TRANSITION FROM WORK TO RETIREMENT
IN THE LIGHT OF CHANGES OF RETIREMENT AGE
IN POLAND

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Abstract
On the break of 20th and 21st centuries many countries decided to increase the statutory retirement age to boost the working lives of current and future generations. Some also limited or abolished the early retirement or introduced flexible forms of retirement. Poland is an example of the country characterized by low activity and employment rates, especially among older workers. The purpose of the paper is to evaluate if the gradual increase in retirement age (since 2013) and phasing-out of early retirement had contributed to the increase in effective retirement age and what were the drivers of retirement decisions prior the statutory retirement age. As the analysis shows, the observed increase in effective retirement age was a consequence of rising the statutory retirement age for men and women and phasing-out the early retirement for women born after 1953 and men born after 1948. The drivers of transition from work to retirement have not changed in recent years. The very first outcomes of the reversal from the increase in retirement age (since October 2017) also suggest that workers in Poland are interested in receiving the old-age pension as soon as possible despite its amount or its progressive increase in case of the postponing of the retirement.
Keywords: effective retirement age, transition, work.
JEL codes: J32, J38, H55.

1. Introduction
Demographic ageing puts the pressure on public finance and creates concerns about the adequacy and sustainability of pension systems. Therefore it has the crucial impact on standards of living in the future (Smaliukiene and Tvironaviciene 2014). Shrinking working-age population and the increase in share of inactive population (especially in older ages) requires the development of public policies, which should be concentrated on prolonging working lives and better balance between time in employment and retirement (Hamblin 2013). The process of inactivation of older workers is complex and influenced by different factors: individual features (health status, competencies, values and motivations) and institutional determinants of working live (Chloń-Domińczak 2017). The retirement age is one of the factors influencing the length of the career. In Poland this age is relatively low, and gradual increase in the statutory retirement age (since 2013) combined with NDC formula was expected to keep people longer on
the labour market. The purpose of the paper is to analyse and evaluate effects of changing the retirement age in Poland on effective retirement age and reasons for the retirement decisions. The analysis is illustrated by the changes in this field in the European Union.

2. Effective versus statutory retirement age in Poland in and other EU countries

From the fifties of the 20th century, despite the demographic changes, effective retirement age in the developed countries had been decreasing. It was due to the reduction of statutory retirement age and the expansion of early retirement. In the late nineties this trend reversed as a pressure for public finance has significantly accelerated pension reforms aiming at strengthening the sustainability public pension system (Fig. 1).

![Average effective retirement age: women (bottom line), men (top line)](image)

**Fig. 1.** Average effective retirement age: women (bottom line), men (top line)
Source: OECD, 2016.

The gap between the statutory and effective retirement age during the last few years has been closing in many member states of the European Union, but still in most of them effective retirement age is lower than statutory retirement age both for men and women (Fig. 2 and Fig. 3).
Polish pension system consists of few subsystems\(^1\), of which the biggest covers non-agricultural workers, contractors and self-employed. This part of the system is operated by Social Insurance Institution (ZUS). Further analysis will be limited to this basic retirement system, which covers 16 million participants and 5 million

\(^1\) There are subsystems for uniformed services, judges and prosecutors and farmers. In each of these subsystems conditions (including statutory retirement ages) are different.
pensioners (old-age pension) out of 7 million retirees in total as for the end of 2016. The reform of Polish pension system in 1999 had a structural character, as it switched from unfunded defined benefit scheme into NDC scheme (with transition period), initially accompanied with funded part. The retirement age was 60 for women and 65 for men and broad range of early retirement was supposed to be eliminated after 2005 but finally it was postponed to 2008.

