European Research Studies Journal
Volume XXVIII, Issue 3, 2025

pp. 316-333

Profitability of Self-Employment in Poland after the Introduction of the Polish Deal Regulations Compared to Other EU Countries

Submitted 23/05/25, 1st revision 05/06/25, 2nd revision 20/06/25, accepted 30/07/25

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Abstract:

Purpose: *The primary objective of the study was to analyze the cost-effectiveness of self-employment as a strategy for optimizing labor costs in Poland, with a particular focus on the impact of changes introduced as part of the Polish Deal reform. In comparative terms, the objective of the study was to benchmark the level of labor taxation and preferences for the self-employed in Poland against other European Union (EU) countries.*
Design/Approach/Methodology: *The analysis was based on secondary data from publicly available statistical sources (including the Central Statistical Office, Eurostat, and the OECD), as well as industry reports, academic publications, and normative acts regulating the taxation and social security system in Poland. The following indicators were employed to ascertain the comparative profitability of various forms of employment: total cost of employment, annual net income and effective tax rate.*
Findings: *The study indicates that the disparities in net income between the self-employed and those employed under a contract persist, though their extent has diminished. In the tax and contribution structure subsequent to the implementation of the Polish Deal, there has been a partial equalization of the profitability of employment between forms for low-income earners, while self-employment remains fiscally more favorable for higher income groups (especially under the lump-sum tax regime). These changes can influence decisions regarding the form of employment and strategies to optimize labor costs. However, the structure of self-employment in Poland exhibits significant disparities compared to the patterns observed in Western and Northern European countries.*
Practical implications: *The analysis conducted and the results obtained should prompt the authors of tax regulations to consider, when drafting new legislation, the need to equalize the tax and contribution burden between employment under a contract of employment and self-employment. This measure has the potential to contribute to the reduction of the phenomenon of false self-employment.*

Keywords: *Labor costs, income tax, forms of taxation, Polish Deal, self-employment, employment contract.*

JEL classification: *M41, K34.*
Paper Type: *Research study.*

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1. Introduction

Labor costs constitute a fundamental economic category that is subject to analysis in the domains of corporate microeconomics and national economic policy. A comprehensive definition of this concept was provided by Wiktor (1991), who indicates that labor costs include not only direct wages, but also all non-wage costs related to the acquisition, retention, and effective use of human resources in an organization. An examination of this approach illuminates labor not merely as a wage cost, but rather as a multifaceted element of a company's operations.

The structure of this component is found to be profoundly influenced by the prevailing legal regulations, the tax and contribution system, and the nature of employment. Consequently, the level of labor costs varies significantly depending on the form of employment chosen.

A study by Maćkowiak (2022) found that employment based on an employment contract generates a significantly higher burden compared to forms governed by the civil law or self-employment. A study by Krajewska and Krajewski (2021) found that the discrepancies in the tax and contribution burdens between employment contracts and self-employment are so substantial that they provide a compelling incentive to transition to self-employment, even if it results in the forfeiture of labor rights.

Therefore, the phenomenon of self-employment, regarded not solely as an expression of flexible labor organization but also as a mechanism for fiscal optimization, is gaining prominence. The decision to become self-employed, as opposed to being employed under a contract of employment, has become a particularly salient option in the service sector and highly specialized professions.

In these contexts, the discrepancies in contribution and tax burdens can result in tangible financial benefits for both parties. Moreover, self-employment offers avenues for professional advancement, personal fulfillment, and autonomy (Niedzielski, 2019).

However, individuals often initiate business ventures out of necessity due to a paucity of alternative employment prospects (Niedzielski, 2016). However, the transition to self-employment has been shown to be a significant factor in the prevalence of job insecurity, which is characterized by factors such as job instability, poor job quality, income instability, and a lack of adequate social security (Siegmann and Schiphorst, 2016).

The extant literature increasingly emphasizes the problem of what is referred to as false self-employment, which consists in the formal operation of a business by a person providing labor under conditions corresponding to a standard employment relationship. While such an arrangement is legally permissible, it can serve to circumvent labor laws, including regulations on minimum wages, working hours, protection against dismissal, and the employer’s insurance obligations (Bak-Grabowska, 2014; Nikulin, 2020; Jędruczyk, 2021; Bozzon and Murgia, 2022).

In response to these developments, the government of the Republic of Poland introduced a social and economic reform program in 2022 called the Polish Deal. A central tenet of the reform was the establishment of a tax system grounded in the principles of social justice. This system was designed to ensure that the amount of public tributes was proportional to the tax capacity of the citizen (Fraszczak, 2022).

