Chapter 28

Poland

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Abstract It is estimated that Poland's population is ageing rapidly. It is expected that the proportion of working-age people will decline substantially in the coming decades, while the share of people aged 65+ and of those in advanced old age (80+) will increase significantly. Increasingly, older Poles live in single-person households, a situation associated with loneliness, intensifying the risk of social exclusion, particularly for older people with disabilities and for women. Unlike the situation in many countries where governments have raised the retirement age, the retirement age has been decreased in 2017 in Poland, reversing previous plans to increase retirement age. There remains a gender difference in retirement age where men retire at 65 and women at age 60. This is likely to increase old-age poverty, particularly among women. Institutional long-term care for older people falls significantly short of needs. This chapter shows the complexity of the Polish context and demonstrates the serious problems facing older people, who are vulnerable under current policies.

Keywords Pensions • Retirement age • Political debates on retirement age • Gender differences

Introduction

The transformation of Polish political and economic systems at the beginning of the 1990s gave rise to many changes in legislation, including those related to the provision of welfare benefits. These changes have been shaped by the economic situation in particular periods and changing contexts as successive governments have reflected different political approaches: liberal, post-communist, rightist, and finally, since 2015, a rightist, populist government. Other factors which have played an important role in the creation of new political and economic systems include a demographic shift

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to a rapidly ageing population characterized by low birth rates, longer life expectancy, and the emigration of young people. Estimates related to Poland's rapidly ageing population indicate that the proportion of working-age people could decline by 40% by 2060. By 2035, people aged 65+ are estimated to reach 8.35 million (23% of the Polish population). Growth in the advanced old age group (80+) is expected to increase from 3.5% in 2018 to over 7.2% (2.5 million) in 2035 (CSO, *Ludność w wieku 60 lat* 2016: 11). That outflow of young Poles increased after the accession of Poland to the European Union in 2004, and today those emigres are having children in host countries. Additionally, the Polish employment rate is lower than that in many other EU countries, which will have an important effect on pensions in future. However, the total employment rate of the population above 15 years increased between 2010 and 2017 from 50 to 53.7%. For men it rose from 57.8 to 62.0%, while for women it climbed from 42.8 to 46.1%. Total unemployment decreased over the same period from 9.6 to 4.9% for both men and women (CSO 2018). Low levels of economic activity and a quick withdrawal from employment by persons at retirement age is one of the basic challenges facing the Polish economy.

Pension Policies

During the transition period that began in 1989 after the fall of communism, Poland's welfare system underwent substantial decentralisation and restructuring. In 1991 and early 1992 a series of laws drastically reduced the coverage of unemployment benefits. Pension benefit levels were lowered by pegging them to the level of income in the previous ten years instead of the last three years before retirement. Reforms of the social benefits system from 2000 aimed to limit the number of beneficiaries and the amounts granted. In reality, enormous amounts have been spent while the value of individual benefits is usually relatively low, leading to increased social dissatisfaction and, recurrently, to the instability of the Polish political system (Siemieńska and Domaradzka 2016).

In 2017, Poland abolished its past commitments to increase the retirement age, which had been implemented in 2013 by the former government created by a coalition of liberal Civic Platform and the Polish Peasant Party. The government installed in 2015 by the rightist, populist party 'Law and Justice', together with other parties in a coalition, re-established the previous age of retirement (65 for men and 60 for women). Instead of raising the retirement age to 67 years by 2020 for men and by 2040 for women, the government decreased the current retirement age by 14 months to 65 for men and to 60 for women from October 2017. In nine OECD countries, the retirement ages are lower for women than for men. Poland is not planning to eliminate the gender gap for people entering the labour market in 2016. The gender gap in retirement age in Poland is the highest among OECD countries. In 2016, among the age group 55–64, 38% of women and 56% of men were employed, compared with the OECD average of 51% and 68%, respectively. Retiring at the earlier statutory pensionable age lowers monthly benefits. Polish pensions are determined by lifetime contributions and remaining life expectancy at the time of retirement. Retiring earlier lengthens the expected number of years people will be entitled to receive a pension,

if average life expectancy remains stable. This automatically reduces pensions by approximately 6% per year.

No early retirement option exists for private-sector workers in the mandatory scheme. Retirees are free to move abroad and enjoy the same rights, benefits and health care services as the national citizens of the EU member states where they are resident. Current legislation guarantees retaining the public retirement pension in Poland (first pillar), the employment-based pension (second pillar), as well as private savings (third pillar) as an additional income (Regulation (EC) no. 987/2009 of the European Parliament and of the Council of 16 September 2009 laying down the procedure for implementing regulation (EC) no. 883/2004 on the coordination of social security systems) (OECD Poland 2018).

