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Analysing the differences in amounts of pensions of men and women and their effects on the pension system and society in Poland

Introduction

Earlier discussions about the pension systems in Poland seemed often to disregard the role of women and inequality of sexes, even though more than two thirds of pension recipients in Poland are female [Ministerstwo Rodziny i Polityki Społecznej 2020]. This issue is especially important because of the existence of a major gap between the level of pensions of men and women. This is, in fact, discrimination, having negative consequences for society. Despite the existence of legal instruments meant to counter discrimination and ensure equality between both sexes, the level of male and female pensions continues to vary.

The purpose of this study is to point out the causes and consequences of the existing pension gap in Poland. The analysis is based on a review of literature and data provided by the Social Security Agency.

Women in the pension system

In the second half of the 20th century, there was evolution in society of views on the role and position of women. Among other things, women were integrated in professional activities on a mass scale. Nevertheless, pension systems still retain ingrained social and cultural differences between sexes, reflected in the lower economic welfare among women of senior age [Czech, Zachorowska-Mazurkiewicz

2020]. A particularly important issue with respect to the pension system is the *gender pension gap*. This is an index showing by how much the average pension income of women is higher or lower than the income of men. To correctly identify the pension gap, one should examine the factors affecting its size.

Retirement age is one of the most important aspects of a pension system. It may be defined as the established age limit after which a system's participant can leave the labour market and become eligible for pension pay-outs [Jedynak 2016:33–49]. In Poland, retirement age is 60 years for women and 65 years for men, and the main causes of this discrepancy are of a social nature, in particular the patriarchal approach to women which assumes that it is females who are for the most part responsible for rearing children or running the household. Gender roles are, however, changing. An increasing number of women are professionally active, giving up motherhood to develop their careers. If they decide to start a family, their relationships are increasingly often founded on a partnership basis, with men playing an important role in bringing up offspring. Surveys show that almost 60% of Poles declare partnership as the best cornerstone for a family [CBOS 2020]. Obviously, when it comes to analysing time budgets as an example [GUS 2015], the process remains slow, but the generational change is becoming visible.

It is true that women over 60 are still able to continue working, but they lose some of their rights before they reach this age. According to Article

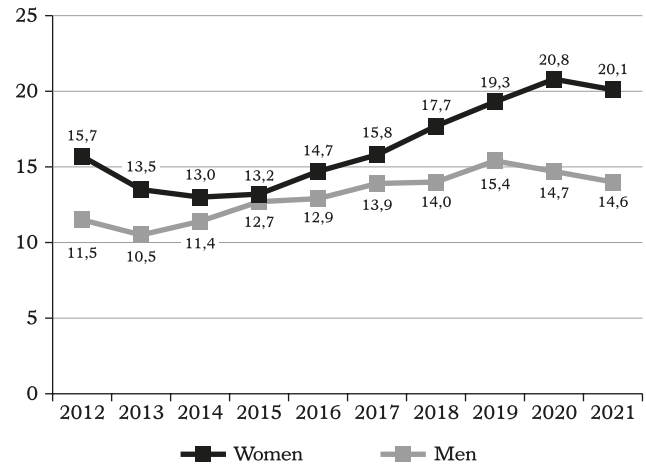
39 of the Labour Code, an employee is protected against termination of employment at most four years before reaching retirement age. This does not mean that retirement age is a cause for terminating the agreement. A resolution of the Supreme Court of 21 January 2009 (II PZP 13/08) states that acquiring the right to a pension and reaching retirement age cannot be the sole cause of terminating an employment agreement. After losing their earlier protected status, an employee remains subject to general rules on terminating employment agreements. An exception may apply when an employer must reduce staff numbers due to the poor condition of the business. In such a case, termination is not considered sex- or age-based discrimination and the employer is then highly likely to lay off women over 60.

The difference in retirement age causes numerous negative consequences, such as lower benefits and the emergence of inequalities due to the time spent accumulating capital. The lower retirement age of women means that the time they save up for their pension is shorter. I mean here not only insurance contributions, but also individual savings in private funds (the third pillar). On average, women are paid less than men, and it is their wages that are used to calculate the contributions [Malec, Tyrowicz 2017:30].