In this context, the actions of the Polish Deal can be regarded as an effort to curtail the prevalence of false self-employment by modifying the tax and contribution structure. Specifically, the regulations governing the calculation of health contributions for entrepreneurs underwent modifications, rendering them contingent on actual income and eliminating tax deductibility.

Moreover, the tax-free amount was increased to PLN 30,000, and the tax rate in the initial PIT scale threshold was reduced to enhance the appeal of full-time employment (Florek *et al.,* 2025). The modifications to tax legislation implemented under the Polish Deal, which were designed, among other objectives, to reduce the so-called “tax wedge,” were anticipated to contribute to a reduction in the pressure to transition from full-time employment to self-employment (Chowaniec, 2022).

Consequently, the attractiveness of self-employment was supposed to decrease, especially in cases where it was used instrumentally to circumvent labor laws (Mierkiewicz and Gajda, 2022).

The primary objective of the study was to analyze the cost-effectiveness of self-employment as a strategy for optimizing labor costs in Poland, with a particular focus on the impact of changes introduced as part of the Polish Deal reform. In comparative terms, the objective of the study was to benchmark the level of labor taxation and preferences for the self-employed in Poland against other European Union (EU) countries.

In light of the aforementioned objectives, the following hypotheses were subjected to verification in the study:

H1: Self-employment in Poland engenders reduced total labor costs and augmented net incomes in comparison with full-time employment, especially in higher income brackets.
H2: Following the implementation of the Polish Deal reforms, self-employment in Poland persists as a viable employment option for specific professional groups, primarily due to the potential for optimization of the tax and contribution burden.

H3: Compared against other European Union countries, Poland stands out for its relatively high level of tax preferences for the self-employed, a policy that appears to favor the persistence of false self-employment.

2. Literature Review

2.1 The Essence of Labor Costs

The notion of labor costs as a concept was initially introduced into the economic literature by the German economist Leitner (1925). Leitner emphasized that the total cost of employment encompasses not only the wages paid to employees, but also the various fringe benefits that employers are obligated to provide. This approach underscores the comprehensive nature of labor costs, transcending the confines of the purely wage category.

In the context of Polish literature, the issue of labor costs was addressed, among others, by Halama (1961), who defined labor costs as all expenses associated with the employment of blue-collar and white-collar workers.

This approach was further elaborated by Makowski (1997), who underscored the necessity of conceptualizing labor costs as the aggregate expenses associated with the utilization of labor as an input in economic processes. He further underscored the pivotal function of the institutional environment, including the social security apparatus and minimum wage directives, in determining the configuration and magnitude of labor costs borne by employers.

The aforementioned concepts are corroborated by contemporary studies in the field. As Maćkowiak (2022) has noted, gross wages remain the essential component of labor costs; however, mandatory contributions to social security, special purpose funds (e.g., the Labor Fund or the Guaranteed Employee Benefits Fund), and other benefits provided by labor laws or collective agreements are also of significance.

The ensuing discourse employs the term "labor costs," as delineated by the Central Statistical Office (CSO). Accordingly, labor costs encompass gross wages and salaries, including advance payments for income tax and social security contributions, as well as broadly defined non-wage costs. The latter include employer contributions to social security (i.e., pension, disability, and accident insurance), employee education and training expenses, and other expenditure related to human capital management (Statistics..., 2021) (Table 1).

A similar approach is taken in international statistics, including the Eurostat methodology, where labor costs are divided into two main categories: direct wages and indirect costs, which include social benefits and other non-wage expenses of employers.

