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## PREDICTED IMPACTS OF PENSION REFORM ON THE LABOUR MARKET IN POLAND

Pension system reforms increasing retirement age and accentuating citizens' individual responsibility for the amounts of their future pensions have effects on labour markets. This article provides an analysis of factors determining the interest of employees over 50, and even those over 45, in continued employment, as well as of relevant compulsion and risk factors. Some of the discussion deals with the assumptions underlying the Polish pension system reform and its likely effect on longer working lives. A hypothesis is formulated that for older employees to continue employment, working conditions must improve, as the responses of both older employees and their employers reveal insufficient sensitivity to the need to adapt the conditions to the capabilities of an ageing workforce. Yet, even if the necessary measures are taken, occupational stratification leading to the emergence of age-segmented labour market with low-skilled, precarious, and part-time jobs is unavoidable. The article is partly based on the results of a survey that a University of Lodz team conducted for the project *Diagnosis of the current situation of women and men aged 50+ on the labour market in Poland*, funded by the European Social Fund.

Keywords: retirement age, older employees, pension reform

### INTRODUCTION

The global redefinition of the approach to the length of working life is driven by demographic, social and economic changes. Instead of thinking about retirement as they recently did (Urbaniak 2014: 148), fifty-year-olds will increasingly worry about remaining attractive in the labour market so that they can work until reaching the gradually rising mandatory retirement age. Pension system reforms that raise the retirement age and accentuate the individual's responsibility for the amount of future pensions will make it necessary to retain people over 50 in employment. Individual decisions on extending working life depend not only on institutional changes but also on many factors, both personal (e.g. health, satisfaction with work) and organisational (e.g. flexible working time). This article provides an analysis of factors determining the interest of employees over 50, and even those over 45, in continued employment. It is assumed that greater employment of older people is expected because of the

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mandatory retirement age being raised to 67 is problematic. For this to happen the conditions in which older employees work must improve. But even then the probability of the occupational stratification of older persons, and of their being pushed into the secondary labour market, will not be reduced. The analysis below is based on the results of studies presented in the pertinent literature and on the findings of a survey conducted by a team from the University of Lodz in 2012. The author of this article was one of its members.

### FACTORS IMPEDING OCCUPATIONAL ACTIVITY OF PEOPLE OVER 50 IN POLAND

The labour market situation is shaped by many socio-economic variables that determine both labour supply and demand. Some of these variables, such as the demographic structure of a society that changes with an aging population, are objective in nature. Others depend on institutional solutions developed for employment policy, as well as policies regarding labour markets, migration, education, health and other policies which are adopted to boost the economic activity of the population.

One of the mechanisms used to influence the labour market situation is retirement policy setting the working income/benefit replacement ratio, or rules determining the optimal length of careers in the given period. The policy's assumptions reflect the state's social, immigration and life-long policies, as well as the scale and types of inducements designed for employers to encourage them to retain or dismiss their aging employees. In the later 20<sup>th</sup> century many Western European countries promoted early retirement in order to free up jobs for the young unemployed. This policy failed to bring the expected results. Today's policy in this area is different – its purpose is to extend working life by raising the mandatory retirement age. One of its primary goals is to postpone the time when the social pension system has to start paying out retirement benefits, as an insufficient supply of funds from contributions (caused by high unemployment *etc.*) compared with the mounting needs of aging societies has led to concerns about the solvency of the social pension systems. The retirement policy provokes considerable controversy in the aging populations of EU member states that will have to remain in the labour market regardless of individual circumstances such as health status or care-giving duties to aging, dependent members of the family.

The attitudes towards employment of people over 50 are largely determined by their occupational experiences and perspectives on work formed between 35 and 49 years of age (the so-called prime age). For this age, work is as much a necessity as it is a chance to live a better life. The list below presents the compulsion and risk factors that may hinder an increase in the occupational activity of people over 50 in Poland.

The most important compulsion factors affecting individual decisions of the members of this age group are endogenous in nature and arise from:

- the demographic situation in Poland (in 2012 the country had one of the lowest fertility rates in the EU-28 at 1.3; a lower rate (of 1.28) was only recorded in Portugal) and the amount and growth rate of dependency ratio (people over 65 as a share of population aged 15–64 years) that is predicted to rise steadily from 20.14% in 2013 to 27.07% in 2020 and as much as 51.94% in 2050) (Eurostat),

- the institutional setting (the reform of the general pension system, the welfare character of the State being gradually replaced with the promotion of citizens' individual responsibility for their well-being),
- economic factors – the necessity to cut back on the rising public spending on old-age and survivors' cash benefits (Tab. 1); spending increases due to a growing number of people living longer who are economically inactive for age-related reasons; measures increasing economic activity of aging generations, such as raising the mandatory retirement age to extend the nominal working life are alternatives to retaining contributions made by people in employment at an unchanged level or to making relative reductions in pensions paid.

