Refugees from Ukraine in Poland
Challenges and potential for integration
October 2022
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The devastating war in Ukraine has been ongoing for several months. The influx of refugees displaced by the conflict requires decisive action.

Immigration-induced population growth has aggravated the problems we had been facing since long before the war. The long-term integration of Ukrainians will require significant investment, and the social mobilization and general enthusiasm seen at the beginning of the conflict has slowly begun to ebb away.

In order to make sure that the limited resources on hand are used as efficiently as possible, we have conducted in-depth analyses and created recommendations for five areas: labour, education, combined offers, housing, and building construction. Proper management of these areas will definitely increase the chances of effective integration and contribute to improving the state of the Polish economy.

The first five years after arrival determine whether a refugee will stay for a longer period (more than 21 years) or whether they will decide to return to their homeland. Impediments to or delays in allowing refugees access to the labour market have serious financial implications for the economy. The estimated potential growth of GDP resulting from the influx of Ukrainian immigrants ranges from 0.2 to 3.5 percent. Hence, increasing the flexibility of the labour market and the efficiency of the housing market seem to be among the most pressing issues that we need to address first.

However, it is only part of a bigger picture - if many other needs are left unattended, the potential GDP growth will also remain in the realm of potentiality.

That is why we encourage everyone to read the following report. You will find a wide range of analyses, insights, conclusions and recommendations to help answer the question: how to make our country a new and welcoming home for hundreds of thousands, or perhaps millions of refugees, while ensuring healthy growth for the Polish economy?
Outline of the situation

The war in Ukraine has led to migration the likes of which our country has not experienced before. The massive influx of refugees has been accompanied by widespread relief efforts which millions of Poles have joined fully voluntarily.

However, many structural challenges are still unsolved and continue to block the realization of the full human potential. Poland is faced with an extraordinary opportunity, but if there is no strategic plan and if effective coordination of activities is not ensured, this opportunity may transform into a serious problem. With the conflict continuing to escalate, we need to prepare for new waves of refugees caused by the deteriorating quality of life in Ukraine.

Historical overview

Readiness to take in refugees

The war launched by Russia against Ukraine has led to the largest refugee crisis in Europe since World War II.

Compared to other European countries, Poland lacks experience in hosting large-scale war and humanitarian refugees.

Poland has also never had to deal with such a large number of foreigners who do not speak the Polish language.
Current situation

Refugee influx

15 million Ukrainians (representing 34% of the country’s population) have left their homes; Russian forces have wrought at least $500 billion in damage.

Of all the countries in the world, Poland hosts the largest number of refugees from Ukraine - more than 3.8 million people have crossed the Polish-Ukrainian border since 24 February 2022.

There are currently between 1.2 and 1.5 million Ukrainian refugees in Poland, but this figure is based on estimates from various sources and there is no single, fully verified source with complete data on the subject.

More than 30% of Ukrainian refugees in our country intend to stay in Poland after the war ends. Further migrations are highly probable.

Undertaken measures

The central government, local authorities, employers, NGOs and individuals have been involved in helping Ukrainian refugees in a number of ways, but much of this has been short-term.

The Polish government adopted a special law - the Act of 12 March 2022 on Assistance to Ukrainian citizens in connection with the armed conflict in Ukraine based on which Ukrainian refugees are granted the following:

- Legal stay in Poland;
- Financial and non-financial assistance to meet the basic needs;
- Access to the labour market (the act provides measures to open medical professions), which results in the employment of more than 200,000 refugees;
- Access to health care;
- Access to schools and preschool care for refugee children.

Risks and opportunities

Key risks:

- Significant costs of supporting refugees from Ukraine which are not offset by tax proceeds from the working representatives of this group;
- Potential social tensions;
- Upward pressure on housing prices associated with rising demand against steady supply, particularly evident in the rental market;
- Insufficient number of places in preschool establishments.

Emerging opportunities:

- GDP growth driven by both an increase in the number of workers and the rising labour productivity, made possible by greater specialization and development in major metropolitan areas;
- Reduction of labour shortages;
- An improvement in Poland’s demographic structure which is bound to delay the problem of the pension system.

Need for a strategy

Aid measures to date have often been ad hoc in their character and, considering the various needs, their coordination at the central level is a challenge. As a result, full synergy between central government support and the activities of civil society and NGOs has not been achieved.

Hence, there is a need to develop a comprehensive plan that will also take into account the possibility of another wave of refugees arriving and systemic assistance in the long term.

A well-prepared strategy will benefit all stakeholders:

- Refugees - easier integration and higher standard of living
- Poland - GDP growth
- Poles - higher standard of living:
  - employers - access to skilled workforce
  - employees - higher salaries due to the possibility of greater specialization
  - pensioners - higher pensions due to higher proceeds of the Social Insurance Institution (ZUS)
Deloitte’s recommendations - introduction

The labour and the real estate markets are two key domains that need the attention of central and local policy makers. Effective management of these areas will help integrate Ukrainian refugees into the Polish society and handle the challenges posed by the influx of people fleeing the war into Poland.

Time is of the essence though. Successful refugee integration in the long term is immediately conditioned by the support shown to them in the first weeks and months of their stay in our country.

Ensuring that people arriving from Ukraine have a sense of stability, decent living conditions as well as opportunities for professional development (adults) and education (children and young people) should take precedence.

It can help Poland avoid the negative scenario of refugees staying on in Poland, but not maximising their potential which would be detrimental to the unassimilated immigrants and bring costs to the Polish economy in its wake.
The Deloitte team has prepared 5 recommendations the implementation of which will help diffuse social tensions in Poland and will favourably impact the quality of life and well-being of both Ukrainian refugees and all Poles.

**01 Occupational activation of refugees**

An efficient flow of information and counteracting disinformation are necessary conditions to effectively integrate the refugees from Ukraine into the Polish society and labour market.

Facilitating access to the labour market and occupational activation of refugees through active labour market policies and removal of obstacles to employment will help increase the contribution made by newcomers to the Polish economy and facilitate their achievement of a higher standard of living.

We see the need to increase the involvement of employment offices in these processes.

**02 Learning the Polish language and facilitating access to the labour market for professionals**

The majority of refugees do not speak Polish and the language barrier is, according to employers, the key obstacle to hiring refugees from Ukraine. It is therefore extremely important to create a support program through which immigrants can learn Polish.

61% of refugees have university education, but they often encounter problems with obtaining accreditation and diploma recognition. The processes of verifying foreign educational or professional qualification documents needs to be accelerated and updated.

**03 Combined offers**

2/3 of adult refugees have come to Poland with at least one child. Access to preschool care is a prerequisite for Ukrainian parents to enter the labour market, so wider availability of childcare services is required.

In order to ensure a balanced redistribution of immigrants in Poland, it is necessary to combine job and housing offers which will make it easier for the refugees to find employment in rural areas.

**04 Quick housing solutions**

To find accommodation for the potential next wave of refugees, Poland should have a plan for increasing the supply of housing stock fast by temporarily or permanently converting unused properties.

Some owners decide not to rent out their properties, so encouraging them to rent by eliminating the existing rental barriers could limit the rental housing shortage problem.

**05 Systemic approach to housing**

In 2019, Poland had 386 housing units per 1,000 residents, compared to an average of 495 units in the European Union. Simplifying housing regulations will accelerate the increase in the supply of housing stock.

By adopting legislation to regulate real estate investment funds for rental purposes and reducing fiscal discrimination of renting versus owning property, Poland can significantly support the development of long-term rental.
It remains to be seen whether the war will escalate and how long it will last. Nonetheless, what is certain is the need for a comprehensive strategy to manage the situation, mitigate threats and take advantage of the opportunities emerging in the wake of the massive influx of refugees from Ukraine to Poland. Labour and housing are the key areas identified and described in our report. The proper handling of labour and housing issues will be instrumental in determining what impact the influx of people from Ukraine to Poland will have on the situation in our country.

Ukraine has suffered huge losses due to the war fought in its territory:
15 million Ukrainians have fled their homes, and the value of the damage caused by Russian military forces has been estimated at about $500 billion.

Poland has been actively involved in helping Ukrainian refugees in many ways:

- The Polish government has introduced various supporting regulations that allow the Ukrainian population to integrate into our society with relative ease.
- Employers provide financial support, free services, dedicated discounts and jobs offers in the Ukrainian language.
- Non-governmental organizations have been offering non-monetary aid estimated to be worth at least PLN 136 million.
- Individual Poles have offered their homes, provided transportation as well as goods, and donated huge amounts to help the refugees.

Even before the war Ukrainian migrants had a positive impact on the Polish economy. 1.4 million economic migrants from Ukraine helped mitigate Poland’s labour shortage problems, thereby contributing to the generation of 13% of Poland’s GDP growth (2013-2018):

- Ukrainian immigrants often perform jobs rejected by Poles;
- In light of the aging of the Polish population, more migrants may be required in the labour market to ensure the growth of the economy. The demographic structure of Ukrainian refugees is an opportunity to improve Poland’s demographic structure. In addition, there is a chance that after the war in Ukraine ends, husbands will choose to join their families and stay in Poland;
- Considering the close cultural and linguistic similarities between Poland and Ukraine, the scale of economic and socio-cultural tensions has so far remained relatively low despite the increasing presence of Ukrainian citizens in the Polish labour market.

Perceiving refugee aid solely from the viewpoint of temporary social assistance will result in a significant burden on the state budget and local governments. Long-term solutions aimed at their full integration into the labour market not only will improve the situation of the refugees themselves, but also will be beneficial for the Polish economy as a whole.
Migration movements related to the war in Ukraine

The number of those fleeing the war in Ukraine is largely dependent on how the situation on the frontline plays out. The relative lack of success for either side causes the conflict to degenerate into a war of attrition. After an initial rapid increase in the number of people crossing Ukraine’s borders, the influx of refugees to countries bordering Ukraine has already begun to stabilize beginning in late March (Figure No. 1). As of 7 June 2022, 7.3 million people left Ukraine, with more than half of them fleeing across the border to Poland.

It should also be noted that the influx of refugees from Ukraine to Poland has not only stabilized but the flow has also been close to net neutral since the end of March (Figure No. 2). Currently, about 20-30 thousand people arrive in Poland every day, but a similar number of Ukrainians also leave our country daily. Thus, almost 2 million refugees from Ukraine have already returned to their homeland. It should also be noted that we do not know how many people have come back to Ukraine via Poland from other countries. What is certain is that not all those who return home are long-term residents of Poland.

Figure No. 1
Number of people who crossed Ukraine’s borders
24.02-07.06.2022, number of refugees (in million)

The majority of the refugees are women and children. Men aged 18-60 are not allowed to leave Ukraine because of the general mobilization.

Source: Ukraine Refugee Situation (unhcr.org), What groups of men are not subject to general mobilization and can cross borders? – ukraina.interwencjaprawna.pl

Figure No. 2
Daily migration traffic across the Polish-Ukrainian border
24.02-07.06.2022, number of people crossing the border during the day (in thousands)

The situation has stabilized but it is uncertain how the conflict will develop and whether to expect further migrations.

Source: Border Guard data (vide: PIE Report „Pomoc polskiego społeczeństwa dla uchodźców z Ukrainy”, p. 10).
Ukrainians in the Polish PESEL database

Poland hosts the largest number of refugees from Ukraine in the world. Their exact numbers are unknown, but what we do know is that there are at least 1.2 million Ukrainians in Poland, because that is the number of Ukrainian nationals who have been assigned PESEL numbers and UKR status (Figure No. 3). Assigning a PESEL number and the refugee status within the state systems entitles migrants to free use of public services, but it is believed that some of those fleeing the war and currently staying in Poland have not been registered.

It must be kept in mind though that of the millions of refugees who have crossed the Polish-Ukrainian border since 24 February 2022, many have already returned to their homeland and an unknown number has left for other countries stopping in Poland only on their way to their final destinations. Unfortunately, the available information on how many refugees from Ukraine actually reside in Poland is not entirely reliable, and the estimates of their final numbers are highly theoretical and depend on the development of the armed conflict in Ukraine.

Figure No. 3
Number of refugees in Poland with PESEL number and UKR status
09.06.2022, number of refugees (in millions)

Source: Open data: Registered applications for granting the UKR status on account of the conflict in Ukraine (09.06.2022).
Pros and cons weighed by Ukrainian refugees when choosing Poland as their country of stay

Many centuries of shared history mean that Poles and Ukrainians feel kinship and closeness - not only in a territorial, but also in a cultural sense. Combined with the large Ukrainian diaspora in Poland, this historical legacy makes Poland a fairly obvious choice for people fleeing the war in Ukraine.

Importantly, one should keep in mind that living in exile is not free of disadvantages, so even residing in a country that is friendly towards Ukrainian immigrants, such as Poland, triggers anxiety. The biggest concerns for Ukrainians staying in Poland are the issues of employment, the situation of the family that has remained in the homeland, and the inability to speak the Polish language (Figure No. 4).

Figure No. 4
Ukrainians’ concerns linked with the stay in Poland
03-04.2022, % of surveyed immigrants, multiple choice poll

- Problems with finding a job: 45%
- Fate of the family in Ukraine: 40%
- Poor command of Polish: 38%
- No means of livelihood: 27%
- Lack of accommodation: 26%
- Threat of Russian attack on Poland: 25%
- Problems with childcare: 10%
- Access to the health care system: 10%
- Discrimination on the basis of nationality: 6%

Source: Special report: “Ukrainian refugees in Poland” EWL, n = 400.

Reasons why Ukrainians choose Poland as their place of residence after fleeing the homeland:

- **general proximity** - in a cultural, linguistic and geographical sense (including the natural inclination to stay as close to the Ukrainian border as possible)
- **presence of family and friends** - before the outbreak of the war, there were approx. 1.35 million Ukrainians in Poland
- **shared history** - both countries had to go through transformation from post-Soviet economy to a modern European state.
Conditions for returning to Ukraine
Considering the extensive destruction wrought by Russian military forces, the chances of Ukrainian refugees staying in Poland for a longer period of time are significant, research confirms. According to the results of a survey conducted among Ukrainian citizens who have come to Poland because of the war, almost 40% of the respondents surveyed in May planned to stay on in Poland for at least a year after the end of the armed conflict (Figure No. 5).

Figure No. 5 
Refugees’ plans concerning their return to Ukraine 
05.2022, % respondents

It’s still possible that more and more people will seek refuge in Poland. According to experts’ forecasts, depending on the situation on the frontline, by the end of 2023 Poland may have to deal with 1.8-7.4 million people who will have come from Ukraine.

Post-war migration from Ukraine to Poland – possible scenarios 
04.2022 number of Ukrainians (in millions)

In the hypothetical and highly negative scenario, which is currently highly improbable, Russia would gain military advantage and manage to take hold of a significant part of Ukraine’s territory, resulting in a mass exodus of Ukrainians to Poland & other European countries.

In another scenario, the war would lead to even more significant destruction, and a peace agreement would be signed earlier. Due to enormous damage caused by the conflict and the partial integration of Ukrainians with Polish society, part would be willing to further extend their stay in Poland.

In the case of a long and protracted war it is predicted that the conflict will continue in the coming years. This would lead to a continuous influx of refugees and economic migrants to Poland.

In the case of a faster end to the conflict sealed by a mutually respected peace treaty, the situation is expected to quickly stabilize.

Source: CMR Spotlight: War and migration: the recent influx from Ukraine into Poland and possible scenarios for the future | Ośrodek Badań nad Migracjami (uw.edu.pl)
Factors determining the decision to migrate

Many elements impact refugees’ decisions whether to go back to their homeland after the end of the war or settle in another country. In the case in question Ukrainian citizens may choose not to return long after the end of the war. The factors that are most relevant to this report, past experiences and possible implications for Ukrainian refugees are detailed below.

The first five years after immigration play a decisive role, because this is when refugees come to a decision whether they want to stay in a foreign country (for longer than 21 years) or not.

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>PAST EXPERIENCE</th>
<th>IMPLICATIONS FOR UKRAINIAN REFUGEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration</td>
<td>Newcomers perceive access to employment and childcare as well as language skills as key to becoming full and equal participants in all the various dimensions of society.</td>
<td>To make their long-term integration and adaptation to the new environment possible, we need to ensure that Ukrainians receive both immediate support and opportunities to contribute their skills to the society and country in which they reside.</td>
</tr>
<tr>
<td>Time</td>
<td>According to research, generations of people raised in a country of refuge may no longer want to return to the place that was once their home.</td>
<td>Ensuring their dignified stay and future prospects will increase the percentage of Ukrainians wanting to remain in Poland.</td>
</tr>
<tr>
<td>Work</td>
<td>If governments legally prevent refugees from seeking formal employment, their chances of financial self-sufficiency are low.</td>
<td>This will not be the case for the majority of Ukrainian refugees, as most of them settle in the European Union where they can obtain a special temporary protection status allowing them to work, attend school and receive medical care for a period of 1 to 3 years.</td>
</tr>
<tr>
<td>Rebuilding</td>
<td>Rebuilding homes, release of distrained property and compensation for property losses incurred during the war are essential to encourage people to return to their homeland after resettlement.</td>
<td>Post-conflict reconstruction of a country is usually funded by the post-war government or international organizations such as the World Bank or the UN. People need a place to live and are more likely to stay in the country of refuge if they have no home to return to. Considering that Russian military forces continually destroy homes, Ukrainian citizens may find it difficult to return to their homeland.</td>
</tr>
<tr>
<td>Peace</td>
<td>What matters for people considering returning to their homeland is not only peace, but also the political situation. If it is not safe to return, as a rule, refugees remain in the country they fled to.</td>
<td>Even if Russia completely withdraws its military forces from Ukraine, some people may fear a renewed outbreak of war and will not return home.</td>
</tr>
</tbody>
</table>
Various forms of help offered to Ukrainians
Poland’s central and local governments, employers, NGOs and private residents have been actively involved in helping Ukrainian refugees. Nevertheless, most of the measures taken so far have had an ad hoc and short-term character. The government and its partners should establish a long-term integration strategy for people from Ukraine who decide to stay in Poland.

**CENTRAL GOVERNMENT AND LOCAL AUTHORITIES**

- Donations sent to Ukraine and the Polish-Ukrainian border;
- Organizing information and assistance desks, e.g. 240,000 Ukrainian refugees have used them in Warsaw alone;
- Arranging transportation and offering free transportation within the city/region, e.g. to places of accommodation and assistance centres;
- Arranging accommodation - at least 46,000 Ukrainian refugees have benefited from this measure in Warsaw alone;
- Access to Polish schools - more than 190,000 Ukrainian children have already been registered in schools;
- Introduction of various supporting legislative measures.

**EMPLOYERS**

- Financial support to humanitarian organizations, e.g. the Biedronka supermarket chain has donated more than PLN 10 million while CEDROB has donated PLN 3 million;
- Non-financial support, e.g. Panek (a Polish carsharing company) has sent a thousand cars to the border region to carry provisions and refugees, InPost (courier company) has provided trucks to transport goods to Ukraine (they transported nearly 5,000 tons of humanitarian aid);
- Free services for Ukrainian citizens, e.g. free assistance from Polish entrepreneurs offered to Ukrainians who wished to legalize their stay in Poland;
- Dedicated discounts, e.g. LOT Polish Airlines has reduced ticket prices for Ukrainians by 99%;
- Job offers, e.g. Poland’s largest job portals, OLX and pracuj.pl, have created dedicated tabs with job offers in Ukrainian.

**NON-GOVERNMENTAL ORGANIZATIONS**

- Fundraising, e.g. the sięPomaga Foundation has raised 51 million zlotys to help Ukraine, and the pomagam.pl Foundation has collected nearly 12 million PLN;
- Non-financial support the value of which Caritas alone estimates at more than 136 million PLN;
- Emergency and ad hoc assistance, e.g. 8.3 thousand families have been helped in Caritas centres, while the Polish Centre for International Aid provided support to the local governments of ten cities to extend the ‘Summer in the City’ campaigns and include three thousand children from Ukraine;
- Food, e.g. Caritas has provided 1.5 million meals to people fleeing Ukraine;
- Organizing accommodation and transportation, e.g. Caritas alone has transported more than 20,000 people, and the local government of the Małopolska region has prepared a special humanitarian aid train where refugees could also receive emergency medical assistance.

