

ETUC SOCIAL PROJECT - SURVEY FOR NATIONAL CONTACT PERSONS

Trade Union report for Poland

National Trade unions that participated in the survey: NSZZ Solidarność

This survey, for completion by the National Contact Persons on behalf of their trade union, is an important source of the qualitative and quantitative information required for the ETUC's SociAll Project. This is in addition to the extensive information about each country's pension system that will already be available to the National Experts from established national and international sources.

The survey will provide the National Experts with:

- Background information, specifically from a trade union perspective, about the country's pension system and attitudes to recent trends in pension provision;
- To outline the challenges in the sphere of pension provision that have been identified by trade unions; and
- Set out the trade unions' priorities and proposals.

The survey is divided into three sections that are summarised in Table 1 below. These relate to the corresponding sections of the National Reports, as outlined in the Methodological Note. Section 4 of the National Reports will also be informed by the information that is provided.

Table 1. Outline of the National Survey	
<u>Section 1.</u>	The Country's Pension System: The views of the national trade unions on the strengths and weaknesses of prevailing pension system and the content and the expected effects on the system of recent reforms and those currently under active discussion.
<u>Section 2.</u>	Current Challenges: Trade unions' perception of the main socio-economic and demographic challenges that affect the present and future of pension provision.
<u>Section 3.</u>	Possible Reforms: The trade union's priorities in pension policy and the strategies required to have more effective pension protection in the future.



Section 1. The Country's Pension System

This section of the survey covers the current situation, including questions on the trade unions' views on the strengths and weaknesses of prevailing national pension system. It also asks questions on the content and the expected effects on the country's pension system of recent reforms and those currently under active discussion. It should be taken that the National Experts are already familiar with the country's existing pension system and current issues. The status of the current reforms should be identified as follows:

- **Completed Reforms**, i.e. those implemented since 2010
- **Planned reforms**, i.e. almost certain to be adopted, i.e. having gained enough political support and formulated as draft legislation
- **Reforms under active discussion**, i.e. those that are under discussion, with an indication of the likelihood that the reform will be adopted.

QUESTIONS

GENERAL OVERVIEW

Role of Social Partners in general and trade unions in shaping pension reforms

Q 1.1

Can you describe how trade unions in particular and social partners in general are involved in the pension policy debate and decision-making process in your country and how does the involvement take place (involvement in bipartite/tripartite institutions, consultation by government/parliament, negotiations)?

Trade unions are involved in debate within Social Dialogue Council (Rada Dialogu Społecznego - RDS), which is tripartite body to discuss the social-economic policies. Within the Council there is dedicated problem group for social insurance and its task is to develop common positions and opinions on matters relating to social security, in particular by:

- 1. Giving opinions on draft legal acts and preparation of assumptions and draft legal acts, giving opinions on government programs and other documents related to the issues of the social security system.*
- 2. Analyzing and assessing the functioning of social insurance, in particular regarding the legal, social and financial consequences of proposals for solutions in the field of social security benefits and their financing.*
- 3. Assessing the effectiveness of the functioning of the social security system as a mechanism for ensuring income for insured persons in the event of social risk, in particular in the field of:*
 - the amount of benefits, proper addressing of social insurance benefits;*

- system effectiveness in reducing the negative effects of social risks,
- shaping the social insurance system,
 - financial stability of the social security system,
 - the impact of the social security system on employment.

4. Assessing changes in the social security system.

5. Initiating, analyzing and evaluating the adaptation of the social security system to demographic and economic changes.

6. Performing analyzes of the functioning of institutions of the social security system, including their financial management - from the point of view of its effectiveness and efficiency.

7. Cooperation with social insurance institutions.

8. Comparing Polish solutions used in the social security system with foreign experience, including in the European Union.

The act on trade unions provides a law for Trade union to give opinions to acts on social protection. Unfortunately the opinions rarely are being taken into account in terms of shaping the final provisions.

Trade unions take part in tripartite discussion on the pension policy debate every year. Representatives of the government, employers and trade unions are discussing the increase in pensions in the Social Dialogue Council.