In the current system, the accumulated capital is divided by the average post-retirement life expectancy. The life expectancy of women is greater while their retirement age is lower [Wóycicka 2008:71]. An important aspect that positively affects the amount of female pensions is gender-neutral life tables used to calculate benefits. This is particularly important because women live longer. According to OECD estimates, the average life expectancy in 2020 was slightly over 72 years for men and almost 81 years for women. Because the tables are averaged for both sexes, this means that funds are transferred from shorter-living men to longer-living women.

The above-mentioned consequences result in the risk of poverty and social exclusion. Because of lower benefits and longer average life expectancy, the at-risk-of-poverty rate is higher for women. Confirmation of this can be found in all European Union countries. According to Eurostat data, the largest difference in the at-risk-of-poverty rate occurs in Estonia, where women are disadvantaged by 16.5 percentage points. In Poland, the tendency has been similar since 2015 (Figure 1).

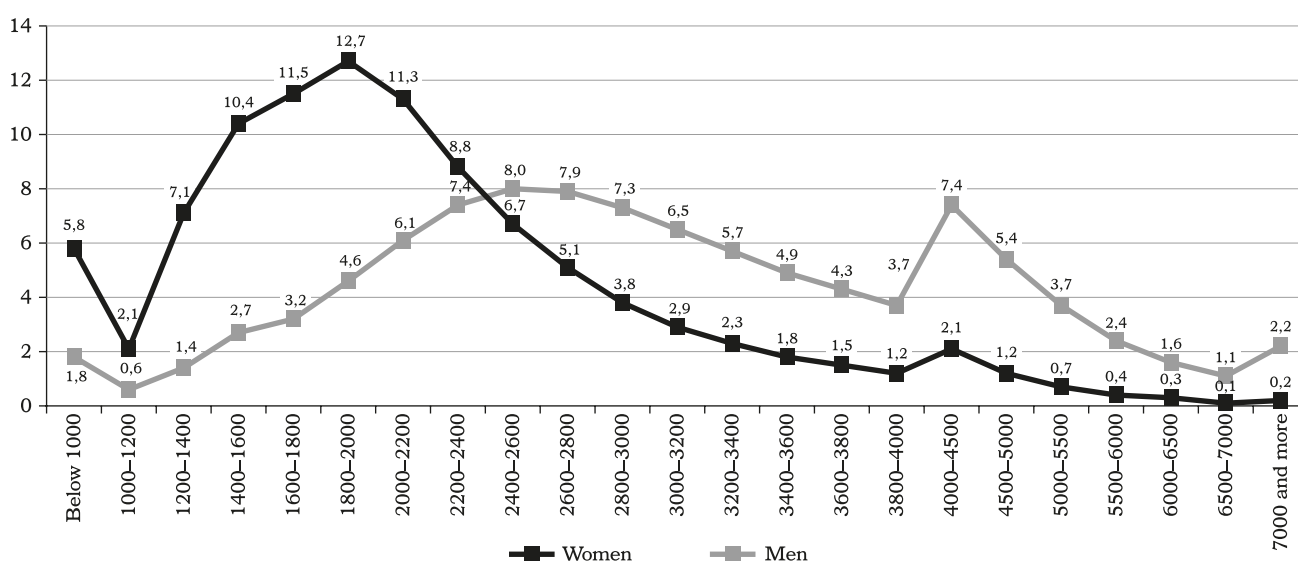
Figure 1. At-risk-of-poverty rate in Poland for both sexes from 2012 to 2021 (in %)



Source: own research based on Eurostat data, 2022.

The structure of pensions paid out in Poland shows that low benefits are received more frequently by women than by men. Based on data of the ZUS (Social Security Agency), 11% of men and only 1.7% of women are paid a pension more than PLN 5,000. More than 60% of women receive less than PLN 2,200 in pension benefits per month. For men, the percentage is slightly less than 20% (Figure 2).

An important element of the pension system, meant to protect against poverty and social exclusion, is an instrument called the minimum pension. Since 2017, persons eligible for the minimum pension in Poland have included women who worked for at least 20 years and men who worked for at least 25 years. The minimum pension in 2022 was PLN 1,338.44. It is meant for those who achieved low income in their professional activity and therefore paid low pension insurance contributions. In other words, the minimum pension can be described as a surcharge on low pensions paid to bring up the benefit to a specific level. Such pensions are financed outside the system and funds for this purpose are allocated from the state budget [Góra 2018:12]. The lower the retirement age, the greater the burden on the state budget due to the larger number of minimum premiums paid due to low benefits. This problem affects mainly women who, as noted earlier, are at risk of receiving lower benefits due to lower retirement age, lower wages, and longer average life expectancy. With reference to a report drafted by the Institute for Structural Studies, if the current retirement age (60 years for women and 65 years for men) is retained, in 2060 two thirds of all pensions will be minimum (or lower) pen-

