

*Public Participation and the Pension Policy Process:  
The Citizen and Pension Reform*

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## Pension Reform in Poland

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## 1 Introduction

The Polish social security system covers the following long and short-term risks: old-age, disability and survivor, work injury and occupational diseases, sickness and maternity. The benefits are financed from the social security contribution, which until 1999 was paid fully by employers, from 1999 both employers and employees pay it. In the case of deficit, the state budget subsidises the payments. The system functioned on a traditional defined-benefit pay-as-you-go basis for many years. At the beginning of 1999 the major and complex old-age pension reform was launched, preceded by several years of discussions and debates among experts, professionals and politicians.

The unemployment risk is not covered by a social insurance scheme and it is financed from a separate contribution paid by employers to the Labour Fund. All labour market programmes (among others unemployment benefits, Active Labour Market Policies, trainings) are financed from this fund. This part of a Polish welfare system was introduced after the collapse of the centrally planned economy, at the beginning of 1990. The new legislation provided a comprehensive framework to deal with the unemployment, which was a new phenomenon to the Polish labour market. It created the legal basis for the unemployment benefits for those fulfilling certain conditions as described in (Gora, 1996).

There are two main institutions administering the social insurance:

- Social Insurance Institution (*Zakład Ubezpieczeń Społecznych* - ZUS) for the employees and self-employed. Among its tasks, ZUS collects social security and labour contributions, pays social security benefits and transfers labour contributions to Labour Fund,
- Farmers' Social Insurance Fund (*Kasa Rolniczych Ubezpieczeń Społecznych* - KRUS) for farmers (established in 1991). KRUS administers both short-term benefits payments, which are fully financed from farmers' contributions and pension payments, which are financed almost fully (in 95 per cent) from the state budget<sup>1</sup>.

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<sup>1</sup> The separate social security scheme for farmers was established in Poland in 1978. From the beginning it was assumed that this system would be subsidised from the state budget. The initial size of the subsidy was set at the level of 2/3 of total expenditures. Later, the size of the subsidy increased up to 95% of farmers' pensions expenditures.

Army and so-called uniformed services (police, fire-service, etc.) have separate subsystems managed by the Ministry of Defence or the Ministry of Interior. These are non-contributory systems, with benefits financed directly from the state budget.

In this report, we focus on the employees pension system, managed by ZUS. Over 96% of working population are covered by it. In 1999 in the employee system there were 13 million insured, almost 2 million contribution payers (employers and self-employed) and about 7 million of pensioners. It is by all means the largest part of the Polish social security system. In comparison, at the same time, the farmers' pension scheme covers 1 million insured and almost 1.2 million beneficiaries.

There were three general sources of information used in the report to describe phenomena in the field of the Polish social security system:

- literature survey,
- Individual interviews with key actors,
- media analysis.

This report is organised in the following way. Following the introduction, in the second part we present the short description of the pre-reform system. Then we focus on the main directions and models discussed in reforming of the pension system in Poland. In chapter four we provide some discussion on the status quo of the pension system after the reform with possible next steps. The methodology of individual interviews and media analysis is presented in the annex to the report.

## 2 The Pre-reform Pension System in Poland

The complex reform of the old-age pension system was introduced in Poland only in 1999. However, in previous years some smaller changes to the system were made and strengths and weaknesses of the previous organisation of the system discussed. In the following chapter the most important facts from the latest history of the pension system are presented. Also sketched is the financial situation of the system during that period.

### 2.1 Pension System in Poland before 1991

During the centrally planned economy, the pension system was relatively stable. The implicit debt was under control and the actual retirement age was close to the legal one. As a result, pension benefits were close to actuarially neutral. The important change that unfavourably influenced implicit debt of the PAYG system was the right to the lower retirement age granted to many professional groups in 1983, see (Golinowska, 1995) in order to relax some labour market pressures and to calm the difficult political situation<sup>2</sup>. As a result, almost a quarter of working population had the possibility to retire earlier than at the legal retirement age (which was 60 for women and 65 for men) with no actuarial reduction of old-age benefit. Wide possibilities to retire earlier and few incentives to work longer were one of the causes of relatively big number of beneficiaries in comparison to active population. The time of service in the benefit formula had a small impact on the size of the benefit. During the process of transition from the centrally planned to the free market economy many state companies decreased number of employees, the important source of hidden unemployment. Policy-makers decided to let more people retire earlier to smoothen social burden of the transition period. The average annual inflow of new old-age and disability pensioners, after the peak in 1991 at the level of 800 thousand stabilised at the level of approximately 350-400 thousand in 1992-1994. The average actual retirement age, according to ZUS data, was 58,3 years for men and 54,1 years for women in 1997. As a result the pensioners population in Poland is relatively young.

Before 1991, the press covered the pension system only from time to time and did not discuss it in details. Journalists concentrated only on the pension benefits and

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<sup>2</sup> It was the part of the policy aiming at smoothing social tensions after introducing in 1981 state of martial law.

how they should be indexed rather than on the need to reform the pension system. At that period, the press played mainly an informative role. Journalists informed about average benefits, the financial situation of the Social Insurance Fund and the Social Insurance Institution. The only proposal of the changes in the legislation discussed in the media was the one of the Ministry of Labour on the indexation of pensions (i.e. that monthly indexation is impossible, see i.e. “Emerytura sprawiedliwiej, ale czy szybciej”<sup>3</sup>, *Gazeta Wyborcza*<sup>4</sup>, No 132/1989). Newspapers also concentrated on the issue of fairness of the pension system. The existing system was not perceived as fair, being the heritage of the communist system. Pensioners wanted to know what happened to their contributions and why their pensions were not as high as they wanted. Media also focused on controversial issues, such as for example special pensions for ex-members of secret service collaborating with the communist party (so-called ‘UB-eks’), which were heavily criticised by the Senate (the Upper House of the Parliament)<sup>5</sup>.

## 2.2 Pension System Changes in 1990s

In the early 1990s, in contrast to other transition countries (such as Slovakia, Czech Republic or Ukraine), Poland introduced legislation that increased the value of pensions to compensate for higher inflation. The so-called Revaluation Act of October 17, 1991 intended to create a transparent and stable mechanism for the calculation and indexation of pensions. The new pension formula:

- created closer link between the level of benefits received and the level of contributions paid by limiting the non-contributory periods influencing the level of benefit, and by lengthening the wage-earning periods taken into account in the pension formula – gradually from the last salary, through one-year average, to a 10-year average, which is currently used in the old-age scheme and disability pensions scheme;
- introduced income redistribution, by composing the benefit of a flat social element for each pensioner (equal to 24 per cent of average earnings) and individual part, linked to the salary capped at the level of 250 per cent of average earnings. The new old-age benefit formula offered average

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<sup>3</sup> “Pensions will be sooner but if more fair?”

<sup>4</sup> The biggest Polish daily, established in 1989 before first free elections.

<sup>5</sup> Recalling that this House of the Parliament was in almost 100% in hands of the post-solidarity party after winning the first free election in 1989.

replacement rates for new pensions at the level of 76 per cent of final salary. There was no reduction in benefits for early retirement;

- eliminated a variety of occupation-specific pension additions (such as for example coal equivalent) and incorporated them into the pension size.

The law also introduced:

- new indexation principles, based on wage growth in the economy;
- a minimum benefit guarantee for all pensioners at the level of 35 per cent of the average salary;
- restriction on the possibility of combining receipt of old-age pension and other benefits with continued wage earning.

As the lack of an indexation mechanism prior to 1991, combined with hyperinflation, caused a deterioration of real level of benefits, the law also introduced a one-time re-calculation of all benefits. As a result, the average level of pensions (both disability and old-age) jumped from 53% to 61% of the average wage. This combined with further wage indexation of pensions, caused an immediate sharp increase in social security expenditures. Expenditure on old-age and disability benefits<sup>6</sup> grew from 12.6 per cent of GDP in 1991 to 15.4 per cent by 1994.

In December 1992 the Parliament, forced by the increasing deficit in the pension system, amended the law so that the base amount used to calculate newly granted old-age and disability pensions was reduced from 100% to 91% of the national average wage. This resulted in significant cuts to expenditures. The pensioners' society strongly objected to the above changes, and as a result, the 91% factor in the pension formula was increased to 93% in 1994 and by one percentage point with every indexation afterwards till it reached 100% in 1999<sup>7</sup>.

Lengthening the period for which the individual's assessment base was calculated offset the increase in the wage base from 94% to 100%. The overall effect led to the reduction of the average assessment base, relative to average earnings, and as such, helped to lower pension expenditures.

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<sup>6</sup> Including both employees' and farmers' social security systems. The employee pension system expenditures peaked at 13.12% of GDP in 1994.

<sup>7</sup> However, this way of expenditure reduction is still causing protests from pensioners, demanding recalculation of their benefits. If their demands were to be met, this would of course increase expenditures, and further increase the pension system deficit.

The media covered both the changes in the pension system legislation in 1991 and further changes in the indexation. Prior to the enactment of the law, journalists concentrated on informing the public on the proposals to change the system and the political discussion. The issue was difficult, and was presented in that manner by the press – *Gazeta Wyborcza* called the proposal sensitive (“Emerytura – materia delikatna”<sup>8</sup>, *Gazeta Wyborcza*, No 78, 1991). A few articles appeared after the law was legislated. Press provided information about the changed rules of benefits granting and indexation (i.e. indexation according to wage increase, shifting the indexation from September to December, changing the wage base for benefit calculation from 100 to 91 percent of the average wage; see “Ile dostana emeryci?”<sup>9</sup>, *Gazeta Wyborcza*, No 240/ 1992).

When real wage growth in Poland started to accelerate, pensions followed and the social security deficit grew. At the same time, the labour market situation was not encouraging, with the unemployment rate reaching 15 per cent by 1995. The pension system was constantly used as a policy tool to fight high unemployment, by sending workers that suffered from group lay-offs into early retirement. The impact of this policy on the reduction of unemployment is questionable, but it definitely resulted in significant increases in pension expenditures, as the number of pensioners was growing. The average replacement rate offered by the pension system, after a slight decrease in 1992-93 increased again to almost 62 per cent in 1994. This, combined with increasing numbers of pensioners resulted in the need for heavy subsidies from the state budget, reaching the level of 6 per cent of GDP in 1993. The government had to look for other, more restrictive tools to cut growing expenditures.

At the end of 1994 the government decided to change the indexation of pensions to price-based. The proposal was discussed by journalists, who tried to find if pensions would be not much less than earnings (“Wedlug plac czy cen?”<sup>10</sup>, *Gazeta Wyborcza*, No 175/1994). The change was finally legislated in 1996 and implemented in 1997. According to the final solution, the pensions were to be increased ex-ante, so that the average real value of pension in a given year would not be lower than the average pension a year before. The rules for the pension indexation were rather complex and were explained in detail by media (i.e. “Waloryzacja wedlug emeryckiego koszyka”<sup>11</sup>, *Rzeczpospolita*<sup>12</sup>, 2.01.97, “Dwie

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<sup>8</sup> “Pensions – the delicate issue.”

<sup>9</sup> “How much will the pensioners get?”

<sup>10</sup> “According to wage or price growth?”

<sup>11</sup> “Indexation according to the pensioners’ basket”

<sup>12</sup> Second biggest Polish daily.

waloryzacje plus zaległa wypłata za 1995 r.”<sup>13</sup>, (*Rzeczpospolita*, 17.01.97). The necessity of changes were also commented and underlined i.e. in the article “Kto przetnie gordyjski wezeł waloryzacji?”<sup>14</sup>, (*Rzeczpospolita*, 30.09.96).

From the point of view of the system stability, in the 90's Poland was the country with the relatively low demographic dependency ratio and relatively high system dependency ratio (Golinowska, ed., 1997, p. 45), which was rather typical for most of the CEE countries. Expenditures on the pension system were skyrocketing due to a relatively high replacement ratio and wide possibilities of early retirement with benefits calculated often in a privileged way. In order to finance increasing expenditures, the governments had to rise the contribution rates and increase state subsidies to social insurance. The social insurance contribution from the initial level of 25% of the payroll in 1981 has been constantly increased up to the level of 45% in 1998.

In a medium to long-term perspective, demographic situation in Poland would create a significant pressure on the PAYG pension system, especially when the after-war-baby-boomers will become pensioners in the second decade of 21<sup>st</sup> century as described e.g. in (Cain and Surdej, 1996). However the Polish population is still relatively young compared to most of the European countries. According to the Central Statistical Office's 1995 forecast, the demography dependency ratio<sup>15</sup>, which in 1995 was around 23.4%, would slightly decrease in period 2000-2005 and would then start to increase. However, due to earlier retirement possibilities and labour market policies described above – the system dependency ratio (retired population to working population) was much higher in 1995 and around 60%.

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<sup>13</sup> “Two indexations plus outstanding payment for 1995.”

<sup>14</sup> “Who will cut the Gordian knot of indexation?”

<sup>15</sup> Ratio of those aged 60+ (women) or 65+ (men) to 18-59 (women) and 18-64 (men) group.

Financial threats in the pension system were underlined by local and foreign experts (see Lyons 1996). According to the estimates, the implicit debt of the Polish pension scheme<sup>16</sup> reached the level of 140% of GDP by 1998.

Already in mid-90s the need for the reform was evident. The important question, however remained: what should be the shape of the new pension system?

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<sup>16</sup> Measured as a sum of accrued pension rights by all insured people in 1998.

### 3 The Pension Reform Debate

The growing awareness of the financial difficulties of the pension scheme caused a serious debate on the reform of the pension system. This was held in the 90s between experts and politicians. During the debate, various opinions and proposals were published, including press articles, papers and research on the old system and proposed changes (see e.g. Ministry of Labour and Social Policy, 1995; *Security through Diversity*, 1997; Hausner, 1998). It was commonly agreed that the reformed system should strengthen the link between social security contributions and benefits, which, despite changes in the 90s, was rather weak. Some authors argued that various laws existing in the old pension system (there were about 20 various pieces of pension legislation, including separate legislation for miners, railway workers, teachers, self-employed, soldiers, police, etc.) should be harmonised (Wagner, ed., 1996, p. 157). The debate had been held on seminars, in professional journals like *Polityka Społeczna (Social Policy)* and *Praca i Zabezpieczenie Społeczne (Labour and Social Security)* and in the press (i.e. daily newspapers *Gazeta Wyborcza* or *Rzeczpospolita* and weekly magazines *Polityka* or *Wprost*). The articles appeared in regular issues as well as in special editions – for example in 1993 there was a special edition of *Polityka Społeczna* that was devoted fully to the pension system reform.

