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PRODUCT RELATED FACTORS DETERMINING CONSUMER BEHAVIORS IN THE YOGURTS MARKET

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K e y w o r d s: yogurts market, consumer behaviors, competitiveness.

A b s t r a c t

The paper presents the results of the diagnostic survey conducted among consumers of yogurts. The studies showed that the major factors encouraging consumption of yogurts are health, nutritive and dietetic properties of those products while the choice of a specific product is determined by the taste, quality and price.

PRODUKTOWE DETERMINANTY ZACHOWAŃ KONSUMENTÓW NA RYNKU JOGURTÓW

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S ł o w a k l u c z o w e: rynek jogurtów, zachowania konsumentów, konkurencyjność.

A b s t r a k t

W artykule przedstawiono wyniki sondażu diagnostycznego przeprowadzonego wśród konsumentów jogurtu. Badania wykazały, że głównymi czynnikami skłaniającymi do spożywania jogurtów są względy zdrowotne, odżywcze i dietetyczne. O wyborze konkretnego produktu decydują głównie jego smak, jakość i cena.

Introduction

During the last several years the consumption of yogurts in Poland has been increasing continually. This is a result of increased public awareness concerning healthy nutrition and very intensive promotion of that group of fermented dairy drinks as products with high dietetic and health values. Increase in demand for yogurt is linked to continual extension of the offer diversifying the products as concerns their taste, consistency, weight, applied additives in the form of applied taste and flavor substances and bacterial cultures by the manufacturers. Among yogurt manufacturers the same companies have dominated for years: Danone, Bakoma and Zott, which promoted well known brands and applying intensive promotion strengthen their market positions. Increase in yogurt consumption caused a change in the dairy drinks consumption structure where the consumption of fresh milk and extended shelf life milk decreases with the increase in the fermented drinks segment. The paper presents the results of the diagnostic study conducted on the group of 198 yogurt consumers that aimed at identification of factors influencing the decisions by consumers of those drinks. Consumer preferences concerning qualitative characteristics of products, frequency and place of purchase, importance of the price and brand for the purchase decision in the market segment investigated were the subject of the analysis.

Yogurts market characteristic

Yogurts appeared in the Polish food market relatively recently because only during the early 1990s when imported yogurts promoted as products with dietetic and health values recommended in the diet of children and people taking care of their health reached the market. As of that time the yogurts market is among the most dynamically developing segments of processed dairy products. This results from appreciation of the health, nutritional, dietetic and taste values of yogurts by the consumers as well as the fast development of the products offer as a consequence of the investments made by the domestic dairy industry and foreign dairy multinationals such as Danone or Zott. Production of yogurt during the years 2000–2007 more than doubled from 1,761,600 hl to 3,800,000 hl. Still, consumption of yogurts in Poland is lower than in other countries at ca. 5.5 kg per capita per year while in e.g. the Czech Republic it is 10.3 kg and in Germany 15.8 kg. The increase in the volume of production is coupled with the extension and improvement of the products range and improvements in the distribution as well as expansion of promotional activities. The extension of the products offer includes new products, e.g. with cereal grains, with lowered fat and/or sugar content, with addition of fruit and also diversification of product weight and packages and additions (fruit, spoons, etc.). The yogurts market is dominated by three companies, i.e. Danone, Zott and Bakoma, which in total have around 80% of the market both by volume and by value (Fig. 1). The remaining part of the market is supplied by smaller manufacturers and domestic dairy cooperatives. The dominating manufacturers established strong brands of their products such as Actimel or Activia (Danone) and Jogobella (Zott).

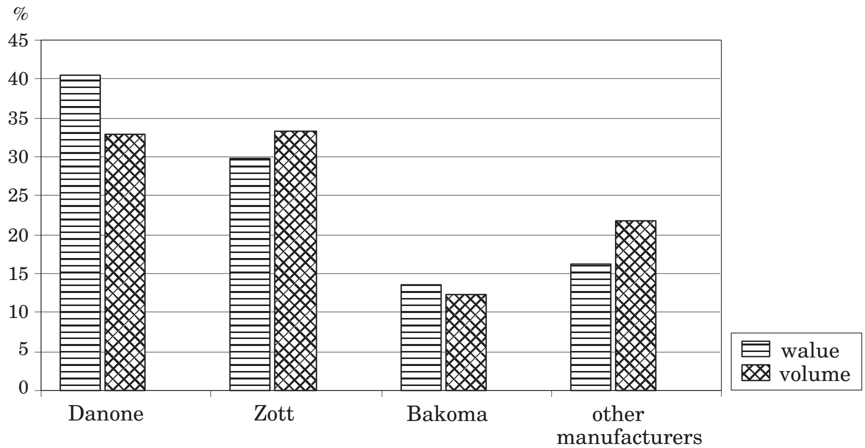

Fig. 1. Yogurts market structure by manufacturers
Source: CZAMAJŁO (2008).

The established position of brands and intensive promotional activities by market leaders cause that the other manufacturers occupy niche and regional positions. In the international trade in yogurt the export is much larger than the import (in 2008 – 110,000 t and 70,000 t respectively. The factors determining the demand for yogurt include first of all the taste and health values followed by the consistency, nutritive value, content of fruit, package size and price. The factors determining the choices made by the consumers include also, in addition to the above mentioned ones, the quality of product seen as absence of preservatives, product brand and availability, packaging characteristics and promotional activities (GÓRALCZYK 2006).

Consumers preferences and behaviors

In the assessment of yogurt consumers preferences the issues such as the frequency and place of purchase, types and characteristics of yogurts and importance of the brand were the subject of study. The studies showed that indifferent of the household size the consumers purchase yogurts a few times per week (48.6%) or every day (14.4%). The percentage of people purchasing that product rarely is small – a few times per month 12.6%, once a month 3.4%. No correlation was found between the frequency of purchase and the household income level. The higher number of household members indicates that there are probably children in the household that increase the consumption of yogurts although the per capita income in such households is lower than in the households consisting of one or two persons. Differences in the frequency of purchase related to the gender of the consumer have not been found either.

Indifferent of the frequency of purchase the consumers most frequently purchase one or two packages of yogurt (69%). More than four packages are purchased on one occasion by 18% of the buyers only. The number of packages purchased showed no correlation with the household size.

The purchase places structure indicates that the consumers purchase their yogurt most frequently in supermarkets and markets (16%), neighborhood shops (38%), and the least frequently in the discount shops (16%). The purchase place is correlated with the age (the elder people make their purchases more frequently in the discount and neighborhood shops while middle-aged persons in markets) and gender (men more frequently in markets and women in neighborhood shops).

The respondents most frequently indicated health, nutritive and dietetic values as the reasons for consuming yogurts (Fig. 2). On the other hand, the most frequently consumed yogurts were fruit (69%) and natural (11%) yogurts.

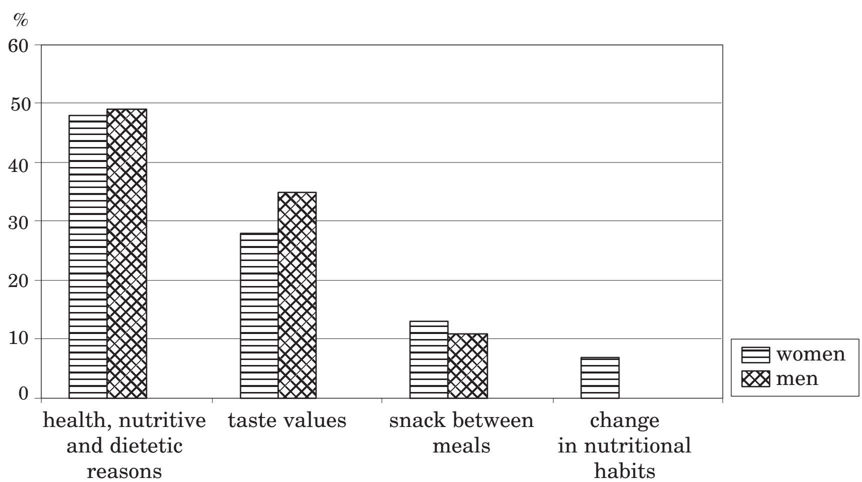

Fig. 2. Reasons for consumption of yogurts
Source: opinions by respondents.

The preferred flavors of yogurts were: strawberry (69%), sour cherry (46%) and peach (32%). The vast majority of the consumers (89%) is satisfied or definitely satisfied with the yogurts purchased. The reasons for the few cases of disappointment were the high price and sometimes a worse quality or taste.

The vast majority of consumers (77%) pays attention to the yogurt brand. The largest numbers of supporters were recorded for yogurts by Danone (56%), followed by Zott with Jogobella brand (46%) and Bakoma (32%). The majority of respondents negate the influence of advertising on the choice of yogurts purchased. Only 39% of the respondents declared noticing the advertising in the media and its influence on yogurt choice ranking that influence as moderate. The price on the other hand has a major influence on the choice (58% responses), which in turn is of little importance or unimportant to every third consumer. The systematic assessment of factors considered by consumers in selecting their yogurts is presented in Figure 3 where based on thee scale from 1 (the most important) to 11 (the least important) those factors are presented according to their hierarchy. The taste of yogurt is the most important factor while the temptation to test or interest in a novelty product is the least important one.

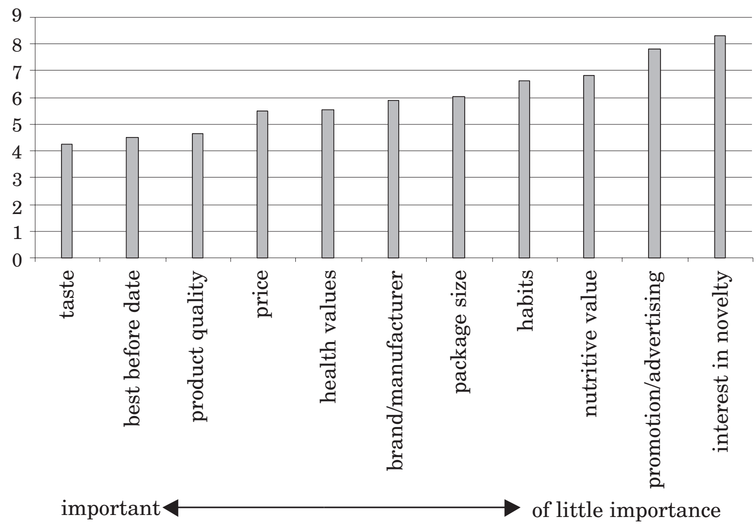

Fig. 3. Factors considered by consumers in their choice of yogurts
Source: Opinions by respondents.

The results of presented studies are consistent with, among others, the results of studies by P. Cymanow, who found similar preferences among yogurt consumers as concerns the choice of yogurt brand and type, factors influencing the choice of yogurt and place of purchase (CYMANOW 2008, pp. 52-54). This means that clients behaviors in the analyzed market are universal and relatively constant.

Conclusion

The analysis of the studies results confirms the domination of three manufacturers in the market of yogurts, i.e. Danone, Zott and Bakoma, the products and established brands of which are purchased the most frequently by yogurt consumers. The interest in yogurts results mainly from their health, dietetic and taste values although the choice of a specific product is also influenced by the price, best before date and product quality understood in a variety of ways. The market of yogurts is characterized by a high level of innovation which results in a continual increase in consumption and frequency or purchases. Fruit yogurts enjoy the highest interest among the consumers and the offer of those products expands continually as concerns the width and depth of the products range, which is an example of good perception of consumer needs.

Translated by JERZY GOZDEK

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THE IMPACT OF COAL MINING LIQUIDATION ON POPULATION STRUCTURE IN THE SELECTED REGIONS OF RUSSIA AND UKRAINE

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K e y w o r d s: economy, reforms, population structure, migration.

A b s t r a c t

The goal of this paper is to present the changes of population structure in coal mining region. Such changes were born by the economic reforms. The study was based on the two typical coal mining regions in Russia and Ukraine. The correlation indicator was used in order to present the study results. The close attention was paid to the factors which reduce the migration. The most important changes were noted among workers in productivity age. They were the most willing to change the place of living and look for a job in other places and different sectors of the economy.

WPŁYW LIKWIDACJI KOPALŃ WĘGLA KAMIENNEGO NA POZIOM I STRUKTURĘ ZASOBÓW PRACY NA PRZYKŁADZIE WYBRANYCH REJONÓW ROSJI I UKRAINY

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S ł o w a k l u c z o w e: gospodarka, reformy, struktura demograficzna, migracje.

A b s t r a k t

Celem artykułu jest przedstawienie zmian w strukturze demograficznej zagłębia górniczego wywołanych reformami gospodarczymi. Badano zmiany w typowych górniczych regionach Rosji i Ukrainy. W badaniach posłużono się wskaźnikiem korelacji rang. Zwrócono uwagę na czynniki ograniczające migrację ludności. Największe zmiany w populacji dotyczą grupy osób w wieku produkcyjnym. Ta grupa społeczna najchętniej jest gotowa do zmiany miejsca zamieszkania i poszukiwania zatrudnienia w innych sektorach gospodarki.

Transformation in the Central and Eastern Europe

The 1990s were the period of fundamental transformations in the countries of Central and Eastern Europe. The operational environment of enterprises was subject to transformations and entirely new market institutions were established. Implemented reforms were characterized by wide scope and covered all sectors of the economy. In the countries of Central Europe the process of transformations can be presented using a general diagram.

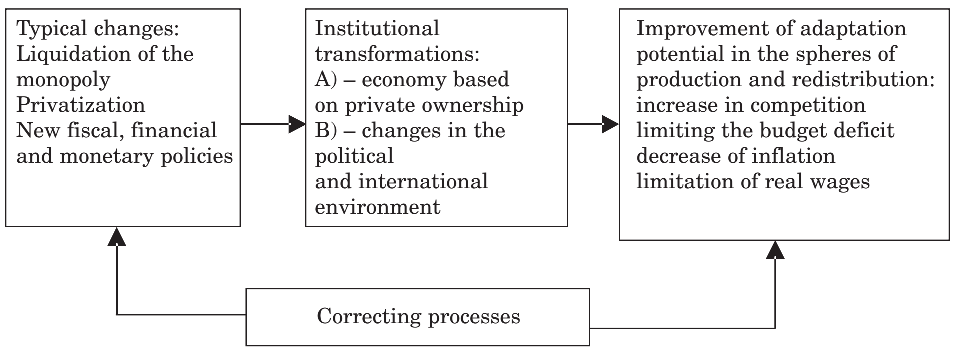

Fig. 1. Process of transformation in the countries of Central and Eastern Europe during the 1990s
Source: Own work based on KORNAI (1998).

The diagram presented presents the processes taking place in general terms only as the individual countries differ in the pace, rate and time of reforms implemented. Additionally, each of the analyzed cases (despite numerous similarities) is characterized by a different baseline. The adjusting reforms are also different. On the other hand, nevertheless, there are many similarities. One of them is the process of limiting the role of the state in the economy and reforms in those sectors where a significant share of budget subsidies was recorded. Those sectors were also characterized by excess employment and disregard for (or at least limited regard) for economic account. Mining was a typical example of such a sector during the period of centrally planned economy. Individual mines were assessed on the basis of the production accounting. The targets met were the base while the financial results were of secondary importance. During the transformation period that sector of economy required a special approach as it was the basic source of energy. In Central and Eastern Europe countries coal provided almost 80–90% of energy (World Bank Indicators 2001). At the same time the coal sector was a significant burden to state expenditures. During the years 1990–1995 the budget of

Ukraine or Rumania in an average year allocated ca. 3,5–4% of the year revenues for subsidizing of that sector (*Ukraine Coal Industry Restructing* 1996). In the economy of shortages, mining also represented a significant component of the labor market. In 1992 in Russia, mining employed almost 980,000 people and in Ukraine almost 400,000 (ARTMIETEV, HANEY 2002). Implementation of transformations without an appropriate mitigation program involving government support would lead to serious economic and social consequences and in practical terms would make the transformations rather unrealistic. For those reasons the vast majority of the Central and Eastern European countries initiated implementation of reforms in the mining sector with some concerns.

Goal of the work, research methods, hypothesis and assumptions made

The basic goal of the work is to present the influence of the mining sector reform on the regional demographic structure. The complementary goal is to verify the influence of the individual components of the program on the size of employment in the mines. The research material covered four areas – typical mining regions situated in two countries: Novoshahtinsk and Anzero-Shudzensk in Russia and Gorlovka and Stakhanov in Ukraine. The following hypothesis was formulated – the reforms implemented in the mining sector result not only in changes in the employment levels but also influence the demographic situation in the region. Making the assumption that not all proposals of changes will prove equally effective was a consequence of the hypothesis formulated in that way. Some of the redundant miners will be forced (as a consequence of lack of employment opportunities) to search for employment outside their traditional domicile. As a consequence of government subsidies limitation and increasing the role of economic accounting a number of mines will be closed while in the others employment restructuring will take place. The above actions will influence the demographic structure of the mining region. The rank correlation coefficient was applied for investigating the relations between the identified characteristics. Although the so-called rank correlation method applies when the population is small, in this case the size of matched pairs of variables is highly similar and for that reason the method was applied (KRZYSZTOFIAK, URBANEK 1986).

The coefficient computation method is represented by the following formula.

$$\delta = 1 - \frac{6 \, \Sigma \, D^2}{N(N^2 - 1)}$$

where:
δ – is the rank correlation coefficient,
D – difference between the rank of variants of a characteristic,
N – sample population.

As a complement to rank correlation the average deviation value was considered as computed from the following equation:

$$Dx = \frac{\Sigma \, |x^1 - \bar{x}|}{N}$$

where:
N – sample population, $\Sigma \, |x^1 - \bar{x}|$ an absolute value between the base variable (x^1), and the arithmetic average of the second characteristic $\bar{x}$.

The average deviation allows precise determination of the variability of the characteristic studied.

The drawing of conclusions was based on the inductive method – reaching general conclusions through verification of hypotheses based on empirical results. The paper uses the papers of The World Bank, first of all the Report by M. Haney and M. Shkaratan Mine Close and its Impact on the Community. Policy Research Working Paper No. 3083 of June 2003 and statistical data of the Central Statistical Office in Warsaw and the International Monetary Fund in New York. The study covers the years 1995–2003.

The case of Russia

In 1966, the government of Russia embarked on the special program for the employees of shut down mines. The case of Russia deserves particular attention because of the following conditions:

– high (even up to 60%) share of administrative staff in coal mines,

– low level of education of the miners (35% were just trained for the work, 38% possessed vocational education and only 28% possessed secondary or tertiary education) (FRIEBEL, GURIEV 1999),

– high incidence of accidents. During the years 1990-1996, 45,761 miners were victims of accidents in the mines. That result is based on the officially reported cases (*Russian Federation*. 1997).

The support program for the employees of shut down mines was generally based on foreign funds. During the years 1996-2003, the government of Russia obtained a loan for the above purpose from the World Bank amounting USD 1.3 billion and from the Japanese Bank for International Cooperation amounting USD 800 million (ARTMIETEV, HANEY 2002).

The Kuzbas basin is considered a typical mining region in Russia. The areas of Anzero-Sudzhensk and Novoshakhtinsk belong to the Komerowo district, which is an integral part of Kuzbas. Both areas suffered significantly from shut down of mines and were encompassed by the government support program.

Table 1

Number of mines closed in the area of Anzero-Sudzhensk and Novoshakhtinsk and changes in the levels of employment during the years 1996–2003

Region	Population		Mines closed	Share (%) of miners in total employment in 1996	Share (%) of miners in total employment in 2003
	1996	2003			
Anzero-Sudzhensk	136 000	86 000	2	37	14
Novoshakhtinsk	134 300	137 400	5	29	14

Source: Own work based on A. Corning Social impact monitoring of coal sector restructuring in Russia: a statistical analysis of survey results from 1996–2003. World Bank. Washington 2004.

In the area of Anzero-Sudzhensk 2 mines were shut down. As a consequence 13,766 people lost employment. The decision contributed to decreasing the share of miners in the total employment from 37% to 14%. The liquidation of mines caused a significant decrease in the number of residents in the region from 136,000 to 86,000. Liquidation of 5 mines in Novoshakhtinsk caused similar effects. 31,433 people lost their jobs and the share of miners in total employment decreased from 29% to 14%. However, during the years 1996–2003, the population increased from 134,300 to 137,400 respectively. Similar amount per one employee were allocated to support programs in both locations. During the studied period the total of USD 11.3 million was allocated to general support in Anzero-Sudzhensk area while in the area of Novoshakhtinsk that amount was USD 41.7 million (ARTMIETEV, HANEY 2002). Novoshakhtinsk basin deserves particular consideration as it received a special development strategy focused on support to small and medium enterprises. The program started in 1996 and during the same year the business incubation center was established that assumed a wide range of training and financial support to discharged miners. It should be highlighted that the region of Novoshakhtinsk was characterized by significant political stabilization and as a consequences there were no changes of limiting the funds for the strategy developed. The support program for the miners from shut down mines consisted of the following components:

– consultations, training, public works, loans for establishment of own business, transfer to other mines, administrative creation of new jobs.

Each program component was then compared with the number of jobs created to allow determining the relations between the specified characteristics. The relations were measured using the rank correlation coefficient. The studies covered the areas of Anzero-Sudzhensk and Novoshakhtinsk.

Table 2

Value of rank correlation coefficient and average deviation depending on the aid program and creation of new jobs during the years 1996–2002

Aid program	Creating of new jobs		Average deviation Dx	
	Coefficient value Anzero--Sudzhensk	Coefficient value Novoshakhtinsk	Anzero--Sudzhensk	Novoshakhtinsk
Consultations	0.34	0.72	110	36
Training	0.36	0.77	98	54
Public works	0.91	0.81	36	22
Loans to start up own business	0.22	0.82	230	26
Move to another mine	0.92	0.11	26	13
Administrative creation of new jobs	0.91	0.91	81	22

Source: Own computations based on I. Artmietev, M. Haney. The Privatization of the Russian Coal Industry: Policies and Processes in the Transformation of a Major Industry. Policy Research Paper. World Bank. Washington 2002.

The values of rank correlation coefficients and the average deviations fluctuated depending on the support program and the area. In case of Anzero--Sudzhensk area a strong correlation (in excess of 0.9) was recorded in three cases, i.e. administrative creation of jobs, public works and transfer to another mine. In those cases the rank correlation coefficients were 0,91 and 0,92 respectively. No correlation was found in case of consultations, training and loans where the coefficient values did not exceed 0.4. That result proves poor correlations between the outlays and effects in the form of creating new jobs. The above distribution of results leads to another conclusion indicating significant diversification of effects depending on the region. In the area of Anzero-Sudzhensk the programs that ended in a success were those based on administrative decisions while the measures based on creating jobs by the miners themselves ended in a failure. The situation in the area of Novoshakhtinsk was different. The loans for establishment of own businesses should be considered an important instrument in parallel to the administrative creation of jobs. The rank correlation coefficient was 0.82, which indicates important relations between the characteristics tested. Similarly high values were reached by the coefficients for consultations and training at 0.72 and 0.77 respectively. That later data in particular highlight the necessity of delivering a wide program of training and consultations. The educational preparation of the miners to take up employment outside the sector is low. Establishment of own business activity, in particular, requires acquisition of new knowledge, which is provided by the appropriate program of training. The difference in the average deviation level is also worth noticing. In the area of Anzero-Sudzhensk it is at least twice higher than in Novoshakhtinsk. The value of the average deviation for the program of training reaching the level of 110 indicates that the outlays for creating new jobs differed from the average by, in average, USD 110. In the area of Anzero-Sudzhensk the average deviation was almost 4 times higher than in Novoshakhtinsk. A similar difference occurred in case of the administrative creation of new jobs. A very significant disproportion occurred in case of the loan for establishment of own business activity. In Anzero-Sudzhensk it was 230 while in Novoshakhtinsk it was almost 9 times smaller. The above data is complemented by share of individual components in the overall program of creating jobs.

Table 3

Share of outlays on individual components of the jobs creating program depending on the region during the years 1996–2003 (%)

Program	Area	1996	1997	1998	1999	2000	2001	2002	2003
Consultations	Anzero-Sudzhensk	1	0	1	2	2	1	0	1
	Novoshakhtinsk	21	22	19	22	20	19	17	16
Training	Anzero-Sudzhensk	3	2	6	7	8	8	7	7
	Novoshakhtinsk	20	17	25	25	23	22	24	23
Loans	Anzero-Sudzhensk	5	7	7	8	6	5	7	8
	Novoshakhtinsk	17	11	21	19	23	21	22	21
Public works	Anzero-Sudzhensk	41	39	42	44	43	41	41	43
	Novoshakhtinsk	21	23	22	18	18	17	19	19
Move to another mine	Anzero-Sudzhensk	45	43	39	35	33	31	32	31
	Novoshakhtinsk	9	11	10	9	11	9	11	18
Administrative creation of jobs	Anzero-Sudzhensk	5	9	5	4	8	14	13	10
	Novoshakhtinsk	29	16	3	7	5	12	7	3

Source: Computations based on M. Haney and M. Shkaratan Mine Close and its Impact on the Community. Policy Research Working Paper No. 3083 of June 2003 and World Bank Indicators 2004.

The shares of outlays on individual components of the program of creating jobs for the miners from liquidated mines change depending on the region. In Anzero-Sudzhensk the basic funds were allocated to public works, transfer to other mine and administrative creation of new jobs. Almost 90% of all the funds was allocated to those components. During the years 1996–2003 the above distribution of outlays remained in practical terms on unchanged levels. The area of Novoshakhtinsk is outstanding as a consequence of the high share of outlays on consultations, training and loans. They captured ca. 65–80% of all the funds allocated for creating new jobs. Transfers to other mines played a smaller role. During the years 1996–2003, from 9% to 18% of outlays were allocated for that component. The outlays on administrative creation of jobs decreased significantly. In 1996 they represented as much as 29% of all the outlays while in 2003 just 3%.

Table 4

Number of jobs and cost of creating a work place based on the program during the years 1996–2003 (in K. RUB)

Sector	Anzero Sudzhensk	Novoshakhtinsk	Work place cost Anzero Sudzhensk	Work place cost Novoshakhtinsk
Construction	188	869	87.7	83.5
Machine industry	125	421	99.3	99.1
Timber industry	99	344	131.4	101.4
Food processing	98	322	112.1	108.3
Trade	88	299	117.8	100.1
Transport	83	211	101.8	99.7
Telecommunication	35	208	191.9	190.1
Agriculture	11	77	96.7	103.3
Other	89	644	–	–

Source: M. Haneya, M. Shkaratan.

The largest numbers of jobs were created in those sectors that can be considered coherent with the mining sector. Construction, machine and timber industries were able to assimilate new staff relatively efficiently. Numerous mining professions (e.g. carpenter, fitter, operator) did not require long-term training for reskilling[1]. For that reason, indifferent of the region, almost 50% of the new jobs were created in those sectors of economy. Significantly smaller

[1] Evaluation of long – term viabilty of enterprises which receive support to create new jobs in the context of Local Development Programms, and analysis of the socio-economic characteristics of the jobs created in 1988–2000. Coal Sector Implementation Project. Moscow 2001.

potential was recorded in the sectors that, as a consequence of their specificity, require appropriate vocational preparation. Here transport, telecommunication and agriculture should be included. In the area of Anzero-Sudzhensk only 11 jobs were created in agriculture while in Novoshakhtinsk just 77. Those were the lowest results among the analyzed sectors of economy. Transport and telecommunication in Anzero- Sudzhensk managed to accept 83 and 25 miners respectively. In Novoshakhtinsk those sectors employed 211 and 208 of them respectively. The cost of creating a single job confirms the potential of easy reskilling of redundant miners for work in construction and machine industry. In construction industry that cost was within 83.5–87.7 K RUB while in the machine industry it reached around 99 K RUB. The above costs are among the lowest. The highest costs were those in telecommunication sector where the cost for one job created in Anzero-Sudzhensk was 191.9 K RUB and in Novoshakhtinsk 190.1 K RUB. High costs were recorded in agriculture as creating a job in that sector in Anzero-Sudzhensk cost 96.7 K RUB and in Novoshakhtinsk 103.3 K RUB, which was almost 20 K RUB more than in construction industry. The numbers of new jobs created for miners from shut down mines influenced the demographic structure of the region.

Table 5

Demographic structure of Anzero-Sudzhensk and Novoshakhtinsk areas in 1996 and 2003 (%)

Area	Structure	1996	2003	Difference
Anzero-Sudzhensk	women	40.6	56.5	15.9
	men	59.4	43.5	15.9
	Up to 18 years	12.2	15.6	3.4
	18–30	34.8	16.8	18
	31–55	39.1	27.9	11.2
	Over 55 years	13.9	39.7	25.8
Novoshakhtinsk	women	44.1	43.4	0.7
	men	55.9	56.6	0.7
	Up to 18 years	14.3	16.7	2.4
	18–30	32.4	33.7	1.3
	31–55	41.3	38.4	2.9
	Over 55 years	12	11.2	0.8

Source: Own work based on A. Amit Z. Tzannos. Active Labor Market Programs: A review of the Evidence from Evaluations. World Bank Social Protection Discussion Paper. January 2004.

During the years 1996–2003 the demographic structure in the area of Anzero-Sudzhensk was subject to major changes. The share of women in the population increased from 40.6% to 56.5% while the share of men in typical productive age group of 18–55 decreased significantly – by almost 15%. The share of people over 55 years increased from 13.9% in 1996 to 39.7 in 2003, which gives the difference of 25.8%. The demographic structure in the area of Novoshakhtinsk remained practically unchanged. The differences concerning individual age groups were within the narrow range of 0.7 to 2.9%. The above disproportions should be considered of marginal size not influencing the population structure (ROGOZIŃSKI 1991). The results obtained allow drawing the following conclusions:

– creating jobs for miners from shut down mines requires establishing a special support program,

– the jobs are created the fastest in those sectors that can be considered similar to mining as concerns the qualifications of employees (e.g. construction, machine industry),

– the active form, i.e. establishing own business, training and consultations, should be considered the effective measures for creating jobs,

– lack of support program causes a decrease in mining basin population. The area is left by people in productive age who can find jobs outside the traditional place of residence the fastest.

The case of Ukraine

As opposed to Russia, Ukrainian authorities did not develop a special support program for miners from shut down mines. As a consequence of budget constraints in mid-1990s a decision on liquidation of unprofitable enterprises was taken (*Ukraine Coal Industry Restructuring* 1996). During the years 1990-1996, in Ukraine, the subsidies to the mining sector averaged 4% of the state revenues per year (World Bank Indicators 2000). Additionally, coal mines were based on outdated technologies and in the vast majority they were unprofitable. In 1996, the government accepted the program to shut down 20 unprofitable mines. Gorkovka and Stakhanov are typical areas situated in the largest Ukrainian coal basin – Donbas. In Gorkovka 3 out of 6 existing mines and in Stakhanov all 4 existing mines were shut down.

Table 6

Number of shut down mines in Gorkovka and Stakhanov areas and changes in the level of employment during the years 1996–2003

Area	Population		Mines closed	Share (%) of miners in total employment in 1996	Share (%) of miners in total employment in 2003
	1996	2003			
Gorkovka	338 100	210 300	3	25	4.4
Stakhanov	112 300	97 000	4	19	0.4

Source: Own work based on – Ukraine: Employment. 2004.

Liquidation of mines caused a decrease in the population and a change in the structure of employment. The largest changes occurred in Gorkovka. In 1996 the number of residents was 338,100 while in 2003 only 210,300. Definitely smaller changes occurred in Stakhanovka with the decrease from 112,300 to 97,000 residents. At the same time the share of miners in total employment decreased. In Gorkovka in 1996 it was 25%, while in 2003 only 4.4%. In Stakhanovka, as a consequence of liquidation of all four mines the share of miners decreased practically to zero.

The demographic changes in the mining areas and changes in the employment patterns were under the major influence of industrialization of the Donbas basin. This is a strongly urbanized (ca. 85% of urban population) area with numerous manufacturing plants. In Gorkovka, in addition to heavy industry, a strong center of pharmaceutical and chemical industry exists. It is also situated in the vicinity of the large urban agglomeration of Donieck. The situation is similar in Stakhanovka. In that area machine and food industry plants are located. For that reason, despite lack of the support program for the released miners the possibilities of finding a different job (outside the mining sector) existed in the region.

Table 7

Share of individual sectors in employment of released miners during the years 1996-2003 (%)

Sector	Gorkovka	Stakhanovka	Work in Gorkovka area	Work in Stakhanovka area
Construction	21	23	46	81
Machine industry	19	11	40	91
Timber industry	11	10	44	83
Chemical industry	14	9	49	77
Light industry	7	9	48	86
Trade	6	8	46	88
Food processing	5	4	32	87
Transport	5	4	31	92
Telecommunication	4	4	34	92
Agriculture	3	2	37	10
Other	5	16	38	81

Source: *World Bank Indicators*. 2004.

