

## **OAPS' ACTIVITY IN THE LABOUR MARKET IN THE CONTEXT OF SURVEY RESEARCH**

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**Abstract.** A great deal of attention has been paid in recent years not merely to young people's activity in the labour market, but also to the vocational involvement of elderly people. The traditional attitude towards the contemporary labour market results from the social and economic transformation, but also demographic changes and, the process of population ageing. It is thus a vital issue. A growing number of elderly people contributes to the increase in the number of beneficiaries, which is reflected in lower labour force participation and, consequently, may lead to a deterioration of production capacity of economy. On the one hand, higher pensions may be viewed as higher incomes of pensioners, but on the other hand, they constitute an extra burden for public expenses. Conversely, lower pensions may not merely result in increased activity in the labour market and higher incomes, but also be linked with an increase in social welfare expenditure. The article discusses the results of survey research conducted between 2009 and 2010 in a group of pensioners. The research shows that over a half of the surveyed OAPs were active in the labour market and their activity was mainly induced by their financial situation.

**Key words:** OAPs' activity in the labour market, retirement decision, pension

### **INTRODUCTION**

The changes observed in the Polish labour market are a consequence of economic transformation, i.e. moving from the system of centrally planned economy to a system of free market economy, but also stem from globalisation and integration. Demographic problems and particularly ageing society also result in a number of social and economic consequences influencing attitudes towards the contemporary labour market. The de-

cline in the number of births and the increase in life expectancy have become the topic of a number of debates on the socioeconomic situation of a number of countries. The growing number of elderly people results in the increase in the number of beneficiaries which, in turn, is reflected in the number of active participants of the labour market and thus may result in a decrease in the production capacity of economy.

Higher pensions do not merely mean higher incomes of pensioners, but also increased budget expenses. Conversely, lower pensions may on the one hand be viewed as an encouragement for elderly people to re-enter the labour market and an incentive to look for additional sources of income, but on the other hand – as a phenomenon resulting in higher social welfare expenses. Improper construction of pension scheme results in an increase of tax burden for the employed, whose number is declining due to the decline in the number of births.

In order to limit public expenses on pensions in Poland and mitigate the financial burden resulting from the phenomenon of ageing society, i.e. the so-called *pension time bomb*, a reform of the national pension scheme was introduced in 1999. The new pension scheme was expected to bring various pension privileges to an end and limit the possibility of early retirement. It was also supposed to favour activity in the labour market as the amount of pension was linked with the amount of financial means accumulated in the period of professional activity.

Despite its reform, the pension scheme is still exposed to various demographic, economic and system risks. Therefore, it is essential to conduct thorough studies of the pension scheme, especially in the context of the national financial situation and its influence on the professional activity of not only prospective pensioners, but also pensioners as such. This issue is particularly important in the context of high costs tackled by the employed due to the increasing number of elderly people.

The aim of this paper is to characterise the studied pensioners who re-enter the labour market and to identify the underlying factors of this process.

## DATA AND RESEARCH METHODS

The survey research was conducted in a group of 350 pensioners in the area of Wielkopolskie voivodeship in 2009 and 2010. The aim of the research was to define the level of pensioners' vocational activity as well as to identify respondents' opinions concerning the factors influencing re-entering the labour market. The sample was selected by means of purposive quota sampling. The main criteria of selection were the kind and source of the received pension (pension payer). Sampling was conducted basing on the population structure and according selected demographic features such as sex, education and residence. Women constituted 60% of respondents, which reflects feminisation in older groups of society. Nearly 70% of respondents had vocational or secondary education, which was followed by 16% of respondents possessing a university degree and 14% having only basic education. Over 60% of the questioned pensioners were inhabitants of urban areas and thus 40% of respondents were inhabitants of rural areas.

The statistical tools which were used for empirical analysis was the  $\chi^2$  test for independence and correspondence analysis. The  $\chi^2$  test for independence is one of the most commonly used tools which allow to detect interdependence between two variables X and Y measured at a low level of measurement.

Null hypothesis in this test,  $H_0$ , assumes that the variables  $X$  and  $Y$  are independent while the alternative hypothesis,  $H_1$ , assuming that the variables  $X$  and  $Y$  are not independent. The  $\chi^2$  test of null hypothesis of asymptotic distribution with  $(w-1)(k-1)$  degrees of freedom, where  $w$  means the number of rows and  $k$  means the number of columns in the initial contingency table. The null hypothesis should be rejected in this test if the value of the test statistic  $\chi^2$  is equal or greater than the critical value assuming a certain level of statistical significance,  $\alpha$ , and a certain number of degrees of freedom. From the practical point of view, the decision to reject the independence hypothesis of the studied variables in favour of the alternative hypothesis assuming the existence of interdependence is made basing on comparing the assumed significance level  $\alpha$  with the so-called p-value returned by statistical software [Statystyczna... 2009]. This tool has been used in the present paper in order to check whether OAPs' opinions differ depending on the selected demographic variable such as education and place of residence.