The most important points of discussion included:

- how to calculate benefits,
- how to finance the transition cost of the reform,
- the retirement age,
- the ceiling for the insurable income,
- the age groups covered by the reform,
- the situation of other pension schemes (farmers, armed forces).

#### 3.1 The Pension Policy Community

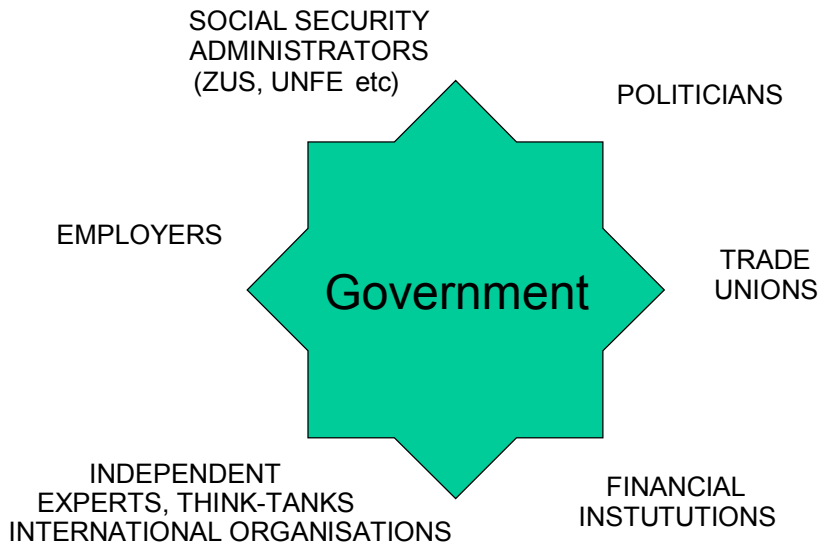
During the interviews performed in the project, almost all respondents believed that the main policy actor responsible for formulating and implementing pensions policy was the government, as only it had real influence on the legislative process of the pension system. Under the label “government” various institutions within the government structure are listed. Those include mainly the Ministry of Labour and Social Policy (and the Office of the Governmental Plenipotentiary of the Social Security Reform which, as a department in this Ministry was responsible for the

social security reform) and – rarely - the Ministry of Finance. Social security administrators – mainly ZUS – can influence the government, by pointing out possible threats that stem from the implementation of the legislation. Another institution with such capacity regarding the funded pillar is the newly established Superintendency of Pension Funds (UNFE). UNFE was often mentioned by the private sector, as their regulator on the market.

The government can be influenced or can ask for opinions of other groups. Most frequently mentioned are MPs (or more broadly politicians) who were also important actors responsible for decision making in the process. Many respondents mentioned that independent experts were important actors in this process. This opinion was common not only for experts but also for trade union activists. However, sometimes independent experts and also representatives from the private sector thought that they were the only important group involved. A few respondents saw also the role of international institutions (like the World Bank) and its experts as key players in formulating the pension policy in Poland.

During the expert interviews important pension policy actors tended to place their own group as the most important following the government. This tendency could be noticed among state actors, independent experts, trade unions and private sector representatives. They also tended to forget about other important actors, or they did not see them as important players. A few interviewees mentioned trade unions as playing key role in formulating the changes in the pension policy. For others, the lobby of employees or employers was not so important. This could be represented as a 'star' structure, with government being in the centre and other actors communicating directly to the government. What is interesting, there is little dialogue between other actors on the topic of the pension reform or the shape of pension system. Employers do not talk to experts, social security administrators – to private institutions etc. (see Figure 1).

**Figure 1. The actors in the community of the pension system**



However, the current structure did not exist always. Initially, at the beginning of economic transition, the government was the sole actor in the process of changing the legislation. Others joined the discussion in the course of development of the democratic environment and free market structures. As a result, independent experts, employers, employees and financial institutions started to participate in the debate.

To sum up, for all interviewees the government have always played the leading role in the pension reform process. Other important groups are independent experts, the parliament and politicians and to a lesser extent private sector. All groups agree on the unique role of the government, but they tend to prefer their own group (like trade unions activists – their own group, the state actors - the government and experts – their analysis and the private market – mostly the Chamber of Pension Societies) putting themselves as the second in the row.

There were different actors in the debate and in the preparation phase of the reform. Stanisława Golinowska in (Golinowska and Hausner, 1998) divided them in several groups. According to her, the first group was the domestic experts. They were those who built the public opinion on the need of the reform and educated policy makers. These were mainly scientists and economists working in or co-operating with research institutes such as the Centre for Social and Economic Research (CASE), the Institute of Labour and Social Affairs (IPiSS) or the Gdansk Institute for Market Economics (IBnGR) and academic society from leading Polish universities. The second group was the representatives and experts of the

international institutions, especially the World Bank and IMF. The third group was politicians: those who focused on the pension issues only before elections as well as those constantly debating on the advantages and disadvantages of the possible changes and discussing the creation of a funded pillar (at least as the part of the system).

Important groups were also those consisting of representatives of financial institutions or social security system administrators (Ministry of Labour, ZUS, KRUS). There were other groups of interests that generally played less significant role in the creation of the new proposals but were important as parties presenting their opinions at the different stage of the debate<sup>17</sup>. These were pensioners, trade unions and employers' organisations.

Marek Gora and Michal Rutkowski in (Gora and Rutkowski, 1998) write about three attitudes towards changes expressing different approaches to the pension reform in Poland.

- The first group, “rationalisers” argued that the defined–benefit PAYG system urgently required a *few* changes (e.g. change of indexation, increasing of the retirement age, restrictions on rights to the earlier retirement) to secure its sustainability, but as a whole it could remain as it was;
- The second group, “reformers”, argued that the system should be fundamentally changed through a complex reform moving towards a fully funded system or a multi-pillar system.
- The third group, so called “non-reformers” believed that a few temporary changes could be a solution, but did not considered them urgent.

The group defined as ‘rationalisers’ included independent experts and politicians that worked out proposals of changes to the PAYG system (e.g. change of the benefit formula). Some of them were thinking about fully funded scheme as a small voluntary pillar additional to the main system. Generally speaking, in the first half of 90s changes to the pension system were based on the proposals made by people that could belong to ‘rationalisers’.

‘Reformers’ were that group of people that proposed and discussed the most serious changes to the system. Institutions that grouped experts thinking about the major reform were mainly: Institute of Labour and Social Affairs (IPiSS), at some

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<sup>17</sup> In fact, “Solidarity” trade union elaborated its own reform project but – according to Golinowska – the main aim of that proposal was achieving the political aims of that organisation.

stage the Ministry of Labour and the Ministry of Finance, trade union NSZZ „Solidarnosc”.

A small group of lawyers and social policy persons could be classified under the last category. The best known ‘non-reformers’ were Jonczyk – lawyer from the Wroclaw University and Zielinski – the Minister of Labour in years 1996-1997. According to Gora and Rutkowski (1998) their opinions had only a small impact on the debate of the pension system reform. One of the issues underlined in the debate by the ‘non-reformers’ was the criticism of prioritising economic objectives over the social objectives of an old-age security system (see *The Political Economy of Pension Reform in Central-Eastern Europe, 2000*).

One of the ‘reformers’ explained the meaning of the term ‘reform’ as follows:

“There are generally *two approaches to doing something with the pension system: either rationalisation or reform*. Sometimes the word reform is used to denote both of these. I set them apart and for me rationalisation is when you change something that already exists, so you have the same system, which you have had and you somehow change the laws to reach the objective you have set for yourself. Usually this objective is limiting expenditures. They need to be limited and this is achieved through some jugglery with parameters. This is rationalisation. Reform, meanwhile, means changing the principles on which the system is based and this is a much, much deeper change than just rationalisation. I reserve the word reform to situations in which principles are changed, not parameters. If we lead to some change of the method of indexing or a change in retirement age, a change of the pension formula, all this is playing the parameters game. It is only the matter of convincing the people to agree to this. And it usually hits the pensioners immediately, making it very difficult to carry out. A reform is something, which changes the principles. This could be investing or partly investing the contributions on financial markets, which is a whole *revolution!*”

The main political parties could not be straightforwardly classified as either ‘rationalisers’ or ‘reformers’. Although pension debate was always influenced by the fact that pensioners’ votes were an important part of the electorate (see Golinowska and Hausner, 1998), in the second half of the nineties there was a political consensus that the pension system had to be changed without too far involvement in the “political coding”.

To conclude we can say that there was a divergent commitment to policy goals and even to paradigms on the social security system. It was also confirmed in individual interviews. As was said by independent experts:

“There is always a group, usually called social politicians. Generally - and it is common for all countries that I know - these groups oppose to any changes, which they consider an attempt against fundamental functions of the pension system.”

“There was an obvious divergence of expectations. Of what the reform means”. “There were also various visions of the system”.

“Every institution takes things in its own direction. Every group tries to reach its interest: Interest of pensioners and trade unions are very similar. They want the best financial and legal conditions as far as rights to social security benefits are concerned. The interest of pension funds is that funds have the largest possible assets and the best conditions for their management and investment. The interest of the Ministry of Finance is to minimise subsidies to the social security system. The interest of ZUS is to complete its obligations in the best way it can, and so that ZUS did not have to finance the business, like paying interests like it does now for not meeting the deadline for passing contributions on for example to pension funds.”

The differences between main actors (and the Ministry of Labour and Ministry of Finance) were stronger if there were different personal approaches to policy goals in those institutions. Such situation existed in Poland (*“the main opponent was the Ministry of Labour”, “and de facto the blocking centre was situated in the Ministry of Labour”*). It was very common that there were differences not only in the personal approach but also differences with regard to the perception of how the social security system should be functioning.

### 3.2 **Debate in the First Half of Nineties**

The leading topic of the pension reform debate among experts and professionals in the last decade was whether the mandatory system should remain a PAYG monopoly or whether it should include some degree of funding.

After 1991 the debate between rationalisers and reformers became quite heated (Hausner, 1998) but until 1993 this had little impact on politicians. There was no

pension reform proposal, formulated by the government. In 1991 Topinski (the President of Social Insurance Institution in 1990-91), together with Wisniewski, an actuary from the Warsaw University, formulated the first reform proposal of the pension system that included the creation of multi-pillar pension system. The proposal was not discussed at the political level. For politicians it was too early, as the economy was still struggling with the effects of the shock therapy. The media, on the contrary, reacted. The proposal was presented for example during the interview with Topinski in the article "Emerytura reformowane"<sup>18</sup>, *Gazeta Wyborcza*, No 107/1991.

Following experts' discussion journalists predicted the financial collapse of the existing system. They presented different projects with particular focus on the ways to finance the transition costs (see: "Trzy sposoby na emerytury"<sup>19</sup>, *Gazeta Wyborcza*, No 163/1992, "Obowiazek nie laska"<sup>20</sup>, *Gazeta Wyborcza*, No 102/1992). Proposals were prepared by:

- the Ministry of Labour (one of the authors of the proposal was Wiktorow, currently independent expert);
- Boni (ex-Minister of Labour). Boni suggested that each employer could receive shares of privatised state companies. This should be dependent on an average earnings and tenure;
- Topinski and Wisniewski. They proposed to finance the deficit in the system thanks to the reform the government could distribute special bonds. Then special pension funds could buy them and invest in financial instruments.

The press warned, however, that each of these proposals are not radical enough, as they all promised paying pension benefits on current high level in the future ("Emeryt własnego portfela"<sup>21</sup>, *Gazeta Wyborcza*, No 204/1992).

At that time, another issue, which appeared in the press, was early retirement and pension privileges. The problem was viewed from the perspective of those, who were too young to apply for the old-age pension but had been living in regions with high unemployment rate or in the place endangered by massive lay-offs in the industry. Early retirement was viewed as a chance to receive additional advantage

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<sup>18</sup> "Pensions under reform."

<sup>19</sup> "Three ways how to change pension system."

<sup>20</sup> "Obligation, not a favour."

<sup>21</sup> "The pensioners of their own wallet."

from the system and ease the labour market conditions (see “Komu wczesniejsze emerytury”<sup>22</sup>, *Gazeta Wyborcza*, No 192/ 1992).

The reform of the pension system became one of the most important political topics in the first half of the nineties when the government was forced to make major spending cuts in order to limit the deficit. The changes limited the expected rise in retirement and disability pensions (see Section 2). However, these were not accepted by pensioners and dramatically affected the support for the post-Solidarity government. Changes in the pension legislation were the main reason of the government collapse in 1993.

The new government (post-communist) with the new Prime Minister promised to return to ‘fair’ benefits. However, the new government faced not only the same difficulties as before, but also some new ones. The coalition pact of the SLD-PSL<sup>23</sup> government included a very general commitment to the reform of the social security system. The government’s aim was mainly to protect the existing rights of pensioners, as it promised no further limitations and changes to this group. Many politicians called for the reform of the pension system, which was obviously in the crisis. At the same time, the large group of pensioners was an important part of the electorate, so politicians did not want to make unpopular decisions.

In 1993, the Ministry of Labour invited pension experts, economists, trade unions experts and politicians to discuss the pension reform issue. The debate focused on the issue of introducing the funded component in the system. Most of the participants agreed that introducing a funded pillar was not possible in Poland at that time mainly due to the underdeveloped financial market. The discussion was held on the grounds of the first proposal of the pension reform on the government side that was presented in 1993 in the so-called *white book*. Both the debate and the assessment of the content of the *white book* were presented on the forum of the media.

The proposal was assessed, among others, by Topinski as *the diagnosis of the situation and sketching the ways out* (interview with Topinski, Rzeczpospolita, 1993.06.25). He pointed out that the Minister of Labour *for the first time declares the irreversibly catastrophic situation of the social security system*. Despite some criticism such as not providing proper actuarial projections, too optimistic assumptions all agreed that a public discussion is necessary. If it happened that would be the first debate after the Second World War on pension reform that could

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<sup>22</sup> “For whom the earlier retirement?”