**CITIZENS**

- Cash donations
- Mass in-kind donations;
- Food-drives;
- Transportation - tens of thousands of private cars involved;
- Accommodation in private houses which has benefited more than 600,000 refugees;
- Volunteering at assistance desks.
The Polish government has adopted a special law on assistance for refugees from Ukraine. Among other things, it grants a number of rights to people who have come to Poland seeking refuge from the war in Ukraine.

### The most important rights under the Special Act

#### Legality of stay
- Right to obtain a PESEL number enabling its holder, among other things, to be granted certain benefits or register a company;
- Right to obtain a trusted profile that makes it possible to deal with official/formal issues online;
- Possibility to file an application to legalize the immigrant's stay in Poland.

#### Social welfare - financial and non-financial aid
- Indispensable goods, e.g. personal hygiene items, clothes;
- Accommodation and boarding;
- Free transportation to places of accommodation and social welfare centres using public and specialized transportation;
- Healthcare;
- Free psychological help.

#### Financial support
- One-off cash benefit of PLN 300 per person to cover the costs of living, specifically: food, clothing, footwear, personal hygiene items and housing costs;
- 600 thousand Ukrainian refugees have been welcomed to Polish families that received cash allowance of PLN 40/day for providing accommodation to a Ukrainian citizen in their homes;
- Access to family benefits, including family allowance and other family benefits, special care benefits, one-off childbirth allowance, parental allowance and educational benefit;
- Family allowance, including the 500+ child support under which families with dependent children are entitled to a family allowance of PLN 500 per child up to the age of 18.

#### Employment
- Right to work in Poland;
- Right to register as an unemployed person or a person seeking employment;
- Possibility to set up and run a sole proprietorship;
- Possibility to undertake work in regulated professions, such as medical practitioner, nurse, midwife, or assistant teacher;
- Polish language courses to eliminate obstacles to entering the Polish labour market.

Over PLN 375 million has already been paid to more than 300 thousand Ukrainian refugees (as of May 13th).

Over PLN 200 thousand Ukrainian refugees have already found employment in Poland (status as of May 4th 2022).

The implementation of the Special Act has facilitated the process of assimilating Ukrainians in Poland. In the past, when similar crises occurred in other countries, the delays in refugees' access to the labour market resulted in significant losses and lower employment rates.

The fast opening of the Polish labour market has helped us avoid certain dangers, such as the serious aftermath of excluding from the labour market the refugees who arrived in Europe in 2015-16

- **EUR 4 thousand** annual losses per refugee;
- **24 p.p.** lower likelihood of employment within the first 2–4 years after immigration;
- **9 p.p.** lower professional activity rates 8 years after immigration.
The demographic structure of refugees is an opportunity to improve Poland’s demographic structure.

One of the major pain points in Poland is the country's ageing and diminishing population (Figures Nos. 7 and 8). The demographic structure of Ukrainian refugees is an opportunity to improve Poland’s demographic structure (Figure No. 9).

Figure No. 7. Population of Poland in 2002
38.5 million of people

Figure No. 8. Population of Poland in 2022
37.7 million of people

Figure No. 9. Demographical structure of Ukrainian war refugees
Volume equal ~3% of Poles

Ukrainian men in economically productive age may want to join their families in the future.

Source: Deloitte’s own analysis based on PESEL database

Source: Population pyramids of the world from 1950 to 2100 – Poland, 2002 - populationpyramid.net
Positive impact of Ukrainians on Polish economy

Even before the war, Ukrainian immigrants had a positive influence on the Polish economy. Partial mitigation of our shortage of employees can be attributed to the 1.4 million economic immigrants from Ukraine who contributed to the 13% total historic growth of the Polish GDP in years 2013-2018.

The Polish government will for sure not disregard the favourable impact that the newcomers exert on the state budget, because the labour market in Poland has the potential to absorb many immigrants.

Ukrainians are an important group within the Polish society

1.4 million Ukrainians were living in Poland before the war.

13% of the growth of the Polish GDP in 2013-2018 can be attributed to Ukrainians (0.5 percentage points a year) which should be seen as an important contribution to the Polish economy.

And their input is appreciated

Ukrainian immigrants support the Polish labour market by satisfying the growing demand for workers in specific industries, such as manufacturing, building construction, administration and transportation.

Ukrainians adjust relatively easily to the dynamics of the Polish market

70% of Ukrainian words resemble the corresponding words in Polish which makes the two languages relatively similar.

Poland and Ukraine are culturally compatible.

Considering the increased presence of Ukrainian newcomers on the Polish labour market, the scale of economic and socio-cultural tensions has so far remained relatively insignificant.
Economic fallout for Poland

History abounds in examples of negative economic consequences of wars. While human tragedies must take precedence over any pecuniary considerations, wars also have economic consequences. The extent of such consequences varies depending on the scale of the conflict, but on average, the economies of countries affected by war grow 0.75 percent slower than in times of peace. In some cases the impact is much lower, in others - much greater, as it depends on the varying scale of military activities which may range from border skirmishes to full-scale wars (Figure No. 10). In this context, Ukraine’s forecasted GDP contraction, by several dozen percent, seems exceptionally high which is understandable considering the scale of the conflict. Even though the impact of the war on the GDP of specific countries varies greatly, all cases point to a statistically significant acceleration in economic growth after its end.

The destruction and death toll following the Russian invasion of Ukraine also have a disruptive effect on the global economy. From the economic perspective, Ukraine and Russia are affected the most - the former because of the destruction on its territory, the latter - because of the strain of the increasing number of international sanctions and the uncertainty as to the country’s development prospects. Nonetheless, the negative implications of the war are more wide-ranging than that, as shown by the strong downward trends in macroeconomic forecasts for 2022, observed after the outbreak of the war (Figure No. 11). Even though the changes are also due to other negative triggers (e.g. the deteriorating pandemic situation in China), as far as Europe and Poland are concerned, the war is definitely the most important factor.

**Figure No. 10.**
Impact of wars on GDP growth rate
1960-2021, GDP growth rate

**Figure No. 11.**
Consecutive GDP growth forecasts published in 2022
2021 – 2022E, GDP growth

*Forecasts for Poland are updated every six months and not every quarter.

Source: Deloitte’s estimates on the basis of Polity Project (database of interstate armed conflicts) and World Bank WDI (GDP data)
While peace would be optimal from the perspective of the Polish economy, supporting refugees smartly could diminish the negative economic consequences of the war. If we were to again focus on the economic aspects (which is of secondary importance when considering the human tragedies that unfold in the wake of the war), in an ideal world our economy would benefit from the intensified trade with the peacefully growing Ukrainian and Russian economies. However, it is not so in reality - the war-induced economic difficulties in Ukraine, restrictions in supplies of raw materials from Russia, and the uncertainty - in the broadest meaning of the word - are detrimental to our economy.

The entry of refugees into the labour market is beneficial for Polish employees. A common concern about the influx of migrants, including refugees, is their impact on the labour market - whether they take jobs away from nationals and drive down salaries. Such fears are usually expressed by those who are less educated, have simpler jobs and are thus more vulnerable to competition from refugees. International experience, however, proves such concepts to be unfounded. The short-term effect is the result of forces that cancel each other out - while indeed less-educated domestic workers must compete with migrants, at the same time their practical knowledge of the language and domestic realities become more valuable to employers. In the long run, companies learn to manage a more diverse workforce, and the greater scale of operations and associated specialization allow productivity to increase and salaries to rise as a result.

Generally, the economy benefits from an increase in the number of workers and higher work output. The direct implication is straightforward - more people produce the national GDP. Much more important however, is the increase in productivity, because it translates into a growth in salaries and - more broadly - the living standards. This growth is made possible primarily by increasing specialization - more people in the labour market, higher population density, more companies - all of these things promote deeper specialization and, as a result, faster economic growth.

Adam Smith demonstrated this truth using the example of a pin factory. When one person does it all - from heating the furnace to forging - they are not able to make more than several pins a day, but when the work is divided among a number of people who specialize in particular steps, the scale of production grows dramatically. The same forces are at work now, 200 years later. When there is only one mechanic or one IT specialist in a small town, they cannot have specialized knowledge in every single area. In a larger town, on the other hand, there is room for more workshops and more IT companies, allowing them to specialize and thus be more productive (see, for example, EBRD and World Bank studies). The influx of migrants, especially to the largest cities, reinforces this mechanism making it possible for local companies and people to specialize even more and thus to increase productivity.

As a result, in the long run, a 1% increase of the share of immigrants in the workforce raises not only the size of the economy, but also the labour productivity by 2%.
We have analyzed four hypothetical scenarios differentiated by the projected course of events in Ukraine and effectiveness of integration measures taken in Poland. The events in Ukraine impact the scale of migration to Poland and the trade between the two countries. The prolonged war and the associated economic collapse will hamper the possibilities of returning to the homeland and entice those who currently live in Ukraine to come to Poland. The rebuilding of Ukraine will make returning home attractive. At the same time, demand will be growing for the products and services of Polish companies, primarily those from the construction industry, which will play a role in the rebuilding of Ukraine. Smart support provided to refugees should mainly focus on doing away with the main barriers in the labour market. Our scenario analysis relies on the presumption that the measures aimed to facilitate language learning and effective job placement, as well as ensuring access to childcare will make it possible to further increase the refugees’ employment and will help immigrants take up jobs that match their competencies. Good integration policies can further encourage settlement in our country.

Estimated potential employment growth in Poland ranges from 0.3% to 3.2%. This estimate is driven by two factors: the employment rate among refugees and the scale of migration. The smoother the labour market integration process, the higher the employment rates of refugees. Under the smart support scenario, the employment rates among newcomers from Ukraine level with those for native citizens on a per-country basis. Restricting refugee support policies to emergency assistance will cause employment rates to stop at the currently observed levels. The estimates of current employment rates are based on the number of notifications about jobs given to Ukrainian citizens and the records in the PESEL database at county levels.

<table>
<thead>
<tr>
<th>Poland</th>
<th>Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rebuilding</strong></td>
<td><strong>Ongoing war</strong></td>
</tr>
<tr>
<td>Full convergence in Poland’s labour market and a quick end to the war combined with the reconstruction of Ukraine</td>
<td>Full convergence in Poland’s labour market and a protracted war making it difficult to return to the homeland</td>
</tr>
<tr>
<td>Smart support to refugees</td>
<td>Steadily lowering labour force participation and productivity of Ukrainian workers in Poland and a quick end to the war combined with the reconstruction of Ukraine</td>
</tr>
<tr>
<td>Emergency support to refugees</td>
<td>Steadily lowering labour force participation and productivity of Ukrainian workers in Poland and a protracted war making it difficult to return to the homeland</td>
</tr>
</tbody>
</table>
The scale of migration depends on both the course of events in Ukraine and the situation in Poland. The more efficient the integration, the more attractive Poland becomes for migrants. The rebuilding of Ukraine and the improvement in the economic situation that comes with it are conducive to the return of Ukrainians to their homeland. Under the scenario of rebuilding Ukraine and smart integration in Poland many Ukrainians are bound to return to their homeland and at the same time, many other families are likely to reunite in Poland and decide to stay here. Based on the NBP survey we assume that in this scenario, the population of working-age Ukrainians coming to Poland as a result of the war will amount to approx. 2/3 of the working-age Ukrainians registered in the PESEL database today. If, on the other hand, the refugee support policy is based only on emergency aid, then some of the refugees will decide to leave for western countries, and some, given that the Ukrainian economy recovers, will return to their homeland. We believe that under this scenario, about 1/3 of the newcomers of working age will stay on in Poland. The economic collapse in Ukraine will make it more difficult to return to the homeland. With poor integration in Poland and a difficult situation in Ukraine, we forecast that about half of the Ukrainians registered in the PESEL database will decide to stay in our country. If the collapse in Ukraine is accompanied by an effective integration policy in Poland, the population of Ukrainians in our country will increase through economic migration. This will also be linked to family reunification. If the Ukrainian economy collapses and the integration in Poland proves efficient, the working-age population will increase by an additional 20% relative to the numbers currently registered in the PESEL database.
The estimated potential increase in Poland's GDP associated with the refugee influx ranges from 0.2% to 3.5%. In addition to the change in employment discussed earlier, the productivity of refugees is critical. Smart support to refugees will allow them to perform work matching their competencies. Given the characteristics of refugees, including high level of their education, we assume that the productivity of people from Ukraine will not differ from that of native workers in this scenario. Under the emergency support scenario, the productivity of refugees is equal to 78% of the productivity of Poles (based on the salaries received by Ukrainian workers originating from previous waves of immigration).

The scenario of rebuilding Ukraine carries additional economic benefits for Poland related to increased trade. The growth in exports from Poland to Ukraine will be conditional upon at least 3 factors. First, the rebuilding will require imports of capital goods. Second, the rapid growth associated with rebuilding may contribute to an increase in demand for consumer goods. Third, Ukraine will further reorient its imports from the East to the West, and while we will not be able to take Russia's place as the supplier of raw materials, Poland can supply other goods previously imported by Ukraine from Russia. Under the smart support option, we can expect our exports to Ukraine to increase - the large diaspora and good relationships between the countries are conducive to greater trade. And even though the estimates of the impact of Ukraine's rebuilding on Polish GDP are primarily driven by demand channels, it is important to remember that in the long run, supply-side benefits will be of key importance. Intensified Polish-Ukrainian trade will allow companies on both sides of the border to scale up their operations, specialize more, and ultimately increase productivity.

Smart support to refugees requires further action related to the labour market and housing market as well as clear prospects for further development in Poland. This report is focused on the more pressing challenges of labour and housing, but we want to point out that attracting and retaining top talent in Poland will require presenting Ukrainian employees with not only short-term opportunities, but also a long-term perspective for growth in Poland. Such measures pay off over the long-term - studies from the US show that the counties that received more migrants 120 years ago still positively stand out with higher incomes of residents, lower unemployment rates and lower risk of poverty.
Ukrainian migrants who work in Poland send a portion of their earnings to Ukraine, so increasing the income of Ukrainian refugees will boost revenue for Ukraine and help rebuild the country. Even in 2019 one third of all money orders to Ukraine came from Poland (Figure No. 12), a significant increase compared with 2015 (by 14 percentage points; Figure No. 13).

Source: National Bank of Ukraine
Deloitte’s recommendations

Deloitte has developed five recommendations. Their implementation will help refugees enter the labour and housing markets – the two cornerstones of effective newcomers’ integration.

Deloitte believes that these two areas require the most urgent steps on the part of the Polish authorities, primarily due to the current and long-term consequences of the potential inaction of the Polish authorities.

The first two recommendations are focused on the labour market and activation of refugees, while the last two concern access to housing in Poland. The remaining recommendation brings these issues together by creating combined offerings that are so far unprecedented in our country. In addition, in order to identify more precisely the actions that need to be taken, each recommendation has been divided into 2-3 main tasks that should be the overarching motive when creating a comprehensive strategy for integrating refugees from Ukraine into the Polish society and economy.
The tasks necessary to prudently address the topic of refugees:

**Occupational activation of refugees**

An efficient flow of information and counteracting disinformation are the necessary conditions to effectively integrate the refugees from Ukraine into the Polish society and labour market.

Facilitating access to the labour market and occupational activation of refugees through active labour market policies as well as removal of obstacles to employment will help increase their contribution to the Polish economy and facilitate their achievement of a higher standard of living. We see the need to increase the involvement of employment offices in these processes.

**Teaching refugees Polish and facilitating access to the labour market for professionals**

The majority of refugees do not speak Polish and the language barrier is, according to employers, the key obstacle to hiring refugees from Ukraine. It is therefore extremely important to create a support program through which immigrants can learn Polish.

61% of refugees have a higher education, but there are often problems with accreditation and diploma recognition. The processes of verifying foreign educational or professional qualification documents needs to be accelerated and updated.

2/3 of adult refugees in Poland came here with at least one child. Providing access to preschool care is a prerequisite to enable Ukrainian parents to enter the labour market, so wider availability of childcare services is needed.

In order to ensure a balanced geographic distribution of immigrants across Poland, it is necessary to combine job and housing offers, as they will open the way for refugees to find employment in rural areas.

**Combined offers**

**Quick housing solutions**

To find accommodation for the potential next wave of refugees, Poland should have a plan for increasing the supply of housing stock fast by temporarily or permanently converting unused properties.

Some owners decide not to rent out their properties, so encouraging them to let their property by eliminating the existing barriers could limit the rental housing shortage problem.

In 2019, Poland had 386 housing units per 1,000 residents, compared to an average of 495 units in the European Union. Simplifying housing regulations will accelerate the increase in the supply of housing stock.

By adopting legislation to regulate real estate investment funds for rental purposes and reducing fiscal discrimination of renting versus owning property, Poland can significantly support the development of long-term rental.
Occupational activation of refugees

In light of the shortage of workers on the Polish labour market and the limited room for maneuver within the Polish budget to support refugees, it is extremely important that the occupational activation of people fleeing the war in Ukraine should continue, as it will not only relieve the financial burden on the Polish state, but also help avoid many economic, social and political problems associated with the influx of refugees to Poland.
Making the flow of information more efficient, combating misinformation, facilitating the entry of refugees into the Polish labour market and activation of refugees through public policies appear to be crucial both for the integration of refugees from Ukraine into the Polish economy and for their successful integration into our society.

**Context**

The issue of occupational activation of newcomers is rooted in two main areas, namely the Polish information policies and accessibility of the labour market to refugees.

**The flow of information is largely disrupted in Poland:**

- There is a need to improve the flow of information between Polish authorities and refugees, employers, Polish employees and the general public.
- Public campaigns that rely on facts and positive aspects of living together in one country can counter stereotypes.
- The stream of fake news which often drives anti-Ukrainian propaganda should be managed.

**The labour market in Poland needs foreign workers, but despite legal changes, harnessing the potential of refugees still poses a challenge:**

- With Poland’s unemployment rate at a historic low of 3%, the Polish economy is being hit by an exodus of Ukrainian men who, having worked as labour migrants in Poland, now return to their homeland to fight. In March, more than 5% of construction and transportation companies indicated a serious outflow of Ukrainian workers.
- More than 50% of the surveyed employers mention legal and regulatory barriers to hiring refugees.
- Refugees are open to the possibility of a quick return to Ukraine, with more than 40% of them not planning to work in Poland anytime soon. Looking ahead however, unemployed refugees may become a long-term burden on the Polish budget and welfare system.

**Foreign case studies**

In the context of improving the flow of information and activating refugees in the Polish labour market, Poland can learn from the experience of other countries:

**Greece** - The Athens Coordination Centre for Migrants and Refugees proposed a six-month campaign to facilitate the integration of refugees in the country.

**Germany** - Community sponsors serve as mentors for refugees and influence property owners and employers on their behalf.

**U.S.** - An early employment support program for refugees has been in place for more than 40 years, raising refugee employment rates by 12-13 percentage points.

**Refugees from Ukraine in Poland | Challenges and potential for integration**
Recommendations
Deloitte recommends the following steps to address the issues linked with information flow and occupational activation:

Improve information flow and combat misinformation:
- Prepare easily accessible information materials for all key stakeholders;
- Conduct information campaigns:
  - concerning the benefits of refugee integration and targeting the general Polish public;
  - aiming at occupational activation of refugees and presenting their potential to Polish employers.
- Combat disinformation campaigns.

Facilitate labour market entry and occupational activation of refugees:
- Identify the most important barriers to employment of refugees from Ukraine (in cooperation with business representatives);
- Adapt the relevant legislation to reduce the existing barriers faced by refugees entering the Polish labour market;
- Activate refugees through active labour market policies, (e.g., training, internships, job creation) offered by public institutions;
- Improve the efficiency and quality of services provided by employment offices through new or improved labour market policies, available to Polish native citizens and refugees on equal terms.

