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IMPACT OF THE EQUALIZATION OF RETIREMENT AGE BETWEEN WOMEN AND MEN ON THE EQUALIZATION OF FUTURE PENSIONS

Introduction

The hitherto pension scheme in Poland was based on the 19th century model created by the German emperor, Otto von Bismarck. It was introduced in the majority of European states before World War II. However, the system that was functioning in Poland a hundred years later differed significantly from the original. It was a repartition pension scheme based on obligatory insurance and had the character of an inter-generation agreement: it was the so called PAYG (pay as you go) pension. In the system payments are paid out from the dues of the employed, who – after they retire - receive the money from next generations.¹

1. Drawbacks of the Bismarcks' pension scheme

According to Bismarck's original idea, the pensions were to be received by people 70 years of age and older, while the average life expectancy was 45 years at that time. As a result only a few people had the chance to receive their pensions. With the social, economic and political developments, the progress in medicine and the growing power of trade unions, the factors influencing the effectiveness of the pension scheme have changed significantly. The retirement age was lowered and was different for men and women; until 2012 in Poland it was 65 and 60 for men and women, respectively. Moreover, in the case of privileged professional groups the retirement age was even lower. With the estimated life expectancy (72.4 and 80.9 for men and women born in 2012, respectively) there was no doubt that chances for a decent pension (if any) were very little.^{2,3}

2. Pension reforms in Poland after 1989

Consequently, measures were taken that aimed at reforming the system that was bound to get bankrupt. Since 1999 it has been based on three pillars: pillar I – obligatory payment to

¹ "Emerytura od Bismarcka", WPROST, 1/2001 (945), <http://www.wprost.pl/ar/8889/Emerytura-od-Bismarcka/>

² Mały Rocznik Statystyczny (Statistical Yearbook) 2012 r., www.stat.gov.pl

³ Społeczno-gospodarcze uwarunkowania i konsekwencje wydłużania życia ludzkiego w Europie Środkowej w czasach nowożytnych, Zielonogórskie spotkania z demografią, Zielona Góra 2010;

the ZUS Social Security Institution, pillar II – obligatory payment to funds, and pillar III – optional payment to funds. Pillars II and III have the characteristics of private insurance.

In June 2012 new regulations were introduced that aimed – among other things – at the equalization of the retirement age of men and women and the limitation of pension privileges of certain professional groups. The objective was to reach a just participation of the society not only in pension benefits but mainly in pension co-financing. Will it result in the reduction of differences between the pensions received by men and women?

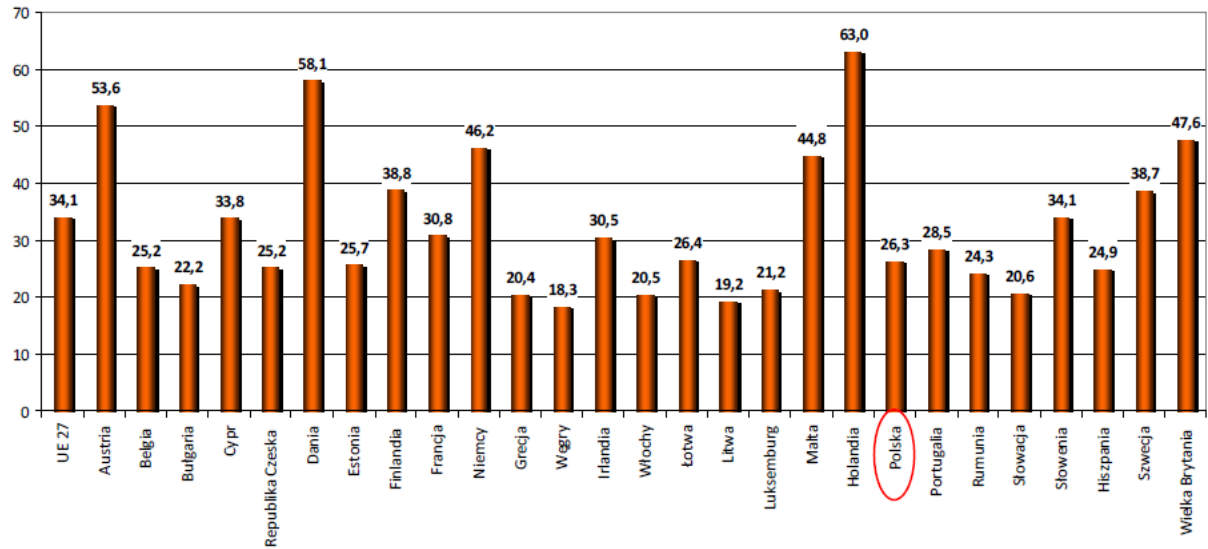
At present men may expect average pensions accounting for 68% of their last salary, while in the case of women it is only 51%⁴ and it is worth mentioning that the last salaries of women are significantly lower than those of men.