The representatives of social partners are also engaged in supervisory board of Social Insurance Institution.

Q. 1.2

Which is the trade union role in the latest pension reform processes (implemented and under discussion)? Provide your own assessment (major role, marginal role, total exclusion) and few examples in case of influence

The major role the trade unions took in discussion on retirement age reform. There was great citizens movement established in order to stop the reform. Consequently, after the change of the government in 2015, the previous pension age has been restored.

NSZZ "Solidarnosc" introduced a draft law on special indexation of the minimum pension. The draft hasn't been considered, but the government has recognized the need of increased valorisation of the lowest pensions and consequently since 2016 the lowest pensions have been indexed in such a way to catch up the basic expenses of low income pensioners.

The OPZZ issued an opinion to the draft act on the amount and percentage ratification of pensions. OPZZ responded positively to the attempt to alleviate the financial problems of people receiving low retirement and disability benefits. OPZZ also suggested other mechanisms that could effectively solve the problem of low pensions.



The marginal role of social partners was when government introduced the new law on special pensions for mothers of 4 and more children. In order to the provisions, women who have never or to short paid social insurance contributions are eligible to minimum pension ones they are 60 years old. This benefit is also provided for men who have raised 4 or more children but only if they have done it by their own (mother died or left the children).

Q. 1.3

Provide a general assessment of the extent to which the existing pension system addresses the needs of current and future retired people in your country, indicating where and why it falls short.

A general assessment will be enough, as a more detailed section on challenges will follow.

The pension reform in Poland carried out in 1999 led to a significant reduction in pensions to be paid. A significant increase in retirement benefits was promised when this reform was introduced. The reform ended in failure. The medium benefit paid in 2018 was about 50% of.

Q. 1.4

- a. What are the main principles and policy drivers that inspired the design of the pension system under analysis? Are they still valid?

See section 3.

- b. Is the European Pillar of Social Rights and the recent European Council's Recommendation on Access to social protection for workers and the self-employed¹ shaping the debate on pensions?

NO.

- c. Within trade unions?

NO – there is consensus on the need to all type of workers and self-employed being covered with the pension system.

- d. In bipartite or tripartite social dialogue?

Not yet.

Q. 1.5

¹ <https://ec.europa.eu/social/main.jsp?catId=89&furtherNews=yes&langId=en&newsId=9478>

Summarise the trade unions' views on the state of the country's pension system debate in terms of the balance between financial sustainability and social adequacy, coverage and effectiveness.

The questions are answered in section 3 of the Survey

Q. 1.6

Summarise completed reforms (as defined above) and indicate the trade union's assessment (if any) of their impact on the adequacy, coverage, and effectiveness of pension provision?

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Q. 1.7

Summarise reforms and those under active discussion (as defined above) and indicate the trades union's assessment (if any) of their impact on the adequacy, coverage, and effectiveness of pension provision?

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Section 2. Current challenges

This section of the survey is about the trade unions' perception of the main socio-economic and demographic challenges that affect the present state and future of pension provision in terms of coverage effectiveness and adequacy (and the effective implementation of the Recommendation on Access to Social Protection for Workers and the Self-Employed).

This should cover:

- *The issues the trade union regards as the more urgent challenges to pensions; and*
- *The main social and occupational groups that, in the view of the trade union movement, need greater attention for more effective pension protection.*
- *The gender dimension of the challenges*

The lists of issues provided for certain questions is non-exhaustive and other issues should be covered, if appropriate

QUESTIONS

Main Challenges

Q. 2.1

- a. What are, in general, the main social challenges in pension provision with respect to the social and economic outlook of your country?

Please consider the needs of people, their rights and living conditions. You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.

