

Reforms, challenges and social policy options for Poland

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Recent reforms and the current situation in Poland

Poland had very significant public spending for sickness and disability benefits in the early nineties. There were many reasons of this. In the early nineties, because of a poor situation in the labour market and a high rate of unemployment, many people applied for disability pensions which were perceived as an alternative to unemployment benefits. An increase in the number of pensioners was also a result of a disability evaluation system, based on the definition of invalidity, in which great importance was attached to a biological factor instead of incapacity to work. Very important was the social belief that people in Poland should stop working much earlier than the age for entitlement to an old - age pension according to law, as well as a low approval for work performed by elderly people. In order to improve the control of expenditures for health-related benefits, Poland became involved in reforms towards the end of the nineties. These reforms were characterised by attempts to tighten the entitlement conditions for benefits while at the same time to strengthen the focus on returning to the labour market. The first part of the reforms involved a major change to the disability assessment procedure which was brought into force on the 1st of September 1997. An assessment of disability for non – insurance purposes was separated from incapacity to work assessment. The latter is functioning in the Polish Social Insurance Institution (ZUS) and, in the case of farmers, the Polish Agricultural Social Insurance Institution (KRUS). Disability assessment teams, functioning at the level of local authorities, certify disability for non – insurance purposes.

Evaluating doctors working in the Polish Social Insurance Institution apply a definition of incapacity to work and inability to the most basic daily activities. Incapacity to work can be partial or total. The partial incapacity to work is a disability that decreases the worker's ability to perform her or his occupation - to a considerable degree. The total incapacity to work is a disability that absolutely limits a worker from performing the basic skills of any profession or trade. Finally, inability to perform most basic daily activities is a disability which requires care from a third person for the most basic daily activities, such as getting dressed, eating, washing etc. The main rule is certification for a definite period of time, which means for 5 years. After that time, if a worker applies for a disability pension, another medical evaluation is needed. Exceptions refer to the diseases which cause permanent inability to work and cannot be cured, according to current medical knowledge. In order to get people with health problems to return to the labour market, a new kind of benefit - a training pension – was introduced. That pension is paid when a disability limits the worker from performing all the primary tasks in his or her profession, but the worker is able to take up a different profession after a suitable amount of training. The pension is paid when the pensioner participates in the training, but for no longer than 3 years. Its amount is at such a level that should be an incentive to train. Local labour offices are responsible for re-qualification programmes. Their obligation is to organise suitable trainings and courses.

Apart from vocational rehabilitation, the Polish Social Insurance Institution offers medical rehabilitation for people with health problems. This rehabilitation should help them stay in the labour market, it concerns cardiological diseases, movement system disorders, respiratory