3. Factors determining the amount of individual pensions

First, the question should be answered about the factors that influence the capital from which pensions will eventually be paid. Here the first problem appears: in order to accumulate the capital, one has to earn money, and in order to earn the money one has to work. According to the graph illustrating the employment ratio in Poland among people in the age range of 15 – 24 years (Fig.1), every fourth young person in Poland is employed. Additionally, the next graph illustrating the employment ratios by particular regions of Poland for the age group of 15-25 years in 2010 (Fig.2) shows that the figures are more disadvantageous for women. And it is the means accumulated in this period that will have the most time to generate interests affecting the amount of the final pension capital. Thus, differences resulting from gender will already appear at the starting point of saving the initial capital,.

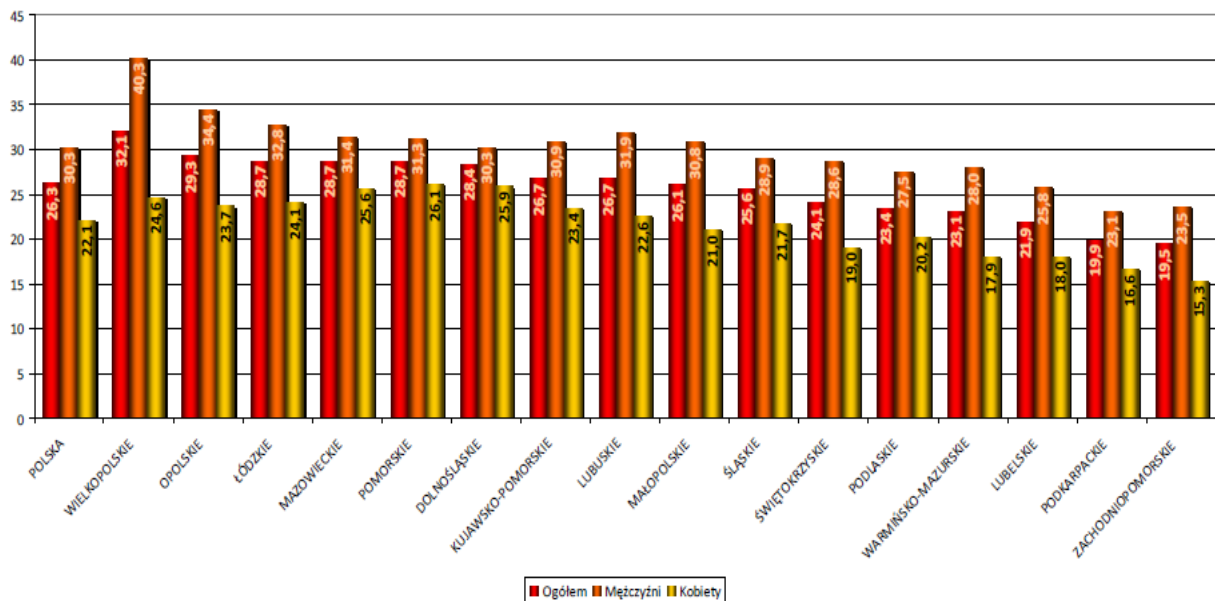
⁴ OECD(2011), Pensions at a Glance 2011: Retirement-Income Systems in OECD and G20 Countries (www.oecd.org/els/social/pensions/PAG)

Figure 1. Employment ratio for people aged 15-24 years in EU in 2010 (%)



Source: Comparative analysis of regions in the context of the implementation of the Human Capital Operational Programme 2007-2013, the Ministry for Regional Development, Warsaw, June 2011.

Fig. 2. Employment ratio by particular regions of Poland for the age group of 15-24 years in 2010.