Similar to Russia, also in Ukraine the released miners took jobs in typical sectors of economy such as mainly construction, machine, timber and chemical industries. Practically, 80% of the released miners found employment in those sectors. In Gorkovka the share of chemical industry was significant at 14%. This results mainly from the significant number of plants of that sector in the area. The remaining sectors offered employment for narrow groups of released miners. Depending on the sector, new employment was found there by from 3 to 9% of the released miners. The above distribution of results is typical for each case analyzed. The different results were found as concerns the area covered by search for employment. In Gorkovka area less than a half of the released miners found employment in that area. The largest opportunities were offered by the chemical industry and almost 50% of miners took jobs in chemical plants in the area of Gorkovka. Equally high shares were recorded in case of machine, light, timber and construction industries. On the other hand work in transport, telecommunication and agriculture in that area was taken by less than 40% of the miners. The area of Stakhanovka offered larger employment opportunities. The vast majority of those searching for jobs found employment near to their former places of work. In the area of Stakhanovka 92% of the released miners took jobs in transport and telecommunication. The share of the machine industry is equally high. Construction and light industry secured employment for 81% and 86% of the released employees of the mines respectively. The above distribution of results influenced the decrease in the numbers of residents. As a consequence of lack of employment opportunities, almost 120,000 residents left the area of Gorkovka. Such a large decrease in population was caused by the limited offer of employment in the existing mines and other sectors of economy. The area of Stakhanovka also experienced the changes caused by shut down of all the mines. The number of residents decreased from 112,300 people in 1996 to 97,000 people in 2003 – a decrease by 15,300 residents, i.e. 12% of the total population. However, the absorptive labor market prevented a more pronounced decrease in population.

Table 8

Demographic structure of Gorkovka and Stakhanovka areas in 1996 and in 2003 (%)

Area	Structure	1996	2003	Difference
Gorkovka	women	51.1	55.7	0.6
	men	48.9	44.3	4.6
	up to 18 years	17.1	16.2	0.9
	18–30	24.2	12.2	12
	31–55	28.9	24.4	4.5
	over 55 years	29.8	47.2	17.4
Stakhanovka	women	49.9	50.7	0.8
	men	50.1	49.3	0.8
	up to 18 years	14.8	15.6	0.8
	18–30	29.7	31.5	1.8
	31–55	31.8	34.8	-3
	over 55 years	23.7	18.1	-5.6

Source: *Analysis of the implementation.* 2004.

During the years 1996–2003, the demographic structure in the area of Stakhanovka was not subject to any major changes. The share of individual age groups in the total population changed by within 0,8–5,6%. The largest difference occurred in case of the 55+ age group. A different distribution of results occurred in the area of Gorkovka. The productive age population group aged 18–30 emigrated the most often. In 1996, that group represented 24.2% of the entire population while in 2003 its share decreased to 12.2%.

Conclusion

Industrial areas dependent on a single economic sector are subject to major migration fluctuations. Not only the size, but also the structure of the population changes. That phenomenon emerged during the years 1996–2003 in Ukraine and Russia during the period of liquidation of hard coal mines. The mining regions are left by people in the production age group of 18–30 years. Monoculture based coal basins offer few opportunities for employment outside that sector. As a consequence the population migrates to other centers, which has direct influence on population structure. The appropriate support program is the factor mitigating those changes. On the base of correlation between individual components of the program and the number of new jobs it was established that the:

– outlays on training must focus on similar industries (e.g. construction, machine industry),

– administrative measures in the form of intervention work or transfer to work in other mines do not offer long-term benefits,

– outlays on training allowing acquisition of entirely new qualifications differing significantly from those of a miner (e.g. timber industry, telecommunication) show low effectiveness. This results from relatively high outlays (almost twice higher than in e.g. construction) on one hand and does not generate an increased number of jobs on the other.

The adequate level of industrialization in the region is a circumstance supportive for retaining the population structure in case of liquidation of mines. The possibility of working in other sectors makes the released employees stay in their current place of residence. They take jobs even in the sectors far from the mining industry, e.g. chemical industry, transport or even telecommunication. Such a case was recorded in Ukraine in the Donieck basin. Liquidation of mines in the area of Stakhanovka resulted in minor migrations only. As a consequence, the structure of population in that coal mining basin remained practically unchanged. The conducted analyses also showed that the miners are unwilling to leave their current place of residence and take employment in various sectors of the economy. The fundamental factor determining the migration is lack of alternative employment.

The problem of liquidation of unprofitable mines appeared not only in the Central and Eastern Europe but also in other coal mining basins. It is caused by strengthening of the market economy principles and limitation of the role of the state that was expressed by subsidies to unprofitable enterprises. The implementation of new extraction technologies, use of renewable energy sources and pressure of ecologists on natural environment protection will be the additional factors contributing to reduction of employment in mines. For that reason the experiences of Russia and Ukraine might be helpful as guidelines for the other countries.

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BENEFITS OF FOREIGN CAPITAL INFLOW IN THE FORM OF DIRECT INVESTMENTS AND ACTIVITIES OF LOCAL AUTHORITIES IN ATTRACTING IT

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K e y w o r d s: foreign capital, local authorities.

A b s t r a c t

The paper aims at determining the benefits from operation of enterprises with foreign capital involvement for individual municipalities and assessing the activities of local authorities in attracting foreign investors. The questionnaire-based studies were conducted in 2008 among representatives of local authorities from three voivodships (37 municipalities of Warmińsko-Mazurskie voivodship, 43 municipalities of Kujawsko-Pomorskie voivodship and 30 municipalities of Pomorskie voivodship). Among the benefits resulting from the foreign capital inflow the municipalities covered drew attention to increase of employment (Kujawsko-Pomorskie voivodship – 0.88, Pomorskie voivodship – 0.52) and economic enlivening of the municipality (Warmińsko-Mazurskie voivodship – 0.65). The activities of authorities aiming at attracting investors focus on investment land improvement (Kujawsko-Pomorskie voivodship – 0.94), assistance in finding investment land available (Pomorskie voivodship – 0.35), and in Warmińsko-Mazurskie on application of tax relief (0.48). Among the municipalities covered by the study, those from Kujawsko-Pomorskie voivodship are outstanding as in both assessment of the benefits from foreign capital inflow and the activities supporting the investors dominate over the other voivodships covered.

KORZYŚCI WYNIKAJĄCE Z NAPŁYWU KAPITAŁU ZAGRANICZNEGO W POSTACI INWESTYCJI BEZPOŚREDNICH I AKTYWNOŚĆ WŁADZ LOKALNYCH W JEGO POZYSKIWANIU

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S ł o w a k l u c z o w e: kapitał zagraniczny, władze lokalne.

Abstrakt

Celem artykułu była próba określenia korzyści z działalności przedsiębiorstw z udziałem kapitału zagranicznego dla poszczególnych gmin oraz oceny zaangażowania władz lokalnych w pozyskanie inwestorów zagranicznych. Badania ankietowe przeprowadzono w 2008 r. wśród przedstawicieli władz lokalnych trzech województw (37 gminach woj. warmińsko-mazurskiego, 43 gminach woj. kujawsko-pomorskiego oraz 30 gminach woj. pomorskiego). Wśród korzyści wynikających z napływu kapitału zagranicznego badane gminy zwracały uwagę na wzrost zatrudnienia (woj. kujawsko-pomorskie – 0,88, woj. pomorskie – 0,52) oraz ożywienie gospodarcze gminy (woj. warmińsko-mazurskie – 0,65). Działania władz zmierzające do pozyskania inwestorów koncentrują się na: uzbrajaniu terenów pod inwestycje (woj. kujawsko-pomorskie – 0,94), pomocy w znalezieniu wolnych gruntów pod inwestycje (woj. pomorskie – 0,35), na stosowaniu ulg podatkowych (woj. warmińsko-mazurskiw 0,48). Wśród badanych gmin wyróżniają się gminy z woj. kujawsko-pomorskiego, które zarówno w ocenie korzyści z napływu kapitału zagranicznego, jak i w aktywności wspierającej inwestorów zdecydowanie dominują w stosunku do pozostałych województw.

Introduction

Attracting investors is of major importance for the socioeconomic development of the local system. As a consequence of economic processes globalization and the resulting facilities to the flow of capital and inclusion of Poland in the international division of work, foreign direct investments (FDI) are one of the sources for obtaining the capital for investments (BOJAR 2001).

The influence of activities of the international enterprises on the economy of the receiving country is the subject of extensive theoretical and empirical studies in the international economies as it may be accompanied by both positive and negative effects. The foreign direct investments may be the source of new technologies, capital or knowledge but at the same time their increased competition may have negative influences on the domestic enterprises (CIEŚLIK 2005, KARASZEWSKI 2004, OZIEWICZ 1998).

The potential foreign investors, examining the investment attractiveness of countries or regions consider, among others, the economic, political and social situation, legal regulations and spatial organization system. The international investment attractiveness is, as a consequence, determined manly by two groups of factors: the condition of the economy and prospects for its development as well as legal regulations concerning initiation and operation of business activities (LIZIŃSKA, KISIEL 2005). The positive aspect is that foreign experts and managers rank Poland high as concerns its attractiveness for capital investments. This, however, is not a guaranty of the inflow of such investments. Changes in the factors determining the inflow of foreign direct investments into the country occurs under the influence of structural transformations, development level and economic policy but also as a result of transformations taking place in the closer and more distant environment

(NOWARA, RYNARZEWSKI 2005). According to the analyses conducted by those authors, the importance of economic factors increases as compared to the legal-administrative and business factors.

According to the data by the National Bank of Poland, the inflow of the FDI into Poland in 2007 was EUR 16 582 mln. Compared to the other countries of Central and Eastern Europe Poland still attracts the largest numbers of investors although among the countries of that region Poland unfortunately has the second lowest value of such investments per capita (USD 460). The lowest values of that indicator are found in the countries that at the same time in 2007 were characterized by the highest values of the FDI inflow (LIZIŃSKA, KISIEL 2009). Although the regions compete with each other for location of investments because of their influence on the development of the region, the foreign investments concentrate first of all in regions rich with the factors attracting the investors (BOJAR 2001, CIEŚLIK 2005).

Areas offering the optimal combination of location factors are considered the most attractive for investment as thanks to that they allow reduction of investment outlays and current operational costs of the enterprise facilitating maximization of profits and decrease the risk of failure of the investment (DOMAŃSKI 2005, KALINOWSKI 2005). The local authorities have a large influence on the stimuli that foreign investors take into account in taking their decision on allocation of the capital in a given region. They include relief in local taxes and fees, quality of service at offices, attitudes of the local community to the foreign capital, communication and telecommunication as well as transport infrastructure. According to DZIEMIANOWICZ (2008), in case of relations between the local authorities and the foreign investors the best are those that are based on the active role of the local authorities and the active attitude of investors to a given municipality. That type of relations occurs in the majority of competitive municipalities. The active position of the local authorities in creating positive relations with the investors is necessary.

Territorial government authorities should stimulate positive development of all the elements of the investment climate as negligence of the activities in the areas of lesser importance from the perspective of the foreign investors cannot always be compensated fully by the development of other location factors. Jointly they condition the level of foreign capital involvement in the economy and its influence on the process of growth and economic development in the region. The list of individual factors depends on the size and character of the business entity as well as the type of its business activity (BUDNER 2004).

Goal and methodology of studies

The empirical studies conducted in 2008 among representatives of local authorities from three voivodships (37 municipalities of Warmińsko-Mazurskie voivodship, 43 municipalities of Kujawsko-Pomorskie voivodship and 30 municipalities of Pomorskie voivodship) using a questionnaire aimed at determining the benefits of operation of companies with a share of foreign capital for individual municipalities and the assessment of activities by local authorities in undertaking actions aimed at attracting foreign investors. The characteristic importance index (assuming the values from 0 to 1 where the higher the value the more important the given factor is) was used for interpretation of the results obtained. The applied importance index corresponds to the solution proposed by Professors Włodzimierz Karaszewski and Stanisław Sudoł, and is referred to by KOLA et al (2005). The importance index was computed according to the formula:

$$W = \frac{\sum_{i=1}^{k} n_i w_i}{k \cdot N}$$

where:
W – importance index,
i – score index,
n_i – number of indications of hat factor at position i,
k – maximum score in the scale of *1* to k,
N – number of respondents who answered the question,
w_i – score corresponding to the rank of the factor i

Results of studies

The foreign capital inflow is linked to two groups of consequences: positive ones and negative ones. The range of positive and negative consequences resulting from the direct foreign investments is correlated to a significant extent with the economic development of the receiving country and the implemented policy concerning foreign investors. Analyses of works by numerous authors studying the results of the direct foreign investments do not allow a straightforward assessment of the character of their influence as positive or negative. The studies conducted indicate that territorial government authorities from Kujawsko-Pomorskie voivodship consider the increase of employment (importance index 0.88), economic enlivenment – 0.74 and increase of competitiveness – 0.71 to be the three most important benefits of foreign direct investments inflow (Fig. 1). At the same time it is worth noticing that the other aspects of foreign capital based enterprises influences scored equally high and although closing the capital shortage gap scored the lowest among the consequences indicated in fact all the other benefits result from nothing else but the inflow of capital.

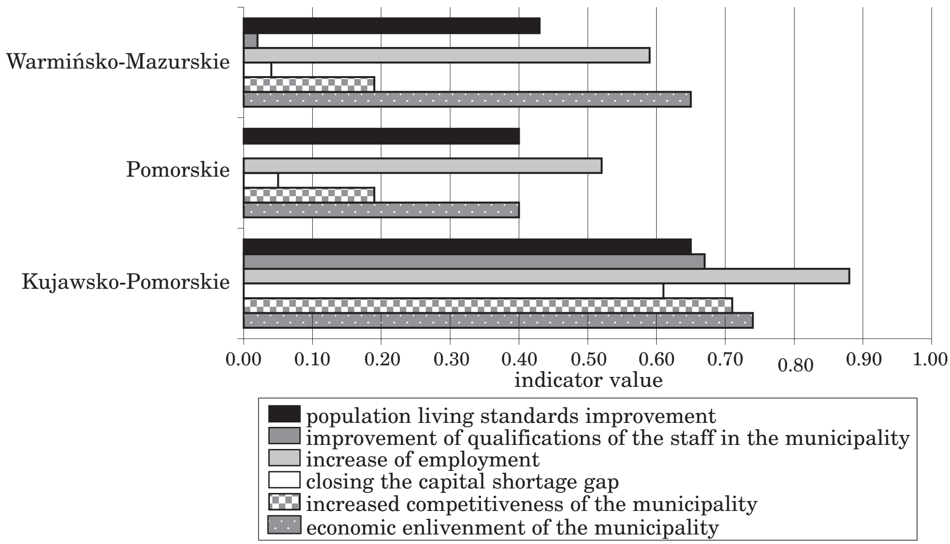

Fig. 1. Benefits of foreign direct investments inflow according to the local authorities
Source: Own work based on the studies.

Territorial government units from Pomorskie voivodship also notice the benefits resulting from the appearance of new foreign enterprises in the municipality. According to their opinions the major benefit of the activities of such enterprises is the increase of employment (0.52). Slightly lower score, although still a high one, is given by the municipalities to benefits correlated with the increased employment level, i.e. population living standards improvement and economic enlivenment (importance index exceeding 0.40). New foreign enterprises situated in the municipality and employing its residents contribute to increasing the vocational activity in the local system, obtaining higher work productivity and as a consequence offer higher levels of remuneration. This results in both improving the living standards of the population and increased economic enlivenment in the municipality. It is worth noticing that none of the representatives of the local municipal authorities from that region indicated a significant importance of benefits such as improved qualifications of staff in the municipality as an effect of appearance of the new foreign investor in the municipality.

According to the local authorities from Warmińsko-Mazurskie voivodship, there are many benefits of operation of enterprises with a foreign capital involvement. In this study three closely related aspects: economic enlivenment of the municipality (0.65), increase of employment (0.59) and improvement of living standards of the population (0.43) were those indicated the most frequently. The new investment project situated in the municipality usually attracts other enterprises that are its cooperating partners to establish nearby. For Warmińsko-Mazurskie voivodship the most important benefits of foreign investments are the increase of employment and population living standards improvement, which might result from the perception of the high unemployment level as the major problem of that region.

The most appropriate method to secure the development of the region is to provide the environment favoring establishment of new enterprises and their mutual interrelations, which results in creating synergies that bring benefits to those enterprises and residents in the region. In relating the location factors to the capacities of territorial governments it should be noticed that their influence on the decisions taken by foreign investors is limited mainly to those factors that are not the most important factors determining the location of the foreign direct investments. They include the quality of service in the office, tax incentives, attitude of territorial and local authorities to the foreign capital. The exception here is the level of infrastructure necessary for operation of current and future business entities as the development of that infrastructure is within the competence of the regional authorities to a large extent.

Territorial authorities in Kujawsko-Pomorskie voivodship that possess foreign investments in their area focus mainly in providing assistance through improvement of land for investments (importance index 0.94), quality of service at the office and favorable attitudes of the local population (0.92), technical infrastructure improvement (0.89) and award of tax relief (0.81).

All the authorities of municipalities in Pomorskie voivodship help entrepreneurs in undertaking and implementation of investment projects. The authorities of municipalities participating in the study, provided support to the entrepreneurs in the form of investment instruments the most frequently, which means that they assisted in finding available land or premises (0.35), improved the technical infrastructure (0.34) and improved the land for investments (0.33) the most frequently. Legislative instruments were the tools that were applied infrequently in the respondent municipalities – the most frequently applied tool was the tax relief (0.33) while the local regulations was the least frequently applied support tool. Improvement of social infrastructure (0.09), advisory services (0.07) and help in employees training and recruitment (0.02)were the tools applied the least frequently by the local authorities.

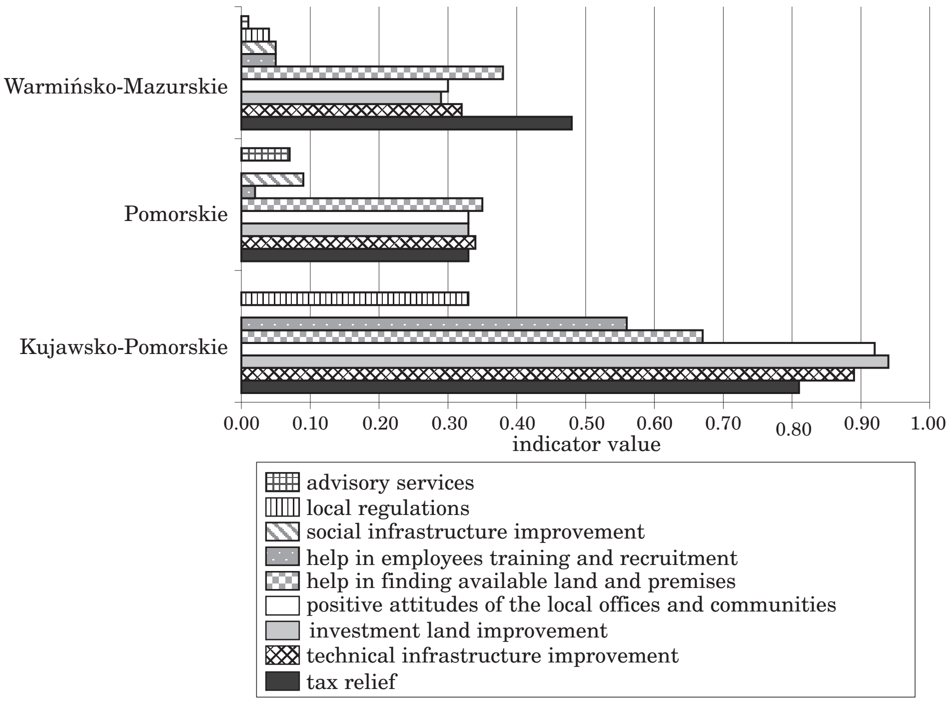

Fig. 2. Activities of local authorities supporting the investors
Source: Own work based on the studies.

In the covered municipalities of Warmińsko-Mazurskie voivodship the most frequently applied forms of assistance were the tax relief (0.48), help in finding available land and premises, technical infrastructure improvement (0.32), positive attitudes of local officers and local communities towards the inflow of foreign investments (0.30) and improvement of land for investments (0.29). The lowest importance index was attributed to advisory services offered by municipalities (0.01), local regulations (0.04), help in employees recruitment and training and social infrastructure improvement. These are the instruments, similar to the case of Pomorskie voivodship, not sufficiently appreciated by the local authorities the use of which would be supportive to attracting the investors.

Conclusion

Significant diversification in the investment attractiveness of individual voivodships of Poland has a negative influence of the competitiveness of Poland as compared to other countries in the aspect of attracting the foreign capital. Local authorities play an important role in increasing the investment attractiveness of the regions. Through their activities they create conditions favorable for conducting business in a given area although knowledge of the benefits from the inflow of foreign investments, the local factors and appropriate assessment of the resources available are necessity for that. This is necessary for determining the level of mismatch of the existing conditions and the expectations of the investors.

Representatives of local authorities from all the voivodships covered see the benefits resulting from the inflow of foreign capital into the municipality and although they assigned different weights to various benefits they still, in most cases, pointed at the increase of employment (Kujawsko-Pomorskie voivodship – 0.88, Pomorskie voivodship – 0.52), or economic enlivenment of the municipality (Warmińsko-Mazurskie voivodship – 0.65). The activities of local authorities aiming at attracting investors focus mainly on elements such as improvement of land for investments (Kujawsko-Pomorskie voivodship – 0.94), help in finding land available for investment projects (Pomorskie voivodship – 0.35), while in Warmińsko-Mazurskie voivodship the focus was on the tax relief application (0.48). Among the voivodships covered the Kujawsko--Pomorskie voivodship is outstanding which in both assessment of the benefits from the inflow of foreign capital and in the activities supporting investors dominates definitely over the municipalities from the other voivodships.

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ACTIVATION OF LONG-TERM UNEMPLOYED IN THE EASTERN REGIONS OF THE FEDERAL REPUBLIC OF GERMANY

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K e y w o r d s: activation, unemployment, labor market.

A b s t r a c t

The process of the standardization of the economic structure in the eastern and western lands of the Federal Republic of Germany has, nonetheless the strong involvement of the state over two decades, not been completed yet. This is confirmed by the diversified situation in the labor market in both parts of the country, which is much more difficult in the eastern regions. The reduction of long-term unemployment that stays at a relatively high level somehow contrary to the implemented labor market reforms and favorable market development during the years 2005–2008 is the most urgent task.

AKTYWIZACJA DŁUGOTRWALE BEZROBOTNYCH WE WSCHODNICH REGIONACH REPUBLIKI FEDERALNEJ NIEMIEC

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S ł o w a k l u c z o w e: aktywizacja, bezrobocie, rynek pracy.

A b s t r a k t

Proces ujednolicania struktur gospodarczych wschodnich i zachodnich landów RFN nie został zakończony, mimo trwającego dwie dekady silnego zaangażowania państwa. Świadczy o tym zróżnicowana sytuacja na rynku pracy w obu częściach kraju, przy czym we wschodnich regionach jest ona o wiele trudniejsza. Najważniejszym zadaniem jest redukcja długotrwałego bezrobocia, które utrzymuje się na dość wysokim poziomie, jakby na przekór realizowanym reformom rynku pracy i korzystnemu rozwojowi koniunktury w latach 2005–2008.

Introduction

The decrease in production caused by the economic crisis has been perceptible in the labor market of eastern Germany at the end of 2008. The employment during the fourth quarter of that year decreased (disregarding seasonal fluctuations) by 0,4% as compared to the preceding quarter and during the first quarter of 2009 by even 0,6%, while in the western lands it decreased by 0,3% only (BRAUTZSCH et al. 2009, p. 328). In that way the long phase of continuous improvement of the labor market situation, that was marked by the fact that for the first time since the integration of Germany the market in the eastern lands benefited from the improving market situation, came to an end (BRAUTSCH 2008). During ten consecutive quarters the employment in the eastern regions of the FRG increased and between 2005 and 2008 it increased in general by of 3,2%. The increase in the number of job offers in the open labor market coupled with the decrease of subsidized employment was a favorable phenomenon (KETTNER, SPITZNAGEL 2008, p. 2).

However, despite the understandable satisfaction resulting from the positive development in the labor market in the FRG the question appears whether it expresses the market revival stage or, in this case, it is also the expected result of the labor market reforms, and in particular the introduction of the fourth (last) act within the so-called Hartz concept (*Hartz IV*)[1]? The answer to that question is that assuming a relatively short time from the implementation of those changes (1.01.2005) careful optimism can be afforded as there are hints that the reforming efforts give the first fruit (*Die Finanzkrise meistern...* 2007, p. 341).

Nevertheless, that optimistic diagnose should not obscure the issue that is relevant to the German labor market, i.e. the situation of long-term unemployed in the eastern lands of Germany. The differences existing in that respect between the two united parts of Germany are so important that they require almost independent treatment by the labor market policy, particularly as concerns the application of its instruments in activities aimed at the activation of the unemployed.

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[1] According to the Act that came into force on 1.01.2005 under the name of *Viertes Gesetz für moderne Leistungen am Arbeitsmarkt* – referred to as the *Hartz IV* – the principles for merging the current dole (*Abeitslosenhilfe*) and the social benefit (*Sozialhilfe*) for people able to take a job into the dole II (*Arbeitslosengeld II*) were established. As a consequence the dole I (*Arbeitslosengeld I – ALG I*), disbursed as of 1.02.2006 for 24 months to persons that worked a year according to the employment relation covered by the compulsory social insurance, the dole II (*Arbeitslosengeld II – ALG II*), established at the level of minimum existence to which everybody satisfying the statutory criteria and is able to work, is eligible currently exist. The people who are unable to work and do not receive any aid benefits are eligible to the social benefits (*Sozialhilfe*).

Even partial discussion of the above issues seems an undertaking that is highly needed, especially in the context of the experiences that could be useful in solving the existing difficulties in the labor market of the eastern regions of Poland.

Active labor market policy and its instruments

The active policy is a complex set of individual means and priorities assigned to them and its success depends to a large extent on the quality of instruments applied and their mutual influence (FERTIG et al. 2006, p. 576). Its basic aim is to prevent unemployment and to support employment through state controlled means of support.

The implementation of new legal regulations for the labor market in the FRG contained in the "Acts on modern labor market services" (*Gesetze für moderne Dienstleistungen am Arbeitsmarkt*, the so-called Hartz – Gesetze[2]) and the government program AGENDA 2010 influenced increasingly the intensive implementation of the principle of "supporting and demanding" (*Fördern und Fordern*) in the labor market policy according to which the assurance of substitute benefits should be linked with the guidelines of that policy more tightly (CALIENDO, STEINER 2005, p. 397). The instruments of activation of unemployed applied within its frameworks can be divided into the traditional ones and the new orientation ones (*neuorientiert*).

Among the traditional instruments creating temporary employment in the co-called second (subsidized) labor market the special role is played, particularly in the eastern lands of Germany, despite the clear decrease of their rank during the recent period, to the programs serving the creation of jobs (*Arbeitsbeschaffungsmaßnahmen* – ABM). Structural adjustment programs (*Strukturanspassungsmaßnahmen* – SAM) were the second important instrument, although their influence was short-term.

As of the moment of introduction of the active labor market policy in Germany the frameworks of the influence of which had been outlined already in the act on labor support (*Arbeitsförderungsgesetz* – AfG) already in 1969 ABM became an important component of it because it was their task to create the conditions for the unemployed to join again the regular (not subsidized) employment. In order to avoid competition with the open market specific

[2] In August 2002, the so-called Hartz commission consisting of 15 persons from the world of politics, economy, trade unions and science, under the chairmanship of Peter Hartz – a long-term manager of the Volkswagen AG, presented the proposals concerning the German labor market reform. The task of the commission was to establish how to make the labor market policy more effective, in what way to reform the Federal Labor Agency and what activation of the unemployed was to involve. The concepts/proposals presented by the commission were implemented in a sequence and assumed the name of the "acts".

requirements were introduced as concerns the people and type of work that could be encompassed by the ABM. The most important of them was the "additional" nature of such jobs, i.e. without government support they could not be conducted, and if they could, then only at a later time. The basic criterion of assigning them to the entities implementing them is that they must be consistent with the public interest, they must serve directly or indirectly wide groups of people and they should match the priorities formulated to overcome the difficulties in the fragmentary labor markets – regional or vocational. According to its fundamental concept ABM programs directed at the labor market problem groups, i.e. the people with particularly big difficulties in finding permanent employment, including the long-term unemployed (HUJER, THOMSEN 2006, p. 331).

Economic stabilization of the participants and preparation for later (re)integration into the regular labor market is the main objective of the programs. The financial support of employment generally takes place in the form of a subsidy amounting 30–75% of the wage. Legal entities, public utility organizations and, in exceptional situations, also private enterprises are the entities responsible for the implementation of the ABM. The subsidizing of work occurs either through a partial coverage of the labor costs or through loans assigned to employees and as a rule continues for 12 months, although in justified cases it can amount to 24 or 36 months if that would lead to permanent employment (HUJER, ZEISS 2007, pp. 384–385).

The programs defined as the SAM targeted on the other hand all the unemployed and even people at risk of unemployment could participate in them. The jobs carried out within such programs served mainly maintaining or improving the natural environment status. The responsible entities could be supported by the Federal Labor Office[3] as of 31.12.2002, if, thanks to such support, they created new jobs in which people referred by the labor offices and classified by them as requiring exceptional support could be employed.

The project referred to as the "Program of structural adjustment – east – for economic undertakings" (*Strukturanpassungsmßnamen Ost für Wirtschaftsunternehmen* – SAM OfW), implemented only in the eastern lands with participation of private enterprises that received subsidies to payroll in exchange for new jobs, represented a special case of the here discussed aid (CALIENDO, STEINER 2005, p. 399).

The implemented labor market reforms that were the consequence of the Hartz acts, led to the modernization of the traditional instruments and introduced new ones focused on other than earlier objectives and groups of people concerned and functioning on different legal bases. Above all, the regulations applicable to the ABM and SAM were unified and both instru-

[3] Predecessor of the Federal Labor Agency.

ments were merged in one. The regulations applicable earlier to the ABM only are the legal base for it.

"Employment opportunities" (*Arbeitsgelegenheiten – AGH*)[4] are the instrument that represents an innovation in the current arsenal of the means of support. There are two variants of that instrument:

– with compensation for additional efforts (*Mehraufwandsentschädigung*), also known as jobs for a single euro, the additional job or the bridge job (*Ein-Euro-Job, Zusatzjob, Brückenjob*),

– with remuneration (*Entgeltvariante*).

Concerning the first variant those jobs must be complementary and publicly useful while the people participating in the program receive, in addition to the dole (*Arbeitslosengeld II*), a compensation for additional employment related outlays amounting to 1–2 euro (hence the name *Ein-Euro-Job*) for each hour of work as well as reimbursement of travel costs related to the job (BERNHARD et al. 2008, p. 26).

Regarding the second variant "with remuneration" the work does not have to be publicly useful in character and it does not have to be "additional" while the participants receive regular wages subsidized by the Federal Employment Agency. Such employment is covered by the compulsory social insurance including unemployment insurance. The scope and duration of aid are not determined in the statutory regulations[5], and in determining the length of support the so-called inappropriate stimuli (*Fehlanreize*) leading to abuse should be considered to hinder regaining the rights to the dole[6].

Unemployment in the eastern regions of the Federal Republic of Germany

In 2005, when the last component of the Hartz reform (*Hartz IV*) became effective, the size of unemployment in Germany increased by 380000 people, which was caused by the "shift effect" (*Umstellungseffekt*). That effect meant that people able to work and receiving social aid until the end of 2004 had been

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[4] The active labor market policy instruments presented in this paper are defined in the German subject literature as the "publicly supported employment" (*Öffentlich Geförderte Beschäftigung*). The legal base for establishing and implementing them is given by the Social code (*Sozialgesetzbuch*), which consists of XII titles. ABM is in the area of influence of title II – § 16 section 1 (SGB II) and title III- in connection with §§ 260 and following (SGB III). On the other hand the AGH are based on the statutory assumptions of title II only – variant with the compensation according to § 16 section 3 point 2, and the variant with remuneration to § 16 section 3 point 1.

[5] According to the conducted studies, in 2005 as many as 18,4% of the AGH lasted for less than three months, 15,7% from 3 to 6 months, 42,1% exactly 6 months, and 23,5% from 6 to 12 months while only 0,5% exceeded the period of 12 months (WOLFF, HOHMEYER 2006, 47).

[6] www.arbeitsagentur.de/zentraler-Content/A01-Allgemein-Info/A015-Oeffentlichkeitsarbeit/Publikation/pdf/Arbeitshilfe-AHG.pdf

registered as unemployed at the beginning of 2005 and they could be required to take up a job (*Zumutbarkeitsklausel*). The "mitigating effects" (*Entlastungseffekte*), which occurred mainly as a result of changes in the incentives, more extensive care for the unemployed and the application of the active labor market policy – especially occasional work – had slightly different consequences (*Arbeitsmarkt 2005*, p. 63).

The unemployment rate in 2005 in the entire Federal Republic of Germany was 11,7% and it was higher by 1,2% as compared to 2004, however, in the eastern lands it reached 18,7% and was twice as high as in the western lands, where it was 9,9%. Without applying the labor market policy instruments the unemployment rate would be even higher. Those instruments targeted more specifically long-term integration of the unemployed with the open labor market and, according to the principle of "support and require", the unemployed were challenged by high requirements as concerns collaboration and own initiative (*Arbeitsmarkt 2005*, pp. 64–65). Despite a clear unemployment decrease during the following years the relations of unemployment rates between the eastern and the western lands remained at an unchanged level (Fig. 1).