- Population ageing
- Poverty rates
- Access to essential services
- Out-of-pocket expenditure for healthcare and long-term care
- Low salaries
- Unemployment
- Increased share of atypical jobs (high rate of involuntary part-time/zero-hour contracts/
- Bogus self-employment
- Sluggish economic performance
- Low average productivity
- Increasing inequalities
- Gender gaps in employment/wages
- The Covid-19 Pandemic



- Other

- Aging population
- Lack of adequate support mechanisms when long-term care is needed (both when the family provides such care and through very poor development of institutional care in this area)
- Gradually decreasing amount of retirement benefits (especially for women)
- Lack of full insurance coverage for people active on the labour market but not employees (we mean self-employed people and people on so-called civil law contracts usually referred to by trade unions in Poland as "junk contracts")
- It is currently not possible to determine the effects of the Covid - 19 pandemic and hence its impact on social security. Such an analysis can be made at the earliest in a few months. In the period preceding Covid-19 Poland was characterized by good economic growth and a relatively good budgetary position compared to other EU countries. It should be remembered, however, that the budget in 2020 (planned in the period before the epidemic) was largely based on two one-off contributions related to G5 fees and transformation fees related to the planned (and currently suspended) liquidation of Open Pension Funds.

b. Who do these social challenges affect?

- Referring to the current situation, one should first of all point to the precarious situation of the following categories of people:
- persons who are party to the mandate contract and are under 26 years of age. In the case of this category of employees, there is no pension contribution (which means that their work is cheaper and at the same time their future retirement benefits will be lower) and no possibility of being subject to sickness insurance (which means that you cannot receive sickness or maternity benefit) . These persons are also not subject to accident insurance and are therefore not entitled to benefits in the event of an accident at work;
- people performing work based on a specific task contract. These persons are not subject to the retirement and disability insurance contribution (if they have no insurance title they may decide to pay the voluntary contribution to the retirement and disability pension insurance), under no circumstances can they decide to pay the sickness insurance contribution (hence the right to sickness benefit) and maternity). We cannot determine how many people in Poland depend exclusively on a contract for specific work. Most probably it connects with the status of an employee or self-employed. In a situation where a work contract is the only source of income, the situation is very precarious
- persons conducting economic activity in the period when they are exempted from the pension and disability insurance contributions or their contribution is reduced. The occurrence of such periods causes lower retirement benefits in the future and de facto



excludes from the possibility of obtaining sickness or maternity benefits (they are so low that they do not actually fulfill their function)

- the number of employees who are in a precarious position are drivers of international transport. These people receive the majority of their remuneration (in economic terms) through per diems and lump sums for accommodation that are not subject to social security contributions. As a result, their pensions in the future will be low, their sick pay is inadequate to the amount of remuneration (in economic terms) they receive.

c. What are the main reasons for these challenges?

The main reason is the economic development model adopted in Poland, largely based on low labour costs. In addition, it should be noted that the Supreme Court's very liberal approach to concluding civil law contracts (not covered by the Labour Code) in a situation where the relationship between the parties was characterized by subordination. In many cases, the Supreme Court pointed to the will of the parties as a factor determining the type of contract that the parties can bind.

These elements led to a wide use of so-called civil law contracts (in practice, agreement contracts).

Originally, the mandate contract was subject to a pension insurance contribution only if it was the first insurance title and in the remaining scope at the request of a party. In practice, mandate contracts in the then legal status were divided into the first (of symbolic economic value) and subsequent ones which were no longer subject to premium. This situation has changed through legislative measures (the mandate contract is subject to a premium of at least up to the amount of the minimum wage for work), and ZUS inspection activities have become somewhat more effective. However, it should be clearly indicated that the long-term postulate of trade unions indicating the need to be subject to the contract fee in full (regardless of the number of contracts or combining the status of the contractor with the employee) has not been fulfilled. Also during the rule of Law and Justice, which was characterized by activity in social policy (the 500 plus or 13 pension supplement discussed elsewhere), no changes were introduced that would be consistent with the indicated vision of trade unions.

It seems that at present, during the period (and after the Covid-19 epidemic) there is no chance to introduce the principle of a full premium on the agreement contract, and hence the cheaper form of employment, apart from the labour code, will develop.

d. Can you please provide data to support your views?

Na.

Challenges to Formal coverage

Q. 2.2

Please answer the questions shortly framing the relevant situation(s) in the demographic/ social/ macroeconomic context and always keep into account the gender perspective wherever relevant and possible. In your reply, please, consider in particular but not only employees, self-employed and atypical workers, as well as the gender dimension (de facto)

a. Are there any major gaps in formal coverage?