**Table 1.** Public expenditure on old-age and survivors' benefits in Poland and selected OECD countries, 1990–2009

Country	Public spending on cash benefits for old-age pensioners and survivors						Total incl. non-cash (% of GDP) in 2009
	1990	2000	2009	Change (%) 1990–2009	Amount (% of total government spending) 2009	Net amount (% of GDP)	
OECD	6.1	6.9	7.8	27	16.6	7.3	8.3
Austria	11.4	12.2	13.5	18.3	25.5	11.8	14
Belgium	9.1	8.9	10	10.2	18.7	8.9	10.2
Czech Republic	5.8	7.2	8.3	42.9	18.5	8.3	8.6
Finland	7.3	8.8	9.9	36.3	17.7	8.3	11.1
France	10.6	11.8	13.7	29.2	24.2	12.8	14.1
Germany	9.7	11.1	11.3	15.7	23.4	10.9	11.3
Greece	9.9	10.8	13	31.2	24.2	13	13.2
Italy	10.1	13.5	15.4	53.3	29.8	13.5	15.6
Japan	4.8	7.3	10.2	111.4	19.1	9.5	11.8
Netherlands	6.7	5	5.1	–23.9	9.9	4.7	6.1
Norway	5.6	4.8	5.4	–5.2	11.5	4.4	7.4
Poland	5.1	10.5	11.8	129.1	26.4	10.8	11.8
Portugal	4.9	7.9	12.3	151.9	24.8	11.6	12.5
Sweden	7.7	7.2	8.2	6.8	15	6.2	10.8
United Kingdom	4.8	5.3	6.2	28.1	12.1	5.9	6.8
United States	6.1	5.9	6.8	12.6	16.3	6.4	6.9

Source: OECD 2013: 171

Over a period of 19 years public spending on old-age and survivors' benefits more than doubled in Poland, rising from 5.1% in 1990 to 11.8% of GDP in 2009 (Tab. 1). The ZUS (the Social Insurance Institution) data show that public spending on old-age and survivors'

benefits accounted for 9.8% of GDP in 2012. It is predicted that the benefits' share of GDP will diminish in coming years, because the valorisation of social security benefits will be in large part tied to the rate of inflation in the previous year (Rada Ministrów 2014: 16).

The risk factors mainly include healthy life expectancy at birth that decreased between 2005 and 2012 by 4 years for women (from 66.9 to 62.9 years) and by 2 years for men (from 61.2 to 59.2 years); for men and women aged 65 years further healthy life expectancy decreased, respectively, by 1 year (from 8.4 to 7.4 years) and 2.4 years (from 10.2 years to 7.8 years). The problem the situation causes is that with the generally extending life expectancy the quality of life is deteriorating, affecting employees' capabilities to do their jobs. Other risk factors arise from: jobless growth, which reduces the number of employment opportunities; ageism in the labour market; employers' prejudice; difficult working conditions; and structural unemployment among the oldest employees. The employment of people over 50 years of age is also at risk because infrastructure does not meet the demands of an aging society, for instance transportation infrastructure that older people might use is insufficient (the less urbanised regions lack transportation services, and there is a shortage of vehicles, e.g. low-floor trams and buses, adapted to the needs of people with mobility problems).

Another problem is the probability of lower incomes of old-age pensioners due to the implemented systemic solutions. This means that retirement will be generally perceived as less attractive. In 2012, the average monthly gross pension in Poland accounted for 60.8% of the average wage in the economy as a whole. It is important to note that 56.8% of old-age pensions paid in Poland in 2012 were lower than 1,800 zlotys, i.e. below their average level estimated at 1,870 zlotys. The income status of old age pensioners is expected to deteriorate because pension amounts resulting from the new rules, i.e. calculated completely or partially in relation to the pension account balance of an individual, are clearly lower than before. For the sake of illustration, in 2012 the difference between "old" and "new" benefits exceeded 1,000 zlotys and the "new" pension constituted 62.6% of that paid so far (Zakład Ubezpieczeń Społecznych 2013: 27, 37–38). Another risk factor will be distinct economic pressure on older employees to continue employment because there will be a growing share of those who will draw old-age pensions calculated based on predefined contributions. This construction of the pension system will reduce the income replacement ratio, which means that pensions will be relatively low compared with the last wage or salary received (Rada Ministrów 2014: 18–19).

Despite the calls for strengthening the private segment of the pension system that has been weakened by the economic crisis, Poland and Hungary have practically abandoned their mandatory private pension systems. The Polish government adopted a law in 2013 that made pension funds transfer the assets they had accumulated to (the ZUS) social insurance to reduce public debt. Mainly for this reason, public debt dropped from 57.1% of GDP in 2013 to 49.5% in 2014 and is expected to remain at this level into 2015. In its evaluation of the measures that the Polish government implemented to reduce public debt (4.8% of GDP in 2013, 3.9% in 2014 and 2.8% in 2015), the European Commission indicates that they should exclude the impact of asset transfers from the second-pillar pension system. If the amounts pension funds had to transfer were omitted from the reports the Polish government submitted to the European Commission in April 2014 which predict public debt to improve this year and in 2015, the situation in 2015 would be difficult: "for 2015, based on the no-policy-change assumption, the deficit is projected at 3.1% of GDP", i.e. above its recommended value of

2.8% (Communication 2014: 3). The changes in the structure of the mixed public-private pension systems were dictated by the underestimation of the fiscal costs associated with the implementation of the capital pension system, growing dissatisfaction over Open Pension Funds' high administrative costs, and the probably low pensions they will pay. In other countries, too, there is a pressure on citizens to save through public pension systems operating on the "pay-as-you-go principle", because after 2009 the economic crisis deteriorated the condition of public finances (Leimgruber 2012: 24) in European countries.

Employment rates in Poland have long been low compared with other EU-27 countries, particularly for people over 50. The minor improvements that can be observed do not change the fact that the phenomenon is fairly persistent (Fig. 1).