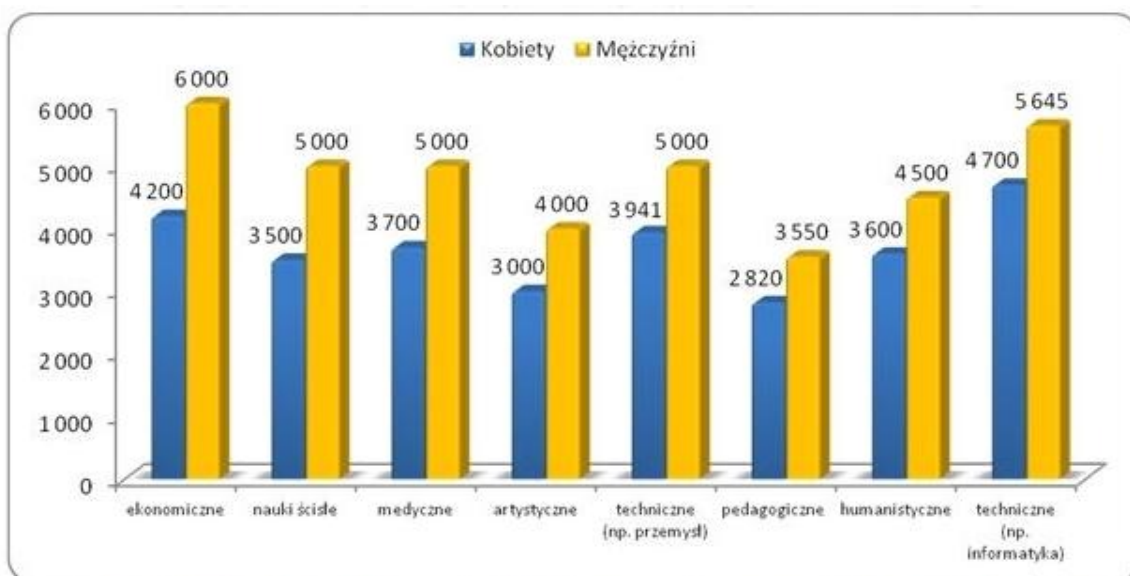


Source: ibidem

There are several factors that influence the amount of the accumulated capital and consequently the amount of the future pension, such as parental time off work which is related to the non-contributory periods (this also happens at young age, which decreases significantly the interest benefits), frequent resignations from work or the limitation of work activities later on, with the aim to take care of the older or disabled members of family. It is mainly women who take time off work in such cases and that results in a further decrease of their future pensions.

However, even if - despite the problems and challenges - a woman works full-time, her remuneration is another factor affecting her future pension, both in its obligatory and optional part. It is not surprising that the pay gap, i.e. the discrepancy between the salaries of men and women with the same qualifications and positions amounts up to 30% (Fig 3 & 4) in Poland. According to the National Research on Remuneration conducted by the Sedlak&Sedlak company⁵, the median salary of women in 2011 reached 3 400 PLN, while for men it was 4 000 PLN.

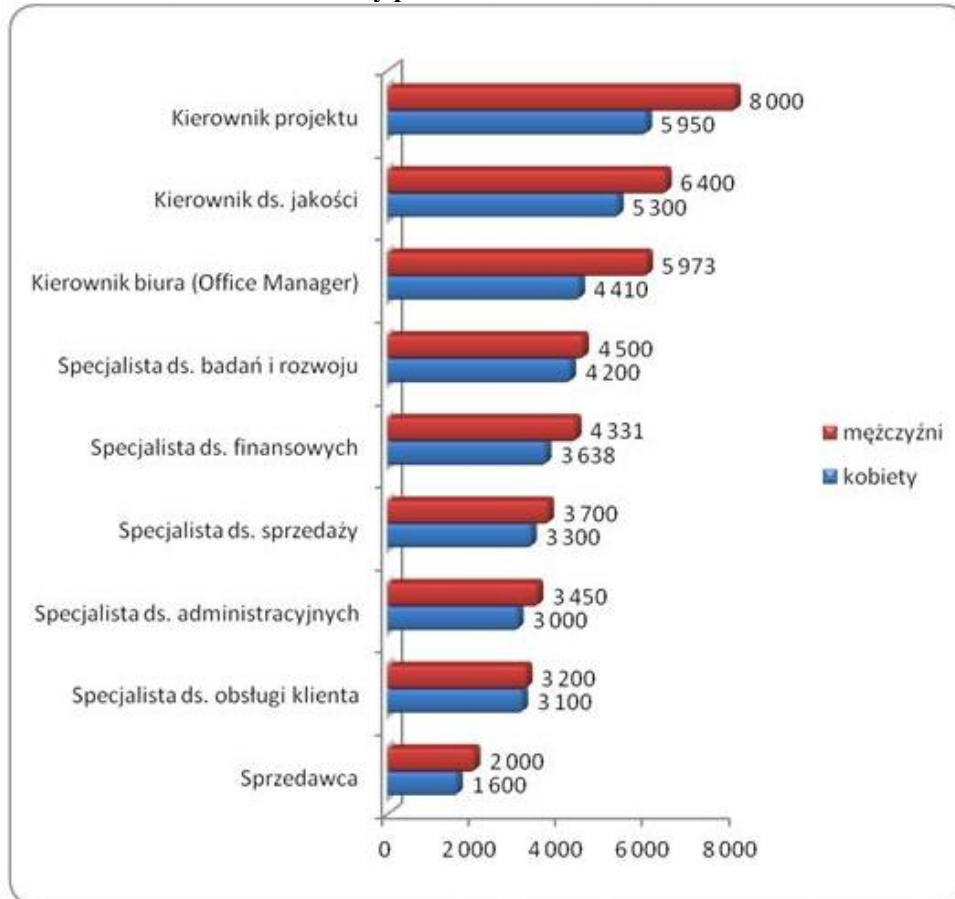
Fig. 3. Remuneration of men and women by the profile of higher education



