environment</b>	
Businesses in service sectors face several regulatory barriers, such as price controls and qualification requirements that can hinder competition.	Lower regulatory barriers in services such as notaries, lawyers, architects, and occupational entry barriers for providers of personal services.
State ownership remains important, including in network sectors.	<b>Improve governance of state-owned enterprises in line with OECD guidelines and review regularly the necessity of state ownership.</b> Simplify the process of selling state assets.
Discharge of debt and so-called 'stay on assets' under insolvency procedure can be long. First instance courts deal with all types of insolvency.	Lower the time to discharge and lower the length of 'stay on assets'. Allow courts to specialise in complex business insolvency cases.
An overall strategy on public integrity has been lacking since 2022.	<b>Adopt a national strategy for public integrity and allocate adequate resources to its implementation.</b>
While regulatory safeguards of public integrity tend to be strong, implementation is lagging.	Increase the use of internal audits in budget organisations and track the implementation of recommendations of such audits. Strengthen implementation of regulation of lobbying activity and targeted legislation.
There have been no investigations or convictions under the OECD Anti-Bribery Convention. Under a so-called impunity provision, a briber can escape liability.	Strengthen enforcement of the OECD Anti-Bribery Convention and revise the so-called impunity provision to allow liability of legal entities.
The economy's innovative capacity remains low. R&D is receiving both direct and indirect policy support.	Monitor and evaluate the main R&D support programs, including tax incentives. Introduce the possibility to carry-over R&D tax incentives so that start-ups and companies with no initial profit can also benefit.
<b>Bolstering skills to underpin continued productivity growth</b>	
Participation in adult learning and vocational training provided by SMEs is low.	Conduct continued and targeted awareness campaigns to provide information on the benefits of digital skills and adult learning. Develop further regional skill councils that bring together key stakeholders and take into account needs of local labour markets.
Despite increased inflows of migrants in recent years, Poland does not have a comprehensive migration strategy that includes integration policies.	<b>Adopt a comprehensive migration strategy that will include a long-term vision, monitoring and integration programmes.</b>

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# Annex A. Micro-data approach to productivity analysis - experimental research by Statistics Poland

Statistics Poland has developed an experimental analysis of the productivity developments in the Polish economy using a firm-level panel dataset covering small, medium, and large non-financial enterprises. The dataset has been developed from an annual enterprise survey covering non-financial enterprises employing more than nine full-time workers for a wide selection of NACE sections (Statistics Poland, 2019). Drawing on cooperation with the IMF and the World Bank, Statistics Poland defined analogues of macroeconomic concepts, including gross value added, capital, investments, and labour productivity. Preliminary data processing procedures, including cleaning data from incomplete observations, were carried out. More detailed descriptions can be found in Statistics Poland (2024), Górajski and Błażej (2020), World Bank (2021) and International Monetary Fund (2019).

The panel data set, used for the analysis included in the OECD's 2025 *Economic Survey* consists of over 970 000 observations, accounting for 87% of all observations recorded in survey over 2008–2022 and includes on average over 65 000 enterprises annually. The enterprises recorded an average employment of 5.14 million full-time equivalents per year and average annual revenues of PLN 3,222 billion. The final sample constitutes the majority of the non-financial enterprise sector in Poland. However, it is not selected using a representative method and cannot be fully generalised to the whole population.

Labour productivity (LP) is calculated as a simple ratio of gross value added to the number of full-time employees employed using deflators of the relevant two-digit NACE sectors. Firms' employment shares are used to aggregate firm-level labour productivity indices. The measurement of the unobserved firm-level TFP is possible by determining the Solow residual from the production function equation applied at the firm level (van Beveren, 2012). Gross value-added  $GVA_{it}$  for enterprise  $i$  from the two-digit NACE Rev. 2 division  $G_d$  in period  $t$  is determined by the Cobb-Douglas function:

$$GVA_{it} = TFP_{it} K_{it}^{\beta_{k,d}} L_{it}^{\beta_{l,d}} e^{\epsilon_t}, i \in G_d, \quad (1)$$

in which  $\epsilon_t$  is i.i.d output shock,  $TFP_{it}$  is the unadjusted total factor productivity;  $L_{it}, K_{it}$  are the quantities of labour and capital. The parameters  $\beta_{k,d}$  and  $\beta_{l,d}$  denote capital and labour's gross value-added sectoral elasticities, respectively.