This challenge applies

- In extreme form: persons who are parties to the mandate contract for students up to 26 years of age

- In the form of a lack of full coverage: the construction of voluntary sickness insurance allows the self-employed and the contractor to decide not to pay sickness insurance contributions. The consequence is that you are not entitled to sickness or maternity benefits. What is most problematic is the fact that additional voluntary sickness insurance is subsidized by contributions paid by employees (subject to compulsory sickness insurance). This is due to the nature of things because, as it is easy to guess, self-employed people and contractors decide to pay sickness insurance contributions usually only when they are planning a motherhood and thus their global contributions are not sufficient globally to pay maternity benefits for self-employed people and contractors.

- Of course, other elements will appear in the field of sickness insurance, including, for example, the inability to be subject to voluntary sickness insurance by self-employed persons who have already reached the statutory retirement age. In a situation where in the Polish social security system the only premise to obtain the right to a retirement pension is obtaining retirement age and the amount of the retirement pension can be any - it results solely from the conversion of the valorized capital booked on the insured's retirement account for the foreseeable number of months of survival (i.e. theoretically "retirement" may be 10 euros and less) the inability to be subject to voluntary sickness insurance, in the situation of continuing activity on the labour market in the form of self-employment is significantly painful.

b. What categories of workers, i.e. employees, self-employed and atypical workers, are formally excluded from the coverage of pension schemes by reason of their contract, or are only offered voluntary coverage by pension schemes? Which are the main groups (for example migrant, low-skilled, women) affected?

1. Persons who are party to the work contract are completely excluded.

2. In case of starting a business or a small business, exemptions from the retirement and disability pension contributions are provided.

3. Allowances and lump sums for accommodation of international transport drivers are not subject to the pension and disability insurance contribution. It is a mechanism that is fully consciously used by the legislator to support competitiveness on the EU market of the Polish international road transport industry. Despite endless appeals

from trade unions, the Polish Ministry of Family of Labor and Social Policy, despite responsibility for the stability of the Social Insurance Fund, does not take any action. It seems that this element is completely imperceptible due to the concentration of everyone on the question whether and in what situations (transit, cross-trade, cabotage) the driver should be treated as a posted worker.

4. Attention should be paid to the rare (or even absent) solution in other social security systems provided for in the Polish legal order. A person who has no title to be subject to social insurance (for example, living on capital gains, renting real estate, etc.) may be subject to voluntary pension insurance upon request. It seems (but there is no serious research on this subject) that some of the third-country nationals working in the shadow economy (for example, ladies from Ukraine performing cleaning or care work in households) decide to be subject to voluntary pension insurance.

c. What determines/ how would you explain these gaps in formal coverage?

They result from fully aware decisions of the legislator. The most extreme case is building a competitive advantage of the Polish international transport industry on lower non-wage labor costs: the lack of premium concerns diets and lump sums for accommodation in a situation where the second benefit is of fundamental economic value and drivers receive them when they sleep in car cabins.

Also, maintaining a premium barrack under a mandate contract seems in some sense related to the desire to maintain the possibility of employing third-country nationals under a mandate contract. For example, in the meat industry, a significant proportion are third-country employees working for a user employer, directed by a temporary employment agency and linked to an agency contract. It should be remembered that in the case of a mandate contract, the employee has no right to paid annual leave and the legislator does not provide for any norms related to the right to rest.

d. What are their main social consequences/impact?

These consequences will be visible primarily in the future and will translate into the amount of retirement benefits.

We have no research that would show that self-employed people or contractors have a higher rate of individual savings that would compensate them in the future for lower retirement benefits.

Another element to look out for is retirement benefits for women in the so-called deep old age. At present, these women are covered by pensions from the so-called old system (and these benefits are definitely higher than pensions from the new system). At the same time, social perception assumes that in many cases women in deep old age are entitled to a survivor's pension after their husband. Changes in the family model and the number of divorces can falsify this assumption.