Outcomes
Implementation of the above measures should bring about the following results:

- Increased contribution of refugees to the Polish economy
- Reduced potential risks of social tensions between Poles and Ukrainians
- Smoother integration of refugees into Polish society.
Assessment of the situation

Problems with information flow in the context of the war in Ukraine

Getting the information domain in order is absolutely essential before taking any other action aimed at integrating Ukrainian refugees in Poland. Indeed, information barriers are among the most serious obstacles to the effective integration of those arriving from Ukraine into the Polish economy and Polish society. At the same time, one should emphasize that insufficient communication with Polish people on the subject of the influx of refugees to Poland increases their susceptibility to anti-Ukrainian manipulation.

In this situation, which is difficult for Poland, one can distinguish four main stakeholders in the flow of information regarding the influx of war refugees into the Polish territory:

01 Refugees
despite the measures taken, some refugees may still be unaware of their rights and duties upon arrival in Poland and do not know what assistance is offered; moreover, they may naturally have problems with understanding Polish legislation and the general issues related to public and economic life in Poland;

02 Polish employers
companies registered in Poland are willing to help refugees and they often receive institutional support on account of their current situation;

03 Polish employees
the vast majority of this social group is completely unaware of the very significant benefits that the Polish economy can derive from the presence of migrants on our labour market;

04 Polish society
both stereotypes about the Ukrainian people and unverified information related to them are widespread among the Polish public.

At the same time, two main threats and problems related to the flow of information regarding the influx of Ukrainian refugees to Poland come to the fore:

Fake news
• Internet accounts and channels created or supported by the Russian Federation:
  – accuse the Ukrainian army of war crimes;
  – portray Ukrainian refugees in a negative light which is designed to discourage Western societies;
  – justify the Russian invasion of Ukraine.

Information gaps
Some employers may still believe that a work permit is legally required to hire a person from Ukraine, even though the Special Act has abolished this requirement.
Disinformation about the war in Ukraine

In an era of fake news and information wars waged on many fronts, it should come as no surprise that the first fake news about the war in Ukraine appeared on the very first day of the conflict. Fake news has significant consequences for society and can affect public life in many spheres. That is why a wide-ranging campaign against disinformation is necessary both to eliminate potential economic and social losses resulting from the spread of false information and to prevent possible acts of violence that may occur among those inclined to aggression.

Identified issues that could become a source of future social tensions in Poland:
- The scale of social and financial support for refugees from Ukraine;
- Discussions on the difficult Polish-Ukrainian history;
- Competition between Poles and Ukrainians in the labour market;
- Rapid increase in apartment rental rates in major Polish cities;
- The impact of the increased number of students on the quality of and access to the educational system and preschool care.

In the current situation, the internet is the main tool of information warfare, and ensuring adequate control of the content published online is not only difficult, but also morally ambiguous.
Attitude of Poles towards Ukrainian refugees

As might be expected, the initial enthusiasm for helping Ukraine and its citizens is slowly beginning to wane, a phenomenon which is observed not only in Poland. The scale of support offered to refugees arriving in Poland is becoming an increasingly controversial issue for the Polish people. Although the access of Ukrainian children to Polish schools is met with general acceptance, other issues are no longer so obvious (Figure No. 14). The financial assistance provided to Ukrainians stirs up especially strong emotions and, considering the various forms of assistance, it is at the bottom of the list of the forms of aid accepted by Poles, right above the direct involvement of the Polish Army in the conflict on the Ukrainian territory. Three times as many respondents are in favour of including refugee children in the Polish educational system as those who approve extending the 500+ program to Ukrainians.

"..., when our surveys start delving deeper into the refugee situation, it turns out that the positive attitude is not that obvious and widespread. People complain that there is inflation, high prices, and everyone is losing money, whereas refugees do not have to work and they still get benefits. Thus, they become a scapegoat."

Marcin Duma, Opinion researcher, chairman of IBRIS

Figure No. 14.
Polish people's acceptance for social and financial support to refugees
04-05.2022, % respondents

- Admission of refugee children to Polish schools 84%
- Access to free health care to the same extent as Poles 59%
- Access to an additional one-time benefit of PLN 300 51%
- Covering refugees' accommodation and food costs by the Polish state 50%
- Access to social assistance (e.g., benefits) to the same extent as Poles 31%
- Access to family and childcare benefits (e.g., 500+) to the same extent as Poles 28%

Source: Faculty of Political Science and International Studies of the University of Warsaw, Preliminary report from the survey: "Public perception of refugees from Ukraine, migrants and measures taken by the cabinet of Mateusz Morawiecki", n = 380.
Impact of the war in Ukraine on the challenges of the Polish labour market

The Polish economy is facing labour shortages and currently the country is unable to meet the demand for labour in the domestic market. For several months, Poland’s unemployment rate has been at its historic low of 3% (Figure No. 15) which is the second lowest in the European Union after the Czech Republic. Moreover, with 159,000 open positions, the first quarter of 2022 saw the highest ever number of vacancies in the Polish economy. Thus, the Polish labour market has huge potential for integrating refugees and the Polish economy should not have any problem with welcoming a significant number of working-age newcomers to Poland.

Construction, transport and ICT were most popular sectors among Ukrainian men who worked in Poland before the outbreak of the war. Today, with their exodus to the homeland, these sectors are experiencing significant labour shortages. Nearly 40% of construction, transportation and ICT companies report lack of manpower. It should be stressed here that the influx of Ukrainian refugee women is unlikely to alleviate the problem, as Ukrainian women are more likely to seek work in the hospitality, catering and retail sectors, where a smaller percentage of companies are facing labour shortages (Figure No. 16).

The diverse impacts of the war in Ukraine on the situation in various branches of the Polish economy is also evident in surveys conducted by Statistics Poland.

Construction, transportation, real estate and industrial companies indicate a greater outflow of workers from their industries than an inflow of labour. However, in most of the sectors surveyed, the labour market situation has improved as a result of the insertion of migrants into the labour force.

Figure No. 16.
Companies reporting shortage of manpower as an obstacle to business - by sectors
04-05.2022, % of all respondents from the sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>04-05.2022, decrease/increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture, entertainment and leisure</td>
<td>n.a.</td>
</tr>
<tr>
<td>Construction</td>
<td>40%</td>
</tr>
<tr>
<td>Transport &amp; warehousing</td>
<td>40%</td>
</tr>
<tr>
<td>Information and communication</td>
<td>37%</td>
</tr>
<tr>
<td>Professional, scientific and technical activity</td>
<td>37%</td>
</tr>
<tr>
<td>Administration</td>
<td>30%</td>
</tr>
<tr>
<td>Hotels and catering</td>
<td>30%</td>
</tr>
<tr>
<td>Retail</td>
<td>26%</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>23%</td>
</tr>
<tr>
<td>Real estate services</td>
<td>20%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>19%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>18%</td>
</tr>
<tr>
<td>Other industries</td>
<td>16%</td>
</tr>
</tbody>
</table>

Refugees from Ukraine in Poland | Challenges and potential for integration

Construction, transport and ICT were most popular sectors among Ukrainian men who worked in Poland before the outbreak of the war. Today, with their exodus to the homeland, these sectors are experiencing significant labour shortages. Nearly 40% of construction, transportation and ICT companies report lack of manpower. It should be stressed here that the influx of Ukrainian refugee women is unlikely to alleviate the problem, as Ukrainian women are more likely to seek work in the hospitality, catering and retail sectors, where a smaller percentage of companies are facing labour shortages (Figure No. 16).

The diverse impacts of the war in Ukraine on the situation in various branches of the Polish economy is also evident in surveys conducted by Statistics Poland.

Source: Deloitte’s own analysis based on: Statistics Poland: Business tendencies in manufacturing, construction, trade and services 2000 - 2022 (May 2022)

Figure No. 15.
Unemployment rate in Poland
01.2010-04.2022, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>12%</td>
</tr>
<tr>
<td>2011</td>
<td>10%</td>
</tr>
<tr>
<td>2012</td>
<td>8%</td>
</tr>
<tr>
<td>2013</td>
<td>6%</td>
</tr>
<tr>
<td>2014</td>
<td>4%</td>
</tr>
<tr>
<td>2015</td>
<td>2%</td>
</tr>
<tr>
<td>2016</td>
<td>3%</td>
</tr>
<tr>
<td>2017</td>
<td>2%</td>
</tr>
<tr>
<td>2018</td>
<td>1%</td>
</tr>
<tr>
<td>2019</td>
<td>1%</td>
</tr>
<tr>
<td>2020</td>
<td>1%</td>
</tr>
<tr>
<td>2021</td>
<td>1%</td>
</tr>
<tr>
<td>2022</td>
<td>1%</td>
</tr>
<tr>
<td>2023</td>
<td>3%</td>
</tr>
</tbody>
</table>

Źródło: Eurostat.
Current situation from the perspective of Polish employers

Polish enterprises are aware that they will not be able to fill their manpower shortages by hiring Poles, so many of them are ready to employ foreigners. Companies registered in Poland are not only willing to engage Ukrainian refugees but also want to support them in entering the labour market (Figure No. 17). Contrary to what might be expected, offering jobs was not the most frequently declared form of assistance to those fleeing the war in the context of occupational activation. Polish companies just as often declared their willingness to invest in the development of the new employees from Ukraine and their better adaptation to work in Poland.

It should be pointed out though that, to all intents and purposes, hiring refugees from Ukraine is not an easy process. Polish companies report a number of obstacles that make it difficult for them to take on Ukrainians (Figure No. 18). By far the most important of these is the language barrier associated with refugees’ inability to communicate in Polish. In addition, Polish companies also mention administrative barriers as well as their lack of experience with foreign workers. It needs to be noted that administrative barriers could be removed with cooperation between business and public administration.

Figure No. 17.
Steps planned by Polish enterprises in the context of refugees’ occupational activation
04.2022, % surveyed companies, multiple-choice questions

| Paid internships / apprenticeships | 69% |
| Computer equipment                | 67% |
| Professional training             | 67% |
| Long-term work (more than 3 months) | 64% |
| Mentoring dedicated to refugees   | 63% |
| Language courses                  | 61% |
| Temporary work (up to 3 months)   | 45% |
| Job placement support and career counseling | 38% |
| Part-time work                    | 33% |
| On-site child care for refugees’ children | 13% |

Job offers
Other forms of support


Figure No. 18.
Obstacles to hiring Ukrainian migrants, as identified by Polish employers
04.2022, % surveyed companies, multiple-choice questions

| Language barrier | 63% |
| Unregulated legal situation (e.g., lack of documents) | 61% |
| Problem in reaching people with the right qualifications | 51% |
| Regulatory difficulties | 50% |
| Lack of work permit | 48% |
| Recognition of qualifications | 37% |
| Difficulties in defining the roles and positions that could be offered to refugees | 34% |
| Barriers within the organization (e.g., unwillingness to manage multinational teams) | 7% |
| Administrative barriers | | Other barriers | |

Interest in undertaking work in Poland

Based on the information derived from the PESEL database, in Poland there are about 623,000 Ukrainian refugees in working age (aged 18-64; Figure No. 19). The NBP survey conducted in April and May indicates that about 78% of the adult newcomers have taken up work in Poland or are ready to do so which means that approx. 486,000 are willing to contribute to the Polish economy in the near future. In addition, the NBP survey suggests that some 181,000 have already found employment. This result constitutes an exception when compared to the situation in other European countries. For example, in Germany, considering the refugees who arrived in 2016-2018, the corresponding employment rate (the quotient of the number of employed people to the total number of people of working age) was reached after about 48 months. A study of EU countries and refugees arriving before 2014 shows similar estimates of the employment rate during the period of 2-5 years after arrival.

In spite of the rapid integration, supporting approx. 300,000 migrants who are still looking for jobs will be a challenge. Considering their access to tools to support upskilling and retraining, employment offices can play an important role in this process, alongside the private sector. However, according to the data from the Ministry of Family and Social Policy, in June 2022, only 19,000 (or just over 6%) of Ukrainian refugees seeking work were formally registered in employment offices. The available studies suggest that supporting the integration of refugees will be a challenging task for Polish employment offices, and the demographics of the newcomers will add to the complication.

Figure No. 19.
Ukrainian refugees of working age, based on the labour market situation
08.06.2022, # of refugees (in thousands)

- Working age refugees from Ukraine (aged 18-64): 623
- Those who do not plan to work: 486
- Professionally active: 181
- Working or having a job promised: 305
- Looking for a job: 118
- Others looking for a job: 187

54 percent are financially independent; 16 percent want to apply for a refugee status, the remaining respondents indicate other reasons.

In Q4 2021 the economic activity rate in Poland among productive age population reached 80 percent, while employment ratio was 77 percent.

Source: Deloitte’s own compilation based on: Detailed statistics on persons registered in the register of Ukrainian citizens and members of their families who have been granted the status of a foreigner under the Special Act: Status as at 08.06.2022 - Open data; Living and Economic Situation of Ukrainian refugees in Poland - Report discussing the survey conducted by NBP district branches.
Challenges faced by Polish employment offices

Currently, few employers choose to seek employees through employment offices. This fact is made evident by the limited set of offers published by employment offices - on average, there are 11 times fewer job offers in the national database than those posted on pracuj.pl. One of the reasons behind it is the complicated process of submitting offers to the employment office. In 2020, only 3% of workers found a job through employment offices. This is a serious problem, and it points to the inefficiency of employment offices which nonetheless have the tools necessary to retrain and upskill the unemployed. Migration exacerbates these challenges.

Public administration, including employment offices, is not adequately prepared to handle foreigners efficiently, especially in the situation of an increasing influx of foreigners to Poland. As indicated in the report of the Supreme Audit Office, in 2019, only two of the eight audited employment offices participated in the implementation of projects for integration of foreigners (e.g., providing vocational advice in a foreign language, analyzing the demand for foreign labour).

The audited employment offices lacked procedures and policies for serving foreigners. The competition announced by the Ministry of Family and Social Policy which is focused on occupational activation and integration of foreigners can help address the current needs related to the influx of refugees from Ukraine. Turning temporary solutions into efficient, long-term measures requires not only monitoring the initiatives carried out as part of the competition, but also identifying the measures that are most effective and trying to scale them up to systemic solutions. Efficient handling of foreigners is an important element that can help retain specialists in the Polish labour market and prevent their migration to other EU countries.

Employment support tools are not used effectively. Over the past few years, the amount of spending per one unemployed person has been increasing (CAGR 3%), but the efficiency of employment offices has left a lot to be desired. The report of the Supreme Audit Office highlights that the efficiency measures used by employment offices are focused on short-term results and the sustainability of employment is somehow ignored when evaluating the tools used. This triggers suboptimal allocation of available resources. In the majority of the audited offices the preparation of Individual Action Plans for the unemployed were found to be unreliable. The need to personalize the support is particularly important from the point of view of refugees, as confirmed by the examples of how effective this solution proves to be when applied in other countries. Employment offices in Germany are treated as the main centre of integrating refugees into local labour markets. The use of the existing administrative infrastructure helps avoid the costs associated with setting up new institutions or departments, facilitates the flow of individual processes and allows the use of the labour force with the appropriate skills. In the US, on the other hand, the cooperation between private and public entities makes it possible for newcomers to be quickly integrated into the labour market through the Matching Grant Program which offers comprehensive support to refugees and allows them to be successfully activated in the labour market.
Employment offices make little use of the modern forms of promoting the services they offer. Only 32% of them promoted their occupational activation offers in the social media. This inadequacy causes that potential beneficiaries do not know much about the scope of the available support. In the context of refugees from Ukraine, ineffective communication has additional significance. Refugees most likely have lower awareness of the available support and a smaller network of contacts that can provide such knowledge.

One of the key concerns of employment offices in Poland is combining the unemployed status with access to health insurance. In 2020, 57.6% of the unemployed reported that the need to obtain health insurance rights was the main reason why they registered with the employment office. An unemployed person who registers with the office for health insurance purposes is less likely to make an effort when performing the work assigned to them. Such negative selection discourages employers from using the intermediary of employment offices thus reducing the number of jobs available through those offices. Hence, separating the unemployed status from health insurance will allow employment offices to concentrate their efforts on occupational activation of the unemployed. This has also been recognized by the Ministry which is working on a draft law on occupational activation.

An additional effect that the “forced integration” of those uninterested in work entails is a decrease in the quality of the median worker found through the employment office. An unemployed person who registers with the office for health insurance purposes is less likely to make an effort when performing the work assigned to them. Such negative selection discourages employers from using the intermediary of employment offices thus reducing the number of jobs available through those offices. Hence, separating the unemployed status from health insurance will allow employment offices to concentrate their efforts on occupational activation of the unemployed. This has also been recognized by the Ministry which is working on a draft law on occupational activation.

The fact that most of the Ukrainian refugees are mothers with children poses an additional challenge in terms of integration. The Polish labour market is not really single-parent friendly. As Eurostat data shows, in 2021, only 5% of workers in Poland had part-time jobs. To put it into perspective, the EU average is 17%, and the proportion reaches 39% in European leaders like Switzerland and the Netherlands. According to the NBP survey, 28% of single mothers from Ukraine seek part-time work, because they have family responsibilities. In addition, compared to other EU countries, employees in Poland are less likely to decide when they work and find it more difficult to take a few hours off with little notice which, in the case of single parents, can be an important factor. Taking steps aimed to support parents and meet their needs is necessary. For example, the proposal of the Ministry of Family and Social Policy that part-time workers should be entitled to a portion of their allowance should be viewed as favourable. Increased availability of preschool care makes it easier to reconcile caregiving responsibilities with work. The measures introduced for example in the US where migrants are supported in opening kindergartens and nurseries can serve as a good model to follow. Greater availability and lower costs of preschool care has positive consequences for native workers as well, and can translate into rising fertility rates.
Characteristic features of refugees registered in employment offices

In the first half of 2022, the number of the newly registered unemployed amounted to more than 600,000. The number of foreigners soared in that period because of the war in Ukraine - this group accounted for about 7.5% of all new registrants compared to 0.4% a year before. At the end of July, the number of the newly registered unemployed from Ukraine alone had already reached almost 54,000. This group differs significantly from the people who registered as unemployed before the war in terms of gender, education and job tenure (Figure No. 20).

Even though Polish citizens and Ukrainians fleeing the war should be treated equally, the fact that refugees have other needs may necessitate adjusting the offered support and acknowledging that such support should essentially be different from that available to Poles. The Polish authorities will therefore have to clearly communicate this difference to the public and explain the rationale behind it. This will enable labour offices to work more effectively and prevent potential conflicts, also contributing to the material situation of refugees and the growth of the Polish economy.

Women account for 89% of the working-age refugees and 92% of refugees registered with labour offices, respectively. To put it into perspective, among the unemployed registered in Poland in 2022, 55% were women. Thus, the occupational activation offer addressed at those fleeing the war must meet the needs of women and specifically keep in view that a significant number of them are mothers.

The age structure of refugees registered as unemployed and the unemployed to date does not differ significantly. The apparent overrepresentation of women aged 35-39 in the overall demographic structure of refugees corresponds to a significantly higher percentage of the 35-44 age group among the registered refugees than among the unemployed in Poland (38% vs. 26%). At the same time, those aged 18-24 and 55+ account for 28% of the unemployed registered in Poland in 2022, but only for 18% of Ukrainians registered in labour offices.

Figure No. 20.
Comparison of characteristics of the unemployed registered with employment offices before the war and the refugees who are now registered as unemployed

Source: Statistics Poland: Concise Statistical Yearbook of Poland - Labour 2022; Data of the Ministry of Family and Social Policy
Ukrainian refugees registered as unemployed are better educated than unemployed Poles. Nearly 30% of the unemployed Ukrainian citizens with access to the labour market on the basis of the Special Act have higher education. Conversely, only 16% of the unemployed registered in Poland in 2022 had higher education. The share of those with vocational, junior high school or lower education is similar in both groups (44% among refugees from Ukraine and 51% among the unemployed registered in Poland 2022). The structure of education may make it easier for employment offices to activate refugees.

