HAYS Talent Solutions Intelligent Resourcing

Invest in Poland

10 YEARS

OF THE BUSINESS SERVICES SECTOR IN POLAND

CONTENT TABLE

ABOUT US

The Polish Information and Foreign Investment Agency is focused on supporting foreign investors who wish to conduct business activities on the Polish market. The Agency promotes Poland as the destination for foreign investors, provides business location advisory services, helps companies at the initial investment phases and renders aftercare services. Agency's employees also help shaping competitive investment incentives package.

The Business Services Team was created in 2005 in anticipation of the investors' needs. The strategy proved to be right: over the last 10 years the Team has worked with more than 500 Business Services Sector projects and their number is still on the rise.

Hays is the leading global specialist recruitment group placing professional candidates in permanent, temporary and interim positions. We operate across the private and public sectors offering tailor-made contingency recruitment services, executive search, Recruitment Process Outsourcing (RPO) and Talent Management Solutions.

With over 12 years' experience on the Polish market, we have helped to build the business services sector and become an unrivalled expert in multilingual recruitment. Having a largest team of Business Services consultants who recruited for over 100 centres in Poland and our own EMEA RPO Centre in Kraków, we know only too well the difficulties such organizations may face in recruiting the best talent. Working intensively with the SSC/BPO sector we have proven our ability to deliver on singular vacancy assignments as well as in volume recruitment projects as a Master Vendor or RPO provider.

INTRODUCTION

The aim of this report is to sum up ten years of the business services sector (BSS) in Poland. The industry emerged in our country only at the beginning of the century, yet it has already been recognised by experts (Tholons, Hackett Group, Everest Group) as highly developed, and Poland itself as a mature market for global BSS projects, with excellent prospects for continued growth in the coming years. The rapid development of this sector in Poland is a positive surprise, making it comparable to traditional sectors of the economy, such as the automotive industry, in terms of the employment generated.

The presented report consists of four parts. The first summarizes the results of an analysis of the companies' database representing the business services sector (the Database), which is the most up-to-date and complete source of information on the business services sector in Poland. The development of the Database consequently followed the growth of the business services sector in our country, thanks to the efforts of the Polish Information and Foreign Investment Agency (PAIiIZ), Hays Poland, and the great and invaluable support of regional partners - the authorities of the cities which host BSS investments. The second part of the report is devoted to the discussion of support instruments available to companies from the business services sector and their former successes in using various forms of public aid. The third part of the report presents the summary of the role of investment projects representing the BSS in PAIiIZ activities. The closing section of the report is the summary of the main trends observed in the higher education and labour market as a result of the development of the business services sector. The report has been prepared with the essential support of the Pro Progressio Foundation. The Foundation deals with education and support for the development of the outsourcing industry in Poland.

BUSSINES SERVICE SECTOR IN NUBERS

150 000
employment in the sector

659
number of centres with the Polish and foreign capital

228
average employment in one centre

10
the highest number of process services in one centre

30
the highest number of languages in which processes are serviced in one centre

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KRAKÓW
the highest employment in the business service sector: 30 000

WARSZAWA
the highest number of the BSS centres: 133

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3 THE MOST POPULAR PROCESSES IN THE SSC/BPO CENTRES:

46%
Accountancy & Finance

44%
Customer Service

22%
IT Support

ANALYSIS OF THE BUSINESS SERVICES SECTOR IN POLAND

THE DATABASE
AND THE METHODOLOGY

All analyses covered in this report were developed on the basis of the Database, comprising 659 companies with foreign and Polish shareholding. The total employment in all centres included in the database amounts to 150,010 employees. The Database comprises information valid as of 31st December 2014.

Companies described in the database have been divided into four main categories in terms of services provided:

BPO – vendors and providers of services for external clients, mainly in finance and accounting, customer service, HR and payroll services and back-office support related to the procurement process

IT – vendors and providers of IT services for external clients (domestic and foreign). IT outsourcing of hardware, infrastructure, software maintenance and development, implementation and integration of systems, including development centres of companies dealing mainly with the creation, implementation and sales of software

SSC – shared services centres operating within one corporation, providing services mainly in the following areas: finance and accounting, HR, procurement, as well as IT support for the needs of internal clients

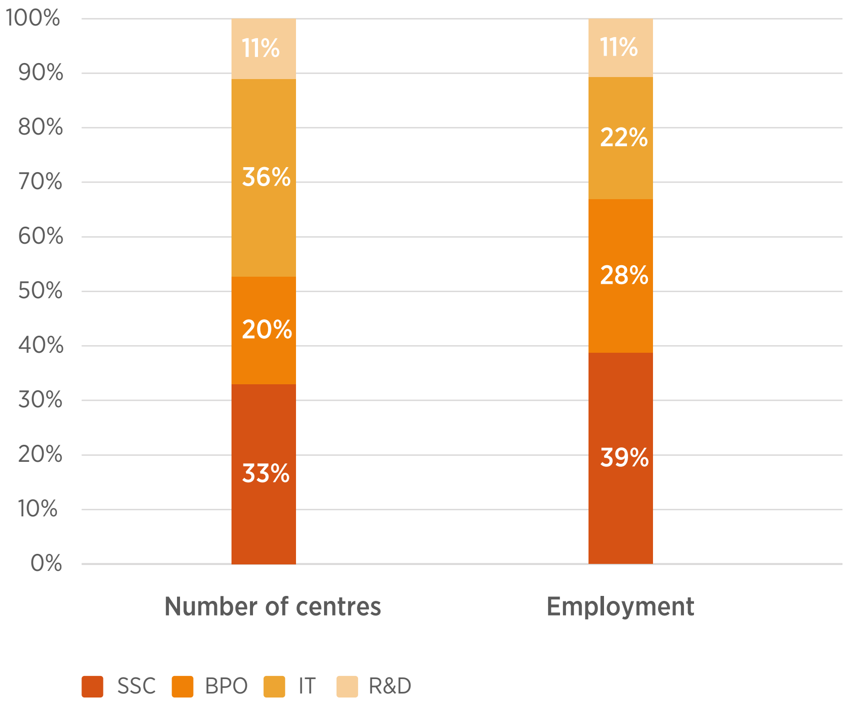
R&D – companies conducting research activities and product development, as well as the development of applications and software. This category includes internal departments of companies whose principal activity is not based on sales of software

TYPES OF BUSINESS SERVICES SECTOR COMPANIES

Among the companies included in the database, centres providing IT services hold the highest share. This category is represented by 239 companies, which makes up 36% of all the companies. In terms of the number of enterprises, shared services centres take the second place (217 entities and 33%), followed by BPO (130 and 20%) and research and development centres (73 and 11%).

If we consider the number of people employed by each centre type, the situation is slightly different. In this case, shared services centres are ranked first, employing almost 57.5 thousand people, which makes 38% of the total employment in the sector. The second group includes BPO centres where 42.6 thousand people are employed, making up 29% of the employment in the whole sector. The final positions are occupied by IT centres (34.7 thousand employees and 23%) and R&D (15.3 thousand and 10%).

Figure 1. *The share of different types of centres in total number of centres and generated employment.*

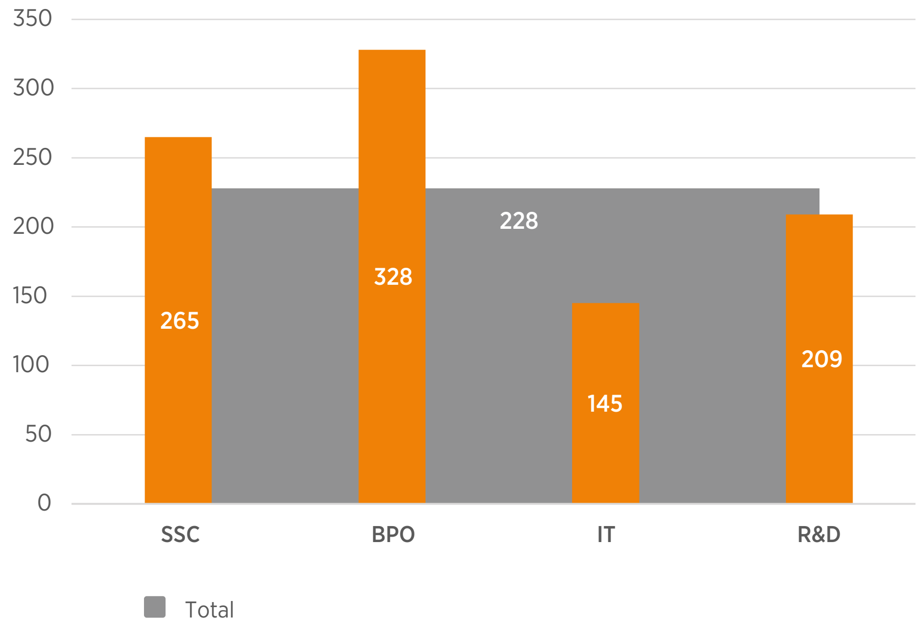


source: PAIiIZ and Hays Poland own analysis, 2014.

When comparing the different types of centres in terms of the number of companies and people employed, it can be concluded that IT centres are the smallest amongst categories analyzed, whereas BPO centres are the biggest.

The average employment in a single enterprise in the sector amounts to 228 people. The average number for an IT centre is 145 people, whereas for a BPO centre – 328 people.

Figure 2. *Average employment in a single enterprise of Business Services Sector by types of centres.*



source: PAIiIZ and Hays Poland own analysis, 2014.

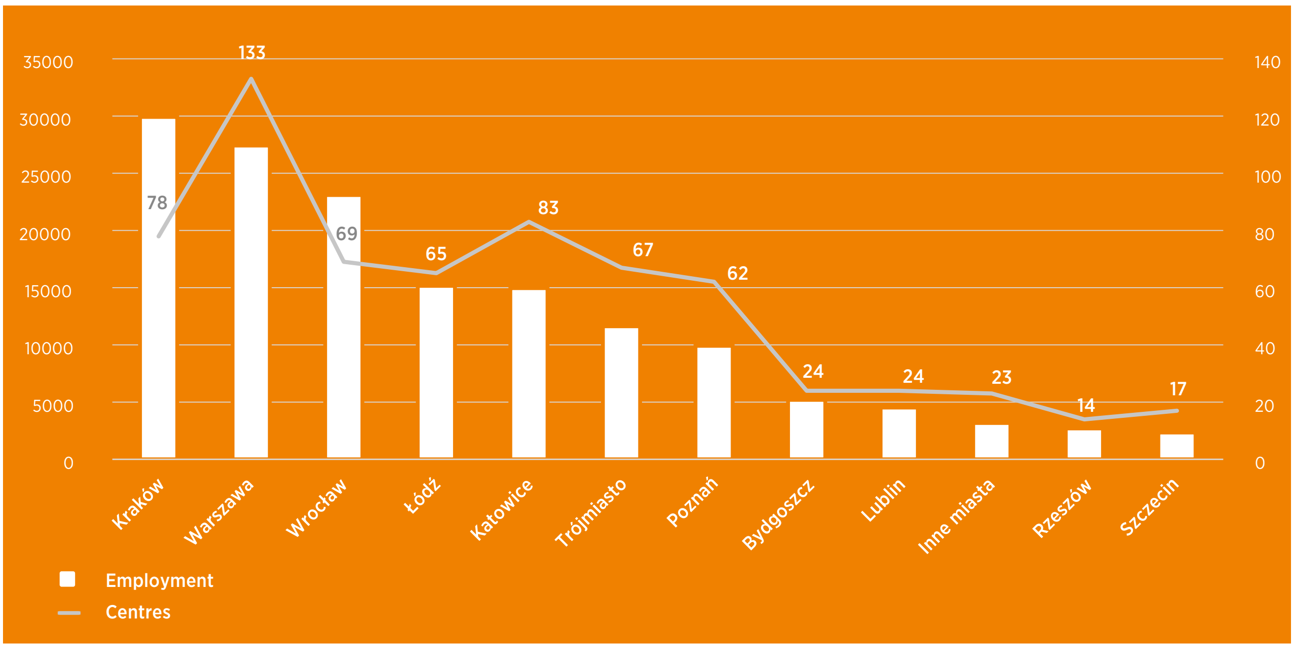
LOCATION OF THE BUSINESS SERVICES SECTOR COMPANIES

The Database comprises centres located in 23 Polish cities. 11 locations listed below can be proud of hosting more than 10 centres: Kraków, Warsaw, Wrocław, Łódź, Silesian Metropolis (Katowice and Gliwice, among others), Tri-City (Gdańsk, Gdynia and Sopot), Poznań, Bydgoszcz, Lublin, Rzeszów and Szczecin. These cities represent the main locations for Business Services Sector activities. The centres operating in those cities employ almost 98% of all employees of the sector.

In terms of the number of centres, Warsaw leads pack, with 133 companies, followed by Katowice and other cities of the Silesian Metropolis (83 centres), with Kraków taking the third position (78 centres).

The situation looks different in relation to the number of persons employed in the centres. In this case Kraków is the leader, with employment exceeding 30 thousand people, which makes up 20% of all the employees in the sector. Second place is occupied by Warsaw (27.4 thousand and 18%), and the third by Wrocław (23 thousand and 15%).

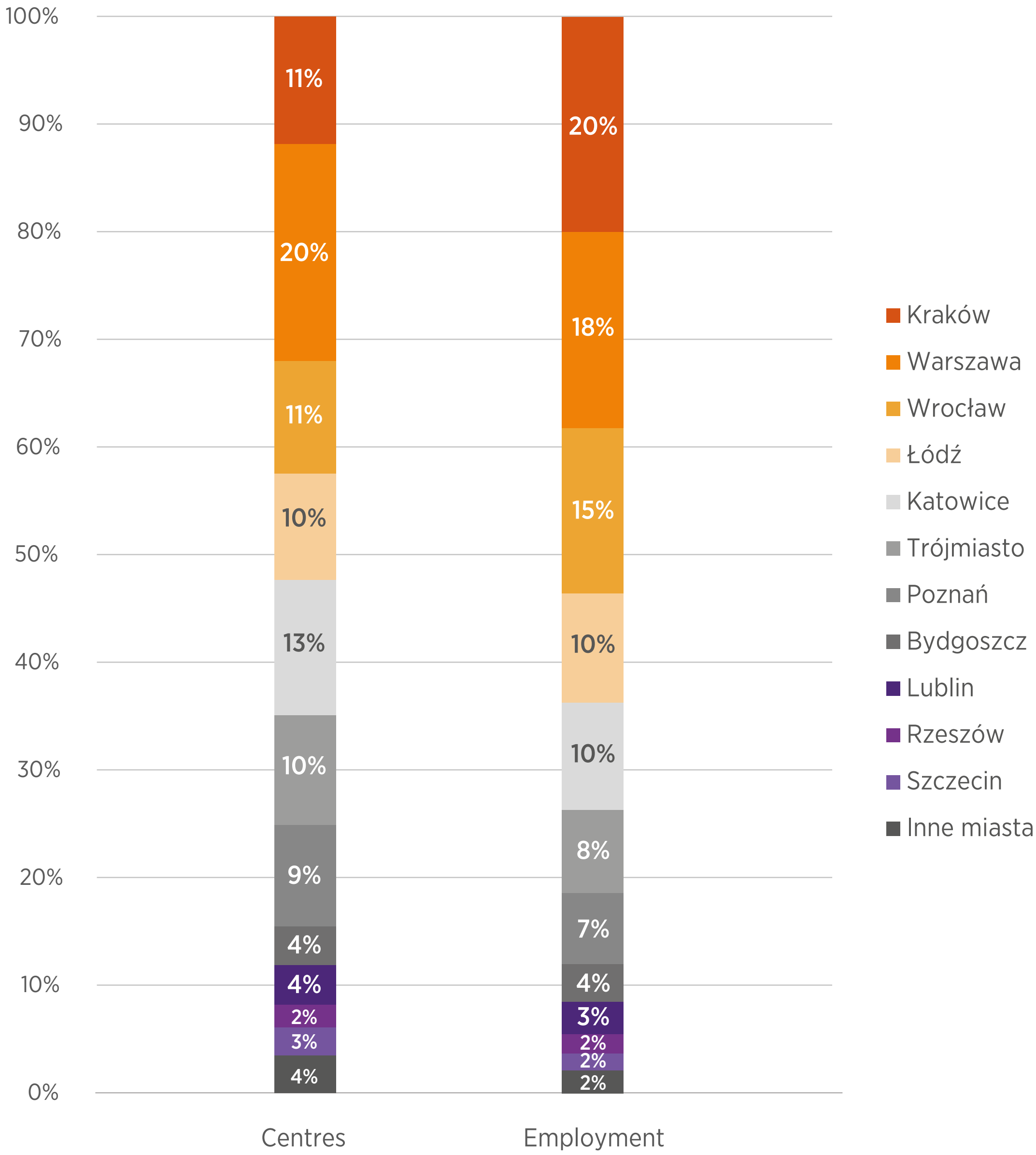
Figure 3. *The number and employment of the BSS centres by location.*



source: PAIiIZ and Hays Poland own analysis, 2014.

In terms of the number of employees in a single centre, Kraków dominates whereas Katowice - the second city considering the total number of centres - takes the fifth position. The average size of a centre in Kraków is 384 people and in Katowice 180 people, which means that the latter it is characterized by numerous yet smaller centres.

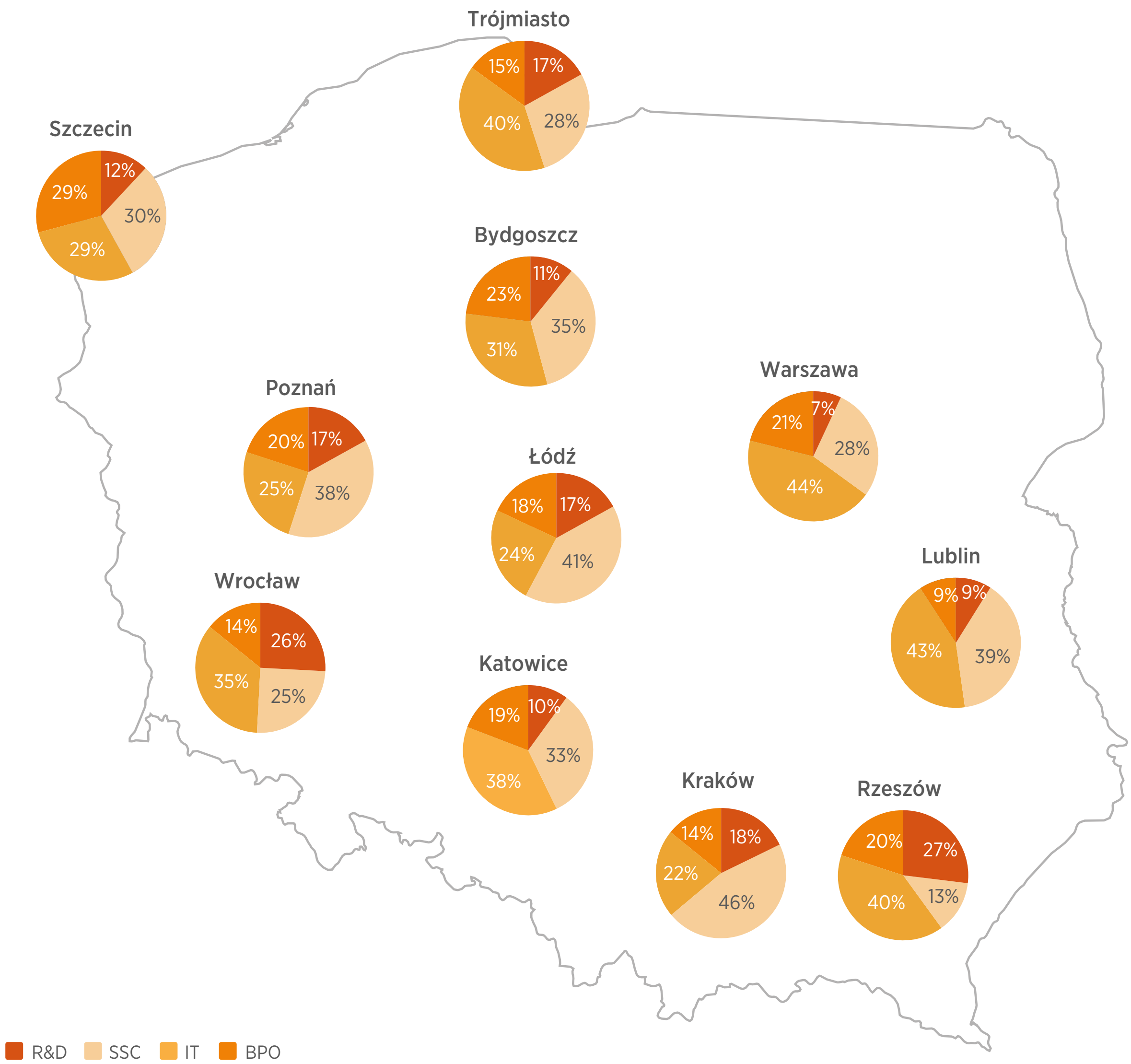
Figure 4. *The share of individual cities in the number of BSS centres and employment in the sector.*



source: PAIiIZ and Hays Poland own analysis, 2014.

