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Socio-economic Determinants of Saving for Old Age in Europe: Is Profession an Important Factor? The case of Poland

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The aim

- ⦿ *To show the impact of the profession on old-age savings in Poland*



Profession - in a pension context - is connected with generosity

- ⦿ This generosity results from privileges profession, pension privileges are an essential part of each pension system.
- ⦿ Of course we can measure it only in one system – general system (by replacement rate)
Or in different countries (by replacement rate)



Privilege

- ⊙ Unequal treatment of equals or equal treatment of unequals and
- ⊙ is largely a function of power, and to a very limited degree, a function of altruism.
- ⊙ Rent-seeking results also in privileges.



Each of privileges comes down to gaining more favourable terms with regard to:

- ⦿ minimum retirement age (required seniority),
- ⦿ the amount of pension contributions paid, and
- ⦿ the rules applied for calculating retirement benefits.



Privileges :

- In the general system;
- the provision pension system and
- the farmers' pension system .



In the general system,

The following can be considered to be privileged:

- miners' pensions,
- bridging pensions of persons performing work in particularly difficult conditions (Act of 2008),
- compensation benefits for teachers (Act of 2009),
- financing social security contributions for clergymen from the Church Fund (Act of 1990b).



Not only pension in the general system

- ⦿ survivor's pension for young women,
- ⦿ social contributions for priests are paid by the Church Fund.



The provision pension scheme offers the following privileges:

- retirement provision of military personnel (Act of 1993);
- retirement provision of officers who worked for the police, Internal Security Agency, Intelligence Agency, Military Counterintelligence Service, Military Intelligence Service, Central Anticorruption Bureau, Border Guards, Government Protection Bureau, State Fire Service, Prison Service, and their families (Act of 1994);
- retirement provision of judges and prosecutors.



The whole farmers' pension system.



Table
Average Pensions Value in 2015 (in PLN)

Type of system	Paying institution	Type of benefit	Average pensions	
The general pension system	SII	Average monthly pension	2,096.55	
		Miners	3,994.59	
		Bridging benefits	2,422.06	
		Compensation benefits for teachers	1,552.45	
The provision pension system	The Ministry of National Defense*	Soldiers and military intelligence and counterintelligence officers	3,395.61	
	The Ministry of Internal Affairs	Officers of the Police, Internal Security Agency, Intelligence Agency, Central Anticorruption Bureau, Border Guards, Government Protection Bureau, State Fire Service and State Protection Bureau	3,671.46	
		The Ministry of Justice*	Prison Service Officers	3,518.32
		Last employer (relevant court or prosecutor's office)	Judges and prosecutors	8,236.12
Farmers' pension system	ASIF	Farmers	1,209.81	



Table 3
State Subsidies for Privileged Benefits in 2014-2015 (in billions of PLN)

System	Beneficiary	2014	2015
General pension system	Total, out of which:	30.36	42.07
	Miners*	9.66	9.87
	Bridging benefits*	0**	0***
	Compensation benefits for teachers*	0.056	0.095
Provision pension system	Ministry of National Defense (e.g., military men)	6.69	6.64
	Ministry of Internal Affairs (e.g., policemen)	1.32	1.35
	Ministry of Justice (e.g., prison service officers)	8.09	8.28
	Judges and prosecutors	-	0.55
Farmers' pension system	Farmers	16.09	17.04

Table 4
Forms of Privileges Within The Pension Insurance Systems

Privileged solutions	General pension system	Miners	Provision pension system	Farmers' pension system
Contributions payer	employee/ employer	employee/ employer	without	farmer
Contribution rate	100%	100%	-	22.54%*
Benefit (value)	-	Higher than average	Higher than average	Lower than average
Retirement age	60/65	55 years (in case of a sufficiently long service in the mine it is 50 years)	<ul style="list-style-type: none"> • no requirements / 55 years – the uniformed services ** • 65 years - judges and prosecutors 	60/65
Minimum employment period	20 years for women and 25 years for men***	20 years for women and 25 years for men (Including at least 10 years of mining work)	<ul style="list-style-type: none"> • 15/25 years – the uniformed services** • Without requirements - judges and prosecutors 	25 years
DC/DB	DC	DB	DB	DB



Table 5
Pension Adequacy And The Privileged Pension Systems In Poland

Adequacy dimensions	General pension system	Miners	Provision pension system	Farmers' pension system
Consumption smoothing	NO*	YES	YES	NO
Protecting against poverty	YES	YES	YES	YES
Differences between the genders	YES	-	NO	NO



Savings



Data and methodology

- ⦿ The analyses of the presented data were made using a logistic regression model.
- ⦿ The research presented in the article is part of a representative survey conducted in Poland in 2015, called ‘Social Diagnosis’ (Social Diagnosis, 2015).

