



## **Weekly Briefing**

### **Poland social briefing:**

### **Solidarity allowance and changes in unemployment benefit**

**Joanna Ciesielska-Klikowska**

## **Solidarity allowance and changes in unemployment benefit**

*As part of activities related to the economic crisis caused by the pandemic, on June 1, 2020, new regulations that introduce a benefit for those that has lost their jobs in recent months were adopted. The so called solidarity allowance can be received by people who after March 15, 2020, as a result of COVID-19, lost their job or their contract expired. A solidarity supplement of PLN 1,400 is available from June 22, for a maximum of 3 months. The authorities hope that this temporary allowance will let employees to recover at least some of their lost earnings and partly drive the economy. Its extension will be the unemployment benefit in the new amount of PLN 1,200, which should be effective from September. Yet, critics see this as only pre-election play, which will not change much in social policy, and will only constitute a “pork barrel”.*

### **Who is the new benefit for?**

The solidarity allowance is a tool which, next to the program of the “Anti-crisis shield” (government support program for enterprises experiencing a pandemic crisis), is to support people deprived of work and income through a situation related to the epidemic. The supplement can be obtained for June, July and August 2020, and at the earliest in the month in which the request was submitted. Applications can be submitted to the Social Insurance Institution (Zakład Ubezpieczeń Społecznych, ZUS) from June 22, 2020.

A person applying for this financial support must meet the condition of working full-time for at least 60 days in 2020 and receiving termination of employment after March 15, 2020. The benefit is to be granted to unemployed persons - also those who registered at the employment office before submitting the application. On the other hand, during the period of receiving the solidarity allowance (3 months), the person cannot receive simultaneously unemployment benefit or scholarship from the employment office. One also may not be entitled to receive other social or health insurance (from the Social Insurance Institution or Agricultural Social Insurance Fund). The amount of the benefit is PLN 1,400 per month (EUR 320), which is free from tax deductions and enforcement. The deadline for submitting applications for solidarity allowance is August 31, 2020. The Social Insurance Institution, which is responsible for the implementation of this benefit, after positive consideration of the application, has 7 days to transfer the benefit.

The allowance is addressed to Polish citizens, as well as citizens of other European Union countries, European Free Trade Association member states or the Swiss Confederation, if they have the right of residence and other foreigners residing and working legally in Poland.

At the beginning of July 2020, the President of the Social Insurance Institution, Gertruda Uścińska, informed the public opinion about the specific amount allocated for the payment of benefits - it has so far amounted to as much as PLN 92.4 million. This means that 66,000 applications from people who lost their jobs due to coronavirus have already been processed. However, this is only the beginning of a wave of applications that will be sent to ZUS in the coming weeks. President Uścińska indicates the pace at which applications are processed: "Solidarity allowance is paid at an express tempo. We are trying to implement the slogan: today the application, payment of benefits tomorrow. Thanks to this, within a few days 87% of the applications were completed."

### **Solidarity allowance as part of the presidential campaign**

Events related to the pandemic, but also the presidential campaign that has been ongoing for several months in Poland caused that politicians began to pay more attention to social issues - in particular the problems of people who have lost their jobs. As early as in May 2020, President Andrzej Duda, who was counting on re-election, announced an increase in unemployment benefits and a solidarity allowance for those who lost their jobs as a result of the epidemic in Poland. Prime Minister Mateusz Morawiecki, from the same political option as Andrzej Duda, also wanted to introduce such changes, referring to the presidential idea of increasing unemployment benefits and solidarity allowance.

Currently, unemployment benefits are outrageously low. They range between PLN 541 gross (for employees with less than 5 years of professional experience) and PLN 1033 gross (for those with over 20 years of active professional life) [EUR 124, EUR 237 respectively] – so depending on the length of service and period of receiving the benefit. The amount of benefits does not meet the average for the European Union countries (which is half the minimum wage; in Poland PLN 2,600 in 2020), and do not even provide a minimum subsistence (for Poland, in the fourth quarter of 2019 it was PLN 1,217). Now this allowance would increase to PLN 1,200 (in the option for people with a minimum of 5 years' experience). Considering that according to presidential project the unemployed would receive as well the solidarity allowance mentioned above, their income would increase to PLN 2,600 - exactly the minimum wage.

According to Piotr Ostrowski, vice-president of National Agreement of Trade Unions, the idea was good: “At the beginning this proposal seemed attractive. On the one hand, it would increase those shockingly low benefits for people unemployed in Poland. On the other hand, it would introduce a supplement for people who have lost their jobs during the COVID-19 pandemic. The amount of PLN 2,600 would also be a good response addressed to people on employment contracts, when we compare their situation with self-employed persons who can apply for support during the so called parking period in the amount of PLN 2,080.”

Experts, however, were critical of the support planned to be given to people without work. All along it was indicated that if these people receive a total of PLN 2,600 allowance, and for example family benefits under the “500 plus” program for each child, in total they will get greater financial support than the minimum wage is. As a consequence this could discourage people from making a living and lead to an artificial increase in unemployment. However, Prime Minister Morawiecki defended the program by pointing out that the allowance will be paid only for three months to “support those who find themselves in a very unhappy situation”, but also to “allow them to return to the labour market as soon as possible.”

### **Advantages and disadvantages of the solidarity allowance**

At present, however, it turns out that the worries of experts will remain purely theoretical. The solidarity allowance will not be granted together with the unemployment benefit. The first one will be granted only for three months (June, July, August 2020), and the second will be raised only from September. In fact, the unemployment benefit will be raised to PLN 1,200 - but this amount will apply for the first 90 days of unemployment, and then it will be reduced to PLN 924.30.

The law introduced in June 2020 also includes threads related to other benefits. With family allowance and maintenance payments, the solidarity allowance will be included in the family’s income. This can cause some families, who benefit from them, to lose their right to these benefits. Although family benefits are also low, they were eventually equipped with many extras (nursing allowance, nursing benefit, special care allowance, one-off childbirth allowance). However, the introduction of a solidarity allowance in this situation will cause a big problem in obtaining family benefits (the Act on Family Benefits clearly states that the income per capita per month may not exceed PLN 674). So it may turn out that thanks to the solidarity allowance the families will have a one-time gain, but in the long run they will lose and ultimately get only little more money.

Importantly, the solution introduced in June forgets about social assistance benefits for those self-employed. Some people who have lost their job or cannot find it will not be entitled to any of the benefits of the “Anti-crisis shield” program or the new allowance. Therefore, periodical allowances (in the amount of PLN 350 – PLN 418) and discretionary special purpose allowances will be granted to self-employed people. This help is obviously too low and in no way meets the subsistence minimum.

### **Conclusions**

The Polish social security and support system for the unemployed has for years been in need of a thorough reform and, above all, the modification of granting of benefits, which are currently very low. Therefore, the introduction of new provisions - on the introduction of a 3-month solidarity allowance, but also on an increase in unemployment benefits from September 2020 - is a step in the right direction.

However, it seems that this issue should be further developed. Currently, support for the unemployed refers only to people working full-time or on civil law contracts. The self-employed (over 1.3 million people) can only count on small financial support, because neither the solidarity allowance nor the “Anti-crisis shield” program cover their needs. However, this does not change the fact that the help is so much needed. It will facilitate to bring the economy after the most difficult period back on track and give families some financial security. Maybe small, but sure.