Correspondence analysis is a statistical method of multidimensional analysis which allows to analyse the data measured on weak measurement scales. It aims to link the categories of nominal variables included in the contingency table in common space, usually in two or three dimensions, as the so-called perceptual map. Correspondence analysis has numerous applications, including sociology, psychology, biology, medicine and economic research [Metody... 2004]. It was used in order to create bi-dimensional perceptual maps showing the interrelations and dependencies between the two variables analysed in course of the survey research.

## RESEARCH OUTCOMES

Respondents first used their pension right relatively early. The average retirement age amounted to 58.6 years. Retiring immediately after reaching the retirement age depends on a number of factors. These can be divided into individual, external, subjective, organisational and systemic factors. External factors include changes in legal regulations, situation on the labour market and working conditions. Subjective factors are connected with a given employee's characteristics, e.g. their education, specific job and the financial situation of their household. Organisational factors result from the atmosphere and specifics of workplaces (e.g. safety, discrimination) while systemic factors result from social, normative and economic conditions (e.g. labour costs, working conditions in the labour market) [Liwiński 2008, Szanderska 2008, Mongelli 2012].

Using one's right to retire does not necessarily mean bringing one's professional activity to an end, but it certainly does allow an OAP to receive a pension while still being professionally active. Consequently, pensioners enjoy greater income safety. Among the surveyed pensioners, 56% were professionally active while receiving pensions, while over two thirds of pensioners worked between two and five years and one third remained active for six to ten years or for shorter than one year. Re-entering the labour market was mainly the case of inhabitants of urban areas (66%) and pensioners with secondary education (38%).

Active participation of elderly people in the labour market can be interpreted as a sign of their positive perception by employers. Experience of a number of employees shows that employing elderly employees often results in gaining additional experience

and skills by the organisation. Diversified ageing structure of employees positively influences the atmosphere in the workplace and results in the creation of solidarity between generations. These are not the only arguments for employing elderly employees. People who are older than 50 are able to fulfil complex organisational tasks and reach long-term aims. They can also elaborate strategies aiming to eliminate unnecessary activities or limit excessive effort, which can positively influence work efficiency. They also possess a greater awareness of the meaning of work quality, a more distinctive sense of duty and responsibility and considerably richer experience that facilitates making good judgements of their own abilities and limitations. They also tend to be better evaluators of situations, which limits the number of their mistakes. Elderly people are perceived by their younger colleagues as masters or experts that can act as role models and sources of knowledge, experience and new skills [Błędowski 2009; Niemczal 2006; Naegele, Walker 2006]. The report “The future of retirement” compiled by The Hong Kong and Shanghai Banking Corporation (HSBC) in cooperation with Oxford Institute of Ageing, including the outcomes of a research conducted in 20 countries worldwide (also in Poland) shows that 75% of employees are willing to continue employment after retiring while 9% are interested in full-time employment and 66% are interested in part-time employment. The data for Poland shows that 7% of respondents intend to work full time and 70% would like to work part-time [The future 2006, Kałuża and Lewandowska-Szweda 2009]. At the same time, 53% of OAPs active in the labour market were employed permanently by means of employment contract, though most of them were employed temporarily (Fig. 1).

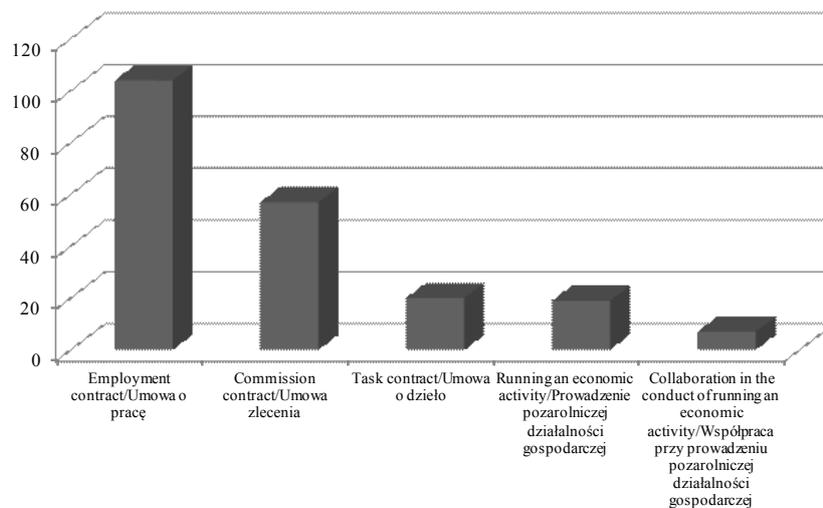


Fig. 1. Form of work  
Source: author's own study.