Interesting conclusions can be also drawn in relation to the type of centres by city. The biggest number of SSCs are located in Kraków and Łódź (46% and 41% of all companies respectively). Relatively many IT centres operate in Warsaw, Lublin, Tri-City and Rzeszów (44%, 43% and 40% respectively), whereas research and development sites dominate in Rzeszów (27%) and Wrocław (26%). This is illustrated in the figure below.

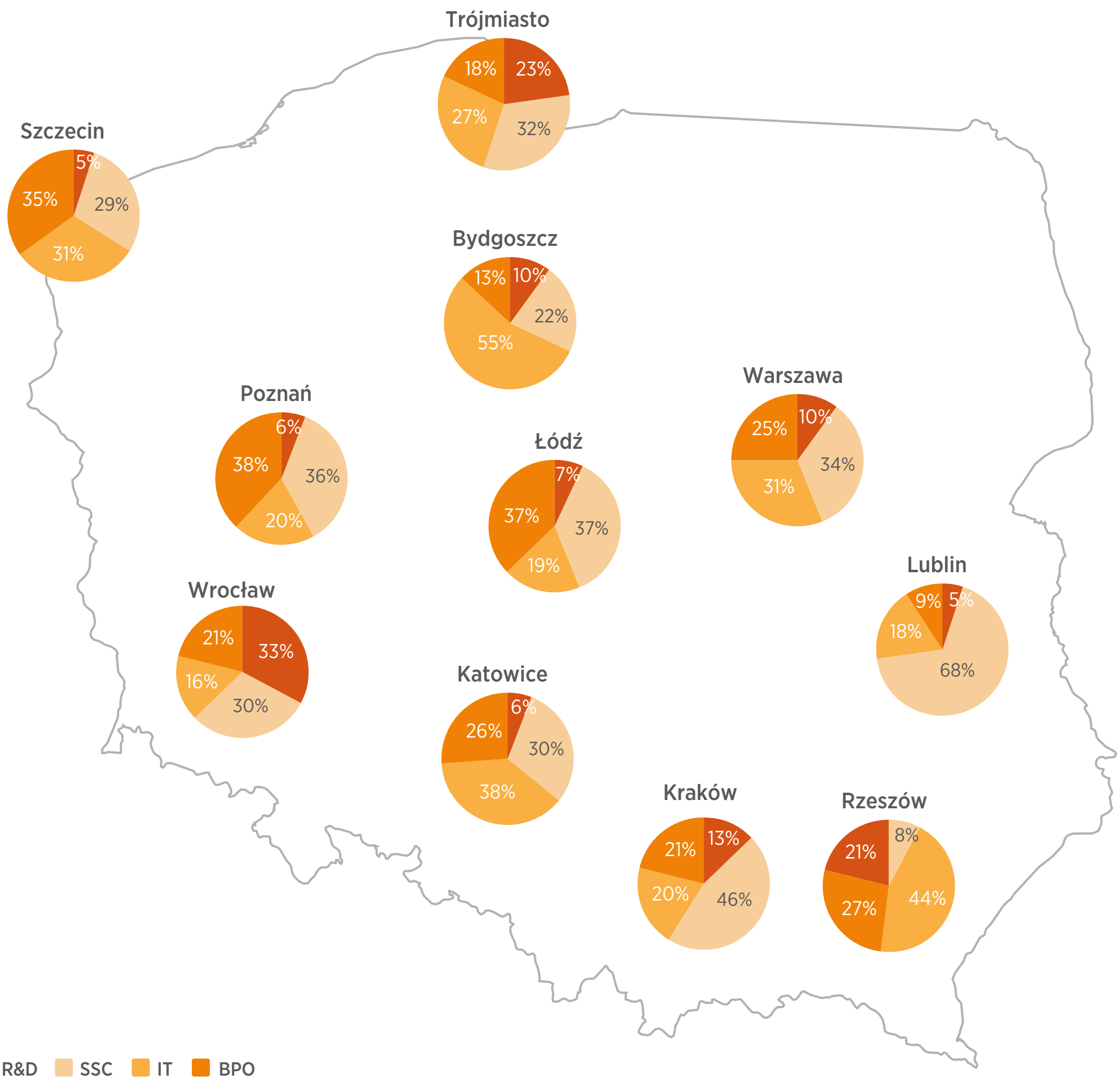
Figure 5. *The share of centre types in the total number of BSS centres by location.*



source: PAIiIZ and Hays Poland own analysis, 2014.

The situation looks different when employment in individual types of centres, according to their location, is considered. In Lublin, Kraków and Łódź the highest share of employment is generated by SSCs (68%, 46% and 37% respectively). The highest share of IT employees can be found in Bydgoszcz, Rzeszów and Katowice (55%, 44% and 38% respectively).

Figure 6. *The share of employment of individual types of BSS centres by location.*



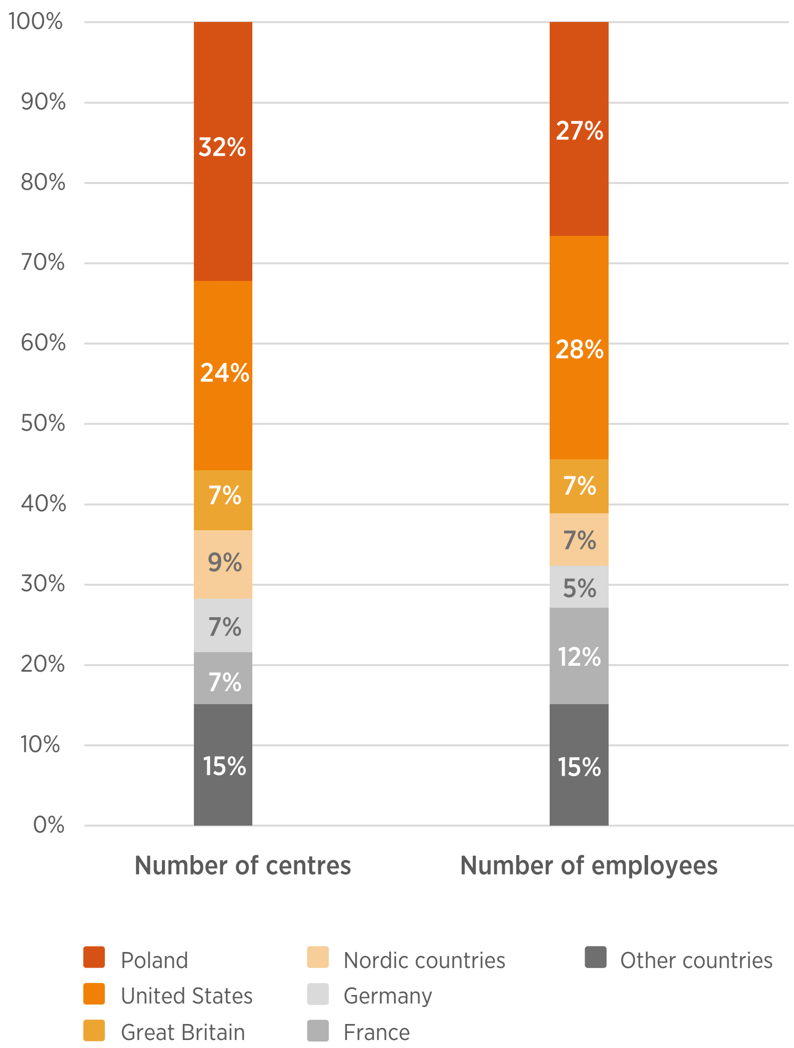
source: PAIiIZ and Hays Poland own analysis, 2014.

COUNTRY OF ORIGIN OF BUSINESS SERVICES SECTOR COMPANIES

Among 659 companies listed in the Database, 214 are companies with Polish shareholding. Further positions are occupied by enterprises from the United States (155), the United Kingdom (49), as well as Germany (44) and France (42). The share of Scandinavian and Finnish companies is also significant – in total, 57 companies from Denmark, Finland, Norway and Sweden invested in Poland.

This order changes when we analyse the number of employees hired by companies from each of these countries. In this case the highest number of people employed is by companies from the United States. The increase of French companies' share is also worth highlighting. They make up less than 7% of all centres located in Poland, but they contribute as much as 12% of the total employment.

Figure 7. *The share of the companies from individual countries in the number and employment figures of BSS centres.*



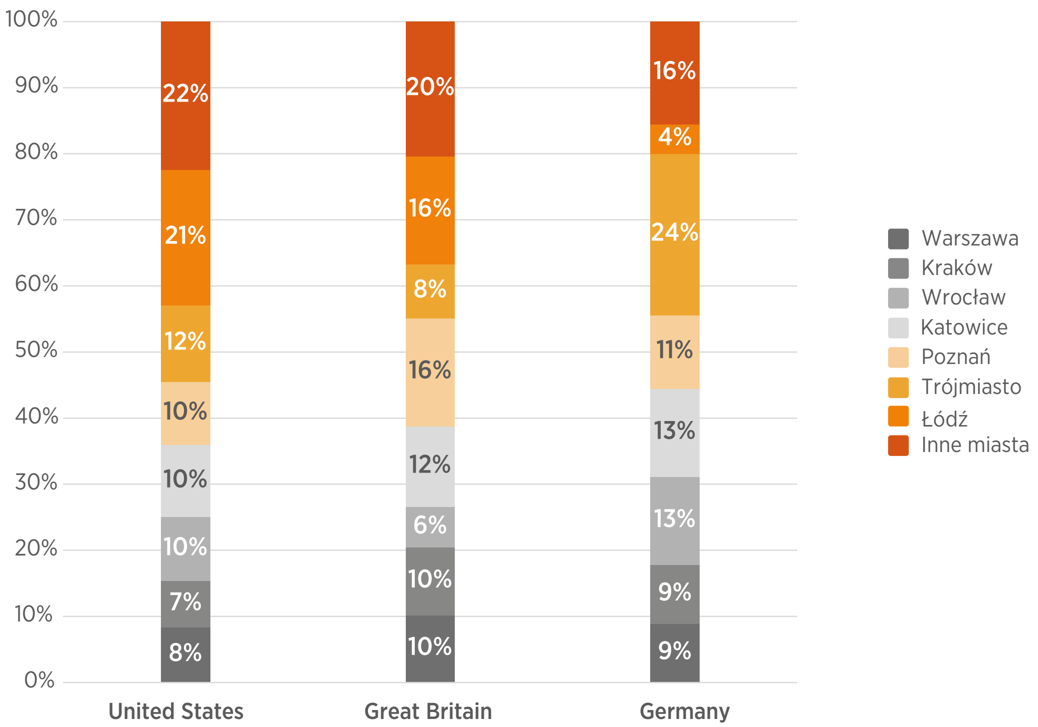
source: PAIiIZ and Hays Poland own analysis, 2014.

The analysis of the Database leads to the conclusion that foreign companies from different countries have similar preferences in terms of their location choices. This is presented in the figure below.

Enterprises from the USA selected mainly large cities, traditionally associated with the Business Services Sector – 22% have their seat in Warsaw and 21% in Kraków. Polish companies preferred to locate their businesses in Warsaw (23%) and Katowice (17%), but they were also the first to select locations outside the list of the most popular cities among companies in the sector e.g. Kielce, Elbląg, Białystok or Piła. German companies mainly decided on Wrocław (24% of them located their businesses there).

Companies from the UK had less clear preferences. Although the majority (20%) decided to open a centre in Warsaw, Kraków and Katowice (16% each) are not far behind. French companies seem to be the most dispersed, with 27% of them having their seat in other cities than the Business Services Sector main ones.

Figure 8. *The share of individual locations in the number of BSS centres established by companies from selected countries.*



source: PAIiIZ and Hays Poland own analysis, 2014.

PROCESSES COVERED BY THE BUSINESS SERVICES SECTOR COMPANIES

Companies included in the Database have been also described in terms of services they offered:

IT support – activities associated with remote support offered to users of IT systems

Software development – creating and maintaining computer applications

Data centre – servicing of servers and IT infrastructure management

Customer service – remote customer service, both web based and by telephone

Human resources management – HR administration, training management, recruitment, etc.

Financial services – services rendered mainly for financial institutions, such as counteracting money laundering (AML), settlements, etc.

Finance and accounting – activities associated with accounting comprises, among others, payables, receivables, tangible fixed assets, reporting, etc.

Payroll – preparing and managing payroll and related activities

Supply chain management and procurement – any activities associated with supply chain management, from procurement to optimisation of the overall transport

Data and documents management – comprises services in the scope of database management, and administration of documentation as well as knowledge in the organisation

Marketing – activities associated with the planning and conducting marketing

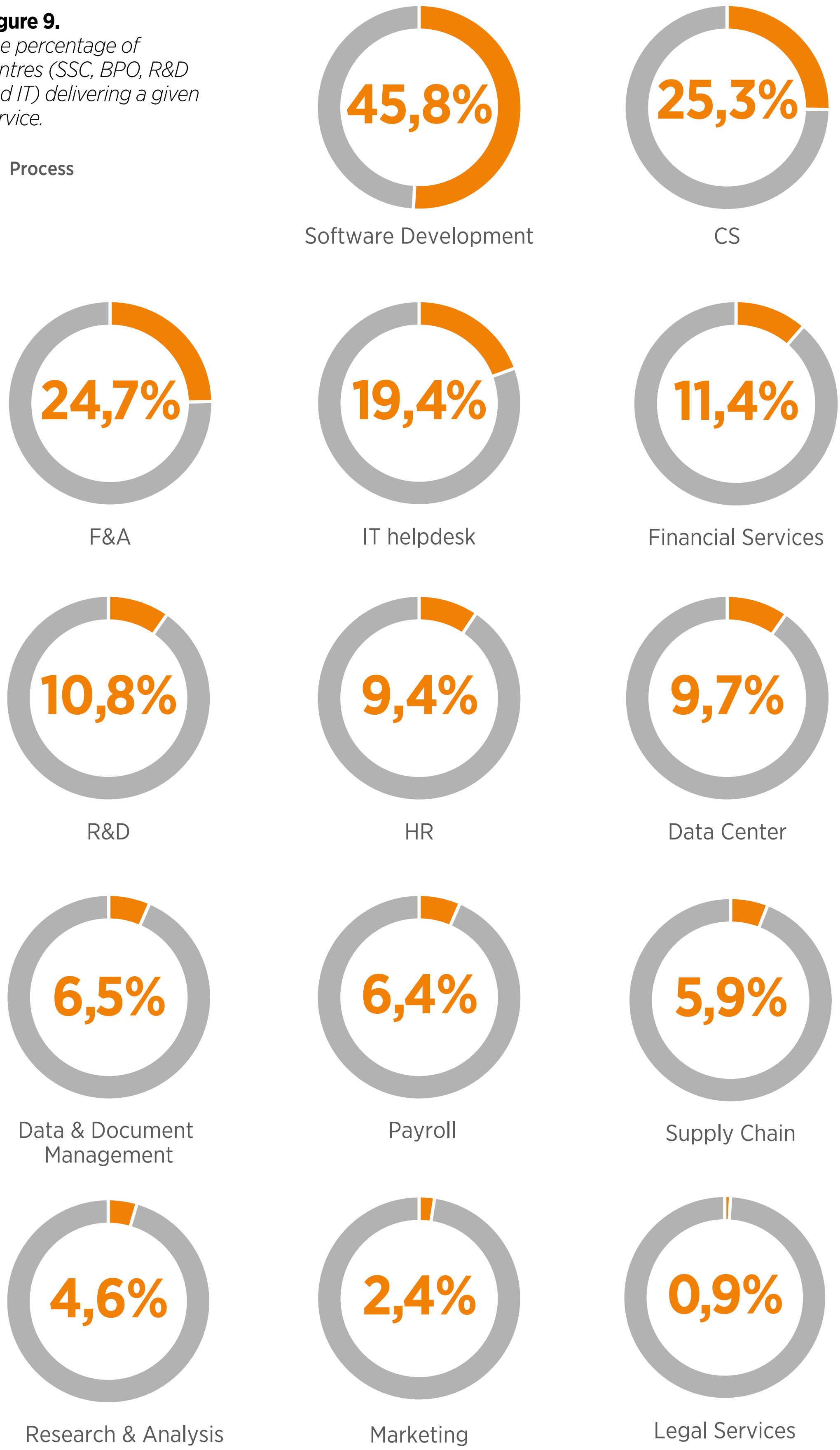
Legal services – all services associated with legal activity, comprising contract management, e-discovery, etc.

Research and development activities – research activity and the development and creation of new products

Research and analysis – one of the most sophisticated processes, associated with the acquisition of information from various sources, conducting complex analysis and creating recommendations on their basis, (includes financial analysis)

According to the Database, the most frequently offered service is software development, delivered by 46% of the companies. Second place is held jointly by finance and accounting and customer service, with 25% each. And in third are IT support services, offered by 19% of the companies in the Database.

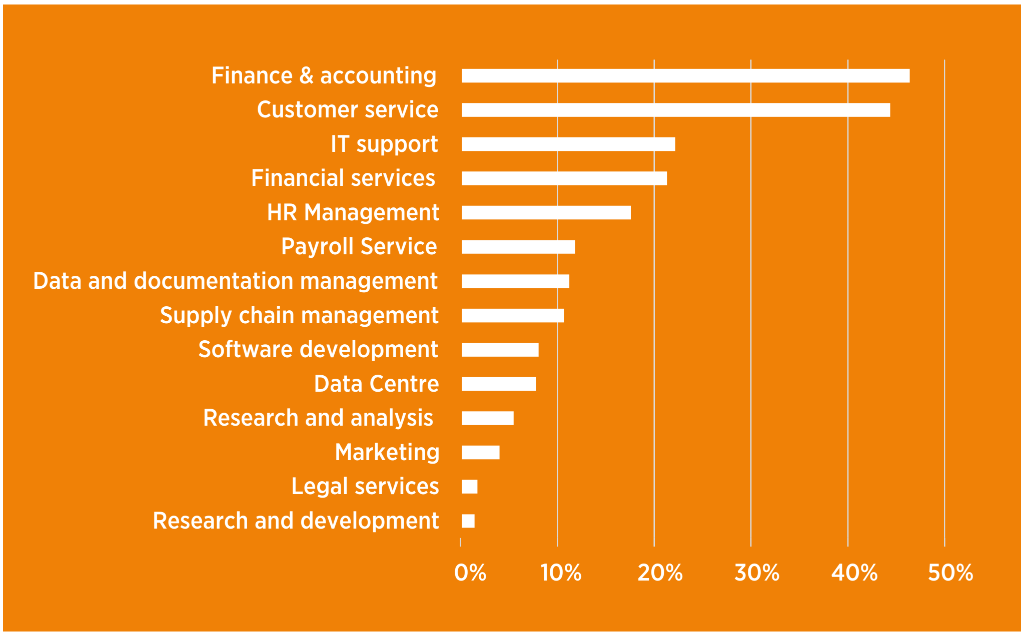
Figure 9.
The percentage of centres (SSC, BPO, R&D and IT) delivering a given service.



source: PAIiIZ and Hays Poland own analysis, 2014.

The figure below presents services offered by centres, broken down by type: SSC and BPO. In this case, the most popular services were finance and accounting, and customer service, providing for 46% and 44% of centres respectively. IT support (22%), financial services (21%) and human resources management (18%) were the next most popular services.

