PROCEEDINGS OF THE
INTERNATIONAL WORKSHOP ON

SOCIAL SECURITY REFORM

Roman Kulikowski
Gordon J. MacDonald
Editors

Systems Research Institute
Polish Academy of Sciences

IIASA

Systems Research Institute · Polish Academy of Sciences
International Institute for Applied Systems Analysis

SOCIAL SECURITY REFORM

Proceedings of the International Workshop
held in Warsaw on 23-24 September 1997

Roman Kulikowski
Gordon MacDonald
Editors

Warsaw 1998

Publication of this volume was made possible due to financial assistance of:

– International Institute for Applied Systems Analysis

– Polish Committee for Cooperation with IIASA

– State Committee for Scientific Research
of the Republic of Poland

ISBN 83-85847-14-6

Chapter 3:

The Outline of the Polish Case

How to protect employees with low income against poverty*

Piotr Krasucki

Jerzy Noter Institute of Occupational Medicine, Łódź

We have here [see the paper by Michał Rutkowski in this volume] the official project of the reform of the Polish pension system. I can agree with the basic ideas of this project but I also see in it a few doubtful an even dangerous conceptions. The first is the proposal that the minimum pension will be set at the level of 28% of the average earning. This is below the social minimum and probably near to the biological minimum level.

This fact is connected with the very asymmetric distribution of the employee incomes in our country. In September 1996 the average earning was 937 PLN, the median value below which 50% of workers are placed – 778 PLN, and the most frequent – modal – value only 668 PLN. These proportions did not change during last year. We also observe a significant difference between the public and the private sectors. In the latter the median is below 700 PLN and the modal value is exactly 407 PLN. The 15% of it that will be assigned for the first pillar of the new system, equals only 720 PLN per year, that is – 32,940 PLN during 45 years of the occupational activity. The insured person who will live further 15 years can obtain from this pillar only 183 PLN monthly... Such an amount is certainly insufficient for survival.

Even if the median value reaches the level of 1,500 PLN, 50% of pensioners will obtain within this pillar a sum close to the social minimum. The advantages of the second pillar are unknown.

---

* Intervention at the Panel Discussion.

The second danger is the limitation of the contribution to the insurance fund up to 250% of the average earning in our situation where the employees placed in the tenth decile are receiving 25.5% of the total earning fund, and those in the ninth and eighth decile a further 26.6%. In this way 50% of the employees obtain only 27.3% from this fund – and so without a redistribution and flow of money from the rich to the poor, social inequalities are inevitable.

It would be better to increase the upper limit on the basis of the pension fund payments to up to 300% of the average earning, but social contribution should still be taken from the total wage or salary, at least during perhaps 20 years of the transition period.

In these areas we ought to find solutions which will protect workers with low income from poverty.

ISBN 83-85847-14-6

Systems Research Institute
Polish Academy of Sciences

International Institute for
Applied Systems Analysis