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Jarosława Matwiejuka

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SPIS TREŚCI

▶ BARTŁOMIEJ BŁASZCZYK Parliamentary Work Discontinuation's Influence on the Proceedings of the Polish Constitutional Tribunal	7
▶ KRZYSZTOF CZYKIER Towards Ageing Societies. Exemplifications and Challenges.	21
▶ URSZULA GOŁASZEWSKA-KACZAN Implementation of the Goals of Agenda 2030 in Poland	41
▶ ALINA GRYNIA BOGUSLAVAS GRUZEVSKIS ROMAS LAZUTKA The Impact of Social Policy on the Level of Employment in the Lithuanian Labor Market.	57
▶ KINGA KARPIŃSKA University–Business Cooperation (UBC) – Forms of Cooperation and Barriers. A Comparative Analysis of Poland and Selected European Countries	75
▶ KONSTANTY KURYŁOWICZ Jürgen Habermas' Analysis of Legitimation Crisis in the States of Late Capitalism as a Prelude to the Re-validation of Normative System of Law . . .	93
▶ EWA KUZIONKO-OCHRYMIUK E-Administration in Polish Voivodeships Against the Background of Europe . . .	111
▶ JAROSŁAW MATWIEJUK State Relations with Churches and Other Religious Organizations in Poland – Proposals for Changes after the Parliamentary Elections in 2023	131
▶ MAGDALENA OWCZARCZUK ANNA WIERZBICKA Direct Foreign Investment in the Central and Eastern European Countries in the Period of Political and Economical Destabilization	147

-
- ▶ SYLWIA PANGSY-KANIA
Crowdfunding as a Tool to Spread Good Attitudes in the Media and Support
in Shaping Values in Human Life on the Example of the Production
of the Film *ABP Lefebvre – Why?* 167

 - ▶ MICHAŁ ROMAN | WIOLETTA BIEŃKOWSKA-GOŁASA | NORBERT KAWĘCKI
Tourism in the Times of The COVID-19 Pandemic in Scientific Research. . . . 181

 - ▶ MICHAŁ SOSNOWSKI
International Tax Competitiveness: Between TAX Optimization
and Tax Fairness 199

 - ▶ CHARLES SZYMANSKI
Trade Unionism v. Neoliberalism: Different Paths to Impact Investing
in the U.S.. 213

 - ▶ SYLWIA TALAR
Resilience of Polish Exports to Non-Economic External Shocks 241

 - ▶ JAROSŁAW WOŁKONOWSKI
Evolution of NATO's Conception of Defence Expenditure
of Member States After 1990 257

 - ▶ JOANNA ZIELIŃSKA-SZCZEPKOWSKA | MAGDALENA WYSOCKA | MAJKA ŁOJKO
Ukraine War Refugees in Labour Market. Evidence from North-East Poland. . . 279

 - ▶ ARTUR ZIÓŁKOWSKI | WŁODZIMIERZ GAŃSKI
Determinants of European Economic Development: From Pandemic
to War and Sanctions 297

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PARLIAMENTARY WORK DISCONTINUATION'S INFLUENCE ON THE PROCEEDINGS OF THE POLISH CONSTITUTIONAL TRIBUNAL

| Abstract

- ▶ *Goal* – the purpose of this article is to determine the overall impact of the principle of the discontinuation of parliamentary work on proceedings before the Constitutional Tribunal initiated by Members or bodies of Parliament. The article covers both the current state of the law and historical regulations since 1997.
- ▶ *Research methodology* – the article is based on an analysis of the available literature and – above all – on the case law of the Constitutional Tribunal, available in the IPO database, as well as on the letters from participants in proceedings before the Court.
- ▶ *Score/results* – the article helps to understand what processes occur in proceedings before the Constitutional Tribunal as a result of the end of the term of the Sejm. The analysis of the currently binding provisions and case-law allows to determine how the Tribunal should proceed in relation to the motions of groups of deputies and senators, as well as of the Marshals of the Sejm and Senate. However, recent case law, which seems to partly depart from the hitherto established line of jurisprudence, means that the issue raised in the article undoubtedly requires further observation.
- ▶ *Originality/value* – the article was prepared independently, on the basis of available materials. The issue of discontinuance of proceedings before the Constitutional Court on the basis of the law currently in force has not yet been the subject of an in-depth analysis. Discontinuation of parliamentary work as a basis for discontinuation of proceedings has never been widely discussed in any academic publication.

| **Keywords:** Poland, Constitutional Tribunal, discontinuance of proceedings, election, parliament.

1. Introduction

On 15 October, 2023, Polish people, as they do every four years, elected new deputies to the Sejm. The Senate election was also held on the same day. According to Article 98 Section 1 of the Polish Constitution, on the day preceding the sitting of the newly elected Sejm, the term of office of both chambers of the parliament of the previous, ninth, term would come to an end.

Due to the existence of the principle of discontinuation of parliamentary work in the Polish parliamentary tradition, the commencement of a new term of the Sejm will translate into the discontinuation of all projects the proceedings of which were not completed in the previous term.

The election of new deputies and senators has a significant impact on the proceedings before the Constitutional Tribunal, which may be initiated, *inter alia*, at the request of a group of 50 deputies or 30 senators. The legitimacy to initiate the motion is also vested in the Marshal of the Sejm and the Marshal of the Senate.

The purpose of this article is to discuss how the above motions have been handled in the jurisprudential practice of the Tribunal over the years 1997–2023, taking into account the changes in the procedure before the Polish Constitutional Tribunal. It also addresses issues related to *de lege lata* and *de lege ferenda* postulates arising against the background of the previous practice and the shape of the changing norms.

2. The power to appeal to the Constitutional Tribunal

The power to make an application to the Constitutional Tribunal is vested in the bodies mentioned in Article 191 Section 1 of the Constitution. According to the wording of this provision, “the following may make application to the Constitutional Tribunal regarding matters specified in Article 188:

- 1) the President of the Republic, the Marshall of the Sejm, the Marshall of the Senate, the Prime Minister, 50 Deputies, 30 Senators, the First President of the Supreme Court, the President of the Supreme Administrative Court, the Public Prosecutor-General, the President of the Supreme Audit Office and the Commissioner for Human Rights;
- 2) the National Council of the Judiciary, to the extent specified in Article 186, paragraph 2;

- 3) the constitutive organs of the units of territorial self-government;
- 4) the national organs of trade unions as well as the national authorities of employers' organisations and occupational organisations;
- 5) churches and religious organisations;
- 6) the subjects referred to in Article 79, to the extent specified therein".

In addition to the entities mentioned in the above provision, the Constitutional Tribunal may also be approached by the courts – by referring a question of law, as specified in Article 193 of the Constitution.

It can be noticed that the Polish legislator devoted most space to the issue of the legitimacy of the institutional applicants, of which two groups can be distinguished. The first of these, having general legitimacy, can also be described as “universal applicants”. These include the entities listed in paragraph 1 of the above provision – the President of the Republic of Poland, the Marshal of the Sejm, the Marshal of the Senate, the Prime Minister, 50 deputies, 30 senators, the First President of the Supreme Court, the President of the Supreme Administrative Court, the Prosecutor General, the President of the Supreme Audit Office and the Ombudsman. As commentators emphasise, the above list is enumerative in nature, and the legislator has left no room for possible expansion of the catalogue of these entities by way of interpretation and application of the law. At the same time, each of these entities has at its disposal the content-identical right to challenge the hierarchical compliance of any normative act falling within the scope of the cognition of the Constitutional Tribunal (Article 188 paras 1–3 of the Constitution) and – in a repressive mode – the constitutionality of the objectives or activities of any political party [Naleziński, 2021, art. 191; see also Wojtyczek, 2013: 118].

The unlimited nature of their legitimacy means that they are not required to demonstrate a link between the content of the challenged normative act and their own legal situation. They may act both in their own interest and in the interest of the general public or the constitutionality of the legal system in the broadest sense [Mączyński, Podkowiak, 2016]. Thus, these entities may challenge both those acts which directly relate to their legal situation [see: K 40/07, K 35/09], and all other normative acts which raise their constitutional doubts.

The second group, i.e. applicants with limited legitimacy, is much more diverse in terms of its subject matter. It includes both the state body – the National Council of the Judiciary – and the constitutive bodies of local self-government units, as well as nationwide association bodies and churches and other religious

associations [Naleziński, 2021, art. 191]. It should be noted at this point that the competence referred to in Article 191 Section 1 para. 5 does not affect the power to bring a constitutional complaint which is vested in, for example, individual parishes [see e.g. Ts 52/19].

Both suitably numerous groups of MPs and senators as well as the Marshals of both chambers of Parliament can thus initiate a review of the constitutionality of norms on virtually any issue.

3. Discontinuation of parliamentary work from the perspective of the procedure before the Constitutional Tribunal. Current and the historic legislature

The discontinuation of parliamentary work (sometimes referred to as “substantive discontinuation” [Garlicki, 1999: 30–31; Garlicki, 1995: 45] is a mechanism which, at its core, boils down to the final termination, at the end of the parliamentary term, of any proceedings pending before it in which parliamentary proceedings have not been concluded. “They are therefore not in any form handed over to the new parliament, which starts the new term with a ‘clean’ account, as it were” [Garlicki, 1995: 45].

The determination of the beginning and of the end of the term of office, and the consequent determination of the occurrence of the so-called inter-cadence break, may also justify the necessity to provide other organs of public authority with competences that are updated during such a break. Establishing the beginning and end of the term of office in a way that eliminates the inter-term break does not trigger such a need, which significantly affects the shape of relations between the bodies of divided authorities [Naleziński, 2021, art. 98].

The principle of discontinuation, although directly referring to the proceedings conducted in Sejm and Senate, also translates into the sphere of activity of other organs of the state – obviously including the Constitutional Tribunal.

Pursuant to the currently binding Article 59 Section 1 para. 5 of the Act of November 30, 2016 on organization and functioning of the Constitutional Tribunal (hereinafter: OFCT), the Tribunal in a closed session shall issue a decision on discontinuance of proceedings in the event of termination of the term of office of the Sejm and Senate, in unfinished cases initiated on the basis of a motion of a group of deputies or a group of senators referred to in Article 191 Section 1 para. 1 of the Constitution.

As indicated in the justification of the draft, “to the previously known grounds for discontinuance, it expressly added one related to the so-called discontinuance of motions of groups of deputies or senators. Pursuant to Article 59, Section 1, para. 5, the Tribunal in a closed session shall issue a decision on discontinuance of proceedings in the event of termination of the term of office of the Sejm and Senate, in unfinished matters initiated on the basis of a motion of a group of deputies or senators referred to in Article 191, Section 1, para. 1 of the Constitution. This sanctioned the long-standing practice of discontinuing such cases after the end of the parliamentary term”.

The Constitution treats a group of MPs and a group of senators as different applicants. It is therefore not permissible for an application to come from a ‘mixed’ group of MPs and senators. In such a case, the Tribunal will either treat the matter as two separate applications and hear them, or (if it is not supported by at least 50 MPs or at least 30 senators) – it will call for formal deficiencies in this respect [Mączyński, Podkowiak, 2016].

It is worth noting that while members of the Sejm are a relatively active group of applicants, the group of senators initiated proceedings before the Tribunal only 17 times between 1997 and October 2023, of which on 11 cases of proceedings on their application ended in discontinuance.¹

The grounds for discontinuing proceedings before the Tribunal have changed over time. Discontinuance of parliamentary works was not explicitly addressed in previous regulations.

Pursuant to the chronologically the first law of August 1, 1997 on the Constitutional Tribunal (hereinafter: ACT 1997), the Tribunal discontinued proceedings of the issuance of a judgement is redundant or inadmissible, as a result of withdrawal of an application, a legal question or a constitutional complaint, and if a normative act in the contested scope ceased to be binding before the Tribunal issued a judgement (Article 39 Section 1), as well as – pursuant to Article 60 Section 2 of ACT 1997 – if the applicant or his/her representative did not appear at the hearing (however, this premise did not result in obligatory discontinuance).

This does not mean, however, that the principle of the discontinuance of the work of the Parliament before the OFCT’s entry into force did not have any

¹ In Case K 11/13, the Constitutional Tribunal joined several applications from different authorities for joint consideration, resulting in several orders being issued as a result of different grounds for discontinuance in relation to each of the applicants.

impact on the proceedings before the Tribunal. Indeed, under the ACT 1997, the Tribunal developed the view that the expiry of the Sejm's term of office rendered the judgment inadmissible. The argument that the expiry of the term of office of the Sejm and the related expiry of the mandates of MPs means that they lose the authority to appear before the Constitutional Tribunal as an applicant, which has been consistently expressed by the Tribunal in its judgments [see: U 3/07; K 19/97; K 21/97; K 10/01; K 29/04; K 9/09]. An analogous situation, by the way, applied to cases initiated by the motion of a group of senators [K 24/11].

Therefore, the Tribunal considered that, as a result of the end of the term of office of the Sejm, the right of application of Members of Parliament and Senators also expired – *en bloc*, so to speak – which necessitated the discontinuance of the proceedings.

It should be noted that the aforesaid opinion was not accepted unanimously. In the dissenting opinions of judge M. Zubik to the decisions K 34/09, K 31/11; K 26/11; K 20/11; K 4/11; K 17/10, “[t]he expiry of parliamentary mandates as a result of the expiry of the term of the Sejm cannot be treated as an automatic basis for discontinuing the proceedings in the case under examination. The entitlement of a group of at least 50 MPs to initiate abstract control of norms has not, at the constitutional level, been linked to a specific term of the Sejm. If, despite the change of the term of office, the number of MPs supporting the previously submitted motion would still be sufficient to support the motion, pursuant to Article 191 Section 1 para. 1 of the Constitution, there can be no discontinuation of the proceedings due to the lack of an entity entitled to initiate and conduct the case before the Constitutional Tribunal.”

The problem of this interpretation was also recognised by the President, who, exercising his right of legislative initiative, proposed amendments in this regard.

In the justification to a draft of a proposed act, it was stated that “a new solution is proposed so that applications submitted to the Tribunal by groups of deputies or senators may, despite the end of the term of the Sejm and Senate, be subject to further consideration and not – as is the case in the current jurisprudence practice – to the rigour of discontinuation. It is proposed that the proceedings in these cases before the Tribunal, after the end of the term of the parliamentary chambers, should be suspended by law for a period of 6 months and that they may be resumed during this period if a group of deputies or senators of the next term supports the application. This solution will allow for a rational continuation of the proceedings already commenced in the Tribunal (in a significant number of cases advanced) and, from the point of view of a kind

of 'pro-constitutional economy', for the substantive resolution of the case which is the subject of the motion. If, within a period of 6 months, the motion is not supported by the deputies or senators of the next term – the Tribunal will issue an order to discontinue the proceedings.

At the same time, the proposed Act provides that cases on the application of groups of deputies or senators, in which the Tribunal has already set a date for hearing that falls after the end of the term of the Sejm and the Senate or when it has notified the applicant that the case will be heard in closed session, will not be discontinued and are subject to consideration on the date and in the manner set, also without the participation (if they are no longer deputies) of the representatives of the applicants. In this context, it should be considered that the advanced preparation of the Tribunal to hear a case, and the prospect of its resolution, should be decisive in view of the purpose of the Tribunal and the subject matter and importance of its decisions.”

In the enacted Act of June 25, 2015 on the Constitutional Tribunal (hereinafter: ACT 2015), Article 69 provided that “[i]n cases initiated on the basis of a motion of a group of deputies or senators referred to in Article 191 Section 1 para. 1 of the Constitution, the end of the term of office of the Sejm and the Senate shall not suspend the proceedings in the Tribunal.”

According to its Article 70,

- 1) On the date of termination of the term of office of the Sejm and the Senate, proceedings in the Tribunal in the cases referred to in Article 69 shall be suspended for 6 months.
- 2) If, prior to the end of the terms of office of the Sejm and the Senate, the Tribunal has notified the applicants of the date of the hearing falling after the end of the term or that the examination of the application will take place in a closed session, the proceedings in such cases shall not be suspended and may proceed without the participation of the applicant.
- 3) The President of the Tribunal shall, within 30 days of the end of the term of office of the Sejm and the Senate, provide the Marshal of the Sejm and the Marshal of the Senate, respectively, with information on the cases referred to in Article 69 in respect of which the Tribunal has decided to suspend the proceedings.

Article 71, on the other hand, provided that:

- 1) The Tribunal shall decide to resume the suspended proceedings if, within the time limit referred to in Article 70 Section 1, a motion by a group of

Deputies to the Sejm or Senators is supported by 50 Deputies or 30 Senators, respectively, of the next term of the Sejm and Senate. The provision of Article 61 Section 2 shall apply *mutatis mutandis*.

- 2) The President of the Tribunal shall promptly communicate to the participants in the proceedings the commencement of the suspended proceedings.
- 3) Upon ineffective lapse of the time limit referred to in Article 70 Section 1, the Tribunal shall discontinue the suspended proceedings.

The above regulation was a significant departure from the Tribunal's interpretation of the premise of inadmissibility of the judgment. However, the 2015 Act was not in force long enough to allow its application practice to be observed. In the Act of July 22, 2016 on the Constitutional Tribunal (hereinafter: ACT 2016), the legislator decided to abandon the above changes and return to the solution known in ACT 1997, to finally, in the draft currently in force, OFCT explicitly provides for the necessity to discontinue cases initiated by means of a motion of a group of deputies and a group of senators as a result of the end of the term of office of the Sejm.

4. Jurisprudence and constitutional concerns.

Analysing the statutory changes in the context of the existing jurisprudence of the Constitutional Tribunal may lead to the conclusion that, although the premise of discontinuance now constitutes an independent reason for discontinuance, on the basis of the previous jurisprudence of the Tribunal, it is in fact a qualified form of inadmissibility.²

The rules and case law on discontinuation are particularly interesting in the case of other authorities with general standing. Their competence to make an application is detached from whether the application was made by a person who subsequently ceased to hold office. Moreover, it is permissible for applications to be considered even if the office remains vacant. Only the permanent abolition of an organ by a constitutional norm could constitute grounds for discontinuance of proceedings [Mączyński, Podkowik]. This also applies in particular to the

² It must be noted that the term 'ruling' referred to in Article 59 u.o.t.p. of TK is 'a ruling' within the meaning of Article 190 Section 1 of the Constitution.

Marshal of the Sejm and the Marshal of the Senate, whose application competence is of an individual nature, despite their role as organs of the chambers of parliament. Nor is it required that their request be preceded by the consent of the competent chamber [Ibidem]. The right expressed in Article 191 Section 1 para. 1 of the Constitution of the Republic of Poland is in fact exercised on their behalf; at most, one may speak here of political accountability to the chamber whose proceedings they preside [Garlicki, 1999: 5–6].

On the other hand, however, the Tribunal held that the consequences of the principle of the discontinuation of the work of parliament also extended to its organs, including in particular the Marshal of the Sejm [see: Pp 1/07; K 2/07]. Consequently, it allowed for the discontinuation of proceedings initiated by a motion of the Marshal of the Sejm as a result of the end of his/her term of office (under the rule of the ACT 1997 – due to the inadmissibility of issuing a ruling). Thus, it may be assumed that in the previous jurisprudential practice of the Tribunal, a personal change in the position of the Marshal of the Sejm and the Marshal of the Senate during the term of office of the chambers of parliament did not cause procedural consequences, but the expiry of the term of office of the Sejm and Senate made it necessary to discontinue proceedings initiated also at the motion of the outgoing Marshals.

It is significant to note that a departure from this rule can be observed in the Tribunal's current jurisprudential practice. In the case Kpt 1/17, the Tribunal decided to rule on the merits of the competence dispute and issued an order on June 2, 2023, despite the fact that the application had been filed by the Marshal of the Sejm's 8th Term. Meanwhile, taking into account the position expressed in the jurisprudence to date, the Tribunal should have discontinued the case in 2019. Given the lack of publication – at the date of the drafting of this article – of the reasoning of the decision in Kpt 1/17 (issued by the full composition of the Tribunal), it is difficult to say why the Tribunal decided to deviate from its previous position. It seems that only by observing the Tribunal's proceedings in cases initiated by the Marshal of the Sejm during the 9th term it will be possible to make more substantial findings in this regard.

Interestingly, with regard to the request of the Marshal of the 7th term of the Sejm for clarification of doubts as to the content of point 2 of the judgment of the Constitutional Tribunal of October 8, 2013, ref. SK 40/12, on November 7, 2016 the Tribunal issued a decision to discontinue the proceedings due to the inadmissibility of the judgment (pursuant to Article 40 Section 1 para. 1 of the ACT 2016). This ruling is interesting insofar as in it the Tribunal recog-

nised that the position on the consequences of the principle of discontinuation in proceedings before the Tribunal remains valid, not only in the case of an application for a review of constitutionality, but also in the case of an application for clarification of doubts of a judgment.

It should also be recalled that the Marshal of the Sejm has requested that Article 59 Section 1 para. 5 of the OFCT shall be declared inconsistent with Article 191 Section 1 para. 1 in conjunction with Article 188 and in conjunction with Article 4 Section 1 of the Constitution; Article 7 in conjunction with Article 191 Section 1 para. 1 and in conjunction with Article 188 of the Constitution; and the principle of efficiency and fairness in the operation of public institutions expressed in the Preamble to the Constitution, in conjunction with Article 191 Section 1 para. 1 and in conjunction with Article 173 of the Constitution.

In his justification, the Marshal of the Sejm pointed out that the provision links the legitimacy of MPs or Senators with the principle of the term of office of the Sejm, whereas the Constitution does not provide for such a link. The provision deprives MPs and senators – who are exercising their powers not in their own interests but on behalf of the Nation – of the guarantee of obtaining a judgment from the Tribunal in cases initiated by their motions. Moreover, in the opinion of the Marshal of the Sejm, this provision limits the constitutional competence of the Constitutional Tribunal to examine and decide the question of the existence of the application legitimacy of a group of deputies or senators. The Tribunal's inability to assess the standing of MPs or senators in the event of the end of the term of the Sejm has the effect of limiting the constitutional competence of the Tribunal to rule on these matters.

It is worth noting that also acting on behalf of the Sejm, the Marshal of the Sejm, in presenting his position as a participant in the case, supported the motion. This is all the more interesting as, pursuant to Article 118 Section 1 of the Constitution, each MP (including the Marshal) is entitled to a legislative initiative. This means that the reformer could initiate the process of eliminating what is considered to be unconstitutional legislation from the legal system and carry it out more efficiently than by filing a motion to the Tribunal.

Also noteworthy is that the Marshal of the Sejm did not refer at all to the jurisprudential practice regarding his own legitimacy. He did not, in fact, question Article 59 Section 1 para. 2 of the OFCT in the sense given to it by the well-established interpretation of the need to discontinue the proceedings at the request of the Marshal of the Sejm following the termination of the Sejm's term

of office. This is important insofar as the K 16/20 case has not been adjudicated on its merits, and in connection with the end of the Sejm's term of office – unless, of course, the Tribunal decides that it has departed from its previous line of jurisprudence with the Kpt 1/17 judgment – it may be presumed that the proceedings in the case will be discontinued due to the inadmissibility of the judgment.

5. Postulates *de lege lata* and *de lege ferenda*

The above analysis allows to draw several conclusions, both in terms of the current state of the law and the possible future legislative solutions that would improve the proceedings before the Tribunal both for the applicants referred to in this article and for the Tribunal itself.

With regard to the current state of the law, it seems the most important to maintain consistency in case law so that applicants would know what to expect as a result of the expiry of the terms of the Sejm and Senate. The jurisprudence to date seems to be consistent on how to deal with applications from groups of Members of the Sejm and Senators, and the current rules (although often criticised) leave no doubt as to the need to discontinue proceedings. However, the Tribunal's most up-to-date jurisprudence seems to reject the established line with regard to motions originating from the Marshal of the Sejm (and therefore – *per analogiam* – probably also from the Marshal of the Senate).

The emergence of such a difference both in relation to the previous situation resulting from the case law and in relation to the situation of motions from groups of deputies and senators, may lead to future changes of both leading case law and statutory provisions.

It would seem that the Tribunal's jurisprudence in this respect should be well founded and particularly consistent. This need may be indicated, for example, by the assertions made by the Marshal of the Sejm in motion K 16/20 that the motion is the primary means of initiating proceedings before the Tribunal [Application K 16/20, pp. 13–15].

Concerning *de lege ferenda* postulates, one may start from the observation that the Constitution does not imply an absolute obligation to discontinue proceedings following the end of the parliamentary term. Thus, from the point of view of the proceedings before the Tribunal, it is only necessary to confirm the legitimacy of the applicants in such a way that at least 50 MPs or at least

30 senators have this status both on the day the application is filed and on the day it is examined by the Tribunal.

In terms of procedural economics, the already discussed solution introduced in the OCT 2015 appears to be a very reasonable compromise. This is because, on the one hand, it allowed the applicant to maintain the existing application, and, on the other hand, it could streamline the work of the Tribunal. This is because in practice it often happens that an application of a group of MPs returns to the Tribunal, resubmitted by a group of MPs to the Sejm of the next term. There are also cases in which a renewed application is submitted to the Tribunal even before the proceedings on the previous application have been discontinued. Although, pursuant to § 21(4) of the Rules of Procedure of the Constitutional Tribunal, “[o]n the day the term of office of the Sejm and Senate ends, proceedings initiated on the basis of a motion of a group of deputies or senators and not concluded, as referred to in Article 191 Section 1 para. 1 of the Constitution, shall be discontinued”, in practice it is difficult to expect the Tribunal to issue dozens of decisions on a single day.

6. Conclusions

The author of this article did not assume to unequivocally explain the effects of the end of the term of the Sejm on the proceedings before the Tribunal. The current situation does not allow for such an analysis – both due to the doubts raised in the motion in case K 16/20 as to the constitutionality of Article 59 Section 1 para. 5 of the OFCT and due to the possible departure from the previous jurisprudential practice with regard to the motions of the Marshals, which took place in case Kpt 1/17. On the other hand, it can be unequivocally stated that the discontinuation of the work of the parliament in the current legal state (and taking into account the jurisprudence to date) directly translates into proceedings before the Tribunal, initiated either by a group of deputies or senators or by the Marshals of both chambers. At the same time, from the point of view of the Tribunal’s jurisprudential practice, it will be advisable to continue observing the jurisprudence, especially in the context of the reasoning of the order Kpt 1/17 and the proceedings after the expiry of the ninth term of the Sejm. From the point of view of legislation, on the other hand, it seems necessary to look for a more rational solution, due to the procedural economics rather than political needs.

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TOWARDS AGEING SOCIETIES. EXEMPLIFICATIONS AND CHALLENGES

| Abstract

- ▶ *Goal* – the text presents selected areas of functioning of people 65+ against the background of demographic changes in Europe (taking into account the statistical data of Poland and Lithuania), with particular attention to the life situation of the elderly, quality of life, experiencing widowhood. The study is not strictly comparative. Its aim is to point out the consequences of ageing societies and the resulting challenges.
- ▶ *Research methodology* – the author of the article used the analysis of the literature on the subject, the analysis of existing statistical data and the method of document research.
- ▶ *Score/results* – the data of the European Statistical Agencies (also taking into account the findings of Poland and Lithuania) clearly indicate the process of ageing of societies, emphasizing their current and future (projected) dynamics. The demographic ageing of societies, taking into account the so-called double ageing mechanism (i.e. the emergence of an increasing number of the oldest people in the elderly population), is becoming a real context for our coexistence. On the basis of European, Polish and Lithuanian statistical agencies, I present selected areas of seniors' functioning. In the case of existing quantitative statistical data, I have attempted to compare them in selected areas. I have supplemented the picture of the functioning of seniors with qualitative data, which should be interpreted as specific signals and tendencies. Demographic changes have an impact on the living situation of people aged 65+ and on the quality of their life. The changes bring both: opportunities and threats. Such a situation requires special intervention and preventive measures, which I refer to in the conclusion.

- ▶ *Originality/value* – the article expands knowledge about the aging of societies and its impact on the functioning and quality of the life of seniors. Particular attention was paid to the experience of widowhood and its consequences for the life situation of widowed people.

| **Keywords:** ageing, elderly, quality of life, widowhood.

1. Introduction

Demographic aging of societies is a fact. It is no longer present only in long-term demographic forecasts, but becomes the real context of our coexistence. Observed already in the 70s of the last century, the increasing dynamics of processes associated with the aging of societies now appears to be a significant feature of socio-civilizational changes. Taking into account the mechanisms, scope, course and effects of the ageing process, it should be stated that it is a global process. They include the societies of Europe and other highly developed countries of the world. Against the background of demographic changes in Europe and national demographic trends and forecasts, it is worth pointing out the descriptors of the quality of life and selected spheres of functioning of people 65+, paying particular attention to the life situation of the elderly, including the elderly widowed.

The examples and challenges indicated in the title are visible and felt both in the macro dimension (systemic, migration, economic, legal and medical challenges) as well as in the micro dimension (everyday functioning of widowed people, their health and material condition and housing situation, family and social relationships, experienced difficulties).

I focus my attention on the ageing populations of Poland and Lithuania for several reasons. First of all, the text is an elaboration on the main theses presented at the 10th International Interdisciplinary Scientific Conference entitled “The Place of Vilnius and Warsaw in the Processes of Regional and Euro-Atlantic Integration (Disintegration) – Progress, Challenges, Perspectives”, held in Vilnius on June 1–3, 2023. Secondly, such an opportunity is provided by the profile of this periodical, especially the borderland of north-eastern Poland (neighbouring EU member states - Poland and Lithuania). Furthermore, I would also like to emphasise my personal scientific interests regarding the issues of aging, old age and widowhood.

2. Ageing EU populations

In the light of the European [Eurostat, 2022], Polish [Główny Urząd Statystyczny (GUS), *Urząd Statystyczny w Białymstoku*, 2021] and Lithuanian [State Data Agency (*Statistics Lithuania*), 2023] reports of statistical agendas, the aging of the population appears as one of the most important demographic processes of the twenty-first century.

The EU population was estimated at 446.7 million on January 1, 2022. The proportion of older people (aged 65 years or older) reached 21.1 percent (an increase of 0.3 percentage points (p.p.) compared to the previous year and an increase of 3.1 percentage points compared to 10 years earlier). The median age of the EU population is also increasing. On January 1, 2022, it was 44.4 years old, which means that half of the EU population was older than 44.4 years. Of course, after the outbreak of the COVID-19 pandemic in 2020, life expectancy fell in the vast majority of EU Member States – from 81.3 to 80.4 years.

We can indicate the aging of the population when 7–10 percent of the population are people over 65 years of age (WHO, 1998).

According to a forecast by the European Statistical Office (Eurostat), the share of old people in 2050 will exceed 30 percent in six EU countries: Portugal (34.6 percent), Greece (33.9 percent), Spain (33.4 percent), Germany (31.8 percent), Slovakia (31.0 percent) and Bulgaria (30.1 percent). In Poland, the share of people 65+ will approach 30.0 percent (Eurostat, 2022).

The demographic forecast assumes that in 2050 in the European Union the number of elderly people will be almost twice as high as of children and young people [Janiszewska, 2015].

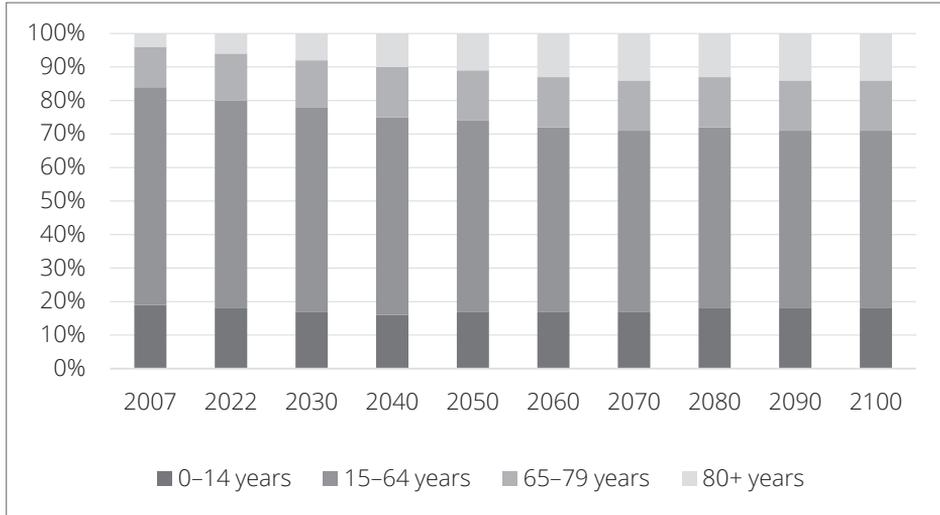
The share of those aged 80 years or above in the EU's population is projected to have a two and a half fold increase between 2022 and 2100, from 6.1 percent to 14.6 percent (see Figure 1).

According to the forecast of GUS (2014) in Poland, in 2035, people aged 60 or more (60+) will constitute almost one third of the population, and in 2050 about 40.0 percent (GUS and US in Białystok, 2021). The projected changes to the proportion of Polish population aged 65 and over by 2035 indicate that the gap between the share of women in this age group will continue to widen (which will increase from 16.3 percent to 26.5 percent) and men (10.6 percent and 19.7 percent, respectively) [Mossakowska et al., 2012].

Attention should also be paid to the process of the so-called double ageing of the population (see Figure 2), expressed by a faster increase in the propor-

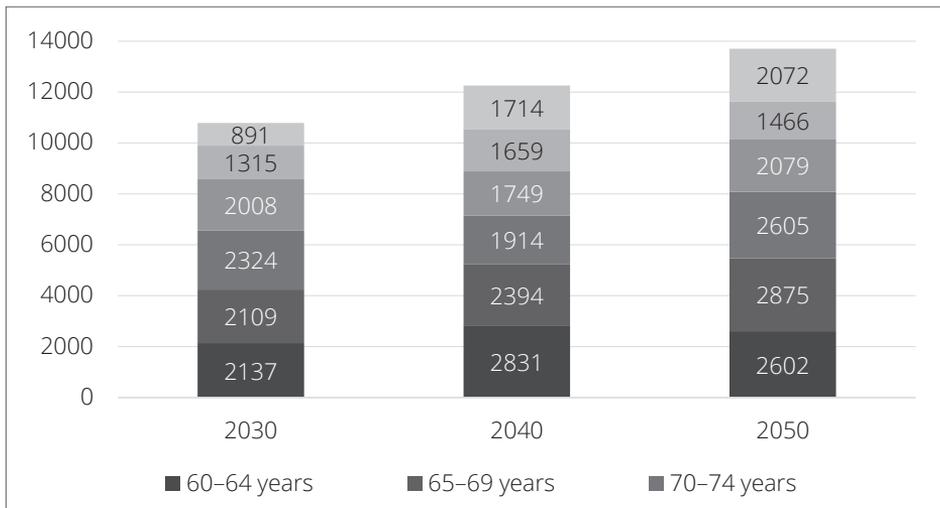
tion of people aged 80 and over than the general population aged 60 and over [Mossakowska et al., 2012].

Figure 1. Population structure by major age groups, EU, 2007–2100 (% of total population)



Source: Eurostat, 2020.

Figure 2. Population aged 60 and over, Poland (in thousands)



Source: GUS, 2021.

It is expected that in 2050 only the youngest group of seniors (60–64 years) will not comparably increase in numbers compared to 2030. The largest number of people will come in the oldest age group, i.e. aged 85 and more. It is forecasted that the number of this group will increase more than 2.5 times compared to 2030.

With regard to Lithuania, the data obtained during the 2021 Population and Housing Census of the Republic of Lithuania [Petrauskienė, 2022] indicate the ageing of the Lithuanian population. Compared to 2011, changes in the distribution of the population by age indicate an ageing population. There is a sharp decline in the population under the age of 30 and an increase in the population in older age groups, especially in the pre-retirement age group (men and women over 54). The number of women over the age of 64 exceeds the number of men by 1.8 times. The rapidly decreasing population and the growing number of elderly people are expected to make Lithuanian society age at a rapid pace. Statistical forecasts [Eurostat, 2020] indicate that Lithuania will be one of the fastest ageing OECD countries. Between 2020 and 2050, the proportion of the population aged 65 or older will increase from 20.0% to 32.0%. This figure is expected to reach 35.7% in 2070. Life expectancy for men will increase to 82.8 years (71.2 years in 2023) and 88.9 years for women (80.9 years in 2023).

Europeans are living longer and enjoying good health longer than at any other time in history. In the coming decades, the proportion and number of older people in societies will increase. This trend has a major impact on everyday life, on society, and announces both opportunities and threats [European Commission, 2021].

3. Demographic statistics: Poland–Lithuania

Despite the differences in the surface area (total land area (Poland 306,230 km²; Lithuania 62,674 km²) and the total population (Poland 37,727,112; Lithuania 2,609,670)¹, the percentage share of the population aged 65+ in Poland and Lithuania is similar (see Table 1).

¹ www 2.

Table 1. Population age structure by major age groups, 2012, 2021 and 2022 (% of the total population)

Country \ Year	2012	2021	2022
Poland	14,0	18,7	19,1
Lithuania	18,1	19,9	20,0
UE	18,0	20,8	21,1

Source: Eurostat, 2020.

Over the last 10 years, it did not significantly differ from the European Union average. However, both countries (also in the EU average) observe an increase in the percentage of people aged 65+ (see Table 2).

Table 2. Increase in the share of the population aged 65 years or over between 2012 and 2022

Country \ Years	2012–2022
Poland	5.1 p.p.
Lithuania	1.9 p.p.
UE	3.1 p.p.

Source: Eurostat, 2020.

In the years 2012–2022 in Poland it increased by 5.1 p.p., in Lithuania by 1.9 p.p., in the European Union by 3.1 p.p. The percentage of elderly people aged 80 and over in the total population should also be pointed out (see Table 3).

Table 3. Share of population aged 80 or over

Country \ Year	2022
Poland	4,4%
Lithuania	5,6%
UE	6,1%

Source: Eurostat, 2020.

In the general population of European Union countries, the percentage of older people aged 80 and over in 2022 was 6.1 percent, in Poland it was 4.4 percent, and in Lithuania it was 5.6 percent.

Interesting data are provided by a statistical web tool A Look at the Lives of the Elderly in the EU Today [Eurostat, 2017] released by Eurostat (the statistical office of European Union) (see Table 4). Originally, it is based on the chapter “An ageing society – focus on the elderly” of the flagship publication *People in the EU: Who Are We and How Do We Live?* [Eurostat, 2015].

Table 4. The lives of the elderly in the EU (example Polish and Lithuania)

The share of the elderly (65 or over) among the total population		
Country/year	1996	2016
Poland	11,2%	16,0%
Lithuania	10,3%	19,0%
UE	14,9%	19,2%

Years that men and women at the age of 65 can expect to live		
Country/year	2015	
Poland	Men 15,7 years	Women 20,1 years
Lithuania	Men 14,1 yearar	Women 19,2 years
UE	Men 17,9 years	Women 21,2 years

The healthy life years that men and women can expect to live at the age of 65		
Country/year	2015	
Poland	Men 7,6 years	Women 8,4 years
Lithuania	Men 5,0 years	Women 5,5 years
UE	Men 9,4 years	Women 9,4 years

The share of the elderly who live alone	
Country/year	2015
Poland	28,2%
Lithuania	45,9%
UE	32,1%

The share of the elderly aged 65 to 74 years who are economically active	
Country/year	2016
Poland	7,7%
Lithuania	13,5%
UE	9,5%

The share of the elderly who travel	
Country/year	2015
Poland	38,0%
Lithuania	25,0%
UE	48,8%

The share of the elderly who use the Internet at least once a week	
Country/year	2016
Poland	23,0%
Lithuania	23,0%
UE	45,0%

Source: Eurostat, 2015 (1).

The share of the elderly (65 or over) among the total population is growing. In 1996 in Poland and Lithuania it was around 10.0 percent. In 2016, it increased to 16.0 percent in Poland and 19.0 percent in Lithuania, thus approaching the EU average (19.2 percent).

In 2015, the life expectancy of men aged 65+ was 15.7 years in Poland and 14.1 years in Lithuania. In the same age group for women, the indicators were more optimistic – in Poland 20.1 years, in Lithuania 19.2 years. These data indicate that old age is feminized, women live longer than men.

Also, the data on healthy life expectancy at the age of 65+ are more optimistic for women. The gender difference is not very large – in Poland it is 8 months, while in Lithuania it is 6 months. In the EU, the average life expectancy for women and men is 9.4 years. These data indicate challenges in the provision of medical services.

Rates are high for the percentage of older people who live alone. In the EU, it is 32.1 percent. In Poland, it is slightly lower and amounts to 28.2 percent. In Lithuania, on the other hand, it is 45.9 percent. The cited data lead to social challenges in supporting the family environment. They also pose a challenge to social services.

Interesting data concern the percentage of older people aged 65 to 74 who are economically active. In the EU this percentage is 9.5 percent, in Poland 7.7 percent, and in Lithuania 13.5 percent. The presented data pose a challenge for the Silver Economy understood as a system of production, distribution and consumption of goods and services aimed at using the purchasing potential of the elderly and satisfying their consumption, living and health needs.

The percentage of elderly people who travel is quite high. Data from 2015 indicated that in the EU every second senior (48.8 percent) went on vacation. In Poland, this percentage was 38.0 percent, while in Lithuania it was 25.0 percent.

Seniors also benefit from technological achievements. Some senior citizens remain somewhat wary of technology and in particular computers and the Internet. However, among them there are so-called "Silver Surfers" (Eurostat, 2015: 154). Data on the percentage of older people who use the Internet at least once a week indicate that almost every fourth senior (23.0 percent) from Poland and Lithuania is active in the Internet. This activity is related to Internet banking, online shopping, reading online news sites, newspapers, news magazines and also using social networks.

4. Quality of life

The above-mentioned selected areas of functioning of the elderly make up their quality of life. The quality of life is influenced by many factors from the external and internal environment of households [Wiśniewska, 2018]. An encyclopaedic approach defines quality of life as "social policy, the degree of satisfaction of material and non-material needs – the fulfilment of standards or the realization of values: biological, psychological, spiritual, social and political, cultural, economic and ecological of individuals, families and communities; It is a concept used in social policy, psychology, medicine, economics and sociology" [www 1].

World Health Organization (WHO) defines the quality of life as "individuals' perception of their position in life in the context of the culture and value system in which they live, and in relation to their goals – expectations, standards and concerns" [WHO, 1998].

It is important to interpret the quality of life “by a multidimensional assessment made by means of internal criteria of the person and socio-normative criteria of the person-environment system” [Halicki, 2010: 51]. They should be considered in the dimension of objective and subjective determinants. The dominant components are most often indicated as socio-demographic characteristics, marital status, physical health, mental health, material situation, physical activity, abuse and neglect, health and social services, interpersonal contacts and the ability to meet the needs [Halicka, Pędich, 2002; Halicka, 2004; Lassota, 2006; Wolańska, 2006]. According to Anna Janiszewska, “if we understand the quality of life as a subjective sense of satisfying needs, then it should be stated that in the case of old people, when considering this concept, certain social problems specific to this age group should be taken into account, which do not concern people at earlier stages of life” [Janiszewska, 2015: 28] or which concern them to a lesser extent. One of the specific problems of old age is the experience of widowhood. It is worth noting that widowhood as one of the negative experiences of old age “affects our well-being more strongly than positive events and can contribute significantly to lowering the quality of life” [Doroszewicz, 2008: 15].

5. Widowhood

Widowhood, according to Piotr Szukalski, is “the most acutely felt event, for it eliminates from an individual’s life someone with whom he or she spent several decades, with whom he or she became close, and whose help he or she could usually count on as a first-line help” [Szukalski, 2013]. The consequence of experiencing such a state is the status of a widow or widower, i.e. a person whose legal marriage ceased to exist due to the death of a spouse.

It is assumed that the loss of a spouse is the most painful event in a person’s life. The death of a spouse causes many difficulties of complex nature. The death of a life partner is associated with the loss of the psychological support, help and care during illness, and, above all, with loneliness and solitude.

“Widowhood is a personal loss in which the surviving spouse often loses a friend, companion, lover, and sexual partner. (...) It is a family loss, associated with the loss of a partner in parenthood or acting as grandparents. (...) It is a social loss, concerning the loss of the status of a person in a relationship to a single person. (...) It is a financial loss due to a possible reduction in income and wealth” [Koren, Lowenstein, 2008: 141].

According to Beata Tobiasz-Adamczyk, “the sense of loss and piercing pain is connected with the lost love, but also with the loss of the whole concept of life, the inability to implement life plans, reluctance to be active” [Tobiasz-Adamczyk, 1999: 153].

Adopting the position of Polish gerontologists, it should be stated that the experience of widowhood by the elderly is an important aspect in their subjective assessment of the quality of life [Kijak, Szarota, 2013]; lonely life for many elderly people is difficult and definitely reduces their level of satisfaction with life [Halicka, 2004]. The consequence of widowhood is a worse assessment of the quality of one’s own life [Fabiś, 2015: 56].

Preliminary results of the 2021 National Population and Housing Census show that there are 2,737,000 widowed people in Poland. Most of them are women – 2,287,600. Men are five times less numerous – 449,400.

Table 5. Widowed people by sex in the 2001–2021 census years (Poland)

Gender	2001	2011	2021
Widowed men	2.9%	3.1%	2.9%
Widowed women	15.1%	15.5%	13.5%
Widowed people	2 907 700 (7.6%)	3 126 800 (8.1%)	2 737 000 (7.2%)
Total population	38 230 100 (100%)	38 511 800 (100%)	38 036 118 (100%)

Source: data from GUS 2013; GUS 2011.

According to the data presented in Table 5, the five-fold difference in widowhood between men and women has persisted for years. This indicates a higher mortality rate for men in this age group and the feminization of widowhood. The changes that took place in 2021 in the structure of the marital status of the population compared to 2011 are particularly visible among women aged 65 and over. Over the decade, the share of widows in this age group decreased by nearly 15 percentage points, from nearly 58% to approximately 43%.

As indicated by the latest Population and Housing Census of the Republic of Lithuania 2021 [Valstybės..., 2022], every eleventh inhabitant (219.4 thousand) was widowed. The number of widowed women was 4.5 times higher than that of men.

Table 6. Widowed people by sex in the 2001–2021 census years (Lithuania)

Gender	2001	2011	2021
Widowed men	3.2%	3.6%	3.1%
Widowed women	17.0%	18.2%	14.2%
Widowed people	298 787 (8.6%)	300 568 (9.8%)	219 400 (7.8%)
Total population	3 484 600 (100%)	3 043 400 (100%)	2 810 800 (100%)

Source: Valstybės..., 2021.

The trend of changes in the proportion of widowed people has been maintained for years and is the same among men and women. The percentage of widows is higher among women than men in all age groups. It should be emphasized that, as in the Polish society, the older the people, the higher the percentage of widows among them. In Lithuanian society, slightly more than one in two women aged 80 and over is widowed (56.0%), and among men – slightly less than one in three (28.6%).

The distribution of the population according to marital status in both Polish and Lithuanian societies is associated with the changes in the age structure of the population.

6. Quality of life and widowhood of the elderly as an area of research

The publication which has been issued by the experts of Statistics Lithuania [Lietuvos Statistikos Departamentas, 2014] is an excellent study that gives a comprehensive picture of the functioning of Lithuanian seniors. It is directly related to the issue of population ageing, taking into account such dimensions as: ethnicity and religious community, households, standard of living, use of information technologies, employment, earnings, health and social protection.

Interesting information on the functioning of older people (65+) in Lithuania is provided by the State Data Agency (Statistics Lithuania), data from 2022. In the light of the documents of this statistical agenda, the ageing of the population appears to be one of the most important demographic processes of the 21st

century. Statistical indicators of the quality of life are based on the data of the survey on income and living conditions. These include statistical information on residents' satisfaction with various aspects of life, frequency of visiting cultural and sports events, cultural objects and reasons for not visiting, communication with relatives and friends, civic activity. Statistical information on the quality of life is used for the analysis of the standard of living of households and measurement of social and cultural activity.

Taking into account satisfaction with various aspects of life, the majority of respondents rate them highly. This is especially true for the satisfaction with personal relationships with relatives, friends (66.0%) and satisfaction with the amount of leisure time (63.1%). The average level of satisfaction was expressed by the respondents towards satisfaction with the household financial situation (54.3%). It should be stated that the level of life satisfaction of individuals was most often described as medium (52.5%). No gender differences were found.

Respondents meet with relatives several times a month (27.9%), but more often (weekly) they contact them by phone or via the Internet (39.5%). They meet up with friends at least once a year (25.7%). Almost every third respondent (35.5%) contacts them weekly by phone or online. Women meet their relatives more often (weekly) than men.

Participation in voluntary activities or active citizenship is negligible. Only 5.0% of the respondents (slightly more often women) participate in official voluntary activities (organized by a charity, religious or other organization or club). Informal voluntary activities are undertaken by 5.1% of respondents. Again, women are slightly more likely to participate - helping other people or animals or taking up other activities, not arranged by an organisation. Civic activities are undertaken by 3.1% of respondents (slightly more often men).

The surveyed people 65+ occasionally participate in cultural or sport events. The financial situation is not an obstacle. The most common given reason was the lack of interest. This regarded activities such as going to cinemas, live performances (theatre, concerts, ballet), cultural objects (museums, art galleries, historical and archaeological sites, etc.), sports events or competitions. There are no significant differences between the sexes.

The majority of respondents (both women and men) described their health as neither good nor bad (from 56.2% to 66.3%, depending on the Income Quintile Group). Day-to-day activities due to medical conditions were limited but not severely in the case of 50.7%. Lithuanian seniors (89.6% women and 83.6% men)

consulted a doctor, especially the general practitioner. A negligible percentage of the population used or received health or social services at home – 5.3%.

Respondents have difficulty performing basic personal care activities. Among both women and men, these were mainly related to bathing or showering (19.9%), getting in and out of a bed or chair (16.4%) or dressing and undressing (14.7%). However, they are properly supported. Seniors also have difficulties in performing household activities. These mainly concern doing occasional heavy housework (66.3%), shopping (35.5%), taking care of or managing their financial matters (28.6%). Occasionally seniors engage in physical activity – usually walk for 30 minutes and more a day (44.5%).

In the Department of Andragogy and Educational Gerontology of the Faculty of Education of the University of Białystok, the life situation and functioning of widowed elderly people in both urban and rural environments has been the object of a thorough analysis. The material is collected on the basis of the case study method and the interview technique. What is more, the results referred to below are not statistical, representative, but only present specific signals that fit into the narrative of the already described nationwide findings.

The experience of widowhood is highly individualized [Flores, 2010]. In most cases, it is a huge, unforgettable loss. However, there are situations in which the death of a partner is treated as liberation in the literal sense (if the common life was influenced by, for example, alcoholism, violence) and in a symbolic sense (release from duties of care for the sick spouse, a sense of greater independence, self-determination).

As a result of the absence of a loved one caused by his/her death, the respondents often feel lonely, but they do not always feel alone. According to the respondents' statements, this is so mainly due to having children, grandchildren, functioning among other people, neighbours. What is more, they undertake activities that fill the emptiness. Very often these are home-centric activities, i.e. watching TV, listening to the radio, reading newspapers, books, pursuing passions (e.g. films, plot, flowers). Widows often focus on other family members, e.g. take care of their grandchildren. A specific remedy in this dimension is the implementation of everyday life chores, i.e. housekeeping, cleaning, washing, preparing meals, walking, garden care and others. In the case of widowed people from a rural environment, the everyday activities are often determined by the seasons. The autumn-winter period in the context of undertaking activity is more difficult to experience due to bad weather and thus forced isolation. In the

city, cultural activities related to visits to cultural institutions are quite often the best remedy for loneliness.

The statements of the majority of respondents show that after the death of the partner, intra-family relationships have not changed. Rather, they are very good or good. This applies both to relationships with limited contact (e.g. telephone contact due to the considerable distance) as well as within a shared household. Family relationships of the majority of the surveyed widowed people are based on the mutual support (financial and spiritual) and are the foundation of a sense of belonging to a family community and of building a sense of meaning in life. Occasionally, the indicated bad relationships are caused by a complicated family situation (such as quarrels) or lack of family members. Contacts are also maintained with the deceased spouse's family (siblings). However, these contacts are of occasional, festive nature. In the rural setting, widowed people mostly rated their neighbourly contacts as good or very good. They receive help in various matters (e.g. household chores, i.e. sawing firewood, mowing the lawn, health care, spiritual support, conversations, sometimes help in dealing with official matters). Of course, relations with neighbours can also be shallow, resulting from unstable, sporadic contacts, based on generally accepted principles of proper neighbourly coexistence.

In the opinion of the surveyed widows from the rural environment, their financial situation deteriorated after the death of their spouse. It is stable but requires financial restraint and saving. The main source of income is a pension. Most of the surveyed seniors do not own the homes in which they live. This is due to the peculiar security of one's existence by means of a notarized transfer of property to children (occasionally to other persons) with a clause of lifetime maintenance obligations to the previous owner of the property.

In addition to material factors, religion and the spiritual sphere are an important element of the quality of life of widowed people. In belonging to a religious community, in prayer, they seek solace and support.

Furthermore, the need to be healthy, fit and accepted and the need to belong, as a means of security, were very often strongly expressed. As for the future, the most common expectations regarded harmony and a sense of family unity, being a support for each other in difficult moments.

None of the surveyed widowed people declared their readiness to enter into a new formal relationship, neither now nor in the future – because of their adult children's opinion, a huge longing for the lost, unique person, advanced age.

The above-mentioned selected areas of functioning of people aged 65 + indicate specific similarities and differences. Domocentric activities dominate, both in terms of household management and participating in culture. For the most part, intra-family relationships are good and quite frequent. In retirement, the economic situation deteriorates. Seniors express their need to be healthy and useful. Low social activity is very common.

The specificity of the life situation results from the conditions of the functioning of health care, social care, pension system and many other state institutions and structures. The perception of older people by younger generations and the place and importance of older people in the social structure are also an important element.

7. Conclusion

The selected exemplifications presented in the text, illustrating the mechanisms and effects of aging societies, generate specific challenges. They are noticed and implemented on many levels, both on a macro and micro scale, both at the global, European, national and local level.

World Health Organization reports [WHO, 2011; WHO, 2015] identify key areas in which measures should be taken to prepare countries and societies for the new demographic structure. Their implementation will require a fundamental change in the perception of the elderly, of ageing and old age [Albert, Freedman, 2020]. They concern the following activities:

- to make the elderly-friendly spaces and places;
- the need to adapt health systems to the needs of older people;
- we need to change our thinking about older people towards seeing them as full members of the community, contributing to their development.

The relevant departments of the European Commission in their studies point to the impact of the ageing population in two dimensions: 1) impact on the labour market, productivity and economic growth, 2) impact on social security and public finances.

As a response to the deepening process of population aging, the directives of the European Commission written in the Report *The Demographic Future of Europe – from Challenge to Opportunity* are being implemented in the member countries of the European Union [Commission..., 2006]. A constructive response to the demographic challenge concern:

- promoting demographic renewal in Europe;
- promoting employment in Europe: more jobs and longer working lives of better quality;
- a more productive and dynamic Europe;
- receiving and integrating immigrants in Europe;
- sustainable public finances in Europe: guaranteeing adequate social security and equity between the generations.

In January 2021, the European Commission published a “Green Paper on Ageing”, thus launching a wide-ranging debate on the topic. The key issues are how to anticipate and respond to the challenges and opportunities of an ageing population, and how to maintain a good quality of life in an ageing society. It is important to note that competence in the field of demographic policy lies largely with the Member States. In turn, the EU is in a position to identify areas that need particular attention, to identify general trends and support action at national, regional and local level.

In 2018 in Poland the Council of Ministers adopted the document *Social Policy Towards the Elderly 2030. Security – Participation – Solidarity* [Rada..., 2018], which was created to define the most important directions of senior policy in the coming years and to organize the activities of public institutions in Poland. The document takes into account the implementation of a number of solutions in the areas of safety, health, prevention of loneliness, active participation in social life, and the need to adapt infrastructure to the needs and capabilities of the elderly. It is also worth mentioning the annual reports of the Ministry of Family and Social Policy entitled *Information on the Situation of the Elderly in Poland* [Ministerstwo..., 2022] outlining the directions of necessary changes in connection with the aging of the Polish society, but also describing the implemented activities in this area.

In Lithuania several strategic documents focused on the needs of an ageing population were released during the last years. The key strategic document including the area of active ageing is the National Strategy for Demography, Migration, and Integration 2018–2030. Integration of the older-age citizens into the society is described as one out of three general aims of this strategy (next to the creation of the family-friendly environment, and the management of the migration flows). Important recommendations for improving active ageing policy are included in the document *Ageing Policies – Access to Services in Different Member States* [European Parliament, 2021]. Annex V of this study

provides an overview of the most recent developments with regards to ageing policies and access to services by older people in Lithuania. It focuses on areas of economic activity, social participation, health and well-being, long-term care, and supportive environments (including housing, transportation, and securing financial independence).

According to A. Labus [2011], population aging is a global trend and it is inevitable, reflecting the civilizational progress of man. It addresses important social, economic and spatial issues. These processes require constant readiness for improvement in the following areas, among others: the social welfare system, the medical care system, the structure of industry, the structure of investment, the structure of consumption, the wealth distribution system, relations between generations, and quality of life.

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IMPLEMENTATION OF THE GOALS OF AGENDA 2030 IN POLAND

| Abstract

- ▶ *Goal* – the purpose of the article was to present the situation with regard to the implementation of the Sustainable Development Goals in Poland.
- ▶ *Research methodology* – for the purpose of the article, the author of the article used the analysis of the literature on the subject and the analysis of data taken from the SDG Index and Dashboards Report series.
- ▶ *Score/results* – the analysis showed that Poland, although it started from a less than ideal position, is now on the right track in terms of achieving the goals of Agenda 2030. The dynamics of our country's implementation of the Sustainable Development Goals is higher than average, which means that Poland is catching up with the countries that have been in the top positions so far.
- ▶ *Originality/value* – the article is a summary of 8 years of Poland's implementation of the goals of Agenda 2030. It broadens the knowledge of our country's advancement in the implementation of the goals of sustainable development.

| **Keywords:** sustainable development, Agenda 2030, goals of sustainable development.

1. Introduction

Environmental changes have always been a subject of human attention. However, it was not until the 20th century that the question of how human activity contributes to these changes and what, if anything, can be done to prevent them, was of particular interest. After all, human pressure on the environment

leads to negative consequences not only for the environment itself, but also for society and for the economy.

Poland needs a new perspective on development processes. Among the emerging concepts, the idea of sustainable development, which emphasizes the consideration, within the framework of social and economic development, of social, environmental and economic aspects, has gained particular importance. Among others, the United Nations organization has joined in the popularization of the idea of sustainable development, and within the framework of the “2030 Agenda for Sustainable Development” it has formulated goals for sustainable development, referring to various areas of socio-economic development, and indicated the tasks that should be implemented within the framework of these goals. The Agenda has been adopted by all UN member countries, which means that now all governments, but also business, or NGOs, are obliged to work towards the realization of the Sustainable Development Goals. Countries that have signed the 2030 Agenda have at the same time undertaken to monitor and report on their progress toward the goals.

The purpose of the article was to present the situation with regard to the implementation of the Sustainable Development Goals in Poland. The author of the study used the desk research method. The theoretical layer of the paper was prepared on the basis of a literature search. The empirical layer was developed based on the analysis of data taken from the SDG Index and Dashboards Report series. The analysis covers the years 2016–2023.

2. The concept of sustainable development and sustainable development goals

The literature tells us that the author of the term *sustainability* is the 18th century Saxon alderman Hans Carl von Carlowitz. He called sustainability a rule of conduct towards the forests he managed. The principle was to cut down only as many trees as could grow instead, within a certain period of time [Plebańczyk, 2017: 309].

The modern concept of sustainability development, however, emerged in the context of concerns about the state of the environment. The term *sustainability development* was first used in the World Charter for Nature [Rezolucja Zgromadzenia Ogólnego, 1982] promulgated in a United Nations General Assembly resolution in 1982 [Hák, Janoušková, Moldan, 2016: 565].

Currently, the classic definition of sustainability development is covered by the definition from the Bruntland Commission's report *Our Common Future*. This report stated that sustainability development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" [*Report of the World...*, 1987: 41]. Definitions of sustainability that operated in the literature in the twentieth century mostly referred to this approach. An exemplary definition from that period says that sustainable development is a strategy of action that simultaneously protects, sustains and strengthens human beings and the sources of resources they will need in the future [*Business strategy...*, 1992: 1]. Even today, many researchers refer to this approach. However, R. Emas stresses that although in this view sustainable development is similar to traditional environmental policy, it differs from it in that it emphasizes intergenerational policy, and its overall goal is the long-term stabilization of the economy and the environment [Emas, 2015: 2].

The increase in popularity of the concept of sustainable development has led to an attempt to concretize its definition by indicating the elements that should be taken into account when implementing the goals of the concept. These aspects were summarized by J. Elkington, creating the Triple Bottom Line model (TBL). According to J. Elkington, in their development, companies should consider economic, social and environmental areas equally [Kazancoglu, Ozkan-Ozen, 2020: 4247].

As emphasized by M. Burchard-Dziubińska, A. Rzeńca and D. Drzazga, sustainable development cannot be identified exclusively with environmental protection activities. They are an important, but not the only, distinguishing feature of the concept. A feature of sustainable development is the integration of environmental protection with social and economic issues, as well as the building of an appropriate institutional setting to serve this purpose. These activities are undertaken to ensure that current and future human needs are met, and therefore to achieve intra- and intergenerational security and justice [Burchard-Dziubińska et al., 2014: 23]. In other words, sustainable development is only possible by taking into account and integrating economic, environmental and social aspects throughout the economic decision-making process [Emas, 2015: 2].

The framework of sustainable development should involve such measures as: [GUS, 2016: 15]:

- in the social area – ensuring access to work, health care, education, sanitation, based on respect for human rights and social equality;

- in the economic area – economic growth that promotes social cohesion and the elimination of poverty, while reducing the negative impact on the environment;
- in the environmental area – ensuring environmental security for society by protecting the environment, preserving biodiversity, reducing the consumption of the earth’s natural resources, and using them rationally.

Although, as the World Bank stated back in 1988 “economic growth, the alleviation of poverty, and sound environmental management are in many cases mutually consistent objectives” [Pezzey, 1989: 1], of course, activities in these three areas can also be in competition with each other. Therefore, sustainable development choices should be made “at a higher level of systems thinking” [Rogers, Hudson, 2011: 4].

