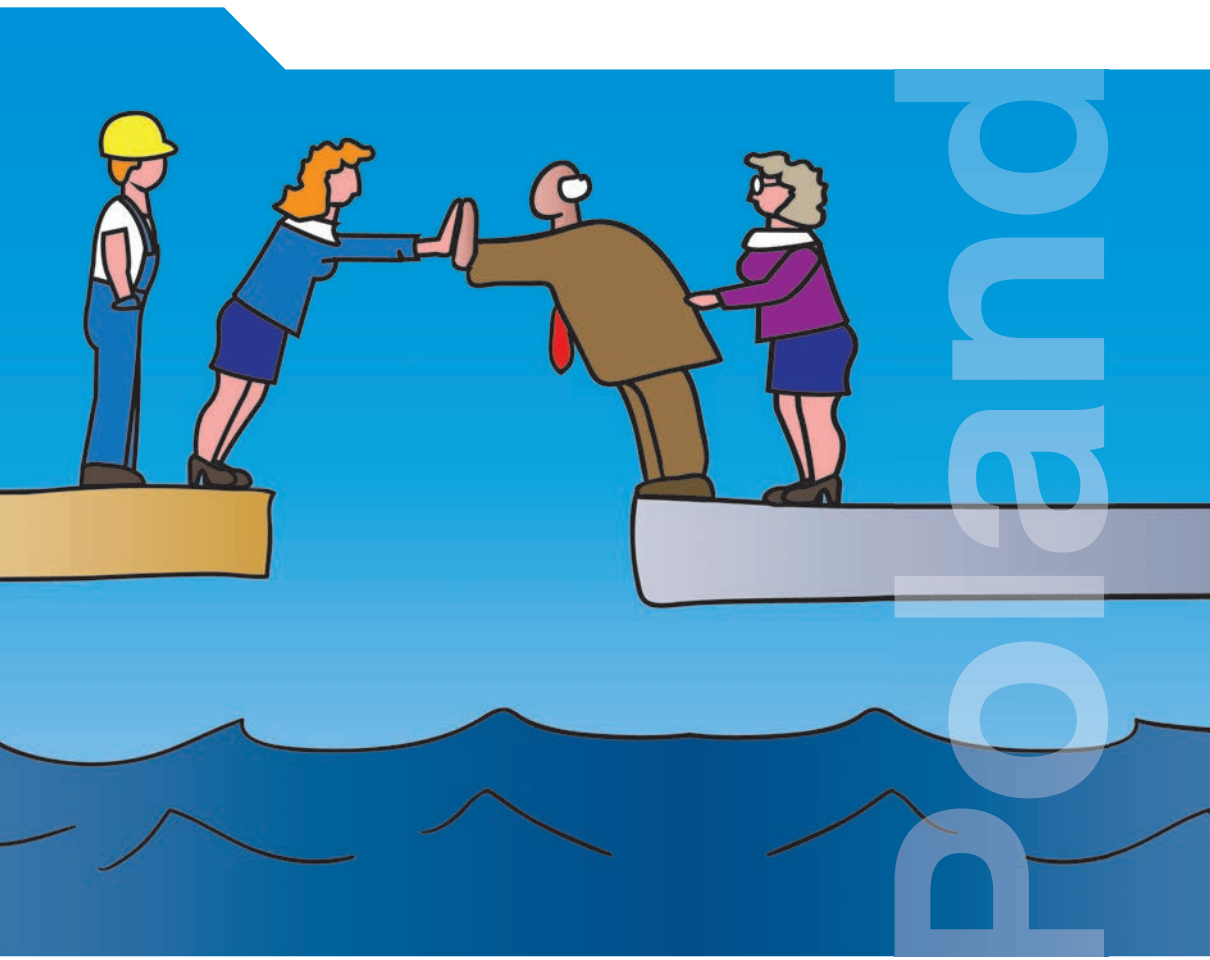
Ageing and Employment Policies

POLAND

WORKING BETTER WITH AGE



OECD

Ageing and Employment Policies: Poland 2015



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Foreword

In the context of rapid population ageing, providing older people with better work incentives and choices is tremendously important, both in order to promote economic growth and to help sustain public social expenditures. Therefore, in 2011 the OECD Employment, Labour and Social Affairs Committee decided to carry out a fresh series of policy reviews to encourage greater labour market participation at an older age, through the fostering of employability, job mobility and labour demand. It builds upon previous work that the OECD has conducted in this area in the Ageing and Employment Policies series, summarised in the Organisation's major cross-country report, *Live Longer, Work Longer*, published in 2006.

Drawing on the findings of a comparative policy review of recent reforms, an empirical study of labour market factors, and in-depth country case studies, a synthesis report entitled *Working Better with Age* will be prepared in 2015 to highlight key issues and policy recommendations.

This report on Poland is one of the OECD country case studies comprising that review. Following on from reports on France, the Netherlands, Norway and Switzerland, the book points to areas where changes or new reforms are needed to improve work incentives and employment opportunities at an older age.

The report was prepared by Hilde Olsen and Thomas Manfredi under the supervision of Anne Sonnet (Project Leader) and Mark Keese (Head of Division). Technical assistance was provided by Monica Meza-Essid. Peter Jarrett and Hervé Boulhol have provided useful comments. A draft of the report was discussed at a seminar held in Warsaw on 10 October 2014. The seminar, organised by the Polish Ministry of Labour and Social Policy, brought together representatives of the public authorities, social partners and academic experts.

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Acronyms and abbreviations

ALMP	Active labour market programme
ASPA	Activating Senior Potential in Ageing Europe
CASE	Center for Social and Economic Research
EPL	Employment protection legislation
ESF	European Social Fund
FP7	Seventh Framework Programme (European Union)
GUS	Central Statistical Office
IKE	Private, individual retirement accounts with the earliest take-up at the age of 60, or 55 in cases of early retirement
IKZE	Private, individual pension security accounts with the earliest take-up at the age of 65
ISCO	International Standard Classification of Occupations
KRUS	Agricultural Social Insurance Fund
NDC	Notional defined contribution
NGOs	Non-governmental organisations
NLI	National Labour Inspectorate
NTF	National Training Fund
OFE	Private open pension funds
OHS	Occupational health services
OPHC	Human Capital Operational Programme
PARP	Polish Agency for Enterprise Development
PBS	Partner in Business Strategies
PES	Public Employment Service
PFRON	State Fund for the Employment and Rehabilitation of Disabled People
PIAAC	Programme for the International Assessment of Adult Competencies
PPE	Private, collective pension schemes
SHARE	Survey of Health, Ageing and Retirement in Europe
SME	Small and medium-sized enterprise
ZUS	Social Insurance Institution

Executive summary

Poland is facing a more pronounced ageing of the population than many other countries. It is therefore encouraging that the employment rate for older workers in Poland increased substantially over the past decade. A number of policy measures are being implemented to support this development. A number of early retirement schemes have been closed, and reforms have been implemented to reduce inflows to the disability scheme. In addition, the statutory retirement age will be raised gradually to 67 for both genders – with the target date of 2020 for men and 2040 for women.

In spite of this positive trend, the employment rates for older workers in Poland are still well below the OECD average. A broader and more concerted strategy is therefore necessary. The recommendations that follow are put forward in three mutually supportive areas, as possible elements of an overall strategy to encourage longer working lives: 1) better incentives to carry on working; 2) tackling employment barriers on the side of employers; and 3) improving the employability of older workers.

Better incentives to carry on working

- Rules and regulation of the public pension system should be the standard for all pension schemes.
- Women's labour market conditions and future pensions should be reformed.
- Further efforts should be done to avoid that transfer to old-age pension via disability benefits becomes an attractive pathway out of the labour market.
- Mutual obligations in the unemployment benefit and the social assistance schemes should be enforced.

Tackling employment barriers on the side of employers

- Employment protection legislation (EPL) should be aligned across all age groups by abolishing the special protection rules for older

workers. Active labour market measures should be implemented to reduce possible negative short-term effects because of job loss.

- The everyday management and organisation of work from the viewpoint of the life course (age management) should be promoted. Initiatives to improve working conditions should include measures especially important for women, such as the development of better access to and standards for flexible work of good quality.
- Good practices should be better disseminated and networks for experience sharing should be available more widely.
- Social dialogue should be made a driving force in the design and implementation of policies to prolong working lives, for example, through projects in the "Solidarity Across Generations" programme, which was renewed in 2013.

Improve the employability of older workers

- Measures should be taken to help more women to work longer. Innovative care facilities should be developed to relieve older women from responsibilities towards their families.
- Training for adults and older workers should be more work-focused.
- Occupational health services should focus on preventive measures. Local health services should also have prevention and early identification of possible health risks as priorities.
- Benchmarking of PES activities should be systematic and centrally co-ordinated. Benchmarking should include control and measurement of tasks and services for older jobseekers at the local level.

Assessment and key recommendations

Employment in Poland has increased significantly for those aged 55-59, but less for those over 60

Poland is facing more pronounced population ageing than many other countries. The population above age 65 as a ratio of the population aged 20-64 is projected to nearly triple: from about 0.2 in 2012 to about 0.6 in 2050. Today, Poland belongs to the group of OECD countries with a relatively low proportion of elderly, which is to say a ratio below the OECD average of close to 0.3. But it is projected that by 2050, Poland will have moved to the group of countries with a ratio higher than the projected OECD average of 0.5.

It is therefore encouraging that the employment rate for the age group 55-59 has increased substantially, from 36% in 2003 to 55% in 2013. This is, however, still well below the 2013 OECD average of 67%. The increase in the employment rate over the same period for the age group 60-64 has been more modest, from 19% to 24% – well below the OECD average (42%). For the age group 65-69, the employment rate was in 2013 slightly lower than one decade earlier: 9% compared with 10% in 2003, 10 percentage points below the 2013 OECD average.

One feature of the Polish labour market is the early age of exit, which begins at the age of 50. This is particularly the case for women. Significant disparities in employment with respect to gender, age and education will need to be reduced in order to encourage longer working lives. The ratio between the employment rates for men and women in the age group 55-64 is higher in Poland (1.6) than in the OECD area on average (1.4). Moreover, while the gender gap has declined in the OECD area over the past decade, it has remained stable in Poland.

For both men and women, employment rates rise in line with educational attainment. While more than 70% of men in the age group 55-64 who had completed tertiary education were working in 2012, this proportion was less than 35% for those with less than upper secondary education. For women, the positive effect of education on the likelihood of working at an older age was even stronger, with rates of 52% and 18%, respectively. The relatively low education level of the current generation of older people in

Poland could thus represent a major obstacle: 16% of the age group 55-64 had completed tertiary-level education in 2012, much less than the OECD average of 27%. However, as in other OECD countries, future generations of older people in Poland will be better educated, which should favour longer working lives.

In 2013, the unemployment rate for the 55-64 age group was 8%, close to the EU average[1] but above the OECD average of 6%. The incidence of long-term unemployment (lasting 12 months or more) for the same age group was 46% in Poland – somewhat lower than the averages for the OECD and European countries at 47% and 57% respectively, but higher than for younger unemployed Poles aged 25-54 at 39%. Hiring rates for older workers remain relatively low in Poland compared with those for younger workers, as in other OECD countries. This reflects reluctance among employers to recruit older people as well as lower labour mobility more generally for older workers, and could be a barrier for a return to work for the older unemployed.

Labour market segmentation and a lack of flexible working conditions could be preventing working at an older age. Compared with the OECD average, Poland has a high share of older workers in temporary jobs or in self-employment, while the incidence of part-time work is low.

Reforms to encourage longer working lives are being implemented, but need to be supported by a broader strategy

The Polish Government is determined to achieve the goal of an employment rate for people aged 55-64 of 50% by 2020, as set out in the Lisbon Strategy: an increase of nearly 10 percentage points compared with the 2013 level. A number of measures are being taken to reach this goal. The statutory retirement age will be raised gradually from the age of 60 for women and 65 for men in 2013 to 67 for both genders – with a target date of 2020 for men and 2040 for women. As from 2009, a number of early retirement schemes have been closed. In addition, reforms have been implemented to reduce inflows to the disability scheme.

In 2008, the government programme "Solidarity Across Generations" was adopted to increase incentives for firms to employ people over the age of 50 and to improve their employability. Little evidence is available about the effectiveness of these measures. But in 2013, the Polish Government adopted a new programme with the main objective of expanding efforts to reach the EU target. The new elements in this programme include upgrading of skills; development of better personnel management; and promotion of a healthy and active lifestyle. Through amendments to the 2004 Act on Promotion of Employment and Labour Market Institutions, employers can receive wage subsidies if they recruit unemployed people above the age

of 50, and a National Training Fund (NTF) is established to finance training and education for employees, in a first phase targeting older workers.

While the gap between employment rates for older people in Poland and the OECD average has narrowed, further measures are necessary to face the challenge of a rapidly ageing labour force. There are many remaining exemptions for older workers from the general conditions governing welfare benefits, and some groups of older workers are discouraged from staying on longer in the labour market. The gender gap in retirement will close but only very gradually over the next 25 years.

Both men and women working in Poland can expect to remain in work after the age of 55 for a much shorter period than their peers in other OECD countries. For those with less education in particular, the expected number of years in work has not increased over the past decade. This group of workers may on average face considerable difficulties in extending their working careers in line with the increasing retirement age.

Better health is crucial to making longer working lives a reality. It is therefore a matter of concern that many men in particular experience activity limitations before they reach the statutory pension age. Moreover, Poland is one of the European countries with the biggest gap in life expectancy between highly and less-educated people. Efforts to prolong the number of healthy years among at-risk groups must therefore be accorded high priority.

In spite of increasing employment rates for older workers, women and certain groups of men are especially at risk of lagging behind. These persons often lack the social contributions necessary to qualify for reasonable pension payments in the future, and could be vulnerable in terms of old-age poverty. A broader and more concerted strategy is therefore necessary. The recommendations that follow are put forward in three mutually supportive areas, as possible elements of an overall strategy to encourage longer working lives: 1) better incentives to carry on working; 2) tackling employment barriers on the side of employers; and 3) improving the employability of older workers.

The success of such a broad strategy will hinge on priorities. A good basis for taking decisions is a better understanding of the potential impacts of the measures. Careful evaluation and monitoring should therefore be considered essentials in both the design and the decision process. Even if policies have to be adapted to the national context, international comparisons might be a helpful guideline for further actions. It is notable that compared with most other OECD countries: older workers' participation in training and education is low in Poland; the proportions of workers with temporary contracts or as self-employed are high; access to

flexible work arrangements is limited; and the share of older workers with health impairments is relatively high.

Better incentives to carry on working

In spite of reforms, the shift towards a more uniform pension system is too slow

The Polish pension system consists of several schemes. The most important is the general social insurance scheme, managed by the Social Insurance Institution (ZUS). The scheme covers all private-sector employees, those self-employed outside the agricultural sector, and the majority of public sector employees. Farmers, the military and police, and judges and prosecutors are covered by special schemes. In particular, the ZUS administers about 80% of all old-age pensions, while a further 17% are handled by the Agricultural Social Insurance Fund (KRUS).

A three-pillar system was implemented in 1999: a pay-as-you-go notional defined contribution (NDC) scheme under the administration of the ZUS (first pillar); mandatory individual accounts in a fully funded scheme (second pillar); and voluntary supplementary pension saving (third pillar). Due to the need to improve the overall stability of the public finance system, the 1999 reform was partly reversed in 2011. As of 1 February 2014, the default option is now to contribute to the first pillar, but workers can opt in to allocate 2.92% of their gross wages to the privately managed second pillar.

The new Polish pension system is based on an NDC principle. Pension rights are converted into an annuity using unisex life expectancy tables at retirement. Conversion cannot take place before the age of 65. Women who retire before that age will receive payments based on withdrawal from their individual account until they reach the age of 65. The remaining balance of their individual account at that age is used to buy life annuities. If the old-age pension is below a monthly minimum of PLN 844.45 (in 2014) with at least 20 years of coverage for women and 25 for men, a supplement to reach the guaranteed minimum pension is paid from the state budget.

More must be done to support work incentives

The close relationship between contributions and pension payments in an NDC model tends to generate effective incentives to continue working. However, future increases in life expectancy and the mechanism for valorising entitlements could substantially reduce future replacement rates. Valorisation of entitlements in the first pillar takes place according to a combination of nominal wage and employment growth. Because of future

labour force shrinkage, this could result in a valorisation that is systematically below wage growth. Working longer could offset lower replacement rates considerably. This requires payments of social contributions, and underlines the need to combat informality and precarious labour contracts in the economy, and to stimulate creation of enough jobs of good quality.

On the other hand, voluntary third-pillar schemes are favoured with tax reliefs. The maximum contributions deductible from taxable income are increased from 2014, and could make the well-off more independent of a well-functioning universal pension scheme. The generous tax advantages for the third-pillar schemes reduce public tax revenues. This represents subsidies that alternatively could improve the sustainability of the first-pillar scheme. Loss of public tax revenues and negative distributional effects of the tax reliefs should therefore be closely monitored.

The lower labour force participation of women and their lower standard retirement age weaken their old-age poverty protection. Promotion of gender equality during one's working life is crucial to reduce women's economic vulnerability. Trends in the effective retirement age for both men and women, as well as the gender gap, should be closely monitored. Another aim should be to see if labour market dynamics are sufficiently strong to allow a shorter phase-in period of the same statutory retirement age for both genders. A shift towards a system based more heavily on individual taxation could reduce disincentives to work because of high marginal tax rates for second earners.

There are no general provisions for early withdrawal of pensions in the present general pension system. However, women who have reached the age of 62 and have at least 35 years of contributory and non-contributory periods, and men at 65 with at least 40 corresponding years, have the right to withdraw a partial pension equal to 50% of the full pension. Take-up of such partial pensions can be combined with work.

Better access to a partial pension in combination with work could be one element of a more flexible route from work to retirement. This could produce a faster phase-in of the convergence of the pension age for men and women, by enabling a combination of part-time work and partial pension receipt.

A specific feature of the Polish pension system is the social insurance scheme for farmers, managed by the KRUS. Since 2009, the monthly contributions for the retirement and disability pension insurance for farmers have been linked to the size of the farm, expressed in equivalent hectares. The relation between contributions and benefits is weak. Thus, the system does not provide any incentives for prolonging the contributory period.

There are other special pension schemes for police, soldiers, judges and prosecutors, for example, which have more generous conditions and benefits than in the general scheme. Different schemes with specific rules reduce transparency for people with multiple jobs, and can have lock-in effects.

Further progress is needed towards harmonising the pension system in Poland. The imbalance of conditions between the general scheme and the other schemes, which are substantially subsidised by the public budget, could be even more difficult to defend in the future, as pension adequacy in the general system is expected to decline. Stronger efforts should therefore be made to align rules and regulations across these schemes. It could also ultimately permit a merger of the different schemes.

Prevent early exit through survivors' pensions

One of several groups that can be entitled to a survivors' pension is widows/widowers who have reached the age of 50 at the moment of the spouse's death. The survivor receives 85% of the insured's old-age pension. If the deceased was not eligible for the old-age pension, the calculation is based on the disability pension.

The relatively generous benefit, combined with an earnings test, reduces work incentives for working-age survivors. Steps should be taken to improve incentives to remain in or come back to work, particularly for the youngest survivors. This could for example be achieved by granting the benefit to working-age survivors only for a limited period, and combining it with activation measures to help those who have been out of work for a longer period to find employment. Facilitating take-up of part-time work and partial benefits could also result in higher labour participation.

Continue discouraging early retirement

As from 2009, the previous early retirement system was reformed and replaced by so-called bridging pensions. Under current regulations, eligibility is based on a definition of work under special conditions or of a special character, and on a list of specific types of work. The aim is to target early retirement more directly to specific job characteristics.

The reforms have reduced the opportunities for early retirement. Still, there are exemptions from the main rules for people below the standard retirement age. To the extent possible, people should have the opportunity and incentive to work until the standard retirement age. To strengthen demand-side incentives to invest in good working conditions and adapt the work situation, bridging pensions should be financed by experience-rated contributions from employers, and not subsidised through the public budget.

Improve monitoring the use of remaining work capacity

The rules concerning eligibility for disability benefits were tightened in 1997. Disability is currently defined on the basis of inability to work, instead of (as previously) on the basis of health conditions. Disability rights are granted for a limited period of time: no longer than five years, except in cases where disability most likely is permanent or of long duration. The tightening of the eligibility criteria has substantially reduced the inflow, and the stock has halved over the past decade. However, for the age group above 55, a renewed increase in take-up has occurred in recent years. In 2012, one out of three new disability pensions was granted to men in the age group 55-59.

To be assessed as completely incapable of work, the person must not be capable of doing *any* work, and not just incapable of working in their former occupation. Partial incapacity can be granted on the condition that capability for work corresponding to his/her level of qualifications is lost to a considerable degree. The rate of employment among the disabled is relatively low in Poland, although employers are subject to a penalty if they fail to fill a 6% employment quota with workers who have disabilities. Work participation could be increased by imposing requirements to take up any work for people eligible for partial disability benefit. In the Netherlands, for example, people combining disability pensions and work can be eligible for a benefit on top of their wage to compensate for loss of earnings, compared with the wage they received before the onset of the disability. This compensation improves incentives to accept lower-paid jobs.

The rehabilitation process in Poland is rather complicated, and involves a number of stakeholders. For older workers in particular, a long period of inactivity may reduce the probability of re-entry to work. Assessment and monitoring of sickness absence, with the objective of starting rehabilitation and activation as soon as possible if needed, is crucial, and the process of streamlining the administrative structures and responsibilities for rehabilitation should be accelerated. For older workers, a return to work with the previous employer is in many cases both the best and the most feasible solution, but some support for employers could be necessary – e.g. for adapting the workplace. A one-stop-shop approach focusing on rapid re-entry into work could be efficient and prevent dissipation of motivation on the part of both employers and employees. A first step could be to give the ZUS a more leading and supervising role in the job rehabilitation of people above the age of 50, for example.

Disability benefits are calculated as a combination of a base amount and previous contributions, but are exempted from adjustments in life expectancy. This could make receipt of disability benefit a more attractive pathway out of the labour market to avoid impacts of such adjustments.

Calculations should be adjusted to prevent such spillover effects between disability and old-age pensions.

Limit the use of unemployment benefits and pre-retirement benefits as pathways out of employment

The unemployment benefit in Poland is a low, flat-rate payment, independent of previous wage and contributions, but differentiated according to the number of years in employment: less than five years, between 5 and 20 years, and over 20 years. While the standard maximum duration of unemployment benefits is 180 days, the duration is in certain cases prolonged to 365 days; one of these cases is for those unemployed above the age of 50 with at least 20 years of contributions. The unemployed must be ready to take up full-time jobs; refusing job offers or participation in active labour market programmes (ALMPs) is sanctioned, but formal job-search requirements are relatively limited.

Despite the limited benefits from the unemployment scheme, there are strong incentives to register as unemployed. The unemployed need to register at the local labour office in order to get health care coverage for themselves and their families. Furthermore, registration allows easier access to social assistance. Registered unemployment in Poland is therefore higher than unemployment measured by the labour force survey according to the ILO definition, and the gap is higher for older age groups. Older unemployed persons have greater incentives to register because of their higher demand for health care; also, the share of discouraged jobless people not seeking work might increase with age.

Moreover, older people can under certain conditions be eligible for a pre-retirement benefit. The benefit can be granted to a person registered as unemployed who has received benefits for at least six months directly preceding application for the allowance, and who meets certain conditions concerning the number of years in work and why the work contract was terminated. According to the present legislation, beneficiaries must in most cases have reached the age of 56 for women and 61 for men. The number of recipients of the pre-retirement benefit lowered to a minimum in 2009 but has since been increasing. Closure of early retirement schemes, combined with low willingness among employers to hire the older unemployed, could be a possible explanation.

An aim should be to phase out such age-related measures as the pre-retirement benefit. Instead, more active measures should be introduced, where recipients should meet the same obligations to seek jobs and accept job offers as all people on unemployment benefits. One

approach towards closing the scheme could be a gradual increase of the minimum eligibility age.

In sum, the following measures should be considered:

- *Rules and regulation of the public pension system should be the standard.* Further efforts should be made to align rules and regulation of the remaining special pension systems (such as for farmers, miners, soldiers, police, judges and prosecutors) with the general system. Loss of public tax revenues and the distributional effects of tax reliefs for third-pillar schemes should be closely monitored to avoid negative impacts for the group of low-paid workers.

- *Women's labour market conditions and future pensions should be reformed.* Better access to flexible work and to combining work and pension could help establish a shorter period to achieving the same pension age for men and women. More individual taxation could reduce marginal tax rates and encourage employment among second earners. Survivors' pensions should be better targeted on self-sufficiency, for both men and women; this could be done by granting the benefit to working-age survivors only for a limited period, and combining that step with activation measures to help them find employment, or with facilitating combinations of work and benefits.

- *Avoid having transfer to old-age pension via disability benefits become an attractive pathway out of the labour market.* The rehabilitation process for older workers should be simplified, with early and rapid return to work as the goal. Stronger requirements to accept job offers for the partially disabled, possibly combined with wage compensation if taking up lower-paid jobs, would also help to reduce inflow to the scheme.

- *Mutual obligations in the unemployment benefit and social assistance schemes should be enforced*. Active measures to get older unemployed persons more rapidly back to work and a gradual increase in the minimum age for entitlement to the pre-retirement scheme could be a strategy for reducing and subsequently closing the scheme.

Tackling employment barriers on the side of employers

The rapid ageing of the Polish labour force and the declining numbers of young people entering the labour market should encourage employers to

explore the potential for increased labour input from older people. Indeed, the employment rate for the 55-59 age group has increased substantially over the past decade, but less so for those aged 60 and over. However, to a large extent this trend seems to be driven by the closure of early retirement options, while employers' interest in developing an age-diversified staff appears to have remained limited.

The economic structure matters

Poland has a relatively high proportion of older workers in manual occupations and fewer in services compared with the EU average. In particular, agricultural, fishery and forestry occupations account for the highest share of workers in the 55-64 age group – a share equalling the level of professionals and three times the EU average. Not surprisingly, older workers leave manual and arduous jobs at a lower age than workers in other occupations. It is therefore notable that these sectors also have high shares of younger workers compared with many other countries. This indicates that older cohorts' departure from declining industries will not, on its own, be sufficient to achieve necessary structural changes in Poland, and highlights that additional measures will be required.

Even if estimates greatly differ generally they all show that the informal share of the Polish economy is substantial. Informal work implies reduced tax revenue, and could be combined with abuse of social benefits. It also leaves people without a formal labour contract and without the protection ensured by payment of social contributions, including pension contributions. Older people are thus less inclined to take up informal work.

Combating informality in the labour market could extend the range of quality jobs and generate stronger incentives to work. In addition to investigation of breaches of regulation, working with firms and workers to encourage compliance could prove useful. Simplifying registration procedures for small enterprises and the self-employed could reduce the prevalence of an informality motivated by overly bureaucratic routines.

Development of flexible work arrangements could also reduce the attractiveness of informal work. The average weekly working hours are relatively long in Poland, and flexible work arrangements are not widespread. Low wages in many occupations can reduce the attractiveness of part-time work, since it often does not provide a decent income. A broader range of flexible work should be explored, such as shorter or flexible working hours; the possibility of working from home; job sharing; partial retirement; changes of work rhythm or shifts; job rotation; and less overtime.

Protect workers, not jobs

For the level of employment protection legislation (EPL) to be appropriate, a balance must be struck between the job protection needs of employees and the needs of employers in terms of flexibility and room to adjust their workforces to changing economic conditions. The overall level of the EPL in Poland is approximately at the OECD average. Permanent, fixed-term and other temporary contracts are all regulated by the Labour Code. On top of that, employment relations can be regulated by the Civil Code. These Civil Code contracts are cheaper for employers, since they are subject to limited social protection requirements.

Special EPL rules protect older workers with less than four years remaining until retirement age from layoffs. This may discourage employers from hiring older workers in this category or approaching it. With a statutory pension age close to 60, this means that women already in their mid-50s may face considerable recruitment difficulties purely because of age.

Rapid changes in the economy and higher statutory pension ages will mean that older workers will need to change jobs more often in the future. One consequence of that is that the harmful effects of barriers to finding new jobs on standard contracts may become more prevalent, which could be an argument in favour of removing the special protection of workers close to retirement age. Moreover, ensuring greater convergence in the regulation of Civil Code and Labour Code contracts could make employers and employees more neutral in selecting different types of contracts. The Polish Government plans to subject all Civil Code contracts to social security contributions up to a salary equivalent to the full-time minimum wage. This would be a good first step, particularly for workers who do not have enough years of contributions to qualify for the minimum pension (25 years for men and 20 for women).

Changing EPL regulation could have mixed short-term and long-term effects. Reduced protection of older workers could be expected to have a positive effect on job mobility; nonetheless, if workers are dismissed when they are over 50, the challenge will be getting them back into work and avoiding their long-term unemployment. Combining removal of the special protection of those with less than four years left to retirement with more rights to social benefits for holders of Civil Code contracts could dampen negative short-term impacts. In addition, a reform of EPL should be accompanied with stronger activation measures for those who lose their jobs, to strengthen the social security net and facilitate return to work.

Age management is still in an early phase

In recent years an increasing number of employers have introduced elements of age management, i.e. the everyday management and

organisation of work from the viewpoint of the life course. The government programme "Solidarity Across Generations" is an initiative in the right direction. So far however, there are insufficient networks and forums for sharing best practices, and knowledge of good practices is still limited. A relatively large number of initiatives implemented independently of each other can boost creativity, but it is difficult for them to have scale effects. Greater return on these initiatives could probably be achieved by focusing more on a select suitable few for broader implementation; on dissemination and sharing of good practices; and on systematic evaluation and monitoring.

A dedicated structure could ensure continuity

An "independent facilitator" could help ensure that the focus is on issues that are feasible and of practical importance for both employers and employees in their daily lives. Examples from other countries, such as the Norwegian Centre for Senior Policy, could be used to inspire. This small unit works closely with public authorities, social partners, researchers and other stakeholders to advocate what is needed to promote longer careers and age diversity. Close co-operation is important to ensure synergies across stakeholders, and it can facilitate contact with small and medium-sized enterprises (SMEs).

Age management calls for a twin-track approach. The first is to promote workers' employability over the whole of their working lives, which can help prevent problems; the second is to reduce and eliminate acute employment problems in working life's later phases. Thus, age management affects the whole working population, independent of age. Such a broad concept could be acknowledged and implemented more easily in a close dialogue between employees and employers.

Some countries have a long tradition of tripartite co-operation, in which consultations and negotiations among the government, employers and employees are important elements of policy making. An example is the 2013 Social Agreement between the government and the social partners in the Netherlands. The agreement is being used as the basis for further initiatives to close early retirement pathways; increase incentives to work; and improve the financial sustainability of the welfare schemes that the Netherlands Government presented to the parliament in the Budget Memorandum of 2014.