The firm-level production function from (1) is estimated using control function methods, such as Olley and Pakes' (1996) model (OP model) and Levinsohn and Petrin's (2003) model (LP model), both of which have been enhanced by the correction made by Akerberg, Caves, and Frazer (2015). Within this framework, the productivity coefficient  $TFP_{it}$  is a state variable in the company-decision problem, which involves selecting production factors. The two models produce consistent estimates of output elasticities that solve the endogeneity problems of explanatory variables and attrition (van Beveren, 2012). Due to data availability restrictions, Statistics Poland estimated the production function using the LP model with attrition, regional and time effects, and energy and materials expenditures as a proxy for unobserved TFP

indices. Consequently, the following estimate of the company’s productivity coefficient  $\hat{\omega}_{it}$ , the unadjusted TFP  $TFP_{it}$ , and labour productivity  $\widehat{LP}_{it}$  are defined directly:

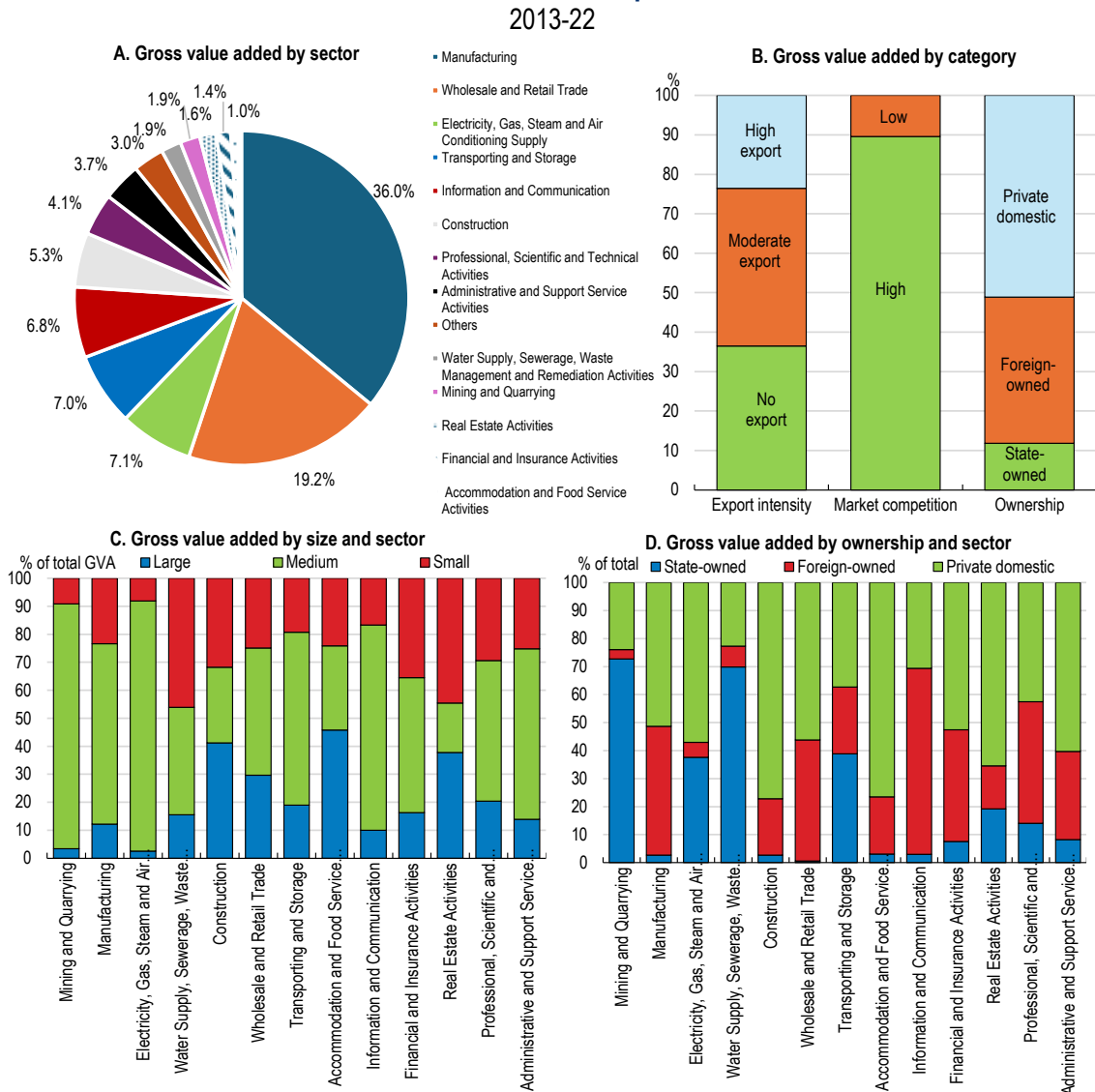
$$\widehat{LP}_{it} = \frac{GVA_{it}}{L_{it}}, \tag{2}$$