At this point it is worth mentioning that it is precisely the difficulty of simultaneously optimizing activities in all three aspects of sustainable development that has led to the development of several concepts that combine only selected two areas of activity. These are, for example: the concept of a green economy (combining the environment with the economy), the concept of a green society (combining the environment with social goals), the concept of inclusive growth (combining economic aspects with social aspects), and inclusive development (also focusing on social and environmental aspects) [Gupta, Vegelein, 2016: 435].

In order to further popularize and at the same time concretize the concept of sustainable development in 2015 the United Nations created the 2030 Agenda for Sustainable Development [Rezolucja..., 2015]. It formulated 17 sustainable development goals (SDGs) and resulting 169 specific targets. These goals include [Ministerstwo..., 2019]:

1. eliminating poverty in all its forms worldwide (7 targets);
2. eliminating hunger, achieve food security and improved nutrition, and promoting sustainable agriculture (8 targets);
3. ensuring a healthy life for all people of all ages and promoting prosperity (13 targets);
4. providing quality education for all and promoting lifelong learning (10 targets);
5. achieving gender equality and empowering women and girls (9 targets);
6. ensuring access to water and sanitation for all through sustainable management of water resources (8 targets);

7. ensuring access for everybody to the sources of stable, sustainable and modern energy at an affordable price (5 targets);
8. promoting stable, sustainable and inclusive economic growth, full and productive employment and decent work for all people (12 targets);
9. build stable infrastructure, promoting sustainable industrialization, and foster innovation (8 targets);
10. reducing inequality within and between countries (10 targets);
11. making cities and human settlements safe, stable, sustainable and inclusive (10 targets);
12. ensuring patterns of sustainable consumption and production (11 targets);
13. taking urgent action to combat climate change and its effects (5 targets);
14. protecting and using the oceans, seas and marine resources in a sustainable manner (10 targets);
15. protecting, restoring, and promoting sustainable use of terrestrial ecosystems, sustainable management of forests, combating desertification, halt and reversing land degradation, and halt the loss of biodiversity (12 targets);
16. promoting peaceful and inclusive societies, ensuring access to justice for everybody, and building effective and accountable, inclusive institutions at all levels (12 targets);
17. strengthen implementation measures and revitalizing the Global Partnership for Sustainable Development (19 targets).

The Open Working Group on the Sustainable Development Goals, which was established back at the 2012 Earth Summit in Rio de Janeiro, was responsible for developing the goals. This group included 30 representatives from the five UN regions. Business representatives also took part in setting the goals [Sroka, 2015].

The goals adopted in “Agenda 2030” address five areas, which can be defined as: people, planet, prosperity, peace, partnership (5P: people, planet, prosperity, peace, partnership). The goals cover a wide range of challenges related to poverty, hunger, health, education, gender equality, climate change, peace and justice.

The Sustainable Goals call on all nations to pursue a holistic strategy combining economic development, social inclusion and environmental sustainability. They embody a shared global vision of how to integrate these three dimensions of sustainable development into action at the local, national and international levels [Sachs et al., 2016: 8].

3. The level of implementation of sustainable development goals in Poland

In order to effectively implement Agenda 2030, it is essential to measure progress toward the formulated goals and targets, both at the global and national levels. However, the multiplicity of sustainable development goals and targets, as well as their capacity, mean that many methods and metrics are proposed to measure the achievement of these goals, or to measure the level of sustainable development in a country. Many countries, including Poland, have developed their own approaches to these issues.

In this study, however, Poland's level of achievement of the Sustainable Development Goals will be presented using the Global SDG Index. This is one of the proposals for monitoring the level of implementation of the goals of Agenda 2030, presented by the Sustainable Development Solutions Network (UN SDSN) and the Bertelsmann Foundation. The Index makes it possible to estimate the degree of implementation of the entire Agenda 2030 and its individual goals at the international level. It also makes it possible to compare the advancement of individual countries in this process and to identify areas where activities should be intensified. Thus, it allows assessing a country's situation in terms of sustainable development, more broadly. As the creators of the Index themselves write "The SDG Index also allows each country to compare itself with the region, with other counterparts at similar levels of overall economic development, and with the entire world, including the best and worst performers. Indeed we have constructed the various measures for each SDG so that they immediately indicate a country's position on a 0-to-100 spectrum from the "worst" (score 0) to the "best" (score 100)" [Sachs et al., 2016: 9]. The SDG Index is presented in annual reports.

The Sustainable Development Goals were formulated as part of Agenda 2030 in 2015. In 2016, however, the first report, the SDG Index and Dashboards Report 2016, was published, which showed a starting point for achieving the Sustainable Development Goals for each country. It was intended to help understand the most important challenges to implementing the goals and identify the gaps that need to be filled to achieve the 2030 Sustainable Development Goals [Sachs et al., 2016: 9]. Poland's place in the ranking on the level of sustainable development in 2016 (against the most and least advanced countries in this regard) is shown in Table 1.

Table 1. Poland's place in the ranking on the level of sustainable development in 2016 (against the most and least advanced countries in this regard)

Rank	Country	Score
1.	Sweden	84,5
2.	Denmark	83,9
3.	Norway	82,3
38.	Poland	69,8
147.	Congo, Dem.Rep.	31,3
148.	Liberia	30,5
149.	Central African Rep.	26,1

Source: the author's own work based on: Sachs et al., 2016: 16–17.

The Scandinavian countries were at the top of the ranking at the starting point in 2016. Their level of advancement in sustainable development exceeded 80¹. This means that they are now closest to achieving the SDG endpoints envisaged for the year 2030. However, this is not yet the maximum score. So even the relatively best countries have a lot of work ahead of them.

African countries, on the other hand, ranked the lowest. The difference in the advancement of sustainability measures between the first and last ranked countries was more than 3 times.

In the 2016 report Poland was ranked 38th, with a score of 69.8. This showed the great backwardness of our country in terms of sustainable development activities. The gap to overcome was one of the highest among OECD countries (Poland was 29th among 34 countries).

Subsequent reports have been published annually, but each time their authors have stressed that the results are not strictly comparable from year to year, as the methodology is constantly being refined and the number and type of metrics used in the calculations change. However, even taking this caveat into account, the rankings published as part of the reports show the trends in

¹ This should be interpreted as follows: for example Sweden's overall index score of 84.5, signifies that Sweden is on average 84.5% of the way to the best possible outcome across the 17 SDGs [Sachs et al., 2016: 14].

each country's commitment to the Sustainable Development Goals and the level of the gap yet to be caught up.

Poland's place in the rankings of the level of implementation of the goals of Agenda 2030 in 2019–2023 (against the background of the most and least advanced countries in the implementation of these goals) is shown in Table 2.

Table 2. Poland's place in the rankings of the level of implementation of the goals of Agenda 2030 in 2019–2023 (against the background of the most and least advanced countries in the implementation of these goals)

2017	2018	2019	2020	2021	2022	2023
1. Sweden 85,6	1. Sweden 85,0	1. Denmark 85,2	1. Sweden 84,7	1. Finland 85,9	1. Finland 86,5	1. Finland 86,8
2. Denmark 84,2	2. Denmark 84,6	2. Sweden 85,0	2. Denmark 84,6	2. Sweden 85,6	2. Denmark 85,6	2. Sweden 86,0
3. Finland 84,0	3. Finland 83,0	3. Finland 82,8	3. Finland 83,8	3. Denmark 84,9	3. Sweden 85,1	3. Denmark 85,7
27. Poland 75,8	32. Poland 73,7	29. Poland 75,9	38. Poland 78,1	15. Poland 80,2	12. Poland 80,54	9. Poland 81,8
155. Congo, Dem. Rep. 42,7	154. Congo, Dem. Rep. 43,4	160. Congo, Dem. Rep. 44,9	164. Chad 43,8	163. Chad 40,9	161. Chad 41,29	164. Chad 45,3
156. Chad 41,5	155. Chad 42,8	161. Chad 42,8	165. South Sudan 43,7	164. South Sudan 38,9	162. Central African Rep. 39,28	165. Central African Rep. 40,4
157. Central African Rep. 36,7	156. Central African Rep. 37,7	162. Central African Rep. 39,1	166. Central African Rep. 38,5	165. Central African Rep. 38,3	163. South Sudan 39,05	166. South Sudan 38,7

Source: the author's own work based on: Sachs et al., 2017: 10–11; Sachs et al., 2018: 16–17; Sachs et al., 2019: 20–21; [Sachs et al., 2020: 26–27; Sachs et al., 2021: 10–11; Sachs et al., 2022: 14–15; Sachs et al., 2023: 25–26.

In the 2016 report Poland was ranked 38th, with a score of 69.8. In subsequent years, the level of the index for Poland grew, exceeding 80 points in 2021, and our country's position in the ranking also grew. In 2023, Poland took 9th place in the ranking with a score of 81.8. This means that the measures taken in our country are bearing fruit. In 7 years, Poland has decisively reduced the gap separating it from the optimal level of sustainable development

by 12 points. This can be clearly seen in comparison with other countries. According to the report's authors' calculations, the world has been improving the level of achievement of the Agenda's goals by only half a point per year on average between 2015 and 2019, while since the outbreak of the pandemic and the occurrence of other overlapping crises, progress has stalled [Sachs et al., 2023: 23].

However, analyzing only the overall SDG index can falsify a country's picture. This is because it can, in cases where a country performs well in most indicators, hide areas of serious deficiency. That's why, starting in 2017, the reports began to include detailed information on a country's achievement of each of the Agenda 2030 goals, which took the form of a kind of dashboard. Green indicates the achievement of a given SDG, red highlights the area of major challenges, while yellow and orange indicate that there are still significant challenges in a given area. In other words, the colours from yellow through orange to red indicate increasing distance from achieving a given SDG [Sachs et al., 2017: 59].

A table of indicators for achieving each of the Sustainable Development Goals in Poland in 2017–2023 is presented in Table 3.

Table 3. Indicators for the achievement of individual goals of Agenda 2023 in Poland in 2017–2023

Goal Years	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2017	Y*	R	O	Y	O	G	O	O	R	Y	Y	O	R	R	O	O	O
2018	Y	O	Y	Y	O	Y	O	O	R	O	O	O	R	R	Y	O	R
2019	Y	R	Y	Y	O	Y	O	Y	R	O	O	R	R	R	G	O	R
2020	G	O	Y	Y	O	Y	R	Y	O	O	O	O	R	R	G	Y	R
2021	G	O	Y	Y	O	Y	R	Y	O	O	O	O	R	R	G	Y	R
2022	G	O	O	Y	Y	Y	R	Y	O	Y	O	O	R	R	G	Y	R
2023	Y	R	O	Y	Y	Y	O	Y	O	Y	Y	O	O	R	G	O	Y

* R – red, O – orange, Y – yellow, G – green

Source: the author's own work based on: Sachs et al., 2017: 14; Sachs et al., 2018: 18; Sachs et al., 2019: 24; Sachs et al., 2020: 41; Sachs et al., 2021: 32; Sachs et al., 2022: 21; Sachs et al., 2023: 37.

Table 4. Indicators significantly low in individual targets

Goal	2017	2018	2019	2020	2021	2022	2023
2	<ul style="list-style-type: none"> • Prevalence of obesity, BMI 30 • Sustainable Nitrogen Management Index 	—	<ul style="list-style-type: none"> • Sustainable Nitrogen Management Index • Yield gap closure 	—	—	—	<ul style="list-style-type: none"> • Ustainable Nitrogen Management Index • Yield gap closure
7	—	—	—	<ul style="list-style-type: none"> • CO₂ emissions from fuel combustion for electricity and heating per total electricity output • Share of renewable energy in total primary energy supply 	<ul style="list-style-type: none"> • CO₂ emissions from fuel combustion for electricity and heating per total electricity output • Share of renewable energy in total primary energy supply 	<ul style="list-style-type: none"> • CO₂ emissions from fuel combustion per total electricity output • Share of renewable energy in total primary energy supply 	—
9	<ul style="list-style-type: none"> • Research and development expenditure • Research and development researchers • Patent applications filed under the PCT in the inventor's country • of residence 	<ul style="list-style-type: none"> • Research and development researchers • Triadic patent families filed • Gap in internet access by income 	<ul style="list-style-type: none"> • Research and development expenditure • Research and development researchers • Triadic Patent Families filed (per million population 	—	—	—	—
12	—	—	<ul style="list-style-type: none"> • E-waste generated • Production – based SO₂ emissions 	—	—	—	—

Goal	2017	2018	2019	2020	2021	2022	2023	
13	<ul style="list-style-type: none"> • Energy –related CO₂ emissions per capita • Effective Carbon Rate from all non-road energy, excluding emissions from biomass 	<ul style="list-style-type: none"> • Energy –related CO₂ emissions per capita • Effective Carbon Rate from all non-road energy, excluding emissions from biomass 	<ul style="list-style-type: none"> • Energy –related CO₂ emissions per capita • Effective Carbon Rate from all non-road energy, excluding emissions from biomass 	<ul style="list-style-type: none"> • Energy –related CO₂ emissions embodied in imports • Effective carbon rate 	<ul style="list-style-type: none"> • CO₂ emissions from fossil fuel combustion and cement production • CO₂ emissions embodied in imports 	<ul style="list-style-type: none"> • CO₂ emissions from fossil fuel combustion and cement production • CO₂ emissions embodied in imports 	—	
14	<ul style="list-style-type: none"> • Ocean Health Index – Biodiversity • Ocean Health Index – Clean Waters • Ocean Health Index – Fisheries • Percentage of Fish Stocks overexploited or collapsed by EEZ 	<ul style="list-style-type: none"> • Ocean Health Index Goal –Biodiversity • Ocean Health Index Goal –Clean Waters • Fish Stocks overexploited or collapsed by EEZ 	<ul style="list-style-type: none"> • Ocean Health Index Goal –Clean Waters • Fish Stocks overexploited or collapsed by EEZ 	<ul style="list-style-type: none"> • Ocean Health Index: Clean Waters score • Fish caught from overexploited or collapsed stocks 	<ul style="list-style-type: none"> • Ocean Health Index: Clean Waters score • Fish caught from overexploited or collapsed stocks 	<ul style="list-style-type: none"> • Ocean Health Index: Clean Waters score • Fish caught from overexploited or collapsed stocks 	<ul style="list-style-type: none"> • Ocean Health Index: Clean Waters score • Fish caught from overexploited or collapsed stocks 	<ul style="list-style-type: none"> • Ocean Health Index: Clean Waters score • Fish caught from overexploited or collapsed stocks
17	—	<ul style="list-style-type: none"> • High-income and all OECD DAC countries: International concessional public finance, including official development assistance • Financial Secrecy Score 	<ul style="list-style-type: none"> • High-income and all OECD DAC countries: International concessional public finance, including official development assistance • Financial Secrecy Score 	<ul style="list-style-type: none"> • For high-income and all OECD DAC countries: International concessional public finance, including official development assistance • Financial Secrecy Score 	<ul style="list-style-type: none"> • For high-income and all OECD DAC countries: International concessional public finance, including official development assistance • Financial Secrecy Score 	<ul style="list-style-type: none"> • For high-income and all OECD DAC countries: International concessional public finance, including official development assistance • Financial Secrecy Score 	—	

Source: the author's own work based on: Sachs et al., 2017: 125; Sachs et al., 2018: 355; Sachs et al., 2019: 357; Sachs et al., 2020: 381; Sachs et al., 2021: 373; Sachs et al., 2022: 361; Sachs et al., 2023: 399.

As shown in Table 3, in almost 40% of cases (goals marked in orange) the goals were realized, but at too low a level. On the other hand, in the case of almost a third of the goals (which were marked in yellow), the implementation of the goals was at a moderate level.

The analysis of the presented information allows us to note that the areas of major challenges for Poland are primarily goals: 13 (climate action), 14 (life below water) and 17 (partnerships for the goals). The most difficult situation regards Objective 14, its implementation is rated lowest each year. In addition, in some years also the following goals: 7 (affordable and clean energy), 9 (industry, innovation, infrastructure), 2 (zero hunger) and 12 (responsible consumption and production), have not made satisfactory progress. In contrast, it is noteworthy that at the end of the analyzed period, in 2023, the implementation of only two goals – 2 and 14 – was assessed as a major challenge.

Consideration of a given goal as an area of the greatest challenge occurs when the level of measures of a given goal is significantly low. Table 4 shows which metrics of the indicated goals were considered too low and critical.

As the table 3 shows, during the period under review, Poland recorded the achievement of a selected goal of the Agenda several times. This was especially true for goal 15 (life on land), which is considered to have been achieved at an adequate level as of 2019. Goal 1 (no poverty) in 2020–2022 and goal 6 (clean water and sanitation) in 2017 also received such an assessment. Within the framework of these goals, all metrics have been formed at appropriate levels.

4. Conclusions

The analysis showed that Poland, although it started from a less than ideal position, is now on the right track in terms of achieving the goals of Agenda 2030. Of course, there is still much to be done. This is especially true for goal 14, which, as of 2016, was particularly challenging for Poland. To continue to improve its position, Poland should intensify its efforts in the remaining goals as well.

However, the dynamics of our country's implementation of the Sustainable Development Goals is higher than average, which means that Poland is catching up with the countries that have been in the top positions so far. Interestingly, an analysis of the data contained in the reports shows that these leading countries, at the halfway point of the implementation of Agenda 2030, have made only

slight progress (for example, the level of the index for Sweden has increased over the analyzed years by 1.5 points, for Denmark by 1.8 points).

Some questions may therefore arise. Have some of the Agenda's goals been formulated too ambitiously, since even highly developed countries are not able to achieve them at a higher level? In the case of Poland, too, will stagnation in the implementation of the goals and a lack of growth in the value of the index be observed in the coming years? The answers to these questions will be provided in the coming years.

Based on a detailed analysis of the reports and the thoughts of their authors, it is also possible to formulate some general conclusions regarding the implementation of the Sustainable Development Goals. Each country is peculiar, each may face the challenges differently, and each approaches the implementation of the set goals in different ways. For poor countries, for example, serious challenges are related to the elimination of extreme poverty and environmental degradation in all the forms; these countries require social integration and access to necessary infrastructure. Richer countries face such challenges in such categories as: mitigating climate change, maintaining global partnerships, nutrition, gender equality or education. At the same time, very often the implementation of the Sustainable Development Goals by developed countries at a higher level is associated with the generation of negative international side effects, which in turn hinder less developed countries from achieving these goals. The realization of the Sustainable Development Goals is also negatively affected by various types of crises, e.g. pandemic, war in Ukraine, local conflicts, humanitarian tragedies. They inhibit, or even nullify, progress towards these goals. It is therefore necessary to have international cooperation and joint commitment to solve these problems [Sachs et al., 2019; 2023].

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THE IMPACT OF SOCIAL POLICY ON THE LEVEL OF EMPLOYMENT IN THE LITHUANIAN LABOR MARKET¹

| Abstract

- ▶ *Goal* – the contemporary labor market in European countries is being currently influenced by such factors as an ageing population, shortage of employees, difficulties in recruiting employees with appropriate qualifications and untapped professional potential. In the case of the latter, the situation of people with disabilities, of young women, of people 50+ is discussed most extensively and, much less frequently than the problem of activating the long-term unemployed. This topic seems to be important in the context of decreasing labor resources and the growing deficit of employees. The aim of the article is to determine the impact of the social policy (social security system) on the level of employment in Lithuania in the context of reducing the number of long-term unemployed and their activation. It is assumed

¹ The authors' participation in the publication: development of research methodology, organization of research/surveys and data processing, data analysis, drafting of some sections of the article, discussion of practical implications – 30%

that the social benefits that unemployed beneficiaries receive discourage them from returning to the labor market.

- ▶ *Research methodology* – the used research methods include: analysis of scientific studies, descriptive and comparative methods and the survey research².
- ▶ *Score/results* – the conducted research has shown that the main causes of long-term unemployment do not result from the decisions of the unemployed, and neither from the demotivating effect of receiving social benefits in the context of active social integration. Thus, the hypothesis was not confirmed.
- ▶ *Originality/value* – the analysis conducted in the article allows to identify barriers to employment of the long-term unemployed in Lithuania and thus contributes to the scientific discussion on this topic. The results can provide policy makers with recommendations for activation measures for the unemployed social assistance recipients in the context of stabilizing the local labor market situation and of increasing the effectiveness of the social policy.

| **Keywords:** long-term unemployment, social assistance, activation of the unemployed, Lithuania.

1. Introduction

State activities relating to the labor market are among the most important public policies. These activities are aimed at ensuring a high level of employment (reduction of unemployment) and at the rational management of human resources, primarily through the creation of new and full-fledged jobs. The labor market policy is an important part of the employment policy as it focuses more on solving the structural and social problems of the already operating labor market [Knapińska, 2018]. Within the labor market policy, a distinction is made between the active state policy and the passive state policy. The state's active actions aim to ensure stability and long-term development and to eliminate social inequalities. Meanwhile, the passive policy ensures social protection for the unemployed and provides material security for people who have lost their jobs. Various types of social security benefits are used for this purpose [Grynica, 2012].

² The article uses the results of the survey research conducted in 2022 with the support of the European Regional Development Fund (project No 13.1.1-LMT-K-718-05-0008) under grant agreement with the Research Council of Lithuania (LMTLT) and the research carried out in 2017 with the support of the Lithuanian Ministry of Social Protection and Labor.

Unemployment, especially long-term unemployment, is a significant socio-economic problem for every country. Its effects have a strong impact on the unemployed people and on their families, as well as on the entire society and economy. The social policy is the state's response to these social problems which cannot be easily solved. As a part of this policy, the state pursues economic and social goals that "are intended to ensure universal prosperity and its even distribution among citizens, as well as to strengthen the weakest groups" [Zgliczyński, 2017]. It is implemented through various specific policies, such as the previously mentioned employment policy, but also through social security, health, housing, family, education and other policies. The social security system varies across the European Union (EU), as a result of different socio-economic, demographic and historical-cultural conditions. Each EU country has its own regulations defining the rules for granting particular types of benefits, their amount and the period for which they will be paid [MISSOC, 2023].

The national social security system plays an important role in the context of the increasing employment and the campaign to reduce the number of unemployed. The role of social transfers in the context of providing individuals with a degree of income security in case of unforeseen circumstances related to the incapacity for work, unemployment, old age, disability, child-rearing, etc. is undeniable. On the other hand, these conditions can have a variety of effects on the labor market and on determining the behaviour of the unemployed, such as leading to a lower motivation for re-employment.

The main aim of the article is to determine the impact of the social policy (social security system) on the level of employment in Lithuania in the context of reducing the number of long-term unemployed and their activation. The specific objectives are: to indicate the causes of long-term unemployment and the factors (actions) aimed at reducing it. The research hypothesis assumes that the Lithuanian social security system has a deactivating effect on the benefit of the recipients. The social benefits that unemployed beneficiaries receive discourage them from seeking employment. It is assumed that all social transfers influence labor supply because their amount increases the attractiveness of the unemployed status. Therefore, the following research contains such questions:

H1: Do the main causes of long-term unemployment result from the decisions of unemployed people (e.g. from excessive salary expectations)?

H2: Is receiving social benefits a factor that demotivates the unemployed from active integration, i.e. economic activity?

The used research methods include: descriptive and comparative methods as well as survey methods. The article consists of three main parts. The first one reviews the research on the analyzed issues, while the second one presents a statistical picture of the level of unemployment and of the expenditure on social benefits. The next part focuses on the results of survey research conducted by the authors.

2. Literature review

As already mentioned, there are significant differences in social security systems and rules for granting benefits, including unemployment benefits, in individual EU countries. The most extensive systems provide for the so-called welfare states that will aim to protect citizens against the widest possible social risks resulting from the loss of job, health and old age [Zgliczyński, 2017]. The contemporary paradigm of welfare state policy is the concept of active inclusion, which is based on three dimensions: adequate financial support, an inclusive labor market and access to high-quality services in the field of social and economic integration policy [Lazutka 2014; Krutulienė et al., 2019]. The need to individualize activation services, i.e. to adapt them to the needs of individual people, is emphasized [Gruževskis et al., 2021].

Taking into account these different approaches to social policy and the growing interest in activation policies, there is also a lot of research focusing on the relationship between the received social benefits and the motivation of the unemployed to actively integrate. The motivational effects of exhausting unemployment insurance benefits on long-term unemployed Finns are presented in a study by Ilkka Virjo [Virjo, 2007]. As a result of the analysis, the author determined that some of the surveyed people delayed withdrawing from unemployment due to the received financial support, but the scale of this effect was small, which justifies the conclusion that economic incentives are not the main cause of long-term unemployment in the Finnish system.

The analysis of the relationship between unemployment benefits and the duration of unemployment in relation to different approaches in social policy in EU countries was carried out in the work of Laura Južnik Rotar and Sabina Krsnik [Južnik Rotar, Krsnik, 2020]. The results obtained by the authors suggest that the more generous the social policy is, the more often there is a negative relationship between the duration of unemployment and unemployment bene-

fits. It was also observed that the better the economic situation, the shorter the duration of unemployment. Meanwhile, Tania Bazzani [Bazzani, 2017] focuses on the main features of unemployment protection systems in Italy, Denmark and Germany and on the relationship between unemployment benefits and activation policies. The author recognizes that in all EU Member States the issue of activation has become a key element of labor market policy, but the effects of the introduced reforms are varied.

Another voice in the debate on the impact of unemployment benefits on employment is a model study conducted by Wolfgang Lechthaler and Patrick Ring [Lechthaler, Ring, 2021]. The study shows that the generosity of unemployment benefits reduces job search efforts. The results of Jonas Cederlöf's [Cederlöf, 2020] study on the effect of extending the duration of unemployment benefits in Sweden on the duration of unemployment are also noteworthy. The results obtained by the author showed that the overall duration of unemployment and the probability of employment remain largely unchanged. This is due to the extensive support options offered in other assistance programs available to job seekers who exhaust their unemployment benefits. This thread also includes the research by Johannes F. Schmieder and Till von Wachter [Schmieder, Wachter, 2016] assessing how long-term unemployed people in Denmark react to the threat of expiration of unemployment insurance in a social security system in which other benefits are available. Research has shown that the threat of exhaustion of the insurance period actually motivates beneficiaries to look for work.

The article by Fadime İrem Doğan [Doğan, 2019] attempts to investigate the impact of unemployment benefits on the duration of unemployment in France and Poland between 2006–2009 and 2011–2014. The presented results show that in both countries, collecting unemployment benefits prolongs the duration of unemployment. These findings, according to the author, may signal an inefficient allocation of social transfer funds and suboptimal investments in areas such as education. In turn, Tomi Kyyrä and Hanna Pesola [Kyyrä, Pesola, 2020] analyzed the impact of benefit duration on unemployment duration and subsequent job matching in Finland. They showed that one additional week of benefits increases the expected duration of unemployment by 0.16 of a week. A longer benefit period also increases the expected wage and the duration of the next period of employment.

The research on the analyzed issues in Lithuania includes the publication by Daiva Berzinskiene and Liongina Juozaitiene [Berzinskiene, Juozaitiene, 2011] examining the impact of labor market instruments on unemployment, including

the received benefits. The conducted research allowed the authors to conclude that unemployment benefits relatively alleviate the effects of unemployment, but do not reduce its level and often suppress motivation to work. The conclusions of the analysis conducted by experts of the Lithuanian Free Market Institute (LFMI) in the context of financial motivation for the unemployed to return to the labour market are also noteworthy. Motivation was assessed with the unemployment trap index, which reached 105% in Lithuania in 2021 and it was the highest among all EU countries (the EU average is 74%). A ratio above 100% means that the real income from employment will be lower than the received social benefits. Therefore, it is not profitable for unemployed people to look for a job, because the loss of unemployment benefits and other social benefits during this time will reduce their real income, and the level of wages does not compensate for this loss. This situation makes it difficult to activate the unemployed and it should be taken into account when transforming the social and fiscal policy [LFMI, 2022].

The studies presented above cover various aspects of obtaining and maintaining benefits and their practical implementation in EU countries. The effectiveness of social transfers in terms of activating the unemployed is assessed differently, depending on the features of the social policy system. The demotivating effect is most often observed in wealthier countries incurring higher social security expenditures and offering a wide range of benefits in other assistance programs available to the unemployed.

3. Unemployment level and the scope of social assistance in Lithuania

The situation on the labor market is largely determined by the economic situation in the country. The return to the growth path after the economic recession caused by the 2008 crisis was reflected in growing employment and in the decreasing unemployment, but the problem of the decreasing labor supply remained unchanged [Grynica, 2018]. The COVID-19 pandemic was also important for the situation on the labor market, which further exacerbated the existing structural problems. Information presented by the Public Employment Service (PES) indicates a significant increase in the number of unemployed people during the pandemic, i.e. in 2020 and 2021. At the same time, the demand for work presented in job vacancies increased. This situation resulted from regional imbalance (vacancies are located in regions other than those with high unem-

ployment rate) and qualification imbalance (there is a shortage of employees in some professions). Most often, employees were sought for in such industries as: the transport and storage, trade, manufacturing industry and construction sectors.

Table 1. Scope of unemployment in Lithuania (annual average values)

Indicators	2015	2016	2017	2018	2019	2020	2021	2022
Unemployment rate (%)	8,7	8,1	7,9	8,5	8,4	12,6	13,0	9,0
Total number of unemployed	158 153	144 864	139 615	148 242	144 898	216 187	225 225	157 344
Long-term unemployed (% of total)	29,7	27,7	26,4	26,0	22,7	20,9	38,6	24,7
Job vacancies	7 716,5	8 698,8	9 264,8	1 0431	8 528	1 0015	1 5952	9 859

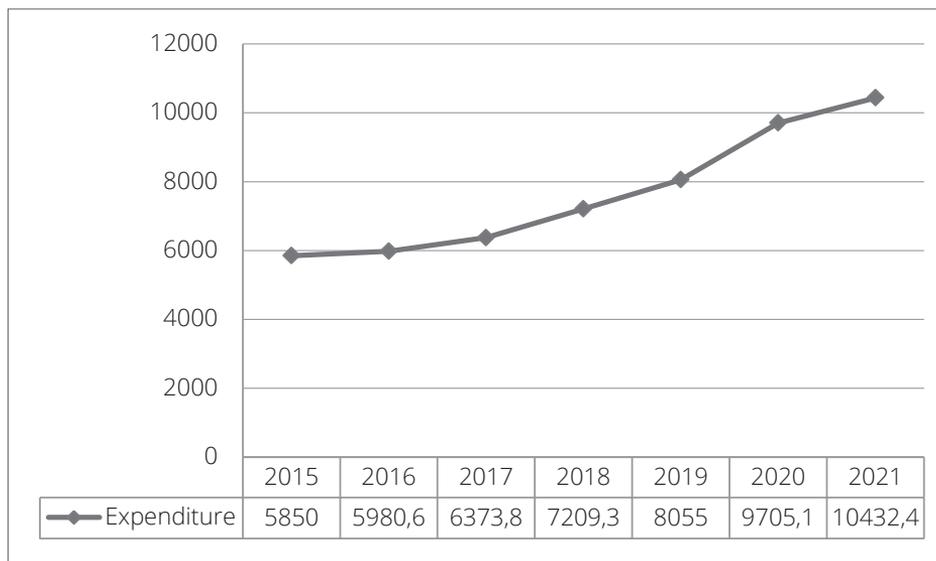
Source: PES, Statistical indicators.

The unemployment rate peaked in 2021 at 13% nationally, however, showing large regional variations. Thus, it can be observed that, as a result of the pandemic, the level of unemployment in general increased by 4.2 percentage points (p.p.) in 2020 and by a further 0.8 p.p. in 2021. In the light of the selected issue, the percentage of long-term unemployed is an important indicator characterizing the situation on the labor market. According to the above data, in the pre-pandemic period (2015–2020), on average, about 26% of the total unemployed were people who had been unemployed for more than a year. Meanwhile, in 2021, such people already accounted for nearly 39%, registering an increase of 17.7 p.p. This situation is due to the fact that long-term unemployment is growing with a certain lag as a result of the condition of being unemployed for at least 12 months. In 2022, the analyzed indicators showed a downward trend, however, remaining at a relatively high level. The profile of the statistical unemployed in 2022 was as follows: 50.2% of the total unemployed were women, while about 42% of the surveyed population was aged 30–49, and one in four unemployed belonged to the long-term unemployed group.

The relatively high level of unemployment in the country resulted in an increase in expenditure on the fulfillment of social benefit obligations in the analyzed period. According to Statistics Lithuania (SL), in 2021 compared to

2015, this indicator almost doubled, with the largest increase occurring in the last two years. In relation to GDP, the analyzed indicator increased from 15.7% to 18.6%.

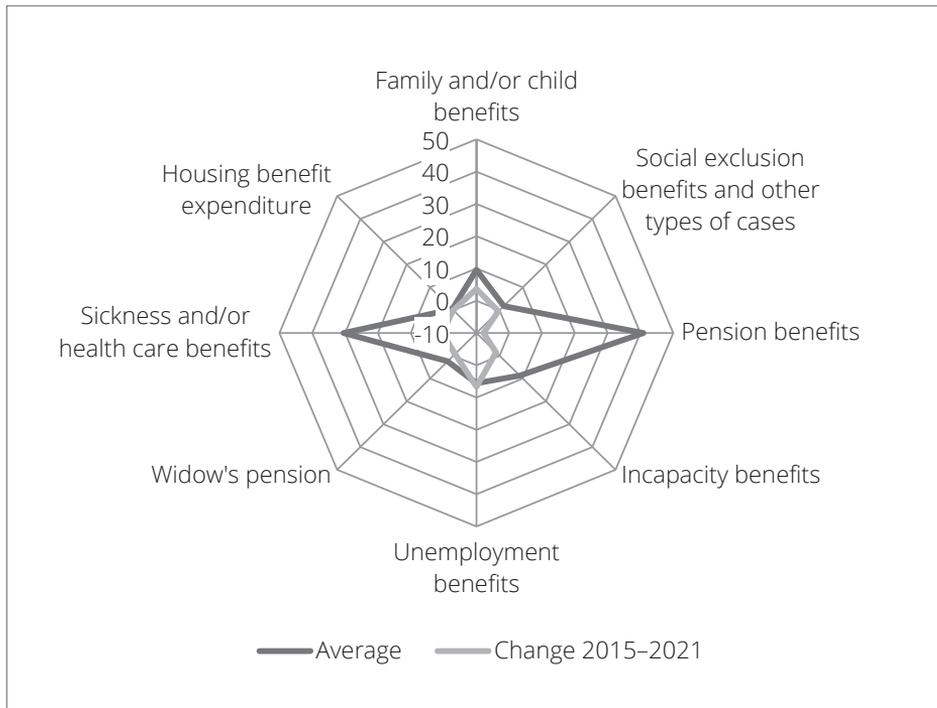
Chart 1. Social protection expenditure 2015–2021 (million eur)



Source: SL, *Social Protection*.

Considering the structure of these expenditures, it can be seen that, on average, during the analyzed period, about 41% was the expenditure on pension benefits, while another 30.5% was the expenditure on cash sickness and/or health care benefits (Chart 2). An estimation of changes over the period under review showed that the share of these two items declined significantly, particularly the pension benefits (by 7.8 p.p.). However, there was a significant increase in the share of unemployment benefits (by 6.7 p.p.) and family benefits (by 3.7 p.p.). The average number of people receiving unemployment benefits from the state social insurance in 2015 was 44.7 thousand (1.5% of the total Lithuanian population), in 2020–80.1 thousand (2.9%), and in 2021–73.3 thousand (2.6%). According to the above information, it can be concluded that there is a relatively high level of long-term unemployment and a rapid increase in the percentage of beneficiaries and social security expenditure. Changes in their structure are also important, evidencing an increase in the share of expenditure on unemployment benefits. This indicates that this issue is current for Lithuania.

Chart 2. Changes in the structure of social security benefits between 2015 and 2021, (share of total expenditure,% and p.p.)



Source: the author's calculations.

4. Barriers to employment of long-term recipients of social assistance and possibilities of their activation-research results

In order to design activation measures for unemployed recipients of social assistance, it is necessary to have a good knowledge of the barriers to employment. For this purpose, a survey of unemployed social assistance recipients was conducted in 2022 by the NGO “National Network of Poverty Reduction Organizations”. This survey has some limitations. First of all, the population of social assistance recipients is not large, they are a relatively small group to be included in the survey sample from the general population. On the other hand, it is not possible to interview only them due to data protection. Contact details were therefore collected from NGOs that potential respondents contact for various purposes (getting help, attending events, etc.). For this reason, it can be formally assumed that the study is not representative. However, quite a significant part

of the general population was tested (2.5%, i.e. 499 out of 20,000). The study is based on the self-report method. Some answers (e.g. the respondents' income) can be verified by comparing them with the average indicators from the database, while others are more difficult to check (e.g. the respondents' health condition, job search motives). Despite the encountered difficulties, it should be stated that the discussed research results are important for the intended purpose, because the obtained data cover a wide variety of unemployed beneficiaries of social assistance (according to gender, age, place of residence, period of unemployment and education) and provide interesting, and one might even say, unique, information on unemployment and experiences with social assistance. Among the respondents, the proportion of men was 46% and of women – 54%. Most respondents were from rural areas, 42% from single-person households, 31% from large cities and 27% from district centres. More than a half (53%) of the respondents had not worked for more than 3 years at the time of the survey. Those unemployed for longer than 12 months constituted the vast majority of respondents-82%. Periods of receiving social benefits were similar to the periods of unemployment: 60% of respondents had been receiving social benefits for more than one year.

The results of the 2017 survey of the long-term unemployed with 557 respondents were also used for the analysis. All of them were registered at the Labor Office (of which 44.5% received additional assistance from NGOs). Contact details and permission to conduct the research were obtained from the Lithuanian Labor Office under the Lithuanian Ministry of Social Protection and Labor. One purpose of this research was to develop recommendations for the economic activation of long-term unemployed recipients of social assistance. For this reason, the study also included a relevant group of workers at Labor Offices who directly consult the unemployed on job issues (285 respondents from 50 Labor Offices out of a total of 417 consultants employed at 60 centers).

The carried out research showed that the most common reasons for unemployment are often beyond the control of the long-term unemployed (Table 2).

The work ability group (B) consists of reasons for unemployment due to health problems or because of caring for a child and adult family member requiring care at home due to old age or disability (more than 70% of respondents indicated at least one of the reasons listed). Meanwhile, unwillingness to work as a reason for unemployment (group C) was directly indicated by only 7% of respondents. The further 19% of respondents justified their unwillingness to work by the amount of social benefits sufficient to support themselves. This group of

unemployed social assistance recipients should be the focus of activation policies. In general, however, this group of reasons for unemployment is the least numerous and indicates that the main causes of unemployment are out of the responsibility of the unemployed.

Table 2. Main causes of unemployment (N = 499)

Why can't you take up a job? (you can indicate more than one reason)	%
There are no jobs where I live. I have problems getting to work in remote places	56
I have health problems but no disability entitlements	42
I can't find a job for my qualifications	40
There is no job for adequate pay	35
It is not profitable for me to work because a large part of my earnings will be deducted by bailiffs	31
I can't find a job because of my old age	30
I can't find any job, even for minimum wage	27
Work is offered in shifts only	24
It is not profitable for me to work because social benefits will be significantly reduced	20
Social benefits/allowances are sufficient to live on	19
I am addicted (to alcohol, drugs, etc.)	19
I take care of a child	16
I take care of an elderly/disabled person in the family	8
I am a disabled person	8
I don't want to work	7

Source: the author's own work.

In relation to the most common reasons for long-term unemployment (lack of jobs in the place of residence and problem with getting to work), a correlation analysis was additionally conducted. A relationship was sought between the place of residence (large cities: Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys;

other cities, district centers; rural areas) and the above-mentioned reasons for unemployment. These variables are statistically significantly related to each other ($p = 0.000$), and the relationship has moderate strength ($r = 0.586$). Meanwhile, regression analysis showed that the duration of unemployment and the duration of social benefits are not significant for the responses. Thus, it should be concluded that, in remote places of residence, both the long-term unemployed and those who have recently started looking for a job are equally affected by the lack of work and by the shortcomings of the transport organization system.

There is a widespread opinion in society, especially among employers, that people do not find a job for a long time because they have high salary expectations. The results of the conducted research allow us to test this hypothesis. The relationship between the duration of unemployment and the desired amount for work in euro was tested with cross tables. Two limits of the desired net wages were identified—the minimum monthly wage applicable during the study period (approximately 600 euros) and the average monthly net wage (approximately 900 euros). The results of the analysis allow us to conclude that the belief that the financial conditions of recipients of social benefits are good enough and that therefore they have unreasonably high expectations regarding potential earnings is wrong and does not correspond to reality at all.

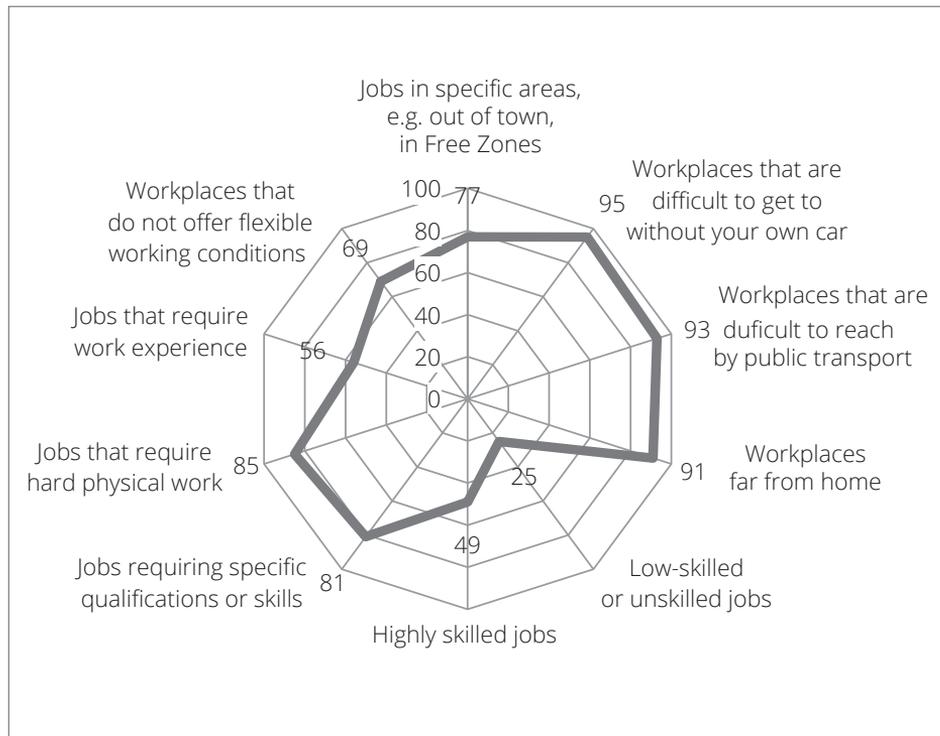
Another common opinion is that unemployed people receiving social benefits are not very motivated to quickly look for a job because they have sufficient income and can live on various benefits and social allowances. The study showed that a very small percentage of beneficiaries receive benefits other than unemployment. Those who have children, of course, receive child benefits, but they only make up 25% of the total number of welfare recipients. Meanwhile, the average amount of social benefit received by a household is only 189 euros. Even if child benefits are also received, the overall amount per a family member on average does not exceed the minimum consumption value – 267 euros (in 2022, when the survey was carried out). This amount allows us to claim that the financial situation of households benefiting from social assistance is quite modest and should not be a factor limiting their motivation to take up work.

The financial situation of respondents is evidenced by the ability to pay bills for necessary services and to purchase goods that meet basic needs. The conducted survey contained the question: “In recent months, has your household been able to pay on time for one or more of the ten basic things that people who suffer from material poverty due to the lack of money cannot afford at

times?”. About one third of the unemployed social benefit recipients were unable to buy or pay for four basic things-enough food, clothing, telephone/Internet services, and to settle debts. The latter circumstance is particularly important because bailiffs are obliged to collect outstanding debts from wages. Therefore, an unemployed person is unlikely to be motivated to take up work, not because he has sufficient financial resources, but because after taking up a job, his remuneration will significantly decrease due to the deduction of debt receivables and late payment interest.

When examining the opinions of Labor Offices staff, attention was focused on the characteristics of jobs that remain vacant (unfilled) for a long time (Chart 3).

Chart 3. Which job posts have remained vacant for longer periods of time? (N = 285)



Source: the author's own work.

The results showed that one of the main reasons for not filling an existing job is its transport inaccessibility. This statement is very important for taking appropriate actions to combat unemployment, especially long-term unemployment.

Traditionally, active labor market policy measures have been directed at improving the human capital of unemployed people or increasing their economic attractiveness (e.g. subsidies for employers), but neither of them is able to increase the availability of more distant jobs. Lithuanian legislation provides for supporting the mobility of unemployed people, but these are small amounts and their obtainment is quite limited.

It is also worth referring to the research results that allowed us to determine what actions can most effectively accelerate the employment of long-term unemployed people. In this context, they were divided into two groups: activities at the level of the local government/municipality and the Labor Office and activities at the employer level. The analysis showed that more effective employment of long-term unemployed people and of people receiving social benefits requires coordinated and comprehensive efforts. On the one hand, there is a need for direct cooperation of the local Labor Office (it is a centralized institution subordinate to the Ministry of Labor and Social Insurance – MLSI), local government institutions and employers, and, on the other hand, greater individualization of work with each long-term unemployed person, because their employment often depends on multiple interrelated causes.

Since 2020, such work has been carried out in Lithuania as a part of the Employment Promotion Programs (EPP) [PES, *Employment Promotion Programs*]. These are programs implemented at the local government level. They envisage the establishment of special units at the local government level for individual work with the long-term unemployed. Trilateral commissions are established at such units, consisting of representatives of local employers, of Labor Offices and of the local government services. A part of the funding for such activities comes from the state budget (through the MLSI), other funds may come from local government budgets, employers and other labor market subs entities. The cooperation with NGOs, which specialize in social work with relevant social groups and are very helpful by mediating their employment, is a very important element of the EPP. On the basis of the conducted surveys it can be concluded that 70% of the causes of long-term unemployment can be removed with the help of EPPs. More attention should be paid to such initiatives in the future, especially in the context of a shrinking labor force and an aging population. The economic activation of the long-term unemployed should be increasingly individualized in order not to impose socially beneficial behavior on the unemployed, but to encourage them to be active, making maximum use of their abilities, competences and experience.

5. Conclusions and discussion

The main aim of the article was to determine the impact of social policy (social security system) on the level of employment in Lithuania in the context of reducing the number of long-term unemployed and their activation. It was assumed that the social benefits received by unemployed beneficiaries discourage them from returning to the labor market. The topicality of the issues raised for Lithuania was indicated by the review of statistical data, which proves the continuing relatively high level of long-term unemployment and the rapid increase in the percentage of beneficiaries and social security expenditure. The identified changes in the structure of expenditure, indicating an increase in the share of expenditure on unemployment benefits, constitute an additional argument in favor of the relevance of the subject of research. Therefore, two research questions were asked, to which the authors sought answers in the results of the surveys conducted in 2022 and 2017. The study covered the population of unemployed people, the majority of whom were long-term unemployed beneficiaries of social assistance.

In response to the first question, it was stated that the main causes of long-term unemployment result to a very small extent from the decisions of the unemployed, and neither from their expectations regarding the excessive salary expectations, satisfactory financial situation or reluctance to work. The basic causes of unemployment are beyond the control of the unemployed and result from: the lack of work in the place of residence, transport problems or health problems and care for a child or an adult family member. The second research question also received a negative answer. It concerned the impact of the received social benefits on decisions to actively engage in the labor market. Therefore, the hypothesis about social benefits as a factor demotivating the unemployed to actively integrate was not confirmed.

It is also worth commenting on the obtained results in the context of the conclusions of other researchers, which were cited in the second part of the article and which identify the relationship between social benefits and long-term unemployment. This discrepancy may be explained by the features of national social policy (social security system). The demotivating impact was most often noted in wealthier countries, where social security spending is higher and more diverse. Meanwhile, our research has shown that the average amount of social benefits received by a Lithuanian household does not even reach 200 euros. Moreover, a very small percentage of beneficiaries receive benefits other than unemployment benefits. Therefore, the financial situation of households receiving

social assistance in Lithuania is quite modest and should not demotivate the unemployed. The amount of the future salary and the tax system in the country, which directly shape the financial motivation for the unemployed to return to the labor market, seem to be a more discouraging factor. Decisions of the transformation of the tax system and of the social security system are an element of public state policy and do not depend on the decisions of the unemployed. In this context, it is worth noting that over the last seven years, a regular increase in wages has been observed in Lithuania, both in the private and public sectors. On the other hand, the government is constantly improving social benefit models and the amounts of the allowance are gradually reduced when people take up work.

Summarizing the analysis of scientific studies and the results of the research conducted in Lithuania, it should be stated that the main causes of long-term unemployment result to a small extent from the decisions of unemployed people, and the demotivating effect of receiving social benefits in the context of active social integration is not decisive. The level of long-term unemployment is directly influenced by the level of economic development of the country and of the region, as well as by the level of wages in relation to the level of social benefits. The causes of long-term unemployment are usually multidimensional, which is why comprehensive solutions and individual work with the long-term unemployed person are needed to combat them. The practice of such solutions has already been applied in Lithuanian local governments since 2020.

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UNIVERSITY–BUSINESS COOPERATION (UBC) – FORMS OF COOPERATION AND BARRIERS. A COMPARATIVE ANALYSIS OF POLAND AND SELECTED EUROPEAN COUNTRIES

| Abstract

- ▶ *Goal* – the purpose of this article is to show the specifics of the cooperation between science and business in Poland and the selected European countries. The literature review conducted for this purpose will allow to answer questions about, among other things, the nature of links between universities and businesses, the motives for joint action and the most important barriers to cooperation in the analyzed cases of countries.
- ▶ *Research methodology* – the article includes an analysis of the available literature and reports in the area under study.
- ▶ *Score/results* – the analysis showed that cooperation between universities and business in Poland is still at a lower level compared to the selected European countries, and enumerated other factors which affect the level of this cooperation.
- ▶ *Originality/value* – comparison of Poland against selected European countries (UK, Germany, Austria) and identification of differences in the factors determining the cooperation of universities and business and barriers that hinder it.

| **Keywords:** university–business cooperation (UBC), barriers to cooperation, benefits of university–business cooperation.

1. Introduction

Cooperation between universities and business is crucial both for the development of public and private institutions, as well as for the regional development.

Effective cooperation between universities and businesses, which is a link between two environments that differ in many aspects, although a challenge in itself, is not only feasible, but a necessity. The benefits of such a cooperation are varied and involve multiple categories. However, this cooperation also faces very serious barriers, both on the part of universities and businesses [Milczarek, 2016: 71–73].

The importance of the cooperation between universities and businesses is highlighted by both practitioners and researchers. This is because the cooperation of these entities is a mutually beneficial process. Despite the growing awareness of the importance of knowledge transfer from universities to businesses, the extent of cooperation is still insufficient, which prompts an intensive search for the reasons for this situation [Klimczuk, 2010: 149–151].

According to the studies of many economists [Salem, 2014: 1047–1049; Pietrzyk, 2015: 147–148] it is the cooperation of science and business that drives innovation and competition, and undoubtedly these elements have become a necessity as a result of the ongoing processes of globalization [Kuna-Marszałek, 2013: 439–440].

Many authors agree that the benefits of university-enterprise cooperation accrue to both parties [Matusiak, Guliński, 2010: 20–29]. The literature lists a number of benefits of this cooperation, primarily due to the entity involved (Table 1).

Table 1. The benefits of cooperation between universities and business

Universities	Business
acquisition of specialists-practitioners, exchange of knowledge and experience	use of intellectual resources of academic staff
development of the university's entrepreneurship, increase of the mobility of the staff	use of the university's infrastructure and research facilities, influence on the direction of and access to scientific research
raising funds for research, development and education	improving the qualifications of employees by co-organizing specialized courses, post-graduate studies or majors
adapting educational programs and outcomes to the expectations of the target group	recruiting trainee-trained student graduates
creation of research centers at the university, dissemination of new achievements and achievements of sciences	establishing the appropriate image and brand for the company

Source: Pukin, 2019: 99.

Thanks to the cooperation, entrepreneurs can gain, first of all, access to scientific knowledge and scientific facilities, they can improve the qualifications of their own employees, build a more professional corporate image. Universities, on the other hand, can gain primarily better access to technological resources and scientific and research facilities. In addition, such cooperation facilitates the adaptation of educational programs to the real needs of employers.

Despite the many benefits of the cooperation between science and business, a great many barriers to such a cooperation are still observed [Ankrah, Al-Tabbaa, 2015: 387–388], not only in Poland, although here they are relatively greater than in most European countries (Table 2).

Table 2. Barriers to the cooperation between universities and business

Universities	Business
differing motivation between university and business	confidentiality
bureaucracy	emphasis on generating scientific results (e.g., research papers) by academic institutions
insufficient financial support for the UBC	differing motivations between universities and our business
focus on the practicality of research results	shortage of individuals with business expertise in academic institutions
unwillingness of employees and/or students to cooperate	diverse communication styles and language between the university and our company
the workload of employees' own research and/or teaching activities	lack of knowledge of models and patterns of cooperation
lack of patterns of such a cooperation	inability to finance the high costs of research and development projects

Source: Huggin, Johnston, 2009: 1088–1106; Pawłowski, 2007: 17–33; Bryła, 2014: 95–112; Baken et al., 2015: 3–26.

The most significant barriers relate to the lack of interest in cooperation or past experiences of ineffective cooperation. The complicated procedures and

bureaucracy, as well as conflicts of interest and commitments constitute problems in establishing such a cooperation. In the case of universities, factors that destimulate the initiation of the cooperation include: lack of financial resources, business focus on practical aspects, while companies choose not to establish the cooperation also for financial and strategic reasons.

2. University–Business Cooperation (UBC) in the light of statistical data

University–business cooperation is now recognized as a key factor that drives the development of society and knowledge-based economies. The direct effects of UBC are [Bryła, 2014: 96–100]:

- strengthening the competitiveness of enterprises by generating innovation,
- raising the profile of conducting research at universities,
- improving the professional situation of students and graduates by increasing the practical accessibility of the subjects taught, which in the long run can contribute to creating and maintaining jobs, stimulating economic growth and raising living standards.

All entities have knowledge about the benefits of such a cooperation. But does this knowledge translate into practice? In the light of statistical data, it can be observed that this level of cooperation in Poland is still at a relatively novice stage (Chart 1).

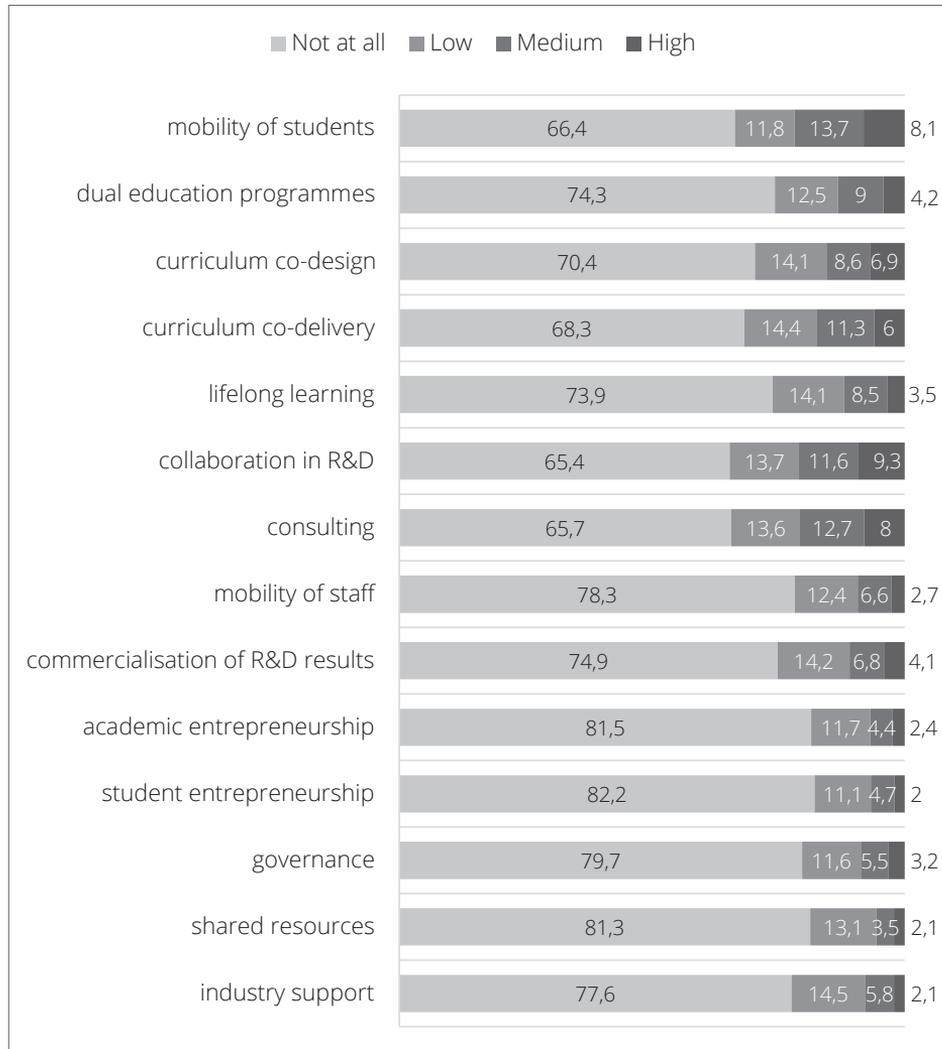
Most of Polish academics (more than 65%) do not engage in these activities at all. However, if such an activity is undertaken, it is above all else; Polish academics focus on the basic research, they also strive to conduct joint R&D and research based consulting. The third type of University–Business Cooperation undertaken in Poland is the mobility of students. Among academics, only 21.8% show a medium or high level of engagement, while as many as 66.4% remain completely unengaged. Polish academics are not eager to collaborate on activities such as: academic entrepreneurship, student entrepreneurship, shared resources, governance and mobility of staff.

The situation is slightly different from the perspective of Polish entrepreneurs (Chart 2).

Polish businesses are mainly active in educational and research activities, such as student mobility, participation in educational programs and support

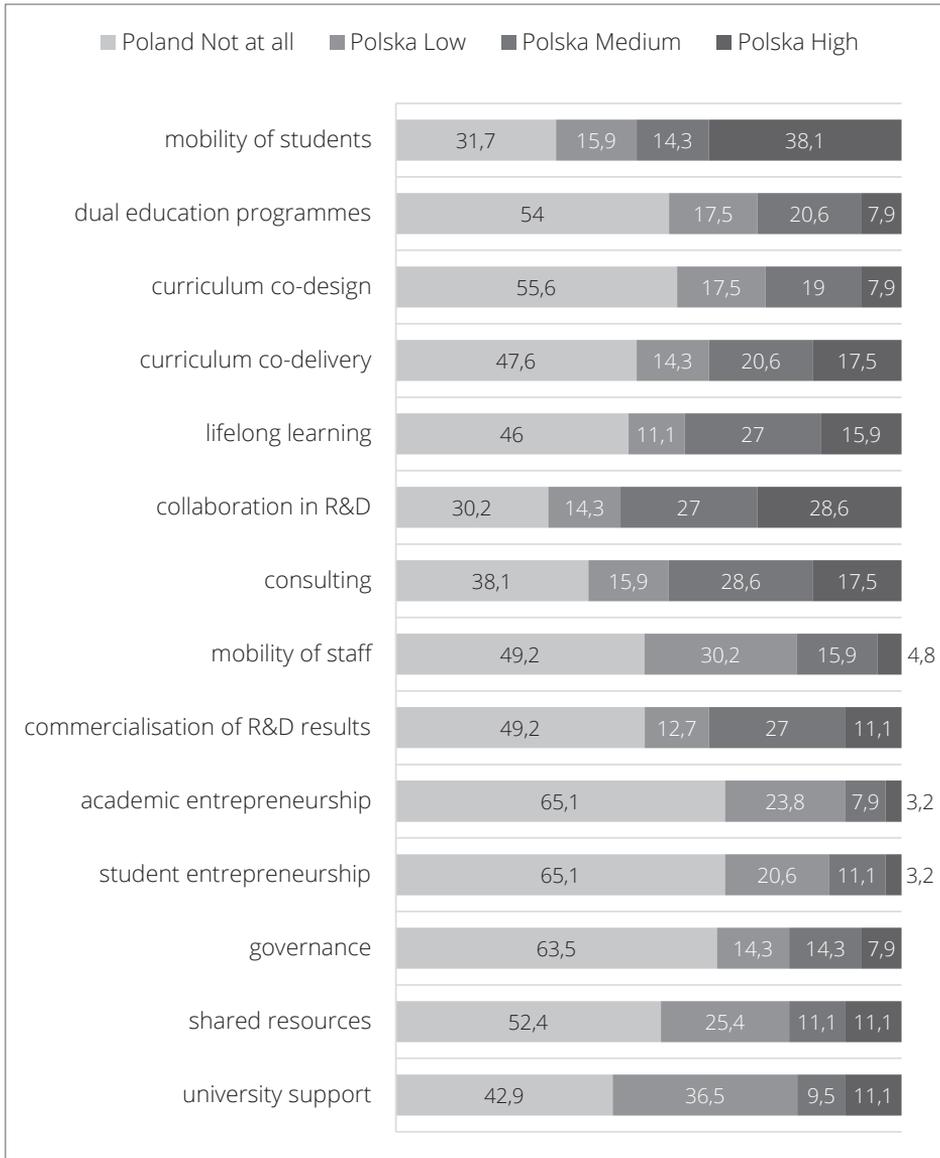
for lifelong learning, consulting and cooperation in research and development. However, about 30% of companies do not engage into these activities at all. The level of involvement is particularly low in the areas of academic entrepreneurship, cooperation with students and employee mobility.

Chart 1. Which University-Business Cooperation (UBC) activities do Polish academics collaborate with businesses in? (% of respondents)



Source: Baaken et al., 2017: 9 [date of access: 15.08.2023].

Chart 2. Which activities do Polish businesses collaborate with universities in (% of respondents)?



Source: Baaken et al., 2017: 10 [date of access: 15.08.2023].