The following measures should therefore be considered:

- *EPL should be aligned across all age groups by abolishing the special protection rules for older workers*. In addition, greater convergence of protective regulation of Civil Code contracts and Labour Code contracts could support higher mobility in the labour

market and allow more efficient allocation of resources, particularly for workers who do not have enough years of contribution to qualify for the minimum pension. Activation measures should be implemented to reduce possible negative short-term effects from job loss.

- *Age management should be promoted*. The approach must be adapted to the diversity of firms in Poland. Focusing on selecting a suitable few measures for broader implementation; on dissemination and sharing of good practices; and on systematic evaluation and monitoring should have a priority. Simple tools, such as checklists and guidelines, could be useful in promoting and implementing age management in SMEs. Initiatives to improve working conditions should include measures especially important for women, such as the development of better access to and standards for flexible work of good quality.
- *Good practices should be better disseminated and networks for experience sharing made available more widely*. The establishment of a small, dedicated, independent unit – such as the Centre for Senior Policy in Norway – working closely together with the authorities, social partners and researchers, could ensure a concentrated and long-term focus.
- *Social dialogue should be made a driving force in the design and implementation of policies to prolong working lives* – for example, through projects in the Solidarity Across Generations programme, which was renewed in 2013.

Improving the employability of older workers

The employment rate for women in Poland declines sharply after the age of 50. It is often considered that older women should rather focus on looking after their grandchildren or elderly parents than on professional work. Better access to care facilities for young children and the elderly, as well as better access to flexible work arrangements, could help.

Maternity and parental leave in Poland are among the longest within the OECD area, and the take-up rates are high. Long periods of leave could weaken attachment to the labour market, generate a loss of human capital, and reduce incentives for employers to invest in female workers. Impacts of the scheme on employment and sickness absence should therefore be carefully evaluated. Re-allocation of public budgets from support of long leave to institutional childcare, as well as better availability of part-time and

flexible work arrangements, could strengthen women's foothold in the labour market in a life-cycle perspective.

Adult training

The present generation of older workers completed their education before the political and economic transition from communism. The rapid and fundamental transition of the labour market, with the emergence of new requirements for skills and labour organisation, has been a challenge for many workers. Training not adapted to the needs or competences of workers could reduce interest in undertaking training. Older workers have generally acquired substantial skills during their previous education and working lives. This should be taken into account in establishing an adequate basis for further learning. Recognition of prior learning could be an instrument to facilitate adaptation of training to the needs of the individual, and thus prevent demotivation.

Vocational education has less prestige, and the training market is dominated by small private training and consulting firms. In Poland a national, integrated qualification framework, currently at the design stage, could help facilitate comparison of qualifications and their levels in order to promote geographical and labour market mobility as well as lifelong learning. This framework could also be a suitable tool to raise people's awareness of the need to take more responsibility for their own training and updating of skills.

Training offered to older people must also be useful for employers. The latter should therefore be involved in the planning and design of suitable training programmes for older workers. It is particularly important to reach out to SMEs, which account for a large share of jobs in Poland and normally have less capacity and resources to develop internal programmes than their larger counterparts. Thus, employers and employees should work together, for example through branch committees. A shorter payback period for older people means that training must have a relatively immediate return and should generally be built on shorter courses. It also means that appropriate training opportunities must be available throughout working careers. Regional disparities in economic and labour market conditions must be taken into account. Training initiatives that have proved effective in one region may not have the same success in another part of the country.

Health

Life expectancy at the age of 50 is increasing only slowly in Poland; it remains the fourth-lowest among European OECD countries. On average, a Polish man at the age of 50 can expect to have 15.4 healthy years of life

ahead of him, thus allowing him to reach only the current age of retirement in a healthy state. Moreover, Poland is one of the European countries with the widest gaps in life expectancy between highly and less-educated people.

The incidence of strenuous work, which could be difficult to manage with some health problems, is relatively high in Poland. Empirical analysis indicates that the occupational structure certainly has some impact. More generally, people in poor health have considerably lower employment rates than people in good health. This highlights the fact that improved health conditions, particularly among men, are one of the key conditions for prolonging working lives.

A strategy covering both general and occupational health services is necessary to make up for the ground lost during the past several decades as well as to meet the costs represented by rapid ageing and new medical technology. More focus on preventive health could support longer working lives by reducing the incidence of lifestyle- and work-related diseases. The resources available in occupational health services could be more efficiently used by switching the priority from general health checks to preventive health care and to helping people back to work after a sickness spell.

Local health services could complement the preventive work of occupational health services, and more attention could be paid to early identification of possible health risks. Another priority in the general health system should be the reduction of waiting times to prevent long-term sickness absence. Even if not especially related to older workers, short waiting lists and the shortest possible duration of sickness absence can be of particular importance for them. As they have only a relatively short time remaining in their working lives, long periods of absence can reduce the motivation of older workers to return to work, and may lead to early exit from the labour market.

Benchmarking and sharing of good practices could improve the efficiency of the PES

Many consider the Public Employment Service (PES) in Poland to be rather inefficient overall, even if there are many local examples of better performance. Advisers spend part of their time on tasks that are related to helping jobless people who are not interested in finding a job but must register at the labour office to be entitled to health insurance and pension contributions. As a result, about 30% of the registered unemployed have relatively little focus on active job search.

The Ministry of Labour and Social Policy has started up a project for the benchmarking of services provided by the regional labour offices. The

approach is inspired by the model used in Switzerland. In both countries, local autonomy plays a central role.

Systematic, centrally co-ordinated benchmarking would improve information about performance, encourage sharing of best practices, and allow monitoring of the impact of ALMPs at the local level. Better knowledge about efficient policies and administrative models should be used at a central level to improve the administrative framework and to design new programmes and measures. Gaining acceptance of centrally set goals and indicators at the regional and local levels could be a challenge. Developing a strong evaluation culture should be a priority.

The older unemployed are in principle treated just like any other unemployed person. Yet, the incentives for labour offices to give older jobseekers professional advice and services remain weak. The new benchmarking system should include measures to ensure that older jobseekers are given the same priority as others, and that mutual obligations are enforced.

Because of their organisational structure, PES units at regional and local levels have a great degree of freedom to develop and implement programmes; consequently, a range of initiatives are being taken across the country. The benchmarking system should be used to select best practices that could be suitable for broader implementation. Best practices currently seem to be shared randomly, with little consideration for their suitability for different local conditions. Evaluation, dissemination and monitoring of project activities should be a regular part of a benchmarking system. To give labour offices more room for new tasks, bureaucratic burdens should be further reduced by allocating more time to activation and counselling, and less to registration procedures not related to work.

The following measures should therefore be considered:

- *Measures should be taken to help more women work longer.* Innovative care facilities should be developed to relieve older women from responsibilities towards their families. Impacts of the long maternity and parental leaves on employment and sickness absence should be monitored. Re-allocation of public budgets from very long leaves to better institutional care could strengthen women's foothold in the labour market.

- *Training for adults and older workers should be more work-focused.* Employers and older employees should be involved in the development of programmes, for example through branch committees. Training programmes should be better adapted to local needs. Knowledge about adult pedagogy should be used to create

methods efficiently supporting learning among older workers. Recognition of prior learning and validation of acquired experience and skills could help in adapting training to individual needs.

- *Occupational health services should focus on preventive measures.* Improvement of health, especially that of older men, and support of an early return to work after sickness should be accorded high priority. Local health services should also have prevention and early identification of possible health risks as priorities. Waiting times in public health care should be reduced to shorten periods of health-related inactivity as much as possible.
- *Benchmarking of PES activities should be systematic and centrally co-ordinated*. Benchmarking should include control and measurement of tasks and services for older jobseekers at the local level. Better knowledge about effective policies for the older unemployed should also be used at a central level to improve the administrative framework and design of efficient ALMPs. Bureaucratic burdens on PES professional staff should be reduced further to make room for activation.

Notes

1. The EU average refers to the 21 countries belonging to both the European Union and the OECD.

Chapter 1

The "Live Longer, Work Longer" challenge for Poland

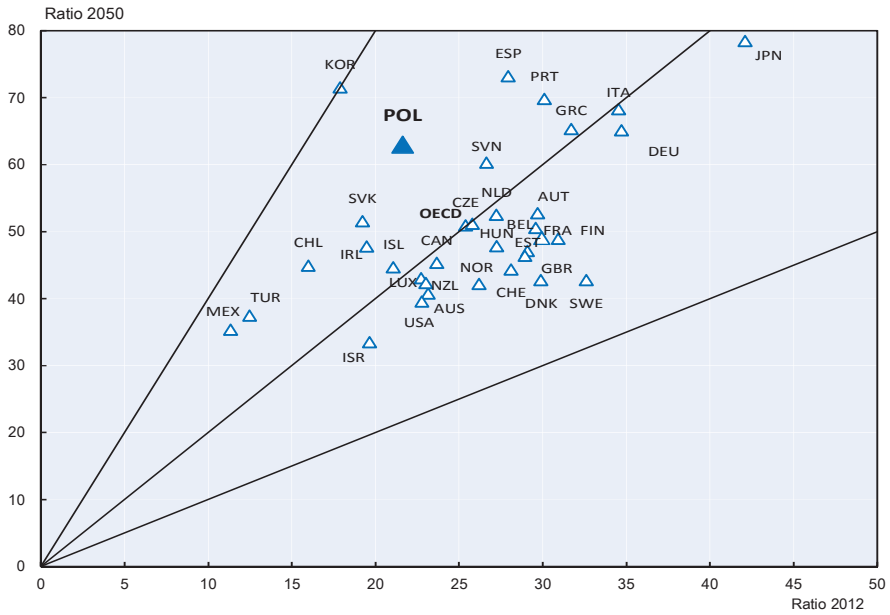
The population in Poland is ageing rapidly. As a consequence, it is projected that in 2050 the country will join the group of nations with an old-age dependency ratio higher than the OECD average. This chapter conveys the magnitude of the demographic challenges, and provides an overview of recent reforms in ageing and employment policies.

The magnitude of the demographic challenge

Poland is facing the challenges posed by a rapidly ageing population. The population above the age 65 as a percentage of the population aged 20-64 is projected to nearly triple: from 21.6% in 2012 to 63% in 2050 (Figure 1.1). Poland belongs today to the group of OECD countries with a relatively low proportion of elderly; which is to say below the OECD average of 25.8%. But with a fertility rate of 1.30 children per woman – well below the replacement rate of 2.1 children per woman – and with negative net migration, the labour force is ageing more rapidly in Poland than in many other countries (OECD, 2014). Thus it is estimated that by 2050, Poland will have moved to the group of countries with higher percentage of the population above the age of 65 than the OECD average (51.1%).

Figure 1.1. **Demographic dependency ratios, OECD countries, 2012 and 2050**

Population aged 65 and over as a percentage of the population aged 20-64



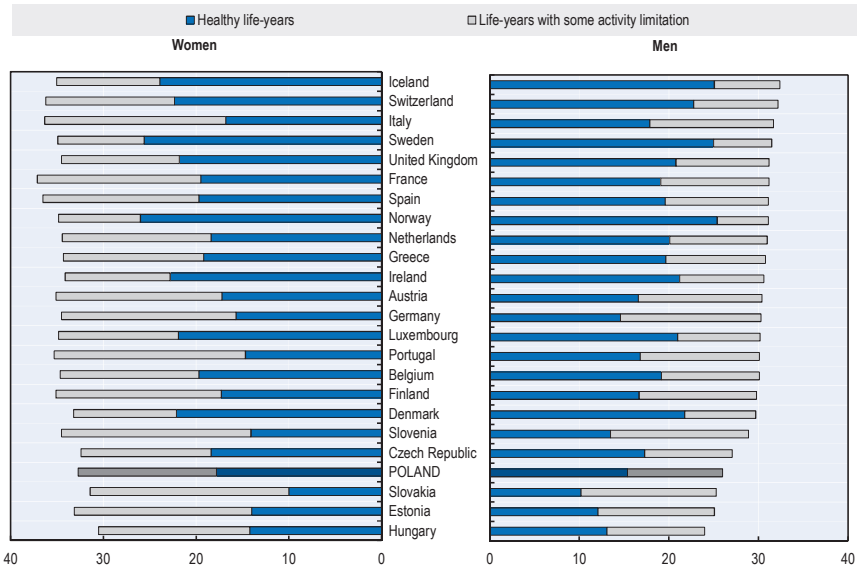
Source: OECD Database on Population and Labour Force Projections.

StatLink http://dx.doi.org/10.1787/888933175988

Active life expectancy at the age of 50 in Poland is among the lowest within the OECD area, particularly for men (Figure 1.2). The number of healthy life years remaining at the age of 50 is 17.8 for women and 15.4 for men. It is a matter of concern that men are often only capable of limited activity before they

reach the statutory pension age which at mid-2014 is 65.6.[1] Efforts to prolong the number of healthy years among at-risk occupations and industries must therefore be accorded high priority in policies preventing accidents and medical issues.

Figure 1.2. **Active life expectancy at the age of 50, by gender, European countries, 2011**



Source: Eurostat Health Database, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=hlth_hlye&lang=en.

StatLink http://dx.doi.org/10.1787/888933175997

Recent reforms in ageing and employment policies

A major multi-country OECD review of ageing and employment policies was conducted during 2003-05, and then summarised in the synthesis report *Live Longer, Work Longer* (OECD, 2006). This report put forward an agenda for reform in the following three broad areas, where policy action was deemed required to encourage work at an older age:

- strengthening incentives to carry on working
- tackling employment barriers on the side of employers
- improving the employability of older workers.

Poland was not among the 21 countries[2] that participated in the 2003-05 review. Even so, the summary assessment given in Table 1.1 indicates that

OECD recommendations have served as a guideline for Poland as well with regard to policy initiatives implemented to encourage work at an older age. The assessment indicates that actions taken over the past decade in Poland have focused mainly on the first area listed above, while much remains to be done in the second and third areas. The aim of this volume is to provide an overview of the measures implemented since the mid-2000s and their impact on older workers,[3] while at the same time identifying areas where more could be done, in terms of both supply and demand.

Table 1.1. **Ageing and employment policies: Poland, situation mid-2012**

OECD's recommendations in 2006	Action taken
A. Providing stronger incentives to carry on working	
Enhance incentives to remain in work longer	+
Eliminate incentives to retire early	+
Ensure that unemployment, disability and other welfare benefits are not used as alternative pathways to an early exit from the labour market	+
B. Tackling employment barriers on the side of employers	
Closely monitor the effects of the new legislation banning age discrimination	/
Move ahead with abolishing mandatory retirement	/
Review pay practices based on age or length of service	/
Avoid measures based solely on age	/
Take a balanced approach to employment protection	?
Encourage the social partners to promote best practice	/
C. Improving the employability of older workers	
Provide suitable training opportunities for all ages	+
Help private and public employment agencies give better assistance to older jobseekers	+
Improve the work environment	/

Note:
/ = no (relevant) action taken; ? = some action taken, but it could have negative impacts and requires further assessment; + = some action taken, but more could be done.

Source: OECD (2006), *Live Longer, Work Longer*, and answers to the 2011 OECD follow-up questionnaire, www.oecd.org/employment/ageingandemploymentpolicies.htm.

Notes

1. From 2013 on, the statutory pension age will gradually increase reaching 67 years in 2020 for men and in 2040 for women (see Chapter 3).
2. Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States. For further information, see http://www.oecd.org/els/employment/olderworkers.
3. In this review, "older workers" refers to individuals aged 55-64, except where otherwise indicated.

References

OECD (2014), *Society at a Glance 2014: OECD Social Indicators,* OECD Publishing, Paris, http://dx.doi.org/10.1787/soc_glance-2014-en.

OECD (2006), *Live Longer, Work Longer,* OECD Publishing, Paris, http://dx.doi.org/1787/9789264035881-en.

Chapter 2

The labour market situation of older workers in Poland

Employment rates for older workers in Poland have increased significantly over the past decade. Nevertheless, these rates are still among the lowest within the OECD area. Most of the high employment growth pertains to the 55-59 age group, while growth rates for older groups remain modest. Gender gaps in employment remain higher than the OECD average. This chapter examines developments following the country's recent reforms in ageing and employment policies.

The Polish labour market in an international context

Several factors must be taken into account to arrive at a complete picture of the labour market situation for older workers in Poland as in any country. Some 20 key indicators include not only employment rates but also factors impacting employment prospects, such as gender differences, mobility among older workers, job quality, and education and training. Table 2.1 presents these indicators, placing Poland in an international context through comparison with OECD and EU averages. The main findings are:

- *Employment*: The employment rate for the age group 55-59 has increased substantially in Poland, but is still well below the OECD average. Growth for the age group 60-64 has been more modest, and the employment rate for those 65-69 remains relatively low. The gender gap in labour participation is higher in Poland than the OECD average, i.e. women have much lower employment rates than men. That the statutory retirement age for women is five years lower than for men goes a long way toward explaining this.

- *Unemployment*: The unemployment rate for people aged 55-64, at 7.7% in 2013, was slightly below the EU average of 7.9%, but higher than the OECD average of 6.3%. The incidence of long-term unemployment – 45.8% for those aged 55 and over – has declined over the past decade, and is slightly below the OECD average of 46.6%.

- *Job quality*: Full-time earnings for 55-64 year-olds are only slightly above the earnings of the 25-54 year-olds, a ratio of 1.03. The OECD average is 1.08. In 2013 the share of part-time work for the age group 55-64 was 10.9% of total employment, lower than the OECD average of 18.2%. The incidence of temporary work is, however, well above the OECD average (respectively, 17% and 9%). Self-employment is also on average more common than in other countries.

- *Dynamics*: The ratio of employees aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously stood at 42.3% in 2013, slightly over the OECD average of 41.2%. The hiring rate of 5.4% approximates the European average. Outflow from work, measured by the separation rate, has declined over the past decade, reaching a level slightly below the OECD and European averages.

- *Employability*: The current generation of older workers in Poland has on average a low education level relative to the OECD average: 15.6% of the 55-64 age group had completed tertiary education in 2012, compared with the OECD average of 27.1%. Moreover, participation in training is low: 1.5% of that same age group, compared with an OECD average of 9.6%. That low figure is also indicative of the large age gap in training in Poland: the participation ratio of those aged 55-64 to those 25-54 is 0.55, substantially lower than the OECD average of 0.77.

Increased employment for those over 55

Employment

In 2013, the overall employment rate for the age group 55-64 stood at 40.6% in Poland. This is among the lowest rates in the OECD area; it is well below both the OECD average (54.9%) and the EU average (49.5%) (Table 2.1). By gender, the employment rate was 51.3% for men and 31% for women, compared with the OECD averages of 62.9% and 47.4%, respectively (Figure 2.1, Panel A). The difference in employment between genders in Poland of 20.3 percentage points is well above the OECD and EU averages of 15.6 percentage points and 13.3 percentage points, respectively.

The employment rate for the age group 65-69 was 9.4% in Poland in 2013. By comparison, the average employment rate for this age group was 19.6% in the OECD area and 11.2% in the EU countries (Table 2.1). Broken down by gender, this rate was 13.4% for men and 6.4% for women. That is well below the OECD averages of 25.1% and 14.6%, respectively, and slightly below the EU averages of 14.4% and 8.3% (Figure 2.1, Panel B).

Table 2.1. **Older workers scoreboard, Poland, the European Union and the OECD area, 2003, 2007 and 2013**

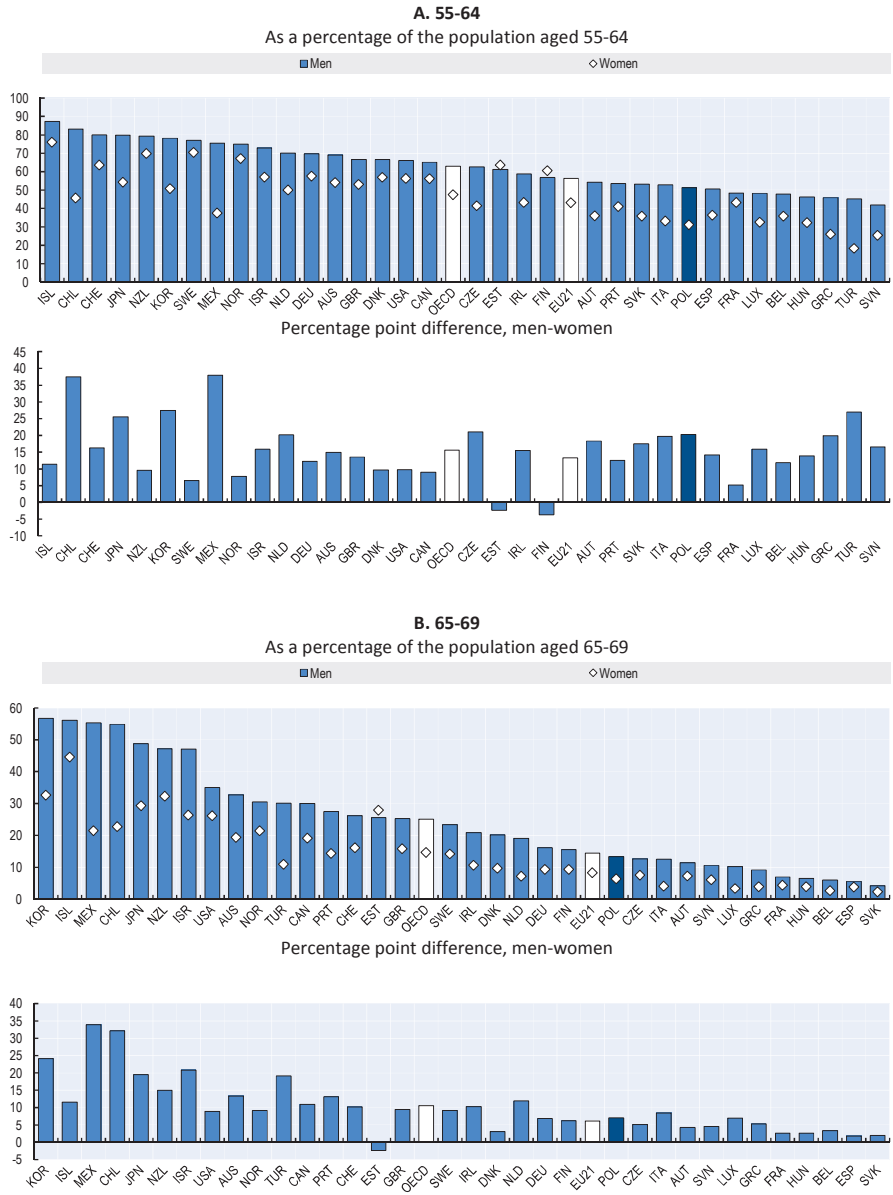
	Poland			European Union[a]			OECD[b]		
	2003	2007	2013	2003	2007	2013	2003	2007	2013
Employment									
-- Employment rate, 55-64 (% of the age group)	28.6	29.7	40.6	40.7	45.1	49.5	47.2	51.1	54.9
of which 55-59	36.1	36.8	55.3	53.5	58.5	64.2	58.1	62.1	66.5
60-64	18.6	18.4	24.0	25.5	29.0	33.6	34.0	37.7	42.2
-- Gender gap in employment, 55-64 (ratio men/women)	1.71	2.14	1.65	1.83	1.60	1.36	1.75	1.60	1.40
-- Employment rate, 65-69 (% of the age group)	10.3	8.5	9.4	9.0	10.3	11.2	15.8	17.2	19.6
Job quality									
-- Incidence of part-time work, 55-64 (% of total employment)	21.0	18.5	10.9	16.4	17.1	17.0	17.1	17.7	18.2
-- Incidence of temporary work, 55-64 (% of employees)	13.1	19.9	17.2	6.5	7.1	6.7	9.2	9.4	8.7
-- Incidence of self-employment, 55-64 (% of total employment)	42.3	36.4	28.8	25.8	22.7	21.7	30.0	27.1	25.7
-- Full-time[c] earnings, 55-64 relative to 25-54 (ratio)	1.23	1.14	1.03	1.13	1.14	1.12	1.08	1.10	1.08
Dynamics									
-- Retention rate[d], after 60 (% of employees t-5)	23.2	33.9	42.3	36.9	39.2	39.7	38.2	41.7	41.2
-- Hiring rate[e], 55-64 (% of employees t-1)	7.2	8.5	5.4	5.2	5.5	5.1	5.1	6.3	5.9
-- Separation rate[f], 55-64 (% of employees t-1)	22.0	17.7	12.7	16.7	16.2	15.2	15.4	16.0	15.3
-- Effective labour force exit age[g] (years), Men	61.1	61.4	62.3	61.4	61.7	62.4	63.3	63.7	64.2
Women	59.0	57.7	60.2	59.8	60.6	61.3	61.3	62.3	63.1
Unemployment									
-- Unemployment rate, 55-64 (% of the labour force)	11.3	6.8	7.7	5.3	4.6	7.9	4.7	4.0	6.3
-- Incidence of long-term[h] unemployment, 55+ (% of total unemployment)	58.3	57.0	45.8	53.0	56.9	57.0	42.7	46.0	46.6
-- Neither in employment nor completely in retired[i], 55-64 (% of the age group)	10.3	9.1	9.5	5.7	5.2	8.6	5.5	5.2	8.4
Employability									
-- Share of 55-64 with tertiary education[j] (% of the age group)	16.6	15.5	15.6	21.2	21.5	24.9	22.9	23.8	27.1
-- Participation in training[k], 55-64									
Absolute (% of all employed in the age group)	2.6	2.0	1.5	6.4	6.5	8.0	7.9	8.0	9.6
Relative to employed persons aged 25-54 (ratio)	0.63	0.64	0.55	0.64	0.69	0.74	0.67	0.72	0.77

a) Unweighted averages for 21 European OECD countries. *b)* Unweighted averages for 34 OECD countries. *c)* Mean gross hourly earnings, 2005, 2007, 2011. *d)* All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously. *e)* Employees aged 55-64 with job tenure of less than one year as a percentage of all employees aged 54-63 one year before. *f)* The separation rate is defined as the difference between hiring rates and net percentage employment change, adjusted for cohort size. *g)* The effective exit age over the five-year periods 1997-2002, 2002-07 and 2007-12. This age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights. *h)* Unemployed for more than one year. *i)* Percentage of the 55-64 age group that is either unemployed or inactive but willing to work. *j)* 2005, 2007, 2012. *k)* Job-related training during the last month, 2002, 2007, 2012.

Source: OECD estimations from national labour force surveys, the European Union Labour Force Survey (EU-LFS), the *OECD Earnings Distribution Database* and the *OECD Education Database*.

StatLink http://dx.doi.org/10.1787/888933176323

Figure 2.1. **Employment rates of populations aged 55-64 and 65-69, OECD countries, 2013**



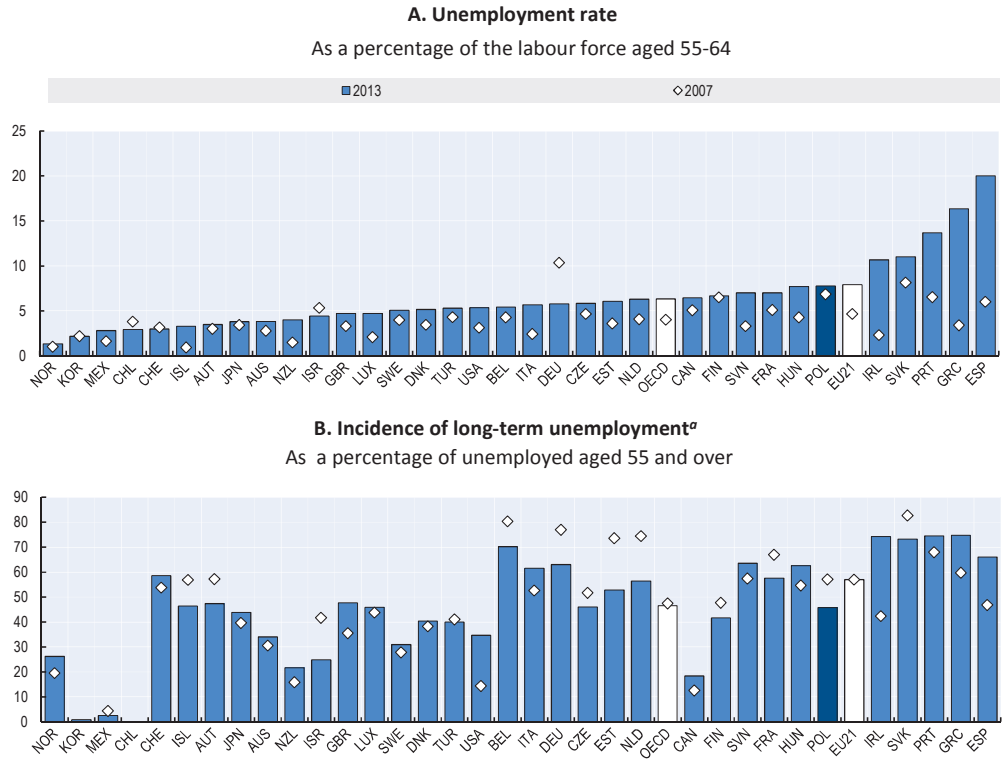
Source: OECD estimates, based on national labour force surveys.

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Unemployment

In 2013, the unemployment rate in Poland for those in the labour force aged 55-64 was 7.7%. This is slightly below the average for the European countries at 7.9%, but above the OECD average of 6.3% (Figure 2.2, Panel A). The incidence of long-term unemployment after 55 was 45.8% in Poland, lower than the averages for the OECD and the European countries, at 46.6% and 57% respectively. From 2007 to 2013, the incidence of long-term unemployment declined by 11.2 percentage points in Poland.

Figure 2.2. **The older unemployed, OECD countries, 2007 and 2013**



a) Unemployed for more than one year.

Source: OECD estimates, based on national labour force surveys.

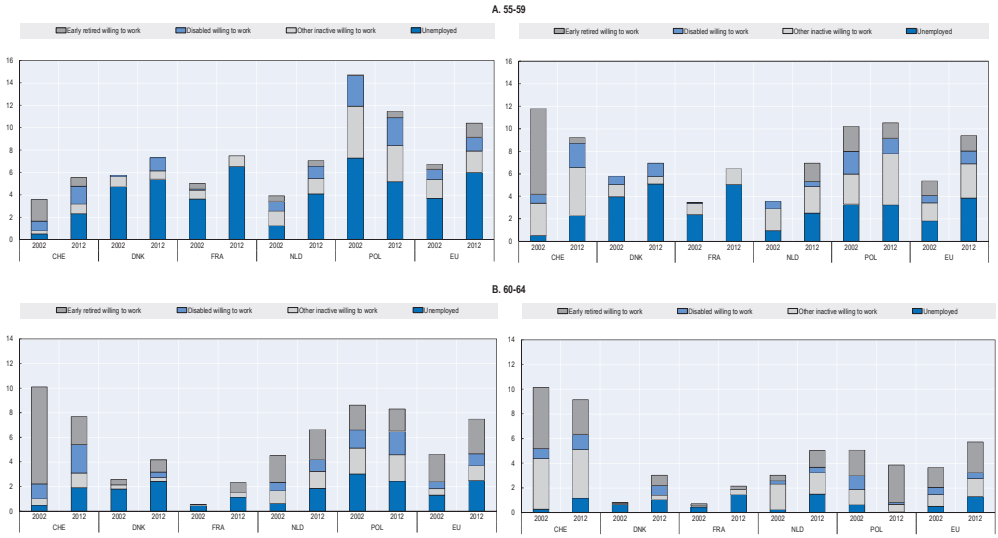
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The share of persons neither employed nor completely retired is for most of the included groups slightly higher in Poland than the average for European countries (Figure 2.3). Within that group, the share of other

inactive persons willing to work is generally higher in Poland. In addition, the proportion of disabled men who are willing to work is higher in Poland than in Denmark, the Netherlands or Switzerland. Among women above the age of 60, the share of early retired who are willing to work is also significant.