Rys. 1. Forma wykonywania pracy zarobkowej  
Źródło: badania własne.

The  $\chi^2$  test for independence shows that there is a statistically significant interdependence between being self-employed and the level of education (Table 1). The self-employed mostly included OAPs with vocational or higher education, which was connected with possessing certain skills and qualifications.

Table 1. Self-employment – outcomes of  $\chi^2$  test for independence  
Tabela 1. Praca na własny rachunek – wyniki testu niezależności  $\chi^2$

Specification Wyszczególnienie	Education Wykształcenie	Place of residence Miejsce zamieszkania
Exercising self-employment Wykonywanie pracy na własny rachunek	0.029	0.316

Source: Author's own study.  
Źródło: badania własne.

Nearly 40% of respondents did their job under various types of commission contracts. Over 13% ran or co-operated in running non-agricultural businesses. Approximately 6% of respondents worked “off the books”, most frequently doing repair jobs (men) or babysitting (women). Illegal work was done by 10% of inhabitants of rural areas and 4% of inhabitants of urban areas in the analysed group. Elderly people frequently work without officially registering their business because they are afraid of pension suspension. Additionally, possessing health insurance, which results from receiving pension, is a factor which favours illegal work. Among 350 respondents, over 3% received pensions, ran non-agricultural businesses and had employment contracts at the same time. For two thirds of respondents, their occupation was the same as their profession and the kind of work after retirement did not differ from the work that they had done before retirement. Decisions to start part-time work under employment or commission contract resulted from the situation in the labour market. Employers prefer flexible employment because it does not oblige them to provide employees with a number of privileges. At the same time, pensioners are not interested in the latter. The incomes from employment contracts did not exceed 1000 PLN for over two thirds of pensioners and amounted to 1001-2000 or over 2000 for a third. The level of income was connected with the level of education, but not affected by the place of residence.

Table 2. Level of earned income – outcomes of the  $\chi^2$  test for independence  
Tabela 2. Poziom dochodu z pracy – wyniki testu niezależności  $\chi^2$

Wyszczególnienie Specification	Education Wykształcenie	Place of residence Miejsce zamieszkania
Income level Poziom dochodu	0,014	0,159

Source: author's own study.  
Źródło: badania własne.

For a selected demographic variable, which was correlated with the level of unearned income, correspondence analysis was conducted which aimed to construct a perceptual map of interconnections between the studied features. Income was higher among holders of university degrees and lower in the case of pensioners with basic or vocational education (Fig. 2). Among the surveyed whose incomes exceeded 2000 PLN, university graduates amounted to 60% of all respondents. At the same time, incomes below 1000 PLN were earned by 53% of pensioners with basic or vocational education.