Overall, the University–Business Cooperation activities are less frequent for Polish scientists than for European ones (table 3).

Table 3. In which UBC initiatives do academics from Poland, the United Kingdom, Germany, and Austria engage in collaboration with businesses? (% of respondents)?

Activities	Poland				UK				Germany				Austria			
	Not at all	Low	Medium	High	Not at all	Low	Medium	High	Not at all	Low	Medium	High	Not at all	Low	Medium	High
mobility of students	66,4	11,8	13,7	8,1	66,3	12,3	11,6	9,8	38,8	12,2	20,5	28,5	39,6	15,7	17,7	27
dual education programmes	74,3	12,5	9	4,2	78,4	10,2	7	4,4	60,6	11,2	12,4	15,8	56,8	15,5	11,8	16
curriculum co-design	70,4	14,1	8,6	6,9	71,6	13,7	8,4	6,3	59,9	22,7	10,5	7	57	16,7	15,5	10,8
curriculum co-delivery	68,3	14,4	11,3	6	68,8	14,7	10,5	6	51,2	17,7	17,6	13,5	51,1	16	14	18,9
lifelong learning	73,9	14,1	8,5	3,5	74,7	12,6	8,1	4,7	58,4	19,5	13,8	8,3	50,1	20,1	15,7	14
collaboration in R&D	65,4	13,7	11,6	9,3	68,8	9,8	8,8	12,6	41,6	15	15	28,5	37,8	11,3	12,5	38,3
consulting	65,7	13,6	12,7	8	67,4	14,2	10,2	8,1	45,9	15	20,5	18,6	40,8	13,3	18,7	27,3
mobility of staff	78,3	12,4	6,6	2,7	79,8	12,1	6,3	1,9	61,3	23,5	10,5	4,7	53,1	21,4	16	9,6
commercialisation of R&D results	74,9	14,2	6,8	4,1	80,2	10,5	5,3	4	56,4	20,9	16	6,7	48,4	23,1	17,7	10,8
academic entrepreneurship	81,5	11,7	4,4	2,4	77,7	12,6	6,3	3,5	59,9	20,9	12,9	6,3	51,1	22,6	17,4	8,8
student entrepreneurship	82,2	11,1	4,7	2	79,1	13,5	4,4	3	56,7	23,8	12,5	7	52,6	23,8	14,5	9,1
governance	79,7	11,6	5,5	3,2	76,3	10,9	7,9	4,9	63,2	19,2	12,6	4,9	54,3	20,9	18,4	6,4
shared resources	81,3	13,1	3,5	2,1	79,3	11,4	7	2,3	59,9	25	11,3	3,8	55,5	27,5	10,8	6,1
industry support	77,6	14,5	5,8	2,1	73,7	11,9	10	4,4	51,3	22,8	14,7	11,2	51,8	19,2	17	12

Source: Baaken et al., 2017: 9; Orazbayeva et al., 2017: 9; Davey et al., 2017: 9; Meerman et al., 2017: 9 [date of access: 28.08.2023].

The lesser differences (from the perspective of academics) in the scope of the discussed cooperation are apparently between Poland and Great Britain. A significant difference is noticeable in the cooperation in research and development, industry support and academic and student entrepreneurship. However, when comparing the activity of Polish scientists with German or Austrian scientists, clear differences are noted to the detriment of the Polish academics in almost every mentioned activity.

First of all, too large a group of Polish scientists does not take any action at all in the field of the above-mentioned university–business cooperation activities compared to German or Austrian employees. Within this group of respondents, the greatest disproportions occur in activities such as: mobility of students, collaboration in R&D, consulting, industry support and academic/student entrepreneurship. In turn, in the group of research workers who often cooperate in the above-mentioned activities, the greatest disproportions between Polish scientists and their European counterparts (approx. 3–4 times less in the case of Polish workers) are related to activities such as: mobility of students, dual education programs, collaboration in R&D, student entrepreneurship and industry support.

The situation is similar, although with some differences, from the perspective of the Polish business (Table 4).

Polish businesses are primarily involved in initiatives related to education and research, such as student mobility, R&D cooperation, consulting and lifelong learning. Nevertheless, about 30% of companies do not participate in these activities at all. The activity in the area of student and academic entrepreneurship is particularly low (more than 60% of businesses).

Despite the great interest of students and academics in starting their own companies, the development of entrepreneurship in Poland is insufficient, due to numerous barriers, i.e.: financial, legal or organizational. Nearly 50% of businesses do not have any cooperation related to the management or implementation of innovations. In general, most university–business cooperation activities are at a more advanced level in Europe than in Poland (exceptions are: co-curricular and lifelong learning and co-curricular development). When comparing Poland with selected European countries, it is noted that the greatest differences occur in activities such as: collaboration in R&D, mobility of staff, academic and student entrepreneurship.

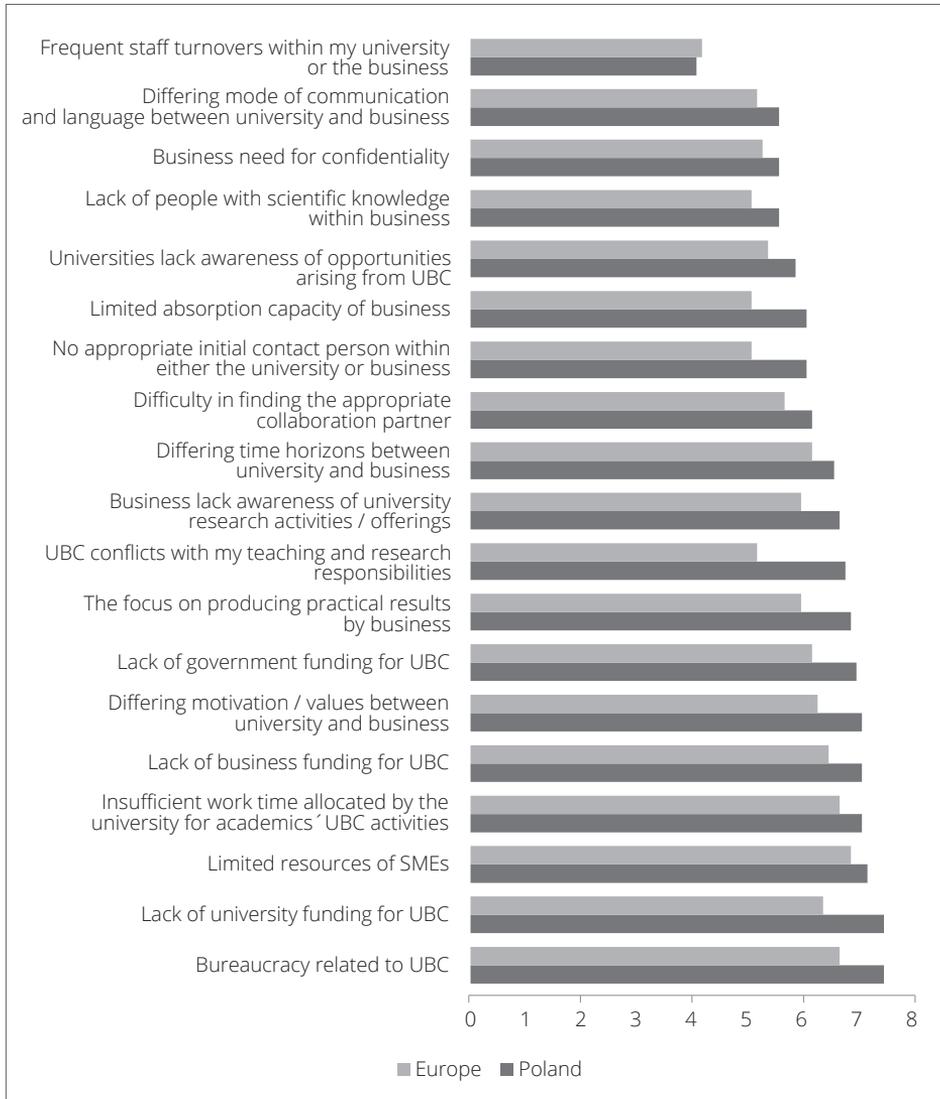
Table 4. In which UBC initiatives do academics from Poland, the UK, Germany, and Austria engage in collaboration with universities? (% of respondents)?

Activities	Poland				UK				Germany				Austria			
	Not at all	Low	Medium	High	Not at all	Low	Medium	High	Not at all	Low	Medium	High	Not at all	Low	Medium	High
mobility of students	31,7	15,9	14,3	38,1	37	24	17,1	21,9	21,8	22,8	24	31,4	20,8	28,1	30,2	20,8
dual education programmes	54	17,5	20,6	7,9	56,8	21,9	14,4	6,8	47,7	14,5	16	21,8	43,8	28,1	16,7	11,5
curriculum co-design	55,6	17,5	19	7,9	69,9	19,9	6,8	3,4	68,9	19,1	8	4	60,4	18,8	13,5	7,3
curriculum co-delivery	47,6	14,3	20,6	17,5	62,3	24	6,8	6,8	59,4	21,5	9,5	9,5	51	22,9	17,7	8,3
lifelong learning	46	11,1	27	15,9	57,5	25,3	9,6	7,5	52,6	23,7	14,8	8,9	42,7	26	15,6	15,6
collaboration in R&D	30,2	14,3	27	28,6	15,1	17,1	29,5	38,4	11,1	13,5	25,8	49,5	9,4	16,7	19,8	54,2
consulting	38,1	15,9	28,6	17,5	24,7	30,1	27,4	17,8	20	28,9	32,6	18,5	18,8	26	35,4	19,8
mobility of staff	49,2	30,2	15,9	4,8	48,6	28,1	15,8	7,5	37,8	34,5	16,9	10,8	32,3	36,5	20,8	10,4
commercialisation of R&D results	49,2	12,7	27	11,1	43,8	20,5	24,7	11	33,2	33,2	22,2	11,4	34,4	35,4	21,9	8,3
academic entrepreneurship	65,1	23,8	7,9	3,2	58,2	21,2	12,3	8,2	56,9	23,1	11,7	8,3	59,4	20,8	10,4	9,4
student entrepreneurship	65,1	20,6	11,1	3,2	68,5	17,8	10,3	3,4	62,5	22,2	8,6	6,8	62,5	19,8	7,3	10,4
governance	63,5	14,3	14,3	7,9	62,3	18,5	11	8,2	58,5	20,3	8,9	12,3	54,2	24	12,5	9,4
shared resources	52,4	25,4	11,1	11,1	52,1	26	17,1	4,8	49,5	28,3	13,2	8,9	37,5	32,3	18,8	11,5
industry support	42,9	36,5	9,5	11,1	57,5	23,3	13	6,2	60,6	19,7	11,7	8	50	27,1	13,5	9,4

Source: Baaken et al., 2017: 9; Orazbayeva et al., 2017: 9; Davey et al., 2017: 9; Meerman et al., 2017: 9 [date of access: 30.08. 2023].

It is therefore necessary to consider what barriers cause the relatively low level of cooperation between universities and business in Poland, which is noticeably lower than in other European countries. Chart 3 presents the barriers hindering cooperation between research workers and business.

Chart 3. What factors are impeding your collaboration with businesses? – as responded by academics from Poland (% of respondents)



Source: Baaken et al., 2017: 16 [date of access: 3.09.2023].

In Poland, the most serious barrier is that UBC conflicts with teaching and research responsibilities. The majority of Polish academics also point out that these teaching and research responsibilities are increasing every year. In addition, in Poland, academics are more bothered by the bureaucracy associated with university–business cooperation (UBC) than in other European countries, as well as by the lack of adequate funding for universities, which are the major barriers for them. High levels of bureaucracy and complicated administrative procedures consume much of the Polish academics' time. In terms of funding, Polish universities face more of a lack of funds to invest in R&D and innovation than is the case for European researchers. Although the performance of Polish research and innovation has improved over the past several years, it has still not reached a satisfactory level. In addition, the lack of initial contacts and limited absorptive capacity among businesses further hinder cooperation, especially compared to the European average.

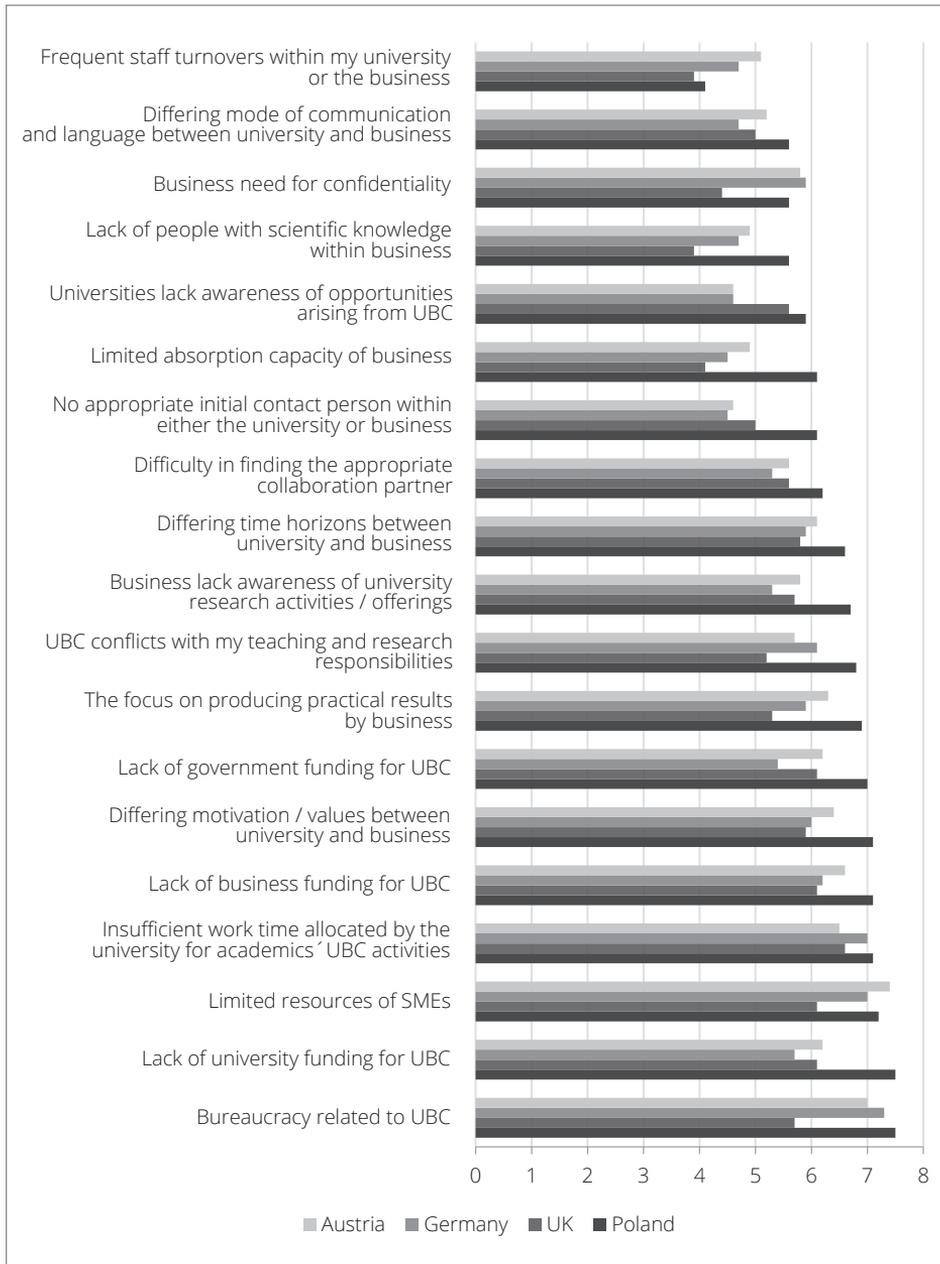
The only factor that makes UBC in Poland less difficult than in Europe is the lower level of staff turnovers within university or the business. This factor is the least significant barrier for both groups.

It is strongly noted that most of the existing barriers to cooperation between science and business are felt more by Polish than by European scientists (Chart 4).

Comparing the barriers identified by Polish and European academics, it is noticeable that the biggest differences regard: the lack of university funding for UBC, insufficient background of contacts at the beginning of cooperation at the university or company, limited ability of the company to absorb and lack of knowledge among universities of the opportunities of such a cooperation. The most important differences between Polish and European academics concern:

1. University funding for UBC – in Poland this funding is much lower and more difficult to obtain.
2. The right contact person at the university or business – in Poland this contact is described as much more difficult.
3. Absorption capacity of business – in the analyzed European countries it is noticeably higher, which creates more opportunities for cooperation.
4. Universities awareness of opportunities arising from UBC – this awareness in Poland is noticeably lower than in European countries.

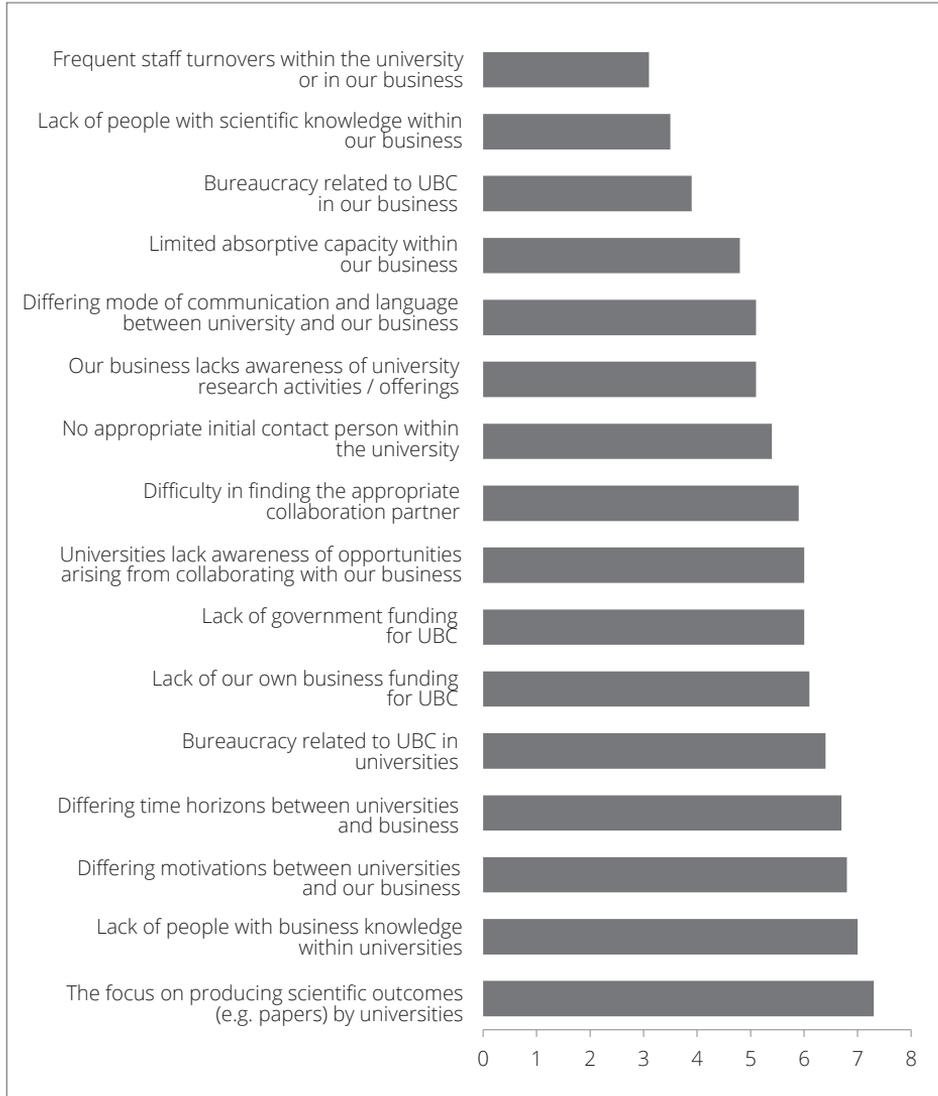
Chart 4. What is inhibiting your cooperation with business? – as answered by academics from Poland, UK, Germany and Austria (% of respondents)



Source: Baaken et al., 2017: 16; Orzabayeva et al., 2017: 15; Davey et al., 2017: 15; Meerman et al., 2017: 15 [date of access: 5.09.2023].

Analyzing the barriers on the part of business, similar factors inhibiting UBC are noted, but other frequently identified barriers are also observed (Chart 5).

Chart 5. What is inhibiting your cooperation with universities in Poland? (% of respondents)



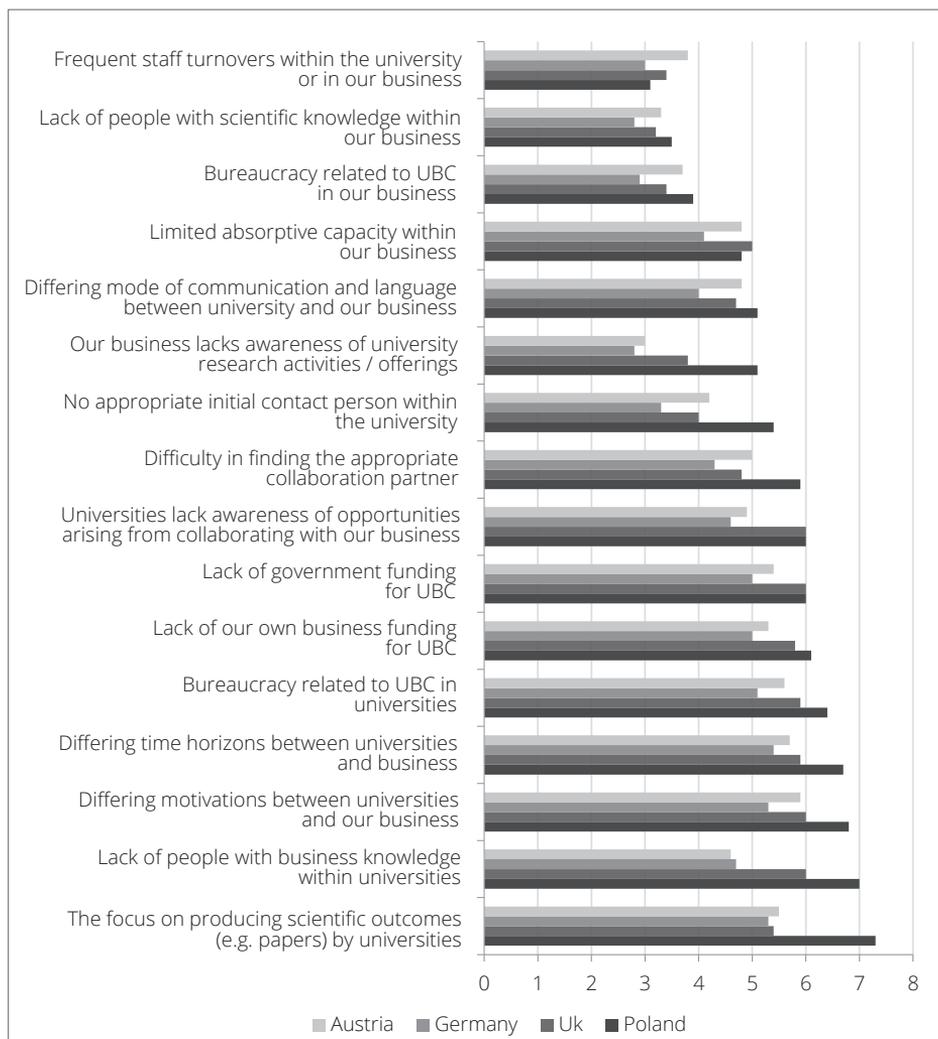
Source: Baaken et al., 2017: 14 [date of access: 7.09.2023].

Overall, Polish businesses indicate that the most significant barriers to cooperation concern: the focus on producing scientific outcomes (e.g. papers) by

universities, lack of people with business knowledge within universities, differing motivations between universities and our business and differing time horizons between universities and business.

Polish companies see most of them as more significant or much more problematic than their European counterparts (Chart 6).

Chart 6. What is inhibiting your cooperation with universities in Poland, UK, Germany and Austria? (% of respondents)



Source: Baaken et al., 2017: 14; Orzabayeva et al., 2017: 14; Davey et al., 2017: 14; Meerman et al., 2017: 14 [date of access: 10.09.2023].

All the analyzed cases of countries indicate the major obstacle which regards the focus of universities on obtaining scientific results and high-scoring scientific articles. However, in the case of Poland, this is the key and most important barrier. In the case of the UK, this factor was indicated as the seventh, in the case of Germany as the second, and in the case of Austria as the fourth. There are also significant differences between countries in the following barriers: lack of people with business knowledge within universities, no appropriate initial contact person within the university and our business lacks awareness of university research activities/offerings.

3. Conclusions

One of the most important elements of modern competition is the increased emphasis on developing university–business collaboration (UBC) and on developing science-business partnerships. Nevertheless, Polish universities, mainly in the past, but also to some extent still, rarely played and still do rarely play an important role in cooperation with industry. This is because in Poland universities have always focused more on the basic research and on theoretical education than on the practical element, both in education and cooperation. What is more, as in most emerging economies, companies in Poland have quite limited R&D expenditures, and these are usually necessary for collaboration. Therefore, the key challenge now is to build trust and engage each other into university–business cooperation.

In the case of Poland, this cooperation is at a noticeably lower level than in many other European countries. As many as 65% of Polish scientists do not participate in these initiatives at all. Large Polish entities very often have their own R&D units and employ researchers directly in them, which then limits the need for such a cooperation. Activities related to student and academic entrepreneurship are particularly underdeveloped. Despite the great interest of students and academics in starting their own companies, the development of entrepreneurship in Poland is insufficient, due to numerous barriers, i.e.: financial, legal or organizational.

Polish scientists encounter significant barriers to a much greater extent than other academic employees in European countries; they are bothered by the bureaucracy associated with university–business collaboration (UBC) and by the lack of university funding, to name the few obstacles.

For business, the key barrier to UBC is the focus on producing scientific outcomes by universities. However, in the case of Poland, this is the key and most important barrier. In addition, the other important barriers include: the low level or complete lack of employees with business knowledge conducting classes at universities, divergent motivations of universities and enterprises, difficulties in establishing the first contact at the university due to the lack of indication of a specific person for such contact and lack of awareness of the university's research offer.

Judging by the results of the conducted analysis, there is a need for further research in this area. It is necessary to thoroughly understand the causes of individual barriers in cooperation between universities and business in order to effectively eliminate or reduce them, which is what the author aims to do.

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JÜRGEN HABERMAS' ANALYSIS OF LEGITIMISATION CRISIS
IN THE STATES OF LATE CAPITALISM
AS A PRELUDE TO THE RE-VALIDATION OF NORMATIVE SYSTEM OF LAW

| Abstract

- ▶ *Goal* – an analysis of the essential elements – from the perspective of legitimisation of normative systems – of Jürgen Habermas' philosophical thought and his views on the problems that modern capitalist societies face with relationship to the expiration of the pre-modern sources of legitimisation.
- ▶ *Research methodology* – analysis of literature, critical method of comparison of secondary views in the literature on Habermas' original theses. Descriptive method.
- ▶ *Score/results* – views presented by the author of the *Legitimation Crisis* are based on the works of the representatives of The Frankfurt School. Critical Theory presented in their many works has its development and explication in the works of Habermas, with his innovative solutions to the unsolved problems of the fatalistic diagnosis of the early generation of the Frankfurt School. Habermas attributed a significant importance to the changes in the relationship of work, capital and intersubjective assignment of meaning in various society organisational forms, from traditional to late-capitalist one. His diagnosis of the legitimisation crisis in late-capitalism further points towards his roots in the Frankfurt School. His solution to this problem, related to the communicative actions and a possibility for a rational discourse ending in a consensus and the detailed elements of his analysis of the crisis of legitimisation, shall become a point of analysis in further papers.
- ▶ *Originality/value* – Jürgen Habermas works maintain their importance in the XXI century, especially in the face of further turbulences that await the democratic systems in the European civilization sphere. This work compiles some of the basic elements of the origin of Habermas' thought, including the references to the Polish works on

Habermas that have not been translated into English; and it is a development of the master's thesis on Habermas' concept of legitimisation. The paper's thesis can be further developed as a related analysis in the future papers.

| **Keywords:** Habermas, Frankfurt School, Legitimation crisis, validation

1. Introduction. The roots in The Frankfurt School

Jürgen Habermas is one of the most recognizable contemporary representatives of the Frankfurt School [Gottlieb, 1981: 280]. This can be considered as a point of reference for his arguments on the diagnosis of the crisis of legitimisation in its correlation with the economic mechanisms of late capitalism. However, his relationship with the School is not unambiguous, as the affiliation itself is sometimes questioned and paradoxically expressed itself in criticism of some of the School's stances [Hohendahl, 1991: 103]¹. The complicated relationship of Habermas' intellectual efforts with the critical theory presented by the Frankfurt School has led him to propose a unique solution of introducing the communicative perspective into the work and capital analysis of the crisis tendencies in various historical societies.

The Frankfurt School itself dates to the founding of the Institute for Social Research in 1924. As early as in 1930, Max Horkheimer became it's Director and, together with Theodore Adorno, Herbert Marcuse, Erich Fromm or Leo Lowenthal, to name a few representatives of the original circle of collaborators at the Institute, began the research that laid the foundations of the critical theory. While the early years of the institute were characterized by an orthodox connection with Marxism, the later periods, after Horkheimer took the helm, were characterized by a less dogmatic, open attitude towards the various intellectual trends of the time [Antonio, 1983: 329–330]. At the same time, there was an opening to a critical perspective not only in relation to economic dependencies (and the element of work), but also towards culture. It is worth pointing out that in 1930s there was partial implementation of a Marxist paradigm in the views of the School's representatives [Hohendahl, 1991: 5]. The "Marxist problem" in the

¹ Habermas has also been called a representative of the second generation of Frankfurters, especially with regard to his works written after 1969 and the Theodore Adorno's death.

Frankfurters' works becomes even more complex after World War II, especially in West Germany, where some of them returned after earlier escape from the German Nazi regime. As indicated by P. Hohendahl, Adorno, and Horkheimer had already mastered the ability to mask their position during their stay in the United States by evading direct application of Marxist terminology in their works – for example, by removing elements of it from the content of the *Dialectic of the Enlightenment* before it was published in 1947, thus succumbing to the pressure of ideological discourse taking place in post-war America [Hohendahl, 1991: 5]. Similar pressure, of course, took place in the post-war Germany on the Allied side, which limited the influence of pre-war works on the further fate of critical thought at that time, at least until the mid-60s. Despite the removal of the overt elements of Marxist theory, a clear critique of contemporary capitalism remained visible, by using the fundamental elements of Marx's thought to analyse social change. J. Habermas was associated with the Frankfurt Institute for Social Research since 1956, where he worked as Adorno's assistant². In 1957, however, his theses, referring to orthodox Marxism, seemed to draw too much unfavourable attention to the organization, especially because of the ongoing Cold War. His works were part of the 1960s shift towards the founding elements of the Frankfurt School, including works of Walter Benjamin (whose works, before having been published in *Social Research Magazine*³, where his works were censored by Horkheimer and Adorno of Marxist elements according to the New Left movement). Habermas, in his works from this period, *inter alia* in *Theory and Practice* (1963), tried to start a discussion of social changes and to redefine the project of Critical Theory by re-examining classical texts, from Hobbes to Marx, thus aiming at overcoming the pessimism which burdened the thought of the Frankfurters [Hohendahl, 1991: 7–9]. J. Habermas' position was one of the reasons for his expulsion from the Institute. He would return to Frankfurt a few years later, in 1965, to take over Horkheimer's place as the head of philosophy and sociology department for the next 6 years.

² However, as indicated in *Dialektik der Rationalisierung*, “there was no critical theory for me, no doctrine associated in the whole. Adorno was writing critical essays about culture and was conducting a seminar about Hegel. Some Marxist background was modernized. And that was it”. This theory was out of reach for younger members of the institute, and, as A.M. Kaniowski indicated, literally closed in a box in the basement of the Institute, as Habermas claimed that in a conversation with A. Honneth [Kaniowski, 1990: 18].

³ *Zeitschrift für Sozialforschung*.

M. Horkheimer in *Eclipse of Reason* published in 1947 and in *Dialectic of the Enlightenment* published simultaneously with T. Adorno, expounded a “pessimistic historiosophy” [Szahaj, 1990: 133]. The pessimism common to this generation of representatives of the Frankfurt School about the possibility of overcoming the injustices of the class system influenced Jürgen Habermas’s vision of Critical Theory [Kaniowski, 1976: 111–124]. The Frankfurt School attempted to create a theory that would allow to find the answers to questions posed by both Heidegger and the representatives of the Vienna Circle: the answers to the question of what an impact on philosophy and social life had the science and the implementation of scientific theories [Bowie, 2003: 221–223]. The author of the 1937 article, *Traditional theory vs. critical theory*, presented the basic assumptions of the critical theory in the field of the relationship between the society and science [Kaniowski, 1987: 13]. The critical theory, having been in opposition to the traditional theory, connected the subject and the object. School’s representatives argued that the interpretation through separation of those, especially in sociology, is impossible. Epistemological division of those two spheres created only an illusion of objectivity of the subject’s cognition by the object. A coherent, holistic analysis of reality through an interdisciplinary synthesis of conclusions from many disciplines of science, from philosophy to sociology, was required to overcome that problem.

At this point it is possible to notice the influence of Marxism historicism on the Frankfurt School’s representatives’ line of thought, as in its: “perspective – partially taken by the Frankfurters – ‘both objects seen as perceived acts are a social and historical product’ [Hylewski, Burdzik, 2014: 117]. Defining the subject as determined by the historical and social conditions in which the subject has found himself leads them to attempts to create ways of emancipation – through a reflective analysis of these determinisms. This analysis has led them to a pessimistic approach, as the legacy of the Enlightenment and the legacy of bourgeois ambitions and individualism, of which Weber wrote [Habermas, 1983: 441], having its outlet in the society of capitalism, led to the dominant presence, in the social sphere, of actions based on the criteria of instrumental rationality. The rationality of this type was particularly criticized by Adorno and Horkheimer, as they claimed that such actions tend to reify other entities. As J. Habermas points out himself, in his analysis of *Dialectics of the Enlightenment*, “Enlightenment thinking was understood both as an opposite and as an opposing force to a myth. As a contrast, because [...] the force of the tradition [...] is opposed to a coercion of a greater argument acting without coercion [...]”

[Habermas, 2000: 128]. However, the pessimism mentioned before has returned. One of the goals of the critical theory was to bring about the emancipation of the individual, even if the effect of criticism of the Enlightenment was to endanger the entire project of Enlightenment. According to the first fatalistic generation of the Frankfurters, this emancipation was, however, impossible – if no miracle was to be expected. Emancipation would require a break to happen with the socio-historical continuity of the entire Western civilization, as in this linearity they saw the of the irreversible instrumentalization of reason [Szahaj, 1990: 211–214].

Habermas claimed, however, that the pessimistic conclusions drawn by Horkheimer and Adorno did not give any prospects of escaping from the effects of the rise of the expert culture or of reducing the critical possibilities of individuals resulting from the consolidation of validity claims and claims to power [Habermas, 2000: 134–135]. He also stated that the basis of this fatalistic point of view resulted from the reception of Max Weber's theses of the societal loss of meaning due to rationalization and disenchantment of the world, and while Weber had an ambivalent attitude toward these processes, the representatives of the Frankfurt School evaluated them negatively. Through observation they witnessed the development of an all-encompassing system, as a result of the development of mass culture and industrial apparatus. The attainment of freedom became impossible because a free thought either immediately became absorbed by the system, or, as Adorno pointed out in *Negative Dialectic*⁴ – the reified consciousness, being a fatal force, became a total force.

2. Critical Theory aspects by Jürgen Habermas – an escape from fatalism

The criticism of the capitalist society was present in the deliberations of the representatives of the Frankfurt School from the very beginning. As indicated by W. Lorenc: “Economic processes, according to ‘Frankfurters’, have an influence on the whole immaterial world by social relations” [Lorenc, 1990: 75]. Moreover,

⁴ The dialectics of the Enlightenment was supposed to mean that “the process of transforming cognitive forms, which, on the one hand, is about gradual rationalization, which is a transfer from magic to knowledge, on the other hand, is gradual enslavement” [Kaniowski, 1987: 13].

Marx's question of why the poor, the marginalized and the persecuted submitted to the same institutions and laws, whether religious, economic or political, which caused them to be marginalized and subjugated remained for J. Habermas not an outdated issue. His search for an answer led the author of *Crisis of Legitimacy* to the analysis of economic organization and its relationship with ideology. In his thought it seems equally important to emphasize the separation of the internal and external nature of subjects, with particular emphasis on a man's desire to dominate nature [Habermas, 1983]. However, it is a matter of reason, and thus the type of applied rationality. This tension has led Habermas, through criticism of instrumental rationality, towards the creation of the concept of *communicative rationality* – a hope for societal reversion from the domination of self-reflection to the intersubjectivity.

Habermas, who criticized the students' protests in 1968, was rejected by the New Left, but this was only a material manifestation of deeper disagreements in the area of the Critical Theory. Despite this, the second generation of Frankfurters seemed to agree that it reached a turning point and the Adorno's theory reached a dead end, as illustrated, *inter alia* by the reaction of reviewers to the *Ästhetische Theorie* by Adorno, published in 1960s [Hohendahl, 1991: 103]. The shape of the Critical Theory in Western Europe and the United States would happen to be a result of the reception of Habermas' works⁵. Although *Structural Transformations of the Public Sphere* (1962) and *Erkenntnis und Interesse* (1968) showed two differences in relation to the older generation of the Frankfurt School representatives: he reassessed the tradition of the Enlightenment and restored the value of modernism, turning to the issues of justification and stating that all forms of knowledge are based on an anthropological definition of needs and interests [Hohendahl, 1991: 11]. Even more radical change in the analysis of social theories has been noticeable since the work *Legitimation Crisis* of 1973.

The basis of Habermas' critique of contemporary capitalism is "the perception of a tendency to transfer the structures of an action characteristic for technical progress to the whole of social life – the interference of intentional and rational actions in spheres reserved for interaction (that is, coordination through communication activities)" [Stasiuk, 2003: 93]. Originally, Habermas

⁵ Its evolution and attempts to lead it out of the fatalistic finale can be observed while reading some of his works, starting from *Theory and Practice* (1963), through *Crisis of Legitimacy* (1973) to *Theory of Communication Activity* (1981), indicating only a few.

took elements of a model similar to psychoanalysis, self-reflection, as the bases for justifying the critical theory as a source of emancipatory possibilities. “Emancipatory self-reflection consists of removing barriers that interfere with the process of communication”, thus is connected with the process of communication immanently. Z. Krasnodębski claimed in the afterword to *Theory and Practice* that “The disproportion between a man’s rational disposing of natural processes and irrationality in the sphere of social practice [...] the desire to abolish the natural mechanism of the development of history and to subject this development to conscious rational control is the thread around which Habermas’ whole thought is also centred” [Krasnodębski, 1983: 536]. However, the critical theory acquired by Habermas, both from Adorno’s and Horkheimer’s point of view, or Marxist theories, underestimated the aspect of intersubjective work in social practice. Habermas stated that, although Marxist criticism of ideology or Freud’s psychoanalysis are classic examples of critical thinking, those cannot be a paradigm in emancipatory aspirations [McCarthy, 1996: 75]. Psychoanalysis itself, as a theory and a way to rectification of the systematically disturbed communication, had, according to Habermas, an inexpressible, but *a priori*, need for a theory of undisturbed communication [McCarthy, 1979: XVIII]. Emphasizing the intersubjective element would result in a reflection on the reproduction of symbolic structures through an analysis of internal and external nature (the aforementioned desire to control the surrounding nature by a man). Habermas indicated that the process of socialization was both a process of work and a process of communication with the use of language acts. “The introduction of the dimension of communication as a constitutive dimension of the social development, which underlies the material reproduction, is of the great importance from both an epistemological and a political point of view” [Kaniowski, 1990: 63–64]. Solutions to problems in this sphere should therefore be sought on the inter-subjective level, and not by creating systemic solutions. Moreover, the intersubjective dimension would be Habermas’ escape from the dead end of the Critical Theory of the classical Frankfurters – i.e., the problem of justifying criticism, its claims to the truth and the rightness. The general theory of rationality, based on the fact that the nature of all societies is essentially communicative, would allow to search for the emancipatory character of the critical theory on a new level of research. That is to say, as a criticism personifying knowledge, allowing to decipher slavery – through the rational formation of power relations. The concept of universal interest and unforced consent would be introduced by Habermas here.

As indicated earlier, the issue of the influence of technological development on social relations and on power relations, and the accompanying rationalization, were one of the essential elements of his analysis of reality. The concept of work, by K. Marx contained the emancipatory potential, thus *inter alia*, Horkheimer pointed to the “source of all evil” resulting from its (work) instrumental model of action [Szahaj, 1990: 142]. The tendencies of the increasing bureaucracy to be reified, to be legitimized, present in the societies of modern capitalist states have been the subject of Habermas’ many works, which will be discussed further. On the basis of these analyses, Habermas distinguishes critical knowledge and knowledge of technical applications⁶. The observation of this dichotomy would allow to “expose the conditions of their possible existence [forms of social experience defined as ‘false consciousness’ which should be demystified], and, at the same time, to criticize these forms. On the other hand, it is a ‘positive’ criticism of one’s own theoretical assumptions, positive in the sense that it reveals these assumptions as a historically necessary project of distortion-free communicative rationality” [Folkierska, 1990: 65]. This would later enable Habermas to create a concept of conditions for interference-free communication, defined by universal pragmatics and ethics of discourse.

3. The possibility of a legitimation crisis

It should be noted that the above considerations were aimed at by Habermas’ to, among other things, analyse late capitalist society; a critical-oriented society, geared towards emancipation⁷. The critical theory did not exhaust itself in the construction of a concept describing the development of social structures, but it also assumed a historical analysis of contemporary society with the intention of reconstructing the bases for its reflective critique [McCarthy, 1979:

⁶ The first of these categories of knowledge leads a man to free himself from the systems of power and from his own subconsciousness (cultural conditioning) – this is an element of the human personality and *institutions*. The second type of knowledge is more characteristic of the systems of work and production, it is a feature of technology and of industrial development. Also, the social activity affected by both of these types of knowledge would be related to other types of an object – namely, work and interaction are “separate spheres of social reality. The first one would be matched by technical knowledge; the latter would find its completion in critical knowledge.” [Rainko, 1983: 5].

⁷ More about self-reflection, emancipation in the context of the theory of criticism and freedom of communication see i.e.: [Geuss, 1981: 69–75].

XXIII]. The social development described by rationalization and transformation of concepts is mainly illustrated by the transformation of forms of validation (and legitimisation).

In *Legitimationsprobleme im Spätkapitalismus* (1973) Habermas distinguishes four models of social formations: primitive, traditional, liberal-capitalist and late-capitalist, in which the issue of unequal distribution of burdens and rewards is one of the problems of upkeeping the legitimacy of the system [Habermas, 1975: 17]. We will not trace the evolution of the above formations here. However, it is necessary to shortly indicate important elements distinguishing those individual types. As stated by A.M. Kaniowski “the most important feature of the first formation [...] is that the controlling role has a system of kinship. The productive forces embedded in this framework contribute little to the modernization of social relations” [Kaniowski, 1990: 143]. This was associated with the limited importance of rationality-oriented actions by their inseparability with symbolic interactions, whereas the relationship itself, as an institution, organized the whole (or the dominant part) of social relations. This totality of kinship as a source of essential social norms excluded the need to seek legitimacy in other areas [Habermas, 1975: 18]⁸. The division of social integration and integration of systems is not present here. Any occurring identity crises were of external origin [Habermas, 1975: 24]. There was also no possibility of exerting pressure on the increased work in this case, as there were no systemic motives for producing goods on a greater scale than the necessary ones for the current satisfaction of basic needs. Due to the concentration of the organization of social interaction around kinship, the indicated possibilities of crises had to come from outside, through wars or conquests, demographic or commercial changes [Habermas, 1975: 18]. This formation clearly differs from the traditional and capitalist ones, through the separation between work (characterized by deliberate and rational actions) and symbolic interactions. This separation allows to “collect and extend the technically useful knowledge regardless of the ways in which the social world is interpreted, and thus independently of social interactions” [Kaniowski, 1990: 143]. This separation of social norms from institutions in late capitalism would further trigger the need to seek legitimacy on a different basis than before.

⁸ The institutional core is the kinship system, which at this stage of development represents a total institution; family structures determine the totality of social intercourse [...] they simultaneously secure social and system integration. World-views and norms are scarcely differentiated from one another. Both [...] require no independent sanctions [Habermas, 1975: 17].

The process of the crisis of legitimacy, for example in the traditional formation, has been still limited. Intentional-rational actions in their separateness from institutions have been still limited by tradition and religion, i.e., it is not possible to undermine them with one's separate interpretation of the world. The bonds of blood, which form the basis of the organization, ceased to be of crucial importance. The transfer of power centres toward the state would allow for the privatization of ownership of the means of production, and the progressive separation between authority and legal order would find opposition in counterfactual (i.e., immaterial) justifications and moral norms. Habermas points out that the institutional separation of secular and religious power would correspond to this, increasing the autonomy of the systems, and the resulting privatization of the means of production, together with the associated institutionalization of the class (and the pluralism of the centres of power), would constitute the potential for conflicts [Habermas, 1975: 19]. At the same time, the problem of legitimization arises, because the above conflicts can be removed from the current issues in a social discourse only by means of an increased legitimate authority (and the power supported by it) – and despite this, it can only happen temporarily. The withdrawal toward traditional normative orders would serve as legitimizing authority [Habermas, 1975: 19]. However, the source of the crisis has already been present in the very interior of this formation, due to the difference between social integration and the system [Habermas, 1975: 24]. This contradiction focuses on the claims to the validity of systems of norms and their justification, which cannot explicitly legitimize the exploitation of work – in the face of a class structure based on the privilege of some in the distribution of goods, which ultimately leads to disturbances in social integration, to a crisis and the search for new bases of legitimization [Habermas, 1975: 20]. In the liberal-capitalist formation (early capitalism), the element of legitimization would fall from the source of the socio-cultural system, where the economic system based on the relationship of work and capital, along with the anonymization of class domination, would face a state that only externally fulfils its previous political tasks, for example by safeguarding territorial integrity. Inside, the centre of legitimate power is to be realized only in the form of guaranteeing the possibility of using the means of production – the control centre would move into the area of economic exchange [Habermas, 1975: 21]. Thus, in addition to the depersonalization of political domination (economic mechanisms replace traditional forms of domination), the ownership of goods and the means of production also become stripped of

their forms related to the political ones, and thus seem to legitimize themselves by economic processes [Habermas, 1975: 22]. Such a clear separation of the socio-cultural and economic system is connected with opening up to the domination of a way of thinking based on searching for the most effective means to achieve the assumed objective, in this case the income, and thus, in essence, deliberate and rational thinking. The mystification of tensions, in the way it has been in traditional and primitive formations, is no longer possible. The emerging tensions in the area of justification and reality must be confronted. Such a transfer of the problems of controlling systems, instead of social integration into the economic sphere, causes that a possible crisis, due to the threat to identity, takes the form of a crisis of the system, unlike in the previously described social formations [Habermas, 1975: 23].

In rationalized social organizations, i.e., in capitalist ones, after the process of disenchantment of the world has occurred, a new horizon of rationality is created, based on intersubjective actions. Habermas would also point to a new mechanism, created in capitalist societies, which would allow deliberate rational activities to self-extend as dominant ones. It coincides with Weber's process of rationalization, in an instrumental sense, and is also visible in the sphere of jurisdictional tendencies present in post-liberal capitalism⁹. In his work *What Does a Crisis Mean Today? Legitimation Problems in Late Capitalism* (1973) he presents the particular structural features of societies of late capitalism. At this point, it should be noted that the state's substitution of market mechanisms to the sphere of the administrative system is a response to the fact that: "the functional weaknesses of the market and the dysfunctional side effects of the market mechanism 'are accompanied by the breakdown of the basic capitalist ideology – the ideology of fair exchange'" [Habermas, 1983: 454]. The solution to the problems of legitimacy in this sphere seemed to be presented by formal democracy, which, due to the shape of its institutions, separated administrative decisions from specific goals and motives which are guided in particular by citizens. However, as Habermas points out: "the broad participation of citizens in the processes of the formation of the political will [...] would reveal a contradiction between administratively socialized production and the invariably

⁹ I am referring to, as J. Habermas, an aporia of aspirations of bourgeois thinking of equality and freedom and, inherent in liberal capitalism, the desire to freely manipulate the private property; and the state's participation in the market sphere, or in accordance with the demands of the *welfare state* concept or other types of direct manipulation of market trends. See: Habermas, 1988: 135–147.

private form of appropriation of produced values [...] the administrative system must [therefore] be sufficiently independent of the process of formation of the will as the basis for validation [...] by [...] the process of validation, which ensures the loyalty of the masses, but does not allow to participate” [Habermas, 1983: 455]. This is a reaction on the re-politization of relations of production, as T. McCarthy stated in the face of the extinction of the legitimate power of the principle of fair exchange, which raised the need to fill this gap with another program [McCarthy, 1996: 368].

As can be seen above, the crisis tendencies of the states of late capitalism are addressed in detail by Habermas in *Legitimation Crisis*. He described the transformation of social formations, the problems of the occurrence of crises, and on the example of free-market capitalism, on what is the social crisis, which for the first time occurs precisely in this social formation. There are “unsolvable system contradictions or unsolvable control problems” present, as A.M. Kaniowski points out [Kaniowski, 1976: 116]. Habermas points out that the nature of the crisis changed after capitalism moved into an organized form, after the state took over some of the functions previously assigned to the market. The previously basic ideology of fair exchange legitimizing the social system, has been disturbed, and therefore there is a need to look for another source of justification.

4. Legitimacy in late capitalism

Due to the fact that the economic system lost its functional autonomy to state structures, the manifestations of the crisis in late capitalism “lost their natural character”, in this sense the crisis referred to in the context of the liberal-capitalist formation, i.e. the crisis of the system as a whole would not occur [Habermas, 1975: 92]. However, there are crisis tendencies that the administrative system, effectively or not, tries to manage. The broken-down ideology of fair exchange moved the burden of legitimization of the social system towards the mechanisms of the state. The state has the task of fulfilling certain elements of the functioning of the market. It is a system exercising ‘legitimate power’. The decisions made by the administrative apparatus are the output of the system, whereas the loyalty of the masses is the entry. The crisis can affect either the output of the system – then it takes the form of a crisis of rationality (the system does not properly fulfil the *control orders* resulting from the taken over

market functions); or the entry of the system – which takes *the form of validation crises*, which is particularly important when considering the issues¹⁰. Habermas pointed out that the possibility of administrative moulding of the public opinion, social manipulation and an administrative creation of meaning is very limited. Meaning is not produced administratively – there is an incompatibility between the activities of the sphere of administration and those of the sphere of culture. And as he points out, “administrative planning must have a legitimate power” [Habermas, 1983: 463]. The growing need for legitimacy is caused by the aforementioned jurisdictional tendencies and by the “reifying signs present in developed capitalist societies” [Habermas, 1988: 135]. The loss of traditional, cultural sources of legitimacy and the transfer into the sphere of public discussion previously recognized as obvious values “threatens the privatism of the citizen” [Habermas, 1983: 454]. Habermas concludes that “late-capitalist societies suffer from a lack of legitimacy” [Habermas, 1983: 466]. However, he would not completely reject the claim that the state cannot create the meaning administratively and manipulate culture at will. Filling the gap, in the form of the lack of sense, by creating a compensation system, can lead to a crisis at a time when the demands for compensation exceed the system’s capacity – the form of legitimacy proper to formal democracy becomes too expensive, and results in observable competition between political parties in terms of the possibilities offered to the population to meet ever-growing expectations. The very realization of the concept of democracy has changed together with the changes that have affected the state – it has been pushed from the guardian of the order to the interventionist creator of social reality [Kaniowski, 1990: 28]. Communication, in terms of interpretation and reinterpretation of fulfilling the needs of collectivized individuals is disturbed and “can only be replaced by intense manipulation, that is, increased indirect control” [Kaniowski, 1990: 29]. Although in free-competitive capitalism there were systems of values of a universalistic nature (due to the need to coordinate exchange, what is important, equivalent), so in capitalism organized by the state the basis of such a model of legitimacy was broken, and just as in fascism it was not able to withdraw consciousness

¹⁰ Habermas describes it further by the perspective of the need to meet the specific needs of the population (in a rational way for the whole society) – in its absence there is a shortage of administrative rationality; and to satisfy the need for validation (which seems to arise from individual needs) – in its absence there is a shortage of validation [Habermas, 1983: 454].

below the gathered level of knowledge and scientific convictions, similarly, it seems impossible to reverse the system of morality below the effects of practical discourse on the values and sources of legitimacy¹¹.

To sum up the characteristics of crisis trends, Habermas points to three conclusions. Firstly, the crises characteristic of capitalism, after the economic sphere had lost its autonomy to the state, lost their natural character – and their continued management by the administration, if originally effective, led, instead of their cyclical appearance, to a permanent state of crisis. Secondly, the economic crisis shifted, by reacting actions to its emergence, into the political sphere. As a result, there was a link between the deficits of legitimacy and the capacity to rationalization, the relationship between the resources having the value and the meaning was of fundamental importance, thus the former being a substitute for the lack of sense, which had its limits and gives room to predict the crisis. Thirdly, the less proper motivation and sense a socio-cultural system can produce, the more consumable (usable) values the economic system must produce. Moreover, the structures that originally produced the legitimization basis and the ideological veil for the class system are, in advanced capitalism, the source of demands directed directly to the political and economic system. One solution to this problem could be, according to Habermas, removing the pressure of legitimacy claims against the administrative system, by moving the process of socialization beyond the sphere of validation of standards based on processes occurring earlier. As indicated by A.M. Kaniowski, Habermas, ultimately advocates the need to investigate the legitimacy of social norm systems. It seems to be a transition to a form of “justifying norms of action and conditions of valuation [... through] a discursive constitution” [Kaniowski, 1976: 120].

¹¹ In the societal formation of late capitalism, Habermas distinguishes four crisis tendencies. It is an economic, a rationality, a legitimacy (justification or validation) and a motivation crisis. In a word of introduction to their detailed description, he indicates the factors of an economic nature which are at the foundation of these tendencies. More about this, for example, in Chapter 3 of *Legitimation Crisis* – “System crisis eluded through the example of the Liberal-capitalist crisis cycle”, where Habermas, on the example of liberal capitalism, illustrates the very concept of economic crisis and its source, described in this work earlier, capitalist economic mechanisms and the transfer of contradictions within the system beyond the sphere of self-reflection, which makes economic crises seemingly cases arising from the very nature of things inaccessible to intersubjective actions aimed at stopping them [Habermas, 1975: 24–31].

Habermas claims that social relations are, in principle, communicative in nature. Furthermore, individuals “want to know why they should obey a certain order. In the long run, they can submit to it only when it seems legitimate.” [Dupeyrix, 2013: 119]. Legitimacy in a modern state means a possibility of reflective consent and, as a result, the feeling that acceptance of a given order results from a free choice. The understanding of meaning is an experience “that cannot be carried out monologically, because it is a communication experience. Understanding of a symbolic expression requires, in principle, participation in the process of understanding. At the same time, one should abandon the objectivising attitude of the observer toward (physically measurable) states and events in favour of the performative attitude of the participant of the communication” [Habermas, 1982: 550; Kaniowski, 1986: 131]. The validation of any system of norms, including law, is related to the action that aims at the agreement – in the scope of mutual understanding of the meanings that are the basis of a given justification. As he claims that “Legitimacy means that there are good arguments for the claim of political order to be considered righteous and just; a legitimized order is one that is *considered* legitimate” [Habermas, 1979: 178].

5. Conclusion

Habermas' approach to the problem of legitimacy of social order and normative order has its roots in his search for a way out of the *dead-end street*, in which the critical theory has found itself. As stated by A. Szahaj, the analytical separation of independent types of rationality, i.e., technical-technological and ethical-social (communicative), led him to the conclusion that “[...] the history of mankind has not exhausted its emancipatory potential yet” [Szahaj, 1990: 215]. Habermas tried to shift the burden of reflection to the rationalization of ‘forms of life’, not identifying it only with the aspect of disenchantment and objectification (like Max Weber did), but with the release of critical communication abilities in the society which were supposed to lead to a reflection on the concepts of ‘traditional order and hierarchy’. The distinction between two types of activity – work and interaction, where work would be a *rational* activity in the scope of achieving a certain objective, while the interaction would be a type of communicative activity (in which symbols act as a medium) is the foundation of the structure of Habermas' philosophy. This division allows to point out the key concepts for the whole theory of communicative action: *the system*, and above all: *lifeworld*

(Lebenswelt)¹², which acted as “the background of communication activities” [Kaniowski, 1986: 59]. Jürgen Habermas proposes to examine the legitimacy of normative systems through the prism of communication activities. He reconstructs the concept of legitimacy by examining the legitimacy foundations present at subsequent stages of cultural development, moving to rationalized late capitalism, where the power of legitimacy was taken over by the procedures and formal conditions of legitimacy. A detailed analysis of the Habermas’ analysis of the gradual subordination of the spheres of social life based on communication activities and the *colonization of the lifeworld* will require a separate scientific inquiry. But as the author of *Crisis of Legitimacy* points out in an interview with A. Honnethem: “Today, economic and administrative imperatives are entering areas from which the world of life can no longer step down” [Habermas, 1987: 97]. Appearing crisis of the social orders and the normative system of law is related to the communication being affected by the systematic distortions [Morawski, 1990: 118–120]. This state of affairs in particular results in the increase in the formalization of spheres of life, previously covered by arrangements resulting from language agreements, which derive their justification from the interpretive resources of the world of life. The influence of law on these structures becomes foreign. Already in the case of pre-capitalist societies, some spheres connected with the world of life (such as political activity) were regulated by law – but this law drew its power from the existing moral and customary structures. The transformation of the mechanisms that structured the legitimization bases resulted in the fact that, in the face of the expiration of the original legitimization grounds, the law maintains its binding force, drawing it from sources other than before. The separation of law from morality and other structures connected with the world of life meant that it is no longer connected with the structures of communication activities [Szahaj, 1987: 178–179]. The tendencies of jurisdiction and the influence of systemic phenomena on communication structures [Habermas, 2002: 589] cause crisis phenomena – including the most important phenomenon from the perspective of this work, the feeling of the lack of legitimacy of political and economic structures, which Habermas would describe as the deficit of legitimacy of late capitalism.

¹² The concept of the world of life did not arise solely from Habermas’ closed conclusions – similar terms were used, for example, by Wittgenstein or Searle – who pointed to the necessity of certain cultural meanings, accepted in silence, for a full understanding of the expression.

Jürgen Habermas proposes to examine the legitimacy of normative systems through the prism of communication activities. He reconstructs the concept of legitimacy by examining the legitimacy foundations present at subsequent stages of cultural development, moving to rationalized late capitalism, where the power of legitimacy was taken over by the procedures and formal conditions of legitimacy. The specific conditions that would enable the law system to include the legitimizing force of communicative actions in its goal to be legitimized, the possibility of discursive, and therefore cognitive acceptance or rejection of justification, shall be a topic of another paper as it requires further study.

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E-ADMINISTRATION IN POLISH VOIVODESHIPS AGAINST THE BACKGROUND OF EUROPE

| Abstract

- ▶ *Goal* – the aim of the article is to assess the level of development of e-government services in Europe, with particular emphasis on the level of use of these services in Polish voivodships.
- ▶ *Research methodology* – the Perkal method and the analysis of the EGDI index were used to achieve the research objective. The study was conducted on the basis of the available data from the United Nations E-Government Survey and the Central Statistical Office in the area of public e-government services for citizens.
- ▶ *Score/results* – the analysis of the United Nations E-Government Survey reports showed that, since 2003, Denmark, Finland and Sweden have been occupying the highest place in the development of e-government in Europe and in the world. The research results showed that the level of the EGDI indicator increases over the years 2003–2022. The author's own research on the use of e-government services in Polish voivodships showed that over the years 2014–2022 the level of use of e-government services by citizens increased. Mazowieckie, Dolnośląskie and Pomorskie Voivodships are characterized by the highest level of use of e-administration services, while the Świętokrzyskie, Podkarpackie and Lubelskie Voivodships are among the voivodships with the lowest use of these services.
- ▶ *Originality/value* – the introduction of various e-government solutions is becoming a very clear trend. Regional differences, on the other hand, result from the level of the state development in individual countries. The article showed that the use of e-government services in Poland by citizens is increasing, but it is still at an unsatisfactory level. Noticeable disproportions can be seen in individual voivodships of Poland. Polish society does not take full advantage of the facilities offered by public

administration, therefore it seems necessary in this situation to take decisive action that could encourage the society to use e-services. In order to enhance the increase in the use of these services, each voivodeship should develop separate actions that will contribute to greater interest of citizens in e-government services, and consequently to their use. The carried out analyses may therefore be a contribution to further in-depth research, because the issues of electronic administration are very up-to-date and knowledge in this field requires constant updating.

Keywords: e-administration, information society, public administration, Perkal method.

1. Introduction

In the modern world, the traditional provision of services is giving way to new forms of work with the use of ICT (Information and Communications Technology). Modern ICT technologies are implemented in all branches of the economy, e.g. in the public sector, while becoming more attractive and accessible to citizens. In the contemporary management of public administration, the key place is occupied by electronic administration, the basis of which is the use of the Internet in relations between the citizen and the office, which in turn should bring a number of benefits to citizens, enterprises, but also public administration units themselves.

Despite the importance of e-government services both at the European Union level and in Poland, it is worth noting that there is insufficient knowledge about regional differences. Therefore, the aim of the study is to assess the level of diversification of the use of e-government services in Polish voivodeships.

In the first part of the article, the author analyzed the development of e-government in Europe, and then focused on the analysis of the use of public administration e-services in Polish voivodeships. The concept of using e-government services includes e.g. using citizenship websites to search for information, download forms and sending them to a specific institution.

2. Development of e-government in the world

The development of e-government in the world can be traced by analyzing reports of the United Nations E-Government Survey. Since 2001, every two years,

the United Nations Department of Economics and Social Policy examines the level of development of e-government services in all 193 member countries. However, only since 2003 the UN has presented the collected data in the form of a report.