Figure 2.3. **Share of older persons neither employed nor completely retired,[a] selected countries and EU average,[b] 2002[c] and 2012**

As a percentage of all persons in the age group



a) The group is defined by collating responses to survey questions regarding self-declared status, willingness to work, and job search.

b) Disability status is not given for France, so the European average excludes that country.

c) 2001 for Switzerland.

Source: OECD estimates, based on the European Union Labour Force Survey (EU-LFS).

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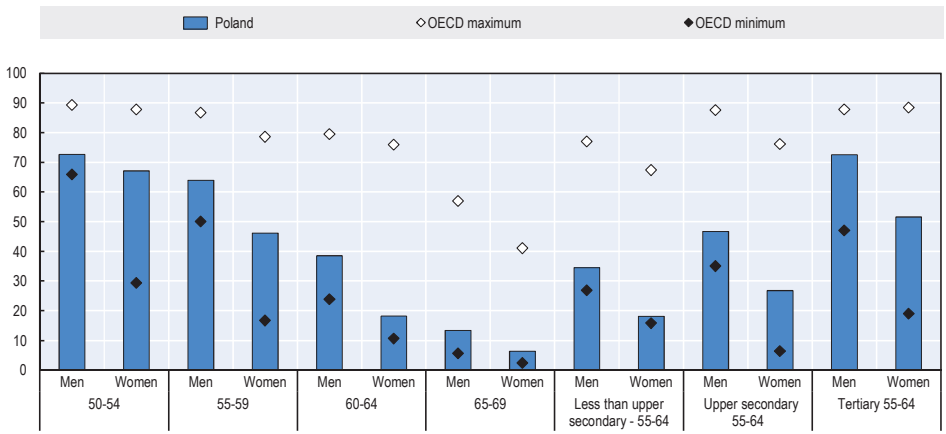
While the shares of people neither employed nor completely retired declined for men or remained stable for women in Poland from 2002 to 2012, those shares increased substantially as an average in European countries. Consequently, the gap observed one decade ago has to a large extent disappeared, making the current situation in Poland relatively comparable to the European average. Still, the gap between Poland and the best achievers remains substantial.

The roles of gender, age and education

Breaking the averages down, substantial disparities can be observed with respect to gender, age subgroups and education (Figure 2.4). Gaps between employment rates in Poland and the best performing OECD countries generally increase with age. For women, the employment rates for the age groups 60-64 and 65-69 are at the low end of the ranking, which is mainly explained by statutory retirement at the age of 60.

Figure 2.4. **Socio-demographic disparities in employment, by age, gender and education level, Poland and OECD area, 2012**

As a percentage of the population in each group



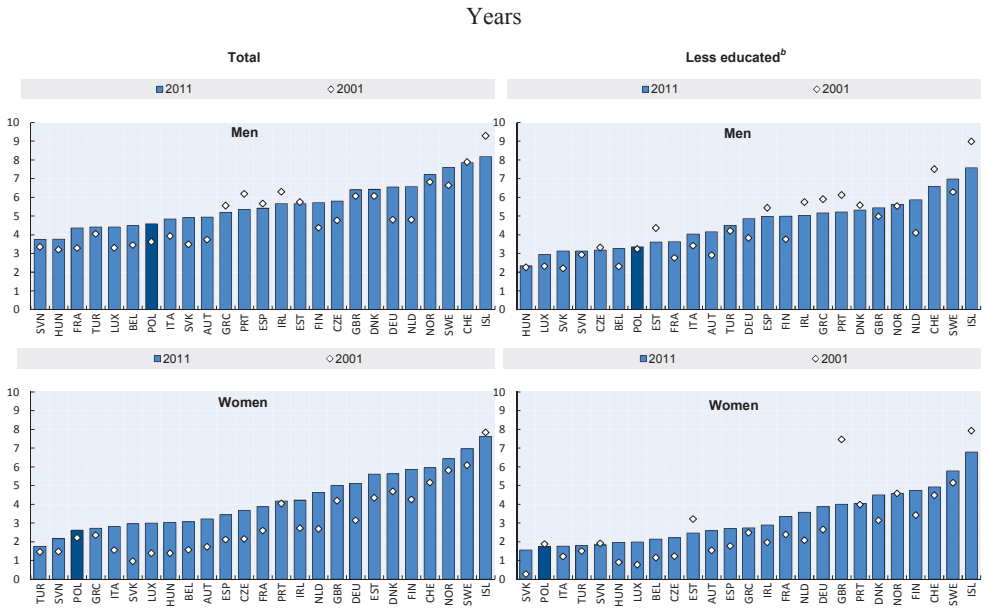
Source: OECD estimates, based on national labour force surveys.

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For both genders, the employment rates rise in line with educational attainment. Men in the 55-64 age group who had completed tertiary education had an employment rate of 72.5% in 2012, while the rate for those with less than upper secondary education was 34.5%. For women, the positive effect of education on the likelihood of working at an older age was even stronger, with corresponding rates of 51.6% and 18.1%.

As shown in Figure 2.5, Polish male workers with few qualifications between the ages of 55 and 64 are expected to remain 3.4 years in employment, compared with 4.6 years for all men in the age group. Over the period 2001-11, the expected time in employment increased by one year for all men, while for the group with few qualifications nearly no change was observed. The trend is very similar for women.

Figure 2.5. **Expected number of years in employment[a] between the ages of 55 and 64, by gender, 2011 and 2001**



a) The expected number of years in employment is calculated as the sum of employment rates by individual years of age between 55 and 64.

b) Less than upper secondary education.

Source: OECD estimates, based on the European Union Labour Force Survey (EU-LFS).

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Furthermore, both men and women in Poland can expect to remain in work after the age of 55 for a shorter period than their peers in other OECD countries (Figure 2.5). In 2011, women with few qualifications could expect to remain only an additional 1.8 years in work, a slightly shorter time than in 2001. Only in the Slovak Republic did this group of women have a shorter working period to come. The fact that expected number of years in employment after 55 has not increased for the least educated should be a matter of great concern. On average, this group of workers has less ability to prolong their working careers in line with the increasing statutory retirement age in Poland.

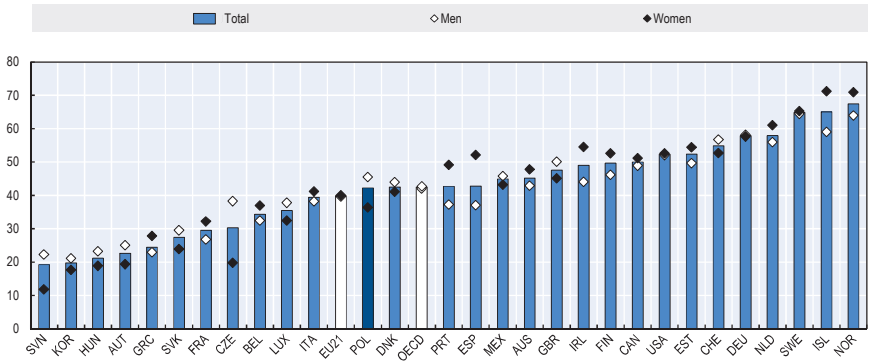
The labour market mobility of older workers

Strong increase in retention rates

The indicator for retention is calculated as employees aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously. Because of a low legal pension age and extensive outflow to

early retirement in Poland, the country's retention rate after the age of 60 was, at 23.2%, among the lowest within the OECD area one decade ago. By 2013, this rate had climbed 19.1 percentage points to reach 42.3% (Table 2.1) – roughly the same level as the average for the OECD area at 41.2%. This strong increase represents a fundamental break with previous early retirement practices. Nevertheless, the retention rate for women remains considerably lower than for men (Figure 2.6), illustrating women's earlier exit from the labour market.

Figure 2.6. **Retention rate[a] after the age of 60, by gender, OECD countries, 2013**



a) The retention rate is calculated as employees aged 60-64 with tenure of five years or more as a percentage of total employees aged 55-59 five years before.

Source: OECD estimates, based on national labour force surveys.

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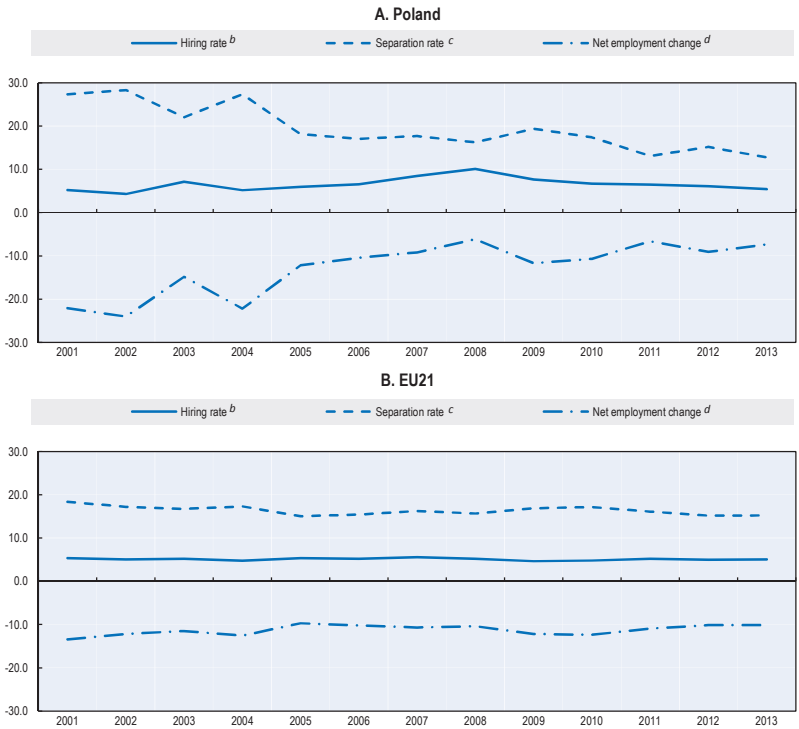
Labour mobility

The number of labour market transitions into jobs (hiring rate) and out of jobs (separation rate) are an indication of how easy it is for older workers to enter or leave a job. Comparisons with the age group 25-54 facilitate assessments of labour mobility. Net employment change is defined as the difference between hiring and separation rates.

Older workers' net employment change is negative – that is, a larger share of older workers leaves employment than (re-)enters it. In 2013 their net change was -7.3% of the total employment of older workers (Figure 2.7). The relative size of the negative change has actually been decreasing significantly since 2001, and in 2013 was lower than the EU21 average.

Figure 2.7. **Hiring, separation and change in net employment rates of older workers, ages 55-64, Poland and EU21,[a] 2001-13**

As a percentage of employment in the age group



a) EU21 refers to the unweighted average for 21 European OECD countries.

b) The hiring rate is the ratio of all employees aged 55-64 with tenure of less than one year to the total number of employees aged 54-63 the year before.

c) The net employment change rate is the ratio of the number of employees aged 55-64 minus those aged 54-63 the year before to the total number of employees aged 54-63 the year before.

d) The separation rate is computed as the difference between the net employment change rate and the hiring rate. (The net employment change in year t = hiring in year t – separations in year t.)

Source: OECD estimates, based on the European Union Labour Force Survey (EU-LFS).

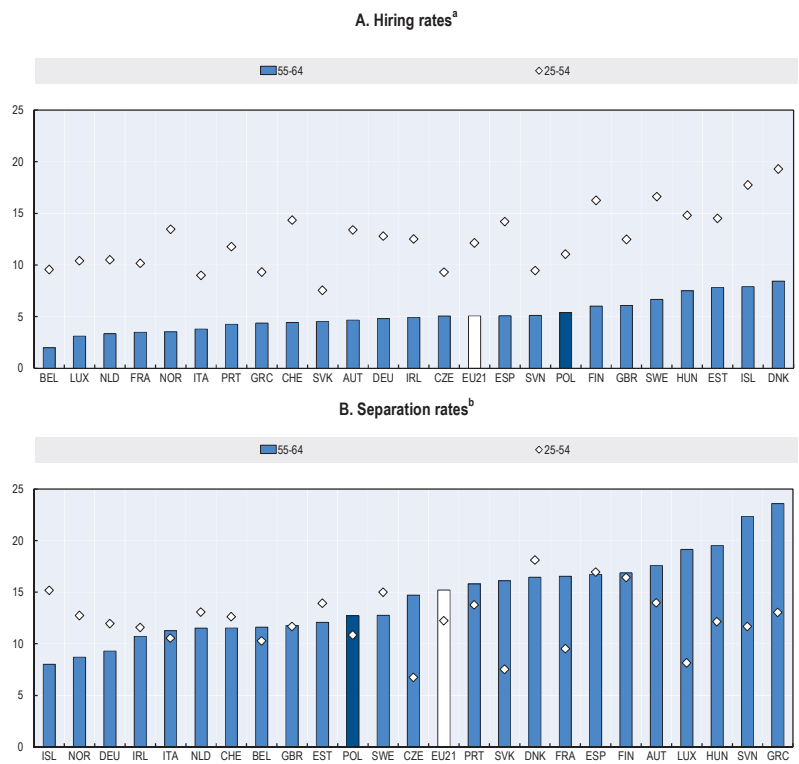
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The positive development in net employment change is due mainly to the decrease in separation rates – fewer older workers are leaving employment each year. Separation rates in Poland decreased from a maximum in 2001 of 27.3% to 12.7% in 2013. As a comparison, separation rates for the European countries as an average declined only moderately over the same period, from 18.3% in 2001 to 15.2% in 2013.

Hiring rates of older workers, however, remain low in Poland relative to younger workers, as in other European countries (Figure 2.8, Panel A). New hires of older workers corresponded in 2013 to 5.4% and 5.1%, respectively. Age differences in separation rates vary considerably across European countries (Figure 2.8, Panel B). Poland is in the mid-range of countries, with a rate somewhat below the average. The difference in separation rates between the age groups 25-54 and 55-64 is small in Poland.

Figure 2.8. **Hiring and separation rates by age, European countries, 2013**

Percentages



a) The hiring rate is the ratio of all employees aged 55-64 with tenure of less than one year to the total number of employees aged 54-63 the year before.

b) The separation rate is the difference between the net employment change rate and the hiring rate. (The net employment change in year t = hiring in year t – separations in year t.)

Source: OECD estimates, based on the European Union Labour Force Survey (EU-LFS).

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Outflow from the labour market begins early

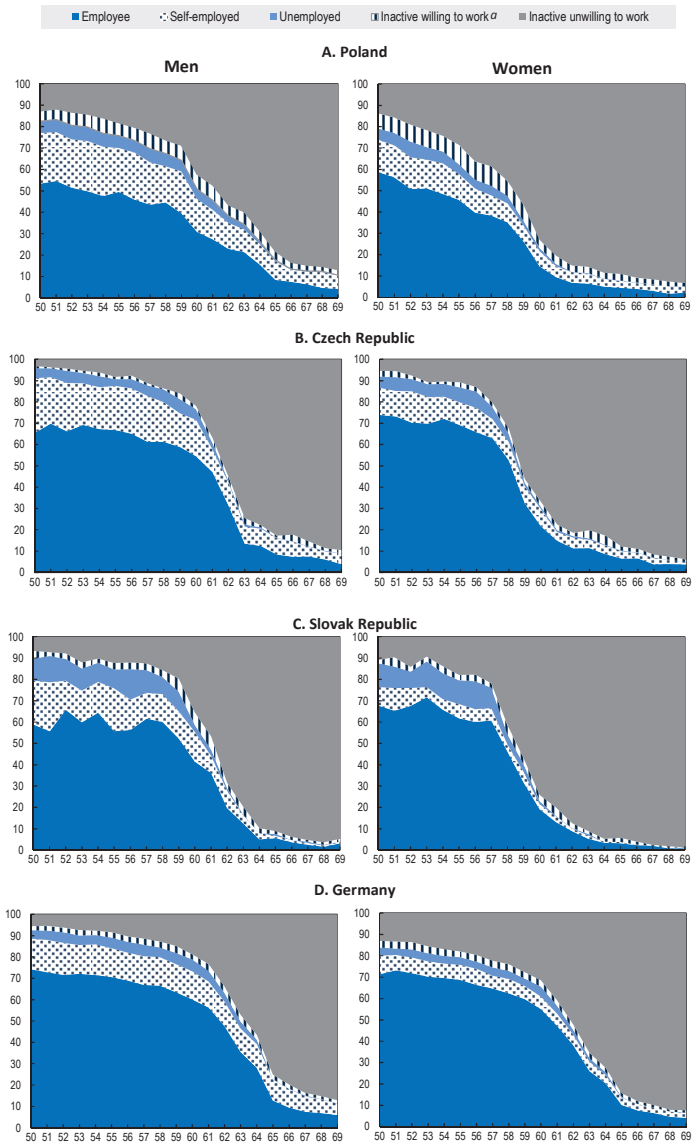
A dual feature of the Polish labour market is the relatively low share of people aged 50-69 with an employed status, and a high incidence of self-employment (Figure 2.9). Compared with the Czech Republic, Germany and the Slovak Republic, the percentage of people who report that they are willing to work but do not look actively for a job is significant in Poland, particularly for women in the age group 50-60.

Overall, the Polish labour market is still distinguished by an early age of exit from employment. Labour participation among women declines sharply from the age of 50. Until the mid-50s, the decline is mainly due to a decline in the proportion of female employees. From the mid-50s the shares of self-employed, unemployed and inactive willing to work but not actively seeking work are declining as well.

Likewise, labour participation among Polish men is reduced as they reach their 50s, more than in the three other countries shown in Figure 2.9. Compared with Polish women however, the decline for men is more gradual, particularly between 50 and 60. Slower decline in self-employment than in employment dampens the decrease in the total participation rate. At the age of 65, the rates of employment and self-employment for men are at the same level.

Figure 2.9. **Labour market status by single year of age (50-69) and gender, four OECD countries, 2012**

Percentages



a) Inactive persons willing to work are defined as those without a job but who would like to work and do not look actively for a job in the reference week.

Source: OECD estimates, based on the European Union Labour Force Survey (EU-LFS).

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Chapter 3

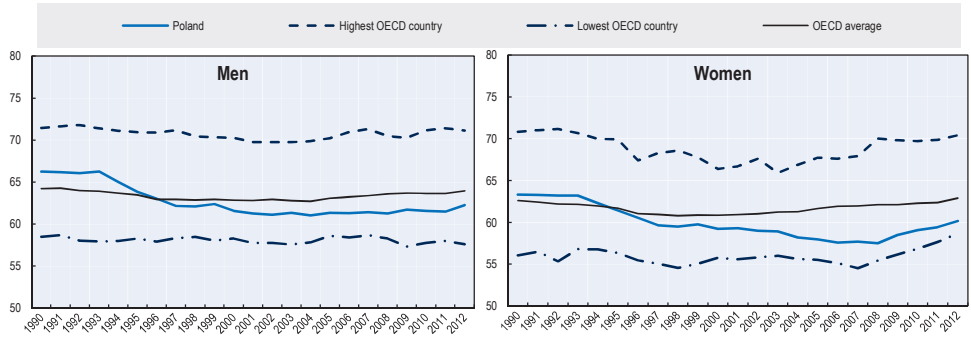
Making work rewarding for older workers in Poland

A major pension reform was launched in 1999, with the previous pay-as-you-go, defined benefit scheme replaced by a notional defined contribution system. The previous, extensive early retirement schemes in Poland were to a large extent closed from 2009, even if there are notable exceptions. In addition, inflow to disability pension is reduced and the statutory pension age is being gradually increased. The aim is to improve economic incentives to work. This chapter assesses the impacts of these reforms, and identifies the remaining challenges and further reforms that may be required to meet them.

Trends in the effective age of labour market exit

As a consequence of reforms implemented over the past 15 years, the effective age of labour market exit stabilised and then began to increase slightly. For men, this age increased from 61.1 years in 2002 to 62.3 years in 2012 (Figure 3.1). For women, the effective exit age increased from 59.0 to 60.2 years over the same period. Poland still lags behind the OECD averages of 64.2 years for men and 63.1 years for women.

Figure 3.1. **Effective labour force exit age[a] by gender, OECD countries, 1990-2012**



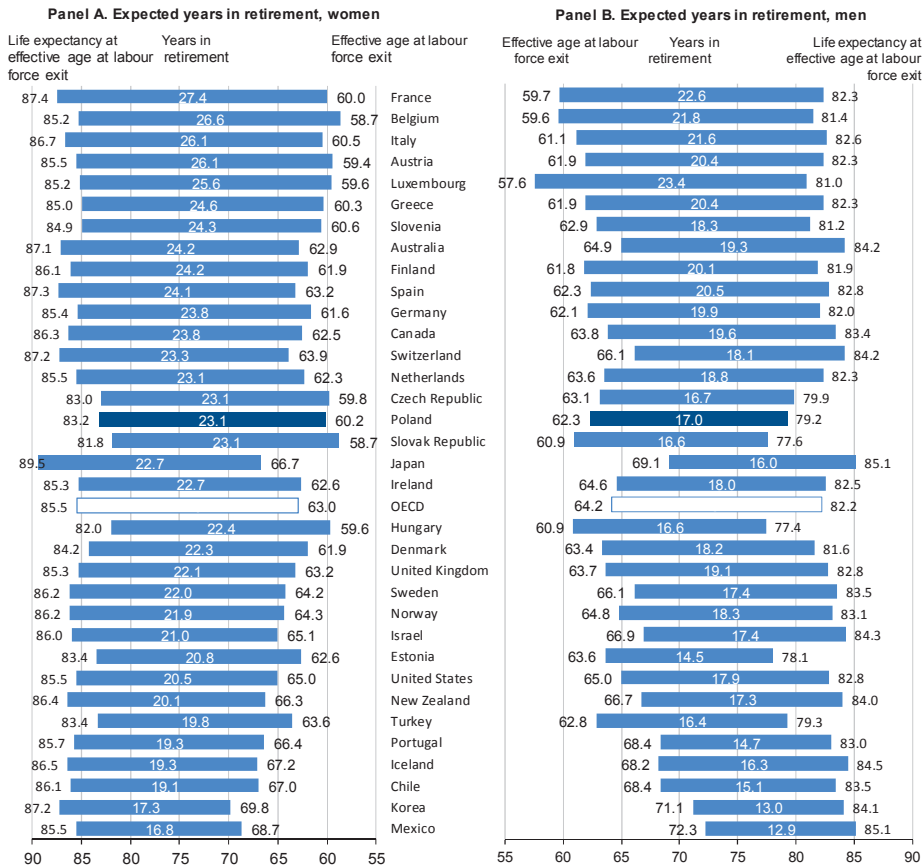
a) The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights. In order to abstract from compositional effects in the age structure of the population, labour force withdrawals are estimated based on changes in labour force participation rates rather than labour force levels. These changes are calculated for each (synthetic) cohort divided into five-year age groups.

Source: OECD estimates, based on national labour force surveys, www.oecd.org/els/public-pensions/ageingandemploymentpolicies-statisticsonaverageeffectiveageofretirement.htm.

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Women in Poland retire earlier than men, and have a longer life expectancy; as a consequence, women in Poland are expected to spend a longer period in retirement. It is estimated that women in Poland will have 23.1 years of life remaining at the effective labour force exit age, above the OECD average of 22.5 years (Figure 3.2, Panel A). By contrast, the expected period in retirement for men in Poland – 17 years – is below the OECD average of 18.1 years (Panel B).

Figure 3.2. **Expected years in retirement[a] by gender, OECD countries, 2012**



a) Remaining years of life at the effective labour force exit age.

Source: OECD (2013), *Pensions at a Glance 2013*, http://dx.doi.org/10.1787/pension_glance-2013-en; life expectancy estimates are from UN (2013), *World Population Prospects, The 2012 Revision*, United Nations, New York.

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Old-age pension: Frequent changes reduce predictability

The Polish pension system consists of several schemes. The most important of these is the general social insurance scheme, managed by the Social Insurance Institution (ZUS). The scheme covers all private sector employees, those self-employed outside the agricultural sector, and the majority of public sector employees. Farmers, military and police, as well as judges and prosecutors, are covered by special schemes, among which the

social insurance scheme for farmers is the largest. This scheme is managed by the Agricultural Social Insurance Fund (KRUS).

The main reform in 1999

There have been several reforms of the Polish pension scheme since the beginning of the economic transition 25 years ago. The main reform was launched in 1999; its core objectives were to improve the sustainability of the pension system through reducing the replacement rate, and extending working lives. The system that had been in place, a defined benefit pay-as-you-go scheme, was transformed into a more diversified system, based on three tiers (Martinez-Fernandez et al., 2013). The principal elements of the system introduced in 1999 were:

- Pillar 1: A pay-as-you-go notional defined contribution (NDC) scheme under administration of the ZUS. Actuarially neutral notional accounts were introduced.
- Pillar 2: Mandatory individual accounts in a fully funded scheme, managed by private open pension funds (OFE).
- Pillar 3: Voluntary supplementary pension saving in collective pension schemes (PPE) or individual retirement accounts (IKE and IKZE[1]).

All economically active persons are in principle members of the mandatory pension schemes. People born after 31 December 1968 automatically became members of Pillar 1 and Pillar 2. Until the end of 1999, people born between 1949 and 1968 could switch to the new Pillar 1 – or to the combination of Pillar 1 and Pillar 2. Transition rules allowed some groups to retire in line with the procedures of the old pension system.

Total mandatory old-age pension contributions of 19.52% of earnings are paid 50% by employers and 50% by employees (ZUS, 2013). Contributions for some groups are paid by the state, for example during periods of maternity or parental leave, unemployment or military service.

Initially, a monthly contribution of 12.22% of earnings is assigned to the individual's account in the NDC scheme (Pillar 1). The account is uprated by a notional interest rate, defined as the nominal growth in wage payments in the economy (Góra, 2013). This indexation is a combination of nominal wage and employment growth. For people who are not covered by Pillar 2 – mandatory individual accounts – the total of 19.52% is transferred to the notional account. Employers pay contributions only to the notional scheme (Pillar 1). The 1999 reform initially diverted a contribution of 7.3% of earnings to individual accounts in the funded, privately managed scheme (OFE). Returns on funds invested by OFE are allocated to the accounts.

People born in 1949 and later have their pension calculated according to the new rules implemented in 1999 (ZUS, 2013). Thus, payment of old-age pension from the new rules has started for women, while the first pensions for men calculated from the new system are paid from June 2014.

Partial reversals of the 1999 reform in 2011 and 2014

From May 2011, a partial reversal of the 1999 reform was implemented through a new set of individual, notional accounts in the ZUS. The total contribution of 7.3% has been split between the first and second pillars. The new notional accounts were established for the portion of contributions that was initially diverted to the Pillar 2 scheme. These accounts are uprated in accordance with the average of the past five years' nominal GDP growth.

The scheme implemented through the 1999 reform initially had an inadequate financial balance (von Nordheim, 2012). A relatively ambitious level of saving in the OFE accounts was financed by shifting part of the social security taxes to the private schemes, while the tax revenues forgone were never explicitly replaced by other taxes. The re-allocation of contributions from the OFE to the ZUS accounts was meant to be temporary and to gradually change towards a contribution of 3.8% to the Social Insurance Fund account and 3.5% to the funded scheme in 2017 (OECD, 2013).

A further reversal of the individual account system was, however, implemented as of 1 February 2014 (Social Security, 2014). Key changes under the new law are:

- The default option is to contribute to the public notional account pension system, but workers can opt in to allocate 2.92% of their gross wages to the privately managed second pillar.
- Participation in Pillar 2 is now voluntary. All new entrants to the workforce will have to opt into the second pillar. Those who fail to do so will participate in the Pillar 1 NDC scheme only. Current participants are allowed to opt out of the second pillar. Current participants have from 1 April through 31 July 2014 to submit a written request to remain in the second pillar; those who fail to do so will automatically have their accounts transferred to the first pillar. The law calls for opt-out periods to occur again in 2016 and every four years afterward.
- All government bond investments are transferred from OFE to the ZUS, and investment options for OFEs are changed. OFEs now cannot invest in Polish treasury bonds, although they may continue investing in other types of bonds.

- The remaining Pillar 2 assets will be gradually transferred to Pillar 1 as workers approach retirement age. During the ten years preceding normal retirement age, account balances will be gradually transferred to sub-accounts managed by the ZUS. As a result, the ZUS is responsible for paying both the Pillar 1 and Pillar 2 pensions.

A main objective of this reform is to further reduce deficits in the ZUS scheme by transferring funds from the open pension funds (OFE) to the ZUS. Thus in the longer term, the pay-as-you-go part of the pension system will become more dominant and the funded part less important. These changes from 1 February 2014 have received strong criticism from the social partners, both employers and trade unions (Eironline, 2014), partly because the reform is perceived as the government's unilateral decision.

Very limited coverage of Pillar 3

Collective and individual Pillar 3 schemes benefit from tax advantages. In spite of that, coverage of voluntary pension schemes is very limited. By the end of 2012, collective schemes (PPE) covered about 344 000 people. In 2013 the two individual schemes, IKE and IKZE, had about 800 000 and 500 000 accounts respectively. Savings in IKE are exempted from capital gains tax. Beginning in 2014 annual contributions to IKZE may be deducted from taxable income up to an amount of 1.2 times the estimated average monthly Polish salary in a given year (i.e. a maximum of PLN 4 495 in 2014).

Pension calculation

The Polish pension system is based on an NDC principle. The law on annuities adopted in 2009 stipulates that pension saving will be converted into an annuity using unisex life tables at retirement. Conversion cannot take place before the age of 65. Women who retire before that age will receive payments from their individual accounts until they reach the age of 65. The remaining balance of their individual accounts is then used to buy life annuities. A similar approach is adopted for calculation of benefits from both the ZUS and OFE accounts. If the old-age pension is below the monthly minimum of PLN 844.45 (in 2014) with at least 20 years of coverage for women and 25 years for men, a supplement to reach the guaranteed minimum pension is paid from the state budget.

Pension benefits are subject to periodic indexation. This indexation rate is defined as an annual average index of consumer goods and services, increased by at least 20% of the real growth of average monthly earnings in the preceding calendar year (OECD, 2013). Chłoń-Domińczak (2013) shows that ten years after retirement, projected net replacement rates in Poland are reduced substantially as a consequence of the indexation of pension payments.

Stepwise increase in the statutory pension age

The statutory pension age (mid-2014) is 65 years six months for men, and 60 years six months for women. Poland is currently one of the few OECD countries where the pension age for women is lower than for men.