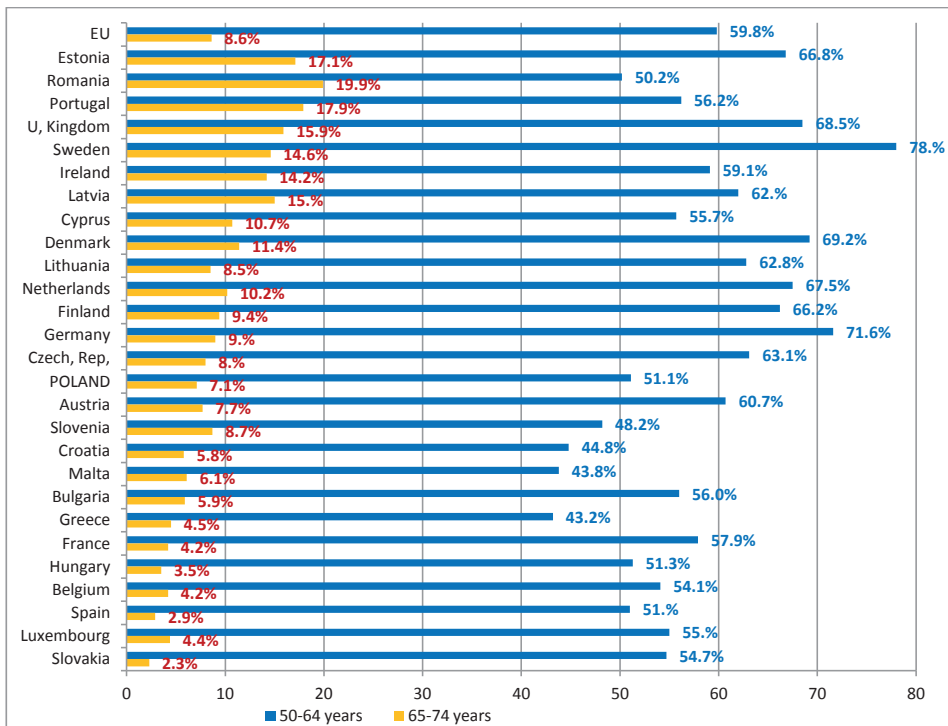


Figure 1. Employment rates in EU-28 Member States Q4.2013 [%]

Source: based on <http://epp.eurostat.ec.europa.eu> code: lfsg-ergan

## ASSUMPTIONS IN THE PENSION REFORM IN POLAND

The Polish pension system is founded on three pillars. The first of them is the public pension system that until the end of 2012 allowed people to retire once they reached the mandatory retirement age of 60 years for women and 65 years for men. From 1 January

2013 the age increased each quarter by 1 month for men and women born, respectively, after 31 December 1948 and 31 December 1952 (Ustawa 2012). The target retirement age is 67 years for both sexes. Women will reach this age as late as 2040, but men already in 2020, i.e. after only six years. The pension system reform also allows early retirement combined with an entitlement to a partial pension amounting to half of a full pension. To be eligible for the partial pension option the would-be pensioner must meet two conditions at the same time – to be at least 65 (men) or 62 years old (women) and to have worked a total of 40 and 35 pensionable and non-pensionable years (men and women respectively). Men will become eligible for partial pensions already in 2014, but women will have to wait until the first quarter of 2021 when they meet the early retirement requirement. It is important to note that the relatively low amounts of early pensions are not guaranteed to be equal to the lowest pension, because they will not be automatically adjusted upwards to keep pace with the lowest pension. Moreover, the payments of a partial pension will decrease the amount of the future regular pension an individual would draw. Being aware that early pensions will be rather low, the Parliament has allowed early pensioners to draw pensions and continue employment at the same time without having to terminate the employment contract, as opposed to regular pensioners. Additionally, their incomes from employment will not be limited, unlike those earned by pensioners who reached the mandatory retirement age.

The general pension system has a built-in mechanism that rewards people for each additional year in employment with a pension increase. The mechanism has been intended to encourage employees to postpone their retirement and to work and draw pensions at the same time.

The reform of the general pension system has created a new situation that will force people over 50 to figure out how they can continue work that will allow them to finance their on-going consumption, as well as being a basis for further contributions to the public pension and health insurance system.

The target employment rate set for people aged 55–64 is 50% in 2020, but in Q4 2013 the rate was still 42.0% (51.1% in EU-27) – see Figure 1. The prediction that older people will be more active in the labour market builds on the increase in further life expectancy for both men and women after 60 years of age (18.6 and 23.8 years in 2012, respectively). The number of healthy years will be decreasing, though, as mentioned above. These worrying developments indicate that to stay in employment people older than 50 and 60 years of age will need additional support from the government and enabling measures addressing the fact that the scale of disability grows with age.

## FACTORS FACILITATING AND HINDERING EMPLOYMENT OF OLDER PEOPLE IN THE EXTENDING PERIOD BEFORE ENTITLEMENT TO A FULL PENSION AT 67 YEARS OF AGE

### A SHORT DESCRIPTION OF RESEARCH METHODOLOGY

The government's interest in increasing the occupational activity of people by raising the mandatory retirement age resulted in the initiation of research work for the project *Equal*

*opportunities in the labour market for people aged 50+*. The findings of the project were used, *inter alia*, to prepare and implement the *Program Solidarność pokoleń. Działania dla zwiększenia aktywności zawodowej osób w wieku 50+* (“Solidarity Between Generations” programme, measures promoting the participation of people over 50 in the labour market) published officially in “Monitor Polski” (2013). The project was financed by the European Social Fund and some activities related to its subproject *Diagnosis of the current situation of women and men aged 50+ on the labour market in Poland* (hereinafter *Diagnosis*) were undertaken by the University of Lodz. A countrywide survey involving people aged 45+, employers and other major stakeholders in the labour market was carried out in 2012. In the survey, quantitative and qualitative research techniques were employed, respectively Computer-Assisted Personal Interview (CAPI) and Computer Assisted Telephone Interview (CATI) and IDI. This article has been prepared based on information selected from the *Diagnosis* and on the results of a quantitative survey of a representative, randomized sample of 3,200 persons aged 45–69 years, (47.6% male and 52.4% female) living in 379 Polish counties. Respondents were interviewed using questionnaires containing a total of 110 questions grouped into 5 thematic blocks; the average interview time was 52 minutes. The questions were closed-ended, but respondents were free to expand on some of them, particularly if they wanted to explain their position on certain issues. The results of the employer survey (1,011 respondents, of which 41.3% came from the public sector) conducted by means of the CATI technique are used in the article to a limited extent. To analyse the distribution of respondents’ answers the chi-square independence test or Fisher’s exact test (differences were assumed to be statistically significant at  $p < 0.05$ ) was used as applicable.