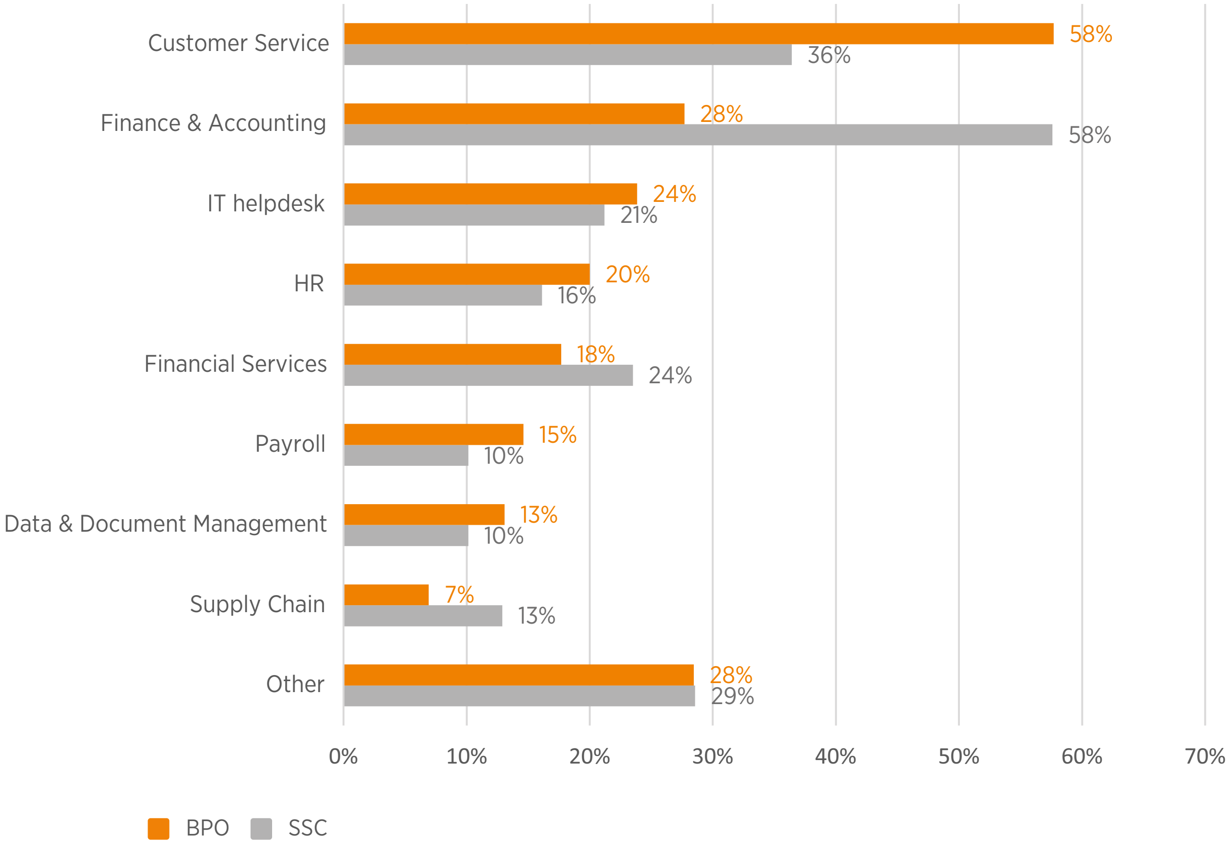
Figure 10. *The percentage of SSC and BPO centres (taken together) covering given services.*



source: PAIiIZ and Hays Poland own analysis, 2014.

Clear differences are visible when comparing two services: finance and accounting and customer service. As much as 58% of all shared services centres provide expertise related to accounting, but for BPO this figure is lower by 30 percentage points. The opposite is true for customer service, 58% of outsourcing centres provide these types of services, whereas for the SSC the figure is 36%. In terms of the other services, the differences between SSC and BPO are not as pronounced.

Figure 11. *The percentage of SSC and BPO centres (treated separately) providing a given service.*

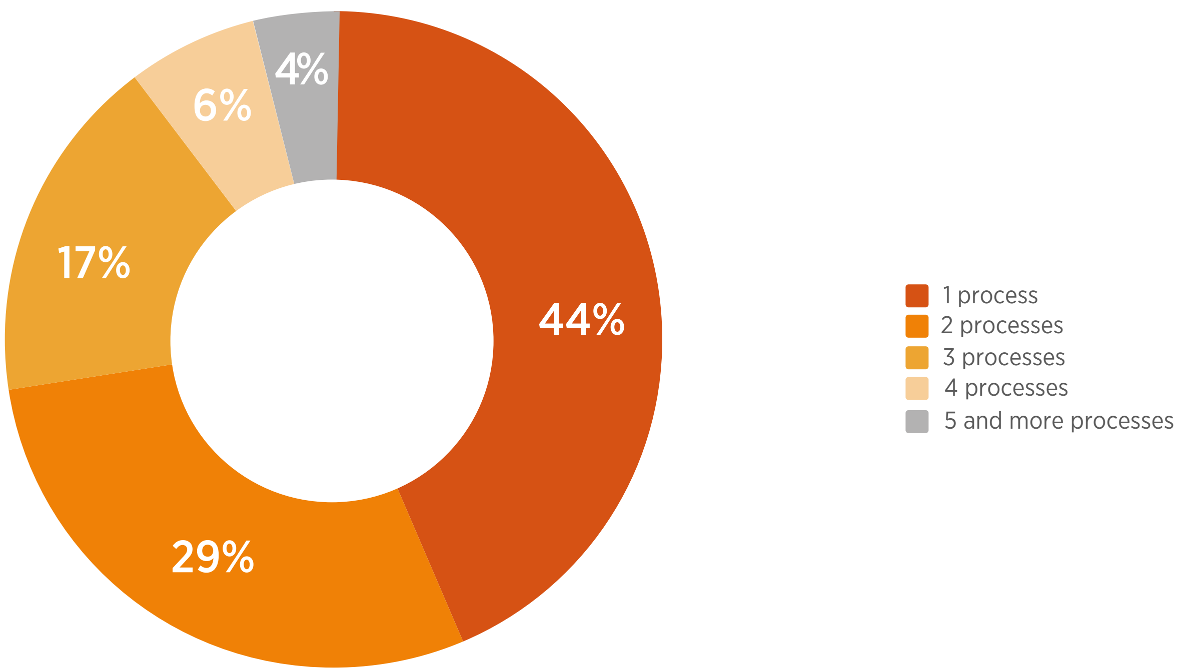


source: PAIiIZ and Hays Poland own analysis, 2014.

Interesting conclusions also arise from the analysis of the number of services handled by centres from the Database.

The biggest percentage of companies (45%) covers only one service and nearly 30% of the centres handle two services. The type of the centre seems to be a key differentiator. 30% of SSC and BPO centres cover one type of service, 30% covers two services, and the remaining 40% handle three or more services. By contrast, 80% of R&D and 90% of IT centres cover one or two services. The biggest number of services offered – 10 out of 15 – is being delivered by Infosys centre in Łódź.

Figure 12. *The share of centres by number of processes.*



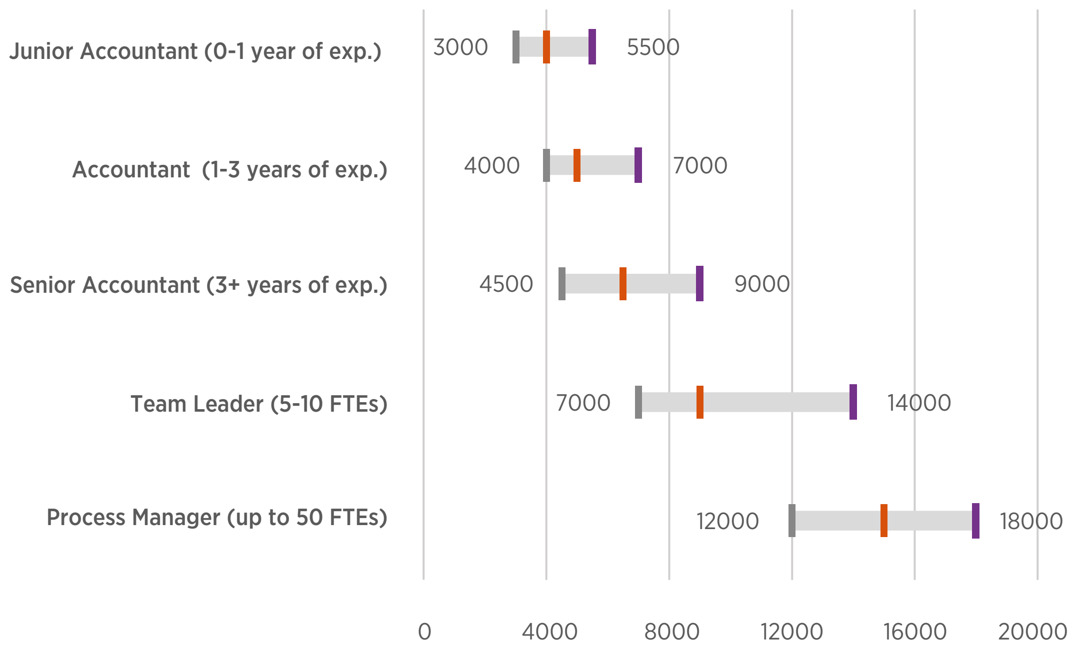
source: PAIiIZ and Hays Poland own analysis, 2014.

SALARIES
IN THE SELECTED PROCESSES

Salaries in the BSS sector differ depending on the availability of the required competences. Therefore, wages will be different depending on the service as well as the foreign market that is being serviced. Factors such as: knowledge of specific systems, IT skills, foreign language competency, as well as familiarity with international standards significantly influence the salary level. Moreover, it is worth mentioning that market demand for certain skills might result in a salary increase in an individual specialization. Also, BSS employees are one of the labor market's most mobile groups (85% employees declared they would relocate for a job opportunity[1]), therefore attractive jobs in one city might attract experienced candidates from other regions.

When analyzing salaries in the most popular services (Customer Service, Finance & Accountancy, IT Support) one should take into consideration the position and the seniority level, bearing in mind that it is relatively young sector in Poland.

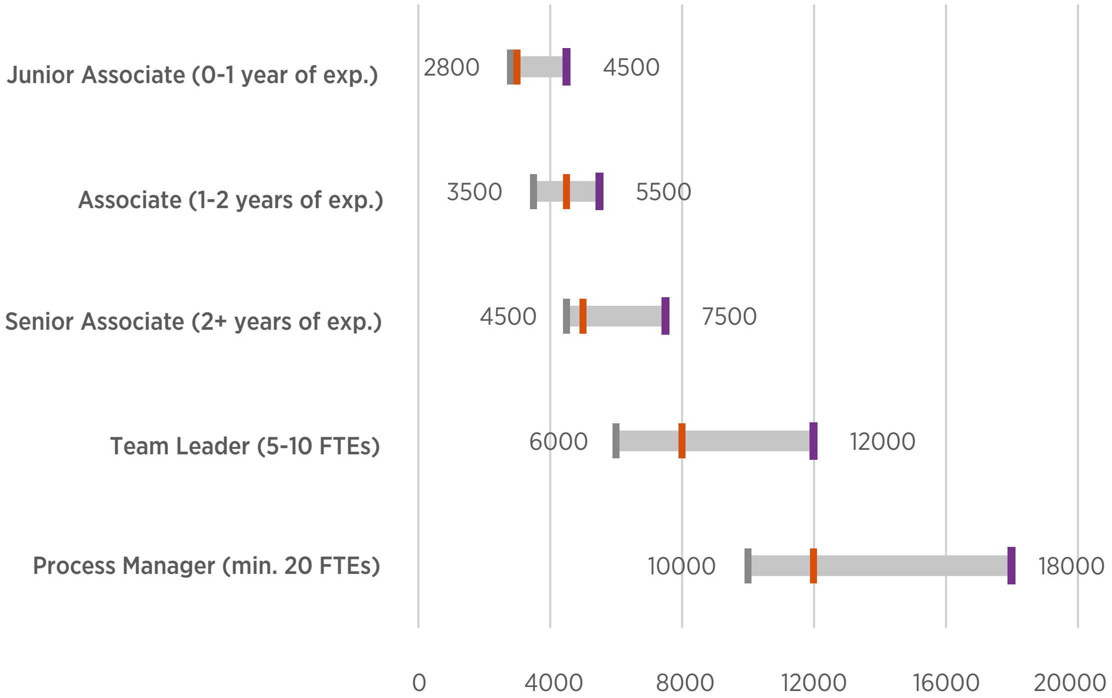
GENERAL LEDGER



source: Hays Poland own analysis, 2014.

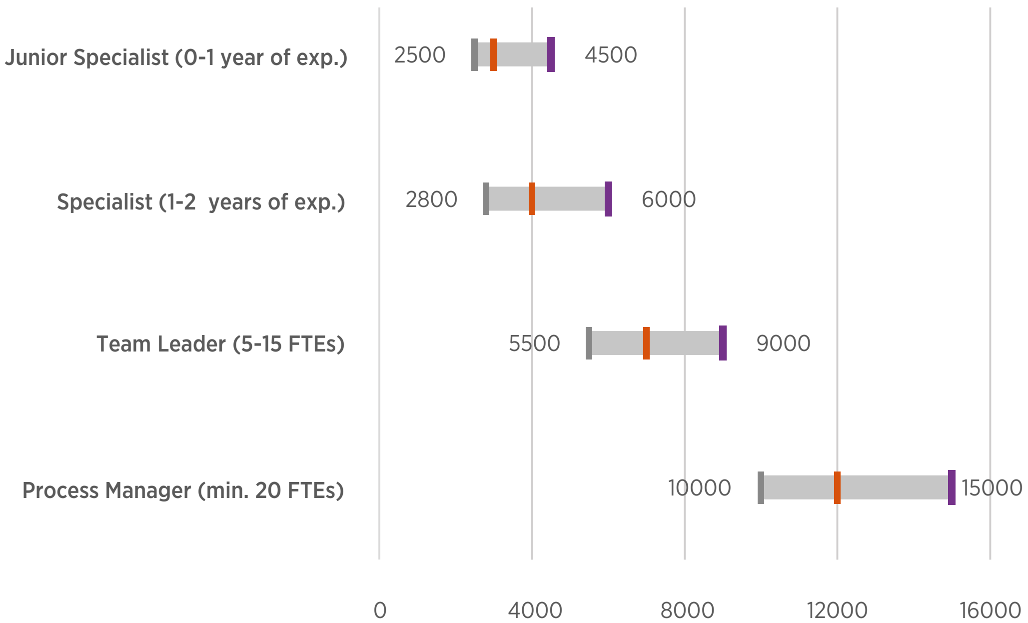
[1]*Hays Poland Survey - Mature Market Developing Talents 2013, conducted among 1641 BSS Employees*

AP/ AR



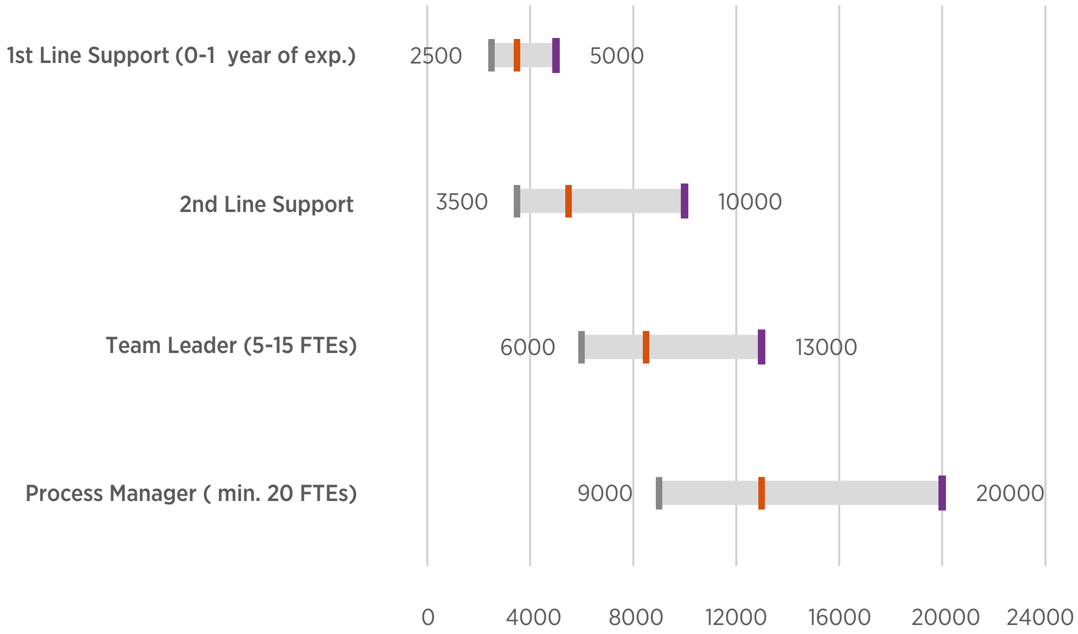
source: Hays Poland own analysis, 2014.

CS



source: Hays Poland own analysis, 2014.

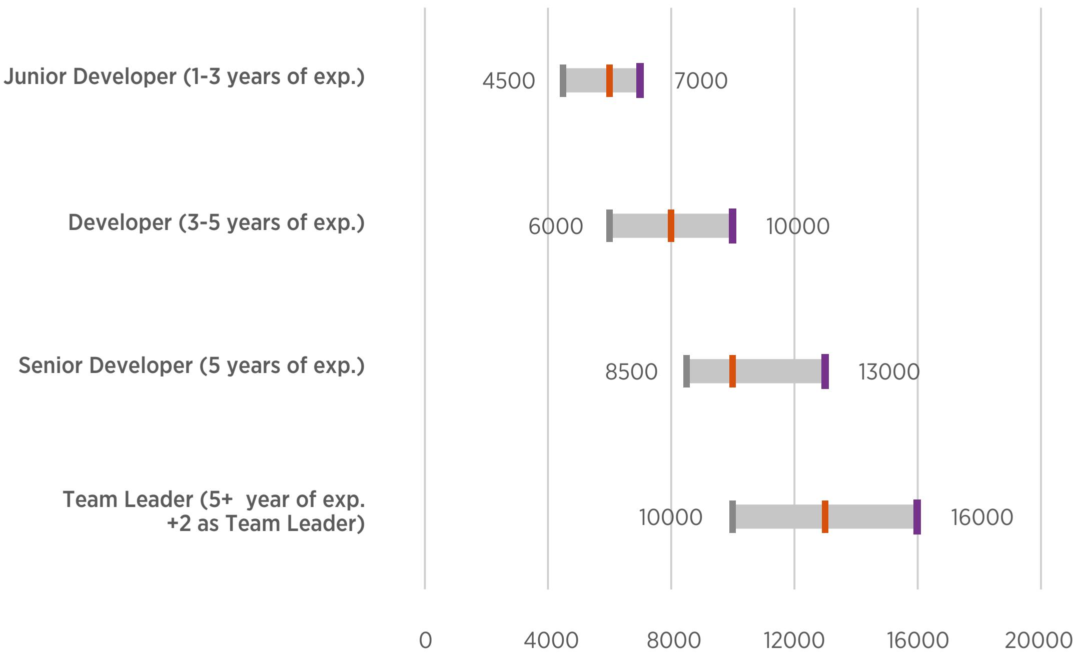
IT SUPPORT



source: Hays Poland own analysis, 2014.

Salaries in the software development companies are as follows:

SOFTWARE DEVELOPMENT (JAVA/.NET)



source: Hays Poland own analysis, 2014.