In 2017, women formed 60.5% of the 5,358,682 Polish individuals aged 60 and above receiving a pension from the main source, the state Social Insurance Institution (Zakład Ubezpieczeń Społecznych). Among 887,408 persons receiving pensions from KRUS (the institution providing pensions for farmers), women constituted 69.2% of beneficiaries. A smaller number of people obtain pensions from the Ministry of National Defense, the Ministry of Internal Affairs and Administration, and the Ministry of Justice (Informacja 2018, Table 4.2).

Lower pensions will result in a greater proportion of beneficiaries, disproportionately women, relying on minimum pensions, which will in turn weaken the financial balance of the public pension scheme. Minimum pensions are not fully covered by past contributions and require additional financing sources (mainly from the state budget). Working after the statutory retirement age with or without a pension is not restricted in Poland. Each year of working longer and deferring a pension results in a benefit increase of around 6%. The average income of 66–75 year olds and those over 75 is only 9% and 8% lower respectively than for the Polish population as a whole, while the corresponding values for the OECD are 7% and 20%. Similar incomes of the 76+ and the 66–75 age group are unique to Poland. A full-career average earner can expect the net pension to be 34% of previous earnings for men and 39% for women, compared to corresponding OECD averages of 62% and 63%. Between 2000 and 2016, the employment rate of people aged 55–64 years rose in Poland by 18%. However, at 46%, the employment rate remains substantially below the OECD average of 59%. The recent decrease in the retirement age will make it even more challenging to increase the employment of older workers (OECD 2017).

Almost all workers newly eligible due to the drop in pension age seem to have applied for pension benefits so far. If retiring at the earliest possible date is to be the trend, it could entail heightened poverty risks, increasing the share of pensioners who have no more than a minimum pension. In this situation, fiscal costs due to a higher share of minimum pensioners could increase by up to 0.9% of GDP annually on average until 2030 (OECD Poland 2018: 36).

A lack of workers on the Polish labour market has created a new situation. According to the OECD Economic Surveys Poland document:

‘Efforts to strengthen job-search assistance and training programmes for older workers will also be needed. Other measures to facilitate longer working lives include: (i) aligning the rules of special pension schemes with the general system, which are

substantially more generous for farmers and miners in particular, but also for some other professions; (ii) harmonising employment protection for all age groups to avoid disincentives to hiring older workers, who are currently better protected; and (iii) providing government support to spreading good practices in terms of managing senior workers, in particular for SMEs' (OECD Poland 2018: 38).

According to the State Labour Inspection, at least one in six Polish persons employed on the basis of a civil law contract should be a full-time employee (this refers to people who come to work every day in the agreed place and within the specific hours), rather than a contract worker. The category of non-standard employment is 36% higher than in 2011. Employers who offer these types of jobs reduce their costs by avoiding social insurance premiums for employees. The situation is similar for many self-employed Poles, who are often forced by their former employers to choose this mode of employment and who in reality continue to work for them. Currently, 1.3 million people run sole proprietorship companies, and have to pay their own social insurance premiums (Gazeta Wyborcza, March 21st 2013). Women constitute more than 30% of workers in this sector. These workers do not contribute to occupational pension schemes and they will not be eligible for such pensions in the future.

The recent reform concerning lowering the retirement age is the opposite to trends in most other countries and is highly criticised by economists. For example, according to W. Wojciechowski (the chief economist of Plus Bank), a retired woman who earned a minimum salary throughout her entire employment period would receive only about PLN 600 (139 euro) as the retirement benefit when leaving the labour market at age 60 if benefit levels depended solely on prior earnings. However, as the state warrants a minimum retirement benefit (which today amounts to PLN 1000 [232 euro]), she will be paid an additional PLN 400 from the state budget. In these cases, women would not gain the same amount of additional income even by working four years longer. Only the state would benefit, having to pay her less. Only by working for an additional period of six to seven years would such a woman gain a slightly higher pension benefit (Kostrzewski 2017).

The government reduced the age of retirement to gain the support of the population in elections. But as a consequence, this reform leaves a significant part of the population with very low pensions. The age of retirement and ways of financing pensions is not only a subject of discussion among economists but also has a political character. These discussions take place in circles of specialists and also in the media.