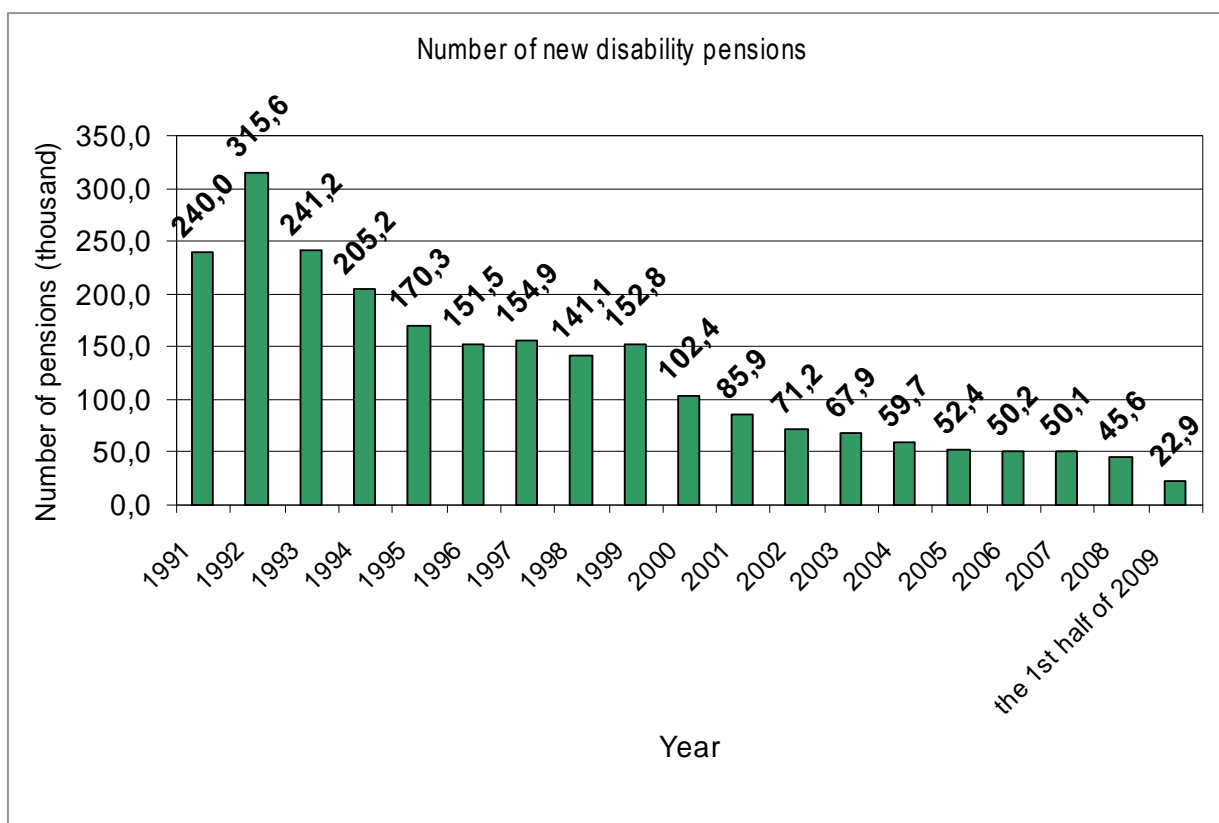
diseases and some mental disorders. These groups of diseases are the most frequent reasons for incapacity to work in Poland. Evaluating doctors in ZUS examining the person who applies for benefit are obliged to refer him or her to rehabilitation according to medical orders. Insured people or their attending doctors can also apply for medical rehabilitation in ZUS at any time.

According to a legal article which came into force in 2005, a disability pension is automatically converted into old-age pension when the pensioner reaches statutory retirement age.