In 2012, the Polish Parliament adopted a proposal to raise the statutory pension age gradually to 67 years for both genders (see Table 3.1). Beginning in 2013, the pensionable age is being raised gradually by three months every year, with the increases in January, May and September. For men, the target age will be reached in 2020. For women, the convergence period is longer: 67 will be reached only in 2040 from 60 years in 2013.

Table 3.1**. Phase-in of increased retirement age, Poland**

	Men	Women
2013	65.25	60.25
2014	65.5	60.5
2015	65.75	60.75
2020	67	62
2025	67	63.25
2030	67	64.5
2035	67	65.75
2040	67	67

Source: Central Statistical Office (2014), *Population Projections 2014-2050*, Central Statistical Office, Warsaw.

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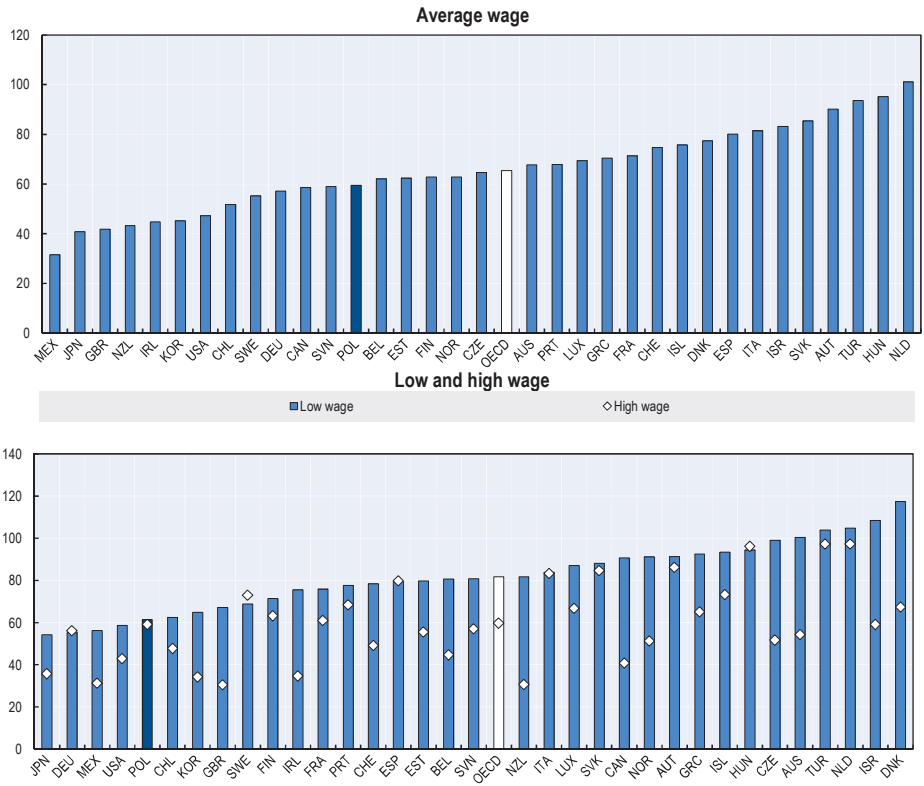
Main challenges in the old-age pension system

Low replacement rates

The net pension replacement rate from the mandatory first and second pillars, at about 60% for average wage-earners, is projected to be slightly lower than the OECD average (Figure 3.3). However, for low-wage earners the net replacement rate in the new system is projected to be among the lowest within the OECD area, and higher than the OECD average for high-wage earners (OECD, 2013).[2] The minimum pension should be about 25% of the average wage. The minimum pension guarantee for people eligible to receive a pension is the main mechanism of income protection for future old-age pensioners.

Figure 3.3. **Theoretical long-term net pension replacement rates,[a] OECD countries**

As a percentage of the wage



a) The net replacement rate is calculated assuming labour market entry at age 20 in 2012 and a working life equal to the pensionable age in each country. The net replacement rates shown are calculated for an individual with 100% and 50% of average worker earnings.

Source: OECD (2013), *Pensions at a Glance*, http://dx.doi.org/10.1787/pension_glance-2013-fr.

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On the other hand, voluntary Pillar 3 schemes are favoured with tax relief. Jarrett (2011) commented that care should be taken in designing tax support for voluntary Pillar 3 pension saving so as to avoid regressiveness since low-paid workers will be unable to save in such schemes. More generally, policies could be directed towards measures to strengthen the sustainability of the general pension scheme. The tax advantages for Pillar 3 schemes reduce tax revenues, and could make the well-off more

independent of a well-functioning universal pension scheme. Impacts of the Pillar 3 scheme should therefore be carefully monitored.

Longer careers needed to support future pension levels

In an NDC scheme, the close relationship between contributions and pension payments tends to provide an incentive to work. Future increases in life expectancy, low future valorisation of pension entitlements, and longer periods with low or no contributions could reduce the replacement rates in the longer term (Jabłonowski and Müller, 2013). Chłoń-Domińczak (2013) finds that theoretical replacement rates for average wage earners in Poland could drop by more than 30% over the period 2010-50. Working longer could considerably offset lower replacement rates. An increasing share of wage earners could, however, be eligible only for the minimum pension. Since pensions are closely related to contributions, people must have access to jobs that entail payment of contributions. This heightens the need to combat any form of informality in the economy (or temporary contracts with no contributions), and to promote jobs of good quality.

Micro-simulations presented by Chłoń-Domińczak and Strzelecki (2012) indicated that the minimum pension would represent less than 15% of the average wage by mid-2020. Their results are based on assumptions of indexation of the minimum pension amounting to 20% of average wage growth, and on similar wage growth and financial market returns as observed over the past decade.

Furthermore, simulation results presented by Egert (2012) show that weakening of the second pillar would result in lower replacement rates. This effect will increase as a consequence of the further transfer of funds from the OFE to the ZUS accounts initiated in 2011. The reason lies in the internal rate of return, which most likely is lower in the notional scheme. According to Jabłonowski and Müller (2013), the effect is not major compared with the other relevant factors.

The lower labour force participation of women and the lower female retirement age weaken their poverty protection once they retire. Chłoń-Domińczak (2014) pointed out that women on average lose in two ways from a pension perspective: they earn less and have shorter contribution periods. Promotion of gender equality is crucial to reduce their economic vulnerability, and a broad approach that includes a change in social norms is necessary to remove obstacles to their participation in the labour force (Box 3.1).

Box 3.1. **Obstacles to female labour participation**

Both policies and social norms are obstacles:

- The statutory retirement age for women, currently lower than for men, tends to shape social norms.
- Unisex mortality tables are underestimating women's true life expectancy, making the pension system more generous for women.
- The survivors' pension scheme undermines work incentives.
- The system of joint taxation of spouses boosts marginal tax rates for second earners if the income gap between spouses is significant.
- "Traditional" family norms are among the constraints. Access to the provision of long-term care for elderly is limited. Insufficient development of childcare combined with generous opportunities for child-related leave and limited access to flexible working-time arrangements are factors as well.

Source: OECD (2014), *OECD Economic Surveys: Poland*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-pol-2014-en.

This highlights the importance of improving the labour market position of women, and providing them with incentives not only to participate in general but also to work longer. One incentive could be a more rapid phase-in of increasing the statutory retirement age to 67 (OECD, 2014a). Having the same statutory retirement age for both genders could improve middle-aged and older women's position in the labour market, since there would no longer be any reason to prefer to invest in men of the same age because of the longer remaining work career ("horizon effect"). In addition, a shift towards more individual taxation could reduce marginal tax rates for second earners. Evaluations of how female workers and the labour market have accommodated in the past gradually diminishing opportunities for them to retire early could form a valuable basis for further policy action. More than 70% of women retiring in 2006 did so within the age bracket 55-59 (Chłoń-Domińczak, 2009). This was related to the previous legal possibility of early retirement at age 55 if the work experience was more than 30 years (including periods of university education and childcare leave).

Life expectancy in Poland is projected to increase rapidly, approaching 89 years for women and 83 years for men in 2050 (Central Statistical Office, 2014). This raises the question of whether further increases in retirement ages will be necessary in the future, for example connecting the retirement ages to longevity.

Educating the public

In addition, people must change expectations about retirement and attitudes to work – both to contribute to better personal financial autonomy in retirement, and to dampen the labour market effects of an ageing labour force. Even if the effective age of exit from the labour market has slightly increased, it does not seem that people in general are sufficiently well informed about the importance of long contribution periods and later retirement age to ensure an adequate replacement rate of their pensions.

Chłoń-Domińczak (2009) stressed that a systematic effort by the authorities is required to educate the public about pensions. Several steps have been taken to make people aware of their pension earning and projected pension payments for those approaching retirement age. But more has to be done. In addition to providing full factual information, extending working lives should be promoted for men and women, both for the positive effects and as a way to alleviate poverty in old age.

A problem here is that efforts to educate could be undermined by frequent reforms of the pension system; recurring change could generate uncertainty and erode trust in the system. It is therefore crucial to have a more stable and predictable system. A relevant question is whether subsidies devoted to special schemes and more generous conditions for particular groups such as women, farmers and some other occupations (see below) are truly justified, or if public contributions would be better used supporting sustainability of the general scheme.

Greater flexibility in the pension system

Easier access to partial pension

There are no general provisions for early withdrawal of pension in the present general pension system. However, women who have reached the age of 62 and who have at least 35 years of contributory or non-contributory periods have the right to draw a partial pension. The corresponding conditions for men are 65 years and a contribution period of 40 years. The partial pension equals 50% of the full old-age pension from the Social Insurance Fund.

Take-up of a partial pension can be combined with work. After reaching the statutory retirement age and termination of the work contract, the partial pension will be converted to an old-age pension. The old-age pension will be adjusted for the amount already received as partial pension.

Certain amounts of pension earnings can be necessary, to prevent people from withdrawing the pension before they have reached the minimum level. As the new pension system is based on actuarial principles, there is no real

reason to impose further restrictions on take-up of the partial pension if the minimum level is achieved. Facilitating take-up of partial pensions could help create a more flexible route from work to retirement, and prolong work participation. Combined with reduced working hours, it could also bring about a faster phase-in of the higher retirement age, particularly for women.

Simplify combination of work and pension

It is possible to defer both the notional and the funded pension components with no age limit stipulation. People who defer take-up of their pension would carry on paying contributions and gain additional pension rights. Work and pension can be combined. The employment contract must, however, be terminated before a full pension can be withdrawn. Even so, the employee can continue working on the basis of a new contract and still receive a full pension.

Allowing work and pension to be combined is a positive step. But the restriction that the previous contract must be terminated before taking up a full pension seems unnecessary in the new pension system based on actuarial principles, and should be removed. Supplementary pension contributions leading to additional pension rights exist in some OECD countries, such as Spain, the United States, Norway and Sweden. Women, who often have gaps in their contribution periods, could benefit from such an opportunity.

Too many exemptions from the main scheme

Social insurance for farmers (KRUS)

A special feature of the Polish pension system is that it comprises two separate schemes and institutions: the general social security scheme, administered by the ZUS (about 80% of old-age pensions); and the social insurance scheme for farmers, handled by the KRUS (about 17% of old-age pensions). There are in addition other special schemes for (e.g.) soldiers, police, judges and prosecutors.

The KRUS was established in 1991 to provide low-income farmers with the same level of pension and social benefits as people under the general social security system (ZUS), but for a much lower contribution (Boulhol, 2014). Spouses and other household members are also members of the scheme, under certain conditions of engagement in farming.

Since 2009, contributions to the farmers' scheme are related to the size of the farm rather than the income generated. An increased rate of contributions does not result in a greater pension benefit. The system does not provide any incentives to prolong the contributory period. Contributions

are paid separately for accident insurance and sickness and maternity benefits. According to a new regulation in effect from 2013, health care contribution rates for so-called special agricultural production activities were increased, but remain small (OECD, 2014a).

According to a new regulation amended in 2013, possibilities for early retirement (women at the age of 55, men at the age of 60) will gradually be eliminated and the general pension age will be increased to 67 years (in 2020 for men and in 2040 for women). However, a new possibility of early take-up of a partial allowance has been introduced for women aged 62 and men aged 65, amounting to half of the regular farmers' pension.

One argument for a special pension system for farmers is that as their average income is low, the scheme alleviates their risk of poverty in old age. A system with very little relation between contributions and benefit, however, reduces incentives for structural changes or improved productivity to achieve higher incomes. The European Commission (2013a) indicated that the social security system for farmers creates incentives for small-scale farmers to remain in the agricultural sector since individual farmers' income is not accurately traced in the system. This results in hidden unemployment in rural areas, which holds back productivity growth and keeps regional and sectoral labour mobility at bay.

Further progress is needed to establish a uniform pension system in Poland. The imbalance in terms of conditions between the general scheme and the present social insurance scheme for farmers (KRUS), which is substantially subsidised by the public budget (OECD, 2014a), could be even more difficult to defend in the future as pension adequacy in the general system is expected to decline. Stronger efforts should therefore be made to remove inefficiencies within the schemes and to align rules and regulations across them. Alignment of rules and regulations could facilitate merger of the schemes further ahead.

Aligning the two schemes would also improve transparency regarding their pension rights for the large number of people who have additional work outside the agricultural sector, and who are members of the general pension scheme. It is worth noticing that in each age group the number of female pensioners is substantially higher than the number of male pensioners (Table 3.2). Lower life expectancy for men than women above pensionable age could be part of the explanation, as well as the fact that spouses are very often KRUS members. The numbers also illustrate that a larger share of men is not entitled to the farmers' pensions because they have pensions from the ZUS or another special scheme.

Table 3.2. **Recipients of pension from the social insurance for farmers (KRUS), by gender and age group, 2013**

	Total	Men	Women
55-59	35 158	0	35 158
60-64	105 374	15 682	89 692
65-69	150 337	45 792	104 545
70-74	152 754	50 152	102 602
75-79	171 458	52 116	119 342
80 and more	353 369	90 552	262 817

Source: Quarterly statistical information from the KRUS.

StatLink http://dx.doi.org/10.1787/888933176347

Pension schemes for other special groups of employees

Police officers, uniformed public employees and soldiers are covered by special schemes, generally with more generous conditions and benefits although there is some alignment. People who enter these services as of 2013 will be able to retire when they reach the age of 55, provided that they have at least 25 years of contributions. Those who took up service before 2013 will have the possibility of retiring in accordance with the previous set of rules, where people could be entitled to retirement after 15 years of service.

There are, moreover, special provisions for judges and prosecutors. Female judges and prosecutors can retire at the age of 55 if they have at least 25 years of service. Men can retire at the age of 60, on condition of at least 30 years of service. And while the general retirement age for judges and prosecutors is 65, under some conditions they are able to keep their position until the age of 70. According to regulation amended in 2013, the general retirement age will gradually increase to 67 years.

The old pension scheme was reintroduced for miners from 2005, and included the previous possibilities of early retirement. Additionally, a significant element contributing to miners' pension levels is a relatively high pension calculation factor, where every year of working career accounts in principle for 1.8 years of contribution (Jabłonowski and Müller, 2013).

These more generous pension rules for special groups increase public expenditures. In addition, they can have lock-in effects since employees – particularly in the late part of their career – will be reluctant to move to jobs not covered by these more generous pension schemes. This highlights the need to adapt special arrangements towards the general scheme.

More activation of working-age survivors

One of several groups that can be entitled to a survivors' pension is widows or widowers who have reached the age of 50 at the moment of the spouse's death. The survivor receives 85% of the insured's old-age pension. If the deceased was not eligible for the old-age pension, the calculation is based on the disability pension (Social Security, 2012). In total, nearly 1.3 million people received the survivors' pension in 2012. About 90% of the beneficiaries were women (OECD, 2014a). 20% of them are in the 50-64 age group, while the majority is above the statutory pension age.

Survivors' pensions are earnings-tested. The pension is reduced if the insured's income is greater than 70% of the average national monthly earnings but lower than 130%. The pension is suspended if the income exceeds 130% of the average national monthly earnings. The relatively generous benefit, combined with the earnings test, effectively reduces work incentives.

Steps should be taken to strengthen incentives to remain in work or to come back to work for both male and female survivors. This could be achieved for example by granting benefit to working-age survivors only for a limited period. This measure could be combined with active labour market measures to help people out of work for a longer period to find employment, and eventually combined with regulations that encourage take-up of part-time work and partial benefits. In addition, enforcement of mutual obligations in terms of job-search and training requirements would discourage working survivors from leaving their jobs. Encouragement of work and activity for survivors could become key as the statutory pension age is increasing.

Early retirement

Until 2009, early retirement was accessible for specific groups, such as miners, railway workers, teachers and people who work in special conditions. The majority of privileges derived from regulations adopted in the early 1980s.

Bridging pensions

In 2009 the old early retirement system was reformed. Previous options were closed, and replaced by a new alternative, the so-called bridging pension. A bridging pension can be granted to an insured person who meets certain conditions. They must:

- have completed a period of at least 15 years in employment involving special conditions or of a special nature

- have reached at least the age of 55 (women) and 60 (men)
- have completed contributory and non-contributory periods of at least 20 years for women and 25 years for men
- have performed work in special conditions or of special character after 2008
- have had their employment relationship terminated.

Under current bridging pension regulations no occupations are specified, as eligibility is based on work in special conditions or of a special nature and a list of specific types of work. The aim is to target early retirement better to specific job characteristics or conditions that can be difficult to combine with work at a higher age.

The general rule for bridging pensions is to allow retirement five years before the statutory retirement age. There is also a special age limit for some activities (ten years before the normal age of retirement), such as work performed under special conditions or of special character: on airplanes, in commercial seaports and in the metallurgy industry, fisherman, and work with materials containing asbestos.

The pension payment is calculated in a way similar to that for the old-age pension awarded under the new rules. But the average life expectancy for persons aged 60 is always taken into account, irrespective of the actual retirement age. The right to bridging pensions expires on the day before the day of acquiring the right to the old-age pension, and if the person concerned is not entitled to the old-age pension, on the day preceding the statutory retirement age.

The bridging pensions are financed from the Bridging Pension Fund. Contributions are paid by employers for employees working in special conditions or performing work of a special character, as stated above. In addition, the fund can receive allocations from the state budget within limits set by the budget law.

This scheme is still new, and it will take time for it to mature. In 2013, bridging pensions were paid to approximately 8 200 retired persons. By the end of Q1 2014, the number of recipients increased to 10 100, and the average monthly benefit was PLN 2 336.67. In accordance with estimations made in 2008, the total number of future beneficiaries of bridging pensions should not exceed a maximum of 250 000 employees. All female recipients are between the ages of 55 and 60. Also, in 2012 a relatively large share of male recipients was between the ages of 55 and 60 (Table 3.3), and the average age of both genders was 58.6 years.

Table 3.3. **Bridging pensions by gender and age, Poland, 2012**

Percentages

	Total	Men	Women
54 or less	0	-	0.6
55	8	5.6	18.9
56	13.9	11	26.6
57	17.5	14.7	30.3
58	16.1	14.5	23.1
59	9.1	11	0.5
60	10.4	12.7	-
61	10.5	12.8	-
62	8.4	10.3	-
63	6.1	7.4	-
Average age	58.6	59	56.6

Source: Social Insurance Fund (ZUS) database.

StatLink http://dx.doi.org/10.1787/888933176352

The way forward: Strengthening prevention and activation

Reforms in 2009 have reduced the opportunities for early retirement. But exemptions from the main rules remain, and it will take time before all people who have retired based on the previous, more liberal rules have reached the standard retirement age. According to administrative data, 18.1% of retirees received an early old-age pension in 2011 (Central Statistical Office, 2013a). Shares of early retirement for police officers, uniformed public employees, soldiers, judges and prosecutors are currently above 60%.

Survey data from 2012, based on a sample of people aged 50-69, show that as much as four out of five retired people had received their first old-age pension before reaching the standard retirement age (Central Statistical Office, 2013a). These results indicate that the employment rate for older persons could increase substantially as previous early retirement paths are limited and the remaining stock of recipients is transferred to the old-age pension.

It will likewise be important to monitor inflows to the remaining early retirement schemes, and to analyse their impacts on employment. To the extent possible, people should have the opportunity and incentive to work until the standard retirement age. Sustainability of the general pension scheme as well as the future pension adequacy is in question; measures to

improve the employability of workers are the best way to reduce pension expenditures and to enable people to acquire better pension rights. Tight follow-up of the reforms is necessary to see if the criteria are sufficiently targeted and if more could be done to reduce the need for early retirement through better working conditions as well as training and requalification programmes. To strengthen incentives to invest in good working conditions and adapt the work situation, bridging pensions should be financed by experience-rated contributions from the employers, without subsidies from the public budget.

In France, the 2013 pension reform involved new rules about creation of an individual account for preventing exposure to strenuous work (OECD, 2014b). The account, which will partly operate from 2015, is to be financed from employers' contributions, with a surcharge for firms exposing their employees to strenuous working conditions. Depending on how much is accumulated on the account, employees may retrain for a new occupation, take part-time work without loss of pay, and/or take early retirement two years before normal pension age. Measuring the extent of exposure can be a challenging task. Still, this concept could serve as an example of how employers could take more responsibility for supporting the costs of a strenuous work environment, and thus for investments in preventive measures.

Disability pension

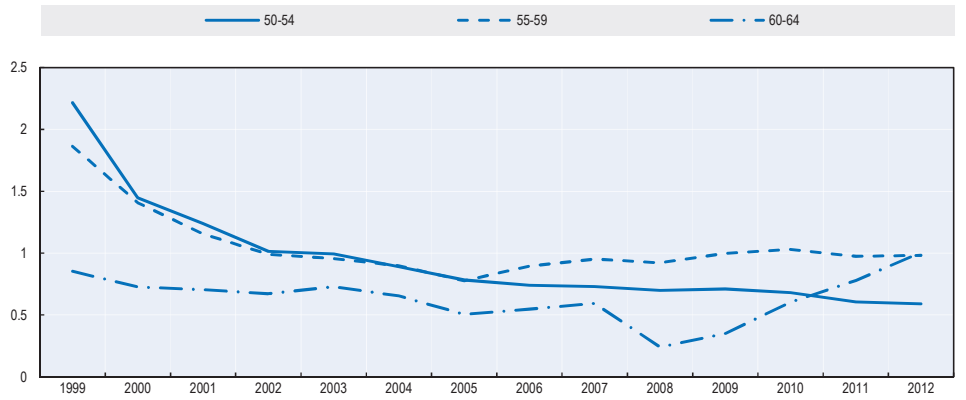
Rules changed in 1997

The rules for granting disability benefits were tightened in 1997. Disability is currently defined on the basis of inability to work, instead of the previous basis of health condition. Medical assessments are performed by doctors authorised by the ZUS. Further, disability rights are granted for a limited period of time: no longer than five years, except in cases where disability most likely is permanent or of duration longer than five years.

In 2012, about 1.1 million people were receiving disability pensions, and about 50 000 new disability pensions were granted. The tightening of eligibility criteria has substantially reduced inflow to disability pension, and the stock has halved over the past decade. This is explained mainly by the decline in inflow below the age of 55. For the older age groups, a renewed increase has occurred in recent years (Figure 3.4). In 2012, one out of three new disability pensions was granted to men in the age group 55-59. Above the age of 60 there is nearly no inflow to disability pension among women, explained by their statutory pension age of 60. About 60% of disability pensions for women are granted to persons aged 50-59.

Figure 3.4. **Newly granted disability pensions by age group, Poland, 1999-2012**

As a percentage of the labour force in each age group



Source: Social Insurance Institution (ZUS) and Polish labour force survey.

StatLink http://dx.doi.org/10.1787/888933176120

Partial disability pension

People who are partly incapable of working can be awarded a partial pension at a rate of 75% of the full amount. Over recent years, about 30 000 people annually, or somewhat over half of the total inflow to disability, have been granted a partial pension for incapacity to work. Complete work incapacity requires that the person not be capable of doing any work, and not just be incapable of working in their former occupation. Partial incapacity can be granted on the condition that his or her level of work qualification is lost to a considerable degree.

The high share of inflow to partial disability should be monitored more closely. Partial disability pension to enable the remaining work ability to be used in a normal job is positive. Still, there is no clear reason why entitlement to partial disability pension is based on inability to take up jobs at the person's *own* qualification level. Work participation could be increased by imposing the requirement to take up *any* work, as required for people applying for a full disability pension. In the Netherlands for example, people combining disability pension and work can be eligible for a benefit on top of their wage to compensate for loss of earnings, compared with the wage they received before the onset of the incapacity. This compensation increases the incentive to accept lower-paid jobs (OECD, 2014c).

Spillover effects between disability and old-age pensions

The 1999 old-age pension reform will gradually reduce replacement rates as a consequence of the life expectancy calculations. Disability benefits are calculated as a combination of a base amount and previous contributions, and are exempted from life expectancy adjustments. This could make receiving a disability pension a more attractive pathway out of the labour market in the future when life expectancy adjustments will reduce annual payments of old-age pensions (Chłoń-Domińczak and Strzelecki, 2012). That in turn could increase the pressure on the scheme in the years ahead (IMF, 2013), and reduce incentives for older people with some impairment to participate in rehabilitation and other efforts to come back to work.

Sickness benefits and rehabilitation

Poland has low employment rates for people with disabilities (OECD, 2014a). According to the OECD (2006), this is explained by a number of factors. Employers are subject to a penalty if they fail to fill a quota of 6% of their employees with persons with a disability, but the penalty is low. Lack of interest and ability among people with health problems could as well also be among the reasons, as a consequence of weak economic incentives, inefficient rehabilitation programmes and complicated administrative procedures.

Sickness benefits

Employees can be eligible for sick pay provided by the employer up to a limit of 33 days per calendar year. If the employee is above the age of 50, the maximum number of days per year paid by the employer is 14 days. The right to sick pay is acquired after a qualifying period of 30 days. The benefit is based on earnings the 12 months prior to the absence, and amounts normally to 80% of the assessment basis. Collective labour agreements can result in higher replacement rates.

After cessation of the employer-financed sick pay period, the employee can be entitled to a sickness allowance. The maximum duration of sickness allowance is normally 182 days. As a rule, sickness allowance is calculated the same way as the sick pay. Sickness allowance is financed by the ZUS. In 2012, 64% of total payments to people on sick leave were paid by the ZUS (sickness allowance) and 36% by employers (sick pay) (ZUS, 2013). The number of working days lost due to sickness is highest for the age group 25-34 (Table 3.4). There is no sign that older workers are more absent from work due to illness.

Table 3.4. **Working days lost due to illness among different age groups, Poland, 2012**

	Number of insured (thousands)	Total number of working days lost due to illness absence	Average number of working days lost due to illness absence per insured
Under 24	1 448	14 555	10.0
25-34	4 591	65 123	14.2
35-49	5 496	65 870	12.0
Over 50	4 386	54 283	12.4

Source: Social Insurance Institution (ZUS) database.

StatLink http://dx.doi.org/10.1787/888933176360

Rehabilitation

An employee may be entitled to a rehabilitation benefit after cessation of the right to a sickness allowance if the person is still incapable of working but their earning capacity is likely to be restored. The maximum duration of a rehabilitation benefit is 12 months. The benefit is financed by the ZUS. In 2011, the rehabilitation benefit was paid to a monthly average of 63 000 persons in all, independent of age.

The rehabilitation process could be improved. Applications for disability pension and rehabilitation are handled in a rather complex way that involves the ZUS, the State Fund for the Employment and Rehabilitation of Disabled People (PFRON), the Public Employment Service (PES), health services and local governments. The KRUS is responsible for special rehabilitation activities for members of the retirement and disability pension insurance for farmers.

The OECD (2006) offered a set of recommendations for reducing obstacles to the employment of disabled people, focusing on inflow management and assessment procedures; vocational intervention, outflow management and work incentives; and improving the institutional setup and synchronising different schemes. Despite that, there has not been much progress with respect to implementation of these recommendations. According to OECD (2006) the large number of players involved makes it difficult for disabled people to get the right support at the right time.

Reduce the passive periods as much as possible

For older workers in particular, a long period of inactivity may reduce the probability of re-entry to work. Assessment and monitoring of sickness

absence with the objective of embarking on rehabilitation and activation as soon as possible, if needed, is crucial.

This underlines the importance of speeding up the process of streamlining the administrative structures and responsibilities. A first step could be to direct people who can be best served by relatively simple, rapidly offered measures to a simplified rehabilitation procedure. For older workers, return to work with the previous employer is in many cases both the best and most feasible solution. Complex re-education or rehabilitation programmes are less likely solutions for this age group. A one-stop-shop approach focusing on rapid re-entry into work could be efficient and prevent dissipation of motivation. The ZUS could be given a more leading and supervising role in the rehabilitation process for people above the age of 50, for example. This should include financial means and responsibility, if needed, for supporting relatively simple adaptation of the workplace to help the person go back to work, and combining wage and benefit to allow a smooth and gradual return.

Unemployment benefits

The duration of unemployment benefits is longer for older workers

To be eligible for unemployment benefits, an unemployed person needs to register at the local labour office; have a 365-day work history during the 18 months preceding registration; and be paid at least the full-time minimum wage or have other periods furnishing the same rights, for example parental leave. The benefit is a flat-rate payment, independent of previous wage and contributions. The benefit is differentiated according to the number of years in employment; less than five years, between five and 20 years, and more than 20 years. The replacement rates of unemployment benefits are low for people close to or above average wage earnings.

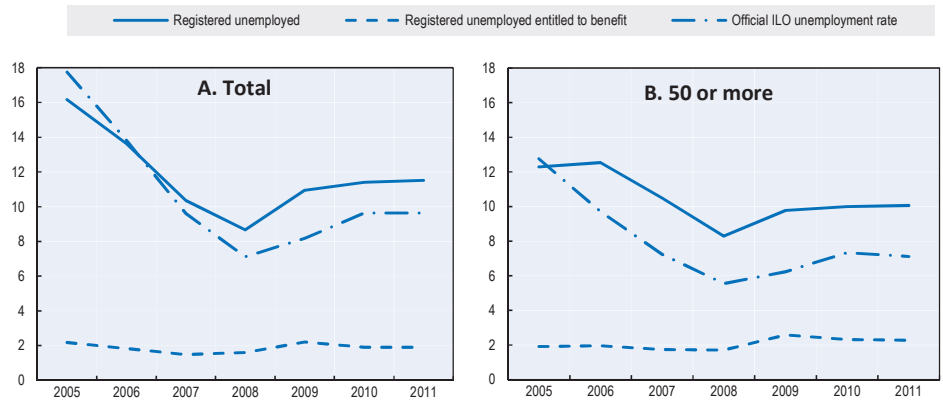
While the maximum duration of unemployment benefits in Poland is six months, under certain conditions the duration is extended to 12 months; one such condition is being unemployed over the age of 50 with at least 20 years of contributions.[3] The unemployed person must be ready to take up full-time jobs and refusal of job offers or participation in ALMPs is sanctioned, but the formal job-search requirements are relatively limited (Venn, 2012).