<sup>23</sup> SLD - Democratic Left Alliance, successor of the former communist party, PSL - Polish Peasants’ Party

lead to the establishment of new quality in the pension insurance. However, the future was not perceived in bright colours:

“Real difficulties start when there is discussion on details, preparation of a new legislation and implementation... then everyone may differently understand the compromise” (“Emeryt wielu portfeli”<sup>24</sup>, *Gazeta Wyborcza*, No 187/1993)

“All agree that the pension system should be reformed. The agreement finishes when the question is raised: how?” (“Kamienista ziemia obiecana ubezpieczen”<sup>25</sup>, *Gazeta Wyborcza*, No 150/ 1993).

On the other hand, pensioners’ perception of their financial condition was far away from ideal. They could only hear that the state has to pay too much on their pensions. The press also pointed out that the battle for the reform carried single-handedly by the Ministry of Labour cannot be successful. To succeed, co-operation between all institutions involved in this process was necessary.

Media activities did not focus only on pension reform issues. As the social security legislation was extremely complex, the newspapers (*Gazeta Wyborcza*) started also working as special phone help desks. All questions related to the pension system and its changes with answers of experts from the Social Insurance Institution (ZUS) were published in series articles called “ZUS w GAZECIE”. Then those dealing with similar questions could easily find answers.

Each year more and more alarming articles on problems of the present pension system appeared in press. Journalists and experts strongly underlined that the existing scenarios are ‘*either reform or catastrophe*’ (“Emerytura i renty albo reforma albo katastrofa”<sup>26</sup>, *Gazeta Wyborcza*, No 289/1994; “Najmlodsi emeryci Europy”<sup>27</sup>, *Gazeta Wyborcza*, No 108/1994): “*Post-communist Polish social security system deficit can explode as a huge bomb in two years – Western insurance companies predict.*”

The pension reform debate was held in other fora as well. One of them was the Tripartite Committee for the Social and Economical Issues, established in 1994,

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<sup>24</sup> “A pensioner of many wallets.”

<sup>25</sup> “A rocky land of promise – social insurance.”

<sup>26</sup> “Pensions - either a reform or a catastrophe.”

<sup>27</sup> “The youngest pensioners in Europe.”

which brought together representatives of the government, employers and trade unions.

In June 1994, the Deputy Prime Minister and the Minister of Finance Kolodko (Kolodko, 1996) presented 'The Strategy for Poland' - the economic programme of the SLD-PSL government. One of the items in the programme was an idea of the radical pension system reform. The idea was not put into action, as there was a disagreement between the Ministry of Labour and the Ministry of Finance as to how the reform should be structured. In 1995 the government proposed some rationalisation of the pension system. These were satisfactory from the Minister of Labour's perspective, which could be viewed as 'rationaliser', but regarded as insufficient by the Minister of Finance. The proposal was criticised as being too vulnerable to political manipulations (see "Kiedy powstana...", 1995 "O zalozeniach...", 1995). The Ministry of Finance presented an alternative proposal, prepared by Mazur, Advisor to the Minister. The proposal included the introduction of a mandatory funded pillar, based on the Chilean concept. This proposal was never submitted to the government. Its main goal was to stimulate a debate that might produce better alternative of the pension system reform, than to slightly modify the PAYG system. The Ministry of Finance also forced changes in the indexation to limit the current pension expenditures ("Kiedy powstana..." 1995).

The existing disagreement between the Ministry of Labour and the Ministry of Finance was inevitable – during the expert interviews many respondents underlined this problem:

“There is a question of agreement between two important institutions: **the Ministry of Labour and the Ministry of Finance**. Generally, in every country those two ministries provide war with each other. In many countries the ministry of labour is 'the ministry of giving away', and the ministry of finance is 'the ministry of not giving away'. Such inconsistent attitudes can hinder any opportunities for co-operation”  
(independent expert)

Journalists showed their impatience that the reform even though it was promised by the government in the political programme (*Strategy for Poland*), is still not going further (“Dosc gadania i obietnic”<sup>28</sup>, *Gazeta Wyborcza*, No 143/1994). They believed that only professional structure could be responsible for the pension reform. Politicians from opposition also agreed that it could be the best solution. In this way, the reform would be apolitical and, as a result, successful. *Gazeta Wyborcza* (“Najmlodsi emeryci Europy”, No 281/1994) wrote:

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<sup>28</sup> “Stop talking and promising.”

“There is a proposal of a cross-party consensus... Let’s extend the debate to all parties, let everybody take responsibility for this reform. ...Jacek Kuron (ex-Minister of Labour and Social Policy) had similar idea. He would like to invite to discussion all parties (trade unions, private sector). He proposed that the patronage could be in hands of the President and then this could be less political issue”.

Results of the public opinion survey at the end of 1993 showed that almost two-third of the Poles believed that old-age and disability pensioners lived in worse conditions than other groups. Interestingly, at the same time, 77% of respondents thought that the lowest pension benefit should be equal to the average wage (“Dodac, acz nie za duzo”<sup>29</sup>, *Gazeta Wyborcza*, No 8/1994).

The pension reform debate in the first half of 1990s lasted for a long time and did not bring any conclusions (Kurowski, 1998). Experts and politicians looked for the model of the pension system that Poland should follow and several various proposals were presented in that period (see Table 1).

The changes in the pension legislation that were enacted in 1994-95 were only rationalising some elements of the social security system such as survivors benefits or strengthening ZUS’s capacity to collect social security contributions.

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<sup>29</sup> “Add, but not too much.”

Table 1. *Basic elements of the pension reform discussion in Poland prior to formulating the final reform proposal*

<u>MAIN PARTS OF THE PROPOSAL</u>	<u>REFORM PROPOSALS FORMULATED BETWEEN AUTUMN 1995 AND SPRING 1996</u>			
	Ministry of Finance	'Solidarity' trade union	Institute of Labour and Social Policy	Ministry of Labour
Basic pension – first pillar	Flat pension at the level of 20% of average wage	<b><u>Basic pension consisting of two element – constant element financed from taxes and insurance element financed from contribution (individually determined)</u></b>	Benefit dependent on the length of contributing and size of contribution. Contribution is financed by employee and employer with cap on contributions and pensions (gradually going to the level of average wage)	Benefit based on the length of working career and individual's salary, financed from contributions and state subsidies with a cap of 250% of average wage (going down to 200% of average wage)
Additional pension – second pillar	Mandatory saving in pension funds.	Mandatory saving in pension funds via shifting a part of social security contribution plus privatisation bonds, given to all employees.	Voluntary savings in pension funds by people earning more than average salary. Additional system integrated with basic one and combined with tax preferences.	Voluntary savings in pension funds for people with highest income. Expected participation – marginal
Transition path	Mandatory participation for the new entrants, a choice between systems for employed, very high transition costs	Expected transition period for forming pension funds (c.a. 10 years), social security contribution divided between PAYG and funded pillars, significant subsidies from the state budget	Change in the first pillar at the start of the process. Lower replacement rate in the pension system introduced when first pensioners buy pensions in the second pillar. Transition costs covered by lower expenditures from the first pillar	Beginning of the legislation process by the end of 90s, implementation in the first decade of the next century. No proposals towards reduction of the costs of the basic system.

Source: *Gospodarka i Przyszlosc*, special edition on Social Security after Orenstein (2000)



### 3.3 Debate in the Mid-Nineties

The pension reform debate came to a final stage in the mid-nineties. After the introduction of economic reforms and several years of substantial economic growth, the next focus of the structural changes was diverted to social policy. Orenstein (2000) divides the discussion process between the commitment building (December 1994-April 1996) and coalition building, including, among others, concept building and dissemination (April 1996 – December 1998). During this time the experts' discussion was concluded and the final reform proposal was presented and legislated. Those actions led to the implementation of the pension system reform starting from January 1999.

#### 3.3.1 Design, legislation and implementation issues of pension reform

Each year more and more meetings and seminars, sponsored by various institutions and organisations were held. The main topics of the seminars were the condition of the pension system and possible options to reform it. The organisers included for example in the Institute of Labour and Social Affairs with the Institute for East/West Studies. Newspapers informed about organised events. However, it seemed that discussion among authors of different proposals of the reform and experts was too lengthy. At some point of time, journalists concluded:

“Similar seminars are organised for many years the same things are said constantly: the present pension system is bankrupt and it has to be reformed. However, nothing else is done. The most Polish economists, state actors, politicians are afraid of the radical changes. It is sad that international experts have to explain us that we have to start working instead of talking, because things worsen all the time.” (“Emerytura w poczekalni<sup>30</sup>”, *Gazeta Wyborcza*, No 84/1994)

“To introduce a new pension system, politicians need to be brave, brave, and ... to have an imagination”. (“Emerytura dla 40-latka<sup>31</sup>”, *Gazeta Wyborcza*, No 80/1995)

Apart from reports from seminars, also newspapers provided a floor for the discussion. Independent experts could express their views on the government's

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<sup>30</sup> “Pensions in a waiting room.”

<sup>31</sup> “Pension for the 40-year-old men.”

proposals and the construction of the reformed system, see i.e. “Dylemat Samarytanina<sup>32</sup>”, *Gazeta Wyborcza*, No 167/1995.

“A new system should be constructed in such way that employees would like to work longer and postpone their retirement decision, to have large earnings and report their income. Such proposal was already prepared and it should be discussed as an alternative.”

But still, the discussion on the pension system reform was not leading to any conclusion. Even within the government there were two alternative proposals. The Minister of Finance – Kolodko opted for introduction of a funded system and the Minister of Labour who was against proposals of Kolodko and favoured the rationalisation of the pay-as-you-go system with a so-called ‘state pension’. The disagreement was observed and analysed by journalists. Many articles in that time were devoted to the topic of change and its desirability (or not). Journalists criticised that

“This reform is a political issue. So far nothing has been done, as politicians are afraid of 7 millions of pensioners’ votes, who are afraid of any changes. ...The pension reform has many godfathers, but pensioners do not care if this or that Minister introduces it.” (“Liczymy emerytury<sup>33</sup>”, *Gazeta Wyborcza*, No195, 1995)

In December 1995 the government accepted the social security programme in which pensions were planned to be dependent on earnings and working time. The first laws – according to the government – would be prepared in 1996. The government proposed many changes, of which the most important were:

- increasing the retirement age for women (to 65 years),
- changing the indexation – the increase of pensions in each year could not be lower than planned inflation but not higher than planned increase of wages,
- change in the rules of qualification for disability pensions,
- withdrawal of some occupational privileges.

Trade unions were against these proposals and even the Minister of Labour considered them as bold. The public opinion could learn the details of a new proposal from the press. The initial proposal did not gain the political approval. At the end only the change of indexation rules and changes in the disability scheme were legislated. Journalists presented how political parties were voting for or against the law on the indexation of pension benefits in 1996. It could be

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<sup>32</sup> “Samaritan’s dilemma.”

<sup>33</sup> “Calculating pensions.”

noticed that politicians and MPs and then even the President – Lech Walesa - were deciding mainly from their perspective of winning next elections (see “Jak Pawlak wygrał przegrywając<sup>34</sup>”, *Gazeta Wyborcza*, No 239/1995 and “Weto prezydenta<sup>35</sup>”, *Gazeta Wyborcza*, No 227/1995).

The pension reform debate continued through 1996. Many papers, notes, articles, comments, seminars and presentations of public opinion results concerned the pension system. Those included for example a seminar with experts from the World Bank, (see “Emerytura przed reformą<sup>36</sup>”, *Gazeta Wyborcza*, No 127/1996) which was one of the triggering points for the more constructive work on the pension reform.

With the help of the PHARE programme the Ministry of Labour prepared special series of articles in press on the governmental project, presenting results from the public opinion surveys and discussions with experts. There was a possibility for the public to analyse all dilemmas related to the subject and sending to the Ministry own solutions and suggestions. Despite those actions, the press alarmed that 75% of Poles did not know the old system, (see “Na starosc – nie ma jak renta<sup>37</sup>”, *Gazeta Wyborcza*, No 136/1996).

Many experts took part in the discussion, by publishing their opinions in the press, including S. Golinowska, A. Wiktorow, and J. Goscinski. Golinowska in *Rzeczpospolita* (22.08.95) discussed whether it is possible to introduce a partially funded pension system. She claimed that such solutions were known since the beginning of modern social security, and were abandoned due to World Wars and the reduction of savings. However, as she stated, it was high time to come back to the idea of pension funds, either employer-based or open, as it was done in Chile. According to Golinowska, funding was necessary to reduce the demographic risk that the pension system faced. A clear indication that Poland may benefit from partial funding and that the work on a reform towards a multi-pillar system should start immediately came in an article by Rutkowski from the World Bank (“Reforma emerytalna: taka szansa może się nie powtórzyć<sup>38</sup>”, *Rzeczpospolita*, 10.04.96). The article also called for retirement age increases, elimination of sector privileges, and a better linkage between contributions and benefits.

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<sup>34</sup> “How Pawlak has won and failed at the same time,” Pawlak was the politician from the ruling coalition at that time.

<sup>35</sup> “President’s veto.”

<sup>36</sup> “Pensions before the reform.”

<sup>37</sup> “When you are old – the disability pension is the best.”

<sup>38</sup> “Pension Reform in Poland: Such an Opportunity May Not Come Again”.

After the reconstruction of the government in mid-1996, the new Prime Minister and the Minister of Labour decided to focus on the issue of the pension reform. A special political position – the Government Plenipotentiary for Social Security Reform – hereafter Plenipotentiary - was created. Apart from the Plenipotentiary – an Office of the Plenipotentiary (OP) – a task-force given the authority to prepare the reform proposal was established. Since then two successive governments and parliaments carried out the legislation process concerning the main reform relatively smoothly. The Plenipotentiary and experts working in his/her office were one of the most important driving forces behind the further activities related to the pension reform. Orenstein (2000) stresses that “Establishment of the Plenipotentiary and the Office of the Plenipotentiary marked a major break through in the pension reform effort in Poland. The appointment of a pro-reform prime minister (...) and the creation of a single governmental office for pension reform reduced the number of veto actors within the government, indicated strong commitment to reform, and allowed the process of technical drafting to move swiftly ahead” (Orenstein, 2000, p. 48).

Michal Rutkowski, who became the Director of the Office (on leave from the World Bank) assured that “*we will choose the best solution*” (“Wybierzemy to, co najlepsze”, *Gazeta Wyborcza*, No 242/1996), based on the best practices of reforming social security systems around the world.