The retirement age for men and women in Poland had been increasing from the 2013, reaching the levels of 61 years and 3 months for women and 66 years and 3 months for men until the September 2017. In case of women, the change in retirement age was accompanied with dimming rights for early retirement from 2009 (for women born after 1953). As for men, the process of rising the effective retirement age was slowed down by the judgment of the Constitutional Court of 2008, which required the abolition of discrimination in access to early retirement for men (5 years below the statutory retirement age) born before January 1, 1949 who had 35 years of covered periods of social insurance. It was the main reason for very high percentage of the old-age pensions granted by the Social Insurance Institution (ZUS) below the statutory retirement age for men (Fig. 4).

![Fig. 4. Percentage of men (black bar) and women (grey bar) who was granted the old-age pension below the statutory retirement age, 2005-2013 Source: ZUS 2017.](image)

2 Since May 2011, the role of funding in the Polish pension system has been diminishing. For further reading see for example (Bielawska et al. 2015).
3 Then the process was reversed from October 2017. From October 2017 statutory retirement age for men is 65 and 60 for women.
4 The other significant reason for early retirement of men is a position of miners in the social insurance in Poland. It is the only group of professionals, who can retire in every age, having 25 years of mining works. The average retirement age of miners is below 50 years.
The changes in the retirement age and other rules for receiving the old-age pension contributed to the gradual increase in effective retirement age to 2016 (Tab. 1).

Table 1. Changes of effective retirement age for old-age pensions from social insurance in Poland, 2005-2016

<table>
<thead>
<tr>
<th>Effective retirement age – old age pensions from social insurance system</th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>58.4</td>
<td>60.1</td>
<td>62.8</td>
<td>63.3</td>
</tr>
<tr>
<td>Women</td>
<td>56.0</td>
<td>59.5</td>
<td>60.1</td>
<td>61.0</td>
</tr>
</tbody>
</table>


In 2016, the ruling party voted for the decrease in retirement age and brought it back to 2012 levels – 60 years for women and 65 for men. This reversal made about 350 thousand people extra able to apply for the old-age pension in 2017 and most of them used this right\(^5\). Overall number of new retirees in 2017 may exceed 0.5 million (the increase of persons receiving the old-age pension of 10% from year to year). The consequences of decreasing the retirement age in Poland have been widely discussed in the literature\(^6\) and are a serious concern in terms of adequacy of future benefits (as they are calculated on NDC basis). The average value of the new old-age pension for women at 60 years was in 2017 60% of the value of the pension of the men respectively and accounted for 44% of the average wage in the economy. Representatives of the government argued that this change was positive as 40% of people who applied for the old-age pension were not economically active and therefore this decision had not deteriorated the situation on the labour market. Additionally it allowed people to get any social benefit and protect against poverty.

In this context it worth to mention, that the recent study on unemployment of the workers age 50+ in Poland proves, that being close to the point at which they are eligible to receive pension benefits leads individuals 'wait' to fulfil these eligibility criteria instead of making an effort to maintain and facilitate their competencies on the labour market (Galecka-Burdźiak and Góra 2017). Reversing the increase in retirement age may support this attitude and cause the serious consequences for further generations.

3. The attitude of workers 50 + in Poland to work and retirement

Economic activity of people in working age in Poland for years had been very low. Since the beginning of 21st century employment rates increased (Bielawska and Pieńkowska-Kamieniecka 2015), but still are relatively low, especially in the age group 55-64 (Tab. 2). It supports the thesis that there is a strong positive

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\(^5\) According to Social Security Institution (ZUS), at the end of 2017 395 thousand people applied for the old-age pension and 346 thousand people received an old-age pension due to decrease in retirement age.

\(^6\) See e.g. Szczepański 2017.
correlation between the employment rates of older workers and effective 
retirement age (Duval 2003, p. 2).

