



ESPN Thematic Report on retirement regimes for workers in arduous or hazardous jobs

Poland

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European Social Policy Network (ESPN)

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Summary/Highlights

In Poland, early retirement for workers in the private sector due to arduous or hazardous conditions is possible under two regimes:

- Bridging pensions have been available since 2009 to people who are in jobs with special conditions or characteristics, and who worked in them before 1999. The relevant jobs are defined in law with the co-operation of experts in occupational medicine (replacing older regulations in this area). Benefits are paid between age of early retirement and the legal retirement age, financed from earmarked employers' contributions and the state budget.
- Miners' pensions are a special sub-system in social insurance regulations in Poland, based on the defined-contribution principle and financed from general social security contributions.

In the public sector, early retirement due to special work conditions is also available to the army, police and other armed forces as well as judges and prosecutors. Teachers can also receive (on a transitional basis) compensation benefits prior to retirement age. These schemes are financed from the state budget.

New legislation and associated regulations in 2009 replaced a previous early-retirement scheme that granted generous access to benefits based on a wide definition of arduous or hazardous jobs as well as long contributory periods. Before 2009 the list of arduous or hazardous occupations, based on decrees and other regulations, had been extended widely during 1980s and 1990s and had not been revised in line with technological and work organisation changes in the last decades. This is the main reason why a significant share of the 55-64 age group left the labour market, resulting in very low employment rates of older workers in Poland (26.1% by 2004) and more than 1.5 million recipients of early-retirement benefits.

The reforms of access to early retirement, and the new definition of arduous or hazardous conditions based on medical criteria, have reversed these trends. Since 2009 the Act on Bridging Pensions means that people working in arduous or hazardous conditions can take early retirement only if their health status might worsen significantly if they continued working until official retirement age, or if (a) their jobs involve demanding psycho-physical conditions that worsen with age, and (b) they are responsible for the health and lives of other people.

These changes in early retirement were accompanied by a government programme – 'Solidarity between Generations' – that included a series of measures supporting the employment of older workers. These included a reduction in labour costs for employers, targeted programmes for the unemployed and job-seekers, and promotion of age management among employers.

Overall, the Polish experience in reforming early retirement, including for workers in arduous or hazardous conditions, can be seen as an example of an efficient policy intervention. This was the result of a combination of factors, including:

- Co-operation with medical experts and the use of evidence in the reform proposal.
- An integrated approach combining pension policy and employment policy measures.
- A comprehensive approach limiting all potential routes to early retirement.

1 Overall description of the policy mix targeted at workers in arduous or hazardous jobs

Early retirement due to arduous or hazardous jobs was widespread in Poland in the late 1980s and early 1990s. This, combined with the possibility of retiring on grounds of long service, led to both an early age of exit from the labour market and a low employment rate among the 55-64 age group. The list of those eligible for early retirement (defined in a Decree of the Council of Ministers¹) covered more than 300 occupations (1,000 types of workplaces). There was separate legislation providing early-retirement rights for miners, railway workers, teachers, and the so-called armed forces (chiefly the army, police, border guards, professional firemen, and prison guards), as well as judges and prosecutors. Additionally, women could retire at 55 on grounds of long service (i.e. if they had worked for 30 years), and men at 60 (if they had worked for 35 years and were not able to work²). People with disabilities could also retire five years prior to official retirement age (i.e. women at 55 and men at 60). As a result of this general pension system, the average age of retirement was constant at around 55 for women and 59 for men.

The pension reform of 1999 introduced a new multi-pillar system based on defined-contribution rules³. It was announced that a new system of so-called 'bridging pensions' (*emerytura pomostowe*) would replace the previous early-retirement scheme linked to difficult or special conditions of work, after a transition period. Initially the transition period was planned to last until the end of 2006, but it was postponed by a decision of Parliament until the end of 2008. In 2006, special early-retirement pensions for miners, abolished by the pension reform in 1999, were reinstated.