Until August 2023, twelve editions of the study were published: 2001 [Benchmarking E-Government: A Global Perspective 2001], 2003 [UN Global E-government Survey 2003], 2004 [United Nations Global E-Government Readiness Report 2004], 2005 [United Nations Global E-Government Readiness Report 2005], 2008 [UN E-Government Survey 2008], 2010 [United Nations E-Government Survey 2010], 2012 [United Nations E-Government Survey 2012], 2014 [United Nations E-Government Survey 2014], 2016 [United Nations E-Government Survey 2016], 2018 [United Nations E-Government Survey 2018], 2020 [United Nations E-Government Survey 2020] and 2022 [United Nations E-Government Survey 2022]. The next study is scheduled for 2024.

The reports present the level of e-government development in individual countries. There are also indicated countries and areas where the potential of information and communication technologies (ICT) and of the e-government has not yet been fully used and which should be supported in development.

This report contains information that can be used by individual countries to identify the strengths and weaknesses of their own e-government and to develop appropriate policies and strategies in this area. The report also serves as a source of information for international bodies, including the United Nations General Assembly, the Economic and Social Council and the High Level Political Forum, to make decisions on issues related to e-government and its development at the international level. This report can also be referred to by government officials, policy makers and representatives of civil society and the private sector, when making decisions regarding e-government in their own countries.

The document also provides information necessary for further implementation of the 2030 Agenda for Sustainable Development [UN, Rezolucja 2015]. The report is the only publication of this type in the world.

The level of development of e-administration is assessed according to the EGDI (E-Government Development Index) developed by the United Nations. This index is used to assess the development of e-government at the national level. It is a composite indicator based on a weighted average of three normalized indicators. Each of these three indicators is also a composite measure that can be extracted and analyzed independently.

One third of the value of the EGDI depends on the telecommunications infrastructure index (TII) calculated on the basis of data provided by the International Telecommunications Union (ITU). Another third of the EGDI depends on the Human Capital Index (HCI) calculated from data provided by the United Nations Educational, Scientific and Cultural Organization (UNESCO). The next third of the index is driven by the Online Services Index (OSI). The OSI is based on information collected from the independent Online Services Questionnaire (OSQ) by UNDESA [UNDESA 2018] (United Nations Department of Economic and Social Affairs), which assesses the national online presence of all 193 UN member states. This indicator also includes the E-Participation Index (EPI), a complementary index to the UN e-government survey, focusing on the government use of online services through electronic information sharing, e-consultation and e-decision. From 2018, an additional indicator, the Local Online Services Index (LOSI), was introduced, which takes into account the provision of e-government services at the city level of the entire United Nations. In 2019, the pilot Open Government Data Index (OGDI) was introduced, which is derived from the sub-indices: EGDI and OSI. The framework of this indicator is based on three key pillars, i.e. policy, platform and impact [United Nations E-Government Survey 2022: 210].

The methodological basis for the calculation of the EGDI remained consistent throughout the study periods, while its components (three index-building indicators) were updated to reflect new trends in e-government, telecommunications and human capital.

It is worth noting that until 2008, the EGDI was treated as a measurement of e-government readiness E-Government Readiness Index (EGRI) in the analyzed countries, only since 2010 the name of the indicator was changed to E-Government Development Index (EGDI), (the methodology has not changed much).

The composite value of each component index in question is then normalized to be between 0 and 1, and the overall EGDI value is obtained by taking the arithmetic mean of these three components. The report assumes that the value:

- within the range of 0,001–0,25 is assessed as a low value of the EGDI index (Low-EGDI),
- within the range of 0,2501–0,50 is assessed as the average value of the EGDI (Middle-EGDI),
- within the range of 0,5001–0,75 is assessed as a high value of the EGDI index (High-EGDI),
- within the range of 0,7501–1,00 is assessed as a very high value of the EGDI indicator (Very High EGDI).

The values of the EGDI index allow to create a ranking of countries according to the level of e-government development.

Considering the fact that the EGDI is relative, caution should be exercised in interpreting changes in its value. This is especially true for countries with similar positions in the ranking. A higher position does not necessarily mean a significantly higher level of e-government development. Each country independently decides on the level and scope of its own initiatives in this area, based on its specific cultural context and development policy. These decisions may affect the position occupied in the ranking, but this does not necessarily mean a significantly better or worse situation in a given country [Goliński, 2011: 77].

Moving on to the analysis of the information contained in the studies, it is clear that over the twenty years of creating reports by the United Nations, there has been a clear increase in the level of e-government service use. The average global level of the EGDI in 2003 was 0.402 (so it was at an average level), while in 2022 the index was 0.6102 (so it was already a high value of the EGDI). The group of countries with the highest level of the EGDI index in 2003 included 10 countries, while in 2022 there were already 73 of them. The number of countries with the lowest level of the EGDI index decreased. In 2003, there were 55 countries in this group, and in 2020 there were only 7 countries.

Focusing on the latest report from 2022, it should be noted that the group of countries with a low level of the EGDI indicator included (as stated above) 7 countries, the average level of this indicator regards 53 countries, the high level of the indicator was found in 73 countries, and a very high level of this indicator appeared in as many as 60 countries. Compared to the situation in 2020 (the previous United Nations E-Government Survey 2020 report), 8 countries joined the group of countries with a high and very high level of e-government development. As a result, the cumulative percentage of countries with a high and very high level of e-government development in 2022 reached as much as 69%. The top ten countries are Denmark, Finland, the Republic of Korea, New Zealand, Iceland, Sweden, Australia, Estonia, the Netherlands, the USA. Since the first UN eGovernment survey, Europe has always had the highest EGDI. Out of the 43 European countries surveyed in 2022, as many as 35 are in the group with a very high EGDI.

In 2022, the top ten countries with the highest EGDI level in the world included six European countries, including five belonging to the EU. They

were Denmark (1st in the world), Finland (2nd in the world), Iceland (5th in the world), Sweden (6th in the world), Estonia (8th in the world) and the Netherlands (9th in the world). All European countries have a high or very high EGDI.

Europe has earned this success because, regardless of the existing environmental, social and economic problems (i.e. progressing financial crisis, lower economic growth, unemployment, aging population, pandemic, war, etc.), European countries actively sought innovative solutions in terms of providing public services to citizens. Most of the countries in the region, despite the difficult situation, did not reduce the funds for investments related to e-government, and Ukraine and Serbia even increased them, as they moved from the group of high to very high EGDI for the first time [United Nations E-Government Survey, 2022: 71]. As a result, the region improved its EGDI from 0.817 in 2020 to 0.8305 in 2022. Latvia (up 12 ranking places), Belarus, Serbia (up 9 ranking places), Ukraine (an increase of 8 ranking places), Greece, Malta (an increase of 7 ranking places) and Bulgaria, Croatia, the Czech Republic, Iceland, Germany, Switzerland (an increase of 4 ranking places).

Table 1. EGDI in Europe in 2022

Country	EGDI index	Ranking place in the world	Ranking place in Europe
Albania	0,7413	63	35
Andorra	0,7177	76	39
Austria	0,8801	20	11
Belarus	0,758	58	34
Belgium	0,8269	39	24
Bosnia and Herzegovina	0,6256	96	42
Bulgaria	0,7766	52	32
Croatia	0,8106	44	27
Czech Republic	0,8088	45	28
Denmark	0,9717	1	1
Estonia	0,9393	8	4

Country	EGDI index	Ranking place in the world	Ranking place in Europe
Finland	0,9533	2	2
France	0,8832	19	10
Germany	0,877	22	13
Great Britain	0,9138	11	6
Greece	0,8455	33	20
Italy	0,8375	37	22
Ireland	0,8567	30	19
Iceland	0,941	5	3
Lichtenstein	0,8685	25	16
Lithuania	0,8745	24	15
Luxemburg	0,8675	26	17
Latvia	0,8599	29	18
Macedonia	0,7	80	40
Malta	0,8943	15	7
Moldawia	0,7251	72	37
Monaco	0,7228	73	38
Montenegro	0,726	71	36
Netherlands	0,9384	9	5
Norway	0,8879	17	8
Poland	0,8437	34	21
Portugal	0,8273	38	23
Russia	0,8162	42	26
Romania	0,7619	57	33
San Marino	0,6454	90	41

Country	EGDI index	Ranking place in the world	Ranking place in Europe
Serbia	0,8237	40	25
Slovakia	0,8008	47	30
Slovenia	0,8781	21	12
Spain	0,8842	18	9
Switzerland	0,8752	23	14
Sweden	0,941	5	3
Ukraine	0,8029	46	29
Hungary	0,7827	51	31

Source: the author's own work: United..., 2022: 213–220.

Summing up the above analysis, it should be emphasized once again that the level of the EGDI index is increasing all over the world. Every year, individual countries introduce new solutions in the field of e-government. Regional differences, on the other hand, result from the level of development of countries.

3. The use of e-administration services in Polish voivodeships

The previous subchapter shows the development of e-government in the world, with particular emphasis on European countries. In this subchapter, the author wanted to present the territorial differentiation in Poland in terms of e-government indicators. Information on individual voivodeships has been available only from 2014, therefore further research concerns the period 2014–2022.

In order to present how the level of using e-administration services in Polish voivodeships has developed, it is necessary to use a method which allows to make a comparison of individual variables adopted in the study.

Changes in the use of e-administration services in voivodeships were assessed using the Perkal index. The study used the following five variables:

- X1: number of people using the Internet in the last 12 months,
- X2: number of people using public administration services via the Internet in the last 12 months,
- X3: number of people using public administration services via the Internet in the last 12 months to search for information on public administration websites,
- X4: number of people using public administration services via the Internet in the last 12 months to download official forms
- X5: number of people using public administration services via the Internet in the last 12 months to send completed forms.

The calculations were made by determining the development pattern for each year separately, which allowed to organize the objects in a given year. It should be noted that all variables adopted for the study were stimulants¹ [Młodak, 2006: 33] and the same weights were used for all variables.

Perkal's indicator enables comparison of individual measures and obtaining one synthetic indicator of the level of using e-administration services in voivodeships. This process includes the following phases [Szymala, 2005: 101–111]:

1. standardization of individual indicators adopted for research, as a result of which all indicators expressed in standardized units become comparable and can be summed up (they have a zero mean and the same standard deviation). Standardization was made for stimulants according to the formula:

$$t_{ij} = \frac{x_{ij} - \bar{x}_j}{s_j} \text{ dla } i = 1, 2, \dots, 16; j = 1, 2, \dots, 5$$

2. calculation of synthetic indicators () of the level of using e-government services via the Internet according to the formula:

$$W_i = \frac{\sum_{j=1}^n t_{ij}}{m}$$

¹ Stimulant – a feature whose the high values of which are desirable from the point of view of the essence of the study. The higher the stimulant values, the better the object is qualified.

where:

t_{ij} – the standardized value of the observation in the i th case and the j th variable,

m – number,

x_{ij} – the original value of the i th case of the j th variable,

\bar{x}_j, S_j – arithmetic mean and standard deviation of the j th variable.

The obtained values are close to 0, which means that the voivodships with the highest use of e-government services will take the value of the indicator above 0, the voivodships with the average use of e-government services will oscillate around the value of 0, while the voivodships with the least use of e-government services e-government will assume values below 0.

When analyzing the X1 variable - concerning the number of people using the Internet in the last 12 months, it can be seen that in the years 2014–2022, the largest number of people used this service in the Zachodniopomorskie, Śląskie, Mazowieckie and Pomorskie voivodships. The lowest interest in the analyzed years was noted in the Lubelskie, Świętokrzyskie, Kujawsko-Pomorskie and Opolskie voivodships.

Another variable concerned the number of people using public administration services via the Internet in the last 12 months. The Mazowieckie, Dolnośląskie, Śląskie and Pomorskie voivodships ranked highest in terms of this variable. Unfortunately, in 2014, the Wielkopolskie and Świętokrzyskie voivodships were in the lowest position, and the difference was even 13.4 p.p. (compared to the Mazowieckie voivodeship). In 2015, the smallest number of people used public administration services via the Internet in the Świętokrzyskie, Kujawsko-Pomorskie and Opolskie voivodships. The difference between Mazowieckie and Świętokrzyskie was 17.5 p.p. In 2022, the Dolnośląskie Voivodeship was the leader in using public administration services via the Internet (63.8%), while the Opolskie (44%), Podlaskie (44.7%), Podkarpackie (47.6%) and Lubuskie (47%.7%) were in the lowest positions.

In the years 2014–2022, the Mazowieckie Voivodeship ranked first in terms of the number of people using the Internet to obtain information on public administration websites (X3). On the other hand, in the Świętokrzyskie Voivodeship, the lowest values of these indicators were recorded in 2014–2017 and 2019–2021, while in 2018, the Podkarpackie Voivodeship was in the last position, while in 2022, the Małopolskie Voivodeship was in the last position. The difference between Mazowieckie and Świętokrzyskie in 2014 was 15.9 p.p., while in 2018 the difference between Mazowieckie and Podkarpackie

was 19.5 p.p. and in 2022 the difference between the Mazowieckie and Małopolskie voivodeships was 14.2 p.p.

The analysis of data on variable X4 - the number of people using public administration services via the Internet in the last 12 months to download official forms, indicates that the Mazowieckie Voivodeship (2014, 2018, 2019, 2021 and 2022), Małopolskie Voivodeship was in the top position (2015), Pomoranian (2016), Zachodniopomorskie (2017) and Lower Silesian (2020). The lowest places were taken by the Wielkopolskie (2014), Świętokrzyskie (2015 and 2022), Warmińsko-Mazurskie (2016 and 2019), Podkarpackie (2017 and 2018), Opolskie (2020) and Lubelskie (2021) voivodeships. The difference in 2014 between the leader and the voivodeship in the last position was as much as 11 p.p. in 2014, and 15.7 p.p. in 2022.

When analyzing the last variable X5 – the number of people using public administration services via the Internet in the last 12 months to send completed forms, it is noticeable that the Mazowieckie Voivodeship (2014 – 20%, 2018 – 29.4% and 2020 – 43.7%), Małopolskie (2015 – 19.9%), Śląskie (2016 – 23.1% and 2019 – 42.4%), Zachodniopomorskie (2017 – 29.6%) and Dolnośląskie (2021 – 47.8% and 2022 – 69.6%) occupy the first positions in the analyzed years. Unfortunately, the Opolskie (2014 – 9.8%), Świętokrzyskie (2015 – 7.5% and 2016–12.2%), Lubuskie (2017–12.4% and 2018–18.3%), Lubelskie (2019 – 23.1%, 2020 – 26.5% and 2021 – 28.9) and Podlaskie (2022 – 31.7%) took the lowest positions of the analyzed variable. The difference between Mazowieckie and Opolskie in 2014 was 10.2 p.p., while in 2022 the difference between Dolnośląskie and Podlaskie was 37.9 p.p.

The rankings of voivodeships were prepared on the basis of the conducted analysis. Table 2 presents the values of the calculated measures of the level of use of e-government services in Polish voivodeships in 2014–2022.

Considering the border years of 2014 and 2022, it was noted that the largest recorded differences include 11 ranking places in the Wielkopolskie Voivodeship, 6 ranking places in the Lubelskie Voivodeship and 5 ranking places in the Kujawsko-Pomorskie Voivodeship. These voivodeships advanced to higher positions in 2022 compared to 2014. On the other hand, in the Małopolskie and Opolskie voivodeships there was a noticeable drop from a higher position in 2014 to a lower position, which had a negative impact on the position of these voivodeships in 2022 and the difference was 7 places in the ranking.

Table 2. Perkal value indicator describing the level of use of e-government services in Polish voivodeships in 2014–2022 and rankings of voivodeships

Voivodeship	2014		2015		2016		2017		2018		2019		2020		2021		2022	
	W_j	rank	W_j	rank	W_j	rank	W_j	rank										
dolnośląskie	1,2520	3	0,7245	3	0,0091	6	0,0518	9	0,3741	5	0,9575	4	1,481	2	1,4514	2	1,4383	1
kujawsko - pomorskie	-0,4057	10	-1,4123	15	-0,7782	13	0,2547	5	-0,0519	10	0,1988	6	0,091	5	0,6776	4	0,6350	5
lubelskie	-0,7065	14	-0,2583	12	-0,2208	8	-1,2350	16	-1,0169	15	-1,1558	16	-0,880	14	-1,4049	16	-0,0481	8
lubuskie	-0,6213	12	-0,0779	9	-0,8792	15	-0,8918	13	-0,9479	14	-0,4480	11	-0,435	12	-0,4754	11	-0,6085	12
łódzkie	-0,3335	8	-0,5574	14	-0,4788	11	-0,5013	11	-0,3409	11	0,0060	7	-0,249	10	-0,3608	9	-0,0612	9
małopolskie	0,8274	4	0,9943	2	1,2265	3	-0,0236	10	0,6005	4	-0,5434	13	-0,320	11	0,0566	8	-0,5227	11
mazowieckie	2,0413	1	1,5478	1	1,5853	1	1,1633	3	1,6657	1	1,3045	3	2,206	1	1,9316	1	1,3705	2
opolskie	-0,3745	9	-0,2281	11	-0,2049	7	0,0698	8	-0,8623	13	-0,5259	12	-1,409	16	-0,8958	13	-1,2025	16

Voivodeship	2014		2015		2016		2017		2018		2019		2020		2021		2022	
	W_j	rank	W_j	rank	W_j	rank	WW_j	rank	W_j	rank	W_j	rank	W_j	rank	W_j	rank	W_j	rank
podkarpackie	-0,6175	13	0,1247	7	-0,5061	12	-1,0200	15	-1,7574	16	-1,1012	14	-0,134	9	-0,9008	14	-1,0071	13
podlaskie	-0,4507	11	0,7032	4	-0,4248	10	-0,8960	14	0,2933	6	-0,0755	8	-0,699	13	-0,4421	10	-1,1869	14
pomorskie	1,5837	2	-0,1501	10	1,0349	4	1,3713	2	1,2387	2	1,4903	1	0,054	7	1,1616	3	0,4667	6
śląskie	0,0757	5	0,5570	5	1,2974	2	0,5987	4	0,8510	3	1,3309	2	0,850	3	0,1302	6	0,9631	3
świętokrzyskie	-1,0736	16	-2,0180	16	-1,4451	16	-0,6678	12	-0,6501	12	-0,3205	10	-1,044	15	-1,0939	15	-1,1999	15
warmińsko-mazurskie	0,0007	6	-0,0543	8	-0,7983	14	0,0785	7	0,2747	7	-1,1501	15	0,081	6	-0,5505	12	-0,1895	10
wielkopolskie	-0,9150	15	-0,3270	13	-0,3371	9	0,1779	6	0,2483	8	-0,3165	9	-0,074	8	0,6093	5	0,9307	4
zachodnio-pomorskie	-0,2822	7	0,4319	6	0,9201	5	1,4694	1	0,0810	9	0,3489	5	0,480	4	0,1058	7	0,2222	7

Source: the author's own work: GUS, 2014; GUS, 2015; GUS, 2016; GUS, 2017; GUS, 2018; GUS, 2019; GUS, 2020; GUS, 2021; GUS, 2022.

Analyzing the ranking based on equal weights, the analysis of the value of the synthetic measure of use shows that Polish voivodeships in particular years occupied different places in the classification regarding the use of e-government services. The example of the Wielkopolskie Voivodeship, which in 2014 was ranked 15th among the 16 regions covered by the study, is extremely interesting. In 2015, this voivodeship was promoted to the 13th position, in 2016 it took the 9th place, in 2017 it took the 6th place, in 2018 it took the 8th place, in 2019 – 9th place, in 2020 – 8th place, in 2021 – 5th place, and in 2022 it took 4th place in the classification of the Perkala index. Podlaskie Voivodeship also deserves special attention, because from 11th place in 2014 with a negative value of the Perkal index -0.4507, in 2015 it was promoted to the 4th place in the analyzed ranking with a positive value of this index of 0.7032. In 2016, the value of this indicator decreased again and amounted to -0.4248, which resulted in the voivodship dropping to the 10th position. In the next considered year, 2017, the value of the Perkal index decreased to -0.8960, which contributed to the fall to 14th place among all Polish voivodships. In 2018, the value of the examined indicator increased and amounted to 0.2933, which meant that Podlaskie Voivodeship took a high 6th position in the ranking of all voivodeships, while from 2019 it again takes negative values and in 2022 it is ranked 14th among voivodeships. A similar situation took place in the Warmińsko-Mazurskie and Opolskie Voivodships. This means that these voivodships, compared to others, are characterized by high dynamics of change in terms of the level of use of e-government services.

The Łódzkie, Małopolskie, Mazowieckie, Opolskie, Podlaskie, Pomorskie and Warmińsko-Mazurskie voivodships in 2022 were ranked lower than in 2014.

Thanks to the use of the Perkal index, a general picture of the spatial differentiation of voivodeships in terms of the use of e-government services in the years 2014–2022 was obtained. Voivodships were classified on the basis of the obtained values of the synthetic Perkal measure. The basis for obtaining classes are the ranges assumed by the indicator based on the arithmetic mean and standard deviation. The author decided to distinguish four classes. The classes of the tested objects were obtained using the formula [Makać, 1998: 56–70]:

Class I – high use of e-government services, marked in dark grey:

$$q_{it} \geq \bar{x} + s$$

Class II – medium-high use of e-government services, marked in gray:

$$\bar{x} + s > q_{it} \geq \bar{x}$$

Class III – medium low use of e-government services, marked in light gray:

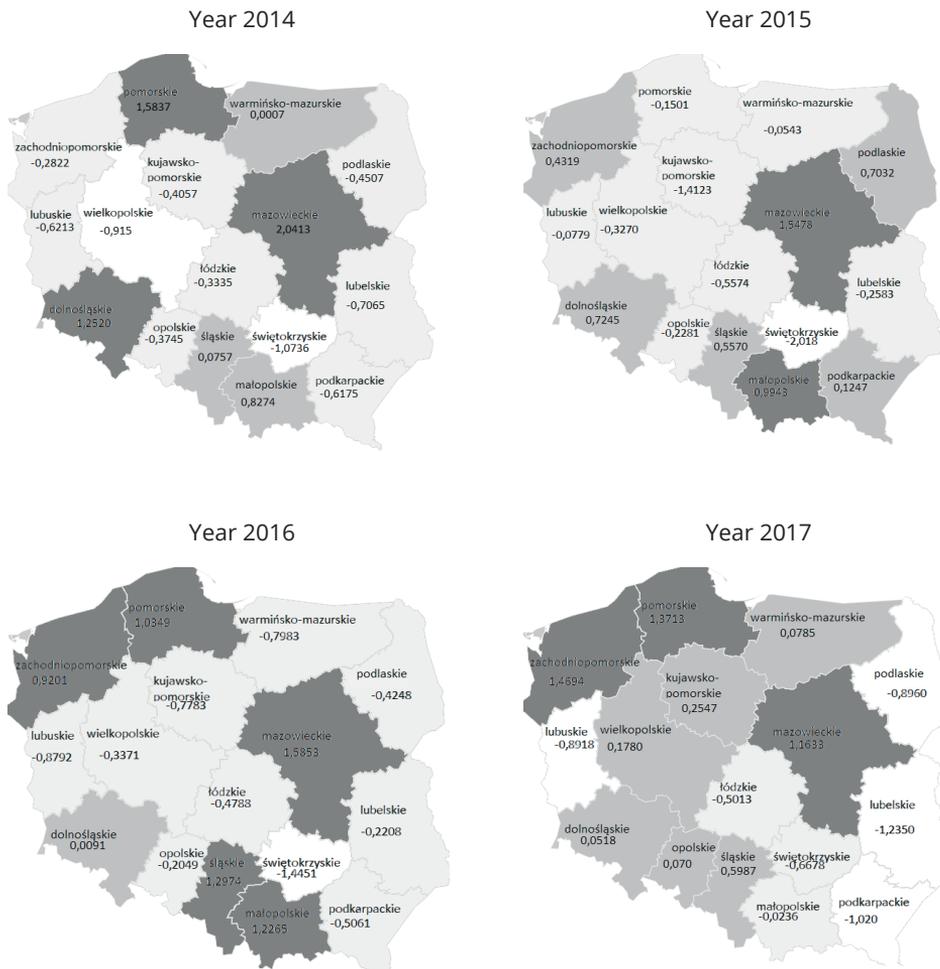
$$\bar{x} > q_{it} \geq \bar{x} - s$$

Class IV – low use of e-government services, marked in white:

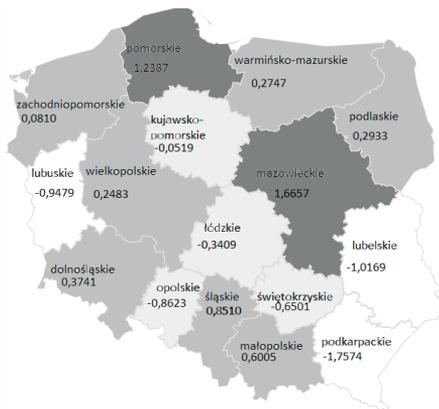
$$q_{it} < \bar{x} - s$$

The conducted research made it possible to assign voivodeships in terms of the achieved level of use of e-administration services. The results obtained in individual years are presented in Figure 1.

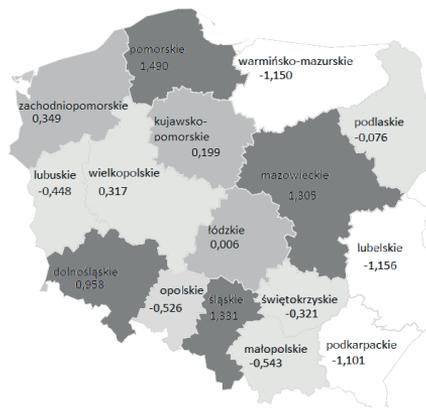
Figure 1. Perkal's value indicator describing the level of use of e-government services in Polish voivodships in 2014–2022



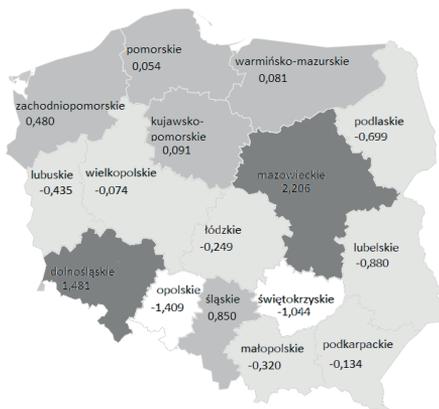
Year 2018



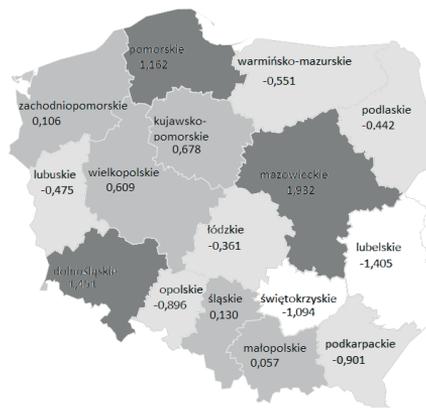
Year 2019



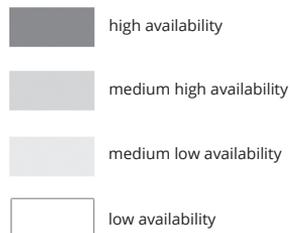
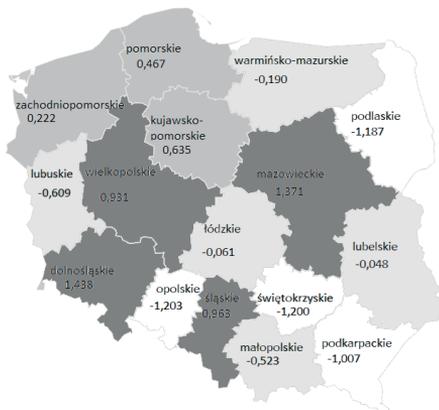
Year 2020



Year 2021



Year 2022



Source: the author's own work.

The ranking of voivodeships obtained with the use of the Perkal method indicates that the Mazowieckie Voivodeship is the undisputed leader in using e-government services in the analyzed period.

The voivodeships characterized by highest degree of use of e-government services also include Dolnośląskie and Pomorskie, which only in 2015 were in the category of low use. The category of voivodships characterized by an average-high use of e-government services includes the Śląskie, Warmińsko-Mazurskie, Małopolskie and Zachodniopomorskie voivodeships. The remaining voivodships can be assigned to the category of low use of e-government services.

Looking at the value of the Perkal index from 2022, it is noticeable that only the voivodeships of Zachodniopomorskie, Dolnośląskie, Wielkopolskie, Kujawsko-Pomorskie, Lubelskie, Małopolskie and Śląskie achieved a higher index than in 2014.

Considering the border years of 2014 and 2022, it was noted that the largest recorded differences include 11 ranking places in the Wielkopolskie Voivodship, 6 ranking places in the Lubelskie Voivodship and 5 ranking places in the Kujawsko-Pomorskie Voivodship. These voivodships advanced to higher positions in 2022 compared to 2014. On the other hand, in Małopolskie and Opolskie voivodeships there was a drop from a higher position in 2014 to a lower position, which had a negative impact on the position of these voivodeships in 2022 and the difference was 7 places in the ranking.

To sum up, it should be stated that belonging to classes is variable, and a positive trend is that the number of voivodeships included in the lowest utilization class is decreasing.

4. Conclusions

On the basis of the conducted analysis, an intensive development of e-government in Europe can be observed. Denmark and Finland are characterized by the highest indicator of the development of e-administration services in Europe and in the world. In turn, the lowest rate in 2022 is in Bosnia and Herzegovina, Macedonia and San Marino, which may result from the opportunities that EU citizens have in the conscious and widespread use of information and communication technologies [Gąsiorek, 2017: 142]. The analysis and assessment of the development of e-government services in the EU leads to the conclusion that there are significant disparities between Member States. Spatial inequalities in

the level of development of electronic administrative services may be evidenced by the number and size of territorial units.

The level of development of e-administration services in Poland is higher than the average European index by 0.2335, but the interest in downloading and sending completed forms is too low. The best position in this respect in 2022 was taken by the Mazowieckie Voivodeship, and the weakest by the Podlaskie Voivodship. This situation may result from the fact that society does not have much confidence in sending documents electronically, because some procedures require personal appearance at offices (e.g. in the case of missing documents). Another shortcoming may be the lack of sufficient competence and concern for the security of personal data. An intuitive smartphone application that saves time and, above all, a free and easy way of data authentication could increase interest in e-services [Kokot-Stępień, Piersiała, 2019: 102].

From the research conducted, it can be concluded that these indicators will gradually increase in the coming years, because more and more offices accept applications only electronically (e.g. ARiMR – applications for area payments, Tax Office – PIT declarations).

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STATE RELATIONS WITH CHURCHES AND OTHER RELIGIOUS ORGANIZATIONS IN POLAND – PROPOSALS FOR CHANGES AFTER THE PARLIAMENTARY ELECTIONS IN 2023

| Abstract

- ▶ *Goal* – the purpose of this study was to present proposals for changes in the state's relations with religious organizations in Poland after the parliamentary elections in 2023.
- ▶ *Research methodology* – the draft laws and literature on this topic have been thoroughly analyzed for the purpose of this article.
- ▶ *Score/results* – the article showed that there are projects for changes in the state's relations with religious organizations in Poland after the parliamentary elections in 2023.
- ▶ *Originality/value* – the article expands knowledge about the planned changes in the legal situation of religious associations in Poland.

| **Keywords:** Republic of Poland, religious associations, reform, Religious Education, cemeteries, Church fund, taxes.

1. Introduction

Parliamentary elections held in Poland on October 15, 2023 introduced a new political arrangement¹. A coalition was formed consisting of the Civic Platform, the Third Way and the New Left. The new coalition formed a government headed by Prime Minister Donald Tusk. A whole range of reforms have been announced.

¹ Election results: <https://wybory.gov.pl/sejmsenat2023> [date of access: 2.11.2023].

In the exposé, the Prime Minister delivered in the Sejm on December 13, 2023 there was no direct information about religious reforms. However, the Prime Minister noted that the “coalition of October 15” is formed by several groups with their own ideas and ambitions². As it turned out, some of them were supposed to concern the state’s relations with religious organizations. Public statements announced reforms regarding: the church fund, the introduction of tax deductions, teaching Religious Education in schools, introducing new principles concerning cemeteries, and burial of the dead. The most radical politicians did not exclude the possibility of terminating or renegotiating the Concordat of July 28, 1993 between the Holy See and the Republic of Poland of July 28, 1993³.

The announced changes initiated expert and analytical work as well as the public consultations. They are ongoing. At the time of writing the article, no draft laws regarding the announced religious reforms were submitted to the Sejm. Their shape and their entry into force are not entirely certain. The importance of religious issues in a modern country calls for carrying out a systemic analysis of the proposed changes.

2. Church fund and tax deductions

The most frequently raised denominational issue by the then opposition during the 2023 parliamentary election campaign was the abolition of the Church Fund and the reform of the financing system for religious associations and the issue of tax deductions. All parties that currently form the October 15 coalition, i.e. the Civic Coalition, the Left and the Third Way, announced far-reaching reforms in this area, emphasizing the need for the rapid abolition of the state Church Fund. One of the flagship promises of the opposition parties during the 2023 election campaign was the abolition of the Church Fund [Hukalowicz, 2023].

The Church Fund was established under Article 8 of the Act of March 20, 1950 on the State’s takeover of dead-end properties, the guarantee of the ownership of farms to pastors and the establishment of the Church Fund⁴. This is a legal institution enabling a form of compensation [Krukowski, 2008: 216] to be made

² Transcript of the Prime Minister Donald Tusk’s expose: <https://www.gov.pl/web/premier/stenogram-expose-premiera-donalda-tuska> [date of access: 10.11.2023].

³ The Concordat between the Holy See and the Republic of Poland, signed in Warsaw on July 28, 1993, Journal of Laws of 1998, No. 51, item 318.

⁴ Journal of Laws of 1950, No. 9, item 87.

to all religious associations with a regulated legal status in the Republic of Poland for landed properties taken over by the State Treasury. The administrator of the Church Fund is the minister responsible for religious denominations and national and ethnic minorities, i.e. currently the Minister of Internal Affairs and Administration.

The 2024 budget provides a record amount of 57 million PLN for the Church Fund. The Ecclesiastical Fund is used for pension and health contributions for the clergy, for maintenance and repair of churches and ecclesiastical buildings of historic value and for supporting the church's charitable and welfare activities. In 2024, out of the amount of 257 million PLN earmarked for the Church Fund, 246 million PLN is earmarked for pension and health care contributions for priests, and 11 million PLN is earmarked for charity and the protection of historic buildings. Support from the Church Fund is granted at the request of legal entities of religious associations. 23,429 people benefited from the Church Fund in 2023. However, there is a lack of effective mechanisms and control tools to determine whether those benefiting from the Church Fund are the clergy and whether they meet the requirements for support.

Therefore, on December 27, 2023, Prime Minister Donald Tusk announced the establishment of an inter-ministerial team to work on the issue of a new solution for the Church Fund. "We want to civilize this relationship. No one should be tempted to be confrontational towards religion or the church. The work on the new regulations will move towards the financial responsibility of the faithful, the voluntary deduction of those concerned. It must be a decision of the faithful, not a decision of the government"⁵. The team includes representatives of, among others, the Ministry of Finance, the Ministry of Defence, the Ministry of the Interior and Administration, the Prime Minister's Office, the Ministry of the Family, the Government Legislation Centre and the Committee for Public Benefit. The team is to carry out its tasks at meetings convened at least once a month. Substantive, organizational and legal as well as technical and office support for the team is provided by the Chancellery of the Prime Minister. The team, working under the leadership of Deputy Prime Minister Władysław Kosiniak-Kamysz, is also to assess the charitable, educational and welfare activities of religious associations, as well as the conservation and renovation of sacred monuments. The core task of the team is to propose legal solutions, including legislation. The

⁵ <https://www.money.pl/gospodarka/fundusz-koscielny-do-likwidacji-rzad-wyslal-sygnal-zmiany-od-2025-r-6978229887547904a.html> [date of access: 27.12. 2023].

first conclusions and report on the work of the inter-ministerial team are to be presented by March 31, 2024. The political declarations indicate that the system of financing religious associations which is in force in Poland is to be finally reformed in 2025. The reform is expected to result in the abolition of the Church Fund and the introduction of laissez-faire solutions creating a system of financial responsibility of the faithful for their religious associations by establishing a voluntary tax deduction for those interested in supporting their religious association.

However, the replacement of the Church Fund by a tax write-off may result in more money flowing out of the state budget to religious associations than before. The reform in this regard must therefore be well thought out and calculated and precisely implemented.

It is worth recalling that this is already the second attempt to reform the system of financing religious associations in Poland. In 2013, while implementing his expose, Donald Tusk initiated talks with religious associations, which led to the drafting of a bill to replace the Church Fund with a voluntary tax write-off. However, the bill was sent to the public consultation and was never passed. Thus, the idea from years ago [Szkwarek, 2023] is back. Let us emphasize, in case of the abolition of the Church Fund, one of the proposed solutions is the introduction of a tax write-off for believers and members of religious associations. This was already proposed in 2013 by the PO-PSL government with Prime Minister Donald Tusk. At the time, the draft assumed that the deduction would amount to 0.5 per cent of PIT, while the Church Fund would be abolished. As a result, religious associations would have independently financed the social security and health insurance contributions for the clergy. The advantage of the tax deduction is greater transparency of the church finances. The faithful will gain insight into their condition and how they are spent. The new system will force the clergy to be more active and to care for the faithful. To put it bluntly-it will force the church to solicit the faithful and increase the quality of pastoral services [Matwiejuk, 2013].

Solutions for tax write-offs or the outright church tax have been introduced and active for many years in democratic countries such as Germany. The current system of financing religious associations from the church fund, i.e. from the state budget, i.e. from our taxes, is a Stalinist anachronism from the early 1950s, when Bolesław Bierut's team was in power.

Changes in this area are inevitable. The sooner they are introduced the better for the state, for religious associations, and for the faith communities and society. They should be introduced in accordance with the Constitution of the

Republic of Poland, which stipulates that churches and other religious associations shall have equal rights, and the relations between the Republic of Poland and churches and religious associations shall be defined by laws passed on the basis of agreements concluded by the Council of Ministers with their relevant representatives [Garlicki, 2007]. This is also crucial because since 1990 the Church Fund has also been a financial and legal guarantee of the constitutional principle of cooperation between the state and religious associations. All in all, its realization depends to a large extent on the possibilities and will of the partners of potential cooperation [Borecki, 2022].

3. Cemeteries and burying the dead

One of the most important and urgent areas in need of reform is cemetery law. The Law of January 31, 1959 on cemeteries and burying the dead⁶, which regulates the funeral rule in its broadest sense, is 64 years old. The establishment, operation and liquidation of cemeteries, burial and entitlement to a grave, the declaration of death, and the storage, transport and cremation of the remains are all standardized⁷. Despite numerous attempts at thorough revision, it is an archaic act reproducing provisions from the period of existence of the Second Republic of Poland and contains linguistic phrases specific to that period found in the Act of March 17, 1932 on burying the dead and ascertaining the cause of death⁸. The current legislation in this area has become outdated and it is in need of modernization. It is surprising that no political party raised the problem of cemetery law reform in its election program presented during the campaign in the last parliamentary elections [Kiebzak, 2023].

After the formation of Donald Tusk's coalition government, the topic of reforming this area of life returned. It was announced that works on a new law on cemeteries and burying the dead would be resumed soon. However, there is no mention on the website of the Government Legislation Centre of the commencement of work on the draft law. In principle, the new law is intended to modernize the burial process, bringing it up to the standards of European

⁶ Journal of Laws of 2023, No. 887, item 1688.

⁷ For more on the Act: P. Drembkowski, *Ustawa o cmentarzach i chowaniu zmarłych. Komentarz*, Warszawa 2017 oraz E. Darmorost, *Ustawa o cmentarzach i chowaniu zmarłych. Komentarz*, Warszawa 2014.

⁸ Journal of Laws of 1932, No. 35, item 359.

countries and in line with modern requirements. According to the opinions of experts and the Polish Chamber of Funeral Industry.

Among the most important criticisms of the solutions for cemeteries and burying the dead, the Council of Ministers, in the justification of the draft of the new law of 2023, indicated:

- the low quality and long processing time of data on the causes of death in Poland, resulting, among other things, from the way information is collected in the form of paper death cards;
- problems in finding the person responsible for death certification in the case of out-of-hospital deaths;
- procedures related to burial and registration of death are burdensome for citizens, physicians and administration, mainly due to the way data are submitted in paper form and the lack of optimal use of state data resources;
- the lack of precise regulations concerning the reservation of a burial place, the right to a grave, the right to organize a burial, the closure of a cemetery or the liquidation of a grave;
- lack of regulation of burials outside cemeteries;
- anachronistic regulations on the organization of state funerals;
- lack of data on the number and location of cemeteries, especially historical cemeteries;
- sub-optimal use of state data resources on graves and cemeteries of special character in terms of information exchange with cemetery owners;
- lack of instruments to protect graves of persons of merit for the Republic of Poland;
- lack of precise regulation of the functioning of enterprises in the funeral industry⁹.

Among the most important shortcomings and defects of the act, also from a practical point of view, in my opinion, are: lengthy funeral procedures, failure to regulate burials outside cemeteries, and the lack of the institution of a coroner.

These and other problems have been pointed out for many years by the Supreme Chamber of Control as part of its inspection activities and by the two guardians of individual rights, the Ombudsman and the Ombudsman for Children. Citizens, undertakers and NGOs are also critical of the state of regulation.

⁹ Information on the reasons and need for the solutions planned in the draft of the new law on cemeteries and burial of the dead, <https://www.gov.pl/web/premier/projekt-ustawy-o-cmentarzach-i-chowaniu-zmarlych2> [date of access: 15.11.2023].

The October 15 Coalition and the Donald Tusk Government are therefore faced with the urgent need to enact a new law on cemeteries and burying the dead. The problems are defined and identified in this respect. From the point of view of the state and of the citizen it is essential to ensure the strengthening of the state supervision over the activities of funeral operators, including the introduction of a register of operators and a ban on unregistered operators. The state must have complete and absolutely reliable information in this area of society's functioning. It is important to introduce regulations abolishing cumbersome and already anachronistic solutions for citizens in the area of ascertaining, documenting and registering deaths, funerals and the right to a grave.

Certainly, a fundamental objective of the new law should involve: the use of experience and modern solutions successfully operating for many years in other countries of the European Union and the use of technological progress, including, for example, the transfer of the administrative procedures related to deaths and funerals and the functioning of burial sites from the paperwork into the Internet. It is absolutely necessary to introduce an electronic death card and an electronic birth card with annotation of stillbirth, as well as electronic: cemetery books, register of graves and resting places and cemetery register.

From a practical point of view, it is also important to establish a new institution, the coroner, and to define precisely the scope of his or her competences and responsibilities relating to the ascertainment and documentation of deaths. Such a person summoned by citizens or other authorized entity should undertake, without any doubt, to ascertain and document a death.

The draft of the new law on cemeteries should introduce new, clear and precise rules concerning the liquidation of earth and masonry graves, as well as simple and easy accessibility to information on the payment of a grave and the possible date of its liquidation. As practice indicates, it is necessary to develop a regulation on the protection of the right to a grave and against grave robbery as well as the norms related to the right to reserve a burial place and determine its order [Sewastianowicz, 2023].

The current Law on Cemeteries and Burial of the Dead prohibits, in principle, burials outside a cemetery. In Poland, the basic and most common method of burying the dead is to place the body in an earth or brick grave. Cremation, burial at sea and the use of the body for scientific purposes are also permitted. In view of the increasing problem of the lack of space in cemeteries, it is necessary to liberalize the arrangements for burial forms. A new statutory regulation will have to liberalize burial forms following the example of Western European

countries or the USA. In the Netherlands, you can be laid to rest in a 'living coffin', while in the US, you become fertile soil or a 'rack' for coral reefs after death [Arend-Czekała, 2022].

More liberal proposals are contained in the draft Funeral Law bill by the (Un) forgotten cemeteries initiative¹⁰, which brings together supporters of changing the cemetery law in Poland and the funeral rule. The authors of the bill also allow ashes to be buried outside cemeteries by scattering them on private property, with the consent of the owner, and on unfenced public property, without the consent of the owner. They also introduce the concept of organic burial in organic cemeteries. This consists in the placement of the unembalmed remains dressed in natural materials in an organic coffin or the placement of the remains or ashes in an organic urn in an organic grave. The planting of trees and shrubs would be permitted on such graves. In an organic cemetery, an indefinite right to a grave would arise on the basis of a burial contract with the cemetery owner upon payment of a one-off fee.

The possible introduction of these changes would be a significant step forward in the reform of the cemetery law in Poland. Especially since the state is the guarantor of the right to burial [Mezglewski et al., 2011: 218]. It is worth noting at this point that liberalization and changes to the arrangements are progressing worldwide. In the USA, these have already gone very far. Which was, of course, related to the lack of cemetery space for classical burials. Capsula Mundi, Bios Incube, recompose, resomation, promesia are the latest burial methods. The possibilities for alternative burial are many, but there is no doubt that the law in the future should adapt to the changes in this sphere of social life, so that we can see their real effects [Baylor, 2022].

Will the liberalization and modernization of the law on cemeteries and on the burial of the dead be achieved under the October 15 Coalition government? Unfortunately, there is not much indication of this.

4. Religious Education classes in schools

In the parliamentary election campaign of the political groups of the then opposition, various more or less radical ideas were put forward to change the legal

¹⁰ The funeral law bill is available at: <https://niezapomnianecmentarze.pl/lib/lgenhr/Prawo-pogrzebowe---projekt-2022-11-16-lgny25nd.pdf> [date of access: 12.10.2023].

regulation of the teaching of Religious Education and Ethics in public schools. Proposals were made to remove Religious Education and Ethics from schools, to limit funding for Religious Education and Ethics in schools, to limit the number of hours of Religious Education and Ethics, to introduce the principle that Religious Education and Ethics would be organized on a compulsory basis during the first or last lesson, to count the grade from Religious Education and Ethics towards the average grade and to remove the grade from the Religious Education and Ethics certificate. The New Left has made this issue one of its most important election slogans and program demands. The party's reform announcements were the most radical. Much more moderate in the area of religion were the election theses of the Civic Coalition. It excluded, for example, support for the idea of removing Religious Education and Ethics from schools, rightly considering it to be contrary to the Polish Constitution of April 2, 1997¹¹. The Third Way, on the other hand, ignored these issues during the election campaign, signalling an increase in the participation of school communities in deciding the size and manner of Religious Education and Ethics lessons on their premises. The then ruling coalition was the declared opponent of the changes in principle.

The removal of Religious Education from schools was ultimately considered too radical and, most importantly, contrary to the Polish Constitution. In the opinion of the coalition, the postulate of the radical part of the New Left was contrary to constitutional provisions guaranteeing parents the right to provide their children with moral and religious upbringing and teaching in accordance with their beliefs¹². It also violated the constitutional right of legally regulated religious associations to teach Religious Education at school¹³. In addition, it violated the provisions of the Concordat of July 28, 1993 between the Holy See and the Republic of Poland. This was criticized by the Polish Bishops' Conference of the Catholic Church, which regarded the idea as an attack on individual rights [Rasiewicz, 2023].

The idea of limiting the financing of Religious Education lessons was also very quickly recognized as unrealistic. The implementation of this demand requires an amendment to the Act of September 7, 1991 on the educational system¹⁴ and at least a change in the interpretation of the concordat provisions. In Article 12,

¹¹ Journal of Laws of 1997, No. 78, item 483.

¹² Art. 53 section 3 of the Constitution of the Republic of Poland.

¹³ Art. 53 section 4 of the Constitution of the Republic of Poland.

¹⁴ Journal of Laws of 1991, No. 95, item 425.

the Act stipulates that public kindergartens and primary schools organize Religious Education instruction at the request of parents, public secondary schools at the request of either parents or pupils themselves; upon reaching the age of majority, pupils decide about Religious Education instruction. At the same time, the minister responsible for education and upbringing, in agreement with the authorities of the Catholic Church and the Polish Autocephalous Orthodox Church and other churches and religious associations, determines, by regulation, the conditions and manner in which schools perform the related tasks. Article 12 of the Concordat, which concerns the teaching of Catholic Religious Education at school, states that the state guarantees that kindergartens and public primary and secondary schools organize Religious Education lessons in accordance with the wishes of those concerned. The list of priorities to be changed in the education system leaves de facto the remaining demands from the parliamentary election campaign period.

After Donald Tusk's Council of Ministers was sworn in, the new Minister of Education Barbara Nowacka announced changes in education consisting in: limiting Religious Education classes to one hour paid from the state budget; if there is a decision by local authorities, parents who would want their children to have more of Religious Education classes, will be able to influence this decision, including its financial aspect, she stressed. She also announced additional changes including placing Religious Education classes as the first or last lesson. In this way, students who are not enrolled in the classes will be able to avoid 'empty time slots between classes' in the schedule. Nowacka has also indicated that she will work to ensure that the Religious Education grade will not appear on the school certificate [Pryga, 2023]. The reform pledges made were not consulted with the coalition partners and caused serious disagreements and political tension. The conflict within the coalition with regard to Religious Education was mitigated by Prime Minister Donald Tusk, who claimed as recently as last year that Religious Education should not be taught in schools because its presence there "has become one of the most effective tools for the secularization of the young generation of Poles" and by announcing consultations with the church side where required by law [Krzyżak, 2023]. The effect of the situation was to limit the scope of the planned reforms concerning the teaching of Religious Education and Ethics in Polish schools only to the non-counting of marks from Religious Education and Ethics to the average. On January 26, 2024, a draft regulation of the Minister of Education amending the regulation on the assessment, classification and promotion of pupils and students in pub-

lic schools was submitted for public consultation [Sewastianowicz, 2023]. In the draft regulation, the provision on Religious Education and Ethics has been removed, which consequently means that grades in these subjects will not be included in the average grade¹⁵. These grades will therefore have no bearing on whether a pupil receives a certificate of distinction. The proposed changes are to be introduced from the new school year, i.e. September 1, 2024. The abandonment of the inclusion in the average grade of the annual or final grades of Religious Education and Ethics classes, which a pupil is not obliged to attend (they are voluntary), is justified by the fact that the annual or final grade of these classes does not have an impact on the average grade obtained. Seven opinions were submitted during the public consultation. A positive opinion on the proposed changes was submitted, among others, by the General Council for Higher Education and Science. Negative opinions on the proposed amendments were submitted, inter alia, by the Polish Ecumenical Council, which brings together the largest religious associations in Poland, and the Polish Bishops' Conference of the Catholic Church¹⁶.

Unfortunately, the ruling coalition and the Minister of Education are not carrying out any work on the reforms announced during the election campaign concerning other aspects related to the teaching of Religious Education and Ethics in public schools. Thus, work on: limiting the number of hours of Religious Education and Ethics, introducing the principle according to which Religious Education and Ethics would be organized obligatorily during the first or last lesson, and removing the grade in Religious Education and Ethics from the certificate. Whether this means a permanent abandonment of the announced reforms or merely their postponement in time remains to be seen. Of course, the answer to the question as to why and for what reasons the coalition's 15 October election program is not being implemented to the extent announced regarding Religious Education instruction in public schools remains to be seen. Although it has not yet been too long since the new coalition came to power, there are opinions that not much is happening regarding the teaching of Religious Edu-

¹⁵ The draft regulation of the Minister of Education is available on the website of the Government Legislation Centre: <https://legislacja.rcl.gov.pl/projekt/12381254/katalog/13033410#13033410>.

¹⁶ The positions reported in the public consultation are available on the Government Legislation Centre website: <https://legislacja.rcl.gov.pl/projekt/12381254/katalog/13033410#13033410>.

cation or Ethics in schools. At the same time, there are calls for no reform in this area and appeals to fight to defend catechesis in schools.

5. Other proposals to amend the religious law

In the election campaign for the 2023 elections to the Sejm and the Senate, the then opposition political parties also pointed to other problems to be solved in the state's relations with religious associations.

The New Left preached most and most often about the need for changes in these relations, emphasizing the need for a secular state. This is a traditional demand of the left-wing circles. The program of changes additionally included: liquidation of tax privileges for religious associations (tax allowances and exemptions), termination of the 1993 Concordat, combating crimes committed by the clergy (including paedophilia) and abolition of the conscience clause for doctors. The New Left announced the introduction of income recording by religious associations and the curtailment of the practice of religious associations acquiring agricultural land from the state free of charge or for very low prices, and the abolition of the exception to the restrictions on agricultural land trading. It also declared-like Poland 2050-to change the existing solutions regarding the criminalization of offences against religious feelings.

The Poland 2050 party also pointed to: the introduction of restrictions on the financing of enterprises run by religious associations, the regulation of price lists at cemeteries and the participation of public officials in religious ceremonies. She supported the establishment of an unspecified commission to investigate financial irregularities in the state's relations with religious organizations.

The Polish People's Party emphasized the need for reforms in this area, taking into account the friendly separation of the Church and the state. The People's Party program regarding the state's relations with religious associations was very general and, apart from the liquidation of the Church Fund, it did not contain any significant specifics.

The Civic Dinner advocated the introduction of a ban on financing the economic activities of dioceses, parishes, religious orders and of other church institutions from public funds, excluding charity, care, educational and scientific activities.

No political party has proposed a reform related to donations to religious associations. In recent years, this matter has caused numerous controversies [Pietrzak, 2013: 292]. There was also no proposal to introduce reforms of the organization and functioning of religious chaplaincies conducted in the public sphere by religious associations.

It is worth emphasizing that two political groups, the Law and Justice and the Confederation, were in favor of maintaining the status quo in terms of the state's relations with religious organizations. Both parties were opponents of any religious reforms.

The election declarations submitted by political groups during the parliamentary campaign and indicated above are not actually implemented despite the takeover of power by the political groups that announced them. Perhaps they will be implemented as time passes and the new executive power becomes stronger. Unfortunately, many years of experience in implementing electoral programs in Poland and keeping (or rather not keeping) political commitments have proven that this is unlikely. Of course, we must also remember that some of the election plans and announcements cannot be implemented due to the so-called parliamentary mathematics, i.e. the number of votes that the ruling coalition has in the Sejm and the risk of using the so-called veto by the President of the Republic of Poland. An additional factor indicating the practical impossibility of implementing the electoral program announced by the winning political parties regarding the state's relations with religious organizations are the differences and conflicts within the October 15 Coalition.

6. Conclusions

Submitted by political groups during the parliamentary campaign for the Sejm and Senate in 2023, election declarations concerned religious issues, and, in particular, the relationship between the state and religious organizations. The proposed changes resulted from a long-standing public debate on the assessment of the policy and the state's attitude towards religious associations [Łupak, 2023]. The ruling Coalition presented a number of proposals either radical or minor. Some of them were impossible to implement from the very beginning. However, they escalated the political situation and enlivened the election debate. And that was probably their main goal. This group of political announcements includes such election slogans as: termination of the Concordat of 1993, complete and

immediate removal of Religious Education from schools and introduction of recording the income of religious associations. In the face of political realities, criticism of the President of the Republic of Poland and the threat of using a veto, strong opposition and the lack of a qualified parliamentary majority, these and other announcements of religious reforms are basically impossible or at least very difficult to implement in the 10th term of office of the Sejm and the 11th term of office of the Senate in 2023–2027. This is also proven by the fact that despite the takeover of power by political groups that proclaimed the need for changes in this area, the changes have not been actually implemented. For example, no draft new act or changes to the currently applicable acts regulating religious issues have been submitted. However, it is possible that the changes will be implemented in the near future, after the new executive power becomes stronger and the results of the presidential elections in 2025 are favorable to the government. The current history and experience in the implementation of electoral programs in Poland and the failure to keep political commitments indicate that full implementation of the announced program of correcting the relations between the state and religious organizations is unlikely. An additional factor indicating great difficulties in implementing the project presented in 2023. election program regarding the state's attitude towards religious associations, there are differences, frictions and conflicts within the October 15 Coalition. The question remains open: What changes are possible during this parliamentary term? The first actions taken by the ruling coalition indicate that the priority seems to be changes related to teaching Religious Education and Ethics in schools and the liquidation of the Church Fund.

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DIRECT FOREIGN INVESTMENT IN THE CENTRAL AND EASTERN EUROPEAN COUNTRIES IN THE PERIOD OF POLITICAL AND ECONOMICAL DESTABILIZATION

| Abstract

- ▶ *Goal* – the main research query of the article regards whether the tendencies and mobility in the sphere of the FDI inflow to the CCEEs changed, in the existing conditions of the political and economic instability. Therefore, the purpose of the article is to evaluate the changes in the FDI level, dynamics and structure in the CCEEs in the conditions of geopolitical uncertainty resulting from the outbreak of the war in Ukraine, in comparison with the tendencies in the previous years.
- ▶ *Research methodology* – the first part of the article contains the analysis of the overview of the literature on the FDI conditioning in the CCEEs (the Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Slovakia and Slovenia) and the evaluation of the investment attractiveness in the light of the selected factors. The next part contains the analyses concerning the capital inflow in the form of FDI to the CCEEs which included the data regarding the FDI resources, the FDI recourses per capita, FDI inflow, including the number and value of greenfield investments. The analysed period covers the years 2012–2022.
- ▶ *Score/results* – when analysing the basic macroeconomic indicators characterising the economic conditions of CCEEs, it may be stated that those countries follow an economic development path where FDI has an important role. The inflow of foreign

direct investment played a crucial role both in the transformation process of CCEEs' economies and also influences their modernisation and development now.

- ▶ *Originality/value* – considerations and analyses conducted in the article allow to claim that geopolitical destabilisation affected the economies of the CCEEs, including the inflow of capital in the form of FDI, in two ways. On the one hand, it may be observed that those countries, as well as other countries in Europe, experienced deterioration of the economic conditions. Lower dynamics of the GDP growth and high inflation are typical problems of the analysed economies. However, despite that, the investment attractiveness of those countries remains high. The analysed economies constitute attractive locations for foreign investment, which is confirmed by the growing FDI inflow, the growing value of FDI per capita, or the growing value of greenfield projects.

| **Keywords:** investment attractiveness, war in Ukraine, greenfield investments, FDI, CCEEs, crisis.

1. Introduction

The condition of the contemporary economy depends, to a large extent, on the situation on the international arena. The analysis of the last few years illustrates how strong the relations and links between the economies are. Both the outbreak of the COVID-19 pandemic (2019) and the aggression of Russia against Ukraine (2022) resulted in the deepening of many imbalances and emphasized the strong links between economies.

Economic and political instability are important risk factors which investors need to accept. Do international corporations take into account geopolitical risk and uncertainty in their investment decisions, in response to the turbulence existing both in the economic and the political sphere? Or maybe those decisions reflect the general investment attractiveness of the country? The main research query of the article regards whether the tendencies and mobility in the sphere of the FDI inflow to the CCEEs changed, in the existing conditions of the political and economic instability. Therefore, the purpose of the article is to evaluate the changes in the FDI level, dynamics and structure in the CCEEs in the conditions of geopolitical uncertainty resulting from the outbreak of the war in Ukraine, in comparison with the tendencies in the previous years. The analyzed period covers the years 2012–2022.

The study involves 8 Central and Eastern European countries, which joined the European Union (the EU) in 2004 (CCEEs): the Czech Republic, Estonia,

Hungary, Lithuania, Latvia, Poland, Slovakia and Slovenia. The structure of the article is subordinate to the approved aim of the paper. The next part contains the overview of the literature on the FDI conditioning with special reference to the research on the CCEEs; together with the conducted evaluation of the investment attractiveness of the analyzed countries, in the light of the selected factors. The next part contains the analyses concerning the capital inflow in the form of FDI to the CCEEs, which included the data concerning the FDI resources, the FDI recourses per capita, FDI inflow, including the number and value of greenfield investments. The last part of the article contains conclusions and the summary of the analyses' results as well as political recommendations and guidelines concerning future research.

The authors of the article used the following research methods and tools: the literature studies, descriptive analysis and comparative analysis. The statistical analysis used data obtained from the databases of the World Bank, UNCTAD and OECD.

2. Conditions of the direct foreign investment inflow

One of the forms of the international capital movement which results in companies creating or enlarging their branches in another country is the foreign direct investment (FDI) [Kosztowniak, 2018: 19]. The foreign direct investment is identified with the full or partial acquisition of the ownership of the existing economic entity abroad or with creating a new one in order to conduct the business operation [Rymarczyk, 2012: 150; Jaworska, 2018: 188]. According to the methodology approved by the OECD organization, the foreign direct investment takes place when the resident of one economy makes investment in order to achieve a long-term benefit on behalf of the resident of another capital economy, engaged in the enterprise. The qualifying condition of the direct investment enterprise is the possession of at least 10% of ordinary shares or the right to 10% of votes at the general meeting of shareholders by the direct investor. Similarly, the direct investor, who can be an individual, an enterprise, a government, a group of individuals or companies, should own at least 10% of ordinary shares or votes in the company [OECD, 2008: 48–49].

Foreign investment may have different forms [Kosztowniak, 2018: 25–26]:

- greenfield type investment, which involves creating a completely new economic entity in the host country, which in the case of host countries with high unemployment rate may become an opportunity to increase employment;

- joint venture, which involves merging resources of at least two companies from different countries, which together create a separate entity and, as a result, are its owners benefiting from the effects of its activity in the host country;
- acquisition, which involves the purchase of the foreign enterprise existing in the host country by a foreign investor through the acquisition of the controlling interest from the former owner.

W.W. Jermakowicz and C.J. Bellas extracted factors determining the choice of the FDI form on the basis of the research on a group of Central and Eastern European countries [Jermakowicz, Bellas, 1993: 33–55]. Those factors were characterized in Table 1, taking into consideration their preferred FDI forms.

Table 1. Factors determining the choice of the FDI form

Investment type	Characteristics
Greenfield	<ul style="list-style-type: none"> • production process is labour-intensive; • investing company and its products are widely known on the host country market; • restructuring costs of the acquired company might prove higher than those of setting up a new company or when unclear ownership might impede the acquisition of an existing company.
Joint venture	<ul style="list-style-type: none"> • greenfield investment is uneconomical or risky for the foreign investor; • combining resources and abilities of partners leads to creating a competitive advantage.
Acquisition	<ul style="list-style-type: none"> • the acquired company is a part of an industry of a capital-intensive nature; • the local manufacturer has a big share in the market, high product brand recognition and a well-developed supply and distribution network.

