



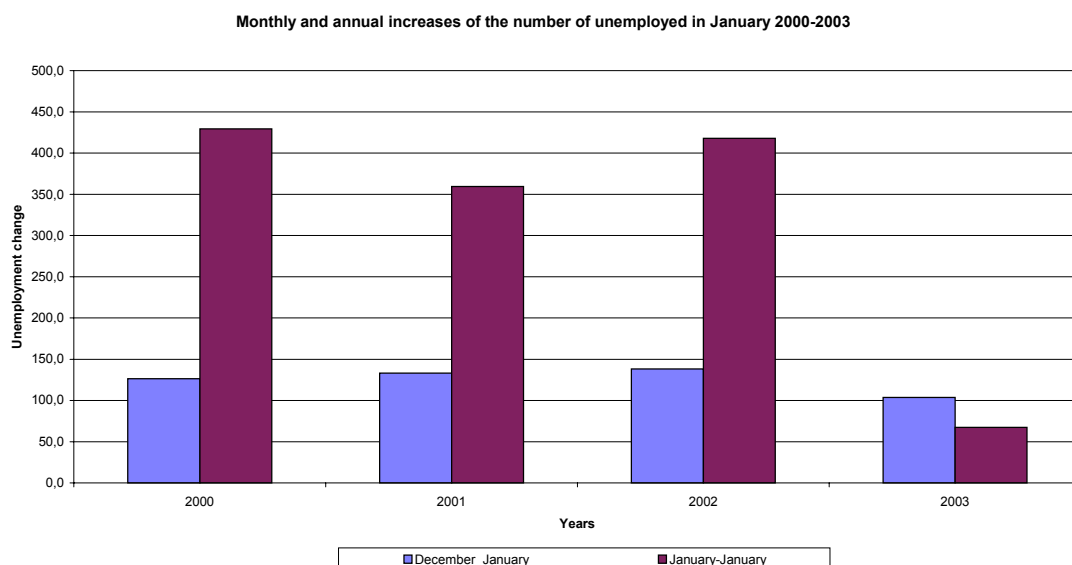
JANUARY EMPLOYMENT FIGURES: GOOD, BAD, OR MEANINGLESS?

When the statistical data on registered unemployment was published and it appeared that unemployment had increased from 18.1% in December 2002 to 18.7% in January 2003, talk was of the tragic situation on the Polish labor market. The media was full of comment about the unprecedented level of unemployment and the lack of any prospects for improvement. The situation on the Polish labor market is indeed bleak and most probably will not improve in the near future. Yet talk about the “tragic worsening of the situation on the labor market”, based on January’s unemployment figures is overstated.

Many commentators and experts seem to ignore the fact that unemployment is a seasonal phenomenon. Commenting on monthly changes without reference to what was happening during the same time in previous years makes no sense.

Comparing the January unemployment rise with similar data for previous years leads one to conclusions that are far from ringing of alarm bells (see Chart 1).

(Chart 1)



(Source: Own calculations based on Statistical Bulletins, GUS)

Both the month-on-month and year-on-year increases in the unemployment rate for January 2003 are the smallest for four years, and in the case of the latter, the difference is staggering. It suggests that the latest registered unemployment data does not indicate a worsening of the situation on the Polish labor market but is actually a sign of improvement. And this improvement is backed by other data: the pace of employment reductions is slowing down, the number of vacancies is increasing, planned mass redundancies are getting smaller every month.

Does it mean that the situation on the Polish labor market is really getting better? It is worth looking at data from the GUS's quarterly Labor Force Survey (LFS).

It is always good to look at this data. Although this is only the result of a statistical survey, it gives much better picture of what's really happening on the labor market than registered unemployment figures will ever give us. Changes in the latter are often the results of legal reforms; by definition they are able to tell us only about these unemployed who wish to register in offices. (For example the LFS unemployment rate in the fourth quarter 2002 was 19.7% and the registered unemployed figure was only 18.1%).

Yet in parallel with positive labor market signals (lines 1-5 of Table 1), one can also observe negative trends, (lines 6 and 7 of Table 1). During the last two years, the number of economically active people (the sum of those in work and looking for work) is decreasing, while the number of the inactive (who are neither have a job nor are looking for a job) is increasing. This is mainly the result of people being discouraged from continuing their job search. Some of them will stay at homes (especially the older ones) counting on their families and/or society, others are finding jobs in the shadow economy.

Table 1

		2000 IV Q	2001 IV Q	2002 IV Q
1	the change of the number of employed persons (since last quarter '000s)	-187	-340	-166
	since analogous month of the last year	-33	-497	-321
2	the change of the number of unemployed (since last quarter, '000s)	85	59	-61
	since analogous month of the last year	119	426	189
3	the number of planned mass redundancies ('000s)	77	101	62
4	registered vacancies ('000s)	117	93	132
5	the number of working persons looking for another job because of fear of loosing the job ('000s)	167	102	86
6	number of economically active persons ('000s)	17,199	17,229	17,097
7	number of economically inactive ('000s)	13,372	13,664	14,012

Source: LFS, GUS, different issues.

The slow decrease in the pace of employment reductions is accompanied by a worrying fall in potential employment. These two phenomena together cause the improvement of the unemployment data, since persons not looking for job are not treated as unemployed and are not registering in the employment offices. The unemployment statistics are improving, but at the same time the number of people willing and able to take a job is decreasing, thereby inflating the social burden. Every working person today has to maintain 1.3 non-working (adult!) persons.

Real improvement of the labor market situation would require the simultaneous and stable increase of employment and economic activity. To achieve this, Poland needs to implement a radical package of economic and social reforms. This commentary, however, is not the place to propose such a package. Reforms are the main subject of a new project currently being carried out by CASE: 'Poland at the Threshold of EU Membership: Vital Areas for Economic Reform'. The module devoted to the program of deregulation and liberalization of the Polish labor market is the part of this big project.