The office was a unique experiment in the Polish administration. Though it was a part of the relevant Ministry (either the Ministry of Labour, or Prime Ministers’ Office), it worked almost fully independently. At the beginning, the office staff consisted of very few people – mainly experts in the field of social security and economics, lawyers and analytical consultants: M. Rutkowski, M. Gora, A. Wiktorow, I. Topinska, A. Bratkowski, K. Pater, W. Misiag, M. Mazur. Extensive expertise (both Polish and international) was also used in the process of the concept preparation and dissemination. The OP activities were financed from the Ministry budget (administration and salaries of regular employees) and from the international aid (most importantly – the World Bank IDF grant used to finance the fees of hired experts). By many (though not everybody) the OP was perceived as a fully professional body. In such way, it managed to act, practically unchanged, under various Plenipotentiaries, who were political appointees. The main goals of the OP were to prepare and present the pension reform proposal to various participants of the reform process. The OP coordinated the activities of other institutions that were also involved in the reform actions – such as ZUS, Ministry of Labour or established in 1998 Superintendency of Pension Funds. The OP also co-operated with media. The contacts with the core group of friendly journalists (as well co-operating with Profile) resulted in very wide and professional coverage of the reform and OP activities in the media. The press also provided information about international practices in functioning of the pension systems and the reforms proposed (for example in France, Italy, and in the South America) in preceding years.

The OP team very quickly formulated the proposal of the reform – called *Security through Diversity* - that was published in April 1997. After the presentation, the first stage of the legislative process started. The design of the system, as pointed during the interviews was made by economists and scientists, frequently against the opinion of other policy actors:

“It is born in the minds of *economists*” (the private sector’s expert)

“This is the issue of *scientists*, who deal with these things from the perspective of science, and the issue of business” (the private sector’s expert)

The proposal found great resonance in the media. In a period of seven months, between April and October 1997, there were more than 500 publications on the pension system reform in the media (including country-wide daily, weekly and monthly publications). The number of publications peaked in June when two laws related to the pension reform were legislated. Additionally the press used the information provided by the OP and the volume of publications also increased<sup>39</sup>.

Apart from journalists that covered the pension reform development, experts from the pension reform team and other specialists in the field published their articles in the newspapers. Those included for example Woycicka and Wiktorow from the Gdansk Institute for Market Economics<sup>40</sup> and Hausner – the Plenipotentiary<sup>41</sup>.

In the first half of 1997 publications started focusing on the future of the reform. Gomulka from the London School of Economics (and adviser to the Central Bank governor) wrote that the reform could be started already in 1998 (“Mozemy zaczac w przyszłym roku”<sup>42</sup>, *Rzeczpospolita*, 2.03.97). His article was followed by Rutkowski’ s statement about the need to shelve the old thinking about the pension system (“Jutro i wczoraj polskich emerytur”<sup>43</sup>, *Rzeczpospolita*, 28.04.97). In the same period articles started focusing on political odds to conduct the reform in the light of upcoming parliamentary elections. Those included some hypotheses on the possible development of the reform after the elections and likely calendar of the reform introduction (how many laws will be passed by the current Parliament and how many will be left for the new government). Particular aspects of the new system were also

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<sup>39</sup> Some of the newspapers were publishing multi-paged information material on pension reform, quoting the OP.

<sup>40</sup> They were publishing mostly in *Prawo i Gospodarka* and *Rzeczpospolita* – daily newspapers, rather liberal

<sup>41</sup> He wrote mostly articles in *Trybuna* – social – democratic daily newspaper.

<sup>42</sup> “We can start next year”.

<sup>43</sup> “Tomorrow and Yesterday of Poland’s Pensions”.

discussed, such as various approaches to privatisation expressed in the reform package (using privatisation revenues to subsidise pay-as-you-go system after converting a part of the contribution to the funded pillar) and in the reform programme developed by the 'Solidarity' trade union (transferring privatisation assets to private pension funds). Since June the press focused on the content of the legislated laws. In the international aspect, various international examples were presented and assessed from the perspective of the suitability to the Polish situation.

After formulating the reform proposal *Security through Diversity*, information became wider and more detailed (see *Profile*, 1997). Some newspapers published special inserts, focused on the pension reform only, based on the materials provided by the OP. As far as the international influence on the reform are concerned, some contradictory elements were published, such as:

- the reform proposal was based on the Chilean system;
- the reform proposal was not based on the Chilean system;
- the reform should have been based on the Chilean system;
- the reform should not have been based on the Chilean system;
- crucial elements were based on the experiences of Western Europe and Hungary;
- crucial elements were not based on the experiences of Western Europe and Hungary.

The differences were based on various approaches to the pension system, presented by commentators. For those that favoured pay-as-you-go solutions, the proposal was radical, as it considered the creation of a relatively large funded pillar. Those who had earlier proposed the complete privatisation of the pension system viewed the proposal as rather conservative, with too big pay-as-you-go component.

For instance, the Minister of Labour, Zielinski commented the proposal to the press:

“The new system can naturally cause doubts, as it was not checked on the Polish ground and differs from traditional pattern of European law. It is closer to the Chilean solutions introduced by Pinochet” (*Prawo i Zycie*, 26.04.1997).

The reform team members claimed that the proposal was rather balanced. For example, Hausner – the Plenipotentiary– stated in the discussion organised by *Gazeta Bankowa* (1997.06.20):

“Our proposals are not that radical as some people claim. Arguments that the reform in this shape is radical appear quite often. On the meeting of Legislative Board some of the Board members said that the reform of the social security system could be done by rationalisation of the existing system. We propose creating the new system, with mandatory funded component. If you look at it from this point of view – it is a radical project. However, I think that the idea of rationalising of the existing system is not viable”.

Seeking international patterns also continued in 1998. That year, some turbulence appeared in the Chilean pension system. Those were used as criticising the reform proposal in Poland. For example *Parkiet* (8.06.98) wrote:

“In the process of designing our pension reform we drew a lot from Chilean example. Chilean system is going through a difficult process of maturing. It can be seen already, that initial idea of completely withdrawing the state from financing the pension system is not realistic. If someone wants, he can draw conclusions for Poland.”

The Chilean system is giving its participants strong emotions. The average rate of return reached an alarming level (of 1,8 per cent). Pensions paid from the new system started to fall in real terms.

Such articles caused a reaction from the reform team. Deputy director of the OP assured: ‘We analysed all solutions existing in the world, to avoid the mistakes made elsewhere’ (*Home&Market*, 9.04.98). Gora (pension reform team leader) said that the Polish system is similar to Swedish and ‘guarantees transparency, justice and stability’ (*Asekuracja&Re*, June 1998).

The reform proposal was perceived by the press as ‘evolutionary and not revolutionary’ (*Dziennik Prawa i Gospodarki*, 1997.09.15). The favourable perception of the system can be clearly viewed from the titles appearing in the press, such as *Funds of stabilisation*, *Richer old age*, *Pensioners will become capitalists*, *Big money for old age*, *Money given to pension funds will be safe*, *The funds finance growth*, *Good climate for the pension reform*, *Joined success*.

Smaller group of the negative opinions also appeared: *Pensions risk*, *Costly privatisation of the old-age risk*, *Little effects of the social security reform*, *Pensioners are afraid of the reform*.

This discussion, quite fierce in 1997, was less fierce in 1998. Still, some newspapers perceived the new system as a revolution. Critics claimed that the proposal may be too much a compromise ‘The bold reforms of the government dangerously often become rotten compromises. Too much care about the

revenues of ZUS may result in the pension funds being a fig leaf for inefficient system' (*Parkiet*, 28.04.98).

On the other hand, the reform programme was accepted by international institutions. Basil Kavalsky (World Bank Representative in Warsaw) said to *Rzeczpospolita* that the reform is 'bold, but necessary change of the logic of the pension system', based on other countries' experience, but adjusted to the specifics of Poland.

During the expert interviews some respondents mentioned that after the formulation of the programme there was really no debate over it. One of the private sector actors said: "There was *never a forum*, where opinions were exchanged between all actors".

The situation was even more strongly described by one of the trade union activists, who compared the work on the pension reform to the war. It was a battle through consultations, negotiations ("a huge round table") and the government was a leader who had to convince people (mainly trade unions) to the reform:

"The entire systemic change in Poland is – in some military understanding – *a war*. And in any *war* there has to be some leadership, some headquarters. *The government* takes the part of headquarters. It has to lead citizens through this. If a highest-ranked *officer* in the headquarters is wise, he consults his *officers*. There have been some famous ones that did not consult, and they didn't end very well. Officers – I think about institutions, trade unions, social institutions like all social assistance offices. [...] *Winning a war* is about convincing the enemy, which is *the will of people*, that this system is better than that".

The opinion polls conducted in 1998 (by CBOS, Agency for Marketing Research ARC) had showed that vast majority of Poles supported the change believing that the old system was unfair and did not guarantee stability. It divided pensioners into better and worse groups. At the same time most of the population felt not well informed about the changes. The survey conducted by CBOS showed also that 60 per cent of respondents did not hear about the pension reform or they knew little about it.

### 3.3.2 Pension reform and politics

The reform was also discussed in political context. That could be viewed from the perspective of how to solve the issue of the future stability of the country (avoiding the bankruptcy of the public finances in the future) as well as political process of getting the reform through the Parliament (both in previous and

current coalition). The press also covered this aspect of the debate. Profile (1997) desegregate appearing articles in the following groups:

The reform is a priority for the state and there should be a political consensus to ensure its successful implementation. For example Boni (former Minister of Labour) said to *Gazeta Bankowa*: 'Everything should be done to agree on the reform, despite political fights' (1997.06.20)

Upcoming Parliamentary elections<sup>44</sup> can be a threat to the reform process, as politicians can start a conflict and stop the legislative process. This was for example highlighted by the Minister of Labour in *Gazeta Wyborcza* (1997.06.15)

The reform can become a tool of political fight for the SLD-PSL coalition, which would like to prove that they launched the reform, despite the criticism that the process was started too late.

By the end of 1997, the intensity of political discussion on the pension reform was lower. This was mostly due to upcoming parliamentary elections and focus of the media on the pre-election campaigns. Pension reform was not one of the aspects of electoral fights and discussions, as already in June the political consensus was reached that the reform of the pension system should not be a subject of "political sausage". In November, a series of press interviews with various participants of the reform process marked the change of ruling coalition and, as a result, a change of the Plenipotentiary from Jerzy Hausner to Ewa Lewicka.

In 1998 the political discussion was mostly related to the activities in the Parliament. In that year, the second package of pension laws – the law on the social security system and the law on pensions from Social Insurance Fund - was discussed. The media underlined that the pension reform issue still enjoyed a political consensus. For example *'Rzeczpospolita'* (20.05.98) wrote: 'This reform in recent years has been shuffled by politicians as a chess-horse. It seems that till the end of this year it should be related rather with a horse race without barriers'. Some experts pointed out – for example Golinowska – that the part discussed in the parliament and related to benefits is 'more difficult and politically less secure, as it means withdrawing some accrued earlier rights'. (*Trybuna*, 8.05.98).

### 3.3.3 International assistance in the pension reform

In the preparation and then in the implementation of the reform several international organisations and institutions were involved. The most important

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<sup>44</sup> In November 1997.

one was the World Bank that helped in establishing the Office of the Plenipotentiary and financed consultants' work and PR campaign. From the beginning of the pension debate the World Bank has stressed microeconomic implications of the PAYG and fully-funded pension systems. First strong voice for the funded system was presented in 1995 during the meeting with Polish scientists, experts of the World Bank and trade unions (e.g. report of *Gazeta Ubezpieczeniowa*, 1995). During this meeting Estelle James convinced to a fully funded system and Rutkowski (also from the World Bank, then appointed director of the Office of the Governmental Plenipotentiary) explained successful introduction of the new system in Latvia.

When Office of Plenipotentiary was established, a meeting of OP representatives with 16 donor organisations was held. The participants of the meeting included, among others, the World Bank, USAID, UNDP, British Know-How Fund, Swedish International Development Agency. During the meeting, the general framework of proposed reform was presented. All donors were asked to help to finance reform activities, within existing possibilities and limitations. As a result, all actions were co-ordinating, and help for projects supported by OP was relatively easy obtained. Those included, among others, USAID (helping to finance the public relations activities and development of regulatory capacity of the funded pillar), SIDA (Swedish International Development Agency – helped to finance the development of the NDC scheme in Poland as well as the simulation model used to prepare calculations of the financial situation of the system), British Know-How Fund, PHARE and IFC<sup>45</sup>.

Using the aid, OP was able to act beyond limitations of typical public administration department. Help of experts (also local ones) was remunerated at the level that assured the highest quality of experts and their availability throughout the project.

USAID was involved also in the earlier stage of the debate financing experts' conference organised by the Institute of Labour and Social Policy or publications on the reform. The technical assistance of USAID and Price Waterhouse Coopers was provided to the Government of Poland in the period from 1995 to 2000. The majority of the advise has been in the areas of public education and institution building.

The USAID project was comprised of three phases. The first two Task Orders allowed a part-time level of effort in support of the Government of Poland. The third and final Task Order allowed full-time, in-country staff to support the reform effort. Over this time period, participants in the project worked closely with the OP.

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<sup>45</sup> IFC – International Finance Cooperation.

European Union funds were used among others through the PHARE Consensus programme to finance the preparation of ZUS to its new functions in the new system.

The International Labour Organisation also co-operated in the process of the preparation of the reform, mainly by giving opinions on certain parts of the proposed changes.

Very important aid came from Sweden, which was the first country to formulate the new concept of the Notional Defined Contribution system, adopted among others in Sweden, Latvia, Poland and Italy. The Swedish help was important both from the professional perspective (help in the development of forecasting tools) and from the political perspective (visits of prominent Swedish politicians during the concept dissemination and discussion in the Parliament)

EU pre-accession requirements did not have huge impact on the proposals debated in Poland as even previous social security system fulfil EU standards (Binczycka-Majewska, 1998).