The Trade Union 'Solidarity' connected recently with the ruling party 'Law and Justice', and the government considers the earlier age of retirement for women as a justified privilege (not as discrimination) even though they receive much lower pensions than men. To recap on the causes of their lower pension incomes, women work for a shorter time (as a consequence of the regulation); because women's wages are lower than men's, their pensions are also lower; and women's life expectancy is longer (by age 50–54 years, the ratio of women to men is 103:100 (Demographic Yearbook of Poland 2018) and that disproportion increases steadily in older age groups). The trade union is encouraging new regulation to link retirement only to the number of years of work, not to the age of people (<https://www.dziennik.pl/tagi/solidarnosc;wiek-emerytalny>). But in this case the government is reluctant to introduce that recommended reform. The view of Solidarity in this respect is in opposition to the

opinion of the organisations of employers *e.g.* ‘Confederation Lewiatan’ (Lewiatan zmiany 2018). Employers observe that many people will prematurely leave the labour market and that this is especially dangerous because of the scarcity of labour.

Attitudes Toward Later Age of Retirement

Most Poles were reluctant to accept the higher statutory retirement age which occurred in 2013. Being aware of the expected low pension amounts in 2016, 77% of respondents in a national representative sample were against limiting the possibilities of making extra money during retirement, while 20% backed such a limitation. More men—47%—would choose to work only until the age of 65 and receive a lower old age pension, while 42% would prefer to work longer and receive a higher pension. Women more often declared a willingness to work longer and receive a higher pension in the future—47%, instead of working until age 60 and receiving a lower pension—37% (Puls HR 11.10.2016).

Age and Gender Differences on the Labour Market

Between 2012 and 2017, Polish employment rates increased slightly. In 2017, the proportion of working people aged 60 and above (calculated as the share of those working in the population aged 15 or more) was 13.8%. A significant decrease in activity is observed particularly in the groups aged 50–54 and 55–59. In 2017, 62.0% of men aged 15 and above were employed compared to 21.6% aged 60 and above; for women, these figures were 46.3% and 8.2%, respectively. During that time, the statutory retirement age was slightly over 60 for women and 65 for men. The unemployment rate was 6.6%, the lowest rate in 26 years (Informacja 2018, Table 4.1—data for 2017). Employed women usually have higher education, postsecondary and secondary vocational education. Among employed men vocational basic education, postsecondary and vocational secondary education dominate.

The share of women working less than 40 h per week on average is lower than that of men by 8.4% (Statistics Poland, 2018). The gender pay gap is 7.2% (European Commission, 2019). Family and household responsibilities are the second reason, after retirement, for economic inactivity among women, while participation in education is the second reason among men (Statistics Poland, 2018).

In 2017, employed people with disabilities in the economically active population constituted 27.2% compared to 48.7% in the European Union (Hołub 2017). The rate for people with disabilities in the age group 60 and above was only 5.8% and was higher for men (8.3%) than for women (3.4%), and higher for inhabitants of cities (6.4%) compared to inhabitants of rural areas (4.4%).

Voluntary work of seniors. It seems that a large number of organisations in Poland’s third sector have not yet discovered the potential of older volunteers. The main concern which is associated with the involvement of older volunteers is that their health

and physical condition is perceived to be a barrier to work and voluntary participation. In addition, there are concerns about the ability of older people, particularly in the field of modern technology, and their openness to new experiences and working methods, even in non-paid jobs.

Good practice: Some activities are underway to increase the employment of people with disabilities. The Polish Federation of Supported Employment (PFZW) has brought together organisations since 2001 to promote supported employment for individuals with disabilities on the open labour market in Poland. The Federation: (1) integrates the stakeholders participating in supported employment initiatives and highlights the capacities and contribution of persons with disabilities to the economy and society; (2) disseminates the knowledge and standards of supported employment among institutions, organisations and representatives of businesses; (3) promotes and implements the European standards for supported employment; and (4) enables persons with disabilities to take up paid and potentially permanent employment. The Federation's activities aim to promote respect for diversity, dignity, autonomy and independence of persons with disabilities. Since 2016 over 4,500 individuals with disabilities in different age groups have taken advantage of the support of the Federation. Over 1,500 persons with disabilities have taken up employment with the support of a job coach. Almost 1,000 employers have been supported thanks to career consultancy services (<http://pfzw.pl/en/category/news1/>).

