

ADVANTAGES AND DISADVANTAGES OF UNREGISTERED WORK IN POLAND

Szewczyk-Jarocka Mariola¹, PhD in Economics

¹The Mazovian State University in Plock

Abstract. The main goal of the present research is to define the most important advantages and disadvantages of unregistered work. The research was performed in 2021 with the use of quantitative method, CATI technique, on a group of respondents reaching 600 unregistered unemployed. The sample was representative in terms of gender, age and province. With reference to advantages of unregistered work, the respondents assigned the highest rates to the factors related to the source of additional or basic means of maintenance, followed by improvement of the financial condition of their households and reduction of poverty.

As the greatest disadvantage of unregistered work, the respondents indicated complete lack of health protection and unfavourable working conditions.

Keywords: unregistered work, nationwide research, advantages and disadvantages of unregistered work.

JEL code: E24, E26, J46

Introduction

Research on unregistered work (Sawicka J., Szewczyk-Jarocka M., Nowacka A., 2021) in Poland was conducted as a part of module for the Study of the Economic Activity of the Population and based legally on "A Programme of Statistical Research of Public Statistics for 2018" (www 4). Poland is one of few countries where several empirical research of unregistered work in economy has been performed. The first research was conducted in 1995 (*Unregistered Work in Poland in 1998*, 1996) and covered over 11 thousand households, which included a group of over 25.6 thousand people aged 15 and above. The second research was performed in 1998 (*Unregistered Work in Poland in 1998, 1999*) and also covered 11 thousand households (over 25 thousand people aged 15 and above). The third research was conducted in 2004. Further, in 2008 (*Causes of unregistered work*, p. 17), a report about "Causes of Unregistered Work, its Scale, Nature and Social Consequences" was prepared upon the request of the Labour Market Department at the Ministry of Labour and Social Policy. More current studies are underway.

The undeclared work is understood as follows (Praca nierejestrowana w Polsce w 2017 file:///C:/Users/Mariola%20Jarocka/Downloads/praca_nierejestrowana_w_polsce_w_2017.pdf):

- employment performed without a concluded employment contract, contract of mandate, contract for specific work or any other form of written employment contract agreed between the employer and employee, regardless of the ownership sector (also with reference to natural persons and individual agricultural holdings); such work is also not performed on the basis of an appointment contract, as a result of posting or election; an unregistered worker is not entitled to social insurance and is deprived of social benefits; a period of undeclared employment is not counted as a contribution period by the Social Insurance Institution (ZUS), due to a fact that the employer does not pay the relevant sums for remuneration to the account of the ZUS and the Labour Fund; income taxes for unregistered work income are not paid;
- self-employment, when financial obligations towards the state for performed business activities are not fulfilled (e.g. taxes).

By contrast, at the EU level, unregistered work (Szewczyk-Jarocka M., 2019) is defined as "any paid activities that are lawful as regards their nature, but not declared to public authorities, taking into account differences in regulatory systems of the Member States." (Undeclared work, <https://ec.europa.eu/social/main.jsp?catId=1298&langId=en>). The most common type is work performed

1 e-mail: m.szewczyk-jarocka@mazowiecka.edu.pl; ORCID: <https://orcid.org/0000-0001-9048-9513>

in a formal undertaking, partially or fully undeclared. Partially: undeclared work is sometimes called "envelope wages" or "cash-in-hand". Another type of unregistered work is undeclared "own account" or self-employed work.

Identifying the causes of this phenomenon is important for the analysis of the unregistered work problem (Fundowicz et al., 2020). Factors that may refrain people from undertaking registered work may include: lack of access to information; low level of human capital; financial exclusion (Nowacka, 2019); lack of motivation; ineffective system of rule enforcement; labour market regulations (Mroz B. 2002); low level of social trust in state institutions; increasing tax burdens and social insurance contributions ((Leonard M., 1998; Schneider F. and Williams C.C., 2013). Causes of unregistered work in Poland in the light of Research on Economic Activity of the Population (BAEL) are presented in Table 1 below.

Table 1

Causes of unregistered work in Poland (in %)

Causes	Respondents that indicated a cause (%)		
	in 1995	in 1998	in 2004
Insufficient income	63.0	60.3	59.0
Inability to find a job	38.9	41.7	47.2
Too high taxes	24.2	19.6	23.8
Higher enumeration without a contract	16.2	19.0	22.2
High insurance (ZUS) contribution	16.0	16.9	17.4
Fear of losing certain benefits	10.3	9.5	6.2
Family or life situation	8.7	8.0	4.9
Reluctance to be permanently associated with the workplace	1.3	1.6	1.7
Other	0.1	0.1	0.1

Source: Based on a special, modular study of unregistered work conducted by the Central Statistical Office in 1995, 1998, 2004 (...) and 2018 as a part of systematic Research on Economic Activity of the Population (BAEL)

The most important reasons for undertaking the research theme of the present article by its author include:

- a need to indicate the most important advantages of unregistered work;
- a need to indicate the most important disadvantages of unregistered work;
- a need to raise public awareness about unregistered labour market.