Źródło: Ogólnopolskie Badanie Wynagrodzeń (OBW) przeprowadzone przez Sedlak & Sedlak w 2011 roku

⁵ „Utrzymują się znaczne różnice w wynagrodzeniach kobiet i mężczyzn”, GazetaPrawna.pl on 7.03.2012

Fig.4. Remuneration of women and men by positions



Źródło: Ogólnopolskie Badanie Wynagrodzeń (OBW) przeprowadzone przez Sedlak & Sedlak w 2011 roku

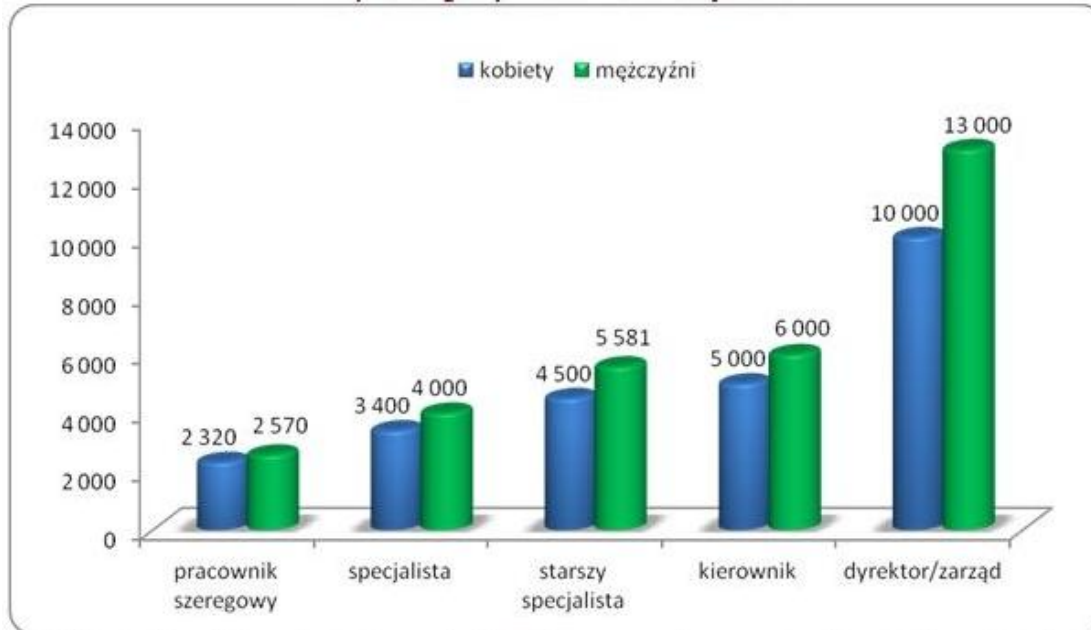
Men Women

Project Manager; Quality Manager; Office Manager; R&D; Finance; Sales; Administration; Customer Service; Salesperson

The National Research on Remuneration of 2011 shows (Fig.5) that the remuneration of women employed on non-managerial positions amounted to 2 320 PLN (median figure) and accounted for 90% of that of men. Women on managerial positions earned 5 000 PLN (median figure), which accounted for 83% of the remuneration of men (6 000 PLN). According to the authors of the research, the most significant differences between the salaries of men and women occur in the group with the higher education in economy. Men with that education earned 6 000 PLN, which was 43% more than the salaries of women (4 200 PLN – median figure). According to the GUS Main Statistical Office, monthly gross salary of women in 2010 was 15% lower than that of men.⁶

⁶ Press conference on differences in salaries of men and women, <http://rownetraktowanie.gov.pl>

Fig. 5. Median total remuneration of men and women by particular levels of management



Źródło: Ogólnopolskie Badanie Wynagrodzeń (OBW) przeprowadzone przez Sedlak & Sedlak w 2011 roku

Such figures are frequently the result of the duties of women that were mentioned before and are not related to their jobs – child birth and upbringing and the care over dependants (non-contributory periods). It often happens that women on maternity and child care leaves are omitted in promotions and do not receive salary rises or bonuses. Thus, despite a similar financial level at the beginning, after the return from the leave they earn less than their male colleagues. Moreover, their remuneration may be reduced due to the days off for child care.