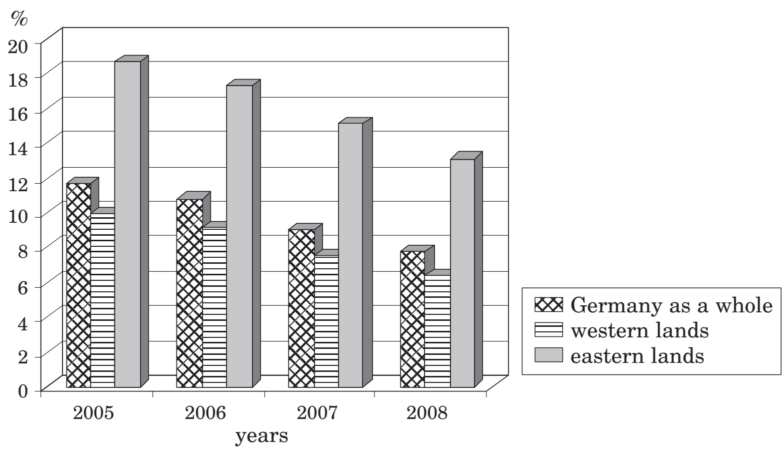


Fig. 1. Unemployment rate in the eastern and the western part of Germany during the years 2005–2008
Source: *Arbeitsstatistik* (2008, p. 56).

The analysis of unemployment rates in individual lands indicates clearly the disproportions between them. In all the eastern lands two digit unemployment rates have been observed during the years 2005–2008 while in the western lands that situation has been noticed in Bremen only. The eastern land with the highest unemployment rate during the investigated period in Germany was Saxony-Anhalt with its values at: 2005 – 20,2%, 2006 – 18,3%,

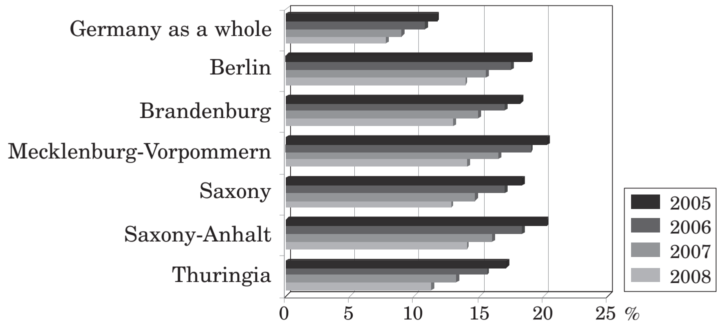


Fig. 2. Unemployment rate in the eastern lands of Germany during the years 2005–2008
Source: *Arbeitsstatistik* (2008, p. 56).

2007 – 16%, and 2008 – 14% respectively (Fig. 2). At the same time in Baden-Württemberg, the land with the lowest unemployment rate in the country, the situation developed as follows (assuming the same order of analyzed years): 7%, 6,3%, 4,9% and 4,1%.

The presented unemployment rate values at both regional level and at the level of individual lands show a big gap dividing the two parts of Germany as concerns creation of new jobs on one hand and the scope of active labor market policy application on the other. The structure of the population of the unemployed, and in particular its part defined as long-term unemployed has a significant influence on the effectiveness of that policy because the programs of active labor market policy are directed mainly at them[7] (Tab. 1).

Taking into account the gender criterion, it should be concluded that during the covered years 2005–2007 women dominated in the group of long-term unemployed in the eastern lands and that situation was relatively stabile. On the other hand in the western lands the position of women deteriorated year after year as their number among long-term unemployed increased systematically while the number of men in that group decreased.

[7] The established long-term unemployment expressed both in absolute and relative numbers represents a difficult problem of the German labor market. The German Economic Experts Board, the so-called Five Wise Men (*Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*) sees that category of the unemployed as the largest problem group in the labor market next to the people with low qualifications. As of the beginning of 2006, as a consequence of the *Hartz-IV* reform introduction a drastic increase in long-term unemployment took place. As a result of combining the dole with the social benefit and introduction of the basic security for those searching for a job as of 1.01.2005 the size of the unemployment hidden within the social aid system has been revealed. The people who at that time were registered for the first time as unemployed and during the following period did not get out of that situation obtained the status of the long-term unemployed (*Das Erreichte nicht verspielen* 2007, pp. 336–337).

Table 1
Long-term unemployment in Germany as a whole, in the western and the eastern lands according to the selected characteristics during the years 2005–2007 (%)

Year / Characteristic	2005			2006			2007		
	O*	Z	W	O	Z	W	O	Z	W
Unemployed including:	100	100	100	100	100	100	100	100	100
Men	54.1	57.7	48.2	50.4	51.5	48.1	47.2	48.1	45.6
Women	45.9	42.3	51.8	49.6	48.5	51.9	52.8	51.9	54.4
Office workers	36.3	36.3	36.4	34.6	34.0	35.7	34.8	34.2	36.0
Manual workers	63.7	63.7	63.6	64.5	65.0	63.4	64.6	64.9	63.4
Age groups:									
under 25 years	2.8	2.7	2.9	2.7	2.9	3.2	2.3	2.2	2.6
25–49 years	62.1	61.0	63.8	63.0	62.9	63.0	61.8	62.1	61.3
50–65 years	35.2	36.3	33.2	34.0	34.1	33.8	35.8	35.6	36.1
Length of unemployment:									
1 year to 2 years	46.6	48.7	43.1	51.0	53.9	45.0	42.7	42.4	43.4
2 years and longer	53.4	51.3	56.9	49.0	46.1	55.0	57.3	57.6	56.6

*O – Germany as a whole, Z – western lands, W – eastern lands.
Source: *Arbeitsmarkt* (2006, p. 208); *Arbeitsmarkt* (2007, p. 185).

Considering the category of “employment”, it should be pointed out that the proportion of long-term unemployed “office workers” to “manual workers” remained at a similar level of 1:2 in both parts of Germany.

With regard to “age groups” of long-term unemployed given in the table, a significant differentiation between them should be noticed, although the percentage of people unemployed the longest was found in the age group of 25–49 years and it reached the level of approx 62%; whereas in the eastern lands it was slightly higher than in the western lands; the age group with small potential for (re)integration with the open labor market, i.e. 50–65 years, in the eastern part of Germany was in a worse situation because during the analyzed period its share in the population of long-term unemployed increased.

Considering the structure of the “long-term unemployed” category, it can be assumed that during the entire analyzed period the percentage of persons unemployed for two and more years was much higher in the eastern than in the western regions of the FRG and ranged within 55%–56,9%.

The findings above indicate significant differences not only in the scope, but also in the different structure of long-term unemployment between both parts of Germany. That situation causes that the applied measures/programs of the active labor market policy must be diversified and have to be adequate to the existing situation to be able to achieve the assigned objectives effectively.

Long-term unemployed in selected active labor market policy programs

In 2005, as a result of the implementation of the regulations within the bounds of the *Hartz IV*, an increase in the overall number of unemployed occurred coupled with an increase in the numbers of long-term unemployed by 5%, but in relation to the total number of the unemployed it decreased from 38% to 36%. In the eastern lands the situation of long-term unemployed was more difficult than in the western ones. The share of long-term unemployed in the total number of unemployed people was 41% and it was 7% higher than in the western lands. On the other hand the population of that category of the unemployed in the eastern lands decreased while in the western lands it increased (from -3% to 11%). The diversification of long-term unemployment from the gender perspective is worth noticing – in the western part of Germany men were 36% of that category and women 31% while in the eastern land those proportions were the opposite. There 46% of women were unemployed for longer than 12 months while that proportion of men was 38% only (*Arbeitsmarkt 2005*, p. 74).

With the increase of the average duration of unemployment, in 2006 an increase in the numbers of long-term unemployed was also recorded. 51% of people in that category benefited from the remedy measures and programs offered by the SGB II, however in the area of influence of the SGB III they represented just 25% of the population. In the eastern regions of Germany during that time a relative decrease in the numbers of long-term unemployed as compared to the western regions occurred. The share of that group in the total unemployed population in the east of the country remained at the unchanged level of 41% while in the west it increased by 8 percentage points to 42%. That result is also a consequence of the Hartz reform that had a stronger impact on the western lands (see footnote 6). Its consequences were also experienced among the population of the long-term unemployed women: in the western part of Germany their share was 43% and in the eastern it was 45%, while the situation of men was slightly better at 41% and 38% respectively (*Arbeitsmarkt* 2006, p. 79).

In average, in 2007, there were 17% fewer long-term unemployed than during the preceding year and that result was better than the total level of unemployment, which decreased also, but only by 16%. The share of long-term unemployed in the total number of the unemployed also decreased from 41% to 40%. During that year 2% more long-term unemployed people left the ranks of the unemployed than in 2006. The rate of their departures increased from 9,3% to 11,2% and at the same time the percentage of transition from short-term unemployment to long-term unemployment decreased by 18% (*Arbeitsmarkt* 2007, p. 47).

Long-term unemployment in 2008, similar to the two preceding years decreased further. Its share in the total number of unemployed people in September last year was 37,4 % i.e. 3% less than in 2007. Both the absolute and relative decreases in long-term unemployment during both past years correspond with the observed "model procedure". It means that this type of employment reacts with a clear delay to the improvement of the market situation (*Die Finanzkrise meistern*... 2008, pp. 178–279)[8].

That significant decrease of long-term unemployment in the period of 2005–2008 was caused by a high level of economic activity (a good market situation resulting from increasing exports) on one hand and the extensive use of active labor market policy measures on the other. The data in table 2 provide information on that second cause.

Table 2

Rate of outflow from long-term unemployment in Germany during the years 2004–2008 (%)

Item \ Year	2004	2005	2006	2007	2008[a]
Total	8.5	8.3	9.4	11.7	11.7
Open labor market	1.7	1.7	1.8	1.9	1.8
Subsidized labor market	0.7	1.3	1.1	1.3	1.4
Active labor market policy programs[b]	1.4	1.1	1.1	1.4	1.4
Share in total unemployment	38.5	35.4	40.7	39.8	37.1

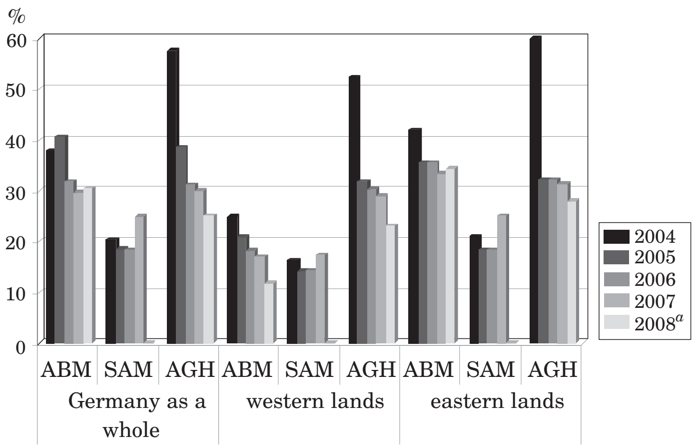
[a] up to September 2008 inclusive.
[b] vocational improvement and training programs.
Source: *Die Finanzkrise meistern*... (2008, p. 280).

The analysis of the outflow from long-term unemployment shows clearly the causes of ending it. Those outflows during the years 2005-2008 as compared to the earlier periods increased, which means that an increasing number of the unemployed were included in the vocational life. Those positive changes should be explained mainly by high outflows from long-term unemployment to subsidized employment reaching the level of 1,2% in a month. The number of people who left the ranks of the long-term unemployed and moved to income generating employment during the years 2006–2007 increased by 3,1% per month. This is a definite improvement as compared to the years 1995–2004, when the rate of the monthly outflow was 2,3% only. That strong

[8] According to the data published by the Federal Labor Agency in June 2009, the number of the long-term unemployed in whole Germany was 932,000 and it was 15% lower than the year before, while the total unemployment increased. Correspondingly the share of the long-term unemployed in the total number of the unemployed also decreased from 38,1% to 29,8% (*Der Arbeits- und Ausbildungsmarkt in Deutschland* 2009, p. 15).

increase of employment in the subsidized labor market segment should be attributed to the introduction of "occasional jobs" representing a new instrument of the active labor market policy within the frameworks of the Hartz reform. Equally, if not more important, is the increase of employment in the open labor market, which allows hoping that at least a small improvement of opportunities for employment of long-term unemployed in that market occurred (*Die Finanzkrise meistern...* 2008, pp. 279–280).

The course of processes within the subsidized labor market in the context of application of the earlier discussed active labor market policy instruments in relation to the group of the long-term unemployed considering the division into the eastern and the western part of Germany is presented in more detail in Figure 3.



[a] data concerns only the scope of "access" (*Zugang*) to the active labor market policy programs, thus they are not the year average values

Fig. 3. The share of long-term unemployed in selected labor market policy programs in Germany as a whole as well as in the western and the eastern lands during the years 2004-2008 (%)
Source: *Arbeitsmarkt* (2006, p. 212), *Arbeitsmarkt* (2007,p. 189), *Statistik der Bundesagentur. Juni* (2009).

In 2005, the number of long-term unemployed people who were employed within the frameworks of the ABM was 19,400, representing 40,6% of the total employment in that program. Taking into account the division of that group according to spatial distribution, in the western lands there were 2,448 participants in the ABM while in the eastern ones 16,952. The traditional structural adjustment programs (SAM) were largely reduced in 2005. Among the long-term unemployed significant reductions in employment were observed as well. During the year the work within the frameworks of the SAM was performed in average by 2,410 people, i.e. 18,4% of all the unemployed people who were employed within the frameworks of such programs and it shows a clear decrease by 62,6% compared with the preceding year. However, dividing that number between the western and the eastern lands we obtain disproportions so symptomatic for both parts of Germany – in the western lands only 90 people participated in the program while in the eastern lands 2,319. Taking a look at the statistics of the long-term unemployed participating in the program of "chance/opportunity for employment in the variant with compensation for additional effort" (AGH-MAE), it must be concluded that 86,797 from that group participated in the AGH, of which 34,650 in the western lands and 52,089 in the eastern lands.

The year 2006 brought another decrease in the number of people employed in the ABM, this time it was 43,700 i.e. 9% lower than during the preceding year. The number of the unemployed in the ABM, who stayed unemployed for longer than a year was diversified in individual lands. In the western part of Germany 9,285 people participated whereas in the eastern lands 34,412 people took part. In 2006 the SAM had almost no influence on the general situation in the German labor market because the participation in them was 6,086 people, of which 1,111 were long-term unemployed people, i.e. 18,3% of the total number of participants in that program. Their number in the western part of Germany was just symbolic at 28 persons whereas in the eastern lands it was higher at 1,083 people but lower by more than a half than during the preceding year. The situation of the long-term unemployed participating in the AGH was slightly better than a year before as their participation in the program increased to 91,315 people, although the disproportion between the western part of the country, where 46,585 unemployed benefited from support, and the eastern part, where 44,730 participants were subsidized, continued.

A decrease in the number of participants in the ABM was also recorded in 2007. The total number of participants during that year averaged 40,500 people i.e. decreased by 11% compared with the preceding year. Considering the employment of the long-term unemployed within the bounds of the ABM, their number in 2005 was 19,400, and considering its division according to the geographic location 2,448 participants originated from the western part of Germany and 16,952 from the eastern part. Similar to the years 2006 and 2007 the structural adjustment SAM programs continued their decrease as the participation in them closed at 1,955 persons of which 489 were long-term unemployed. Out of that number only 9 long-term unemployed were employed in programs of that type in the western lands. The average employment with AGH-MAE programs was 300,100 people of which 164,700 had the "additional employment" in the western lands and 135,400 in the eastern lands. The average annual participation in the AGH "variant with remuneration" was 21,500 people. For the people who remained unemployed for longer than one year, the year 2007 was not as favorable as the preceding year because their share in the AGH programs decreased to 84,045 people and in the "west-east" distribution the differences were highly visible. In the western part of Germany 45,509 people participated in the programs while the number of unemployed benefiting from ALG-II in the eastern lands was 38,536 people.

A further decrease in the numbers of long-term unemployed (by over 70,000) occurred in 2008. In the western part of Germany it was 612,848 people and in the eastern part 448,920 people. Their share in the total number of the unemployed decreased from 17,3% to 15,0%. Out of 20,443 long-term unemployed (an increase by 861 as compared to the preceding year), who obtained access to the ABM program 1,333, originated from the western lands and as many as 19,110 people were from the eastern lands. The SAM programs did not play almost any role in mitigating the situation in the labor market as the number of participants in them was just marginal. A significant decrease in the use of the AGH programs, from which 175,267 long-term unemployed benefited (in 2007 197,847 people), where 95,228 people came from the western lands (a decrease from 26,6% to 23,2%) and 80,039 people came from the eastern lands (a decrease from 30,4% to 28,0%), was also recorded[9].

Conclusion

The specific characteristics of development of both parts of Germany resulting from the division after the war still constitutes an important obstacle to their full integration. The analysis of the situation in the labor market in each of them indicates significant differences in both the structure and population of the unemployed. This is visible exceptionally well among people who are without a job for a long period of time. This results in the necessity of the diversified approach to the application of the active labor market policy instruments.

The analysis of the data presented in this paper allows the formulation of the following conclusions:

1. There is a different "picture of unemployment" in both parts of Germany. In the eastern lands the level of unemployment is almost twice as high as in the western ones despite its clear decrease during the years 2005–2008.

[9] The data referring to the first half of 2009 indicates a continuation of the decreasing trend. The exact numbers are as follows: the ABM was used during that time by 1,560 long-term unemployed including 188 from the western and 1,372 from the eastern lands. The access to the AGH was given to the total of 70,648 people unemployed for a year and longer, in which 37,123 jobs have been created in the western lands and 33,525 in the eastern ones (*Statistik der Bundesagentur für Arbeit.* Juni 2009).

The population of the long-term unemployed in the east of the country is dominated by women, similar to the percentage of people in the age group of 25–49 years and the people being unemployed for longer than two years. However, the people in the age group of 50–65 years are there in the worst situation – their share in the total population of that category of the unemployed increased systematically during the entire period covered by the analysis.

2. Such significant differences in the level and structure of the long-term unemployed between the west and the east of Germany required a diverse use of the active labor market policy instruments. Because of the high share of people from the labor market problem groups (women, the elderly) in the eastern lands the ABM still enjoyed high popularity although their use in the western part of the country was reduced drastically as a consequence of low effectiveness. The scope of application of the traditional structural adjustment programs (SAM), which were applied rather occasionally in the western lands, was relatively higher in the eastern lands. The AGH was the only instrument for activation of the long-term unemployed that was used to a similar extent in both parts of Germany.

3. The consequences of using the above programs for combating unemployment, particularly for the supply part of the labor market, raise many controversies. On one hand numerous negative phenomena accompany the implemented programs. These are for instance the effects of "dislodging", "taking away" and "substitution" that involve the replacement of the jobs with compulsory social insurance by participants in the program, and particularly by participants of the AGH in the eastern lands (HOHENDANNER 2007, p. 6, 23). Additionally, in many situations the so-called "revolving door" effect that describes the phenomenon of the unemployed joining and leaving the programs without any clear improvement of their vocational situation can be observed. Finally, there are concerns that thanks to the government subsidies the secondary labor market will develop which will weaken the competitiveness of enterprises and reduce the competition for jobs among the unemployed. However, on the other hand, there are numerous positive results of that employment, such as bringing the unemployed closer to the regular labor market, maintaining and increasing their employability, limiting illicit work and assuring their social stabilization are highlighted.

The activation of long-term unemployed in the eastern regions of Germany requires not only government involvement, which aid has reached giant dimensions so far (during the years 1990–2009 money transfers to the eastern lands reached the level of 1,6 billion euro net), but above all such stimulation of the market process that would support the development of free market relations among its participants as only such a situation can strengthen the entrepreneurial behaviors and propensity to bear risk. The point is to change the mentality of the unemployed – from the “government responsibility for them” to the “individual responsibility for oneself” (CZECH-ROGOSZ 2007, p.132).

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THE CONCEPT OF "WARMIA LANDSCAPE ROAD" AS A METHOD OF RURAL AREAS SUSTAINABLE DEVELOPMENT BASED ON THE EXAMPLE OF OLSZTYN RURAL COUNTY

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Key words: Warmia, roads, growth areas, standardization of roads, Warmia Landscape Road.

Abstract

The paper presents the possibility of using county roads of lesser strategic importance (others) for sustainable development of the entire area. That possibility was presented as the concept of "Warmia Landscape Road" based on the example of Olsztyn Rural County. It includes the roads planned during the 18^{th} C. that are currently in operation connecting rural locations, residences or monumental objects (mansions-palaces-parks), lined with trees and forming avenues. Roads-avenues, as the elements of technical infrastructure are authentic elements of the landscape of Warmia (and some parts of Mazury). They may form a complementary esthetic-cultural-landscape component for visitors and represent a means for activation, and as a consequence sustainable development of rural areas.

KONCEPCJA „WARMIŃSKIEJ DROGI KRAJOBRAZOWEJ" JAKO METODY RÓWNOWAŻENIA ROZWOJU OBSZARÓW WIEJSKICH NA PRZYKŁADZIE POWIATU OLSZTYŃSKIEGO ZIEMSKIEGO

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Słowa kluczowe: Warmia, drogi, obszary wzrostu, standaryzacja dróg, „Warmińska droga krajobrazowa".

Abstrakt

W opracowaniu przedstawiono możliwość wykorzystania dróg powiatowych o mniejszym znaczeniu strategicznym (pozostałych) do zrównoważenia rozwoju całego obszaru. Możliwość tę przedstawiono jako koncepcję „Warmińskiej drogi krajobrazowej" na przykładzie powiatu olsztyńskiego ziemskiego. Uwzględniono w niej drogi wytrasowane w XVIII wieku, funkcjonujące obecnie, łączące miejscowości wiejskie, rezydencje lub obiekty zabytkowe (dworsko-pałacowo-parkowe), obsadzone drzewami, tworzącymi aleje. Drogi-aleje, jako element infrastruktury technicznej, są autentycznym elementem krajobrazu Warmii (i niektórych części Mazur). Mogą stanowić dopełniający fragment estetyczno-kulturowo-krajobrazowy dla zwiedzających lub wypoczywających i być sposobem na aktywizację, a tym samym na równoważenie rozwoju obszarów wiejskich.

Introduction

Poland as a signatory of the European Landscape Convention is responsible for the comprehensive approach to the space from the perspective of appropriate care for the cultural elements. Roads-avenues, lined with trees are such an element as a reminder of the technological culture of Warmia and Mazury during the times of Prussian jurisdiction. The roads are a complementary element (next to buildings and land relief) of the contemporary landscape of Warmia and Mazury. In the Study of modernization of the roads of Olsztyn Rural County (2005) it was written that only ca. 1000 km of roads administered by the County fulfill (or may fulfill in the future) important economic and social functions. The remaining roads are transport connections with much lower traffic density and less important for economic development. Currently, they play a quite important economic role in the space of the County connecting localities possessing outstanding cultural and landscape values. The role of the other roads could be strengthened within the frameworks of the Warmia Landscape Road concept.

This paper aims at presenting the Concept of the Warmia Landscape Road as the method for sustainable development of the area.

Subject and empirical bases of the concept Expert opinions prepared

Within the frameworks of the study *Local development planning* prepared in 2003 by the Polish Statistical Association in Olsztyn the basic assumptions concerning the road network development within the area of Olsztyn Rural County have been drafted. The functional division of the road network resulting from the *Warmińsko-Mazurskie Voivodship Spatial Development Plan* (...) was the starting point for analytical and design works.

On the base of conducted analyses, concerning in particular the parameters and technical condition of county roads and engineering structures on those roads, the concept of activities aiming at modernization of the road network in the area of the county was proposed. It was assumed in that concept, first of all, that actions concerning county roads classified as complementary roads in the functional classification of the roads will be undertaken. The level of generality of the studies conducted allowed only formulation of the recommendation indicating, among others, the necessity of the detailed justification for the indicated design solutions and drafting of the technical guidelines.

In the *Study on modernization of roads in Olsztyn County* (2005) studies were conducted on the potential of Olsztyn Rural County space. Determination of the areas of concentrated investment activities (growth areas) in which transformations in their scale exceeding the size of a single real property (or a few of them) are taking place (or are planned) were delineated as a result of those studies. The point was to identify the areas of extensive economic activities for which designing of new infrastructural solutions, particularly transport ones, of wider than local scale would be justified. The determined size and strength of the growth areas allowed development of the concept for reconstruction of the transport system, i.e. the roads servicing the identified areas. The schedule, i.e. the order of implementation of tasks, was determined depending on the (earlier determined) rank of the area in the County space. The assumption was made that first the areas in which offices of municipality administration are situated would be supported. The point was to rebuild the old network of connections between centers of municipalities that was historically developed and encircled the City of Olsztyn in the form of a ring. As the next step, the actions aiming at reconstruction of the road network servicing also the residential, industrial-service as well as tourism and recreation areas were planned. At that stage the notion of the "landscape road" as a technical-natural-cultural concept that could be implemented during modernization of County roads was developed.

Spatial scope and timeframe

The delimitation of the area covered by the studies was carried out in line with the assumptions defined in expert papers. The area of Olsztyn Rural County was assumed for the area to be covered by the conceptual works concerning the Warmia Landscape Road. The urban areas of Olsztyn, Barczewo, Biskupiec, Dobre Miasto, Jeziorany and Olsztynek were excluded from the analyses in the assumption that as a consequence of the specificity of the space (not-urbanized) and subject of the study (roads in not urbanized areas) the areas of towns should be subject to a separate study.

The field studies were conducted during the years 2004–2005. The historical (cultural) studies covered the period from the 18th C. when for the first time notes on legal acts and standards concerning maintenance of roads in the area of historical Warmia appeared in documents.

Methodology of field studies

At stage one of the study the analysis of conditions for road network development in the transport system of the entire region was conducted. In the context of the updated Warmińsko-Mazurskie Voivodship Spatial Development Plan the County roads that should be modernized within the frameworks of the concept of the Warmia Landscape Road were identified. That was followed by conducting the natural conditions analysis that included in particular the composition of species in the roadside tree alleys and their role in the ecosystem. The role of the road in the landscape of Warmia and historical conditions of roads construction as an element of technical culture of the region were the main areas of analyses, which allowed drafting the initial concept of the "Warmia Landscape Road".

At stage two field studies were conducted that involved taking a detailed inventory of thirty (30) roads with roadside alleys. During the inventory taking the main focus was on identification of the methods of the road and its environment planning and construction. Particular attention was paid to the standing timber composition, age, health status and the way of planting trees along the roads. The places of contact between roadside alleys with built up and forest areas were also measured and photographed. The major technical elements such as the cross section of the roads in three points determined along its entire length, distance of road edge (from the road center), shoulder widths, distance to the internal edge of tree trunks forming the alleys, distance to buildings and other elements related to development, distance to objects of small architecture (e.g. roadside chapels) and other elements characteristic for a given road type were also measured. During the measurements the road surface quality, shoulders status (material, preservation and other) and elements accompanying the road were also assessed. Road signage, both horizontal and vertical was also subject to particular assessment. From the measurements conducted the descriptive documentation was prepared in the form of 30 cards A and B for individual objects with graphic annexes and photographic documentation.

Cards A contain descriptions, cards B represent graphic illustration of the inventory. The complete set of cards A and B is included in the study delivered to the Mayor of Olsztyn Rural County.

Synthesis and processing of the result of studies

The design of the „Warmia Landscape Road" (WLR) was the last stage of the studies. On the base of the literature review the general assumptions for the model in three aspects: nature-landscape, culture and technology were formulated. On the base of the field studies the common characteristics of the roads found in the area of the Olsztyn Rural County were identified. The contemporary German experiences in restoration and maintenance of the network of roads with roadside alleys were also used. On the base of the collected and analyzed materials the concept of the „Warmia Landscape Road" was developed in three aspects: technical, cultural and natural-landscape.

The „Warmia Landscape Road" in the road network of the County

The functional system of Olsztyn County road network

The principles specified in point Warminsko-Mazurskie Voivodship Spatial Development Plan assumed the road network division into three basic groups according to their function in space:
– the superior transport system,
– the basic transport system,
– complementary roads network.

The following roads within the area of Olsztyn Rural County were classified to the supreme transport system:

– the national road No. 7 (Gdańsk-Olsztynek-Warszawa) modernized to the technical class of the express road S, with simultaneous construction of Olsztynek bypass;

– the national road No. 16 (Grudziądz-Olsztyn-Augustów), included in the program of express roads construction coupled with construction of bypasses of Podlejki, Olsztyn and Kromerowo – currently in modernization along the sections to Barczewo and to Gietrzwałd;

– the national road No. 51 (Bezledy-Olsztyn-Olsztynek) projected for modernization in the section Olsztyn-Olsztynek to the express road class S and on the other sections to the technical class GP, including construction of bypasses of Dobre Miasto, Dywity, Olsztyn, Dorotowo and Olsztynek – currently the construction design has been presented for the section Olsztynek – Tomaszkowo;

– the national road No. 53 (Olsztyn-Szczytno-Ostrołęka) projected for modernization to the technical class GP, including construction of bypasses of Szczęsne and Klewki.

The following voivodship roads that link the county towns with the supreme transport system and centers of settlement network fulfilling wider than regional and regional functions were included in the basic transport system:

– the national road No. 57 (Bartoszyce-Biskupiec-Szczytno) with the necessity of constructing the bypass of the town of Biskupiec (location established in the local plan),

– the national road No. 58 (Olsztynek-Szczytno-Pisz),

– the voivodship road No. 527 (Olsztyn-Morąg),

– the voivodship road No. 507 (Braniewo-Dobre Miasto),

– the voivodship road No. 593 (Dobre Miasto-Jeziorany-Lutry).

The network of the supreme and basic transport system roads in the County is presented in Figure 1.

The conceptual works on construction of the City of Olsztyn ring road represent of an element of the system presented in Figure 1. The Directorate

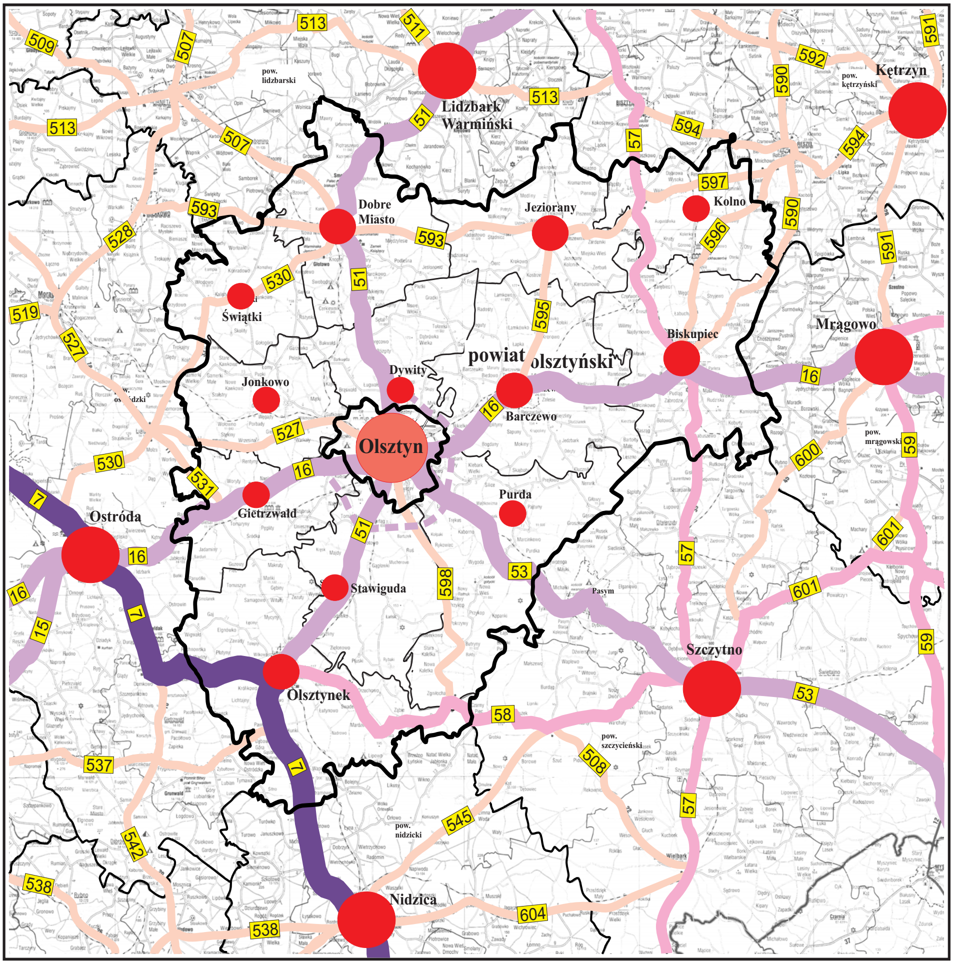

Fig. 1. The network of superior and basic roads within the area of the Olsztyn Rural County
Source: Study ... (2005).

of National Roads and Motorways has presented proposals concerning the routing of the ring road, which is to lead from road No. 16 (on the southern side of Olsztyn) to the road No. 51 and further towards the national road No. 16. The last section of the ring road is its northern section connecting the national road No. 16 with the national road No. 51. The most animate arguments concerning the detailed routing of that road section are taking place.
The other County roads represent the complementary system, immensely important from the perspective of social – economic and cultural development of the County, as the Warmia Landscape Road.

The network of County roads in the context of the identified growth areas

In the *Study on modernization of roads in Olsztyn County* (2005) 34 local growth areas, mainly with typical residential as well as industrial-service and tourism-recreation functions were identified in the area of the Olsztyn Rural County. The positioning of the individual growth areas in the area of the Olsztyn Rural County is presented in Figure 2.