#### THE FRUSTRATIONS OF AGING GENERATIONS OVER THE RETIREMENT AGE INCREASE

The institutional measures the government was forced to adopt because of the above circumstances did not meet with social acceptance. The OPZZ and Solidarity trade unions lodged a motion at the Constitutional Tribunal, requesting it to decree that the increase in retirement age was in breach of the existing legislation. The Tribunal dismissed the motion in its decision of 4 May 2014 (Obserwator Konstytucyjny 2014), but the decision did not mitigate substantial resentment of the public towards additional years of work. It must be noted, however, that the government measures were welcomed by all those who had a negative attitude to limitations on the length of working life. To counteract the resentment towards employment in older age, its causes need to be identified.

Most older employees (66.1%) wished to retire as soon as possible; every third respondent, however, wanted to stay in the labour market. There were more women than men among those who wanted to retire as soon as they become eligible, but the gender differences were not statistically significant ( $p = 0.085$ ). The number of women wishing to take retirement soon was decreasing along with approaching retirement age more than that of men; almost half of women aged 60–69 years ( $n = 23$ ) were of a different opinion. The urge to retire is caused, clearly and predominantly, by the character of the job people do, the level of education, and the size of the location where they live. While most respondents clearly wished to take retirement as soon as they could, some people aged 45+ clearly rejected this option (Tab. 2).

This group, which also includes workaholics, would like to work as long as their health allows them. Table 2 below was compiled with the employed respondents' answers to the closed-ended question "when you think about your present job, would you like to retire as soon as it is possible?" Answers that the respondents indicated on the Likert scale were grouped as follows: "strongly agree" and "agree" were put to the same group and in the table they are summarised under the heading "interested in retiring soon"; "strongly disagree" and "disagree" are shown under the heading of "not interested in retiring soon"; the neutral respondents are not accounted for in the table. The percentage of the latter was unrelated to their age (14% for women and 17–18% for men).

**Table 2.** Workers aged 45–69 according to their interest in taking retirement soon

Category	Interested in retiring soon ( <i>N</i> = 721)	Not interested in retiring soon ( <i>N</i> = 370)
Occupational group <i>P</i> < 0.001	Farmers (69%)	Self-employed (approx. 40%)
Place of residence <i>P</i> < 0.001	Rural area or small town residents (approx. 64%)	People living in big cities (approx. 50%)
Type of labour market <i>P</i> < 0.002	People in a local labour market with low or rather high share of older people in total population and a high rate of total unemployment (approx. 60%)	People in a labour market with a very high share of people aged 45–69 in total population and a low rate of total unemployment (50%)
Health <i>p</i> < 0.001	People assessing their health as poor (90%)	People assessing their health as good and very good (10%)
Job position <i>p</i> < 0.001	Unskilled workers (70%), women unskilled workers (85%), skilled workers (63%)	Specialists and auxiliary administrative staff (approx. 40%), managers (approx. 32%)
Level of education <i>p</i> < 0.001	People with education not higher than junior secondary	People with higher education (approx. 19%)
Type of work <i>p</i> < 0.001	Workers doing manual jobs involving physical effort, carrying heavy objects (65%)	Office workers, workers doing jobs involving light physical effort (58–65%)
Caring responsibilities at home <i>p</i> < 0.001	Caregivers of elderly parents, grandchildren (65–75%)	People without caregiving responsibilities (25–35%)

Source: Kryńska, Krzyszkowski, Urbaniak, Wiktorowicz et al. 2013: 169

An investigation into the correlations between the respondents' interest in possibly retiring soon and the selected characteristics of the population over 45 showed that longer working years were mainly preferred by self-employed persons (farmers were the least frequent among them;  $p < 0.001$ ), more frequently by people with employment contracts



(35.3%) than those working under civil-law contracts (27.5%), more frequently by people living in big agglomerations (< 200,000) than rural residents, by better educated persons (including university graduates, of whom 15.7% definitely rejected the possibility of retiring soon), managers (59.6%) and specialists (approx. 45%). For these people higher retirement age is an opportunity to continue employment beyond its present limit. More people doing jobs involving greater physical effort (mainly manual workers) than non-manual workers (e.g. working in offices where little physical effort is required) wanted to take retirement as soon as possible. Physically strenuous jobs typically occur in agriculture, industry, and the mining and metallurgic industry, so respondents representing these sectors were much more interested in taking retirement as soon as they become eligible than were workers in sectors such as “administration and support service activities”, “real estate activities”, “information and communication”, and “professional, scientific and technical activities”, who wished to work additional years (more than 50% of respondents).