The unjust remuneration of employees on similar positions and with comparable qualifications is the result of sex stereotypes that are rooted deeply in the society. It is also the result of vocational segregation on the labor market, the underestimation of the competences and skills of female staff and the direct discrimination. Men are seen as more available and flexible employees, more suited to managerial positions, decisive and quick to make difficult decisions, while women are perceived by employers as high-risk employees. They follow the stereotype of woman who is responsible for upbringing their children and taking care of other members of family. Consequently, they are seen as employees that are less committed to their jobs and not always available to the boss.

Lower salary now results in a lower pension in the future. The statistics show that women constitute the majority among the old that are endangered by poverty. Is it possible to

reduce the differences on the labor market so that there should not be sex discrimination in the pensions?

4. Methods of reducing sex discrimination in salaries and pensions

Although there are system measures that are being gradually taken, the change in mentality and getting rid of stereotypes is a time-consuming process.

Firstly, young people - and especially girls - should be encouraged to choose profiles of education that would make them more employable and bring higher salary, i.e. programmes in science, engineering, medicine and economics (Fig.3). High-profile, regular social campaigns in the media are indispensable.

Secondly, the image of woman who “gets pregnant, takes maternity leave followed by child care leave and then is constantly off work to take care of her sick child” should be changed.

One of the solutions would be to give fathers the right to take OBLIGATORY parental leave of the same length as the maternity leave. That would double the time that baby spends at home and would delay the moment when it is taken to nursery. Consequently, the problem of the shortage of places in a nursery would partially be solved and the contagious disease rate among the youngest would decrease. With the current unemployment rate such a solution would not result in the fall of the production capacity of human resources. The elimination of the sex criterion (which often discriminates women) in the employment of young employees/potential parents would be an additional benefit as the job opportunities of potential fathers and mothers would be equalized in this respect⁷. Moreover, the presence of a father at home together with the baby will lead to stronger bonds among them and – perhaps – will result in the increase of the popularity of parenthood. As a result demographic ratios may improve, which is crucial from the point of view of the functioning of the public pension system.

The above solution, which may make stereotypes „harmless” or at least weaker, may also have a beneficial impact on the reduction of salary differences on the labor market, which will consequently result in a more just functioning of the pension system.

⁷ Draft design of the Stowarzyszenie Doradców Europejskich „Równowaga Praca-Rodzina– najlepsze rozwiązania”

Conclusion

The amount of the pension calculated in compliance with the old pension scheme depended on:

- the insurance period, especially the length of the contributory periods,
- the relation of the average salaries in a selected period to the average national salary in the same period,
- the starting amount of capital on the day of retirement.

So far, on the average, women have been granted lower pensions because:

- on the day of retirement they have shorter insurance periods than men,
- their average salaries are lower than those of men,
- as they retire earlier than men, the calculation of their pensions is based on the earlier, and consequently lower starting amount ⁸.

It is visible that the sole equalization of the retirement age of men and women is not enough for everybody to be granted – proportionately to the number of years of work (including the years devoted to upbringing the next generation) – adequate pensions without sex discrimination. A lot depends on women themselves, on their choice of career paths and the investment in education so that they can be employed in professions that are better paid and not susceptible to unemployment. However, there is still a significant role of state institutions and social organizations to be played in order to eliminate harmful social stereotypes that are on the labor market and that place women in the role of cheaper workforce. They should also facilitate equal participation of working parents as regards child care, which would eliminate perceiving women as less effective (because often absent) and, consequently, worse paid employees.

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⁸ http://www.obliczanie-emerytury.pl/wysokosc_emerytury/kobiece_emerytury/kobiety_otrzymaja_nizsze_emerytury

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Summary

In June 2012, the amendment to the pension system in Poland was introduced. Consequently, the retirement age for men and women was equated and increased up to 67. However, the equalization of the retirement age itself will not result in the equalization of pensions for women and men that perform the same job and work for the same period of time. It is necessary to change the mentality of the society as well as the labor market regulations so that salaries for employees with the same education, doing the same jobs, did not discriminate women.