Figure 2. Pension structure by amount of benefits and sex (in %)

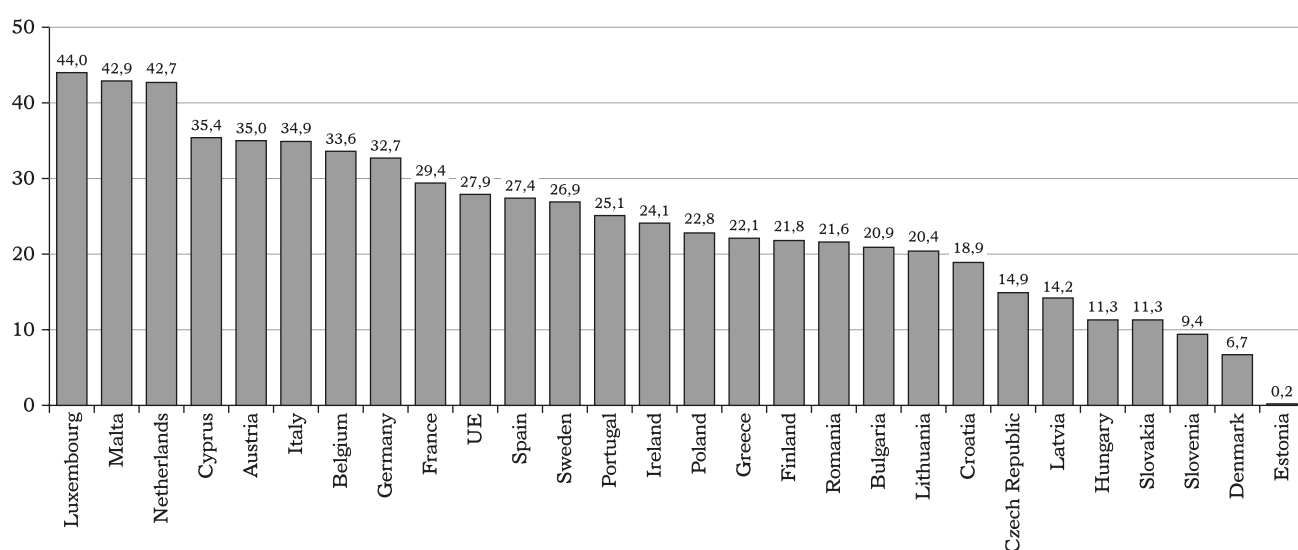
Source: own research based on ZUS (Social Security Agency) data [Zakład Ubezpieczeń Społecznych 2021].

sions. If the retirement age was set to 67 years, this fraction would drop to just one quarter [IBS 2019].

Retirement age therefore has a major influence on the amount of pension benefits. Voluntary savings in the third pillar will not help to bring about an effective and permanent increase in pensions because none of the systems used in that pillar envisages payment of life-long benefits [IBS 2019:7]. Currently, efforts should be undertaken mainly to equalise the retirement age for women and men and to gradually increase it.

Differences in pension pay-outs due to sex

According to Eurostat data, in Poland the pension gap was 22.8% in 2019¹. The average in the European Union is less than 28%, gradually dropping each year. The largest gap, of 44%, can be observed in Luxembourg. Malta and the Netherlands come next with a 43% gap. The lowest value has been observed for Estonia (Figure 3).

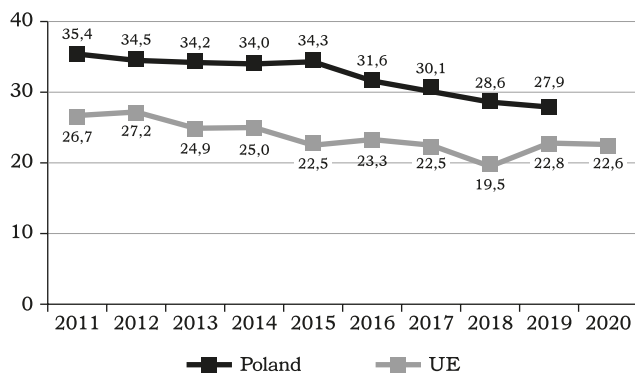
Figure 3. Pension gap in European Union countries (data for 2019, in %)

Source: own research based on Eurostat data, 2019.