The unemployment rate for people aged 55-64 was 7.6% by the end of 2013, as measured by the labour force survey (harmonised unemployment rates calculated according to the ILO guidelines).[4] This is below the unemployment rate for the total labour force of 10.1%. The average duration of unemployment is increasing with age (Sienkiewicz, 2012).

Despite the limited benefits from the unemployment scheme, there are strong incentives to register as unemployed at the labour office even if people are not actively seeking jobs or entitled to unemployment benefits (OECD, 2014a). Only about one out of five registered unemployed persons receives unemployment benefit (Figure 3.5). The unemployed need to register at the local labour office in order to get health care coverage for themselves and their families. Furthermore, registration allows easier access to social assistance.

Figure 3.5. **Registered and ILO unemployment rates, by age group, Poland, 2005-11**

As a percentage of the labour force in each age group



Source: National Statistical Office and Polish labour force survey.

StatLink http://dx.doi.org/10.1787/888933176130

The high number of registered people not seeking jobs can partly explain why registered unemployment in Poland is higher than the harmonised unemployment rate measured by the labour force survey (Figure 3.5). The gap between the two rates is greater for the older age group. The older unemployed have stronger incentives to register because of their higher demand for health care; also, the share of discouraged jobless people not seeking work might increase with age.

Pre-retirement benefit as an alternative pathway to early retirement

Since 2004, older unemployed people can, under certain conditions, qualify for a pre-retirement benefit (Box 3.2). This benefit can be received until the pension age is reached, and is financed by the Labour Fund. The benefit is paid as a flat rate at the level of the minimum guaranteed old-age pension (ZUS, 2013).

Box 3.2. **Pre-retirement benefit**

The benefit can be granted in cases where the person:

- is at least 56 (women) or 61 (men) years of age, has a qualifying period for an old-age pension of at least 20 or 25 years respectively, and has worked at least six months with an employer, terminating the contract due to the employer's liquidation or insolvency; or
- is at least 55 (women) or 60 (men) years of age, has a qualifying period for an old-age pension of at least 30 or 35 years respectively, and has worked at least six months with an employer, terminating the contract due to commercial problems; or
- is at least 56 (women) or 61 (men) years of age, has a qualifying period for an old-age pension of at least 20 or 25 years respectively, and has been self-employed (outside agriculture) and paid social contributions over a period of at least 24 months before going bankrupt; or
- is at least 55 (women) or 60 (men) years of age, has lost the entitlement to a disability pension that was received over a period of at least five years, and had completed a qualifying period for an old-age pension of at least 20 or 25 years respectively; or
- has completed a qualifying period for an old-age pension of at least 35 years for women and 40 years for men, and been employed for at least six months before termination of the contract due to commercial problems; or
- has completed a qualifying period for an old-age pension of at least 35 years for women and 40 years for men, and been employed for at least six months before termination of the contract due to the employer's liquidation or insolvency.

Source: ZUS (2013), *Social Insurance in Poland*, Social Insurance Institution, Warsaw.

The number of those receiving the pre-retirement benefit has gradually increased (Table 3.5). About two-thirds of the recipients are women. One explanation could be a difficult labour market situation for older unemployed persons: the share of unemployed above the age of 50 in total unemployment has increased over time. The increase in recipients relative to the total number of unemployed suggests that limiting early retirement alternatives may have resulted in an increased inflow to pre-retirement benefits.

Table 3.5. **Recipients of pre-retirement benefits by gender, Poland, 2011-13**

Thousands

	Total	Men	Women
2011	94.9	33.3	61.6
2012	119.1	39.3	79.8
2013	154.9	50.3	104.6

Source: Social Insurance Institution (ZUS).

StatLink http://dx.doi.org/10.1787/888933176377

Until 2002, Poland had what was called a pre-retirement allowance, aimed at providing income support until retirement age to certain groups of older unemployed persons. Since inflow to the scheme stopped in 2002, the number of recipients is gradually decreasing, but there is still a stock of people who continue to be granted the old benefit (32 300 in 2013).

Policy should aim at phasing out such age-related measures as the pre-retirement benefit. Instead, more active measures should be introduced whereby recipients must fulfil the same obligations to seek jobs and accept job offers as all people on unemployment benefits. One approach towards closing the scheme could be to gradually raise the minimum age of eligibility.

Social assistance

Poland has no universal minimum pension for people without or with short periods of contributions. The Social Assistance Act, adopted in 2004, grants the right to certain non-contributory benefits to individuals and families whose income does not exceed a minimum income criterion (Ministry of Labour and Social Policy, 2014). The Act establishes several basic types of cash benefits from the social assistance system, such as: 1) a permanent allowance – an obligatory, means-tested benefit for persons who are incapable of working due to age or disability; 2) a periodic allowance, of an open character, with entitlement based on assessment of the individual case; 3) a special needs allowance, a lump-sum benefit aimed at covering certain subsistence needs (European Commission, 2013b).

As a rule, cash benefits can be granted to persons and families whose income per capita does not exceed criteria stipulated in the Social Assistance Act. According to the provisions, the income criterion for a single-person household in 2014 is stated as PLN 542 per month and PLN 456 per person in families. The municipalities may adopt higher rates. Even if the social assistance benefits are relatively low, the total replacement rate can be

relatively high if combined with (e.g.) unemployment benefit or other social benefits (OECD, 2014a). If recipients refuse to accept job offers or have higher income than documented, for example through undeclared work, the benefit can be stopped. But as Venn has commented (2012), the control and sanction regime is not very efficient at enforcing compliance, and it needs to be.

In 2012, social assistance benefits (both in cash and in kind) were granted to a total of 1.9 million people, independent of age (Central Statistical Office, 2013b). Including family members, about 10% of the population could be benefitting from social assistance (ILO, 2014).

Key policy recommendations

Poland has taken substantial steps to strengthen incentives to work and prolong working lives, through reducing inflow to disability pension from 1997; gradually implementing an actuarial notional contributions pension scheme, decided in 1999; reducing opportunities for early retirement from 2009; and further raising the statutory pension age in the next decades. But there are still many exemptions from the main rules, or very long phase-in periods. The following measures could be elements in a strategy to further improve sustainability of the general pension scheme, to increase incentives to work, and to close pathways to early retirement:

- *Rules and regulation of the public pension system should be the standard.* Further efforts should be made to align rules and regulation of the remaining special pension systems (such as for farmers, miners, soldiers, police, judges and prosecutors) with the general system. Loss of public tax revenues and the distributional effects of tax reliefs for third-pillar schemes should be closely monitored to avoid negative impacts for the group of low-paid workers.

- *Women's labour market conditions and future pensions should be reformed.* Better access to flexible work and to combining work and pension could help establish a shorter period to achieving the same pension age for men and women. More individual taxation could reduce marginal tax rates and encourage employment among second earners. Survivors' pensions should be better targeted on self-sufficiency, for both men and women; this could be done by granting the benefit to working-age survivors only for a limited period, and combining that step with activation measures to help them find employment, or with facilitating combinations of work and benefits.

- *Avoid having transfer to old-age pension via disability benefits become an attractive pathway out of the labour market*. The

rehabilitation process for older workers should be simplified, with early and rapid return to work as the goal. Stronger requirements to accept job offers for the partially disabled, possibly combined with wage compensation if taking up lower-paid jobs, would also help to reduce inflow to the scheme.

- *Mutual obligations in the unemployment benefit and social assistance schemes should be enforced*. Active measures to get older unemployed persons more rapidly back to work and a gradual increase in the minimum age for entitlement to the pre-retirement scheme could be a strategy for reducing and subsequently closing the scheme.

Notes

1. IKEs are individual retirement accounts with the earliest take-up at the age of 60, or 55 in cases of early retirement. IKZEs are individual pension security accounts with the earliest take-up at the age of 65.
2. The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking account of personal income taxes and social security contributions paid by workers and pensioners.
3. The other two conditions are if the unemployed person 1) lives in a district where the unemployment rate exceeds 150% of the national rate, and 2) supports a child below the age of 15 and the spouse is also unemployed but no longer eligible for unemployment benefit.
4. www.oecd.org/dataoecd/21/0/44743407.pdf.

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Chapter 4

Encouraging employers in Poland to hire and retain older workers

While a significant pension and welfare reform process has undoubtedly strengthened incentives to continue working at an older age, further action is still required on the demand side to ensure that those older workers who wish to work longer can do so. This chapter analyses the extent to which there are employment barriers in firms – such as age discrimination, seniority rules in wage setting, insufficient investment in training, and inappropriate employment protection rules. The evidence suggests that older workers encounter major difficulties in changing jobs or in finding a new one when unemployed while retention in their job after the age of 60 has increased.

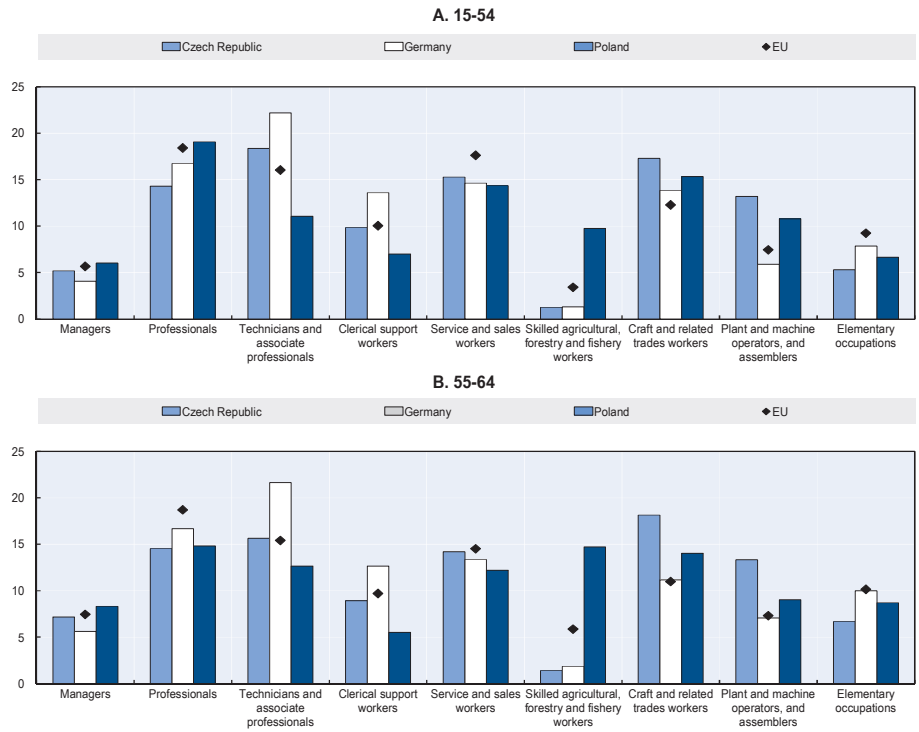
Better access to high quality jobs and flexible work

Occupations

Employment in the services sector is lower in Poland than the EU average, for both younger and older workers (Figure 4.1, Panels A and B). On the other hand, compared with the EU average, the proportion of workers engaged in agricultural, fishery or forestry occupations is nearly three times higher in Poland. Poland has a higher employment share in agriculture and a lower share in services also compared with neighbouring countries such as Germany and the Czech Republic. Notably, Poland has higher shares of workers in manual occupations than the EU average, even for younger age groups.

Figure 4.1. **Distribution of employment by occupation[a] and age group, Poland and selected countries, 2013**

As a percentage of the employed in the age group



a) ISCO classification of occupations.

Source: OECD estimates, based on the European Union Labour Force Survey (EU-LFS).

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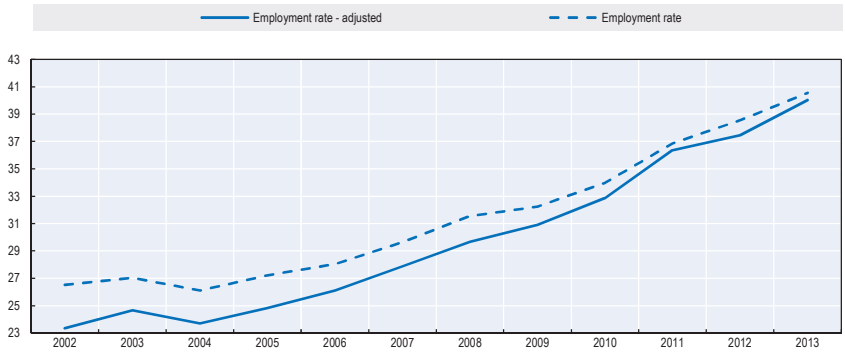
Challenges across industries and occupations

Some jobs, particularly in industries dominated by manual and arduous work, can be difficult to manage at a high age. Composition of industries and occupations can therefore impact employment rates for older workers. As shown in Figure 4.1, the shares of manual occupations are relatively high in Poland.

In Figure 4.2, the employment rates observed for older workers in Poland are compared with rates adjusted by industry structure. The latter keep the within-industry age composition of the Polish workforce constant, but additionally apply the average EU across-industry distribution of employment to Poland.

Figure 4.2. **Employment rate of older workers adjusted[a] by the EU industry structure, Poland, 2002-13**

As percentage of the age group 55-64



a) The adjusted employment rate is constructed by keeping the within-industry age composition of the Polish workforce constant, while applying the average EU across-industry distribution of employment to Poland.

Source: OECD estimates, based on European Union Labour Force Survey (EU-LFS).

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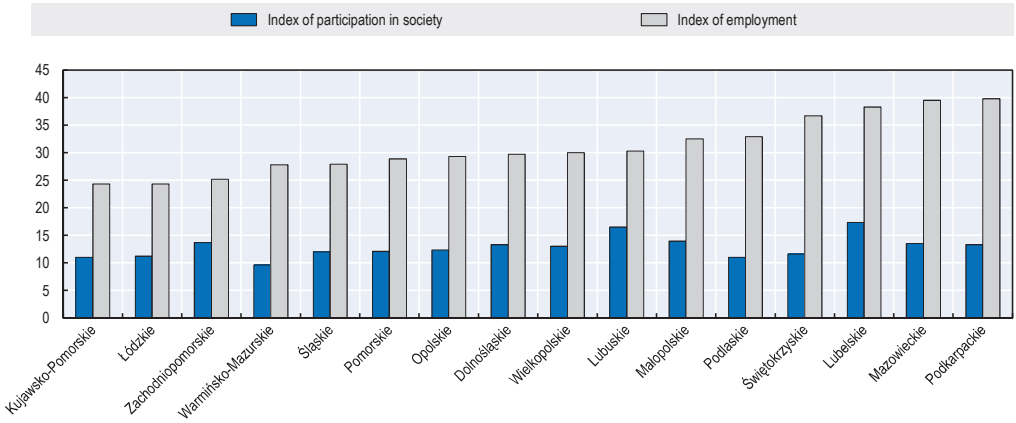
Part of the explanation for the lower employment rate for older workers in Poland a decade ago – illustrated by the large gap in rates in Figure 4.2 – could lie in the differing average industry structures in Poland and the European Union. Over the past decade, this gap has gradually narrowed. This could indicate that further, structural development must be combined with broader measures on both the demand and supply side to increase the employment rates for older workers in Poland across industries and occupations.

Regions

Regional differences in the employment rates for older people in Poland are considerable. The rates are highest in the south-eastern part of the country and lowest in north and southwest (Perek-Białas and Mysińska, 2013) (Figure 4.3).

Figure 4.3. **Employment and participation in society after the age of 55 by region, Poland, 2011**

Index[a]



a) Employment is calculated as a weighted average of employment rates for the age groups 55-59 (50%), 60-64 (30%) and 65-69 (20%). Participation in society is calculated as an average of participation in voluntary work, care of children and grandchildren, care of others, and participation in public meetings, each with a weight of 25%.

Source: Perek-Białas, J. and E. Mysińska (2013), I*ndeks aktywnego starzenia w ujeciu regionalnym: Ekspertyza wykonana na zlecenie Departamentu Polityki i Politiky Senioralnej,* Ministerstwo Pracy i Spolecznej [Index of active ageing in regional terms: Report prepared for the Department of Senior Policy, Ministry of Labour and Social Affairs].

StatLink http://dx.doi.org/10.1787/888933176166

Perek-Białas and Mysińska (2013) used the original framework of the active ageing index (AAI)[1] to analyse the regional perspective. This framework includes paid work as well as unpaid care, voluntary work and engagement in civil society. Differences in employment rates across regions could be affected by industry structure, and there could be additional issues related to measurement of care and volunteering. Nonetheless, Figure 4.3 shows that even if participation in society varies across regions, no general

conclusion can be drawn about the relation between labour participation and nonpaid activities.

According to the Ministry of Regional Development and Institute for Structural Research (2009), Poland has the strongest regional disparities of GDP per capita among the developed countries, and the disproportions have increased rather than decreased over time. At the macro level, there are disparities between urban centres, with strong growth in economic activity, and areas not able to fully take advantage of the emerging market economy – mainly rural areas or mixed urban and rural areas. Structural problems in the agricultural sector and problems caused by declining traditional industry branches have been difficult to solve in parts of these more peripheral areas. Nearly half of the Polish GDP is generated by small and medium-sized firms (Zakrzewski, 2010), and the major bulk by micro firms.

In an analysis of local labour markets in Poland, OECD (2013a) revealed six key interconnected areas of policy action required to meet challenges of demographic change at the national, regional/local, and social levels: 1) managing the demographic transition and providing economic support; 2) focusing on family policy in light of low fertility rates; 3) encouraging healthy and active communities both for youth and within an ageing society; 4) developing the silver economy and managing the ageing workforce; 5) increasing skills and competency levels in light of a changing workforce; 6) utilisation of the European Social Fund.

Given the sizeable geographical disparities, this concept could well serve as a set of general guidelines, while concrete initiatives and measures would be adapted closely to the local situation. As examples, the Małopolska region has developed a strategic plan for a "silver economy",[2] while the Wielkopolska region has adopted an employment strategy for the period 2014-20, involving several policy areas and the labour market partners (Box 4.1).

Box 4.1. **Employment strategy for the Wielkopolska region, 2014-20**

Increasing employment and mobility

- Support activation of those unemployed with particular problems in the labour market
- Activate young jobseekers
- Support the creation of new jobs, particularly in deprived areas
- Promote reconciliation of professional and private lives
- Inform employees and entrepreneurs about economic changes and support innovation
- Support the activity of elderly people

Investment in education and lifelong learning

- Support better supply of childcare, particularly in small villages
- Provide access to high-quality primary and secondary education in small villages and rural areas
- Adjust training systems and upgrade adult skills to the needs of the labour market

Social inclusion and poverty alleviation

- Reduce poverty and social exclusion
- Promote social enterprises and exchange of good practices

Source: OECD Mission to Poland in January 2014.

The informal economy

Informal employment remains a labour market problem in Poland (OECD, 2014a). Tax revenues are lost, and people working in the informal economy typically have limited social protection and a high level of income insecurity. The European Commission (2014a) has set forth various estimates on the size of the shadow economy, the scale of undeclared work, and the number of informal workers in the EU countries. Even if the estimates differ, they all show that the informal share of the Polish economy is substantial.

European Commission (2014b) finds that Poland is among the countries where people are relatively tolerant to undeclared work. But data from the

Polish Labour Force Survey indicate that the share of people admitting to have performed undeclared work declined, from around 10% in 2004 to around 5% in 2010 (Central Statistical Office, 2011). The European Commission (2014b) also shows low levels of self-reported undeclared work in Poland. The most common reason for undeclared work is lack of regular jobs.

Another measure of informal work is the share of workers without a written contract. European Commission (2014b) reports that the share of workers without a formal, written contract is low in Poland. The share of people working unpaid for a partner or family business is, however, relatively high compared with most other European countries. In their survey, Czarnik and Turek (2012) found that work without a formal contract is most common for men in the construction and agricultural sectors, and for women in personal services, cleaning or the agricultural sector. In Poland, favourable conditions for contributions to the social insurance for farmers (KRUS) could also be a reason for under-declaration of income in cases of multiple job holding.

Older people are less inclined to take up informal work, as they risk losing pension rights for earnings. Informal work could, however, appear more attractive to people who already have retired or are receiving (for example) unemployment or pre-retirement benefits. OECD (2008) stressed the vital role of labour inspections in combating informal employment. In addition to investigating breaches of the regulations, the inspectors can play an important educative role by working with firms and employees to encourage compliance. Such efforts must be combined with further steps to improve compliance with tax regulation, and to ensure that social contributions are paid. Simplifying registration procedures for small enterprises and the self-employed could reduce the high incidence of informality motivated by overly bureaucratic routines.

Self-employment

The share of older self-employed persons is high in Poland (Table 2.1). According to the Polish Ministry of Economy, almost 120 000 people aged over 50 have started their own business in the period 2011-13. That represents more than 13.5% of all new companies established during the same period. Yet, according to Czarnik and Turek (2012), the percentage of unemployed considering the possibility of setting up their own business declines with age, and is seen as an alternative for only 8% of the unemployed in the age group 55-64.

An important barrier to the development of an individual enterprise – and not just among people above the age of 50 – is the set of complicated

procedures involved. According to the World Bank (2014), Poland ranked as the 116th easiest country to start a business in (of 189 countries). Other significant barriers to people above the age of 50 creating an enterprise are lack of confidence and concerns over having no skills or experience operating their own business.

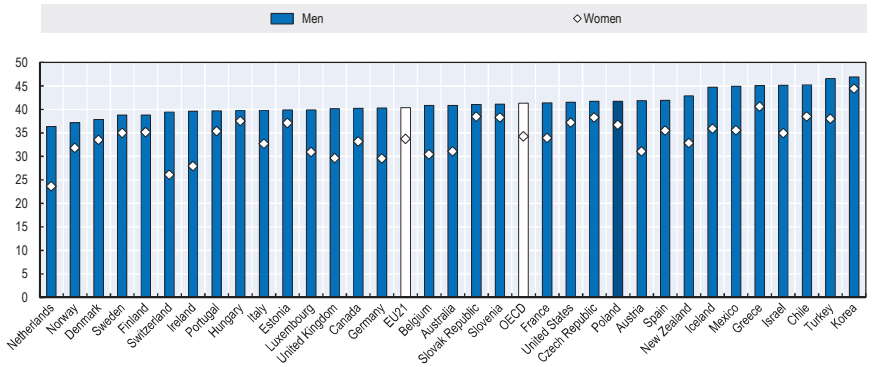
The Human Capital Operational Programme (OPHC) implemented in 2007, introduced new avenues of support to people above the age of 50 starting a business. Accordingly, 200 000 people aged 50-64 benefited from the programme in 2007-11. About 50 000 started their own business within six months after participating in the project. Additionally, 10 400 people above the age of 50 were awarded a grant for starting their own business.[3]

Further steps could be taken to support self-employment among older people, making it a stepping-stone for a new career and not eventual disguised unemployment. A simplified registration procedure for small entrepreneurs could help. And for self-employment to prove a viable alternative for older unemployed persons, it is also important that this alternative is chosen at an early stage of the activation process. This could avoid having people become discouraged before the phase of preparation for self-employment has even started. Practical advice and mentoring could be of help here, just as much as financial support. Establishing networks with other older entrepreneurs could be a useful initiative, and one that would not incur any large costs (OECD/European Commission, 2012).

Access to flexible work

Facilitating part-time and flexible work could help ensure a well-functioning labour market, from both the employer's and employee's perspective. For both genders, the usual weekly working hours in Poland for the age group 55-64 are longer than the OECD average (Figure 4.4); part-time work is not at all widespread (Figure 4.5); and flexi-time schemes are not well developed. One reason could be that the service sector is not yet very developed. Low wages in many occupations can also reduce the attractiveness of part-time work since it often does not provide a decent income. Hildt-Ciupińska and Bugajska (2013) find that older workers often prefer flexible work arrangements: shorter working hours; partial retirement; changes of work rhythm or shifts; longer leave; job rotation; less overtime; and reduced responsibilities. This indicates that a broader range of flexible work – including the possibility of working from home and job sharing – can be an important avenue to explore in Poland.

Figure 4.4. **Usual weekly hours worked by workers aged 55-64, by gender, OECD countries, 2012**

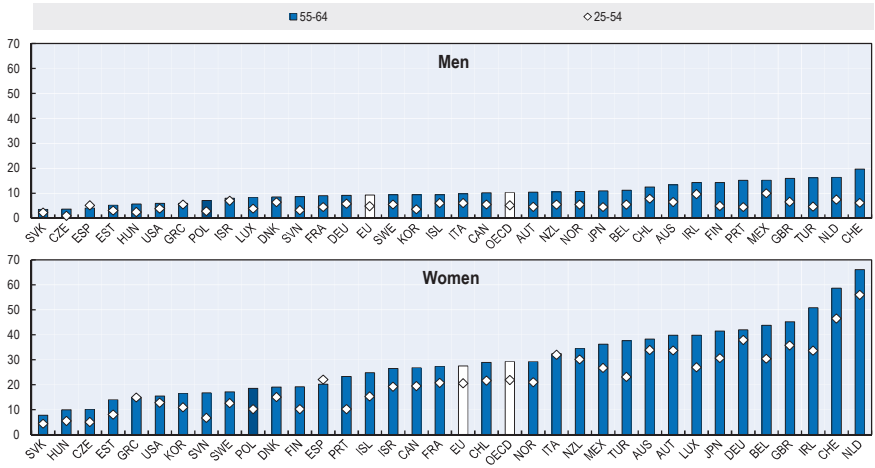


Source: OECD estimates, based on national labour force surveys, http://stats.oecd.org/Index.aspx?DataSetCode=AVE_HRS.

StatLink http://dx.doi.org/10.1787/888933176171

Figure 4.5. **Share of part-time work by gender and age group, OECD countries, 2012**

As a percentage of the employed in each group



Source: OECD estimates, based on national labour force surveys, http://stats.oecd.org/Index.aspx?DataSetCode=FTPTC_I.

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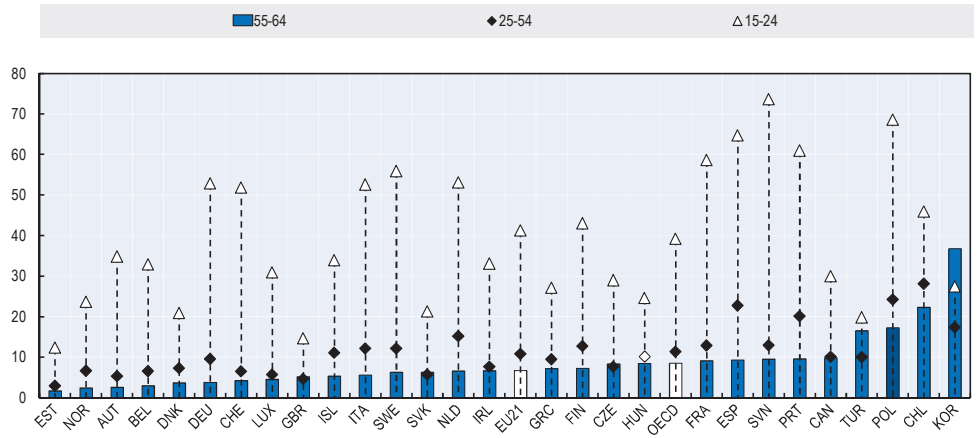
Employees wanting to work part time or flexible hours do not all share the same needs. For some of them, shorter or non-standard working hours must be uniform to have a positive impact on their labour participation. For others, variable schedules or ad hoc jobs could be an attractive option. To contribute to a more inclusive labour market however, flexible contracts must fulfil certain explicit conditions to secure an employee's working time, wages, and social benefits. Flexible work should therefore be developed further. As the service and care sectors are developing, the demand for part-time and flexible work will increase, and many employers would be interested in knowing good practices and standards. These should therefore be disseminated, among both employers and employees, for example through branch standards in all sectors of the economy.

A deeply segmented labour market

Poland has a deeply segmented labour market, with a high share of temporary workers in all age groups. Only Chile and Korea have a higher share of workers aged 55-64 on temporary contracts within the OECD area (Figure 4.6).

Figure 4.6. **Incidence of temporary work, by age group, 2012**

As a percentage of employees in each age group



Source: OECD estimates, based on national labour force surveys, http://stats.oecd.org/Index.aspx?DataSetCode=TEMP_I.

StatLink http://dx.doi.org/10.1787/888933176191

While permanent, fixed-term and other temporary contracts are all regulated by the Labour Code, employment relations can also be regulated by the Civil Code (OECD, 2014a). These Civil Code contracts are cheaper for employers, since they set forth limited social protection requirements. There are no payments of social contributions, even for pensions, and the contracts are not covered by the minimum-wage regulations.

Labour market flexibility could support employment growth, but a strong dualism is likely to have negative impacts on other aspects of economic performance. Extensive use of temporary contracts might reduce job-related training, and it might also induce in-work poverty. Men in Poland who have achieved 25 years of social contributions and women 20 years are entitled to the minimum old-age pension. For them, a Civil Code contract can be less detrimental than for younger people, and could serve as a substitute for flexible work arrangements. It should, however, be recognised that willingness to take up a Civil Code contract can reflect employees' surrender to the fact that they do not have other alternatives.

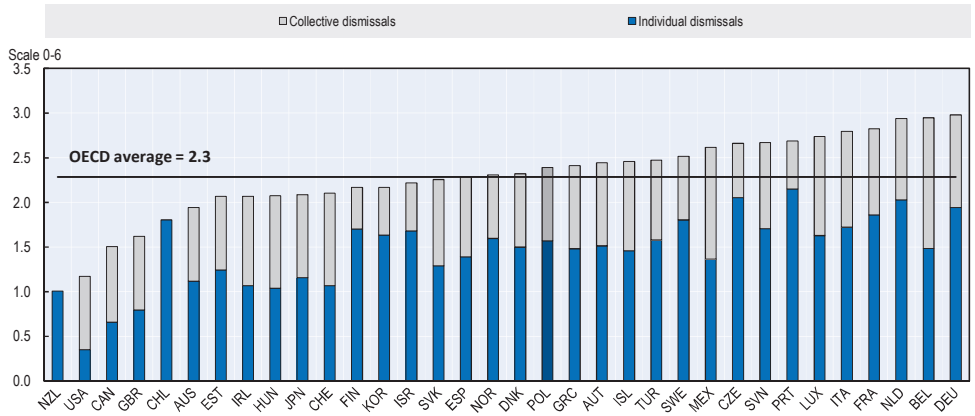
OECD (2014b) draws the overall conclusion that relaxation of overly strict employment protection for regular contracts – coupled with reforms in active and passive labour market policies – or some convergence towards adequately protective termination rules across different types of contracts could well reduce duality while allowing efficient reallocation of resources, and employment and productivity growth. The Polish Government plans to subject all Civil Code contracts to social security contributions up to a salary equivalent to the full-time minimum wage. This would be a first step in the right direction.

Employment protection

In Poland, close to the OECD average

Employment protection legislation (EPL) must find an appropriate balance between the job protection needs of employees, and the needs of employers in term of flexibility and room to adjust their workforces to changing economic conditions. The overall level of EPL in Poland approximates the OECD average for both permanent and temporary contracts (OECD, 2013c). Collective dismissals are more strictly regulated than individual dismissals (Figure 4.7).