As a result, since 2009 there have been two main acts that define options for early retirement linked to work in specific occupations/jobs for workers outside the public sector who were born after 1948.

The first is the Act on Bridging Pensions⁴, which defines early retirement for workers employed in arduous or hazardous jobs before 1999⁵. Those employed after 1999 retire according to the general rules, with no right to early retirement⁶. The second is the Act on Old-Age and Disability Pensions from the Social Insurance Fund⁷, Chapter 3a of which defines permanent early-retirement rights for miners (*emerytura górnicze*).

The new bridging pensions scheme and the revised definitions of arduous or hazardous work was announced in the law already in 1998 and came into force without any transitional period, and it led to an immediate increase in the average actual retirement age. The new scheme also ended the possibility of retiring early on grounds of long service for all workers, which was the main route to early retirement.

¹ Rozporządzenie Rady Ministrów z dnia 7 lutego 1983 r. w sprawie wieku emerytalnego oraz wzrostu emerytur i rent inwalidzkich dla pracowników zatrudnionych w szczególnych warunkach lub w szczególnym charakterze.

² After the ruling of the Constitutional Tribunal in 2007, the requirement of inability to work was abolished, which led to increased early retirement for men born between 1945 and 1948.

³ For a description of the Polish system see for example the country fiche for Poland in the 2015 Pension Adequacy Report (European Commission, 2015).

⁴ Ustawa z dnia 18 grudnia 2008 r. o emeryturach pomostowych (Dz. U. z 2008 r. Nr. 237 poz. 1656 with subsequent changes).

⁵ Ustawa z dnia 22 maja 2009 r. o nauczycielskich świadczeniach kompensacyjnych (Dz. U. z 2009 r. Nr 97, poz. 800 with subsequent changes).

⁶ Teachers can claim compensation benefits under similar rules between 2009 and 2032, with a gradual increase in the eligibility age from 55 to general retirement age.

⁷ Ustawa z dnia 17 grudnia 1998 r. o emeryturach i rentach z Funduszu Ubezpieczeń Społecznych (Dz. U. z 1998 r. Nr 162 poz. 1118 with subsequent changes).

The Act on Bridging Pensions includes new definitions of jobs treated as having special conditions or a special nature⁸ that establish eligibility for bridging pensions⁹: work under special conditions and work of a special nature:

Work under special conditions – work performed under conditions that, with age, carry the risk (significant probability) of causing permanent health damage. The work must be performed under special environmental conditions, determined by forces of nature or technological processes, which – despite using all available technical, organisational or medical preventive measures – impose requirements that exceed workers' capabilities as they approach retirement age, and consequently pose a risk of health damage.

Risk factors determined by forces of nature include: (a) work underground, (b) work on water, (c) work underwater, and (d) work in the air.

Risk factors determined by technological processes include:

- Work in hot conditions (microclimate)¹⁰,
- Work in cold conditions (microclimate)¹¹,
- Very heavy physical work¹²,
- Works in conditions of elevated atmospheric pressure, or
- Heavy physical work associated with very high static load resulting from having to work in a forced, unchanging body posture¹³.

Work of a special nature – work requiring special responsibility and special psycho-physical performance, the ability to discharge which (in a manner not prejudicial to public security, including the health or life of other people) diminishes before pensionable age as a result of deteriorating psycho-physical efficiency associated with the process of individual ageing.

Based on these definitions, lists of specific relevant work types have been developed. The list for work under special conditions consists of 40 items (including work underground in mines, work in steel factories with blast furnaces, work underwater, working on sea ships, work in cold (sub-zero) temperatures, and very heavy physical work). The list of work of a special nature consists of 26 items (including pilots of air vessels, air traffic controllers, bus and tram drivers in public communications, railway engine drivers, medical staff working with drug addicts, surgical teams working in emergency conditions, and operators of atomic reactors). Under the new approach, several individual jobs can be assigned to each work type.