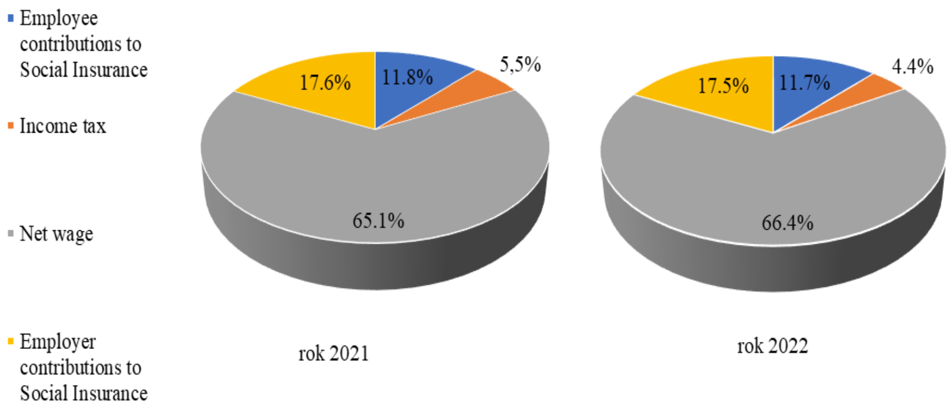
Table 1. *Labor costs structure.*

Labor costs		
Direct labor costs	Indirect labor costs	
Wages	Social benefits	Non-wage costs
Directly related to labor and its outcomes	Insurance contributions Contributions to earmarked funds: - Labor Fund - Solidarity Fund - Guaranteed Employee Benefits Fund	Occupational health and other quasi-social expenses

Source: *own compilation based on (Borkowska 2001) and (Statistics ...2021).*

The most substantial component of labor costs, apart from gross wages inclusive of personal income tax, encompasses social security contributions, which are remitted by both employees (insured) and employers (contributors). Additionally, health contributions and contributions to designated state earmarked funds are other significant elements. The structure of labor costs for the average wage in Poland in 2021 and 2022 is illustrated in Figure 1.

Figure 1. *Structure of labor costs for the average wage in Poland in 2021 and 2022.*



Source: *Own calculations.*

A pivotal metric in assessing labor's economic burden is the tax wedge, which quantifies the relationship between the total labor cost to the employer and the net wage received by the employee. It is the sum of all public and legal burdens (taxes and contributions) and reflects the level of fiscalization of hired labor. In 2021, the tax wedge in Poland was 34.9%, and in 2022 it decreased to 33.6% (Figure 1).

In comparison, the average for European Union countries was 39.1% in 2021 and 38.8% in 2022, respectively (OECD, 2023). Conversely, the average for all OECD countries remained at 35.0%. While the tax wedge in Poland is marginally lower than the EU average, it remains a salient factor influencing the employment structure, particularly in regard to the decision to shift to self-employment.

In the context of self-employment, the calculation of Social Security contributions and income tax is subject to a distinct methodology compared to that applied to full-time employees, resulting in a reduced effective tax wedge. As Krajewska and Krajewski (2021) have demonstrated, these discrepancies can reach up to a dozen percentage points, especially for entrepreneurs who are subject to flat or lump-sum tax rates.

Consequently, self-employment frequently emerges as a viable approach to optimize labor costs, benefiting both the employee and the employer, even if it involves relinquishing certain protections provided under the Labor Code.

2.2 Forms of Self-Employment Taxation in Poland

In Poland, individuals engaged in self-employment have the option to utilize a variety of taxation structures, which directly influences their overall fiscal and administrative obligations. As Jarczok-Guzy (2015) and Matejun and Kaczmarek (2010) have noted, the selection of a taxation form by a self-employed individual (i.e., a micro-entrepreneur) impacts not only the amount of income tax owed, but also the manner in which accounting is conducted and the business's operational structure.

In the Polish legal system, individuals engaged in self-employment have the option to calculate their income tax liability using one of four forms: fixed amount tax, lump sum on registered income, tax scale, or flat tax. Each of them involves a distinct set of rules for calculating tax liability, varying levels of administrative simplicity, and different degrees of tax efficiency (Dziemianowicz, 2002; Podstawka and Deresz, 2013). The most elementary form of business taxation is the fixed amount tax, which does not necessitate complicated accounting.

The entrepreneur is obligated to pay a fixed monthly tax amount, determined by the head of the tax office based on the type of business, number of employees, and size of the town in which the business is conducted (Makuch, 2011). In light of the amendments instigated by the Polish Deal, the fixed amount tax for the year 2022 is no longer available to new taxpayers. It is exclusively available to entrepreneurs who continue to operate under this particular regime.

A lump sum on registered income is a simplified form of taxation in which tax is calculated based on the amount of income, without the possibility of deducting the costs of obtaining it. The range of applicable flat rates is from 2% to 17%, depending on the nature of the activity (Act of November 20, 1998). This form's appeal lies in its simplified record-keeping and reduced level of formalization, characteristics that render it particularly enticing for individuals engaged in liberal professions and service activities (Pawlak *et al.,* 2013).

The general principles of taxation, which include a tax scale (12% and 32%) and a flat tax (19%), serve as the fundamental accounting framework for the self-employed with a diverse cost structure. The progressive scale allows for the utilization of the tax-free amount and various allowances, while the flat tax is favored by individuals with high and stable incomes who do not benefit from tax preferences (Matejun and Kaczmarek, 2010; Podstawka and Deresz, 2013).