The procedural adjustments required in connection with the declared previous work experience of registrants are bound to be the most serious challenge for employment offices to date. While almost 90% of the unemployed added to the database in 2022 have experience, about 80% of refugees registered as unemployed have never worked before. Even if we allow for the fact that refugees may not have provided reliable information in this regard, it must be assumed that the percentage of those without previous work experience is higher among registered refugees from Ukraine than among the unemployed to date in Poland. Thus, employment offices must reckon with the fact that, in the case of many Ukrainians, they will not only need to try to integrate them into the Polish labour market, but will also have to help them enter the labour environment for the first time which may prove far more difficult. Unquestionably, taking the first job in the home country is less problematic and mentally taxing than doing it abroad.

Figure No. 20 - cont. Comparison of characteristics of the unemployed registered with employment offices before the war and the refugees who are now registered as unemployed

Source: Statistics Poland: Concise Statistical Yearbook of Poland - Labour, 2022; Data of the Ministry of Family and Social Policy
Foreign case studies

Germany

Employment offices as main occupational activation centres for refugees
The integration of refugees into local labour markets is handled by the counterparts of Polish employment offices which – providing know-how regarding the local realities - cooperate with the nationwide employment services. The use of the existing administrative infrastructure helps Germany avoid the costs associated with setting up new institutions or departments, facilitates the flow of individual processes, and allows the utilization of labour force with the appropriate skills. In doing so, the key issue is to ensure that refugees and the local community have equal access to the labour market and employment office services. It is estimated that 50% of refugees find work in Germany within the first five years of their stay. In fact, after just two years, approx. 36% of working-age refugees are integrated into the labour market.

Community sponsors acting as mentors to refugees
Property owners were initially reluctant to rent apartments to refugees, and employers were unwilling to hire them. Refugees were assigned community sponsors who, knowing the specifics of local markets, acted as mentors to refugees, and thus built trust between refugees, property owners, and employers. The number of refugees who leased accommodation and had regular jobs has increased as a result. It is recommended that community sponsors be supported by organizations with experience in working with and integrating refugees, because sponsors are often unable to sufficiently empower refugees, and their enthusiasm wanes over time. Nonetheless, the program has proven so successful that in the face of further migrations, the government has decided to continue it.

U.S.

Public and private partnerships aimed to support refugees in becoming economically self-sufficient through employment
The Matching Grant Program has been operating in the US for 40 years. It offers comprehensive case management, allowing refugees to be successfully activated in the labour market. A study by Shin Seono of Goethe University Frankfurt suggests that the program participants were 12-13 percentage points more likely to find a job compared to people with similar characteristics without access to program support. Among other things, the program offers training on how to find your way around in the labour market (the so-called Employment skills training), employee referrals/recommendations, support in finding housing, and language courses.
Considering the key tasks that Poland needs to undertake in the current situation, reducing information gaps and combating misinformation linked with refugees residing in Poland are extremely important. In addition, it is in Poland’s interest to encourage those fleeing the war not to remain outside the Polish labour market voluntarily.

**Deloitte’s recommendations**

**Improvement of information flow and combating misinformation**

**Recommendations**

- The flow of information in Poland should be improved by offering information materials and conducting information campaigns on the influx of refugees from Ukraine. Counteracting fake news and providing the public with reliable information about the current situation should reduce the dangers of disinformation. It is essential to make sure that Poles and Ukrainians are treated equally in terms of their access to public services and to communicate this fact to Polish citizens.

**Facilitating labour market entry and occupational activation of refugees**

- A truly inclusive labour market environment should be ensured to enable refugees to work in Poland and help Polish employers find the workers they need among refugees. In order to minimize the costs of supporting refugees, it is necessary to activate them in the Polish labour market, first by using activation policies currently offered by public institutions.

**Required steps**

1. Prepare information that is clear, easy to understand, and tailored to the needs of specific stakeholder groups, such as refugees, employers, etc.
2. Help refugees properly understand the Polish culture, customs and regulations.
3. Disseminate (through local and nationwide information campaigns) fact-based information that will help eliminate misperceptions about the impact of migration on host communities.
4. Use the media and information campaigns to communicate to Polish citizens that refugees do not receive preferential treatment.
5. Work with businesses to identify all barriers to employing refugees from Ukraine.
6. Introduce changes to legislation to reduce barriers to entry into the Polish labour market.
7. Make sure that the existing active labour market policies of Polish employment offices are applied to refugees from Ukraine in practice, not just in theory.
8. Support the refugees that are less familiar with modern technology in entering the labour market and potentially, also provide assistance to entrepreneurs.
9. Compare the experience of clients and employment office staff, assess the effectiveness of specific tools and fill gaps in the existing policies to make them more effective and to improve the functioning of Polish employment offices.
10. Share the best activation practices of employment offices on a nationwide level.
"Three lenses" test

The credibility of Deloitte’s recommendations is confirmed by the “Three Lenses” test that examines the validity of the proposed activities in terms of their practicality, feasibility and cost-effectiveness. The activities identified by Deloitte have passed this test.

The benefits of implementing the initiatives proposed by Deloitte in the areas of information flow and refugees’ occupational activation outweigh their costs. What’s more, these measures provide a foundation for other recommendations. On their grounds Polish state will be able to prepare and implement a comprehensive strategy for the integration of refugees from Ukraine in Poland.

The results of the “Three Lenses” test for the flow of information and occupational activation of refugees are as follows:

**PRACTICALITY**
- Refugees need transparent and reliable information to successfully integrate into Polish society.
- Polish employers appreciate clear communication regarding Ukrainians on the Polish labour market.
- Polish workers should learn about the benefits to the Polish economy of hiring migrants.
- Polish authorities want to avoid conflicts resulting from disinformation and fake news.
- Polish society expects state authorities to ensure Poland’s security in the information sphere.

**FEASIBILITY**
- The Polish government has the capacity to prepare and launch information campaigns with wide reach.
- The Polish state can use best practices from abroad to develop and effectively apply tools to combat disinformation.

**COST-EFFECTIVENESS**
- The benefits of combating disinformation and disseminating credible information are difficult to quantify, as the effects of activities carried out in this area cannot be directly compared to the inputs used.
- Nonetheless, the Polish government should take such measures whose added value clearly exceeds the costs incurred.

Improvement of information flow and combating misinformation

Refugees from Ukraine in Poland | Challenges and potential for integration
“Three lenses” test

Facilitating labour market entry and occupational activation of refugees

**PRACTICALITY**
- Most refugees want to work and be financially independent.
- Polish employers will appreciate the opportunity to hire refugees more easily.
- The Polish government wants refugees to pay taxes in Poland.
- Polish society expects refugees to contribute to the Polish economy.
- Poland as a group of various stakeholders wants to provide refugees with an adequate standard of living through their occupational activation.

**FEASIBILITY**
- Facilitating the entry of newcomers into the Polish labour market will require cooperation between Polish authorities and business as well as other stakeholders, such as refugees and NGOs.
- Polish employment offices can use the existing infrastructure and experience to activate refugees in the labour market.
- Polish authorities, acting on the best international experience, are able to improve the operations of Polish employment offices and make their services more effective.

**COST-EFFECTIVENESS**
- Refugees will quickly pay off the cost of their occupational activation - the total annual value of taxes, insurance and contributions resulting from the employment of a refugee will amount to more than PLN 15,000 for a person receiving the minimum wage and approx. PLN 39,000 for a person receiving the average wage.
Learning the Polish language and facilitating access to the labour market for professionals

Shortages of workers constitute a barrier to the development of the Polish economy. Weighing this thesis against the high qualifications of refugees from Ukraine leads to the conclusion that Poland as a country cannot afford to underutilize the capabilities that Ukrainians have brought with them to Poland. A prerequisite for the successful integration of those fleeing the war is not only their ability to communicate in Polish, but also providing work that is in line with their qualifications. If refugees mainly pursue poorly paid jobs that are unpopular with Poles, they will not be able to fulfil their professional potential, and their sense of belonging to the Polish society will be markedly lower. Working below qualifications also means wasting human capital from the perspective of the economy.
Most refugees arriving in Poland do not speak Polish and their professional qualifications are not recognized or this is done inefficiently. All stakeholders will benefit from teaching refugees the Polish language and streamlining the process that enables them to work in their learned professions.

Outline of situation

Context

Potencjał tkwiący w uchodźcach z Ukrainy nie może być w pełni wykorzystany z dwóch głównych powodów, jakimi są nieznajomość języka polskiego i problemy z uznawaniem ich kwalifikacji.

Good command of the Polish language is fundamental to the successful integration of refugees:

- 74% of Ukrainian refugees are unable to communicate effectively in Polish, which makes it difficult for them to interact with the Polish society.
- Proficiency in Polish is not a formal requirement for entering the Polish labour market, but in most jobs it is crucial for practical reasons.
- The language barrier is, according to employers, the key obstacle to hiring refugees from Ukraine.

Problems with accreditation and diploma recognition limit the ability to harness the refugees’ professional potential.

- Poland regulates the third largest number of professions among all European Union countries.
- The share of people with higher education among both pre-war economic migrants from Ukraine and the Ukrainian refugees is at least twice as high as the overall share of university-educated Poles in the Polish population.
- Highly skilled refugees from Ukraine often work in Poland below their qualifications and in positions lower than those they held in Ukraine.
- There is a risk that many refugees will permanently work below their qualifications.

Foreign case studies

In the context of improving the flow of information and activation of refugees on the Polish labour market, Poland can learn from the experience of other countries:

Canada - Newcomers have access to trainings to improve their skills and language courses; they learn at a pace that is right for them, either on-site or online. Language courses focus on verbal and written communication and reading.

Germany - Through language courses and vocational training, refugees are given opportunities to meet local standards for professional qualifications.

Sweden - The Swedish Council for Higher Education has introduced digital certificates to accredit qualifications.

Sweden - The Fast Track program accelerates the recognition of qualifications and proposes job and training opportunities to migrants.
Recommendations
Deloitte has made the following recommendations to help eliminate the language barrier and prevent working below qualifications:

Teaching refugees the Polish language:
• Offer both online and on-site language courses, as well as additional online language learning materials.
• To maximize the effectiveness of the courses, tailor them to the individual needs of refugees and to the requirements of specific jobs.

Facilitate access to professions requiring high or specialized skills:
• Verify the list of regulated professions in Poland.
• Digitize and optimize the process of accreditation of foreign professional qualifications to make it more efficient and accessible.
• Establish alternative forms of certifying qualifications, such as examinations that do not require courses.

Outcomes
Implementation of the above measures should bring about the following outcomes:

Fulfilment of the potential of refugees and their contribution to the Polish economy;
Easier integration of refugees into Polish society and their higher standard of living;
Increase in the number of highly skilled professionals willing to stay in Poland on a long-term basis.
Assessment of the situation

Command of foreign languages among refugees

Knowledge of the Polish language makes it significantly easier to enter the Polish labour market, and in some jobs verbal or written communication in Polish is essential. Unfortunately, almost 75% of refugees who came to Poland from Ukraine do not know Polish (Figure No. 21) which is a significant barrier to their occupational activation and requires introducing systemic learning of the Polish language on a mass scale.

It needs to be underlined that as many as 90% of refugees speak Russian and 55% of them know English which significantly increases their chances on the Polish labour market. Importantly, in some sectors, being able to communicate in English is perfectly sufficient and enables non-Polish speakers to find employment. Nevertheless, employers consider inability to speak Polish to be the most serious drawback for Ukrainians to find a job in Poland - such an opinion was expressed by the representatives of 63% enterprises that took part in the survey conducted by Deloitte and POLITYKA weekly. Regardless of this problem, one should not overlook the fact that Ukrainian refugees also have command of other foreign languages, primarily Western European ones. At least theoretically, employers may consider it as an additional asset increasing the chances that those fleeing the war will find well-paid employment that will provide them with opportunities for development.

“The basic problem on the labour market is that candidates have poor command of Polish... For that reason, the most important recommendation for the government will be to implement systemic tools for rapid language learning as soon as possible.”

Wrocław City Council

Figure No. 21.
Percentage of refugees with communicative competence in foreign languages (other than Ukrainian)
03-04.2022, % surveyed refugees

<table>
<thead>
<tr>
<th>Language</th>
<th>Competence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian</td>
<td>90%</td>
</tr>
<tr>
<td>English</td>
<td>55%</td>
</tr>
<tr>
<td>Polish</td>
<td>26%</td>
</tr>
<tr>
<td>German</td>
<td>6%</td>
</tr>
<tr>
<td>French</td>
<td>2%</td>
</tr>
<tr>
<td>Italian</td>
<td>2%</td>
</tr>
<tr>
<td>Spanish</td>
<td>2%</td>
</tr>
<tr>
<td>Hebrew</td>
<td>1%</td>
</tr>
<tr>
<td>Romanian</td>
<td>1%</td>
</tr>
<tr>
<td>Turkish</td>
<td>1%</td>
</tr>
<tr>
<td>Hungarian</td>
<td>1%</td>
</tr>
<tr>
<td>Arabic</td>
<td>1%</td>
</tr>
</tbody>
</table>

In many jobs, the English language can be a good alternative to Polish. Only ¼ of them speak Polish.

Source: Special report: “Ukrainian refugees in Poland” EWL, n = 400.
A key point is that the level of knowledge of the Polish language differs significantly when the war refugees are compared with the economic migrants from Ukraine. Almost ¾ of refugees do not even speak a conversational level of Polish, whereas nearly 80% of their compatriots who arrived in Poland before the war are able to communicate in our language (Figure No. 22). The varying degrees of proficiency in the Polish language among refugees are confirmed by a more recent and broader NBP survey.

The situation is unprecedented, considering that in our modern history we have never had to deal with such a large number of foreigners residing in Poland (even temporarily) who do not speak Polish. Many Poles are experiencing a language barrier in their own country for the first time which may lead to difficulties in the functioning of the two nations side by side. One of the reasons why economic migrants from Ukraine are easily integrated is the little or almost no language barrier - in the past workers from Ukraine mastered the Polish language relatively quickly which allowed them to find their feet not only on the Polish labour market, but also in the Polish society.

Figure No. 22.
Perceived level of Polish language proficiency among refugees and economic migrants from Ukraine
12.2021; 03-04.2022, % survey respondents

<table>
<thead>
<tr>
<th></th>
<th>Refugees (2022)</th>
<th>Economic migrants (2021)</th>
</tr>
</thead>
<tbody>
<tr>
<td>very good</td>
<td>27%</td>
<td>4%</td>
</tr>
<tr>
<td>good</td>
<td>19%</td>
<td>5%</td>
</tr>
<tr>
<td>average</td>
<td>32%</td>
<td>17%</td>
</tr>
<tr>
<td>poor</td>
<td>29%</td>
<td>18%</td>
</tr>
<tr>
<td>very poor/ none</td>
<td>45%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Special report: "Ukrainian refugees in Poland" EWL, n = 400 (2022), n = 600 (2021).
Education of Ukrainian refugees

The percentage of people who received university education is higher among Ukrainians than among Poles (Figure No. 23.). In the majority of cases Ukrainian citizens who come to Poland are well-educated - this was the case with the economic migration before the war and it still holds true when we analyse the qualifications of the war refugees from Ukraine. About 60% of the refugees and as many as nearly 70% of the migrants have university education which puts a significant portion of both groups among the specialists who are most sought after on the Polish labour market. At the same time, there are relatively few people with secondary education among the Ukrainians staying in Poland, and this level of education is often the ticket to further education but does not guarantee well-paid employment which is usually associated with specialized competence.

The differences in education between the two nations blur when the remarkably similar structure of employment is taken into account. One notable fact though is that proportionally more Poles are employed in the sector of services and to a lesser extent in industry, while more Ukrainians work in trade and agriculture (Figure No. 24.).
Situation of Ukrainian refugees in the Polish labour market

The Polish economy does not fully benefit from the educational potential of Ukrainian refugees. Half of the Ukrainian newcomers perform simple jobs and rarely does a refugee work as a specialist or mid-level employee (Figure No. 25.). As a result, a significant number of those fleeing the war are working below their competence. A number of factors may be behind this. First, refugees are less proficient in Polish, which limits their possibilities to work in positions where cognitive abilities are important (e.g., services, management positions). Second, many may find it challenging to document their education or work experience. Third, some of the skills have limited transferability between countries due to specific regulations or certification requirements. It should be noted that underemployment is not specific to the integration of people from Ukraine in Poland - analogous patterns were observed during previous refugee crises. However, it must be stated that if this situation persists over a long period of time, it could lead to a lack of assimilation of a group whose exclusion from the middle class is not a direct result of education or skills. This would be a negative scenario for both the Polish economy and Polish society.

The difficult situation of Ukrainian refugees on the labour market is confirmed by studies on their financial standing. Almost ¾ of those surveyed admit that they live modestly at most, while other respondents rate their financial situation as at least moderate (Figure No. 26). Comparing this data with the statistics on the education of those fleeing the war in Ukraine, it can be assumed that the standard of living of many Ukrainians has clearly declined.

Figure No. 25.
Jobs performed by refugees and migrants working in Poland in 2020
Q4 2020; 13.05.2022, % workers

- Elementary occupations: 50%
- Craft related trades workers: 6%
- Service and sales workers: 14%
- Plant and machine operators, and assemblers: 21%
- Office workers: 10%
- Technicians and associate professionals: 7%
- Farmers, gardeners, foresters and fishermen: 10%
- Representatives of public authorities, Senior officials and managers: 9%
- Others: 4%

Source: Data of the Ministry of Family and Social Policy, Statistics Poland Concise Statistical Yearbook of Poland - Labour, 2021

Figure No. 26.
Financial standing of refugees living in Poland
04.2022, % survey respondents

- Satisfactory: 9%
- Average: 7%
- Poor: 19%
- Very poor: 64%

Source: Metropolie: Announcement of main results of analysis and research on Ukrainians in 12 UMP cities, First data, n = 2,602.
Main difficulties identified by the Supreme Audit Office:

- Lack of information about the education and experience of foreigners which makes it impossible to identify those working below their competence.
- Internal regulations of medical universities, which significantly restrict the possibilities of diploma accreditation.
- Irregularities in the issuance of work permits for highly qualified professions.

Regulated professions - serious obstacles to accessing the Polish labour market

As of June 2022, Poland regulates access to 352 professions which puts it among the infamous leaders among European Union member states (Figure No. 27). The number of professions for which the Polish state requires specialized qualifications and permits is as much as 68% higher than the EU average of 210 professions.

Interestingly, only two other countries (Hungary and the Czech Republic) regulate access to more professions than Poland, which means that Poland does not really stand out compared to other countries in the region. The most liberal regulations are in Lithuania (77 regulated professions), as well as in Estonia and Bulgaria (109 professions each).

According to the Supreme Audit Office, due to the difficulties with recognizing foreign professional qualifications and lack of a well-thought-out migration policy, Poland is a far less attractive choice for highly skilled foreigners than it should be given the potential of the economy and the country’s level of economic development. This negatively affects the potential for the use of highly skilled refugees from Ukraine in Poland - such as administrative workers who accounted for 14% of those fleeing the war.

The majority of regulated professions are linked with the following sectors of economy:

- Construction
- Mining
- Healthcare
- Transport
- Professional services
- Tech specialities

Figure No. 27.
Number of regulated professions in selected EU states and in the UK
06.2022, number of regulated professions

<table>
<thead>
<tr>
<th>Country</th>
<th>HU</th>
<th>CZ</th>
<th>PL</th>
<th>SK</th>
<th>SI</th>
<th>FR</th>
<th>GB</th>
<th>UE27</th>
<th>AT</th>
<th>ES</th>
<th>NL</th>
<th>IT</th>
<th>BE</th>
<th>DE</th>
<th>SE</th>
<th>BG</th>
<th>EE</th>
<th>LT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulated professions</td>
<td>417</td>
<td>365</td>
<td>352</td>
<td>298</td>
<td>281</td>
<td>264</td>
<td>248</td>
<td>210</td>
<td>204</td>
<td>190</td>
<td>185</td>
<td>183</td>
<td>173</td>
<td>166</td>
<td>125</td>
<td>109</td>
<td>109</td>
<td>77</td>
</tr>
</tbody>
</table>

Source: Regulated professions by country, with competent authorities (europa.eu)
Recognition of Ukrainian refugees’ professional qualifications

At present, professional qualifications and education can be recognized in Poland using one of the three methods: automatic recognition of education, recognition of education under an international agreement, and validation procedure. The choice of the procedure depends on the country which issued the diploma which means that both the Ukrainian refugees and the Poles who study abroad can be subject to each of the procedures listed above (Chart No. 1).

