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# PMR: Real unemployment in Poland is higher than official statistics

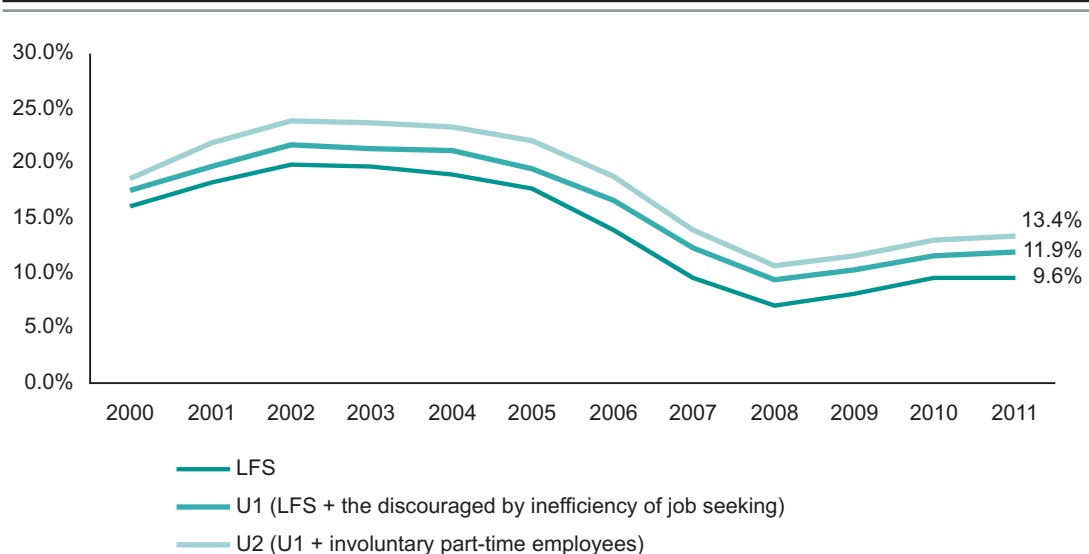


**One of the more severe social effects arising from the economic crisis has been rising unemployment. According to a statement released by Eurostat on 8 January 2013, Poland's unemployment rate for the month of November 2012 increased (when considering seasonal factors) by 0.1 percentage points, to 10.6%, i.e. 0.6 p.p. higher than a year earlier.**

Even though the data generated by the Labour Force Survey (LFS) is much more optimistic than the registered unemployment rate derived by the GUS (Central Statistical Office of Poland), which pegged Poland's unemployment rate in November 2012 at 12.9%, economists who deal with the labour market prefer the LFS data, as it is considered more conclusive than the labour office's data (both indexes suggest similar unemployment trends). Further, because the LFS follows the methodology used by the International Labour Organization, more reliable comparisons can be made on the international scale. According to the LFS, a person registered as unemployed but working in the grey economy is classified as employed, while a person not registered with the labour office but who is seeking employment and is ready to begin work within two weeks is considered unemployed. According to LFS's methodology, Poland's unemployment rate did not exceed 10% from 2007 to 2011. However, the LFS has adopted a relatively narrow definition for unemployed; as such, it may artificially improve the reality of the Polish labour market.

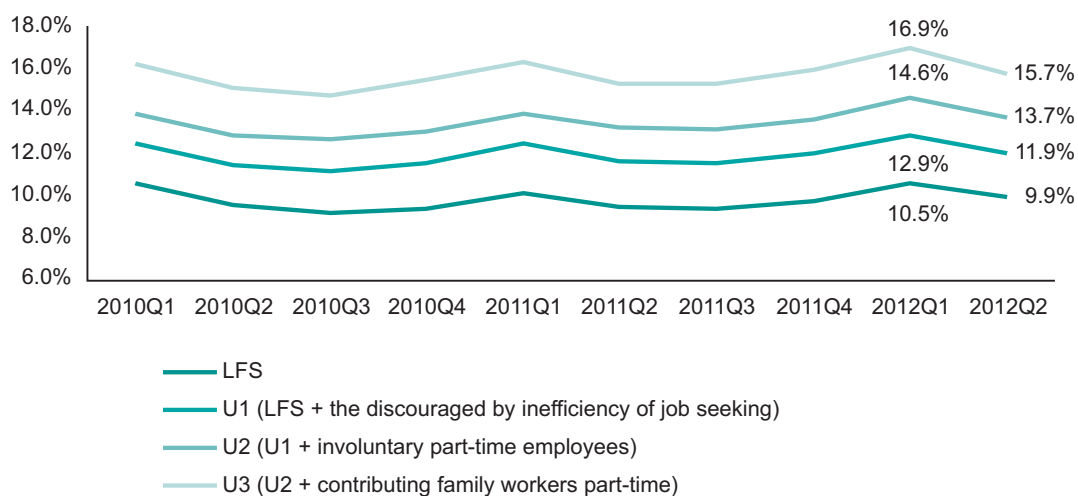
In order to ascertain the actual situation on the Polish labour market, PMR analysts constructed a number of measures of unemployment. The measures addressed those who are professionally inactive because they are discouraged from looking for a job (are unable to find a job) as well as employees who are part-time workers though they would prefer full-time employment. If we consider these two additional) values, the situation on the Polish labour market appears to be much tougher. By including the number of unemployed who are discouraged by ineffective job searches, the 2011 unemployment rate increases from 9.6% to nearly 12%. Adding employees who are involuntarily part-time means that the actual unemployment rate rises to almost 13.5%.

**Unemployment rate in Poland (% , yearly average), depending on the adopted definition of the unemployed, 2000-2011**



Source: LFS, PMR, 2013

### Unemployment rate in Poland (% , end of quarter) depending on the adopted definition of the unemployed, 2010-2012



Source: LFS, PMR, 2013



In Poland, farms can represent reservoirs of unemployed people. According to criteria used by LFS, family members who help, part-time, in running a farm are considered employed. If one assumes that the farms could manage without this additional help, which in many cases is true, then such people should instead be classified as unemployed. As a result, the extended unemployment index, which includes this hidden unemployment factor, increases by more than two percentage points, reaching nearly 17% in Q1 2012

While the number of those who help on farms remains relatively stable, the number of discouraged job seekers and employees involuntarily working part-time has been gradually but consistently rising since 2010. Given the economic stagnation expected this year, it seems particularly significant to monitor the extended unemployment rates. The apparent low growth of registered unemployment provided by the GUS or unemployment rate derived by LFS may be accompanied by a considerable increase in the number of those discouraged by their job search efforts or those who are working part-time despite their efforts to obtain full-time employment.

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