**WORKING CONDITIONS SUPPORTING OR DISCOURAGING  
LONGER ECONOMIC ACTIVITY RELATED TO HIGHER RETIREMENT AGE**

According to the survey results, some of the most important factors that could encourage employees aged 45–69 years to work additional years were broadly defined working and employment conditions. People who gave their opinions on the possibility of retiring soon were asked to state the reasons for them (an open-ended question). To sort out the diversity of the reasons, they were grouped using the similarity criterion. An analysis of both positive and negative factors for which people wanted to “liberate themselves” from labour revealed the importance of non-economic considerations, such as satisfaction with work and a sense of occupational fulfilment (53.1% of respondents). These terms were used by the respondents themselves, so they probably knew what the terms meant. Financial terms of employment ranked second (31.5%). Health considerations (“I’m healthy and I can work on”, “I want to work to stay healthy”) and a wish to have a bigger pension in the future were deemed even less important (they were indicated by respectively 18.3% and 18.1% of respondents) (Tab. 3).

**Table 3.** The most frequent reasons for which respondents wished to continue economic activity or to take retirement as soon as possible

<b>Reasons for staying in employment (% of answers in a group of 370 respondents)</b>	<b>Reasons for withdrawal from the labour market (% of answers in a group of 721 respondents)</b>
Satisfaction with work (I like what I do, I fulfil myself in the workplace) – 53.1%	Tiredness with work and life, a need to rest (I won’t achieve more) – 40.6%
Financial terms of employment – 31.5%	Bad health – 34.2%
Social aspects of work (contact with other people, it’s better to go to work than to stay at home) – 22.1%	The job is too difficult, too demanding physically and mentally – 19.7%

Table 3 cont.

Reasons for staying in employment (% of answers in a group of 370 respondents)	Reasons for withdrawal from the labour market (% of answers in a group of 721 respondents)
Health (I am healthy and can continue to work, I want to stay healthy) – 18.3%	Pension (stable source of income, financial stability, I deserve my pension after years of work) – 19.0%
The amount of pension (the pension is too low, I want to have a higher pension) – 18.1%	A wish to spend more free time with family (more free time for myself) – 13.9%
Work-related values meeting other important needs (work makes me feel needed and fulfilled) – 16.5%	Meagre wage, low-paying job – 8.2%

Note: based on free answers given by respondents during the CATI interviews.

Source: based on Kryńska, Krzyszkowski, Urbaniak, Wiktorowicz et al. 2013: 170

As regards factors making older employees less willing to continue employment, the respondents pointed to a mismatch between job requirements and worker's capabilities. If a worker has a physically demanding and stressful job (19.7%) and cannot take another, the wish to leave it behind as soon as possible is quite understandable. Among factors that both men and women mentioned as likely to encourage them to work additional years there were, in addition to higher remuneration (indicated by every fourth man and almost every third woman), a transfer to a less physically demanding job (every seventh/eighth respondent) and shorter working hours (every tenth respondent). Allowing for respondents' profession and gender, the survey revealed that for unskilled female workers a transfer to a less physically demanding job was essential to continue employment, more important than a pay rise or flexible working hours. The expectations of male respondents in all professional groups concentrated around higher remuneration; physically and mentally less demanding and less stressful work ranked lower, alternating with shorter working time and flexible working hours (Tab. 4).

Table 4. Key factors encouraging employees aged over 45 to continue employment after retirement by professional group

Professional group	Females	Males
Unskilled workers $N_K = 46$ $N_M = 31$	transfer to less physically demanding position (41%) better remuneration (37%) flexible working hours (9%)	better remuneration (35%) shorter and flexible working hours (13%) less physically demanding job (10–13%)
Skilled workers $N_K = 157$ $N_M = 326$	better remuneration (43%) less physically demanding job (24%) shorter working hours (9%)	better remuneration (33%) less physically demanding job (21%) shorter working hours (12%)

**Table 4** cont.

Specialists $N_K = 161$ $N_M = 107$	better remuneration (38%) shorter working hours (12%) less stressful job (10%)	better remuneration (29%) less stressful job (18%) less physically demanding job (13%)
Auxiliary administrative staff $N_K = 79$ $N_M = 26$	better remuneration (34%) shorter working hours (19%) less stressful job (10%)	better remuneration (31%) shorter working hours (19%) less stressful job (15%)
Managers $N_K = 32$ $N_M = 30$	better remuneration (41%) shorter working hours (19%) less stressful job (16%)	better remuneration (43%) more convenient organization of work (10%) less stressful job (10%)

Note: Respondents were asked to choose 3 of 10 crucial factors from a list accompanying the closed-ended question, which could make them postpone retirement; the percentages of indications were calculated excluding those answering “nothing can make me stay in employment”.

Source: based on Kryńska, Krzyszkowski, Urbaniak, Wiktorowicz et al. 2013: 172

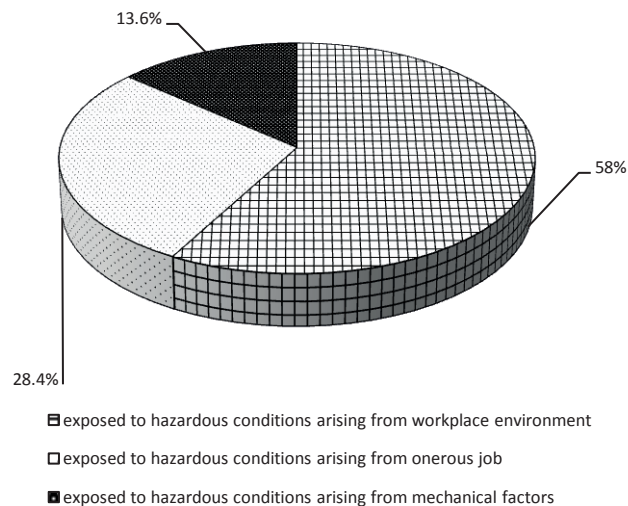
J. Wiktorowicz constructed an analytical model (its parameters were estimated with the maximum likelihood method and then used to construct the logarithmic regression equation) to identify factors encouraging people to extend economic activity. Its results showed, confirming the general line of inference presented above, that a positive attitude to working longer years is (*ceteris paribus*) statistically significantly determined by factors such as gender, the class and size of the locality one lives in (the probability of longer economic activity in rural areas is almost 80% lower than in big agglomerations), the self-assessment of health (people considering their health status to be average are almost three times more probable to extend their economic activity than those perceiving it as poor), and one’s current status in the labour market (the self-employed are twice more probable to have longer working lives than people employed under indefinite employment contracts). Variables such as age, the number of years worked and civic engagement were not found to be significantly correlated with a person’s interest in remaining in employment. This should not be interpreted, however, that the variables do not have any influence on people’s decisions about their employment, but only that their role is secondary (Wiktorowicz 2014: 7–10).