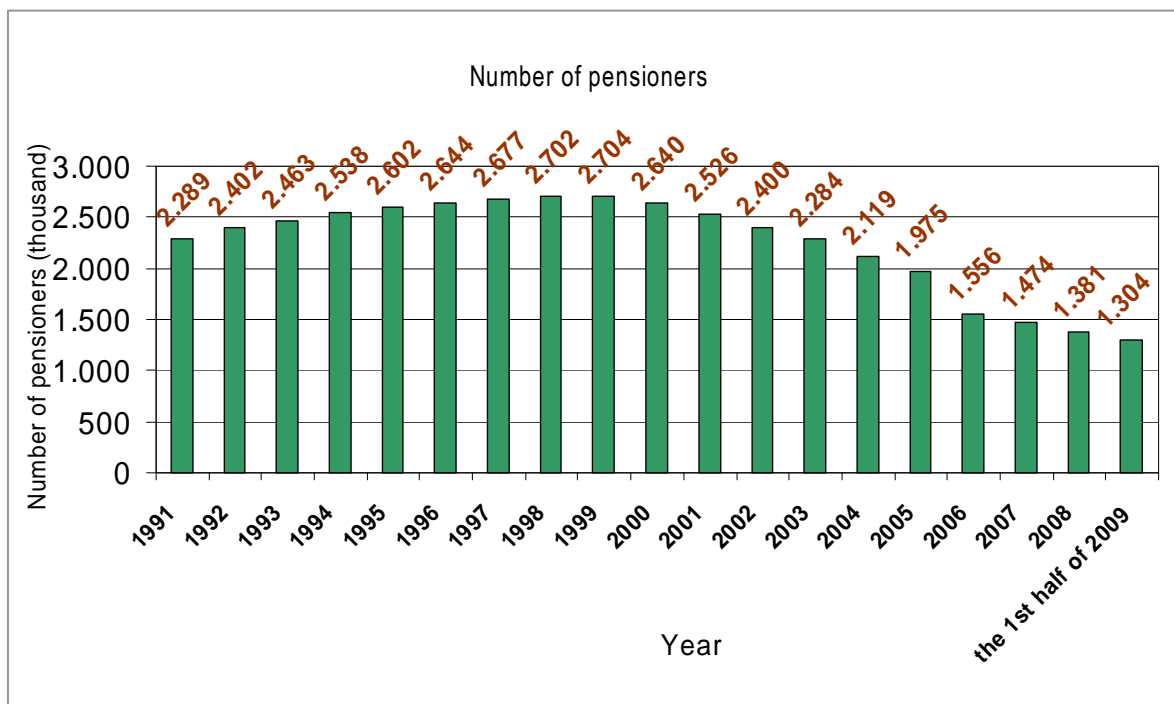
A very important factor for the control of expenditures for insurance benefits was the introduction of control of sickness benefits in 1999. ZUS authorizes doctors working in the healthcare system to issue sickness absence certificates, being a base for sickness benefits. Evaluating doctors can control GPs decisions in this regard, examining people on sick leave. In cases, when the examined person can get back to work earlier, ZUS stops paying the sickness benefit. ZUS can take the authorization back for 12 months if a doctor makes a serious mistake in issuing sickness absence certificates.

Results of reforms and new challenges

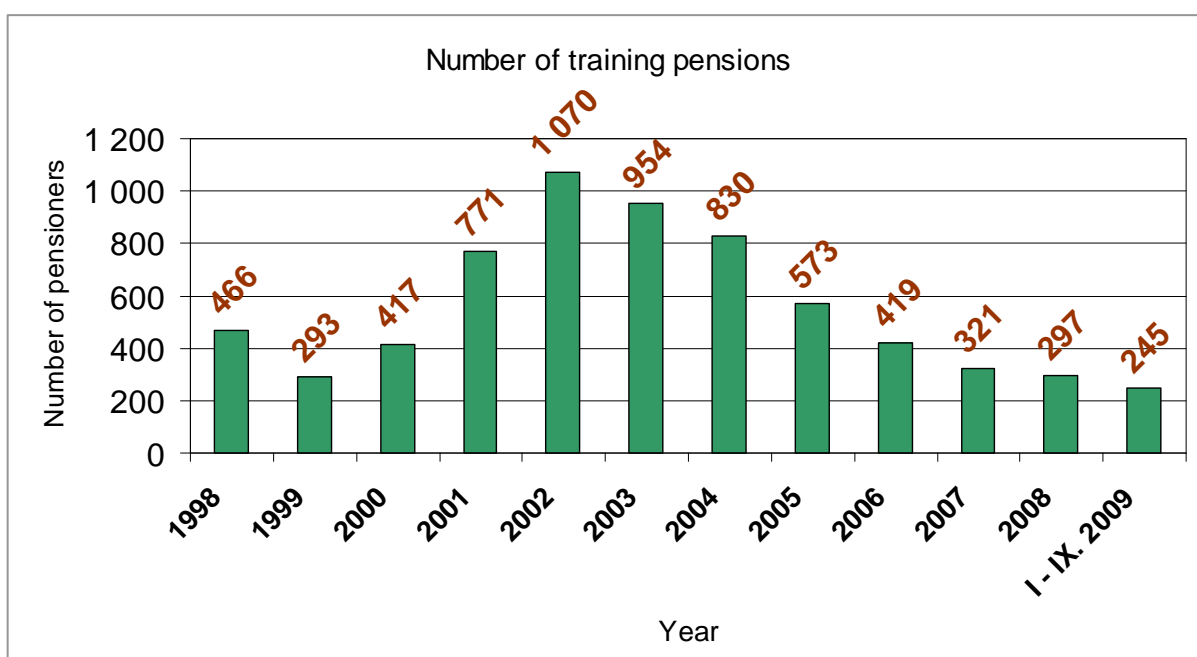
Reforms introduced in 1997 resulted in very rapid decline in benefit inflow rate – by more than 50% in over just 6 years.