MOST POPULAR FRINGE BENEFITS

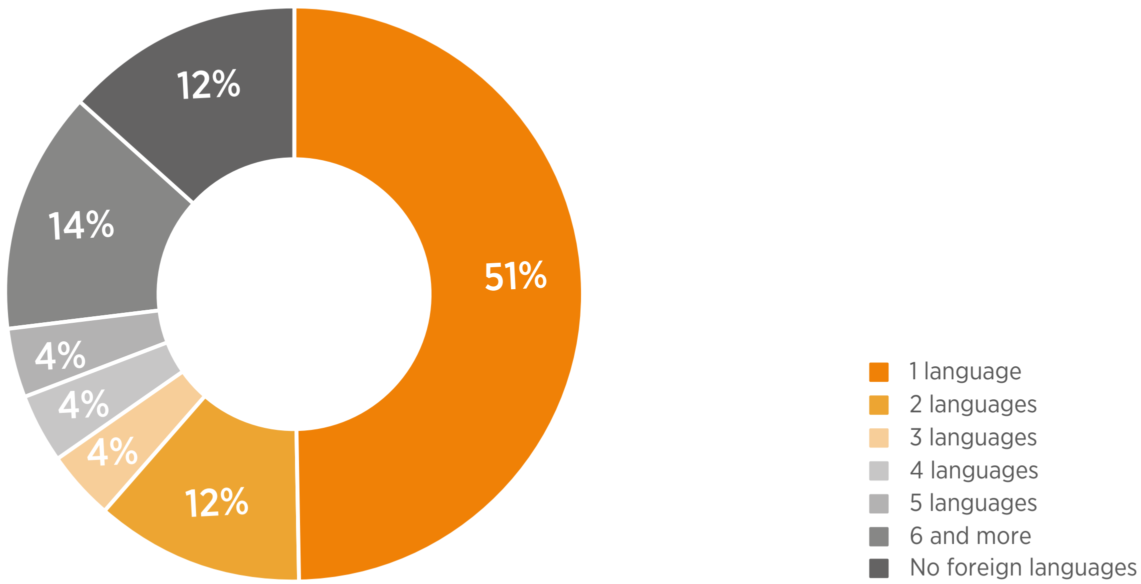
It is also worth mentioning that in a knowledge-based sector employers pay close attention to campaigns aimed at attracting and retaining talents. An important part of such actions is preparing an attractive set of fringe benefits.

A typical benefit structure in the BSS sector is presented below:

FOREIGN LANGUAGES
IN BUSINESS SERVICES SECTOR COMPANIES

The Database also contains information regarding languages used in centres. In total, companies provide services in 36 languages, including more unusual ones such as Thai, Hebrew, Kazakh and Catalan. The highest number of languages spoken in one centre is 30, whereas in a single centre 4 languages are spoken on average. The figure below presents a breakdown of the number of languages spoken in a given centre.

Figure 13. *The percentage of BSS centres by number of languages.*

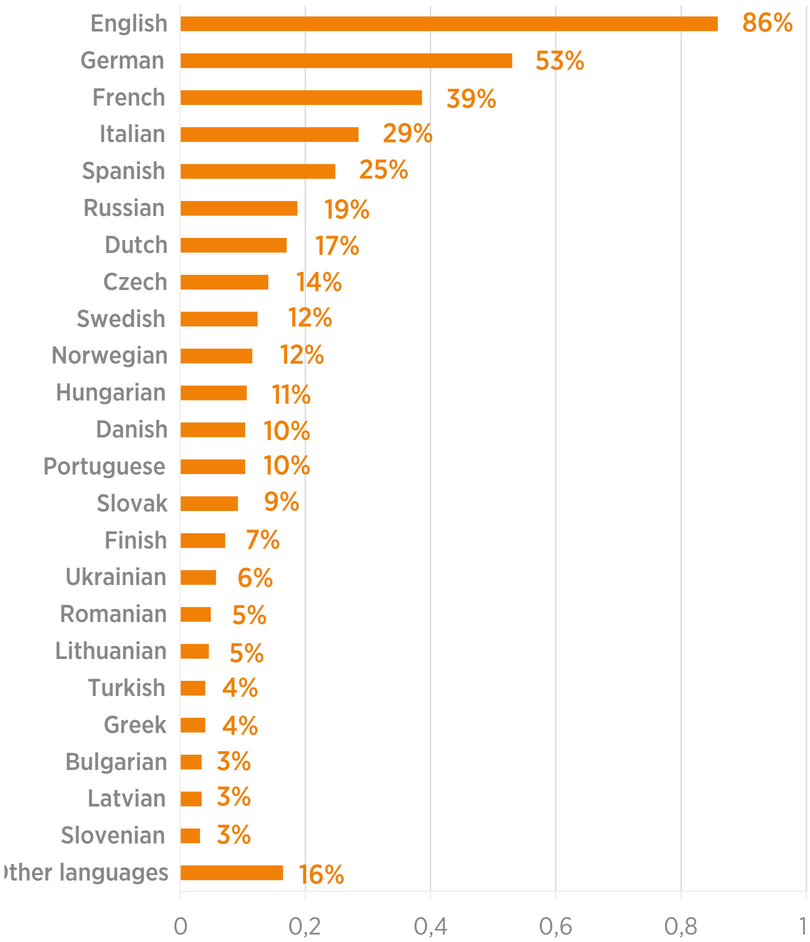


source: PAIiIZ and Hays Poland own analysis, 2014.

The figure shows that in 12% of companies only Polish is spoken. These are mainly Polish companies, focused on servicing the domestic market. On the other hand, over a half of companies provide services in one foreign language, this mainly being IT and R&D centres. Only 12% of IT companies and 16% of R&D companies provide services in a language other than English. Significant differences can also be observed when comparing the average number of foreign languages in which services are provided, depending on the type of the centre. For SSC and BPO companies the number of languages spoken is four and for IT and R&D companies – only one.

The most popular language for SSC / BPO is English, which is used by employees of 86% of centres on a daily basis. The second language in terms of popularity is German (53%), followed by French (39%), Italian (29%) and Spanish (25%).

Figure 14. *The percentage of SSC and BPO centres providing services in a given language.*

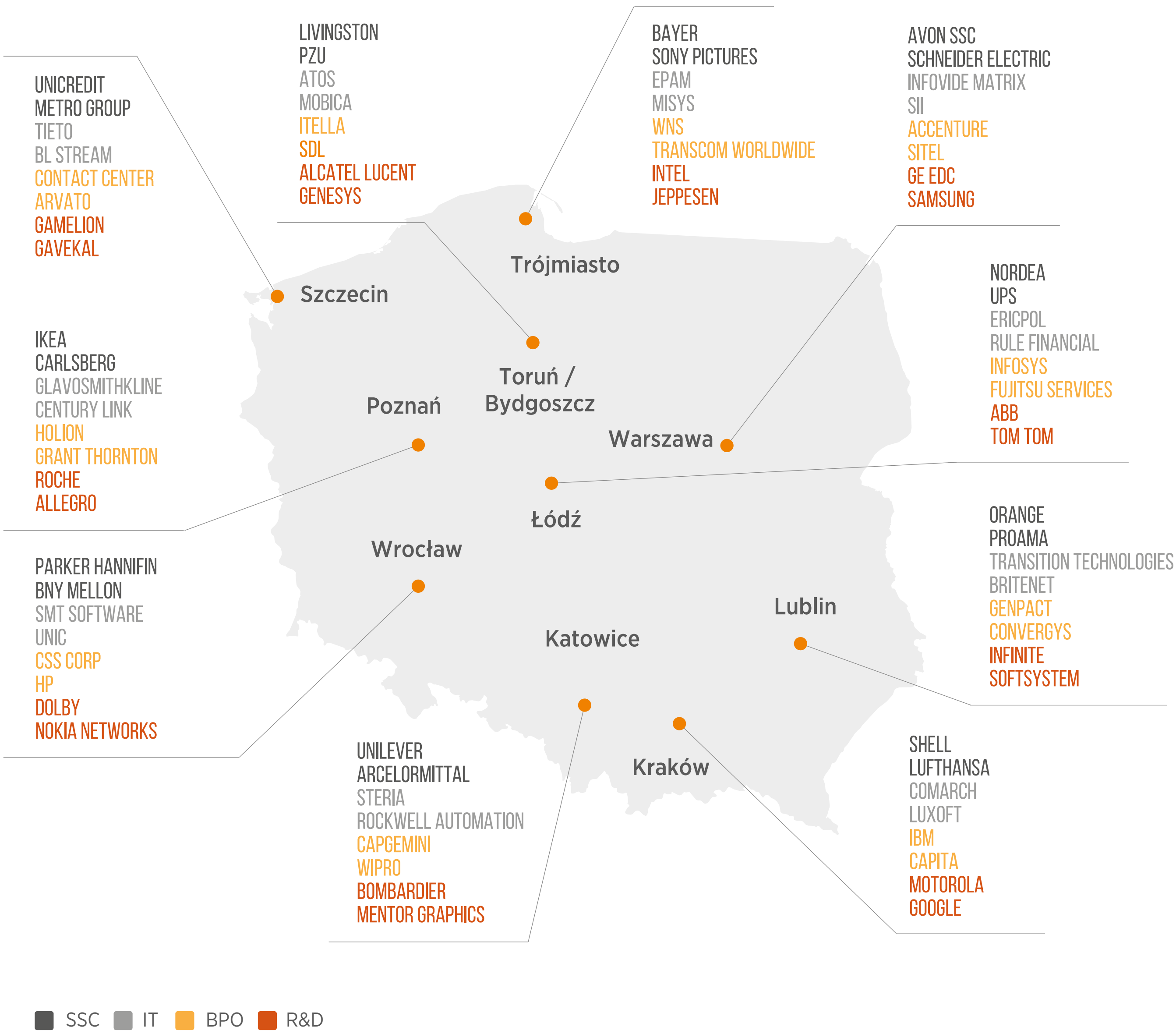


source: PAIiIZ and Hays Poland own analysis, 2014.

The most popular language for SSC / BPO is English, which is used by employees of 86% of centres on a daily basis. The second language in terms of popularity is German (53%), followed by French (39%), Italian (29%) and Spanish (25%).

While analysing the data presented, it should be noted that the Database is a ‘living organism’ which is subject to almost daily modifications arising from the dynamics of the sector, but also from the variety of sources supplying it. The main partners of the project include city halls, Hays Poland and PAIiIZ. The next issue of the report is going to focus on trends, concerning preferred locations, types of centres created, services offered, as well as languages in which the services are provided.

Figure 15. *Examples of existing centres by their types and by city.*



source: PAIiIZ and Hays Poland own analysis, 2014.

INSTRUMENTS SUPPORTING INVESTMENT PROJECTS IN BUSINESS SERVICES

The Business Services Sector is extremely attractive for countries competing for foreign direct investment (FDI), in particular due to its capacity to create a large number of jobs for highly qualified workers. Therefore, it comes as no surprise that countries interested in this sort of investment compete with each other e.g. by offering attractive support systems to set-up BSS centres. Over the last 10 years the investment support system in Poland has changed dramatically, responding to the stipulations and expectations of companies. Firms representing BSS most prefer the following systems of support.

NON-REFUNDABLE SUBSIDIES CO-FINANCED FROM EUROPEAN UNION FUNDS

Under the Operational Programme Innovative Economy, in the years 2008-2013 (+2) the Minister of Economy implemented measure 4.5. Support for investments of high importance to the economy, aimed at improving the competitive advantage of the Polish economy through an increased number of investments with high innovative potential in the following sectors:

- Manufacturing – of high added value or generating a significant number of new jobs – sub-measure 4.5.1
- Business services – with special emphasis on new R&D investments in an enterprise – sub-measure 4.5.2

Under sub-measure 4.5.2 companies had the opportunity to apply for the following level of co-financing:

- Up to 30% of the value of eligible expenditure in case of Shared Services Centers and IT centres
- From 30 to 70% for R&D projects, depending on the location of the investment project and the size of the enterprise

The programmeme was extremely popular among investors. Consequently, under the implementation of measure 4.5 the Minister of Economy signed grant agreements with 147 companies which declared investment outlays amounting to PLN 14.8 billion and the creation of more than 18 thousand new jobs. 121 of these companies represented the business services sector, making up over 80% of all beneficiaries of the programmeme. The total number of new jobs for highly qualified workers, thanks to those investment projects, will reach almost 12.7 thousand. It is also noteworthy that investments in the services sector will contribute to establishing almost 70% of new jobs declared under the entire 4.5 measure.

Summary of the support granted under the Operational Programme Innovative Economy, measure 4.5 – as of the end of June 2014.

	4.5.1. SUPPORT FOR MANUFACTURING ACTIVITIES	4.5.2. SUPPORT OF THE DEVELOPMENT OF SSC, IT AND THE R&D ACTIVITIES	TOTAL
Number of agreements concluded	26	121	**147**
Investment expenditures (PLN billion)	9.9	4.9	**14.8**
----- eligible costs (PLN billion)	7.5	3.8	**11.2**
Declared employment	5,494	12,699	**18,193**
Level of support offered (PLN billion)	2	1,4	**3.4**

source: Ministry of Economy, 2014.

Both Polish and foreign investors representing the business services sector and R&D services, received support under OP IE 4.5.2. measure.

Examples of companies which received support under OP IE 4.5.2.

COMPANY	INVESTMENT	LOCATION	ELIGIBLE COSTS (PLN MILLION)	LEVEL OF SUPPORT (PLN MILLION)
Dolby Poland Sp. z o.o.	Establishing a research and development centre for the development of Dolby sound systems	Wrocław	16.9	6.7
General Electric Company Polska Sp. z o.o.	Research and development centre of new technologies for emission abatement and combustion optimisation	Warsaw	25.9	15.3
Faurecia Grójec R&D Center S.A.	Establishing a research and development centre of car seat components	Grójec	15.3	6.1
Global e-Business Operations Sp. z o.o.	Expanding the SSC and establishment of the Creativity, Innovation & Development Center	Wrocław	42.6	12.8
INGLOT Sp. z o.o.	Establishing the Research and Development Center by INGLOT Sp. z o.o.	Przemyśl	2.6	1.3

source: Ministry of Economy, 2014.

Interesting facts about the projects which received support under sub-measure 4.5.2. OP IE:

- The highest investment expenditure, with a value of almost PLN 1.2 billion were declared by the company Stora Enso Narew Sp. z o.o. implementing a project called: "Implementation of a technological and product innovation in the paper industry",
- The highest co-financing agreement of PLN 147 million was received by the company Synthos Dwory 7 Sp. z o.o. in connection with the implementation of the project: "Implementation of an innovative technology for rubber manufacturing - S-SBR X3 at Synthos Dwory 7".

INCOME TAX EXEMPTION WITHIN SPECIAL ECONOMIC ZONES

Following the Act of 20 October 1994, on the establishment of special economic zones (SEZ), "a zone is a separated, uninhabited part of the territory of the Republic of Poland, allocated for the running of businesses on preferential terms."

The basic objective of establishing the special economic zones was to create jobs in regions with particularly high unemployment levels and to overcome the mono-culture of industry through sectoral diversification.

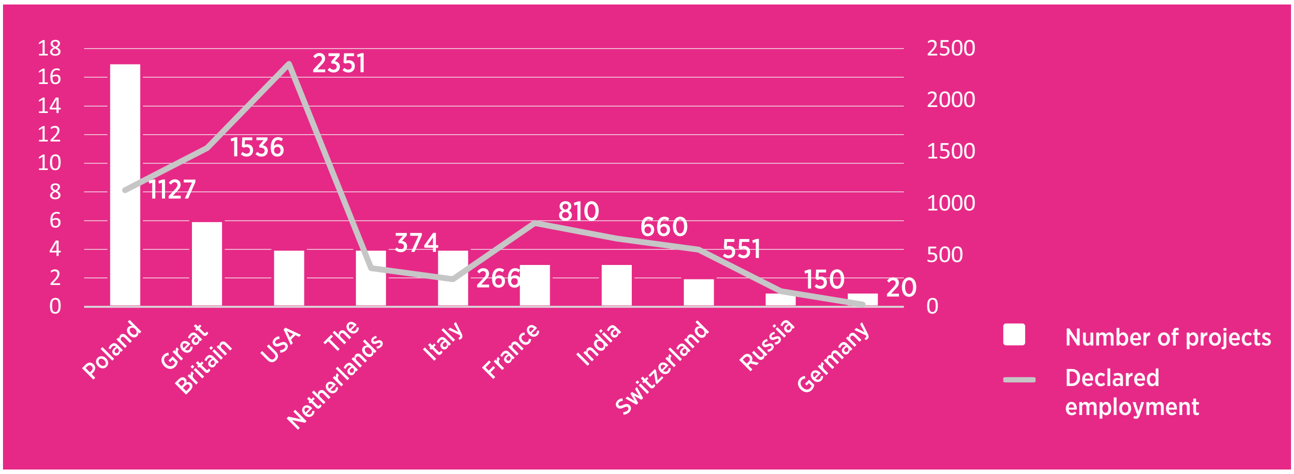
The main incentive offered to companies interested in locating their operations in the area of SEZ is an income tax exemption. The level of the exemption is calculated as a product of the maximum intensity of aid defined for a given area and costs eligible for support (investment costs or 2-year labor costs of the targeted new employment).

Over the first years of the operation of the zones, only manufacturing companies had the opportunity to use this privilege. In 2005, following the joint request of entrepreneurs, zone administrators, PAIiIZ and the Minister of Economy, the catalogue of beneficiaries was extended to include companies implementing investment projects within the BSS. However, it seemed that due to the specific nature of the sector (i.e. transfer prices and a "cost + margin" model) tax exemptions would not be very popular among companies. It is true that the zones still remain an attractive system for supporting companies representing mainly manufacturing sectors. However, owing to the growing availability of office buildings located in the SEZs, increasing number of services companies have also been considering applying for this form of support.

Over the last 9 years, 45 investment projects of 36 companies representing the BSS have benefited from this type of incentive (some of the companies implemented two or more projects), with the total declared employment of 7.8 thousand people. The forecasted employment figures have been exceeded almost threefold, with nearly 21.5 thousand new jobs being created (considering the total employment of a given investor in the specific location). The first company interested in income tax exemption was Fiat Services Polska, which on 31 March 2005 received a permit for operations within the Katowice SEZ – a project related to the expansion of the Shared Services Center in Bielsko-Biała, where 100 additional employees were to be hired. The company currently employs over 1000 people.

It was companies with Polish shareholding that were mostly interested in the SEZ benefits. 17 companies with the sole share of domestic capital forecasted the employment of 1.2 thousand people when applying for the zone permits. Among foreign entities, British companies had 6 projects and American companies had 4 projects, with the highest forecasted employment levels in excess of 2.3 thousand people. Employment forecasts were exceeded by US companies by over 100%, with 4.8 thousand new jobs created. Investors in SEZ from the services sector represented the capital of 10 countries, mainly European, with one exception: three investment projects from two Indian companies.

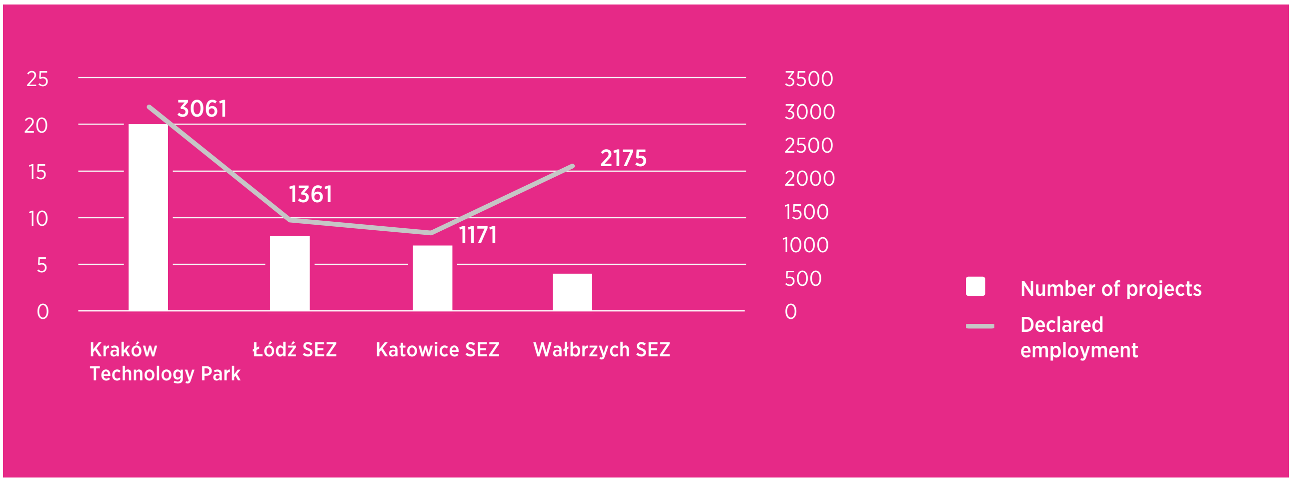
Figure 16. *The origin of the companies investing in SEZs.*



source: PAIiIZ own analysis of the Ministry of Economy data, 2014.