**Table 2.** Activity and employment rates in the EU and Poland, 2005-2016

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Active population (20-64) as % of population</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Union (28)</td>
<td>74,3</td>
<td>75,5</td>
<td>77,1</td>
<td>77,5</td>
</tr>
<tr>
<td>Poland</td>
<td>70,9</td>
<td>71,1</td>
<td>73,2</td>
<td>73,8</td>
</tr>
<tr>
<td>Employment rate (20-64) as % of population</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Union (28)</td>
<td>67,9</td>
<td>68,6</td>
<td>70,1</td>
<td>71,1</td>
</tr>
<tr>
<td>Poland</td>
<td>58,3</td>
<td>64,5</td>
<td>67,8</td>
<td>69,3</td>
</tr>
<tr>
<td>Employment rate (55-64) as % of population</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Union (28)</td>
<td>42,2</td>
<td>46,2</td>
<td>53,3</td>
<td>55,3</td>
</tr>
<tr>
<td>Poland</td>
<td>27,2</td>
<td>34,1</td>
<td>44,3</td>
<td>46,2</td>
</tr>
</tbody>
</table>

Source: Eurostat.

The ability and willingness to work depends on a wide range of factors. The individual features of working life are such as health status, competencies, values and motivation (Chłoń-Domińczak 2017). The other group may be called an institutional or external\(^7\) determinants of working life, what combines the work condition offered by the employers and the public policies addressing the active and economically inactive people. Some features combine both groups of factors, for example the material status.

According to the in depth study on transition from work to retirement conducted by Polish Central Statistical Office, based on the ad hoc module of Labour Force Survey by Eurostat (Eurostat 2014), more than 53\(^8\) of the population aged 50-69 in Poland was economically inactive, and almost half of this population received social benefits (GUS 2013, p. 34). The structure of these social benefits is presented on Fig. 5.

\(^{7}\) Assuming that individual features are of internal manner.

\(^{8}\) Employed persons represented 43% and unemployed persons 4% of the population.
The high share of disability pensions in the age group 50-54 is observed among groups with lower levels of education who perform manual work and live in rural areas (GUS 2013, p. 78). As evidenced in the case of Denmark, hard physical work during working life and exposure to several factors in the physical work environment, especially heavy lifting, were important for labour market exit and sickness absence (Sundstrup et al. 2018).

The reasons for the economic inactivity are primarily connected with meeting criteria of receiving the old-age or disability benefit (Tab. 3). Meeting conditions entitling to disability or old-age pensions was the most frequent reason for discontinuing work (57.6% of answers), followed by health conditions and inability to work (20% of answers). In comparison to the outcomes of this survey in other EU countries, the share of answers pointing out the meeting criteria to the benefits was significantly higher in Poland than on average in the EU (37%), but similar to the outcomes in other new member states, i.e. Bulgaria, Czech Republic, Hungary and Slovenia (Eurostat 2014). The other factors comprised the inability to continue working after reaching the retirement age (7.6%), difficulties with finding a job (5.6%), favorable financial arrangements to leave work (3.8%) and other job-related reasons (1.5%). What is interesting, the family or care-related reasons were pointed out only by 2.4% of respondents.
Table 3. Economically inactive persons aged 50-69 years by the reasons for discontinuation of work and willingness to its continuation after termination of the last employment