The difference in pension amounts due to sex is often much lower in Eastern European countries where the differences between the sexes with respect to working part-time are less distinct than in Western Europe. Some of the lowest gap values are found in Estonia, Slovakia, Hungary, Latvia, and Czechia, all of which are countries with a low level of part-time work and low pension income among both men and women. In Poland, the pension gap has remained around 23% for two years with a slight downward tendency (Figure 4).

The difference in pensions of women and men in Poland is about five percentage points lower than the EU average. The EU average is decreasing each year but remains high.

Figure 4. Changes in the pension gap in Poland and the European Union from 2011 to 2020 (in %)



Source: own research based on Eurostat data.

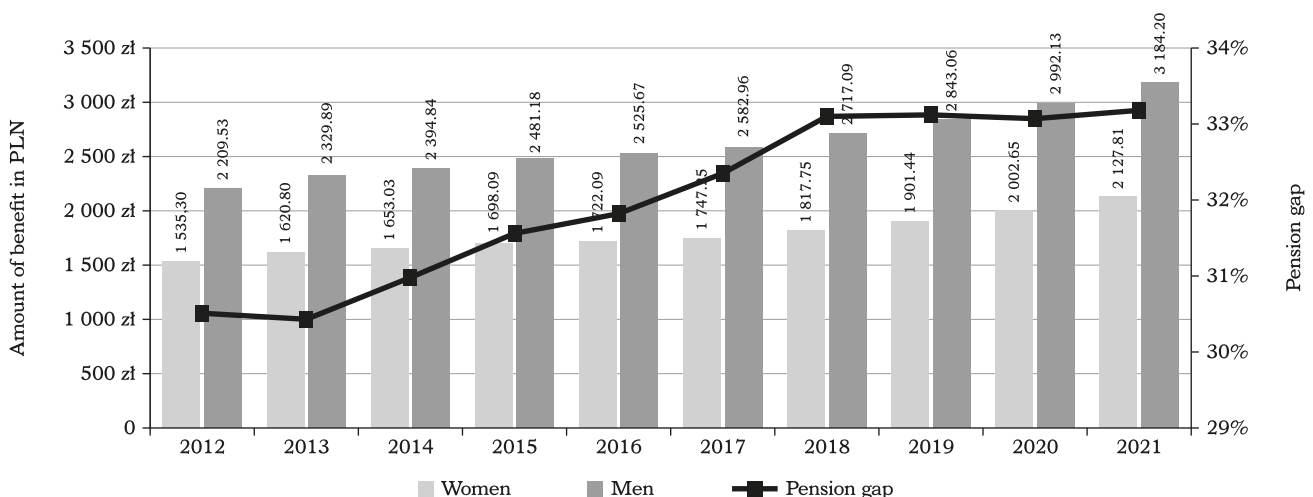
Compared to Eurostat data, Social Security Agency figures show an opposite trend in Poland, with the pension gap on the increase (Figure 5). This difference may be caused primarily by exclusion of family pensions and regular pensions from individual retirement plans from Social Security Agency data¹. In this context, the pension gap is based mainly on benefits from the base retirement system. In recent years in Poland, it has hovered around 30% with a tendency to increase. Data from 2021 show that the difference in average pensions of men and women was over 33%.

Causes of the pension gap

Inequalities in wages of men and women

A factor having a major impact on the future pension benefit amount is the gender pay gap. The existence of the pay gap is one of the symptoms of discrimination derived from preferences, heuristics, or statistical discrimination [IBS 2015:5]. There are also other determinants that explain the existence of the gender pay gap while taking observable characteristics into account. Some of them include more frequent provision of unpaid work by women, lower wage expectations, aversion to taking risk and negotiation, and decisions to start a family [Budrowska et al. 2004; Roussille 2021]. Motherhood is a particularly important factor affecting the wage and pension gap [Jędrzychowska et al. 2020]. Studies show

Figure 5. Difference in average pensions of men and women in Poland from 2012 to 2021



Source: own research based on ZUS (Social Security Agency) data [Zakład Ubezpieczeń Społecznych 2021].

that female wages drop dramatically even after the birth of the first child, while men experience practically no change in the amount and rate of increase of their wages [Kleven et al. 2018].