Only 7 out of 14 SEZs have investments representing the Business Services Sector. So far the highest number of projects has been acquired by the Kraków Technology Park – 20 investments with the targeted employment of over 3 thousand people. Those plans have been considerably exceeded, reaching 9.4 thousand people. Łódź SEZ was the second most attractive, with 8 projects implemented by 7 companies, and the targeted employment of over 1.3 thousand people. At present, the employment generated by those projects in Łódź SEZ is estimated at almost 4.6 thousand people.

Figure 17. *BSS projects in SEZs.*



source: PAIiIZ own analysis of the Ministry of Economy data, 2014.

The figure below presents examples of investors using the income tax exemption within Special Economic Zones.

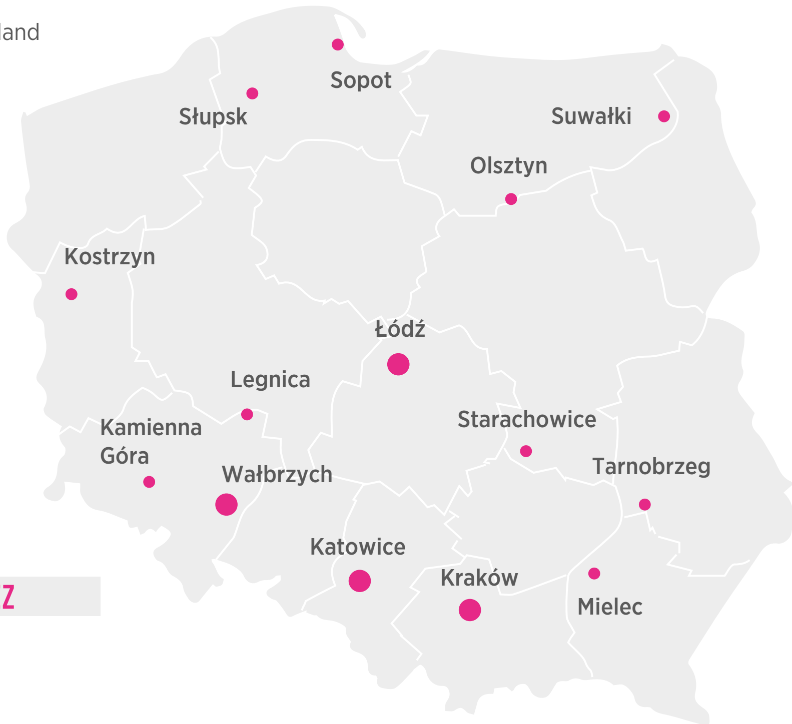
Figure 18. *The examples of investors operating in SEZs.*

WAŁBRZYCH SEZ

IBM
Wabco
Advantech Poland

ŁÓDŹ SEZ

Fujitsu Services
Infosys
BSH
AMG.lab
Ericpol Telecom



KATOWICE SEZ

Steria
Fiat Services
Capgemini
TRW
GM

KRAKÓW TECHNOLOGICAL PARK

Motorola
HCL
Shell
ComArch
Luxoft

source: PAIiIZ own analysis of the Ministry of Economy data, 2014.

GOVERNMENTAL GRANTS

SHORT HISTORY AND RULES ON GRANTING SUPPORT

The first multiannual programmemes established following the Public Finance Act, which provided the basis for granting the state budget aid, were adopted by the Council of Ministers in 2003. The first version of the System of financial support for large investment projects, aimed at defining the application rules and the procedures for project evaluation, and granting the support from the state budget, was adopted by the government on 14 December 2004. What seems interesting is that already at that time the document allowed for the supporting of the newborn industry – Business Services Sector projects. After only half a year, it turned out that the System was not competitive enough as compared to programmemes offered in countries which were the main competitors of Poland in the struggle for investments. Entrepreneurs observed that the System was not flexible, did not consider the specific nature of complicated investment projects, and the aid offered was too low. Therefore, as early as June 2005, the Council of Ministers adopted the updated version of the System, with important changes comprising an increase in the amount of public aid in the form of grants, as well as introduction of the rules on granting financial support to large investment projects and detailed criteria for their evaluation. In the subsequent years, the System was repeatedly updated, and finally was replaced in 2010 by the Programme for supporting investments of major importance to the Polish economy for years 2011–2020 which, with the amendments adapting this system to the expectations of entrepreneurs and trends in investments, has been effective until today, providing the basis for granting support to companies.

The Programme offers support in the form of investment grants and employment grants for entrepreneurs making investments in selected manufacturing sectors recognised as a priority (automotive, biotechnology, electronics and household appliances, aviation, agricultural and food processing), significant investments in other manufacturing sectors (minimum investment outlays PLN 750 million and 200 new jobs or PLN 500 million and 500 new jobs), as well as investments in the Business Services Sector including BPO, SSC, IT and R&D (e.g. software development).

Whereas companies representing the BSS may only apply for employment grants, research and development projects may apply for investment grants too.

The applying projects must meet following criteria:

SECTOR	CONDITIONS OF GRANT AWARDING EMPLOYMENT AND INVESTMENT EXPENDITURES			MAXIMUM LEVEL OF SUPPORT
Employment grant				
Manufacturing*, automotive biotechnology, electronics incl. household appliances, aviation, agricultural and food processing	250		PLN 40 million	from 1.5% to 7.5%**** eligible costs
BSS	250		PLN 1.5 million**	
R&D	35		PLN 1 million**	
Significant investment in other manufacturing sectors	200 500	or	PLN 750 million PLN 500 million	
Investment grant				
Manufacturing	50		160 mln PLN	from 1.5% to 7.5%**** eligible costs
Significant investment	200 500	or	PLN 750 million PLN 500 million	
R&D	35		PLN 10 million**	up to 10% eligible costs

** The support is not granted to investment projects located in districts where the unemployment rate is lower than 75% of the country average.*
*** Excluding costs of office space rent.*
**** Plus 20% for location in Eastern Poland.*
***** Additional 5 percentage points for location in Eastern Poland.*

The level of available support depends on the evaluation of each project. During the evaluation of the investment in the business services sector, the following factors are taken into account:

- Complexity of the processes offered
- Quality of jobs created (measured as the share of people with university degrees in the total employment)
- Location of the investment, depending on the unemployment rate among people with university degrees against the country average
- Other – including cooperation with universities, company brand, and the unique nature of processes and services.

SUMMARY OF THE SUPPORT GRANTED SO FAR UNDER THE SYSTEM AND THE PROGRAMME

In the years 2004-2011, the Council of Ministers adopted 75 programmemes for multiannual investment support. In the period from January 2012 to August 2014, the Minister of Economy approved subsidies for 43 companies. 23 support programmemes and 1 grant agreement were cancelled between 2004-2013 due to various circumstances, e.g. withdrawal of investor from project implementation, lack of EC decision concerning granting the support, revision of investment plans, and failure to comply with the terms of the agreement.

Under 94[2] effective grant programmemes, manufacturing and services companies declared investment expenditures amounting to PLN 20 billion and the creation of 54.8 thousand new jobs. The amount of co-financing on these projects amounts to PLN 1.2 billion.

47 programmemes have already been completed, whereas 5 multiannual programmemes and 42 investment agreements / decisions are in progress.

Among 94 effectively implemented support programmemes, 54 (57%) were related to 39 companies operating in the business services sector and R&D. Their total value exceeded PLN 460 million (which is only 2% of all investment expenditures of companies using governmental support), whereas the employment created reached 23.5 thousand people (43% of the total employment). The BSS companies will receive total support to the amount of PLN 170.6 million (14% of the programmeme budget).

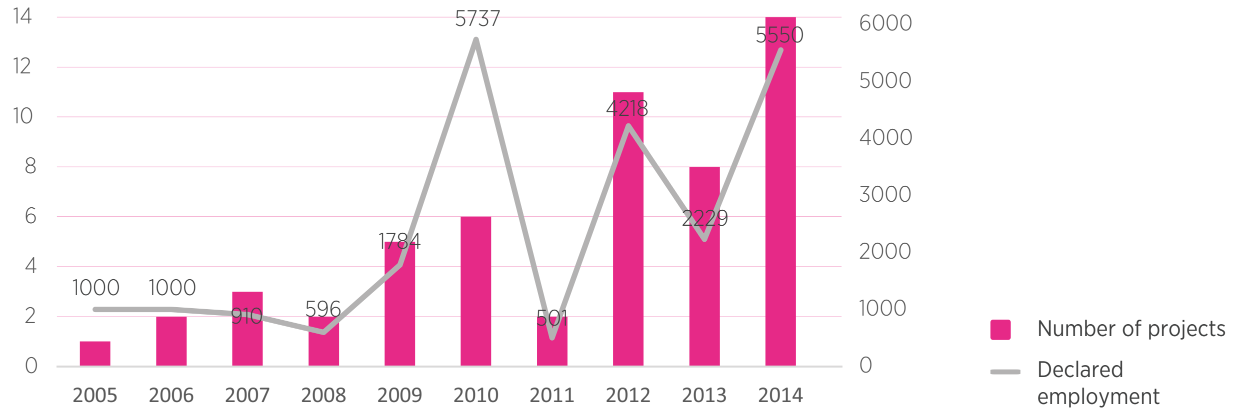
	MANUFACTURING PROJECTS	BSS INCLUDING R&D PROJECTS	TOTAL
Number of support programmemes	40	54	**94**
Investment expenditures in PLN billion	19.62	0.46	**20.1**
Declared employment	31,286	23,525	**54,811**
Level of support in PLN	1.04 billion	170.6 million	**1.2 billion**

source: PAIiIZ own calculations based on own data and the data of the Ministry of Economy, 2014.

[2]*Calculated as follows: ((75+43)-(23+1)) = 94.*

Below, the number of projects which received support 2005-2014 are presented, including the employment created in connection with the planned investments.

Figure 19. *The number of support programmemes approved between 2005-2014 and the resulting new jobs created.*



source: PAIiIZ own analysis of the Ministry of Economy data, 2014.

In the history of the Programme, there were some companies which decided not to use the offer from the Polish government in the end. 16 companies resigned from the support for various reasons, e.g. gaining significant co-financing from the European funds, but only 3 abandoned their investment plans in Poland. The remaining entrepreneurs implemented their plans, creating almost 5.8 thousand new jobs.

PREFERRED LOCATIONS

Figure 20. *The number of projects and new jobs created which were granted direct governmental subsidies.*

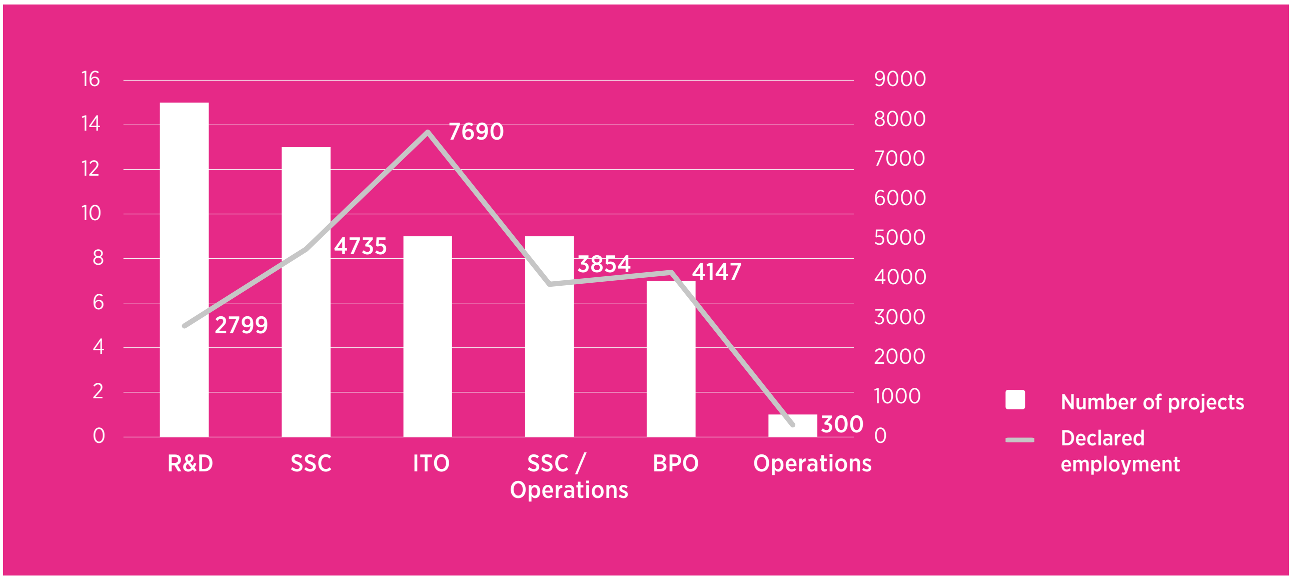
source: PAIiIZ own analysis of the Ministry of Economy data, 2014.

Although the first programmeme that was adopted concerned establishing a Shared Services Center of Philips in Łódź, it is Wrocław that was recognised as the leader in terms of the number of projects in the sector which received support under the Programme. 14 projects which were located in the capital of Lower Silesia, have supplied the city with almost 8 thousand new jobs (34% of the entire employment created by BSS companies applying for support). The second city in which the most companies used the support was Kraków, with as many as 11 investment projects and the total employment of over 4.3 thousand people. The third place was taken by Łódź, with 9 projects and the created employment of almost 2 thousand people. It is worth mentioning that the list of beneficiaries included companies which decided to locate their business in mid-size (Szczecin, Toruń, Bydgoszcz), or less renowned for such projects (Bielsko-Biała) urban centres, simultaneously breaking up the monopoly of the main cities as the sole recipients of this type of project.

TYPES OF PROJECTS OVER THE YEARS

It is encouraging that among the projects supported, the largest group of projects included investments in research and development activities, with as many as 15 projects with the targeted employment of almost 2.8 thousand people. The highest employment, however, was created by companies representing the IT sector – almost 7.7 thousand people. Investments in shared services centres also constituted a very significant group of projects, with the created employment reaching over 4.7 thousand new jobs, and BPO projects with almost 4.2 thousand new jobs created.

Figure 21. *The number of projects and new jobs created which were granted direct governmental subsidies by type of operations.*

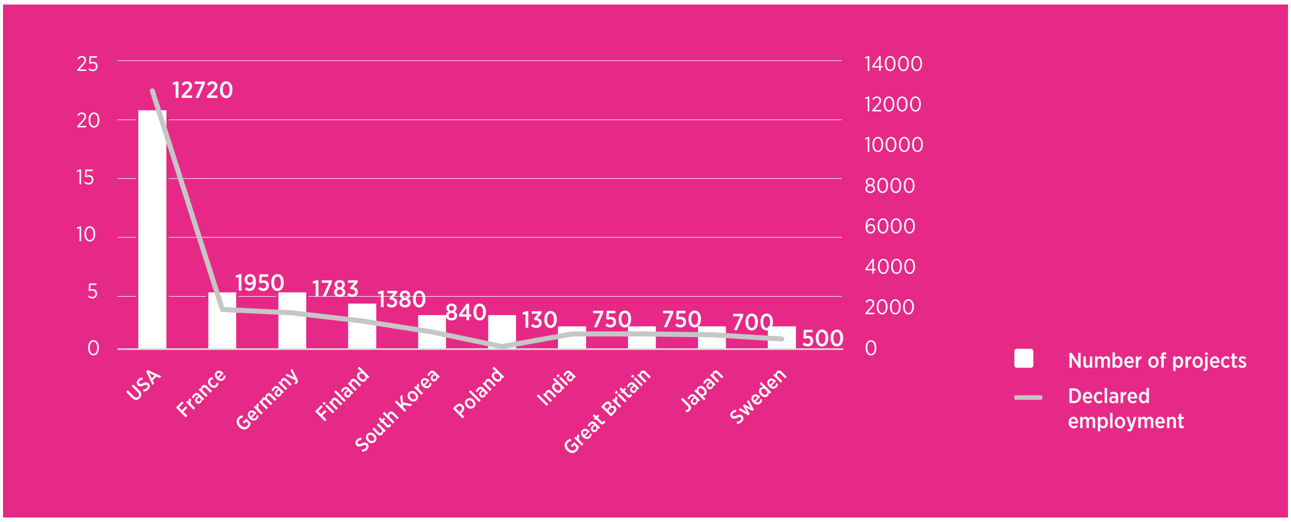


source: PAIiIZ own analysis of the Ministry of Economy data, 2014.

COUNTRY OF ORIGIN OF THE COMPANIES IMPLEMENTING BSS PROJECTS

The support under the Programme was most often used by American companies. They account for as many as 21 out of 39, i.e. almost 54%, of all applicants in the BSS. In total, entrepreneurs from the USA are creating over 12.7 thousand new jobs, which makes up over half of the employment created under 54 supported business services projects. The second biggest group of beneficiaries were the European companies which plan to implement 26 projects with total employment created exceeding 8.5 thousand people (36% of the total employment created). It is encouraging that the list of entrepreneurs which received support also includes dynamic Polish companies and innovative start-ups, such as Open R&D. Among the beneficiaries, Asia was represented by companies from Japan, India and South Korea, with 7 investment projects and the total created employment of approximately 2.3 thousand people (almost 10% of the total created employment).

Figure 22. *The number of projects and new jobs created which were granted direct governmental subsidies by country of origin.*



source: PAIiIZ own analysis of the Ministry of conomy data, 2014.

SECTORS REPRESENTED BY PARENT COMPANIES

In terms of industry profiles of parent companies that set up projects related to services centres in Poland, those representing the IT and financial sector led the rank (seven companies each). This has created 4.7 thousand and 3.7 thousand new jobs in Poland respectively. The next biggest group of companies applying represented the BPO sector. The last group comprised companies creating mainly Shared Services Centers and developing the research and development activities in a wide range of sectors and activity types, such as: automotive, machinery, medical sectors, telecommunications, consulting, trade and logistics.

THE FIRST COMPANY FROM THE BSS SECTOR THAT RECEIVED SUPPORT – A CASE STUDY OF PHILIPS / INFOSYS

The first company which received support under the governmental Programme was Philips Polska Sp. z o.o., which had planned to create its European finance and accounting services centre in Łódź. The Center was to provide services to 100 Philips entities in 20 European countries. In connection with the project, the company declared the creation of 528 new jobs and incurring investment expenditures in the amount of PLN 84 million. The total proposed support approved by the Council of Ministers on 12 October 2004 amounted to PLN 13.8 million and comprised investment and employment grants.

However, the multiannual programmeme was not completed: in 2008 the centre was acquired by the Infosys company, which took over the support of finance and accounting activities of Philips. The centre has become a foundation for the European hub of the Indian company which, operating in Łódź still today, has increased its portfolio of clients by over a dozen companies, providing employment to 2.15 thousand people.

COMBINATION OF SUPPORT INSTRUMENTS

12 companies, besides the support from the Programme, also used other public aid support:

- 7 companies were granted an income tax exemption within the SEZ
- 5 companies received grants co-financed by the structural funds
- 2 companies used all three initiatives: income tax exemption, grants from the OP IE and the governmental grant: IBM, GSDC Wrocław and Shell.

TENDENCY OF RE-INVESTMENT AMONG BSS COMPANIES

Many companies, encouraged by the success of their first project, decided to re-apply for grants under the governmental Programme. 10 of 39 companies which received support re-applied for grants. Five companies even did it three times (e.g. IBM and HP), and a further five submitted two applications (e.g. Fujitsu and State Street).

5 re-applying companies continued to expand at one location (e.g. Atos in Bydgoszcz and Steria in Katowice). Other companies searched for new opportunities in cities different than before. Samsung Electronics was found to be the company most open to new cities, which applied for grants for R&D projects in Warsaw, Łódź, Kraków and Poznań. In total, 10 re-investing companies declared employment levels exceeding 14.3 thousand new jobs.