Individuals’ health very clearly determines their capability to work long years, so protecting employees against harmful factors in the workplace is a must. Accordingly, it seems crucial to adapt the physical and organisational requirements of the work setting to the employees’ health and age. Many initiatives addressing health in the workplace have been undertaken, such as *The European Network “Enterprise for health”* which has been established to popularise organisational culture based on partnership and the aspect of health in the workplace. The network is a platform that provides learning opportunities arising from the exchange of experiences to companies that seek to achieve business excellence based on corporate culture emphasizing the prevention of illness and accidents and promotion of health. One of these firms is GlaxoSmithKline, which has formed its own Employee Health

Management service. The corporation does not solely concentrate on the protection of workers' health as it is traditionally understood, but rather pursues a holistic philosophy, such as the biopsychosocial model (Breucker, Kruse and Shwippert 2005: 83).

In Polish firms, the awareness of the significance of working conditions concentrates around compliance with occupational safety and health laws. According to a 2013 survey of working conditions in Poland, 9.34% of all workers, almost one in ten, face workplace hazards (Zakład Ubezpieczeń Społecznych 2014: 204) and every sixth of them is female. Even so, the situation was considerably better than in 1991 when the overall rate was 16.8% (Zakład Ubezpieczeń Społecznych 2014: 204).

Most respondents (58%) were exposed to workplace hazards, which are defined as harmful factors, the concentration or intensity of which exceeds the prescribed standards (Fig. 2). Twenty-eight out of every 1,000 workers worked in onerous conditions (e.g. in a forced posture), did physically strenuous jobs, or worked in conditions that were particularly hard.

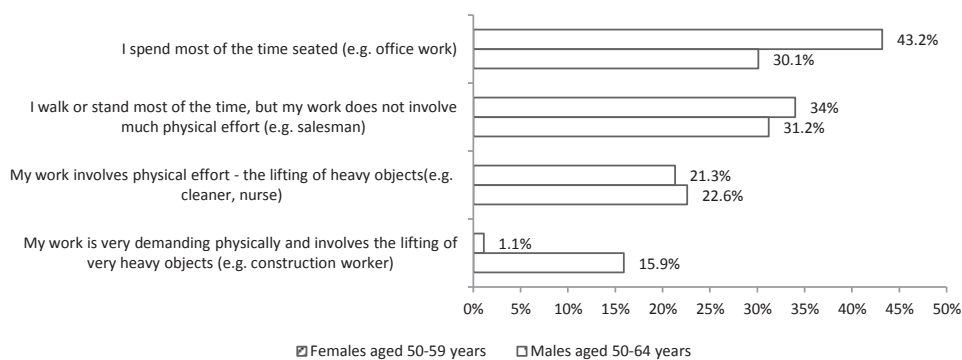


**Figure 2.** Persons employed in hazardous conditions per 1000 employees counted once by predominant hazard in the surveyed establishments.

Source: based on GUS 2014: 176

Onerous requirements of work should be gradually eliminated and particularly older workers, who because of their age have to overcome more problems to perform as well as their younger colleagues, should be protected from them. The unavailability of jobs needing certain requirements and of a character which would make them appropriate to people over 50 may effectively decrease the probability of continued employment of people approaching the retirement age.

In a survey that the University of Lodz conducted in 2012 for the *Diagnosis* project, respondents were asked to indicate which of the four descriptions of working conditions accompanying the question most accurately described their current situation in the workplace. According to the results, 15.9% of men aged 50–64 years did onerous, physically demanding jobs, for instance involving manual transportation of very heavy objects (construction workers *etc.*); fortunately, this only concerned a small percentage of women aged 50–59 years (1.1%) (Fig. 3). More than one-fifth of the surveyed workers stated that some of their workplace duties required them to carry heavy objects (cleaners, nurses). That a mismatch exists between job requirements and the capabilities of aging workers was confirmed by employers who admitted to giving strenuous jobs to pension-entitled workers (6.7% of employers).



**Figure 3.** The character of work done by women (N = 309) and men (N = 363) aged 50–59/64

Note: respondents were asked to indicate which of the descriptions attached to the closed-ended question corresponded to their present work.

Source: based on Kryńska, Krzyszkowski, Urbaniak, Wiktorowicz et al. 2013: 79

The findings show that the well-matching jobs might be a key factor in encouraging people of peri-retirement age to extend their careers. The factor is one of three predictors of employee embeddedness in the organisation provided in the theory of employee embeddedness. The theory highlights on-the-job factors and off-the-job factors: 1) links to other people, teams, and groups, 2) perceptions of their fit within the job, organization, and community and 3) beliefs about what they would have to sacrifice if they left their jobs (Mitchell et al. 2001: 8–9, Young et al. 2013). “Fit” is defined as an ‘employee’s perceived compatibility or comfort with an organization and with his/her environment’ (Mitchell et al. 2001: 9). At least for some older workers the last aspect may be a source of dissatisfaction making them more willing to leave the organisation. The feeling of loss caused by a departure from the organisation is related to the motivation system. A study conducted by Morgan, Dill and Kalleberg has shown that both intrinsic (e.g. meaningful tasks) and extrinsic job characteristics (wages and benefits *etc.*) are significant predictors of satisfaction with meaningful job tasks, but only extrinsic

characteristics help explain intent to stay with the employer (Morgan, Dill and Kalleberg 2013). The low-quality jobs that usually pay low wages are not attractive enough to keep older workers in employment, even if the tasks they involve are meaningful.