Taking into account the above premises, the main focus of the research was placed on an attempt to define the most crucial advantages and disadvantages of unregistered work. Gathering information about the above-mentioned issues was primarily facilitated by an empirical study designed and performed by the author of the present article. The conducted research had the following specific objectives:

- identification of advantages of unregistered work among the unemployed;
- identification of disadvantages of unregistered work among the unemployed.

Research results and discussion

Research methodology

The research was conducted with the use of quantitative research method, CATI technique, on a group of 600 unemployed respondents registered in the second half of 2021. The sample was representative in

terms of gender, age and province. The Computer Assisted Telephone Interview (CATI) is one of the quantitative research methods, according to which the interviewer conducts a conversation with the interviewee following a script provided by a software application online. VoIP (Voice over IP) system is used here as well. This method is most effective in interviewing hard-to-reach groups, it also gives a greater probability that the respondents provide reliable answers, and the level of control over the quality of collected material is high.

Statistical tests were applied to calculate the p-value. Before the study, a critical significance level α was established that corresponded to the permissible risk of committing a type 1 error (i.e. recognition of a statistically significant difference, though in reality there is no such difference). A standard significance level was assumed as $\alpha = 0.05$. The p value lower than the critical significance level ($p < 0.05$) allows to reject the null hypothesis and thus the statement that the groups of respondents responded significantly different. The smaller the p-value, the greater the statistical significance, defined by the following thresholds:

- $p < 0.05$ (marked with one asterisk *);
- $p < 0.01$ (marked with two asterisks **);
- $p < 0.001$ (marked with three asterisks ***).

The collected data were subjected to both a general and in-depth analysis with the use of cross tables. Significance tests were used to check whether the groups of respondents answered significantly different.

Description of the sample distribution

The quantitative research was conducted on a representative group of respondents of 600 unemployed people. The analysis of the sample was based on gender age and province of a respondent.

Table 2

Quantitative data on registered unemployed

Province	24 yr. and less		25 – 34 yr.		35 – 44 yr.		45 – 54 yr.		55 yr. and more	
	M	F	M	F	M	F	M	F	M	F
Lower Silesia	2 606	4 191	5 539	11 583	7 483	10 687	6 720	6 608	9 782	3 623
Kuyavian – Pomeranian	3 530	5 717	6 135	14 062	7 000	11 694	6 405	7 673	7 523	3 743
Lublin	5 523	5 757	8 924	13 905	8 369	9 990	7 028	6 059	7 951	2 999
Lubuskie	1 024	1 754	1 869	4 524	2 360	3 652	2 101	2 262	2 920	1 208
Lodzkie	3 214	3 851	5 909	10 564	7 598	9 723	7 272	6 848	9 187	3 646
Lesser Poland	5 656	6 662	8 250	15 009	7 734	11 902	7 077	7 677	9 141	3 942
Masovian	8 167	8 724	14 767	23 524	16 733	21 046	14 757	13 762	17 929	6 966
Opolskie	1 074	1 785	1 928	4 683	2 370	3 574	2 146	2 366	3 643	1 407
Podkarpackie	5 887	6 128	9 637	15 903	9 066	12 249	7 888	7 825	8 812	3 931
Podlasie	2 376	2 423	4 571	6 195	4 479	4 351	3 893	2 850	4 956	1 736
Pomeranian	2 919	4 934	4 946	11 184	5 030	8 895	4 479	5 505	5 579	2 745
Silesian	4 002	5 987	7 883	15 636	9 785	13 968	8 767	9 249	10 744	5 011
Swietokrzyskie	2 894	3 183	4 833	7 684	4 738	6 175	4 207	3 962	5 159	2 046
Warmia-Masuria	2 534	4 075	4 511	9 255	4 926	7 178	4 541	5 047	6 528	2 880
Greater Poland	3 194	5 176	5 174	11 852	5 651	9 367	5 013	5 989	6 378	3 164
West Pomeranian	2 363	3 505	4 339	9 127	5 203	7 843	4 806	5 179	6 791	2 862

