

Comforting the comfortable: regulations of labour and capital in Poland

The existing regulations of labour and capital in Poland disproportionately burden weaker actors on the market. This is mainly due to Poland's dependent market economy model, with its competitive advantage based on low labour cost, flexible adjustment to variable demand, and an institutional environment that facilitates foreign investment.

The high share of non-standard employment contracts and the lack of stability have stronger negative impact on those in the lower reaches of the labour market:

- 28,4% of Polish employees work on fixed-term contracts which represents the highest percentage in the European Union;
- Almost 85% of fixed-term contracts and 50% of self-employment are involuntary;
- Tax wedge for standard employment contract is high for the least remunerated employees which leads to higher numbers of non-standard contracts;
- Half of employers do not comply with the labour law, particularly with regulations on flexible adjustment of employment to changing market conditions and with pay regulations. There has also been a dramatic increase in the number of non-standard employment contracts that were signed wrongfully (i.e. when a standard employment contract should have been signed) – from 8,8% in 2008 to 19% in 2014.

The tax system in Poland is regressive which means that the rich pay relatively lower taxes than the rest of taxpayers:

- Almost two-thirds of the budget revenue comes from consumption taxes that disproportionately burden the less remunerated workers as their consumption expenses represent a bigger share of disposable income;
- The Personal Income Tax is *de facto* a flat one. Despite the existence of two tax rates – 18% and 32% - the higher rate is reached only by 2% of taxpayers;
- The Personal Allowance Threshold is significantly lower than the minimum subsistence level;
- The tax system supports the reproduction of wealth through relatively low taxation of capital, the lack of property tax and the lack of inheritance tax for the so-called 'zero tax group'.