Automatic recognition of qualifications would be favourable for newcomers, but according to the national law, only the documents issued by the universities located in the countries of the European Union, European Free Trade Association and the Organisation for Economic Cooperation and Development are treated as equivalent to Polish diplomas.

Ukraine is among the countries in the case of which the recognition of diplomas and academic degrees as well as translating them into Polish equivalents is subject to the agreements entered into between Poland and the relevant countries.

In Polish-Ukrainian relations, the matters related to education are regulated by the Bilateral Agreement between the Government of the Republic of Poland and the Cabinet of Ministers of Ukraine on mutual academic recognition of documents on education and degree equivalence of 2005. Before that, education-related questions were also governed by: Protocol between the Government of the Republic of Poland and the Government of Ukraine on temporary regulation of the matters of mutual recognition of equivalence of certificates documenting the completion of secondary schools vocational secondary schools and schools of higher education, as well as documents awarding academic titles and degrees of 1992, the Prague Convention of 1972, and the Agreement between the Polish People’s Republic and the Union of Soviet Socialist Republics on the equivalence of documents relating to education and academic degrees and titles issued in PPR and SSR of 1974. According to the above documents, the diplomas issued in Ukraine after June 2006 as well as all medical and architectural diplomas awarded in that country are subject to the validation procedure whereas all others are deemed equivalent to Polish diplomas.

The validation procedure is a complex, time-consuming and costly process, and after it is completed, the foreign diploma will not necessarily be treated as equivalent to the documents issued in Poland.

One needs to bear in mind that diploma recognition is, in many situations, only the first step on the laborious way to find a job in Poland. Those who are engaged in regulated professions, apart from having their qualifications recognized, also need to certify that they have the right to practice. If the right to practice a regulated profession is granted in the territory of the European Union, Iceland, Swiss Confederation, Lichtenstein or Norway, the practitioner can apply to the specific institutions authorised to perform the validation process. However, if the right is granted in a different country than those mentioned above, the interested party must apply for approval of the right in Poland pursuant to the relevant regulations of the Polish law which may prove complicated and burdensome for many foreigners and Poles studying/working abroad.
# Methods of recognizing qualifications and education of Ukrainian refugees in Poland

<table>
<thead>
<tr>
<th></th>
<th>Automatic recognition</th>
<th>Recognition on the basis of international agreements</th>
<th>Validation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope Procedures</strong></td>
<td>Diplomas awarded by universities in EU, OECD and EFTA countries</td>
<td>Ukrainian diplomas issued before June 2006 in subject other than medicine or architecture.</td>
<td>Ukrainian diplomas issued after June 2006 and all Ukrainian diplomas in medicine and architecture</td>
</tr>
<tr>
<td><strong>Procedure and its outcome</strong></td>
<td>Although not awarded in Poland, the diploma automatically confirms its holder’s education</td>
<td>Agreements endorse the equivalence of the foreign diploma</td>
<td>After the educational path and its outcome are verified the relevant institution of higher education determines whether the foreign diploma has an equivalent in Poland</td>
</tr>
<tr>
<td><strong>Procedure duration</strong></td>
<td>Immediate</td>
<td>Immediate</td>
<td>Maximum 90 days</td>
</tr>
<tr>
<td><strong>Costs related to the procedure</strong></td>
<td>Free of charge</td>
<td>Free of charge</td>
<td>Max. PLN 3,205</td>
</tr>
</tbody>
</table>

Despite the fact that the situation is extraordinary, certain universities refuse to speed up the validation process and to cancel or reduce the required fee. However, the amendments introduced by the Special Act on assistance to Ukrainian citizens make it possible to finance the validation procedure from the Labour Fund.
Foreign case studies

Canada

Foreign language and professional development courses are available on site and online

In 1992, Canada launched free-of-charge language courses which today are held both on site and online. During those classes the program participants learn the official languages as well as find out more about the everyday life in Canada. Language courses may be combined with professional development training, and newcomers have access to an internet portal with additional language support materials. Priority is given to verbal and written communication as well as reading skills, and each year up to 60 thousand migrants enter the program. It is crucial that language course participants be able to attend classes that are appropriate to their language level and skills and the course be available in many locations and at various hours of the day, as these factors will allow more people to take part. The courses have been rated favourably. According to evaluations, on average, students manage to increase competence in all four areas (reading, writing, listening and speaking) by 1 level. The benefits are greater if the number of hours spent studying reaches 1000.

Germany

Language and other training courses for refugees

Many of the refugees who arrived in Germany did not know the German language and their qualifications did not meet the local standards. In order not to cause dissatisfaction in the society, German authorities did not lower the standards, but decided to offer language courses and occupational training to refugees and thus help them fill the specific German job requirements. Moreover, potential entrepreneurs received financial support from the state and the procedures for recognizing foreign qualifications were simplified. Before refugees started working in the jobs that they had trained for they were assigned to positions that did not require high qualifications. Germany was fairly successful in occupational activation of refugees. In the period of five years approximately half of the newcomers entered the labour market, but they were mainly employed in lower positions than in their home countries.

Sweden

Digital certificates attesting professional qualifications and digitalized process of their recognition

During the Syrian refugee crisis the Swedish authorities concluded that they could not afford to waste the potential of the refugees arriving in Sweden who all worked below their qualifications or alternatively were excluded from the labour market because of the lengthy diploma recognition process. The Swedish Council for Higher Education decided to introduce a digital application procedure and digital certificates endorsing foreign qualifications. With these solutions the application verification process was considerably reduced. Nowadays, foreigners do not have to apply to authorities when they need copies of their documents. What is more, an internet database containing information about qualifications awarded in several dozen countries has been set up. Now foreigners can easily check what Swedish degrees and qualifications are equivalent to specific levels of education provided by various countries. The database is used by employers. As a result, the number of certificates recognized a year is now almost twice as high as before the digitalization.

Fast Track qualification recognition program and matching up job and training opportunities with migrants

The Swedish authorities wanted migrants and refugees arriving in Sweden not only to become active participants of the labour market but also to work in jobs they had been trained for, making the most of their skills and abilities. In order to achieve this the Fast Track program was introduced to accelerate professional development of newcomers. Following the initial evaluation of the skills and experience of migrants, their qualifications are verified in the potential workplace by the authorized officers who speak their native language. Owing to cooperation with the representatives of various sectors, foreigners have easy access to offers of jobs they were trained to do, language courses and training to improve their skills. As far as employers are concerned, they have a system at their disposal which assists them in their search for employees with the appropriate qualifications thus helping reduce employment shortages in specific areas of the Swedish economy. The numbers of program users and development paths have been growing since the launch of the program - at present 30 different types of jobs are available.
Teaching Polish to refugees

Ukrainian refugees should be taught Polish using onsite and online language courses. Refugees should also receive support in the form of additional learning resources available online. The key issue is to ensure that the language course system offered is adequate to the refugees’ individual needs and the requirements of the labour market. Making employment offices responsible for the activities taken in this respect is worth considering.

Easier access to professions requiring high or specialized skills

The process of recognizing foreign professional qualifications should be fully reformed. The new process should be digitized and cheaper, and thereby easier to access. Process optimisation will also make it more effective.

It is necessary to verify the list of regulated professions in Poland so as to identify and eliminate any potential bottlenecks. Changing the relevant laws should be beneficial in the long term, because, considering its aging population, Poland may be in need of more migrants in the future.

Required steps

01 Modernization and extension of the existing infrastructure so as to make it possible for employment offices to offer Polish language courses to refugees;

02 Offering online and site language courses as well as various internet resources, such as tools to support writing and quizzes to help foreigners expand their speaking, writing and reading skills;

03 Prioritizing learning to write and read due to differences arising from the use of the Latin alphabet in Polish and the Cyrillic alphabet in Ukrainian - these can pose additional challenges in learning the language;

04 Creating a system under which the courses offered not only answer the individual needs of refugees but also are adjusted to the requirements of specific professions (e.g. focus on verbal communication for hair stylists or on writing skills for accountants);

05 Implementation of a system that makes it possible to complete all formalities via the internet, e.g. digital recognition of professional qualifications;

06 Developing potentially more flexible criteria for recognition of professional qualifications concerning diplomas granted in the European Union, EEA and OECD, and extending them to include the diplomas issued by Ukrainian universities;

07 Allowing refugees who do not dispose of the required documents to confirm their qualifications thorough dedicated exams without the need to attend courses, do internships, etc.
The Polish language courses organized for refugees should be seen as an investment that will eventually be advantageous not only for the Ukrainians arriving in Poland but also for the Polish economy and the society as a whole. It needs to be pointed out that a reform of the process of recognizing foreign professional qualifications is unavoidable, even divorced from the current war in Ukraine. This is so because the Polish economy may need foreign workforce to continue to grow. The results of the three lenses test in respect of the Polish language teaching and easier access to professions that require high or specialized qualifications (in terms of practicality, feasibility and cost-effectiveness) are as follows:

**Polish to refugees**

**PRACTICALITY**

- With better command of the Polish language refugees have better chances to find well-paid jobs and integrate with the Polish society. However, hopes for a quick end to the war and going back home may weaken their determination to learn Polish.
- Employers appreciate the tax deductibility of Polish language courses, they are also happy about the fact that with improved language skills, their Ukrainian employees are bound to work more effectively.
- Social assimilation of Polish-speaking refugees will be faster.

**FEASIBILITY**

- Considering the example of economic migrants from Ukraine, refugees should also be able to learn Polish fairly quickly.
- Employment offices may be in need of expanding and modernizing their infrastructure in order to ensure refugees a comprehensive program of Polish language learning.
- Both traditional and online language schools offer diversified Polish language courses (conducted remotely or in traditional schoolrooms).
- Many companies have already decided to finance foreign language courses for their employees.

**COST-EFFECTIVENESS**

- Teaching Polish from 0 to A2 level required 180-200 hours of study, and approx. 500-600 hours to reach B2 level. Considering that the average price per hour amounts to PLN 25-30, reaching A2 level for a student that starts from scratch may cost approx. PLN 4,500-6,000, while achieving B2 level - PLN 12,500-18,000.
- Mandatory language courses for migrants introduced in Denmark in 1999 resulted in increases to their salaries by 34% and a rise in their employment by 23%, while 1 Danish krone invested in language courses generated a 15 krone return across the Danish economy.
Easier access to professions requiring high or specialized skills

PRACTICALITY

• Due to high costs, some refugees cannot afford to have their diplomas and degrees validated, so they would benefit from a reduction in the cost of this procedure. Moreover, a shortened diploma validation process would increase their chances of finding well-paid jobs.

• The Polish government would benefit from higher revenues resulting from the increase in refugees’ earnings.

• Employers would benefit from greater availability of educated workers.

• Representatives of certain regulated professions may want to hinder the process of lifting entry barriers to their professions so as to avoid competition from Ukrainians and other Poles.

FEASIBILITY

• Polish authorities are in a position to prepare and implement the necessary changes to the law and introduce an IT system to digitize the process of recognizing foreign professional qualifications.

• Increasing access to regulated professions and maintaining their standards may be problematic in some areas.

• Some of the universities may run into problems when accelerating the diploma validation procedure.

COST-EFFECTIVENESS

• Changes in the law and digitization constitute investments resulting in lower unit costs of processing individual applications.

• Refugees will receive higher income.

• Revenues to the Polish budget will increase.

• Polish businesses are sure to develop faster because of the greater availability of specialists.
Combined offers

The demographic structure of the refugees arriving in Poland is such that it is not possible to use the professional potential of the newcomers right away. Some of the mothers will not want to take up jobs and will not even seek employment until they have a guarantee that their children will be taken care of while they are at work. At the same time, the need to provide care for Ukrainian children overlaps with the still unresolved issue of preschool availability among Polish children. Poland also needs to be ready if the scenario of a paralyzed housing market in Poland's largest cities were to materialize as a result of a new wave of refugees.
A significant portion of Ukrainian refugees living in Poland are mothers who need help caring for their children in order to enter the labour market. The concentration of Ukrainians in specific areas of the Polish territory can also be a challenge. An appropriate balance needs to be struck between absorption of migrants into the more productive labour market in the largest cities and the constraints on the availability of housing and public infrastructure there, the answer to which may be to attract some refugees to smaller towns and rural areas.

The majority of refugees are mothers with children:

- More than 115,000 Ukrainian children in Poland require preschool care.
- Refugee children account for more than 7% of the capacity of Poland's preschool care system - the number of places available in the system is too low to absorb refugee children. The problem is most pressing in Warsaw, Kraków and Wrocław, where the ratio of Ukrainian children per children receiving preschool care is relatively high.

Only after ensuring care for their children will some of the mothers be able to enter the labour market, so the women who will have no access to preschool care will not generate GDP and in consequence, will require financial support from the Polish budget.

As a rule, refugees stay in the largest Polish cities:

- According to some sources, there are between 1.2 and even more than 2 million Ukrainians living in Polish agglomerations, although it should be noted that significantly fewer PESEL numbers have been granted under the Special Act, which once again shows the scale of uncertainty that decision-makers must face.
- The presence of refugees in the labour market in Poland's largest cities has a particularly positive impact on the economy due to the absorptive capacity and high productivity of the urban labour market.
- The influx of refugees has resulted in a shortage of rental housing and rising rental prices.
- The potential of smaller towns and suburban areas in the context of housing stock and the labour market is not fully exploited, primarily due to the current negative perception among refugees of the standard of living outside Poland's largest cities.

Foreign case studies

- The United States: The Refugee Family Child Care Microenterprise Development Program enables refugees to run family care businesses in their homes.
- Germany: One-stop shops have been established for refugees where they can handle all matters related to housing, work and social services.
- Canada: Canadian authorities promote migration to rural regions or areas away from major cities, sponsoring regions that can provide migrants with jobs and decent living conditions.
- Germany: The Asylum Act regulates the distribution of refugees in the country. In order to avoid concentration of refugees in certain regions, the legislation forces their relocation to individual lands using quotas calculated on the basis of population size and tax income.
- We strongly discourage the introduction of forced relocation mechanisms in Poland, as they are detrimental to both refugees and their host communities.
Recommendations
In order to increase the capacity of Poland’s preschool system and accelerate local economic development, Deloitte has prepared the following recommendations:

**Improved access to preschool care for occupational activation and financial independence of mothers through:**
- Legal changes and financial support to enable refugees to establish and operate childcare centres in their own homes;
- Preparation of offerings that combine jobs with childcare through the establishment of childcare centres by employers;
- Financial support for the existing childcare centres to temporarily increase their capacity;
- Removing legal obstacles to the establishment of new childcare centres to permanently increase the capacity of the Polish childcare system.

**Combining housing and job offers**
- Engagement of employment offices, NGOs and volunteers to map refugee, housing and job offers, preparation of combined offers and making them easily accessible to refugees (who need to be provided with housing and jobs before they decide to find their new place of residence);
- Making sure that employment offices have combined offers available in case the armed conflict in Ukraine escalates.

Outcomes
Implementation of the above measures should bring about the following outcomes:

- Greater contribution of Ukrainian parents to Poland’s GDP;
- Solving the long-standing problem of limited availability of the Polish preschool care system;
- Local economic growth due to the influx of Ukrainian workers.
Assessment of situation

Need to provide care for the children of Ukrainian refugees
Nearly 2/3 of adult refugees from Ukraine arrived in Poland with children and adolescents up to the age of 18 (Figure No. 28). Providing young children with access to preschool care is a necessary condition for their parents to start working in Poland. Relatedly, making sure that the children of Ukrainian refugees are properly taken care of will not only favourably affect their parents’ contribution to the Polish economy, but will also have a socializing effect. Enabling Ukrainian children to spend time with their Polish peers is crucial to their integration into Polish society, and can therefore significantly help integrate entire families who have fled the war-torn country. For that reason, we should expect and demand from Poland to rise to the occasion and ensure that as many young refugees as possible are admitted to Polish schools and preschool institutions.

Out of the almost half a million refugees under the age of 20, nearly half are under the age of 10 and may need care or supervision (Figure No. 29). As of 25 April 2022, nearly 100,000 Ukrainian children have entered Poland’s early childhood and preschool education system, but more than 140,000 young children remain in their mothers’ care, thus preventing women from taking up employment. These children may also be deprived of the contact with peers which is an inherent characteristic of schools and preschools and which they so desperately need for proper development.

Source: Deloitte’s own compilation based on: Detailed statistics on persons registered in the register of Ukrainian citizens and members of their families who have been granted the status of a foreigner under the Special Act; Status as at 25.04.2022 - Open Data; Refugee students from Ukraine by school type, grade and district, status as at 25.04.2022 - Open Data.
Capacity and use of the Polish preschool care system

Problems with enrolling a child in kindergarten have existed for years now, but they are not solely due to the number of places available in the Polish preschool care system (the number of which is widely regarded as disproportionate to the needs). The geographical mismatch between the number of places and the number of potential applicants as well as the related inefficient use of the system should also be factored in.

At least in theory, in 2018 the number of places in Polish preschools exceeded the potential demand (Figure No. 30). There were 1.12 million children aged 3-5 and as many as 1.26 million places in preschools in that year. Just two years earlier, there were fewer places available than children waiting for them. While the number of children aged 3-5 in Poland seems to have relatively stabilized in the range of 1.1-1.3 million, the capacity of the childcare system is steadily growing (from about 680,000 to almost 1.3 million places over 15 years). According to the statistics, in 2018 there were 1.13 places per child in the preschool care system, but the issue of how difficult it is to enrol children has not disappeared from the public debate and has continued to be one of the most important challenges for many Polish families.

Figure No. 30.
Total number of children aged 3-5 and places in preschools in Poland
2003-2018, number of children (in millions)

Source: Deloitte’s own compilation based on: Preschool care not available to all - Supreme Audit office (nik.gov.pl); Poland in numbers » User friendly statistics; Local Data Bank – preschool care rates, 2003-2018.
Local authorities in Poland are obliged to provide care for children aged 3-5. In consequence, the parents of these children, at least in theory, should have no problem enrolling their offspring in preschools. The percentage of young children attending preschool more than doubled between 2003 and 2018, reaching 87% at the end of the period. It should be remembered that the parents of the 13% of children who did not attend preschool not necessarily had problems finding a place, but simply chose not to send their offspring to childcare centres for their own reasons. Such a decision could have resulted either from the fact that there was someone at home who could care for the child, or from dissatisfaction with the preschool the child would be sent to.

The Supreme Audit Office underscores that the inefficient utilization of Poland’s preschool care system is its main pain point - it leads to a situation where places are available where demand is low and scarce where they are needed. This translates into dissatisfaction among parents and negative opinions about the existing system.

The Supreme Audit Office in selected Polish municipalities showed that almost ¼ of the children were not admitted to the institutions of the parents’ first choice (almost all of them - 90% - were children aged 3 or 4). Only 26% of the children who were offered a second-choice preschool were then enrolled in them.