INTERESTING FACTS FROM THE HISTORY OF THE PROGRAMME

10 years of the Programme mark a great opportunity for a summary and to point out a few interesting facts from its history:

- The project associated with the highest investment expenditure – at a level of PLN 58 million – was the IBM GSDC investment in Wrocław
- At the same time, it was the project that created the highest levels of employment – over 3 thousand new jobs
- IBM has also broken another record. The forecasted employment created from its three projects supported under the Programme (in Wrocław, Kraków and Katowice) was expected to reach 5.2 thousand new jobs. However, the implementation of all three investments surpassed the most ambitious expectations with the result of 7.1 housand jobs being created (32% more than what was forecasted)
- The average employment from one project of the service sector applying for support is 435 people
- Average proceeds to the state budget and budgets of local government units due to the implementation of a single investment in the BSS amount to almost PLN 25 million (during the term of the project and within the three or five-year sustainability period)
- One job created in this sector, on average, was subsidised by PLN 7250
- Average proceeds to the state budget and budgets of local government units due to the implementation of single investment in the BSS amount to almost PLN 25 million (during the term of the project and within the three or five-year sustainability period)
- The average monthly salary offered to employees of the sector by companies which received support amounted to PLN 5.6 thousand – almost one and a half times higher than the country's average salary

ASSUMPTIONS AND THE RESULTS ACHIEVED

The Programme turned out to be not only popular but also a very effective tool for attracting the FDI and generating new, valuable jobs. Under the 54 implemented projects supported by grants, 23.5 thousand new jobs were forecasted to be created, but actual employment was over 28% higher than this figure. That is 30.1 thousand new jobs created in total.

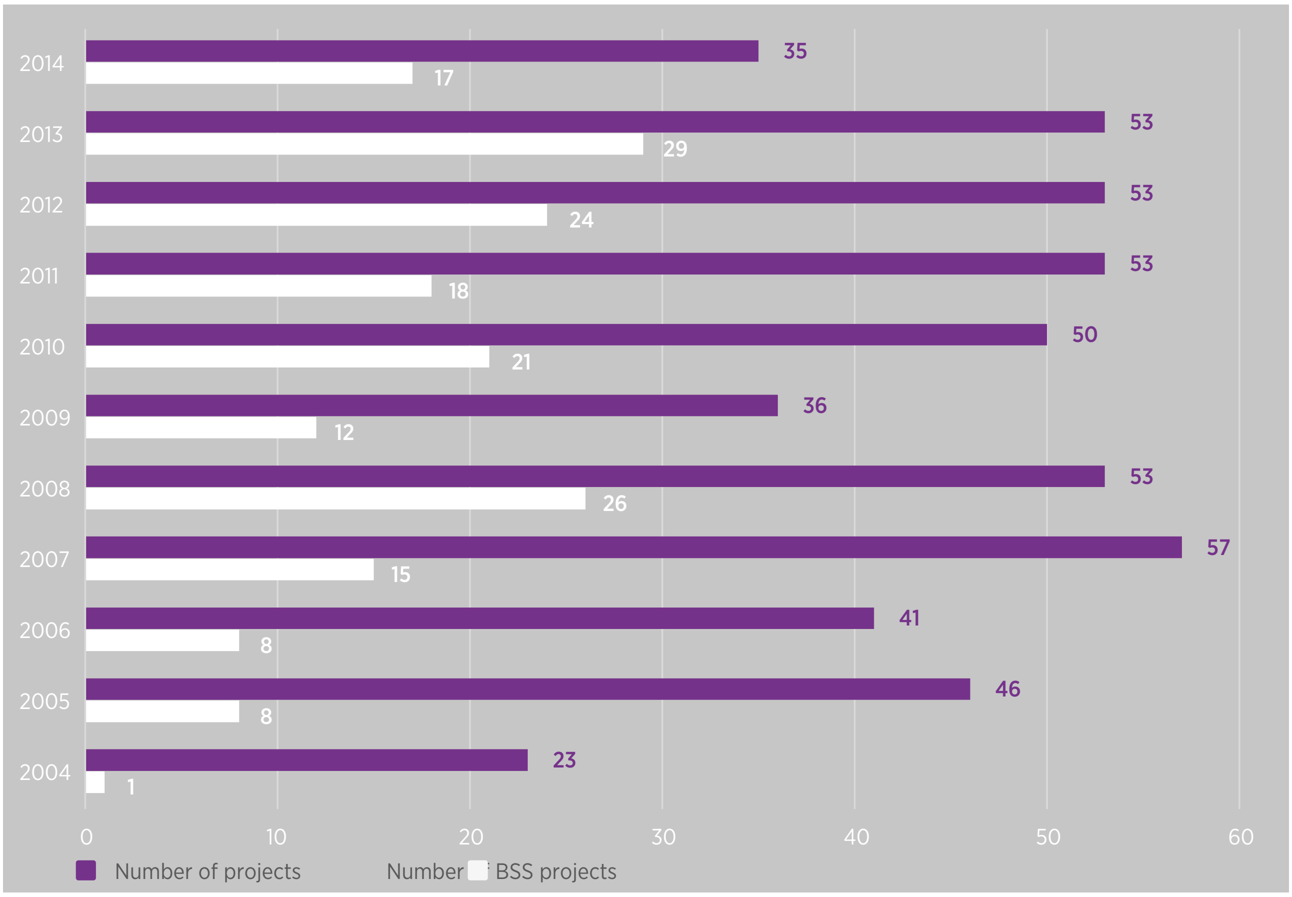
The Programme which is currently in force shall be operational until the end of 2020. The budget of the Programme, however, has been mostly contracted by now. Taking into account the big popularity of this initiative, it seems advisable to work on the successor of the Programme, which will suit the needs of the Polish economy and meet expectations of investors alike.

INVESTMENT IN THE BUSINESS SERVICE SECTOR HANDLED BY PAIIIZ IN THE LAST TEN YEARS

In the years 2004–2014, investors served by PAIIZ decided to implement 500 new investment projects in Poland. The total investment expenditure associated with those plans reached a level of almost EUR 13 billion, whereas the employment exceeded 142 thousand new jobs. Among investments supported by the Agency, the number of companies running projects of establishing or expanding the business services centres represented a significant group. In total, 179 out of 500 projects (over 35%) carried out by 146 various companies, with total employment exceeding 46 thousand people, were related to that kind of activity.

Over the last 10 years, the share of business services projects among all investments handled and completed with the support of PAIiIZ was consistently growing. Whereas in 2004 the percentage of projects representing the business services sector completed with the assistance of the Agency still did not exceed 5%, last year it increased to almost 50%.

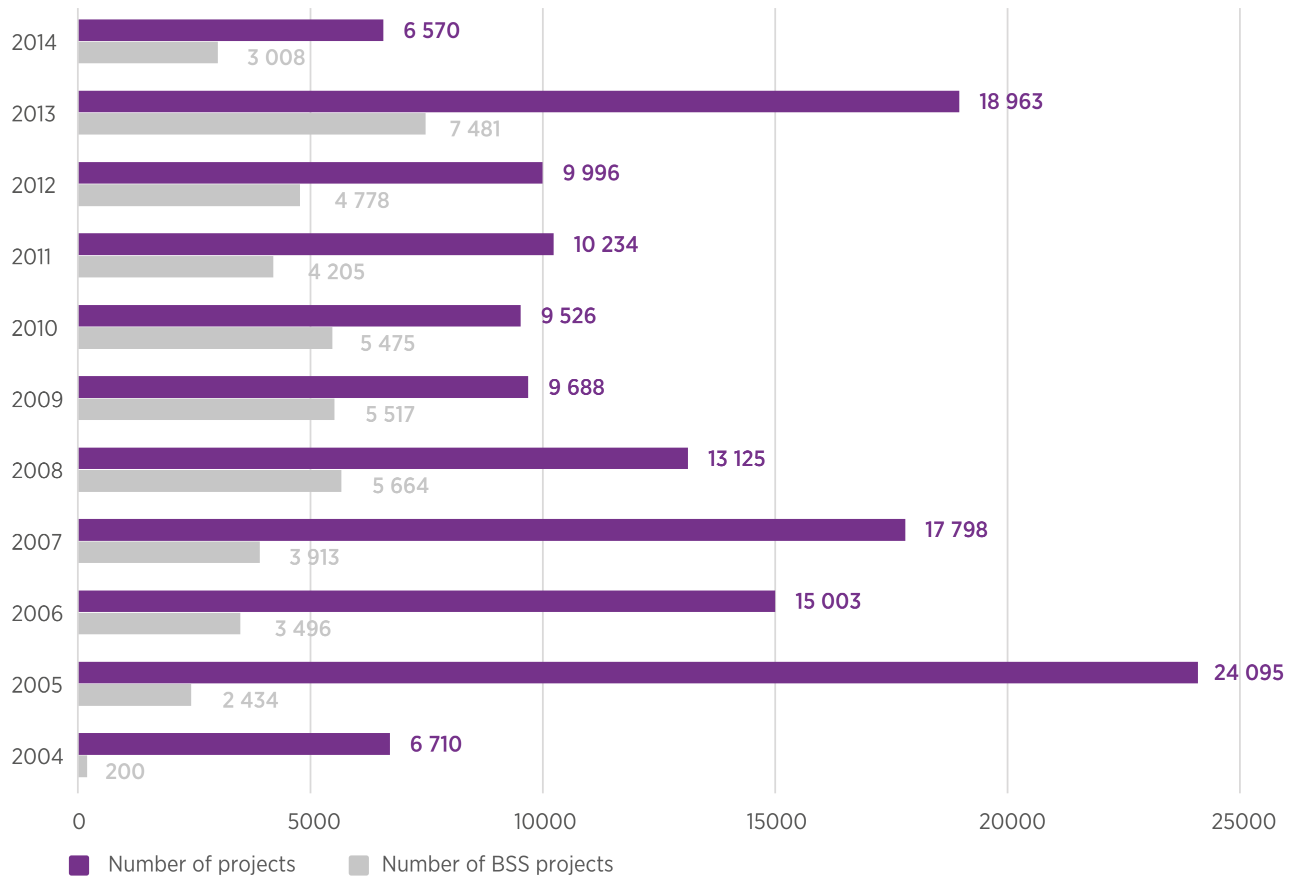
Figure 23. *The share of BSS projects in total number of projects completed in the years 2004-2014*



source: PAIiIZ own analysis, 2014.

The average share of services projects in the total employment created by all projects assisted by PAIiIZ reached 35% in the last 10 years. However, in the years of recent financial crisis the BSS became the leader in terms of the number of new jobs created. In 2010 and 2011, as much as 57% of all jobs planned in connection with the investment decisions taken were related to investment in the BSS.

Figure 24. *The share of employment in BSS in the total number of new jobs created in the years 2004-2014***.**

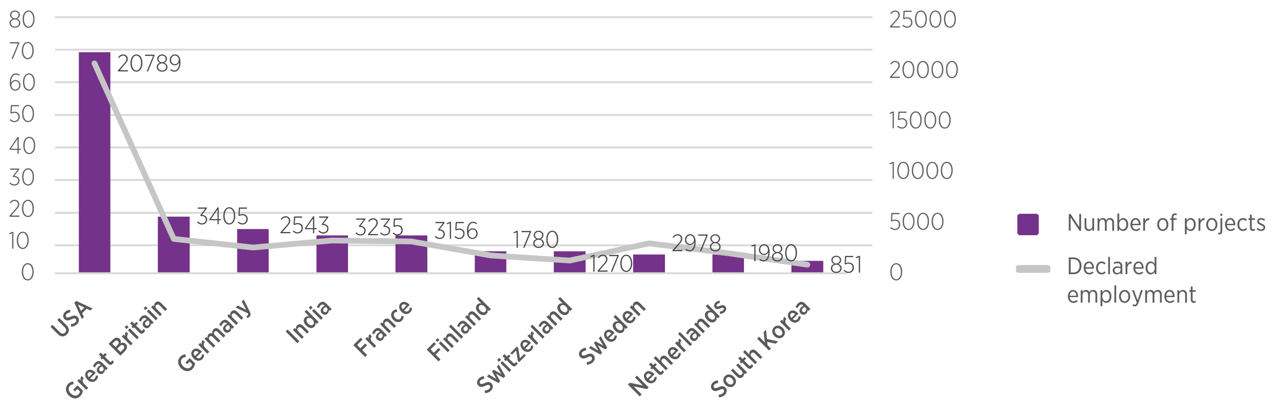


source: PAIiIZ own analysis, 2014.

COUNTRIES - LEADERS OF INVESTMENT IN BSS

The biggest group of BSS investors who decided to locate services centres in Poland during the last ten years is composed of American companies. 70 out of 179 projects were implemented by entrepreneurs from the USA. What is more important, the Americans declared the highest employment in connection with implementation of those projects, almost 21 thousand new jobs. The United Kingdom was the second most important investor, with 18 investment projects with targeted employment exceeding 3.4 thousand new jobs. Among businesses interested in setting up their BSS, the companies from the European countries prevailed. In total, companies from 22 countries invested in the business services sector, including distant ones such as Brazil or Turkey. Asian companies also marked their presence in BSS investment, including Indian companies (12 projects with employment exceeding 3.2 thousand people), as well as Korean and Japanese (4 projects each). It should be stressed that the list of investors served by PAIiIZ also includes Polish companies successfully making investments in the Business Services Sector (3 projects with the employment of 320 people).

Figure 25. *The number of projects and new jobs created by country of origin*



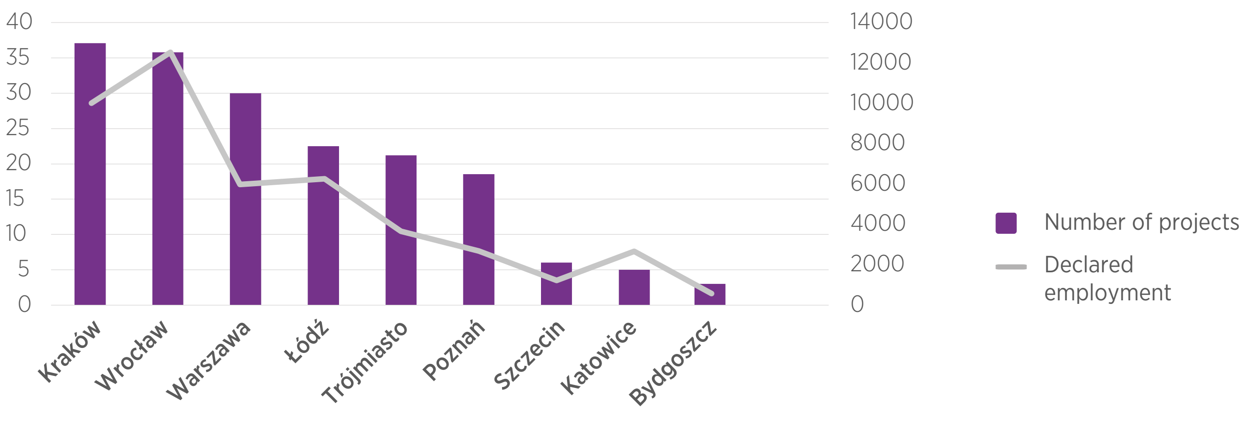
source: PAIiIZ own analysis, 2014.

PREFERRED LOCATIONS

Companies representing the BSS served by PAIiIZ preferred to implement their projects in Kraków where 37 centres were established or expanded, with employment exceeding 9.6 thousand people. Kraków was directly followed by Wrocław, with 36 projects and the employment of almost 12.5 thousand people. Warsaw took the third place, where 29 investments were implemented, with the total employment approaching 5.4 thousand jobs. Even with this being the case, particularly in the recent years companies have been more open to alternatives other than the aforementioned cities-leaders, especially when re-investing. During the last 10 years companies serviced by PAIiIZ have implemented their investment projects in as any many as 22 various cities spread all over Poland. Locations such as Sandomierz and Grójec were also on the list too.

The choice of somewhat less popular locations, surprising at a first glance, is related to the dynamically growing number of manufacturing companies which decide to create their shared services centres close to their production sites. Those SSCs consolidate processes from different entities in other countries.

Figure 26. *The number of projects and declared new jobs by city.*

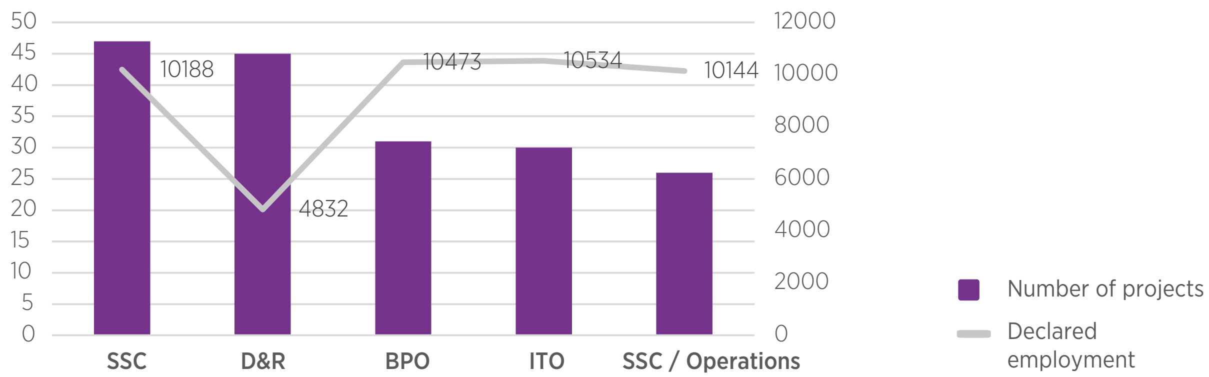


source: PAIiIZ own analysis, 2014.

TYPES OF CENTRES

Therefore, it is not surprising that SSCs represent the most popular type of centres created by clients of the Agency during the last ten years. The list of projects completed with the support of PAIiIZ comprises 47 investments with the total targeted employment of over 10 thousand people. In a close second with 45 investments were R&D projects. However, employment associated with this type of investment is significantly lower (approximately 5 thousand people), which results from the specific nature of this type of ctivity. Services providers willingly created the BPO centres in Poland, representing 17% of all projects implemented within the BSS, with very high numbers of new jobs - almost 10.5 thousand people. The next group includes IT centres with declared employment of over 10.5 thousand jobs. The list is closed by a very specific type of business, namely SSCs of financial institutions also running operations. So far 26 investment projects with this profile have been implemented, offering jobs to over 10 thousand people.

Figure 27. *The number of projects and declared employment by type of centres.*



source: PAIiIZ own analysis, 2014.

TRENDS

An important characteristic for BSS investors is their tendency to re-invest. It is the proof that companies found favourable conditions for further development in Poland. Moreover, there is no better recommendation for new investors than the success achieved by their competitors in a specific country.

Based on the experience of PAIiIZ, supporting BSS investors, common characteristics of the companies entering the Polish market can be provided. Namely, entrepreneurs initially decide to implement small, pilot projects (the so-called proof of concept). The centres created by those companies start their operations by covering a limited number of relatively simple processes for the needs of clients from the CEE region. Most of the centres, encouraged mainly by the staff quality and the successes of the pilot projects, promptly and significantly increase the scale and scope of their initial project. The regional centres, following the stage of services provided to European customers, start rendering their services to customers in both Americas and even Asia. The level of complexity of the processes implemented is gradually increasing, with Polish centres starting to set trends and standards. It is the centres of excellence of business processes (CoE) in Poland, where best practices and process improvement procedures are created, which are to be binding in all branches of global companies. Some companies grow organically in one location. However, there are also companies, mainly motivated by access to qualified employees, which decide to implement successive projects in new locations, thus creating a great opportunity for smaller cities. A good example is Luxoft, which made a decision in 2010 to locate its IT centre in Kraków, where it employs more than 400 people today, and has established its centres in Wrocław and Tri-city. Another example is the Polish company, Transition Technologies, currently employing over 600 people in several locations all over Poland (Warsaw, Lublin, Łódź and Białystok), which has recently decided to open a new office in Kielce.

MOST OF THE CENTRES, ENCOURAGED MAINLY BY THE STAFF QUALITY AND THE SUCCESSES OF THE PILOT PROJECTS, PROMPTLY AND SIGNIFICANTLY INCREASE THE SCALE AND SCOPE OF THEIR INITIAL PROJECT.

The initial forecasts of the companies in terms of the planned employment have been significantly exceeded. The originally forecasted employment within 179 implemented projects amounted to almost 46 thousand new jobs. The majority of investors not only fulfilled their investment commitments but also considerably exceeded them, which is confirmed by the employment actually generated by those companies, having reached the 60 thousand people - 27% more than the original forecast.

THE INITIAL FORECASTS OF THE COMPANIES IN TERMS OF THE PLANNED EMPLOYMENT HAVE BEEN SIGNIFICANTLY EXCEEDED.

In the first half of January PAIiIZ worked on 159 potential investment projects for the total value of EUR 3 billion, offering the opportunity to create nearly 31 thousand new jobs. Among these projects, 38 refer to the BSS, with the subsequent 18 to R&D activities. The total employment which may be generated by the projects amounts to almost 13.7 thousand jobs (which means a 45% share of the employment within all projects included in the agency portfolio).