$$\hat{\omega}_{it} = gva_{it} - \hat{\beta}_{k,d}k_{it} - \hat{\beta}_{l,d}l_{it}, \tag{3}$$

where  $\hat{\omega}_{it} = \log TFP_{it}$ ,  $gva_{it} = \log GVA_{it}$ ,  $k_{it} = \log K_{it}$ , and  $l_{it} = \log L_{it}$ .

The firm-level labour and total factor productivity can be aggregated to sector, region, or economy level using their input-based shares.

**Figure A.1. Main features and structure of the firm-level panel dataset**



Note: The calculations are part of experimental statistics conducted by Statistics Poland. The OECD is solely responsible for the interpretation of the results, conclusions, and policy recommendations.  
Source: Statistics Poland.

## Annex B. Progress on past key recommendations

Striking a balance in macroeconomic policy	
Past recommendation	Policy actions since the 2023 Economic Survey
Ensure that energy-related support measures to households and firms remain temporary and fiscal policy does not add to inflationary pressure. Any future supports should be better targeted to the most vulnerable.	Energy-related support measures for households are being gradually withdrawn although they continue to apply to all citizens. Additional energy support for low-income households has been introduced. Fiscal consolidation has been repeatedly delayed.
Continue to ensure that currently elevated inflation expectations do not become entrenched and stand ready to increase interest rates further if necessary.	Inflation expectations have declined.
Do not extend the blanket mortgage payments relief scheme any further beyond 2023.	The scheme has been extended in 2024.
Continue efforts to support and integrate refugees and prepare in case of a further influx. Ensure burden-sharing of both short- and long-term integration policies across levels of government. Build on disaggregated data to get an accurate picture of the evolving situation, carry out needs assessments and situation reports.	The government provided Ukrainian refugees with access to the labour market and assistance with finding jobs. Organised Polish language training and gave free access to education for Ukrainian children. Provided free healthcare and psychological support. The government continued to monitor the status of Ukrainian refugees. A new migration strategy is being developed with a focus on better integration of migrants into Polish society.
To improve fiscal credibility, consider long-term changes to the numerical fiscal rules, taking into account the outcome of EU governance reforms, and establish an independent fiscal council. In the medium-term, undertake fiscal consolidation. Broaden the revenue base, by reforming or phasing out ineffective and regressive tax expenditures and revising property taxation. On the expenditure side, improve targeting of social supports and conduct a comprehensive spending review.	A new fiscal council will be established in 2026.  There has been no fiscal consolidation since 2022. Little action has been taken to broaden the revenue base or improve the targeting of social benefits. The spending review process has been strengthened.  Two spending reviews are under way (concerning the Clean Air Programme and long-term care).  The draft budget for 2025 plans for a slight improvement in the fiscal balance. A medium-term strategy envisions the pace of consolidation to pick up substantially between 2026 and 2028.
Extend working lives, including by aligning gradually male and female statutory retirement age and increasing it in line with life expectancy gains in good health.	In 2022, income tax was reduced for workers who reach statutory retirement age to encourage them to work longer. No action taken on increasing or aligning male and female statutory retirement ages.
Make the healthcare strategy better integrated across the various actors in the system. Over time, increase the remuneration of health workers.	The salaries of nurses and doctors have substantially increased and become competitive. Coordinated care, which boosts cooperation within healthcare to raise health outcomes and reduce costs, is being rolled out.