The Supreme Audit office has identified certain inefficiencies and pain points in the current system:

- preschools of the second- and further-choice were too far away.
- The opening hours of second- and further choice preschools were too short (many preschool units in elementary schools operated only 5 hours a day).
- The recruitment process and/or selection criteria were unclear and/or unfair.
- Some preschools and municipalities did not use computerized systems for recruitment and planning purposes.
Challenge to Poland's preschool care system related to the influx of children from Ukraine

Fluctuations in the number of children in Poland were relatively stable and predictable in recent years, and the number of places available in the Polish preschool care system steadily increased. The war in Ukraine has completely changed the situation linked with solving childcare problems in Poland. The influx of refugees from Ukraine has led to a sudden and marked increase in the number of young children living in Poland (Figure No. 34). In a matter of days, the number of children aged 3-5 in Poland has increased by 16%, to a total of 1.36 million, which may result in overloading and paralyzing the Polish childcare system in the coming months.

Solving the problem of providing preschool care for Polish and Ukrainian children requires both short-term and long-term activities. Omitting any of these steps would lead to an inadequate number of places in Polish kindergartens in the near term, or incompatibility of the availability of places and the demand for them in a somewhat longer term.

Challenges facing the Polish preschool care system that need to be addressed urgently:

- Providing care to refugee children in a way that does not discriminate against their Polish peers;
- Forecasting demand and its geographic distribution in the 2022/2023 school year;
- Ensuring a sufficient number of places in kindergartens and care centres;
- Integration of Ukrainian and Polish children;
- Maintaining a balanced ratio between the number of children and care staff.

Figure No. 32.
Number of children aged 3-5 in Poland 2015-2021, number of children (in million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Polish children</th>
<th>Refugees' children</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.1</td>
<td>0.2</td>
</tr>
<tr>
<td>2016</td>
<td>1.1</td>
<td>0.2</td>
</tr>
<tr>
<td>2017</td>
<td>1.1</td>
<td>0.2</td>
</tr>
<tr>
<td>2018</td>
<td>1.1</td>
<td>0.2</td>
</tr>
<tr>
<td>2019</td>
<td>1.1</td>
<td>0.2</td>
</tr>
<tr>
<td>2020</td>
<td>1.2</td>
<td>0.2</td>
</tr>
<tr>
<td>2021</td>
<td>1.4</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Source: Deloitte’s own compilation based on: Statistics Poland: Education and upbringing in the 2020/2021 school year; PESEL database.
Standards under the Polish educational law:

- Full digitalization of the enrolment process;
- Ensuring a fair, easily comprehensible and fully transparent recruitment process;
- Accurate forecasts of the demand for nursery school places;
- Maximizing the opening hours of childcare centres;
- Using the places available in non-public kindergartens to help fulfil the municipality’s obligation to provide access to preschool care - in the town of Środa Wielkopolska this method has helped provide 97% of places;
- Informing parents that municipalities are obliged to provide all children with kindergarten care.

As a rule, the municipalities that compared unfavourably with the rest did not follow one or more of the standards listed.

Best practices identified by the Supreme Audit Office during inspections:

- In situations where a child was not admitted to the first-choice facility, municipal authorities offered more than one alternative kindergarten.
- Directors or other staff of preschool centres contacted parents of children who were not admitted so as to learn about the needs of specific families and propose the most suitable alternatives.
- Criteria were set to give preference to children whose parents lived or worked near the selected preschool facility.
- Information systems that simulated the enrolment process for each preschool unit were employed. This approach made it possible to align as closely as possible the number of kindergartens with the actual needs.
- Strategic city planning documents contained plans to build new kindergartens in the newly built housing complexes.

Municipalities that fare better than others tend to develop their own practices.
Refugees tend to choose large cities

Refugees from Ukraine prefer Poland’s largest cities and are not willing to leave them for smaller towns (Figure No. 33). According to the survey conducted in April 2022, nearly 70% of Ukrainians wanted to stay on in cities with a population of more than 200,000 people, and another 10% would choose to stay in a medium-sized city. Only 7% considered the possibility of living in the countryside or a small town. At the same time, more than 70% of respondents did not take into account the option of moving to a region of Poland other than the one where they were staying in at the time of taking the survey.

Figure No. 33. Refugees’ preferences for place of stay by size and region
03-04.2022, % survey respondents

Ukrainian refugees feel more secure in Polish cities than in smaller towns. In their view, both the labour and the housing markets are less attractive outside big cities. And indeed, large agglomerations offer wider choices and higher salaries, but sometimes, for people with certain qualifications and preferences, smaller towns where the costs of living are lower can be an interesting alternative. By providing refugees with facts about the decent standard of living in Poland’s small cities and rural areas we can help them uncover the attractiveness of such locations.

Source: Special report: "Ukrainian refugees in Poland" EWL, n = 120.

Reasons why refugees choose big cities:

- Refugees from Ukraine primarily come to places they have heard about, and in Poland these are mainly large cities.
- Their final destination depends on where in Poland their friends and family live.
- Refugees’ decision on where to stay is influenced by volunteers who offer them assistance, e.g. accommodation.
- Refugees perceive Polish small towns and rural areas as places with low availability of quality job opportunities.
- Ukrainians fleeing the war are unsure about the availability of housing offers outside Poland’s large urban centres.
- Becoming part of a larger diaspora which - for natural reasons - is more likely to be found in large cities, helps refugees adapt to new realities and integrate into the local community.
The impact of the refugee influx on Poland’s large cities

Poland does not have fully reliable data on the whereabouts of those who have crossed the Polish-Ukrainian border. In addition, it is possible that many refugees have not registered in the PESEL system. Consequently, depending on the source and the institution that undertakes the task of assessing the numbers of Ukrainians living in Poland, the final figures differ considerably. Nonetheless, it should be emphasized that all the methodologies and the resulting calculations lead to the same conclusion: the influx of refugees from Ukraine overlaps with the large population of economic migrants from that country as a result of which Ukrainians have become a significant national minority in the largest Polish cities (Figure No. 34). According to the PESEL database, Ukrainians make up between 1% and 6% of the residents of major Polish agglomerations. The percentage values reported by the Union of Polish Metropolises are significantly higher, as are the organization's data on the population growth of Poland's largest cities.

Irrespective of the actual number of Ukrainians living in Polish agglomerations and their share in the population of individual cities, it must be pointed out that the influx of refugees to Poland has significant consequences. In the first month of the war, the number of available rental offers in the capitals of Polish provinces plummeted (Figure No. 35) thus exacerbating the problems of the Polish housing market. The most serious declines were observed in Wrocław, Kraków and Gdańsk, where the number of offers decreased by more than 70%. The decrease of rental space availability by several dozen percent affected all cities except Olsztyn where there were 11% more new offers in March than in February. This was due to the fact that during the first months of the war Ukrainian refugees avoided Olsztyn and the entire Warmia and Mazury region because of its proximity to the Polish-Russian border.

Figure No. 34.
Impact of the migration crisis on Polish cities
01.04.2022; 07.06.2022, change / share (%)

<table>
<thead>
<tr>
<th>City</th>
<th>Percentage increase in city population due to refugee influx between 24.02.2022 and 1.04.2022</th>
<th>Ukrainians with assigned PESEL numbers as a percentage of the city’s population as at 07.06.2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rzeszów</td>
<td>53%</td>
<td>66%</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>34%</td>
<td>33%</td>
</tr>
<tr>
<td>Katowice</td>
<td>4%</td>
<td>29%</td>
</tr>
<tr>
<td>Wrocław</td>
<td>6%</td>
<td>23%</td>
</tr>
<tr>
<td>Kraków</td>
<td>4%</td>
<td>20%</td>
</tr>
<tr>
<td>Lublin</td>
<td>3%</td>
<td>16%</td>
</tr>
<tr>
<td>Poznań</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td>Warszawa</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Szczecin</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Bydgoszcz</td>
<td>2%</td>
<td>13%</td>
</tr>
<tr>
<td>Łódź</td>
<td>1%</td>
<td>12%</td>
</tr>
<tr>
<td>Białystok</td>
<td>4%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Deloitte’s own compilation based on: Union of Polish Metropolises: "Urban hospitality: great growth, challenges and opportunities. A Report on Ukrainian Refugees in the Largest Polish Cities"; Detailed statistics on persons registered in the register of Ukrainian citizens and members of their families who have been granted the status of a foreigner under the Special Act; Status as at 07.06.2022 - Open data.

Figure No. 35.
Change in the number of rental offers in March relative to the end of February by capitals of Polish provinces
02-03.2022, % change in the number of offers

<table>
<thead>
<tr>
<th>City</th>
<th>Change in the number of rental offers in March relative to the end of February by capitals of Polish provinces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wrocław</td>
<td>-79%</td>
</tr>
<tr>
<td>Kraków</td>
<td>-75%</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>-72%</td>
</tr>
<tr>
<td>Lublin</td>
<td>-70%</td>
</tr>
<tr>
<td>Zelona Góra</td>
<td>-66%</td>
</tr>
<tr>
<td>Opole</td>
<td>-65%</td>
</tr>
<tr>
<td>Łódź</td>
<td>-61%</td>
</tr>
<tr>
<td>Warszawa</td>
<td>-60%</td>
</tr>
<tr>
<td>Rzeszów</td>
<td>-58%</td>
</tr>
<tr>
<td>Poznań</td>
<td>-58%</td>
</tr>
<tr>
<td>Szczecin</td>
<td>-57%</td>
</tr>
<tr>
<td>Kielce</td>
<td>-55%</td>
</tr>
<tr>
<td>Katowice</td>
<td>-47%</td>
</tr>
<tr>
<td>Białystok</td>
<td>-43%</td>
</tr>
</tbody>
</table>

Source: PKO Bank Polski Group on the basis of advertisement portals; Puls Nieruchomości: Szok na rynku najmu (pkobp.pl).
Pros and cons of refugee relocation and attendant challenges

Relocating refugees to smaller towns would ease the burden on the real estate market in large Polish cities and could improve the quality of daily life in such cities. However, such steps need to be well thought-through and should rather take the form of incentives, because central planning can only lead to unwanted problems and additional costs.

Job opportunities and high salaries are concentrated in large cities.

53% of the job offers concern jobs located in 7 largest Polish cities, while 4 of 10 Polish counties that record the highest salaries are the capitals of provinces. Considering broader prospects, more flexible and receptive labour market and higher salaries, refugees who take up jobs in large cities will be able to contribute more to the Polish economy.

However, large cities are struggling in the housing market.

The number of rental listings in Warsaw more than halved in March, while rental prices rose 18%. Declines in the number of available rental listings in Poland’s major cities by up to approx. 80% in the first few months of the war demonstrate the serious impact of the refugee influx on Poland’s real estate market.

Location is key

The allocation of refugees to areas with poor labour markets is costly for both refugees and host communities, as it can lead to:
- social tensions against migrants, especially in the most disadvantaged communities and those not receiving public support;
- 7% lower likelihood of a refugee finding a job;
- 22% lower earnings for refugees.

In Germany, the allocation of refugees to counties with higher levels of unemployment resulted in an additional annual cost of 200 euros per refugee.

Allocating refugees to smaller towns and rural areas requires a carefully thought-out strategy.

International experience shows that the costs of a centrally managed allocation process outweigh its benefits.

Within the first five years of arriving in a new country, refugees who experienced forced relocation are 36% less likely to find employment than voluntary migrants. In the case of refugees who were allowed to choose their destination this probability was only 19% lower than for voluntary migrants.

Providing refugees with a choice cancels out the negative effects of relocation and allows them to migrate between different areas where integrated communities are present. At the same time, it reduces the risk of overcrowding in Poland’s largest metropolitan areas.
Foreign case studies

The United States

Family childcare microenterprises run by refugees

When the authorities came to the realization that many parents arriving in the United States could not work outside of their homes, because they had young children to care for, they decided to allow refugees to run childcare centres in their own homes. Now, as part of the Refugee Family Childcare Microenterprise Development Program, foreigners receive business and childcare training, support in applying for a license to operate a care centre, and a cash stipend of up to $3,000 for supplies and materials needed to run their business. To take part in the program, the migrant must live in a home that meets state and local government legal standards for operating a family childcare business. The program serves refugees who have lived in the U.S. for less than five years. The Refugee Family Child Care Microenterprise Development campaign is promoted by local communities in order to have the widest possible reach and so far, $1.5 million has been paid in grants under the program. It is recommended that a similar initiative be undertaken in Poland in cooperation with public authorities, local organizations and the NGO sector.

Germany

Single points of contact for refugees and a personalized approach

Refugees arriving in Germany were not able to quickly enter the German housing and labour market. The language barrier and the fact that in the past, issues related to applying for jobs, social assistance, or housing had been dealt with by different public authorities were identified as the key obstacles. In view of that problem Germany decided to set up centres that would handle all refugee-related matters, thus introducing a one-shop approach to deal with various types of formalities and paperwork. The level of service to foreigners was further improved by assigning individuals to specific service points and appointing supervising officials - as a result, more efficient tracking of the progress of the foreigners' integration process was possible. This solution accelerated the process and was appreciated by both refugees and local authorities.

Canada

Relocation of migrants to smaller towns and areas away from major cities

To counteract the exodus of younger people to major cities, the aging population and the shortage of workers in less urbanized areas, Canada supports relocation of migrants to smaller towns and areas away from Canada’s big cities. Potential candidates qualified for the program must meet a series of criteria set by the central government and local authorities of the places to which they plan to move (requirements include: adequate level education, work experience, language skills, or having adequate financial resources for those not previously working in Canada). Participating towns and areas must demonstrate that they have job opportunities, access to key public services (including education and health care), and the ability to effectively integrate migrants into their local communities. Initial results prove that the relocation carried out in this way has benefited those who chose to live permanently outside major cities, as well as contributed to the economic development of less urbanized regions.

Failure of the top-down refugee relocation system

In 2015-2016, Germany took in more than a million refugees from war-stricken Syria. The authorities sought both to integrate the newcomers into local communities and to minimize their negative impact on host communities. To this end, an Asylum Act was passed, and it introduced a top-down relocation system for refugees who were to be relocated across Germany based on quotas calculated for each region. The regions’ population and tax revenues were used to calculate the quotas, and refugees’ freedom of movement within the country was restricted. The newcomers were also hindered from reuniting with their families, which prompted some of them to return to Turkey. In addition, as local governments often did not receive financial support from the state, they directed refugees mainly to reception centres. As a result, Syrian refugees ended up in places devoid of decent living conditions and earning opportunities. In view of the above it is extremely important that Poland provide those arriving from Ukraine with prospects for a dignified and independent life, and facilitate family reunification which is bound to improve the psychological comfort of Ukrainians.
Increasing access to preschool care and making more efficient use of the current number of places in preschool facilities are long-term investments that should translate into faster economic development and higher living standards for Poles. The influx of refugees from Ukraine has made these activities urgent. Furthermore, in order to ensure faster economic development at a local level and to prepare the country for a potential new wave of refugees, authorities may need to relocate Ukrainians to smaller towns or suburban areas, since the capacity of Poland's largest cities to accommodate them is not infinite.

**Deloitte’s recommendations**

**Improved access to preschool care to enable occupational activation and financial independence of mothers**

**Recommendations**
Refugees should have better access to childcare services. This could be accomplished by increasing the number of places in the existing childcare centres and opening new (also temporary) establishments. One way to achieve this is to engage employers in the provision of care services. The crucial thing is to ensure that Polish and Ukrainian children have equal access to public services, as an egalitarian system will reduce the risk of social unrest among less well-off Poles.

**Required steps**

01 Financial support for the existing childcare centres to temporarily increase their capacity;

02 Reduction of the requirements linked with licences and premises to make it easier to open new preschool care centres (while ensuring that they meet the necessary safety standards);

03 Changes to the law so as to allow Ukrainian mothers to run home-based childcare microenterprises and provision of adequate space for such business activity to those refugees who cannot offer such services in their own homes;

04 Offering government grants to refugees who used to provide childcare services in Ukraine to enable them to open and operate such establishments in Poland;

05 Changes to the law to allow employers to provide childcare services as a benefit to employees;

06 Full digitalization of the kindergarten enrolment process in every municipality.

**Combining housing and job offers**

Areas outside major cities which could become attractive locations for refugees should be identified. It is essential to ensure, in cooperation with local authorities and other stakeholders, that refugees are guaranteed stable jobs and safe housing before they travel to their final destination. In the event of an escalation of the conflict, reliable information about such practices should be a safeguard mechanism against overcrowding in Poland's largest cities.

01 Refraining from forced relocation mechanisms for refugees;

02 Mapping of refugees, housing and job offers based on the most popular internet portals to identify places with the greatest potential for hosting refugees;

03 Using Polish employment offices, NGOs and volunteers to create personalized offers for refugees that combine work and housing;

04 Making the degree of encouragement for relocation dependent on the current geopolitical situation.
Poland needs to focus on increasing the capacity and availability of the preschool care system in the long term. Short-term measures will not solve the problem which has been amplified by the influx of refugees from Ukraine, but in fact, existed long before the outbreak of the war. Combined offers to relocate refugees seem to be a reasonable solution in case the largest Polish cities have problems with accommodating newcomers from Ukraine or need to encourage Ukrainians currently living in them to relocate for other reasons. The results of the Three lenses test (evaluation for practicality, feasibility and cost-effectiveness) in the area of improving access to preschool care and potential relocation of refugees are as follows:

### Improved access to preschool care to enable occupational activation and financial independence of mothers

<table>
<thead>
<tr>
<th>PRACTICALITY</th>
<th>FEASIBILITY</th>
<th>COST-EFFECTIVENESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Polish parents want to place their children in preschool - only 79% of Polish 3-year-olds were enrolled in preschool which is several percentage points lower than the EU average.</td>
<td>- Existing childcare centers have limited capacity to increase the number of places available to accommodate refugee children.</td>
<td>- Securing access to preschool care for more than 140,000 Ukrainian children would necessitate the expenditures of ~PLN 1.5-2 billion per year.</td>
</tr>
<tr>
<td>- Providing childcare services is a necessity for Ukrainian refugees before they can start working.</td>
<td>- Refugees can run their own care centers (also at home), as is the case in the United States.</td>
<td>- Ukrainian refugee women who take up jobs will contribute to the Polish economy by generating GDP and paying taxes (direct and indirect) and social contributions.</td>
</tr>
<tr>
<td>- The Polish government wants Polish residents to work and contribute to the state budget by paying taxes and social contributions.</td>
<td>- Employers have sufficient office space to run care services for employees’ children.</td>
<td>- Under the scenario of mutual help home childcare units where nine mothers go to work and one takes care of the children, the working mothers pay 10% of their salaries to the mother-caretaker who has no other source of income.</td>
</tr>
<tr>
<td>- Polish employers need workforce, but only 13% of them are interested in setting up childcare establishments for refugee children to make it easier for their mothers to take up work.</td>
<td>- The Polish government should amend the laws concerning the establishment of childcare centers, with an emphasis on addressing the issue from the perspective of civil and criminal liability. It is also crucial that the Polish authorities provide an adequate level of funding to increase the capacity of the Polish preschool care system.</td>
<td>- Easier access to preschool care will also activate Polish parents which is sure to have beneficial effects on careers and Poland’s GDP.</td>
</tr>
</tbody>
</table>
Combining housing and job offers

PRACTICALITY

- Considering the problems of the housing markets in cities, additionally exacerbated by the influx of refugees to large metropolitan areas, many refugees would probably be better off living in smaller towns.

- Small towns and non-metropolitan areas need new workforce and are willing to accept Ukrainians (also in the long term, and with the intention to integrate them into local communities).

- Ukrainian refugees are looking for safe accommodation options and stable work - providing them with these things in small towns and rural areas would help reduce the negative side effects of the migration crisis on Poland’s major urban centers and economically strengthen local governments.

FEASIBILITY

- To create combined offers, the Polish government needs human resources, equipment and time, and each offer requires detailed personalization to respond to the needs of individual refugees.

- Employment offices should be involved in preparing combined offers but the assistance of NGOs and volunteers will also be welcome and should be ensured.