The county roads indicated in Figure 2 servicing the growth areas with the residential as well as industrial-service functions should be reconstructed according to the Act on public roads and technical parameters for the county roads (technical class Z or L) to connect the most important development areas in the County. For the other roads reconstruction according to the landscape road concept has been planned. Those will be the County roads connecting growth areas with tourism and recreation functions and the other County roads with low volumes of traffic generated mainly by agricultural and passenger vehicles.

The dynamic urbanization process resulting in the gradual depopulation of rural areas and uncontrolled spatial development of Olsztyn causes that new growth areas are formed in the area of the County that fulfill mainly the residential function (the suburbia). Also, the hierarchy among the already existing areas changes. Among the areas that can be identified as newly established the area along the south banks of Lake Blanki (villages of Radostowo and Orzechowo) and further southwards towards the village of Frączki should be mentioned. As concerns the areas gaining importance the areas around the town of Olsztynek should be pointed at (the concept of regional airport construction, the logistic center and other).

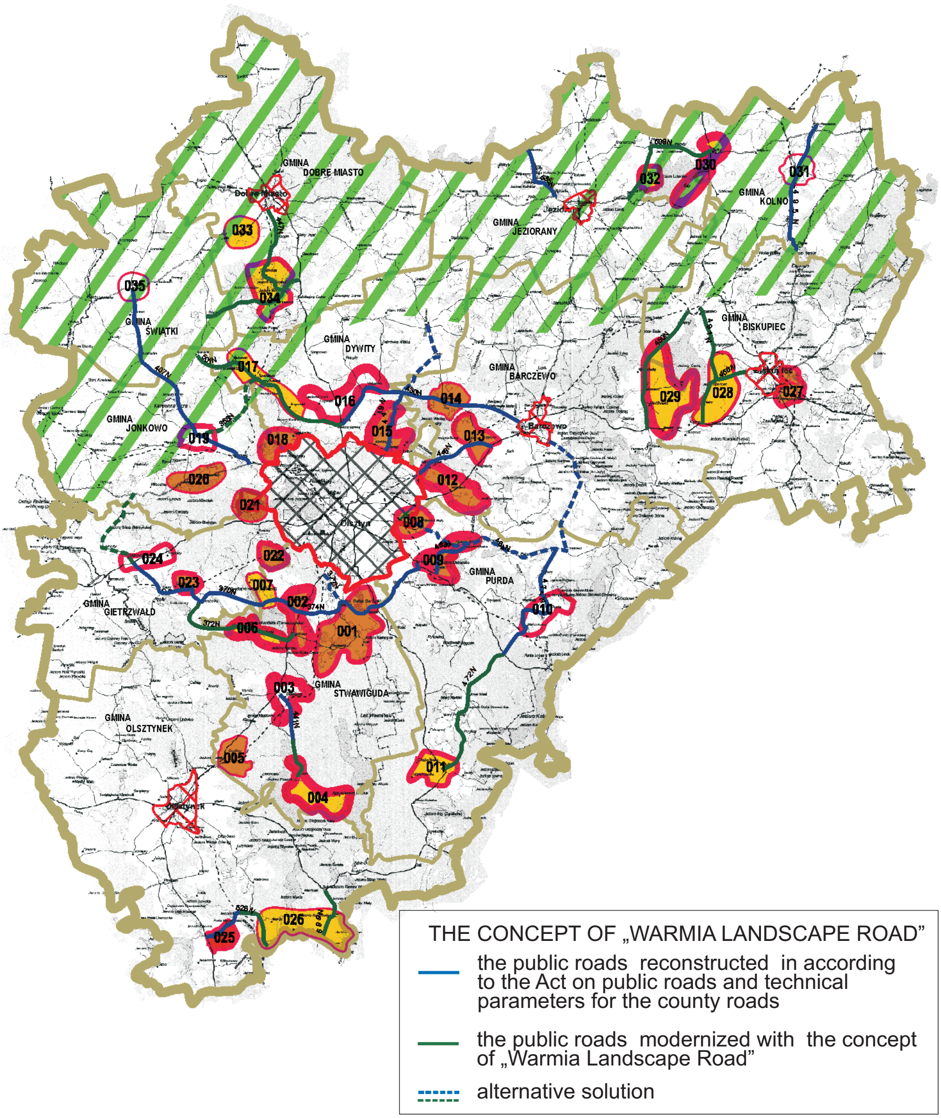

Fig. 2. The concept of the “Warmia Landscape Road”

Source: D. Łaguna

The roads serving the other functions of the area

The recommendations contained in the study of 2005 include indications concerning residential, industrial-service as well as tourism and recreation areas.

In case of **residential and industrial-service** areas the roads (width and shoulders) should be modernized to the parameters taking into account daily travels of permanent area residents, traffic of delivery vehicles servicing the local businesses and, in justified cases of industrial functions, traffic of heavy vehicles. The particular attention in the technical solutions was paid to daily safety of travelers (commuting to schools), including the pedestrians and cyclists. Appropriate solutions are also required for merging that traffic with the traffic on higher class roads.

In case of **tourist and recreation** areas it is possible to assume the concept according to which the tourist travels the last stretch to the place of his visit (in most cases a few kilometers) on a road with cultural and landscape values exposed. Such a road, as concerns technical solutions, could deviate from the statutory principles contained in the Act on public roads. The width of the road and the shoulder should allow traffic of coaches (access to recreation centers). Retaining and exposing the elements of culture (e.g. roadside chapels as elements characteristic for Warmia) and nature (e.g. roadside alleys) as well as appropriate marking of view points and openings of the landscape as components determining the character of the road was considered important.

The concept of the Warmia Landscape Road

The roads in Warmia show certain common characteristics that express the technical culture and tradition of the sub-region and determining its identity. The studies conducted confirmed that the method of the road environment development was not accidental. The specific characteristics of the area: land relief, vegetation and principles of development by construction were used and on that base the methods of adjusting the road to the current needs of the local community were developed. The spatial distribution of roads is presented in Figure 2.

None of the studied road has a function wider than local. In the majority they were roads connecting individual settlements of economic significance but only within a local system of a number of villages. The roads developed over time within the road belt defined by the alleys. Within that width, gradually, the belt of land used as the main road gradually widened (from the unhardened surface road to the asphalt surface road ca. 5 m in width) while the space of the shoulder and the belt of greenery gradually narrowed. The standing timber, at the same time, was only subject to transformations resulting from the laws of the nature. The natural growth caused that the width of the area that could be taken by the road narrowed. Among the objects studied there were alleys consisting of trees with the trunk diameter reaching 80 cm. Considering double sided alley the width of the belt between the trees decreased in average by over 0.5 m as a result of the growth of the trees only. The trees that initially were just to mark and cover the road have become a barrier to further widening of the road (Figure 3 and 4) determining its present uniqueness.

Fig. 3. The alley along the road Gietrzwałd – Tomaszkowo

Photo: D. Łaguna

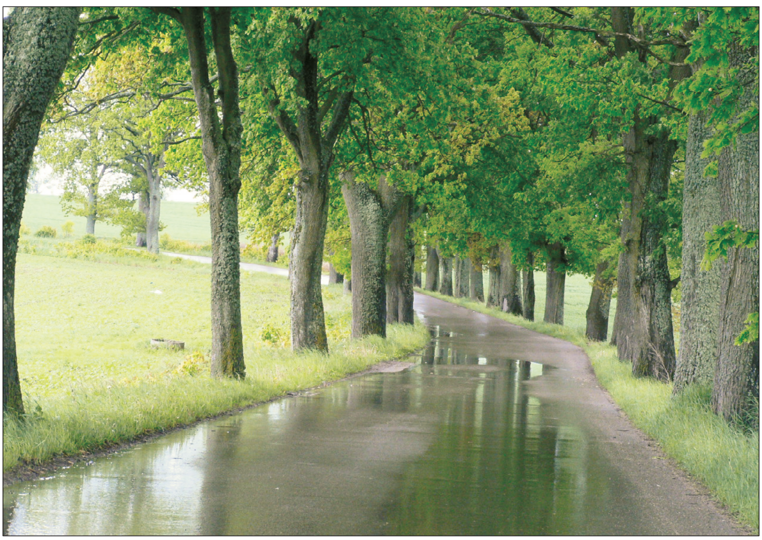

Fig. 4. The maple trees tunnel

Photo: D. Łaguna

Attention was paid to exposing the characteristics that determine the attractiveness of individual objects and at the same time represent the common element, for exemple – Warmia chapels. To identify and describe the common characteristics the horizontal analysis was conducted in which the objects studied were compared with each other. As a consequence, it was necessary to identify the fundamental elements of the Warmia road (common for all the objects) that were subject to the detailed assessment.

The analysis conducted allowed identification of characteristics common for all the objects studied as concerns individual elements of the road. On the base of the studies the recommendations necessary for development of the „Warmia Landscape Road" model were elaborated. For the purpose of the study only the major elements were presented in the abridged form. They contain guidelines for the future designers but also owners of the roads. They encompass recommendations for the traffic belt, road, shoulders, pedestrian and cycling routes, small architecture objects, engineering structures, development by construction, vegetation, alleys and landscape.

The analyses conducted indicate that the Warmia road was not necessarily established according to a single pattern. In the past that was not regulated by technical standards with strictly defined parameters. It was rather a set of guidelines that could be adapted to specific local conditions, which, however, were regulated in a way sufficiently consistent (in every case a spatial structure was developed clearly identified with the sub-region) and as a result of various modifications adjusting the road parameters to the technical requirements they retained their initial shape. Within the road belt the transformation occurred gradually. First the road was just made by the traffic, then it was paved and finally surface with asphalt. The width of the shoulder also changed. The roadside alleys were the element that marked the spatial borders of the road. The trees planted at the border of the road belt and lots of private owners remained unchanged for many years. Currently they also determine the spatial limits to the road widening. In the majority of cases studied they grow at the border of the road belt. Further change in the road width in around 50% of cases would require removal of the roadside trees at least on one side of the road.

Conclusion

The transport system has the determining influence on multifunctional development of space. Appearance of new functions within the space and their further development are conditioned by the quality of road connections with the network of the higher ranking roads, regional and national. In that respect the transport system within an area should create a consistent, technically efficient and economically justified system. That should be a system assuring continuity of transport connections and safety of the space users. The economy of the system means its adjustment to the requirements of the space, in particular the appropriate saturation and technical parameters depending on the distribution of growth areas in that space. The majority of transit traffic (freight transport) and passenger traffic should move along the network of the supreme and basic systems. Those networks are subject to transformation according to the policy spatial assumptions at the national and regional level. The necessity for reconstruction of transport systems results mainly from the dynamically developing market of goods haulage (increased frequency of travel) and increase in the rank of passengers transport.

Determining the priorities concerning reconstruction of some of the County roads fulfilling important social and economic function was the main goal of the studies. For the other roads reconstruction according to the concept of the Warmia landscape road was proposed. Such roads are those connecting mainly the areas with tourist and recreation functions and the other roads with low traffic generated by agricultural and personal vehicles.

In total, among ca. 1000 km of County roads only 197,7 km should be upgraded to the parameters required by technical conditions for roads carrying passenger and goods traffic. The other roads connecting mainly areas with tourist and recreation functions could be reconstructed according to the concept of the „Warmia Landscape Road". On one hand it is necessary to assure technical parameters appropriate for the road function but on the other the scope of reconstruction is limited by the financial potential (the size of outlays that can be afforded). This will allow achievement of the effect of improving the transport system within the county to the level assuring the development of its entire area.

Translated by Jerzy Gozdek

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RULES ON FINANCING SOCIAL CARE INSTITUTIONS BASED ON THE EXAMPLE OF THE SOCIAL CARE HOME "KOMBATANT" IN OLSZTYN

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Key words: rules on social care institutions, financing, social care home residents, cost of living, transformation of SCH, privatisation of SCH.

Abstract

The new Act on social care, as of the 1st of January 2004, changed the bases of payment creating a new mechanism of participation in living costs for residents of Social Care Homes. The changes in the SCH financing system deteriorate the financial situation of the residents. Privatisation of Social Care Homes is the way to improve the quality and efficiency in running them.

ZASADY FINANSOWANIA PLACÓWEK POMOCY SPOŁECZNEJ NA PRZYKŁADZIE DOMU POMOCY SPOŁECZNEJ „KOMBATANT" W OLSZTYNIE

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Słowa kluczowe: zasady finansowania pomocy społecznej, jednostkowy koszt utrzymania mieszkańca domów pomocy społecznej, restrukturyzacja DPS, prywatyzacja DPS.

Abstrakt

Nowa ustawa o pomocy społecznej od 1 stycznia 2004 r. zmieniła zasady odpłatności, stwarzając nowy mechanizm partycypowania w kosztach utrzymania osoby przebywającej w domu pomocy społecznej. Zmiany systemu finansowania domów pomocy społecznej pogarszają sytuację finansową jego mieszkańców. Sposobem na poprawę jakości usług i efektywności funkcjonowania domów pomocy społecznej jest ich prywatyzacja.

Introduction

Social aid is an institution of the social policy of the State aimed at allowing the people and families overcoming difficult life situations that they are unable to overcome on their own means, possibilities and rights (the Act of the 12th of March 2004 on the social aid).

Social care homes that are in most cases used by people who are elderly, lonely, poor, disabled and who require systematic help represent a classic form of social aid. Elżbieta Trafiłek used to write about the problems of the eldest people for whom adjustment to the new reality is the most difficult thing while Werner Reichmann considered the responsibility for the fate of the eldest people in the society.

In Poland, the responsibility for organising social aid rests on government and territorial government administration. Non-government organisations continue arguments concerning the shape of legal regulations in the aspect of State and civic non-profit activities (SIERPOWSKA 2006).

Methodology of studies

The following were the sources of information for the study:

1. Reports of the SCH "Kombatant" in Olsztyn for the years 2003–2006.
2. Regulations by the Voivod of Olsztyn: on establishment of the State SCH for adults "Kombatant" in Olsztyn and on conferring the charter of the SCH "Kombatant" in Olsztyn.
3. Regulation by the Director of the SCH "Kombatant" in Olsztyn on the organisational structure of the Home.
4. Acts: Act on the social aid, Act on the public finance, Act on the revenues of territorial government units.

The Social Care Home "Kombatant" in Olsztyn as a budget unit is required to draft monthly reports on performance of the plan. It drafts two types of monthly reports:

1. Rb 27S on performance of budget revenues.
2. Rb 28S on performance of budget expenditures.

The Rb 28S report is made as the summary report and in the division into Rb 28S for expenditures from the State budget subsidy and Rb 28S for expenditures for which the funds were provided by Olsztyn county.

The study aimed at the analysis of changes in the structure of social care homes financing and costs of their activities based on the example of the SCH "Kombatant" in Olsztyn during the years 2003–2006.

The analysis of the data from the reports by the Social Care Home "Kombatant" in Olsztyn for the years 2003–2006 concerned:

1. The causes for changes in the costs of keeping a resident in the Home.

2. Influence of the changes in financing of the SCH “Kombatant” in Olsztyn on the level of subsidies from the State budget and supplementary payments from the counties.

3. Influence of the changes in financing on the financial situation of the residents of the SCH “Kombatant” in Olsztyn.

The following research hypotheses were formulated for the study:

1. Changes in social care homes financing principles deteriorate the financial situation of the residents increasing their share in financing of the costs of keeping at the same time decreasing the State budget subsidy for that purpose.

2. Privatisation of social care homes could be a way to improve the quality of services and effectiveness of functioning of such homes.

Changes in financing of social aid institutions were presented on the example of the Social Care Home “Kombatant”, which is an organisational unit of the City of Olsztyn. It operates in the form of a budget entity the governance of which is determined by the Act of the public finance. Budget entities are the organisational units of the public finance sector that cover their expenditures directly from the budget and transfer the revenues collected to the account of budget revenues of a territorial government unit. The plan of revenues and expenditures passed in the form of a resolution for every individual year forms the base for financial management in that unit.

Principles of social aid financing

Until the 1st of January 2004, the fee for stay at a social aid home represented the equivalent of 200% of the income criterion, not more, however, than 70% of the income of the person placed in social care home. The income criterion, as of the 1st of October 2006 was increased from PLN 461 to PLN 477, which corresponded to PLN 922 and PLN 954 as 200% of the income criterion respectively.

The new Act on the social aid, as of the 1st of January 2004, changed the principles of payment liberating the fee for residence from the earlier limitation establishing the new mechanism for participation in the costs of keeping a person in a social care home. As concerns the persons placed in a social care home on the basis of placement notice issued before the 1st of January 2004 the decisions on payments are issued on the basis of the principles in force prior to the 1st of January 2004. The new mechanism works as follows:

1. First, the person placed at the social care home should pay for residence there and the contribution of such person may not exceed 70% of income of such a person as well as the full costs of residence of that person there.

2. Second, if the person placed cannot cover the full costs of residence in the social care home, support should be provided by the family, if its material standing allows that.

3. Third, the municipality complements the payment for residence in the social care home if that is required.

Counties and cities with the rights of counties have taken over from the voivods, as of the 1st of January 1999, the social aid homes situated within their areas, excluding organisational units operated by municipalities.

According to the Act of the 13th of November 2003, counties receive the earmarked subsidy from the State budget for performance of their own tasks (the Act of the 13th of November 2003 on revenues of territorial government units). The subsidy represents a complement to the own funds of the county, including the revenues from payments for residence in the social care homes.

The amount of subsidy for a given county is determined at the amount corresponding to the product of the number of residents in the social care homes in the county and the monthly costs of keeping them decreased by the amount of revenue generated from payments for residence in those homes. Each month the voivod transfers the subsidy amount to the county on the basis of the obtained information on the actual number of residents in the homes in the county as at the end of each month.

The tasks of the county in the area of social aid are performed by the County Family Aid Centres, the organisational units that are within the structure of the uniform county administration. The manager of the County Family Aid Centre is appointed by the county mayor. The tasks of county centres in cities are carried out by the City Social Aid Centres in those cities.

In Olsztyn, social care homes, operationally and organisationally, are responsible to the City Social Aid Centre (MOPS), which in turn is responsible to the Department of Health and Social Policy of the City Administration Office. The principles of financial activities by the social care homes are governed by the Act of the 30th of June 2005 on the public finance.

Characteristics of the Social Care Home "Kombatant" in Olsztyn

The Social Care Home "Kombatant" in Olsztyn is a permanent stay unit established for the elderly people, with chronic, somatic diseases, intended particularly for combatants and their spouses (70% of places). It is situated at the edge of the City Forest at Fałata Street 23K.

The construction of the Home was started on the 1st of March 1975 and completed on the 31st of December 1979. The Voivod of Olsztyn established the

Home in the Regulation No. 18 of the 7th of September 1979 on establishment of the State Social Care Home for Adults "Kombatant" in Olsztyn. The official opening ceremony took place on the 7th of May 1980. In October 1998, a new wing was added with 31 residential rooms.

The Social Care Home "Kombatant" in Olsztyn is managed by the director responsible for its operation and representing it outside. The director is employed by the President of the City of Olsztyn.

The director manages the Home with the support of the: chief accountant, nursing team manager, care-therapeutic section manager, team manager, kitchen chef and human resources clerk. (Regulation by the Director of the SCH "Kombatant" in Olsztyn on the organisational structure of the Home).

Financial activity of the SCH "Kombatant" in Olsztyn

Each month the voivod transfers the determined amount of the earmarked subsidy to the county for each resident possessing the decision on placement in the social care home issued before the 1st of January 2004. That amount is computed as the product of the number of residents in the homes in the county and the monthly cost of keeping decreased by the revenues obtained from payments for residence in a social care home.

Table 1

Expenditures and sources of funding them in the SCH "Kombatant" in Olsztyn during the years 2003–2006

Item	Year							
	2003		2004		2005		2006	
	PLN	%	PLN	%	PLN	%	PLN	%
Expenditures excluding investments	3 076 090	99.2	3 038 725	99.8	3 168 267	82.4	3 742 154	89.0
Investment outlays	23 336	0.8	6744	0.2	677 141	17.6	463 679	11.0
Total expenditures	**3 099 426**	**100**	**3 045 469**	**100**	**3 845 408**	**100**	**4 205 833**	**100**
Sources of funding:								
From State budget subsidy	2 023 510	65.3	2 129 817	69.9	2 448 670	63.7	2 112 193	50.2
From own funds of the county	1 075 916	34.7	915 652	30.1	1 396 738	36.3	2 093 640	49.8

Source: Own work based on the Rb 28S reports for the years 2003–2006

Table 1 presents the expenditures and sources of funding them related to operation of the SCH "Kombatant". As of 2004 those expenditures increased gradually. The share of the State budget subsidy in funding of the institution decreased from 65.3% in 2003 to 50.2% in 2006. At the same time the share of the own funds of the county in funding of the Home increased during the covered period from 34.7% in 2003 to 49.8% in 2006. That situation is the consequence of a decrease in the number of residents eligible for the subsidy. The State budget subsidizes only those residents, who obtained the placement decision prior to the 1st of January 2004. The average age of SCH "Kombatant" in Olsztyn residents as at the 31st of December 2006 was 83 years. The high increase in the share of county own funds in total expenditures of the Home in 2006 was influenced by the investment outlays amounting PLN 463,679 covering thermal insulation and finishing of fronts – continuation of the project started in 2005 (PLN 231,514), adjustment of the SCH building to the fire protection standard (PLN 112,109), construction of the garage and fencing (PLN 120,056).

During the years 2005 and 2006, that large increase of expenditures was caused by the fact that social care homes were required to achieve the standards specified in the Regulation by the Minister of Labour and Social Policy of the 15th of September 2004 on the social care homes.

The conditions of compliance with the standards concerning care and support services include, among others, assuring:

1. Employment of the adequate number of qualifies personnel.
2. A room with a bathroom for every resident.
3. Liquidation of architectural barriers.
4. Satisfying the religious and cult practicing needs.

Social Care Homes that do not achieve the compliance with the standard receive the temporary license for operation valid no longer than until the 31st of December 2010. The municipal authority cannot place new people in a social care home that operates on the basis of the conditional license. The fee for residence cannot also be increased until the month during which compliance with the standard is achieved As a consequence, in 2005, the Voivod of Warmia and Mazury obtained additional funds amounting PLN 181,650 and transferred them to the SCH "Kombatant" for adjustment to the standard. In 2006, one time increase of the subsidy for adjustment to the standard amounted PLN 320,378.

Table 2 presents the expenditures of the SCH "Kombatant" by type. During the studied period payroll related expenditures had the highest share in the total expenditures. During the years 2003–2005 they ranged from 54.5% to 57.5%, and next in 2006 their share decreased to 50%. Expenditures on purchase of materials, power, water, food, medical drugs and other payments were subject to minor fluctuations as concerns their share in the total expenditures during the consecutive years. The share of expenses on services in 2006 almost doubled from 7.9% in 2004 to 18.4% in 2006.

Table 2
Structure of expenditures by type at the SCH “Kombatant” in Olsztyn during the years 2003–2006

Expenditure type	Year							
	2003		2004		2005		2006	
	PLN	%	PLN	%	PLN	%	PLN	%
Payroll and derivative	1 676 274	54.5	1 743 524	57.4	1 820 680	57.5	1 868 335	50.0
Materials	192 987	6.3	169 965	5.6	196 923	6.2	285 827	7.6
Power and water	495 028	16.1	449 400	14.8	401 637	12.7	419 946	11.2
Food	315 000	10.2	330 000	10.9	329 073	10.4	349 046	9.3
Medical drugs	28 923	1.0	35 537	1.2	36 300	1.1	48 900	1.3
Services	308 586	10.0	242 503	7.9	306 338	9.7	686 932	18.4
Other payments	59 292	1.9	67 796	2.2	77 316	2.4	83 168	2.2
Total	3 076 090	100	3 038 725	100	3 168 267	100	3 742 154	100

Source: Own work based on the Rb 28S reports for the years 2003–2006.

The volume of current expenditures of a given year forms the base for computation of the costs of keeping per resident for the following year, which in turn is the base for computing the payment for residence in the SCH “Kombatant”. In case of excessively high costs and high payments resulting from that there might be a shortage of people willing to reside there and that is why current analysis of the costs is recommended.

The costs of keeping per resident are computed according to Article 6 of the Act on the social aid and represent the amount of year expenditures for operation of the home resulting from keeping the residents during the preceding year excluding the investment outlays increased by the projected year average total consumer goods and services price index assumed in the budget Act for a given calendar year divided by the number of places for residents and by twelve (the number of months in the year).

As of 2004, the cost of keeping per resident increases, which might indicate better satisfaction of the needs of the residents in the Social Care Home “Kombatant” (Tab. 3). The highest increase in the costs of keeping per resident relative to the preceding year occurred in 2005 reaching 6.4%. The increase in the costs of keeping per resident results from the increase in the prices of food, increase in expenditures on medical drugs and medical materials, clothing, shoeing and therapeutic materials. During the period covered the rate for food also increased as a consequence of purchase of more expensive products as some of the diseases suffered by residents of the Home require appropriate diets. As of 2006, the regulations imposed on the House the duty to purchase disposable diapers for the residents who need them, which also influenced the increase of expenditures. Purchase of clothing and shoeing

Table 3

Selected average monthly expenditures in the SCH "Kombatant" in Olsztyn compared to the unit cost of keeping one resident during the years 2003–2006 in PLN

Item	Year			
	2003	2004	2005	2006
Costs of keeping per one resident Including:	1.749	1.727	1.837	1.874
Day rate for food	6.16	6.46	6.44	6.78
Average monthly expenditures on medical drugs and supplies	16.97	20.86	21.3	28.5
Average month expenditures on purchase of clothing, shoeing and therapeutic materials	19.32	21.5	83.8	85.5

Source: Own work based on the year reports for the years 2003–2006

Table 4

Revenues transferred to the county by the SCH "Kombatant" in Olsztyn and funds received from the county during the years 2003–2006 in PLN

Item	Year			
	2003	2004	2005	2006
Revenues transferred to the county by the SCH "Kombatant" in Olsztyn	1 055 788	1 081 927	1 098 894	1 275 423
Payments by families to the county account	–	4 900	33 991	73 160
Total revenues of the county generated by the SCH "Kombatant" in Olsztyn	1 055 788	1 086 827	1 132 885	1 348 583
Funds transferred by the county to the SCH "Kombatant" in Olsztyn	1 052 580	908 908	1 020 897	1 629 961
Difference (3–4)	3 208	177 919	111 988	–281 378

Source: Own work based on Rb 27S reports for the years 2003–2006 and decisions on payments.

is done on the as needed bases. Frequently newly accepted residents require significant supplies.

Families of residents accepted after the 1st of January 2004 have been committed to participate in financing the residence in the social care home. The amount of payments increased from PLN 4,900 in 2004 to PLN 73,160 in 2006.

The revenues of the Social Care Home "Kombatant" in Olsztyn include, in addition to the revenues from payments for residence, the funds generated from sales of assets and interest from funds on banking accounts. The revenues are transferred by the Social Care Home "Kombatant", according to the effective regulations, twice a month: on the 13th day of each month according to the status as at the 10th day of that month and on the 23rd day of the month according to the status on the 20th day of the month.

During the years 2003–2005, the total amount of revenues transferred to the county by the SCH "Kombatant" in Olsztyn and revenues from payments by families of residents exceeded the amount of funds transferred by the county to the SCH "Kombatant" significantly. Only in 2006 the situation was the opposite (Tab. 4).

In average, the payments by residents of the SCH "Kombatant" cover just 36% of the full costs of keeping them (Tab. 5). The remaining part must be paid by the family or the municipality. According to the regulations, only 70% of the pension or disability pension can be deducted for payment for the Social Care Home.

Table 5

Amount of pensions and disability pensions versus the costs of keeping at the SCH "Kombatant" in Olsztyn during the years 2003–2006

Item	Year			
	2003	2004	2005	2006
Average payment per resident in PLN	612.34	629.73	623.81	737.25
Costs of keeping per resident in PLN	1 749	1 727	1 837	1 874
Coverage of costs per resident in %	35	36	34	39

Source: Own work based on specifications of payments for the years 2003–2006.

Table 6

Aid obtained by SCH "Kombatant" during the years 2003–2006 in PLN

Item	Year			
	2003	2004	2005	2006
Donations in kind	22 035	22 057	7 393	6 417
Donations of funds	13 077	31 101	6 053	18 189
Subsidy from the PFRON	45 086	10 116	121 496	–
Total	80 198	63 274	134 942	24 606

Source: Own work based on the year reports for the years 2003–2006.

In case of the organised aid management it is hard to be a financial manager as the director of the social care home cannot manage the funds freely. The Social Care Home "Kombatant" is challenged by continual shortage of funds and by its activities the management mobilizes institutions and people of good will to sponsor its activities. This involves donations in kind and funds. Programs subsidised by PFRON are also written within the frameworks of which rehabilitation equipment is purchased and events such as games for the disabled, picnic for the "Golden Age People" of Festival of Small Forms are organised yearly with participation of social care homes from the entire voivodship. Table 6 presents the amounts of aid obtained.

The largest funds were obtained in 2005, that was the last year during which social care homes as budget units of territorial government could apply for additional funding from the PFRON. During that year the Home purchases rehabilitation equipment and a car for transport of the disabled.

Prospects for development of social care homes

As of 1999, he territorial government of the county or municipality became the owner of social care homes. Social care homes are still financed to a large extent from the central budget; the difficulties can occur when territorial governments will have to finance them on their own. The wealth of a county or municipality matches the number of social care homes within its area.

The new financing mechanisms that by assumption were to improve operation of those facilities caused difficulties resulting from non-performance of the duty of participating in the costs of support of people coming from the area of a given county by the territorial government. This caused difficulties with access to services of that type for people who did not have the sufficient income allowing them taking residence in a social care home without subsidy from the municipality.

That situation enlivened the discussion concerning the mechanisms that were to decrease the costs in the social care homes. Management of the social care homes would be more effective in case of simplifying the procedures and granting independence to the director. That would offer the possibility of making a better use of the facilities and equipment available coupled with a minor increase of employment resulting ultimately in a decrease in the operational costs.

Employment restructuring in the SCHs could involve:

1. Shifting some employees of administration, accounting and services to the care-therapeutic department.

2. Combining functions within the frameworks of a single job.

An example here can be given by combining the position of the teller (half time) and the attendant (half time). In that way the number of employees working directly with the residents increases while the day of work of the teller is better filled with tasks. The possibilities of combining different functions within one job at social care homes could be much more numerous.

3. Versatile training of the employees.

People with comprehensive skills can perform tasks usually included in the duties of a nurse, psychologist, occupational therapist and rehabilitation assistant.

4. Employment of home residents.

The social care home has the duty to allow the residents becoming independent by taking up jobs of therapeutic character. An able resident spending a lot of time, e.g. at the guards room could hold the function of a guard. Employing residents in the social care home would decrease its operational costs.

4. Liquidation of positions.

Liquidation of work positions could result from various causes» Modernisation of the facilities and purchase of equipment could lead to reduction of a part of the personnel.

Organisational restructuring may involve, e.g. merger of small SCHs that are relatively expensive to operate. If a number of SCHs merge and establish one management, accounting, administration and services department that should decrease their overall operational costs.

Simplification of procedures and granting independence to the director is the goal of SCH management restructuring.

According to Z. TARKOWSKI (2000), the hierarchy of importance of services at the social care homes is as follows:

1. Administrative-accounting services.
2. Health services.
3. Rehabilitation services.
4. Therapeutic services.
5. Living services.
6. Care-nursing services.

The hierarchy of those services is in conflict with the necessity for them. The care-nursing services can be classified as the necessary ones, the remaining services could be outsourced, e.g.:

1. Accounting could be outsourced to an accounting agency.
2. Nursing and medical services could be outsourced to a non-public health services centre.
3. Rehabilitation could be outsourced to a private rehabilitation practice.
4. Occupational therapy could be outsourced to a pedagogic services unit.
5. Operation of the kitchen, laundry, guarding and maintenance services could be outsourced to specialised service companies.

Outsourcing of social care home services makes sense if that process leads to a decrease of costs and increase of work effectiveness.

Benefits of SCHs privatisation include mainly: gaining independence in management, strengthening of the professional and legal position of the director, possibility of negotiating he wages, possibility of awarding good employees and general increase in labour productivity.

Summary and conclusions

Old age ceased to be the reason for pride and dignity and became the cause of the feeling of shame and threat (ZYCH 1995).

The actions taken by the State and territorial governments aim at decreasing their share in social aid financing. Improvement in quality of services and operational effectiveness of social care homes could be offered by privatisation. Then stopping the increase in the operational costs and higher effectiveness of the director's activities, who could freely manage the finances would be the benefit of the State. The SCH "Kombatant" in Olsztyn currently is a budget unit of the territorial government. It covers its expenditures from funds transferred by the county and transfers all its revenues to the account of the county.

A budget sector manager has no possibilities to present his entrepreneurship. He operates in the market with no competition. Privatisation leads to gaining independence in management and strengthening of the professional and legal position of the director.

Development of non-public social care homes where the operational costs are frequently lower than in the public units should be supported. Such trends are clearly visible in Western European countries and also start appearing in Poland.

Social care homes enjoy the opinion of expensive and at the same time inefficient institutions. The process of limiting the State budget subsidies to the SCHs has already started, which will probably force initially their restructuring and ultimately privatisation.

Privatisation of a SCH is a process based on ownership transformation from public to private and the improvement of operations of the institution is the ultimate goal. Privatisation should stop the increase in costs of keeping per resident at the SCH and improve the quality of services provided.