<table>
<thead>
<tr>
<th>Specification</th>
<th>Total</th>
<th>The reason for discontinuation of work</th>
<th>The share of persons who would like to continue work</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>meeting conditions or inability to work</td>
<td>in %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>disability/old-age pension</td>
<td>in %</td>
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<tr>
<td></td>
<td></td>
<td>health condition</td>
<td>in %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>in total</td>
<td>in %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>among persons indicating meeting</td>
<td>among persons indicating health condition or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>conditions to work</td>
<td>ability to work as the reason for</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>discontinuation of work</td>
</tr>
<tr>
<td>Total</td>
<td>2882</td>
<td>57.6</td>
<td>20.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>11.6</td>
</tr>
<tr>
<td>Men</td>
<td>1112</td>
<td>52.5</td>
<td>27.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8.5</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>2.9</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>15.0</td>
</tr>
<tr>
<td>Women</td>
<td>1770</td>
<td>60.7</td>
<td>15.3</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>6.6</td>
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<td></td>
<td></td>
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<td>3.1</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>7.8</td>
</tr>
<tr>
<td>Urban areas</td>
<td>1920</td>
<td>57.6</td>
<td>18.3</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>8.6</td>
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<td>3.5</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>13.6</td>
</tr>
<tr>
<td>Rural areas</td>
<td>963</td>
<td>57.3</td>
<td>23.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.9</td>
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<td></td>
<td></td>
<td></td>
<td>1.8</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>8.4</td>
</tr>
<tr>
<td>Aged</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50-54</td>
<td>83</td>
<td>24.1</td>
<td>48.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>27.7</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>32.5</td>
</tr>
<tr>
<td>55-59</td>
<td>472</td>
<td>43.6</td>
<td>26.7</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>13.1</td>
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<td></td>
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<td>3.4</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>20.5</td>
</tr>
<tr>
<td>60-64</td>
<td>1308</td>
<td>60.3</td>
<td>17.6</td>
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<td></td>
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<td>6.3</td>
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<td></td>
<td>8.2</td>
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<tr>
<td>65-69</td>
<td>1019</td>
<td>63.1</td>
<td>17.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.4</td>
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<td>2.2</td>
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<td></td>
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<td>5.0</td>
</tr>
</tbody>
</table>

Source: GUS 2013, p. 70.

The other research, which outcomes are significant for the analysis of the transition from work to retirement, is the Survey of Health, Ageing and Retirement in Europe (SHARE). The sixth round of this panel research was carried out in 2015 in 17 European countries, including Poland. The analysis of the causes and effects of switching from work into retirement is based on the Pull-Push model proposed among others by Barnes-Farrell (2003). The model assumes, that there are forces which “push” the worker into retirement (negative features of work and work environment) and forces which “pull” into retirement (positive features of the retirement role or environment).

According to the results of the SHARE, Polish workers relatively more often in comparison to other respondents, underlined the factors which may “push” into retirement concerning the work environment such as: the lack of promotion perspectives, requirement of heavy physical effort, time pressure caused by work (Chłoń-Domińczak 2017, pp. 70-71). In the same time the factors “keeping” in employment such as: support at work, recognition of the effects of the work, the possibilities of professional development or adequate remuneration were more rare in the answers of Polish workers in comparison to respondents from other countries (Ibidem, pp. 71-72).

The survey confirms the results of other before mentioned research in the field of the expectations to retire as quick as possible. Almost 60% of men and 50% of women aged below 60 years want to retire as soon as they meet the eligibility criteria. The second important outcome of SHARE in the field of relation between
work and retirement is that a lot of Poles are afraid that the health status may limit their ability to continue working up to statutory retirement age. This threat may be influenced by the vision of working up to 67, as the survey was conducted in 2015, so relatively soon after the activation of the process of the increase in statutory retirement age.

4. Conclusion

The effective retirement age in Poland strongly depends on statutory retirement age. Over the last decade it was growing among both men and women. The main driver of that trend was the increase in statutory retirement age during January 2013 – September 2017 and phasing out early retirement for women born after 1953 and men born after 1948. In the light of the different panel research, the attitude of Poles to retire as soon as possible had not changed over last years. So it may be expected, that the current decrease in retirement age (to 60 years for women and 65 for men) will not support the significant increase in effective retirement age and in case of women may cause the decrease of the effective retirement age. The lower values of old-age pension for women resulting from the lower retirement age may not be in the short and medium term an efficient factor of postponing the retirement. Under condition of no (retirement) policy change, the crucial issue in the next years from the individual and societal point of view will be the behavior of quickly retiring population on the labour market. Continuing professional careers may be more attractive on the condition of strengthening internal and external factors of the attractiveness of working environment, what requires joint efforts of the employers and the state.

References