Source: Jermakowicz, Bellas 1993: 33–55.

Taking into account the increasing importance of foreign direct investment in capital movement in the world economy, the determinants of the investment inflow into particular economies become a more frequent discussion issue.

Among the factors dependent on the foreign investor, the, so called, internal factors that are possible to indicate [Kosztowniak, 2018: 179]:

1. Resource and cost factors:

- access to natural and property resources, as well as to a work factor,
- geographical distance to the sources of supply, which determines the access to resources and e.g. transport costs,
- the costs of capital acquisition,
- production costs,
- labour and trade costs,
- the tax system, access to technological and research infrastructure,

2. Market factors:

- market volume and absorbcency: the country's population, GDP, GDP per capita,
- the level and prospects of market development which influence the level and dynamics of interest rates,
- binding trade barriers: tariff and non-tariff ones,
- access to regional markets,

3. Efficiency factors:

- combinations of resource, cost and market factors,
- concentration of economic activity in a limited number of countries of a particular region,
- opportunity to cooperate with local enterprises.

4. Factors of the search for strategic assets:

- acquisition of knowledge, technology, know-how, information on local markets in order to improve the company's long-term competitiveness,
- employment of qualified human resources.

Among the factors dependent on the host country, the, so called, external factors, it is possible to indicate:

1. Macroeconomic factors:

- political and economic stability vs instability and the increase of risk,
- socio-economic conditions: economic, political, social and cultural situation,
- access to production factors and funding sources,
- labour costs,
- fiscal burden and tax optimization.

2. Institutions, legal regulations and the system of incentives and facilities for FDI:

- activity and legal regulations of the state institutions on the government and local government level regarding FDI (institutional and legal regulations),

- agencies supporting investment,
- the public aid system for investors and activity of special economic spheres.

3. Technical and economic infrastructure.

The level of evaluation of the investment atmosphere: the EU integration groups, the CCEEs group and the national, regional and local level.

It is necessary to remember that apart from the factors resulting from the situation, potential and the investor's motivation, an important part is played by the host country factors which create the investment atmosphere. A. Kosztowniak rightly points out that “the changing motivation of foreign investors and the conditions of the investment atmosphere in the host countries also determine the changes in the ‘combination’ of factors influencing the size and structure of FDI inflow into a particular market. At the same time, the list of factors, their hierarchy and rank may change depending on the dynamic changes in the geopolitical situation” [Kosztowniak, 2018: 173].

Foreign direct investment is perceived as a catalyst of structural changes in the national economies of host countries. This is caused by affecting the level of domestic product of a given economy, its specialization, the intensity of competition, the demand on factors of production as well as the amount and structure of international trade [Cieślak, 2020: 128]. Those “expectations regarding FDI result in the fact that countries compete with each other in terms of creating favourable conditions for long-term investment – friendly investment atmosphere” [Grynia, 2017: 128]. At the same time it is necessary to remember that not all the determinants of FDI inflow are in the host countries' sphere of influence. Nevertheless, the highest level of investment attractiveness can be observed in the countries which have a stable economic and political situation.

3. Investment attractiveness of the Central and Eastern European countries in the years 2012–2022

Intensification of capital movements in the form of FDI is a chance to stimulate the development of economy. This is especially important in the case of those countries that show shortages of internal accumulation, as it is a chance to stimulate their development as it happened in the case of CCEEs. Foreign direct investment may provide an additional funding source, filling in the gap between the real need of the investment capital and the internal capability of a particu-

lar country [Kosztowniak, 2011: 272]. What is more, FDI does not involve the increase of foreign debt, contrary to other funding sources. At the same time, apart from the capital transfer, they “cause the movement of production factors, including managers, technologies, know-how, methods of organization managing and other intangible and legal values” [Rymarczyk, 2012: 150].

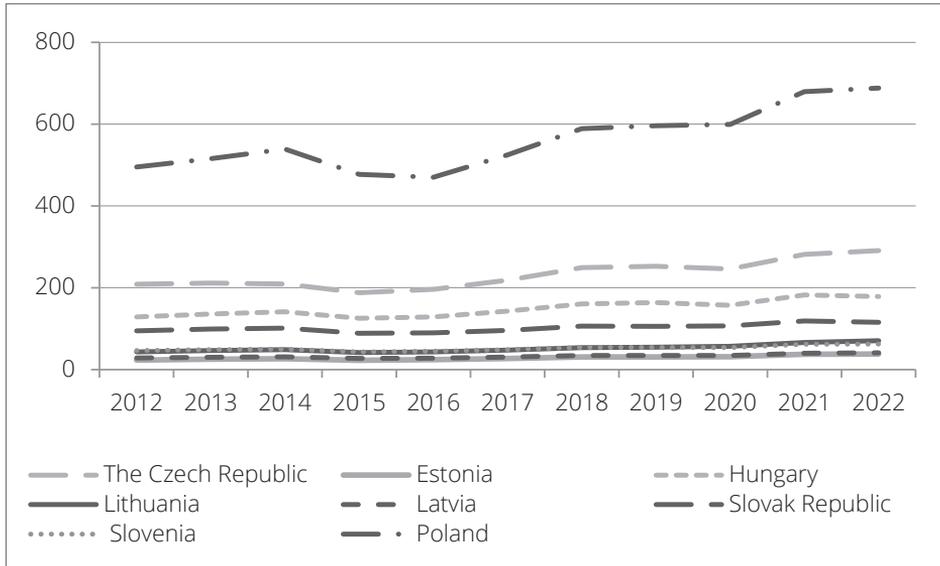
Benefits, which may be gained due to FDI, encourage countries to analyze the conditions that create favourable investment atmosphere. As A. Grynia rightly claims, the competition between countries in terms of locating the foreign investment within their borders is quite advanced. It is partly caused by the fact that investors tend to perceive Central and Eastern European countries as a homogenous geographical market. Therefore, it influences the importance of identifying factors which determine locating foreign direct investment within the borders of a particular country. The conducted research frequently focuses on explaining the differences in the economic conditions of particular countries [Gomółka et al., 2020: 20–21].

The analysis of the investment attractiveness of the examined countries was conducted taking into consideration the basic macroeconomic indicators: GDP, GDP per capita, inflation level, unemployment level. Consequently, it was assumed that beneficial macroeconomic conditions create a positive image of economy, as a place of conducting activity and locating investment.

GDP indicator is perceived as a measure of market potential in terms of foreign direct investment – “the bigger the market, the bigger the FDI inflow should be in the particular region” [Wawrzyniak, 2010: 92]. According to the World Bank data, in the years 2012–2022 the country with the highest GDP was Poland. Further positions were occupied by: the Czech Republic, Hungary, Slovakia, Lithuania, Slovenia, Estonia and Latvia (see: Chart 1).

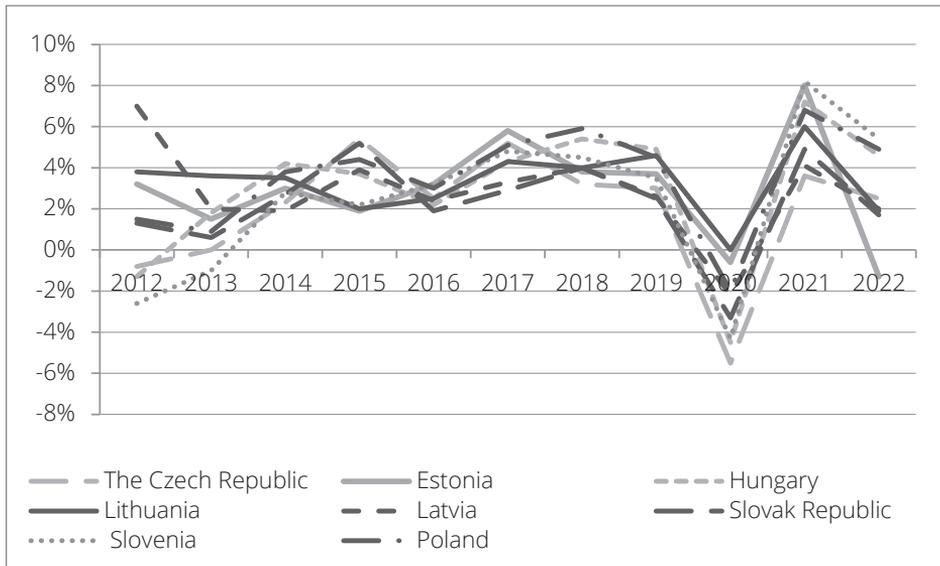
Foreign investors searching for locations for their activity take into account not only the market volume but also its potential increase. Its excellent measure may be the GDP increase rate (Chart 2). All Central and Eastern European countries noted a significant fall in GDP in 202, which was, among others, the result of the COVID-2019 pandemic, but in 2021 their GDP values were higher than in the years before the pandemic outburst. Nevertheless, in 2022 it was possible to notice deterioration in the situation of the studied economies, due to the political instability in the region – reflected most visibly in the situation of Estonia, where the GDP increase rate amounted to 1.3%. The existing geopolitical situation was best handled by Slovenia – its GDP in 2022 increased by 5.4%. Quite a considerable economic increase was also noted in Poland (4.9%) and Hungary (4.6%).

Chart 1. GDP (current USD billion) in the CCEEs from 2012 to 2022



Source: World Bank, 2023 (1).

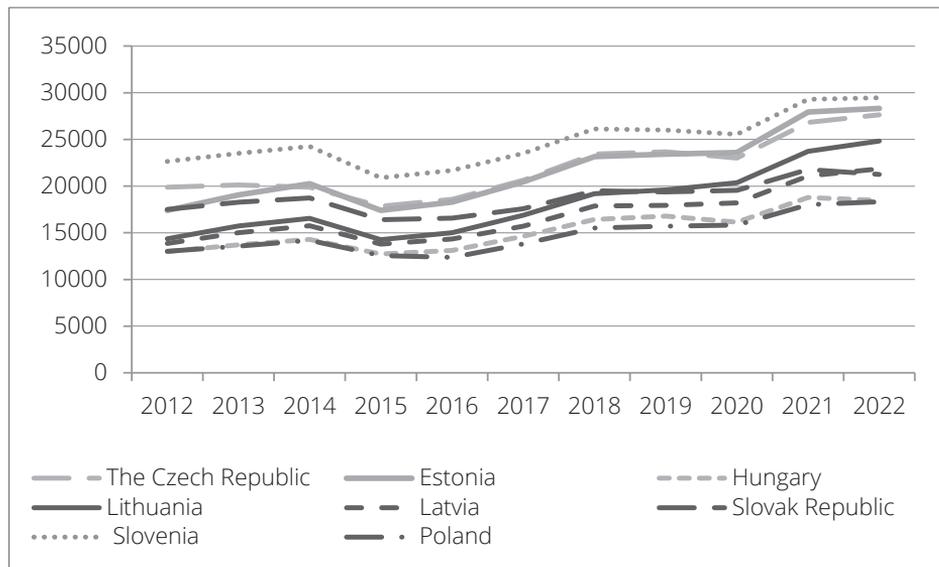
Chart 2. GDP growth (annual%) in the CCEEs from 2012 to 2022



Source: World Bank, 2023 (2).

In terms of FDI attractiveness, an important factor is GDP per capita. This indicator is used to define the level of prosperity of a given society in a given country “the higher GDP per capita, the higher the national demand for more advanced good and higher quality should be” [Johnson, 2006: 17]. The value of the GDP per capita indicator in the CCEEs in the years 2012–2022 was shown in Chart 3. In this case, the highest values in 2022 were noted by Slovenia, then Estonia, the Czech Republic, Lithuania, Latvia, Hungary, Slovakia and Poland. At the same time it is necessary to remember that the determinants of the GDP per capita value include the level of economic production, the investment level, human capital, efficiency of institutions, international trade and natural resources [*Wzrost PKB...*], so the characteristics which are valued by the investors engaging in foreign direct investment.

Chart 3. GDP per capita (current USD) in the CCEEs from 2012 to 2022

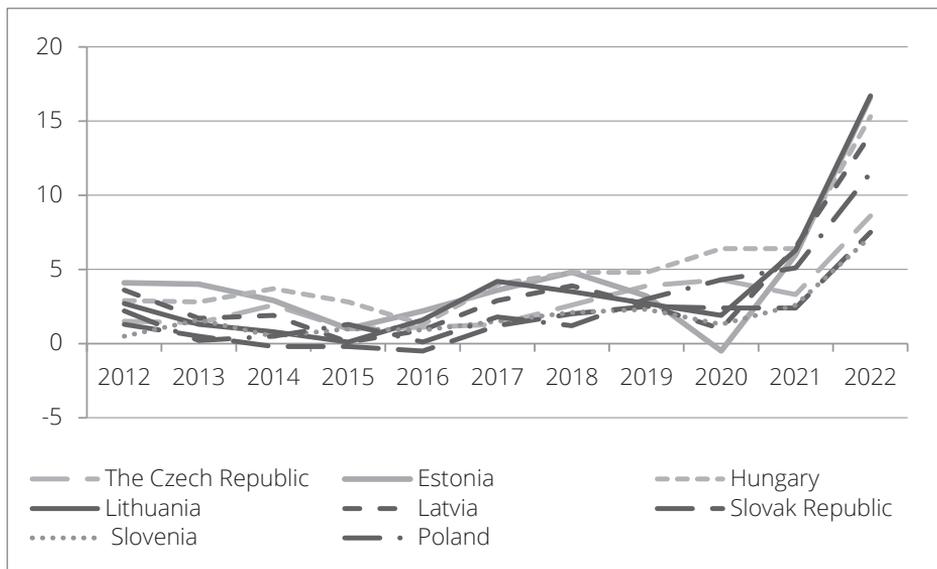


Source: World Bank, 2023 (3).

Low inflation and responsible monetary and fiscal policies are valued by investors, while unpredictable and lax monetary and fiscal policies increase risk [Pawlas, 2018: 96]. Low inflation rate provides investors with higher security and motivates them to greater investment in a stable macroeconomic environment [Kurtović et al.: 1098]. The analysis of the data shown in Chart 4 confirms the tendency to increase the inflation rate since 2021 in all the CCEEs. In 2022 the highest level was noted

in Lithuania – 16.7%, Estonia – 16.6%, Hungary – 15.3%, Latvia – 14.1%, Poland – 11.5%, the Czech Republic – 8,6%, Slovakia – 7,5%, Slovenia – 7,2%.

Chart 4. Inflation in the CCEEs from 2012 to 2022, GDP deflator (annual %)



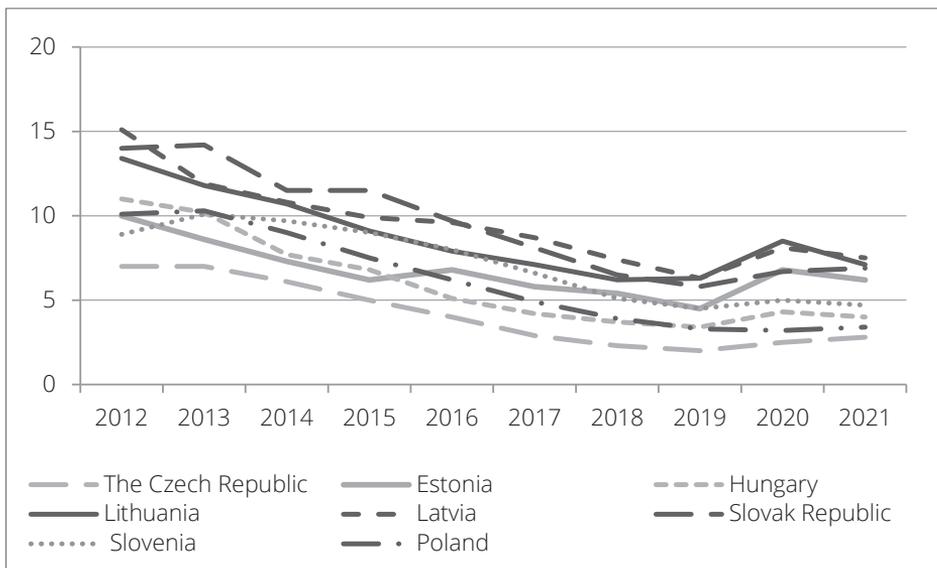
Source: World Bank, 2023 (4).

An important aspect of foreign direct investment inflow is the availability of the workforce. At the same time FDI is treated as a form of supporting employment in the case of new enterprises and a form of rationalization of employment structure and work efficiency in the case of brownfield investment. Nevertheless, from the investor's point of view, there are two most important aspects of this situation: access to workforce resources and labour costs, which determine the efficiency of the investment. The unemployment level in particular CCEEs was shown in Chart 5.

The aforementioned analysis allows to claim that the disturbances observed in the recent years in the economic and political sphere were reflected in the macroeconomic indicators of the CCEEs economies. Generally, it can be observed that the tendencies regarding the formation of macroeconomic indicators in the economies of the region are very similar. However, the obtained results allow to approximately evaluate the attractiveness of the selected CCEEs. It seems that the Czech Republic shows very high investment attractiveness. Despite the low number of inhabitants, in 2022 the country reached high levels of GDP, GDP per

capita, a low inflation level and – as it turned out – the lowest unemployment rate in the CCEEs region. Poland, as a country with over 38 million inhabitants, has reached the highest GDP level among the CCEEs for years. Also in 2022, contrary to expectations, it has reached a high growth rate, a medium inflation level and one of the lowest unemployment rates. Among the analyzed economies, it is also necessary to draw attention to Slovenia, as it is the country that handled inflation best in 2022. In 2022 Slovenia achieved the highest level of GDP *per capita* and the highest growth rate of GDP. It is also characterized by a low level of unemployment.

Chart 5. Unemployment rate in the CCEEs from 2012–2022 (% of total labour force)



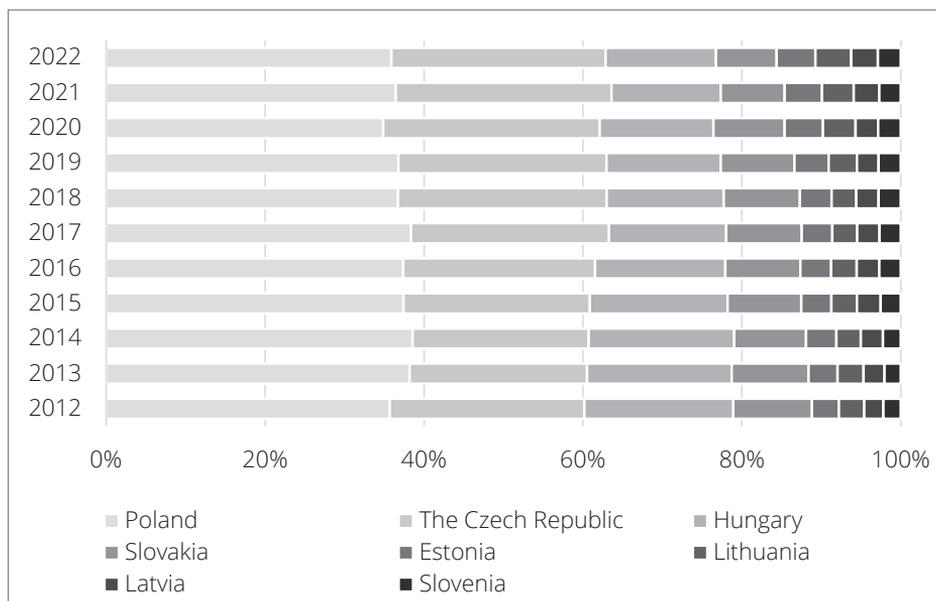
Source: World Bank, 2023 (5).

4. The dynamics and structure of FDI in the CCEEs in the years 2012–2023

The value of FDI inflow is a tangible measure of investment attractiveness. It is worth mentioning that in 2022 the value of inflow capital in the form of FDI to the CCEEs economies constituted only 6.3% of the FDI inflow in the EU countries in general. Therefore, it turns out that, despite the high declared investment attractiveness, this region attracts only a small part of investment located in the EU countries. Compared to other CCEEs, Poland proves to be a definite leader

when it comes to the value of the acquired FDI (co called inflow stock) – see Chart 6. By the end of 2022, Poland acquired capital of a total value of USD 270 bn, which amounted to 35.8% of FDI resources of all the analyzed CCEEs. Further positions were occupied by: the Czech Republic (USD 202.6 bn), Hungary (USD 104.6 bn) and Slovakia (USD 57.3 bn).

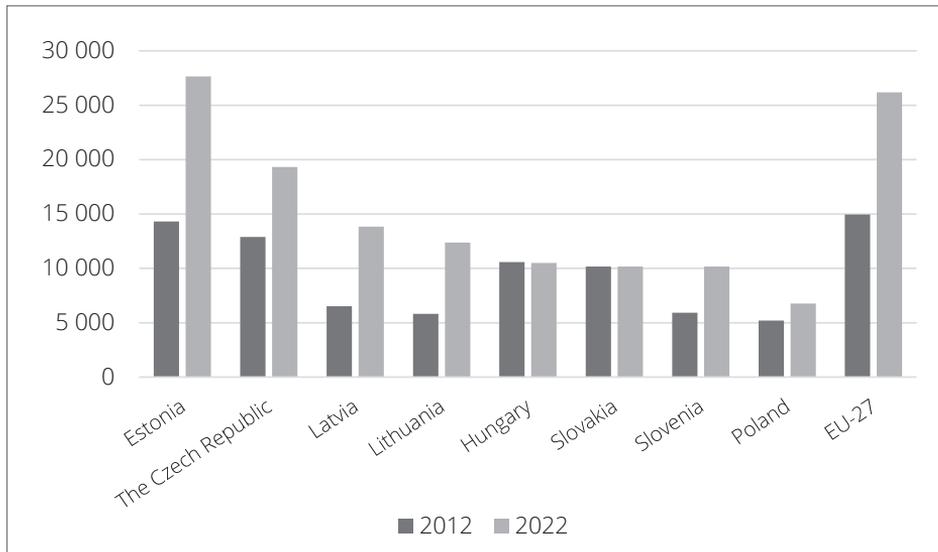
Chart 6. Inward FDI stock in the CCEEs from 2012 to 2022 (billion USD)



Source: the author's own work or: UNCTAD 2023; OECD 2023.

However, while Poland attracted the highest value of foreign capital among all the analyzed countries, Estonia is the leader in relation to the number of inhabitants or GDP (Chart 7). In 2022 the value of FDI in relation to one inhabitant in this country was higher than the EU average and amounted to USD 27 thousand. The high position of Estonia should not come as a surprise. It is a small country with a low number of inhabitants, but, at the same time, it is characterized by a large range of economic freedom, international openness and a high level of technological development, which encourages investors. In this case, even one larger investment may seriously increase the general volume of investment per capita. It is also worth mentioning that foreign investment constitutes an important part of the country's economy. In 2022 FDI share in GDP amounted to 96%, while the EU average amounted to 71%, and in the analyzed CCEEs to 57% of GDP.

Chart 7. Inward FDI stock in the CCEEs from 2012 to 2022 (billion USD)



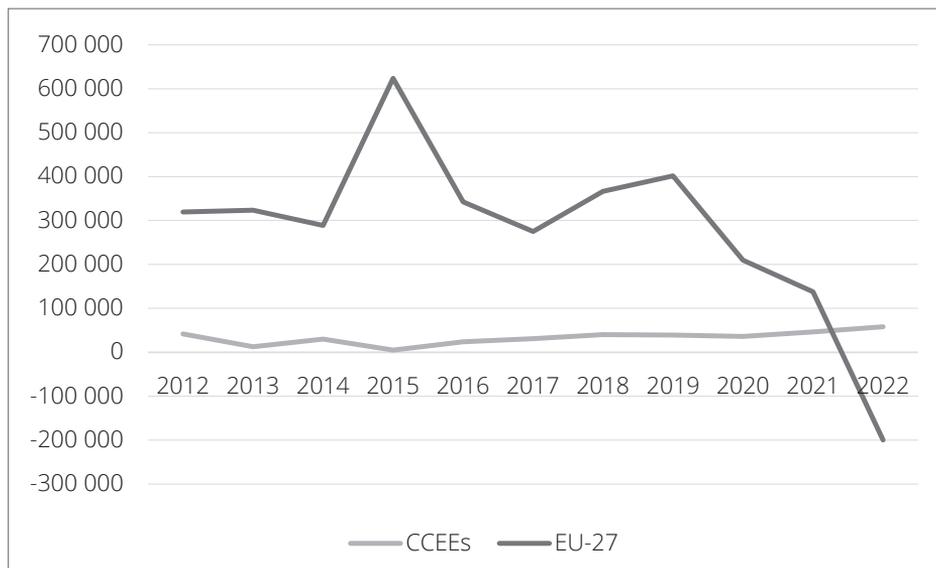
Source: the author's own work or: UNCTAD 2023; OECD 2023

When analyzing data concerning FDI per capita it can be observed that most economies in the CCEEs region noted an increase of this value. Only Hungary and Slovakia noticed a slightly lower value of the FDI per capita volume in 2022 than in 2012. The highest dynamics of the increase of the FDI per one person in the years 2012–2022 was observed in Latvia, Lithuania and Estonia, where this value nearly doubled. Since the accession to the EU, the foreign capital inflow to the CCEEs region has been characterized by high and varied dynamics. Also in the last ten years, it has been possible to notice the varied dynamics of the FDI inflow to the researched CCEEs economies. However, the data presented in the Chart 8 indicate that since 2016 the CCEEs have seen a positive balance of capital inflow. It can also be observed that, except for 2020, the value of the FDI inflow to that group of countries has been increasing. In fact, this trend is quite different to the one observed in the EU countries where the variability of the FDI inflow has been quite significant.

Data concerning FDI inflow (Chart 8) clearly indicate that both the COVID-19 pandemic as well as the war in Ukraine resulted in a dramatic fall in the number of foreign investment in the EU countries. Despite some signs that FDI in Europe should increase in 2021 after the Covid-19 pandemic, the aftershocks related to the war in Ukraine, the low economic growth, disruption of delivery chains, growing

inflation and drastically growing energy costs resulted in impeding investment in Europe. After a dramatic fall in 2020 and a relatively stable situation in 2021, the EU-27 countries noted disinvestment of nearly USD 200 bn in 2022. Moreover, it is worth noticing that international project funding and transnational mergers and acquisitions (M&A) were seriously affected by the restricted funding conditions, growing interest rates and uncertainty on capital markets [WIR, 2023 (1): 11].

Chart 8. FDI inflows in EU-27 and CCEEs region from 2012 to 2022 (mln USD)



Source: the author's own work or UNCTAD 2023, OECD 2023.

In the meantime, both in 2021 and 2022, the CCEEs noted positive annual FDI inflows (Table 2). Comparing results of particular countries, it is easy to observe quite a significant variability of FDI dynamics in the CCEEs. After the boom in the 1st quarter of 2022, when the FDI inflow increased by 38% year to year, in the 2nd quarter of 2022 the researched countries noted an annual decrease in the FDI inflow of 17%, while Estonia and Latvia faced disinvestment, reflecting the decrease in reinvested profits and global changes within groups. In this period, only Hungary, Poland and Slovakia observed a positive FDI inflow year to year. One of the contributing factors might have been the relocations of companies from Russia and Ukraine to safer EU locations. By the end of August 2022, FDI markets noted 57 investment projects powered by the relocation of companies due to the war, most of them concerning the IT sector [Pindyuk]. The next two quarters of

2022 were characterized by the positive values of the FDI inflow, however, in the last quarter the decrease in the dynamics of the FDI inflow was observed. Four countries from the region (Hungary, Latvia, Lithuania and Poland) noted the decrease in the dynamics of the FDI inflow in comparison to the last quarter of 2021.

Table 2. FDI inflows in the CCEEs from 2021 to 2023 (USD, million)

Country	2021				2022				2023p
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
The Czech Republic	-19.60	4 014.12	2 101.08	2 953.34	618.36	1 971.30	3 138.55	4 127.60	2 131.22
Estonia	1 732.23	532.58	288.11	-2 364.95	2 023.25	-2 327.75	413.69	712.53	952.35
Hungary	620.64	269.26	3 238.15	3 430.35	468.45	2 188.75	4 303.06	1 997.21	-860.29
Latvia	566.46	562.91	557.00	1 635.53	335.47	331.27	649.91	187.19	200.62
Lithuania	788.02	555.97	317.67	1 136.61	1 472.53	-449.86	607.45	472.90	624.95
Poland	9 901.94	3 769.38	10 092.75	5 698.36	12 122.53	6 181.04	7 662.39	3 621.52	9 100.88
Slovakia	-733.86	307.26	431.96	53.34	586.91	637.48	952.89	724.25	-1 079.43
Slovenia	217.03	1 306.67	486.46	-164.53	497.73	823.31	365.60	350.10	606.78
CCEEs	13 072.87	11 318.15	17 513.18	12 378.05	18 125.23	9 355.55	18 093.53	12 193.30	11 677.08

Source: OECD 2023.

Despite the existing political conflict in Ukraine, the attractiveness of the CCEEs regarding potential greenfield investment remains high. In spite of the fact that the number of new greenfield projects in the CCEEs decreased by 5% in comparison to 2021, they are most capital intensive as their value increased by 125%. The highest increase of the value of greenfield investment in 2022 was noted in the Czech Republic, then Latvia, Slovenia, Slovakia and Estonia (Table 3). In 2022 the value of the greenfield investment located in the Czech Republic amounted to USD 11 868 bn, which accounted for over 68% of all greenfield investments in the CCEEs. On the other hand, Poland is a definite leader in the CCEEs group in terms of the number of implemented greenfield projects. 509 greenfield type projects were implemented in 2022, while a year before their number amounted to 519. Consequently, the country ranked in the high 4th position among the EU countries in terms of implemented greenfield projects. It can be also noted that

until 2022 Poland had an important share in the value of attracted greenfield investment, e.g. in 2014 it amounted to 53%, in 2021 – to 43%.

Table 3. Greenfield FDI projects in the CCEEs from 2012 to 2022, number and values

Economy/ Region	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Value of announced greenfield FDI projects, by destination 2012–2022 (millions of dollars)											
The Czech Republic	3 128	1 814	506	1 104	1 896	1 721	4 353	3 260	2 246	2 519	11 868
Estonia	140	1 196	188	274	56	306	1 206	351	934	588	1 542
Hungary	840	420	521	261	96	232	326	1 427	2 495	484	423
Latvia	75	100	75	305	185	125	493	124	44	56	266
Lithuania	589	323	159	644	185	182	707	888	861	564	340
Poland	1 297	1 289	1 711	2 086	545	1 260	4 030	1 806	1 427	3 290	2 371
Slovakia	262	279	12	27	110	183	193	208	370	197	515
Slovenia	333	152	42	220	62	269	1 033	280	73	28	85
CCEEs	6 665	5 573	3 215	4 921	3 137	4 279	12 341	8 343	8 451	7 724	17 410
Number of announced greenfield FDI projects, by destination, 2012–2022 (number of deals)											
The Czech Republic	129	152	95	113	98	113	148	92	57	113	90
Estonia	32	20	32	11	19	13	27	30	30	22	20
Hungary	99	88	93	104	111	84	121	121	100	121	96
Latvia	15	21	21	10	13	24	43	38	30	18	20
Lithuania	45	48	46	51	53	69	94	71	66	58	69
Poland	325	269	255	250	318	433	480	463	472	513	509
Slovakia	67	80	44	38	53	50	49	44	27	46	47
Slovenia	17	10	14	19	19	19	29	24	12	11	12
CCEEs	729	688	600	596	684	805	991	883	794	902	863

Source: WIR 2023 (2).

The analysis of these data proves that companies' investment is more and more often motivated by the proximity of outlets and clients, it is also connected to "the changes in the supply chains". The increase of the geopolitical risk leads to a higher required disbursement in order to make the investment profitable. It means that when the geopolitical risk is rising, MNCs do not restrict FDI, if the profit is high enough [Bussy, Zheng, 2023: 2]. The presented data seem to confirm that the existing geopolitical risk did not stop investors locating greenfield projects within the borders of the CCEEs in 2022.

However, it is worth noticing that the initial data for the 1st quarter of 2023 estimated by OECD indicate the significant slowdown in the sphere of FDI inflow into the CCEEs region. The value of foreign investment in the 1st quarter of 2023 is lower by over 35% in comparison to the same period in 2022 and by over 10% in comparison to 2021. Only two countries: the Czech Republic and Slovenia saw an increase in FDI in comparison to the same period in the previous year, whereas Slovakia and Hungary noted disinvestment.

Therefore, the global environment for the international business and transnational investment remains a challenge in 2023. Economic impediments shaping investment trends in 2022 were slightly reduced, but did not disappear altogether. Geopolitical tensions are still running high. Recent turbulences in the financial sector increased investors' uncertainty.

5. Conclusions

When analyzing the basic macroeconomic indicators characterizing the economic conditions of CCEEs, it may be stated that those countries follow an economic development path where FDI has an important role. The inflow of the foreign direct investment played a crucial role both in the transformation process of CCEEs' economies and also influences their modernization and development now. Therefore, the aim of the paper was to evaluate the changes of the level, dynamics and structure of FDI in CCEEs in the present conditions of political and economic uncertainty resulting from the outbreak of the war in Ukraine.

Considerations and analyses conducted in the article allow to claim that geopolitical destabilization affected the economies of the CCEEs, including the inflow of capital in the form of FDI, in two ways. On the one hand, it may be observed that those countries, as well as other countries in Europe, experienced deterioration of the economic conditions. Lower dynamics of the GDP growth

and high inflation are typical problems of the analyzed economies. However, despite that, the investment attractiveness of those countries remains high. The analyzed economies constitute attractive locations for foreign investment, which is confirmed by the growing FDI inflow, the growing value of FDI *per capita*, or the growing value of greenfield projects. Therefore, it may be stated that CCEEs benefit from the present destabilization. Those countries, after experiences regarding the pandemic crisis and disruptions in the supply chains, become locations of investment reshoring and nearshoring. Moreover, turbulences connected with the outbreak of the war in Ukraine result in the fact that investors relocate investment from the countries directly engaged in the conflict to countries in the near geographical location. Therefore, it turns out that in the times of political destabilization, investment location is determined by different factors than the macroeconomic condition of the economy.

It is worth mentioning that the above considerations constitute only the initial analyses. In view of the restricted access to data and the short available period of analysis, in the future it would be worth conducting in-depth, long-term analyses, including the analyses regarding the evaluation of the influence of the present geopolitical situation on the production structure or the FDI geographic structure in the CCEEs.

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**CROWDFUNDING AS A TOOL TO SPREAD GOOD ATTITUDES
IN THE MEDIA AND SUPPORT IN SHAPING VALUES IN HUMAN LIFE
ON THE EXAMPLE OF THE PRODUCTION
OF THE FILM *ABP LEFEBVRE – WHY?***

| Abstract

- ▶ *Goal* – the research goal was to demonstrate the role of crowdfunding in the production of the analyzed film. Two theses result directly from the research goal and were formulated as follows: 1) Crowdfunding in the production of the film *ABP Lefebvre – Why?* is not the main source of financing; 2) The benefit of crowdfunding is the spread of good attitudes in the media and support in shaping values in human life and proclaiming the Catholic truth.
- ▶ *Research methodology* – the study uses descriptive research, which is an important stage of cognition because it creates an objective picture. The meaning of crowdfunding was preceded by a characterization of values in human life. As a part of the research methodology, the author of the article used the following research techniques as data collection methods: desk research, case study and an individual in-depth interview conducted with the film producers as part of the Filmowe Życiorysy PL project.
- ▶ *Score/results* – presentation of the importance of crowdfunding on the example of the production of the film *ABP Lefebvre – Why?* Crowdfunding can result in realizing many valuable and substantive projects, e.g. obtaining funds necessary for the production of a film, while engaging the community for which the subject of the film is important. However, crowdfunding was not the main source of financing in the case of the film *ABP Lefebvre – Why?*, it did not even constitute the majority share in the costs.

- ▶ *Originality/value* – the film about the archbishop is undoubtedly entering into the center of the hottest disputes in the Church, but also an opportunity to understand them better. This topic is rarely discussed in the literature. The paper covers both advantages and benefits and disadvantages and threats of crowdfunding as a tool to spread good attitudes in the media and the support in shaping values in human life. Crowdfunding, which enables partial financing of the film production of an important biography, has the potential to become a specific tool that brings people closer to God.

| **Keywords:** crowdfunding, economy, finance, media, film, truth, values in life, Lefebvre, Society of St. Pius X.

1. Introduction

In 1983, at Jasna Góra, during his second pilgrimage to Poland, John Paul II, speaking about freedom and emphasizing that it is given to man by God as a measure of his dignity, called for living in freedom, understood as making good use of it. From the ontological point of view, the consequence of freedom is the choice between good and evil, and with the act of choosing comes the freedom of will, which, by enabling a person to choose one of two possibilities, becomes good in itself. The existence of free will understood in this way was obvious for St. Augustine's [Warchał, 2015]. For free will is manifested in the fact that man wants to truly worship God.

Freedom particularly refers to the choice of values in human life. Values influence a person's functioning – his behavior and decisions he makes. If a man, using his free will, understands that religiosity is necessary for his life, and spirituality is more important than temporality, he will discover that communication with God is the most important thing in life and it is the only source of full happiness, which is related to the supernatural goal that must be achieved. Religion is unique, just as there is only one truth. Religion is a moral bond, connecting man with God. Man, having reason and free will, is obliged to seek the truth instead of adopting an attitude of indifference, characterized by unconcern about important issues. Nowadays, when cognitive skepticism dominates, i.e. the belief that it is impossible to reach the objective truth because all opinions and positions are considered to be equal, defending the rationality of the concept of the truth becomes crucial. A person who loves the

truth should also strive to convey it to others. The media in this context have an important role to play because they can support the shaping of values in human life. Without a hierarchy of values in which God is in the first place, one becomes susceptible to and submissive to all environmental influences. By striving for truth, a person shapes his personality and character and builds his hierarchy of values, which he follows in life in order to achieve the ultimate goal. The Internet and crowdfunding may be important in this process if they help finance the production of a valuable film that helps to consciously defend the faith, showing the truth that, with goodness and beauty, belongs to the transcendentals (universal properties of being) of Christian philosophy. It is not fair that everyone holds their own truth, because then there would be no objective truth, and if there is no objective truth, there is no truth at all [Strumiłowski, 2023].

Freedom also means choosing what we watch. The film *ABP Lefebvre – Why?* is intended to be inquisitive and to contribute to presenting the correct image of the Society of Saint Pius X, which was founded by Archbishop Lefebvre. The aim of the film is also to show the truth about the archbishop and to answer many difficult questions focusing on adherence to Tradition. This is a film that can change the course of Church's history [www 1]. This study is based on a case study and IDI on the production of a film about Archbishop Lefebvre, who was considered a saint by some, even during his lifetime, as a defender of the true Church, but others considered him a rebellious fundamentalist. Marcel François Lefebvre was a French Catholic bishop who, while defending the truth, did not recognize the teachings of the Second Vatican Council, as a result of which the Catholic Church, despite Her 2000-year-old tradition, began to become more and more modernist – moving in a direction contrary to Tradition and the official Magisterium, and opposed the Kingdom of our Lord Jesus Christ [Lefebvre, 2023].

The aim of this article is to present crowdfunding as a tool to spread good attitudes in the media and the support in shaping values in human life. Crowdfunding, which is connected to the Internet, makes it possible to finance valuable and substantive projects and that includes the film entitled *ABP Lefebvre – Why?*. The film, by showing the biography of Archbishop Marcel Lefebvre, is intended to show the truth about the Society of Saint Pius X, dispelling all prejudices and doubts accumulated over the years, and to answer many difficult and important questions. The film about the archbishop is undoubtedly an entry into the center

of the hottest disputes in the Church, but also an opportunity to understand them better [www 2]. The research goal is to demonstrate the importance of crowdfunding in the production of the film entitled *ABP Lefebvre – Why?* Two theses result directly from the research goal and were formulated as follows: 1) Crowdfunding in the production of the film *ABP Lefebvre – Why?* is not the main source of financing; 2) The benefit of crowdfunding is the spread of good attitudes in the media and the support in shaping values in human life and proclaiming the Catholic truth.

2. Crowdfunding – meaning, types and importance

When analyzing the role of the media as a means of interpersonal communication, special attention should be paid to the Internet, which has had a significant impact on the development and spread of crowdfunding as an alternative method of raising funds due to difficult access to traditional sources of financing [Grząba, 2019]. Crowdfunding aims to activate society to achieve a common goal.

From an etymological point of view, crowdfunding comes from the English language and consists of two words – *crowd* and *funding*. In Poland, the term „finansowanie społecznościowe” is used. There are many definitions of crowdfunding in scientific and popular science literature [Bounckenet al., 2015; Kędzierska-Szczepaniak, Szopik-Decpczyńska, 2017]. Crowdfunding is used by: enterprises, non-governmental organizations and private individuals, e.g. independent creators. Crowdfunding is still a relatively new subject of research, representing a subcategory of crowdsourcing [Majewski, 2020].

Crowdfunding is an open invitation via an online platform to support a specific initiative of the originator – a project or product, cultural and social [Cunningham, 2012: 5]. The web platform can be specialized (*specialized platforms*), concern a specific industry (*activity specific platforms*) or have a general purpose (*general-purpose platforms*) [Kędzierska-Szczepaniak, Szopik-Decpczyńska, 2017]. Applying for funds from the public is aimed at financing business ventures or implementing specific projects [Kowalczyk, Dudycz, 2018]. Four basic crowdfunding models are distinguished: equity and loan as capital models, and also donation and bonus non-equity based crowdfunding models [Belleflamme et al., 2014]. Equity crowdfunding means that Internet users contribute funds in ex-

change for shares in a project or company, becoming co-owners. In this way, capital is collected for start-up or business development (*equity-based crowdfunding*). In lending crowdfunding, investors borrow funds in exchange for a lending rate or future profits from the project (*lending-based crowdfunding*). In practice, the most common type is the non-equity crowdfunding, which involves offering prizes or products in exchange for supporting a project (*reward-based*) or is of a charitable nature, which means that contributors do not expect any reward or financial return (*donation-based crowdfunding*).

Non-equity crowdfunding includes the following variants:

- all-or-nothing – if the planned amount is not collected, the money is returned to the supporters;
- take it all – upon completion, the author receives the funds obtained regardless of their size, which carries the risk of not being able to implement the project;
- subscription/patronage model – based on supporters' declaration of repeated payments of the same amount in subsequent months [www 3].

The key to implementing a given idea is to gather as many supporters of a given project as possible and encourage them to support it financially. The first example of modern crowdfunding is said to have taken place in 1997 and concerned the British music band Marillion, which, having received financial support from its fans amounting to 60.000 USD, was able to complete its tour. The boom of crowdfunding in the world occurred 8 years after this event, and in Poland crowdfunding is still an unknown concept to most Internet users, which most likely indicates the initial phase of its development [Kowalczyk, Dudycz, 2018].

The most popular crowdfunding platform in Poland, PolakPotrafi.pl, was created in 2011. The report of the Association of Financial Enterprises in Poland shows that participants of online collections are most likely to engage in typical donation (charity) campaigns. A total of 3.5 billion PLN was collected on Polish crowdfunding platforms between 2008 and 2022, of which 93% was donation crowdfunding, 4% reward-based crowdfunding and 3% patronage crowdfunding [Trzebiński, 2023: 6]. There are currently about 30 active crowdfunding platforms registered in Poland, which are donation-based (charitable), reward-based, subscription-based (patronage) or share-based. The most important of them were described in Table 1.

Table 1. Crowdfunding platforms in Poland in 2022

A type of online platform	Platform	Model
Universal	PolakPotrafi.pl	reward-based
	wspólnprojekt.pl	reward-based
	wspieram.to	reward-based
	OdpalProjekt.pl	reward-based
	Raiseman.com	reward-based
	Crowdfund.pl	reward-based
	Zagramw.to	reward-based
Culture	Wspieramkulture.pl	reward-based
	Megatotal.pl	donation and reward-based
	Patronite	reward-based, subscription-based (patronage)
Sport	Stwórz Mistrza	mainly donation
	Fans4Club.pl	reward-based
Citizen initiatives	Fundujesz.pl	donation and reward-based
	Pomagam.pl	donation
Charity	Do > More	donation
	pomagamy.im	donation
	siepomaga	donation
	Zrzutka.pl	donation
	Udasie.pl	donation
	Zbieram.pl	donation
	Chcepomagac.org	donation
	Pomoc się liczy	donation
	RatujemyZwierzaki.pl	donation
Shares in the company	beesfund	equity
	FINDFUNDS	equity
	crowdangels.pl	equity
real estate	shareVestors.com	equity

Source: the author's study based on: Malinowski, 2017; Trzebiński, 2023.

As shown by the data in Table 1, most crowdfunding platforms are related to charity. The advantage of donation crowdfunding is primarily that the process of collecting money is very simplified compared to other sources of financing. If equity crowdfunding was to be a way of financing films, the most difficult task would be to convince Internet users to support your idea in order to achieve the set financial goal, because if the venture fails, investors would lose their money irretrievably [Bryś, 2021]. However, if the film has sponsors, but only a small amount of money is lacking to finalize the project, the solution may be donation-based crowdfunding, in which the supporter does not expect any reward in return for the support, and the funds transferred to the collection account are considered as donations [www 4]. In addition to the financial aspects, crowdfunding also allows you to build a community around the project and increase its reach by using e.g. social media and that makes it possible to attract the attention of new audiences. By helping others, a supporter actually helps himself, because charity strengthens those values that are positively related to experiencing happiness and long-term life satisfaction [Zaleśkiewicz, 2019].

Additionally, the effect of supporting a crowdfunding project involves gaining new knowledge concerning the initiative, e.g. a valuable film can change the life of the supporter, and the film created thanks to the supporter's help can then change the lives of other people. Crowdfunding can thus become a tool for spreading good attitudes in the media and support in shaping values in human life. The disadvantages and threats associated with crowdfunding include the risk of project failure and the risk of intellectual property theft [www 5].

One of the crowdfunding platforms in Poland is Pomagam.pl, which was established in 2016. The platform prefers charity projects for which there is no time limit, which means that collections can last as long as the project creator requires. The total amount collected on the platform has so far amounted to 109.1 million PLN, and the number of supported projects is over 5.500 [Trzebiński, 2023, p. 8]. On Pomagam.pl, a collection is started for free and without additional fees. It is also possible to withdraw funds collected so far during the project, which is undoubtedly an additional advantage [www 6]. This platform was chosen to implement the project of producing the film *ABP Lefebvre – Why?* [www 7], which aims to spread good attitudes in the media, show the Catholic truth and support in shaping the hierarchy of values in human life.

3. Hierarchy of values in human life

The hierarchy of values allows us to understand human behaviour. Meanwhile, most social science researchers claim that all hierarchies of life values are variable and subjective, and therefore there is no one universal hierarchy of values [Brzozowski, 2005]. For example, Rokeach [1968, 1973] identified a scale of values based on two sets: eighteen ultimate values (true friendship, mature love, self-respect, happiness, inner harmony, equality, freedom, pleasure, social recognition, wisdom, salvation, family security, national security, a sense of accomplishment, a world of beauty, a world at peace, a comfortable life, an exciting life) and eighteen instrumental values (cheerfulness, ambition, love, cleanliness, self-control, capability, courage, politeness, honesty, imagination, independence, intellect, broad-mindedness, logic, obedience, helpfulness, responsibility, forgiveness), which consist of actions needed to achieve the ultimate values. When arranging values, Schwartz and Bilsky [1987] took into account: purpose, interest and type of motivation, distinguishing ten categories of values and four wedges. These values are as follows: conformity, tradition, benevolence, universalism, self-direction, stimulation, hedonism, achievement, power, and security, and the four wedges are: self-transcendence, conservation, self-enhancement and openness to change. While indicating universal categories of values, Schwartz [2012] excluded a universal hierarchy based on subjective feelings of the importance of values, claiming that the system of values in a circular structure is governed by the rules of similarity and opposition.

However, the hierarchization of values was indicated by Scheler [1977], according to whom there are five values that are systematized, starting from the lowest, as follows: hedonistic (pleasure), utilitarian (civilization), vital, spiritual (including aesthetic values, legal order, cognitive values or faith) and religious. Moral values mean appropriate attitude to other categories of values [Brzozowski, 2005]. Scheler emphasized that modern man is governed by economic structures. Changes in the world at the end of the first quarter of the 21st century confirm our belief that a materialistic approach to life leads to crises in the value system of individuals. From the point of view of personal life values, consumerism and the accompanying constant pursuit of money, while providing only the illusion of happiness, contribute to the devastation of the value system [Zaleśkiewicz, 2019].

From Scheler comes the hierarchization of values proposed by Tischner [1982], who distinguished hedonistic values as the lowest in value, followed by vital and spiritual ones – the leading one being the truth, which enables ethi-

cal actions. Tischner also distinguished lower and higher values. The highest values are sacred values, being the source of religion, which have been divided into absolutely sacred, for those who believe in God, and “humanly” sacred, for those who do not see God. Currently, living in times of relativism, where everyone has their own narrative, and power (including power of money, environment, pressure, power), not truth, becomes the final criterion for accepting statements, it is extremely difficult to spread good attitudes in the media and shape the hierarchy of values, in which religiosity is the most important one. To sum up, a person will have a happy life only when God has the highest place in his hierarchy of values.

Nowadays, it is important to consciously defend the faith and return to old catechisms and the traditional Holy Mass, so that the principles established for hundreds of years remain principles. For unambiguity and clarity are features of the Catholic truth. In terms of the subject of this study, the question arises: Can the Internet become a tool that brings people closer to this truth and to God?

4. The role of crowdfunding in spreading good attitudes and supporting the development of life values – a case study and IDI

4.1. Research methodology

Research is based on a case study and in-depth individual interviews. Case study is a research method which, through the description of a given phenomenon and qualitative research, aims to analyze and evaluate it in-depth. In this article, the case study refers to the production of the film *ABP Lefebvre – Why?*, which is about a deep attachment to Tradition.

In-depth individual interviews (IDI) are one of the basic qualitative research techniques. This research technique involves a conversation between the researcher and the respondent in order to obtain detailed information and opinions and to get to the root of the matter that would be difficult to reach using other methods (e.g. a survey). This method is particularly important when dealing with controversial topics. In this article, in-depth individual interviews were conducted with the producers of the film *ABP Lefebvre – Why?*, who operate as part of the *Filmowe Życiorysy PL* project [www 8]. The questions focused on the subject of what is the role of crowdfunding in financing the production of the film *ABP Lefebvre – Why?* Having extensive experience in film production, the producers

decided to make a film that would show how right Archbishop Lefebvre was (Stehlin, 2001). Today, it is increasingly visible that the history of post-conciliar changes in the Church admits Archbishop Lefebvre was right [www 9]. The film's producers have made films on historical, patriotic and religious themes, and they additionally show people with passion. Their films are broadcast on TV TRWAM. Last year, 140 reruns were broadcast. The producers of *Filmowe Życiorysy PL* project support valuable attitudes that deserve to be appreciated. Through the crowdfunding platform Pomagam.pl, funds are collected for the production and assembly stages, the so-called post-production of the film *ABP Lefebvre – Why?* As the producers write on the fundraising page, the film, despite many opposing voices, is being made on a larger scale than originally expected, because the topic is worth it. The goal of the crowdfunding campaign is to collect 36.000 PLN. At the time of writing this article (16.10.2023), 323 people donated to the fundraiser, and the collected amount was 30.500 PLN, constituting 84.72% of the target crowdfunding amount [www 7].

4.2. The importance of crowdfunding in financing film production

When producing the film *ABP Lefebvre – Why?*, the producers decided to use crowdfunding because this type of fundraising gives them freedom and makes them independent. The producers found that it is quite popular and it is the simplest form of raising money for various types of projects, including films, and that is why they decided to use it. In the case of films that raise money in the same way or other projects based on collections, you can notice that these are usually small amounts, e.g. 10, 20, 50, 100, 200 PLN, sometimes more.

When it comes to the production of a film with information having a large range, it reaches a larger group of interested recipients and even with small amounts, when there are a lot of people paying, a considerable amount can be collected, even in a short time. However, information about the film *ABP Lefebvre – Why?* does not have such a large range, which is why these payments are not able to complete the entire budget in a short time. Usually, when raising funds in this manner, it is also a good practice to try to obtain some of the funds from private individuals, not just rely on the Internet.

Crowdfunding, in the opinion of the producers of the film *ABP Lefebvre – Why?*, also has its disadvantages. Building a community to redirect it to a collection takes quite a long time. Looking at other collections, it is clear that this model is built on emotions. Collections are organized for various purposes, for

example: to help the sick, to support war victims, for animals, for school, for an apartment, for bills, etc. It can be noticed that many people do not necessarily choose a noble or proven cause, but sometimes through emotions they engage in even the strangest collections, spending money on things that are not necessary, or even can be considered luxuries.

When it comes to the financial possibilities and generosity of potential donors, the film's producers note that it varies. Even if the initiative is in the range of interest of the supporters, they do not necessarily want to share the money and support the project. The producers also drew attention to the fact that there are people who support the initiative and have disproportionate demands regarding the production of the film, and the producers have also encountered such supporters. Regardless of the adversities the film producers encounter when using crowdfunding to partially finance the project, they want to make the film reliably, dynamically and modernly, seeking the answer to the question contained in the film's title, that is: why? In the works of biography films producers one can find a film that may change the course of the history of the Catholic Church in 2024. This is a film that both sides of the argument are waiting for. This is a film that will explain that Archbishop Lefebvre was a man who remained unwaveringly certain about who God was, and by founding in 1969 the seminary and the Society of Saint Pius X (FSSPX, also called Lefebvrist) [www 10], he strongly faced a liturgic revolution. This important and necessary film was partially financed by crowdfunding.

5. Conclusion

Crowdfunding is becoming an increasingly popular form of raising money to implement new projects. Thanks to crowdfunding, one can fulfil many valuable and substantive projects, e.g. obtain funds necessary for the production of a film, while engaging the community for which the subject of the film is important. The topic of searching for true religion is undoubtedly one of them.

Man, having reason and free will, is obliged to search for true religion, because it is the only source of happiness. Without set life values, people are susceptible to negative influences from the environment, including untrue ones reported in the media, and as a result, they may get lost in life. The modern medium – the Internet, apart from its negative aspects, also has advantages because it can be a tool for spreading good attitudes and can support shaping life

values, in the hierarchy of which God is the most important. This is possible, among others, thanks to the production of important films that can help many people arrange a hierarchy of life values or even re-evaluate their lives. The analyzed film *ABP Lefebvre – Why?* is a story about deep attachment to Tradition, which helps to consolidate the system of values in human life, so that God is in the first place.

Crowdfunding was not the main source of financing in the case of the film *ABP Lefebvre – Why?*, it did not even constitute the majority share in the costs. The financial meaning of crowdfunding in film production can therefore be described as small, which confirms the first thesis. The more important role of crowdfunding was to spread good attitudes. Promotion on the Internet has become an important channel for the flow of knowledge about Archbishop Marcel Lefebvre and the Society of Saint Pius X. Many people have become interested in topics about which they did not know or knew very little before. This knowledge, combined with free will, can expand the group of people who will become interested in the Tradition. After the film is produced, the number of such people may further increase. Man, having reason and free will, is obliged to seek the truth instead of adopting an attitude of indifference. Since the benefit resulting from crowdfunding of the analyzed film concerns the spread of good attitudes and supports the formation of values in human life and the proclamation of Catholic truth, the second thesis is also confirmed. Crowdfunding, which enables partial financing of the film production of an important biography, has the potential to become a specific tool that brings people closer to God.

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TOURISM IN THE TIMES OF THE COVID-19 PANDEMIC IN SCIENTIFIC RESEARCH

| Abstract

- ▶ *Goal* – the aim of the article was to review the current literature in the field of tourism during the COVID-19 pandemic.
- ▶ *Research methodology* – data for the analysis were collected from the Web of Science database from 2020–2023 – a total of 1,246 bibliometric records of publications.
- ▶ *Score/results* – the article is based on quantitative and qualitative analysis.
- ▶ *Originality/value* – one should also bear in mind the limitations of the conducted research, which mainly concern the methodological part. They include the selected publication database and search criteria, such as the year or language of the publication.

| **Keywords:** tourism, COVID-19 pandemic, Web of Science database.

1. Introduction

Tourism is one of the dynamically developing sectors of the economy. In the literature on the subject, tourism can be defined with regard to four components, such as: man as the most important (subject of tourism), free time without which it would be impossible to participate in this phenomenon, tourism as an element of movement in geographical space and the effects and natural, social and economic consequences resulting from travelling, staying in a specific place and serving tourists [Liszewski, 2013]. Phenomena and processes related to tourism, the movement of people and changing their place of residence for a certain period of time take place in a specific space. These phenomena contribute to the specific development, modelling, transformation and development of a given territory [Guzik, Ostrowska, 2015]. Tourists who decide to go on a trip, whether domestic or foreign, spend certain funds for this purpose, which allows them to meet their accommodation, food, cultural, entertainment and communication needs. The movement of tourists to selected destinations contributes to the transfer of funds from the areas of emission of tourist traffic to the areas of reception. This is quite important because it can occur both in the local, regional, national or international dimension [Stojczew, 2021]. In many places, tourism contributes to the activation of local communities, and it is often one of the basic sources of income for the residents. Taking into account the economic benefits of the development of the tourism industry, they should be seen at the level of tourist towns and regions, where tourists introduce a certain amount of money into the economy, and this contributes, among others, to the creation of new investments [Guzik, Ostrowska, 2021].

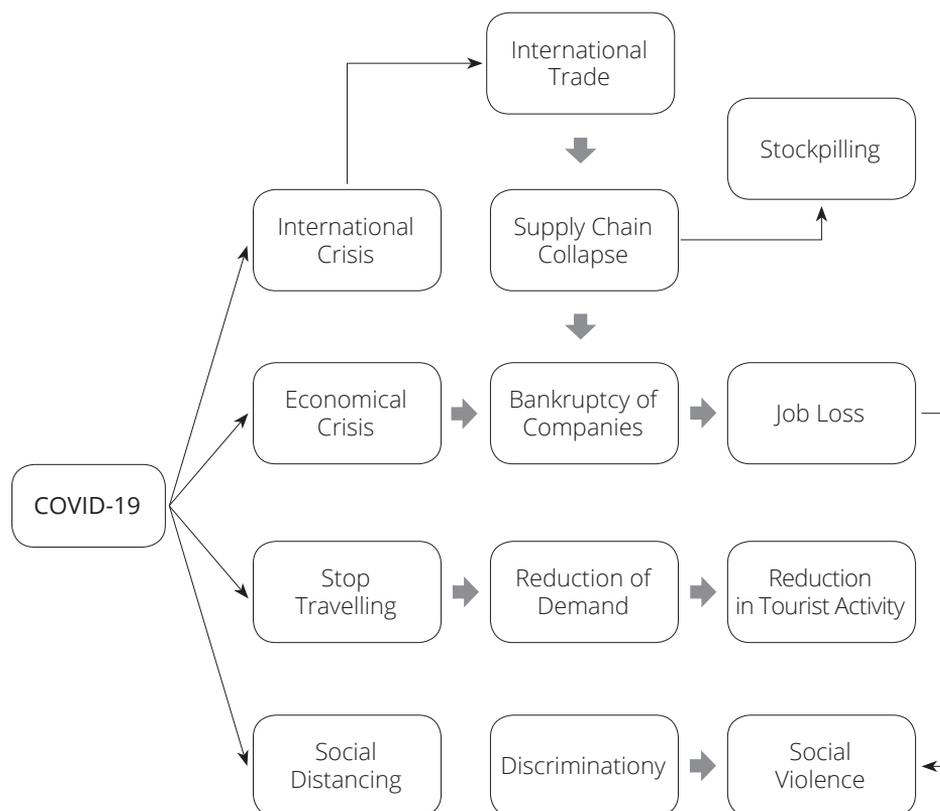
Over the last decades, we have observed an increased tourist traffic on an international scale. The research conducted by the World Bank in 2018 indicates that the number of foreign tourists amounted to 1.44 billion people. Compared to the previous year, this represented an increase of 5.8%. Taking into account statistical data, since 1995 international tourist traffic has increased on average by about 4% per year worldwide [Stojczew, 2021].

2. Crisis in tourism caused by the COVID-19 pandemic

The COVID-19 pandemic, which began in late 2019 in China, quickly spread around the world. Due to the protection of their citizens from the virus, most

countries have closed their borders, which significantly limited free movement, thus reducing tourist traffic. As a consequence of these actions, the hotel industry has been in many places and there were significant restrictions on gastronomy. However, the crisis resulted in by the COVID-19 pandemic caused disturbances not only in the tourism industry, but also in the disrupted and interrupted supply chains at many levels, including global production and trade. The diagram below shows the impact of COVID-19 on individual elements of the functioning of the economy and society (Figure 1). Among the specific features of the crisis caused by the COVID-19 pandemic, we should particularly emphasise, its complex and heterogeneous nature, extremely difficult to predict course (cyclicality of pandemic waves, lack of vision of the end of the crisis despite the actions taken) and global scope should be emphasized [Kowalczyk-Anioł, Pawlusiński, 2021].

Figure 1. COVID-19 and individual elements of the functioning of the economy and society



Source: Stojczew, 2021.

Tourism is not an independent branch of the national economy, e.g. on the model of trade. The direct composition of the tourism industry includes various types of branches of the economy, the common and basic feature of which is that the economic units operating in their area offer goods and services that meet the broadly understood needs related to tourism [Stojczew, 2021].

The tourist market has struggled with various crises and problems, including bankruptcy of travel agencies and airlines, volcanic eruptions, tsunamis, and terrorist attacks. None of them affected tourism on a global scale as much as the outbreak of the COVID-19 pandemic [Gössling, Scott, Hall, 2020].

As a result of the introduction of restrictions on movement, tourism in virtually all directions (both domestic and foreign) was unavailable for some time. As a result, residents (especially in large cities) were trapped in their apartments and houses, without the possibility of using the park or forest, not to mention going abroad. In the face of a pandemic, the society remained in its place of residence, often giving up their travel plans for a long time. At the local level, economic problems and the effects of the pandemic were particularly visible in cities with a developed tourist function in the short term. It might seem that in the period before the pandemic, this was their asset (e.g. variety of interpersonal contacts, close proximity), but during the pandemic it became a problem and was perceived as a health threat. Despite the initially quite optimistic expectations of virology specialists as for the duration of all the restrictions introduced during the pandemic around the world, it soon turned out that the return to the pre-pandemic situation would take much longer than expected. The situation of many tourist centers, and in particular cities operating mainly on the basis of tourism, due to the emerging mutations of the virus, was undoubtedly problematic, changeable and difficult to predict. The revival of the tourism sector will be and is significantly slowed down and will be accompanied by constant fears on the part of travellers about possible health risks [Kowalczyk-Anioł, Pawlusiński, 2021].