Additionally, those serving in armed forces have their time of service counted as work in special conditions, if they are not eligible for a pension from armed forces (i.e. they did not fulfil sufficient work service to receive pension under the armed forces scheme).

⁸ Initially proposed by prof. Igor Tomes, former Minister of Labour and Social Policy in the Czech Republic and World Bank consultant. One of the reforms undertaken by prof. Tomes in Czech Republic was the reform of the early retirement scheme, leading to a reduction in the take-up of early retirement.

⁹ In the report, we refer to the final definitions adopted in the Law on Bridging Pensions in 2008. During the policy discussions, these definitions were modified, but not in a way that would affect the general assumptions of the bridging pension scheme.

¹⁰ Work performed in premises where the value of the thermal load index WBGT (wet-bulb globe temperature) is 28°C and above, and the level of metabolism of an employee is above 130 W/m².

¹¹ Work performed in premises with an air temperature below 0°C.

¹² Work that, over a shift, requires an effective energy expenditure exceeding 8 400 kJ in the case of men, and exceeding 4 600 kJ in the case of women.

¹³ Heavy physical work is defined as requiring an effective energy expenditure over a shift exceeding 6 300 kJ for men and exceeding 4 200 kJ for women. Work in a forced posture requires a significant tilt and (or) back sprain while exerting force in excess of 10 kg for men and 5 kg for women (according to the OWAS method category item 4) for at least 50% of the work shift.

The number of jobs in respect of which bridging pension contributions were paid in mid-2013 amounted to 328,400 (that is, 2.26% of all insured workers)¹⁴. Contributions are paid for all workers employed under the conditions defined in the law. According to the Act on Bridging Pensions (art. 53), by the end of 2014 the Minister of Labour was obliged to prepare a strategy to support the employment activation of workers employed after 1999 under the relevant conditions for at least 15 years. However, such a strategy has not yet been prepared.

The **Act on Old-Age and Disability Pensions from the Social Insurance Fund** defines the work of miners, including various types of jobs that require working underground (art. 50c of the Act). In 2014 there were 171,000 miners in Poland (Arak, 2015).

There are no specific end-of-career options aimed at prolonging the working lives of those employed in jobs defined under the two above-mentioned Acts. However, in 2008 the government adopted the **Solidarity between Generations** – 50 plus programme, aimed at the activation of older workers (Rada Ministrów RP, 2008). The programme was revised in 2013 (Rada Ministrów RP, 2013). The programme followed the concept of developing a virtuous circle of activation and prolonged working lives through integrated measures. It reinforced the overall goal of increasing the employment rate of people in the 55-64 age group to 50%. The programme includes the following objectives:

- Adjustment of skills and raising qualifications of people aged 45+, in line with labour market requirements;
- '50+ friendly' organisational culture and work environment;
- Improving the efficiency of activities promoting longer working lives;
- Promoting active and healthy ageing;
- Developing co-operation for employment of people aged 50+¹⁵;
- Social transfers stimulating the activity of people aged 50+¹⁶.

In line with the programme's recommendations, several legislative changes have been made that are designed to reduce the cost of labour, including reducing employers' contributions to the Labour Fund (which finances labour market policy) and reducing the cost of extended sick leave for employers by partially shifting its financing to the social insurance system (see for example Grotkowska, 2013). A number of activation measures were also developed and financed by the Labour Fund and by the European Social Fund (Human Capital Operational Programme). Furthermore, during 2013-2014 a newly established National Training Fund (a part of the Labour Fund) was used to finance education and training for workers aged 50 and over.

2 Pension rules for workers in arduous or hazardous jobs

As mentioned in the previous section, early-retirement benefits are paid to two groups of workers, as defined in two acts. Each act defines slightly different pension rules.

Bridging pensions are paid from the age of (early) retirement (as defined in the law) until regular retirement age. At retirement age, an old-age pension is calculated and paid out according to general rules. Recent changes to the financing of the general pension system, including reduced contributions paid into the funded part of the system and an opt-out from funded contribution payments, do not affect bridging pensions arrangements.