Relatively, many of the 710 surveyed employers admitted that their employees over 50 worked in the field (42.4% of employers), worked overtime (16.7%), worked on night shifts (9.6%) or in a three-shift system (2.2% of employers). These organisational demands are not friendly to ageing workers. Telework would be a more convenient solution for them, but its popularity in Poland is limited: only 1.5% of employers had teleworkers over 50 among their personnel.

A match between job requirements and worker's capabilities is an aspect to be considered by HR managers engaged in creating satisfaction with work, because the contents of a job, the tasks it involves, and working conditions form a set of key organisational factors that combined with personal and social determinants influence employees' satisfaction with work (Juchnowicz 2014: 20). Further, satisfaction with work<sup>1</sup> and good workplace experience decide whether people will want to stay occupationally active. When these are absent and external pressure caused, for instance, by a retirement age increase make continued employment a necessity, stress and negative emotions are likely to appear. Making workers more content with their jobs is therefore a way to create company value or its intellectual capital, but also a condition for further occupational activity of a greater group of people over 50 expected with the increase in retirement age. The opinions of respondents surveyed during the *Diagnosis* project about their satisfaction with working and employment conditions (remuneration, working hours, the type of job done, etc.; evaluations were made using a 5-point Likert scale) showed that for both men and women the most satisfying were their relations with other workers (approx. 30% of the respondents were very satisfied). As could be expected, the deepest dissatisfaction was expressed over remuneration/income (44% of women and 32% of men were either "very" or "rather" dissatisfied), but also over the organization and physical demands of work (15–16%); other aspects of working and employment conditions did not stir such strong emotions in the respondents.

Large organisations with relatively diverse structures will probably not have a problem finding jobs matching the capabilities of their aging workers or with adapting their existing ones. The situation of micro firms may be different, however, for a simple reason: the lack of more appropriate jobs for older workers. Employers face the dilemma of how to keep older workers until retirement when jobs matching their capabilities are few. Poland has no organisations that could help employers manage their aging workforce. Leaving them to their own resources makes it more probable that more workers over 50 will be dismissed, who stand practically no chance of finding another occupation

Surveys conducted for the *Diagnosis* have shown that employers are not very willing to implement some selected changes to facilitate the work of people at retirement age and thus to extend their employment (38.5% of employers in the public-sector and 41.8% in the

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<sup>1</sup> Satisfaction with work is understood broadly, in line with the definition introduced by Locke (1976: 1304), as a general state of satisfaction caused by one's positive feelings about work, a belief that the work-related matters in the company are promising and problems are manageable (Saari and Judge 2004: 396).

non-public sector rejected this possibility). Those who intended to make some adaptations in the work environment represented mainly macro organizations with more than 250 employees (only one-fourth of them rejected this possibility). Negative attitudes to changes were mainly shown by micro employers with 0–9 employees (42.1%).

These results show that managers are rather uninterested in making working conditions appropriate for an aging workforce.

Among all the factors identified in the *Diagnosis* as making people extend their working lives (regardless of the weights the respondents gave to them), pay rises ranked the highest (50% of answers), followed by workplace-related factors such as a lower number of working hours (24%), transfer to a physically less strenuous job (23%), flexible working hours (20%), more convenient organization of work (15%), a transfer to a less stressful job (14%) or a mentally less demanding job (7%), adjustment of the work area to the needs of older workers (12%), and the provision of special equipment (9%). Importantly, every fifth respondent aged 45–69 years was of the opinion that nothing could make them continue employment once they become eligible for retirement; men over 50 expressed the opinion less frequently than the younger ones.

## PRIMARY AND SECONDARY LABOUR MARKETS FOR PEOPLE OVER 50

The possibility of people over 50 working additional years because of institutional changes in the Polish pension system increases the risk that the labour market division into primary and secondary will become more distinct. The group of older employees whose unique competencies make them more difficult to replace by younger people will have better employment opportunities. They will seek personally satisfying jobs that will also give them an opportunity to augment their future pensions. There is, however, a substantial risk that both formal and informal labour markets with rather unattractive and relatively low paying job offers for people who will have to work over the next years of their lives will appear. This prediction seems justifiable considering how the situation of people over 65 developed in the UK and the USA.

The British studies show that because of political correctness employers are verbally quite enthusiastic about having an age-diverse workforce, but in practice they choose younger workers, preferably those aged 35–49 years (Loretto and White 2006: 319). Older workers get jobs that the younger ones turned down for various reasons. This leads to the emergence of age-segmented labour markets, a trend similar to that which caused some labour markets to be predominantly male or female. Will, therefore, the older worker labour market be one offering low-skill, low-responsibility, and low-paid jobs giving slim chances for career development, with part time-jobs performed based on civil-law contracts? Will people who used to have good jobs in their prime age have, because of their older age, access only to jobs that will be much below their expectations and capabilities? In other words – is a precarious labour market the future of Polish pensioners? This already happened in the UK and the USA with respect to workers who turned 66 years old. With all the benefits of diversity management in the workplace, and thus of having older workers, there are many signals implying that older,

aging employees will gradually move to the secondary labour market to carry out occupations that Lain has called “lopaq” (Lain 2012: 79).