In both scenarios, there is an obligation to maintain a tax income and expense ledger. Also, in instances where the thresholds are exceeded, comprehensive accounting is mandatory (Act of July 26, 1991). As Jarczok-Guzy (2015) emphasizes, the decision to select one of the available forms has significant consequences not only in terms of taxation, but also in terms of organization and administration.

2.3 Changes Introduced under the Polish Deal

The introduction of tax reforms within the framework of the Polish Deal (Act of October 29, 2021) and its amendment referred to as Polish Deal 2.0 (Act of June 9, 2022)), aimed to create a fairer, more progressive tax system in response to economic challenges following the COVID-19 pandemic. The changes affected a broad spectrum of taxpayers, including both full-time employees and the self-employed. The new regulations modified the existing fiscal mechanisms and affected the structure of taxation and the public burden.

One of the key reforms was a change in the rules for calculating the health contribution. Previously, the contribution was set at a flat rate and was partially deductible from income tax (at 7.75%).

As of January 2022, the health contribution amount depended on income (for those with a flat tax or a sliding scale) or revenue (in the case of the lump-sum tax). Its deductibility depended on the chosen form of taxation (Dorociak *et al.,* 2022; Deresz and Podstawka, 2024). It is worth noting, however, that this change also applied to contracted employees who lost the right to deduct the health contribution from their taxes. This makes the comparison of employment forms more complex.

Regarding income taxation, the self-employed can still choose from three settlement options: a tax scale, a flat tax, or a lump sum on registered income. Favorable modifications were made to the progressive scale, such as raising the tax-free amount to PLN 30,000 and increasing the threshold for the first tax rate to PLN 120,000. Additionally, the Polish Deal 2.0 lowered the tax rate on the first threshold from 17% to 12%, offsetting other changes that burdened taxpayers, especially those with lower and middle incomes (Chmielecka and Szulc, 2020).

These modifications benefited not only the self-employed but also those employed under a contract of employment, underscoring the universal nature of the introduced solutions.

Regarding the lump sum on registered income, the classification of occupations covered by preferential rates was modified, as were the tax rates themselves. Because tax-deductible expenses cannot be taken into account, this form primarily benefits self-employed individuals with low operational costs (Journal of Laws 1998 [Dz.U.], No. 144, item 930).

Although the Polish Deal reforms were met with different assessments, they should be considered in the context of the overall tax system, which covered both entrepreneurs and wage earners. The changes introduced may have influenced decisions regarding employment and business forms, though assessing their impact requires considering various factors, such as income levels, types of activities, and tax preferences of business operators (Mariański, 2022; Mierkiewicz and Gajda, 2022; Florek, 2024).

3. Source Materials and Methodology

This paper uses an analytical and comparative approach to determine the relative profitability of self-employment versus full-time employment. To do so, it takes into account the changes to the tax and contribution system introduced under the 2022 Polish Deal reform. The analysis was based on secondary data from publicly available statistical sources (including the Central Statistical Office, Eurostat, and the OECD), as well as industry reports, academic publications, and normative acts regulating the taxation and social security system in Poland.

To ensure comparability of scenarios and reduce social variables, the study was conducted using the model of a single worker who does not take advantage of tax benefits, such as joint accounting with a spouse or family-friendly allowances.

The person employed under an employment contract was assumed not to be below 26 years old[3], not benefit from increased deductible expenses, and have filed a PIT-2 statement, which entitles them to reduce their monthly advance personal income tax payment by the tax-reducing amount.

For the sake of simplicity, it was also assumed that the worker does not participate in Employee Capital Plans (ECPs). For the self-employed, three tax options were analyzed: a lump-sum tax on registered income, the tax scale, and a flat tax. Each option took into account the regulations in effect in 2021 and 2022, respectively, when the Polish Deal was introduced.

[3] *In Poland, people under the age of 26 are exempt from labor income taxes.*

To reflect different income levels, five scenarios were adopted based on their relation to the average gross monthly salary in the national economy in 2022[4] (according to CSO data): 50%, 67%, 100%, 167%, and 250% of the average salary.

The following were compared for each scenario: net income in 2021 (before the Polish Deal reform) and in 2022 (after the reform); the total cost of labor from the employer's and the self-employed's perspectives; and the impact of changing their employment status on the employee's financial situation.