- e. Do you see issues for fiscal sustainability of a system covering people in all forms of employment?

The basic data that is missing to analyze the stability of the Polish social security system is the number of third-country nationals who will make decisions about working in Poland and this work will be related to the payment of contributions.

The lack of a country's migration policy makes it impossible to even make estimates.

It is also impossible to analyze the stability of the Social Insurance Fund in the context of future macroeconomic assumptions (GDP dynamics, time of crisis / recession etc. caused by Covid-19).

The question seems currently from the category of divination from coffee grounds.

- f. Please provide data

Na.

Challenges to Effective coverage

Q. 2.3

- a. Is it possible to highlight any major effectiveness issues?

Please, consider effects that, for example, possible entitlement conditions, wage levels, contribution levels, may have on non-standard workers, the self-employed, atypical workers, women.

- b. Who do these effectiveness issues affect? Are there categories of workers or self-employed that are at particular risk of limited effective coverage of pension benefits? *You can make reference to the topics and groups listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.*

- Women
- Younger workers
- Self-employed workers
- Bogus self-employment
- Atypical workers
- Precarious workers
- Agricultural employment
- Working poor
- Migrant workers
- Low skilled workers

- Other

c. What are the main causes of the risk of ineffective coverage of workers?

You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.

- Significant lack of transparency in the access to relevant information
- Aggregation of contributions across schemes
- Waiting period
- Calculation rules
- Requirements to access old-age or seniority pensions
- Lack of reconciliation of professional and family life
- Incomplete work careers
- Low wages
- Missing financial capacity to save in (voluntary) pension schemes
- Others

Exclusions of the obligation to pay the contributions.

Construction of voluntary sickness insurance.

d. How far are the following contingencies significant in leading to ineffectiveness of pension provisions? *Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples.*

- Maternity, paternity, parental leave
- Study or training periods
- Sickness
- Unemployment
- Care duties (elderly, children, disabled, etc...)
- Other

The amount of sickness benefit (80% of the base) is quite high compared to other Member States. This results, first of all, from tradition, and secondly, the legislator, being aware of low wages, does not assume the "possibility" of making any savings by large groups of employees.

There are no (also for employees) insurance benefits related to the training period or upgrading qualifications.

e. What are their major **social** impacts of ineffective pension provisions?

The negative impact can only be a prediction, as the real results haven't been experienced yet.

Do you see issues for **fiscal sustainability of a fair and effective social protection system**?

Na.

- f. Is the lack of transparency or satisfactory information about pension entitlements and obligations limiting *effectiveness of* pension provision; and, if so, which categories of workers and the self-employed are most affected?

No, the information is straight and forward, but the people do not trust in national insurance institution so the information isn't considered as the guide how to behave reasonable on labour market in order to get protected in old age.

Challenges to Adequacy

Q. 2.4

- a. Is there a prevailing/institutional/constitutional reference or definition of adequacy that is used as standard in your country? How do you define adequacy?

NO

- b. Do you use any specific indicator to assess it in your country?

NO

- c. Please provide the TU's view of the significance of the two main adequacy indicators used by the Commission (Theoretical Replacement Ratio/TRR; Aggregate Replacement Ratio/ARR – Pension Adequacy Report - PAR 2018).

For the trade unions closer is the ARR – as its construction is more social and solidarity. But there is no clear and common answer for this question within Polish trade unions. It must be remembered that the reform of 1999 was based on overall conviction that the future pension should reflect the whole life working experience and father there was the deep lack of trust in national insurance institution what determined decision on introducing open pension funds (II pillar pensions).

- d. How would you define “ageing in dignity”?

Ageing in dignity = having access to proper healthcare, social facilities and long-term care if needed and in the same time being financial independent.

- e. Do you have in mind any specific indicator that could help in assessing “ageing in dignity” in your country?

There is no discussion about ageing in dignity, but rather about the basic needs of elderly, which are as mentioned above.