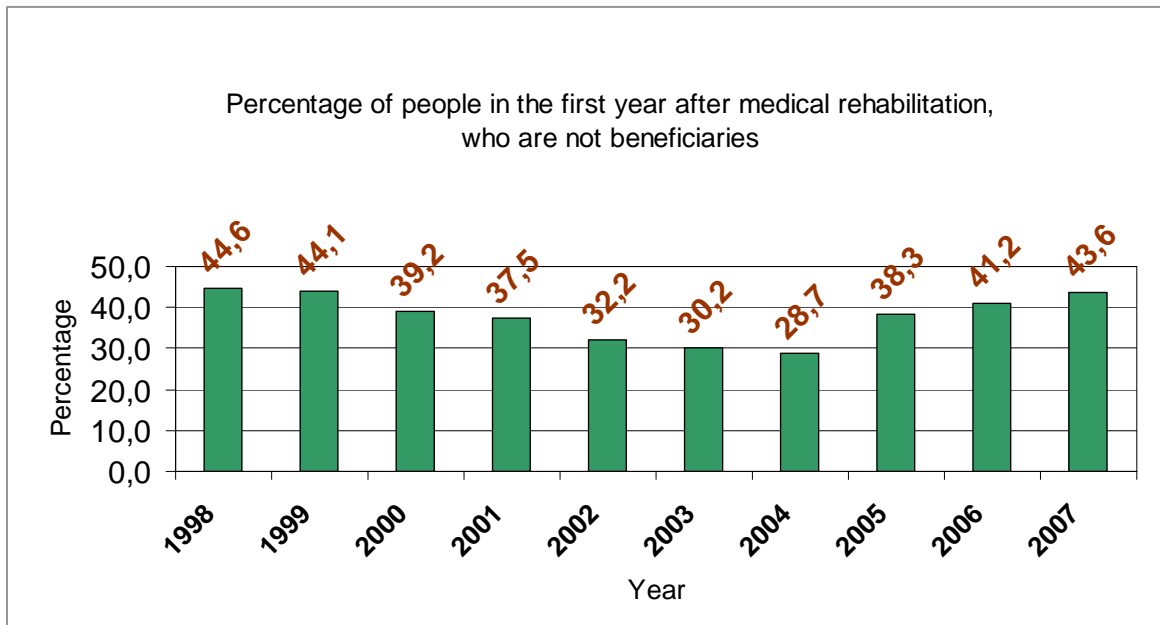
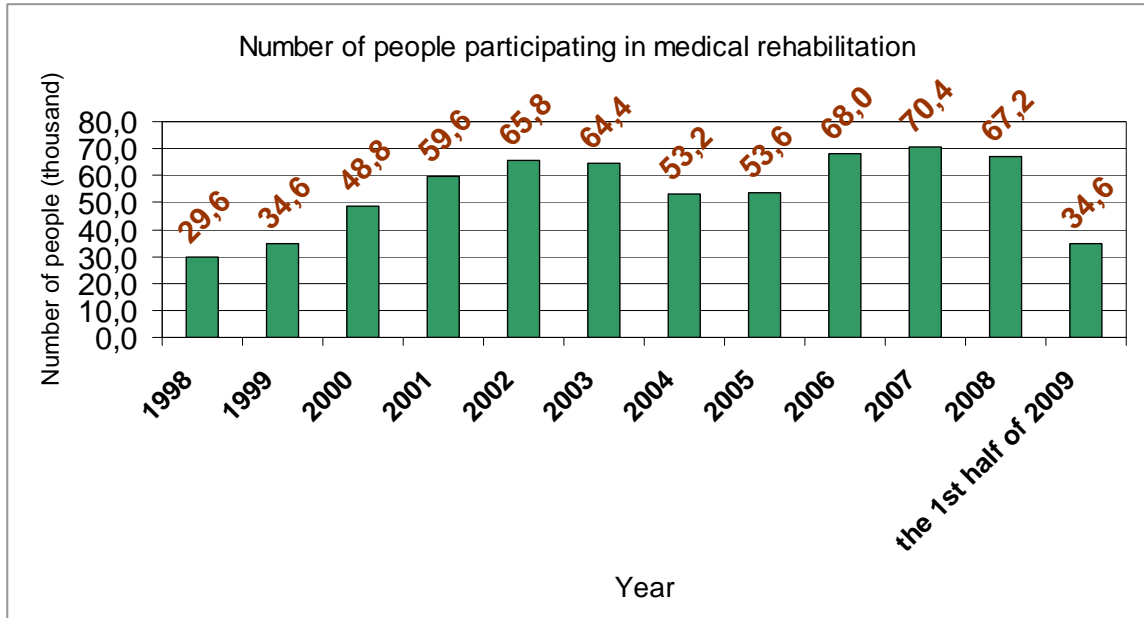
Outflow rate from disability benefit is high – number of pensioners decreased by about 50% over 10 years.