Three main economic indicators were used to determine the relative profitability of different employment types:

1. Total cost of employment, including gross salary plus employer contributions for full-time employees, or the full cost of contributions and taxes for the self-employed.
2. Net annual income, calculated as income after paying all public liabilities (social security contributions, health contributions, and income tax), according to three different tax methods: the tax scale, the flat tax, and the lump sum on registered income.
3. The effective tax rate, expressed as the ratio of the total public and legal burden to the total cost of employment.

The analysis was supplemented by a comparison with selected EU countries where comparable data on the effective tax wedge for full-time and self-employed workers is available. Data for this part of the study came from the OECD's Taxing Wages reports.

4. Research Results and Discussion

4.1 Profitability of an Employment Contract vs. Self-Employment

The introduction of the Polish Deal in 2022 brought significant changes to Poland's tax and contribution system, directly affecting the net income of the self-employed and those employed under a contract. Table 2 presents an empirical analysis showing the effects of these changes across different salary levels (from 50% to 250% of the average salary) and different forms of taxation.

Table 2. *Net annual income by form of employment and salary level in 2021 and 2022 (in PLN).*

Average wage level	50%	67%	100%	167%	250%
Total cost of employment	45,875.12	61,472.56	91,750.10	153,222.66	229,375.32

[4] *The average monthly salary for 2022 was used to allow for comparable results in both the pre- and post-reform scenarios.*

Annual net income in 2021						
Contract of employment		27,895.52	37,027.28	54,755.93	90,479.22	123,448.38
Self-employment	Tax scale	28,021.00	40,966.36	66,096.92	108,237.44	160,021.16
	Flat rate	26,818.00	39,452.36	63,976.92	113,769.44	175,453.16
	Lump sum based tax	27,496.00	40,441.36	65,571.92	116,594.44	179,801.16
Annual net income in 2022						
Contract of employment		29,899.52	38,742.28	55,872.93	90,655.22	125,486.38
Self-employment	Tax scale	28,847.60	41,505.40	65,424.98	110,041.97	154,971.95
	Flat rate	23,598.60	36,231.96	60,283.61	107,636.98	165,941.22
	Lump sum based tax	24,709.12	35,908.08	62,552.64	116,648.16	183,662,88

Source: *Own calculations.*

As shown in Table 2, depending on the chosen form of taxation, the self-employed were able to earn a higher net income than full-time employees on an annual basis. This was particularly prevalent before the introduction of the Polish Deal. In 2021, the average (100%) full-time employee earned a net income of PLN 54,755, while the net income of the self-employed ranged from PLN 63,976 (flat tax) to PLN 66,096 (tax scale), depending on the form of taxation chosen.

After the reform, in 2022, these differences narrowed somewhat. Full-time employees with an average salary received an increase of about PLN 1,100, earning PLN 55,872 in net income, while the self-employed went from earning PLN 60,283 (flat tax) to PLN 65,424 (tax scale).

Although net income disparities still exist, their magnitude has decreased due to changes in the progressive tax scale, including raising the tax-free amount to PLN 30,000, lowering the tax rate from 17% to 12%, and increasing the first tax threshold to PLN 120,000. These changes affected both salaried and self-employed individuals who apply the tax scale. The results presented here confirm hypothesis one.

Table 3. *Rate of public and legal burdens by employment status and salary level (as a percentage of gross labor costs per year).*

Gross labor costs per year	Employment status	2021	2022	Difference (percentage points)
45,875.16 (50%)	contract of employment	39	35	-4
	self-employment, tax scale	39	37	-2
	self-employment, flat-rate tax	42	49	+7
	self-employment, lump-sum-based tax	40	46	+6
61,472.52	contract of employment	40	37	-3
	self-employment, tax scale	33	32	-1

(67%)	self-employment, flat-rate tax	36	41	+5
	self-employment, lump-sum-based tax	34	42	+7
91,750.10 (100%)	contract of employment	40	39	-1
	self-employment, tax scale	28	29	+1
	self-employment, flat-rate tax	30	34	+4
	self-employment, lump-sum-based tax	29	32	+3
153,222.66 (167%)	contract of employment	41	41	0
	self-employment, tax scale	29	28	-1
	self-employment, flat-rate tax	26	30	+4
	self-employment, lump-sum-based tax	24	24	0
229,375.32 (250%)	contract of employment	46	45	-1
	self-employment, tax scale	30	32	+2
	self-employment, flat-rate tax	24	28	+4
	self-employment, lump-sum-based tax	22	20	-2

Source: *Own calculations.*

Table 3 summarizes the level of public and legal burdens (including taxes and social and health insurance contributions) depending on the employment status and gross employment costs in 2021 and 2022, i.e., before and after the introduction of tax reforms under the Polish Deal. The analysis showed that, after the 2022 reform, the burden decreased for those employed under a contract, especially in the lower income brackets.