TERTIARY EDUCATION AND COOPERATION BETWEEN BUSINESS AND ACADEMIA IN POLAND

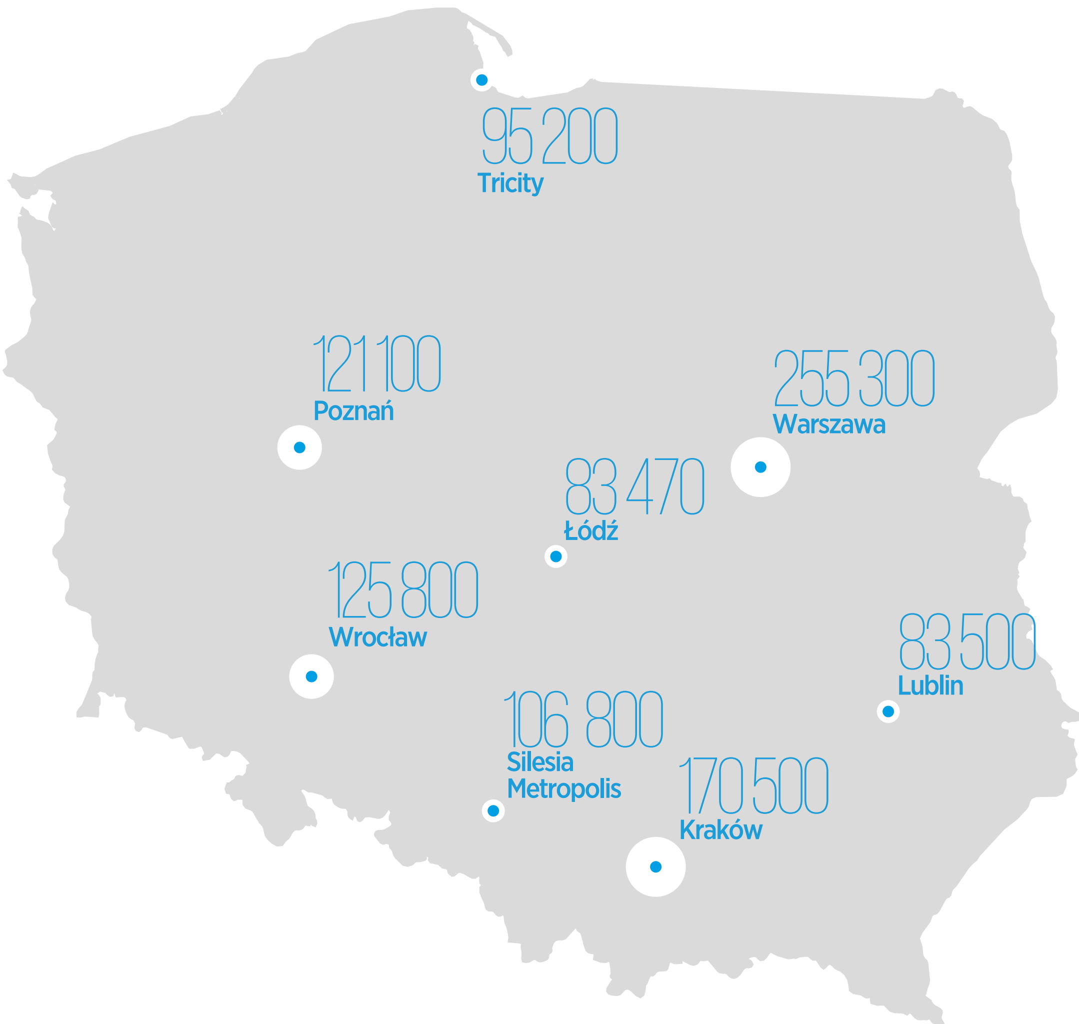
ACADEMIC POTENTIAL IN POLAND

Poland is the fourth largest academic centre in the European Union in terms of the number of students. Rich academic traditions date back to 1364, the year of establishment of the University of Kraków. Today every tenth student in the European Union is Polish. In the 2013/2014 academic year 1.55 million students studied at Polish universities and the number of graduates reached 455,000.

MAIN ACADEMIC CENTRES

Poland can boast as many as 438 higher education institutions, including 132 state-owned ones, operating in 116 cities. However, the biggest academic centres, made up of several higher education institutions, are located in 8 major metropolitan areas in the country (Warsaw, Kraków, Wrocław, Poznań, Silesia Metropolis, Tricity, Łódź and Lublin), which also host the most BSS centres.

Figure 28. *The biggest Polish academic centres according to the number of students.*



source: PAIiIZ own compilation of the Central Statistical Office data, 2014.

NUMBER OF STUDENTS AND GRADUATES

Warsaw and Kraków are the two largest academic centres and are clearly ahead of the other cities in terms of the number of students learning there. This is without doubt due to the importance of these two capitals – the current one and the historical one – for the Polish economy, culture and political life.

PREFERRED COURSES OF STUDY

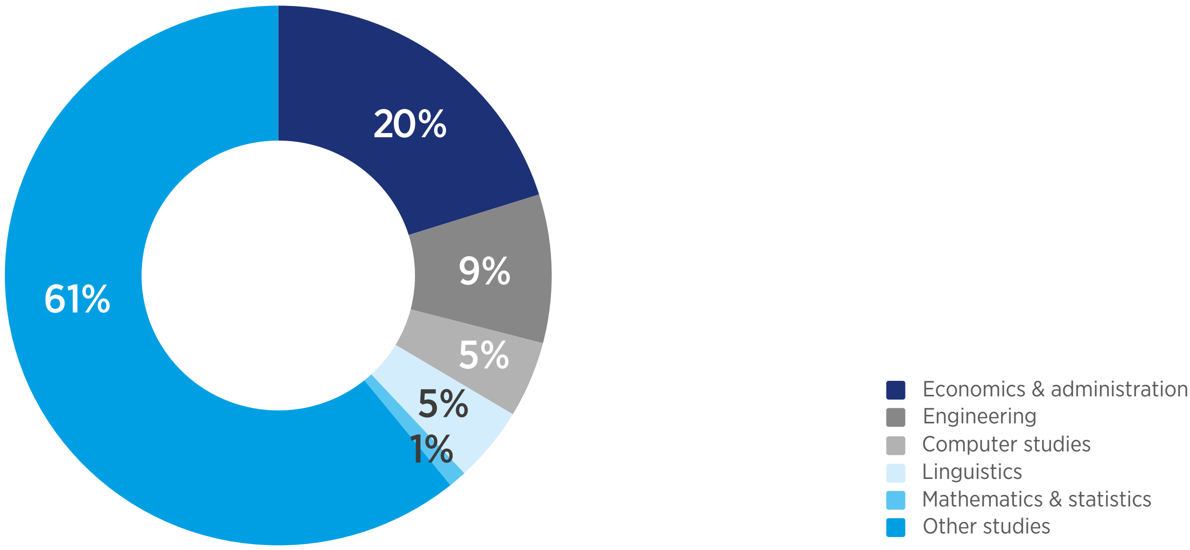
Statistical data show that the fields of study most preferred by students include:

• Economics and Administration	**20%**
• Social Sciences	**10%**
• Pedagogical studies	**9%**
• Engineering and Technical	**9%**
• Medical	**8%**
• Humanities	**7%**

In total as many as 63% of all students in Poland are trained in these six fields of study.

The usefulness of particular fields of study for employers from the BSS point of view looks somewhat different. The group of courses with particular relevance for the sector includes economics and administration, engineering and technical fields of study, but also computer science, mathematics and statistics as well as linguistic.

Figure 29. *The percentage of students in fields of study relevant for the BSS employers, 2013.*



source: Central Statistical Office, 2014.

These fields of study are vital from the point of view of the BSS industry employers and account for over 39% of all students in Poland.

The important fact is that in the 2013/2014 academic year, computer sciences were the single most popular field of study: it had more than 31 thousand applications of candidates. The second and third most popular fields of study (law and management) recorded 21 thousand applications each.

LANGUAGE COMPETENCES OF STUDENTS AND GRADUATES

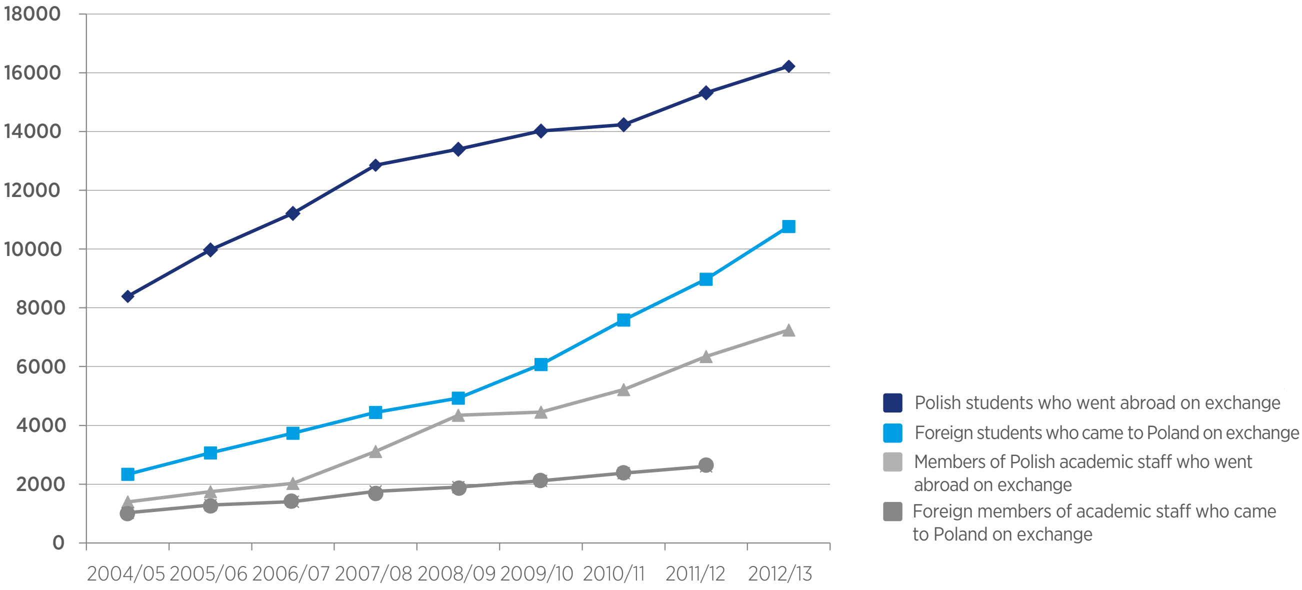
One of the most noticeable achievements of the higher education system in Poland in recent years has been the promotion of multilingualism, e.g. due to the effective utilization of the opportunities arising from Polish membership in the European Union.

Currently, most students in primary schools start learning a foreign language from the age of 6. The second foreign language is usually introduced at the 5th grade.

The Erasmus student exchange programme was undoubtedly a factor that contributed to the increase in the language competency of Polish students. The programme supports international cooperation of higher education institutions, enables students to travel abroad for a part of the studies and apprenticeships, and promotes the mobility of students and university employees. Erasmus has been a catalyst for positive changes in Poland, not only due to the increase in the level of language skills, but also thanks to the introduction of international standards.

Since 2004 a dynamic increase in the number of Poles going abroad for studies and apprenticeships has been recorded. The number of foreigners visiting Poland and sharing their knowledge and language skills is also increasing, and similar trends apply to academic staff.

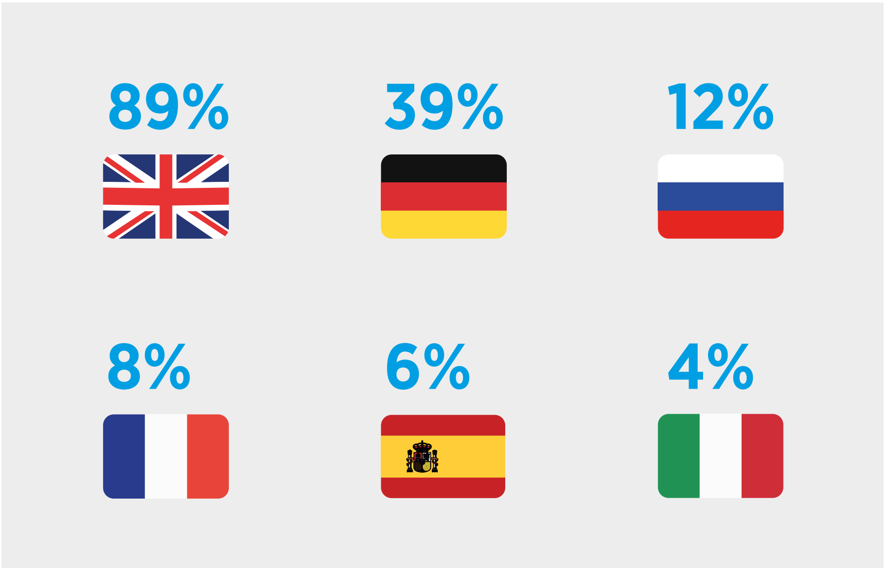
Figure 30. *The most important data on the Erasmus programme in Poland.*



source: Erasmus.org.pl, 2014.

As a result of these trends, SSC/BPO companies in Poland can expect a high level of English language proficiency among future employees. Over 90% of people with tertiary education have a command of this language. The two other most popular languages are German and Russian. The German language is often taught as a second language alongside English. Other languages in terms of popularity are Spanish, French and Italian.

Figure 31. *The percentage of students and graduates speaking selected foreign languages.*



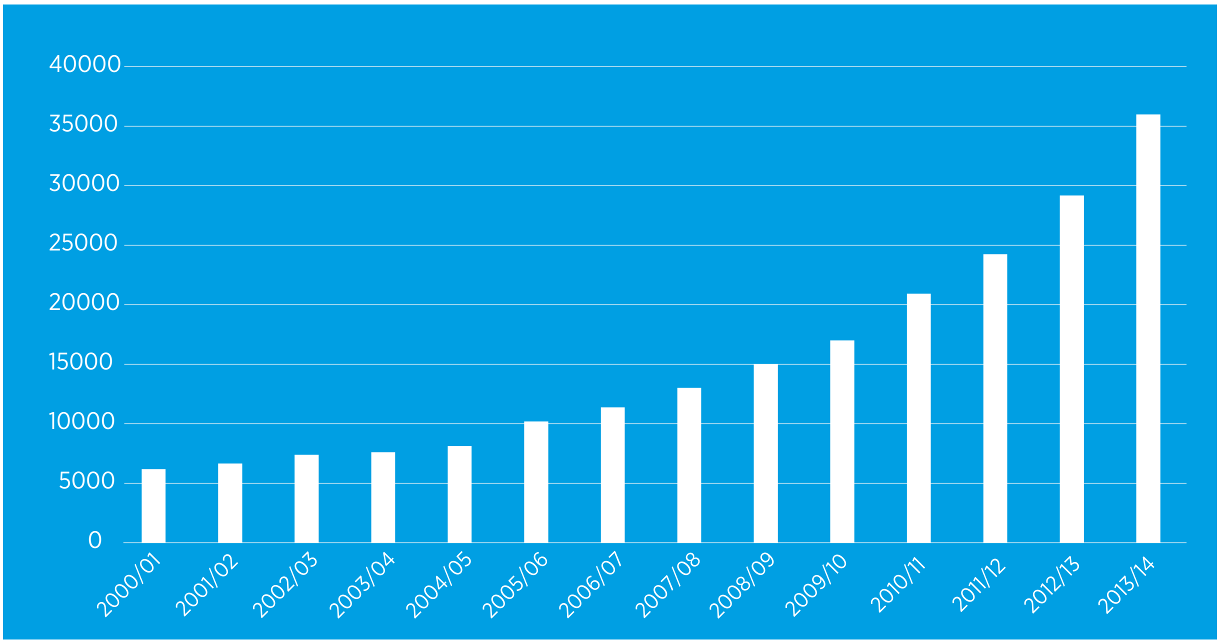
source: Study of Human Capital in Poland, 2013, n = 32 100.

FOREIGN STUDENTS

In the 2013/14 academic year, almost 36 thousand foreign students from 149 countries studied in Poland, 6.8 thousand more than in the previous year – a 23% increase.

According to the Central Statistical Office data, the biggest numbers of foreign students at Polish universities come from the Ukraine – 15 thousand - which represents 42% of the overall number of foreign students. Besides Ukrainians, the next largest groups of foreign students in Poland include: Belorussians (3.7 thousand), Norwegians (1.6 thousand), Spaniards (1.5 thousand) and Swedes (1.4 thousand). Europeans make up over 80% of all foreign students (29 thousand people). The number of students from Asia reached 4.7 thousand. There were also 1.3 thousand students from North and Central America, 592 from Africa, 99 from South America, and 22 from Oceania.

Figure 32. *The number of foreign students in Poland in the years 2000-2014.*



source: "Perspektywy" monthly compilation of the Central Statistical Office data, 2014.

POLISH HIGHER EDUCATION INSTITUTIONS

According to the popular ranking by Perspektywy monthly, the 10 best Polish universities in 2014 were:

1. University of Warsaw (in the ranking of 400 top world universities)
2. Jagiellonian University (in the ranking of 400 top world universities)
3. Adam Mickiewicz University in Poznań
4. Warsaw University of Technology
5. Wrocław University of Technology
6. AGH University of Science and Technology (Kraków)
7. University of Wrocław
8. Medical University of Warsaw
9. Nicolaus Copernicus University in Toruń
10. Poznań University of Medical Sciences

Polish higher education institutions are also beginning to appear in international rankings. One example is the huge success achieved in 2010 by the Kozminski University, whose Executive MBA programme was ranked as the 81st in the world and 28th in Europe in the European Business School Rankings study prepared by the Financial Times. Another example includes the high positions of the Polish academic centres in the Best Masters 2014 ranking prepared by the French association Eduniversal. Polish universities have dominated the list of the best MBA programmemes as well as Masters Degree programmemes in Central and Eastern Europe in finance and accounting (1st place – Warsaw School of Economics, 3rd – University of Warsaw, 6th – Poznan University of Economics) and economics (1st place – Warsaw School of Economics, 2nd – University of Warsaw).

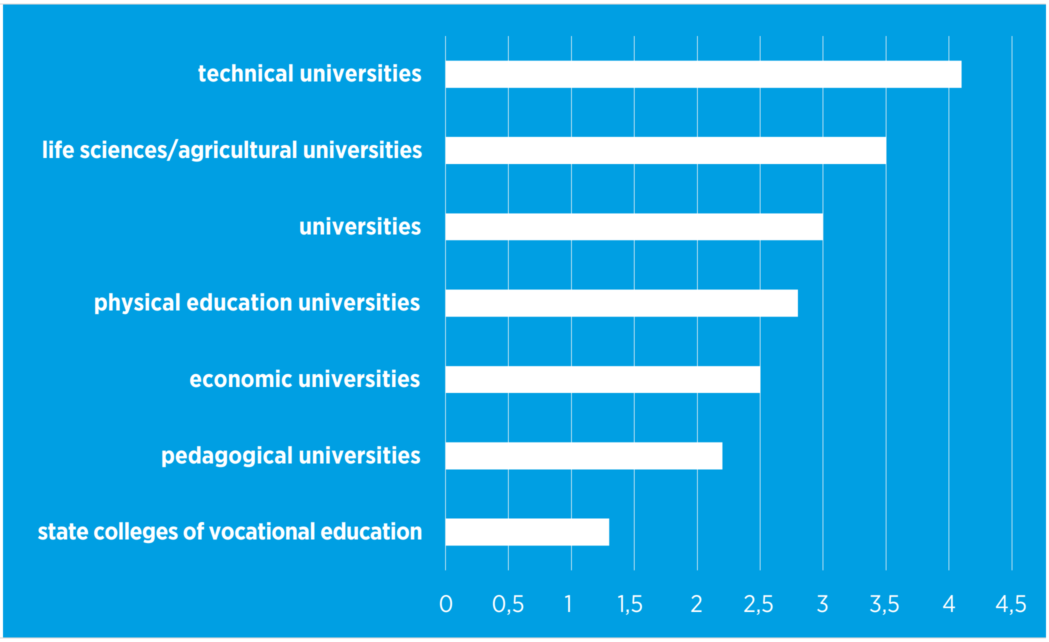
TRENDS IN EDUCATION

Polish education is undergoing a gradual transformation. It is worth paying attention to the following trends:

- According to the 2012 PISA survey (Programme for International Student Assessment coordinated by the OECD), Poland is the absolute leader in the European Union in terms of the level of education in secondary schools. Poland obtained the first place in the category of mathematical reasoning, which verifies skills such as problem solving, methods of argumentation and implementation of the strategy. Poland has also obtained the first place in the reading and interpretation category and the third place in the field of natural sciences. It should be noted that the generation that participated in the 2012 PISA survey will begin higher education in five years and the popularity of natural sciences and mathematics will have an impact on the increase in the number of people enrolled in courses linked with the SSC/BPO sector[3].
- The percentage of young people aged 18-24 abandoning further education in Poland is only 5.6%, which is one of the lowest in Europe.
- Education at public universities is free of charge. It is worth mentioning that those institutions educate 74% of all students and are considered to be offering the highest level of education. In addition, from 1 October 2014, the simultaneous study on a second course was exempted from fees.
- In response to the needs of the economy and the labour market, so called "ordered majors" were introduced. They are subsidized from the state budget and include biotechnology, mechatronics etc.
- The offer of subjects conducted in English is dynamically growing – at the moment Polish universities offer more than 500 such subjects.
- A growth of interest in studying at technical colleges and universities can be observed - the share of students in these schools compared to the total number of students was 17% in 2005, while in the academic year 2013/2014 this percentage rose above 21%. This may be due to the following reasons:
    - In 2009 mathematics was reintroduced as a compulsory subject on the high school matriculation examination,
    - The government and local authorities introduced a system of scholarships for students of technical courses
    - Technical schools are the most popular in Poland in terms of the number of candidates per seat, exceeding 4.1. Agricultural universities rank second with 3.5 candidates per seat and universities rank third with 3 candidates competing for 1 seat.