Figure 4.7. **Protection of permanent workers against individual and collective dismissals,[a] OECD countries, 2013**



a) The figure presents the contribution of employment protection for regular workers against individual dismissal and additional provisions for collective dismissal to the indicator of employment protection for regular workers against individual and collective dismissal. The height of the bar represents the total value of the indicator.

Source: *OECD Employment Protection Database*, 2013 update. http://dx.doi.org/10.1787/lfs-epl-data-en.

StatLink http://dx.doi.org/10.1787/888933176200

Protection four years before retirement

In Poland, special EPL rules protect from layoff older workers with less than four years remaining until retirement age. This may discourage employers from hiring people in this category or even approaching this age limit. Women already in their mid-50s may face considerable recruitment difficulties purely because of their statutory pension age of 60.6 years (mid-2014). Kryńska et al. (2013) cited that employers will accept this four-year protection for their long-term employed workers whom they respect for their loyalty and commitment, but will refrain from recruiting people soon to be protected by this regulation. Among unemployed persons above the age of 50, about half of them pointed to their age as an obstacle in finding new jobs (Czarnik and Turek, 2012). This special protection rule for older workers could be a severe barrier to mobility for older workers. The only alternative for people seeking new jobs is often to find work in less regulated parts of the labour market, or even in the informal economy.

Towards more uniform rules

Strict EPL legislation can have two opposing effects: it can lead to greater retention of workers since it raises firing costs, but it can also increase the effective costs of hiring workers from the more protected groups. The net impact on employment rates for older workers is thus uncertain (OECD, 2006). Since labour markets and regulation differ greatly across countries, it is important to assess the possible impacts accordingly. In fact, Deelen and Jongen (2009) found interesting results for older workers in the Netherlands. Their study indicated that if the Netherlands lowered EPL to a level comparable to that of Denmark, the labour force participation rate for the age group 55-64 would increase, especially for women. The unemployment rate would simultaneously increase as well, while the average duration of unemployment would decrease. Another illustrative example can be found in France. From 1987, employers in that country had to pay a contribution when terminating the contract for workers above the age of 50 – the Delalande tax. Evaluations showed that the tax amounted to a significant disincentive to hiring older workers (Behaghel, Crépon and Sédillot, 2008), and the Delalande tax was abolished in 2008.

Rapid changes in the economy and a higher statutory pension age will mean that workers will need to change jobs more often in the future, even at the end of their career. Changing EPL regulation could have mixed short-term and long-term effects. Less protection can improve job mobility, but if workers are dismissed when they are over 50, they tend to remain in long term unemployment. A virtuous circle could be created by combining removal of the four-year special protection with increasing rights to social benefits for holders of Civil Code contracts. Moreover, reform of EPL should be accompanied with stronger activation measures for those who lose their jobs, to facilitate their return to work. For example, the law on termination of employment in the Netherlands is due to be modernised in 2015/16 by combining more efficient dismissal procedures with a greater focus on activating displaced workers (Box 4.2). The aim is to change the severance pay from a passive benefit to an aid to obtaining a new job. This could serve as a model for reform of EPL in Poland.

Box 4.2. **Reform of EPL in the Netherlands in 2015-16**

The present dual dismissal system in the Netherlands will be modernised and simplified, with the aim of achieving a more predictable and less time-consuming procedure:

- One route for dismissals for economic reasons via the PES
- One route for dismissals for personal and performance reasons via the court system
- Lower and more standardised severance pay:
  - The severance pay will on average be reduced and depend on tenure, not on age.
  - All dismissed employees will as a principle receive severance pay, called a transmission budget, amounting to a maximum of EUR 75 000 or one year's gross salary.
  - The transmission budget will (inter alia) aim at facilitating job-to-job transitions.

Employees aged 50 or over with ten or more years of service will be covered by more favourable transition rules until 2020.

Source: Netherlands Ministry of Social Affairs and Employment.

Generating incentives for age diversity in employment

Even if access to early retirement has been restricted over the past years, there remains a gap between the statutory age and the age at which many employers are willing to accept their workers' retirement or are even encouraging them in that direction. According to Turek and Perek-Białas (2013), employers in Poland think the average age at which a person would be too old to work 20 or more hours per week is roughly 64-65, while they consider a person is too young to retire at an average age of 55.

According to Richert-Kazmierska (2013), employers in Poland do not intend to increase their demand for older workers in the next few years. Policies to increase the age of exit from the labour market through later statutory retirement should therefore be accompanied by measures to change attitudes among employers and employees and promote the qualifications of older workers. Human resource management also needs to evolve if the full potential of older workers is to be realised.

The transition's effects on the Polish labour market

Myck and Bohacek (2011) analysed the extent and effects of job-related discrimination under communist regimes in the Czech Republic and Poland

using a representative sample of people above the age of 50.[4] They found that on-the-job discrimination had significant effects on job quality assessment, and is strongly related to reports of stress in both countries. These consequences seem to have been less severe and shorter lasting in Poland, but they could still have impacts on Poland's labour market. There is still a large share of the working-age population that has lived a substantial part of life under an oppressive regime. Perek-Białas and Turek (2012) note that while the Polish labour market has changed substantially since the transition, older generations have not always kept up with the changes, and are often left with insufficient skills to meet new requirements. Little willingness on their part to adapt to new standards and requirements could also contribute to cementing negative stereotypes.

Turek (2013) categorised people living in Poland into three generational groups. The oldest group was educated and experienced most of their professional careers before the economic and political transition. The second generation spent their youth in the communist period, and often began their professional careers during the transition. The youngest generation was brought up after the transition and has benefited from massive advances in education. As a consequence, building bridges across generations could prove difficult.

Initiatives have been taken by the Polish Government to break old trends and achieve an employment rate for people aged 55-64 of 50% by 2020, as set in the Lisbon Strategy. The programme "Solidarity Across Generations" was adopted in 2008 as a package of tools to support the labour market participation of people above the age of 50. The activities continued through the Government Programme for Social Participation of Senior Citizens 2012-13. The focus is on increasing incentives for firms to employ people above the age of 50, and to improve employability of older workers. Activities are carried out at the central, regional and local levels.

According to Sienkiewicz (2012) there is little information about the effectiveness of the implemented measures. Martinez-Fernandez et al. (2013) cited experts who assessed the results of the first phase of the programme as below expectations. Reduced budgets for ALMPs in 2011 and 2012 were mentioned as a possible explanation. Urbaniak and Wiktorowicz (2011) report that from 2008, initiatives began to be better planned and co-ordinated.

The targets set in the Lisbon Strategy are still far from being reached, and in December 2013 the ministers' council adopted a new programme, the Solidarity Across Generations. Measures Aimed at Increasing the Economic Activity of People over 50. The scope of this programme is extended to a larger target group, from 45 to 65:

- adjustment of competence and upgrading of skills of people over the age of 45, keeping a labour market perspective
- development of personnel management and a work environment that is friendlier towards workers over 50 and 60
- increased efficiency and effectiveness of measures to promote employment and economic activity
- promotion of active and healthy ageing
- development of measures to support the employment of people over 50 and 60
- limitations on social benefits for people in the pre-retirement age bracket.

The programme is complemented by a set of more detailed recommendations (Programme Council 50+, 2013). These recommendations are of directional nature, and can be used at the national, regional and local levels.

Lessons learned from previous programmes must be taken into account to ensure that the initiatives have lasting impacts. The policies should be implemented through a concerted and co-ordinated strategy to maximise the potential effects of the measures. There must also be flexibility to allow changes through the programme period, based on input from monitoring and evaluation.

Supporting the labour market mobility of older workers

High retention after 60

Higher employment rates in the older age groups are mainly due to the fact that people remain longer in their jobs. Retention rates for people above the age of 60 in Poland have increased over the past decade, for men reaching a level above the OECD average, although for women remaining lower than that average (Figure 2.6). In 2013 workers aged 60-64 accounted for 42.3% of all employed people aged between 55 and 59 five years earlier.

Low hiring of older workers

Because retention rates have increased, fewer people leave the labour market. The separation rate for older workers in Poland declined substantially over the past decade, approaching the rate for the age group 25-54 (Figure 4.8). Even so, the hiring rate for older workers is much lower than for young and prime aged workers. Labour mobility among older

workers thus remains very low. This is a feature Poland shares with most other OECD countries. But special protection against dismissals for older workers in Poland could represent an additional barrier.

Figure 4.8. **Hiring[a] and separation[b] rates by age group, Poland, 2001-13**

As a percentage of employment in the age group



a) The hiring rate is the ratio of all employees aged 25-54 (55-64) with tenure of less than one year to the total number of employees aged 24-53 (54-63) the year before.

b) The separation rate is the difference between the net employment change rate and the hiring rate (net employment change in year t = hiring in year t - separations in year t).

Source: OECD estimates, based on the European Union Labour Force Survey (EU-LFS).

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Being old – a barrier to being recruited

A representative survey of employers in 2012, called the Study of Human Capital in Poland (BKL)[5] shows that approximately 17% of employers wanted to recruit workers at the time the study was conducted (Turek, 2013). The respondents from these companies were asked about the appropriate age of the person sought for a specific position. Age proved to be significant for 83% of employers, an increase from 81% in 2011 and 73% in 2010. The data clearly show that age is one of the significant criteria in the recruitment process, and that employers prefer to recruit younger or middle-aged people, i.e. from the age of 22 to slightly over the age of 40.

In a study of human capital in Poland, Czarnik and Turek (2012) found that external factors such as staff cutbacks and expiration of the employment contract were most frequently mentioned by older workers and women of all ages as reasons for losing/leaving a job. Young men were more likely to change jobs because of a desire for higher earnings, or because they simply wanted a different job. Despite being formally closed as a pathway, early

retirement remains the preferred option in Poland for the older age group in situations where company restructuring leads to redundancies (Eurofound, 2013). Assistance in active job search is limited.

Since using age as a hiring criterion is illegal, it is very difficult to obtain exact information about the reasons for the low hiring rates of older workers. According to Kryńska et al. (2013), the reason most cited by employers for not recruiting people above the age of 45/50 is the lack of applications for positions. Other reasons mentioned are insufficient competence or preference for younger people. Richert-Kazmierska (2013) reports that some reasons for a low interest in hiring workers above the age of 50 in Poland, or in encouraging them to continue working to a higher age, are; an unfavourable economic situation, stereotypes regarding older employees, and that people above the age of 50 do not complete the requirements enterprises have regarding their staff.

There could also exist a self-imposed barrier – the risk that older workers will underestimate their prospects in the labour market. A survey commissioned by the provincial labour office in Warsaw analyses potentials and barriers to the employment of older workers in the Mazovian region (PBS, 2013). One of the findings is that employers seem to see fewer barriers in hiring people above the age of 50 than people belonging to that age group do. While two out of three employers respond that they do not see any barriers in hiring people above the age of 50, less than one out of five people above the age of 50 shares this view. Even if the survey relates specifically to the Mazovian region, those responses could apply far more widely.

Further actions needed to support mobility

More systematic monitoring of the recruitment process could provide useful input for designing measures or initiatives to support the mobility and hiring of people in these age groups. It should be acknowledged that older workers constitute a very heterogeneous group. A great number of them will easily be encouraged to seek new challenges. Others could have reduced health, difficult job experiences, or be less able to adapt to technological changes. Changing occupation or sector could sometimes be the best solution. It can happen that long transition periods – for example, where old technologies function alongside new ones – can result in a lack of workers with "old skills" that younger people are not so eager to learn. In the emerging service markets as well, age could be an important asset – examples could include care services for the elderly and "grandparents for hire".

According to the Act on Employment Promotion and Labour Market Institutions, employers hiring unemployed people above the age of 50 can

be entitled to a wage subsidy. The subsidy, which cannot exceed 50% of minimum wage, can be received over a period of 12 to 24 months, depending on the age of the worker. Thereafter, the employer must continue the work relationship for at least half the duration of the subsidised period. A number of OECD countries have wage subsidies for employers hiring certain groups, as part of the ALMPs (Box 4.3). Evidence of the impact of such measures is scant, although well-targeted wage subsidies could have positive impacts (Eurofound, 2013).

Box 4.3. **Wage subsidies for older workers – Some country examples**

In Germany, jobseekers above the age of 50 could be entitled to a wage subsidy of longer duration than younger jobseekers: up to a maximum of 36 months (compared with 12 months for people younger than 50). An evaluation showed that the overall impact of the subsidy was positive, but that the effect of a longer period of subsidy for people above the age of 50 was not significant (Brussig et al., 2011). In addition, there is a risk of substitution and deadweight losses, since firms are not obliged to extend the contract for older recipients after the subsidy period (as they are for younger recipients).

In Belgium, a subsidy was introduced in 2010 to encourage job mobility at the initiative of the employee, and to make it easier to change to a less arduous job. Compensation is paid to the employee if the wage loss is at least EUR 265. Workers below the age of 55 can receive EUR 80 each month over a period of 12 months, those aged 55-58 EUR 106 over 24 months, and those above the age of 58 EUR 133 over 36 months (Plasman et al., 2012).

In France, 2006 saw the introduction of a subsidy granted to unemployed persons receiving unemployment insurance benefit if they take up a new job that pays at least 15% less than the previous job for the same working time (OECD, 2014d). For recipients above the age of 50, there is no maximum duration period, while the maximum duration for people below the age of 50 is 12 months. On average, the subsidy is paid over eight months.

In Luxembourg, employers can be reimbursed social security contributions when hiring an unemployed person. The reimbursement period depends on the employee's age: it is up to two years for people over the age of 30, three years for people over 40, and without any maximum duration for people over 45 (Thill, 2012).

In the Netherlands, employers' payments of social contributions are reduced by EUR 7 000 per year if the employer recruits an unemployed person over the age of 50 (OECD, 2014c).The discount is reduced if the working hours are less than 36 per week.

Source: OECD (2014), *Vieillissement et politiques de l'emploi: Suisse 2014 – Mieux travailler avec l'âge,* OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264222823-fr.

Productivity and wage

Productivity

One of the main obstacles perceived by employers has to do with rising labour costs that are linked more to age than to productivity. The conclusions of recent empirical studies of older workers' productivity are in fact rather mixed on this point, although they do highlight the positive correlation between these workers' gained experience and maintaining productivity (OECD, 2014d). Two important weaknesses in these studies should be pointed out, however: they deal only with older persons in employment, whose productivity is on the whole bound to be higher than that of older persons who have withdrawn from the labour market; and, they are confronted with the difficulty of measuring productivity gaps among individuals in the same firm. This explains why the conclusions from the most recent research differ and are highly dependent on the choice of measures (Bloom and Souza-Poza, 2013).

Even if there is no clear evidence that age will have any direct impact on productivity, older ages are often considered a period of lower productivity. Nevertheless, this is not a universal or unchanging trend; a number of factors come into play, concerning the employee, employer, and type of work (Turek, 2013). Solem (2012) focuses on the difference between work ability and productivity. While work ability decreases somewhat with age, productivity seems less affected. Reduced work ability can be compensated by strategic use of achieved competence and experience.

Data from the 2009 study on Activating Senior Potential in Ageing Europe (ASPA)[6] illustrate employers' perception of older (≥ 50) and younger (≤ 35) workers' skills (Turek and Perek-Białas, 2013). Most of the younger workers' skills were rated significantly higher – i.e. new technology skills, willingness to learn, physical health, creativity and flexibility. On the other hand, workers above the age of 50 were considered to have better management skills, and to be more reliable and loyal. There was no statistically significant difference between the two groups when it came to social skills or ability to cope with stress. Employers perceived the productivity of older workers as being significantly lower than that of workers below the age of 35.

The persistent negative perception of older workers' productivity in spite of a lack of evidence can have various explanations. Older workers can be relatively costly; there can be a mismatch between the skills of older workers and the needs of employers; or negative stereotypes and discrimination of the elderly may predominate.

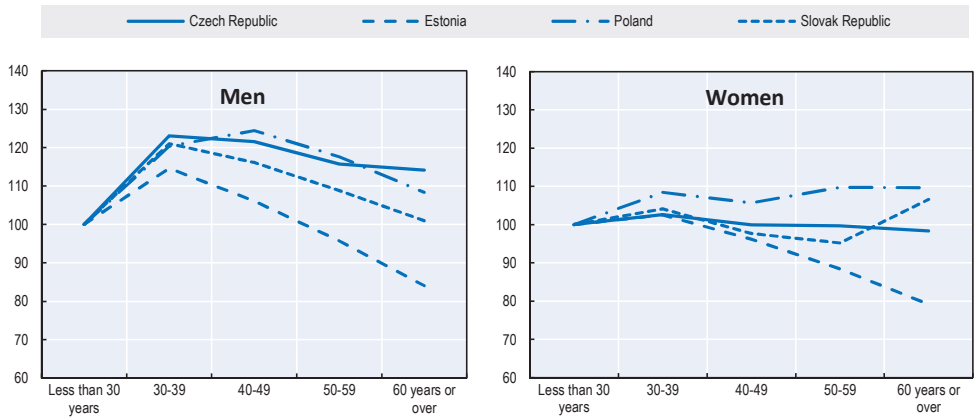
Wages and related costs

Transversal age-wage profiles

In 2011 the ratio of full-time earnings for persons aged 55-64, relative to workers aged 25-54, was 1.03 compared with an OECD average of 1.08 (Table 2.1). The age-wage ratio in Poland has declined over the past decade. The relation between age and wage is rather complex. Selection and composition effects may have an impact on transversal average age-wage profiles, particularly in countries where the early retirement of low-qualified workers is more prevalent. Fewer opportunities for early retirement in Poland could have reduced selection and composition effects.

Figure 4.9. **Age-wage profiles[a] by gender in Poland and other selected eastern European countries, 2010**

Index, less than 30 years = 100



a) Hourly wages, excluding managers and professionals.

Source: OECD estimates, based on Eurostat (2010), Structure of Earnings Survey.

StatLink http://dx.doi.org/10.1787/888933176222

Figure 4.9 compares age-wage profiles by gender for all workers (except managers and professionals) in Poland with those of neighbouring countries. The main findings are the following:

- In Poland, men on average see substantial growth in their hourly wages until they reach their mid-40s. After that, the wage profile gradually declines, with hourly wages for those above 60 about 8% above the level for workers below the age of 30.

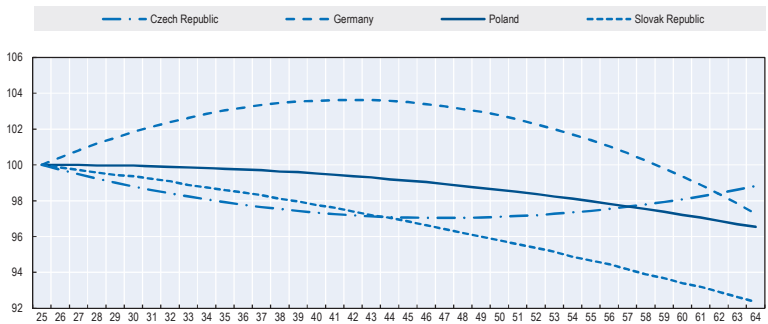
- The average hourly wages for women in Poland increase much more smoothly during their working lives than for men. The age group 30-39 has on average 8% higher wages than those below the age of 30. After that, the wage profile remains relatively stable; hourly wages for the oldest age groups are about 10% above the wages for the youngest groups.
- Of the countries of the Czech Republic, Estonia and the Slovak Republic, only the Czech Republic has an age-wage profile for men similar to Poland. Notably in Estonia, hourly wages for the oldest age group are only 80-90% of the wages for those below the age of 30.

Adjusted age-wage profiles

It is also important to take into account differences by education and skill level across generations. The Survey of Adult Skills (PIAAC) provides fresh insight into skills in society and how they are used at work and at home (OECD, 2013b). When adjusting wages for the impact of skills, job experience and education, there are no signs of seniority in wages in Poland or in other transition countries (Figure 4.10). Because of the extensive transformations of education systems and labour markets in these countries, there could still be a cohort effect that is not captured in the estimations. In general however, older workers in Poland do not seem to be more costly because of pay increases linked solely to age.

Figure 4.10. **Adjusted age-wage profiles[a] in selected OECD countries, 2012**

Estimated wage at the age of 25 = 100



a) Data refer to the estimated effect of age and age squared in a Mincerian wage equation that controls for: reading skills; the reading skill used at work; the number of years of labour market experience; the number of years of current job tenure; and the numbers of years in education. The full set of control variables includes gender, industry, occupation, contract type and family background.

Source: OECD estimates, based on PIAAC data.

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Age-wage profiles by sector

Even if increased labour costs are not apparent generally, wage formation could have an impact on the employment of older people by sector. Higher labour costs exist for older persons employed in the public sector, resulting from a seniority-based element of 1% wage increase per year of tenure. The maximum for this increase is 20% of the basic pay. Many older workers in the public sector may already have reached the top of the ladder, but the wage level could still be high relative to their productivity.

More generally, Poland has a national minimum wage (Boulhol, 2014). The minimum-to-mean wage ratio, equal to 38% for full-time employees in 2012, is not high by international standards. Nevertheless, the uniform minimum wage could reduce labour mobility and employment opportunities for less-skilled people in areas with high unemployment. More flexibility in the minimum wage-setting process could therefore help.

The pros and cons of seniority wages

Zwick (2011) argued that in a wage formation system where seniority wages are based on the employer's voluntary decisions, forced lower seniority wages could destroy an efficient mechanism for motivating and retaining older workers. There is evidence that establishments with strong seniority wages often have a well-developed internal labour market, and that they in addition prefer to recruit employees with little experience in other firms. The main reasons could be that access to an internal labour market makes long tenures more profitable, and that such firms often invest in firm-specific human capital. Zwick (2011) expresses interest in seeing whether reduced job stability and shorter average seniority will reduce the steepness of seniority wages and increase the relative job opportunities for job switchers with long labour market experience and other disadvantaged groups.

Rapid technological change is often assumed to lead to negative labour outcomes for older workers. Examining German data, Gordo and Skirbekk (2013) found that older workers adapted relatively well to technological changes in terms of adjusting their job tasks to the rapid changing demands. Their findings suggest that workers in their 50s experienced a more rapid growth in cognitively intense tasks than those in their 30s. They also find that the shift in tasks is associated with greater wage rewards.

Policies to reduce labour costs of employees over the age of 50

One of the key legislative actions taken under the Solidarity Across Generations programme was the reduction of labour costs associated with

employment of persons over the age of 50 (Sienkiewicz, 2012). Changes were introduced in the Labour Code, reducing the number of days of illness where the employers pay sickness benefits to workers over the age of 50 – from the former standard of 33 days to 14 days; the state pays them afterwards.

Changes introduced in the Act of 20 April 2004 on Employment Promotion and Labour Market Institutions in 2009 provide employers with periodic and permanent exemptions from obligation to pay contributions to the Labour Fund for workers approaching retirement age (at least 55 years for women and at least 60 years for men). Periodic exemptions from the obligation to pay contributions for the first 12 months of employment cover the hiring of people over the age of 50 who have been registered as unemployed at least 30 days before being re-employed. In total, labour costs relating to older employees are lowered by 2.55% of gross remuneration.

Key points from international comparisons

According to a 2009 survey among employers in seven European countries including Poland (ASPA), around half of employers expect that an increase of five years in the average age of their workforce will bring about a widening of the labour cost-productivity gap (Conen et al., 2012). There are important inter-country differences:

- Three-quarters of employers in the Netherlands expect a widening of this gap, compared with less than one-third of employers in Poland. The survey also looked at measures taken to retain older workers. Few employers, excepting those in United Kingdom, propose a pay cut (7% on average and 4% in Poland).
- On average, the three actions that employees in the seven countries advocate have to do with flexible working hours (35%), ergonomic measures (29%), and training plans for older workers (23%). In Poland, employers are most likely to implement ergonomic measures (38%), training plans (37%) and early retirement schemes (33%).
- When asked about possible consequences for their companies of employees ageing, employers in Poland are first of all concerned about presumed extra costs relating to potential sick leave of older employees. About 36% of employers pointed to such risks. However, according to a Polish study, employees over the age of 50 do not overuse the sick leaves (Kryńska et al., 2013).

Altogether, there is no clear evidence of higher labour costs brought on by older workers. Even if seniority elements in wage setting in Poland are

not widespread, further promotion of performance-based wage setting could change fixed ideas about seniority costs. More flexible minimum wage setting could encourage geographical mobility. Systematic studies could provide evidence that either corrects prevailing perceptions or prompts efforts to adjust costs. Longitudinal data on cohorts could provide deeper insight into individual wage changes through the working life.

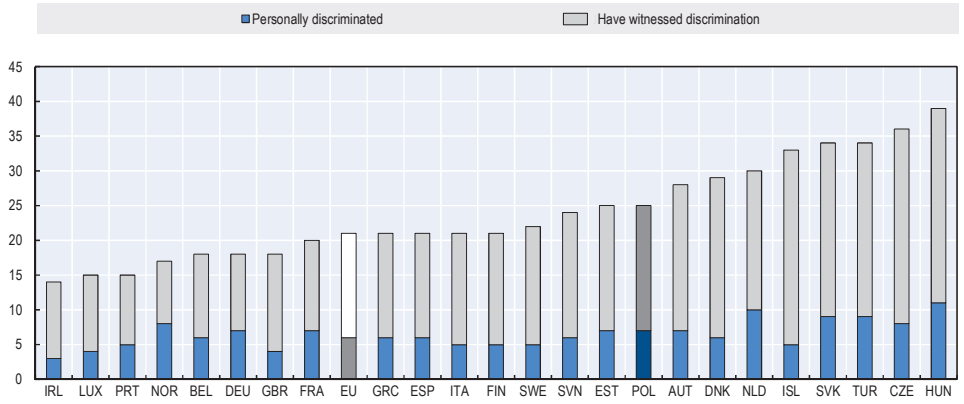
Age discrimination and negative attitudes

Age discrimination in the workplace is an issue

Since 2004, Polish labour law has prohibited employment discrimination on the grounds of age. Survey data indicate that the number of people who have been victims of age discrimination in the workplace is moderate in most European countries (Figure 4.11). If people who report that they have witnessed such discrimination are added, the shares increase considerably. Twenty-five per cent of respondents in Poland reported to have witnessed or were victims of age discrimination at the workplace in 2011. This is somewhat above the EU average of 21%.

Figure 4.11. **Age discrimination in the workplace, European countries, 2011**

Percentages[a]



a) Percentage of respondents to this question: "Age discrimination can affect people of all ages. However, for this question I would like you to think only about those situations where people have been discriminated against because they are perceived to be too old. In the last two years, have you either been a victim of such discrimination because of your age yourself or have you witnessed age discrimination at the workplace?".

Source: Eurobarometer (2012), "Active Ageing", *Special Issue No. 378*, TNS Opinion & Social.

StatLink http://dx.doi.org/10.1787/888933176244

Kryńska et al. (2013) show that some employers openly admit to discriminating against people over the age of 45 with regard to employment, a fact corroborated by representatives of private and public employment agencies. According to a survey carried out in 2012 by the Polish Government Plenipotentiary for Equal Treatment,[7] only a small percentage of people have experienced unequal treatment, while a considerable number of people report knowing others who have been treated unequally (on grounds of gender, age, disability, sexual orientation, non-Polish descent, etc.) (Antosz, 2012). This is broadly in line with the Eurobarometer results.

Information and campaigns to create a better image

Various campaigns have attempted to instil a better image of older people. Poland still struggles with traditional views of older people as "tired", "old-fashioned" and attached to family and neighbourhood. The results of these campaigns have not been evaluated, but the Ministry of Labour and Social Policy has assessed that campaigns have an important role to play in raising awareness and generating discussions. Examples are campaigns in the Wielkopolska region in 2012 and in the Małopolska region in 2013.[8] The campaign in the Wielkopolska region, "Life is passion", consisted of TV and radio spots, reportage and posters. Older people were shown in contexts of work, sport and recreation, health, leisure and culture; these sight and sound images expressed beauty, joy and vigour – qualities not traditionally associated with age in Poland, especially not with older women.

A nationwide information and promotion campaign is planned for 2014, and will be aimed at people over the age of 50 and potential employers. The goal is to advocate active lives for both women and men above the age of 50. The campaign will promote the long-term social and economic advantages of working longer, as well as strengthen the position of older workers by emphasizing the value of their experience and knowledge. It will also better inform jobseekers over 50 about services, tools and labour market programmes, and employers about accessible support and subsidies for hiring and retaining older workers.

While campaigns can be of value, their impacts can be difficult to measure. Efforts should nonetheless be made to monitor outcomes, and determine how significant effects could be achieved. Information campaigns combined with enforcement of regulations would give a clear sign that anti-discrimination legislation has the same status as other legislation, and that lack of compliance entails legal consequences.

Promotion of age management

Promotion of age management in firms is currently rare in Poland, although the government programme "Solidarity Across Generations" is an initiative in the right direction. Perek-Białas and Turek (2012) analyse human resource strategies for older workers in firms, such as productivity improvement, pushing them out, or accommodation and reduction of labour costs. They observed some tendencies, but no clear pattern in the implementation of these strategies. The least common strategy is accommodation and reduction in labour costs. Generally, fewer measures of any type were implemented in small firms. Only 20% would support an increase in the eligible retirement age, while almost half were against limiting early retirement privileges. Employers often expect a worker to retire as soon as they are able to do so. A survey among older employees (Hildt-Ciupińska and Bugajska, 2013) confirms previous findings that activities related to age management in Poland are still limited.

Kryńska et al. (2013) find that knowledge of age management among employers, particularly in SMEs, has remained limited, because they do not recognise the importance of age as a factor in work planning. One conclusion from their study is that when it comes to age, employers follow their instincts rather than follow any systematic approach.

Discrete steps taken

That said, in recent years an increasing number of employers have introduced some elements of age management, including professional career development; mentoring and internal training conducted by experienced personnel; flexible working time; mixing ages in teams; and ergonomic solutions. For example, the energy company Dalkia has focused on a broad range of measures to encourage older workers to promote their occupation to young people, to transfer knowledge across generations, and to move to other jobs in the internal job market (Box 4.4).

In the years 2009-11, "Profit from Maturity" – a competition for employers focused on "age-friendly" strategies and actions – awarded selected companies implementing age management.[9] The competition is part of a larger project that aims to raise awareness about age management solutions, so as to sustain professional activity above the age of 50. The project also includes a media campaign, seminars for employers, study visits, and dissemination of good practices (Eurofound, 2013). Examples from the Profit from Maturity competition can serve as inspiration for a broader set of companies. Based on analyses of the future age profile of their labour force, Volkswagen Poznan implemented health-promoting

activities with a series of activities for workers above the age of 50 (Box 4.4). The company's programme won an award in the category "Practice of firms friendly to people 50 +".

Box 4.4. **Firm-specific good practices in Poland**

Dalkia: Age management to increase the motivation of older workers

Dalkia, a firm in the energy sector from the Veolia group, aims to increase the motivation of 25% of their employees aged 56+. With a very high union rate compared with the average in Poland (90% and about 15%, respectively), programmes and measures are negotiated with unions and included in the firm's collective labour agreement.