For instance, at a salary equivalent to 50% of the average wage, the effective burden on a full-time employee decreased by 4 percentage points, from 39% to 35%. This makes a contract of employment more favorable than self-employment based on the flat-rate tax (where the burden increased from 42% to 49%) or a lump-sum-based tax (where the burden increased from 40% to 46%).

However, as income increases, this trend reverses. For higher salary ranges, especially above the national average, the self-employed continue to have a fiscal advantage over contract employment.

For instance, at 250% of the average salary, the tax burden for a lump-sum taxpayer was barely 20%, compared to 45% for an employment contract. For the flat tax, effective taxation was also lower (28%), despite an increase from the previous year.

The above results indicate that in the tax and contribution structure subsequent to the implementation of the Polish Deal, there has been a partial equalization of the profitability of employment between forms for low-income earners, while self-employment remains fiscally more favorable for higher income groups (especially under the lump-sum tax regime).

These changes can influence decisions regarding the form of employment and strategies to optimize labor costs. This part of the study confirmed hypothesis two.

Using data from the OECD's 2020 Taxing Wages report, the study compared the effective fiscal burden, or tax wedge, between full-time and self-employed workers in selected EU countries (Table 4).

Table 4. *Effective tax rate for full-time and self-employed workers in selected EU countries.*

Country	Contract of employment (%)	Self-employment (%)	Difference (percentage points)
Italy	47.7	14.4	-33.3
Netherlands	37.4	15.1	-22.3
Poland	40.0	22.2	-17.8
Hungary	46.2	43.4	-2.8
Sweden	43.1	40.4	-2.7

Source: *OECD, Taxing Wages 2020.*

Italy has the largest disparity in fiscal burdens, with a difference of as much as 33.3 percentage points between full-time employees (47.7%) and the self-employed (14.4%). Similar high gaps are found in the Netherlands (22.3 percentage points) and Poland (17.8 percentage points), which may indicate strong tax incentives for self-employment.

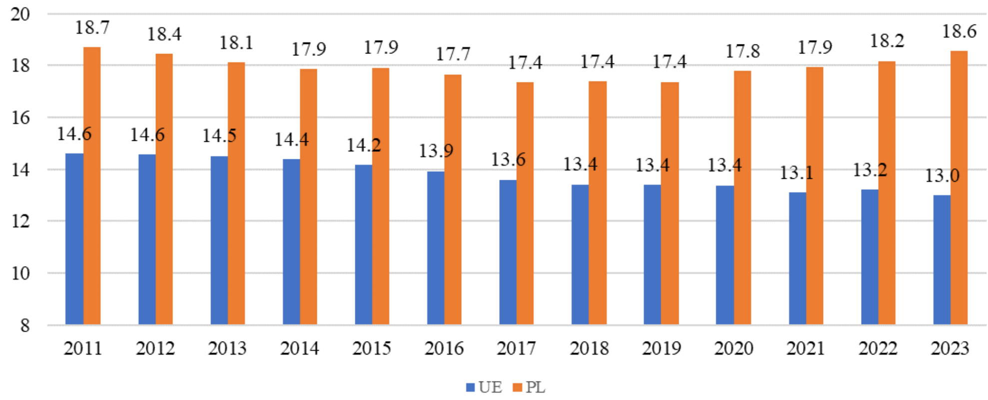
In these countries, self-employment might be viewed not only as a form of labor activity but also as a strategy to optimize fiscal burdens. In Hungary and Sweden, however, the difference in taxation between full-time employees and the self-employed is minimal (2.8 and 2.7 percentage points, respectively), which may suggest more balanced tax systems. This could limit the phenomenon of false self-employment.

4.2 Self-Employment in Poland against the Background of the European Union

Self-employment is present in all European Union economies, but its intensity, institutional conditions, and economic effects differ significantly between member states. As Skrzek-Lubasinskaya and Grodek-Szostak (2020) emphasize, the proportion of self-employed individuals in the national economy decreases with economic development.

The type of entrepreneurship is also changing—from forced scenarios (due to a lack of other opportunities) to innovative ones. Poland belongs to the group of countries with a relatively high percentage of self-employed individuals among the total employed population. This is largely due to the design of the national tax and contribution system, as well as the functioning of the labor market.