“Lopaq” jobs are low-paying, part-time jobs involving relatively simple skills and engaging the worker at different times of the day and week. The term involves uncertainty, but it should not be associated with the newly emerging social group called the “precariat” as Standing understands it (Standing 2011: 18–19). Standing classifies the society into five relatively capacious social strata. The precariat forms the bottom stratum consisting of disoriented members of the public, angry, anxious and alienated. That older employees take “lopaq” jobs should not be interpreted in terms of Standing’s social stratum, who associates worse jobs with the emergence of a new social stratum, the precariat.

The demand for odd jobs done based on civil-law contract labour and involving few working hours results from the flexibility of labour markets, whereas supply is driven by the weakness of human capital, which characterises a large part of older workers. These differences in the supply and demand for older employees refer to the concept of two queues in the labour market that lead to occupational stratification (Reskin and Roos 1990: 29). One queue consists of employees arranged by their attractiveness for employers and the other is formed of job offers that potential employees rank by their desirability. Job-seekers are intent on maximising the utility of attractive incomes and seek jobs involving development potential and social status, autonomy, security of employment and safe working conditions. As a result, the queue gets reshuffled. Those who are not lucky enough to find jobs that offer the best personal benefits will be left with lopaq jobs. This will be the group of people with the lowest human capital. The tails of the queues will respectively consist of lopaq jobs and job-seekers that are the least attractive to employers. The problem is that employers assign older employees to positions in the queue behind the “prime-age” employees (for instance, older employees have longer periods of unemployment only on account of their age and not their skills). At the same time, the expectations of work that older employees formed in their prime age years are relatively steady. As a result, a gap between the expectations of the two parties appears (Gobeski and Beehr 2009).

Lain’s stratification of occupations for labour markets in the US and UK shows that lopaq occupations fall under broadly defined services (including sales jobs) and simple jobs, such as those done by waiters and waitresses, housekeepers, and social workers (Latin 2012: 81). The category of lopaq occupations is fairly capacious and many older and young people would like to do them. Competition causes them to be available only to the best candidates. Which jobs are considered lopaq varies between countries, so in Poland their set may differ from those in the USA or UK.

## CONCLUSIONS

This article provides an analysis of factors influencing the interest in continued employment among people of pre-retirement age. The outcomes of the survey and the available literature point out that the Polish pension system reform which raised the retirement age may increase employment of people over 50 but will also lead to the emergence of an age-segmented



labour market where many of them will have jobs in the secondary labour market. Much of the reluctance that some people in this age group feel towards continued employment comes from a mismatch between the conditions in which they work and their capabilities, as well as from their concerns that the situation will not change despite their growing old. Working conditions have been improving in Poland, but some older workers are still forced to carry heavy objects at work. The raising of the retirement age to 67 years for both men and women (the lynchpin of the pension system reform of 2012) is expected to ease financial pressures on the social pension system, as pension payments will be postponed until later years. A silent assumption is that because people will have to work beyond 60 years of age, the social pension fund will be longer supported by their contributions. This is the weakest link in the reform design, because the probability of older employees wishing to stay in employment without additional efforts being made to upgrade their working and employment conditions is low. The findings presented in the article support the initial hypothesis that for the retirement age of 67 years to increase, employment among older people in Poland working conditions must improve. Many of them will, regardless, have to seek jobs in the secondary labour market with low-paying jobs and uninviting working conditions that will deepen their frustration. Because of the generally difficult situation in the labour market and high unemployment, others may choose economic inactivity or jobs in the grey economy until they become eligible for partial pensions that the reform has granted to women aged 62 years and men aged 65 years. The probable impacts of the reform go beyond the labour market alone. As they are likely to increase the pressure on social welfare spending, they will affect the resources of the social insurance system in the first place.

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PRZEWIDYWANY WPLYW REFORMY EMERYTALNEJ NA RYNEK PRACY W POLSCE

Efektom zmian systemów emerytalnych, których celem jest podwyższenie wieku emerytalnego oraz akcentowanie indywidualnej odpowiedzialności za wysokość wypracowanych dochodów emerytalnych są przeobrażenia na rynku pracy. Celem artykułu jest analiza czynników przymusu i zagrożenia mających wpływ na kontynuowanie pracy zawodowej przez osoby, które przekroczyły 50 rok życia, a nawet te w wieku powyżej 45 lat. Przedstawiono założenia reformy emerytalnej w Polsce i jej potencjalny wpływ na zainteresowanie dłuższą aktywnością zawodową w ciągu życia. Przyjęto założenie, że możliwość utrzymania w zatrudnieniu starszych pracowników wiąże się z koniecznością poprawy warunków pracy; wypowiedzi badanych starszych pracowników i ich pracodawców wskazywały bowiem na brak należytej wrażliwości na dostosowanie warunków pracy do możliwości starzejących się pracowników. Negatywny scenariusz przewiduje rozwarstwienie zatrudnienia i segmentację rynku pracy według wieku, skutkującą wyłonieniem się segmentu prac niskokwalifikowanych, niepewnych, w niepełnym wymiarze czasu pracy jako alternatywy zatrudnienia dla znaczącej grupy osób, które przekroczyły 50 lat. W pracy wykorzystano wyniki badań przeprowadzonych przez zespół Uniwersytetu Łódzkiego w ramach projektu finansowanego przez Europejski Fundusz Społeczny pt. *Diagnosis of the current situation of women and men over 50 on the labour market in Poland*.

Słowa kluczowe: wiek emerytalny, starsi pracownicy, reforma emerytalna