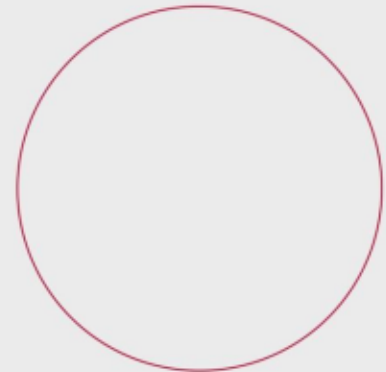


WILL THE POLISH PENSION SYSTEM GO BANKRUPT?

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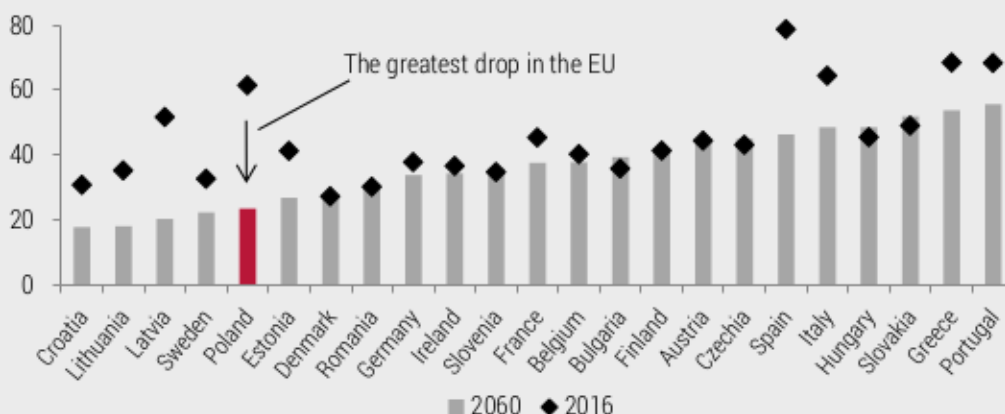
Main message

Despite the projected rapid ageing of the population in the coming decades, the Polish pension system will remain solvent. Until 2060 pension expenditure, as a percentage of GDP, will remain at the current level. The most important factor that will reduce the impact of demography on pension expenditure will be a drop in pension benefits (relative to salaries). The consequence will be an increase in relative poverty among the elderly, and at the same time a growing pressure to raise benefits. Public policy can respond to these challenges in three ways: a) by freeing the system's parameters (retirement age, the minimum pension) from being a factor in current political decisions; b) by supporting longer participation in the labour market; and c) by encouraging people to save for their retirement outside the main pillar of the system. But public policy in Poland is currently heading in the opposite direction. Factors such as the retirement age, the quality of healthcare, and the availability of early childcare are not conducive to greater participation in the labour market. In turn, voluntary systems (Employee Capital Plans, Individual Pension Accounts, Individual Pension Security Accounts) do not guarantee payment of benefits up to the death of the insured person, and therefore do not create pension savings *sensu stricto*.

Key facts

- **68** – the number of people aged 65+ per 100 working-age people (aged 15 to 64) in Poland in 2060. Currently, this number is about 25.
- **11% of GDP** – pension expenditure in Poland. According to the European Commission's forecast, this figure will remain at this level until 2060.
- **24%** – the average pension replacement rate in Poland in 2060. In 2016, this figure was 61%. Poland will record the greatest drop in the average replacement rate among all EU countries.
- **2/3** – the proportion of pensions which in 2060 will account for minimum or lower pension benefits with the retirement age at 60/65. With the retirement age at 67 for both sexes, the ratio will be around 1/4.

By 2060 Poland will witness the greatest drop in the replacement rate in the EU
Replacement rates in EU countries – 2016 vs 2060



For source information and comments on the diagram, see the note under Figure 4 on page 5.