Source: Central Statistical Office

According to the above data, in Poland there are a total of 1,046,432 registered unemployed people (as of December 2020). Percentage distribution is shown below – each cell was divided by the sum and then multiplied by 100%:

Table 3

Percentage distribution of the registered unemployed

Province	24 yr. and less		25 – 34 yr.		35 – 44 yr.		45 – 54 yr.		55 yr. and more	
	M	F	M	F	M	F	M	F	M	F
Lower Silesia	0.25%	0.40%	0.53%	1.11%	0.72%	1.02%	0.64%	0.63%	0.93%	0.35%
Kuyavian – Pomeranian	0.34%	0.55%	0.59%	1.34%	0.67%	1.12%	0.61%	0.73%	0.72%	0.36%
Lublin	0.53%	0.55%	0.85%	1.33%	0.80%	0.95%	0.67%	0.58%	0.76%	0.29%
Lubuskie	0.10%	0.17%	0.18%	0.43%	0.23%	0.35%	0.20%	0.22%	0.28%	0.12%
Lodzkie	0.31%	0.37%	0.56%	1.01%	0.73%	0.93%	0.69%	0.65%	0.88%	0.35%
Lesser Poland	0.54%	0.64%	0.79%	1.43%	0.74%	1.14%	0.68%	0.73%	0.87%	0.38%
Masovian	0.78%	0.83%	1.41%	2.25%	1.60%	2.01%	1.41%	1.32%	1.71%	0.67%
Opolskie	0.10%	0.17%	0.18%	0.45%	0.23%	0.34%	0.21%	0.23%	0.35%	0.13%
Podkarpackie	0.56%	0.59%	0.92%	1.52%	0.87%	1.17%	0.75%	0.75%	0.84%	0.38%
Podlasie	0.23%	0.23%	0.44%	0.59%	0.43%	0.42%	0.37%	0.27%	0.47%	0.17%
Pomeranian	0.28%	0.47%	0.47%	1.07%	0.48%	0.85%	0.43%	0.53%	0.53%	0.26%
Silesian	0.38%	0.57%	0.75%	1.49%	0.94%	1.33%	0.84%	0.88%	1.03%	0.48%
Swietokrzyskie	0.28%	0.30%	0.46%	0.73%	0.45%	0.59%	0.40%	0.38%	0.49%	0.20%
Warmia-Masuria	0.24%	0.39%	0.43%	0.88%	0.47%	0.69%	0.43%	0.48%	0.62%	0.28%
Greater Poland	0.31%	0.49%	0.49%	1.13%	0.54%	0.90%	0.48%	0.57%	0.61%	0.30%
West Pomeranian	0.23%	0.33%	0.41%	0.87%	0.50%	0.75%	0.46%	0.49%	0.65%	0.27%

Source: Central Statistical Office

Then, each cell of the percentage distribution was multiplied by 600, thus obtaining the final shape of the sample distribution:

Table 4

Sample distribution of the registered unemployed with distinction of gender, age and province

Province	24 yr. and less		25 – 34 yr.		35 – 44 yr.		45 – 54 yr.		55 yr. and more	
	M	K	M	K	M	K	M	K	M	K
Lower Silesia	1	2	3	7	4	6	4	4	6	2
Kuyavian – Pomeranian	2	3	4	8	4	7	4	4	4	2
Lublin	3	3	5	8	5	6	4	3	5	2
Lubuskie	1	1	1	3	1	2	1	1	2	1
Lodzkie	2	2	3	6	4	6	4	4	5	2
Lesser Poland	3	4	5	9	4	7	4	4	5	2
Masovian	5	5	8	13	10	12	8	8	10	4
Opolskie	1	1	1	3	1	2	1	1	2	1
Podkarpackie	3	4	6	9	5	7	5	4	5	2
Podlasie	1	1	3	4	3	3	2	2	3	1
Pomeranian	2	3	3	6	3	5	3	3	3	2
Silesian	2	3	5	9	6	8	5	5	6	3
Swietokrzyskie	2	2	3	4	3	4	2	2	3	1
Warmia-Masuria	1	2	3	5	3	4	3	3	4	2
Greater Poland	2	3	3	7	3	5	3	3	4	2
West Pomeranian	1	2	2	5	3	5	3	3	4	2

Source: Central Statistical Office

Characteristics of the respondents

In total, 600 respondents were researched. Slightly more than a half of them were women – 53.5%. The largest proportion of the respondents were people aged 25-34 years old – 27.3% followed by respondents aged 35-44 years old – 25.2%. The smallest proportion of the respondents were those from the youngest age group – 12.2%. With reference to a place of residence, it was noticed that the greatest share in the study was held by rural residents – 31.7%, followed by city residents from cities of 20,000 up to 99,999 inhabitants. The smallest number of respondents live in cities of 200,000 up to 499,999 inhabitants – 7.2%. More than a half of the respondents have secondary education (55.2%), less than 1/5 – vocational (18.8%) and higher (17.2%) education. Every eleventh respondent has primary education (8.8%). The largest share of the respondents were residents of Masovian province – 13.8%, while the smallest share in the study was held by the inhabitants of Opolskie and Lubuskie provinces – 2.3% of responses each.