- f. What are the major deficiencies (if any) in the provision of adequate pensions?
The major deficiencies are as mention in section 2.3: many exemptions from pension insurance obligation.
The current construction of the pension calculation puts in favor those whose working lives are longer. What means that everybody who decides to get on pension has to calculate whether to work longer or take on the pension. Mostly Polish workers choose the first eligible year to start their pension. The reasons are mostly their health problems and family needs (lack of proper child- care or/and lack of long-care for elderly).
- g. What determines these deficiencies?
You can make reference to the topics listed below, noting the relevance in the short, medium and long run, and add some others. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with data and examples.
- Lack of provision of minimum pension
 - Volatility of complementary pensions
 - Low rates of return from funded pensions
 - Wage levels
 - Contribution levels
 - Worked hours
 - Repartition of contributory obligations on employer/employee
 - Length/continuity of careers
 - Purchasing power erosion
 - Lack of indexation
 - Cost of living
 - Services for old age provided publicly/without out of pocket expenses
 - Need of personal/private (out-of-pocket-expenses) for health and long-term care
 - Others
- h. **Who** do these deficiencies affect? Please, consider employees, self-employed and atypical workers
- i. What are the major social impacts of these deficiencies?

- j. Do you see issues for **fiscal sustainability of a fair and adequate social protection system**?

Other challenges

Q. 2.5

What are the **challenges and the opportunities related to occupational pension policy/schemes** concerning their contribution to formal coverage, effective coverage, adequacy (and transparency) of pension system.

Actually after having second pillar pensions closed what has been planned for this year, the only occupational pensions are those in III pillar – private savings supported by employers. But they are provided only in large companies, where the trade unions organizations are strong. The government has set up new saving programme, but its results may be seen in far future if ever. (more about it in section 3).

Is there any other particular (set of) challenge(s) that you deem key or that should be addressed as a priority in order to give impetus to upward convergence?

- a. Please, explain the reasons of your answer.
- b. Please provide data.

Q.2.7

How is the Covid- 19 emergency impacting your priorities?

Is not, as it's difficult to predict the results of current special actions supporting the employers and self-employed.



Section 3. Possible Reforms

*This section seeks information about the trade union's priorities in pension policy; and their involvement in the policy making process and the strategies to have more adequate and effective pension protection for all. **The examples given under each question are for assistance and other issues should be covered, when appropriate.***

QUESTIONS

Q. 3.1

What are the main demands/actions/reforms that the trade unions propose in order to meet the challenge(s) highlighted in the answers to Section 2?

Q 3.2

What would be the main fiscal sustainability drivers necessary to support your policy proposals? What would be the issues arising? What the desirable sources of financing?

Q.3.3

Are there any major actors supporting or opposing your proposal and why?

Provide a concise description from those listed below, plus any other that you consider relevant in light of your replies in the previous set of questions. Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples

- Minimum schemes
- Employment related or income-based schemes
- Occupational pension provision
- Pensionable age and early retirement schemes
- Regulation of the labour market and active labour market policies
- In-kind benefits, long-term care and social assistance
- Other

Please, explain also how the proposed reform would address the challenge(s) identified in your replies to the previous set of questions

- keeping in mind the possible effects linked to age groups/ gender/ forms of employment and

- providing an assessment and considering effects of main issues from the topics listed below, in the light of your replies in the previous section, plus any other that you consider relevant.

Please, explain your choices and, for those that are regarded as the most salient, provide a concise explanation, with examples.

- Formal coverage for specific categories of workers and self-employed
- Effective coverage
- Adequacy of benefits
- Inequalities (gender pension gaps, pension rights of younger cohorts of workers, coverage of atypical jobs)
- Other:

The assumptions of the pension system currently operating in Poland were determined as part of the pension reform introduced on January 1, 1999. The basic assumptions of the reform included: 1) diversification of retirement financing methods, 2) diversification of sources of income after reaching retirement age, 3) change in the structure of retirement risk and conditions acquiring the right to an old-age pension and 4) applying a new formula for determining the amount of old-age pension.

However, the pension reform did not significantly change the model of protection against the risk of old age.