In the situation when government and territorial government authorities aim at shifting the operational costs to the residents of the Homes and their families the directors of social care homes are forced to undertake initiatives decreasing the operational costs.

Residents; payments during the period analysed covered just 36% of the full costs of residents although the average monthly payment amount increased from PLN 612.34 in 2003 to PLN 737.25 in 2006. The total amount of payments made by families of residents also increased from PLN 4,900 in 2004 to PLN 73,160 in 2006.

During the years 2005–2006, a significant increase in investment outlays was recorded at the SCH "Kombatant" as social care homes were required to reach compliance with standards specified in regulations.

The number of people waiting for acceptance to the SCH "Kombatant" in Olsztyn is still high even though transferring old people to the care of the social aid system in Poland is frequently considered socially censurable (TARKOWSKI, JURKIEWICZ 1997).

During the analysed period, the Social Care Home "Kombatant" in Olsztyn obtained donations in kind and in funds from sponsors worth in total PLN 303,020.

The residents of the home are in most cases helpless people who are easy to abuse and manipulate. That is why the society and the State must maintain supervision over the privatised social care homes in the form of administrative supervision and control. An association, foundation, individual or church could be the possible owner of the privatised SCH.

Translated by JERZY GOZDEK

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Sprawozdania Rb28S i Rb27S DPS „Kombatant" w Olsztynie za lata 2003–2006.

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ACQUISITION OF PREMISES AS REAL PROPERTY BY FOREIGNERS DURING THE YEARS 2004–2008

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K e y w o r d s: foreigners, acquisition of real property by foreigners, premises.

A b s t r a c t

The paper presents the principles of acquisition of real property by foreigners that are different for the citizens of the European Economic Area countries and the other countries. The fragment of the real property market in Poland encompassing transactions in premises that involved foreigners was covered. In the base of the studies conducted for the years 2004–2008 it was established that the interest of foreigners in acquisition of premises in Poland increases.

NABYWANIE NIERUCHOMOŚCI LOKALOWYCH PRZEZ CUDZOZIEMCÓW W LATACH 2004–2008

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S ł o w a k l u c z o w e: cudzoziemcy, nabywanie nieruchomości przez cudzoziemców, nieruchomości lokalowe.

A b s t r a k t

W artykule przedstawiono zasady nabywania nieruchomości przez cudzoziemców, które są różne dla obywateli krajów należących do Europejskiego Obszaru Gospodarczego i pozostałych krajów. Przedstawiono fragment rynku nieruchomości w Polsce dotyczący transakcji nieruchomościami lokalowymi z udziałem cudzoziemców. Na podstawie przeprowadzonych badań w latach 2004–2008 stwierdzono, że wzrasta zainteresowanie cudzoziemców nabywaniem lokali w Polsce.

Introduction

Following Poland's accession to the European Union, the real property market represented one of the areas covered by legal regulations' adjustments. The effects of those adjustments included, among others, the amendment of the Act of the 24th of March 1920 on acquisition of real property by foreigners that governs the participation of foreign entities in the Polish real property market. According to the general principle contained in article 1 section 1 of the Act, acquisition of real property by a foreigner requires a permit that is issued by the Minister of Interior and Administration (MIA) unless an objection is lodged by the Minister of National Defense or, in case of the agricultural real property, the Minister competent for the issues of agriculture and rural development. The MIA permit is also required for purchase or acquisition by a foreigner of stocks or shares in a commercial company with the registered domicile in the Republic of Poland, which is an owner or holder of perpetual usufruct rights to a real property. The requirement of obtaining the permit is related to protection and security of the fundamental political and economic interests of the State (OSIECKA 2007). The Act amended in 2004 differentiates the principles of real property acquisition by foreigners between the entities originating from the European Economic Area (EEA) and the other countries. It also introduces time (transition periods) and subject (real properties situated in the border zone, acquisition of the so-called second home) limitations.

Goal and methodology of studies

The paper aims at presenting the scale of trade in premises acquired by foreigners (individuals and legal entities) during the years 2004–2008.

The scope of the studies covered transactions in premises registered with the MIA, for which the permit was required as well as those purchased without the permit.

The following were the sources of data for the study:

– legal regulations governing the process of acquisition of premises by foreigners,

– MIA reports from performance of the Act of the 24th of March 1920 on acquisition of real property by foreigners during the years 2004–2008.

The vertical and horizontal analyses were applied to characterize and assess the market. The dynamics of changes in acquisition of real properties area during the years 2004–2008 was investigated by applying the variable base index. Indicators of structure of the acquired land property and premises acquired by foreign legal entities and individuals were computed as concerns the number and area of real property purchased. Also the voivodships and towns in which the largest numbers of transactions with participation of foreigners were conducted were identified.

Principles of acquisition of premises by foreigners

As of the 1st of May 2004, the MIA permit is not required for acquisition of real property by foreigners who are citizens of or entrepreneurs from the member states of the European Economic Area with the exception of acquisition of agricultural and forest real properties that are excluded from that principle for the period of 12 years as of Poland's accession to the European Union, that is until the 1st of May 2016. According to art. 8 of the Act on acquisition of real property by foreigners exclusion of agricultural and forest real property from unrestricted acquisition by citizens and entrepreneurs from the EEA does not apply to acquisition of stocks and shares in companies that are owners or perpetual users of such real properties. As of the 1st of May 2009 the limitations concerning acquisition of the so-called second home also ceased to exist. Acquisition of premises – independent residential or commercial premises as defined in the Act of the 24th of June 1994 on ownership of premises by foreigners who are citizens of the European Economic Area takes place without the requirement of obtaining the MIA permit.

More restrictive regulations apply to acquisition of real property by foreigners who are not citizens or entrepreneurs from member states of the EEA. According to art. 8 of the Act on acquisition of real property by foreigners the MIA permit is not required for acquisition of independent residential premises (as defined in the Act on ownership of premises) and independent commercial premises with the intended use as a garage or a share in such premises, if that results in satisfying the housing needs of the buyer. That regulation, however, is not applicable to acquisition of such premises in the border area (the belt ca. 15–20 km in width from the border) for acquisition of which the permit is required. The MIA permit is also required for acquisition of commercial premises of service character, i.e. with the intended use for purposes other than a garage acquired for the purpose of satisfying the housing needs of the buyer or real property or independent residential premises owner (Skoczylas 2004).

All transactions in premises involving foreigners, both those requiring and those not requiring obtaining the permit are subject to registration with the MIA. The provisions of the Act on acquisition of real property by foreigners do not apply, however, to acquisition of the cooperative ownership rights to residential premises as a limited material right. Despite the fact that it is a hereditable, transferable and disposable right that may be subject to trading such transactions are not subject to registration with the MIA.

The share of foreigners in the Polish market of premises

In Poland, during the years 2004–2008, an increased interest of foreigners in both land and premises as real property was recorded (Fig. 1). The number of premises acquired by foreigners (on the base of the permit obtained and without the requirement of obtaining the permit) during the years 2004–2008 increased systematically from 1232 transactions in premises in 2004, 1676 transactions in 2005 (increase by 36% as compared to 2004), 2504 in 2006 (increase by 67% as compared to 2005), 3568 in 2007 (increase by 42% as compared to 2006), and 4410 transactions in 2008 (increase by 24% as compared to 2007).

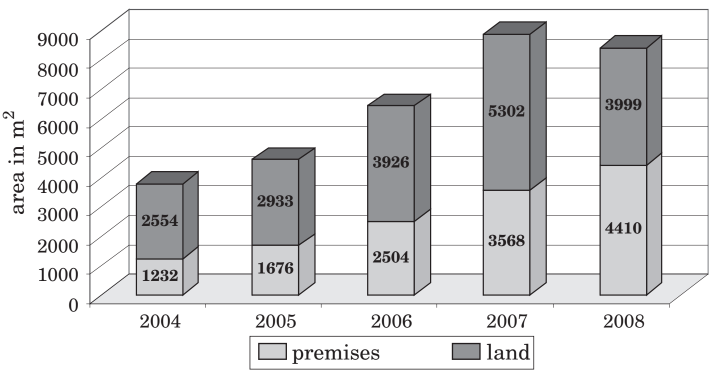

Fig. 1. The number of real properties acquired by foreigners during the years 2004–2008
Source: Own work based on the MIA reports.

The increasing numbers of transactions in premises involving foreigners is reflected in the share of such transactions in the entire market of real property acquired by foreigners. The number of premises acquired in 2004 represented 32% of the total number of real properties acquired by foreigners and in the following years that share was: 36, 39, 40 and 52% respectively. In 2008, the number of transactions in premises exceeded the number of transactions in land involving foreigners.

The area of premises acquired by foreigners during the years 2004–2008 does not show a definite trend and does not reflect the increasing numbers of the premises acquired (Fig. 2). The interest of foreigners in acquisition of premises during the years 2004-2005 immediately after Poland's accession to the European Union and liberalization of regulations applicable to acquisition of real property by foreigners was lower than in the following years. That trend changed as of 2006 when the foreigners acquired the largest area of premises during the entire period covered by the study – 663 594 m^2, which was an increase by 285% as compared to 2005 when 172 118 m^2 of premises was acquired. That might result from the general economic boom and the boom in the real property market coupled with the increased activity in the field of developer activities observed during those years.

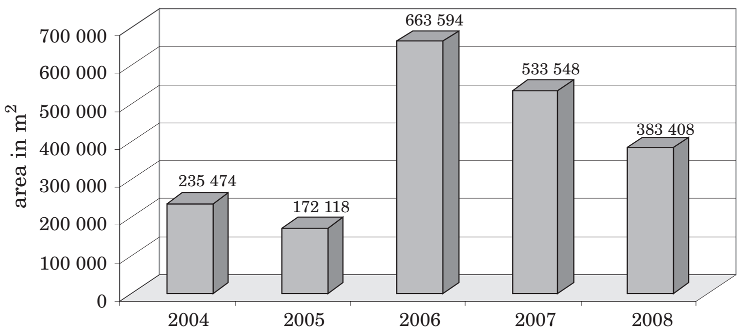

Fig. 2. Area of premises acquired by foreigners during the years 2004–2008
Source: Own work based on the MIA reports.

A change occurred as concerns the average area of premises acquired by foreigners. In 2004 it was 191 m^2, in 2005 – 103 m^2, in 2006 – 265 m^2, in 2007 – 149 m^2, and in 2008 – 87 m^2. As indicated by the data presented, foreigners search for premises that had large area – non-standard in case of residential premises as well as commercial property for operation of their business (halls, warehouses). As a consequence of the fact that no data differentiating between the number of residential and commercial premises acquired it is hard to draw any conclusions concerning the average area of the residential and the commercial premises acquired.

As concerns the area of premises acquired the division into the area of residential and commercial premises acquired is interesting (Fig. 3). In 2004, foreigners acquired 75 915 m^2 of residential area that represented 32% of the total area of premises acquired. During the following years that share was 84 787 m^2 and 49% in 2005, 133 965 m^2 and 20% in 2006, 185 473 m^2 and 34%

in 2007, and 224 879 m^2 and 59% in 2008. The fluctuating percentage share has no influence on the systematic increase in area of the residential premises acquired. The largest increase over the preceding year was recorded in 2006 when foreigners acquired 58% residential premises area more than in 2005. In the following year (2007) the increase was 38%. This may indicate interest in acquisition of residential premises for recreational purposes as well as acquisition for capital investment purposes.

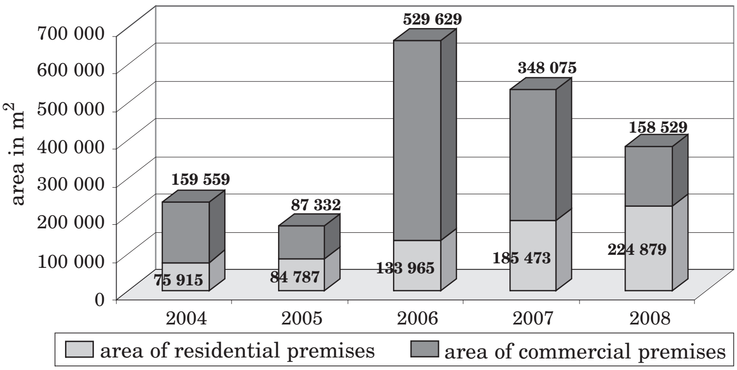

Fig. 3. Area of residential and commercial premises acquired by foreigners during the years 2004–2008

Source: Own work based on the MIA reports.

The foreign buyers of premises during the years 2004–2008 were individuals and legal entities (Fig. 4). The share of individuals in the market of premises during those years was diversified. It was the highest in 2008 at 62% and the lowest in 2006 at 23% (in 2004 – 27%, in 2005 – 58%, in 2007 – 39%). There is also a difference in the intended use of premises acquired by individuals and the legal entities. Individuals acquired mainly residential premises while the legal entities acquired mainly the commercial premises. The data for 2006 indicate that individuals acquired 150 668 m^2 of premises of which 121 883 m^2 (81%) was residential area. The area of commercial premises was 28 785 m^2 (19%). Legal entities acquired 512 925 m^2 of premises of which commercial premises were 98% (500 844 m^2) while residential 2% (12 081 m^2). During the years 2007–2008 the situation was similar as 70–80% of area acquired by individuals represented the area of residential premises while around 90% of the area acquired by legal entities were commercial premises.

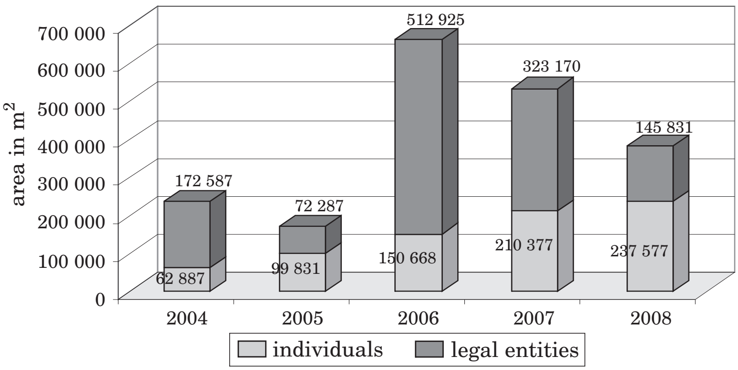

Fig. 4. Share of foreign individuals and legal entities in the Polish market of premises during the years 2004–2008
Source: Own work based on the MIA reports.

The MIA gives the number and area of premises acquired by foreigners by the voivodship of Poland. During the years 2004–2008, from 20,5% (in 2004) to 50% (in 2006) of all premises acquired in Poland by foreigners was acquired in Mazowieckie voivodship. The voivodships that followed (different during individual years) were Pomeranian, Silesian, Łódzkie, Lower Silesian, Małopolskie and Western Pomeranian. Just marginal interest among foreigners is observed as concerns premises situated in the eastern voivodships of Poland. The transactions in premises take place mainly in the largest cities of Poland. During the years 2006–2007 around 50% of transactions were closed in Warsaw, 20% in Kraków, 7% in the Tricity while the remaining premises were acquired in Poznań, Wrocław, Świnoujście, Szczecin and Łódź.

Cooperative premises that do not represent a separate subject of ownership as defined in the Act on ownership of premises represent one of few real property market segments in which foreigners participate that is entirely uncontrolled. The cooperative ownership right to premises is disposable and hereditary while at the same time it is a limited material right but transactions in such rights are not subject to registration with the MIA. Leaving aside the other economic and social issues, as a consequence of a significant share of cooperative premises (ca. 30% of residential premises in Poland remains within the resources of housing cooperatives) there is need for continuation of the process of establishing separate ownership of those premises.

Conclusion

In Poland there is control and partial regulation of the trade in real properties with participation of foreigners. This assures security and protection of the interest of the State and the citizens. It is also a consequence of the position represented by the Polish public and relates to the fear that Polish land would be bought out by foreigners (ŁAGUNA 2004). The control and regulation of trade in real property with participation of foreigners is governed by the provisions of one of the fundamental and oldest legal acts, the Act on acquisition of real property by foreigners. It contains the legal regulations of the civil law that governs acquisition of real property as well as the administrative law that applies to issuance of permits that are the condition for such acquisition.

On the base of the conducted studies it can be concluded that the interest of foreigners in acquisition of premises in Poland increases systematically. But in its nature it was not a "massive buyout" which a part of the Polish society was afraid before Poland's accession to the European Union. A reverse phenomenon was observed. The largest volume of premises was acquired by foreigners during the years 2006–2007, and not directly following the liberalization of acquisition regulations, i.e. during the years 2004–2005. The locations that were the most attractive for foreigners were Mazowieckie, Silesia and Pomerania. A significantly lower numbers of recorded transactions occurred in the eastern Poland. The lower level of economic development and a different structure of supply characterized by domination of agricultural and forest real properties might be the reason for that situation. The majority of transactions took place in the largest cities of Poland, in most cases those that are 77capitals of voivodships (Reports by the MIA 2004–2008).

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FINANCIAL MANAGEMENT IN MUNICIPALITY LOCAL GOVERNMENTS BASED ON THE EXAMPLE OF INCOME FROM THE REAL PROPERTY TAX AND INVESTMENT OUTLAYS

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Key words: municipal governments, finance management, tax, investment.

Abstract

Despite limited independence of municipal governments and large unification of territorial government law a large polarization in their development is observed that results from the influence of different factors among which natural resources and geographic location of municipalities as well as exercising the rights based on the national law and competences of the people managing the municipalities are of major importance. The research problem undertaken in the analysis concerned first of all the municipalities finance management, particularly in the field of revenues obtained by municipalities from the real property tax and investment outlays. They represent instruments used by municipal bodies for local development management. Those issues were the base for formulation of the research hypothesis assuming that the volume of the municipality investment outlays, in particular those allocated to municipal infrastructure development, depends on the volume of revenues from the real property tax and that in term depends on the economic character of the municipality (tourist, agricultural).

ZARZĄDZANIE FINANSAMI W SAMORZĄDACH GMINNYCH NA PRZYKŁADZIE DOCHODÓW Z PODATKU OD NIERUCHOMOŚCI I WYDATKÓW INWESTYCYJNYCH

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Słowa kluczowe: samorząd gminny, zarządzanie finansami, podatek, inwestycje.

Abstrakt

Mimo ograniczonej samodzielności samorządów gminnych i unifikacji prawa samorządowego, obserwuje się dużą polaryzację ich rozwoju, będącą wynikiem oddziaływania różnych czynników, wśród których wielkie znaczenie mają warunki naturalne i położenie geograficzne gmin oraz wykorzystanie uprawnień wynikających z prawa państwowego i kompetencje osób zarządzających gminami. Problem badawczy podjęty w analizie odniesiono przede wszystkim do zarządzania finansami gminnymi, szczególnie w sferze dochodów uzyskiwanych przez gminy z podatku od nieruchomości oraz wydatków inwestycyjnych. Stanowią one instrumenty wykorzystywane przez organy gminne do zarządzania rozwojem lokalnym. Kwestie te stały się podstawą do sformułowania hipotezy badawczej, zakładającej, że wielkość wydatków inwestycyjnych gminy, w tym szczególnie przeznaczonych na rozwój infrastruktury komunalnej, zależy od wielkości dochodów z podatku od nieruchomości, ta zaś zależy od charakteru gospodarczego gminy (turystycznej, rolniczej).

Introduction

Establishment of territorial governments in Poland marked the beginning of formation of a new management model in the public sector (the state) based on decentralization of government administration powers that were transferred to territorial governments of municipalities, counties and voivodships. Referring to M. Armstrong it can be said that management in general, including management in the public sector aims at achievement of the intended results through the best possible use of human, financial and material resources available to the organization (AMSTRONG 1997). The territorial government is a fragment of the public sector and management in that dimension should aim at maximum use of all the resources of that organization, with particular focus of material resources (assets and funds) and the social potential of the local community. The disposers of budget funds, including territorial government bodies, should aim at the rational use of the financial resources available to the territorial government as well as effective management of municipal assets (KOWALCZYK 2008).

Management of the territorial government finance is the process of regulating and using the obtained current and investment activities financing sources in a way allowing attainment of goals and directions of activities accepted in the strategy and consistent with the specific characteristics of those units. That management encompasses taking financial decisions concerning performance of the tasks assuring quality and volume of goods and services supplied to the local community considering the effects within a specified time, future conditions and changing social needs (MACKIEWICZ et al. 2007). This covers all the activities involved in collection of revenues and performance of expenditures by territorial government units and their associations and a part of the general governance process (RUŚKOWSKI 2004). That is why, it must be subdued to management of the entire organization (municipality) and aim at attainment of general goals accepted. As a consequence, the coordination of performance of activities in the financial field through appropriate monitoring and verification of resources and means are of fundamental importance for local development (KOZŁOWSKI 2000).

Despite limited independence of municipal governments and large unification of territorial government law a large polarization in their development is observed that results from the influence of different factors among which natural resources and geographic location of municipalities as well as exercising the rights based on the national law and competences of the people managing the municipalities are of major importance. The research problem undertaken in the analysis concerned first of all the municipalities finance management, particularly in the field of revenues obtained by municipalities from the real property tax and investment outlays. They represent instruments used by municipal bodies for local development management (KUDŁACZ 1994). Those issues were the base for formulation of the research hypothesis assuming that the volume of the municipality investment outlays, in particular those allocated to municipal infrastructure development, depends on the volume of revenues from the real property tax and that in term depends on the economic character of the municipality (tourist, agricultural)[1].

For the purpose of diagnosing the research issue, performance of the objective of the research and verification of the hypothesis as well as obtaining answers to questions (research issues) the revenues from real property tax and investment outlays of municipalities in absolute and relative terms per capita as well as their share in total revenues and outlays were analyzed. Empirical studies were carried out in all 118 municipalities of Warmia and Mazury and the analysis covered the years 1996–2007.

Revenues from the real property tax in municipality revenues

The real property tax is charged to all the residents and it represents, in case of large areas allocated to business activities, a significant item of costs of the enterprises and revenues of local budgets. Entrepreneurs search for municipalities decreasing tax rates and applying active methods for developing the volume of taxes from enterprises at different stages of development and of different financial standing. Revenues of municipalities investigated from the real property tax in some municipalities exceed one third of the total revenues and represent the amount compatible to the amounts of funding allocated to operation of local education. This, however, applies to the richest municipalities because in agricultural municipalities (Tab. 1), generating low revenues from the real property tax (e.g. Kiwity and Lelkowo – under 4%) the expenditures on education frequently exceed a half of the total expenditures. Revenues

[1] The typology of the municipalities was done on the base of: Morze 2007., and *Rocznik Statystyczny Rolnictwa i Obszarów Wiejskich*, 2007, *Rolnictwo w 2006 r.*, 2007.

Table 1
Ranking of encompassed municipalities according to the indicators of real property tax revenues – municipalities with the best and the worst results

Municipalities	Municipality name	Real property tax revenue per capita [PLN]	Real tax revenue share in total revenues [%]	Overall place in the ranking
Municipalities with the highest indicators	Giżycko	501.7	28.4	3
	Orzysz	499.0	21.9	5
	Pasym	317.8	19.8	9
	Stawiguda	473.8	18.4	10
	Jonkowo	311.8	18.8	11
	Gietrzwałd	330.2	17.9	13
	Lubawa	249.4	18.5	16
	Młynary	263.3	18.0	17
	Elbląg	285.4	16.9	18
	Olsztynek	268.1	17.6	18
Municipalities with the lowest indicators	Kiwity	56.4	3.8	230
	Lelkowo	66.8	3.9	226
	Kalinowo	60.4	4.2	225
	Kozłowo	55.2	4.3	225
	Sępopol	60.6	4.3	223
	Lubomino	67.7	4.2	222
	Grunwald	69.0	3.9	221
	Janowiec Kościelny	67.4	4.5	219
	Budry	68.3	4.8	215
	Barciany	78.8	4.9	211
	Rozogi	82.0	4.7	211

Source: Own work.

of studied municipalities from the real property tax showed their significant polarization during the years 1996–2007, as in the municipalities obtaining the highest shares of revenues from the real property tax in total revenues (Giżycko – 28,4%; Orzysz – 21,9% and Pasym – 19,8%) that share is many times higher than in the municipalities with the lowest share of that tax. Among 10 municipalities with the highest shares of real property tax revenues in total revenues the tourist municipalities dominated (Giżycko, Orzysz, Pasym, Stawiguda, Gietrzwałd, Elbląg and Olsztynek). That group consists mainly of rural municipalities. Agricultural municipalities (Kiwity, Lelkowo, Grunwald, Lubomino, Kalinowo, Sępopol, Kozłowo, Janowiec Kościelny, Rozogi and Budry), in which the share of real property tax revenues in total revenues did not exceed 5% while those revenues per capita were below PLN 80, dominated among the municipalities achieving the lowest shares of real property tax revenues. Among the municipalities with the highest real property tax revenues there are two agricultural municipalities (Jonkowo –

PLN 311,80 and Młynary – PLN 263,30), while among the municipalities with the lowest shares of the real property tax revenues there are no tourist municipalities.

In the municipalities analyzed no correlation between the tax rate levels and the share of real property tax share in the total municipality revenues was found. Many municipalities with the highest real property tax revenues assumed high real property tax rates on the area occupied by housing properties, e.g. Lubawa, Stawiguda, Pasym or Olsztynek. However, in some municipalities with low revenues from that tax high tax rates applied, e.g. in Kozłowo and Kiwity. It can be assumed that municipalities with the low share of real property tax revenues in total revenues more frequently assumed high real property tax rates in case of housing properties and land used for business activities than the municipalities achieving a high share of that tax in their revenues.

The analysis showed that the municipalities with the highest real property tax revenues obtain it mainly from land occupied for business activities (concentrations and large numbers of enterprises) as well as land used for non-agricultural purposes (mainly tourism – such revenues dominate in municipalities possessing high tourist values). Municipalities with the lowest revenues from that tax frequently established its rates at a high level discouraging entrepreneurs from establishing enterprises or registering business activities. In rural municipalities there are few possibilities of obtaining revenues from that source as a consequence of small areas covered by that tax as agricultural and forest taxes dominate there which are a small source of supply for the budget in terms of both the percentage and the amount.

Investment outlays of municipalities

Investment outlays of municipalities consist first of all the of the outlays for municipal infrastructure construction and development, fixed assets purchase and capital investments (capital contribution to companies, purchase of shares, etc.). The investments determine the local development and are tightly correlated with own revenues level – the volume of investment outlays represents the compromise between the local needs and ability to satisfy them (DOLATA 2002). Outlays on own investments in the public sector decrease the financial resources of that sector simultaneously increasing its actual resources (MALINOWSKA, MISIĄG 2002). Investing municipalities are municipalities developing the bases for development, the municipalities that are interesting for entrepreneurs searching for improved land and developed municipal infrastructure. The municipalities studied are in most cases under-invested municipalities with poor municipal infrastructure. This applies mainly to the road network, waste utilization plants, sewers network or educational infrastructure. That is why the investment activities of municipalities are particularly important for creating local development conditions in the region examined.

Among the analyzed municipalities achieving the highest ratios of the investment outlays share in total expenditures three rural municipalities are outstanding (Tab. 2), Stawiguda (33,4% of total expenditures), Biskupiec (Nowe Miasto county – 30,8%) and Gietrzwałd (29%). A high share of investment outlays was also recorded by municipalities of Lubawa (urban – 28,8%), Mikołajki (28,2%), Frombork (23%) and Łukta (22,8%). In this indicator

Table 2

Ranking of municipalities covered according to the indicator of investment outlays – municipalities with the most favorable and the worst indicators

Municipalities	Municipality name	Investment outlays per capita [PLN]	Share of investment outlays in total expenditures [%]	Overall place in the ranking
Municipalities with the highest indicators	Stawiguda	820.8	33.4	2
	Gietrzwałd	552.5	29.0	5
	Biskupiec	502.6	30.8	6
	Mikołajki	520.4	28.2	8
	Lubawa	398.7	28.8	11
	Frombork	424.2	23.0	12
	Łukta	444.5	22.8	12
	Dywity	351.8	22.2	16
	Iława	340.3	22.1	22
	Janowiec Kościelny	330.0	21.6	25
Municipalities with the lowest indicators	Miłakowo	92.4	6.7	232
	Gronowo Elbląskie	99.2	6.7	230
	Godkowo	102.9	7.7	227
	Kolno	109.0	7.5	227
	Młynary	118.0	7.8	223
	Pieniężno	123.5	8.8	220
	Rychliki	125.6	8.6	220
	Kozłowo	116.0	9.2	218
	Korsze	127.3	8.9	216
	Kętrzyn	134.3	8.8	214

Source: Own work.

tourist municipalities dominate, there are no major towns and there are few rural municipalities. Among the municipalities spending the most on investments municipalities of Elbląg sub-region dominate (4), while the municipalities of Ełk sub-region are the least numerously represented (1). The largest per capita investment outlays are those of the municipalities of: Stawiguda

(PLN 821), Gietrzwałd (PLN 552), Mikołajki (PLN 520) and Biskupiec (Nowe Miasto county – PLN 503). The municipalities that spend the most on investment outlays are also leaders in using the European Union funds. The leaders in that group are the municipalities of Stawiguda, Dywity, Elbląg (rural), Olecko and urban Lubawa and Iława.

The smallest share of investment outlays in total expenditures was recorded in the municipalities of Miłakowo and Gronowo Elbląskie (6,7%), Kolno (rural – 7,5%), Godkowo (7,7%), Rychliki (7,8%). Those outlays per capita amounted in the municipality of Miłakowo – PLN 92,40, Gronowo Elbląskie – PLN 99,20 followed by Godkowo – PLN 102,90 and Kolno – PLN 109. Among the municipalities using the least funds on investment outlays there are no tourist municipalities and urban municipalities while rural agricultural municipalities dominate.

Looking for correlations between the volume of real property tax revenues and the volume of investment outlays the Pearson's linear correlation coefficient was used and the correlation between the real property tax share in total and per capita revenues and the share of investment outlays in total and per capita expenditures. In the analysis of correlation between the issues studied the standard significance threshold was applied (Tab. 3).

Table 3

Pearson's linear correlation coefficient for real property tax revenues and investment outlays in studied municipalities

Analyzed variables	Analyzed groups of municipalities	Pearson's linear correlation coefficient
Real property tax revenues per capita – investment outlays per capita	entire base	0,20
	urban	0,09
	urban-rural	0,17
	rural	0,50
	tourist	0,20
	agricultural	0,08
Real property tax revenue share in total revenues – share of investment outlays in total expenditures	entire base	0,26
	urban	0,57
	urban-rural	0,07
	rural	0,29
	tourist	0,40
	agricultural	0,03

Source: Own work.

The correlation analysis indicates higher correlations when the analysis tests the coefficients representing the shares of revenues and expenditures (0,26) than the per capita revenues and expenditures (0,20). The correlation analysis results indicate high correlation (0,57) between the share of real property tax revenues share in total revenues and the share of investment outlays in total expenditures of urban municipalities in Warmia and Mazury. A relatively high percentage share of real property tax revenues in total revenues of urban municipalities results from high concentration of enterprises paying high taxes on the area used for business activities in towns. However, the linear correlation coefficient for those investments expressed in amounts of those financial instruments per capita does not indicate any correlation between them (0,09). This can be explained by the fact that in large towns the per capita share of investment outlays is low (Elbląg ranking 10th in the voivodship, Ełk 33rd and Olsztyn 47th) despite high real property tax revenues per capita (Olsztyn ranking 19th in the voivodship, Elbląg 27th and Ełk 32nd). Large towns, similar to rural agricultural municipalities allocate little funds to investments and at the same time obtain significant revenues from the real property tax. Large per capita revenues from the real property tax are obtained by rural (tourist municipalities in which the linear correlation coefficient was0,50, characterized by large areas used for tourism related business activities and populated by relatively few residents.

Computations indicate high correlation between real property tax revenues per capita and investment outlays in tourist municipalities (0,54) as well as share of real property tax revenues in total revenues and share of investment outlays in tourist municipalities (0,40). Comparing the revenues of encompassed municipalities from the real property tax per capita and their share in the total revenues as well as investment outlays per capita and their share in total expenditures a high correlation was found between the analyzed parameters in tourist municipalities. The low correlation seems understandable in rural agricultural municipalities as they generate small real property tax revenues and at the same time their investment outlays are highly diversified. 16 rural agricultural municipalities achieve the real property tax revenues share in total revenues at under 5% while the share of investment outlays in total expenditures in case of some of those municipalities is more than 5 times larger (Janowiec Kościelny 4,5% to 21,6%; Rozogi 4,7% to 20,4%). Among the municipalities generating the highest shares of real property tax revenues in total revenues the share of investment outlays is at 18,4% to 33,4% in Stawiguda, 17,9% to 29% in Gietrzwałd and 18,5% to 28,8% Lubawa municipalities. Nevertheless, this is not the relation applicable in case of the majority of municipalities considered here to be those achieving the most or the least favorable results. In some municipalities (and this is not an exceptional phenomenon), the share of real property tax revenues in the budget is many times lower than the share of investment outlays while those municipalities are classified as achieving very good development indicators during the period covered (the share of investment outlays there exceeds 25%). The rural agricultural municipality of Biskupiec (8,1% to 30,8%) and Kowale Oleckie (6,9% to 20,8%) as well as municipalities of Jeziorany, Rozogi and Młynary (ca. 5% to 20%) can be classified as such.