COST-EFFECTIVENESS

- Creating a combined offer for one Ukrainian refugee of working age could cost only 360 PLN which means that a person receiving the minimum wage would be able to repay this expense in the form of paid social contributions after just 6 days, while a person earning an average salary would cover this cost through paid taxes and social contributions in just 3 days.
Idea of setting up an interactive platform for refugees

One solution would be to set up an interactive platform aimed to help with the occupational activation and provide general support to refugees. An algorithm could be used to automatically combine job, housing and education offers, and create a combined offer tailored to the refugees’ individual needs. Such a comprehensive solution would make the potential relocation of refugees more efficient and could guarantee that Ukrainians changing their place of residence or domicile do not encounter problems related to unemployment, lack of accommodation, or educational barriers for their children. A sample interface is shown in Infographics No. 1.

Deloitte Digital has identified four key areas of support for refugees:

**Accommodation offers** placed by individuals, businesses, municipalities and other institutions, both gratuitous and against payment - the available resources can be mapped using government and private sector data (e.g. Otodom, Gratka).

In order for refugees to be able to achieve financial independence, they need to have possibilities to seek employment on the one hand, and on the other, Polish companies need to be able to offer them jobs. The interactive system would connect refugees’ qualifications and interested employers. The system could be synchronized with popular platforms such as Pracuj.pl and Aplikuj.pl.

Making sure that refugees can learn the Polish language and develop their professional qualifications in a manner that is convenient to them should be considered as necessary to activate them professionally and support them in adapting to the new reality.

There are children and elderly people among refugees and they need access to medical care and educational facilities. Providing refugees with access to the public services they need will enable people of working age to enter the labour market more quickly.

Infographics No. 1

**Sample interface of an interactive platform for refugees**

Interactive maps will help refugees locate the right place for them.

Source: Deloitte’s own analysis.
Quick housing solutions

Even before the war in Ukraine and the consequent influx of refugees into Poland, housing shortages constituted a long-standing problem in our country. With the increase of the number of Ukrainians in Poland, the demand in the housing market has grown forcing the authorities to take decisive measures to effectively manage the housing crisis.
Outline of the situation

Upgrading underutilized properties and incentivizing owners of unoccupied properties to rent them out are often indicated as apt solutions to increase the use of the existing housing base relatively quickly.

Context
Increasing the number of residential properties in Poland is linked with two main issues, namely the influx of refugees and the use of the existing building stock.

Influx of refugees results in increased housing demand:

- Poland has received 1.4 million people who fled the war in Ukraine.
- Refugees mainly stay in houses provided by volunteers (including those of their friends and family), rented apartments, hotels and temporarily adapted buildings.
- Considering the ads placed on the most popular platforms in Poland (e.g., OLX), there is a significant decline in the number of apartment listings for rent.

Rapid expansion of the available residential space based on the current building stock is possible:

- Upgrading underutilized properties - this flexible method allows for a temporary or permanent increase in housing availability. Offices and warehouses that have lost their original function are good alternatives to residential apartments (at least temporarily).
- Encouraging owners to rent out their properties by ensuring better security for apartment owners as well as tenants.

Foreign case studies
As far as the use of the existing building stock to increase the number of available properties goes, Poland can learn from the experience of other countries:

Canada - Old schools and abandoned buildings have been converted into shelters and housing units.

Germany - In Hamburg, as a temporary solution, a law was enacted to allow the occupation of empty commercial properties for which the owners received compensation. This solution, however, may come up against strong opposition.

Germany - The conversion of sports facilities and city halls into dormitories has been shown to lead to rejection of refugees by the local community.

Canada - The Canadian government has introduced long-term and temporary rent reliefs.

Germany - Rent subsidies have been introduced to encourage refugees to leave shared housing and use private housing.
**Recommendations**

Deloitte has prepared the following recommendations linked with the issue of increasing the availability of housing in Poland:

**Upgrading underutilized properties:**
- Identification of buildings suitable for redevelopment, assessment of redevelopment costs and viability potential, prioritization of options
- Modernization of buildings based on refugees’ needs and priority lists

**Elimination of obstacles to renting property:**
- Reform of the residential rental law to meet the needs of owners and tenants
- Securing owners and their interest in renting apartments to foreigners with appropriate guarantees

**Outcomes**

Implementation of the above measures should bring about the following outcomes:

- Increase (at least temporary) of the availability of housing in the short term.
- Improvement of the laws regulating rentals.
Assessment of the situation

Problems with access to housing in light of the influx of Ukrainian refugees to Poland

The influx of refugees from Ukraine to Poland and the resulting increase in demand for housing has brought about a 40% decrease in the number of apartment rental listings (Figure No. 36).

The drop may in fact have been even greater, as some of the ads were no longer available. The declarations of refugees alone show that an average of 29% of Ukrainians live in rented apartments which is about 8% of the rental housing stock available in Poland.

Although the results are highly dependent on the survey and the questions asked, it is apparent that the Ukrainian diaspora plays a significant role in hosting refugees, accounting for an average of 23% of the declared accommodations. Hotels initially offered accommodation for free, but could claim a benefit from the government of about PLN 70 as compensation. It is estimated that refugees may currently occupy about 9% of the accommodations available in Poland. Approximately 35,000 lodgings for refugees have been organized at reception centres, but these facilities mostly function as relief points, offering temporary accommodation for up to a few days and support in the search for a new place to stay. Some of these facilities are no longer operational due to the declining number of incoming refugees. According to the results of the survey, an average of 9% of Ukrainians said they were staying at reception centres, which, compared with the PESEL database, would account for about 114,000 people accommodated in such centres. This number exceeds the estimated number of places by more than 3 times. It was concluded that it may have been easier for interviewers to reach refugees housed in reception centres and hence their overrepresentation in the sample. What is more, some refugees may have declared the reception centres as their lodging, even though they actually have a slightly different accommodation coordinated by local authorities and the government (e.g. in an office building or a hall).

Despite the obvious willingness to help and hospitality shown by many volunteers, accommodating refugees in private houses is only a temporary solution that will be difficult to sustain in the long run. Poland should develop long-term solutions that will effectively replace the current temporary ones and prepare the country for taking in more refugees in the future, if the war escalates.

Figure No. 36. Apartment rental listings on two of Poland's most popular advertising platforms
2020-2022, number of listings (‘000)

The continual drop in the number of listings is due to the slow recovery after the COVID-19 pandemic.

Source: Deloitte’s own analysis based on OLX and Otodom databases.

Figure No. 37. Accommodation as declared by Ukrainian refugees living in Warsaw
03-05.2022, % respondents

Source: Own compilation on the basis of the data from UMP, NBP, NHCR and a non-representative survey quoted by Tomasz Pactwa of the Public Information Newsletter of the capital city of Warsaw during CMR UW seminar.
Introducing changes into the Polish legislation as a chance to encourage owners to rent out their properties

Our efforts made in the past and the success of other countries suggest that Poland could benefit from amending the rental law. This report proposes certain changes that can be introduced to the law. Considering the significant volume of unoccupied housing, it makes sense to take measures in order to use it more effectively, even though due to the differences in the definitions adopted over the years it is impossible to accurately determine the actual number of unoccupied apartments. Potentially, the changes can also be expected to help solve more problems.

The differences in definitions and the level of data aggregation make it impossible to estimate the actual number of unoccupied housing units in Poland, and thus the potential of the housing stock. Nonetheless, it can be concluded that the overall number of unoccupied housing units in Poland is increasing (Figure No. 38) which is partly due to the decline in Poland’s population. Although there is no breakdown by sub-segments, i.e., it is not known how many of such units are in the hands of individuals owners, these property owners constitute an important group whose needs should be addressed.

The laws passed so far regulate the relationships between tenants and landlords disproportionately. Evicting tenants is not an easy procedure and can take up to several years which discourages a significant number of owners from renting out their property.

In the Act of 12 March 2022 on Assistance to Ukrainian citizens the Polish government reduced the risk run by property owners by limiting the rights of refugees being tenants compared to the rights of Polish tenants. However, the majority of potential lessors do not keep their legal knowledge up to date and therefore they are often unaware of the changes introduced to the law.

One of the responses of the Polish government to the current problems is the introduction of institutional tenancy agreements available to companies and occasional lease for individuals. Nonetheless, such agreements are only marginal in the contract market.

Figure No. 38. Unoccupied apartments in Poland 2002-2021, total ('000)

At present, there are approx. 1.2 million rental properties in Poland.

Source: Deloitte’s own analysis based on data from Statistics Poland.
Foreign case studies

Canada

Existing government ownership and abandoned buildings as methods to increase housing availability

Due to Canada’s huge housing shortage, incoming refugees used to be housed inter alia in homeless shelters, where they took up about 40% of the available places. When searching for other housing solutions, municipalities sought to identify unused and unoccupied government land that could be used for housing purposes. The properties that could be adapted temporarily due to seasonal use (e.g., warehouses, dormitories) and properties that were completely abandoned were also taken into account. Although the cost of renovating the identified properties was high, the investment was ultimately offset by the income the city received from rent, making the use of its existing assets a cheaper solution than building entirely new units.

Introduction of long-term and temporary rent relief to address economic challenges in the times of crisis

In the aftermath of the COVID-19 pandemic, low-income individuals were disproportionately disadvantaged in meeting their rental obligations as a result of the financial burden caused by temporary or permanent loss of income. To help citizens meet their rental obligations, governments strengthened temporary financing programs through rent subsidies. However, the results were mixed: in some cases, the success of the programs led to extending them long-term, but in other situations the eligibility criteria were restrictive thus limiting the programs’ actual impact. At the same time, to make it possible for property owners to continue receiving payments, the implemented programs should be reviewed to ensure that they remain accessible to those who need them most and alleviate the problems they aim to overcome.

Germany

Seizure of vacant commercial properties for housing and amendments to the federal building code as a source of controversy

The large influx of Syrian refugees into Germany put a severe strain on the country’s housing stock, forcing the search for new ways to utilize the existing properties. Because in many regions of Germany authorities have the right to seize property under public safety laws that cover emergency situations, a temporary law was introduced allowing commercial property to be seized (with or without the owners’ consent) against compensation. In addition, the federal building code was amended to allow the construction of housing in non-residential areas. These measures sparked bitter controversy. The law on property seizure provoked mixed responses from citizens and political parties. At the same time, considering that shelters were built far from other settlements, isolated refugee communities with integration and communication barriers to accessing other city resources were created as a result.

Refugees from Ukraine in Poland | Challenges and potential for integration
Germany

Converting sports facilities and city halls into dormitories as an obstacle to refugee acceptance
Germany’s existing regulations can be used and changed in emergency and crisis situations. One possible way to meet the growing demand for housing was to convert sports facilities and city halls into housing for refugees. This gave rise to controversy. Failure to meet and respect residents’ needs for leisure and social activities through lack of access to the necessary infrastructure caused conflicts between incoming refugees and the local population. Consequently, whenever possible, new refugee accommodations were no longer created at the expense of the local community which largely eliminated these obstacles to refugee acceptance.

Rent subsidies (SGB II) and forced free market integration
Newly arrived refugees were initially housed in communal housing for refugees which isolated them from the rest of the community. To avoid separating refugees from locals, the goal was set to accommodate refugees in the private housing market. By subsidizing market rents, refugees were encouraged to leave shared housing and use private apartments instead. In addition, the state housing units were designed as temporary housing to encourage refugees to leave. At the same time, units in the private housing market were carefully selected to avoid inadequate housing and exploitation of refugees. Eventually, refugees were able to enter the private housing market and leave shared housing, which promoted their integration.
Deloitte’s recommendations

Upgrading underutilized properties and eliminating barriers for people renting properties are efforts to foster increased availability of apartments in the real estate market by tapping the potential of currently unoccupied properties. By working more closely with local authorities, the government has an opportunity to have a stimulating effect on the real estate market, and thus counteract barriers that reduce the number of available apartments. These measures may prove necessary in view of the growing demand for housing which results from the influx of refugees into the country.

### Upgrading underutilized properties

Preparing to accommodate new refugees (if the war escalates) and relocating those who are already living in Poland (if their current places of stay e.g., private volunteer homes, are no longer available) by upgrading unused properties.

### Elimination of obstacles to renting property:

Reforming the rental housing law to meet the needs of landlords and safeguard their interests in renting apartments to foreigners through appropriate guarantees.

#### Required steps

1. **Identify the sites to be converted into temporary or permanent housing**, encouraging municipalities to search for vacant units.

2. **Evaluate the housing stock based on the costs of modernization and maintenance, efficiency, location, possible timeframe (move-in time, occupancy time), ownership, etc...**

3. **Ongoing process of prioritizing units for upgrades to match the existing needs.**

4. **Secure and manage program funding to encourage property owners to upgrade their buildings and accommodate refugees.**

1. **Analyse the barriers faced by people who rent out property (qualitative and quantitative).**

2. **Reform the residential rental law to meet the needs of property owners.**

3. **Secure real estate owners and their interests in renting apartments to foreigners through appropriate guarantees**

4. **Optionally: introduce temporary rental subsidies for refugees.**
“Three lenses” test

Poland can address the need to increase the number of available housing units in the short term by upgrading underutilized properties and eliminating the barriers encountered by people renting out their property. Still, some stakeholders may not benefit from the changes. The results of the “Three Lenses” test (to assess our recommendations from the perspective of their practicality, feasibility and cost-effectiveness) as regards upgrading underutilized properties and eliminating barriers to rental properties are as follows:

Upgrading underutilized properties

**PRACTICALITY**

- Refugees prefer modest housing conditions to homelessness.
- Poland is willing to provide housing for refugees from Ukraine, and investments in dilapidated vacant properties will improve the neighbourhoods.
- Some property owners are willing to lend or rent their properties as temporary shelter for refugees.

**FEASIBILITY**

- Some of the unused properties located in Poland have already been upgraded. Scaling up the upgrading program will have positive effects, but certain matters, such as the availability of materials or workers, can act as bottlenecks.
- There are between 120,000 and one million unoccupied apartments in Poland but upgrading some of them could prove less cost-effective than building entirely new apartments. Moreover, not all property owners would agree to such ventures.

**COST-EFFECTIVENESS**

- The viability of the initiatives depends on the scale of the program’s implementation (number of housing units and time).
- Upgrading the first initiative on the priority list will be affordable, but each subsequent property will prove more expensive than the previous one.
Elimination of obstacles to renting property

**PRACTICALITY**

- Property owners will benefit from rental income at a lower risk than at present.
- Polish tenants will benefit from lower rental prices and an increased number of rental offers, while unreliable tenants could potentially suffer as a result of the change.
- Refugees could benefit from lower rental prices and an increased number of rental offers.

**FEASIBILITY**

- The Polish government is in a position to change the rental law.
- There are many unoccupied apartments ready for renting, but their actual number is difficult to estimate due to lack of data.
- Depending on changes introduced into the law, the burden of providing housing for evicted tenants may fall on municipalities.

**COST-EFFECTIVENESS**

- Implementation of these recommendations is not expensive, and the costs will be repaid in additional tax revenues.
- With the reduced risk, the property owners’ risk premium would be lower, allowing them to lower their rental prices.
- With lower prices and more offers, rental property would be more accessible to Poles and refugees alike.
Systemic approach to housing

Most of the housing solutions adopted so far in Poland to meet the refugees’ demand in the real estate market can address the problem only in the short term. Considering the passage of time and the diminishing effectiveness of the temporary solutions, it is important to develop and implement long-term housing solutions as soon as possible.
The housing shortage is a long-term problem in Poland. The number of housing units per capita has been growing in Poland along with the economy since the political transformation, but it still lags behind the majority of European Union and OECD member states. The number of housing units per capita may also not be reflective of the situation in the most attractive metropolitan areas where demand for housing is highest.

Among other things, improvements are delayed by the complicated legal procedures and lack of systemic solutions which are reasons for why the pace of housing construction is still not fully able to satisfy the demand.

**Context**
Increasing the number of residential properties in Poland is linked with two main issues, namely the influx of refugees and the use of the existing building stock.

**Housing shortages have been a long-standing problem in our country which is now being amplified by the influx of refugees and their housing needs:**
- Approx. 480 thousand apartments are required to meet the needs of refugees in the long term.
- 235,000 new housing units were completed in 2021, a significant number compared to other OECD countries.

**The Polish market faces two major types of problems:**
- The procedure required for building a housing development in Poland takes at least several years. Decisions on land development conditions and building permits for multifamily housing developments in the most attractive metropolitan areas are rarely issued within the statutory deadlines. At the same time, many construction companies have reported that legal regulations constitute an obstacle for their development because they are unclear, inconsistent and unstable.
- Rental housing is not as popular as in other EU countries. The Polish tax solutions that discriminate renting against ownership and limit the profitability of creating real estate investment trusts, as well as the legal restrictions on evicting tenants referred to in the previous chapter (which are unique to Poland when compared to other OECD countries) all contribute to this situation.

**Foreign case studies**
On the question of accelerating the development of the real estate market, Poland can learn from the experience of other countries:

- **Japan** - A simple and unambiguous zoning scheme has been adopted to allow housing growth in Tokyo.
- **Germany** - The government has introduced tax incentives, subsidies and interest-free loans to reduce the financial barriers that developers face when building new housing, including public housing.
- **Ireland** - There was an outcry among residents that local councils prohibit public housing tenants from sharing space with refugees, prompting the removal of this rule so that Ireland can meet its current housing needs.
Recommendations
To support the process of creating long-term housing solutions in Poland, Deloitte would like to offer the following recommendations:

Accelerating the building construction process to increase the availability of housing:
- Cut the bureaucratic red tape linked with issuing building construction approvals and permits.
- Increase efficiency or hire more staff to verify future construction plans.
- Review and adopt good practices from abroad in spatial planning, with a particular emphasis on the Japanese experience.
- Liberalize the laws concerning conversion of non-construction plots.

Supporting long-term rentals:
- Introduce a law on real estate investment trusts to mobilize more capital for residential investment.
- Reduce tax discrimination of renting versus ownership.

Outcomes
Implementation of the above measures should bring about the following outcomes:

- Increased availability of housing
- Decreased costs for developers and construction companies, as well as lower housing prices for households.
Assessment of the situation

Problems with meeting the growing demand for housing in Poland
The number of housing units in Poland lags behind the growing level of our GDP. The estimated difference in the number of apartments per 1,000 residents between Poland and Western Europe often does not take into account the differences in income levels - as a poorer country, we are still less abundant in various types of goods, including apartments. However, even considering the level of GDP per capita, the number of apartments in Poland is relatively low, and what is more, some of them are not located where they are most needed.

Nowadays many new residential buildings are being built in Poland, but a similar pace of construction would need to be maintained in the years to come to keep up with the growing demand. In addition, the housing situation in Poland varies considerably from region to region (in many different aspects such as availability, technical condition, overcrowding, share of public housing, etc.). For this reason we should abandon the single question of how many housing units we are short of and instead, focus on both how many housing units we are short of and where the shortage is.

Figure No. 39. Number of apartments per 1,000 people 1990-2020, Number of apartments per 1,000 people

Source: Deloitte’s own analysis based on the data of Statistics Poland and TED
Polish building regulations as a growing problem for construction companies

Over the past 12 years, the share of construction companies that consider unclear building regulations as a barrier to the development of the real estate construction in Poland has increased more than 3 times (Figure No. 40). Some of the hindrances and ambiguities concern interpretation of laws and changes in regulations occurring while waiting for construction project approvals. It is easy to see that Poland’s vague building regulations constitute an increasing problem for construction companies, unnecessarily prolonging the construction process, and thus negatively affecting the real estate supply in the market.

More than half of the surveyed construction companies consider legal regulations in the construction industry to be unclear, inconsistent and unstable:

- Offices in various locations and, in the case of large cities, even offices in various parts of the city, interpret the same building regulations differently, e.g. with regard to the distance from the plot boundary.
- Requirements can change even while the company is waiting for the construction project approval which extends the whole process, because the new regulations must be reflected in the design (this may concern e.g., the sizes of parking spaces).
- A comprehensive review and deregulation of building and zoning laws would allow more housing units to be built at lower costs.