An attempt to change the method of financing retirement benefits in the basic retirement insurance system from pay-as-you-go to pay-as-you-go ended unsuccessfully. The high operating costs of OFE and the growing FUS deficit, which is a consequence of directing over 1/3 of its revenues from pension insurance contributions to OFEs, has caused a serious burden on the public finance system with the costs of operating the capital pension insurance segment. Changes in the functioning of this segment introduced in 2013, especially the introduction of the so-called "Safety slider" means de facto giving up the capital method of financing retirement benefits.

The attempt to build a multi-level retirement security system in our country also failed. The burden of providing a source of income after reaching retirement age still rests on the public, compulsory, pay-as-you-go pension insurance system. At the end of the second quarter of 2019, pension insurance in this system covered 15,956,000 people. Against this background, the number of people actively using voluntary group and individual saving for old age should be considered negligible.

The most durable elements of the 1999 pension reform should be those that did not concern the pension system paradigm, but the parameters of the underlying pension insurance system, i.e. the design of the pension risk and the formula for determining the amount of the pension.

The retirement reform assumed taking actions aimed at increasing the real retirement age. To this end, it was decided to change the current structure of pension risk and to exclude the possibility of early retirement. In the new pension system, the condition of service (insurance period) was abandoned in the arrangement conditioning the acquisition

of the right to benefit. In the new retirement system, the contributory and non-contributory period only serves as a premise for the insured being covered by the guarantee of obtaining the lowest benefit. As a result, every person who has achieved any, even a minimum insurance period, acquires the right to an old-age pension. But only people who have achieved a contributory and non-contributory period of at least 20 years for women and 25 years for men have the guarantee that their pension will not be lower than the amount of the lowest statutory pension. A negative consequence of making the right to retirement dependent on reaching retirement age is a sharp increase in the number of pensions lower than the lowest pension (in 2020 it is PLN 1,200). The elimination of early retirement options has significantly increased the so-called actual retirement age. On the eve of the reform (in 1998), women retired in Poland on average at the age of 54.7 years and men at the age of 58.7 years. In 2016, the actual retirement age was 61 years for women and 63.3 years for men. In 2017, the legislator decided to return to the retirement age of 60 years for women and 65 years for men, which resulted in a decrease in the real retirement age of women. In 2018, it was 60.7 years for women and 64.4 years for men

The introduction of a new mechanism for determining the amount of retirement should be considered the most durable element of the pension reform. The so-called the formula of the defined premium makes the amount of the future pension dependent on the value of the pension contribution made during the period of insurance and the age of the retiring person. The pension is the equivalent of the quotient of the sum of contributions registered on the insured person's individual account with the Social Insurance Institution (ZUS) and the statistical number of months of the benefit period attributable to the insured's age at retirement. The basis of the pension calculation also includes the so-called initial capital specifying the hypothetical value of pension insurance contributions paid before the date of entry into force of the pension reform. In the new pension system, social functions implemented by the pension system have been kept to a minimum. The pension has acquired an individual character in this system and the insured were charged with the amount of future retirement benefits. The standard of living after reaching retirement age depends on the resourcefulness of the insured person determined not only through the length of the period of payment of contributions and the amount of remuneration achieved during the period of professional activity, but also individual decisions regarding the diversification of sources of income after reaching retirement age.

On February 13, 2020, Polish Parliament adopted an act amending certain acts in connection with the transfer of funds from OFEs to individual retirement accounts. It proposed a way of using the remaining part of the funds managed by OFE from the part of the pension insurance contribution originally intended for financing the pension with the capital method (their value is currently around PLN 162 billion). The Act provides for the transformation of OFEs into specialized open-end investment funds (SFIO) maintaining individual retirement accounts (IKE) and PTEs into investment fund societies (TFI). OFE



members are offered the right to choose the method of allocating funds accumulated in OFE. The default option is to transfer these funds to IKE where they will continue to be collected, but on a voluntary basis, with a view to using them, as a rule, only after reaching the age of 60. A member of OFE will be able to decide to transfer all the accumulated funds to the Demographic Reserve Fund currently managed by ZUS and to register the transferred funds on the account of the insured in ZUS, which will contribute to increasing the basis for calculating future pension and in the future will result in obtaining a higher benefit. The solutions contained in the Act met with the favour of the largest trade union centres in Poland, which treated the operation provided for in the Act as an element of strengthening the process of diversifying sources of income after reaching retirement age.