The Pearson's correlation coefficient for real property tax revenues share in the total revenues and the share of investment outlays in total expenditures in the studied municipalities during the years 1996–2007 shows a minor correlation between those variables. This means that municipalities generating high amounts of revenues from the real property tax spend more on investments. However, in those municipalities, in per capita terms, the coefficient of correlation between the real property tax revenues and investment outlays reaches lower values. In case of the individual groups of municipalities the Pearson's correlation coefficients represent different values.

Conclusion

The rural tourist municipalities achieve relatively high real property tax revenues and have high shares of investment outlays in total expenditures. Among the tourist municipalities there are also municipalities ranked on further positions in rankings of real property tax revenues and investment outlays (they achieve results worse even than the agricultural municipalities). Similarly, among the rural municipalities we can find municipalities that achieve higher real property tax revenues and make higher investment outlays than many tourist municipalities.

The studies on the correlation between real property tax revenues and investment outlays showed that such correlation exists in tourist municipalities with a relatively small number of residents that generate the highest real property tax revenues per capita. In those municipalities large areas of buildings and land is used for business activities, particularly related to tourism. In rural and rural tourist municipalities there is a high correlation between real property tax revenues and investment outlays per capita. Also in urban and urban tourist municipalities there is a high correlation between the share of real property tax revenues in the total revenues and the share of investment outlays in total expenditures.

The results of studies indicate that in a large number of municipalities the volume of funds obtained from the real property tax has no influence on the volume of investment outlays. Large towns spend relatively less on investments than small rural municipalities in relation to the revenues generated from the real property tax. There are also many examples of rural agricultural municipalities that spend relatively more funds than suggested by the volume of funds generated from the local sources, in particular the real property tax.

Those municipalities frequently use the opportunity of obtaining funds from funds available to the municipalities generating the lowest per capita revenues from the local sources.

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IMPROVEMENT PREMISES IN COMPETITIVENESS OF AGRICULTURAL FOOD COMMODITIES IN POLAND UNDER CONDITIONS OF APPLYING EU COMMON AGRICULTURE POLICY

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K e y w o r d s: competitiveness, agriculture food economy, quality, promotion, marketing.

A b s t r a c t

The objective of the study is a presentation of the bases for improvement of competitiveness of agricultural food products made in Poland with consideration taken into the influence of the Common Agriculture Policy of the European Union. In connection with the processes of globalization which started in 90s of the last century and with the fact of accessing Poland to the EU, what resulted in entering the European structures and functioning in a deep competitive environment, the analysis concerning possibilities of achieving an appropriate level of competitiveness became a priority. It is not a simple task to achieve because, regarding the variety of approaches to this issue, no homogenous method exists for the analysis of this phenomenon.

PRZESŁANKI POPRAWY KONKURENCYJNOŚCI PRODUKTÓW ROLNO-ŻYWNOŚCIOWYCH W POLSCE W WARUNKACH DOSTOSOWANIA DO WSPÓLNEJ POLITYKI ROLNEJ UNII EUROPEJSKIEJ

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S ł o w a k l u c z o w e: konkurencja, gospodarka rolno-żywnościowa, jakość, promocja, marketing.

A b s t r a k t

Celem pracy była prezentacja przesłanek poprawy konkurencyjności produktów rolno-żywnościowych wyprodukowanych w Polsce z uwzględnieniem wpływu wspólnej polityki rolnej UE. W związku z zapoczątkowanymi w latach 90. poprzedniego stulecia procesami globalizacji oraz przystąpieniem w 2004 r. Polski do Unii Europejskiej analiza możliwości osiągnięcia odpowiedniego poziomu konkurencyjności stała się priorytetem. Nie jest to jednak zadanie proste ze względu na różne podejścia do tego zagadnienia i brak jednolitych metod oceny tego zjawiska.

Introduction

Taking into consideration the subject of this study it is worth remarking, that researches concerning competitiveness aim at indicating the efficient way of accelerating the economic growth and thereby sustainable development of our country. In connection with advancing liberalization of international trade and globalization processes, the improvement of competitive ability is treated as a priority in every economy. However, regarding the fact that agricultural and food sectors are two of the main branches of the Polish economy it is important to approach this issue in relation to agri-food commodities. The improvement of competitiveness has become even more significant issue since 1993 when the European Council has adopted the criteria of membership for the candidate countries from East-Central Europe including Poland. (ZIELIŃSKA-GŁĘBOCKA 2003, s. 13). Free-market economy meant functioning in a strictly competitive environment which forced participants of the market to pursue new ways of distinguishing in the international environment. Analogically, the assessment of instruments determining competitiveness of particular products has become significant. Variety of approaches to this issue results in the fact that there are no homogenous methods of its assessment. However, the CAP has undoubtedly introduced strict requirements to the agriculture and food processing, which, if not fulfilled result in inability to retail a product.

The essence of competitiveness

Currently competitiveness is treated as a mechanism enforcing efficiency, initiative, motivation and quality. It generates responsibility for realization of consumer interests, and unharnesses striving for profit into the service to the consumer, co-builds the moral dimension of free economy aiming at the profits' maximalization (DŁUGOŁĘCKI 2004). The essence of competitiveness makes it is extremely difficult to analyze all its aspects. So far every research presents competitiveness in a different way, subordinating it to different premises. Many scientists, who deal with the analyses of competitiveness, base them on classic theories. However, within time, many factors determining this phenomenon changed radically following the conditions of advancing globalization. Continuous analysis of this issue allows the participants of the market to choose an appropriate strategy which would enable them to achieve the advantage over their rivals. It proves a great importance of competition in creating market relations. Competitiveness in literature is analyzed at the micro (i.e. P. Krugman) and macro (i.e. M. Porter) level. P. Krugman negated analysis of this phenomenon in international terms because, as he claimed, economy competitiveness of a given country is simply an internal problem determined in particular by productivity of its society (CZECH-ROGOSZ 2007).

As Schmalensee highlights, the researches concerning the competition are of similar character to the researches analyzing the demand part of economy, that is, the markets where the enterprises act as sellers. These researches concentrate also on the strategic behaviours of the enterprises and assume that consumers change their behaviours in reaction to price or quality changes (SCHMALENSEE 1988). However, M. Porter indicates the role of the national environment in building the competitive advantage of the companies (PIASECKI 2005). He emphasized the fact that the main condition for achieving required level of competitiveness is to introduce the innovations, which affect increased efficiency of market operator's activities. Nevertheless, the process of introducing new technologies must be continuous. Only this attitude guarantees the achievement of assumed results (CYREK, CYREK 2007). He claimed that the development of existing technologies is the only effective way to make the market function efficiently. Similar approach can be found in "Research on mathematic bases of wellness theory" by A. A. Cournot. The author made the nature of the phenomenon dependent on the number of the operators existing on the market (HORYNIA 2002, s. 27).

According to LIPOWSKI (2008), variety of the approaches to competitiveness as well as a great number of their defining indicators result from the lack of unified measures in economic literature. In consequence, there is no possibility to compare various scientific researches concerning this phenomenon. Moreover, he highlights the fact that competitiveness, especially of the product, is connected with wide participation in the market at the expense of the other substitutes. While analyzing the theory of balance, companies can achieve certain optimal level with no necessity to increase the amount of their products on the market.

Competitiveness is a phenomenon which is deeply rooted in the history of humankind. It is important to highlight that there was no period in the course of our history when this issue wouldn't be up-to-date. What was evaluating, were the methods of limiting the competitiveness and the regulations protecting the society from possible abuses (JANKOWSKI 1998). Researches on the essence of this phenomenon and its meaning and influence on the market structures proves its significance in the market relations.

The Common Agricultural Policy and its influence on the competitiveness

Dealing with the issue of competitiveness of agricultural raw materials and processed agricultural products, it is vital to take into consideration not only the conditions of the environment, but, above all, the agricultural policy of the European Union. Poland, as it became a member state, pledged to abide the rules of the EU. The Union agricultural policy is of particular significance, as the greatest number of legal acts as well as the largest amount of the financial resources are devoted to this policy. The Common Agricultural Policy is the oldest and the most complex policy of the EU and one of the pillars of the European integration. It determines greatly functioning of the agricultural sector and the situation of rural areas within the member states of the EU (BAJEK et al. 2007).

At the beginning the Common Agricultural Policy put an emphasis on the productivity in order to provide the consumers with a stable delivery of the cheap food products, and on the development of the agriculture, which were achieved by means of subsidiaries, guaranteed prices and by stimulating production. The financial aid was oriented mainly on the restructuring of agriculture and thus allowed this economic branch to achieve self-sufficiency. Nevertheless, the success of the Common Agricultural Policy appeared to be its greatest problem. From the mid-1970s the EU struggled with the surplus of the products. As a result part of these products were allocated for an export (with subsidiaries), the remaining part was stored within the EU. It became a serious budgetary burden and destabilised some of the world markets which did not have a positive influence on the farmers. Agricultural policy was losing the support of both the tax payers and the consumers. At the same time the society interest in the influence of the agriculture on the natural environment raised (*Polska Wieś*... 2006).

This situation enforced changes in the Common Agricultural Policy. Introduction of production limits and the emphasis given to the ecological agriculture reduced the surpluses of the production. Farmers had to monitor the market in order to obtain the support – the direct agricultural subsidies payments. Moreover, they were obliged to immediate reaction to changing needs of the society. The shift of the priorities contained a new element – a policy of rural development. It supported rural initiatives helping farmers to extend their activities, to improve marketing of the products and restructure their holdings. Considering the changes of consumers behaviour as well as the reform of the Common Agricultural Policy (CAP), the prices and safety, food quality, the development of ecological and regional food and efficient use of the marketing tools herein promotion of the products and appropriately prepared logistics processes in the mentioned sector became vital factors determining the demand.

The role of marketing and promotion in achieving a competitive advantage

The essential instrument of building the competitive superiority is promotion. It is an excellent way of informing about specific product properties and influencing the needs of a consumer. In addition it creates demand by influencing its price flexibility. It is an ideal way of creating the brand, through creating its positive image (JANCZEWSKA 2004). Moreover, by using non-price instruments which shape the potential consumers needs, it acts as a competitive factor which turn consumers' attention away from the other companies which offer similar or identical assortment (REMBISH, IDZIK 2007). In present economic conditions it is essential to undertake suitable marketing activities as well as precisely elaborated marketing strategy in order to maintain a strong position. Economical sciences indicate a number of such strategies owing to which the position of the products on the market can be strengthened. These are: expansive strategy of the position protection, selective development, segmentation, concentration, diversification, penetration of the market, development of the market, innovations and imitation. The confinement of this study makes it impossible to describe all these instruments, therefore we present the cross-section of the functions of marketing and its instruments in building the competitive position of agricultural products.

It is essential to highlight that competitiveness on the EU-market is the total sum of many factors which increase attractiveness of the products. These elements perfectly adapt their marketing strategy to the consumers needs. Competitiveness of enterprises in the food sector is conditioned by factors of the external environment and conditions of activities created by these operators. The resulting competitive advantages are always connected with the areas perceived and recognized by the environment and mean adapting a product to requirements of the market and competition, especially in terms of the assortment, quality, price and use of the optimal sales channels and methods of promotion (SOBCZYK 2004).

Despite the fact that marketing and promotion have been known for many years and are distinguished in literature for their importance in building the competitiveness, they are underestimated on the Polish market. Although, some commonly known to all economists book methods are used in Polish agricultural reality since relatively short time, there has been still a certain hesitation amongst many groups of producers regarding the possibilities of shaping the product competitiveness by use of these methods. The financial barriers are often additional problem in introducing the modern methods of acquiring attracting the clients.

"Experience shows that in longer or shorter time means ways of competition can be imitated. Paradoxically, the only invariable competitive advantage is that which constantly changes, evaluates and adapts to the specific needs of the clients and competitors activities. People who possess such an ability to create invariable advantage are those operators, who are able to: firstly, observe changes in their environment, especially in behavior of the clients and strategies of the competitors; secondly, they are able to re-orient their activities" (AREND 2006).

Constant monitoring of the market and its changes is one of the marketing tasks which lead to new market areas. The growing number of competitors, which is characteristic for free- market economy and a great number of complementary and substitute commodities which are available in retail, make marketing activities a necessity.

Stimulators of the quality improvement

The quality is a vulnerable factor of competitiveness which decides about the competitive position in every sector, therefore it plays a significant role in the production and food industry. The concept of quality refers to the whole of the product features which decide about the extent to which a product fulfils the expectations of the buyers (*Analiza czynników*... 2004). It is the substantial instrument of the competitive struggle despite the fact that it might be subjective. The quality is extremely difficult to assess because mostly the diverse preferences of consumer decide about its measures. Preciseness and the use of the best products are associated the most frequently with the concept of quality. However, quality as an indicator of competitiveness is exceptionally difficult to assess because a client purchasing a product pays attention also to its other various features. The consumers expect high quality of products and the producers must guarantee it, otherwise they will not secure the market for their goods. The competition is based on such a firm foundation of the quality of the offered products that it becomes not only the main source of achieving the success but also a condition of existing on the market (AREND 2006).

Increasing costs of production and in result, higher price of the product may be accepted by a client only when it means also the high quality of the product. It is beyond any doubt that the production of high quality food generates much bigger costs, it requires special methods of production and the use of more expensive materials which would satisfy the highest quality standards. The high value added to the purchase of the product always implicates high costs of the final production. These products sometimes are sold under the label of high quality standards at the price considerably exceeding their quality values or on the contrary, although they have nothing in common with high quality of the raw material or the production whatsoever.

Such abuses cannot be avoided, however, considering the fact that presently a particular emphasis is put on the control of food production, the reduction of such precedents is now possible.

It is also important to remember that quality aspects in agriculture cannot be neglected because it supplies the raw materials to the industry. The materials must be comprised with quality requirements and should fulfil specific standards. Thereby, to achieve the high level of final product competitiveness, the use of good agricultural practises, which deliver the highest quality of products of plant and animal origin, plays a crucial role.

These issues are connected to one of the priority of the EU policy which is the consumer protection, which greatly influences the safety of the products intended for consuming. The manufacturing process of each product must be traceable. Every stage of its production must take place in the conditions in which the risk of negative influence of this product on the human health is minimised. Growing consumer awareness considering food and the ways of its production makes the producers who want to win the client pay attention not only to attractive look and design of food product but also to the health aspect. It has a particular significance considering the fact that the EU while fulfilling its policy of the chain continuum, included a number of activities which aimed at elimination of potential diseases and pollution from the food products. The leading rule is the integrated approach "from the farm to the table", which include: forage production, raw products, food processing, storage, transport and retail. Those assumptions result from legislation which concerns the safety of food, animal forage and scientific premises.

In terms of enforcement of these rules, every MS government is in possession of a system of early warnings in case of the forage or food could become a potential danger to the consumers health.

Maintaining the food safety is important not only in regards to the improvement of the population health but also because of economic reasons. The important goal of the measures undertaken by every member state is presently to guarantee safety of food. It is realized by means of constant control of the production entities and supporting their activities. (GABRYSOVA 2006). Poland has vast opportunities in this area because most of the raw materials, especially of plant origin, is obtained naturally, and more and more food factories meet all quality standards. We are able to offer healthy food guaranteeing that its consumption is safe.

Relevance of the ecological and regional production in the improvement of competitiveness of the agricultural food commodities

Ecological production is another factor which stimulates competitiveness on the Polish and the EU market. Currently, with the high awareness of the society about the threats resulting from a high level of chemization in agriculture, the ecological production has a vital significance and can be a strong asset in the competitive rivalry on the food market. High level of environmental pollution resulted from the advanced intensification and chemization of the agricultural industry led to intensive discission about the methods of agricultural production. According to ARENDA (2006) it is essential to offer a product which will be perceived (by a consumer) as of the highest value in order to achieve advantage. The value of this kinds health safety, and adequate food production has particular importance in this area.

Promotion of ecological food results in the fact that it becomes a luxurious commodity especially for those people who care about quality of the food they consume. Ecological food market is one of the most dynamically developing markets in the EU. Due to worldwide tendencies, ecological food becomes fashionable and quickly gains the supporters. Having that in mind producers try to meet the consumers needs. Their activities allow to a great extent to increase trade flows. In the UK over 80% households buy the ecological products, where the demand exceeds the supply which results in about 70% of ecological food products being imported (BERDO 2006). At the same time in Germany a share of ecological food products import in the general retail value is about 60%, in Denmark – 25% (ŁUCZKA-BAKUŁA 2007). It is also worth remarking that in 2006 worldwide sale of ecological products was about 40 mld USD. Since 1997 sale value has increased nearly three times. Poland has particular chances to achieve a strong position on this market, because Polish agriculture, as opposed to most of farms in the EU, is not afflicted by intensification of the production.

A substantial instrument stimulating competitiveness of Polish agriculture raw materials and their processed products is also the development of regional commodities. Their production is characterised with utmost importance, because these products are representative for the country and prove their uniqueness in the whole world. Additionally their local character contributes to the increase of the competitiveness of the given area. These activities aim at effective competing with the mass-produced food of the poorer quality (JASIULEWICZ 2005). Consumers are tired of typical food products, they seek new and sophisticated tastes which can be found in traditional or regional products.

Intensive promotion of these values and support of activities intended to spread the knowledge on the culture and heritage lead to a situation that the regional products become a part of the region and a tourist attraction (JASIŃSKI, RZYTKI 2007). Regional origin of products increase their competitiveness and is a tool to influence the potential client. There are 678 commodities in Poland on the list of traditional products. The attention should be drawn at the products which are granted the Certificate of Specific Character, on the basis of which a product can be given the label of TSG – Guaranteed Traditional Speciality. This brand name is the guarantee of high quality of the product and commitment that the old traditional recipes are used in their production. The consumer seeking new products more and more often pays attention to the products labelled with the national or local brand. Such labelling influences the demand and increase the production, thereby it increases competitive ability of a given producer on the both local and international market.

The ecological production, apart from ecological agriculture, is a basic tool of improving the quality of the food produced in Europe (JASIULEWICZ 2005). This sector of the agricultural-food production gradually becomes one of the most dynamically developing branches of Polish food economy. The success depends on the level of use of the existing advantages by operators on the agricultural-food market in Poland.

Conclusion

High level of the sale of Polish food and agriculture products on foreign markets indicates that the Polish export offer can be characterised by a high level of safety and quality (SZCZEPANIAK 2007). It is necessary to mention that the profitable reasonable price is still the most important factor. Consequently, agriculture food sector must constantly improve the quality of its products because it is one of the crucial methods guaranteeing the success in a longer perspective. The use of all the instruments and measures mentioned in this study, which have an impact on competitiveness, is nowadays particularly important.

Observed scientific interest in the issue of the competition concentrates mainly on theoretical analyses and observations of economic practice. The effects of this researches are different approaches to this phenomenon in economic literature. Furthermore, changing reality and conditions of operating in economy more and more influence the agricultural production and processing industry. At the same time these two sectors, being the subject of the market game, must equally and efficiently adapt to the requirements of the present time. It is not difficult to manufacture a product, much important problems would be to sell it as well as to enable it to exist on the market and become recognisable for the consumers. Quality, safety, promotional and marketing activities are the tools for product sales. Moreover, they enable a product to be distinquished on the market which is very important as far as the food assortment is concerned. At the same time the quality of food decides about the possibility of selling the products in Poland as well as in the EU. Poland accessing the EU entered the structures of the vast European market with both the consumers, and the competitors producing similar commodities. It comes with necessity to fulfil numerous conditions introduced by the European law, which in case of food is very strict restrictive. The Common Agricultural Policy together with farmers support and food industry aims at consumers protection and guaranties the safety of food which is delivered to each EU member.

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HOUSING SITUATION IN THE VOIVODSHIPS OF EASTERN POLAND AS THE BORDER REGIONS OF THE EUROPEAN UNION

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K e y w o r d s: housing situation, eastern wall, housing policy, border area of the European Union.

A b s t r a c t

The paper aims at determining the housing situation in the voivodships of eastern Poland as the border region of the European Union. The indicators characterizing the eastern regions of Poland were collected and compared with the other areas of Poland, Poland as a whole and corresponding international parameters. The studies confirmed the poor housing situation in the eastern Poland as indicated by earlier analyses. The low standard of housing, overpopulation and, first of all, a significant statistical deficit of housing units are the major problems of housing in eastern Poland. These are mainly the effects of the heritage of the past and insufficient activities aiming at improvement of the housing situation during the period of transformation. Stabile housing policy and increase of the position of the state and local governments in creating it, first of all thanks to the structural funds originating from the European Union directly linked to the housing are necessary for improvement of that situation.

SYTUACJA MIESZKANIOWA W WOJEWÓDZTWACH POLSKI WSCHODNIEJ JAKO POGRANICZA UNII EUROPEJSKIEJ

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S ł o w a k l u c z o w e: sytuacja mieszkaniowa, ściana wschodnia, polityka mieszkaniowa, pogranicze Unii Europejskiej.

A b s t r a k t

Celem artykułu jest próba określenia sytuacji mieszkaniowej województw Polski Wschodniej jako pogranicza Unii Europejskiej. Zestawiono wskaźniki charakteryzujące wschodnie regiony kraju na tle innych obszarów Polski oraz porównano wskaźniki międzynarodowe. Badania potwierdziły wynikający z wcześniejszych analiz zły stan sytuacji mieszkaniowej w Polsce Wschodniej. Niski standard zamieszkania, przeludnienie oraz przede wszystkim znaczny deficyt statystyczny mieszkań jest podstawowym problem mieszkalnictwa Polski Wschodniej. Jest to w głównej mierze efekt dziedzictwa przeszłości, któremu w okresie transformacji odpowiadały niedostateczne działania w zakresie poprawy sytuacji mieszkaniowej. W celu poprawy tej sytuacji niezbędna staje się stabilna polityka mieszkaniowa oraz wzrost znaczenia państwa i samorządów lokalnych w jej kreowaniu, przede wszystkim dzięki funduszom strukturalnym pochodzącym ze środków Unii Europejskiej, bezpośrednio związanych z mieszkalnictwem.

Introduction

After 1989, a lot has already been written about the Polish housing policy and situation (NIECIUŃSKI 2005, CESARSKI 2007). Lack of long-term programs, systemic backwardness and, first of all, continually reported demand for housing have became the voice that has never ceased after the economic transformation. Currently, the statistic deficit of housing units in Poland understood as the difference between the number of households and the number of housing units is estimated at 1–2 million housing units (ŚLESICKA 2007, p. 69). This is a consequence of numerous processes taking place in the Polish society with a significant increase in the share of single person households and the propensity of the youth to gain independence quickly, but first of all the heritage of the past until 1989 and subjecting the housing development to excessively large influence of the market during the transformation period (CZAPIŃSKI, PANEK 2007, CESARSKI 2005). Lack of housing units or willingness to purchase a housing unit is also frequent arguments in declarations of the young people expressing their propensity for migration.

As a result of the Schengen Treaty implementation on the 21st of December 2007 the territory of the Republic of Poland became an integral part of the European Union with particular consideration of the customs regulations. The eastern voivodships of Poland have become the border regions of the European Union. At the same time, when Podkarpackie, Lubelskie, Podlaskie and Warmińsko-Mazurskie voivodships are complemented by Świętokrzyskie voivodship we obtain the specification of one of the poorest regions in the Union in the categories of per capita GDP (*Regional GDP...* 2009). The perspective of the socio-economic diagnose of the situation along the eastern EU borders seems interesting in a number of levels, among them also from the perspective of the housing situation.

This paper attempts at analyzing the housing situation in the eastern voivodships of Poland and comparison of some data in that area with the information concerning the EU countries, considering the domestic context of Polish housing. The analysis used the basic indicators characterizing the scope and subject of housing policy studies (ANDRZEJEWSKI 1987), and the availability of empirical materials was the selection criterion.

To conduct the comparative analysis the basic indicators of the housing situation in Poland and in its eastern voivodships were compared to the corresponding data for the other European Union countries. In this paper they were compared first of all with the countries that in 2002 acceded to the European Union together with Poland.

Status and characteristics of the housing resources

The largest housing resources exist in voivodships with the largest population, i.e. Mazowieckie and Silesian with ca. 1,9 and 1,6 million housing units respectively.

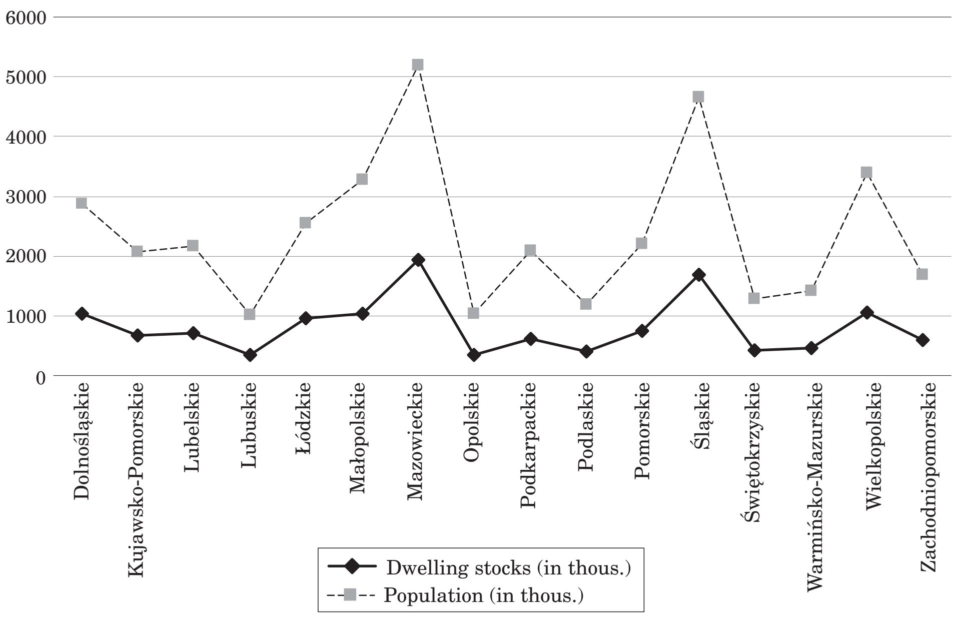

Fig. 1. Housing resources and population of voivodships in Poland in 2007
Source: Own work based on the: *Regiony Polski.* 2008. GUS, Warszawa.

The smallest housing resources, on the other hand, are found in Opolskie, Podlaskie, Świętokrzyskie and Warmińsko-Mazurskie voivodships. The statistical data analysis indicates that the eastern Poland areas are the least urbanized and possess low levels of housing resources.

The average usable area of a Polish housing unit in 2007 (Fig. 2) was around 70 m². From the perspective of the area significantly exceeding the national average Podkarpackie voivodship was outstanding (over 77 m²), while the average usable area of a housing unit in Warmińsko-Mazurskie voivodship was the lowest in the country at 65 m² only. The remaining voivodships of eastern Poland were characterized by the housing unit area exceeding 72 m².

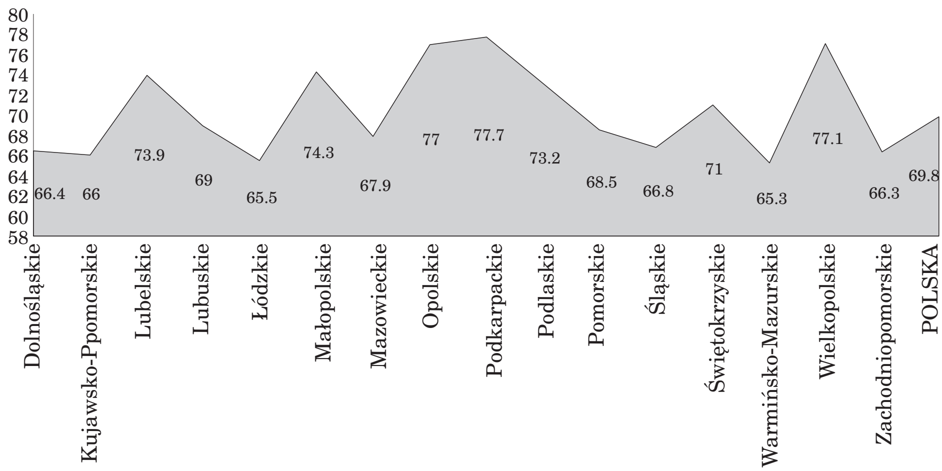

Fig. 2. Average usable area of 1 housing unit in the Polish voivodships in 2007 (m²)
Source: Own work based on the: *Regiony Polski*. 2008. GUS, Warszawa.

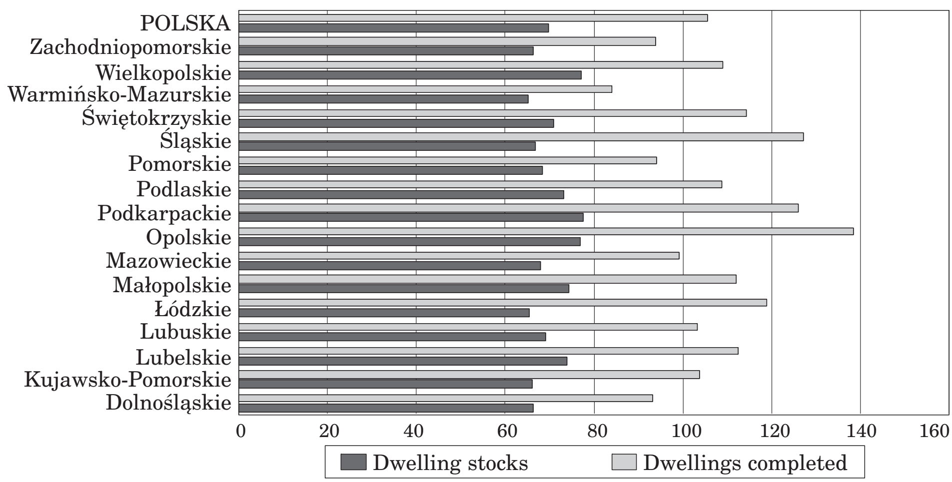

Fig. 3. Housing resources versus housing units commissioned for use in Polish voivodships in 2007 (m²)
Source: Own work based on the: *Regiony Polski*. 2008. GUS, Warszawa.

The average usable area of a housing unit commissioned for use in 2007 in each voivodship exceeded the average area of the average housing unit in the resource of the given region significantly (Fig. 3).

Compared to 69,8 m^2 of average usable area of the average Polish housing unit, the newly commissioned units were more than 30 m^2 larger in usable area. The largest increase was recorded in voivodships characterized by the largest size of housing units, i.e., among others in Podkarpackie and Opolskie voivodships. Also Podlaskie voivodship deserves attention (increase from 73,2 m^2 of the average area to 110,8 m^2 of the newly commissioned housing units). In Lubelskie voivodship the new housing units were 108,9 m^2 in average.

Warmińsko-Mazurskie voivodship is characterized by the smallest size of the average housing unit in Poland (65,3 m^2) and the smallest average size of the newly commissioned housing units among all the voivodships (84,3 m^2 only).

Housing conditions

The number of housing units per 1000 persons is the basic indicator in housing applied also for international comparisons. No more than four housing units commissioned for use per 1000 people in Poland (Fig. 4) ranks it in a relatively low position in Europe.

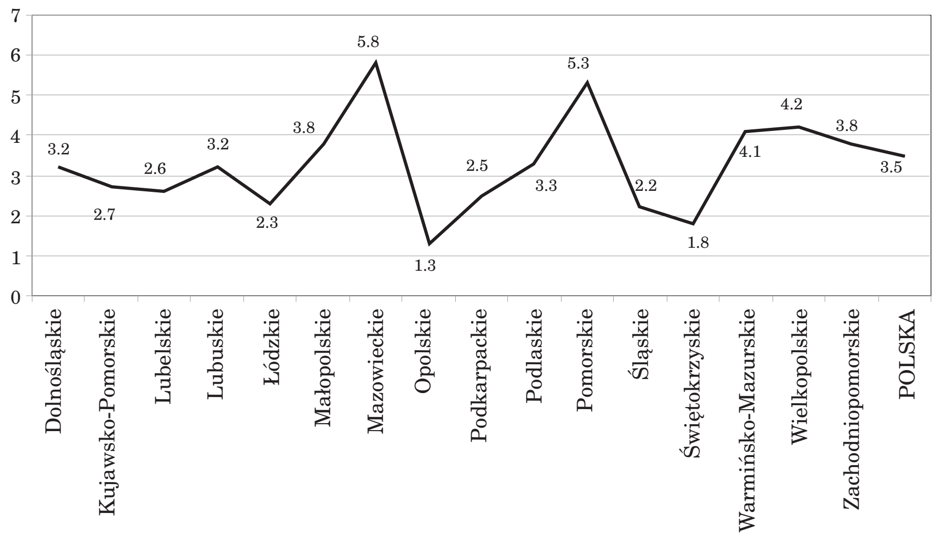

Fig. 4. Number of housing units commissioned for use per 1000 people in voivodships of Poland in 2007

Source: Own work based on the: *Regiony Polski*. 2008. GUS, Warszawa.

The highest numbers of housing units were commissioned for use in Mazowieckie and Pomeranian voivodships, which exceed the average for Poland significantly. What is worth noticing, Warmińsko-Mazurskie voivodship is the next voivodship, in which that indicator has a high value. The situation is highly unfavorable in Opolskie and Świętokrzyskie voivodships. In those areas fewer than two housing units per 1000 people are commissioned for use. The remaining eastern voivodships commission not much less housing units per 1000 people than the national average.

The average housing unit in Poland in 2007 was occupied by 3 persons (Fig. 5). The largest number of residents per housing unit was found in Podkarpackie voivodship where 1 unit was occupied by 3,5 persons in average. It seems that this may result from the fact that more than one household, the second of which is usually incomplete, reside under one roof. In the other voivodships covered one housing unit was occupied by ca. 3 persons. Analyzing that aspect of Polish housing just a minor diversification of the average number of residents occupying a single housing unit is observed[1].