Health of the Ageing Population

The average healthy lifespan indicator defines for a given person (of a given gender and age) an estimate of the average number of years without disability (in good health). According to the results of Eurostat (2013), a healthy lifespan in Poland was 81.1% of the life expectancy period among men and 77.3% among women. This means that for a man born in 2013, on average the first 59 years will be free from any limitations caused by disability (for instance, chronic diseases); for women, this period will be about 63 years. For men aged 65 years, a healthy lifespan is applicable to less than one half (about 46%) of their remaining life, that is, 7.2 years, and for women, 39%, that is, 7.8 years.

According to Eurostat, at the end of year 2017 in Poland, almost 25% of people aged 60 and above classified themselves as having health problems (persons who had a limited ability of performing usual tasks). In the same age group, the disability rates were 27.1% for men and 31.3% for women, with rates often higher for those living in rural areas (Infomacja 2018: 10). Inclusion of such individuals in paid work would represent an opportunity to reduce unemployment, poverty and the future burden of the social security system. This would also increase the demand for training. Some programmes target unemployed aged people over 50 and 60 years (trainings, financial support for employers hiring those people, and funding infrastructure in work places which will facilitate work for older employees and those with disabilities) (Infomacja 2018).

In Poland, institutional long-term care for older people falls significantly short of needs (OECD 2018: 16). A large part of the care sector is provided by informal carers. Palliative private care or care outside the formal labour market is not currently monitored. Carers are usually neither trained to be the caregiver to older people nor in terms of ergonomic working conditions.

Inhabitants of small towns have a significantly lower sense of quality of life than older people from big cities. Multimorbidity and polypharmacy are present to a limited extent. Research shows that discrimination against older individuals by medical personnel affected a fifth of seniors living in villages, and one third of those living in big cities. Geriatric patients do not yet have equal opportunities for access to medical services in Poland (Blachnio and Bulinski 2015). Inequalities in access to health care may affect the ability of older people to be an active part of the labour force (Szybalska et al. 2018).

Recommendation and Conclusions

Poland has been among countries implementing the National Program of Social Activity for the Elderly for 2012–2013 (Rządowy Program na rzecz Aktywności Społecznej Osób Starszych na lata 2012–2013) (National Program 2013) and creating the Advisory Council for Seniority Policy (Rada ds. Polityki Senioralnej).

The main recommendations formulated by the Ministry of Family, Work and Social Affairs in 'Information about the situation of older people in 2015' concerning social policy directed to older persons on how to improve their situation are repeated in the documents prepared in the following years (Information about the situation of older people in 2016). These are:

- Improvement of the material situation of older people, especially people with the lowest pensions, by the introduction of additional benefits and establishing a new minimum pension.
- Improvement of social policy to promote social inclusion, especially for poorer older people, through the provision of more and better services. The actions should be undertaken on national and local levels.
- Undertaking actions to activate people in the labour market and to facilitate the creation of small businesses because today older people represent unused human capital in the Polish economy.
- Promotion of new campaigns creating positive images of ageing people and inter-generational cooperation. Education of young people about the problems of ageing people should be conducted by local governments, businesses, schools, NGOS and local communities.
- Promotion of education of older people about healthy style of life, use of new technologies.
- Improvement of support for people with disabilities and their families by state institutions; increasing financial support and additional services.

- Improvement of cooperation by state institutions and local governments with recently created boards of seniors in different communities and on the regional level. Boards of seniors can help to articulate the needs of older people in general and specific needs in local communities.
- Creation of a catalogue of good practices in the areas mentioned above to facilitate their dissemination.
- Monitoring cases of discrimination based on age by public, private and social institutions and undertaking actions against them.

These recommended actions show the complexity and extent of the serious challenges faced by older people which have, so far, been neglected and which should be addressed in the near future in Poland. The changing age of retirement, first being increased and then decreased back to an earlier lower age of entitlement, was the focus of a very lively public discussion between 2013 and 2017. The liberal government of the Civic Platform and Polish Peasant Party considered that prolongation of work is necessary in the long run for demographic and economic reasons. The populist party Law and Justice, being aware of negative attitudes of public opinion towards the increased pension age, promised to withdraw it and to return to an earlier retirement age. For the Party, and in collaboration with the trade union Solidarity, lowering the pension age was a way to get support in parliamentary elections in 2015. Over the next few years, retirement age and its consequences for the individual and the Polish state budget in the short and in the long run will continue to be a hot topic in public discussion.

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