

## DOES THE POLISH PENSION SCHEME TO PREVENT POVERTY IN OLD AGE?

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### **Abstract:**

Due to demographic aging of the society, the Polish pension system is subject to continuous changes. A profound reform introduced in 1999 caused that the modern pension system became a tool for allocating income in the life cycles of individuals (consumption smoothing) rather than a way of financing aging. This change in the pension formula from the defined benefit to the defined contribution makes the amount of pension dependent on earnings from the whole period of professional activity.

However, it does not guarantee social security at an adequate level (fair and decent). The main purpose of this study is to evaluate the Polish pension scheme in terms of one of its most important functions, i.e. protection against poverty. Additionally, it aims at investigating the grounds to introduce new solutions in the form of so called tax-funded zero – pillar. The following research hypotheses were subject to examination; H1: A minimum pension guaranteed by law does not provide Polish old-age pensioners with a sufficient level of protection against poverty. H2: There are conditions in Poland to introduce so called the zero-pillar into the public pension scheme, which will protect the elderly in a more effective way. The research methods used included a review of subject literature and an empirical analysis of statistical data. The research findings show that the reformed pension scheme in Poland does not protect all pensioners against poverty.

The statutory guarantee regarding a minimum pension provides social security only for employees with a minimum insurance period (20 years for females and 25 years for males). Persons who do not fulfill this condition are entitled to receive a calculated amount of social security compensation even though it is lower than a minimum pension guaranteed by law (pittance pensions). Therefore, there are conditions to introduce an additional zero-pillar, addressed mainly to persons achieving low earning through all their lives (lifetime poor) as well as those with longer employment breaks related to illness, long-term unemployment, child caring, etc.

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