Crisis situations that we can encounter in modern times have a diverse dimension. Tourism is particularly affected by various crises, including political (wars) or environmental ones related to climate change. The most frequently mentioned threats from the point of view of their impact on broadly understood tourism include:

1. Exogenous, including:

- natural disasters (droughts, floods, fires),
- climate changes and prolonged unfavorable weather conditions, mainly in areas with a recreational tourist function,
- industrial disasters, including transport,

- social (internal) conflicts, not related to overtourism,
 - military and political conflicts,
 - terrorist activities,
 - migration crises,
 - epidemics and pandemics related to the use of information technology,
2. Mixed – exo-/endogenous, resulting from the fact that the processes taking place in a given tourist destination overlap with processes depending on the intensity of tourist traffic, such as:
- excessive transport congestion, which contributes to difficulties related to movement,
 - the condition of the natural environment in terms of clean air and water and the state of waste management,
3. Endogenous, related to the size and structure of tourism, called overtourism [Panasiuk, 2020].

During the COVID-19 pandemic, there were quite a lot of articles focusing on topics related to the threats it caused. On his website, P. Zmyślony has collected many different scientific articles, various reports or reports related to the impact of the pandemic on tourism in the broad sense. Most of the collected materials indicate the negative effects, the crises caused by the outbreak of the pandemic in the world in relation to tourism [Staszewska, 2022].

3. Material and methods

3.1. Research methodology

The aim of the article was to review the current literature in the field of tourism in the times of the COVID-19 pandemic. The SotA procedure is described in detail by Barry et al. [2022]. The study used bibliometric methods to facilitate the analysis of a large number of publications [Pritchard, 1969]. Descriptive bibliometrics was used to analyze trends in scientific research, as well as to identify appropriate researchers or research centers [Klincewicz et al., 2012].

The following tools and techniques were used in the bibliometric analysis: the analysis of changes in the number of publications, the analysis of citations. The analysis of changes in the number of publications and citations made it possible to identify trends and determine the level of knowledge transfer and dissemination by authors representing various scientific centres.

3.2. Data Collection and Research Tasks

The data for the analysis were collected from the Web of Science database on May 19, 2023. Web of Science is one of the main mechanisms for finding scientific sources offering a large variety of documents. In the search for records, the fundamental issue is to identify the keywords that are considered relevant to the analyzed problem. The analysis included articles in the titles of which the following phrases “touris*” (i.e. tourism, tourists, etc.) and “COVID-19” were introduced. The following limiting criteria were used in the analysis:

1. date of publication – including the publications from 2020 to 2023;
2. type of publication – including the publications in peer reviewed scientific journals and books;
3. topic of the publication – publications focusing on selected keywords.

After applying all limiting criteria, the dataset consisted of 1246 publications.

Next, answers were sought regarding the overall trend in publication and citation numbers, identification of key researchers, centres, countries and journals, as well as major research areas in the field of tourism during the COVID-19 pandemic.

4. Findings

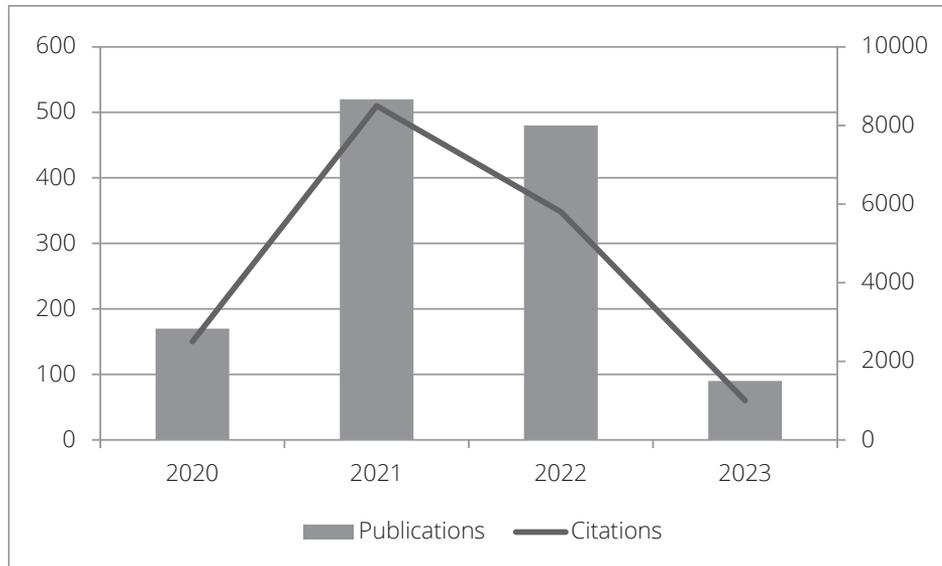
4.1. General trend in tourism publications during the COVID-19 pandemic

Figure 2 shows the number of publications in the WoS database on tourism during the COVID-19 pandemic in 2020–2023. Attention should be paid to the constantly growing trend related to the interest in the analyzed topic. The significant increase in the number of publications in recent years can be attributed to the increased attention to tourism issues during the COVID-19 pandemic.

The growing interest in the subject of tourism in the times of the COVID-19 pandemic confirms the usefulness of systematizing the latest literature review and searching for future directions of research in this area.

Most articles were written in English. Most of the publications were classified as articles (1104). Most publications concerned such research topics as social sciences or business economics (Table 1).

Figure 2. Number of publications related to tourism and the COVID-19 pandemic in 2020–2023



Source: the authors' elaboration based on the created data base.

Table 1. 10 most important research fields in Tourism during COVID-19 pandemic

Research Area	Percent	Number
Social Sciences	48,5%	604
Business Economics	19,8%	247
Environmental Sciences Ecology	16,7%	208
Science Technology Other Topics	14,4%	179
Geography	5,0%	63
Public Environmental Occupational Health	4,1%	51
Sociology	3,3%	41
Computer Science	2,6%	33
Education Educational Research	2,3%	28
Psychology	1,8%	23

Source: the authors' elaboration based on the created data base.

Table 1 shows that the authors represented different research areas. A lot, however, has been written in the social and environmental sciences.

4.2. Web of Sciences Categories

The next step concerned the division of scientific publications into Web of Sciences categories (Table 2).

Table 2. Web of Sciences Categories

Web of Science Categories	Perecent	Number
Hospitality Leisure Sport Tourism	45,8%	571
Environmental Studies	14,4%	179
Green Sustainable Science Technology	13,0%	162
Environmental Studies	12,7%	159
Management	10,0%	125
Economics	6,3%	78
Geography	5,1%	63
Business	4,7%	59
Public Environmental Occupational Health	4,1%	51
Sociology	3,3%	41

Source: the authors' elaboration based on the created data base.

Most of these publications (as many as 571 items) were qualified to the “Hospitality Leisure Sport Tourism” category.

4.3. The analysis of publication sources

The most popular journals containing articles on tourism were published during the COVID-19 pandemic include: *Sustainability*, *Current Issues in Tourism*, *International Journal of Environmental Research and Public Health*, *Annals of Tourism Research*, *Tourism Economics* (Table 3).

Table 3. Scientific journals with the largest number of publications in the field of tourism during the COVID-19 pandemic

Publications Titles	Percent	Number
Sustainability	10,5%	131
Current Issues in Tourism	7,0%	88
International Journal of Environmental Research and Public Health	2,3%	28
Annals of Tourism Research	1,9%	24
Tourism Economics	1,8%	23
Tourism Geographies	1,6%	20
Journal of Sustainable Tourism	1,4%	18
Journal of Hospitality and Tourism Management	1,3%	17
Worldwide Hospitality and Tourism Themes	1,3%	17
Tourism and Hospitality Research	1,2%	16

Source: the authors' elaboration based on the created data base.

The most popular publishers include: Taylor & Francis, MDPI, Elsevier, Emerald Group Publishing, Sage, Springer Nature (Table 4).

Table 4. Publishers with the largest number of publications in the field of tourism during the COVID-19 pandemic

Publishers	Percent	Number
Taylor & Francis	20,3%	253
MDPI	15,7%	196
Elsevier	11,7%	146
Emerald Group Publishing	8,2%	102
Sage	5,3%	66
Springer Nature	4,0%	50
Frontiers Media	1,8%	23

Publishers	Percent	Number
Wiley	1,7%	22
Univ Federal Juiz Fora, Campus Univ	0,9%	12
Crc Press-Balkema	0,8%	11

Source: the authors' elaboration based on the created data base.

The next stage concerned the presentation of the authors of the publication, country of origin and their affiliation.

4.4. Analysis of publications by country and research center

The leader in publishing the largest number of publications on tourism during the COVID-19 pandemic was Rob Law (Table 5).

Table 5. The authors' publications in the field of Tourism in COVID-19 pandemic

Author	Number of publications in the field of Tourism in COVID-19 pandemic	Rank
Law R.	8	1
Li Z.Y.	7	2
Wen J.	7	2
Yang Y.	7	2
Baum T.	6	3
Gil-alana L.A.	6	3
Hall C.M.	6	3
Jeon C.Y.	5	4
Kozak M.	5	4
Li X.	5	4

Source: the authors' elaboration based on the created data base.

The authors publishing articles on tourism during the COVID-19 pandemic were most often from China. In addition, many publications were associated with authors from countries such as Spain, the USA, Australia, Great Britain or India (Table 6).

Table 6. Publications number by country

Country	Percent	Number
China	17,0%	212
Spain	9,9%	124
USA	7,8%	98
Australia	6,4%	80
Great Britain	6,1%	76
India	5,9%	74
Indonesia	4,4%	56
Italy	4,2%	53
Portugal	4,2%	53
South Korea	4,2%	53

Source: the authors' elaboration based on the created data base.

The next step was to make an analysis about the research centers. It should be noted that the dispersion of research on tourism during the COVID-19 pandemic was large. Most publications were published by employees of Rluk Research Libraries UK (Table 7).

Table 7. Number of publications by scientists from individual research centers

Affiliation	Percent	Number
Rluk Research Libraries Uk	2.1%	26
University of Johannesburg	2.0%	25
Hong Kong Polytechnic University	1.8%	23

Affiliation	Percent	Number
State University System of Florida	1.2%	16
Egyptian Knowledge Bank Ekb	1.1%	14
Sichuan University	1.1%	14
Universidad de Malaga	1.1%	14
Indian Institute of Management Iim System	1.0%	13
Kyung Hee University	0.9%	12
Swinburne University of Technology	0.9%	12

Source: the authors' elaboration based on the created data base.

The authors also represented the University of Surrey, Complutense University of Madrid, Edith Cowan University and Hainan University.

5. Discussion

According to the presented analyses, many authors described the impact of the COVID-19 pandemic on tourism in their publications. Table 8 presents a list of publications from 2020 on this subject, also showing the methods used by their authors.

Tabela 8. Number of publications regarding to influence of COVID-19 pandemic on tourism

Authors	Title	Publisher	Methods
Gössling, Scott, Hall	Pandemics, tourism and global change: a rapid assessment of COVID-19	Journal of Sustainable Tourism / Taylor&Francis	<ul style="list-style-type: none"> • Period: 1972–2020 • Methods: Systematic Literature Review (SLR)
Higgins-Desbiolles	Socialising tourism for social and ecological justice after COVID-19	Tourism Geographies An International Journal of Tourism Space, Place and Environment / Taylor & Francis	<ul style="list-style-type: none"> • Period: 1999–2020 • Methods: SLR

Authors	Title	Publisher	Methods
Qiu, Park, Li, Song	Social costs of tourism during the COVID-19 pandemic	Annals of Tourism Research / Elsevier	<ul style="list-style-type: none"> • Period: 2020 • Area: 1627 respondents of Hong Kong, Guangzhou and Wuhan • Methods: survey questionnaire, valuation method
Zheng, Goh, Weng	The effects of misleading media reports about COVID-19 on Chinese tourists' mental health: a perspective article	Anatolia, An International Journal of Tourism and Hospitality Research / Taylor & Francis	<ul style="list-style-type: none"> • Period: 1995–2020 • Methods: SLR
Brouder	Reset redux: possible evolutionary pathways towards the transformation of tourism in a COVID-19 world	Tourism Geographies An International Journal of Tourism Space, Place and Environment / Taylor & Francis	<ul style="list-style-type: none"> • Period: 2013–2020 • Methods: SLR
Farzanagan, Gholipour, Feizi, Nunkoo, Andargoli	International Tourism and Outbreak of Coronavirus (COVID-19): A Cross-Country Analysis	Journal of Travel Research / SAGE	<ul style="list-style-type: none"> • Period: 2020 • Area: selected countries • Methods: regression method
Correa-Martinez, Kampmeier, Kumpfers, Schwierzack, Hennies, Hafezi, Kuhn, Pavenstadt, Ludwig, Mellmann	A Pandemic in Times of Global Tourism: Superspreading and Exportation of COVID-19 Cases from a Ski Area in Austria	Journal of Clinical Microbiology / ASM	<ul style="list-style-type: none"> • Period: 2020 • Area: Germany, Austria • Methods: case study
Yu, Li, Yu, He, Zhou	Communication related health crisis on social media: a case of COVID-19 outbreak	Current Issues in Tourism / Taylor & Francis	<ul style="list-style-type: none"> • Period: 2020 • Methods: case study
Carr	COVID-19, indigenous peoples and tourism: a view from New Zealand	Tourism Geographies An International Journal of Tourism Space, Place and Environment / Taylor & Francis	<ul style="list-style-type: none"> • Period: 1979–2020 • Methods: SLR

Authors	Title	Publisher	Methods
Chang, McAleer, Ramos	A Charter for Sustainable Tourism after COVID-19	Sustainability / MDPI	<ul style="list-style-type: none"> • Period: 2020 • Methods: SLR
Roman, Niedziółka, Krasnodębski	Respondents' Involvement in Tourist Activities at the Time of the COVID-19 Pandemic	Sustainability / MDPI	<ul style="list-style-type: none"> • Period: 2020 • Area: Poland, USA • Methods: survey questionnaire

Source: Correa-Martinez et al., 2020; Gössling et al., 2020; Higgins-Desbiolles, 2020; Qiu, et al., 2020; Zheng et al., 2020; Brouder, 2020; Farzanagen et al., 2020; Yu, et al., 2020; Carr, 2020; Chang et al., 2020; Roman et al., 2020.

The scientific publications presented in Table 8 show that the work is focused on the use of databases to develop methods and tools showing the impact of the COVID-19 pandemic on tourism. The authors used a number of variables to show the issue of the pandemic and its importance in global tourism. The largest group of people used the Systematic Literature Review method to present the issue of the impact of the COVID-19 pandemic on tourism.

6. Conclusions

The COVID-19 pandemic has significantly contributed to a number of changes in socio-economic life. Given the different sectors of the economy, it is difficult to say which has been hit the hardest by this crisis. What is certain is that every sector has felt the changes caused by the outbreak of the COVID-19 pandemic around the world to a greater or lesser extent. However, tourism is the sector of the economy that is certainly struggling with the effects of this crisis to this day. The pandemic not only reduced the number of travellers, but also affected all sub-sectors related to tourism, such as gastronomy.

Overall, it can be said that the COVID-19 pandemic has shown that the tourism sector is very vulnerable, causing unprecedented changes, e.g. at some point during the pandemic, no mobility was possible [Espiner et al., 2017].

The COVID-19 pandemic not only affected the functioning of economic entities operating in the field of tourism, but also had a negative impact on many

associate organizations, e.g. local tourist organizations, which are considered to be one of the basic elements of the tourism organization system in Poland [Borzyszkowski, 2022].

It should be assumed that in the post-pandemic period, the structure of tourism demand will start to change, especially in the short term. Domestic trips will be more popular, as they will be an opportunity to rebuild the tourist market that has been so shaken. Several years are needed for the situation in the tourism sector to stabilize, and a full return to the pre-pandemic demand structure will take a relatively long time. Similarly, in the case of incoming foreign tourism, the adjustment period will be slow, especially for tourist traffic from non-European destinations. Countries and regions heavily dependent on tourism, not only in Poland but also around the world, are currently struggling with the problems and consequences caused by the pandemic. The most important of them concerns the decrease in tourist arrivals, which translates not only into the revenues of the industry itself, but also the impact on social problems resulting, for example, from the increase in unemployment [Dziuba, 2022].

It is noticeable that scientists are quite interested in the impact of the COVID-19 pandemic in relation to tourism in general, as indicated by numerous articles that appear around the world. It can be pointed out that research on this issue should cover many issues, including: the functioning of tourism economy entities, employment issues in the tourism sector, tourist behavior and its changes (comparison in the pre-pandemic and post-pandemic period), the scope of measures taken by the state to mitigate the negative effects caused by the COVID-19 pandemic [Panasiuk, 2020].

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INTERNATIONAL TAX COMPETITIVENESS: BETWEEN TAX OPTIMIZATION AND TAX FAIRNESS¹

| Abstract

- ▶ *Goal* – this work aims to examine tax competition between countries and the balance between tax optimization and tax fairness. The study focuses on the impact of tax competition on the allocation of foreign investment, capital mobility and the competitive advantage of the economy in the international arena, as well as on the analysis of entrepreneurs' motivation for tax optimization and its effects on public revenues and tax fairness.
- ▶ *Research methodology* – the research methodology works on a review of the scientific literature on tax competition, tax and tax optimization. These criteria are analysed on the basis of the analysis of determinants of tax competitiveness and the interaction between tax policy and the economic sphere.
- ▶ *Score/results* – the results of the analysis of the literature synthesis confirm that the increase in tax competition between countries leads to the transfer of investment allocations and, in the end, contributes to the growth of the competitive advantage of the economy on the international arena. Entrepreneurs seeking tax optimization choose a jurisdiction with the effectiveness of tax applications, and the application has an impact on public revenues and on achieving tax justice.
- ▶ *Originality/value* – the added value of this work is a new perspective on tax competitiveness and the related issues of tax optimization and tax fairness. The work also includes recommendations for policy makers, businesses and society.

| **Keywords:** tax competition, tax competitiveness, tax optimization, tax fairness, business relocation, transfer pricing, tax haven, shadow economy.

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1. Introduction

In an increasingly globalized economy, apart from the growing freedom of trade and the progressing economic integration in the world, economic development is increasingly determined by international economic competitiveness, including tax burdens. The issue of international tax competitiveness has become the subject of intense debate as globalization and digitalisation have made it easier for businesses to operate across borders. The issues of tax regulations, taxes and interactions between tax policy and the real economic sphere are invariably important factors determining the level of competitive advantage of enterprises and the *en bloc* economy in this global arena. The discussion focuses on the delicate balance between tax optimization, where these companies seek to minimize their tax liabilities, and tax fairness. Understanding the complexity and implications of this balance is critical for policymakers, businesses and society as a whole.

On the basis of the review of scientific achievements and literature on the subject, the author of the article will discuss the tax competition between countries, including tax optimization, relocation of enterprises and issues of tax fairness. The results of the analysis can contribute to understanding the interaction between tax policy and the economy and achieving of a competitive advantage in the international arena through low and fair tax burdens. In conclusion, it was stated that low and fair tax burdens can be an important factor in stimulating investment in a country with a lenient tax regime, as well as enhancing job creation, dynamic economic growth and increasing the competitiveness of enterprises.

2. The essence of international tax competitiveness

International tax competitiveness is concerned with a country's ability to attract and retain businesses through appropriate tax policies. This includes tax rates, incentives, tax treaties and general ease of doing business. States strive to establish tax systems that attract investment and foster economic competitiveness while maintaining tax revenues.

Due to cross-border economic integration in the 20th century, the tax policy of states was based on a common tax base generated by mobile capital. Competition between countries led to the erosion of the tax base and intensified tax recourse, and became a threat to the stability of the tax system at the global

level [Avi-Yonah, 2000: 1573–1676]. Sovereign countries faced a “prisoner’s dilemma” as they feared that mobile capital and labour would react negatively to tax increases [Christensen and Hearson, 2019]. Smaller countries have benefited more from attracting foreign capital, while larger countries struggle to balance economic competitiveness with the integrity of their tax systems [Rixen, 2010].

Increased capital mobility and new business models have deepened tax competition. Reducing corporate tax rates became commonplace when income was decoupled from the base of the business. As a result, there was constant pressure around the world to lower corporate tax rates [Genschel and Schwarz, 2011; Swank, 2016]. Tax havens have used flexibility by offering the benefits of tax residence without the need to relocate people or business functions [Alstadsæter, Johannesen, Zucman, 2018: 89–100]. These benefits included low tax rates, the secrecy of hiding assets from the tax authorities, and tax eligibility rules that took advantage of differences in tax systems. The result is a new offshore space where taxes are avoided. The estimated cost of international corporate income tax is around USD 200 billion per year [Crivelli et al., 2015].

Post-crisis interventionism contrasts with the pre-crisis period [i.e. before 2008] in which tax competition was internalized [Latulippe, 2016]. Inefficient allocation of capital across countries [Clausing, 2016] leads to changes in the model of return on capital and wages and loss of income in countries with high fiscalism in favour of jurisdictions with low fiscalism or fear of insufficient supply of public goods.

Numerous studies and analyses [e.g. Laffer, Miles, 1982] focus on the impact of fiscal burdens on economic activity and state tax revenues. The Laffer curve refers to tax optimization at the macroeconomic level. Various incentives in the tax system can lead to permanent habits and reinforce certain behaviours, including negative ones. Studies conducted by Lee and Gordon [2005] and Dackehagand and Hansson [2012] showed a negative correlation between corporate income tax rates and the increase in government revenues and economic growth. Analyzes of sectors in OECD countries by Arnold and Schwellnus [2008] and Vartia [2008] confirmed the negative impact of CIT on productivity and investment.

Business is profit-driven, so tax burdens are seen as a loss of wealth. Corporate income tax reduces spending of consumers and businesses. Taxpayers try to avoid or minimize the negative effects of taxation. The responsive behaviour of taxpayers may consist of tax optimization within the limits allowed by law,

i.e. using the flexibility of the tax structure or tax-motivated migration, often referred to as relocation [Leamer, 1996; Dharmapala, Hines, 2009: 1058–1068], i.e. moving to another country. Countries compete for investors by using fiscal policy tools to increase their attractiveness. Tax competition allows mobile factors of production, such as capital, to invest efficiently in countries with low taxes. Tax competition should be treated as a manifestation of a specific struggle for potential investors and capital, for the development of a given country [Zodrow, 2006: 269].

The tax is a compulsory tax to cover public charges. The state uses parametric and economic methods of influencing taxpayers, which affect the change in expenditure [Andel and Haller, 1980: 124; Stantcheva, 2021: 2309–2369]. In the conditions of globalization, it is important to shape a tax system that is conducive to investment, innovation and job creation. An optimal tax system is key to reducing tax evasion and avoidance and shifting to the shadow economy [Torgler, Schneider, 2007].

Diversification of tax systems generates additional costs for companies operating on an international scale. Cross-border loss compensation and reduced tax compliance costs benefit corporations. According to CEPS studies, adjusting to the tax laws of different countries can cost companies between 2 and 4% of their revenues or up to 8.6 billion euro in the EU as a whole [Lanoo and Levin, 2002].

An additional cost is the time spent searching for tax breaks and tax havens, which could be better used for innovation and development. Creating a stable framework for business and supporting investment projects becomes more important in the era of globalization. Tax-friendly countries attract new investors and generate higher incomes despite lower tax burdens, thanks to economies of scale. Similarly, companies can make significant profits by offering good value for money due to large sales volumes.

International positive tax competition favours a balance between the mobility of production factors and tax revenues [Tiebout, 1956; Besley, Persson, 2009: 1218–44]. Countries compete with each other on tax rates, attracting mobile factors of production, which resembles perfect competition. A high level of available public goods can offset high tax burdens and encourage people to stay. A stable relationship between state benefits and tax burdens is crucial for factor pay.

International tax competition seeks to align tax rates at socially appropriate levels to maximize social welfare. This competition consists in attracting investors and capital, which accelerates the growth of national economies. The mobility

of factors of production, such as capital, allows them to be moved to countries with lower taxes, reducing the risk of over-taxation. The fiscal burden is often considered a key factor influencing the development of new investments in the context of tax competition [Buettner, Ruf, 2007: 151–164].

Healthy competition in fiscal policy is conducive to rationalization and the creation of a friendly business atmosphere. Competing countries strive to provide an optimal environment for enterprises and to improve the efficiency of public finance systems, which translates into improved living conditions. The competition for venture capital is not a zero-sum game with its winners and losers. It can benefit all parties involved, especially in the long term.

Unfair tax competition aims at weakening states in the fight for foreign investment, also known as “tax dumping” [Grigat, 1997: 404–414; Teather, 2002: 58–63]. In the economic literature, however, there is a different approach, according to which the reduction of tax rates for all economic entities is treated as tax competition. Tax dumping, on the other hand, concerns tax advantages granted only to foreign investors.

Tax competition can lead to a “race to the bottom” in tax rates, with countries lowering rates to keep factors of mobile production [Razin, Sadka, 1991: 69–76]. However, the extremely zero tax that would result from this “race to the bottom” could lead to the destruction of the economy [Sinn, 1994: 85–107]. Countries with inefficient tax systems may incur wealth losses when they compete for capital gains taxes with countries with more efficient tax systems [Mendoza, Tesar, 2005: 163–204].

The comparison of nominal CIT rates is only a starting point for a comparative analysis of national tax systems. A complete picture of the corporate tax burden requires consideration of differences in the calculation of the tax base, such as the range of costs, the method of depreciation, provisions, losses and tax credits.

The full picture requires a comparison of the effective, not the nominal, tax rate. Companies will be willing to relocate to countries with a more favourable effective tax rate as part of foreign direct investment.

3. Optimization and its rationale

Tax optimization, also known as tax planning, is the implementation of a legal strategy to introduce a tax obligation in the light of tax regulations. Businesses embrace tax optimization, often underpinning tax rates, tax laws, and loopholes

between jurisdictional agencies to manage general taxation. Optimization enables companies to efficiently allocate resources and funds for innovation, growth and job creation. Thus, tax optimization is used for tax planning, the purpose of which is to create structures and special legal regulations related to the core activity that can be introduced by taxpayers [Diamond, Mirrlees, 1971: 8–27; Gruzziel, 2009: 175–186]. Optimization of taxation consists in the selection of solutions that will enable you to take advantage of the aid or make it charged as part of the amount offered. Therefore, these are activities aimed at minimizing financial resources through the selection of legal acts and the selection of tax policy instruments that cover the total amount of taxes and thus maximize the net profit. The basic instruments of tax optimization [cf. Gravelle, 2009: 727–753] include:

- instruments of fundamental importance – they concern the main structural and organizational decisions affecting the entire tax strategy of the company, such as the choice of tax jurisdiction, ownership structure, method of operating organization, selection or change of the organizational and legal form;
- comprehensive instruments – these are more complex strategies that require more advanced planning and implementation, as well as taking into account various legal, financial and operational aspects, including change of the tax year, selection of the depreciation method, the method of settling the tax loss or the selection of the form of payment of tax advances, application of systemic tax preferences, transfer pricing planning;
- instruments of current tax optimization – they can be used more operationally and faster to minimize the tax burden as part of the company's current operations, e.g. control of the formation of tax revenues and tax costs, an entry in the register of fixed assets, forms of establishing an employment relationship with employees or the choice of the form of investment financing.

Tax optimization boils down to achieving maximum tax revenues with the lowest possible tax burden on taxpayers, which would not constitute a barrier to the dynamic development of entrepreneurship and economic growth [Kulawczuk, 2004: 29]. On the other hand, with the constant increase in the tax burden, relocation may also constitute a serious threat to the stable development of the country, i.e. the transfer of economic activity to the countries with low taxes.

Undoubtedly, every rational entrepreneur will strive to minimize his tax burden. However, the problem remains to define the limits of acceptable activities that can be considered as such optimization, because the pursuit of tax opti-

mization can sometimes lead to unintended consequences. Some entrepreneurs may exceed these limits, which will be reflected in aggressive tax optimization [Lang, Owens, 2014; Kleinbard, 2014: 14–26], tax evasion, activities in the shadow economy, and even tax fraud. Aggressive tax planning practices such as profit shifting and base erosion, can reduce countries' tax revenues, leading to concerns about tax fairness and undermining public confidence in the tax system.

Aggressive tax optimization is a problem for both the taxpayer and the state. It is also a matter of harmful tax competition in the international dimension, where entities applying such optimization operate cross-border, both within and outside the EU. Since there is no uniform tax policy even in the EU, some countries have a relatively liberal policy in this respect, which does not discourage taxpayers from tax avoidance.

Any corporation with branches or subsidiaries in multiple countries is tempted to report profits in the countries with the lowest tax burden. However, other activities that are already crimes, and thus go beyond what is permitted by law, will be referred to as tax evasion, extortion or even tax fraud. For this purpose, the Act provides for criminal and fiscal liability.

The issues of tax avoidance and the development of the shadow economy are among the most important topics related to the implementation of fiscal policy. Both public authorities and researchers strive to limit the scope of this phenomenon by formulating an appropriate definition, measuring and detecting its causes. To avoid the negative consequences of tax optimization by entrepreneurs, it is necessary to find a balance that ensures that companies pay a fair share of taxes while supporting economic growth and investment.

4. Tax fairness and its imperatives

Tax fairness embodies the fundamental principle that the tax burden should be distributed fairly between individuals and businesses, based on their ability to pay. It emphasizes the idea that those who use the country's resources, infrastructure and legal systems should contribute proportionately to their maintenance and should contribute their fair share to the financing of public goods and services. Achieving tax fairness is not only a matter of economic fairness but is also crucial for social cohesion and the sustainability of public finances.

Already in antiquity, Aristotle pointed out that justice is a virtue of the spirit that allows you to achieve harmony. The application of justice in interpersonal

relations allows for the cooperation of the entire society in the structures of the state [Szumlakowski, 2013: 115; Aristotle, 1996: 167–185]. According to J. Rawls, social justice means that all citizens have equal opportunities to achieve success and achieve their life goals [Rawls, 2019].

Justice in the concept of public finance law science should be perceived through the prism of the amount of taxes and emerging legal problems with an even burden of taxes on society. The choice of a fair formula should create conditions affecting the functioning of social assistance [Nowak-Far, 2011: 26]. The principle of tax justice is a specification of the principle of social justice in the context of the fairness of citizens' fiscal burdens, but it does not mean granting equal rights and obligations to all citizens.

A. Smith argued that “[...] the subjects of each state should contribute to maintaining the government as close as possible to their ability, i.e. in proportion to the income each of them receives under the care of the state” [Smith, 2007: 500–501]. In turn, according to F. Neumark, the optimal budget in terms of taxation is only one that does not violate the limits (sources) of taxation, and at the same time secures the implementation of necessary public tasks [Neumark, 1957: 450]. An excessive increase in the tax burden as a result of strong progression could result in resistance to paying taxes and a reduction in tax revenues [Neumark, 1981: 8].

A. Wagner and J.-B. Say, who advocated the use of tax progression in the tax system, thus giving taxes a social function [cf. Wagner, 1880: 169], understood the issue of equality and the pursuit of the ideal of fair taxation in a completely different way.

One way or another, achieving tax justice is not easy, there are no universal methods and ways to achieve it, but the choice of a fair taxation formula should create conditions affecting the functioning of social assistance.

In the literature on the subject, there are two independent concepts of justice in the sense of equality. They are: horizontal justice and vertical justice [Musgrave, 1990]. Horizontal justice consists in the equal treatment of equals (i.e. individuals who are identical in all material respects) and manifests itself in the application of a relatively low, proportional flat rate in taxation with a broad and equal tax base. In turn, the principle of vertical justice consists in differentiating taxation by what is unequal in tax terms; this is reflected in a relatively strong progression and a large number of various tax reliefs and exemptions. However, the following problems arise: who should pay higher taxes, how to formulate appropriate laws and how to determine how much more an individual should

pay if they can [Stiglitz, 2019: 565–567]. There is a division as to the degree of progression, but there is a consensus as to the harmfulness of a steep progression for tax sources and entrepreneurship.

According to L. Murphy and T. Nagel, private property is a legal convention, partly defined by the tax system, and thus the tax system cannot be assessed by analyzing its impact on private property, understood as something that has an independent existence and validity. Taxes should be assessed as a part of the general property rights system they help to create. Tax justice or injustice can only mean fairness or injustice in the system of property rights and entitlements resulting from a specific tax system. In their opinion, the value that guides tax policy should be social justice, not tax justice [Murphy, Nagel, 2002: 8].

Nowadays, the principle of fair taxation boils down to the fact that a given tax does not cause excessive burdens for the state and is evenly distributed and adjusted to the possibility of paying it by a given taxpayer. In addition, the construction of the tax must guarantee its universality, as well as eliminate or hinder the transfer of taxes to others than those who, according to the intention of the legislator, are to bear the tax.

Precisely from the social point of view, tax fairness means combating tax avoidance and evasion and combating income inequality. When multinational corporations engage in aggressive tax planning, exploiting tax havens and loopholes, this can undermine tax fairness by shifting the burden to smaller businesses and individual taxpayers who do not have the resources to implement similar strategies. This imbalance can exacerbate income inequalities and hamper social progress.

5. Striking the balance

Tax optimization is an integral part of the strategic financial planning of enterprises. Companies have a fiduciary duty to their shareholders to maximize profits and minimize costs, including tax expenses. By employing legal tax planning strategies such as structuring business operations, using tax incentives and examining international tax treaties, companies can increase their competitiveness and profitability. While tax optimization is essentially a legitimate practice, excessive tax planning or abuse can undermine tax fairness and public confidence in the tax system.

Therefore, striving to increase a country's international tax competitiveness often faces several challenges, primarily due to the increasing complexity of global tax systems and the evolving nature of business operations. Base erosion and profit shifting (BEPS), where multinational corporations exploit loopholes and discrepancies to shift profits to low-tax jurisdiction, constitute significant challenges. This leads to a loss of revenue for countries, which in turn leads to concerns about achieving tax justice and an erosion of public confidence in the tax system. Therefore it is necessary to find a balance that, on the one hand, ensures that businesses pay their fair share of taxes, and, on the other hand, supports economic growth and investment. From a social perspective, tax fairness means overtly combating tax evasion, but it can also mean indirectly reducing tax avoidance.

Finding the right balance between tax optimization and tax fairness is a complex and multifaceted endeavour. It requires governments, international organizations and businesses to work together to create a framework that promotes economic growth while ensuring a fair distribution of the tax burden. Several approaches can contribute to achieving this balance:

1. International cooperation: encouraging countries to cooperate in the fight against tax evasion, profit shifting and harmful tax practices through OECD initiatives such as the *OECD/G20 Base Erosion and Profit Shifting Project* [OECD, 2015], which can ultimately foster a level playing field actions and reduce aggressive tax planning. This cooperation may also include the exchange of tax information, the harmonization of tax rules and the promotion of a multilateral approach to combating tax evasion.
2. Regulatory reforms – simplification and transparency: Policymakers can implement reforms that close tax loopholes, strengthen anti-avoidance measures and simplify tax systems. Simplifying tax systems and increasing transparency can stop tax fraud. Enforcement measures, such as country-by-country reporting where companies disclose financial information, can provide tax authorities with insight into the activities of multinational corporations and ensure fair taxation. By reducing the complexity and increasing the transparency of the system, these reforms can promote tax fairness and restore public trust in the tax system.
3. Fair taxation of the digital economy: The digital economy presents challenges in terms of the effective taxation of digital businesses. International consensus and cooperation are needed to develop new tax rules that recognize the value created by digital companies and ensure their fair contribution to the countries where they operate. Updating the tax rules

to reflect the unique challenges of the digital economy can help address the taxation of digital businesses effectively. Initiatives such as the OECD's ongoing work on digital taxation aim to ensure that digital businesses contribute their fair share.

4. Public discourse and awareness: Engaging in open public discourse and raising awareness about the importance of tax fairness and the consequences of aggressive tax planning can foster a sense of social responsibility among businesses and individuals. This can ultimately lead to a collective commitment to support a fair tax system.
5. Multilateral efforts: Promoting multilateral agreements and treaties to prevent harmful tax competition can discourage countries from engaging in a downward race in tax rates. This approach fosters collaboration, minimizes profit-shifting opportunities and supports global tax fairness.

6. Conclusions

The intensification of the globalization process in the business sphere, and, in particular, the increasing mobility of the allocation of production factors, forces the government to offer potential investors more favourable taxation, and thus creates a kind of "tax fight" and tax competition between countries. Creating a stable framework for economic activity and supporting investment and development projects is becoming increasingly important today because the globalization of economic processes eliminates those who cannot keep up with the competition and do not gain a sustainable competitive advantage.

In the era of globalization of economic processes, competition between enterprises is based primarily on the quality of manufactured goods, provided services and their price. The role of public authorities in this respect comes down to, on the one hand, creating conditions for reducing the costs of running a business and increasing their economic efficiency, and on the other hand, encouraging entrepreneurs to invest in technological development and job creation. Decisions made by the state in the field of tax policy cannot be overestimated, because taxes play not only a fiscal role but also a social one (they eliminate excessive differences in the income structure of the population] and an economic one (they stimulate the behaviour of business entities).

Tax-competitive countries usually have a smaller range of the informal economy and greater development opportunities to bridge the gap with more devel-

oped countries. Countries with higher tax revenues, due to lower taxation, the smaller scale of legal regulations and simpler regulations, as well as lower levels of corruption, tend to have lower levels of the informal economy. Entrepreneurs operating in their area are usually less inclined to optimize taxation because the cost of such activities is too high for the benefits obtained from unpaid taxes. It is important to create mechanisms and procedures to eliminate dishonest players from the market and to support economically effective players. This is all the more important as overly restrictive tax regulations may limit the benefits of globalization and limit the inflow of foreign direct investment, which in developing countries with low equity resources may cause a slowdown in economic growth.

It is important to realize that achieving the perfect balance between tax optimization and tax fairness is a complex task. Different countries have unique economic and social conditions, and their tax systems will reflect these differences. However, through continued dialogue, cooperation and commitment to tax transparency and fairness, nations can strive for a fairer and more competitive global tax landscape.

In conclusion, international tax competition requires a thoughtful approach that balances the optimization of tax liabilities with the principles of tax fairness. By tackling challenges, implementing reforms and fostering international cooperation, governments can create an environment conducive to investment, economic growth and fair taxes, promoting a sustainable and prosperous global economy.

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TRADE UNIONISM V. NEOLIBERALISM: DIFFERENT PATHS TO IMPACT INVESTING IN THE U.S.

| Abstract

- ▶ *Goal* – privatization and outsourcing help public and private employers, respectively, to reduce their costs and even to increase productivity and output. The state has retained its role in developing and implementing policies in reducing unemployment, providing related social benefits and maintaining core public services. However, the increased use of novel financial instruments such as social impact bonds (SIBs) may result in the privatization of these core state functions as well. With SIBs, private investors are given a goal or target – for example, to reduce unemployment by a certain percentage in a specific community or region-and are rewarded with a return on their investment if these targets are met. This article analyzes and criticizes the use of SIBs in the U.S., and contends that labor unions would do a better job in implementing elements of state employment policy than private investors.
- ▶ *Research methodology* – the author used the qualitative empirical, doctrinal and analytical research methodologies.
- ▶ *Originality* – it is an original work evaluating different ways in which private actors (financial investors or labor unions) may assist governments in solving social problems such as unemployment.

| **Keywords:** unemployment, investing, bonds, trade unions, pension funds, privatization.

1. Introduction

There are constant pressures on public finances. Residents do not want to be overtaxed, and at the same time they demand sufficient public services. Moreover, in certain cities and regions, a decline in the available tax base has occurred and/or the need for additional services has dramatically increased. This may be caused by the closure of certain types of industries (especially manufacturing) and the accompanying exodus of young people from those regions to different parts of the country to find new jobs. At the same time, because these areas are depressed, their housing costs plummet, making them attractive in some ways for new foreign migrants looking for a place to settle [Foster, 2017: 481–482¹; Boudreaux, 2016: 8²]. The cost of maintaining the remaining older residents, and the unemployed new residents such as migrants with special needs, is challenging for the public authorities, to say the least.

Different paths exist to deal with these challenges. The traditional, state-centered model is for the public authorities to solve these problems and create solutions. This would also necessitate additional investment from the communities themselves, or, where local resources are insufficient, to request to the state or federal government for help. Obvious limitations exist to this approach, however. Communities in economic decline caught in such a “death spiral” (reduced tax revenues, increasing demand for services due to higher crime and unemployment rates), simply lack the resources to do anything meaningful [Spiotto, 2014: 525–526].³ Moreover, although criticisms of public bureaucracy are often overstated, among government officials there may also be a scarcity of ideas and creativity needed to enable these areas to rebound economically [Gordon, 2010: 748, No. 73⁴; Raam, 2016: 7⁵].

Consequently, it is reasonable that governments should look to the private or non-governmental sector for assistance. Here, there are two distinct paths to follow. One, recommended in this article, is to utilize the resources of labor unions and the related employee retirement funds to address local unemployment and

¹ Noting that low-income migrants are deterred and even blocked from moving to larger metro areas with hot job markets, due to the high cost of housing in those areas.

² Emphasizing that migrants are deterred from seeking expensive suburban housing.

³ Explaining death spiral effect.

⁴ Noting that bureaucracies may dampen creative enthusiasm in various ways.

⁵ Bureaucracies with “centralized policies and regulations [can] lack... [necessary] organizational flexibility and creativity.”

the related social problems. While labor unions have relatively declined in the past decades [Shiffman, 2022: 156⁶; Reddy, 2023: 1394, 1441⁷; Smoger, 2023: 1013], the employees they represent (and have represented) have substantial assets placed in different kinds of retirement funds. In the private sector, these are “Taft-Hartley” funds jointly controlled by union and employer trustees. For public employees, their retirement benefits are placed in state controlled funds, in which unions have indirect influence [Jacoby, 2022: 32, No. 22⁸; Jackson, 2011: 391, No. 555⁹; Bruner, 2018: 333, No. 285¹⁰]. Although there are legal and policy obstacles present, these funds may be used in part as investments for community development and, especially, for the investments which will increase employment and add well-paying local jobs. Unions in the construction industry also have a long tradition of maintaining hiring halls. These hiring halls are connected with related union job apprenticeship programs, and provide skilled workers to builders and related employers, on demand basis [Freeman and Gonos, 2009: 323–325¹¹]. It is argued here that such union hiring halls should be expanded for use beyond the construction industry, and should be transformed into a tool for job training and employment placement in economically depressed areas [Fisk, 2020: 25–29].

The second, alternative path follows a neoliberal economic model. Private individuals or funds would invest in government issued social impact bonds (SIBs) [Leventhal, 2013: 511¹²]. These SIBs would repay them for their investment, plus an agreed-upon dividend or interest payment, if certain socially beneficial benchmarks are met. For example, the terms of the bond could call for local unemployment to be reduced from 12% to 6% over 5 years. Investors would hire contractors to develop a plan to accomplish this goal, through the establishment of job training centers, educational programs, and other methods. If the goals

⁶ Recognizing long term union decline.

⁷ Noting the decades-long decline of labor unions, but seeing hope in recent public opinion polls supporting unions.

⁸ Recognizing these two types of union influenced pension funds in the U.S., and adding that the California public employees retirement fund (Calpers) alone maintains approximately \$500 billion in assets.

⁹ Taft Hartley funds control “over 6% of all pension fund assets and comprising over 420 billion dollars’ worth of investment capital.”

¹⁰ “102 of the largest US Taft-Hartley pension funds, representing \$150 billion in assets under management...”

¹¹ Providing an overview of the union hiring hall system.

¹² Giving an introduction to social impact bonds.

are fully met, then the investors receive the maximum rate of return. If there is a complete failure – unemployment remains the same or actually increases – the investors risk losing their investment. This gives them the necessary incentive to make the program work [Leventhal, 2013: 511¹³; Jones, 2017: 357–359; Toussaint, 2018: 164–181]. In theory, such a plan appears attractive, but in practice SIBs raise considerable concerns. There is a risk that SIBs simply replace (through privatization) already successful, existing government programs [Toussaint, 2018: 177–181]; incentivize the manipulation of data so that benchmarks are easily achieved [Mazur, 2017: 152]; waste precious time in the event the SIB fails; and takes important policy decision making out of the hands of stakeholders and into those of aloof investors [Toussaint, 2018: 179–181]; among other issues.

Given this choice, government policy makers should choose to enlist the help of labor unions to revitalize their blighted communities. Unions possess the resources to accomplish these goals, through employee retirement funds and through the expanded use of hiring halls. Even more importantly, unions, consisting of workers and retirees, have a more genuine interest in rebuilding local communities, training residents for new jobs and restoring their overall economic health, than any outside investor could in the context of a SIB.

2. Union models for supporting community development

2.1. Socially responsible investing

2.1.1. Overview

The concept of making investments that are socially responsible is not new. Originally two different concepts of social investments emerged as early as the 1970s. One was “negative”, the other “positive” [McKenzie, 1991: 358–359]. Socially responsible investments could be “negative” in the sense that they did not put money in certain types of businesses that had a potentially bad impact on society. Early targets were gun manufacturers, defense contractors, tobacco companies, and the nuclear industry. Later, more famously, activists targeted companies doing business in apartheid-era South Africa, urging investors to divest from such companies [DeSipio, 2023: 123–124; Gary, 2022: 618–620].

¹³ Explaining the mechanics of how SIBs work and their advantages.

More recently, polluters and businesses that abuse worker rights have also been singled out as companies for investors to avoid.

Positive social investments focused on investing money in projects that were not only not harmful, but also actually produced a concrete social benefit. Some of the first examples included efforts which aimed to help employees and communities. Among them there were investments in affordable housing, or more commonly, in taking over failing companies so that they would continue to provide jobs in the communities that depended upon them. In modern times they include green investment funds, which focus on companies that do not pollute, but also those that affirmatively contribute to a cleaner environment [Hess, 2007: 236¹⁴].

The term ESG (economic, social and governance) investing has more recently emerged to describe these types of socially responsible investing [Wang, 2021: 141]. ESG investments have grown exponentially in the last decade. This is largely due to the changing consumer preferences and corporate (and investment fund) marketing efforts to make themselves more attractive to socially conscious investors. Internal, structural issues within the investment funds have also played a part. Funds with a link to sustainability or social responsibility are able to charge higher service and management fees for the extra work required to identify and vet suitable socially responsible investment opportunities [Wang, 2012: 173–176].

Social responsible or ESG investments do not operate in a legal vacuum, however. There are important legal principles that all investment funds, and especially private employee retirement funds, must follow. In general, trust law places a duty upon all trustees – i.e., those managing money on others' behalf – to act prudently and loyally [Hess, 2007: 247]. They make investments that maximize the potential return to the investors, in relation to the involved risk (prudence), and act in the beneficiaries' best interests (loyalty). If investment A is likely to produce a 6% return, and investment B a 2% return, with both investments involving the same degree of risk, the trustee should choose investment A. If they do not, they are breaching their duty to the investors [DeSipio, 2023: 237¹⁵].

¹⁴ Discussing shift from negative to positive social investing.

¹⁵ Trustees would not act prudently if they chose one investment over another with a lower rate of return, assuming both had comparable risks.

Federal law governing private employee retirement funds is even more restrictive. The Employee Retirement Income Security Act [ERISA, 29 U.S.C. 1001 *et seq.*] has detailed procedural and substantive requirements, often based on trust law, that require retirement funds to make secure investments that maximize returns but also ensure that the money will be there for the employees to use in their retirement. It was enacted, in part, in response to employers who either squandered or never put aside the money they promised the employees would receive in their retirement. This left the employees destitute in old age, and reliant upon the government for even a basic level of support [Switzer, 2021: 182; Bailey, 2023: 1010–1011¹⁶; Girdley, 2022: 671–672¹⁷].

These laws do place limitations on socially responsible investing. In general, there is less of a burden on “negative” types of social investing [Hess, 2007: 248]. If an investment fund elects not to invest in companies that abuse animals, it is still very likely that it may find other, less socially damaging investment opportunities with similar or better rates of return. In other words, by excluding firms that torture animals, the fund is only excluding a small amount of potential investments. A vast pool of companies remain in which the fund’s money may be invested; many of them will provide equally good returns.¹⁸ Even though this type of social investing is more likely to be legal, at the same time studies have shown it is not so effective in making an important impact [Hess, 2007: 244]. This is because there is even a greater number of investment funds, without any social restrictions, that will continue to invest in these “bad” actors. Perhaps the South African disinvestment campaign, which had reached a critical mass in the U.S. and in many parts of the world, is one notable exception.

Positive social investments, on the other hand, do operate under tight legal controls. Investing in the construction of a new apartment complex that will sell apartments for below the market costs to the local working families may be the right thing to do ethically and socially, but remains a poor investment in terms of maximizing the financial return. It would be relatively easy to point to other real estate investments, in which the apartments would be sold at market rates, with much better financial results. In that case, the fund manager would have violated the fiduciary duty as a trustee, by choosing a poorer investment

¹⁶ Overriding purpose of ERISA was to protect employees.

¹⁷ The purpose of ERISA is to protect pension plan participants and their beneficiaries.

¹⁸ However, negative social investments may violate ERISA to the extent they exclude large swaths of potential investment opportunities, thereby leading to a lack of diversity of investments, putting the pension fund at risk.

for non-financial reasons. To the extent the fund was a private employee retirement fund, the consequences of that investment choice could be more tangible. Choosing an investment with a low rate of return directly lessens the amount of money that the employee may have available for their retirement [DeSipio, 2023: 137–138].

Investing in a faltering company as a way to preserve jobs in a community is also fraught with risk. Ideally, employees who invest their retirement savings and other resources to buy their shares in an Employee Stock Ownership Plan (ESOP) will work with greater motivation, and will be able to replace the underperforming managers responsible for the company’s collapse, and thereby will rescue the business and their jobs. Unfortunately, the opposite is often true. The company continues its slide into bankruptcy and oblivion (often for market reasons that preceded the employee takeover), and the employees lose both their jobs and retirement [Anderson, Stumpff, 2019: 429–431¹⁹].

For decades, a debate has raged whether positive social investments that were projected to have an *equal* rate of return to other comparable investments violated the funds’ fiduciary duties. Conceptually, there should not be any problem, since the chosen investment is not making less of a return than the alternatives [Wang, 2021: 150]. In practice, a problem arose in determining whether a given return was exactly equal. The Department of Labor issued burdensome regulations for ERISA funds in 2008, for example, requiring the funds to submit detailed and extensive documentation that a given social investment would yield an equivalent return to alternative investments. This evidence was often difficult and time consuming to obtain, and the funds were dissuaded from making social investment decisions [DeSipio, 2023: 137–138].

Fortunately for socially responsible investing, the more recent trend allows for the social investments with equal returns, along with being more liberal in showing equality [DeSipio, 2023: 142–143]. Even though a given company may have, on paper, a stronger investment return, its socially harmful practices may raise red flags about the prospect of whether these returns will be actually realized. The MeToo# movement helped to illustrate this point. Investors in companies – most infamously the film production company run by Harvey Weinstein – that allowed rampant sexual harassment of their female employees for years and years, eventually paid the price when these discriminatory practices were revealed. The companies’ respective market values collapsed, gutting the

¹⁹ Laying out disadvantages and risks to employees in an ESOP.

value of the investments that the funds made. Essentially, by accepting illegal discrimination, the boards of these companies displayed an utter failure in good governance. This failure eventually had a direct effect on the company's value. In other words, companies that are more diverse and prohibit discrimination have better governance, and their value could be expected to increase over time [Mandell, 2022: 25; Miazad, 2021: 1943–1950; Hazen, 2021: 740²⁰]. The same principle would also apply to companies which have unsustainable environmental policies or contribute to climate change. It could be said that this behavior reveals a failure in good governance that will lead to significant losses in the future. Finally, a growing body of empirical evidence suggests that over the long term, socially responsible companies offer better investment returns than their non-socially responsible competitors [DeSipio, 2023: 173–174].

Consequently, there is some space in which even employee retirement funds can operate to make socially responsible investments, which can help to boost employment and otherwise aid communities. Unions have a direct role in managing certain private retirement funds, and more of an indirect role in influencing the decisions of the state and local public employee retirement funds. In this way, unions can effectively assist communities and workers in need.

2.1.2. By union pension funds

From the time of their inception in the U.S., labor unions have not only been focused on increasing wages and improving working conditions, but also on obtaining retirement benefits. Unlike much of Europe, the U.S. swings much more towards an unrestrained free market, the capitalistic economic model, with a low level of state sponsored social protection. While certain minimal retirement benefits (known as social security benefits) are provided by the state in old age, most workers in the private sector rely on pensions or other forms of retirement benefits provided by their employers. A major role of unions is to maximize these benefits as much as possible, sometimes even at the cost of sacrificing larger wage increases [Reiss and Watson, 2019: 36²¹; Griffin, 1998: 29 & No. 78²²].

²⁰ “Social risk is financially material [see: #MeToo movement].”

²¹ “When wages were frozen in 1943, unions used collective bargaining sessions to negotiate for health and retirement benefits.”

²² Also crediting the labor movement for redefining pensions as deferred wages.

American labor unions finally achieved mass support during the Great Depression in the 1930s. Workers turned to collective action in order to support each other in the worsening economic crisis. A sympathetic left of center President, Franklin D Roosevelt, and the supportive federal labor law legislation (the Wagner Act), helped to solidify these gains [Andrias, 2016: 14–16]. As unions gained and wielded more power, they negotiated collective bargaining agreements with employers, these required the employer to contribute money to a union pension fund. These funds would eventually pay the workers a pension upon their retirement. They were run entirely by the unions, and this gave the unions an additional source of economic power. The pension fund controlled by the United Mine Workers of America (UMWA) was a notable example of a fund that allowed the union to flex its economic muscle, through investments and otherwise [Fogdall, 2001: 222; Ponte, Gillan, 2006: 48, No. 257²³].

After the Second World War, the political tide in the U.S. finally turned against labor unions. A wave of post-war strikes may have contributed to this movement, but the main problem was the emerging cold war conflict with the communist Soviet Union. Unions were portrayed as something socialistic, something Red and un-American. As a result, Congress passed the Taft-Hartley Act in 1947, which restricted some of the powers of unions [Fisk, Reddy: 2020, 101²⁴]. One of these new restrictions related to the union controlled pension funds. Under the new law, unions and employers had to equally share responsibility for the management of employee retirement funds, and also of other health and welfare benefit funds. These funds were known as Taft-Hartley funds, and had equal numbers of union and employer trustees. In part these changes were made to weaken labor unions, but there was also a legitimate concern about union corruption and mismanagement [Fogdall, 2001: 223–224; Reiss, Watson, 2019: 36–37].

Even under the Taft-Hartley framework, unions maintain considerable, even outsized influence over how the funds were managed. This is especially the case with multi-employer pension funds. These funds arise out of a collective bargaining agreement one union has with many employers. In these funds, the union appoints half of the trustees and various employers together select the

²³ Established in 1946, the UMWA pension fund was controlled by union, but funded by the employer.

²⁴ “The Taft-Hartley Act required all union leaders to swear in an affidavit that they were not members of the Communist Party, and it had forbidden any union whose leaders refused to sign the non-Communist oath to invoke the processes of the NLRB.”

other half. In this way, the union wields more power on the board of trustees than any single employer. Of course, the employer trustees normally act in unison, but it does provide the union with the potential to exploit any employer differences when they occur [Schwab, Thomas, 1998: 1077²⁵].

Most Taft-Hartley funds are defined benefit (DB) plans [Langbein, 2023: 9–10²⁶]. These types of plans guarantee employees a fixed amount of income when they retire, i.e., a percentage of their final salary, or a specific sum each month. The employer and union trustees must manage the fund in such a way, through employer contributions and the funds' investments, that there is a sufficient amount of money in the fund to pay this level of benefits when they become due [Langbein, 2023: 5–10]. From a risk management perspective, DB plans are more beneficial to employees. After they have worked a certain number of years and have reached a certain age, they get a certain level of benefits. It is the job (and worry) of the fund to make sure that its assets are managed properly and that these benefits are there in the future [Langbein, 2023: 17–18].

In the past 20–30 years many employers, including even unionized ones, have switched to defined contribution (DC) plans, where the employer only needs to make a predetermined contribution to a fund, for example, every month. The employee chooses options on how this money (and any money the employee contributes) is invested (conservative to high-risk). How these investments perform in the market will determine the level of retirement benefits the employee will receive, which may be much higher or much lower than they expect. In this way the investment risk falls on the employee, rather than on the employer or on the fund [Langbein, 2023: 20–31; Jefferson, 2000: 610–617]. In the latest strike called by the United Auto Workers (UAW) in the summer of 2023, however, there was a discussion concerning restoring DB plans for new employees [Doonan, 2023]. This may be the first small sign of swinging the pendulum of pension investment risk back to the employer and to the fund.

²⁵ “Most jointly managed Taft-Hartley plans involve a dominant union with many employers... Despite the balanced board membership, unions have tended to dominate these jointly managed funds. Indeed, it is ‘[o]ften... very difficult to distinguish between the pension fund and the union’.”

²⁶ Though noting that Taft-Hartley plans also have defined contribution characteristics, in that the employer contributes a specified amount to the fund, and the fund determines and distributes the defined benefit to the retirees.

ERISA placed a number of minimum funding requirements for DB plans and also placed a fiduciary duty on trustees of all ERISA qualified plans (including DB and DC retirement plans), to manage these funds in the best interests of their beneficiaries [Langbein, 2023: 47]. There were special provisions to enable employees to use their retirement funds to purchase stock in their employer's company, and thereby become owners of the company [Anderson and Stumpff, 2019: 428–429]. The new proposed federal legislation, the Worker Ownership, Readiness, and Knowledge Act (WORK Act), would further encourage worker ownership of companies [Secure 2.0 Act of 2022, at Section 346]. As explained earlier, traditionally, retirement fund assets could not be invested in socially responsible projects with inferior returns. The main goal of a retirement fund is to provide pension benefits. However, presently, retirement funds may select socially responsible investments with equal returns to alternative investments, recognizing that sustainable investments may bring greater returns in the long term [DeSipio, 2023: 173–174].

In the light of these rules, unions have the capacity to steer Taft-Hartley DB fund investments towards companies and entities that will produce good jobs in communities that need them. Likewise, DC funds of unionized employer should also have options in which employees may choose socially responsible investments with similar aims. It is critical, however, that the chosen investments are not merely temporary measures that provide short-term employment, and then quickly collapse. This would be a violation of the funds' fiduciary duties under ERISA and would also potentially deprive retirees of their pension benefits, something that is obviously not in the union's interests.

Instead, unions should target green and other sustainable investments based in communities that need economic support. These could be connected to wind, solar or other alternative clean energy sources, or other types of environmentally friendly businesses. Green investments would have several advantages. Firstly, instead of attempting to prop up dying carbon-based industries, funding green companies or start-ups would have much better long-term prospects. Companies with better chances of longevity would provide workers and communities with that much more stability. Moreover, they would much more likely provide a better return on the fund's investment in the future. Secondly, they would much more likely satisfy the trustees' ERISA fiduciary duties, in contrast to an investment primarily designed to reduce unemployment. While increasing hiring in a depressed community would be a benefit of the investment, focusing on green and sustainable opportunities would on the surface be the primary goal.

Green investments are socially beneficial in their own right, and, independently, often bring a higher return on investment [Miniati, 2021: 9–10²⁷]. Once again, the funds ERISA fiduciary duties would be met by opting for a sound investment opportunity. Attempting to back an investment that only sought to increase employment in traditional industries, would face much more legal scrutiny. Finally, tax credits and other government support for *both* environmental sustainability and helping depressed communities, could make the investment that much more profitable.

2.1.3. By public employee retirement funds

The development of retirement funds for public employees took a different path than that of private sector employees. While private sector employees made large gains in unionization in the 1930s, and obtained union-controlled and then mixed Taft-Hartley retirement funds by the late 1940s, public employees did not begin to unionize in large numbers until the 1960s [Prokopf, 2013: 1365–1367]. The Wagner Act and later the National Labor Relations Act (NLRA) gave only private employees the right to join a union and collectively bargain, and, what is more, even purposefully excluded public employees [Prokopf, 2013: 1365–1367; Andreas, 2016]. Consequently, the rights of state and local government employees to unionize had to be determined on a state by state basis. As many states lacked even basic collective bargaining laws, it was a much longer path to obtain these rights [Prokopf, 2013: 1366–1367].

Still, in progressive states such as New York and California, public sector unions were formed and eventually reached their own collective bargaining agreements with state and local entities [Forte, 2018: 182²⁸]. However, sometimes retirement benefits were set independently by state law, and were excluded from collective bargaining [Burnham, 2015: 562–564²⁹]. In any case, retirement funds were set up and controlled by the states themselves, and unions did not

²⁷ “[C]limate risk is investment risk... [P]urposeful companies, with better environmental, social, and governance (ESG) profiles, have outperformed their peers. During 2020, 81% of a globally-representative selection of sustainable indexes outperformed their parent benchmarks.”

²⁸ Public sector union density reached 53% in California and 70% in New York.

²⁹ Citing Rhode Island law that “[a]ny and all matters relating to the employees’ retirement system of the state of Rhode Island are excluded as negotiable items in the collective bargaining process.”

obtain even partial direct control over their management [Francus, 2023: 1613, No. 156³⁰]. In other respects, though, these state controlled public employee pension funds and eventually became more powerful than their private sector, Taft-Hartley counterparts.

Traditionally, public employment offered lower salaries than those given in the private sector. This was offset by more generous fringe benefits, such as better health care, more vacation time and, most significantly, higher retirement benefits. As a result, generous amounts of money were flowing into these state retirement funds [Webber, 2022: 223³¹]. In the larger states, like California, there were millions of public employees, and retirement contributions were made on their behalf to one enormous state fund [Jacoby, 2022: 32³²]. This exceeded the size of individual or even multi-employer pension funds in the private sector.