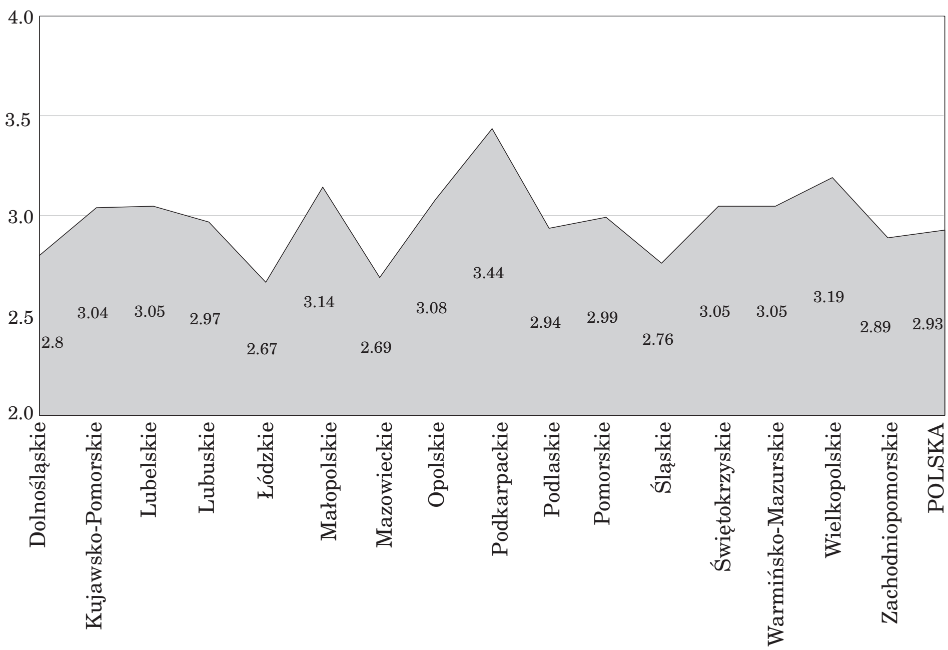

Fig. 5. Average number of occupants per 1 housing unit in Polish voivodships in 2007
Source: Own work based on the: *Regiony Polski*. 2008. GUS, Warszawa.

[1] Comparing at the same time the Polish indicators to the European averages it should be noticed that in that aspect the effects are highly unsatisfactory.

The situation in that aspect was the most favorable in Łódzkie, Silesian and Mazowieckie voivodships. That situation seems favorable as those voivodships are populated by the largest numbers of the Poles.

Housing units commissioned for use in 2007 possessed in average 4,34 rooms (Fig. 6). The largest numbers of rooms were recorded in housing units newly commissioned for use in Podkarpackie (larger by 27% than the national average) and Opolskie voivodship. The lowest number of rooms among the studied units was recorded in Warmińsko-Mazurskie voivodship where the average number of rooms in the unit was lower by 10% than the national average).

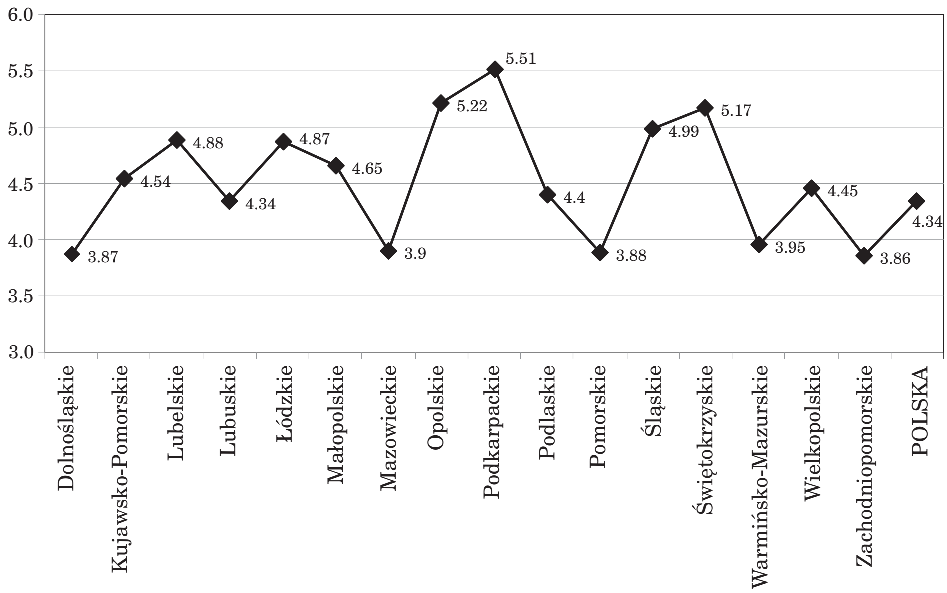

Fig. 6. Average number of rooms in housing units commissioned for use in Polish voivodships in 200
Source: Own work based on the: *Budownictwo mieszkaniowe I-IV kw 2007. 2008.* GUS, Warszawa.

Analyzing the average usable area of a single room it should be noticed that Podkarpackie voivodship was characterized by the largest area of the new housing units and the largest number of rooms per unit is at the same time characterized by low area of a single room (lower by 5% than the national average). The other regions analyzed also do not look too well. In case of Podlaskie and Lubelskie voivodships they rank around the national average.

Warmińsko-Mazurskie voivodship looks the worst in that aspect as the average area of one room there is smaller by 3 m^2 than the national average

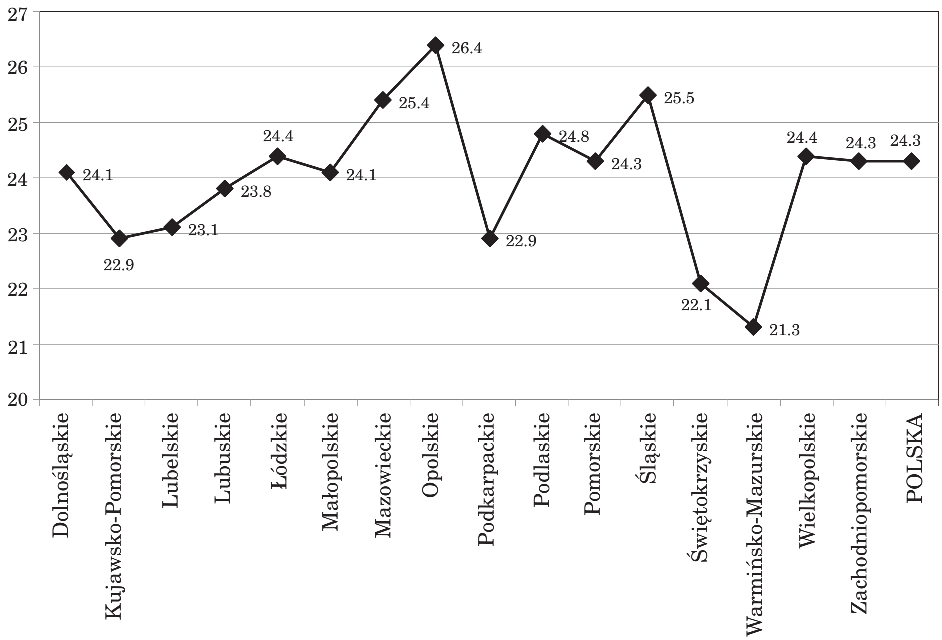

Fig. 7. Average size of 1 room commissioned for use in Polish voivodships in 2007 (m^2)
Source: Own work based on the: *Budownictwo mieszkaniowe I-IV kw 2007*. 2008. GUS, Warszawa.

and that size is smaller by 5 m^2 in average than the average room in Opolskie voivodship where the rooms are the largest in the country (Fig. 7).

Considering the analysis of housing standards the equipment of housing units with the basic facilities and installations was investigated by voivodship A large diversity was observed among the voivodships covered.

Warmińsko-Mazurskie voivodship has the results slightly exceeding the average values for Poland (with the exception of gas installation). Lubelskie voivodship shows the lowest saturation with water supply systems. It also has the lowest share of housing units equipped with the toilet or bathroom. The situation where more than every tenth housing unit has no access to running water represents an unfavorable situation with no doubt. The disproportion between Lubelskie voivodship and the leader in that aspect, Pomeranian voivodship is at the level of 15%. Podlaskie voivodship is characterized by the lowest among all Polish voivodships share of housing units equipped with gas installations. Lubelskie voivodship looks only slightly better. The largest share of housing units equipped with network gas is found in Podkarpackie voivodship and the difference between Podkarpackie and Podlaskie voivodships is at the level of 40%

Table 1
Equipment of housing units with basic utilities and installations in Polish voivodships in 2007

Voivodship	Percentage of housing units equipped with				
	water supply	toilet	bathroom	network gas	central heating
Lower Silesian	97.8	88.3	86.7	66.4	76.3
Kujawsko-Pomorskie	96.9	89.2	86.3	50	77.4
Lubelskie	88.3	75.9	76.2	40.5	71
Lubuskie	97.3	89.8	88.3	54.2	75.4
Łódzkie	92.4	81.5	79.5	44	72.9
Małopolskie	95.1	89.4	89.3	65.7	77.3
Mazowieckie	92.6	87.1	85.8	59	81.7
Opolskie	97.7	90.2	90.2	45.8	78.9
Podkarpackie	92.3	84.1	85.1	71.5	72.6
Podlaskie	90.9	81.8	82.1	29.2	74.3
Pomeranian	98.7	94.4	91.7	57.7	81.3
Silesian	98.2	91.6	90.5	63.4	79
Świętokrzyskie	88.2	76.4	76.9	39.2	74.5
Warmińsko-Mazurskie	96.4	89.5	87.9	48.2	78.4
Wielkopolskie	97.6	90.8	89.3	49.4	78.1
Western Pomeranian	98.8	92.4	91	62.1	81.8
Poland	**95.1**	**87.6**	**86.5**	**55.6**	**77.5**

Source: Powiaty w Polsce. 2007. GUS, Warszawa.

In conclusion it must be noticed that the voivodships of north-eastern Poland are characterized with visible insufficient equipment of the housing units as compared to the other areas of Poland. Relatively many of them are situated in four neighboring voivodships. This applies in particular to Lubelskie and Podlaskie voivodships.

Elements of housing situation in the eastern voivodships as compared to Poland and other European Union countries

The housing resources of selected countries were highly diversified, which is reflected in the size of population and area of the country. Becoming a full member of the European structures Poland possessed nominally the highest number of housing units among all the acceding countries (Tab. 2). The real image of the housing situation, however, is visible only after comparing the above data internationally. It is found out then that Poland has the lowest number of housing units per 1000 residents. This results in the situation where Poland has a larger number of households than the number of housing units, which simply translates into a statistical deficit. The consequence is that two or more households occupy a single housing unit. The living standards offered by the developed countries of Western Europe are currently unattainable for Poland.

Table 2

Number of housing units per 1000 residents in Poland and selected European Union countries in 2002

Country	Total population (in thousands)	Total number of housing units (in thousands)	Number of housing units per 1000 residents
Poland	**38232**	**11763**	**308**
Bulgaria	7868	3692	471
Estonia	1359	624	457
Latvia	2339	958	411
Germany	82490	38925	472
Czech Republic	10224	4366	427
Slovakia	5379	1725	321
Slovenia	1996	785	393
Sweden	8823	4329	490
Rumania	21795	8129	373
Hungary	10159	4104	404
United Kingdom	59070	25617	434

Source: CESARSKI (2007).

The numbers of housing units in the discussed voivodships give the full picture of the problems of Polish housing (Tab. 3). The majority of Polish regions do not have currently the housing resources that were offered to the residents of European countries at the time of accession of the new members in 2002. The eastern areas of the country had the lowest resources of housing units in the country per 1000 residents. A household has the largest problems with obtaining an own housing unit in Podkarpackie voivodship, which results in low independence of residence of families and overpopulation of housing units in Poland presented in the paper.

Table 3
Number of housing units per 1000 residents in Poland and in selected voivodships in 2007

Voivodship	Number of housing units per 1000 residents
Lubelskie	328
Podkarpackie	291
Podlaskie	340
Świętokrzyskie	327
Warmińsko-Mazurskie	328
POLAND	**341**

Source: Own work based on the: *Regiony Polski*. 2008. GUS, Warszawa.

Table 4
Structure of housing resources according to the equipment with the utilities in Poland and the new European Union countries in 2002

Country	Total population (in thousands)	Equipment with (%)		
		water supply	toilet	bathroom
Poland	**11763.0**	**95.6**	**88.1**	**87**
Bulgaria	3692.0	87.5	67.1	no data
Estonia	624.0	84.3	74.6	67.1
Lithuania	1295.0	74.9	67.8	73.5
Latvia	958.0	83	78	66.9
Czech Republic	3705.0	96.9	91.5	92.1
Slovakia	1724.5	92.2	85.6	90.3
Slovenia	784.9	98.1	92.9	92.2
Hungary	4031.9	84.6	80.4	79.9

Source: Cesarski (2007).

Table 4 presents the equipment of housing units with basic utilities in the same way as table 1. Among the new European Union member countries a Polish housing unit is relatively well equipped. Housing units in Poland are better equipped with water supply system access than in Slovakia and much better than housing units in Lithuania, Latvia, Estonia or Hungary. The situation in the Czech Republic is better than in Poland. The numbers of housing units equipped with toilets are much lower in Bulgaria, Estonia, Latvia or Lithuania while in the other countries the situation is compatible to that in Poland. The situation is similar as concerns equipment of housing units with bathrooms. The situation in Poland is worse than in Slovakia or the Czech Republic but it is much better than in the former Soviet Republics that have the poorest equipment of housing units with utilities. In that aspect the civilization gap between Poland and Western European countries closes.

The eastern regions, with the exception of Warmińsko-Mazurskie voivodship, are much worse equipped with water supply networks, bathrooms and toilets as compared to the other voivodships. The housing units in the eastern border area of the European Union can be compared to the living standards in Lithuania, Latvia and Estonia. That comparison seems justified historically, geographically and culturally.

Conclusion

Among numerous problems of spatial diversification in development of Poland, underdevelopment of the eastern and north-eastern voivodships has a significant position as a consequence of economic and social disproportions between those areas and the remaining part of the country. Systemic backwardness combined with poor infrastructure, difficulties in the labor market, status and equipment of housing resources additionally highlight the complexity of the socio-economic situation in the analyzed areas. Residents of those voivodships are facing major social challenges that may contribute to their social marginalization and play a stimulating role in the migration process.

The picture of the housing situation in Poland resulting from the subject analysis is highly unsatisfactory. The investigated voivodships are characterized by high overpopulation of housing units and low average level of equipment. Considering the criteria assumed in the National Census of Population and Housing Units[2] it should be concluded that the average household in the north-eastern voivodships of Poland lives in poor conditions.

The larger area of the new housing resources is only improving the status of current resources and it should be assumed that the process will take a long time. The average number of residents per one room and the average number of rooms per housing unit remain an important issue. Significant differences as compared to the countries of the so-called *old Union* force formulation of a very unfavorable judgment as concerns the situation of Poland (KORNIŁOWICZ 2005, p.72).

Favorable changes in Podkarpackie voivodship as concerns the average housing unit commissioned for use represent just a nucleus of the necessary actions. Each of the investigated eastern voivodships is ranked at the lowest positions in the rankings of voivodships. Considering the European statistics it should be concluded that the process of adjustment of the situation in Polish housing to the European standards must only gain appropriate momentum.

[2] More in: *Narodowy Spis Powszechny Ludności i Mieszkań.* 2003. Rozdział III. *Warunki mieszkaniowe.* GUS, Warszawa, p. 98.

In those circumstances a wider involvement of the State in housing development seems important. The most important issue then would be a wider use of the European Union structural funds for housing purposes. The European Commission Regulations create a possibility of applying for funds to which voivodships of eastern Poland are predestined in particular (ZYGIEREWICZ 2007, p. 136). The stabile housing policy and adjustment of the supply to the demand for housing units from the people of lower material status should become one of the factors stimulating the socio-economic development in the investigated regions.

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EXCHANGE RATE SYSTEM AND INFLATION IN THE PROCESS OF INTEGRATION OF THE CENTRAL AND EASTERN EUROPEAN COUNTRIES WITH THE EUROPEAN UNION

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K e y w o r d s: integration, transformation, exchange rate system, inflation.

A b s t r a c t

Central and Eastern European countries, on the path to implementation of the common currency apply different exchange rate regimes. The study aimed at determining which of them proved the most rational from the perspective of the relations between the inflation and the currency exchange rate. The study showed that indifferent of the selected path for reaching ERM II and as a consequence the common currency the exchange rate system applied will be the factor determining the intensification or weakening of inflation processes in the Central and Eastern European countries in the integration process. It also seems that Poland does not have to be afraid of the inflation impulse as a result of tightening the exchange rate of Polish Zloty within the frameworks of the ERM II.

SYSTEM KURSOWY A INFLACJA W PROCESIE INTEGRACJI KRAJÓW EUROPY ŚRODKOWO-WSCHODNIEJ Z UNIĄ EUROPEJSKĄ

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S ł o w a k l u c z o w e: integracja, transformacja, system kursowy, inflacja.

A b s t r a k t

Kraje Europy Środkowo-Wschodniej w drodze do przyjęcia wspólnej waluty stosują różne reżimy kursowe. Celem badań było stwierdzenie, który z nich okazał się najbardziej racjonalny z punktu widzenia związków między inflacją a kursem walutowym. Badania wykazały, że niezależnie od wybranej drogi dochodzenia do ERM II i w konsekwencji do wspólnej waluty, to nie stosowany system kursowy będzie czynnikiem decydującym o nasileniu bądź osłabieniu procesów inflacyjnych w krajach Europy Środkowo-Wschodniej w procesie integracji. Wydaje się również, że Polska nie musi się obawiać impulsu inflacyjnego ze strony usztywnienia kursu złotego w ramach ERM II.

Introduction and rationale for the study

Inflation is a phenomenon that applies directly to all the market participants, both the producers and the consumers. Its level is perceptible in global and regional scale. In Warmia and Mazury region over 4/5 of the enterprises investigated consider the inflation rate important or even very important factor determining investments (WARŻAŁA 2005, p. 200). Changes in the exchange rate are of no lesser importance. Its role increased with the increasing international trade and progressing economic integration within the European Union. The economic integration process will continue and its practical effects are and will be perceptible not only in the scale of the country but they will manifest increasingly at the regional and local levels. As a consequence the investigation of the relations between the inflation rate and the nominal currency exchange rate seems so important. The issue also becomes particularly interesting in the context of changes caused by the global financial crisis.

Joining the European Union Poland committed itself to participate in the future in the monetary union, i.e. to implement the common currency euro. The same goal if faced by the other countries which – in exception of Malta and Cyprus – are characterized by parallel implementation of two processes: the systemic transformation of the economy and the economic integration within the European Union. Individual countries implement the process of reaching the common currency in slightly different ways. The economic consequences (e.g. the inflation rate) of tightening the Zloty exchange rate within the frameworks of participation in the ERM II, that is during at least two years immediately preceding acceptance of the euro represent one of the major problems in the discussions on the subject. It should be noticed that in the countries that aspire for membership in the monetary union the relation between the inflation and the currency exchange rate is the key issue. That issue can be analyzed and assessed on the base of 10 Central and Eastern European countries.

Subject, scope and applied methodologies of studies

The relations occurring between the inflation rate and the nominal currency exchange rate[1] are the subject of the study. In the studies on inflation the

[1] The nominal currency exchange rate is the price of the foreign currency (in this paper the euro) expressed in the national currency. The real currency exchange rate is the measure of the prices for goods and services in one country expressed in prices of goods and services in another country (KRUGMAN, OBSTFELD 2007, p. 150).

HICP (Harmonized Index of Consumer Prices) was considered, which is the index of the average increase in the prices of consumer goods and services basket computed by EUROSTAT. The inflation computed according to the HICP methodology is compatible in all the European Union countries. Changes in the nominal exchange rates of national currencies were computed as percentage changes in the year average nominal exchange rates of national currencies to the euro. EUROSTAT is the source of the data.

The study covered the results obtained in 10 Central and Eastern European countries that have been European Union members as of 2004: the Czech Republic, Estonia, Lithuania, Latvia, Poland, Slovakia, Slovenia, Hungary as well as Bulgaria and Romania, which joined that group in 2007. The timeframe of the study covers the years 1998-2008. This is the period during which the countries studied were already past the systemic transformation shock and were subject to the integration processes both preceding the formal accession to the EU and during the initial years following the accession.

All the countries studied committed themselves to implement the common currency euro and two among them, Slovenia and Slovakia have already done that. One of the necessary conditions for replacing the national currency with the euro is application for the minimum of two years of a fixed exchange rate system of the national currency to the euro within the so-called European Exchange Rate Mechanism ERM II. There are however different mechanisms of approaching the currency union. In the practice of the accepted exchange rate policy we observe four paths to the common currency that determine the division into control groups with uneven numbers of countries in them.

Some of the countries, in their exchange rate policy, had implemented the **fixed exchange rate regime** (Latvia as of 1994) or the currency board system (Estonia as of 1992, Lithuania as of 1994, Bulgaria as of 1997) in their exchange rate policies already some years prior to the two year period within the frameworks of the ERM II.

The second accepted solution involves application of the **floating exchange rate regime** and as a consequence the shortest possible period of staying in the ERM II. Those strategies were applied by Slovenia and Slovakia. The Slovenian tolar and Slovak koruna were quoted according to the crawling peg regimes and they stayed within the ERM II system as short as possible to (the Slovenian tolar was included in the ERM II system from the 28th of June 2004 until the 31st of December 2006 while the Slovak koruna from the 28th of November 2005 until 31st of December 2007).

Poland belongs to the group of the countries that chose the third method, that is they have not yet fixed the exchange rates of their currencies to the euro and continue applying the **floating exchange rate system** (Romania as of 1991, Czech Republic as of 1997, Poland as of 2000). The relation between tightening the exchange rate and the inflation is a particularly important issue for that group of countries. As a consequence, the issue is the main subject of the presented studies.

Hungary requires a separate study as the exchange rate regime that the forint was subject to was incidental and not applied in other countries of the European Union. During the study period the forint exchange regime changed. As of 1995, Hungary applied the crawling peg regime with the allowed fluctuation band of ±2,25%, in 2001 the allowed fluctuations around the parity were extended to ±15%. As of the 26th of February 2008 the forint exchange rate to the euro has been liberated. This allows individual treatment of Hungary in the studies and considering that Hungary applies a **system that is intermediate between the fixed and the floating exchange rate,** although evolving towards increasing liberalization. The floating exchange rate, however, is not the target one as the Hungarian central bank declares that it aims at tightening the forint exchange rate within the ERM II, and later implementing the euro.

The main goal of the study is to determine which of the selected methods of reaching the common currency proved the most rational from the perspective of the relation between the inflation and the exchange rate.

The basic research task was achieved in the form of the answer to the two following questions:
- Is there a correlation between the exchange rate regime and the inflation?
- Was tightening of the currency exchange rate linked to an increase of inflation?

In the study the following research hypothesis was formulated: in transition economies at the same time integrating with the European Union, i.e. in the Central and Eastern European countries, tightening of the exchange rate within the frameworks of the ERM II does not cause an increase of inflation.

The exchange rate policies assumed by the studied countries in the process of reaching the monetary union determine the division into 4 comparative groups. As those groups are small the simple tabulation comparative method was applied. For the purpose of determining the average values the arithmetic average was applied. It should be remembered, nevertheless that use of the arithmetic average may bear an error if the set includes atypical observations, particularly those characterized by extremely high values.

Reaching the currency union – selected elements

All the studied countries committed themselves to accede to the European Monetary Union. However, accession to the euro zone is restricted by the necessity of satisfying the institutional and nominal conditions. The nominal convergence criteria include, among others, low inflation rate (not higher than the reference value), the necessity to maintain the currency exchange rate for two years in the European Exchange Rate Mechanism (ERM II), i.e. de facto the stabile currency exchange rate to the euro[2]. The exchange rate criterion is in fact the test of readiness to join the single currency area (ORĘZIAK 1999, p. 33). The convergence criteria are the same for all the countries, although the new EU members applied and apply a whole spectrum of possible currency exchange rate regimes:

– The Estonian kroon as of 2004 has participated in the European Exchange rate Mechanism ERM II. Earlier (until 1992) it had been quoted in the currency board system, so accession to the ERM II was a formality without a major influence on the other macro and microeconomic parameters.
– The Lithuanian lit has been in the ERM II as of 2004. Lithuania assumed the currency board system in 1994 while during the years 1992-1993 lit was quoted in the independent floating exchange rate system.
– The Latvian lat has been in the ERM II system since 2005. As of 1994, Latvia has used the conventional fixed exchange rate regime with the allowed margin of fluctuations of ±1%.
– The Bulgarian currency has been quoted in the currency board system as of 1997, first against the German mark and then against the euro while earlier the floating independent exchange rate was applied.
– Slovenia has had the euro as of the 1st of January 2007. The Slovenian tolar had been quoted in the ERM II system from the 28th of June 2004 until the 31st of December 2006, while earlier (as of 1992) the managed floating exchange rate.
– The euro has been the Slovakian currency as of the 1st of January 2009. The Slovak koruna had remained in the ERM II system from the 28th of November 2005 until the end of 2008, earlier the managed floating exchange rate of the koruna had been applied (as of 1998).
– The Czech koruna has been quoted in the floating exchange rate system as of 1997.
– Romania has applied the managed floating exchange rate system as of 1991.
– Poland has applied the independent floating exchange rate system since 2000. During the years 1995–2000 the crawling peg exchange rate system with the band of allowed deviations from the central parity had been applied.
– In 1995, Hungary assumed the crawling peg exchange rate system with the allowed band of deviations of ±2.25%, in 2001 the band was extended to ±15%, and in February 2008 the forint exchange rate was liberated.

[2] The other convergence criteria are the stability of public finance (the budget deficit cannot exceed 3% of the GDP, the public debt not exceeding 60% of the GDP), and the level of the long-term interest rate (10 years treasury bonds) not exceeding the reference value.

The exchange rate regime influence on the inflation is described in the literature from two different perspectives. The first of them treats the fixed currency exchange rate as the anti-inflation anchor. The second of the position highlights the specificity of the systemic transformation process and points out at the appreciation of the real currency exchange rate reaching the conclusion that in the economies in transition there is a trade of between the appreciation of the nominal currency exchange rate and the inflation.

According to the first position, tightening the national currency exchange rate to the reference currency, which is stabile is treated as anti-inflation anchor (HAGEN, JIZHONG ZHOU 2002, pp. 6–7), in both countries with established market economies and in the countries in the profess of the systemic transformation of the economy. Although the higher current prices increase rate hinders maintaining the fixed currency exchange rate, the high notorious inflation encourages assuming the currency system based on the disinflation program (HAGEN, JIZHONG ZHOU 2002, pp. 14–15). This occurs in the situation when low credibility of monetary authorities is the source of inflation as that low credibility of monetary authorities contributes to creating the so-called inflation bias in the economy (WÓJCIK 2005, p. 27). According to the imperfect information theory by Lucas, when business entities and the society in a given country have high inflation expectations the costs of combating the inflation are high (MONGELLI 2002, p. 34). However, by tightening the currency exchange rate something like "borrowing" credibility from the anchor currency monetary authorities takes place. The costs of disinflation, as a consequence, are lower (CORSETTI 2008, p. 36). As the European Central Bank runs a credible inflation target policy, according to that theory, the Central and Eastern European countries that fixed their currencies in relation to the euro, will not experience the inflation higher than the countries applying the floating currency exchange rate.

The second of the positions highlights that strong appreciation of real currency exchange rates was one of the characteristics in transformations of Central and Eastern Europe transformations. The following phenomena are given as structural sources of that phenomenon: supply sources (the Balassa-Samuelson effect, changes in the equipment with means of production, the reverse Balassa-Samuelson effect, liberalization and adjustment of administered prices), demand effects' mechanisms and the problem of monetary authorities reputation (WÓJCIK 2005, p. 18). CEZARY WÓJCIK (2008, p. 55) states that the real currency appreciation can manifest in two ways:

1) as the appreciation of the nominal currency exchange rate while maintaining the inflation at the level close to the EU average, and/or:

2) in the form of a higher inflation when the nominal currency exchange rate is stabile.

According to numerous authors countries transforming their economies and simultaneously integrating with other countries have the choice between the fixed currency exchange rate and a significant inflation or a low inflation coupled with the nominal appreciation of the national currency (CORICELLI, JAZBEC 2003, pp. 98–99, EGERT, HALPERN, MACDONALD 2005, p. 13, HALPERN, WYPLOSZ 2001, p. 15).

In case of the nominal exchange rate maintained at a fixed level, the relative changes in prices and the real appreciation of the currency would cause appearance of a higher inflation as compared to the euro zone countries. On the other hand, allowing nominal currency exchange rate appreciation allows maintaining the inflation at the level similar to that in the euro zone (WÓJCIK 2008, p. 56). This would mean that countries transforming their economies and simultaneously integrating with the EU may choose between the nominal appreciation of the currency exchange rate and the inflation.

This issue is of extreme significance for those among the new Member States that apply the floating exchange rate. Establishing the irrevocable exchange rate of the national currencies to the euro will mean a decrease in variability of the nominal exchange rate to zero. Assuming continuation of the real appreciation trend this might mean a higher inflation as compared to the euro zone average.

An intermediate position is represented by KLYUEV (2001). Although that author also assumes a trade of between inflation and appreciation of the nominal currency exchange rate in countries in transition (KLYUEV 2001, p. 7), on the basis of the analysis of data from 13 countries in transition during the years 1990–1998 he argues that the correlation between the inflation rate and the choice of the exchange rate regime is non-linear. In case of the low initial inflation level, floating exchange rate is recommended to stabilize the inflation at a low level while in case of a high inflation the fixed currency exchange rate seems recommended to fulfill the role of the nominal anchor (KLYUEV 2001, p. 26).

The influence of changes in the currency exchange rate on the dynamics of inflation processes is known under the name of *exchange rate pass-through*. The depreciation of the currency exchange rate translates into higher prices of imported goods and, as a consequence the inflation. Studies for Poland during the years 1995–2006 were conducted by CHOLEWIŃSKI (2008) using highly advanced econometric methods. According to CHOLEWIŃSKI (2008), 1% unanticipated increase in the currency exchange rate causes an increase of the producer inflation rate m/m during the period of the initial 12 months after appearance of the impulse by ca. 0,1 pp. The reaction on the side of the consumer inflation (m/m) rate is weaker and respectively longer – the increase of that rate stabilizes after 15 months at the level of ca. 0,004 pp (CHOLEWIŃSKI

2008, p. 53). The disproportion in the scale of reaction by both inflation measures to the exchange rate impulse proves the existence of the mechanisms eliminating the *pass-through* effect between the last two links in the distribution chain. Higher costs may cause in case of producers a decrease in the margin in fear of loosing the market, which translates into stopping the increase in prices of the finished goods. In practical terms the monetary authorities also have a share in extinguishing the inflation impulse.

It should also be remembered that depreciation of the national currency is just one of the supply factors influencing the inflation. In addition to the exchange rate, the inflation is influenced by a whole range of factors both of the supply and the demand nature as well as monetary factors.

On the other hand the inflation also influences the currency exchange rate. There is feedback between the inflation and the changes in the currency exchange rate, but there are also many other factors influencing both values, which means that in practical terms it is hard to expect straight functional correlations. In addition to the inflation the fluctuations of the currency exchange rate are influenced by a whole range of factors, frequently short-term, which have not only economic but also psychological and sociological bases. In the literature the following are given as the most important causes of long-term currency exchange rate deviation from the exchange rate resulting from the purchasing power parity: shift in the levels of the relative money supply, changes in the growth rates of the relative money supply, changes in the relative demand for products, changes in the relative supply of products (KRUGMAN, OBSTFELD 2007, p. 157). In case of the Central and Eastern Europe countries treated by participants in the international financial market as the emerging markets, once off or speculative factors may have a large influence on the current currency exchange rate.

In long-term, the inflation rates convergence is the major condition of monetary stability. This is justified by the purchasing power parity theory that proves that when we want to observe the necessary current balance equilibrium in medium and long term the changes in currency exchange rates should compensate the differences in the rate of prices increase between trade partners (BOROWIEC 2001, p. 47). According to the purchasing power parity theory, when the inflation rate in the new Member State is higher than the average inflation rate in the euro zone the depreciation of the nominal exchange rate of a given currency to the euro will take place, roughly proportional to the difference in the inflation rates.

The review of the literature indicates that the currency exchange rate influence on the inflation depends on a number of additional factors (CORSETTI 2008, p. 27, p. 36, KRUGMAN, OBSTFELD 2007, p. 134, MONGELLI 2002, p. 34, WÓJCIK 2005, p. 27):

- the initial inflation level,
- the credibility of monetary authorities and inflation expectations of the society,
- the advancement of the transformation processes (and as a consequence the extent of the Balassa-Samuelson effect, rate of changes in the equipment with factors of production, extent of the reverse Balassa-Samuelson effect, liberalization advancement level and adjustment of administered prices level),
- the share of imported goods in the inflation basket and the price elasticity of the demand for those goods.