## 4 The Structure of the Present Pension System

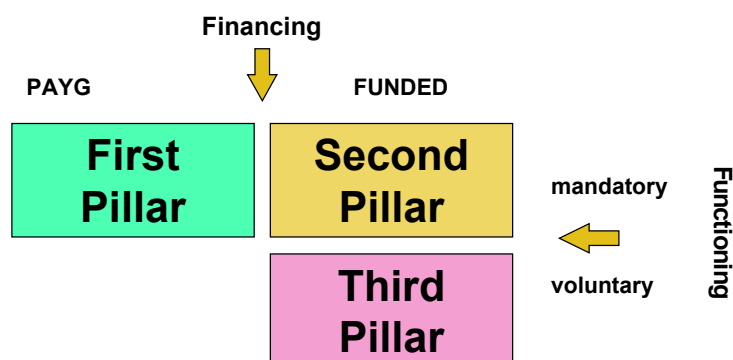
On 1st January 1999 the reform of the pension system started and the process of changes is still ongoing. This section describes the main characteristics of the new pension system and main problems and issues that were raised during its implementation.

### 4.1 The Main Features of the Current Pension System

The new pension system differs significantly from the old one. Most importantly, the pay-as-you-go system was replaced by a multi-pillar system with each pillar being exposed to the different types of risks related to labour and financial markets. Two obligatory pillars will provide a lifetime pension for all participants. There is also a minimum pension guaranteed by the state after fulfilling the exact age and contributing period conditions (age: 60 years for women, 65 for men, minimum contributing period: 20 years for women, 25 for men), which is added on the top of the first and second pillar pensions for those that did not save enough for their future pension benefit.

The path chosen by Poland has been to combine the first pillar Defined Contribution PAYG with Notional Accounts (PAYG NDC) with a mandatory advance funded second pillar with individual privately managed accounts. Voluntary third pillar will guarantee higher pensions for those that decide to save more. For the general construction of the system, see Figure 2.

Figure 2. Financing and operation of the new pension system.



Source: Gora and Rutkowski, 1998.

The first pillar is the PAYG type, but based on the new paradigm in the social insurance - defined contribution scheme with notional accounts (NDC). 12.22%

of salary is paid into the 1<sup>st</sup> pillar notional account which is managed by ZUS. Those who worked before the introduction of the reform will have the Initial Capital calculated, which recognises their pension rights from the old to the reformed system.

The second pillar is based on savings in obligatory open pension funds. The funds are privately managed and the contribution is invested into financial market instruments. The law specifies limits on particular investments forcing proper diversification of the investment portfolio. The contribution to second pillar is equal to 7.3 per cent of worker's wage.

Both first and second pillars operate on defined contribution (DC) principle. Future benefits will depend on the amount on the individual notional account in first pillar and money accumulated in the second pillar and on the expected life expectancy at the retirement age. The system is constructed in a way to give people more incentives to work longer. Estimated replacement rate from both pillars is lower than in past for the pensions from the obligatory system and it would range from 40 to about 60 per cent of final wage (for new entrants to the labour market that have no Initial Capital). In comparison, it was about 70% in the old system. Retirement age has been set at the same level as in the old system (i.e. 60/65 years), although the initial OP proposal has been to make it equal for men and women (62 years). The proposal did not get political approval and the retirement age was not changed.

There was a ceiling of insurable earnings introduced to the system, equal to 250% of average earnings. The contribution was divided between employees and employers as well as between different types of social security risks (Table 2). To compensate workers for the cost of social security contribution, in January 1999, wages were increased by 23 per cent (part of the social security contribution paid by employees).

**Table 2. Social-security contribution rates as per cent of gross wage**

<b>Contribution by risk type</b>	<b>Per cent of gross wage:</b>		
	<b>Total</b>	<b>Paid by employee</b>	<b>Paid by employer</b>
old age	19,52%	9,76%	9,76%
Disability&survivor	13,00%	6,50%	6,50%
Sickness&maternity	2,45%	2,45%	-
Work injury	0,4% to 8,12%	-	0,4% to 8,12%

Source: Chlon, Gora, Rutkowski (1999)

In the old pension formula some years were counted as so called non-contributable years (e.g. obligatory military service, maternity leave, time of the education at the university). In the new system only contribution which is paid

counts for pension benefit. Thus some of these are contributable with contributions paid by the state budget on the minimum wage base (military service, maternity leave) or are not counted as an insurance period (e.g. university education).

Insured employees were divided into three main groups with regard to their age at 1<sup>st</sup> January 1999:

- those younger than 30 years old became members of both obligatory parts of the new system;
- those between 30 and 50 years old could choose if they wanted to participate in the whole new system or to pay their contribution only to the reformed first pillar;
- older than 50 years old and pensioners - they stayed in the old, non-reformed system.

For the second group there were some transitional arrangements introduced that allow for drawing early retirement pension or to calculate full or partially pension according to old, DB principles. According to the Law of 17<sup>th</sup> December 1998 on pensions from the Social Insurance Fund people who will fulfil requirements for the earlier retirement by 2006 can retire at the earlier age and on the previous basis unless they decide to participate in the second pillar. Similar possibility has been introduced for those that had minimum working period (20 years for women and 25 years for men) and 10 or 15 years of service in special conditions fulfilled until 31<sup>st</sup> December 1998. Additionally, women born in 1944-48 have been granted the possibility to have mixed old-age pension (part calculated on the old basis, part on the new basis).

The transition to the new system was different for uniformed services. As those groups have different pension systems, the reform for them has been introduced only for those who would start their work after 31<sup>st</sup> December 1998. System for judges and prosecutors is governed by different rules than for other insured. Farmers' pension system was also not changed.

The reform introduced changes in the Social Insurance Institution. Central to the former social security system ZUS administered the common pool of contributed money. With the new set of rules brought by pension system reform ZUS has been faced with many new challenges. Its role to the newly created system is even more crucial than it was to the old system. In addition to the previously rendered services such as collecting contributions for the pay-as-you-go system and paying out pension benefits, the new tasks of ZUS include among others:

- A. Running the pay-as-you-go system administration, including:
  - managing sub-funds of the Social Security Fund:

- Old-age fund
  - Disability and Survivors fund
  - Work injury fund
  - Sickness and maternity benefits fund
  - preparing medium-term actuarial analyses for all social security system and long-term projections for old-age part of the social security system;
  - creating and maintaining individual accounts for all insured persons (13 million) in the Central Register of Insured People,
  - supervising the (contracted out) management of the Demographic Reserve Fund,
  - assigning the contribution rate for work injury relative to the risk of injury in the industry (planned from 2002)
  - calculation of the Initial Capital for notional accounts (to be completed by 2004)
  - serving as a contribution payer for social insurance for persons on maternity leave, etc.
- B. Serving as a transfer agent for the second pillar of the new pension system:
- collection of contributions for the second funded pillar of the pension system (through the banking system, together with other parts of social security contribution) and their distribution among pension funds as well as keeping the Central Register of Pension Funds Members, i.e.,
  - transferring second pillar contributions to the pension fund chosen by the worker,
  - maintaining the central database of second pillar participants,
  - co-operation with National Depository in the process of transfer of funds and data between pension funds (quarterly)
  - preparing the lottery for insured who do not chose a pension fund and are obliged by the law to do so;
- C. Collecting of contributions for other elements of the Social Security system:
- collection of contributions for the health insurance system implemented on January 1, 1999, and transferring them to 16 regional health care funds and 1 professional health care fund.
  - maintaining the database for health care insurance purposes (of insured and their dependants– some 30 million accounts)
  - collection of contributions for the Labour Fund

Additionally, the ZUS organisational structure was changed as a result of the reform. The institution was given a legal entity status, which allowed for more independent operations. Also, the envisaged structure was more centralised from the management perspective. Instead of Supervisory Boards in all regional branches of ZUS, one Board has been established (with members chosen based on tripartite agreement: government, employees, trade unions).

The ZUS administrative role was to be enhanced by building a Complex IT System (KSI), designed to support the main activities of the institution. The computerisation process has been rather difficult, as the final shape of the legislation was not known until the end of 1998.

Entrusting ZUS with many of these tasks has been largely due to economical reasons. It has been estimated that administrative costs related to the collection of the second pillar contributions and health insurance contributions would be incomparably smaller if the Social Security Institution rather than the tax administration would collect them. Additionally, ZUS was perceived as an institution with better infrastructure and ability to absorb additional work. Also the concept of creating separate decentralised collection by pension funds and health care funds was perceived as costly and difficult to control.

Together with the pension reform other fields of social security system are slowly being changed. Further steps are planned to control the disability pension expenditures. However, in the new system the present rules of disability pensions benefit calculation are maintained. Following the reform of 1997 the right to disability pension is dependent upon loss of ability to work rather than detriments to health. This change started to bring a reduction in the number of disability beneficiaries from 1999. According to the legislation, there is a choice between continuation of disability pension and receiving old-age pensions after reaching the minimum retirement age. There are also some changes planned concerned accidents at work insurance system. The proposed law will introduce differentiation of the contribution paid by employers according to the ratio of the accidents at work and professional diseases occurred in the branch (and later in a separate company). This should lead to improvements in the working conditions, however will increase contributions in certain sectors (e.g. mining, constructing).

## **4.2 Government Information Campaign**

In order to increase public information and awareness about the new system, the government launched a massive information campaign. The main aim of the campaign was to provide the public with full information that would enable people to make informed decisions concerning their future pension. Another important objective of the campaign was to support a new image of ZUS and create a positive attitude to the reform itself, which is closely related to the creation of the image of the reform. It was also assumed that the campaign would eliminate fears of persons not covered by the reform (persons aged above 50) and prevent the feeling of being insufficiently informed – i.e. build confidence that information on the pension reform is available.

The campaign was addressed to all adult citizens of Poland. However, because the reform provided different situations for different age groups, 3 basic and 2 additional target groups were created. Separation of a few target groups was necessary due to a different nature and objectives of the message addressed to each of these groups. Definition of the basic target groups was based on the age criterion:

- Working persons aged below 30,
- Working persons aged 30 to 50,
- Working persons aged above 50 and retired persons,

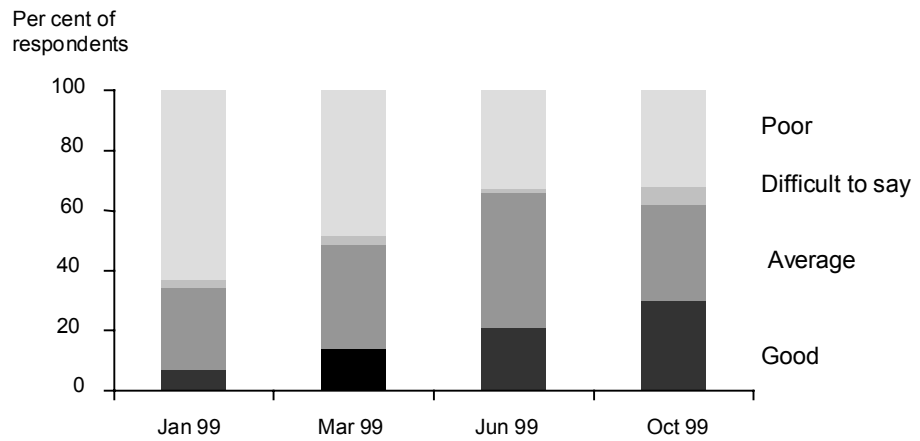
Two additional target groups were contribution payers and those covered by early retirement privileges in the old system.

ZUS was conducting also its own information campaign, aimed mainly at contribution payers, to familiarise them with new reporting obligation. The press criticised the information materials provided by ZUS to employers and other contribution payers, that resulted in a lot of errors in the documentation send to ZUS. The president of ZUS, Stanislaw Alot, defended the institution by saying, that ZUS did its best, but employers did not use the information provided, they did not read newspapers or watched TV. However, the press had another view of the situation. *Dziennik Polski* (Profile, 1999b) wrote:

ZUS assured that more than 3 million of brochures were printed and there should be no problem with filling the new forms. Later, it turned out that branches ran out of the forms to fill in. Payers expected simplified documents, clear information and friendly and well informed service. Their expectations failed, not for the first time. But there is a lot of evidence, that they have enough of constant disappointments. Almost all December, Mr Marciniak (entrepreneur) spent is ZUS, trying to prepare himself to fill the documents. In January he received a 95-page instruction for the payers with the rules how to fill the new forms and 47-page instruction on rules of payments of contributions for social security, health care and labour fund. The stood in a queue 5 times. He commented: "Despite I have a university degree, I made a few small mistakes. ZUS will call me to clarify them. If I am lucky, I will not be charged with PLN 5000 penalty fee".

Regular surveys throughout 1999 looked at people's intentions of switching to the mixed public-private system and checked understanding of the new system rules, see (Chlon, 2000). With time and the development of both the government's information campaign and pension funds' advertising campaigns, the knowledge of the new system and its basic features broadened.

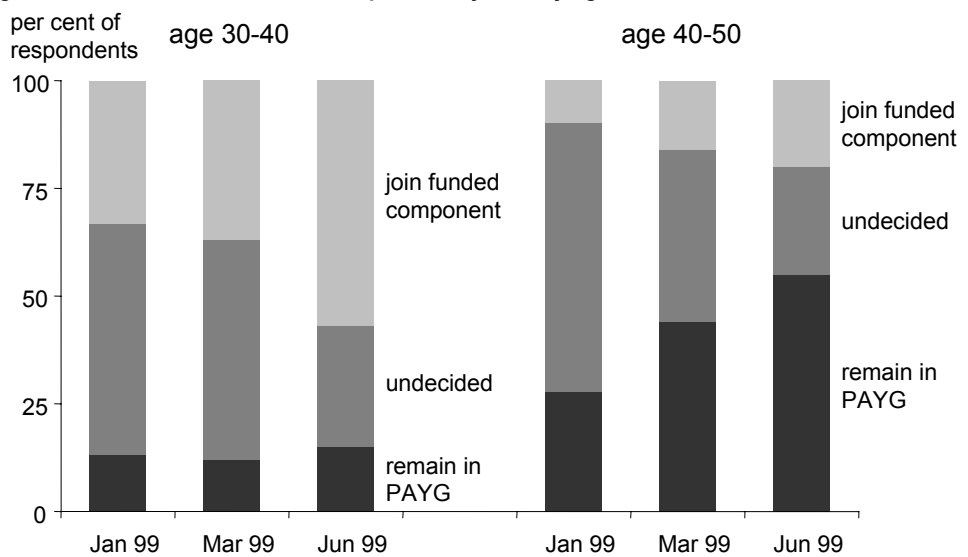
**Figure 3. Level of information about pension reform.**



Source: CBOS

Within 1999, people in the age group 30-50 made their choices, based on the information provided by government, media and pension funds' representatives (Figure 4). As it was expected, the decision on participating in the funded pillar depended highly on the age of insured people. Younger workers (up to 40 years of age) tended to join one of the pension funds. Older ones (aged 40-50) rather decided to participate in PAYG pillar only.