Figure 2. *Percentage of the self-employed in Poland and the EU in 2011–2023.*



Source: *Own elaboration based on Eurostat.*

As Figure 2 shows, the percentage of self-employed individuals in Poland remained above the European Union average from 2011 to 2023. In 2011, Poland's rate was 18.7%, while the EU average was 14.6%. From 2011 to 2019, Poland's self-employment rate declined to 17.4%, aligning with the EU-wide trend.

However, in 2020, the share of the self-employed in Poland increased again, reaching 18.6%, in direct response to the economic crisis caused by the COVID-19 pandemic. Meanwhile, the EU average decreased to 13.0%. This surge in Poland may have resulted from the labor market adapting to the pandemic, with self-employment becoming an alternative to losing full-time work for many people.

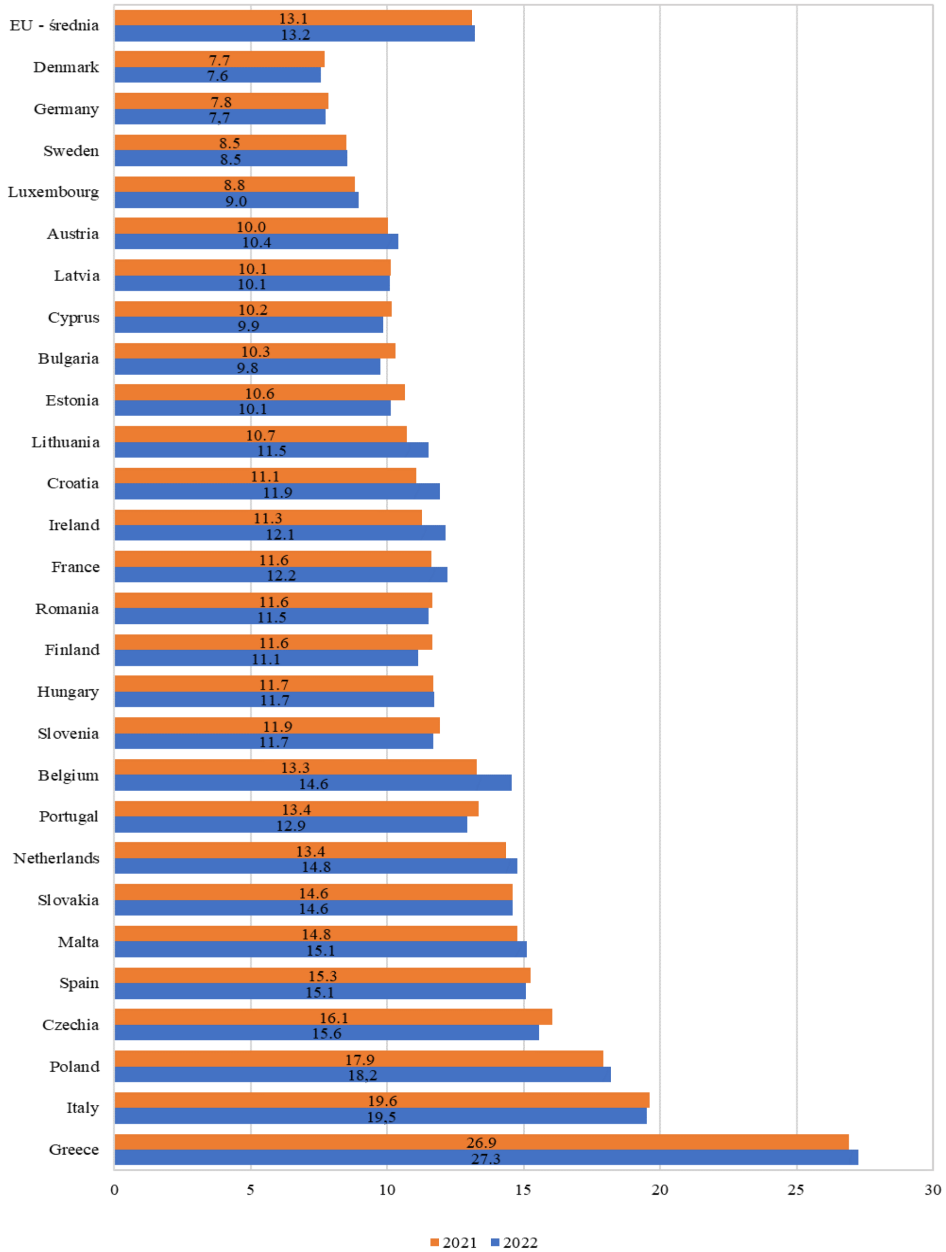
The institutional flexibility of self-employment, including simplified tax forms and lower contribution burdens, also made this form of labor activity more attractive during times of economic uncertainty.