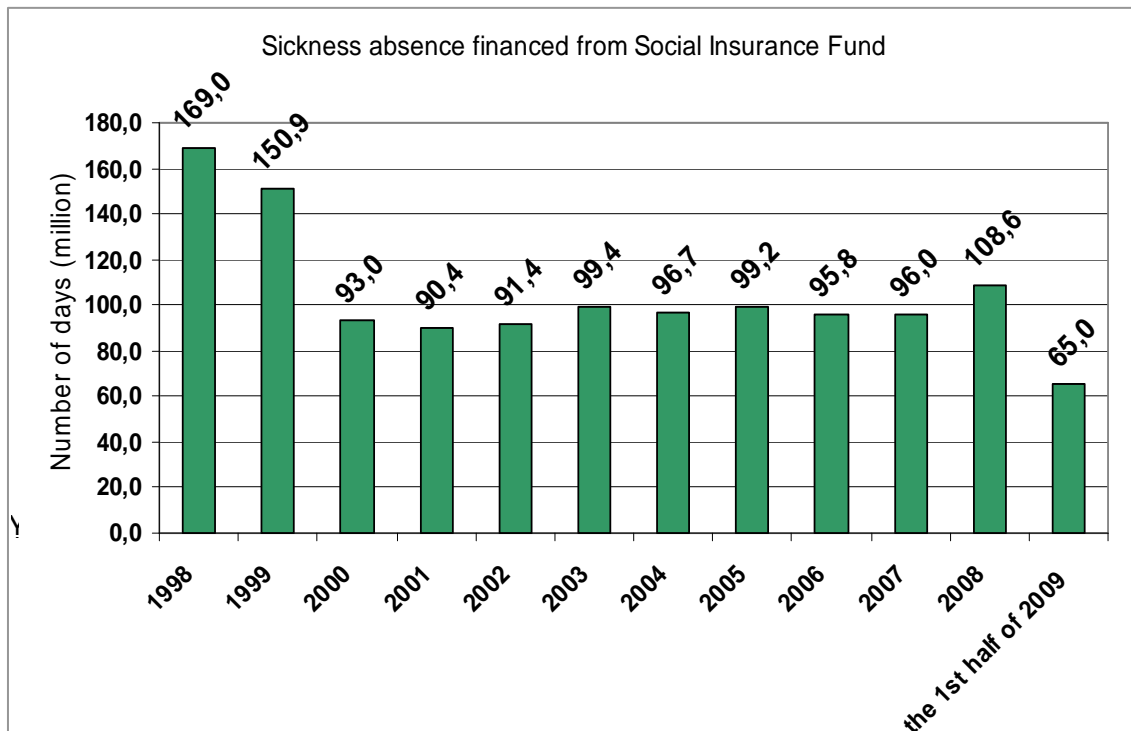
Unfortunately, Poland was not successful in vocational rehabilitation. This is related to supply – side constraints, as few suitable programmes are being offered by labour offices. In addition, the voluntary nature of this programme results in few people being interested in participating. As a result, the take-up of vocational rehabilitation is practically nil.



