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HOW DOES THE PENSION SYSTEM IN POLAND PREVENT OLD-AGE POVERTY?

Abstract:

The old-age pension systems are the largest component of social protection and pursue a variety of social goals. This paper focuses on old-age poverty protection as the key aspect of the adequacy of pensions. The main purpose of this work is to assess, whether the Polish pension scheme provides sufficient protection against income poverty for future pensioners? The following hypothesis was verified: institutional solutions in the current Polish pension scheme will not provide sufficient protection against poverty for all future pensioners. The research methods used included a review of the subject literature and an empirical analysis of statistical data.

The research findings show that the statutory pension scheme in Poland does not protect well all future pensioners against income poverty. Transition to pensions based on lifetime contributions will lead to lower adequacy and an increased risk of poverty among elderly population. A minimum insurance period of 25 years for men and 20 years for women is required to obtain the right to a guaranteed minimum-pension. Persons, who do not meet this condition receive extremely low pensions (so-called penny pensions). Unfortunately, their number is still growing. Therefore, further changes in the pension system are advisable.

Keywords:

public pension system, pensioner, poverty, demographic aging, replacement rate

JEL Classification: H55, I32, I38