Different training courses are proposed, enabling employees to cover a broader range of tasks; to specialise in innovative fields so they can compete for internal promotion in different units within Dalkia; or to become an internal trainer for their colleagues or a mentor for newcomers. Older workers are also encouraged to become involved with high schools, vocational schools and universities, by participating in information seminars to attract interns and students. In addition, retired employees are encouraged to continue working part time or during seasonal peaks, to transfer firm-specific knowledge to younger staff members.

Volkswagen: Activities promoting health for workers over the age of 50

In addition to the check-up package for all employees of Volkswagen Poznan, employees above the age of 50 are offered:

- health examinations once a year
- outpatient help, with a special focus on age-related diseases such as diabetes, arterial hypertension and coronary diseases
- prevention of diseases of the musculoskeletal system through, for example, group exercises and rehabilitation activities
- other preventive actions such as mammograms, lectures and prevention of prostate diseases
- workplace rotations.

Source: OECD Mission to Poland in January 2014.

The European Union's Human Capital Operational Programme 2007-13 has co-financed services to help employers develop their human resources, including new standards and tools for age management in SMEs.[10] One of the projects in this programme of (mainly bottom-up) initiatives targets SMEs in particular (Box 4.5). The broader scope of this project allows best practices to be prepared for a wider dissemination and

implementation. Employers gradually start exploring solutions that will let them cope with the new situation in an ageing labour market. Still missing however is the notion of better managing available human resources so as to obtain higher efficiency from the entire team of employees and in so doing, to gain a winning competitive edge. Most sources indicate that it is uncommon in companies to provide for age management, long-term career planning, or systematic competence assessment (Kryńska et al., 2013).

Box 4.5. **Age management – Training for entrepreneurs in 2007-13**

This project consisted of two phases. During the first phase, the Polish Agency for Enterprise Development (PARP), working jointly with the University of Warsaw, developed age management standards for Polish SMEs. In the second phase of the project, PARP conducted training and consulting activities designed primarily to increase entrepreneurs' awareness of age management. In total, more than 3 000 participants from over 1 000 companies received support to implement the standards. More than 300 companies were provided with advisory services, and over 150 of them have implemented age management standards.

The project was financed by the European Unions' Human Capital Operational Programme; funding amounted to more than PLN 12 million.

Source: Polish Ministry of Labour and Social Policy.

Looking forward: Better dissemination could boost impact

While promising initiatives have been developed and implemented to improve active age management in Poland, dissemination remains less developed. A relatively large number of initiatives implemented independently of each other can boost creativity, but it is difficult for them to have scale effects. Greater return on these initiatives could probably be achieved by focusing more on selecting a suitable few for broader implementation; on dissemination and sharing of good practices; and on systematic evaluation and monitoring. Norway for example has established a dedicated Centre for Senior Policy (Box 4.6) to ensure long-term, concentrated focus on implementation and dissemination.

Box 4.6. **The Centre for Senior Policy in Norway**

The main purpose of the Centre is to make individuals, companies, social partners and politicians aware of the benefits of an adaptable workplace, as an increasing proportion of the workforce is ageing. The Centre encourages a broad range of activities to motivate workers to work longer and stimulate age diversity. Presented as a good practice in an European peer review the Centre actively advocates issues from OECD's 2013 report about increasing the hiring of older workers and removing/raising special lower age limits/mandatory retirement ages.

The main priorities are to:

- Develop strategies and measures that will prevent early exit from the labour force and encourage longer working lives. Improve information about working at a higher age and disseminate good practices through awards, campaigns, newsletters, social media, etc.
- Initiate research and projects, disseminate research-based results, and design and support implementation of guidelines for age management.
- Monitor attitudes towards older workers through the annual "Senior Barometer".
- Train key staff in the PES and promote age management as a topic to be taught in management programmes.
- Co-operate closely with other relevant stakeholders to ensure synergies across stakeholders and to prevent fragmentation.

Source: OECD (2013), *Ageing and Employment Policies: Norway. Working Better with Age*, OECD Publishing, Paris, http://dx.doi.org/ 10.1787/9789264201484-en.

As part of the European peer review programme, senior policy in Norway and Poland was discussed by Urbaniak (2012). Different histories and different social models could render transfer of the Norwegian approach difficult, although similar social dialogue-based solutions will have to be sought in the future. According to Urbaniak, the main challenges for senior policy in Poland are labour market constraints that arise from the need to stabilise public finances, as well as the general public's limited awareness that changes are necessary.

To overcome such constraints, an "independent facilitator" could help ensure a focus on approaches that are feasible and practical for employers and employees in their daily lives. Easily accessible information, tools and instruments, closely targeted to the practical needs, should be accorded priority. Users should view their first experience of accessing information or services as truly useful for them. Integrating age-related information with

other information that employers often access – through the Internet, at events, etc. – can be one way of reaching a broader audience.

The need for good social dialogue

Eurofound (2013) finds a general awareness among social partners across Europe of the need to tackle the impact of the demographic change. The consensus is that the goal of extending working lives can only be achieved by improving working conditions. Based on case studies, a key message is that social dialogue is important for boosting the implementation of measures to reach that goal.

The social dialogue in Poland is organised through the Tripartite Commission for Socio-Economic Affairs, a body composed of representatives from government, employers and employees. Its aim is to reach agreements on issues such as wages and social benefits, taxation and budget bills. There have been periods of tension, resulting in weaker social dialogue. In 2013, the trade unions suspended their participation in the Commission (Gardawski, 2014). The social partners are now trying to agree how a new social dialogue body might operate.

Some countries have a long tradition of tripartite co-operation, in which consultations and negotiations among the government, employers and employees are important elements of policy making. For example, in the Netherlands the 2013 Social Agreement between the government and the social partners and the government's subsequent Budget Memorandum 2014 include proposals for further measures to close early retirement pathways, increase incentives to work, and improve the financial sustainability of welfare schemes (OECD, 2014b).

Dialogue must be adapted to the local conditions and be based on competence and relevant experience to ensure the success of policy programmes and initiatives. Taking those imperatives into account at an early stage could facilitate a common understanding of challenges and possibilities, as well as ascertainment of the measures and policies that could work best. Trawińska (2013) states that the programme "Solidarity Across Generations" was developed within the frame of social dialogue. The programme is nonetheless implemented mainly through legislation, such as increasing statutory pension age and restricting access to early retirement; few actions revolve around improving the quality of work for older people. Development of such initiatives as a tripartite collaboration could therefore be an important part of the renewed programme, launched in 2013.

Key policy recommendations

Even if attitudes towards older workers are slowly changing in the workplace in Poland, they are often held in low esteem, by employers as well as employees. On average, people carry on working until an age higher than it was a decade ago. A higher statutory pension age and fewer opportunities for early retirement are important explanations. Employers retain their older workers longer, but they rarely hire older jobseekers.

Large regional disparities and structural problems intensify older workers' disadvantages in the labour market, since they are less resilient than younger age groups. Their chance of labour mobility is further hampered by labour market regulation that aims to protect them, but that could actually weaken their employment opportunities.

The Polish labour force will be ageing over the next decades. Employers are gradually starting to explore solutions that will allow them to cope with an older workforce. Still missing however is the notion of better managing available human resources so as to obtain higher efficiency from the entire team of employees and in so doing, to gain a winning competitive edge. Knowledge of age management is very limited, and provision of long-term career planning that takes into account personalised training plans and systematic competence assessment is still rare. The following measures should be considered to tackle barriers on the side of the employers:

- *EPL should be aligned across all age groups by abolishing the special protection rules for older workers*. In addition, greater convergence of protective regulation of Civil Code contracts and Labour Code contracts could support higher mobility in the labour market and allow more efficient allocation of resources, particularly for workers who do not have enough years of contribution to qualify for the minimum pension. Activation measures should be implemented to reduce possible negative short-term effects from job loss.
- *Age management should be promoted. The approach must be adapted to the diversity of firms in Poland*. Focusing on selecting a suitable few measures for broader implementation; on dissemination and sharing of good practices; and on systematic evaluation and monitoring should have a priority. Simple tools, such as checklists and guidelines, could be useful in promoting and implementing age management in SMEs. Initiatives to improve working conditions should include measures especially important for women, such as the development of better access to and standards for flexible work of good quality.

- *Good practices should be better disseminated and networks for experience sharing made available more widely*. The establishment of a small, dedicated, independent unit – such as the Centre for Senior Policy in Norway – working closely together with the authorities, social partners and researchers, could ensure a concentrated and long-term focus.
- *Social dialogue should be made a driving force in the design and implementation of policies to prolong working lives* – for example, through projects in the Solidarity Across Generations programme, which was renewed in 2013.

Notes

1. www1.unece.org/stat/platform/display/AAI/Active+Ageing+Index+Home.
2. www.senat.gov.pl/gfx/senat/userfiles/_public/k8/senat/zespoly/starsi/malopolska-dla-seniorow_opt.pdf.
3. Ministry of Regional Development.
4. They use the SHARELIFE 2008/09-module.
5. www.en.bkl.parp.gov.pl/.
6. The survey was conducted in 2008-12. The project was financed by the European Union under the Seventh Framework Programme (FP7). Eight countries participated in the project (the Netherlands, the United Kingdom, France, Germany, Sweden, Denmark, Italy and Poland).
7. The task of the Plenipotentiary, established in 2008, is to execute governmental policy with regard to equal treatment, including counteracting discrimination because of gender, race, ethnic origin, nationality, religion or beliefs, political convictions, age, sexual orientation, or civil (marital) or family status.
8. www.rops.poznan.pl or facebook/ZycieToPasja,http://www.kampaniespoleczne.pl/kampanie,2561,dzem_od_babci_w_krakowskim_akademiku.
9. The "Profit from Maturity" project, implemented by the Academy for the Development of Philanthropy in Poland, has received the patronage of the country's Ministry of Labour and Social Policy.
10. www.pi.gov.pl/eng/chapter_86533.asp.

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Chapter 5

Strengthening the employability of older workers in Poland

To make longer working careers possible, policy makers must ensure that older people have the skills required in today's labour market, and health conditions that allow them to continue working. Traditional family models can present a hindrance to professional activity, especially for older women. And older people must have the same access to and priority for public and private employment services as other age groups. This chapter assesses the Polish situation in these areas, and shows that greater efforts are needed to enhance the employability of both older men and women.

Key challenges

The choice between work and retirement

Interviewing older employees, Zientara (2009) found that their decision to keep on working relies on two strong desires: to earn more money and to remain active. Decisions will typically depend on a combination of institutional and personal factors. Concerns about health and its impact on the ability to continue working are widely expressed; health and safety standards at the workplace are thus important criteria. The significance of flexible working arrangements is also underscored.

These results are supported by a survey commissioned by the provincial labour office in Warsaw (PBS, 2013). The reasons to retire most frequently given by individuals aged 50 and over are health conditions; displacement; low wages; age; and the desire to relax. The factors that encourage staying on the job that are mentioned most frequently are better salary; good health; and good working conditions. It is also worth noting that over 40% of respondents say that nothing could encourage them to work longer. According to Kryńska et al. (2013), over half of those employees aged above 45/50 wish to retire as soon as possible. According to Hildt-Ciupińska and Bugajska (2013), the most important factors supporting employment over the age of 50 are work organisation and working conditions; health care and promotion of health; and lifelong training.

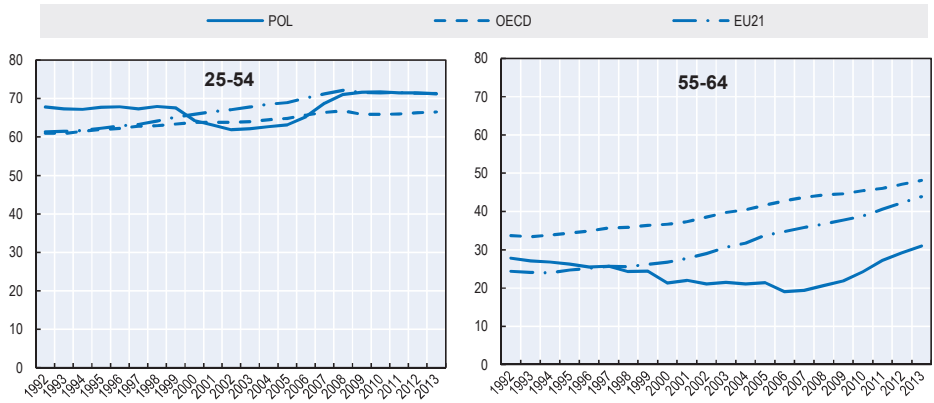
This evidence highlights that the choice between work and retirement is complex. Better economic incentives to work are important, but they must be combined with measures to improve work ability and motivation. Factors related to family life can also play a role, particularly for women.

Women in the labour market

In most countries, women on average leave the labour market earlier than men. This trend is particularly strong in Poland (Figure 2.9), where the female employment rate declines sharply after the age of 50. While the employment rate for younger women in Poland has stayed at or above the OECD average over the past two decades, it remains far below it for the group 55-64 (Figure 5.1).

Figure 5.1. **Employment rates for women by age group, Poland, OECD area and EU21, 1992-2013**

As a percentage of the population



Source: OECD estimates, based on national labour force surveys, http://stats.oecd.org/Index.aspx?DataSetCode=LFS_SEXAGE_I_R.

StatLink http://dx.doi.org/10.1787/888933176251

Polish women often resign from professional activity because of the need to take care of dependents. This is partly due to a low coverage of institutional care for young children (especially below the age of three) and the elderly. The Survey of Health, Ageing and Retirement in Europe (SHARE)[1] includes questions concerning the reasons for retirement. (Poland participated in the 2006-07, 2008-09 and 2011 modules.) Over 90% of Polish women aged 50-59 reported attainment of the statutory retirement age, an offer of early retirement, or a dismissal as the reason they had retired before the age of 60.

Magda and Potoczna (2014) find in their study of women in European countries that younger Polish women are relatively more likely to experience the "glass ceiling" effect, and further that older Polish women in temporary contracts are likely to be "wage losers". Maternity and parental leaves in Poland are among the longest within the OECD area, and the take-up rates are high (OECD, 2014a). Long periods of leave could weaken attachment to the labour market and generate a loss of human capital, so that employers have fewer incentives to invest in female workers. The scheme for maternity and parental leaves should therefore be carefully monitored and evaluated – particularly with regard to impacts on female employment, and to whether re-allocation of public budgets from support of long leaves to

institutional childcare could strengthen women's foothold in the labour market in a life-cycle perspective.

A number of initiatives are targeted directly at the labour market situation of women across Poland. One example is the project "Socio-economic activation of women at the local and regional level",[2] implemented over the period 2008-11. Three measures are involved:

- Development of a training model for gender equality. Training in this field is offered to key employees in all labour offices and other labour market institutions.
- Organisation of the campaign "Gender equality on the labour market", focusing on identification and promotion of issues related to women in the labour market.
- Building of an Internet portal to provide information, e.g. on development of socio-economic activity; gender budgeting; results from research on women in the labour market, including those over 50; entrepreneurship; counteracting discrimination against women; and Polish and European legislation on equal opportunities on the labour market.

The initiative is designed to help remove stereotypes of working women above the age of 45. Moreover, it is meant to provoke discussion about the gradual convergence of the retirement ages for men and women, equal access to employment, and lifelong learning.

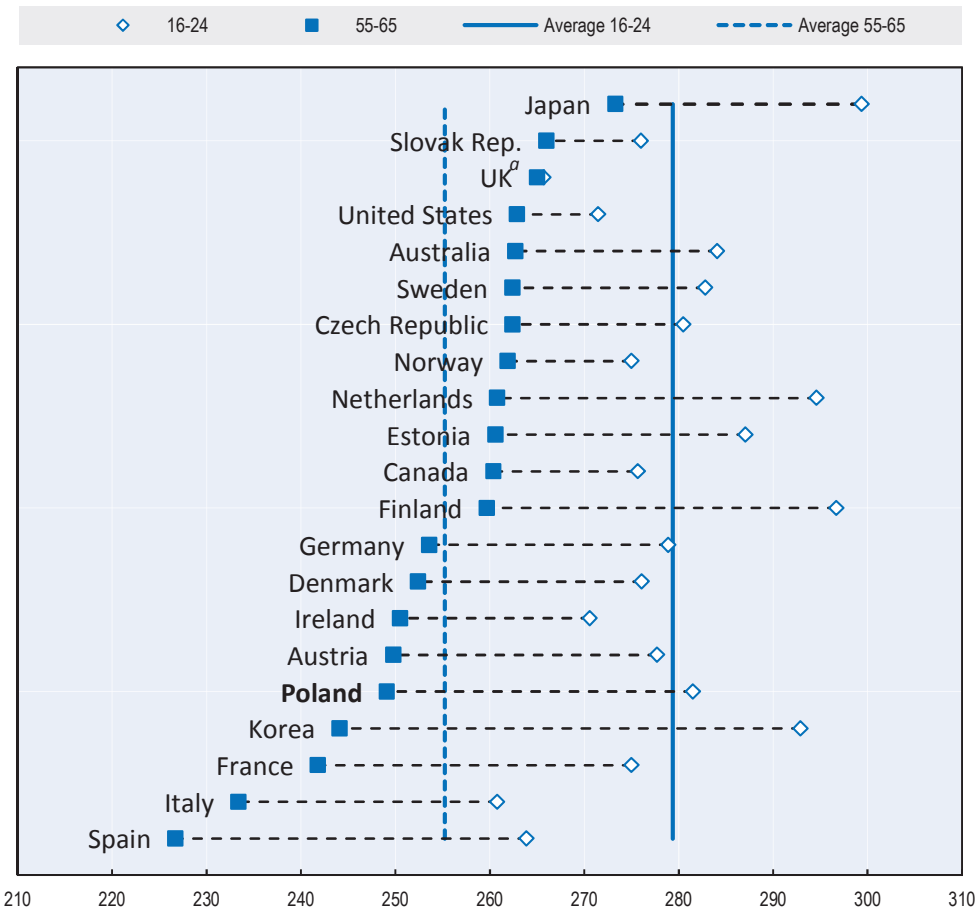
Skills and training

Older workers have less formal education

The present generation of older workers completed their education before the political and economic transition from communism. Therefore, the rapid and fundamental restructuring of the labour market, with the emergence of new requirements with regard to skills and labour organisation, has been a challenge for many workers. The Survey of Adult Skills (PIAAC) shows that even if there are large individual variations, older adults are widely found to have lower proficiency in these skills than their younger counterparts (OECD, 2013a). While literacy in the 16-24 age group in Poland is slightly above the OECD average, it is below the average for the 55-64 group (Figure 5.2).

Figure 5.2. **Progress in literacy skills of two generations, selected OECD countries, 2012**

Score on the reading scale



a) England and Northern Ireland.

Source: OECD (2013), *OECD Skills Outlook 2013*: *First Results from the Survey of Adult Skills*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264204256-en.

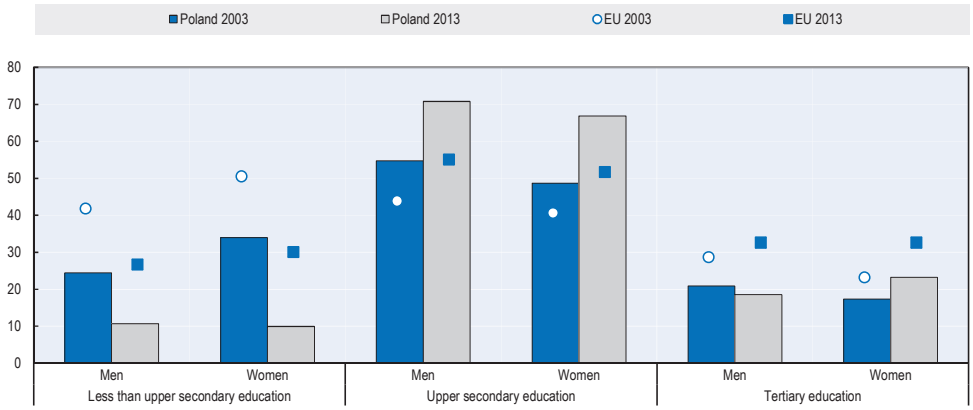
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There has been a huge advance towards medium-level educational attainment in Poland and a corresponding decline of low educational attainment (Figure 5.3). The share with tertiary education has increased somewhat for women over time, while it has remained stable for men. Compared with the EU average, Poland has (for both genders) higher

population shares with medium-level education and lower shares with education at the lower and higher levels. Nonetheless, the overall development over time in educational attainment in Poland is similar to the EU average.

Figure 5.3. **Distribution of persons aged 55-64 by educational attainment, Poland and the European Union, 2003-13**

As a percentage of the age group



Source: OECD estimates, based on the European Union Labour Force Survey (EU-LFS), http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsa_pgaed&lang=en.

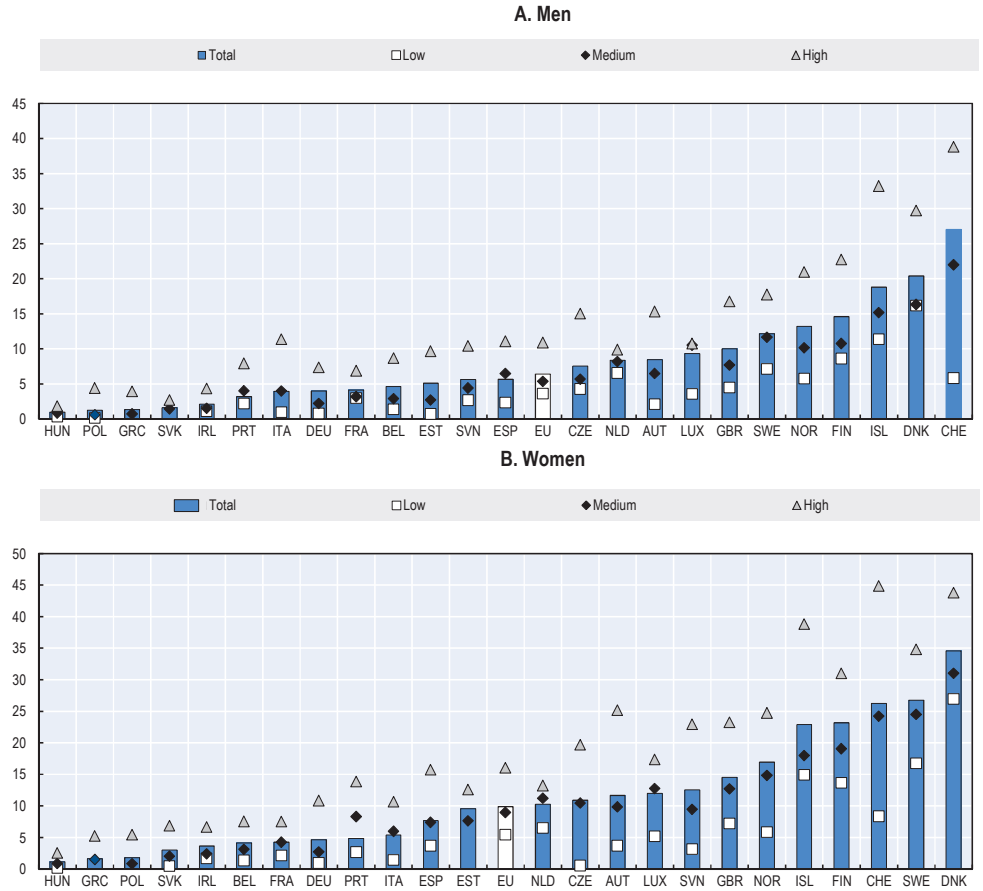
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Limited lifelong learning

Formal education is not all that matters; competence can also be acquired through job-related training. According to Turek (2013), learning following completion of formal education has traditionally been low in Poland, especially in the older age groups. Only 1.2% of employed men and 1.8% of employed women in the age group 55-64 participated in job-related training or education in 2012 (Figure 5.4). This is substantially below the EU average of 6.4% for men and 9.9% for women. Participation in work-related training and education among older workers in Poland is among the lowest within the European Union, independent of education level. Among workers with less than an upper secondary education level, participation in work-related training and education is close to nil.

Figure 5.4. **Work-related training in the age group 55-64 by gender and education level,[a] European countries, 2012**

Percentage of workers in the age group 55-64



a) Low = below upper secondary level education; Medium = upper secondary level; High = tertiary level.

Source: OECD estimates, based on the European Union Labour Force Survey (EU-LFS).

StatLink http://dx.doi.org/10.1787/888933176287

Turek (2013) finds that the level of formal education accounts for levels of participation in courses and training much more than does age. Among employed persons, there is almost no decrease with age in the participation rate within each educational group. OECD (2013a) discusses the mutually reinforcing effects created by the high learning participation of adults with

high proficiency and low participation by adults with low proficiency. These effects are observed in many countries, not just in Poland. Low-skilled people risk being trapped in a situation where they rarely benefit from learning, and their skills remain weak or deteriorate over time.

Poland has a large number of very small firms, which can be another challenge. Chłoń-Domińczak, Trawińska and Sienkiewicz (2013) indicate that the share of workers participating in lifelong learning is higher in larger firms and in knowledge-intensive sectors. They also find that lifelong learning is related to the firms' approach to human resource management. These findings are supported by Szczucka, Turek and Worek (2012), who show that while 85% of firms with more than 50 employees invest in education in some way, the share among firms with fewer than 10 employees is only 52%.

The relatively low effective age of exit from the labour market in Poland could weaken the incentives of employers and workers to invest in education, which in turn would lead to a rapid depreciation of the human capital of older people. According to Turek (2013), one of the factors working against higher participation of older workers in lifelong learning is the role of employers, who in most cases pay for training activities and select whom to train. They equate older employees with lower "developmental potential": investment in their training could be less profitable due to an expected shorter period of return, which is to say the employment period remaining before retirement.

Turek (2013) also points out that older people who did not participate in courses or training often refer to personal barriers: they do not feel the need to improve their competences for professional reasons, and they also lack time and/or motivation. Szczucka, Turek and Worek (2012) find that among employees over 50, an increasingly important reason for withdrawing from training is that in their view learning at their age does not make sense. Similarly, in the oldest age groups, reduced health is often mentioned as a reason for not taking part in training. Hildt-Ciupińska and Bugajska (2013) mention that fear of the unknown, insecurity, and lack of self-confidence can be additional barriers.

Perek-Białas and Turek (2012) find from a survey of Polish companies in 2009 that 35% of the companies (with at least ten employees) organised training curricula for older employees; most of these were large private companies or in the public sector. Every fifth employer indicates that people above the age of 45/50 are generally reluctant to participate in training courses, while as many as half of employers do not see any problem. However, one-third of employers interviewed in a survey in 2012 had not trained their employees at all, except for obligatory training courses

(Kryńska et al., 2013). Moreover, employers often train their workers selectively, e.g. choosing only the managers or employees from key departments (Sienkiewicz, 2013).

Limited diversity in the training market

Another possible reason for lack of interest on the part of workers is that the scope of training may not be adapted to their competencies and needs. The World Bank (2011) mentions lack of training market diversity as a barrier. Vocational education has less prestige, and consequently few institutions offer shorter-duration, modular or flexible forms of education and training.

The training market in Poland is dominated by small private training and consulting firms (Szczucka, Turek and Worek, 2012). Training of working people is mainly paid by the employer, while the Public Employment Service (PES) is the main contributor to training of unemployed people. Dedicated Third Age Universities have become popular (Sienkiewicz, 2012). In 2014, about 450 universities have activities related to this programme. They are, however, keeping retired people active rather than supporting the employability of older workers, which casts doubt on the efficiency of resource allocation. On the other hand, the popularity of these institutions shows that older people can be willing and able to learn new things. So the experience achieved through this programme could be used to design more work-related training for people who are younger but close to the same age, and to motivate them to take more responsibility for their own training.

A major source of funding for adult learning in Poland is the European Union. Representatives from the training operators believe that better guidelines for allocating these funds are important for the development of the training market (Szczucka et al., 2012). The current criteria are criticised: they promote low prices rather than high-quality training; procedures are complicated; and there are rigid criteria for accessing training, with very fixed target groups.

The Act of 20 April 2004 on Promotion of Employment and Labour Market Institutions, amended in 2009 and in 2010, stressed that more training courses financed by the Labour Fund should focus on the needs of the unemployed registered in the local labour offices. The Act stipulates that other means of acquiring and updating competences and qualifications should be developed as well. These additional measures should be targeted towards those aged 45 and over:

- *Training courses*: People may apply for free training courses or indicating which training they are interested in. They can have the costs of such courses financed up to the amount of 300% of average remuneration. If training involves transport and accommodation costs, these too can be financed. An unemployed person is entitled to a grant amounting to 120% of the unemployment benefit. If the person finds a job in the meantime, the grant will equal 20% of the unemployment benefit and last until the course is completed. In 2010, over 40 000 unemployed people aged 45 and older, i.e. 6.7% of registered unemployed persons in this age group, participated in training.
- *On-the-job internship*: Local labour offices can organise internships for registered unemployed persons in co-operation with an employer. The internship may last up to six months. Participants receive a grant amounting to 120% of their monthly unemployment benefit. In 2010, nearly 25 000 persons aged 45 and older completed an internship, i.e. approximately 4% of registered unemployed persons in this age group.
- *Support offered to employers who invest in training programmes*: In 2014, a National Training Fund (NTF) was designed with the aim of co-financing employer-paid training and education for workers – those above the age of 45 until 2015, and other additional groups of workers after that. In 2014 the fund was allocated PLN 40 million; the amount will increase in subsequent years to about PLN 200 million.

Training more relevant to work

An overview of available studies shows divergent results of the effects of training by age group (OECD, 2014b). One conclusion is that training measures must be adapted to the life cycle to be efficient. To be interested in training, adults must anticipate some positive return by, e.g. a higher wage or a longer working career.

The training offered to older people must also serve the needs of employers, who could find the prospect of a shorter payback period worrying. Both employers and employees should therefore be involved in the planning and design of training programmes for older workers. Through an amendment of the Act of 20 April 2004 on Promotion of Employment and Labour Market Institutions, agreements can be signed among an employer, an unemployed person and a training institution to prepare the unemployed person for a specific position.

Task-oriented training that has a relatively immediate return could be a productive way to move forward. Programmes designed on the basis of an apprenticeship concept could be effective for this age group, as could shorter courses and part-time programmes that are combined with work. But appropriate training opportunities must be available throughout working careers. Broader training programmes for adults based on these principles could be particularly important to reach out to SMEs, which account for a large share of jobs in Poland. They normally have less capacity and resources to develop internal programmes than their larger counterparts.

Older workers usually have obtained substantial skills, through previous formal education as well as during their working lives. This should be taken into account in order to establish an appropriate basis for further learning. Recognition of prior learning and validation of acquired experience are typically offered to unemployed persons to improve their position in recruitment situations. In addition, recognition of prior learning could be an instrument to help adapt training to the needs of the individual, and thus prevent demotivation.

Both employers and employees will be encouraged to take more responsibility if they have access to training measures that are truly useful for work. Involving them through branch committees could be one way to take into account regional disparities in economic and labour market conditions. Training initiatives that have proved effective in one region will not necessarily have the same success in another part of the country.