¹⁴ <http://praca.gazetaprawna.pl/artykuly/734478,firmy-chca-skonczyz-z-fikcja-emerytur-pomostowych-beda-domagaly-sie-zwrotu-skladek.html>

¹⁵ This includes co-operation between different layers of local and central government as well as co-operation between non-governmental organisations and local government, between social partners and public authorities etc.

¹⁶ With the aim to redesign various social benefits to avoid inactivity traps and early retirement.

Table 1 sets out the rules for bridging pensions.

Table 1. Rules for bridging pensions

Pensionable age	General: 55 for women and 60 for men. Exceptions: 50 for women, and 55 for men, who work on aircrafts and have an assessed inability to continue working under special conditions. 55 for those working in sea ports; those working in ironworks who have assessed inability to continue work in special conditions; divers; sea fishermen; those working with asbestos; engine drivers who have assessed inability to continue work in special conditions; and professional mountain-rescue team members.
Career requirements	15 years of working in arduous or hazardous conditions and 25 years of service in total. Exception: 10 years for divers, sea fishermen, those working with asbestos, and professional mountain-rescue team members.
Benefit calculation	The bridging pension is calculated by dividing the value of an individual's pension account in the general pension system by the average life expectancy for people aged 60. In the case of pensioners who pay contributions to the mandatory funded tier, the pension account is recalculated to take into account part of the funded tier pension savings.
Contribution payment	On top of general social insurance contributions, employers pay a contribution to the Bridging Pensions Fund, equal to 1.5% of wages for all workers in arduous or hazardous jobs.
Source of financing	Bridging Pensions Fund (<i>Fundusz Emerytur Pomostowych</i>) managed by the Social Insurance Institution (<i>Zakład Ubezpieczeń Społecznych, ZUS</i>), financed from employers' contributions and a state budget subsidy.

Source: Own elaboration based on the Act on Bridging Pensions.

Miners' early-retirement pensions are paid directly from the Social Insurance Fund, based on the defined-benefit principle. This means that miners do not receive a pension from the funded part when they retire, but their assets in open pension funds are transferred to the Social Insurance Fund. Their entire pension contribution is paid to the pay-as-you-go (PAYG) part.

Pension rules for miners are shown in Table 2.

Table 2. Pension rules for miners

Pensionable age	55 if 10 years of working as a miner. 50 if 15 years of working as a miner. No age limit if 25 years of working as a miner.
Career requirements	At least 10 years of working as a miner. 20 years of service in total for women, and 25 years for men. The law includes a detailed list of what is understood as working in a mine or equivalent. Time spent in the following types of work is enhanced by a factor of 1.5: 1 for the purposes of reckonable service: working directly at the coalface when mining; loading of excavated material and other work at the coalface, the assembly, liquidation and transport enclosures; machine cutting drums; loading and transporting at the coalface; and shaft sinking and shaft work; and working in the rescue teams.
Benefit calculation	24% of base amount plus: 1.3% of individual pension base for each contributory year, plus: 0.7% of individual pension base for each non-contributory year that is counted for pension purposes (i.e. maternity periods). The base amount is equal to the average wage in the economy for the previous year, net of social security contributions. The individual pension base is the average of the individual and average wage in the economy over a period of 10 consecutive years chosen from previous 20 years of service. Each year of service is multiplied as follows: 1.5 years for each year of working full time underground; 1.8 years for each year of working at the coalface or in rescue teams; 1.4 years for each year of working partially underground;

	1.2 years for each year of working full time at open-pit sulphur and coal mines, sulphur borehole mines and enterprises and other entities engaged in mining work for sulphur and lignite. The total number of years, with multipliers, is limited to 45 years.
Contribution payment	Contributions are paid according to the general rules.
Source of financing	Social Insurance Fund. Miners who claim miners' pensions should not be members of open pension funds in the mandatory funded tier. They should resign from their membership and transfer all savings to the state budget.