Public employee pension funds are excluded from the fiduciary and other related requirements of ERISA, which only covered private retirement plans [Rose, 2018: 899³³]. While prior to the enactment of ERISA, private companies or even Taft-Hartley funds might mismanage their assets, leaving nothing for retirees, the states could always raise taxes in the future to ensure that their pension funds would pay off any promised benefits. Consequently, there was less risk to retirees and no need to strictly regulate these funds under ERISA. This is not to say that state retirement funds are unregulated. Instead, they are subject to state law, which imposes a general fiduciary standard on their trustees akin to that found in general trust law. As some states began to face financial crises in the 1990s because of underfunded generous pension benefits that were coming due as employees reached retirement age, they chose to add stricter funding regulations and sometimes even tried to roll back the promised benefit levels.

Such pension funds therefore may, in the case of those maintained by larger states like California, at once, have larger assets and are less regulated than their private sector counterparts. Not only are they somewhat less regulated, but at times there are specific legislative acts that permit or require them to make divestments that are in the “public interest” [Rose, 2018: 901] or those that benefit women and minorities [Ohio Public Employees Retirement System,

³⁰ “States also have significant control of pension funds (through board selection and legislation...)”.

³¹ Public pension funds have approximately \$4.5 trillion in assets.

³² Calpers has \$500 billion in assets.

³³ “State and local public funds are primarily governed by state constitutions, statutes, regulations, and case law-not ERISA.”

2023]. These facts open up special opportunities for socially responsible investing, particularly in restoring employment to declining communities. While unions do not exercise any direct control over these public pension funds, as they would in a Taft-Hartley fund, they can influence these funds' decision making in other ways. Often, there are union trustees appointed to the board of the fund. More importantly, public sector unions are not only collective bargaining agents, but they are also political actors and lobbyists. Their members constitute large voting blocks at the local and state levels, and as a result unions have influence over many political decisions, including pension regulation and even investment decisions [Richardson, 2011: 629–630; Kahan, Rock, 2007: 1060–1061; Webber, 2022: 221–223].

In these circumstances, public pension funds at a minimum should pursue the same socially beneficial investment goals outlined above for Taft-Hartley funds, i.e., green investments that would boost job growth in communities that need it. Because of the extra flexibility provided by some state laws, extra emphasis could be placed on investments that benefit minorities and women. In Ohio, for example, these could be in female and minority owned businesses that plan to develop and operate in underserved communities. Investments could also be made in employee owned businesses. Worker ownership has proven to be more sustainable in cases where the business has managed to remain economically viable. The employees have a greater stake in seeing the company succeed, and as local residents, want it to remain in and benefit the local community, rather than damage it [Chacartegui, 2018: 89]. On the other hand, employees often lack effective managerial experience to effectively run a company, and employee ownership often arises during the death throws of a failing company, in a desperate effort to save jobs. Therefore careful attention must be paid to determine the exact type of worker-owned company which is worthy of investment.

2.2. Union hiring halls

Construction industry unions have always been distinct from mass membership industrial and service unions. They arise out of a tradition dating back to the medieval craft guilds, where skilled workers banded together, honed their skills and operated elaborate apprenticeship programs to train future members of their respective trades. Today, these skills may include plumbing, pipefitting, carpentry, metal work, electrical work, and painting, among others. They are skills that cannot be learned in a short period of time, and instead, require a longer

term training program to acquire. Often, the builder requires not only the basic proficiency in these tasks, but a higher level of talent in order to maintain high quality standards. Because of the nature of their work, construction workers often have radically different work patterns than other types of employees. Their work may be sporadic, depending upon what construction projects are ongoing in the areas in which they live; regular periods of unemployment may be the norm. It is also rather typical for them to work for a number of different employers over the course of even one year. As one construction project finishes, they are hired by a different employer for the next project, and so on [Hayes, 2021: 120–123].

Due to these peculiarities, they were not even covered by the original NLRA, which focused on protecting traditional employment relationships through collective bargaining agreements. By 1947, however, the NLRA was amended to include workers in the construction industry, and this new regulation took a creative form [Foltiny, 2023: 248]. In 1959, Section 8(f) of the NLRA was enacted, which enabled employers and unions to reach special pre-hire collective bargaining agreements [Hayes, 2021: 110]. These agreements set the wages, benefits and other terms and conditions of employment of construction workers that would be hired in any future or current construction project. Moreover, these workers would be often exclusively supplied through a union hiring hall. The hiring hall was typically integrated with union managed apprenticeship programs. These programs trained workers in various skilled building trades, starting from a young age. Qualified workers would register with the hiring hall, indicating they were ready and available for a given type of work, i.e., for carpenters, electricians, plumbers. When a new construction project started, a contractor could contact the hiring hall, inform it of their immediate needs, and the hiring hall would send a worker to that contractor for employment [Hayes, 2021: 120–123].

The hiring hall system was a win-win proposition for the employer, union and worker. The building contractor immediately received a skilled, trained worker to employ on their new project. It was not necessary to negotiate new employment terms with each worker on each new project, since the existing pre-hire agreement with the union covered these terms. This gave the contractor cost certainty, at least with respect to wages and benefits. Unions benefited by finding gainful work for their members. Finally, individual workers received valuable job training from the union's apprenticeship program in a skilled field, and the union found high-wage work for them on their behalf [Fisk, 2020: 25].

While hiring halls exist in somewhat of a large but at the same time niche field – the construction industry – there have been proposals to expand the concept to help redevelop communities in need. For-profit employment and temporary agencies already exist for low wage, unskilled workers, and they assist in placing them relatively quickly in basic types of employment (at supermarkets, etc.). However, they are often predatory, potentially limiting the ability of the workers to become permanent employees at the businesses to which they are assigned to work. Furthermore, the work involved is not well paid and would not in any case offer much hope for future improvement or advancement [Fisk, 2020: 25].

Union-style hiring halls, in contrast, would emphasize training local people in jobs that required some level of skill and were in demand. In the recent past these were coding jobs and work in health care fields, but today they could include other high tech work and environmentally sustainable green jobs. These hiring halls could operate in conjunction with community job centers and other related local non-profit organizations. This is because Section 8(f) of the NLRA – which permits pre-hire agreements between unions and employers – is limited to the construction industry, and not all new jobs in these communities will belong to that field. Therefore, in order to provide broader job placement and support services, a new kind of hybrid entity must be created; it should be led by unions and community organizations, and operate outside the confines of the NLRA. In exchange for enjoying the benefits of such a job referral service, employers could agree to maintain certain prearranged, higher wage and benefit levels, and pledge to be open to unionization [Fisk, 2020: 25–35].

2.3. Relative merits of a union-centered approach

To the extent that governments no longer have the resources to reduce unemployment and provide job training in underserved communities, they should turn to labor unions for help as their first alternative option. Unions, through related private and public pension funds, have financial resources that may in certain circumstances be directed to socially responsible and sustainable goals, such as community redevelopment and the expansion of employment opportunities. Moreover, union structures such as hiring halls may be adopted as a more efficient means to provide employment in these communities.

Equally important, unions possess the requisite expertise, motivation and even empathy to best serve the goal of increasing the amount of good jobs in

communities that need them. They are not dispassionate investors. Rather, they serve the interest of working people and can assist them and the towns in which they live in a way that is focused on their long-term interests, rather than any short-term gain. In this way a union-centered approach truly serves the goal of *sustainable* development.

3. Neoliberal models – social impact bonds

3.1. Privatizing government services, such as job training and reducing unemployment

Neoliberal economic theory in general holds that private businesses are more efficient in providing services than government bureaucracy [Titolo, 2012: 493–494³⁴]. Private entities, operating under a profit model, have more incentive to provide better value at a lower cost. In contrast, the government, while ultimately answerable to the public through periodic elections, is slow, costly, and not very innovative. Consequently, government services should be privatized whenever possible. This results in a win-win scenario for the private contractor (more profit), for the government (less expenditure with better results) and for the public (which receives higher quality services at a lower tax cost) [Titolo, 2012: 494].

Traditionally, privatization efforts began in non-essential government services, while core functions (like safety and defense) remained public. Over time, even core public services, such as prisons and elements of defense, were opened for private contractors to run and maintain [Feldman, 2023: 695³⁵]. In this context, it is unsurprising that traditional government functions such as reducing unemployment, job training and community redevelopment have also been subjected to privatization. This has primarily been accomplished through a social impact bond model.

³⁴ “The symbolic centerpiece of neoliberal, market-based governance is privatization, which refers to “the use of the private sector in the provision of a good or service, the components of which include financing, operations (supplying, production, delivery), and quality control.” In the context of U.S. domestic policy, privatization refers to contracting out traditional government functions to the private sector...”

³⁵ “Neoliberals pushed for the privatization of numerous government institutions, such as prisons, schools, policing, and even the military.”

3.2. The social impact bond model

3.2.1. Structure

Social impact bonds (SIBs), also known as pay for success contracts [Burand, 2019: 4], bring in private investors to solve often intractable problems, such as reducing unemployment and reducing crime, as well as job placement and education. The government may lack money and expertise to provide for these types of social services and solve these problems, yet if these services are not provided, the government loses more money because of higher social costs (increased incarceration, temporary housing for the homeless, etc.). With SIBs, investors provide capital to cure social problems, and make money while doing so. The risk of investment lies with the investor, and not with the financially strapped government [Leventhal, 2013: 525–530; Toussaint, 2019: 343–344].

In a SIB, investors promise to achieve a certain benchmark over a certain period of time [Jones, 2017: 358]. In the area of unemployment, for example, they might agree to take measures that would reduce unemployment in a certain community or among a certain group (migrants) from 8% to 5% over a three-year period. If the goal was completely realized, the investor would receive an agreed upon rate of return on their investment. Other variations, whereby the investor receives a partial return on investment if the benchmarks are partially achieved, are also possible. In either case, the objective is to provide a strong financial incentive for the investor to achieve the previously agreed upon goals. Theoretically, the profits realized by the investor are financed by government savings. For example, in an SIB where the investor promises to ensure that a certain high percentage of people released from prison will become gainfully employed, the attainment of these goals saves the public authorities large amounts of money by dispensing them with the obligation to incarcerate these prisoners. It also saves money by reducing the costs of increased community crime rates. In this example, whatever sums are paid to the investor, they are outweighed by the savings realized by not sending these people back to prison [Jones, 2017: 362–368].

While the form of SIBs may vary to some degree, they mostly have the same participants and structure. The actors in an SIB include: 1) an underserved population, 2) a government entity, 3) investors, 4) social service providers (NGOs), 5) intermediary organization (which structures the deal, and brings parties together; this may be a law firm or a financial services firm) and 6) program evalu-

ator(s) [Toussaint, 2018: 169]. In the example given above, involving reducing unemployment, these actors would be a local community (perhaps with a high concentration of minorities or migrants) facing high unemployment; a state or local government entity (a state, town, or department of labor/unemployment agency); investors; NGOs with expertise in reducing unemployment and helping a specific minority community, charged with achieving the specific benchmarks; a consulting or other firm that would link the investor with the government body and prepare the deal; and an independent evaluator, to determine whether the benchmarks were met.

Before an SIB is implemented, certain preliminary steps must be taken first. These include a feasibility study, where the investors and public bodies can determine if a positive outcome could reasonably be achieved [Toussaint, 2018: 170]. Next, a realistic timeframe is set – while the parties may agree that unemployment can be reduced by a certain percentage, they then must determine over what amount of time this may be accomplished. Qualified NGOs then should be found that are capable of achieving the agreed upon outcomes. In this regard the previous track records of the NGOs in helping to solve similar problems will be carefully examined. Finally, favorable political conditions must exist so that the investor and the public body can actually agree upon and consummate the deal. In some communities, labor unions and other local organizations may be opposed to the privatization of government services, and may exert pressure on politicians to reject any SIB. These considerations must be taken into account in advance to determine if the political will exists to enter into an SIB [Toussaint, 2018: 170–174].

If all these preliminary considerations are satisfied, then the structure of the deal must be ironed out. While SIBs are nominally labeled as bonds, as noted earlier, more accurately they are a type of pay for performance the contract, and therefore take the form of a contract. The length of contract and specific performance indicators are agreed upon. The conditions for and amount of payments to the investor are likewise set forth in the contract. Oversight and reporting requirements are also specified, as well as the identity of the performance evaluator [Burang, 2019: 14–15]. The process of program evaluation may be split in two parts: a) independent review of benchmarks and b) ongoing evaluation and monitoring [Humphries, 2013: 438]. This is a form of risk management, so that any early problems can be identified and resolved, as opposed to waiting until the end of the contact and only then realizing that the goals have no hope of being attained. A termination provision is also usually included, enabling

either the public entity or the investor to pullout early if the SIB's goals clearly will not be met, and specifying any financial penalties for early withdrawal [Burand, 2019: 14–15].

3.3. Investment and legal framework

Since SIBs are actually contracts, no special rules or regulations governing the issuance of bonds are necessary. Still, normal investment considerations are present, such as the need to balance risk versus reward. The higher the risk involved, the higher the return will be on the investment, and vice versa. Innovative and untested programs, designed to solve unresolved long term problems (continuously high unemployment, for example), would be risky but should offer the highest return. In contrast, if the SIB is merely privatizing a preexisting government program that has already achieved repeated success, the investor's anticipated profits would be considerably lower [Toussaint, 2018: 177–180].

Investors will also usually seek to avoid the total loss of their investment through various risk management mechanisms [Burand, 2019: 29–34]. These include provisions guaranteeing the disbursement of the investment in installments, rather than everything up front; early termination clauses; and a government or foundation guarantee for part of the investment. With respect to the latter point, in one high profile SIB involving avoiding the recidivism of released prisoners at the notorious Riker's Island prison in New York City, the then-Mayor's personal foundation (the Bloomberg Foundation) guaranteed a large portion of the private investment in the SIB [Toussaint, 2018: 196]. Such guarantees stimulate otherwise reluctant investors into taking a chance on this type of novel investment opportunity.

Certain taxation [Mazur, 2017] and regulatory questions exist, but since SIBs are treated as contracts rather than bonds, normal contract law principles apply. Specific SIB related legislation primarily deals with feasibility studies, providing startup funding that would enable such contracts, and ensuring some level of security for the investor. The federal Social Impact Partnerships to Pay for Results Act of February 2018, for example, dispersed almost \$100 million in grants for SIBs [Burand, 2019: 5–6]. A number of states have also passed similar kinds of laws to fund SIBs in the fields of education and employment [Burand, 2019: 5–6].

3.3.1. Examples

The first major SIB in the U.S. was at Riker's Island prison, as noted above. Goldman Sachs provided a \$9.6 million investment, and retained an NGO to achieve a 10–20% reduction in recidivism for 3000 under-18 male prisoners. If this benchmark was achieved, Goldman Sachs stood to receive up to \$2.12 million in profit. In order to make the conditions of the SIB more attractive, the Bloomberg Foundation guaranteed \$7.2 million of Goldman Sachs' investment. However, the SIB failed after 3 years [Jones, 2017: 359–362].

However, following this failure, Goldman Sachs moved forward and backed another SIB in Salt Lake City, Utah. The aim of the SIB was to avoid the placement of pre-kindergarten (Pre-K) kids in expensive special education programs. Goldman Sachs and other investors backed the SIB with \$6.8 million in funds. This time the SIB was a success. Out of 104 children in the program, only one needed to be placed in special educational centers afterwards. The investors received a 5% return pursuant to the terms of the SIB. In addition, because of the positive publicity received from the success of the SIB, Goldman later raised \$150 million for future investments in SIBs [Jones, 2017: 372–374].

In Philadelphia, Pennsylvania, an SIB was reached whereby 75 local employees would be trained by an NGO (Philadelphia Works) for various jobs at Comcast over a period of 3 years, starting in 2020. Comcast is a large Internet and telecommunications service provider based in Philadelphia. If the training program was successful, and the workers were hired and retained by Comcast (i.e., benchmarks were met), Comcast agreed to pay for a part of the costs of training. These funds could then be reinvested by the NGO and used for future training programs. The initial costs of the training by Philadelphia Works were covered by a \$420,000 grant issued by two other NGOs [Gross, 2023]. Towards the end of the three year term, Philadelphia Works referred 18 candidates to Comcast, of which 5 were provided with full time employment [*Exploring Pay...*, 2023].

3.3.2. Success and criticism

Seen in their best light, SIBs provide funds for serious social problems, where no funds otherwise exist. There is no or little risk for the tax payer, since the investor is not paid in full unless the agreed-upon benchmarks are met. Arguably the cost of any payments made by the public body is offset by the savings

created by the success of the SIB. Each person who is working in a permanent, reasonably paid job, creates savings in unemployment benefits paid out by the state, increased revenue in the form of employment taxes, and a reduction in social ills associated with long term unemployment (crime, drug and alcohol addiction) that would also be otherwise costly for the state to resolve. SIBs may also offer better quality control systems than that found in local or state government bureaucracy. If the NGOs utilized by the investors are clearly not working towards meeting the benchmarks, their behavior may be either corrected, or the SIB may end through the invocation of an early termination provision.

On the other hand, SIBs are a part of the model of privatization, with most of the negative connotation that term brings. In many cases, well-functioning government programs are replaced, as these offer the least amount of risks for investors. Moreover, with SIBs, there are few incentives for NGOs to perform; it is the investor that bears the risk of the benchmarks not being met, and not the NGO hired to achieve these results. There have also been serious accusations of corruption and the manipulation of the results by investors. In education-related SIBs, the NGO may be pushed to certify that the educational benchmarks have been met, even though, in fact, the students have not improved their performance. Finally, to the extent the SIB fails, critical time has been lost and the government must move in to provide core services to the public [Toussaint, 2018: 212].

Unions are almost universally opposed to SIBs, seeing them as an expansion of privatization. Privatization, in turn, accelerates the decline of unions in the U.S., since the public sector is one area of stability with respect to American unionization rates. In this way, whatever the case by case success rates of SIBs, overall their use will reduce the power of unions to help working people.³⁶

4. Conclusions

Clearly government resources are strained, and the problem of unemployment in and among certain communities may seem intractable. The tendencies may be exacerbated in the Green Transition, as fossil fuel-based industries are replaced by ones more reliant on clean energy. In those communities in which the old industries were based, effective job training and reinvestment programs will be

³⁶ Consequently, using union controlled or influenced investment funds to support SIBs would not be a feasible option.

essential to avoid localized mass unemployment. Likewise, if migration trends to the U.S. persist, there will be geographic areas that need help in training and employing these new arrivals (many of which have a variety of serious needs, not the least of which is obtaining language skills).

On the surface, SIBs seem to provide a solution to this dilemma. They are a low-cost, low-risk way to provide solutions to social problems that the government is not capable of offering. The reality is somewhat different. They accelerate the process of privatization, which weakens state institutions and unions, which otherwise would support workers over the long term. SIBs also tend to replace and duplicate successful government programs, and so in those cases they do not add any innovative solutions to difficult social problems such as unemployment. While SIBs may have early termination clauses, time still may be wasted while a determination is made as to whether the program is a failure or not. There may also be a tendency to err on the side of letting the SIB go forward, despite its initial problems, to give the investor an opportunity to correct these problems. This could result in the additional loss of time. More fundamentally, investors in SIBs do not share the interest of the underserved population that the SIBs are designed to help. The interest of the investor is to maximize profit, and this may result in certain manipulations of the SIB evaluation process to ensure that benchmarks have been met.

Consequently, to the extent the government needs to enlist outside help to solve unemployment and related social problems, and labor unions would therefore be a more natural – and sustainable partner. Through their control and influence over private and public sector employee pension funds, they can direct the funds' substantial investments towards reducing unemployment, job training and community redevelopment. While legal restrictions exist that limit pension funds' ability to invest in risky projects or those with lower returns, new rules have added additional flexibility in the case of sustainable and social responsible investments. These rules recognize the trend that socially responsible investing actually produces a higher rate of return over the long term. Unions can also assist with job training and placement by adapting the hiring hall concept to economically depressed communities. Hiring halls traditionally send qualified job applicants (trained by the union) to employers with immediate hiring needs, particularly in the construction industry. These jobs tend to be unionized and highly paid. This hiring hall model could be expanded to include non-construction (but still in-demand) jobs, as well as a role for local and community groups to manage the hiring hall itself.

Unions, rather than traditional financial investors, are the key to helping governments solve difficult, employed-related social issues. Indeed, this is a core purpose of the labor movement itself, to do as much as possible to help working people. Harnessing this desire will be the key to governments effectively addressing these problems going forward.

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RESILIENCE OF POLISH EXPORTS TO NON-ECONOMIC EXTERNAL SHOCKS

| Abstract

- ▶ *Goal* – the paper aims to assess the resilience of Polish exports to disruptions caused by external factors of a non-economic nature, using the example of the shocks caused by the COVID-19 pandemic and the war in Ukraine.
- ▶ *Research methodology* – the author of the study uses a literature review and analysis based on official statistics. The three dimensions of export resilience were operationalized and assessed, i.e. resistance, responsiveness and adaptation. Short- and medium-term results were evaluated.
- ▶ *Score/results* – Polish exports are not completely resilient to non-economic external shocks, as there has been a short-term deterioration in performance due to the pandemic and the war in Ukraine, but taking all dimensions of resilience together and the medium-term time horizon, the resilience of Polish exports to this type of disruptions has been strongly confirmed.
- ▶ *Originality/value* – the study responds to the need to assess the economic security of economies participating in the international division of labor in connection with the emergence of non-economic external shocks negatively affecting international cooperation. The study makes an important contribution to the recognition of the resilience of Polish exports, its various dimensions and over a longer time horizon. To date, such research has not been conducted, and the issue of trade resilience, although very important for continuing to reap the benefits of international trade, is not sufficiently explained.

| **Keywords:** trade resilience, Polish exports, external shocks, pandemic, war in Ukraine, foreign trade.

1. Introduction

The world economy has been experiencing destabilizing phenomena and processes virtually since the outbreak of the global financial crisis in 2008. The COVID-19 pandemic, the war in Ukraine, the technology and trade war between the U.S. and China, tensions in political relations between the major powers, i.e. the U.S., China, Russia, NATO, and, in the wake of this, growing protectionist tendencies, as well as other disturbances growing in connection with climate change, have put the world economy in a state of instability and uncertainty. In particular, the pandemic has brought unprecedented disruption of global economic flows. Not only did it cause a health crisis, but it also triggered demand, supply and communication shocks due to widespread lockdowns, restrictions on the movement of people, including border closures, restrictive inspections and sanitary regime. On top of this, it occurred all of a sudden and unexpectedly, despite the fact that the phenomenon of pandemics is not entirely new and we have dealt with them many times in history. In a highly globalized world in which economies are tightly interconnected through a network of international economic relations, and there are often links in global supply chains operating on a just-in-time basis, the emergence of such constraints and uncertainties must have had far-reaching consequences [Baldwin, Tomiura, 2020]. Under conditions of shock, high uncertainty and sometimes even panic, the demand for particular types of products changed by leaps and bounds, and in this situation there were natural difficulties in meeting it, especially since similar phenomena occurred almost simultaneously in other countries. One of the acute effects of the disruption in the terms of exchange caused by the pandemic was a reduction in world trade, although the decline was not as high as during the global financial and economic crisis. This may suggest that non-economic external shocks affect international trade somewhat differently than economic crises.

Disturbances and uncertainties in the world economic system, particularly those caused by the pandemic, have clearly highlighted the dangers associated with the high degree of international trade links and their nature. As a result, these have emerged proclaiming the advent of the era of deglobalization, suggesting the need to improve economic security, increase self-sufficiency, especially in strategic sectors, and pointing to the phenomenon of reshoring as a response to the new situation in international political and economic relations [The Economist, 2020; Lee, Park, 2021]. The observed trends toward reshoring, however, may result rather from the digital transformation than from the pandemic and

efforts to increase resilience, and as the pandemic has influenced the acceleration of digitization, it has intensified reshoring through this channel, which is therefore not quite rightly directly linked to it [El-Sahli, Gullstrand, 2023]. The processes taking place in the world economy are therefore highly complex, multifaceted and dynamic. A closer and longer observation of them also points to the formation of a new configuration of international economic ties rather than to a prominent reduction in trade [Butollo, Staritz, 2022]. Suggestions are also being made to improve international cooperation and regulation with the aim of increasing resilience over the long term and building “collective” resilience [Zhang et al., 2021; Gui, 2022]. Changes in the pattern of international cooperation are significantly influenced not so much by short-term disruptions exemplified by a pandemic, but by long-term changes in the situation, shaped, for example, by persistent uncertainties related to political and climatic conditions [Di Stefano et al., 2022].

The high degree of dependence of many economies on foreign trade is very important for the resilience of entire economies, for their economic and national security. The changes that have taken place in the international environment, especially the occurrence of non-economic shocks and the challenges associated with them, give rise to the need for research on the resilience of international activities, particularly the trade. To date, this area is under-recognized, as resilience studies often focus on entire economies, regions and companies, and, to a lesser extent, on the international trade.

The purpose of the article is to assess the resilience of Polish exports to disturbances caused by external factors of a non-economic nature, using the example of the shocks caused by the COVID-19 pandemic and the war in Ukraine. These are events that have introduced serious disruption and uncertainty in the international environment, negatively affecting the possibility of cooperation and bringing the risk of a decline in trade flows, thus raising threats to the functioning of national economies. However, not all countries have experienced the same changes in export performance under these disruptions. There are economies that fare better in such a situation and may even benefit from it. This raises the question of whether Polish exports are resilient to such shocks? Studies to date have focused on short-term responses to a pandemic outbreak, and their results are inconclusive, with analyses for Polish exports in particular lacking in this regard.

The following sections of the article provide a review of the current research on trade resilience, then the adopted analysis methodology is presented and specific research questions are formulated, and the results and conclusions are submitted.

2. Review of the literature

Studies of the impact of the pandemic on trade during its first period indicate that the negative effects are diversified by industry, and vulnerability to such shocks is reduced by a higher share of remote work and increased by participation in global supply chains [Espitia et al., 2021; Álvarez et al., 2022]. Also, the mere presence of related industries increases vulnerability to the impact of external shocks [He et al., 2021]. These results are consistent with intuitive perceptions of pandemic effects in the subject of international trade. Similar conclusions regarding the impact of linkages occurring in supply chains on the trade effects of the pandemic in its first phase come from another study, which points to the transmission of demand and supply shocks between economies and an increase in trade vulnerability [Kejžar et al., 2022]. Also, a study of the resilience of exports to the pandemic by Bas et al. [2023] takes into account the role of product specificity from the perspective of their linkages in global value chains and the contribution of interpersonal contacts to their production. The results obtained in this study indicate that product specifics have a differential impact on export resilience in different phases of the pandemic, and that exports of products within more geographically diversified value chains and whose production is more automated are nevertheless characterized by greater resilience. In contrast, export resilience is negatively affected by the high level of concentration of foreign suppliers, especially the high share of China. It should be emphasized that the diversification of sourcing in production and the inclusion of foreign suppliers increases export resilience, which confirms the benefits of international cooperation in global supply chains, but with greater diversification in sourcing. In contrast, the complexity of products, the intensive use of low-skilled labor force in them, did not have a significant impact on the resilience of exports to pandemic disruption. The conclusions of this study support the thesis that there is a need to build resilience to external shocks based on the reconfiguration of trade links, in this case diversification of international cooperation and digital transformation in place of the pursuit of self-sufficiency and reshoring.

Studies also confirm the wide variation in the impact of pandemic on trade depending not only on industries [Vidya et al., 2023], but also on specific types of products or their transport modes [Arita et al., 2022]. In contrast, studies of trade resilience from a macroeconomic perspective conducted on the basis of a set of characteristics of economies and their anti-COVID policies indicate that the de-

gree of globalization, health care, infrastructure quality and efficiency, and high income level significantly increase trade resilience, while restrictive anti-COVID policies and high mortality have a negative impact in this regard [Mena et al., 2022]. In contrast, in developing countries, development assistance can also affect export resilience [Gnangnon, 2022].

In summary, the resilience of trade to external disturbances is determined by numerous and diverse factors, which also occur at different levels – from global, through macro and meso, to microeconomics, where a number of factors shaping the resilience of enterprises are also indicated [Cheng et al., 2022]. Moreover, dynamic changes are permanently taking place in this area. Under these circumstances, it is difficult to make conclusions based on the results of previous studies about the resilience of countries' exports to non-economic external shocks.

3. Export resilience research methodology

Resilience of an economic system, as a general concept, is captured in the literature in varying ways. The approach used in supply chain research is relatively widespread; its resilience is defined as the ability of a system to resist disruptions and the ability to recover after disruptions occur [Melnyk et al., 2014: 36; Mena et al., 2022: 78]. Thus, two dimensions (types) of resilience are specified here. A comprehensive review of definitions of resilience within different areas and fields of science was carried out in the publication on regional resilience [Bristow, Healy, 2020], where a total of four different types of resilience were identified. Resilience can mean, in addition to the two dimensions already mentioned above, also the ability to adapt to a new situation and the ability to transform in order to radically change the way we function to be resilient to potential new disruptions in the future. Taking all these approaches, the resilience of a system, including trade, to external shocks may include:

1. The ability to resist or tolerate disruptions in international trade, i.e. to be absorbed while maintaining normal functioning, as if the disturbances had not occurred, that is according to the path of its development as it was before the disruption occurred and without changes in the nature or structure of the system. This type of resilience for the purposes of this study has been called robustness, absorption or, alternatively, resistance.
2. The speed and extent of response to disruption, i.e. rebound, recovery, return to the pre-disruption state and development path, in a situation where

the system has experienced some negative effects of the shock. The name responsiveness or, interchangeably, reactivity, has been adopted for this dimension of trade resilience.

3. The ability to adapt to a new situation, positive reorientation, structural reconfiguration of operations in response to a shock. The term adaptability has been applied to this type of resilience.
4. The ability to change the operating model, the path of development, a transformation involving the adoption of a fundamentally new configuration of activities and functions (renewal). This dimension of resilience is called transformation.

These types of resilience can be observed in different time horizons, and so: absorption/resistance manifests itself primarily in the short term after the onset of an external shock, responsiveness/reactivity in the short to medium term, adaptability in the medium term, and transformation is a long-term process. While the first two approaches to resilience are partially taken up in research, the others are difficult to find in analyses of international trade resilience. In the study of the resilience of Polish exports, it was decided to assess the three dimensions of resilience indicated first.

Taking into account the different types of resilience, the main research question about the resilience of Polish exports to the shocks caused by the pandemic and the war in Ukraine was developed and the following specific questions were formulated:

1. Do Polish exports have absorption properties of the shocks caused by the pandemic and war in Ukraine?
2. In the absence of absorption properties, do Polish exports show responsiveness to the shocks caused by the pandemic and war in Ukraine?
3. Do Polish exports have adaptation properties to conditions determined by the disruptions caused by the pandemic and war in Ukraine?

In order to answer the posed question, the dimensions of export resilience selected for analysis were operationalized. It was assumed that export resistance/absorption would mean, in the first instance, obtaining export values during the course of a disturbance at a level at least equal to that prior to its occurrence. This type of absorption has been called resistance of the first kind. In addition, the relative absorption properties of exports will be assessed, which is understood as recording a result better than the world average and the EU average. The

primary indicator for this dimension of resilience is the volume of exports, measured by the percentage change from the same period in the previous one. Due to the fact that the course of the pandemic was not uniform, and the escalation of the disease and the restrictions put in place occurred in waves, in addition to the annual dynamics of export volume, analogous data on a monthly basis were also used for the analysis. Similarly, monthly data were also used in trade resilience studies by Lou et al. [2023] and Mena et al. [2022]. Within the first dimension of resilience, the absorptive capacity of exports of the second type will be assessed on the basis of the deviation of the value and volume of exports from the long-run development path covering a 20-year period, estimated by a linear trend function for the two time series, respectively. Export volumes are expressed in weight units due to the lack of corresponding data in constant prices.

Based on the data used for the analysis of absorption, the responsiveness of exports, understood as the speed of response to disruptions, will also be estimated, if necessary. The extent of this reactivity will be assessed based on the length of time it takes for exports to perform at least at the level of a hypothetical value estimated by a linear trend function for the value and volume of Polish exports.

Adaptability for the purposes of this study was assumed to be interpreted as changes in the product structure of exports. To assess this dimension of resilience, an indicator of the intensity of structural change was chosen using the following formula:

$$d_{t,t+\tau} = \sqrt{\sum_{i=1}^k f_{i,t+\tau} \left(\frac{f_{i,t+\tau}}{f_{i,t}} - 1 \right)} \quad 1)$$

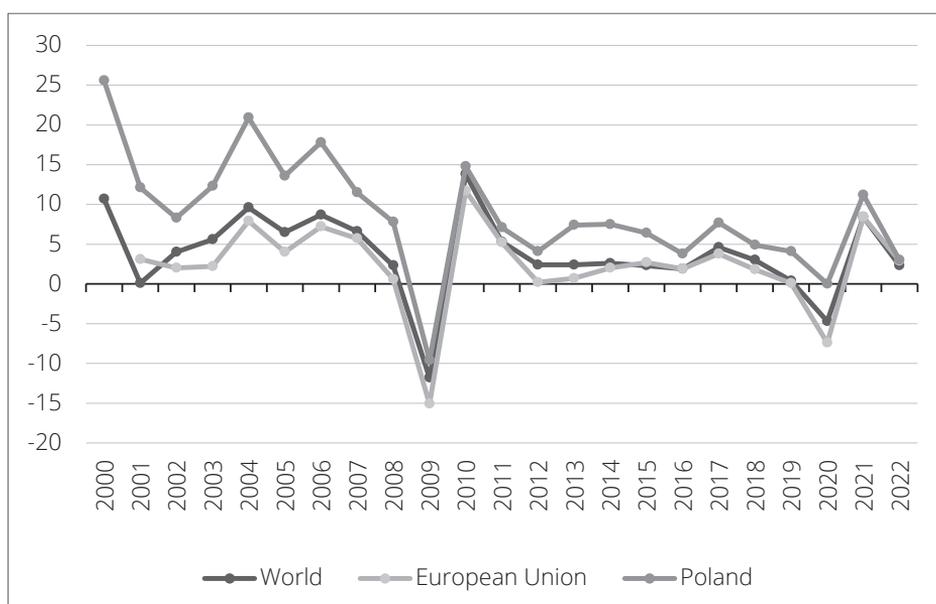
where $f_{i,t+\tau}$ is the share of the component i of the structure in period $t + \tau$; $f_{i,t}$ – the share of the component i of the structure in period t ; k represents the number of components of the structure. This measure of the structural change was proposed by J. Rutkowski [1981], and it is adequate for comparisons of structures at different points in time. The higher the value of this indicator, the greater the changes in the structure, and it takes a value of zero when there are no changes at all. Since the structural changes are also a natural process accompanying development, more intensive changes relative to the period in which external shocks did not occur, will be considered a manifestation of adaptation to conditions determined by disruptions. Therefore, the analysis was made for the period 2016–2022, in which we can compare not only annual changes, but also separate two four-year sub-periods, the first (2016–2019) being a period

with relatively stable external conditions, and the second (2019–2022) including disturbances caused by the pandemic and the war in Ukraine. The analysis of changes in the product structure of Polish exports is carried out using the HS (Harmonized System) commodity nomenclature at the level of two-digit codes, covering a total of 96 product chapters.

4. Results

On the basis of the adopted research assumptions, the absorption of the first type of Polish exports was first analyzed using volume dynamics data on an annual basis, followed by monthly data. Annual data, also taking into account the average for the world and the EU, are presented in Chart 1.

Chart 1. Export volume indices of the world, European Union and Poland in 2000–2022 (in % compared to the previous year)



Source: the author's own compilation based on WTO data [WTO, 2023].

In terms of annual results, Polish exports showed relative and absolute absorption to the shock of the pandemic and the war in Ukraine. Its volume did not decrease in the year of the outbreak of the pandemic and thus the condition

of resistance of the first type was met. At that time, global exports experienced a decline of 4.7%, and EU exports decreased by 7.4% (Chart 1). Moreover, in 2022, the year when the war broke out in Ukraine, the volume of Polish exports increased by 3%, while the growth rates for the world and the EU, although similar, were lower at 2.3% and 2.9%, respectively. This indicates a relatively high absorption of the war shock by Polish exports, as it should be taken into account here that both Ukraine and Russia are Poland's neighbors and were relatively important trading partners of Poland in 2021, when Russia's share in Polish exports was 2.8% and Ukraine's was 2.2% [GUS, 2023a]. One would therefore expect that the impact of the war should be relatively higher on Polish exports than the global or even European average. It is worth noting that the performance of Polish exports during the pandemic and the war is much better than in the situation of the global financial and economic crisis that began in 2008, when a very large decline was recorded, although the negative effects on global and EU trade were also more severe.

For the analysis of monthly data on the volume of Polish exports, which are included in Table 1, the period from 2016 to the most recent data as of the end of June 2023 was selected. Adopting a longer timeframe before the disruptions caused by the pandemic and the war in Ukraine serves to adequately represent the situation before the occurrence of these shocks as a reference point.

Monthly changes in the volume of Polish exports in the first year of the pandemic compared to the corresponding months of the previous year indicate a three-month period of maintaining the level of exports below the previous year's volume, with the declines being very deep in April and May. These data testify to the negative reaction of Polish exports to the outbreak of the pandemic itself and the first phase of its development. In the following months, and especially in the last quarter of 2020, the real value of exports recorded high increases. In turn, Polish exports reacted to the outbreak of the war in Ukraine on February 24, 2022 with declines in volume in the following two months, and they were much smaller than during the pandemic. The declines recorded in November and December 2022 should also be interpreted as a sign of insufficient absorption of the disruptions caused by the war, because in stable operating conditions, which were assumed to occur in the remaining months of the 2016–2020 analysis period (the unshaded area in the Table 1), there were only one-month declines and such fluctuations were considered natural for the exports analyzed here due to the generally dynamic nature of economic phenomena. The deterioration in export performance in the last two months

of 2022 may be related to the escalation of the war conflict following Russia's announcement in October of that year of its annexation of several regions of Ukraine and the subsequent introduction by the EU of another package of sanctions, as well as the adoption of legislation enforcing compliance with sanctions already introduced against Russia [European Council, Council of the EU, 2023].

Table 1. Dynamics of Poland's export volume in 2016–2023 (monthly data, the same period of previous year = 100)*

Month/ Year	1	2	3	4	5	6	7	8	9	10	11	12
2016	104	108	105	112	109	108	97	114	105	104	110	105
2017	114	105	118	99	108	105	109	112	107	112	108	104
2018	108	103	98	112	107	110	109	104	107	111	106	98
2019	107	111	107	106	108	94	112	99	102	104	97	109
2020	103	107	98	73	81	107	98	107	110	105	114	113
2021	104	105	121	159	130	115	110	106	104	101	108	109
2022	106	103	98	97	107	101	100	108	106	103	99	96
2023	101	100	102	–	–	–	–	–	–	–	–	–

* values marked in bold – in period of external disruptions

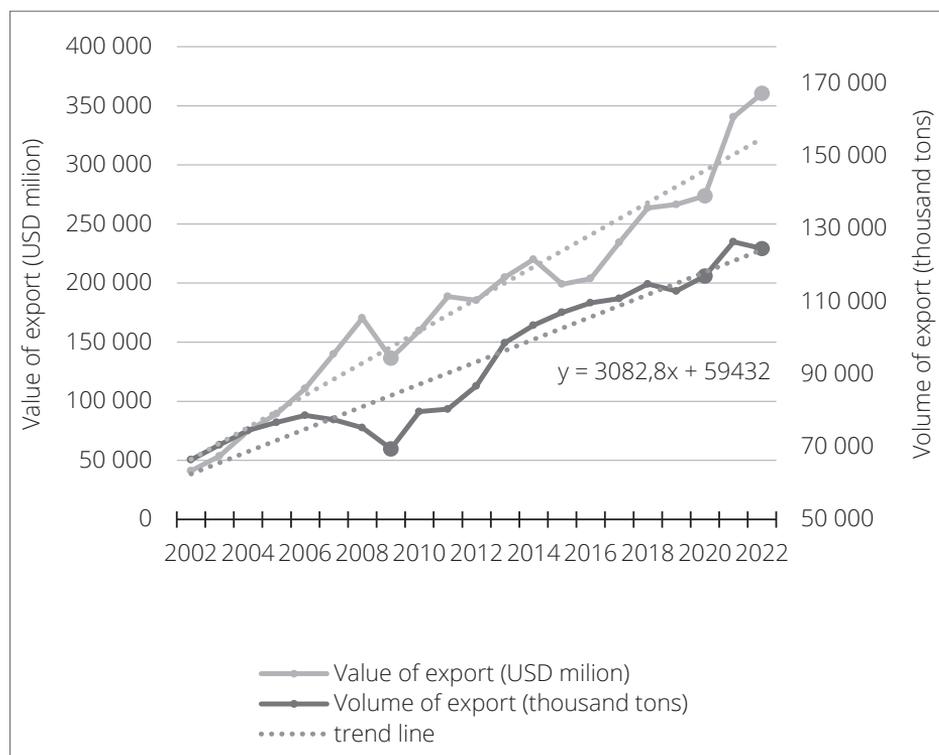
Source: the author's own work based on Statistics Poland data [Statistics Poland, 2023b].

Data for assessing the absorptive capacity of the second type of Polish exports on the basis of deviations of export performance during shocks from the long-term development trend are shown in Chart 2. Linear trend functions were determined for both analyzed time series.

A comparison of the results in Chart 2 shows that export growth on the volume side is generally characterized by greater stability than its value growth, which is undoubtedly influenced by changes in the world market prices. In 2020, the quantitative performance of exports was practically on the trend line, while its value was below this line. It is in 2019 that a slight decrease in the volume of export sales is observed, while already during the pandemic disturbances (2020) exports grew in line with the trend, and in 2021 there was a spike. In 2022, the volume of exports decreased, despite an increase in its value, which, taking into

account an additional 3% growth in export volume in that year (Chart 1), should be interpreted as the result of simultaneous changes in the product structure and price increases. However, the export sales volume obtained in the last analyzed year is within the trend line, and the decline itself can therefore be seen as a correction after a more than average increase in 2021. It should also be borne in mind that 2022 represents a period in which the outbreak of war in Ukraine is superimposed on the still ongoing pandemic.

Chart 2. Value and volume of Polish exports with a linear trend function for 2002–2022 (USD million, thousand tons)



Source: the author's own compilation based on WTO data [WTO, 2023] for the value of export and Eurostat data [Eurostat, 2023] for the volume of export.

Summarizing, the above results indicate the absorption properties of the second type of Polish exports on an annual basis, as well as at least a short-term acceleration of export sales after absorbing the disruptions caused by the initial phase of the emergence of the external shock. At this point, it is also worth emphasizing that export performance is characterized by its own dynamics, which

are influenced by many different factors, and certain fluctuations and deviations from the trend are a natural phenomenon.

Since the lack of absorption of Polish exports was revealed only in the analysis of monthly data, its responsiveness can also be assessed with reference to such a time perspective. The results in this regard indicate a rapid recovery of Polish exports after the declines in the first three months of the pandemic, as already in June the volume reached a level above that recorded in the corresponding month of the previous year (Table 1). Above-average increases were recorded in the last two months of 2020. There was also very good performance throughout the following year, with an average export volume growth of more than 11% (Chart 1). Just as in the pandemic-induced disruption, Polish exports showed responsiveness after the declines caused by the hostilities in Ukraine. After two months, export performance has returned to pre-disruption levels. However, the latest available data show some slowdown in export growth. It will therefore be interesting to see the results for the next months of 2023, which will clarify how Polish exports will cope in the long term with the uncertainty and disruption caused by the war waged in a neighboring country and the serious tensions in international political-military relations.

The results of calculating the index of intensity of structural change according to the formula (1) chosen to assess the adaptability of Polish exports are presented in Table 2. The variable of the value of Polish exports was used to calculate the product structure.

Table 2. Intensity of changes in the product structure of Polish exports at the level of HS nomenclature divisions in 2016–2022

Index / Year	2016	2017	2018	2019	2020	2021	2022
In relation to the previous year	0.125	0.119	0.073	0.096	0.141	0.125	0.209
Over the period 2016–2019	0.170			:			
Over the period 2019–2022	:			0.262			

Source: the author's own compilation based on Eurostat data [Eurostat, 2023].

Analyzing the value of the index of structural change in annual periods, it should be noted that there was a marked increase in 2020 compared to the results obtained for the previous years of the analyzed period (Table 2). However,

particularly intensive changes in the commodity structure occurred in 2022. In turn, in 2021, changes were also high, but already comparable with other years in which there was no external disturbance. The calculation of the index for four-year periods, which eliminates two-way changes in consecutive years, also confirms the higher variability of the structure of Polish exports under external shocks, i.e. in the period 2019–2023. This demonstrates the high adaptability of Polish exports to such disruptions.

5. Conclusions

The study of each selected dimension of resilience to non-economic external shocks allows us to conclude that Polish exports are characterized by:

- relative absorptivity of disruptions caused by the pandemic and by the war in Ukraine, recording significantly better results compared to the world average and for the EU,
- relatively higher absorption of non-economic external shocks compared to the absorption of disruptions caused by economically motivated crisis phenomena, which we faced in connection with the outbreak of the global financial crisis in 2008,
- the absolute absorptivity of shocks caused by the pandemic and the war in Ukraine on an annual basis,
- the lack of absorption of non-economic external shocks in the short term, lasting for 2–3 months after the onset of the disruption or its exacerbation,
- responsiveness that allows export performance to quickly return to pre-disruption levels and even above the long-term upward trend line,
- adaptability of the product structure to conditions shaped by the pandemic and the war in Ukraine.

While answering the main research question, it should be pointed out that, on the one hand, Polish exports are not completely resilient to non-economic external shocks, as there is a short-term performance deterioration in relation to these disruptions, and, on the other hand, taking all dimensions of resilience together and the medium-term time horizon, the resilience of Polish exports to this type of disturbance should be strongly confirmed. It can also be assumed that the rapid response of Polish exports to non-economic external shocks (responsiveness) is primarily related to their high adaptability to conditions shaped by

disruptions and uncertainty. This is also indicated by the difficulty of explaining the above-average good performance of Polish exports in terms of their resilience with other properties that are mentioned in studies of the determinants of pandemic resilience, among which are, for example, effective containment measures, high income levels or the speed of vaccination introduction [Luo et al., 2023]. The results obtained in this study may also fit in with the development of a multipolar system of production centers and the formation of regional supply chains, along with the declining role of China as the “world’s factory” [Chen et al., 2022].

Despite the fact that the analysis made quite a large contribution to explaining the resilience of Polish exports to the current non-economic disturbances, there are still questions to be answered and further research in this area is therefore advisable. These are, in particular, questions about the need to transform Polish exports and possibly the desired shape of a new model of trade and international relations in a long-term and holistic perspective. The present study also has its limitations, among which there are shortcomings in the conceptualization of the notion of ‘trade resilience’, manifested in the multidimensional definition of this term and ways to measure it. In addition, it remains a challenge to define the relationship of the concept of export resilience with other economic categories, such as competitiveness, value-added, innovation or efficiency. The lack of availability of absolute data on the value of exports in constant prices, which would better eliminate the impact of price changes on the results of the resilience assessment, is also an important limitation.

Building export resilience to external shocks and disruptions will minimize risks while preserving the ability to reap the benefits of specialization and international trade. It should also be expected that adjustments to carry on foreign trade in the new volatile environment will be crucial for economic development in the long term. In this context, current external conditions are favorable for Polish exports.

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EVOLUTION OF NATO'S CONCEPTION OF DEFENCE EXPENDITURE OF MEMBER STATES AFTER 1990

| Abstract

- ▶ *Goal* – to analyse defence spending in the light of NATO decisions and the geopolitical situation.
- ▶ *Research methodology* – the article reviews NATO's strategy and decisions on defence spending and security, analyses defence spending based on SIPRI and World Bank data.
- ▶ *Score/results* – the carried out analysis allowed for the positive verification of the first hypothesis which assumed that defence spending is influenced by NATO's political decisions and assessment of the security situation. The second research hypothesis, which assumed that more prosperous NATO countries (having high GDP per capita) have higher defence spending (as% of GDP), was not confirmed.
- ▶ *Originality/value* – research on the defence spending of NATO countries is particularly important in the view of the Russian-Ukrainian war. The obtained results will provide a better understanding of the factors determining the amount of security funding in the North Atlantic region and the world.

| **Keywords:** defence spending, NATO decisions, security, cooperation, aggression, Russia.

1. Introduction

On April 4, 1949, 10 Western European states plus the USA and Canada signed the political-military North Atlantic Treaty in Washington, creating the so-called North Atlantic Alliance (NATO), which had the political-military objective of

strengthening security, stability and prosperity in the region. It was the response of the Western states to the threat from the USSR and its satellites [Kupiecki, 2016: 17]. The preamble notes that NATO's primary purpose is to protect the freedom and civilisation of its peoples, based on the principles of democracy and individual liberty [Treathy, 1949].

The treaty consists of a preamble and 14 articles and, despite the elapsing more than 70 years, has not been amended once, although this possibility is contained in Article 12. One of the most important is Article 5, which contains a model of collective defence based on the principle of one for all and all for one – in the event of an attack on a NATO country or countries, the other Member States will take such action as they deem necessary in the spirit of solidarity and collective defence [Treathy, 1949; Kupiecki, 2016: 20, 143–144].

Article 3 is complementing the model of collective defence and the spirit of solidarity: “In order more effectively to achieve the objectives of this Treaty, the Parties, separately and jointly, by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack” [Treathy, 1949]. The notion of individual and collective capacity to repel an armed onslaught suggests maintaining an adequate level of defence for NATO countries [Kupiecki, 2016: 19], which requires financial resources, in other words: defence spending.

Between 1970 and 1989, which was a period of high political tensions and an arms race between NATO and the USSR, member states, with the exception of Iceland (which has no military and no defence spending) and Luxembourg, had defence spending at no less than 2% of GDP [Wołkonowski, 2018: 3, 5]. This demonstrated the ability of NATO countries to sustain such burdens and the solidarity of the alliance countries. This level of defence spending was a result of NATO's strategy based on the Harmel Report and based on dual-tracking (two-pronged force-dialogue) [Kupiecki, 2016: 75]. This new strategy was adopted in December 1967 and was in place until 1989 [Kupiecki, 2018: 57].

2. NATO strategy and defence expenditure of the alliance countries in the period 1990–1998

The political and economic transformation in Central and Eastern Europe (1989–1990) has resulted in the realisation of many of the objectives set out in the Harmel Report and has significantly improved the security of NATO countries.

In the wake of these changes, a new strategic concept for the Alliance (the fifth since 1949) was adopted in London in July 1990 at a meeting of NATO heads of state and government. It was based on the triad of dialogue–collaboration–collective defence. The strategy noted that “The new situation in Europe has multiplied the opportunities for dialogue on the part of the Alliance with the Soviet Union and the other countries of Central and Eastern Europe”. On cooperation, it emphasised that “They will seek to develop broader and productive patterns of bilateral and multilateral co-operation in all relevant fields of European security, with the aim, s, of preventing crises or, should they arise, ensuring their effective management”. The third strand of the strategy – collective defence – emphasised the military dimension, which was to remain key “The maintenance of an adequate military capability and clear preparedness to act collectively in the common defence remain central to the Alliance’s security objectives. Such a capability, together with political solidarity, is required in order to prevent any attempt at coercion or intimidation, and to guarantee that military aggression directed against the Alliance can never be perceived as an option with any prospect of success. (...). The Alliance will maintain for the foreseeable future an appropriate mix of nuclear and conventional forces based in Europe and kept up to date where necessary, although at a significantly reduced level” [Strategic, 1991]. It follows that the new Strategy accepts force levels at a much reduced level. Taking the above into account, the first research hypothesis is that defence spending is influenced by NATO policy decisions and the assessment of the security situation.

After the adoption of the new strategy, the defence spending of NATO countries decreased between 1990 and 1998 (with the exception of Turkey). NATO-16 defence spending also decreased, from 3.8% of GDP to 2.5% of GDP (Table 1), confirming the first hypothesis for the period 1990–1998.

Table 1. Defence expenditure (in % of GDP) of NATO countries 1990–1998

No.	Country	1990	1992	1994	1996	1998
1	Belgium	2,4	1,8	1,7	1,5	1,5
2	Canada	2,0	1,9	1,7	1,4	1,3
3	Denmark	2,0	1,9	1,8	1,6	1,1
4	France	2,8	2,7	2,7	2,4	2,2

No.	Country	1990	1992	1994	1996	1998
5	Iceland	0	0	0	0	0
6	Italy	1,9	1,8	1,7	1,6	1,6
7	Luxembourg	0,8	0,8	0,7	0,6	0,6
8	Netherlands	2,4	2,2	1,9	1,8	1,6
9	Norway	2,9	3,0	2,7	2,2	2,2
10	Portugal	1,8	1,8	1,7	1,6	1,4
11	UK	4,0	3,9	3,4	2,7	2,5
12	USA	5,6	5,0	4,2	3,6	3,2
13	Turkey	3,5	3,9	4,1	4,1	3,2
14	Greece	3,8	3,6	3,6	3,3	3,5
15	Germany	2,5	1,9	1,6	1,5	1,4
16	Spain	2,3	2,0	2,0	1,8	1,8
	Total NATO-16	3,8	3,5	3,1	2,7	2,5
	World	3,2	2,9	2,6	2,3	2,2

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

A second research hypothesis was set, assuming that wealthy countries (those with high GDP per capita) have higher defence spending (in% of GDP). To verify this, the countries in Table 1 were classified into two groups according to GDP per capita and the average values of defence expenditure for both groups were counted. It turned out that the average defence expenditure ratio for the more affluent group was 2.2%, while for the other group it was 2.7%. The results contradict the hypothesis for the period 1990–1998.

The situation with the defence spending of NATO countries measured in \$ billion is similar. From Table 2 we can see that spending has had a decreasing trend or has been at a similar level. The exceptions are Denmark, Portugal, Turkey and Greece, where defence spending increased. NATO-16 defence spending declined from \$516.3 billion in 1990 to \$468.1 billion in 1998. The US share of total NATO-16 defence spending also declined, from 63% to 62.2%. The world

defence spending rippled but with a downward trend. The share of NATO countries in world defence spending decreased from 72.6% to 66.3%.

Table 2. Defence expenditure (in \$ billion) of NATO countries 1990–1998

No.	Country	1990	1992	1994	1996	1998
1	Belgium	4,6	4,1	3,9	4,2	3,7
2	Canada	11,4	10,8	9,6	8,6	7,8
3	Denmark	2,7	2,8	2,7	3,1	2,9
4	France	35,8	37,9	37,3	39,0	33,6
5	Iceland	0	0	0	0	0
6	Italy	20,7	22,2	18,1	20,8	20,8
7	Luxembourg	0,1	0,1	0,1	0,1	0,1
8	Netherlands	7,4	7,9	7,1	7,8	6,8
9	Norway	3,4	3,8	3,4	3,5	3,3
10	Portugal	1,4	1,9	1,6	2,0	1,8
11	UK	43,6	45,6	38,6	38,6	41,2
12	USA	325,1	325,0	308,1	288,0	291,0
13	Turkey	5,3	6,2	5,3	7,5	8,8
14	Greece	3,2	3,6	3,6	4,6	4,8
15	Germany	39,8	39,5	34,2	36,7	31,2
16	Spain	11,7	12,3	10,1	11,3	10,3
	Total NATO-16	516,3	523,7	483,7	475,8	468,1
	<i>USA expenditure in NATO expenditure in %</i>	63,0	62,1	63,7	60,5	62,2
	World	711,6	729,8	707,2	722,5	706,4
	<i>Share of NATO-16 expenditure in global expenditure in %</i>	72,6	71,8	68,4	65,9	66,3

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

It can be said that the 1990s saw the beginning of a phase of reduction in defence spending – the per capita average defence expenditure index for NATO-16 in 1990 was \$489, while in 1998 it was \$449. The same is true of defence spending as measured by its share of government spending (Table 3). The trend is similar, with the ratio decreasing for NATO countries.

Table 3. Defence expenditure (% of government spending) 1990–1998

No.	Country	1990	1992	1994	1996	1998
1	Belgium	4,3	3,2	3,0	2,9	2,8
2	Canada	4,0	3,5	3,4	3,0	2,8
3	Denmark	3,5	3,3	2,9	2,8	2,9
4	France	5,6	5,1	4,9	4,4	4,2
5	Iceland	0	0	0	0	0
6	Italy	3,3	3,0	3,0	3,1	3,4
7	Luxembourg	ND	ND	ND	1,5	1,5
8	Netherlands	4,7	4,3	3,8	3,8	3,6
9	Norway	5,8	5,7	5,4	4,6	4,5
10	Portugal	4,2	3,7	3,9	3,7	3,3
11	UK	10,5	9,4	8,3	7,6	7,3
12	USA	ND	ND	ND	ND	ND
13	Turkey	ND	ND	ND	ND	ND
14	Greece	8,6	8,6	8,5	7,0	7,4
15	Germany	5,6	3,9	3,2	3,0	2,9
16	Spain	5,3	4,4	4,2	4,1	4,1
	World	ND	ND	ND	5,3	ND

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

3. New defence strategies and expenditure of NATO countries in 1999–2013

On March 12, 1999, Poland, The Czech Republic and Hungary, which were still satellites of the USSR in 1989, were admitted to NATO. It was a difficult and drama-filled road [Kupiecki, 2019: 78–108]. It should be noted that the Russian Federation, which became the heir to the USSR, began to disclose defence spending from the 1990s onwards. These changes led the Alliance countries, on the 50th anniversary of NATO, to adopt another (sixth) Alliance Strategy on April 24, 1999 in Washington. It noted the positive importance of security dialogue and cooperation. Threats in the Balkans and new challenges were accentuated, the European allies were to assume greater responsibility in order to achieve balance. New concepts such as predictability, transparency and lower levels of weaponisation were introduced. There was also a new level of cooperation between NATO and Russia, which is mentioned 8 times in the strategy. It was emphasised that “A strong, stable and enduring partnership between NATO and Russia is essential to achieve lasting stability in the Euro-Atlantic area”. The strategy also highlights the relationship with Ukraine, which is mentioned 7 times in the strategy, and the openness to accept new members under the 10th article. It states that military forces are to be at a level to provide effective deterrence to prevent the emergence of new conflicts. It was noted that “the overall size of the Allies’ forces will be kept at the lowest levels” [Strategic, 1999]. The adoption of such assumptions in the new strategy resulted in a further reduction in defence spending in 1999–2000 (Tables 4–6), which positively verified the first research hypothesis.

After the terrorist attacks of September 11, 2001, NATO increased its focus on counter-terrorism, and on the proliferation of weapons of mass destruction but the new strategy was not adopted. Two days later, NATO invoked Article 5 in defence of the USA for the first time in a gesture of solidarity [Kupiecki, 2016: 110–111]. Post-9/11 defence spending increased significantly in the USA, while in Canada, Portugal and the UK it remained at a slight increase or similar level, while the rest of NATO countries in Europe saw a further process of significant reduction in spending, as can be seen in Tables, 4–6 for the period 2001–2010. This situation led to NATO countries’ expressing their willingness to gradually increase defence spending to 2% of GDP on June 8, 2006, under the pressure from the USA [Pietrzak, Sobczyk, 2015: 40]. However, this decision is missing from the official communiqué of the meeting of NATO defence ministers

and the downward trend continued [Meeting, 2006]. On August 7, 2008, the Russian-Georgian war broke out, resulting in an increase in NATO countries' spending for 2009. But already from 2011, NATO countries started to further reduce defence spending.

For the period 1999–2013, the second research hypothesis was verified. By analogy with the 1990–1998 period, the countries in Table 4 were classified but into three groups according to GDP per capita. The result was that the average defence expenditure rate for the wealthy group was 1.9%, for the middle group it was 1.7% and for the third group it was 2.0%. The results contradict the hypothesis for the period 1999–2013.

Table 4. Defence expenditure (in % of GDP) of NATO countries 1999–2013

No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
1	Belgium	1,4	1,3	1,2	1,1	1,1	1,2	1,1	1,0
2	Canada	1,2	1,1	1,1	1,1	1,2	1,4	1,2	1,0
3	Denmark	1,6	1,5	1,5	1,3	1,3	1,4	1,3	1,2
4	France	2,2	2,0	2,1	2,0	1,9	2,1	1,9	1,8
5	Iceland	0	0	0	0	0	0	0	0
6	Italy	1,7	1,7	1,7	1,6	1,4	1,6	1,5	1,4
7	Luxembourg	0,6	0,7	0,6	0,6	0,5	0,4	0,4	0,4
8	Netherlands	1,6	1,4	1,4	1,4	1,4	1,4	1,3	1,2
9	Norway	2,0	1,7	2,0	1,6	1,5	1,6	1,4	1,4
10	Portugal	1,4	1,4	1,4	1,6	1,4	1,5	1,5	1,4
11	UK	2,4	2,4	2,6	2,4	2,4	2,6	2,5	2,3
12	USA	3,1	3,1	3,8	4,1	4,1	4,9	4,8	4,0
13	Turkey	3,9	3,6	3,3	2,4	2,2	2,5	2,0	1,9
14	Greece	3,4	3,3	2,5	2,8	2,7	3,2	2,5	2,4
15	Germany	1,4	1,3	1,3	1,1	1,2	1,3	1,2	1,2
16	Spain	1,8	1,6	1,4	1,4	1,4	1,4	1,3	1,3

No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
17	The Czech Republic	1,9	1,8	1,9	1,8	1,4	1,3	1,1	1,0
18	Hungary	1,4	1,6	1,6	1,4	1,3	1,1	1,0	0,9
19	Poland	1,9	1,9	1,9	1,9	2,0	1,8	1,8	1,8
20	Bulgaria	-	-	-	2,2	2,2	1,7	1,3	1,5
21	Estonia	-	-	-	1,5	1,7	1,8	1,7	1,9
22	Latvia	-	-	-	1,6	1,6	1,4	1,1	0,9
23	Lithuania	-	-	-	1,2	1,1	1,1	0,8	0,8
24	Romania	-	-	-	2,0	1,5	1,3	1,2	1,3
25	Slovakia	-	-	-	1,7	1,5	1,5	1,1	1,0
26	Slovenia	-	-	-	1,4	1,4	1,6	1,3	1,0
27	Albania (2009)	-	-	-	-	-	1,5	1,5	1,4
28	Croatia (2009)	-	-	-	-	-	1,8	1,8	1,6
Total NATO - 19, 26, 28		2,5	2,5	2,8	2,8	2,7	3,1	3,0	2,7
World		2,2	2,2	2,4	2,4	2,3	2,6	2,4	2,3

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

On November 19, 2010 in Lisbon, NATO countries adopted a new strategic concept (the seventh) *Active Engagement, Modern Defence*. It was noted that, as a result of the enlargement of the alliance (on March 29, 2004 Bulgaria, Estonia, Lithuania, Latvia, Romania, Slovakia and Slovenia were admitted to NATO, and on April 1, 2009 Albania and Croatia), security in the North Atlantic region had improved and the continuation of the *Open Door* policy was announced. The strategy (33 points) strongly emphasised cooperation with Russia (the country is mentioned 13 times in the document) claiming that NATO is not an enemy of Russia and seeks a genuine partnership and expects the same from Russia. Another point stated that political consultation and practical cooperation with Russia should be expanded. One of the main ideas of the strategy was to seek cooperation with Russia which would increase security. With regard to military

capabilities, the strategy emphasised maintaining them at an adequate threat level and maximising efficiency. [Strategic, 2010].