Trade unions also are looking at the attempt for increasing Poles' interest in group capital raising forms with the entry into force on January 1, 2019 of the Act on Employee Capital Plans (PPK). PPK can be defined as a form of systematic collection of savings by employees organized by employers for payment after reaching the age of 60. It imposes on employing entities the obligation to conclude PPK management agreements with financial institutions on behalf of and for the persons employed in those entities. Saving in PPK, however, is voluntary. The employee may, by way of a declaration of intent to the employer, opt out of making payments for PPK. The incentive to save at PPK is financing payments from employer, employee and public funds. The basic payment financed by the employing entity is 1.5% of the remuneration. However, the employer may declare an additional payment of up to 2.5% of the remuneration. The amount of the basic payment paid by the employee is 2% of the salary, while the additional payment - up to 2% of this basis. In connection with joining PPK, the participant receives the so-called a welcome payment of PLN 250, and for active participation in the plan once a year, the so-called annual surcharge of PLN 240. Both benefits are financed from the Labour Fund. The assumption adopted by the authors of the draft Act on PPK, according to which 75% of all eligible employees should join the plans, should be considered too ambitious. The scope of interest in these instruments will be determined by the level of remuneration achieved by employees in our country and the related possibilities of obtaining funds intended for securing existence after reaching the age of 60. An important factor stimulating PPK interest will also be trust in the system related to, among others with the results of the managing financial institutions collected in the PPK. It is also worth noting that the Act on PPK does not solve the problem of the low scope of protection against the risk of reaching retirement age in the basic social insurance system of persons conducting agricultural and non-agricultural economic activity.

For many years, trade unions have been calling for the introduction of so-called internship pensions, i.e. benefits that would be granted regardless of age to persons with a sufficiently long insurance period of e.g. 35 years for women and 40 years for men. They would enable people with long-term insurance experience to terminate their professional activity before reaching the basic retirement age, whose health condition, due to the type



of work performed, does not allow them to continue employment until they reach retirement age. The problem in this case is on the one hand the financial costs of introducing this benefit, on the other hand the amount of such pensions, which would be calculated according to the formula of the defined contribution, i.e. taking into account the average life expectancy of people at the age of retirement.

An important place among the demands of the largest trade union centres in Poland is occupied by the demand to resign from the so-called extending of bridging pensions. Bridging pensions are addressed to employees who started working in special conditions or work of a special nature before the implementation of the pension reform, i.e. before 1 January 1999. They enable the termination of professional activity at the age of 55 years woman and 60 years man provided that they meet internship requirements. Employees who started working in special conditions or work of a special nature after December 31, 1998 may not use them. According to trade unions, persons who perform works of a significant degree of harm to health or a significant degree of nuisance or works which due to for public safety cannot be exercised after exceeding should be treated by the pension system in the same way, i.e. allow early retirement regardless of the date of commencement of such work. Also in this case, the costs of the proposed solution constitute a barrier limiting the possibility of introducing this solution. The implementation of this postulate would require a significant increase in the contribution to the Bridging Pensions Fund paid by employers employing employees in works in special conditions or works of a special nature.

The demands for ordering the Polish labour market, formulated by the trade unions in Poland for many years, also contribute to improving the financial situation of the Social Insurance Fund. Until 2017, Poland was a leader in the infamous ranking of EU Member States with the highest percentage of employees employed on the basis of fixed-term employment contracts, civil law contracts and self-employed ones. Amendments to the provisions that were introduced in 2016 effectively preventing the abuse of a fixed-term employment contract as the basis for employment or employment under civil law contracts or under so-called Self-employment not only contributed to improving the situation of employees on the Polish labour market but also to a significant improvement in the financial condition of the Social Insurance Fund. The economic activity rates and low unemployment rates that have risen in recent years are also significant in this respect.