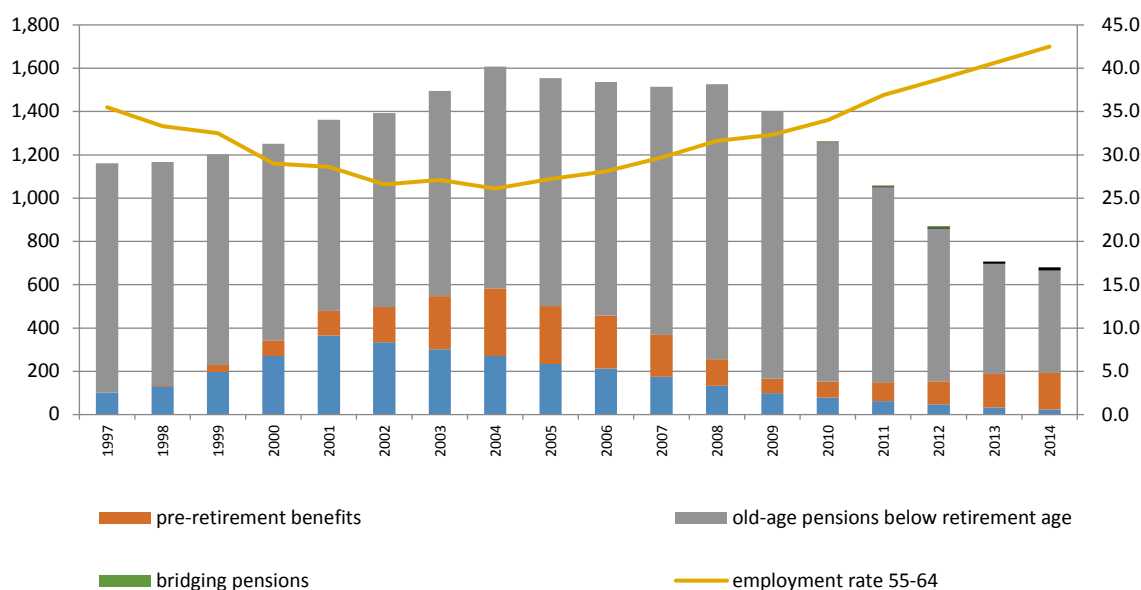
Source: Own elaboration based on the Act on Old-Age and Disability Pensions from the Social Insurance Fund.

As described above, early retirement due to work in arduous or hazardous jobs is financed from the state budget. There are no specific occupational arrangements financed from supplementary schemes. Early-retirement solutions are subject to general social dialogue principles. Social partners were also very active during the development of the bridging pensions scheme, though no consensus was reached at that time.

3 Retirement patterns and retirement income of workers in arduous or hazardous jobs

Changes in early-retirement rules that were introduced in Poland after 2004, particularly the 2009 reform of early retirement, resulted in a reduction in the number of people receiving early-retirement benefits as well as an increase in the employment rate in the 55-64 age group, as shown in Figure 1.

Figure 1. Benefits below retirement age and employment rate of older workers in Poland



Source: Own calculations based on ZUS (benefits) and Eurostat (employment rate) data.

All early-retirement benefits due to work in arduous or hazardous conditions are administered by the Social Insurance Institution (ZUS). Basic statistical information on the number of beneficiaries in the two relevant schemes is provided in Table 3.

There are differences between the level of early-retirement benefits for miners and that of bridging pensions. Miners' pensions are calculated using the pension formula from the old defined-benefit scheme. Miners also have higher wages and, due to multipliers in their

pension formula, an enhanced reckonable service period for pension purposes. As a result, average miners' pensions in 2011-2015 were nearly twice as high as average old-age pensions paid from the general system.