**Figure 4. Intended choice in the new pension system by age**



Source: Chlon (2000)

### 4.3 Media on the Implementation of the Reform

There was a certain dualism in the approach to the reform assessment in the media.

On the one hand, the press included various informative materials on the pension reform. Those included repeated reports in the daily newspapers, such as *Gazeta Wyborcza* or *Rzeczpospolita*. The reports were also published on the newspapers' web pages. *Rzeczpospolita* launched a series of articles 'Questions about reforms' covering the interesting aspects of both pension and health-care reforms in the form of frequently asked questions and answers. Simultaneously, it also published short information about the weekly TV programmes focusing on the pension reform issues. *Gazeta Wyborcza* in co-operation with Polsat TV was publishing short informative materials about the specific aspects of the pension reform, which were discussed in the TV programme and then, summarised in *Gazeta Wyborcza*<sup>46</sup>.

For example, *Prawo i Gospodarka* praised the reform for re-creating the stability of the pension system, in light of ageing population problem. They even wrote that 'Europe needs the bold reforms in this field. It is good that Poland can serve as an example for those reforms, even if it is not a perfect model'. Another positive element, noted by both experts and journalists was the establishment of the pension funds that could improve the Polish financial market and help to develop its institutions.

On the other hand, the press commented on the problems with the implementation of the pension reform. The general design of the system was perceived well, while the practical results of its implementation were heavily criticised.

The criticism at the beginning of the year focused on the lack of the information campaign that could explain the details of the pension reform to the public. For example, journalists from *Nowe Zycie Gospodarcze* (Profile, 1999b) wrote: 'There is a need for a lot of information on TV, radio and press. Not stating ex cathedra the reform is well prepared, but explaining the details'.

*Prawo i Gospodarka* warned that people should be informed in order to make wise choices in the system. The information that was provided by PTEs (Pension Fund Societies) should not be perceived as impartial, as they were interested to attract as many members as they could.

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<sup>46</sup> This co-operation ended, when the programme became focused on promoting the pension fund, established by Polsat TV.

In March, *Rzeczpospolita* prepared a relation from the discussion organised by Wyższa Szkoła Bankowości, Finansów i Zarządzania (Private Business School) the information provided by government and media on the implementation of the four reforms, including the pension reform. The participants of discussion noted that:

- the way of informing the public by the government was rather outdated and decision makers were not willing to give any funds to enhance the information process;
- since January 1st, 1999 the government had been acting in a crisis situation. This concerned also the public relations activities, however there was no expert advise to the government, how to deal with a crisis;
- the government was using neither the experience of commercial organisations, nor own achievements in the field of explaining the new legislation. The funds spend on the information campaign were only a small fraction of the expenditures on the new IT system in ZUS. Meanwhile, private companies spent more than 10 per cent of their budget on promotional activities.

*Trybuna* commented that the first day of sales campaign (March 1<sup>st</sup>) proved clearly the total lack of information about the pension reform. According to them, it was even deeper than resulting from the public opinion polls. Only a handful of people knew the rules of the pension reform and what they could expect from open pension funds and pension fund societies. There was no knowledge as to who would benefit and who would lose from joining the pension fund. By the end of March the press announced a launch of massive government information campaign on the pension reform.

In 1999, the media attention focused also on the second and third pillars – pension funds and their marketing campaigns, UNFE and institutions interested in establishing the employee pension plans. They also explained the legislation, they advised how to talk to pension funds' sales agents, how to choose a pension fund, how to deal with ZUS requirements. The third more frequent aspect was the information on ZUS activities and the 'Platnik' software, distributed to help employers to send information to ZUS. The information on legislative steps was not that intense as it used to be and focused on the published decrees, amendments to the laws that were proposed to fill the gaps noticed in the legislation accepted in 1998.

The media also informed about growing number of protests against withdrawal of early retirement privileges. This included among others the teachers, journalists and workers of the chemical industry and railway.

The negative views included opinions that the reform sold only emotions, because the question 'who would be better off in the new system?' could not be

answered sooner than in 15-20 years. *Trybuna* warned that though the pension funds lure workers with promises of never-ending holiday on Bahamas, the real difference in the size of the monthly pension in the case of not choosing the second pillar could be as large as 30 PLN, that would not be take the trip to Malkinia (small town in Poland). One of the known Polish political sociologists, in *Rzeczpospolita* criticised a large number of pension funds (21) that is 'linked to the bureaucracy of the previous coalition'.

ZUS was criticised for the lack of preparation for the reform. One of the MPs said to *Gazeta Wyborcza* that there was an organisational chaos in ZUS and its employees are incompetent.

In May, the press focused more heavily on ZUS activities. Journalist in *Prawo i Gospodarka* wrote (Profile, 1999c):

"The pension reform will be successful if the solutions and institutions will gain the public acceptance – it was underlined when the reform started. In practice it is seen that the clients' interests are not always well protected. The situation with the transfer of contributions to the pension funds is a disaster. Is ZUS throwing away money from our contributions? Is it going to cost the taxpayers more money, as the system modifications will be costly? There is a threat that ZUS's incapacity can last longer. One has to ask the question – what was done in the past two years? Why nothing was fully prepared? It looks that instead of preparing everything someone thought: "it will somehow go". Is the pension fund member interested what are the troubles of the institution providing service (especially that he did not ask for this service), especially that this institution demands a fee for a work badly done."

*Trybuna* warned that only 1 per cent of contributions due is actually transferred to pension funds. The rest should be transferred, when errors are clarified. The press criticised that the process of designing and implementing an IT system is a scandalous example of the lack of imagination among politicians and ZUS management. After increasing problems with the transfer, the Prime Minister promised a constant supervision over ZUS activities. Intermediary solutions were prepared to improve the contribution transfer.

The press also informed about the difficulties in finding the information necessary to calculate the initial capital for those covered by the new pay-as-you-go system rules. The most important problem, noticed by journalists, was that a lot of documentation was lost and destroyed and people would not be able to prove their past earnings. Employees were obliged to collect all the documents needed to record their insurance career. In the old system the insured person had to present documents to certify years of paying

contributions in order to have his/her benefit calculated. In the new system, insurance history of every individual will be recorded in ZUS, but at first everyone has to deliver all the documents for the calculation of the Initial Capital. As many companies have gone bankrupt during the transition period, it is sometimes very difficult to fulfil that requirement. However, as the big part of today's employees and all pensioners are still in the old system, it will take many decades for the new system to mature and probably some improvements to the new system will be introduced. Both ZUS and government counteracted with providing the information on what is needed and what actions will be taken to improve the process of document finding. Among others, ZUS started to build a database of archives when people could seek for the information. This is an example of how media can influence some practises of institution.

In the second half of the year, the media coverage of the pension reform lowered, which could be expected. The information still focused on the second pillar development, number of people joining the funds and first financial results achieved from investments. The media commented from time to time on the increasing ZUS's debt towards pension funds as not all contributions were transferred. Overall it however looked as if everyone had got used to the low efficiency of ZUS.

In September, the activities of media intensified a little as the deadline to join pension funds for the insured younger than 30 years approached. The president of ZUS informed during a press conference, that in fact those people can chose a pension fund until the end of the year, as the first lottery for undecided was scheduled for January. This caused turmoil in the media that commented that the government cheated people by informing that they have to choose by September.

In October, the largest part of media activities was again focused on ZUS, as the president of this institution changed. The newly appointed president, professor Leslaw Gajek – actuary and former advisor to the Minister of Labour, promised to take an action plan and present the necessary steps to improve the situation by November. The Emergency Plan was prepared by ZUS and accepted by the Council of Ministers in November 1999. It was aimed to ease the tensions within ZUS and let it focus on the most important issues, related to the increase of compliance and improving the transfer to pension funds. Elements of the emergency plan imposed new obligations for employers who were obliged to prepare annual statements. This was not very well perceived by this group and their comments about increasing number of burdens were shown in the media.

During 2000 the media coverage of the pension reform started to decline. The press abandoned regular information about the details of the pension reform focusing rather on comments on the current activities. Those included, among others, reports on the situation in the second pillar and the discussion of the

report prepared by UNFE called '*Security through Competition*' that assessed the first year of the second pillar development. The representatives of UNFE and other experts on the pension system discussed the proposals of UNFE.

The press also regularly covered the developments of ZUS. This was intensified when the government proposed an amendment to the law designed to improve the quality of the information in the system. The proposal included obliging the employers to send all the information via electronic channels, using the software provided by ZUS. The proposal was criticised as being costly for small enterprises that were obliged to buy computers. Also commentators criticised that the software was designed only to run under one specific operation system.

Another point of interest to the media was related to the on-going control of the ZUS computerisation by the Supreme Chamber of Control (NIK). NIK decided to extend the scope of control not only to ZUS but also to the Ministry of Labour. The Minister, however, did not allow controllers to get inside the Ministry, accusing them of not being objective. Finally, the Parliament obliged both institutions to co-operate and the control started in September.

In mid-2000 the press also covered the indexation of pensions. The issue of the indexation was especially difficult in this year, due to significantly higher than assumed inflation and problem of comparing average value of pension, that increased in the previous year. As a result, the annual indexation was equal to 4,3 per cent, while annual inflation in July peaked at almost 11 per cent (though by the end of the year it dropped below 10 per cent). This caused an increased wave of protests from pensioners, including a hunger strike in the front of the Prime Minister's office. The press covered the events, until finally it was agreed to perform the next indexation early in the year 2001 (and not as planned in June).

To conclude, the media covered the pension reform process from its beginning to the current stage. It provided a platform for the discussion of various solutions and proposals, informed about the developments of the reform preparation and implementations, explained details of the new system and, most importantly, commented and assessed all the institutions involved in the reforming process.

## 5 Current Pension Reform Debate

Although the main framework of the new system was agreed, details of the new system are still under discussions and some legal acts have not been passed. Independent experts and politicians underline the need to prepare the missing legislation as soon as it is possible. They also regard some of the existing solutions as inefficient and suggest their amendments (Bieniasz, 1999). The laws that should be passed in order to close the reform package are:

- law on special schemes (so called bridging arrangements) for people working in special conditions or having work of the special character,
- law on annuity companies, that will be paying out annuities bought with the money from the open pension funds,
- law on the National Actuary, aimed to establish independent body for making long-term analysis for the social security system (in that pension system).

The most important problem that still remains to be solved concerns the right to early retirement. Many groups have treated this as a very important privilege. There are plans to replace the robust early retirement system by so-called 'bridging pensions' focused on the people working in special conditions or special character. The medical committee has prepared the list of such types of work. People working at the moment in those conditions will be offered bridging pensions calculated as a certain percentage of the average wage in that type of work (so Defined Benefit formula). Those who were covered by early retirement in the past (for instance teachers) will not be offered a bridging pension but will instead be compensated in the form of an additional capital on their notional accounts in the first pillar of the new pension system.

Since June 1999 specific terms of bridging pensions such as eligibility criteria and amount of the pension, as well as the compensation value have been negotiated with trade unions and employers (who will be paying additional contribution for the bridging pensions).

The issue of women's retirement age has re-entered the debate among politicians and experts, who stress that lower age would cause lower benefits received in future (even if uni-sex life expectancy would be used to calculate them). On the other hand, Polish women are used to helping bring-up their grandchildren, therefore the common public opinion is that they should retire earlier.

Problems with implementation of the new IT system in ZUS was and has been another issue widely discussed in 1999 and now. As the president of ZUS is treated as a political position, it happened that he was the member of the ruling party rather than the expert. Such a situation was probably one of the reasons

for the implementation problems and resulted in the change in the post of the ZUS president in October 1999.

Interestingly, some respondents recall that no real *“thrilling, political”* debate did take place, for them it was much more promotion and advertising of the new system. The respondents were much more reluctant to talk about the present debate and current proposals to the system. They rather indirectly made comments on past issues and compared these to present issues. There were a few reasons for that, i.e. the existing situation (for private sector’s representatives) was a very fragile one. And for many there was no need to discuss as the main framework has been already implemented.

There are a few other issues which should be mentioned as an integral part of the pension reform and system. First, each group tried to analyse only the matters they were interested in. Each group tried to prove that their solutions were the most suitable.

“There are always actors or institutions in the framework of the social security system, who have some individual interests. There is no way to solve all these problems. It is necessary that final decisions are optimal for the weakest people, those who are also the most important. This is an area of social insurance and pension benefits. This is a group that has no direct influence. They have an indirect influence, through institutions, through some groups of interests. In reality, decisions are made for them, on their behalf, and it is essential to regard their interests as the most important. Not all conflicts are resolvable, because not everybody thinks in terms of the same interests. Some conflicts will remain unresolved”  
(independent actor)

Nevertheless, the respondents mentioned many issues, which should be changed in the social security system. The private sector respondents were concerned about proposals by UNFE that concerned the second pillar legislation. UNFE disapproved concentration on the market where only the top three pension funds have more than half of the market share. Also, they were dissatisfied with the level of pension contribution paid to the second pillar, resulting from difficulties in ZUS. The third problem was the issue of the transfers of members between funds. Representatives of the pension funds indicated the present technical problems with ZUS were threatening their situation. A continuous problem with ZUS and its failure in performing its administrative task was also an issue important for experts. Interest groups, mainly trade unions as the most important issue at current agenda considered early retirement entitlements or privileges. For them that was a real conflict, but they believed that the situation could be resolved in a proper way.

## 5.1 Fairness

The issue of fairness or unfairness was explained and discussed in different ways by the respondents. They stress that this depends on the individual understanding of this word and that it could be conceptualised in various meanings. It depends on how the unfairness relates to non-equivalence inside the society, not necessarily between generations. Several questions can be raised which are important from the standpoint of certain paradigms of social policy, like 'Should we also blame people that they are not legally employed?', 'or women who raise their children?', or soldiers who perform an active military duty?'. Answers to these questions should be found but it is a matter of some special social agreement. And in Poland answers were given by the society during the opinion polls in 1995, in which citizens do not want to support anymore a few interest groups (Chlon, 2000). Here, there could be noticed that this changing social justice was taken into account by the authors of the pension reform. They admit that there have always been people who could think that it is unfair that everybody earns for their own subsistence.