Medical rehabilitation has very positive effects. In recent years about 70 000 people participate in this form of rehabilitation annually. The role of medical rehabilitation will increase together with the workers ageing process.



Control of issuing sickness absence certificates, introduced in 1999, has led to a decline in absenteeism.



Problems with calculation of disability pension

The disability pension is granted to an insured person who meets all of the following conditions: he or she is regarded as incapable to work, has completed the required contributory and non-contributory periods and the incapacity for work have occurred in contributory and non-contributory periods given by the law, but not later than within 18 months after the cessation of these periods.

Condition of completed required period is met if an insured person has completed contributory and non-contributory period totally at least:

- 1) 1 year – if incapacity to work has occurred at the age before of 20;
- 2) 2 years – if incapacity to work has occurred at the age from 20 to 22;
- 3) 3 years – if incapacity to work has occurred at the age from 22 to 25;
- 4) 4 years – if incapacity to work has occurred at the age from 25 to 30;
- 5) 5 years – if incapacity to work has occurred at the age from 30.

The 5-year period of employment - required from a person, whose incapacity to work has occurred at the age from 30 - has to be completed during the last ten years before claiming the disability pension or before occurrence of incapacity to work.

The amount of disability pension in respect of incapacity to work depends on the length of contributory period and on the amount of the salary. The length of contributory period is consisted of periods of paying contributions on social insurance (contributory) and non-contributory periods, but contributory periods for disability pension calculation are better treated.

So far the algorithm of disability pension calculation has not changed, which was a condition of finishing the reform of pension system. Leaving the reform in this scope may mean that in the future most of the people before retirement age - will be applying for a disability pension, because disability pension may be higher than old-age pension and it will change into ex officio old-age pension to persons who have reached the retirement age.

There is a limit of monthly income for people entitled to disability pension, which is related to average month salary. People who earn below 70% of average month salary receive full amount of disability pension. For those who earn between 70% and 130% the amount of disability pension is decreased. In case of the income above 130% - the disability pension is suspended.

Conclusions

1. The system of vocational rehabilitation needs to be strengthened through supplying high-quality services and a more individualized approach in providing these. Some elements of obligation should be introduced, e.g. in the form of moderate benefit reductions for people refusing to participate in vocational rehabilitation.
2. Incentives for permanent education are needed. Workers should have opportunities to learn all their professional life. In this way the person can adapt more easily to the changing requirements of the labour market.
3. Flexible forms of work should be promoted (flexible working hours or part-time work). This can be an incentive for disabled or elderly people to remain in the labour market for a longer period.
4. The objective of public institutions should be overcoming stereotypes among employers regarding the lower efficiency of disabled and elderly workers.
5. The abolition of limits in earnings for disabled people should be introduced since these limits discourage people from returning to work.
6. Reform of the social insurance system should be completed by introducing a new method of calculating disability pensions.