<b>Strengthening green and sustainable growth</b>	
Implement the updated principles of the energy strategy with an emphasis on accelerating development of renewables, diversifying technologies and improving energy security and efficiency, while minimising the increased reliance on coal in the near term.	The share of renewables in energy production and consumption has increased. District heating is being decarbonised and the installation of more efficient heat pumps has continued.
Expedite and scale-up investments in the electricity grid, while reviewing regulations and other policy constraints hindering further expansion of renewables.	Legislation has been amended to allow for faster deployment of crucial electricity network infrastructure. Investment in energy infrastructure has been lower-than-expected due to the delays in the disbursement of EU Recovery and Resilience Facility funds.
Improve the public investment framework by strengthening project selection, portfolio oversight, maintenance funding and budget comprehensiveness for ongoing and planned investment.	No action taken.
Set out a clear long-term path of carbon pricing. In the medium-term, increase the national emissions fee and eventually align it with the EU ETS.	No action taken.
Develop a comprehensive tool for addressing energy poverty that deals with poorly insulated homes and inefficient heating systems, as well as energy bills.	Electricity prices have been capped, means-tested benefits and a programme for refitting of dwellings with an upfront subsidy for the low income are in place.
Ensure a just transition through well-targeted retraining, a hiring freeze and inter-sectoral upskilling for the hard and lignite coal sectors. Complementary policies are needed for the wider coal value chain.	No action taken.
Mandate companies to implement measures suggested in energy audits with short pay-back, as done in other OECD countries.	No action taken. Policies will be considered as part of the implementation of the EU Energy Efficiency Directive. The Ministry of Climate and Environment is distributing good practices for implementing energy efficiency in SMEs.
Allocate adequate resources to the Energy Regulator Office.	Legislation has been amended to raise financing.
Changing of heating systems to more efficient and less polluting options should go together with thermal renovations. Energy certificates should cover more of the building stock.	EU-funded and national programmes are supporting comprehensive energy efficiency evaluation and upgrades.
Bring forward the planned update of vehicle taxation ensuring that it reflects emissions and environmental impact.	No action taken. Work on updating vehicle taxation to reflect the environmental impact is ongoing.
Reduce regulatory barriers to competition for lawyers, notaries, architects, and engineers as well as in occupational licensing.	No action taken.
<b>Strengthening public integrity to improve investment climate</b>	
Building on the previous anti-corruption strategy, strengthen public integrity by delivering on its past priorities, addressing remaining issues and involving the non-governmental sector in the formulation and evaluation of the new strategy.	Several high-level investigations of former public officials have been opened. A revision of the so-called impunity provision has been announced but details have not been made public. The anti-corruption strategy has not been updated.
Make procuring authorities more efficient by faster and less cumbersome bid evaluations and contract awards. Decrease the number of non-open procedures.	A State Purchase Policy has been updated in 2022, a new guide on purchasing strategies for public procurers was published, additional education sessions were organised for all those participating in public procurement, and work on boosting the skills of public procurement specialists and certifying contractors has been started.
Increase corporate fines for foreign bribery offenses and ensure that legal entities can be held accountable without a prior conviction of a natural person.	The Whistleblower Protection Act has been prepared and is pending approval by the President.
<b>Fostering greater adoption of digital technologies in firms</b>	
Accelerate the legislative process and conduct 5G auctions in order to speed up the development of a dedicated 5G network.	Poland concluded a 3.6GHz band auction and conducted consultations on the 26GHz band. Legislative work on ensuring cybersecurity is ongoing.
Expand consultancy services that offer expert technical advice to facilitate investment in digital technologies among SMEs.	PARP has expanded its range of services.
Increase direct funding for ICT R&D. Incentivise universities and research institutes to pursue more collaboration with industry when undertaking R&D and strengthen the role of technology transfer and commercialisation efforts.	R&D increased to 1.5% of GDP in 2022 but the share of companies innovating either in terms of product or processes remains well below the EU average. The National Centre for Research and Development and Polish Academy for Enterprise Development, cofinance innovative projects both in the business and academia from research and development to commercialisation phases.
Provide continued financial support to new digital firms including finance and development at a later stage. Create a collateral registry to improve SMEs access to loans.	Publicly financed support for startups has continued. No action taken on the SME collateral registry.