Table 3. Average benefit and number of beneficiaries in AHJ early retirement schemes

	2011	2012	2013	2014	2015
Bridging pensions					
Average benefit (PLN)	2,260.92	2,236.11	2,287.67	2,335.21	2,243.15
Average benefit (EUR)	548.79	534.32	545.01	557.97	536.14
Average benefit (% of average pension)	125.78	118.37	115.03	113.90	106.99
Average number of beneficiaries ('000)	4.3	6.0	8.2	10.7	13.7
Miners' pensions					
Average benefit (PLN)	3,487.46	3,598.01	3,770.43	3,896.18	3,994.59
Average benefit (EUR)	846.51	859.74	898.26	930.94	954.75
Average benefit (% of average pension)	194.01	190.46	189.59	190.04	190.53
Average number of beneficiaries ('000)	203.3	204.8	206.3	206.6	206.0

Note: In the case of miners, only old-age pensions are presented (i.e. excluding disability pensions).

Source: (*Zakład Ubezpieczeń Społecznych, 2016*) and earlier years.

Average bridging pensions were lower than miners' pensions, and also declined, over the period 2011-2015. As a result, in 2015 the average bridging pension was close to the average old-age pension in the general pension system. This may be caused by several factors. First, those who claimed benefits in the first years of the new scheme had longer work experience and higher wages than those who claimed in later years. Second, due to the method of benefit calculation, older cohorts claiming benefits had pension accounts that were worth more, due to higher initial capital accrued in respect of work before 1999.

In the future, due to the shorter period of contribution payments, those who receive bridging pensions or teachers' compensation benefits can expect lower pension levels from the general system, compared with those who continue working until retirement age with similar wage level and work history prior to retirement.

There are also differences in the number of pensioners under the two schemes. In the case of miners' pensions, the numbers are higher as this scheme is mature and miners' pensions have been a part of the pension system in Poland since before 'pre-transition' times. Additionally, miners' pensions are a permanent benefit. The majority of miners retire on an old-age pension. In 2015, the number of miners claiming a disability pension was 28,900, that is about one-seventh of the number claiming an old-age pension.

The number of people claiming a bridging pension is lower than those claiming a miners' pension, but it is rising quickly as younger cohorts start to meet the eligibility criteria. As these benefits are transitory, however, it can be expected that the number of pension

payments, compared with those observed in 2015, should stabilise in the following years. There is also a difference between the average age of men and women receiving early-retirement benefits: women recipients are younger on average, which is explained by both different eligibility ages for claiming benefits and a lower retirement age from which women receive general benefits.

The average age of those receiving bridging pensions in 2015 was 60.1 for men and 57.2 for women (ZUS, 2016).

Overall, the changes to early-retirement rules in Poland led to a change in the retirement behaviour of workers. The introduction of the bridging pensions scheme – limiting the number of jobs defined as arduous or hazardous and eliminating the possibility of early retirement due to long work tenure (30 years for women and 35 years for men)– led to a significant reduction in the incidence of early retirement. At the same time, mainly through higher job retention, it helped to raise the employment rate of older workers.

The outcome of the change is also seen in the pension system statistics. First, the inflow to the pension system of new retirees reduced, and the average retirement age increased (for women it came close to 60). In 2014 the number of people receiving benefits below retirement age fell below 700 000, compared with 1.6 million in 2004. By the same token, the employment rate in the 55-64 age group increased from 26.1% in 2004 to 42.5% in 2014, one of the largest increases among EU countries.

Summing up, the routes to early retirement in Poland since 2009 have become limited. Development of the new list of jobs classified as arduous or hazardous (with the participation of medical experts) has led to a decline in the number of people taking early retirement. The level of benefits paid from the scheme established in 2009 is similar to pensions paid from the general scheme. Thus, the adequacy of early retirement benefits is similar to those paid in the general scheme.

Changes in the early-retirement scheme should be followed by further development of measures that support requalification and labour mobility for those employed after 1999 in work under special conditions or with a special character, as envisaged in the bridging pensions legislation.

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