Research results

The respondents were asked to rate the presented categories of unregistered work within the context of their importance for the employee by using a scale from 1 to 6, where 1 is the least important and 6 is the most important advantage.

The respondents rated higher those factors that were directly related to their finances, such as a source of additional or basic means of maintenance (average rating on a scale of 1 – 6: 4.37), followed by an improvement of financial condition of their households (4.23) and reduction of poverty (4.19). The

respondents assigned the lowest assessments to the factors promoting integration of the unemployed with the employed (3.22) and protection against loss of qualifications (3.21).

Table 5

Advantages of unregistered work – for the employee (descriptive statistics)

Advantages	N	Average	Standard deviation	Median	Dominant
Source of additional or basic means of maintenance	600	4.37	1.57	5	6
Improvement of financial condition of households	600	4.23	1.46	4	6
Reduction of poverty	600	4.19	1.50	4	6
Lowering operating costs	600	3.86	1.60	4	4
A chance to gain new qualifications and professional skills	600	3.73	1.60	4	4
Reduction of unemployment	600	3.65	1.58	4	4
Easing pressure on the use of financial support from social welfare	600	3.61	1.51	4	4
Neutralisation of the effects of unemployment in the material sphere	600	3.51	1.51	4	3
Obtaining equity capital for people running unregistered business activity, what may lead to legalisation of such an activity in the future	600	3.49	1.46	3	3
Payment of indirect taxes (VAT, excise duty)	600	3.41	1.54	3	3
Initial selection of job candidates	600	3.34	1.45	3	3
Increasing competitiveness of companies on product markets	600	3.33	1.46	3	3
Promotion of integration of the unemployed with the employed	600	3.22	1.58	3	3
Protection against loss of qualifications	600	3.21	1.49	3	3

Source: author's own study

As to disadvantages, the respondents recognised complete lack of health protection and unfavourable working conditions as the greatest drawbacks of unregistered work (average score on a scale of 1 – 6: 4.75). In the opinion of the respondents, a significant disadvantage is also a risk of losing the right to a retirement pension (4.61), lack of social security (4.54), as well as lack of employee benefits (4.47). As less important disadvantages the respondents considered inability to participate in the decision-making process in economic entities (3.64) and reduction of funds flowing into the public finance system (3.63).

Table 6

Disadvantages of unregistered work – for the employee (descriptive statistics)

Disadvantages	N	Average	Standard deviation	Median	Dominant
Complete lack of health protection and unfavourable working conditions	600	4.75	1.56	5	6
Risk of losing the right to retirement/ disability pension	600	4.61	1.62	5	6
Lack of social security	600	4.54	1.66	5	6
Lack of employee benefits	600	4.47	1.53	5	6
Calculation of retirement/ disability benefits based on contributions from the minimum permissible income	600	4.28	1.55	4	6
Consent to break the law	600	4.01	1.66	4	6
Inability to participate in the decision-making process in economic entities	600	3.64	1.50	4	3
Reduction of funds flowing into the public finance system	600	3.63	1.59	4	4

Source: author's own study

Statistically significant correlations were observed in the part of the research related to disadvantages of unregistered work, which were confirmed with the Mann-Whitney test. It was noticed that women more often than men considered lack of employee benefits (average rates were respectively: 4.63 and 4.28; $U=38079.5$; $p=0.002$) and lack of social security (respectively: 4.70 and 4.36; $U=38421.0$; $p=0.001$) as disadvantages. The p-value in both cases was lower than the assumed significance level of $\alpha=0.05$.