Figure No. 40. Construction companies that consider unclear, inconsistent and unstable regulations as a barrier to their development
2010-2022, % construction companies

Source: Deloitte’s compilation based on the reports of the Polish Association of Property Developers for 19 capitals of provinces in Poland and data from Statistics Poland.
Delays in issuing decisions for housing projects constitute a barrier driving up costs and prices

In most cases, deadlines for issuing decisions on housing investments in Poland are not met. In 2019, 88% of zoning permits (Figure No. 41) and 42% of construction permits (Figure No. 42) were issued late. There is an urgent need to improve the process of issuing decisions concerning housing projects and appeal procedures.

Delays in the process of obtaining approvals for housing projects can be due to appeals filed with administrative bodies and courts, among others, by neighbours. The time-consuming nature of the processing of such documents means that they can significantly increase the waiting time before the housing construction begins, even if the appeal is groundless. The need to apply for a zoning permit before obtaining a building permit decision in the absence of local plans is yet another element that significantly lengthens and complicates the investment process. One of the possible changes is increased coverage of local spatial development plans which should effectively solve this problem.

Unforeseen delays, especially in an industry that has a cyclic character, such as building construction, increase the investment risks and thus raise the costs.

There are 949 hectares of land in the National Real Estate Reserve (estimated to be sufficient for the construction of 80,000 housing units), transferred by state entities for the needs of the Mieszkanie Plus program. This land is now additionally made available for local government housing projects (with the possibility of subsidies), but much of it remains unused and unavailable for private housing projects.

Figure No. 41.
Time needed to issue zoning permits for housing projects
2015-2019, %

Source: Deloitte’s own analysis based on the data provided in the reports of the Polish Association of Property Developers for 36 large Polish cities.

Figure No. 42.
Time needed to issue building permits for housing projects
2015-2019, %

Source: Deloitte’s own analysis based on the data provided in the reports of the Polish Association of Property Developers for 36 large Polish cities.
Speeding up the construction of new buildings by streamlining the permit issuance process

There is a growing number of local development plans whose drafting takes more than three years (Figure No. 43). The problem of delays is most serious in Warsaw where the share of local development plans that take more than 3 years to be prepared was as high as 86% in 2020.

Currently there is no data in Poland concerning the impact of construction barriers on housing prices which makes it difficult to quantify the importance of individual obstacles.

Numerous econometric studies of the influence of construction barriers on housing prices have been conducted in the US. Sophisticated indexes make it possible to assess how restrictive regulations affect the construction industry over time using data collected from various jurisdictions.

If municipalities start to collect data and publish their rankings online, Polish researchers will be able to study the problem in more detail and better identify the most important directions for reform.

Figure No. 43.
The percentage of local development plans whose drafting takes more than 3 years
2009-2020, %
Accelerating the development of the rental market in Poland through regulatory changes

Only 14% of people live in rented apartments in Poland which shows that renting in Poland is relatively unpopular when compared with the situation in other EU countries.

The growth rate of the rental market is limited by unfavourable tax arrangements. Residing in a rented apartment is less favourably taxed than reside in an apartment owned by the taxpayer. At the same time, investing in rental properties through specialized funds listed on the Stock Exchange would be less advantageous from the tax perspective than individually renting out an apartment owned by the individual investor.

REITs (Real Estate Investment Trusts) are very popular in many countries e.g., in the United States. These investment funds raise money from investors and invest in rental properties, earning rent. REITs have the advantage of being able to invest small amounts of money (even less than PLN 1,000) and avoiding double taxation (the rental income of a private individual renting an apartment is subject to income tax only once, while the same rental income of a shareholder of a non-REIT joint-stock company is subject first to CIT and then to PIT). As a result, more than 90% of a REIT’s income can be paid out in dividend to the eligible unit holders.

Projects to enable the establishment of REITs in Poland have been in the pipeline for years, but none of them has been finalized.

Figure No. 44.
Percentage of people who own or rent their housing unit
2020, %

<table>
<thead>
<tr>
<th>Country</th>
<th>Owners</th>
<th>Tenants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>96%</td>
<td>4%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>92%</td>
<td>8%</td>
</tr>
<tr>
<td>Croatia</td>
<td>91%</td>
<td>9%</td>
</tr>
<tr>
<td>Hungary</td>
<td>91%</td>
<td>9%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>89%</td>
<td>11%</td>
</tr>
<tr>
<td>Poland</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>Malta Estonia</td>
<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td>Latvia</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Czechia</td>
<td>79%</td>
<td>21%</td>
</tr>
<tr>
<td>Portugal</td>
<td>77%</td>
<td>23%</td>
</tr>
<tr>
<td>Spain</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>Italy</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>Greece</td>
<td>74%</td>
<td>26%</td>
</tr>
<tr>
<td>Belgium</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>Finland</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>Ireland</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>Cyprus</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>Sweden</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>France</td>
<td>65%</td>
<td>36%</td>
</tr>
<tr>
<td>Denmark</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>Austria</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>Germany</td>
<td>51%</td>
<td>49%</td>
</tr>
</tbody>
</table>

Source: Deloitte’s own analysis based on Eurostat data
Foreign case studies

Japan

Tokyo’s progressive housing policy as a method to increase the number of properties in the city

In the first decades after World War II, Tokyo experienced a peak housing deficit (in 1963, there were about 180,000 more households than housing units in the city). At the same time, while Japan’s population steadily declined, Tokyo’s population consistently grew (from 3.5 million in 1945 to 38 million in 2019). In order to increase the housing stock, Japan developed a simple and unambiguous land use method that allowed for rapid development of building construction. By not delegating land-use decisions to the local level, the city was able to implement a progressive and highly effective housing policy that could, however, be considered controversial in the European setting. Tokyo began to build more high-rise buildings, demolish old buildings at a much faster pace than in most countries, and build more and more apartments so that eventually the housing stock could exceed the growing demand. With these measures Tokyo has significantly increased its housing stock, and the construction policy implemented has proven to be much more effective than in other cities around the world.

Germany

Investment and tax reliefs as incentives for developers to build social housing

During the Syrian refugee crisis in 2014, Germany built fewer housing units than needed by the asylum seekers because of the development barriers that existed at the time. In order to encourage housing development, German authorities of various levels introduced tax credits, subsidies and interest-free loans to reduce the financial barriers faced by developers in building new housing. It was concluded that solutions involving the private market and private developers would require financial incentives, especially for the construction of low-cost housing in place of more expensive rental housing. Some of the local authorities also introduced regulations on the types of housing to be built which also helped improve accessibility. The laws of Cologne are a good illustration of these practices—the city introduced a requirement that at least 30% of a construction project should consist of subsidized housing. In addition, the local government sold city land or city buildings not to the highest bidder, but to the one whose land use plan best met the housing needs of the area.
Ireland

Allowing social housing tenants to take in refugees as a method of increasing housing capacity

To meet the housing needs of the refugees arriving in Ireland from Ukraine, the government provided accommodation in hotels, guesthouses and state-owned properties, and the Irish Red Cross cooperated with private property owners. These solutions, however, proved to be effective only in the short term, due to the need to free up places for tourists coming into the country on vacation and the declining interest from property owners to take in refugees over time. In light of the need to accommodate refugees in private homes, the Irish government has decided to accelerate the program to renovate unoccupied social houses in order to offer them to Irish people waiting for social housing, to allow social housing tenants to take in Ukrainian refugees, and to pay EUR 400 per month to families who decide to accommodate Ukrainians in their homes (intended to cover the costs of increased bills).
Deloitte’s recommendations

Expediting the investment process linked with residential real estates and streamlining the functioning of the rental market are long-term measures that will increase the availability of housing in the real estate market and thus help meet the growing demand. Such long-term housing solutions should be developed and implemented as soon as possible, as over time it will become increasingly problematic to maintain some of the short-term solutions.

Accelerating the building construction process to increase the availability of housing:
Cutting bureaucratic red tape at every level, from spatial planning to specific land development conditions, for both public and private properties. Simplification of the regulations and providing legal assistance to businesses.

Supporting long-term rentals:
Introduction of a law on real estate investment funds to mobilize more capital for housing investment and increase the popularity of the rental market. Reduction of the tax discrimination of renting versus ownership.

Required steps

01 Map the current residential construction processes.

02 Identify and quantify bottlenecks and pain points for all stakeholders (government, developers, construction companies, etc.).

03 Compare Poland with other EU countries and draw inspiration from best practices.

04 Develop future processes and establish supporting KPIs that address identified issues and enable faster growth in housing supply, e.g., speed up processing time with RPA robots, increase manpower to handle applications.

05 Plan the future implementation process.

01 Determine the status of the regulation governing the operation of REITs.

02 Compare Poland with other EU countries and draw inspiration from best practices.

03 Enact a draft law regulating the operation of real estate investment trusts in Poland.

04 Reduce the tax discrimination on rentals by, among other things, considering the option of lowering the current taxation of rental income and increasing the land tax instead.
A long-term increase in the availability of housing in Poland can be achieved by streamlining the housing investment process and introducing institutional arrangements that foster the development of the rental market. It may also be necessary to address certain difficult areas. The results of the “Three lenses” test (evaluation for practicality, feasibility and cost-effectiveness) concerning the listed recommendations are as follows:

### PRACTICALITY
- There is a demand for (cheaper) housing in Poland.
  - Some refugees want to buy a house in our country.
  - Poles willingly buy apartments for themselves.
  - Investors (both private and corporate) are eager to buy rental properties.
- Developers would appreciate a reduction in legal barriers to residential building construction.
- The government would benefit from simpler and more efficient processes (less work and lower costs).

### FEASIBILITY
- The Polish government is in a position to change the law.
- The Polish government is able to use technology to streamline processes.

### COST-EFFECTIVENESS
- Changing the law and processes will require an upfront investment, but the government will be able to benefit from cheaper processes later, so the NPV of the initiative is positive.
- The change would reduce developers’ costs (legal services, costs of risks, costs of financing), therefore, assuming fixed developer's margins, the change could lead to decreasing the prices of new apartments.
- Increasing the supply of housing units would lead to a decrease in housing prices (both in the primary and secondary markets), making them more affordable.

Accelerating the building construction process to increase the availability of housing:

Refugees from Ukraine in Poland | Challenges and potential for integration
“Three lenses” test

Supporting long-term rentals

**PRACTICALITY**
- Both Poles and refugees would benefit from the increased availability of rental housing on the market.
- People who cannot afford to buy an apartment would be able to invest in the real estate market.
- Investors are willing to invest in rental housing.
- The government would benefit from the possibility of making very capital-intensive investments that are difficult to finance otherwise.

**FEASIBILITY**
- The Polish government has been working on the relevant laws for several years now.
- The Polish government is in a position to change the law.
- Many other countries have already made these changes, allowing investors to support the development of the rental market.

**COST-EFFECTIVENESS**
- The proposed changes would increase investment in the real estate market.
- REITs in Poland should generate satisfactory returns for investors.
- Lower rental prices would be more affordable for tenants.
Operationalization of initiatives

With a large-scale crisis such as the influx of refugees from Ukraine to Poland, it is crucial not only to take the appropriate action, but to do so in a way that is as effective as possible. In the current situation, a good strategy is a necessary condition, but it is not enough to succeed in integrating Ukrainian refugees. In addition to the strategy, it is also crucial that entities from different backgrounds cooperate closely, and the competencies, tasks and responsibilities of various stakeholders are precisely defined.
Complementarity of top-down strategy and bottom-up initiatives

The way that projects that require a number of different activities and are executed by many different entities are implemented is of great importance to their ultimate success. Most strategies either follow a top-down approach or are based on bottom-up initiatives.

The best strategies adopt the top-down formula in which the entity with the most authority delegates tasks to others, having planned them together in advance. This approach ensures that the strategy will be effective because all stakeholders and all initiatives are moving in the same direction - which is to achieve common goals (infographics No. 2).

Under the bottom-up approach, the strategy is the sum of independently undertaken initiatives which prevents full synergies from being achieved and creates the risk of duplicating certain activities, while often overlooking very important issues.

Infographics No. 2

Comparison of the bottom-up and top-down approaches

**Bottom-up approach**
Uncoordinated efforts

- Each stakeholder defines its own goals and agenda
- Each stakeholder takes its own initiatives to achieve its goals
- Each stakeholder creates its own roadmap
- Strategy is the sum of stakeholders’ activities

**Top-down approach**
Coordinated efforts

- The government authority defines common goals
- All initiatives are developed through the cooperation of all stakeholders
- A list of synergies and interdependencies is defined
- A joint roadmap is planned that makes use of all available resources

**Preparation:**

- Lack of potential synergies to exploit
- Incomplete use of available resources
- Some issues are not addressed at all
- Some stakeholders act in conflict with common goals

**Effects:**

- Achievement of goals is ensured
- All possible issues are addressed
- Chaos is prevented
- Resources are used to the full and synergies are achieved (e.g., economies of scale through cooperation among local governments)

Source: Deloitte’s own compilation

Refugees from Ukraine in Poland | Challenges and potential for integration
Multifaceted stakeholder cooperation

The top-down approach in the context of developing and implementing a strategy for integrating Ukrainian refugees in Poland will require intensive and comprehensive cooperation that will be characterized by two main dimensions: vertical and horizontal (Infographics No. 3). First, it is essential for entities at various levels to work together, from the Polish government through ministries and other governmental agencies to a whole range of lower-level stakeholders, including the refugees themselves and the Poles. Second, cooperation at the same level, i.e. among ministries or among local authorities and NGOs, is fundamental. When preparing a refugee integration strategy it is important to ensure not only that the effective cooperation of the various entities involved is properly organized, but also that none of the stakeholders significant for the process are left out - they should all be able to join in the activities.

Source: Deloitte’s own compilation

Infographics No. 3
Multifaceted stakeholder cooperation

[Diagram showing vertical and horizontal cooperation among various entities such as Government, Ministry of Education and Science, Ministry of Family and Social Policy, Ministry of Development and Technology, Ministry of Finance, NGOs, Employers, Local governments, Employment offices, Refugees, Polish citizens, Childcare institutions, Media.]

Infographics has an indicative character.
Optimum use of the available data

Collaboration among people and different stakeholders is fundamental when developing a strategy. However, it should be kept in mind that for a successful integration process (or any other project), it is critical to make full use of the data at hand. Effective operationalization of the initiative to integrate refugees into the Polish society requires establishing a dedicated government body tasked with collecting and aggregating data from various sources (both public and private) and redistributing this data to the relevant stakeholders so as to enable them to make data-driven decisions (Infographics No. 4).

Infographics No. 4

Process of optimal use of the available data

Collecting data from all available sources

- **Public institution data**: PESEL, employment, place of residence, no. of children in preschools/nurseries, tax data, SIM card information;
- **Private source data**: job sites, real estate marketplaces, payment processors, points-of-sale, social media, NGO research data

Dedicated government body collecting and aggregating data

There must be a single institution tasked with the aggregation and collection of data, quality assurance and guaranteeing legal compliance (data-wise)

- The institution manages the consolidated data & decides which stakeholders have the right to use what data, to what degree

Warning: Data processing must be carried out in accordance with the law

Dzielnie się danymi z interesariuszami

- Delivering multidimensional insights to stakeholders to enable making data-based decisions which are more effective than decisions based on intuition or limited data-points;
- Monitoring key performance indicators enables proper tracking of implementation results and a more effective improvement process

Source: Deloitte’s own compilation
Matrix of responsibilities

Successful implementation of each of the recommendations requires a clear determination of the level of involvement of all stakeholders. The proper distribution of responsibilities should result in optimization of the results achieved and elimination of potential inefficiencies, which in turn, will translate into better performance and more responsible use of the available budget. A sample division of responsibilities proposed by Deloitte is shown in the responsibility matrix below (Chart No. 2).

<table>
<thead>
<tr>
<th>Occupational activation of refugees</th>
<th>Facilitating labour market entry and occupational activation of refugees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement of information flow and combating misinformation</td>
<td>A</td>
</tr>
<tr>
<td>Facilitating labour market entry and occupational activation of refugees</td>
<td>R</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Teaching refugees</th>
<th>Teaching Polish to refugees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polish and facilitating access to the labour market for professionals</td>
<td>A</td>
</tr>
<tr>
<td>Easier access to professions requiring high or specialized skills</td>
<td>R</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Combined offers</th>
<th>Improved access to preschool care to enable occupational activation and financial independence of mothers</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>R</td>
</tr>
</tbody>
</table>

| Combining housing and job offers | A | R | S | R | S | n/a | S | I | C | S |

<table>
<thead>
<tr>
<th>Quick housing solutions</th>
<th>Upgrading underutilized properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>R</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Systemic approach to housing</th>
<th>Elimination of obstacles to renting property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerating the building construction process to increase the availability of housing</td>
<td>A</td>
</tr>
<tr>
<td>Supporting long-term rentals</td>
<td>A</td>
</tr>
</tbody>
</table>

**Legenda:**
- **R (responsible)** — the entity responsible for performing the task
- **A (accountable)** — the entity responsible for overseeing the proper and timely performance of tasks
- **S (support)** — the entity supporting the stakeholder responsible for performing the task
- **C (consulted)** — the entity that advises stakeholders responsible for overseeing the planned activities and their implementation
- **I (informed)** — the entity that is informed about the activities taken, but has no influence on them
- **n/a** — where the initiative does not concern the specific stakeholder

Source: Deloitte’s own compilation
Best practices derived from previous migration crises

Poland is not on its own. In seeking solutions that will bring us closer to the effective integration of Ukrainian refugees into our society, we can rely on the experience of other countries that have also received significant groups of refugees in the past. Considering only the last migration crisis, when multitudes of those fleeing the war in Syria reached Europe, we can draw four valuable lessons which, if carefully examined, can increase the effectiveness of Poland's efforts.

Equal chances

Refugees should have access to the same opportunities as Poles.

At the same time, they should not be given privileges.

Use of existing legislation

Verification whether new regulations are necessary to implement new solutions.

Introducing new regulations only as a last resort.

Clear planning and activities

Behind every task must be an entity responsible for it.

Key performance indicators should be clearly defined.

The authorities should keep track of the progress of the measures taken.

Use of existing resources and stock

Both private and public institutions are fighting the crisis.

An organized and cooperative environment will maximize their results.
Conclusion

This report has been prepared with the intention to contribute to the effective integration of Ukrainian refugees into the Polish society and Polish economy. At the same time, the aim of the authors is to also provide support to the central and local authorities in solving the most pressing problems of the labour and housing markets in Poland.

The authors firmly believe that the conclusions and recommendations contained in this publication can be seen as not only a source of inspiration for the creators of the strategy for the integration of refugees from Ukraine, but also a set of ready-made solutions on which this strategy could be built. The analyses conducted by Deloitte have enabled us to identify 5 key areas in need of urgent change and develop a set of 11 activities the implementation of which could significantly contribute to improving the overall level of welfare in Poland. They are as follows:

01 Occupational activation of refugees:
- Improving the information flow and combating disinformation;
- Facilitating labour market entry and occupational activation of refugees.

02 Teaching refugees Polish and facilitating access to the labour market for professionals:
- Teaching Polish to refugees;
- Facilitating easier access to professions requiring high or specialized skills.

03 Combined offers:
- Improving access to preschool care to enable occupational activation and financial independence of mothers;
- Combining housing and job offers.

04 Quick housing solutions:
- Upgrading underutilized properties;
- Eliminating obstacles to renting property.

05 Systemic approach to housing:
- Accelerating the building construction process to increase the availability of housing;
- Supporting long-term rentals.

The above initiatives indicate the direction for strategic changes that Poland should aim to implement. With such a purpose in mind, the authors of this report would like to underscore that regardless of what activities central and local governments decide on, it is extremely important to ensure broad cooperation among stakeholders representing different environments, detailed coordination of the activities carried out (by authorized entities at the central level), and effective assignment of responsibilities to individual stakeholders so as to make the best use of the available resources. The decision-makers must not forget to carefully analyse the costs and benefits of the steps undertaken when developing their integration strategy, as it will help prioritize individual initiatives and make it possible to spend the budget allocated for them in a responsible manner.
Refugees from Ukraine in Poland | Challenges and potential for integration

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