Before 2014, public funds for training adults and older workers within the enterprises are allocated mainly to employers who have created a Company Training Fund. To extend the application of the measure, Kryńska and Szukalski (2013) recommend creating a common fund for lifelong learning, financed through a combination of public funds and mandatory contributions from employers. A National Training Fund (NTF) was established in Poland in 2014. NTF resources from the Labour Fund co-finance the work-related education and training at the employer's request, which is submitted to the county labour office. In its first two years of operation, the NTF will be addressed to persons over the age of 45, but afterwards it is supposed to become a systemic instrument to increase engagement in lifelong learning.

Approaches to adult education financing vary across OECD countries (OECD, 2014c). Grants and fee reductions for target groups are available in countries such as Germany, Norway and Sweden. In Germany, the North Rhine-Westphalia region has a voucher programme targeted at employees who have low skills, lack qualifications and are foreign-born. Australia, the Netherlands and the United Kingdom have established education and

training funds as a financing tool, organised by the employers themselves and/or the social partners, acting on their own or in co-operation with public authorities.

Targeting presents a dual challenge: both to reach those most in need of training, and to avoid excessive deadweight losses. Grants can be a real incentive to participate in training, but they can also be associated with large deadweight losses. Vouchers allow for relatively tight targeting, but such programmes can have difficulty reaching less-skilled people. Funds established by the private labour market partners can be an efficient alternative, but have the disadvantage that the unemployed often are excluded.

An approach that involves several types of financing could therefore be the best solution for reaching the target groups without making the programmes too costly. It is important, however, not to make the overall system excessively complicated. Close co-operation with the social partners could help sort out which education and training purposes should be the responsibility of the public authorities and which could best be handled by employers.

Health conditions

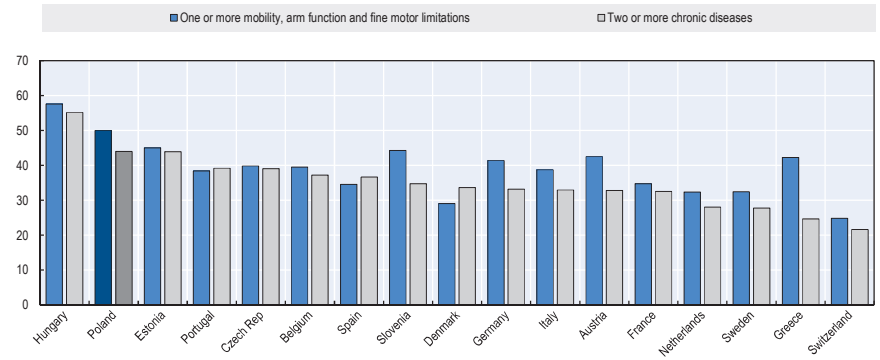
Health conditions are key to prolonging working lives

Life expectancy at the age of 50 is increasing in Poland but only slowly – it remains the fourth lowest among European OECD countries (Figure 1.2). On average a Polish man at the age of 50 can expect to have 15.4 healthy years of life ahead of him, and can thus only expect to reach the current age of retirement in a healthy state. Among European countries Poland has one of the biggest gaps in life expectancy between highly and less educated people (OECD, 2014d), as well as the highest proportion of people aged 50-64 with serious health problems (Figure 5.5). Better health is therefore crucial to making longer working lives a reality. Boulhol et al. (2012) emphasize that a broad strategy is necessary to make up for the lack of progress over the past several decades, as well as to meet the costs associated with rapid ageing and new medical technology.

In Europe, people in good health are more likely to be employed than people in less than good health (Figure 5.6, Panel A). The employment rates for the two categories converge slightly with age; this signals that factors other than health – such as the industry structure and the occupation structure of the workforce – are equally key drivers of employment at older ages. A similar difference between employment rates for people in good and less good health is observed in Poland (Figure 5.6, Panel B).

Figure 5.5. **Share of the age group 50-64 with serious health problems, European countries, 2012**

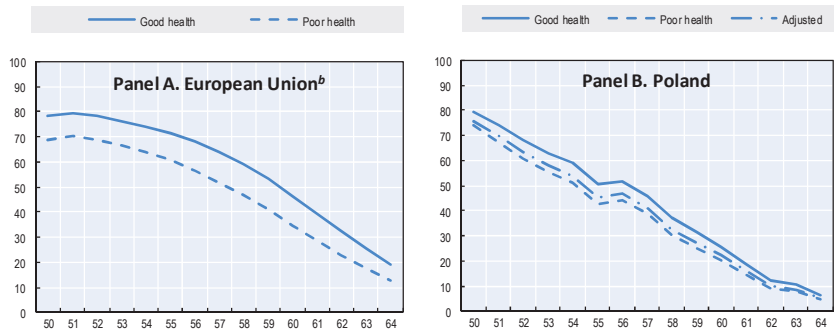
Percentages



Source: OECD estimates, based on SHARE data.

StatLink http://dx.doi.org/10.1787/888933176292

Figure 5.6. **Estimated probability of being employed by single year of age and health status,[a] Poland and the European Union, 2011**



a) The estimated probabilities come from a logit model in which employment status is regressed over age, age squared, gender, household size, and an index capturing the health stock of a person. The latter is constructed as a composite index of health-related questions on the health status, self-reported at the latest visit to a doctor, using as weights the coefficient of a principal component analysis on the same set of questions. The profile for good health corresponds to the estimated likelihood of being employed when the health status index is set at the 80th percentile, while bad health corresponds to the probabilities hinging on a health status set at the 20th percentile of the within-country distribution. The counterfactual for Poland is, other things being equal, the estimated effect of being employed, setting the health status of those in poor health at the 20th percentile of the across-countries distribution of health conditions.

b) Data for the European Union refer to the 18 countries participating to the SHARE survey.

Source: OECD estimates, based on SHARE data.

StatLink http://dx.doi.org/10.1787/888933176305

Figure 5.6 illustrates health effects through a counterfactual scenario: employment rates are estimated using a model that eliminates impacts of the composition of occupations. Assuming a health status for the 20th percentile of people with the lowest health status in Poland as the EU average, Poland would still have lower employment rates than the EU average. This makes it clear that occupational structure has some impact on labour participation. But the scenario also illustrates that even in a situation where the impact of more strenuous work in Poland is eliminated, people in poor health have considerably lower employment rates than people in good health. This confirms the fact that better health conditions, particularly among men, are key to prolonging working lives.

Haan and Myck (2009) have examined the complex relationship between health and the labour market. They find that unhealthy people may choose not to participate in the labour market, and long spells out of work might have further negative health effects. But it is also likely that poor health reduces labour market prospects. Based on a sample of men in Germany, they also find that health plays a strong role in determining labour market outcomes for those above the age of 50. The estimated relationship between health and employment suggest that lack of employment early in the life cycle has a major impact on employment for middle-aged and older people. This highlights the importance of prevention and a focus on early warnings of possible health risks.

Occupational health services

Occupational health services (OHS) are legally and tightly regulated in Poland. Kim and Rantanen (2013) describe how OHS cover the formal workforce and well-organised companies, while smaller workplaces and workers without contracts are likely to remain uncovered. They estimate the uncovered working population at a minimum of 3 million, in agriculture, in small enterprises and among the self-employed.

Most of the occupational health activities are connected to pre-employment in the hiring process and periodic health examinations required by law (Hildt-Ciupińska and Bugajska, 2013). But activities to improve health conditions at the workplace are limited. Bugajska and Hildt-Ciupińska (2012) find in a survey of Polish firms that only 7% provide counselling on healthy lifestyles. The lower life expectancy for males may signal that risk factors related to lifestyle could be more prevalent for men; consumption of alcohol and tobacco is relatively high, while fruit and vegetable consumption is low (OECD, 2011). This suggests that preventive health care and promotion of a healthy lifestyle must be elements in a strategy to improve health among older workers.

Kim and Rantanen (2013) highlight the need to modernise OHS, to increase the coverage of their services, and to integrate health promotion into the activities of OHS. Kryńska and Szukalski (2013) also focus on the need to strengthen preventive health care to extend professional lives.

Better complementarity between the public and occupational health systems

While occupational health services are under the responsibility of the Ministry of Labour and Social Policy, general health services are partly the responsibility of the Ministry of Health and partly that of the local authorities. The fact that there are several stakeholders in the health services increases the need for efficient co-ordination and sharing of responsibilities.

Meeting the health challenge represented by population ageing is one of the themes in the National Development Strategy 2020, adopted in 2012; it also appears in the related Human Capital Development Strategy.[3] Both strategies include a number of objectives aimed at helping people stay in work longer, such as: increasing access to high-quality health services; helping people develop healthy lifestyles; reducing the incidence of accidents; placing more focus on rehabilitation; and improving support to people with mental disorders and chronic mental illnesses. The European Social Fund will be contributing an essential part of the financing. The National Health Programme 2007-15 names prevention as an important tool for health improvement, but in reality curative activities still predominate.

More focus on preventive health care could reduce the incidence of lifestyle- and work-related diseases. The resources available could be more efficiently used by switching the priority of OHS from general health checks to preventive health care, and to helping people return to work after sickness absence. Systematic evaluation of the quality of the OHS could improve cost effectiveness further.

Public health services at the local level, where people often come for regular consultations, have a key role, and highlight the responsibility of the local authorities. Public health services could complement the preventive work of OHS, and more attention could be paid to early identification of possible health risks. Another priority of public health services should be to reduce waiting lists, to prevent long-term absence due to illness. Short waiting lists and the shortest possible duration of sickness absence can be of particular importance for older workers. As they have only a relatively short time remaining in their working lives, long periods of absence can reduce the motivation to return to work, and consequently lead to early exit from the labour market.

Waiting lists to access medical care are long in Poland (Boulhol et al., 2012). Health expenditures (public and private), at USD 1 452 per capita, are the fourth lowest among OECD countries (OECD, 2014d). Long waiting times may prolong sickness absence and in worst case scenarios so aggravate the health situation that employability is reduced. Boulhol et al. (2012) conclude that efficiency and transparency should be improved to make better use of resources devoted to the public health system. There are considerable geographical variations in waiting times in Poland, indicating than there is room for better distribution of resources and better administrative or organisational practices in parts of the country.

Improving working conditions for older workers

According to Golinowska and Sowa (2012), a favourable trend in fewer accidents at the workplace from 1990 onwards stopped in 2006. Workers in Poland report occurrences of serious work-related health problems more often than workers in most other European countries. Recently, the numbers of accidents in mining, manufacturing, construction and transport have increased. The concentration of accidents in these industries is increasing even as their number decreases in others (GUS, 2012).

Kim and Rantanen (2013) described Poland as still in economic transition – i.e. a high proportion of employees are still in primary production and in manufacturing industries with the traditional hazards. Consequently, even if working conditions for older workers in Poland in most occupations are slightly better than the EU average (Figure 5.7), the overall outcome is less favourable because of the high share of workers in strenuous jobs.

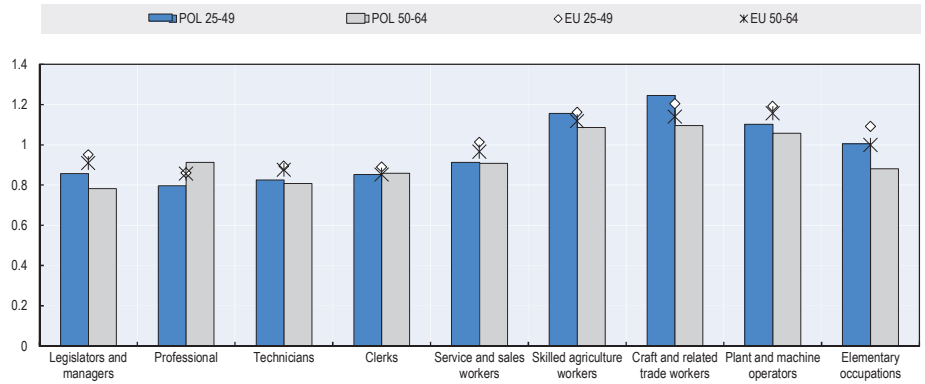
But employment in services is growing rapidly. This means that both the traditional problems linked to working conditions (strenuous tasks, occupational accidents, etc.) and new problems such as stress and coping with new technologies must be taken into account to avoid increasing polarisation of the labour market.

The basic scope of tasks of the National Labour Inspectorate (NLI) comprises supervision as well as inspection of compliance with labour law, including occupational safety and health. The NLI's inspection and supervisory activities are accompanied by activities of a preventive and promotional nature, aimed at creating safe working conditions and raising awareness about binding legislation. Therefore, in the course of inspections, labour inspectors focus on matters such as:

- occupational risk assessment, in particular identifying all risks that could result in accidents at work, work and other work-related illnesses

- the efficiency of preventive measures undertaken against occupational risks at workstations
- comprehensive analyses of the causes and circumstances of accidents at work and occupational diseases
- preventive medical check-ups, and the employer's duty to keep workers updated on work-related occupational risk assessment and OHS training
- use of machinery and equipment and their compliance with at least minimum OHS requirements.

Figure 5.7. **Index of strenuous working conditions by age group and occupation, Poland and Europe, 2010**[a,b]



a) The EU figure refer to the average of the 21 European countries also member of the OECD.

b) The index can be read as the within-occupation, within-country variation compared to the unfavourable working conditions across the whole sample's responses. The items range from mental stress to physical strain experienced at work.

Source: OECD estimates, based on the 5th European Survey of Working Conditions.

StatLink http://dx.doi.org/10.1787/888933176310

Structural change towards less exposure to strenuous work could help, but cannot solve all challenges. It is important to better identify why the favourable trend in the number of work injuries has stopped up. The tendency of a polarisation between industries with the best and worst working conditions increases the need of targeted selection criteria for the NLI, reflecting changes in industry structure and observed challenges. In some countries, contributions to disability or work injury schemes are related to rating of observed risks, with an aim to strengthen incentives to undertake prevention measures and to improve working conditions.

The Public Employment Service (PES)

The PES in Poland consists of a system of regional and county labour offices governed at the respective regional or county level and by the Ministry of Labour and Social Policy. It is the Ministry's job to co-ordinate PES activities throughout the country. General labour market policy is set at the national level, but labour offices at county and regional levels determine local labour market policies in line with local needs (European Commission, 2013a).

There are 16 regional labour offices and 340 county labour offices. PES assistance is supplemented by services of non-public entities, as well as commissioned services. The activities are mainly financed through contributions to the Labour Fund, with certain programmes co-financed by the European Social Fund and support from the local governments (European Commission, 2013a). Decentralisation and local responsibility allow adaption to local conditions and needs. But this could also lead to fragmentation, lack of consistency in policy implementation, and priorities that differ too widely across the country.

Many consider the PES in Poland to be rather inefficient overall, even if there are many local examples of better performance (OECD, 2014a). According to Czarnik and Turek (2012), only about one-third of the registered unemployed express satisfaction with the services they receive. The number of registered unemployed people per job placement officer is as many as 578 on average. Advisers spend part of their time on tasks that are related to helping jobless people who are not interested in finding a job but must register at the labour office to be entitled to health insurance and pension contributions. As a result, about 30% of the registered unemployed have relatively little focus on active job search.

Benchmarking as a tool to streamline administration

The Ministry of Labour and Social Policy has launched a project to benchmark services provided by the regional labour offices. The approach is inspired by the model used in Switzerland (Box 5.1).

As in Poland, local autonomy (of the 26 cantons) plays a central role in Switzerland. The Swiss system lets the federal level define the objectives, while implementation is delegated to the cantonal PES level, which is relatively free to decide how to reach the goals. This allows for local solutions that respond more accurately to regional needs (European Commission, 2013b; Duell, 2013). The result-oriented steering of the PES is underpinned by a service level agreement between the federal ministry and the cantonal public authorities.

Box 5.1. **Benchmarking of the PES in Switzerland**

There are four regularly monitored primary indicators of PES performance, which are assigned different weights:

- *Speed of reintegration of the unemployed into the labour market,* as measured by the average duration of unemployment benefit entitlement per unemployed person (weighted 50%).
- *Prevention of long-term unemployment*, as measured by the share of those remaining unemployed among those who were registered as unemployment benefit recipients 13 months before (weighted 20%).
- *Prevention of benefit exhaustion*, as measured by the share of unemployed no longer entitled to federal unemployment benefits in the total number of unemployed (weighted 20%).
- *Prevention of repeated registration for benefit*, as measured by the share of previous unemployed who have de-registered but re-apply for unemployment benefits within four months (weighted 10%).

Source: OECD (2013), *OECD Employment Outlook 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2013-en.

Duell (2013) points to the strong evaluation culture of ALMPs and comparison and discussion of evaluation results as useful features of the Swiss system, as well as the qualitative benchmarking. But recommendations for further improvements are also added, such as closer co-operation among local employment offices to increase regional synergies; strengthening the central co-ordination of exchanges across regions; evaluations to determine why some local employment offices are more efficient than others; and strengthening the objective of sustainable labour market integration in the performance management system. OECD (2013b) discusses limitations in the coverage and accuracy of the Swiss performance ratings, but concludes that the disaggregated and competitive character of the system has most likely improved aggregate performance.

Systematic, centrally co-ordinated benchmarking in Poland could disseminate information about performance more widely and encourage sharing of best practices. Fuller knowledge about efficient policies and administrative models should also be called on at central level to improve the administrative framework and to design new programmes and measures. The Swiss experience can offer sound guidelines for implementing a similar framework in Poland. Gaining acceptance of centrally set goals and indicators at the regional level could nevertheless be a challenge. Developing a strong evaluation culture should be a priority.

Employment services for older workers

Unemployed persons above the age of 50 are, according to the applicable regulation, considered to be in a particularly difficult situation in the labour market (Kryńska et al., 2013). This category of unemployed is prioritised for participation in special programmes. However, Kryńska et al. (2013) indicate that the obligation to offer special support to the older unemployed is not always welcomed by the PES, which devotes more energy to improving the situation of younger people.

Based on experiences across countries, the European Commission (2012a) draws the lesson that mainstreaming of demographic and age-sensitive measures into the services for employers and jobseekers appears to be an efficient approach. With such an approach in place, PES staff would have to be prepared to meet the specific needs of older workers. Although individual action plans remain the most efficient approach, there is also a role for measures targeted at older workers, to prevent their risk of very long unemployment spells.

Some actions are taken in Poland to improve labour market services for older jobseekers. PES staff has been trained to better serve their needs, and an e-learning programme has been developed to support staff members in their work. This training programme promotes use of job placement, career guidance and individual action plans as methods to help older people back to work (Sienkiewicz, 2012).

An individual action plan includes basic PES support but adds tailored labour market instruments aimed at re-employment (European Commission, 2012b). For registered unemployed persons above the age of 50, the labour office should prepare an assistance profile immediately after registration and an individual action plan within the subsequent 60 days. In 2013 about 200 000 people above the age of 50 received career guidance and information, and 12 200 participated in collective counselling.

Active labour market programmes (ALMPs) – development over time

Total public expenditures on ALMPs in 2011 were 0.72% of GDP – about half of the OECD average (OECD, 2014e). When expenditures to the PES and administration are excluded, the active measures account for 0.33% of GDP. Because of the economic crisis in 2011 expenditures to active measures dropped considerably from the previous year. This is a consequence of the financing model for labour market policy in Poland. Contributions from employers are the major source, and so financing oscillates with the business cycle (OECD, 2014a).

In recent years the number of persons above the age of 50 who participate in ALMPs has increased steadily due to both a higher number of unemployed persons in this age group, and a greater emphasis on activation of older unemployed. The number of activated unemployed persons was also influenced by available resources from the Labour Fund. It is worth comparing the current picture with the situation in 2005, when persons above the age of 50 only accounted for 7.7% of people covered by active programmes. In the period January-September 2013, this age group's share of all participants was three times higher (Table 5.1).

Table 5.1. **Unemployed persons participating in ALMPs, Poland, 2005-13**

	Unemployed persons in ALMPs	Those aged 50+	
	Numbers	Numbers	% of the age group
2005	567 669	43 631	7.7
2006	607 779	62 893	10.3
2007	674 263	85 083	12.6
2008	668 102	92 622	13.9
2009	697 370	95 240	13.7
2010	804 597	118 231	14.7
2011	323 345	63 726	19.7
2012	440 786	83 683	19.0
Jan-Sept 2013	403 130	82 263	20.4

Source: Ministry of Labour and Social Affairs (2013), MPiPS-01 Report on the labour market.

StatLink http://dx.doi.org/10.1787/888933176387

The participation measure chosen most often by unemployed persons in this age group is internship: in the period between January and September 2013, over 26 000 unemployed persons over 50 (or 31.9% of those included in activation). Other measures with substantial participation of the older unemployed are socially useful works (15 300 persons, or 18.6% of the same age group); public works (13 200 persons, or 16.1%); and training (13 100 persons, or 15.9%).

The older unemployed can participate in all ALMPs conducted by the PES. In addition, some forms of active labour market measures are reserved or have more generous provisions for unemployed people aged 50 and higher. In addition to hiring and training subsidies, the older unemployed can also have access to special work programmes; e.g. unemployed persons aged 50 and older can be referred to Intervention works for a period of 24 months (other age groups up to six months). During this period, the employer is refunded part of the remuneration and social insurance

contributions. If these refunds take place only every second month, the period can be extended to four years. Nearly 10 000 persons above the age of 50 were referred to this scheme in 2010.

Regional and local programmes for older people

Because of their organisational structure, units at regional and local levels have a great degree of freedom to develop and implement programmes well designed to the local situation. The PES in the Małopolska region has for example implemented several programmes targeting individual needs of the unemployed or inactive person. One of these programmes is presented briefly in Box 5.2.

Box 5.2. **Konserwator – Programme to activate unemployed people in the Małopolska region**

Over the period 2010-15, the programme – initiated and run by the Regional Labour Office of Małopolska – aims to engage cultural institutions in the region in creating jobs for people with the severest problems returning to work. Long-term unemployed persons above the age of 50 are part of the target group, accounting for 28% of the 519 persons who participated in 2011-13.

The participants are offered various forms of assistance, such as career advice; subsidised employment in a cultural institution; job-search workshops; vocational training; job-brokering support; and coaching tailored to people with the biggest difficulties in the labour market.

Special coaches are trained to support people during the unemployment period, until they are back in the labour market. Their tasks are the following: assessment of people's potentials; motivation of jobseekers; helping them get in touch with employers or social companies, or in starting up as self-employed; informing them about rules and regulations of working life; and monitoring their progress towards work.

Cultural institutions that meet certain criteria can provide subsidised work. Their offers are chosen in an open call for tenders. Among the appraisal criteria are detailed job descriptions, employment possibilities after the subsidised period, and work experience through new activities in the institution, e.g. projects.

The project is not formally evaluated, but over the period 2011-13, 50% of participants continued working in the cultural sector after the subsidised period.

Source: OECD Mission to Poland in January 2014.

According to Kryńska et al. (2013), the older unemployed often show little interest in participating in ALMPs. One of the explanations is their low employment efficiency. Three months after the end of a labour market measure, only 14% of the participants above the age of 45 had found a new

job. The European Commission (2012a) finds that the most effective ALMPs conducted by the PES are work practice and training. Work practice gives the unemployed a chance to gain practical skills by performing tasks at the workplace without entering into an employment contract. According to Kryńska et al. (2013), the ALMPs that receive the best evaluation by employers are co-financing equipment to adapt the workplace for unemployed people above the age of 50 and complementary training for people in this age group. Apprenticeships and the possibility of combining early retirement and work are also assessed as significantly improving the employability of these people. Kryńska et al. (2013) recommend allocating more funds to ALMPs targeted at older jobseekers, particularly in less urbanised areas where activation opportunities are limited and traditional social roles persist.

Untapped potential for activation

The barrier represented by insufficient capacity and efficiency must be tackled to develop ALMPs into a powerful instrument for older unemployed people. They are in principle treated just like any other unemployed person, and could even be entitled to special support. Yet the incentives for labour offices to give older jobseekers professional advice and services remain weak. Martin (2014) refers to evidence that activation works best for benefit recipients who are relatively job-ready. This indicates that actions to get people back to work as quickly as possible after displacement increase the probability of a positive outcome. Boulhol (2014) suggests, based on evidence and the tight budgets for ALMPs in Poland, that more focus could be placed on improving job-search assistance and apprenticeships. The new benchmarking system in Poland should be used to track efficiency actively, in particular by including measures to ensure that older jobseekers are given the same priority as others and that mutual obligations are enforced.

The benchmarking system should also be used to select local best practices that could be suitable for implementation at a national level. Best practices currently seem to be shared randomly, with little consideration for the suitability of these measures for different local conditions. Evaluation, dissemination and monitoring of project activities should be a regular part of the benchmarking system in Poland. To give the labour offices more room for new tasks, bureaucratic burdens on PES staff should be further reduced by allocating more time to activation and counselling and less to non-work-related registration procedures (OECD, 2014a).

In addition, the potential contribution of older jobseekers should not be underestimated. They often have long careers and have obtained a great deal of valuable experience. But most of them have no recent experience in job search, and they might lack appropriate networks. Some countries have

introduced measures to encourage older unemployed to assist each other and to make them more able to help themselves in job search; network groups in the Netherlands, facilitated by the PES, are one example (OECD, 2014b). Participants can share information among each other, and previous jobseekers who have managed to find new jobs can be invited to share their experience. Employers could be involved to give a realistic view of the recruitment process, and could be better informed about the resources represented by older workers.

Co-operation between the PES and other providers

Non-public employment agencies

Non-public employment agencies – mostly commercial entities – can provide services as regards employment brokerage; professional counselling; personal advice; and temporary employment. Legal activity as an employment agency is possible following receipt of a certificate confirming their entry into the register of employment agencies. After an amendment of the Act of 20 April 2004 on Promotion of Employment and Labour Market Institutions, recruitment agencies may be commissioned to activate the long-term unemployed. The Regional Labour Office in Cracow has started a project to investigate whether outsourcing to private providers back-to-work services for the long-term unemployed can be used to supplement their own services. The core criteria are bringing back as many as possible to work and supporting them in their employment in a six-month period. Payments to the provider are based on results.

Employment agencies may have an advantage in working closely with employers in specialised segments of the economy. This niche competence could be used to encourage their clients to recruit older workers. Kryńska et al. (2013) suggest that co-operation between the PES and the private employment agencies could improve intermediation services for older workers if the employment agencies specialise in these types of services. To be successful, PES offices must acquire skills in managing contracts handled by external entities.

Possibilities for developing public-private partnerships are extended as part of the currently implemented reform of the labour market in Poland. The aim is to provide better support to unemployed people. The contracting model has a focus on achieving specific results described by performance indicators related to efficiency and duration of the employment.

Concerns regarding sustainability of jobs, "creaming" of clients, and optimal design and monitoring of contracts with private providers are discussed by Martin (2014). Countries have opted for different solutions; it is unclear what common lessons can be drawn. Initiatives such as the one

started in Cracow can therefore help expanding experience and evidence. The challenges are to formulate criteria for contracts that ensure that the agencies acquire sufficient knowledge about older workers, and that the mediated jobs are permanent or of certain duration. Experience must therefore be evaluated, particularly regarding the permanence of the new employment and the ability of the PES to manage the contracts.

Non-governmental organisations (NGOs)

NGOs could play a role in the activation of older people. The survey reported by Kryńska et al. (2013) indicates that only a few NGOs undertook actions addressed directly to people above the age of 45/50. This means that the offer generally available is used for everyone, and not specialised in terms of specific needs or expectations. Some activities were implemented with the older age group as a target: vocational training; computer courses; and activities in job clubs supporting return to the labour market. The lack of target groups could prevent identification of needs, and make services less useful. Lack of specialisation and professionalism may also reduce the quality of services.

Moreover, volunteering can be an alternative to paid work for some older people wishing to continue actively contributing to society. Even if voluntary organisations have charitable purposes and not profit as a target, the operational concept can still be surprisingly similar. Principi et al. (2012) find that NGOs' cost-benefit assessments of older volunteers did not differ greatly from those typically held by employers about older employees.

This shows that it is essential to raise voluntary organisations' awareness of the need for innovation in volunteer management, especially as it relates to older people. There is potential in this area to be further exploited. As put forward by Kryńska et al. (2013), there is both potential and need for co-operation between the PES and NGOs. NGOs often know the local area well, and could find niche markets in individual actions towards defined groups of people, adapted to local needs. In the Malopolska region, the PES co-operates with an NGO in a project aimed at increasing social participation and work among unemployed people above the age of 50. Volunteers above the age of 45 have a key role in sharing knowledge and professional experience with the participants, as well as in motivating and advising.

Key policy recommendations

The employment rates of older people have increased substantially over the past decade in Poland. Nonetheless, there is a cultural trend that women tend to leave their jobs from the age of 50 to take care of their relatives. Broader measures are therefore necessary to change social norms and to

relieve women from care responsibilities. For both genders, employability of older workers is lagging behind, in the sense that participation in training and education declines with age. In addition, the health status of older workers is relatively low compared with many other OECD countries. More efficient ALMPs that place greater focus on specific features of older jobseekers could reduce the duration of unemployment and increase the likelihood of return to work.

Policies to support longer working lives are a very new phenomenon in Poland. Several steps have been taken in recent years to improve employability and to prolong working careers in the context of the 2008 programme Solidarity Across Generations. These are positive achievements, but the overall impacts are still limited. Concerted actions, covering a broad range of factors important for employability, must therefore continue to reach the targets on employment rates for older people set in the Lisbon Declaration, which is an aim of the 2013 strategy in Poland.

The following measures should be considered to improve the employability of and working conditions for older workers:

- *Measures should be taken to help more women work longer*. Innovative care facilities should be developed to relieve older women from responsibilities towards their families. Impacts of the long maternity and parental leaves on employment and sickness absence should be monitored. Re-allocation of public budgets from very long leaves to better institutional care could strengthen women's foothold in the labour market.

- *Training for adults and older workers should be more work-focused*. Employers and older employees should be involved in the development of programmes, for example through branch committees. Training programmes should be better adapted to local needs. Knowledge about adult pedagogy should be used to create methods efficiently supporting learning among older workers. Recognition of prior learning and validation of acquired experience and skills could help in adapting training to individual needs.

- *Occupational health services should focus on preventive measures*. Improvement of health, especially that of older men, and support of an early return to work after sickness should be accorded high priority. Local health services should also have prevention and early identification of possible health risks as priorities. Waiting times in public health care should be reduced to shorten periods of health-related inactivity as much as possible.

- *Benchmarking of PES activities should be systematic and centrally co-ordinated.* Benchmarking should include control and measurement of tasks and services for older jobseekers at the local level. Better knowledge about effective policies for the older unemployed should also be used at a central level to improve the administrative framework and design of efficient ALMPs. Bureaucratic burdens on PES professional staff should be reduced further to make room for activation.

Notes

1. www.share-project.org/home0/overview.html.
2. www.unece.org/fileadmin/DAM/Gender/documents/Beijing+15/Poland.pdf.
3. www.mir.gov.pl/english/Regional_Development/Development_Policy/NDS_2020/Documents/NDS%202020.pdf.

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