Table 7

Disadvantages of unregistered work for the employee – statistics results (gender)

Disadvantages of unregistered work for the employee	Gender				U	Z	p-value	Significance level (statistical significance)
	F	M	F	M				
	Abundance		Sum of ranks					
Lack of employee benefits	321	279	103160.5	77139.5	38079.5	-3.265	0.001	**
Lack of social security	321	279	102819.0	77481.0	38421.0	-3.156	0.002	**

Source: author's own study

Statistically significant correlations were confirmed with the Kruskal-Wallis test in case of one of the tested disadvantages of unregistered work ($\chi^2(4)=13.614$; $p=0.009$). The resulting p-value is lower than the assumed significance level of $\alpha=0.05$; therefore, the responses of the respondents from various age groups differed significantly. It was noticed that the respondents aged 45 and more considered complete lack of health protection and unfavourable working conditions as disadvantages more often (average scores for this group were respectively: 5.15 and 4.90). The examined factor was rated as the lowest one among all the factors by the age group from 25 – 34 (4.48), whereas it is worth remembering that the average

rating was still quite high, which means that this factor was a significant disadvantage for a large part of the respondents from the given age group.

Table 8

Disadvantages of unregistered work for the employee – statistics results (age)

Disadvantages of unregistered work for the employee	χ^2	df	p-value	Significance level (statistical significance)
Complete lack of health protection and unfavourable working conditions	13.614	4	0.009	**

Source: author's own study

Conclusions, proposals, recommendations

The collected research material allowed to develop the following conclusions:

- women were more likely to admit working "on the grey market";
- with reference to respondents' age, it was noticed that the proportion of positive responses significantly decreased with the age of the respondents;
- respondents who worked in the shadow economy by far most often indicated that their employment was completely unregistered – they were employees employed on the basis of an oral contract;
- respondents who had been or still were employed "on the grey market" most often admitted that their motivation for undertaking illegal work was insufficient income or lack of income, possibility to obtain higher remuneration, as well as lack of legal work on the market;
- as to advantages of unregistered work, the respondents assigned the highest rate to the factor of source of additional or basic means of maintenance, followed by improvement of financial condition of households and reduction of poverty;
- as to disadvantages of unregistered work, the respondents considered complete lack of health protection and unfavourable working conditions to be the greatest drawback of undeclared work, i.e. no employment benefits, no social security.

Bibliography

1. Fundowicz, J., Lapinski, K., Wyznikiewicz, B., Wyznikiewicz, D. (2020), *Raport Szara Strefa 2020*. Instytut Prognoza i Analiz Gospodarczych. Warszawa.
2. Leonard, M. (1998), *Invisible Work, Invisible Workers. The Informal economy in Europe and the US*. Palgrave Macmillan UK. London
3. Mroz, B. (2002). *Gospodarka nieoficjalna w systemie ekonomicznym*. SGH. Warszawa.
4. Nowacka, A. (2019). *Financial exclusion of a transactional character: case study of the unemployed in the city of Plock*. ECONOMIC SCIENCE FOR RURAL DEVELOPMENT 2019. Lotwa.
5. Praca nierejestrowana w Polsce w 2017
 file:///C:/Users/Mariola%20Jarocka/Downloads/praca_nierejestrowana_w_polsce_w_2017.pdf
6. *Praca nierejestrowana w Polsce w 1995 r.*, Informacje i opracowania statystyczne, Warszawa 1996.
7. *Praca nierejestrowana w Polsce w 1998 r.*, praca zespolowa pod kierunkiem S. Kostrubiec, GUS, Informacje i opracowania statystyczne, Warszawa 1999.
8. *Przyczyny pracy nierejestrowanej, jej skala, charakter i skutki społeczne* pod red. M. Bednarskiego, E. Krynskiej, K. Patera, M. Walewskiego. Raport przygotowany na zlecenie Departamentu Rynku Pracy Ministerstwa Pracy i Polityki Społecznej w ramach projektu „Przyczyny pracy nierejestrowanej, jej skala, charakter i skutki społeczne” współfinansowanego ze srodkow Europejskiego Funduszu Społecznego. Wykonawcy projektu: Instytut Badan i Spraw Socjalnych, Centrum Badania Opinii Społecznej (CBOS), CASE – Centrum Analiz Społeczno – Ekonomicznych Millward – Brown SMG/ KRC, Warszawa 2008.
9. Sawicka, J. Szewczyk-Jarocka, M., Nowacka, A. (2021). *Financial aspects of unregistered employment in Poland and other Eastern European countries* in.: Przegląd Wschodnioeuropejski. Tom 12 Nr 2 (2021), pp. 195-209.
10. Schneider, F., Williams, C.C. (2013). *The Shadow Economy*. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2286334
11. Szewczyk-Jarocka, M. (2019). *Job counselling a tool for social inclusion : empirical research in Poland*. ECONOMIC SCIENCE FOR RURAL DEVELOPMENT 2019. Lotwa.

12. Undeclared work. Pobrane z: <https://ec.europa.eu/social/main.jsp?catId=1298&langId=en>