Upgrading skills for a digital transition	
Past recommendation	Policy actions since the 2023 Economic Survey
<p>Provide ICT equipment in schools and training for VET teachers to teach digital skills.</p> <p>Increase the share of VET programmes that include carefully selected work placements.</p> <p>Further strengthen the involvement of local employers in the development of digital education by expanding their role and representation in subnational councils.</p>	<p>National and regional EFS+ programmes have helped children and youth to develop their basic and advanced skills.</p>
<p>Consider dual and flexible degrees to allow potential students in other disciplines to study ICT. Effectively implement the newly created global immigration programmes to attract more skilled ICT specialists from abroad.</p>	<p>ICT immigration programmes have been implemented in 2020-23.</p>
<p>Continue increasing the number of women studying ICT through targeted awareness campaigns and scholarships.</p>	<p>No action taken.</p>
<p>Expand modular training, making use of recognition of prior learning and micro-credentials.</p> <p>Adopt individual training accounts, making training rights portable from job to job.</p> <p>Promote lifelong learning, particularly among the unemployed and workers on temporary contracts.</p> <p>Expand the use of guidance and counselling and widen the coverage of active labour market policies to include digital skills training.</p> <p>Conduct continued and targeted awareness campaigns to provide information on the benefits of digital skills to adults and SMEs.</p>	<p>An individual training accounts pilot has been prepared for 2025.</p> <p>The Digital Competence Development Programme was adopted in 2023. It will raise digital skills among the population and particularly older people.</p> <p>Public employment offices have better tools to assess young people's digital competencies and provide training.</p> <p>The PARP academy has continued to expand courses on digital skills and technologies for SMEs.</p>
<p>Provide more flexible and modular training to increase accessibility and take up, including to online courses.</p> <p>Increase the level of management training in public administrations and in numerous government-owned firms.</p>	<p>The Civil Service e-learning system offers managerial courses but it is unclear whether attendance has increased.</p> <p>Digital accessibility training for civil servants was expanded in 2024.</p>
Digital government	
<p>Digitalise the remaining government services, increase transparency and boost the use of online public services.</p>	
<p>Continue to update and expand available public datasets and encourage more private sector firms to use the data.</p>	<p>New datasets have been added to the public data portal. The Ministry of Digital Affairs has promoted data openness and is increasing data accessibility through API.</p>
<p>Ensure a resilient and robust digital government infrastructure to address increased cyber risks.</p>	<p>Poland has cooperated domestically and internationally to identify, understand and defend against cyber-attacks.</p>

# OECD Economic Surveys: Poland 2025

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Living standards in Poland have risen significantly in past two decades, with GDP per capita doubling since 2005. Following the inflationary shock in 2022-23, the economy is expected to continue to recover this year and next. A sufficiently restrictive monetary policy is needed to bring inflation back to target. Following large increases in health, social and defence spending, Poland requires a sustained fiscal adjustment to bring down fiscal deficit.

Despite important improvements in health, life expectancy in Poland remains among the lowest in the OECD. While spending has increased in recent years, there are avenues for improving the efficiency of the healthcare system. It is important to continue with improving incentives in primary care, streamlining of the hospital network and training more medical staff. In view of the ageing population, a framework for expanding long-term care is required.

To sustain productivity growth, competition should be strengthened and workers' skills upgraded. Implementing a more ambitious energy and climate change strategy will be key to achieving the goal of net-zero emissions. This requires a faster deployment of renewables and a phase-out of coal.

**SPECIAL FEATURES: TOWARDS BETTER HEALTHCARE, MANAGING THE GREEN TRANSITION AND SUSTAINING PRODUCTIVITY GROWTH**



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