At least 50% of the wage gap can be traced to the feminisation and masculinisation of industries and professions [Boll et al. 2017:410; Blau, Kahn 2017]. According to data of the Central Statistical Office of 2020, the wage gap in feminised professions such as midwives, nurses, domestic maids and cleaners or personal carers is very low, up to 2%. For primary school teachers, the gap swings to 4% in favour of women. In these professions, women make up more than 85% of the workforce. Even though the unadjusted wage gap is almost non-existent in these professions, they are undervalued, especially considering their social role or burden during the COVID-19 pandemic, for instance [Foley, Cooper 2021]. According to the same data set, in masculinised professions such as engineers, IT analysts and heads of IT and ITC departments, the unadjusted wage gap is more than 20%. For electrical and electronic engineers, it even exceeds 25%. In the case of heads of IT and ITC departments, the difference in average wages is more than PLN 2,600. In the above professions, men make up more than 80% of the workforce.

The differences in wages and undervaluation of professions dominated by women are only partly caused by historical considerations, not only dating back to the communist era, but to the Second Polish Republic as well [Klich-Kluczevska et al. 2020]. Other causes include lack of transparent wages, sex-based stereotypes, unpaid carer work and numerous family duties done by women, and worse access to managerial positions, but also the different retirement age mentioned above. For the moment, however, it is difficult to propose an equivocal solution to the issue of sex-based undervaluation of professions.

Differences in contributions paid

In addition to working in jobs with poorer wages, one of the main reasons why pensions differ, both in Poland and abroad, is because women work more often part-time and have longer career breaks. Because pension benefits are usually tied to wages, inequalities in career profiles between sexes result in considerable inequalities in pension amounts. It is women who usually take paid leave (80%) and receive a carer's allowance (72%) due to caring for a sick child [Stowarzyszenie Kongres Kobiet 2021]. At the same time, the periods in which these benefits are received constitute non-contributory periods. For this reason, women may be hard pressed

to meet contributory period requirements, and as a result more frequently receive just basic pension benefits or protections.

Summary

The pension gap is a serious social issue. It occurs in different countries, social groups, and multiple dimensions. There are several policies which should be pursued to counter the growing wage and pension gaps between men and women. Based on an analysis, general recommendations can be made on how to pursue equality policies to reduce the pension and wage gap.

One of the most important measures should be equalising retirement age. This is particularly significant with respect to Poland, because almost all countries in the EU have now adopted the necessary provisions. The average length of life is growing, and the solutions currently in effect discriminate not just women, but also men.

Another move should be recognising carer duties as contributing to the pension system. Unpaid work (caring for children and seniors, cooking and cleaning) usually means a lower number of paid work hours worked, a greater proportion of part-time work, and the gap in wages [Jefferson 2009:117]. All over the world, it is women who spend more time on these activities, which usually is not included as a contributory period. In Poland, an exception has been made for periods of receipt of maternity and childcare allowances, and in this case a woman's pension contributions are paid based on the minimum wage. In the coming years, the inequalities between sexes due to unpaid work may become an even more serious problem, because the aging population generates a growing demand for unpaid care.

The next step would be to ensure good quality of childcare at more affordable prices [Prospect 2021]. This is necessary mainly to increase the employment rate of women. Studies show that introducing subsidised childcare services helps the most to reduce the employment gap between sexes. It is stressed that support for working mothers is one of the most important means of ensuring that they remain on the labour market [Olivetti, Petrongolo 2017:10].

Another factor closely tied to care is also ensuring flexible working hours while remaining employed full-time. Such flexibility is currently available only for part-time work, which is usually offered under unfavourable arrangements and conditions, thus increasing inequalities. Flexible working hours primarily pro-

vide more opportunities to enter the labour market but also help achieve a better work-life balance.

These are only some of the major steps that might help to narrow the differences between sexes, first in wages while professionally active, and later in pensions. The pension gap can only be eliminated by a comprehensive approach that encompasses employment, social, and family policy [OECD 2017]. Equality of the sexes in pensions will also remain a challenge until the wage gap is closed, partners in relationships start to share their carer duties equally, and employers begin to feel responsible for equal wages in the workplace for both sexes.

- 1 The data are presented as the percentage by which the average pension income of women is higher or lower than the income of men. Pension income includes pension benefits, family pensions and regular pensions from personal retirement plans.
- 2 This difference may also be affected by the existence of various sources of pension systems used for some groups, which are not accounted for in the Eurostat methodology.

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