Currency system and inflation

The fact of existence of different currency exchange rate systems in the Central and Eastern Europe countries was used for investigating the relations between the exchange rate regime applied and the inflation. The countries were divided into 4 groups according to the currency exchange rate regime practiced.

The first group included the countries that applied the currency board or fixed rate system during the period of 1998–2008, i.e. Bulgaria, Estonia, Latvia and Lithuania. Among the countries of that group only Bulgaria does not participate in the ERM II. Prior to the accession to the ERM II Latvia applied the system of conventional fixed rate with the allowed parity of deviations of ±1%, while Estonia and Lithuania the system of currency board, which means lack of the possibility of the current exchange rate deviation from the parity. As the ERM II system is a multilateral system of fixed but adjusted currency exchange rates with the fixed central rate and standard fluctuation belt of ±15%, formally the fact of accession to the ERM II could be treated as liberalization of the exchange rate regime. It is not so, however, because Latvia declared unilaterally that it would keep the lat within the current fluctuations band while Estonia and Lithuania secure liquidity in their currency market tightly keeping the exchange rates of their currencies without any fluctuations from the central parity. This in fact means that for those currencies accession to the ERM II did not change anything. However, if maintaining the central parity proves impossible, those countries may, with no harm to participation in the ERM II, expand the allowed fluctuation belt to ±15%.

Slovenia and Slovakia were allocated to group two. Those countries, during the initial years of the studied period applied the floating exchange rate system and then Slovenia fixed its currency in the ERM II on the 28th of June 2004 while Slovakia did the same in November 2005. Slovenia became a member of the monetary union on the 1st of January 2007 and Slovakia two years later, on the 1st of January 2009. The strategy assumed by those countries is characterized by fast fixing their currencies exchange rates in the ERM II system, possibly short stay within the ERM II system, and as fast as possible implementation of the euro. The experiences of those countries related to fixing their currency exchange rates are a particularly important research issue.

The third comparative group consists of the countries that have not joined the ERM II yet and apply the floating exchange rate. Those are the Czech Republic, Poland and Romania. Formally Poland has applied the floating exchange rate system as of May 2000 while during the years 1995–2000 it applied, as already mentioned, the crawling exchange rate system with the allowed fluctuation band from the central rate. However, the NBP maintained the Zloty exchange rate within the allowed fluctuation band using market and non administrative instruments (BAŁTOWSKI, MISZEWSKI 2006, p. 279). Already as of 1998, gradual increased flexibility of the system had been introduced so that it allows including Poland in the group of the countries applying the floating exchange rate during the entire period studied.

The fourth comparative group covers just one country – Hungary. The path of that country to implementation of the euro has not been applied by any other country during the period covered. Hungary, during the years 1995–2001, applied the crawling peg exchange rate with the allowed fluctuation belt of ±2.25% from the parity while the central parity according to the logics of the system was subject to monthly devaluation. In 2001, the allowed fluctuation band around the parity was expanded to ±15%; actually that already was a fixed exchange rate system with the fluctuation band because during the years 2001–2008 only one devaluation of the central exchange rate was performed (on the 4th of June 2003 the central parity of the forint was devaluated by 2.27%). As of the 26th of February 2008, forint is quoted in the floating exchange rate system. The central bank of Hungary declares that it is its goal in the undetermined future to substitute the forint with the common European currency, the euro, and the only path to that goal, according to the Treaty of Maastricht is the temporary (two year) tightening of the forint within the frameworks of the ERM II system. However, during the period covered we observe in that country a gradual evolution from the intermediate system, that is the crawling peg with the allowed fluctuation band towards full liberalization of the currency.

The average inflation rates during the years 1998–2008 in the four studied groups of countries is presented in table 1. The arithmetic average is sensitive to the extreme values. As Romania was characterized, particularly at the beginning of the studied period, by a significantly higher inflation (59.1% in 1998, 45.8% in 1999, 45.7% in 2000, 34.5% in 2001), the average for the countries applying the floating exchange rate was also high for that period. Only in as of 2005 inflation in Romania was brought successfully to the level below 10%. As a consequence that group of the countries is characterized by a higher average inflation level during the initial years of the period covered.

Table 1

Average inflation depending on the assumed exchange rate regime

Item	Year										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fixed rate	9.3	2.3	4.5	4.3	2.9	1.4	4.1	4.9	5.6	7.6	12.3
Floating rate	26.9	18.3	19.9	14.8	8.6	5.3	6.0	4.3	3.33	3.5	6.1
First floating rate and as of 2004 and 2005 fixed rate in the ERM II	7.3	8.3	10.6	7.9	5.5	7.1	5.6	2.7	3.4	2.9	4.7
Crawling peg allowing the fluctuation band (initially 2.25%, as of 2001 15%), as of 2008 floating rate	14.2	10	10	9.1	5.2	4.7	6.8	3.5	4	7.9	6

Source: Own work based on: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=REF_TB_prices&root=REF_TB_prices/t_prc/t_prc_hicp/tsieb060

During the pre-accession period, all the countries studied, indifferent of the exchange regime applied, were on the path of decreasing the rate of prices increase. Increase in the rate of prices increase during the final years of the period studied is a general European trend; during that time the average inflation rate in the euro zone countries and in the entire European Union also increased. The average inflation in 2008 in the entire EU increased to 3.7% as compared to 2.3% in 2007 (http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=tsieb060&tableSelection=1&footnotes=yes&labeling=labels&plugin=1).

It is impossible to establish that the choice of one of the alternative exchange rate systems determined a systematically higher or lower inflation; the trends are highly similar as visible in figure 1. On that base it can be concluded that indifferent of the chosen path of reaching the ERM II and as a consequence the common currency, it is not the applied exchange rate system that will determine increasing or decreasing the inflation processes in the Central and Eastern European countries in the process of integration with the European Union.

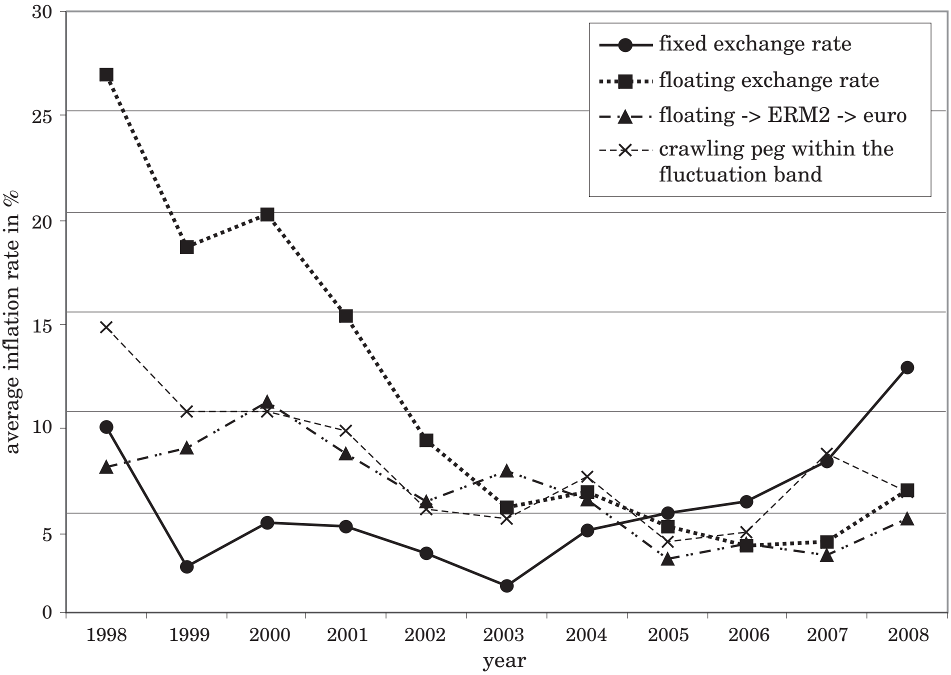

Fig. 1. Average inflation depending on the assumed exchange rate regime
Source: Own work based on: http://epp.eurostat.ec.europa.eu/portal/page?T30–pageid=1996,39140985&_dad=portal&-schema=PORTAL&screen=detailref&language=en&product=REF_TB_prices&root=REF_TB_prices/t_prc/t_prc_hicp/tsieb060

During the pre-accession period, the countries applying the fixed currency exchange rate were characterized by the lower average inflation rate than the countries applying the floating currency exchange rate. This is consistent with the theory saying that the fixed currency exchange rate or a more orthodox system of the currency board favors lower inflation functioning as anti-inflation anchor. However, already as of 2003 the inflation in Lithuania, Latvia, Estonia and Bulgaria increased faster and faster. The inflation in those countries should be seen as the phenomenon accompanying the high economic growth rate (BUKOWSKI 2008, p. 120), so it should rather not be linked to Estonian kroon, Lithuanian lit and Latvian lat joining the ERM II, because those currencies already earlier had been subject to the regime of fixed exchange rate to the euro. On the other hand Slovenia and Slovakia, after tightening the exchange rate recorded a decrease of the inflation. This is the experience important from the perspective of Poland because for those two countries accession to the ERM II involved tightening the currency exchange rate as will be the case in Poland.

Conclusion

During the pre-accession period countries with the fixed exchange rate were characterized by lower average inflation than the countries applying the floating currency exchange rate. However, already in 2003, the inflation in Lithuania, Latvia, Estonia and Bulgaria increased faster and faster and was higher than the average inflation in the countries applying the floating exchange rates. This fact, however, should not be linked to accession to the ERM II because in those countries that accession did not mean a change in the exchange rate regime. In case of Slovenia and Slovakia, however, that changed the floating currency exchange rate to the fixed exchange rate system within the frameworks of the ERM II and then replaced the national currency with the euro, no significant increase of inflation was recorded. This is an experience highly important from the perspective of Poland because accession of the Polish Zloty to the ERM II will also mean resignation from the floating currency exchange rate and replacing it with the fixed euro exchange rate.

It was not established that the choice of any of the alternative exchange rate systems determined a systematically higher or lower inflation. In that base it can be concluded that indifferent of the selected path of reaching the ERM II and as a consequence the common currency it will not be the exchange rate system that will be the factor determining intensification or weakening of inflation processes in the Central and Eastern European countries in the integration process. The assessment – positive or negative – of the floating currency exchange rate chosen by Poland finds no justification from that perspective. The assessment of the choice of that method should be conducted on the base of other characteristics and not the inflation consequences.

The important conclusion for Poland is that we should rather not be afraid of the inflation impulse resulting from tightening the currency exchange rate. The fixed exchange rate to the euro protects us against the inflation impulse resulting from depreciation of the currency. This, however, does not exclude appearance of inflation impulses originating from other sources.

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LIMITATIONS OF THE NATIONAL ECONOMIC POLICY IN THE FACE OF GLOBALIZATION PROCESS*

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K e y w o r d s: globalization, government role, transformation process.

A b s t r a c t

The article touches upon the problem of government's role evolution, which is the result of globalization process. The thesis of the paper says that a government is not able to stop and create efficient obstacles for the globalization process. When a government creates national economic policy it can only actively react to the evolution of modern global economy in a way, which is not contradictory to the basic Hayekian spontaneous forces of globalization.

OGRANICZENIA NARODOWEJ POLITYKI GOSPODARCZEJ W OBLICZU GLOBALIZACJI

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S ł o w a k l u c z o w e: globalizacja, rola rządu, transformacja.

A b s t r a k t

Celem artykułu jest analiza ewolucji potencjalnej roli rządu związanej z procesem globalizacji. W artykule postawiono tezę, że żaden rząd nie jest w stanie indywidualnie przeciwdziałać zjawiskom związanym z procesem globalizacji. Prowadząc narodową politykę gospodarczą, poszczególne rządy mogą co najwyżej aktywnie reagować na zmiany zachodzące we współczesnej globalnej gospodarce, w sposób, który nie jest sprzeczny z kierunkiem narzucanym przez spontaniczny, w sensie hayekowskim, proces globalizacji.

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Introduction

The influence of globalization on national states is currently one of the most exploited subjects among the sciences involved in almost all aspects of social sciences. It is also an important subject of global public debate. Despite that the problem is frequently far from full understanding. It is also difficult to talk about emergence of a consensus in the current debate. As a consequence, numerous controversies concerning the evolution of government role linked to the observed fundamental transformation in global economy can be noticed. Analysis of the development of those public discussions can lead to the conclusion that the problem is particularly important in Europe, citizens of which are strongly attached to strong influence of the national state on economic processes and frequently reject the possibility of limiting the traditional influence of the state in that area.

This paper represents a voice in the discussion concerning the influence of globalization on changes in the options for effective state control of economic processes. The aim of the paper is to present the factors that limit the effectiveness of state activities focused on performance of operational control over the economy. In achieving that aim the method of literature analysis and critique was uses coupled with confrontation of theoretical conclusions resulting from the methodology chosen with the statistical data collected by the OECD (See APANOWICZ 2006).

New global economy

According to Joseph Stiglitz, globalization is the „tighter integration of states and people in the world caused by the immense reduction in costs of transport and telecommunication and removal of artificial barriers to the flow of goods, services, capital, knowledge and (to a lesser degree) people from country to country. Globalization has been accompanied be establishment of new institutions, which, next to the existing ones, started conducting activities crossing national borders. [...] Globalization is stimulated significantly by international corporations moving across borders not only the capital and goods but also technology" (STIGLITZ 2004, p. 26).

Globalization is currently one of the most frequently analyzed socioeconomic phenomena. Despite that the opinions skeptical about the thesis concerning the important influence of globalization on structural changes in contemporary economy also appear. According to those opinions the phenomenon has nothing particular in it, as international integration of individual economies has been visible for decades. As a consequence, it represents a long-term transformation of evolutional character. This means that globalization should not be treated as the source of accelerated multidimensional structural transformation of contemporary economy. For example, during the years 1870–1914, at the peak period of gold standard development in the global monetary system the share of international trade in generating the national wealth of the major global economies was even higher than today. This means that the increasing rate of globalization today can be treated as return to the process that was suspended by two World Wars and the great crisis of the 1930s (Compare BIEŃSKOWSKI 2004, p. 13).

In some respects that perspective could be considered right. Nevertheless, comparing the major characteristics of the current stage of globalization with its historical stages the immense difference in the scope of proportions and scale of transformations in the global economy that could be caused currently by the so-called globalization shock' should be noticed. This is presented in Figure 1. Currently, as compared to the earlier stages of globalization, countries newly integrating with the global economy are characterized by significantly larger populations and much greater GDP per capita gap in relation to the highly developed countries (*OECD Economic Outlook* 2007, pp. 186–187). The difference in those proportions translated into a much faster rate of transformations in the structure of the fundamental economic relations such as flow of goods, capital and people and influences a different mode of global economy functioning.

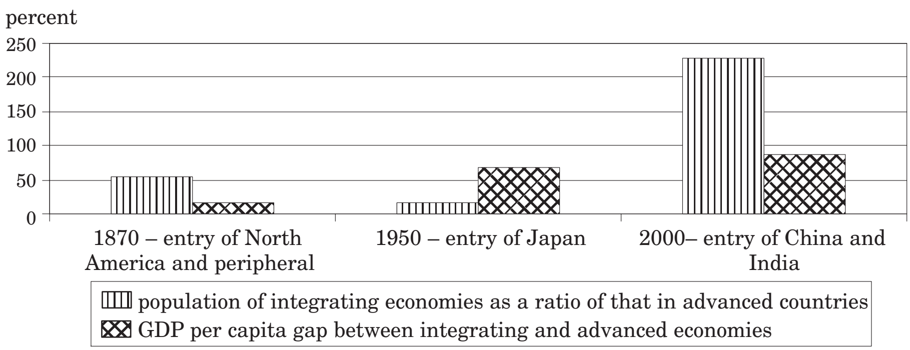
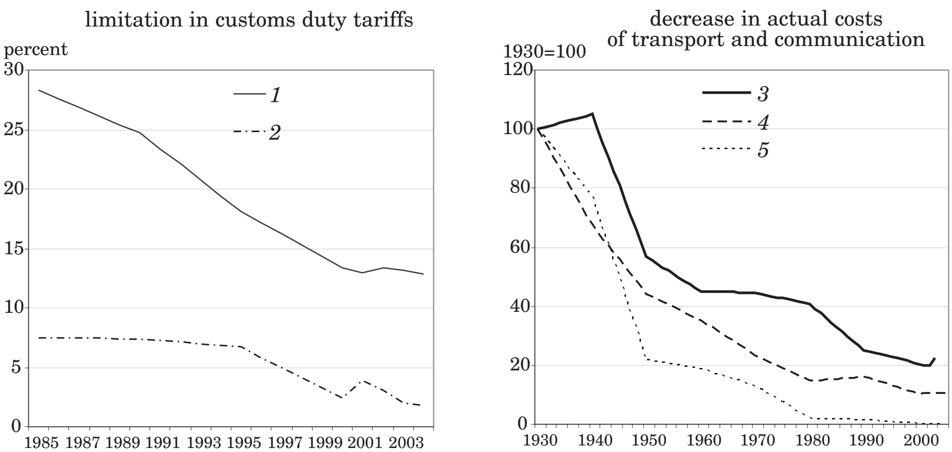


Fig. 1. Differences in scale between different stages of the globalization process
Source: *OECD Economic Outlook* 2007, p. 186.

On those bases it can be concluded that although the globalization process has been observed for decades, its earlier stages had a very limited influence on global economy functioning. With the exception of small-scale international trade in products and services as well as changes in relatively few earlier globalized industries, the national economies maintained their relatively local character all the time. Currently, on the other hand, the process of gradual transformation that offered all the entities lots of time for adjustment is the thing of the past. Nowadays the influence of the globalization process is general, it determines the situation of both the developing and the highly developed countries and manufacturing as well as service sectors (FRASER, OPPENHEIM 1997, p. 169).

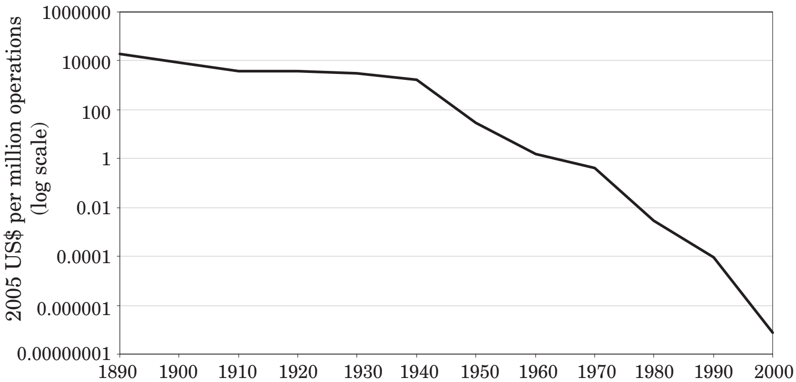
The definition of globalization according to Joseph Stiglitz indicates that the rapid decrease in the costs of transport and information exchange accompanied by the limitation in national protectionism supportive to liberalization of international trade were among the key driving forces of that phenomenon. This is confirmed by the data presented in Figures 2 and 3. During the recent



Where:
1 – Median for non-OECD member states from the average tariffs level for a given country.
2 – Median for OECD member states from the average tariffs level for a given country.
3 – Average price per ton for international freight.
4 – Average income of earliness per passenger mile until 2000, next the passenger fees in the USA
5 – Cost of three minutes connection between New York and London.

Fig. 2. Decrease in the costs of trade and transaction costs
Source: *OECD Economic Outlook* 2007, p. 187.

decades the global reduction in the customs duty barriers has taken place. Additionally, the actual costs of transport decreased fourfold during the last fifty years, which can be considered a very modest result compared to the decrease in costs of information transfer and processing costs. According to the study by William Nordhaus, the entire 20th century was marked by unprecedented decrease in information processing costs. Between 1890 and the end of the 20th century the effectiveness of the unit labor cost at fixed prices assumed as the measure for processing power cost achieved the yearly growth rate at the level of 30%. It should also be highlighted that the increase before 1940 was very low. After World War II with the era of the computer the increase in processing power unit effectiveness at fixed prices exceeding 55% per year was recorded (NORDHAUS 2001). Those factors determined the increase in the technical potential for internationalization of all economic entities.



Where:
1. The graph presents the cost of processing capacity necessary for performance of an average operation (totaling and multiplication). This is based on the cost of manual processing in 1890, electromechanical processing between 1890 and 1940, and computer processing after 1940

Fig. 3. Decrease in the information processing costs
Source: *OECD Economic Outlook* 2007, p. 187.

Historical analysis indicates existence of correlation and feedback between the technological development in telecommunication, increasing importance of information and increasing role of network solutions on one hand and the globalization process. It can be said that establishment of network system, corporation based on remote communication and major decentralization of decision processes related to that, development of teleinformation assuring shortening of the access time to information have become the key premises for rapid development of new economy (BOEHLKE 2005, pp. 34–35).

As a result, according to Władysław Szymański focusing mainly on the microeconomic perspective, a change in market operation is the most important economic consequence of the current globalization stage. The process of limiting barriers to allocation of economic resources on the basis of the market mechanism across the borders of national states, which translates into a qualitative jump in mobility of the means of production, is the main element of that development. Allocation of economic resources, in particular knowledge and capital across the borders of national states changes the optimally profitable distribution of those means. This makes the contemporary economy global and the contemporary market entirely different from the situation during the period of strong national states and economies separated by obvious borders. As a consequence we can talk about an important change in the most important economic problem faced by economic entities. As Władysław Szymański concludes "If the economy deals with the problem of coping be entities with rarity of resources that have multidimensional applications the globalization changes the approach to rarity of resources and options for their use. The perspective for assessment of resources rarity or abundance and places of using them transforms from the local issue into the global one. Globalization leading to liberating markets from border barriers at the same time eliminates the competitive limitations. In the same way as there is no market without competition, there is no global free market without opening to external competition. As a consequence [...] globalization is the process of eliminating the instruments and means of protection against external competition. Countries, and most of all enterprises, are increasingly exposed to frontal, unrestricted competition". As a consequence, it should be highlighted, that the evolution of the mechanisms responsible for the way and character of functioning of the market of contemporary highly developed economies is the key to the nature of the globalization process (SZYMAŃSKI 2002, pp. 10–11).

Limitation of the effectiveness of the state in the area of direct control over the economic processes

On the basis of the fact referred to in the previous subsection it could be expected that globalization will be the key process influencing the evolution in the economic role of the government during the 21st century.

Changes that occurred during the 20th century such as the great crisis of 1930s and expansion of the welfare state ides in the world after World War II were the source of almost general increase of economic omnipotence of the national state (BALCERZAK 2007, pp. 243–257). On the other hand, Wojciech Bieńkowski analyzing the influence of globalization on the potential for conducting an effective macroeconomic policy indicates rapidly changing potential of governments in the area of creating the conditions for operation and competition among business entities in both domestic and foreign markets (BIEŃKOWSKI 2004, pp. 11–25). That new situation of the governments results mainly from the change in the number and effectiveness of the instruments they could currently use in an attempt at influencing the economic situation as compared to the range of economic instruments that were available to the governments twenty or thirty years ago. Currently the possibilities of effective control by the state over economic processes and certain zones of economic life that were earlier even within its exclusive domain have been limited or modified significantly. This results from the loss of traditional economic instruments of the state that are passed to the international organizations such as WTO, UE, NAFTA or CEFTA. The effectiveness of the numerous state tools is also limited as a consequence of the increase of the economic power of enterprises transforming into international corporations and the necessity of participating in the international financial market, which is inevitable for creating economic growth conditions. All those factors force governments to apply relative discipline and limit the options for discretional activities in the field of macroeconomic economic policy (BIEŃKOWSKI 2004, pp. 11–25).

The thesis by Wojciech Bieńkowski is consistent with the empirical data presented in Figure 4 presenting the increasing share of international trade in the global GDP and Figure 5 presenting the increasing volume of international financial flows.

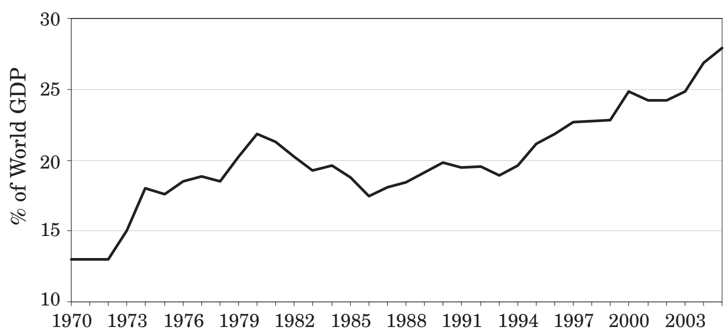


Fig. 4. Increase of international relations in the result of trade: share of the goods and services in global GDP
Source: *OECD Economic Outlook* 2007, p. 188.

Figure 5 confirms that during the recent years a particular increase in the flow of financial capital has taken place. During the analyzed decade the relation of the international financial capital flows to the global product tripled. Nevertheless it should be highlighted that as a result of the global stock exchange crisis at the turn of 2000 and 2001 a change in the structure of capital flows has taken place. The flows of foreign direct investments and foreign capital investments have been limited much more than the flows of investments characterized by higher liquidity and more time was required for returning to the levels matching those from the times preceding the crisis.

Direct foreign investments returned to that level only in 2006 (*World Investment Report 2007. Transnational Corporations, Extractive Industries and Development*. 2007, p. 3).

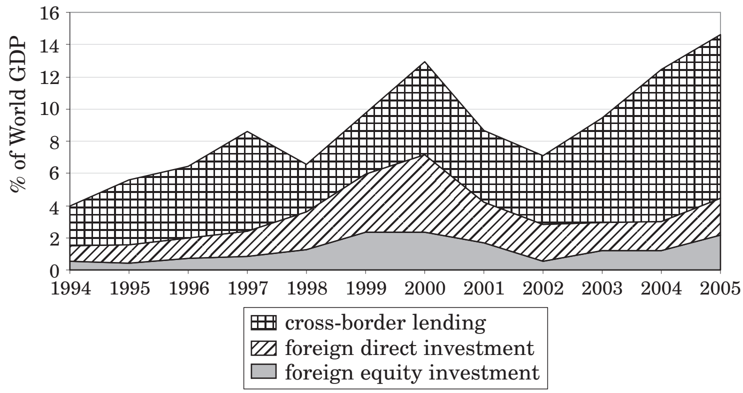


Fig. 5. Share of capital flows in the Gross Global Product
Source: *OECD Economic Outlook* 2007, p. 189.

Some economists see rapidly increasing financial flows as a significant potential risk for social welfare. This applies in particular to the rapidly increasing volume of the most liquid assets. Joseph Stiglitz points at possible risks for the developing countries related to the sensitivity to speculative attacks and currency crisis. That was confirmed by currency collapses during 1990s, particularly painful to the developing countries with open financial markets frequently accompanied by low quality of institutional infrastructure increasing the risk of speculative bubbles formation. As a consequence, he points at justification of strong state control over capital flows and reasonability of limitations to liberalization in that area (STIGLITZ 2004, pp. 57, 71, 2003, pp. 505–524).

Empirical studies, however, provide a significant number of arguments indicating low effectiveness of such activities. The volumes of financial flows in global markets are currently so large that individual intervention activities by individual governments undertaken in capital markets can prove insufficient even in case of large and strong states. Currency crises of the last two decades have proven that possible intervention activities required international collaboration of all the largest participants in the global financial market. The institutional infrastructure necessary for such activities can be provided only by new international organizations as the effectiveness of activities undertaken by the most important currently operating organizations of that type such as the International Monetary Fund and the World Bank is frequently low (STIGLITZ 2003, pp. 505–524).

Additionally, many empirical studies confirm the strong positive influence of high openness of the capital markets both in relation to relatively liquid assets as well as direct foreign investments and direct capital investments to the processes of modernization and productivity increase rates acceleration. That last element is the marginal condition for increasing the social welfare in every country. Liberalization in the area of financial flows is supportive to modernization, development and increase of financial markets effectiveness necessary for effective allocation of resources[1]. On the other hand, foreign direct investments are a very important carrier of impulses for technological modernization and diffusion of innovation, which translates into a higher productivity increase rate (*A New Economy: The Changing Role of Information Technology in Growth* 2000, pp. 40–42, pp. 190–191).

As a result, it is most frequently pointed out that from the perspective of individual countries limiting negative consequences of operation of the international market of liquid financial assets coupled with the use of their potential could be achieved mainly as a result of conducting reasonable macroeconomic policy creating no bases for financial destabilization of the country. The arbitrary and discretional activities of the state, on the other hand, aimed at preventing financial flows shaped by the market would rather be characterized by low effectiveness.

The process of globalization has not bypassed also the labor markets. Despite the non-economic limitations to mobility of labor, since mid 1990s an increasing mobility of human capital and increasing integration of labor markets have been observed. This results in the increasing share of immigrants in resources of labor in the majority of OECD countries (Tab. 1). In particular increasing importance of economic migration of highly skilled labor should be noticed.

A lot indicates that despite increasing codification of knowledge, the tacit knowledge in the form of skills, experience and education established in the human capital gains increasing importance in contemporary economy. This means that expanding links among labor markets of individual markets that translate into larger migration of highly skilled workers represent an important

[1] Multi-aspect studies conducted by Ayhan Kose, Swar Prasa, Kenneth Rogoff and Slang-Jin Wei provide powerful empirical arguments confirming that the developing countries gain evident benefits resulting from integration of their financial markets with the global market. The extent of those benefits, however, depends on numerous institutional conditions. In view of the analyzed studies, nevertheless, there are no pieces of convincing empirical evidence proving medium- and long-term negative influence of financial markets globalization on development potential in the countries aiming at liquidation of the development gap. See: A. KOSE, E. PRASA, K. ROGOFF, S. J. WEI, *Financial Globalization: a Reappraisal*, "NBER Working Papers" 2006, No. 12484, August.

Table 1

Increase in importance of migration in highly developed countries

Country	1		2	
	1992 or the first year available	2004	1992 or the first year available	2004
Hungary	0.97	1.77	2.91	3.77
Finland	1.66	2.55	1.77	1.91
Portugal	1.22	6.36	3.01	13.2
Denmark	2.29	7.16	1.72	9.35
Norway	4.97	7.6	6.69	8.65
Greece	2.85	7.63	3.72	6.16
Ireland	5.5	8.12	11.16	14.33
Spain	1.81	9.84	3.34	10.34
United Kingdom	7.64	10.16	9.15	10.76
France	11.65	11.6	12.83	11.4
The Netherlands	9.88	12.34	8.67	10.52
Sweden	7.08	12.51	8.16	14.86
Belgium	10.36	12.55	9.57	13.31
Australia	11.14	13.03	15.53	15.18
USA	12.08	16.39	11.63	15.32
New Zealand	19.81	22.56	30.44	35.37

Where:
1. Share of immigrants in the population of men in the productive age group
2. Share of immigrants on the population of highly skilled men in the productive age group

Data concerns men only as a consequence of data availability. Employees are treated as immigrants if they were born abroad. Productive age group means: 16 – 64 years. 1992 was assumed as the first year with the exception of: Australia – 1995, Finland – 1996, France – 1993, Hungary – 1997, The Netherlands – 1996, Norway – 1996, Sweden – 1995, New Zealand – 1997, USA – 1994

Source: *OECD Economic Outlook* 2007, p. 189.

component creating positive effects of overlapping and positive external effects in generation and proliferation of knowledge. For countries using that factor in an effective way this can represent an important source for mitigating shortages in high quality human capital. Empirical studies indicate that this was a significant phenomenon facilitating the use of globalization potential during 1990s in such countries as the United States, Australia and Sweden (*A New Economy*. 2000, pp. 44–47).

That phenomenon, on the other hand, means also that contemporary states loose not only the strong influence and control of not only the flows of material and financial capital but also their potential for control over the highest quality human capital also decreases. Increasingly frequently phenomena such as tax optimization applying not only to enterprises but also citizens, influence of macroeconomic policies and influence of government bureaucracy on intensification of migrations can be observed. This means that contemporary states, for the first time in history, are facing the necessity of participating in the international competition for knowledge and high quality human capital, also that, which is the element of their own societies. As a consequence, governments that do not consider those factors creating their economic policies will probably be unable to increase innovation and competitiveness of their economies.

Conclusions

Globalization is an objective, spontaneous in Hayekian sense process of creating the global institutional order[2]. The process is driven by voluntary, spontaneous activities of people and multinational corporations aiming at achievement of their individual goals when new conditions for identification of the global market and allocation of production factors across national states; borders appeared. The process is the source of the new potential, which is the effect of wider choices available to business entities within the reality allowing production of almost anything almost anywhere. It is, however, also the source of new challenges. Currently, it is difficult to assess which of them will develop further and which will loose on importance. Nevertheless, the current level of advancement in the globalization process clearly determines that the individual national state is not able to prevent effectively the mechanisms of economic life transformation initiated by the process on its own. On the other hand, activities of the state inconsistent with the philosophy of the global market are doomed for failure.

Translated by Jerzy Gozdek

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[2] According to Friredrich August von Hayek, the market mechanism is the result of human spontaneous process of acting and learning during thousands of years and not of the focused constructive plan that could be developed in any way, e.g. on the basis of the arbitrary decisions of the state. See: A. P. Balcerzak, *Antyetatyzm w doktrynie społeczno-politycznej F.A. Hayeka* [in:] *I Krakowska Konferencja Młodych Uczonych, 21–23 September 2006*, Sympozja i Konferencje KKMU 1, Akademia Górniczo-Hutnicza in Kraków, Kraków 2006, pp. 621–630. In that sense, globalization can be treated as another stage in the market mechanism evolution in relation to the global economy.

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