In comparative terms, Poland ranks among the top European Union countries in terms of the percentage of self-employed individuals within the total workforce. In 2022, only Greece (27.3%) and Italy (19.5%) had higher percentages (Figure 3).

Poland (18.2%) was ahead of the Czech Republic (15.6%), Spain (15.1%), the Netherlands (14.8%), and Belgium (14.6%), among others. In contrast, the lowest self-employment rates were observed in Germany (7.7%), Sweden (8.5%), and Denmark (7.6%).

Based on these findings, it can be concluded that Poland's self-employment structure differs significantly from the patterns observed in Western and Northern European countries.

Figure 3. *Percentage of the self-employed in European Union countries in 2021 and 2022.*



Source: *Own elaboration based on Eurostat.*

While the percentage of the self-employed fluctuates around 7–9% in countries such as Germany, Denmark, and Sweden, it remains at a level more than twice as high in

Poland. It should be noted that a such high percentage of self-employed individuals in Poland's labor market does not necessarily indicate entrepreneurial development.

According to numerous studies, a significant proportion of self-employment is dependent or false, meaning self-employed individuals function under conditions similar to an employment relationship but without the corresponding rights and social protection (Nikulin, 2020; Mierkiewicz and Gajda, 2022; Krajewska and Krajewski 2021).

A study by Williams and Horodnica (2018) shows that, on average, about 21% of the self-employed in EU countries function under conditions that meet the criteria of economic dependence on a single contractor. In Poland, this percentage is as high as 42%, one of the highest rates in the European Union, indicating the significant prevalence of this type of relationship and confirming the third hypothesis. By comparison, the share of dependent self-employed individuals is about 35% in Germany and about 30% in Greece.

The data shows that, although this phenomenon occurs throughout the EU, it is particularly prevalent in Central and Eastern European and Southern European countries, where the labor market is less formalized, and tax and employment regulations favor self-employment over employment contracts. Williams and Horodnica (2018) emphasize that dependent self-employment often does not stem from genuine entrepreneurship or the need for professional independence but rather from economic compulsion or employers' decisions to reduce labor costs and avoid labor code obligations.

Eichhorst et al. (2013) and Bozzon and Murgia (2022) emphasize that employers intentionally create economic dependency by making the self-employed dependent on a single client, which often means a lack of real organizational autonomy. Thus, this is a classic example of dependent labor. Studies from the Nordic countries and the EU by Kautonen et al. (2010) and Muehlberger (2007) point out that techniques such as outsourcing and single-entity contracts allow companies to pass on risk and save on insurance, often at the expense of workers' rights.

Carrasco and Hernanz (2021) analyzed Eurostat data and proved that what is referred to as "involuntary self-employment" often results from the need to accept such contracts due to a lack of alternatives in the labor market. This is usually the result of a lack of other job offers or pressure from an employer who avoids standard employment contracts. In these cases, self-employment is a direct consequence of economic pressure, not a choice.

Nikulin (2020) confirms in a survey of Polish companies that fictitious self-employment mainly occurs in sectors where employers seek to reduce labor costs and avoid liability. Examples of these sectors include construction, healthcare, the IT industry, and services.

5. Conclusions, Proposals, Recommendations

The analysis clearly shows that self-employment in Poland generates lower public and legal burdens and allows for a higher net income than contract employment, especially for those with incomes above the national average.

The Polish Deal reforms have led to partial equalization of the effective tax rate for contractual and self-employed workers in lower income brackets. However, self-employment still provides significant fiscal advantages for higher incomes, especially with flat or lump-sum-based taxation schemes.

Poland belongs to the group of European Union countries that offer relatively high tax preferences to the self-employed. This encourages the occurrence of the so-called "false self-employment" phenomenon. Data shows that 42% of the self-employed are economically dependent, placing Poland among the countries with the highest intensity of this phenomenon in the EU.

These findings support the hypotheses and suggest the need for additional regulatory action to prevent the misuse of self-employment. Also, there is need for reforming the labor tax system in Poland for both full-time employees and the self-employed, as this would reduce incentives for false self-employment, strengthen social protection for employees, and increase state budget revenues.

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