With regard to pension reform more specifically, one topic that was discussed very much in terms of fairness was the change of the pension benefit formula. The rule introduced in a new system assumes that the amount of the future benefit would depend on the contribution paid and nothing else.

On the other hand, it was impossible to introduce a new system which would be perfectly fair. Much more important was to convince the public that this pension system is as fair as it is possible. And it should be stressed that authors of the social security reform indicate mainly in what fields the old system was unfair. They are convinced that the new one is fair.

"A matter of justice and a matter of rationality. This solution, which has been created, is absolutely fair. It has that element of, let us say, justice, understood as equity. It brings back a certain balance, because really, when you look at PAYG systems, they were a repartition from the poor to the rich. It is an illusion" (independent expert/ author of the reform).

Moreover, for the respondents, dividing the population into three groups eligible for staying in the old system or choosing a new one was not a fair solution. One respondent explained this in detail:

*"For those over 50. They really can't take an effective decision to work until they are 70, which could increase their replacement rate.*

*For those between 30 and 50 a system was built in which they received many contradictory signals. And they were really asked to play roulette. This concerns generally those who may have a*

chance to receive some pension privileges. So this person who is 40 now, has to choose either to work until he is 65 (for males) under the new system, or to choose the old system and retire 5 years earlier. Today I have to take a decision that I would normally take in 20 years.

*For people under 30 who already work, because this group will have to bear the cost of that other end. Which means that they will carry the weight of financing the PAYG system for those over 50, for dozens of years”.*

Besides the question of choice, respondents are sure that people do not know exactly what future benefits they will receive and on what conditions. It can be analysed not only as issue of fairness but also uncertainty. This is underlined especially in the context of the insecure situation of the labour market in Poland.

The majority of interviewed experts (mainly women even they directly do not realise that) stress that the issue of retirement age is unfair. In the proposal of the new pension system there was assumed that for men and women this should be equal (62 years old), as there should be equality of sexes in the labour market and in the pension system as well. The present regulation is obviously unfair for women.

“From the viewpoint of a general justice, I think that *it is wrongful to women*. I am a supporter of an equal retirement age, because then it’s easier for women to stop working and to get a maternity leave.”  
(independent expert)

However, experts consider that it is rather a temporary unfair issue and they even display optimism that it will be improved in a few years.

Mainly trade union workers strongly disagree of changes. They perceive the changes as unfair, as the legislation changed the rules for those who have been working and might expect to retire according to the old legislation.

*“The pension law is not fair and this is the first thing. This act is not fair to workers. Because it changes rules in the middle of the game. If our professional life is a game and we accepted some conditions, then I should be asked if I want to change these conditions, because I am a party here. And they arbitrarily change rules and shoot to the other goal. Peek-a-boo! This is not a good solution, because a good solution is when it does not hurt anybody. It doesn’t necessarily bring benefits. Not necessary be profitable, but it shouldn’t hurt anybody. But this system hurts people, just as the pension system. [...] A pensioner who worked for 45 year in Bolshevik Poland receives net 550 zlotys. This is not fair, and this*

*government is not fair.* It still just lies to people. This is stealing!  
This is stealing!" (trade union expert)

The issue of earlier retirement is perceived differently by trade unions experts and by other respondents. The first group claims that these are 'industry entitlements' not 'privileges'. It seems that earlier entitlements in trade union experts' opinion cause and still would cause many problems.

"Industry entitlements. This is the biggest bomb, and it may bring about numerous problems. [...] So, as a union man, how can I think that it is fair to write that a guy shouldn't go to work. Jobs are important to us, too! There is unemployment! And I think that it is unfair" (trade union expert)

On the other hand, mostly independent experts are convinced that the pension system should be the same for everybody. Earlier pensions could not be treated as a compensation for low wages or bad working conditions.

"There should be no privileges because somebody works as a journalist, an artist, a metallurgist or a dancer. There may be privileges, but financed from additional contribution. But I can't see why an artist should pay money to a metallurgist, or the other way round".

To conclude there were many unfair issues in the old system but some of the elements of the reformed systems are likewise perceived as unfair. These include:

- dividing the population into age groups,
- changing the DB system into DC system - which needs more individual motivation and possibility to earn during the whole life,
- retirement age for women.

There is a difference in discussing the issue of early retirement – the privilege or entitlements for specific groups. For trade unions, for their own groups of workers, it is obvious that changing the rules of early retirement is unjust, for scientists – retirement rules have to be the same for all members of the basic system.

## 5.2 **Efficiency**

The issue of efficiency is related to the issue of fairness. Efficiency could be discussed through many perspectives. More often than not respondents

underlined the efficiency of the current pension system. Besides there is the question of the efficiency of the implementation of reform. At this stage it is too early to definitely declare if the current pension system is efficient or not.

“We don’t really know. Theoretically it may be efficient. We don’t know what the costs of the 2<sup>nd</sup> pillar are, and whether services are too expensive or not. Time will tell” (independent expert/ ex-state actor)

Experts think that they are not able to say if the system will be effective or not. They even assume that it could be less effective that they consider, because it mostly depends on the formula, which gives an evaluation of efficiency. As far as that self-control element is concerned, related to paying contributions, they could be quite naive to assume that if the future pension depends directly on contributions paid, then everybody in the system will be motivated to pay these contributions, both employers and workers. This is a great threat and this consciousness about low pension benefits if contributions are not paid, it hasn’t yet come through. This is the element that a few respondents think that they have to work on, all the time.

On the other hand, it is very often stressed that inefficiency of the current system is connected with the redistribution within the system, especially when the disability pensions are taken into account. And this issue could cause some inefficiency, as:

“There are some solutions missing as far as disability pensions are concerned. There should be no such situation, in which in a few years disability pension would be higher than old-age pension. And current legal conditions will lead to such situation. *This is certainly not right*” (state actor)

Only a few think that the previous system was not effective as there was redistribution from the poor to the rich. And mostly authors of the reform perceived the old system as an ineffective redistribution tool.

“The old system had some redistribution elements built in. Redistribution is necessary in a society, but you have to remain moderate, and you need to plan carefully. You have to know who transfers funds, to whom, how much and why. Otherwise, the pension system is an ineffective redistribution tool. Redistribution is meant to be accomplished through the budget, and not through pension systems. There is no redistribution in the new pension system. Its operation may be summed up by saying: I pay contributions to the system in the course of my entire professional career. These contributions are collected on employees’ own pension accounts. The system makes it impossible to play with the

rest of the society. In the old system you could improve your situation at the cost of others” (independent expert/ ex-state actor)

Another major issue of efficiency is that related to the Social Insurance Institution (ZUS). However, the current situation shows that it is not efficient because of the ZUS functioning. The efficiency of the pension system is considered through organisational aspects of the institution responsible for this process. There remain in Poland some problems that do not allow for an efficient management of the system, or not yet.

“The ZUS story shows that the implementation process may be inefficient. What is lacking is an early implementation plan and co-ordination of reform activities. There is no control and there is partisanship and political leanings” (independent expert)

To conclude, the pension system inefficiency is treated differently by interviewees. Many experts think about the economic efficiency and stress that they are not able to say if the new system will be effective or not as this depends on the investment policy of the pension funds, among others. There was a question of the proper and effective redistribution between people within the system. A few stress the lack of efficiency in terms of disability pension benefits. Others think that the old system was ineffective and that the present system is as effective as it could be. Others underline the inefficiency of the responsible institutions. The issue of efficiency seems to be more multidimensional for respondents than the issue of fairness. There is a huge range of elements which could be discussed and analysed much more deeply. In general it would seem that experts' attitudes to efficiency is strongly correlated with their ideational views about the existing social security system, i.e. voluntary saving in funded scheme or defined contribution vice-versa defined benefit.

## 6 Conclusions

During the centrally planned economy the pension system in Poland was relatively stable, the implicit debt was under control and the actual retirement age was close to the legal one. At the beginning of the nineties, the most important or even the only one proposal for improving the pension system was the indexation of pensions. However, at this time the existing system was not perceived as fair, being the heritage of the communist system. At that time Poland introduced legislation that increased the value of pensions to compensate for higher inflation (the so-called Revaluation Act of October 17, 1991).

Growing awareness of financial difficulties of the pension scheme caused a serious debate on the reform of the pension system, which was held during the nineties between experts and politicians. During the debate various opinions and proposals were published, including press articles, papers and research on the old system and proposed changes. It was commonly agreed that the reformed system should strengthen the link between social security contributions paid and benefits received. Despite changes in the nineties, that link was still rather weak.

The differences in opinions on how to reform the pension system were based on various approaches to the pension system. For those that favoured pay-as-you-go solutions, the proposal of mixed system (partially PAYG, partially funded) was too radical. Those that had earlier proposed the complete privatisation of the pension system viewed the same proposal as rather conservative with a too big pay-as-you-go component.

The reform was also discussed in the political and economic contexts. That could be viewed from the perspective of how to solve the issue of the future stability of the country (avoiding the bankruptcy of the public finances in the future) as well as political process of getting the reform through the Parliament (both in previous and current coalition).

The pension reform debate came to its final stage in mid-nineties. Many different actors (experts, scientists, national and international institutions, trade unions, private companies) participated in the debate and in the preparation phase of the reform. The debate was not public in the strict sense of the word but it was open organised according to the 'star' structure with the government at the centre and other actors communicating directly to it.

Definitely in the pension reform process a special and unique role was played by the Government Plenipotentiary for the Social Security Reform and Office of the Plenipotentiary. Those institutions formulated the reform plan *Security through Diversity*. Thanks to the OP and its professional background the

pension reform process had not been slowed down even after elections in 1997. Additionally, a strong support of the public opinion, which felt the need of the pension reform, helped in the process.

Finally the discussion was concluded and the final reform proposal was presented and legislated by the end of 1998. Those actions led to the implementation of the pension system reform starting from January 1999. The new pension system differs significantly from the old one. Most importantly, the pay-as-you-go system was replaced by a multi-pillar system with each pillar exposed to the different types of risks, related to labour and financial markets.

Among many, the reform introduced changes in the Social Insurance Institution. Central to the former social security system ZUS administered the common pool of contributed money. With the new set of rules brought by pension system reform ZUS has been faced with many new challenges. Its role to the newly created system is even more crucial than it was to the old system.

The media covered the pension reform process from its beginning to the current stage. It provided a platform for the discussion on various solutions and proposals, informed about the developments of the reform preparation and implementations, explained details of the new system and, most importantly, commented and assessed all the institutions involved in the reforming process.

There are at least a few issues, which should be mentioned here as an integral part of the pension reform and system itself.

First what could be observed is that each group involved in the pension system tends to analyse only those matters on which their interests depend. They do not see a complex bulk of different and contradictory proposals but each group tries to convince the others regarding their solutions.

Secondly, for fairness crucial has been the reform of the pension benefit formula. The rule introduced in the new system assumes that the amount of the future benefit would depend on the contribution paid and nothing else. In this context it could be noticed that besides choosing one or two pillars, people in fact do not know exactly what future benefits they will receive. It is an issue not only of fairness but also of uncertainty.

Next, the issue of women's retirement age has returned in the discussion among politicians and experts, who stress that lower age would cause lower benefits received in future (even if uni-sex life expectancy is used to calculate them). On the other hand, Polish women are used to help bring-up their grandchildren so the common public opinion is that they should retire earlier.

Although the main framework of the new system was agreed, details of the new system are still under discussion and some legal acts have not been passed. Among them there are at least two important: law on special schemes (so called

bridging arrangements) for people working in special conditions or of special character and the law on annuity companies.

As the big part of today's employees' community and all pensioners are still in the old system, it will take many decades for the new system to mature and some improvements to the new system will be introduced.

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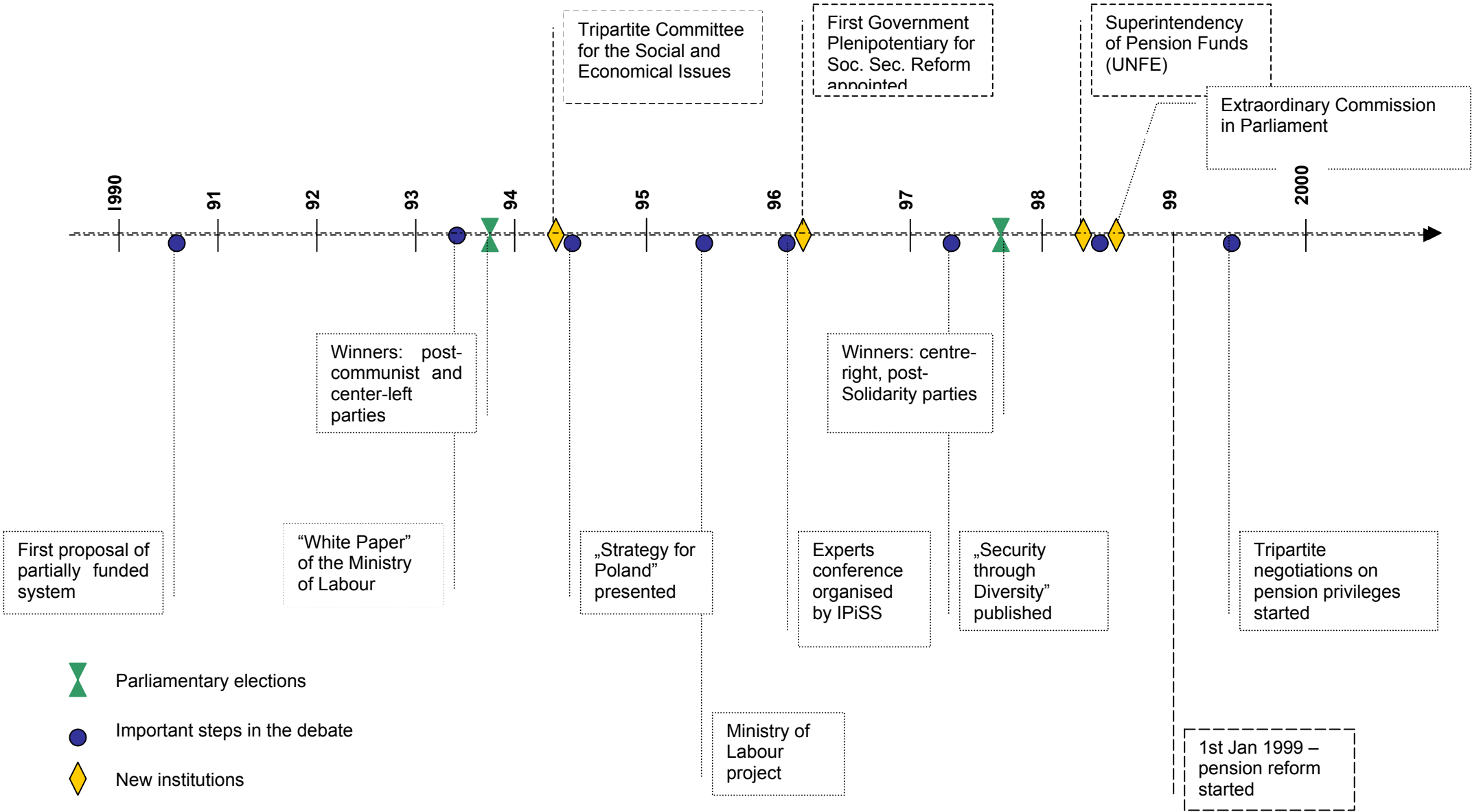
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- The Law of 17 December 1998 on pensions from the Social Insurance Fund.
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Archives of daily and weekly, monthly newspapers:

- Gazeta Wyborcza
- Rzeczpospolita
- Prawo i Gospodarka

- Parkiet
- Trybuna
- Polityka
- Wprost
- Asekuracja&RE
- Home& Market
- Dziennik Prawa i Gospodarki
- Gazeta Ubezpieczeniowa
- Gazeta Bankowa

8 Annex 1. DEBATE ON THE PENSION REFORM IN POLAND in 1990 - 2000



## 9 Annex 2

### 9.1 Methodology of Individual Interviews

The part of this report is based on 18 individual interviews conducted in the period from May to June 2000. The interviews were conducted according to the Interviews Guidelines presented in the Deliverables 1 of the PEN-REF project. The talks based on a *semi* - structuralized questionnaire, however all key persons could freely expressed their opinions. Very often respondents shared their own impressions and opinions on the process of the pension reform. All respondents were informed that all responses have been treated with the strictest confidence, which give an opportunity to sincere answers without the identification of the interviewed persons.

All interviewed persons by their past and present positions have belonged to one of the following four groups:

- *state actors* as: The ex- and the present Governmental Plenipotentiary for the Social Security Reform, The Director of the Social Security Department, The Director and the Ex - Vice Director of the Governmental Plenipotentiary Office for the Social Security Reform, The advisor to the Ministry of Finance, Vice Director of the Social Security Administration, the ex-Vice Minister of Labour and Social Policy, politician – Member of the Parliament (MP).
- *interest representation* as: trade unions representatives from the biggest workers unions: Solidarity, OPZZ, the Confederation of Employers Association.
- *private sector* as: presidents of the biggest open pension funds and investment funds.
- *independent experts* as: experts from the Gdansk Institute for Market Economy, from the Institute of Labour and Social Affairs, professors from: the Warsaw School of Economics, Cracow University of Economics.

As it is already shown, interviewed experts have hold different positions in the past and at present. Some of them held positions in past which allows to treat them as state actors. At present many of them hold different positions and became independent experts. And there were many opposite situations when experts became advisors in the Ministry of Labour and Social Policy. As well one a trade union activist became a state actor. So it is difficult to separate key persons and signed only to one of described groups. This will have influence on all the analysis of expert interviews and interpretation of all issues concerned. The only group, which can be easily separated from others, is the group that

represents the private sector.

The duties of interviewed persons can be widely and broadly described. All of them underline the strict connections with the pension reform as they mention that they are familiar with:

As state actors:

- the analysis of the pension and social security system,
- implementation and formulating proposals of changes to the pension system,
- advisory comments to the Ministry,
- preparing the legislative acts to the Parliament.

As lobby actors:

- monitoring the law changes in the social security system introduced by the government,
- contacts with the government and social security commissions,

As actors from the private sector:

- current and future managing the company: public relation, marketing,
- recruiting new employees,

As independent actors:

- mainly academic career, education duties, research analysis of the labour market and social security system.

## **9.2 Methodology of Media Analysis**

### **9.2.1 Keywords and newspapers in alphabetical order**

To estimate in somehow quantitative manner the intensity of publishing the specific articles on the pension reform in Poland there were used the following indicators:

- Number of articles containing a specific key word for a single newspaper over time,
- Number of articles containing a specific key word for all newspapers over time,

In both analyses we use the following list of keywords concerned the pension reform. The detailed list of keywords is presented in Table 3.

**Table 3. The keywords used in the media analysis in the alphabetic order.**

Polish Word	English equivalent
Biuro Pełnomocnika Rządu ds. Reformy Zabezpieczenia Społecznego	The Office of the Government Plenipotentiary for the Social Security Reform
Emerytura, emerytura	Pension, Pensions (benefits)
Fundusze emerytalne	Pension Funds
Fundusz Ubezpieczeń Społecznych, FUS	The Social Insurance Fund
Ministerstwo Pracy i Polityki Socjalnej, MpiPS	The Ministry of The Labour and Social Policy
Powszechne Towarzystwo Emerytalne, PTE	Pension Fund Society
Pracownicze programy emerytalne	Employees' Pension Programmes (Plans)
Przywileje branżowe	Retirement privileges
Reforma emerytalna	Pension reform
Renta	Disability and survivor pension
Ubezpieczenia społeczne	Social Security System
Urząd Nadzoru nad Funduszami Emerytalnymi, UNFE	Superintendency of Pension Funds
Zakład Ubezpieczeń Społecznych, ZUS	The Social Security Institution
Waloryzacja emerytur	Indexation of pensions

The analysis is based on the information available in electronic format, mainly from the Internet. This focuses mainly on the Polish daily newspapers and magazines. Other available services, for example the Reuters system used in the first stage of the project has not given all needed information on the pension reform pathways in Poland as it was focused mainly on economic, not political developments and has covered the period only since the early 1997.

The restriction to the information provided electronically cuts the list of newspapers to the following Table 4:

**Table 4. Newspapers analysed in the quantitative analysis.**

Title	URL address	Frequency	Archives provided since
RZECZPOSPOLITA	<a href="http://www.rzeczpospolita.pl">www.rzeczpospolita.pl</a>	Daily	June 1993
GAZETA WYBORCZA	<a href="http://www.gazeta.pl">www.gazeta.pl</a>	Daily	1992
PRAWO I GOSPODARKA	<a href="http://www.pg.com.pl">www.pg.com.pl</a>	Daily	1999
WPROST	<a href="http://www.wprost.pl">www.wprost.pl</a>	Weekly	1998
GAZETA BANKOWA	<a href="http://www.gb.infor.pl">www.gb.infor.pl</a>	Weekly	1999
POLITYKA	<a href="http://www.polityka.onet.pl">www.polityka.onet.pl</a>	Weekly	2000

#### *Detailed Qualitative Analysis*

The largest number of articles appeared in *Gazeta Wyborcza*, second in *'Rzeczpospolita'* and third in *'Gazeta Bankowa'*. The dominant number of articles in *Gazeta Wyborcza* covered practically all keywords<sup>47</sup>. The simple comparison of the articles cannot be provided, as newspapers provide their archives across various periods of time. Table 1 provides the comparison of the number of articles in daily newspapers in 1999.

**Table 5. Number of articles across analysed daily newspapers in 1999**

	Keyword	Gazeta Wyborcza	Rzeczpospolita	Prawo i Gospodarka
1	Office of Government Plenipotentiary	19	8	1
2	Pension, pensions	3 274	912	30
3	Pension Funds	1 256	263	49
4	Social Insurance Fund	254	167	9
5	Ministry of Labour	116	25	22
6	Employee pension plans	62	26	-
7	Industrial privileges	26	5	-
8	Pension reform	632	143	7
9	Disability pensions	1 501	116	5
10	Social Security	366	363	19
11	UNFE	140	142	38
12	ZUS	3 131	1 222	128
13	Indexation of pensions	54	20	-
14	Pension fund society	212	663	58

As it can be observed, the most frequently used phrases were related to the old-age pensions, ZUS and second pillar institutions (especially after 1998). This confirms the qualitative analysis of the media coverage that in recent years focused on those aspects of the pension reform. Practically in all analyses newspapers the same phrases were used most frequently (see

<sup>47</sup> Only in the case of UNFE in 1999 the number of articles was higher in *'Rzeczpospolita'*

Table 6), with slightly different order. This could be explained by slightly different profiles of the newspapers, focusing rather on social issues (such as *Gazeta Wyborcza*) or financial ones (*'Prawo i Gospodarka'* or *'Gazeta Bankowa'*). In the first case, the largest number of articles contained the keyword 'emerytura' (old-age pension) and ZUS, in the latter – 'fundusz emerytalny' and 'PTE' (pension fund and pension fund society), related to the established funded element of the system.

**Table 6. The most frequent keywords by newspaper.**

6a. Daily newspapers

<b>Gazeta Wyborcza</b>	<b>Rzeczpospolita</b>	<b>Prawo i Gospodarka</b>
Old-age pension	ZUS	ZUS
ZUS	Old-age pension	PTE (Pension Fund Society)
Disability and survivors pension	PTE (Pension Fund Society)	Pension Funds

6b. Weekly newspapers

<b>Polityka</b>	<b>Wprost</b>	<b>Gazeta Bankowa</b>
ZUS	Pension funds	Pension Funds
Pension reform	ZUS	ZUS
Old-age pension	Old-age pension	PTE (Pension Fund Society)

As the analysis of the detailed annual data shows (see Table 7), the number of articles covering practically almost all keywords increased by the end of 1990s, at the end of the preparation of the pension reform and during its implementation. Only in the case of the phrase 'indexation' the peak of the media interest could be observed in 1995 and 1996 when the new rules of indexation were implemented.

As one can observe, not only the existing vocabulary appeared in the media (such as pensions or ZUS). Also new words related to the second pillar become a regular part of the media coverage after 1998, gaining a lot of interest.

Table 7. Number of articles containing a specific key word for a single newspaper over time.

7a. GAZETA WYBORCZA

Keywords	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 (01-08)	Total
Office of Government Plenipotentiary	-	-	-	-	-	-	-	7	18	15	19	1	60
Pension, pensions	80	155	284	653	821	963	1113	1035	1110	1684	3274	1895	13067
Pension Funds	0	1	2	50	50	73	154	138	180	276	1256	596	2776
Social Insurance Fund	1	1	4	28	28	61	98	68	97	138	254	83	861
Ministry of Labour	0	7	2	18	27	39	47	39	39	54	116	43	431
Employee pension plans	0	0	0	3	3	4	9	7	20	21	62	28	157
Industrial privileges	0	1	1	3	16	9	17	8	12	17	26	9	119
Pension reform	0	0	1	23	36	48	128	94	182	290	632	143	1577
Disability pensions	43	55	103	401	476	542	738	571	554	797	1501	1159	6940
Social Security	1	12	18	88	119	182	285	168	176	193	366	207	1815
UNFE	0	0	0	0	0	0	0	0	6	25	140	58	229
ZUS	50	58	85	218	315	572	674	612	555	1014	3131	1496	8780
Indexation of pensions	9	3	27	117	120	126	179	128	81	61	54	40	945
Pension fund society													

**7b. RZECZPOSPOLITA**

**1b. RZECZPOSPOLITA**

	<b>Keyword</b>	<b>1993 (05-12)</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000 (01-08)</b>	<b>Total</b>
1	Office of Government Plenipotentiary	0	0	0	5	9	8	8	7	37
2	Pension, pensions	131	285	472	534	262	586	912	547	3729
3	Pension Funds	0	0	0	0	0	11	263	225	499
4	Social Insurance Fund	5	18	25	20	12	52	167	49	348
5	Ministry of Labour	12	17	60	45	13	23	25	9	204
6	Employee pension plans	0	0	0	0	0	3	26	41	70
7	Industrial privileges	6	0	6	8	3	17	5	1	46
8	Pension reform	0	1	0	4	5	69	143	44	266
9	Disability pensions	14	32	90	78	39	71	116	80	520
10	Social Security	30	83	150	160	88	163	363	218	1255
11	UNFE	0	0	0	0	1	64	142	96	303
12	ZUS	114	267	463	535	237	555	1222	727	4120
13	Indexation of pensions	32	29	59	56	38	27	20	18	279
14	Pension fund society	0	0	0	0	9	111	663	631	1414

## 7c. PRAWO I GOSPODARKA

### 1c. PRAWO I GOSPODARKA

		1999	2000 (Jan-Aug)	Total
1	Office of Government Plenipotentiary	1	1	2
2	Pension, pensions	30	73	103
3	Pension Funds	49	152	201
4	Social Insurance Fund	9	10	19
5	Ministry of Labour	22	40	62
6	Employee pension plans	0	11	11
7	Industrial privileges	0	1	1
8	Pension reform	7	12	19
9	Disability pensions	5	17	22
10	Social Security	19	35	54
11	UNFE	38	83	121
12	ZUS	128	283	411
13	Indexation of pensions	0	3	3
14	Pension fund society	58	233	291

## 7d. Weekly magazines

	Keyword	Polityka	Gazeta Bankowa
1	Office of Government Plenipotentiary	-	-
2	Pension, pensions	9	2
3	Pension Funds	6	38
4	Social Insurance Fund	3	6
5	Ministry of Labour	1	1
6	Employee pension plans	3	3
7	Industrial privileges	-	-
8	Pension reform	13	8
9	Disability pensions	-	-
10	Social Security	6	3
11	UNFE	3	11
12	ZUS	19	35
13	Indexation of pensions	4	-
14	Pension fund society	3	32

## Wprost

	1998	1999	2000	Total	
1	Office of Government Plenipotentiary	5	3	1	9
2	Pension, pensions	49	74	18	141
3	Pension Funds	71	169	50	290
4	Social Insurance Fund	1	8	-	9
5	Ministry of Labour				-
6	Employee pension plans				-
7	Industrial privileges				-
8	Pension reform				-
9	Disability pensions	-	-	-	-
10	Social Security	1			1
11	UNFE	-	9	2	11
12	ZUS	16	119	35	170
13	Indexation of pensions	1	5	-	6
14	Pension fund society	1	14	7	22