Table 6. Descriptive Statistics for the Independent Variables

Source: own study based on (Social Diagnosis, 2015).

Variable	Variable description	Nature of the variables	N	M
Professional	Professional group	0 = Others	9,317	0.49
		1 = Miners	493	
		2 = Provision system (Uniformed services, judges and public prosecutors)	375	
		3 = Agricultural system (Farmers)	1,539	
Income	With your net income currently obtained, is your household able to make ends meet?	1 = With great difficulty	1,459	2.94
		2 = With difficulty	2,004	
		3 = With some difficulty	4,202	
		4 = Rather easily	2,915	
		5 = Easily	692	
Residence	Place of residence	1 = Cities > 500k	982	4.49
		2 = Cities 200-500k	1,013	
		3 = Cities 100-200k	839	
		4 = Towns 20-100k	2,332	
		5 = Towns < 20k	1,495	
		6 = Rural areas	5,045	
Gender	Gender	0 = Woman	4,117	0.64
		1 = Man	7,604	
Age	Age of households' head	age	11,724	57.37
Child	Do you have a dependent child (or children)?	0 = No	6,128	0.36
		1 = Yes	3,559	
17 Insurance	Do you have any insurance?	0 = No	3,504	0.63
		1 = Yes	6,131	
Education	Years of education	years	11,710	11.84

Table 7. Estimates of the parameters of logistic regression models



Specification	Having savings for old-age			Having any savings			
	The significance level	S.E.	Exp(B)	The significance level	S.E.	Exp(B)	
Profession	0 = Others (base)	0,000***		0,010*			
	1 = Miners	0,087	0,134	1,258	0,097	0,117	1,214
	2 = Provision system (Uniformed services and judges and public prosecutors)	0,043*	0,164	0,717	0,195	0,130	0,845
	3 = Agricultural system (Farmers)	0,000***	0,103	1,635	0,009*	0,077	1,222
Income	1= With great difficulty (base)	0,000***			0,000***		
	2 = With difficulty	0,003**	0,185	1,720	0,000***	0,109	2,188
	3 = With some difficulty	0,000***	0,171	2,200	0,000***	0,099	4,564
	4 = Rather easily	0,000***	0,172	3,927	0,000***	0,103	9,725
	5 = Easily	0,000***	0,191	5,077	0,000***	0,139	13,336
Residence	1 = Cities > 500k (base)	0,000***			0,000***		
	2 = Cities 200-500k	0,961	0,128	1,006	0,534	0,115	0,931
	3 = Cities 100-200k	0,436	0,136	0,899	0,001***	0,120	0,668
	4 = Towns 20-100k	0,036*	0,114	0,788	0,007**	0,099	0,767
	5 = Towns < 20k	0,017*	0,125	0,741	0,016*	0,107	0,774
	6 = Rural areas	0,000***	0,113	0,633	0,000***	0,096	0,682
Gender		0,009**	0,066	1,189	0,000***	0,052	1,267
Age		0,000***	0,003	1,033	0,000***	0,002	1,017
Insurance		-	-	-	0,000***	0,054	1,452
Child		0,01**	0,075	0,744	-	-	-
Education		0,000***	0,010	1,051	0,000***	0,009	1,118
Const.		0,001***	0,309	0,017	0,000***	0,221	0,015
Cox-Snell's R-squared			0,096			0,184	
Nagelkerke's R-squared			0,134			0,247	
Hosmer-Lemeshow (p-value)			14,265 (0,075)			4,881 (0,770)	
Log likelihood			6,743.843			10,705.347	
Chi-square (p-value)			590,616 (0,000)			1873,522 (0,000)	
N	18		5,856			9,193	



Conclusions - privileges

- ⦿ Pension benefits in Poland are very extensive and varied;
- ⦿ Privileges have not been limited in recent years;
- ⦿ So, in the future it will be huge problem.



Conclusions - savings

- ⦿ This work shows that income, age and education (the number of schooling years in Poland) increase the propensity to save for old age.
- ⦿ In Poland, „having a child” reduces the chances of making additional old-age savings.



Conclusions - Professions

Depending on the generosity of the system, being entitled to privileges affects saving for old age in Poland.

Those who benefit from privileges related to the retirement age and the pension amount, i.e., the uniformed services, judges and prosecutors, are less likely to save for their retirement than 'ordinary' working people.

Meanwhile, farmers who are considered to benefit from pension privileges, save for old age much more than the rest of the population (but not only in cash, but also as an investment in farms).



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