In Table 5, we can see that the absolute volume of defence spending (in \$bn) by NATO countries increased, despite a decrease in the level of defence spending measured in% of GDP. This was because the GDP growth of member countries between 1999 and 2013 was significant, despite the economic crisis of 2008–2010. The overall level of NATO spending more than doubled, from \$481.3 billion in 1999 to \$979.4 billion in 2013. The US share of NATO spending also increased during this period – from 61.9% to 69.4%. In contrast, NATO’s share of world defence spending declined – from 66.9% in 1999 to 55.8% in 2013.

The per capita average defence expenditure index for NATO-19 increased significantly over the period 1999–2013, from \$390 in 1999, to \$625 in 2013.

Table 5. Defence expenditure (in \$ billion) of NATO countries from 1999 to 2013

No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
1	Belgium	3,6	3,0	3,9	4,2	5,2	5,6	5,5	5,3
2	Canada	8,2	8,4	10,0	13,0	17,4	18,9	21,4	18,5
3	Denmark	2,8	2,5	3,2	3,5	4,2	4,3	4,5	4,2
4	France	32,7	28,0	38,6	44,4	50,7	56,4	54,1	52,0
5	Iceland	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
6	Italy	21,0	19,5	26,8	29,7	32,0	34,1	33,8	30,0
7	Luxembourg	0,1	0,1	0,2	0,2	0,3	0,2	0,2	0,2
8	Netherlands	7,0	6,2	8,4	9,6	11,5	12,1	11,6	10,2
9	Norway	3,3	3,0	4,5	4,9	5,9	6,2	7,2	7,4
10	Portugal	1,8	1,8	2,4	3,1	3,3	3,7	3,7	3,3
11	UK	40,8	39,5	52,3	61,7	73,4	64,0	66,6	63,8
12	USA	298,1	331,8	440,5	533,2	589,6	705,9	752,3	679,2
13	Turkey	10,0	7,2	10,3	12,1	15,0	16,0	17,0	18,4

No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
14	Greece	5,0	4,4	5,0	7,0	8,5	10,6	7,1	5,7
15	Germany	30,7	25,8	33,0	30,3	40,1	44,5	45,2	44,2
16	Spain	11,1	10,2	12,9	16,0	20,1	20,2	19,7	17,2
17	The Czech Republic	1,2	1,2	1,9	2,4	2,7	2,7	2,5	2,1
18	Hungary	0,7	0,8	1,4	1,6	1,8	1,5	1,5	1,3
19	Poland	3,2	3,6	4,2	5,9	8,6	7,9	9,5	9,3
20	Bulgaria	-	-	-	0,7	1,0	0,9	0,8	0,8
21	Estonia	-	-	-	0,2	0,4	0,4	0,4	0,5
22	Latvia	-	-	-	0,3	0,5	0,4	0,3	0,3
23	Lithuania	-	-	-	0,3	0,4	0,4	0,3	0,4
24	Romania	-	-	-	2,0	2,6	2,2	2,4	2,5
25	Slovakia	-	-	-	0,8	1,1	1,4	1,1	1,0
26	Slovenia	-	-	-	0,5	0,7	0,8	0,7	0,5
27	Albania	-	-	-	-	-	0,2	0,2	0,2
28	Croatia	-	-	-	-	-	1,1	1,1	1,0
Total NATO – 19, 26 28		481,3	497,1	659,3	787,7	896,9	1022,8	1070,6	979,4
<i>Share of US expenditure in NATO expenditure in%</i>		61,9	66,7	66,8	67,7	65,7	69,0	70,3	69,4
<i>World</i>		719,4	755,2	952,7	1159,9	1338,3	1564,2	1750,4	1755,5
<i>NATO's share of world expenditure in%</i>		66,9	65,8	69,2	67,9	67,0	65,4	61,2	55,8

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

Table 6 shows the share of defence spending in government spending over the period 1999–2013. The data show that after the terrorist acts of September 11, the ratio increased in the USA (from 9,6% in 2001 to 12,1% in 2005), but we do not see such a trend in the other NATO countries.

Table 6. Defence expenditure (in % of government spending) 1999–2013

No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
1	Belgium	2,8	2,6	2,4	2,1	2,3	2,1	1,9	1,8
2	Canada	2,9	2,8	2,8	2,9	3,1	3,2	2,9	2,5
3	Denmark	2,9	2,9	2,7	2,6	2,6	2,4	2,3	2,2
4	France	4,2	3,9	3,9	3,8	3,6	3,7	3,4	3,2
5	Iceland	0	0	0	0	0	0	0	0
6	Italy	3,6	3,5	3,6	3,4	3,1	3,0	3,0	2,7
7	Luxembourg	1,4	1,8	1,4	1,3	1,3	0,9	0,9	0,9
8	Netherlands	3,7	3,4	3,3	3,4	3,3	3,0	2,8	2,5
9	Norway	4,4	3,9	4,1	3,8	3,6	3,5	3,3	3,2
10	Portugal	3,4	3,3	3,2	3,4	3,1	3,1	3,0	2,9
11	UK	7,1	6,9	6,9	6,3	6,2	5,9	5,7	5,5
12	USA	ND	9,6	11,1	12,1	11,8	11,8	12,4	11,3
13	Turkey	ND	8,1	8,5	7,4	6,6	6,5	6,1	5,7
14	Greece	7,3	7,1	5,4	6,2	5,7	6,0	4,6	4,6
15	Germany	2,9	2,8	2,7	2,3	2,7	2,7	2,7	2,6
16	Spain	4,4	4,2	3,7	3,6	3,5	2,9	2,9	2,8
17	The Czech Republic	4,5	4,0	3,8	4,2	3,5	3,0	2,5	2,4
18	Hungary	2,9	3,3	3,4	2,9	2,6	2,2	2,1	1,9
19	Poland	4,5	4,2	4,2	4,4	4,7	4,0	4,1	4,1
20	Bulgaria	-	-	-	6,6	6,7	5,2	4,1	4,1
21	Estonia	-	-	-	4,3	4,9	3,9	4,5	5,0
22	Latvia	-	-	-	4,7	4,7	3,2	2,7	2,5
23	Lithuania	-	-	-	3,5	3,2	2,5	1,9	2,2

No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
24	Romania	-	-	-	6,2	4,3	3,5	3,5	3,8
25	Slovakia	-	-	-	4,2	4,1	3,4	2,6	2,3
26	Slovenia	-	-	-	3,1	3,3	3,2	2,5	1,7
27	Albania	-	-	-	-	-	4,6	5,3	4,8
28	Croatia	-	-	-	-	-	3,7	3,6	3,4
	World	ND	6,7	6,9	7,0	6,9	6,6	6,5	6,5

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

In the second half of the studied sub-period, i.e. for the years 2007–2013, we notice (apart from Estonia) a decreasing trend of this indicator. This was probably influenced by the stable security situation (despite the Russian-Georgian war of 2008) and the financial crisis of 2008–2010. Meanwhile, global defence spending in government spending during this period was at the level of 6,5–7%.

4. Countries' defence spending and NATO's new strategy 2014–2023

On February 28, 2014, Russia militarily annexed Crimea and it subsequently became a part of the Russian Federation. On September 5, 2014, at the NATO summit in Newport (Wales), the Declaration stated that “We condemn in the strongest terms Russia’s escalating and illegal military intervention in Ukraine and demand that Russia stop and withdraw its forces from inside Ukraine”. In view of the new threats, decisions were taken to strengthen defence capabilities (14th point): “halt any decline in defence expenditure; aim to increase defence expenditure in real terms as GDP grows; aim to move towards the 2% (...)”. Paragraph 15 introduces some monitoring mechanism – *Allies will review national progress annually*. The next points 16–31 discussed NATO’s relations with Russia in the new situation [Summit, 2014].

Table 7. Defence expenditure (in % of GDP) of NATO countries 2014–2022

No.	Country	2014	2016	2018	2020	2022
1	Belgium	1,0	0,9	0,9	1,0	1,2
2	Canada	1,0	1,2	1,3	1,4	1,2
3	Denmark	1,1	1,1	1,3	1,4	1,4
4	France	1,9	1,9	1,8	2,0	1,9
5	Iceland	0	0	0	0	0
6	Italy	1,3	1,3	1,4	1,7	1,7
7	Luxembourg	0,4	0,4	0,5	0,6	0,7
8	Netherlands	1,2	1,2	1,2	1,4	1,6
9	Norway	1,5	1,6	1,7	2,0	1,6
10	Portugal	1,3	1,5	1,3	1,4	1,4
11	UK	2,2	2,0	1,9	2,2	2,2
12	USA	3,7	3,4	3,3	3,7	3,5
13	Turkey	1,9	2,1	2,5	2,4	1,2
14	Greece	2,4	2,6	2,7	3,1	3,7
15	Germany	1,1	1,2	1,2	1,4	1,4
16	Spain	1,3	1,1	1,3	1,4	1,5
17	The Czech Republic	1,0	1,0	1,1	1,3	1,4
18	Hungary	0,9	1,0	1,0	1,8	1,5
19	Poland	1,9	1,9	2,0	2,2	2,4
20	Bulgaria	1,3	1,2	1,4	1,6	1,5
21	Estonia	1,9	2,1	2,0	2,3	2,1
22	Latvia	0,9	1,5	2,1	2,1	2,0
23	Lithuania	0,9	1,5	2,0	2,1	2,5
24	Romania	1,3	1,4	1,8	2,0	1,7
25	Slovakia	1,0	1,1	1,2	1,9	1,8
26	Slovenia	1,0	1,0	1,0	1,1	1,2
27	Albania	1,3	1,1	1,2	1,3	1,6

No.	Country	2014	2016	2018	2020	2022
28	Croatia	1,8	1,6	1,6	1,7	2,2
29	Montenegro (2017)	-	-	1,4	1,7	1,6
30	North Macedonia (2020)	-	-	-	1,3	1,6
31	Finland (2022)	-	-	-	-	1,7
	Total NATO – 29, 30, 31	2,6	2,5	2,6	2,7	2,7
	World	2,3	2,2	2,2	2,4	ND

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

The adoption of such decisions meant that NATO countries could not reduce defence spending (as a% of GDP) and were expected to reach this spending level of 2% of GDP within a decade (by 2024). This also meant that the level of defence spending of NATO countries in the following years could not be lower than in 2014. From the data in Table 7, we see that the level of defence spending for most NATO countries after 2014 started to increase slowly, and we also see an upward trend and for NATO, which positively verified the first hypothesis.

In this complicated situation, Montenegro joined NATO in 2017, North Macedonia – 2020 and Finland – 2022.

Table 8. Defence spending (in \$ billion) by NATO countries from 2014 to 2022

No.	Country	2014	2016	2018	2020	2022
1	Belgium	5,2	4,3	4,8	5,3	6,9
2	Canada	17,9	17,8	22,7	23,1	26,9
3	Denmark	4,1	3,6	4,6	4,9	5,5
4	France	53,1	47,4	51,4	52,7	53,6
5	Iceland	0	0	0	0	0
6	Italy	27,7	25,0	28,4	32,9	33,5
7	Luxembourg	0,3	0,2	0,4	0,4	0,6
8	Netherlands	10,3	9,1	11,1	13,1	15,6
9	Norway	7,3	6,0	7,5	7,2	8,4

No.	Country	2014	2016	2018	2020	2022
10	Portugal	3,0	3,2	3,2	3,3	3,5
11	UK	67,0	53,3	55,8	58,3	68,5
12	USA	647,8	639,9	682,5	778,4	876,9
13	Turkey	17,6	17,8	19,6	17,5	10,6
14	Greece	5,5	5,0	5,8	5,8	8,1
15	Germany	44,7	39,9	46,5	53,3	55,8
16	Spain	17,2	14,0	17,8	17,4	20,3
17	The Czech Republic	2,0	2,0	2,7	3,3	4,0
18	Hungary	1,2	1,3	1,6	2,8	2,6
19	Poland	10,3	9,2	12,0	13,4	16,6
20	Bulgaria	0,7	0,7	1,0	1,1	1,3
21	Estonia	0,5	0,5	0,6	0,7	0,8
22	Latvia	0,3	0,4	0,7	0,7	0,8
23	Lithuania	0,4	0,6	1,1	1,2	1,7
24	Romania	2,7	2,6	4,4	5,1	5,2
25	Slovakia	1,0	1,0	1,3	2,0	2,0
26	Slovenia	0,5	0,4	0,5	0,6	0,7
27	Albania	0,2	0,1	0,2	0,2	0,3
28	Croatia	1,1	0,8	1,0	1,0	1,3
29	Montenegro – 2017	–	–	0,1	0,1	0,1
30	North Macedonia – 2020	–	–	–	0,2	0,2
31	Finland – 2022	–	–	–	–	4,8
	Total NATO – 29, 30, 31	949,6	906,1	989,4	1105,9	1237,2
	<i>US share of NATO spending in%</i>	<i>68,2%</i>	<i>70,6%</i>	<i>69,0%</i>	<i>70,4%</i>	<i>70,9%</i>
	World	1754,1	1649,0	1804,8	1946,8	2239,9
	<i>NATO share of world expenditure in%</i>	<i>54,1%</i>	<i>54,9%</i>	<i>54,8%</i>	<i>56,8%</i>	<i>55,2%</i>

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

The second research hypothesis that more prosperous countries have higher defence spending (in% of GDP) was verified for the period 2014–2022. For this purpose, the countries in Table 7 were classified into three groups according to GDP per capita and it stated that the average defence expenditure rate for the more wealthy group was 1.7%, for the middle group it was 1.6% and for the third group it was 1.7%, means that the results for the period 2014–2022 contradict the hypothesis.

From Table 8 we can see the values of defence spending (in \$bn), which show a decline after 2014 and then the increase until 2022. The share of US spending increased from 68.2% to 70.9%. NATO spending increased from \$949.6bn w to \$1237.2bn. NATO's share of global spending increased from 54.1% to 56.8%.

The per capita average defence expenditure ratio for NATO-28 over the period 2014–2022 has increased significantly, from \$470 in 2014, to \$641 in 2022.

Table 9. Defence expenditure (as % of government spending) 2014–2022

No.	Country	2014	2016	2018	2020	2022
1	Belgium	1,7	1,7	1,7	1,7	2,2
2	Canada	2,6	2,9	3,2	2,6	2,9
3	Denmark	2,1	2,2	2,5	2,6	2,9
4	France	3,3	3,4	3,3	3,3	3,4
5	Iceland	0	0	0	0	0
6	Italy	2,5	2,7	2,8	3,1	3,2
7	Luxembourg	0,9	0,9	1,2	1,2	1,6
8	Netherlands	2,6	2,7	2,9	3,2	3,7
9	Norway	3,2	3,2	3,6	3,5	3,8
10	Portugal	2,5	3,4	3,1	2,9	3,1
11	UK	5,3	5,0	5,0	4,3	5,3
12	USA	10,4	9,6	9,3	8,2	ND
13	Turkey	5,7	5,9	7,3	7,2	4,4
14	Greece	4,6	5,2	5,6	5,1	7,3

No.	Country	2014	2016	2018	2020	2022
15	Germany	2,6	2,6	2,6	2,7	2,7
16	Spain	2,8	2,7	3,0	2,6	3,1
17	The Czech Republic	2,3	2,5	2,7	2,8	3,2
18	Hungary	1,7	2,1	2,2	3,5	3,3
19	Poland	4,5	4,7	4,9	4,6	5,8
20	Bulgaria	3,5	3,8	4,2	4,2	4,1
21	Estonia	5,1	5,3	5,1	5,1	5,3
22	Latvia	2,5	4,0	5,4	5,2	5,2
23	Lithuania	2,6	4,4	5,9	4,9	6,4
24	Romania	4,0	4,5	5,6	5,2	5,0
25	Slovakia	2,3	2,6	3,1	4,3	3,8
26	Slovenia	1,9	2,2	2,2	2,1	2,5
27	Albania	4,2	3,8	4,0	4,0	5,1
28	Croatia	3,8	3,4	3,4	3,1	3,9
29	Montenegro	-	-	2,9	3,2	3,9
30	North Macedonia	-	-	-	3,4	4,6
31	Finland	-	-	-	-	3,2
	World	6,4	6,3	6,2	5,6	ND

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

In Table 9, we see large increases in the defence spending in government expenditure in 2022, while it was at a similar level in the 2014–2020 period. The level of this indicator for the world was at 6%.

The annexation of Crimea was condemned, but Russia suffered no consequences. This situation gave permission for the Russian Federation to take the next step – on 24 February 2022, it carried out an aggression against Ukraine and occupied its eastern territories.

The annexation of Crimea was condemned, but Russia suffered no consequences. This situation gave permission for the Russian Federation to take the next step – on February 24, 2022, Russia attacked Ukraine and occupied its eastern territories [Strategic, 2022].

More firm decisions were taken at the Vilnius Summit on July 11–12, 2023 [Summit, 2023: 27]. Consistent with our obligations under Article 3 of the Washington Treaty, we make an enduring commitment to invest at least 2% of our Gross Domestic Product (GDP) annually on defence”. The next point of the Communiqué detailed and clarified this: “28. We commit to invest at least 20% of our defence budgets on major equipment, including related Research and Development. We recognise this should be met in conjunction with a minimum of 2% of GDP annual defence expenditure” [Summit, 2023].

5. Conclusions

The defence spending (measured in % of GDP) of the member states, according to the strategy and decisions of the NATO summits, was to be at an adequate level to ensure the security of these countries and to fulfil the deterrence function through collective defence. NATO assumed that cooperation with Russia would improve the level of security, leading to a reduction in defence spending.

After the collapse of the USSR in 1990 and the establishment of cooperation with Russia, the international security situation improved, allowing NATO countries to reduce defence spending. This trend was reversed after the attacks of September 11, 2001, mainly by an increase in US spending, but spending by most European NATO countries continued to decrease, despite the fact that their absolute values were increasing. In 2006 the resulting divergences led to an agreement, for the time being in the form of a declaration, to set this spending at 2% of GDP. More decisive decisions of NATO were made in 2014 (after the annexation of Crimea) prohibiting further reductions in defence spending and achieving a 2% spending level by 2024. Following Russia's aggression against Ukraine on 24 February 2022, NATO countries committed to defence spending of 2% of GDP at the Vilnius Summit. In 2022, eight NATO countries (including Poland and the Baltic states) have already reached this level.

The analysis of defence spending positively verified the first hypothesis, which assumed that defence spending is influenced by NATO policy decisions and the security situation. The second hypothesis, which assumed that more

prosperous countries have higher defence spending (as % of GDP), was not confirmed. The analysis revealed that between 1990–1998 and 1999–2013 the situation was the opposite, while between 2014 and 2022 the average defence expenditure values of these groups of countries had similar levels.

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UKRAINE WAR REFUGEES IN LABOUR MARKET. EVIDENCE FROM NORTH-EAST POLAND

| Abstract

- ▶ *Goal* – the aim of the article is to identify and assess the labour activity of war refugees from Ukraine.
- ▶ *Research methodology* – the assessment was based on interviews conducted with working Ukrainian citizens who arrived in four North-East regions of Poland, which are also part of the eastern border of the European Union. Interviews with refugees were conducted using an author's questionnaire written in Ukrainian.
- ▶ *Score/results* – on the basis of the collected empirical material, it can be concluded that the refugees are people of working age and well educated, which made it easier for them to find jobs, albeit inadequate for their learned professions. Most of them make a living from the salaries they receive. Thus, they can be considered entrepreneurial and resourceful
- ▶ *Originality/value* – many studies have focused on analysing the impact of forced migration on the labour market in host countries, indicating its both positive and negative effects. At the same time, there is a shortage of scientific studies resulting from empirical research relating to the employment situation of Ukrainian immigrants

arriving in the country after February 2022. The issue of the labour market participation of Ukraine war migrants in Poland is still a relatively new research area, which requires systematic research and in-depth analysis in order to design the most effective measures.

| **Keywords:** Ukraine war refugees, North-East Poland, labour market, job satisfaction.

1. Introduction

The armed conflict in Ukraine, which has been ongoing since 2014, is an issue that is not easy to interpret. On February 24, 2022 Russia further escalated the Russian-Ukrainian war and launched a full-scale invasion of Ukraine. This large-scale offensive caused the largest refugee crisis since World War II, displacing some 7.9 million Ukrainians [Eurostat]. Most of them went to the neighbouring countries (e.g., Poland, Slovakia), as well as to the Baltic States, Germany and the Czech Republic. Of these countries, Poland was the most common destination due to its closeness and special Polish-Ukrainian relations. Geographically, Poland is Ukraine's gateway to Europe. Economically, Poland is also one of the most developed neighbouring countries [Wrona, 2019]. In addition, there are cultural and ethnic similarities between Ukraine and Poland. Therefore, Poland has naturally become a popular destination for labour migrants and now war refugees [Pham et al., 2023: 1317].

Many studies have focused on analysing the impact of forced migration on the labour market in host countries, which has both positive and negative effects [see: Braun, Mahmoud, 2014; Peters, 2017; Black et al., 2022; Brucker et al.]. At the same time, there is a shortage of scientific studies resulting from empirical research relating to the employment situation of Ukrainian immigrants arriving in the country after February 2022. The issue of the labour market participation of Ukraine war migrants in Poland is still a relatively new research area, which requires systematic research.

According to the Border Guard, since the beginning of the war, 15 244 million refugees have crossed the Polish border, of whom 13 527 million have returned to their country [Straż Graniczna]. The arrival in Poland of such a large group of refugees from Ukraine has become an extremely important challenge, but also an opportunity for the Polish labour market. According to the United Nations Refugee Agency, since August 2022, more than 6.3 million Ukrainian

refugees have settled in various European countries [Flash Appeal..., 2022]. However, which direction refugees choose, depends on their ability to find work, family or friendship ties (50% and 47% respectively, according to a report by the European Asylum Agency [Szymańska, 2023]).

According to I. Chmielewska-Kalicińska et al. [2023], people who have flown into Poland since 24 February 2022 have mostly been forced to move to the territory of Poland. Undoubtedly, the current migration is forced by the ongoing war in the country and is diametrically opposed to the labour migration prior to the war, when free choice and lack of coercion constituted a different situation – significantly different from having to flee one’s homeland; which is undoubtedly a difficult situation both legally, socially, professionally, livelihood-wise and emotionally. Firstly, in May 2014, Poland introduced a uniform temporary residence/work permit for Ukrainians, causing a large outflow of Ukrainian workers to Poland. Secondly, in June 2017, the European Council and the European Parliament decided to abolish visa requirements for Ukrainians wishing to enter Poland [Wrona, 2019]. Thirdly, since January 2008, seasonal workers from Ukraine have been able to work in certain agricultural and hotel services in Poland without restrictions, and the process of obtaining a work permit has been simplified [Brunarska et al., 2016]. Thanks to these policy changes, some of 1.35 million Ukrainians were working in Poland before the Russian invasion in 2022 [Duszczuk, Kaczmarczyk, 2022: 164–165], and the number of Ukrainian migrants in Poland increased after that point. People from Ukraine who have obtained the status of a war refugee may benefit from a wide range of services provided by labour market institutions [Łojko et al., 2022].

War refugees from Ukraine assimilate well in the Polish labour market. Nevertheless, the mismatch between job offers and their professional qualifications remains a problem [Flash Appeal..., 2022; *Voice of Ukrainians...*, 2022]. Research conducted by J. Gromadzki and P. Lewandowski [2023] shows that the employment rate of refugees is relatively high, especially given the challenges of childcare and language barriers. However, most of the refugees work in inadequate professions. Similar results were obtained by D. MacDonald [2019].

The main aim of the research is to identify and assess the labour market activity of refugees from Ukraine arriving in North-East Poland. The choice of the research area is a deliberate procedure, since these regions are on the front line of receiving war migrants from Ukraine, and at the same time they constitute the north-east part of the EU border.

2. Research methodology

In the context of the main aim of the study, the following specific objectives were set:

1. diagnosis of Ukrainian labour market activity;
2. identification of determinants of immigrants' labour activity;
3. outlining recommendations addressed to labour market institutions, business entities and business environment institutions.

The research area was covered in the North-East Poland consisting of 4 regions: Warmińsko-Mazurskie (W-M), Podlaskie (PL), Lubelskie (L), Podkarpackie (PK) (Figure 1).

Figure 1. Geographical coverage of the study area



Notes: W-M – Warmińsko-Mazurskie, PL – Podlaskie, L – Lubelskie, PK – Podkarpackie
 Source: the authors' own work.

The authors of the research used literature studies and descriptive statistics. In the first part, an extensive review of literature (desk research) focusing on the labour market during the war time was conducted to identify determinants of migrant labour force participation in four selected regions of North-East Poland. The information cited in the literature was selected to be included in the questionnaire.

In the second part of the research, a questionnaire was developed to collect quantitative data. A survey was conducted among 200 war refugees from Ukraine. In order to better understand the needs of the target group of the war refugees, there is a necessity to develop an adequate and comprehensive questionnaire for them. The questionnaire comprised 28 questions (11 questions on the professional activity and job satisfaction, 9 questions to bring socio-economic situation of the refugees and 8 questions regarding the background information on the general characteristics of the war refugees). The content validity of questionnaire items was evaluated by 3 scientific experts. Subsequently, a pilot test was conducted to assess how well the research instrument works. To increase the variety of respondents, the questionnaire was translated into Ukrainian.

Data from the respondents were collected in parallel using a mixed-mode approach: mainly CAPI (Computer Assisted Personal Interview) and CAWI (Computer Assisted Web Interview) techniques and in isolated cases CATI (Computer Assisted Telephone Interview). Respondents were recruited by field interviewers in the vicinity of workplaces employing Ukrainian citizens and their places of residence. Using the CAPI technique, the interviewer asked questions during a “face-to-face” meeting with the respondent, while the Computer Assisted Web Interview (CAWI) was conducted using an electronic survey. Information was posted on aid portals dedicated to refugees from Ukraine in the four regions accepted for the study. During interviews with the first recruited respondents, they were asked to provide telephone contacts to their colleagues in a similar situation (snow-ball method).

Fifty surveys were conducted in each analyzed region. This assumption was realized with slight deviations (Table 1). Respondents were categorized, among others, by gender, age and occupation, and business entities in which respondents work – by type of business, form of ownership, industry and size expressed in number of employees. The survey was conducted in June/July 2023.

Table 1. Number of filled questionnaires in regions

Region	Country	Number of filled questionnaires	Percentage
W-M		50	25.0
PL		46	23.0
L	Poland	47	23.5
PK		57	28.5
Total		200	100

Source: the authors' survey.

3. The results

3.1. Demographic characteristics

Ukraine war refugees are mainly women (75.5% of the total respondents). Among all the respondents, 98,5% are of working age. The vast majority of respondents have completed secondary and higher education (response rate of 21.0% and 52.5%, respectively), including one person who holds a doctorate, but did not disclose in which field of science. The largest number of people with higher education were surveyed in the PK region (61.4%) (table 2).

Engineers and economists are the most represented among the respondents (16 and 15 respectively). There are also 8 teachers (of humanities, mathematics and economics, Ukrainian language and literature). The occupations given in each of the 4 surveyed regions included: a teacher, an economist, a lawyer, an engineer and a cook. One person working as a medical representative nostrified his diploma and obtained a master's degree in biotechnology, and two people acquired the profession of a medical caregiver already in Poland. It should be emphasized that the presented analysis of the respondents' professions is not complete, as nearly half of the respondents did not specify their learned profession. Fifteen percent of the respondents said they left their country for the war period, and 152 could not specify their return to their homeland. Among other responses, 7 people said they wanted to stay in Poland forever.

Table 2. Demographic characteristics of the respondents

Demographic characteristics		Total		Region							
				W-M		PL		L		PK	
		NoR*	%	NoR	%	NoR	%	NoR	%	NoR	%
Gender	female	151	75,5	33	66,0	37	80,4	37	78,7	44	77,2
	male	49	24,5	17	34,0	9	19,6	10	21,3	13	22,8
Age	18-44	129	64,5	28	56	31	67,4	34	72,3	36	63,2
	45-60/65	68	34,0	20	40	15	32,6	13	27,7	20	35,1
	60+/65+	3	1,5	2	4	0	0,0	0	0,0	1	1,8
Education	elementary	22	11,0	5	10,0	5	10,9	4	8,5	8	14,0
	technical	31	15,5	8	16,0	9	19,6	8	17,0	6	10,5
	secondary	42	21,0	16	32,0	6	13,0	12	25,5	8	14,0
	university degree	105	52,5	21	42,0	26	56,5	23	48,9	35	61,4
Profession	engineer	16	8,0	4	8,0	3	6,5	4	8,5	5	8,8
	economist	15	7,5	1	2,0	4	8,7	3	6,5	7	12,3
	teacher	8	4,0	2	4,0	1	2,1	2	4,2	3	5,3
	lawyer	6	3,0	1	2,0	1	2,1	2	4,2	2	3,5
	other	61	30,5	20	40,0	17	37,0	11	23,4	13	22,8
	no answer	94	47,0	22	44,0	20	43,6	25	53,2	27	47,3
Duration of stay	wartime	31	15,5	6	12,0	5	10,9	10	21,3	10	17,5
	in shortest	5	2,5	1	2,0	1	2,2	2	4,3	1	1,8
	don't know	152	76,0	40	80,0	36	78,3	33	70,2	43	75,4
	other	12	6,0	3	6,0	4	8,7	2	4,3	3	5,3

* number of respondents

Source: the authors' survey.

3.2. Ukrainian' labour market activity

Most of the surveyed people (67.0%) were working professionally before fleeing to Poland, where they began a new stage of professional work. They were employed mainly as salesmen, in housekeeping, as simple workers and as industrial workers (33, 25, 24 and 20 people, respectively). University degree graduates constituted the vast majority of the respondents. In addition, 14 people described their job position as medium technical staff, 13 people each worked as clerks, machinery operator and in “teaching professions” (mainly as aid assistants in the education of Ukrainian children). A detailed list of the performed jobs (professions) is shown in Table 3.

Table 3. Labour activity of the respondents

Labour activity	Number of respondents	Percentage
PROFESSION		
specialist	12	6,0
agricultural work	4	2,0
salesman	33	16,5
medium technical staff	14	7,0
clerk	13	6,5
industrial worker	20	10,0
worker in construction	7	3,5
craftsman	1	0,5
machinery operator	13	6,5
driver	1	0,5
straightforward work	24	12,0
medical profession	2	1,0
teacher	13	6,5
housekeeping	25	12,5
others	18	9,0

Labour activity	Number of respondents	Percentage
LEGAL BASIS OF THE PERFORMED WORK		
work agreement	31	15,5
commission agreement	21	10,5
employment contract	105	52,5
work illegally	43	21,5
NATURE OF THE PERFORMED WORK		
permanent job	82	41,0
work through an Employment Agency	31	15,5
seasonal work	38	19,0
odd job	19	9,5
employment contract for a trial period	25	12,5
other	5	2,5
FORMS OF JOB SEARCH ACTIVITY*		
training	47	23,5
following up on press announcements	148	74,0
personal visits to companies	39	19,5
sending CV	75	37,5
asking friends	97	48,5
registration at the labour office	52	26,0

* the respondents could choose more than 1 answer

Source: the authors' survey.

More than half of the working refugees were employed on the basis of an employment contract (52.5%) (Table 3). This form of work was dominant in large enterprises and such contracts were concluded most often with people with vocational education (58.1%). The larger the enterprise, the higher the percentage was of those employed in the form of an employment contract (from 47.8%

in micro entities to 73.9% in large entities). There was a similar relationship between employment in this form and the level of education, i.e. the higher the level of completed education, the higher the percentage of employment (31.8% – primary education, 47.6% – secondary education, 57.7% – higher education). The largest number of refugees were employed in L region (63.8%), and the smallest in W-M region (42.0%).

One in five refugees performed work illegally. This form of employment dominated in micro entities (19.6%) and decreased with the size of the enterprise. In small enterprises, 16.3% of refugees work illegally, and in medium-sized enterprises – 7.7%. None of those employed in large enterprises worked outside the formal system of employee records. The largest numbers of refugees were employed in this form in the W-M region (30.0%). The respondents also performed work in the form of work agreement and commission agreement.

Less than a half (41.0%) of Ukraine war refugees were permanently employed (Table 3). There were similar correlations as in the legal basis of employment. The highest number of those in permanent job was for refugees with vocational education (48.4%), and that the number of the employed in this capacity increased with the level of education (from 22.7% with primary education to 42.3% with higher education). There was also a similar relationship between permanent job and the size of the enterprise – as the size of the enterprise increased, the percentage of permanent employees increased (from 37.0% in micro entities to 69.6% in large entities).

The main impediment to efficient work performance was language problems (52.5%). One in five respondents indicated the incompatibility of their work with their learned profession, and one in ten, the negative attitude of co-workers, limited trust of the immediate manager and cultural differences (11.0%; 10.5% and 10.5%, respectively). Individuals mentioned: “intimidation, where I work, collision between work schedules and raising young children, upcoming school vacations, low pay for hard work, limited trust in the manager, very hard physical work, and commuting very early in the morning due to such working hours”.

Almost 40% of the employed refugees (38,5%) were looking for new employment – mainly, these were workers with a university degree and jobs incompatible with their learned profession (Table 3). The largest number of seekers (57 people) followed advertisements in local media and on websites dedicated to refugees.

3.3. Determinants of refugees' labour activity

One of the determinants of refugees taking up and continuing to work in Poland is the level of job satisfaction. It can be concluded that 45.0% of the respondents are satisfied with their jobs. Men were more satisfied (59.2%) especially those employed in microenterprises (56.6%) operating in the W-M and PL regions (52.0% and 50.0%, respectively). The least satisfied with their work were identified among those employed in large enterprises (34.8%). Nearly one in four respondents stated that they were not satisfied (24.0%), and less than one in three could not determine the degree of their satisfaction (Table 4).

Table 4. Job satisfaction

Are you satisfied with your work?	Number of respondents	Percentage
Yes	30	15
Rather yes	60	30
Hard to say	62	31
Rather no	28	14
No	20	10
SOURCES OF JOB SATISFACTION*		
Low burden of additional duties	40	20
Interesting job	33	16.5
Career opportunities	19	9.5
Good relations with co-workers	68	34
Good relations with superiors	45	22.5
Satisfactory pay	64	32
Good working conditions	47	23.5

* the respondents could choose more than 1 answer (*)

Source: the authors' survey.

The respondents identified the sources of job satisfaction. The highest ratings were given to good relations with co-workers (34.0%) and to satisfactory

pay (32.0%). Those with a high school education are most satisfied with the amount of salary they receive (42.9%). What is more, men are more satisfied than working women (42.9% and 28.5%, respectively). Those with primary education rated low their relation with their superiors.

Job satisfaction has significantly increased by the opportunity for professional development. Only 9.1% of respondents described it as good. The lowest ratings were given to professional development opportunities. Only 9.5% of respondents confirmed participation in professional training. Those employed in entities operating in the L and PK regions were the most critical in this regard (6.4% and 3.5% participating in training, respectively), as well as those with primary and secondary education (9.1% and 3.2%, respectively). A low percentage of working refugees in professional development were reported by those employed, regardless of the size of their enterprises.

Table 5. Employee characteristics valued by Polish employers*

Characteristics	Number of respondents**	Percentage
Hardworking	131	65,5
Esperience	29	14,5
Quick adaptation	58	29,0
Loyalty	14	7,0
Modesty	35	17,5
Hard to say	41	20,5

* according to the Ukraine war refugees

** the respondents could choose more than 1 answer

Source: the authors' survey.

Employee characteristics valued by employers are also an important component of job satisfaction (Table 5). According to the majority of employees from Ukraine (65.5%), Polish employers value in them, above all, hardworking. At the same time, they believe that their loyalty to their employer is valued the lowest. Individuals also mentioned other qualities that are not actually attributes, but rather their perception as “cheap labour, workers who can be paid less, and those who will agree to work jobs rejected by Polish employees”.

4. Conclusions and implications

The war caused by Russia in Ukraine has led to the largest refugee crisis in Europe since the Second World War. It is unclear whether the war will escalate and how long it will last. Nevertheless, it is necessary to introduce a comprehensive strategy to manage the situation, mitigate threats and use the potential opportunities. A key area that has been identified in this research is the labour market. The research conducted on labour activity corresponds with other surveys conducted among the Ukraine war refugees [see: OECD 2022; OECD 2023; FRA 2022; Brucker et al., 2023; Mrugała et al., 2022; Ociepa-Kicińska et al., 2022].

The empirical material collected in the research made it possible to formulate the main conclusions. Refugees with higher education have the most favourable situation on the labour market in selected regions of Poland. It is expressed in the conclusion of an employment contract having the character of a permanent job. The survey noted directly proportional relationships between:

- the size of the enterprise and the legal form of employment (employment contract);
- the size of the enterprise and the nature of the work performed (permanent job);
- the level of education and the legal form of employment (employment contract);
- the level of education and the nature of the performed work (permanent job).

The diagnosed situation is assessed positively for both employees and employers. For the former, it gives a greater chance of permanent and longer employment, and for the latter, because an employment contract and permanent work can have a greater impact on motivation to work more effectively.

Among the refugees there are those working illegally. An inversely proportional relationship was noted between the size of the enterprise and the number of employees without an employment contract. The practice of hiring without a written employment contract is viewed negatively, as it is a form of depriving the employee of his salary.

The main impediments to the smooth performance of work by refugees are language problems and the incompatibility of the work performed with the learned profession. The diagnosed condition is not favourable for both employers and employees – for employers because the productivity of employees is lower,

and for employees because it can demotivate them to perform their assigned tasks more efficiently.

The Ukraine war refugees are enterprising people, as they take up work to earn the salary for it is their main source of livelihood. The survey shows that the refugees want to improve their language skills and professional skills, and they are looking for jobs more relevant to their learned profession.

Based on the results of the study a few recommendations for labour market in Poland were designed:

1. employment practices in the form of a permanent job are the most employee-friendly, as they provide relatively stable employment and thus increase motivation to work. Therefore, it is recommended that they should be used as widely as possible by employers;
2. in order to eliminate employment in the form of undeclared work, employers are encouraged to act in accordance with the concept of corporate social responsibility (CSR). Another recommendation should be to increase employers' control over the legal forms of employing foreigners and to show employers and employees the adverse consequences of undeclared work;
3. launching Polish language courses by employers and at their expense, as well as in-service training courses, is crucial to the effectiveness of the work provided by the refugees to Polish employers;
4. Polish employers should increase the employment of the refugees adequate to their learned profession, which should result in increased employee productivity and job satisfaction.

It is necessary for the Polish regional authorities to develop certain policy measures and strategies in public and private sectors of labour market. Improved accessibility to work, clarity of legal regulations regarding the employment of war refugees, access to language courses, as well as training to improve professional skills, educating employers about hiring Ukrainian refugees, are just a few important issues that should be taken into account if Polish regions want to create effective labour market policies aimed at hiring Ukrainian workers. That may be a good practice for other European regions wishing to open up to Ukraine war refugees.

It is disclaimed that, despite efforts, this study does not exhaust all aspects of the issue. Therefore, the obtained results should be interpreted taking into account the specificity of the described assumptions and ranges. Considering that

the conducted study included a sample of 4 regions of the North-East Poland, this limits the generalizations that can be drawn from its results. At the same time, it should be emphasized that the presentation of a profile of an Ukraine war refugee – his/her opinions on the labour market activity in Poland, is an important contribution to future research, not only conducted in more regions, but also extended to other countries. The most interesting research questions in the context of the further development of the labour market are: Which European regions will attract the most refugees looking for work and why? How will the demand and supply of labour change in the context of the influx of refugees from Ukraine? Do social programs supporting refugees from Ukraine affect the employment they undertake? These are the questions we are going to try to answer in the near future.

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DETERMINANTS OF EUROPEAN ECONOMIC DEVELOPMENT: FROM PANDEMIC TO WAR AND SANCTIONS

| Abstract

- ▶ *Goal* – to analyze the influence of the main determinants in the development of the European economy at the beginning of the 3rd decade of the 21st century.
- ▶ *Research methodology* – the article includes both an analysis of the ideas and views on economic processes of the world's leading theorists and practitioners of economic science, and confirmation of the conclusions made on the basis of data from international organizations and institutions (Eurostat, ECB, IMF, FRS, etc.).
- ▶ *Score/results* – the coronavirus lockdowns are highlighted as the first determinant. The second determinant was specially created by the authorities of the EU countries and provided a unique financial stimulus for the economy in order to prevent a chain reaction of demand contraction. The third determinant was expressed in the acceleration of inflation. Its consequence was, to a large extent, the turmoil in the banking sector. Russia-Ukraine war and the sanctions that followed have added to the uncertainty. These four determinants have accelerated the change in business cycle phases and changed some of their typical characteristics. As a result, the authorities are forced to find a balance between curbing inflation and preventing recessions with the help of very fine regulation.

- ▶ *Originality/value* – the article represents one of the attempts to look at the ongoing processes through the prism of economic theory in order to form the basis for further actions.

| **Keywords:** economic growth, economic development, business cycle, economic policy, inflation, sanctions.

1. Introduction

Growth successes and the stability of many parameters in the early 2000s led to two important phenomena in the world of economy and science. These are assumptions about the normality of growth and development and the gradual disappearance of large fluctuations in the economic activity. Suffice it to mention the Nobel Prize for 2004, awarded to F. Kydland and E. Prescott for the theory of the real business cycle, which denied the importance of financial shocks as triggers of crises [Prescott, 2004]. It is paradoxical that the theory lived without interference for only four years until the financial crisis of 2008, after which a severe recession started. The struggle with the recession dragged on for several years. In the course of this, new quantitative easing approaches were used, which brought Ben Bernanke the Nobel Prize in 2022, but already for the fight against banking crises [Bernanke, 2022].

As a result, the exit of the developed countries of Europe from the crisis into the rise of the second decade of the 21st century turned out to be rather peculiar: a long period of credit contraction under the influence of Basel III; relatively weak investment recovery; way out of the debt crisis instead of entrepreneurial expansion. The European economy has approached the fateful year 2020 in an unusual state. Growth did not indicate an overheating of the economy, commodity prices were rather stable, interest rates were low, debts were traditionally high, but stable. True, global regulation in the world was clearly in decline, and there were not too many achievements in these areas. So, strictly speaking, there was no big overheating by 2020, but friction between countries was already significant, and coordination of actions on climate and other areas was weak.

The shock of the lockdowns in Europe came on the broad back of the 2020 recovery. This is an amazing development: the massive lockdowns of Q2 and Q3 2020 disrupted the logic of the recovery in several ways, and this happened before the economy overheated, interest rates skyrocketed and beyond similar. But a key feature of the crisis itself meant that the recovery was interrupted not

only before a liquidity squeeze and one trigger or another, but before the significant accumulation of imbalances and excessive debt growth. The long period of credit crunch and rather strict Basel III measures generally gave the impression that a normal recession could take the form of a growth cycle.

B. Bernanke's work on understanding the experience of the Great Depression in the United States in 1929–1933 turned economic thought from the need for rigidity in the financial system to easing monetary policy. And the European economy has lived in this somewhat artificial environment of low interest rates under the control of the Basel tightening of credit until 2019. This created a regime not only of low inflation and interest rates, but also of large debts and low deposit rates. Now the rise in interest rates for other (anti-inflationary) reasons creates the effect of a suddenly discovered bubble. In an environment of high inflation and uncertainty for regulators and economists, one can turn to Friedrich von Hayek's Nobel Lecture on December 11, 1974. In it, already during the then crisis, he noted something quite relevant for the current situation in Europe [Hayek, 1974].

2. COVID-19 lockdowns: things could be worse

In relation to the foreseeable past, we see that periods of rapid economic growth had both their drivers and their shocks. After World War II, we saw the rapid growth of the United States, Western Europe, and Japan in the 1950s and 1960s, then the consumer booms in the oil-exporting countries after 1974, and then the Asian tigers. The Eastern European countries (Soviet Union and COMECON) gradually slowed towards the end of the 1980s, but at the same time Japan stagnated and the growth slowed down in the European Union, which tried to solve this problem through expansion as soon as the opportunity appeared after the collapse of the planned economy in the Eastern Bloc. In the 1990s, the markets of Russia and other former socialist European countries opened, which initiated an influx of cheap skilled labor and raw materials, which was comfortable for exporters of manufactured goods. Immediately, the gigantic mechanism of growth and export of China, and then India, turned on. So the composition of growth factors has changed every decade and a half, but global growth has generally retained its parameters.

Against this background, the conditions for the functioning of the global business cycle were modified. Fluctuations in business activity themselves never

stopped, although the two world wars and the Great Depression produced such shocks that had long-term consequences for both structural shifts and fluctuations in activity, however we classify them.

In the 2000s, despite the severe recession of 2008–2010, as well as the growing imbalances in the world economy and difficulties in global governance, there was no high inflation in Europe. But in March 2020, lockdowns threatened to shut down the services sector, crash jobs and artificially squeeze liquidity. A sudden non-economic shock in the form of a stoppage of services, especially transport and tourism, is something completely opposite to the usual entry into a crisis phase through a squeeze on liquidity and consumption of durable goods [IMF, 2020].

The first lockdown shock, for the first time in the history of crises, paralyzed a significant part of the European service sector: especially tourism, travel and leisure. The European economy, one might say, was lucky that the pandemic did not fall during a period of normal liquidity contraction, when the chain reaction of falling production, falling financial markets and bankruptcies would be exacerbated by the contraction in economic activity due to lockdowns. Also, the rate of contraction of activity played a rather positive role, since the resources of the financial authorities were not depleted by lengthy attempts to prevent a recession. While the recession quickly spread to most industries, from services to commodity markets, it was for businesses and households that had been in a normal upswing just yesterday. It was an object of anti-crisis regulation in the best condition of those that could be in such a situation. The overall high debt, in particular the state, could not be discounted, but the threatening situation in all areas required a broad anti-crisis experiment to prevent a severe crisis on an unfinished upswing [FRE Data, 2023].

In a more practical sense, lockdowns caused a drop in employment and income in the European service sector, for small and medium-sized businesses, for personal consumption, and in addition, resulted in a contraction in accumulation and commodity production, that is, the liquidity of contraction, there was a decrease in spending, characteristic of an acute crisis stages. Sectors and spheres of economic activity were affected extremely unevenly. In the area of capital investment, significant declines were seen in tourism (postponed projects) and hydrocarbon production (cancelled projects).

The determinant of lockdowns and the decline in economic activity immediately caused the emergence of the second determinant of fiscal and savings financial incentives for businesses and the population. The speed and drastic

nature of the lockdowns and fiscal stimulus, introduced almost simultaneously, were quite extraordinary. The fiscal incentives of the financial authorities were aimed at supporting the poor segments of the population of Europe, but some of it also went to the wealthy. In the US and the EU, the total savings rate of the population jumped in the second quarter of 2020 from 10–12% of disposable income to 24–25%. These huge financial resources were partially visible in the financial markets, giving stability to stock indices uncharacteristic of crises. But they also appeared in consumer markets: in the purchase of durable goods and in housing construction in a number of developed countries, which was supported by low mortgage rates.

3. Fiscal stimulus and rising inflation: something went wrong

The second determinant of 2020 is the massive fiscal and monetary stimulus through the injection of cheap money during the COVID-19 lockdowns, which created a simulation of bailout financing within one to two quarters of that year. In 2020, the European countries, without much scientific debate, took an innovative approach to flood the credit crunch with cheap money. And after a huge injection of funds by the financial authorities, everything about this crisis became unusual: high stock prices, incentives for a housing boom, a decrease in firm bankruptcies, despite a significant drop in GDP. The growth of involuntary savings among the more affluent segments of the population in connection with the deferred consumption of services is also of fundamental importance.

This situation quite clearly shows the first panic injections of liquidity into the economy from the ECB in the first 5–8 months of the crisis in 2020, and then the continuation of injections, which took a total of two and a half years until June 2022 [ECB; Board of Governors of the FRS, 2023]. The ECB managed to prevent the development of a liquidity squeeze and the transition to a financial crisis. Further, monetary policy supported the recovery of production and consumption in the commodity sectors and financial markets, while the recovery in the services sectors was relatively delayed. After a short stabilization, the process of an outflow of financing and an increase in the cost of credit began, and continued until March 2023. The external shock of the pandemic set in motion a “carousel” of the cycle, which seemed to spin three times faster and circled in three years instead of nine or more years.

In early March 2023, the banking crisis in the United States, Switzerland, and possibly other European countries presented financial regulators with a difficult choice: either step up the fight against inflation or repeat quantitative easing, albeit on a much smaller scale. This was due to the need to quickly respond to inflation with the growth of the economy. There is an addiction process in 2019–2021 concerning the financial sector, in particular the banking sector, to relatively low interest rates on long-term government bonds, which are considered non-defaultable and acceptable to the most cautious investors [OECD, 2023]. However, the sharp increase in key rates of central banks: up to 3.5% (ECB) and 5% (FRS) means that liabilities are becoming more expensive at a faster rate than low-cost 10-year bonds in assets are being refinanced. Now a host of financial institutions are trying to close gaps in returns on long-term assets and sources of funds that are rapidly expanding.

4. EU switch from climate programs to energy security

The third determinant is the early rise in commodity prices as early as late 2020, which was associated with three factors: a marked recovery in the commodity sectors of the economy, an abundance of cheap money in the economy, and the consequences of underinvestment in traditional energy industries since 2012 and especially in 2020. This determinant has developed in the oil and gas sector, has given impetus to the renewable energy and coal sectors, and along the way has complicated the food situation in the world. The accelerated energy transition announced around the world will likely be slower than previously expected, not only due to technology constraints, but also due to a lack of global coordination, dispersal of the goals of the main players, and increased complexity mobilization of financial resources for the purpose of leveling climate threats.

The determinant of high energy prices has become more or less a natural result of a rapid recovery in commodity markets with cheap credit and falling investment in hydrocarbon production. Something similar happened in 2003–2008. In this case, the effect was enhanced by four circumstances. Firstly, the long-term political pressure of government officials and greens on business: for renewable energy and against hydrocarbons. It can be said that the EU overdid it in the struggle for renewable energy with the breakdown of global governance. Secondly, a liberalized market benefits consumers in a buyer's market. Thirdly, in 2021 there was the first natural crisis in the supply of RES in Europe (and not only). And fourthly, Russian Gazprom was considered responsible for the rise in prices.

The energy transition as a way to support growth in the future and a new source of demand, certainly has good prospects, but the speed of inclusion and the intensity of the impact of this factor have their own logic and limitations. The lack of mature commercial technologies and their production capacities is perhaps a difficult constraint for the rapid spread of the green transition. Declarative statements about the speed of the impact of this transition on the economic recovery are usually very optimistic, but the restrictions on finances that are immediately needed for anti-crisis purposes, replacement of existing capacities in the energy sector, etc., are assessed much more cautiously. And there is less and less time left for humanity to solve this problem.

The underinvestment in the oil and gas sectors has been going on for a long time. Goldman Sachs noted on the eve of the banking crisis that underinvestment in oil refining in the world is permanent [Goldman Sachs, 2023]. A report by the Institute of Energy and Finance shows an increase in global oil and gas investment in 2022 to \$499 billion. This is above the level of 2019, but not enough in the medium term. Non-OPEC production could drop significantly by 2025 and 2030 [IEF, 2023]. So the pressure on prices from the industry in general remains for objective reasons, in addition to political tension and uncertainty.

Be that as it may, against the backdrop of initially low inflation of industrial goods and services, the energy industry (together with violations of supply logistics and the labor market) gradually “unwound” inflation in the US and the EU. A mild winter and a decrease in gas consumption in the EU due to savings of expenditures and the closure of some industrial enterprises caused a reduction in gas prices by March 2023 to a level of about \$500 per thousand cubic meters. This indicates that a similar price cut could have occurred in the spring of 2022 if not for the war.

The development of inflationary processes in 2021–2023 in the EU took place despite the increase in interest rates. Apparently, we will have to state that the change in the growth regime from low to high inflation rates, has its own patterns, which cannot be quickly stopped by turning the “faucets” of the interest rate of central banks. After two years of price growth, indexation mechanisms are activated that reinforce this process. And inflation for two years looks very serious [OECD, 2023]. The persistence of inflation puts monetary and political authorities in a difficult position, and the social aspects of the problem will affect every electoral event.

Due to a series of unpredictable events and attempts by regulators to quickly respond to them, the picture of the last three years has acquired a recognizable amazing character. Decision-making mechanisms in companies and even families

that form their inflation expectations work more slowly and rationally. These players translate the intentions of the regulators into their actions not as quickly as they would like, but with lags and/or inertia, with waiting. As a result, we see inertia on the side of inflation, deceleration of investment. By March 2023 (exactly three years after the lockdowns) there was a risk of recession: even if the looming threat of a banking crisis did not materialize.

EU investment in reducing the consumption of Russian hydrocarbons and the costs of this are not equivalent to an effective fight for the climate. A recent Synthesis Report of the Intergovernmental Panel on Climate Change indicates that in order to limit the increase in temperature within 1.5°C, it is necessary already in the 2020s. to take radical steps: everything must be decided before 2035 [IPCC, 2023]. It seems that the lack of global coordination and the escalation of conflicts will lead to a huge increase in the costs of adaptation to the effects of climate change with warming of 2 °C or more. To some extent, this is the result of the third and fourth determinants, the effect of which will be felt for a long time for three reasons: this is the temporary switching of projects in the world to traditional sources (including the USA and China); focus on energy security (each has its own) in many regions of the world; limited financial opportunities with the aggravation of social and debt problems of states.

The EU's de facto switch from climate programs to energy security is a slow-down in efforts to prevent climate change. The decision to move out of dependence on Russian energy supplies has brought some commercial benefits to American, Norwegian, Arab and African natural gas suppliers. True, switching to LNG means a 25% increase in greenhouse gas emissions compared to pipeline gas. The consequences of all the events related to the switching of gas transportation in 2022 and the prices for it, led to an increase in the cost of gas imports to the EU from \$80.5 billion in 2021 (31 billion in 2020) to \$290.5 billion, and the price of gas for retail consumers in the EU as a whole increased by 30% [Eurostat, 2023].

5. Russia-Ukraine war and the subsequent sanctions: it will be bad for everyone

The fourth determinant regards the wide-ranging economic sanctions against the Russian economy for military invasion of Ukraine in 2022. Sanctions against the Russian economy have been introduced since 2014, and in particular, since

March 2022. Elements of global planning in the sanctions process have resulted in a reorientation of areas for cooperation and development. Elements of the global regulator were expressed in bans on certain shipments and deliveries with the introduction of control over them. The world community was unable to establish a clear coordination of development within the framework of the UN Sustainable Development Goals of 2015 and did not demonstrate impressive results in the fight to preserve the planet's climate. But on sanctions, a certain coordination has been established, at least among the G7 countries and the EU.

For an economic analysis of the effects of the Russian invasion in Ukraine, we will focus on several key positions related to the problems of the global economy. By the latter, we mean both the G7 countries themselves, the EU, the OECD, which imposed sanctions against Russia, and the entire economy of the world as a whole as an inevitable recipient of the consequences. The Russian economy is 1.5–2% of the world GDP. A fall in Russia's GDP by 2% means a change in only thousandths of the world GDP.

Regardless of the political reasons for the sanctions and the intentions and of the governments regarding their results, it can be stated that the choice was made by government officials. It was produced very quickly and within the limits of their ideas about the nature of the world economic relations, Russia's place in them and its stability. This meant intrusion into the processes of trade, financial flows and expectations of companies and investors, as well as administrative influence on the energy sector. The blocking of Russian financial reserves and transactions of financial institutions, the ban on the import of goods and technologies, restrictions on the export of Russian energy resources to the G7 countries and the EU automatically meant a multi-level impact on world economic processes.

We note here the applicability of W.R. Ashby's theorem on the nature of the stability of large systems with a large number of subsystems and interconnections. In such systems, the impulse is transferred between subsystems and it is extinguished longer than in the systems with weak couplings. An example of the net cost of sanctions is the administratively conditioned reorientation of oil exports from the Persian Gulf countries from India and China to Europe, and from Europe to India and China. This is an increase in transportation distances, risks, insurances and costs with the same global oil consumption as a whole. The same applies to a host of other commodities, which creates additional risks for companies in the field of capital investment [IMF, 2023].

The first category of sanctions regarded the restriction of exports of various industrial goods to Russia. It is possible to calculate the effects of trade multipliers, but they do not seem dramatic for the exporting countries, although they are certainly painful for exporting companies.

One can speak with great caution about the loss of growth due to the sanctions themselves and the whole complex of uncertainty. In the spring of 2023, it was still difficult to assess the slowdown in the global economy in the medium term. But the decline in growth rates due to sanctions can be shown by the example of developed countries, taking 2022 and reducing forecasts for 2023. For the Eurozone, the IMF forecast from January 2022 promised GDP growth of 3.9% in the same year, but in fact it was 3.5%; for Germany, the forecast assumed 3.8%, but in fact it was 1.8%; for all the developed countries, the forecast and actual growth rates were 3.9% and 2.7%, for the USA 4% and 2.1%. As for 2023, we can compare two forecasts for it from January 2022 and April 2023. They give the following figures: world: 3.8% and 2.8%, respectively; USA 2.6% and 1.6%; Eurozone 2.5% and 0.8%; Germany 2.5% and -0.1% [IMF, 2023].

While there is a risk of harsh judgments on such an important issue, we can talk about a loss of one percentage point of global growth in 2022–2023, and much more for the Eurozone and Germany, which accounted for the main costs and problems in the fields of inflation, energy and gas industry. This is an unpleasant, but, in general, an obvious fact. The channels of inhibition are clear: the uncertainty of investments and their decline, high interest rates on long-term loans, high energy prices. In the future, it will be clear how inflation, the rising cost of capital and uncertainty have affected economic growth. At the same time, there is already a stream of scientific papers on inflation and on the formation of a regime of high price dynamics in 2021–2023 [IMF, 2022].

Apparently, autumn 2022 and winter 2022–2023. marked a turning point in the reversal of investment dynamics. In January 2023 at Davos businessmen hoped for the best, although the eminent scientist K. Rogoff was much more cautious [Rogoff, 2023]. The banking crisis in the Silicon Valley and then in Zurich began just a few days later. Already on March 16, The Economist publishes the article *Is the Global Investment Boom Turning to Bust?* [The Economist, 2023]. There are already forecasts that the world's big technology firms are going to invest 7% less in 2023 than in the previous year. It turns out that since 2019 the global economy has managed to slip from a late recovery through a full set of phases of the cycle to a new decline in investment amid high inflation and anti-inflationary measures of central banks.

The uncertainty of the situation is increasing, which, according to observations, potentially leads to deeper recessions [Kose, Terrones, 2015]. Earlier this year, a new World Bank report, “Falling Long-Term Growth Prospects”, as the title suggests, expressed concern about the modest performance of capital investment growth in the world, and also mentioned inflation and other factors discussed in this paper, but not banking problems [Kose, Ohnsorge, 2023]. According to this report, an overall slowdown in growth is expected. The IMF’s annual financial stability report generally orients central banks towards maintaining financial stability rather than fighting inflation [IMF, 2023].

The secondary difficulties in the economic policies of many countries in terms of raising interest rates to curb inflation are related to this situation. Global growth has of course slowed down, at least in 2022–2024, and as the innocent bystander, the poorest and countries have been most affected and so were the climate programs. Without returning to the theme of the complexity of implementing large-scale (not in the EU, but in the world) energy transition measures, let us once again turn to the IPCC Synthesis Report. Keeping the Earth’s temperature rise within $+1.5\text{--}2^{\circ}\text{C}$, according to the report, should be based on a radical reduction in emissions from 2021 [IPCC, 2023]. Unfortunately, nothing of the kind is happening: global coordination has been disrupted, and instead of a radical reduction in emissions, they are increasing above the level from 2019. The potential incremental costs of adapting to a new climate are difficult to calculate.

Structural shifts, especially in the energy sector, will have a positive impact in the medium term. And the banking crisis of March 2023 was the natural result of the first three determinants. It put the financial regulators of the US and the EU in front of a difficult dilemma: to continue to raise the interest rate in the fight against inflation, or to again provide banks with cheap financial resources.

The tightening of the debt policy of the leading countries and the IMF is taking place on macroeconomic grounds due to the inertia of the transition from low interest rates to higher, anti-inflationary ones. Financial uncertainty will dampen stagflation-threatening global growth in 2023, which in turn will make it harder to block banking turmoil.

From the point of view of almost forgotten theories, we are apparently dealing with an analogue of the political cycle of Nordhaus [Nordhaus, 1975]. In it, in order to achieve certain political goals, the authorities take measures which, as a side effect, will result in an increase of the inflation. Upon reaching a certain goal or after exhausting the resources and possibilities for implementing this policy, regulators are forced to move to curbing inflation manually.

6. Conclusions

The 2020–2022 reviewed determinants are a surprising array of impacts that have generated responses that were largely unanticipated by regulators of European countries. The first and fourth, coronavirus and sanctions, determinants were non-economic and unpredictable. The second and third are a consequence of the first, but their nature was unexpected for economists. The impact of shocks on growth and the further development of the cycle is not yet completely clear, although it is time to calculate the huge costs for the European economy. Whether and in what proportion this set of determinants will become a means of slowing down the European economy for adaptation and structural changes remains to be explored. Problems of inequality and social discontent in European countries can naturally escalate in accordance with electoral cycles. It will be difficult for East European countries to return to growth at the level from the period 2010–2019. An additional deterrent will be the costs of climate change prevention required by the developed countries. But debt problems will continue.

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