[3] *PISA 2012 Results, OECD, 2014.*

Figure 33. *The number of candidates per seat ranked by type of school in 2013.*



source: Information about university level recruitment process in the 2013/2014 academic year, in relation to the universities supervised by the Minister of Science and Higher Education, MoSHE, 2014.

- The list of the most popular higher education institutions in Poland opens with 5 technical schools, namely the Warsaw, Gdańsk, Poznań and Łódź Universities of Technology and the Kraków based AGH University of Science and Technology.
- Approximately 40% of university graduates continue their education at postgraduate and doctoral programmes.

THE IMAGE OF THE SECTOR IN THE EYES OF THE STUDENTS

While discussing the activities at the intersection of business and science, we should also point out the promotional and educational campaigns conducted by individual companies and associations of employers from the industry such as ABSL[4], Pro Progressio and ASPIRE[5], targeted at promoting knowledge about business services sector. The joint campaigns are primarily aimed at shaping the image of the BSS industry as a sector offering attractive career opportunities for students and graduates.

The first BSS centres were created in Poland at the beginning of the 21st century, but their fastest growth has taken place in the last five years, during which the profile of the provided services has changed considerably. In addition to simple transactional processes, companies in the sector are also providing a full range of services for business, including increasingly complex processes which require specialised knowledge, the so-called Knowledge Process Outsourcing (KPO).

This rapid evolution of the sector required equally intense image-building activities, so that the graduates are aware of the opportunities for professional development within the industry. At the same time, due to its relatively short history on the Polish market, the knowledge about the specifics of the BSS sector left a lot to be desired.

As a result of intensive marketing efforts, information campaigns and a constant cooperation and presence of industry entities at the universities – including joint efforts on establishing dedicated teaching programmes[6] – the knowledge about the sector and its popularity among students is growing at a similar rate to the growth of the sector itself.

The study[7] conducted by Hays Poland among students and graduates participating in job fairs indicate that the they are consciously reaching for job offers from the companies in the sector. They know selected brands, including their activity in the BSS industry, and at the same time exhibit knowledge of the services provided and thereby the possible career opportunities.

Over 90% of respondents possess knowledge about the sector and are familiar with at least one of the industry terms such as: SSC, BPO, ITO or Business Services Center.

In addition, 80% can name specific companies and classify them into one of these categories. At the same time the results of the study indicate a positive image of the employers from the sector. The ability to work in an international environment (66%), work on interesting projects (55%) as well as an attractive benefit package (50%) offered by the large enterprises are the most frequent reasons why the survey participants are eager to apply for jobs in the sector. At the same time 35% of the respondents indicated that working for companies from the BSS sector would enable them to quickly develop their careers.

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[4] Association of Business Service Leaders.

[5] Association of IT & Business Process Services Companies.

[6] The examples of B2U cooperation are described in the next part of the report.

[7] Study conducted among the students/graduates of higher education institutions from Kraków, Lublin, Wrocław and the Tri-City. The analysis covered 302 questionnaires distributed among the participants of Job Fairs in the indicated academic centres. November 2014.

EXAMPLES OF DEDICATED EDUCATIONAL PROGRAMMES AND OTHER B2U INITIATIVES IN SELECTED CITIES

ŁÓDŹ

"Linguistics for Business" undergraduate studies
The "Linguistics for Business" undergraduate studies is a course created in 2013 by the faculties of Philology and Management at the University of Łódź in cooperation with employers, leading companies in the BPO industry in Łódź, the Infosys BPO Poland company and Hewlett-Packard's Global Business Center. The programme for these 3 year undergraduate studies includes the practical learning of two foreign languages, specific vocabulary and expressions required in service centres, as well as the teaching of the basics of business, economics, finance and customer relations. In addition to English, students have to choose between French, German, Italian, Spanish and Russian. In the education process a strong emphasis is placed on social skills, i.e. communication, working in a group, negotiations in the conditions of multicultural companies, etc.

"Organization and Management of a BPO/ shared services centre" postgraduate studies
The educational offer from the University of Łódź also includes the "Organization and management of a BPO/shared services centre" postgraduate studies at the Faculty of Economics and Sociology. So far one edition of the programme has taken place. The classes covered workshops on customer relations management, as well as subjects including standardization in business processes; labour resources and economic security in the delocalization of services; harmonization of processes; cultural differences in the management of processes on an international scale; the legal aspects of outsourcing projects; acquiring and evaluating counterparties in outsourcing contracts; human resources management in service centres; methods of measuring the centre's effectiveness; knowledge management; and technologies supporting projects in service centres.

"Youth in Łódź" programme
The "Youth in Łódź" programme is a multidimensional initiative of the City Office of Łódź, functioning with great success since 2008. It is a response to the needs of the companies investing in the city and the university's students and graduates preparing to take up employment. One of the elements of this programmeme is the possibility to take advantage of the free-of-charge training for the potential employees organized by the office. Other initiatives include the possibility to acquire the best candidates for work through work placement programmes and internships.

TRICITY

IT applications in business
The "IT applications in business" specialty was created under the "Program of development of the University of Gdańsk in Europe 2020 areas (UG 2020)" project. It is a master's programme for 30 students per year, implemented in part by 12 academic staff members from the Department of Economic Informatics, 6 programmemer-practitioners, 3 foreign lecturers from the universities at Oxford, Lund and from China - by video conferences. The project will last 27 months – it was launched in October 2013 and ends on 31st December 2015 and covers training in 7 information technology professions:

- Programmer,
- Mobile applications programmemer,
- Computer networks administrator,
- Database administrator,
- IT systems designer,
- ERP systems architect/analyst/consultant
- Information Security Administrator

The following companies from the region have engaged in the project: CISCO, Microsoft, Oracle, IBM, SAP, COMARCH, BOC (System Workflow Management – ADONIS), Pomeranian Region ICT Interizon Cluster, Pomerania Development Agency, East Asian Studies Center, and ERCIS – European Research Center for Information Systems on the University in Muenster (Germany).

Special ACCA accreditation at the University of Gdańsk

In November 2013 the University of Gdańsk together with the international Association of Certified Chartered Accountants (ACCA) introduced a new specialization under the name "Finances in companies" at the Faculty of Economics. Its graduates will not only acquire a master's degree but will also have the opportunity to gain an ACCA certificate recognized abroad. In addition to the new specialization an ACCA licensed computer based examination centre (CBE) was opened at the university. The first courses preparing for the "Foundations of Accountancy" examination at the basic level began in the spring semester of the 2013/2014 academic year.

BPO Education Center

The BPO Education Center, operating for three years, is a joint project of the Sopot University, the Invest in Pomerania initiative and the HK Finance & Accounting company. The courses offered under the project are intended to prepare young people for work as accountants in the SSC/BPO sector. The curriculum includes training in the field of accounting, English language, the knowledge of MS Excel, the SAP system and the corporate culture. The programme was prepared in cooperation with companies from the business services sector including Metsä Group, Arla Foods and Bayer Service Center. After two months of intensive training, the participants are enrolled in a paid internship at one of the companies involved in the programme. After the first edition of the course, almost 80% of participants found permanent employment in the SSC/BPO sector. The second edition began in November 2013 and covered 40 unemployed persons selected by the Labour Office.

Lufthansa Systems Poland Testers' Academy

The Lufthansa Systems Poland Testers' Academy is addressed to students who are studying in their final year or are graduates of computer science, mathematics or related fields of study. Each participant of the Academy receives a scholarship for its duration. The company gives the participants of the programme the opportunity to acquire knowledge in the field of software testing, software development process, the provision of IT services, as well as the basics of aeronautical knowledge. The Academy provides the opportunity to participate in interesting IT projects, learn about international work standards and begin a career in the company.

Thomson Reuters Academy

The Thomson Reuters Academy is the result of cooperation between the University of Gdańsk and Thomson Reuters. The subject organised by the university enables the students to learn the principles of using the Eikon application – a tool for market and trade analysis, made available by Thomson Reuters. The course lasts 15 teaching hours and the students and teachers are provided with access to a computer laboratory equipped with the latest analytical products offered by Thomson Reuters.

Pomeranian Smart-Up

Invest in Pomerania has been conducting the "Pomeranian Smart-Up" project - the improvement of the situation of young people on the labor market through training courses in the context of the priority sectors for the Pomeranian voivodeship, such as BPO/SSC, ICT, logistics, and manufacturing. The people who successfully pass the stage of the formal and substantive evaluation conducted together with companies from the region, will have a chance to gain professional qualifications that are currently the most sought after by employers in the Pomeranian labour market.

WROCŁAW

"Finance and accounting in financial centres" at the Wrocław University of Economics

The objective of these postgraduate studies created in cooperation with Hewlett-Packard's Global Business Center is the transfer of knowledge and practical skills in the field of finance and accounting. They are addressed to students interested in the processing and utilization of financial information in the international environment of SSC/BPO centres. The studies are intended to increase the level of competence and develop the skills necessary for effective work in financial institutions. They also provide the possibility to systematize and broaden the knowledge in the field of the regulations concerning the financial sector, accounting, methods of measuring financial conditions, the types of risk, and project management.

"Wrocław Graduate" programme at the Wrocław University of Economics

"Wrocław Graduate" is an integrated training course supplementing the competencies of students in the 4th and 5th for the requirements of the contemporary labor market. The aim of the course is to equip the graduates of Wrocław universities with qualifications that will significantly increase their employment chances: the ability to work and communicate effectively in an interdisciplinary team; practical knowledge of business English; numeric skills; and creative problem solving.

"Wrocław is coding" programme

The project is addressed to people who are unemployed or who want to change their current job (people registered in the District Labor Office), interested in new technologies and computer science. Importantly, these people are not required to have a computer science education and thanks to their participation in the programme they can learn programmeming languages and find employment in companies from the IT industry.

Under the "Wrocław is coding" project, candidates for employees will learn the basics of programmeming during courses with a practical module. The teaching methods have been prepared in consultation and in accordance with the needs of the fastest growing companies operating in Wrocław.

Wrocław does IT

A series of lectures in English for students of computer science at the Wrocław University of Technology, conducted by 8 Wrocław-based IT companies. The series will be launched in the summer semester of the 2014/2015 academic year. Its objective is to present the potential of the Wrocław business environment in the IT sector to the students, to discuss methods of implementing IT projects by companies and to present the scope of projects carried out by the individual companies in Wrocław.

KRAKÓW

"Business Services Center Management" field of study in the Kraków School of Business of the Kraków University of Economics

These studies place emphasis on preparing students for managerial positions in modern business services centres. This concept is closely linked with the location of the university, as Kraków, according to the Tholons company publication, is ranked in 9th place in the global ranking of cities that are the seat of services centres, and is the only European city on the list of top 10 outsourcing destinations.

The two-semester studies are mainly addressed to individuals already working in the industry or graduates who wish to adjust their skill set to the needs of the labor market. The students acquire knowledge on the principles of the functioning of business services centres, methods of managing them and the typical methods of building relationships with the centres' customers and partners. What is also interesting is that the students receive a unique set of tools for personal development. They pass the Myers-Briggs Personality Type Indicator test and the StrengthsFinder tests which helps them in choosing the best career path.

POZNAŃ

Workgate

"Workgate" programmeme, another B2U initiative, provides practical workshops for students. It is an annual event that allows for communication between the companies seeking valuable employees in the BPO/SSC sector and the students entering the job market. An important objective of the project is also to positively influence the image of the BPO/SSC sector among potential employees. This year the 3rd edition of this unique event is going to take place.

BPO week

The "BPO Week" is an endeavor intended for long-term effects. It's an event which aims to popularize the BPO/SSC sector in cooperation with secondary schools. The objective of the project is to familiarize young people with the possibilities offered by the BPO/SSC industry, to encourage them to choose study courses providing good employment prospects and to motivate them to learn foreign languages. It is also important to explain to the students that the knowledge acquired at school should be complemented by the acquisition of practical skills. The project is addressed to the students in the last 2 years of high school and secondary technical schools and consists of two stages – "open days" at the companies and practical workshops organized by the companies in the schools.

Samsung App Challenge

The "Samsung App Challenge" is an example of an activity carried out in cooperation with a single company. This initiative was addressed to talented programmemers. Its objective was to use the City's API (created by PCSS – a Poznań based IT institution affiliated to the Institute of Bioorganic Chemistry of the Polish Academy of Sciences) to create an application for Samsung mobile devices, which would solve the everyday problems of the residents of Poznań. In addition to the added value for the city, the main partner of the competition, the R&D centre of Samsung Polska, had an opportunity to reach potential job candidates.

Other B2U initiatives in the Wielkopolskie province

The cooperation of research centres with business is a multifaceted process that brings benefits to all parties: the universities, their faculties, the students and the partner companies. The practical dimension of education is emphasized by the visits of the companies' representatives at the universities with which they partner. At the University of Economics in Poznań such meetings are known as "open classes". The cooperation between science and business is also the fulfilment of the idea of academic entrepreneurship i.e. the transfer of knowledge from the research centres to the enterprises. In order to promote this kind of cooperation various institutions were created, including the Poznań Academic Business Incubator. It carries out projects under the name "Student Center for Innovation and Technology Transfer". The authors of the project help creative students and PhD candidates in establishing cooperation with entrepreneurs from the Wielkopolskie province. One of the forms of cooperation between science and business promoted by these centres is the concept of "ordered" diploma theses. Enterprises can submit lists of their needs for the development of specific new solutions to the research centres. Based on their scientific knowledge, the students and doctoral students tackle the commissioned topics and analyse them in their works.

SZCZECIN

"Samsung LABO"

This year Samsung Electronics Polska initiated its cooperation with the West Pomeranian University of Technology in Szczecin, in the joint implementation of a supplementary practical course for students entitled "Samsung LABO". Samsung LABO is a project with a unique formula of a trilateral agreement between the company, the university and the regional authorities. The entire curriculum of the course is jointly developed by experts from Samsung, the representatives of the university as well as external experts obtained for cooperation and for giving lectures. Upon completion of the training series, participants who fulfil certain formal requirements will - in addition to a certificate endorsed by Samsung Electronics - have the opportunity to receive funding for the implementation of particularly interesting and promising projects of their own. Selected students will also be offered apprenticeship programmes which combine education at the university and practical job training under the guidance of mentors from the centres of Samsung in Poland.

Szczecin – Good place to live and work Campaign

"A good place to live and work" is an outdoor campaign primarily targeted at young people with foreign language skills. The activity is a joint endeavour of the City of Szczecin and ten partners from the BPO, SSC and ITO sector: Unicredit, BL Stream, Arvato Bertelsmann, Metro Services, Unizeto Technologies, Tieto, DGS, Bright One, Convergys, and Coloplast. The campaign aimed to show that people can find interesting work in the city - and where to look for it - and also to draw attention to the fact that Szczecin is becoming one of the most popular locations for BPO and SSC centres. This is due to the city's high intellectual potential and research facilities.

INNE

Enactus International programme

Enactus is an international programme connecting students, universities and representatives of business, i.e. the managers and their companies. Enactus associates over 66,500 students from 1600 universities in the world. The students working under the programme are tasked with the planning and implementation of business projects in three areas: economic, environmental and social. Thanks to the development and application of appropriate business models, the students can support the development of local communities through the implemented projects.

In Poland the Enactus programme is currently implemented at ten higher education institutions including the University of Warsaw, Łódź University of Technology, Poznań University of Technology and the University of Gdańsk. Ecological car driving, local football club, new ways of using solar energy, support for local enterprises and entrepreneurship are just some examples of the implemented projects.

Under the programme business consultants and academic staff help students in managing projects through the sharing of experience and knowledge. Once a year at an international competition the students present their projects to a jury composed of CEOs and board members of the largest corporations. The best teams represent Poland at the Enactus World Cup event. In recent years the world finals of the competition were held in Mexico, the United States, China and Malaysia.

PRO PROGRESSIO

Pro Progressio is the Foundation focused on the development of outsourcing industry in Poland. Foundation co-operates with public sector (Ministry of Economy, Invest in Poland Agency, cities, regional development agencies, special economy zones, technology parks) as well as with private sector across Poland. Among the organizations co-operating with Pro Progressio there are service providers, training and coaching companies, recruitment companies, Real Estate and consulting firms, colleges and individual industry experts.

Within its activities Pro Progressio supports promotion of Poland as the optimum location for near and offshoring outsourcing industry investments. One of the goals of the Foundation is to support SME companies in the area of creating sourcing strategies and identifying business partners for front and back office services.

Daily activities of Pro Progressio Foundation is focused on support provided to large cities but also to so called satellite cities, where BPO/SSC operation centres are being built. Foundation issues and distributes non-commercial multilingual „Focus On" reports, which describe investment attractiveness of Polish cities. The CASPEN (Consulting, Advisory, Support, Promotion, Education, Networking) model, prepared by Pro Progressio makes the Foundation the reliable Partner for business, education and media organizations as well as for public sector.

Pro Progressio in Poland is the Partner for international BPO/ITO organizations like Deutscher Outsourcing Vermand (DOV) and International Association of Outsourcing Professionals (IAOP). To support the SME market, experts of Pro Progressio on daily basis co-operate with international chambers of commerce, ICT Clusters and Universities, including Universities from Switzerland, UK, Germany and Norway.

CLOSING REMARKS

The conclusion of this report is that the future of the Business Services Sector is very optimistic with great prospects. A question arises as to whether the sector has a chance to continue its development at such a stunning pace of about 20% per annum, both in the scope of the market value and the increase in employment. In connection with the significant increase of the base against which the employment growth is calculated, 20% growth will be difficult to maintain. Nevertheless, the annual growth of several thousand new jobs in the sector is realistic. It seems that a very high level of self-awareness exists in the sector, consistently striving to eliminate the barriers which could potentially constrain its further development, such as availability of employees with specific skills (particularly language and technical skills), specific legal regulations or tax issues. Initiatives aimed at continuous business climate improvement, especially for the benefit of the BSS companies, are also noteworthy. They are willingly undertaken by public institutions, business support institutions and local authorities in particular.

Considering the interests of potential investors in Poland as a BSS location, one can expect that the swift stream of investments in the business service sector will not cease. What is more, qualitative changes within the sector are expected too. Companies seem to be more prone to locating in Poland their more complex processes rendered to their clients virtually around the world. Two factors seem to play key role here. The first one is the quality of human resources – its creativity, flexibility and eagerness to acquire knowledge in particular. The second is investment incentives. A vast array of incentivized investment initiatives, together with the allocation of significant financial assistance co-financed by the EU structural funds, are dedicated to the implementation and commercialization of the outputs of R&D works. This is expected to be an important incentive to introduce or expand the R&D component in companies in the Business Services Sector.

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