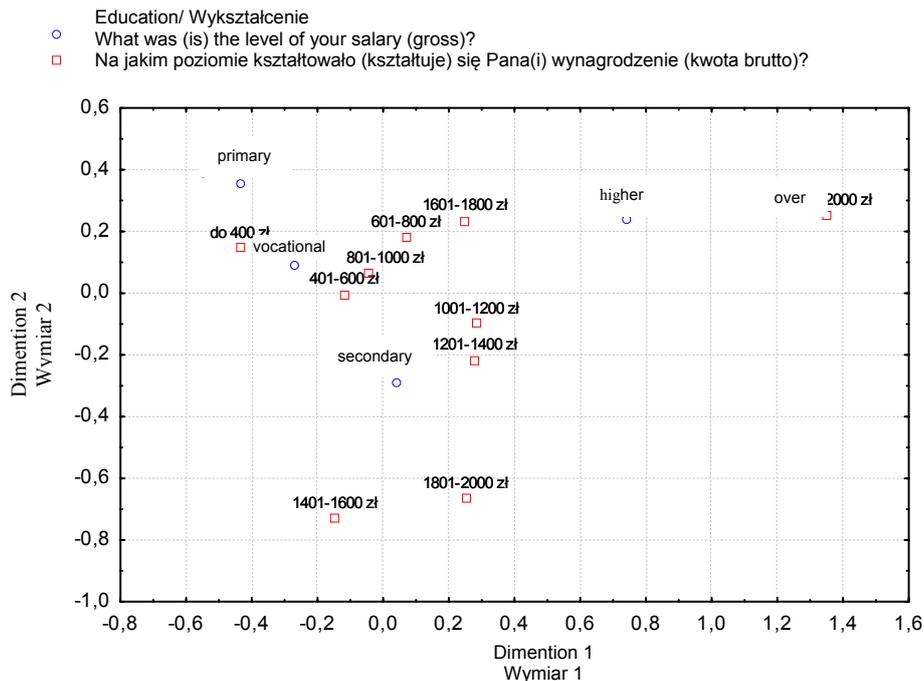


Fig. 2. Perceptual map of interconnections between respondents' level of education and the level of their earned income

Source: author's own study.

Rys. 2. Mapa percepcji między wykształceniem respondentów a wysokością uzyskiwanych przez nich dochodów z pracy

Źródło: badania własne.

Low incomes of working pensioners are a consequence of both part-time employment and generally low level of remuneration in the labour market. Lower remuneration and improper qualifications result from the decrease in the value of human capital, which is connected with career breaks, a frequent case of pensioners returning on the labour market. However, the income earned by the professionally active pensioners contributes to a significant improvement in their financial situation. 57% of the surveyed pensioners observed an increase in their pensions because of rendering work after retirement.

As a rule, pensions are relatively low incomes that need supplying with additional incomes from work. At the same time, relatively high level of incomes may discourage pensioners from looking for additional sources of income [W trosce... 2004]. According to the surveyed, re-entering the labour market was mainly caused by their financial situation (68%), but recipients of higher pensions showed greater activity. Over 70% of pensioners whose pensions amounted to more than 1400 but less than 1800 PLN decided to become professionally active (Fig. 3).

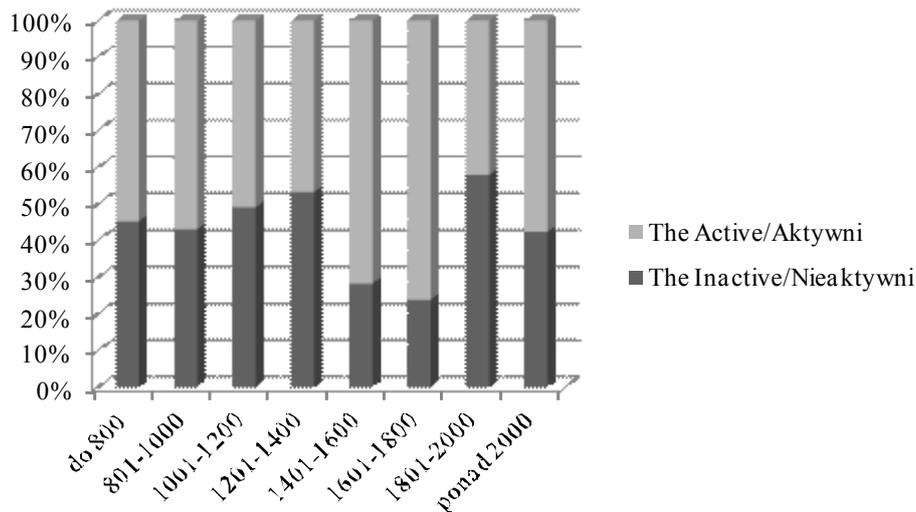


Fig. 3. Level of pension and professional activity

Source: author's own study.

Rys. 3. Wysokość świadczenia a aktywność zawodowa

Źródło: badania własne.

At the same time, among the respondents whose pensions amounted to less than 1000 PLN, 52% decided to start work, of whom approximately 80% earned less than 1000 PLN. The percentage of pensioners whose additional income does not exceed 1000 PLN is lower among respondents whose pensions amount to between 1000 and 1800 PLN and amounts to approximately 65%. As regards pensioners whose unearned income exceeds 1800 PLN, nearly three quarters earned additional income of above 1000 PLN and 30% of them earned more than 1800 PLN. It is therefore noticeable that an increase in pension is accompanied by an increase in the income from doing additional work. In other words, there is a statistical relationship between the level of pension and the level of additional earned income (p-value amounts to 0.0001) (Fig. 4.).

Increased professional activity and increased level of remuneration among beneficiaries of higher pensions may result from the fact that they constituted a limited percentage of respondents. Additionally, a substantial part of respondents earning higher additional income were university graduates or representatives of certain professions. Over 55% of university graduates started work after retirement. This percentage was followed by 50% in the cases of graduates of secondary and vocational schools. A consider-

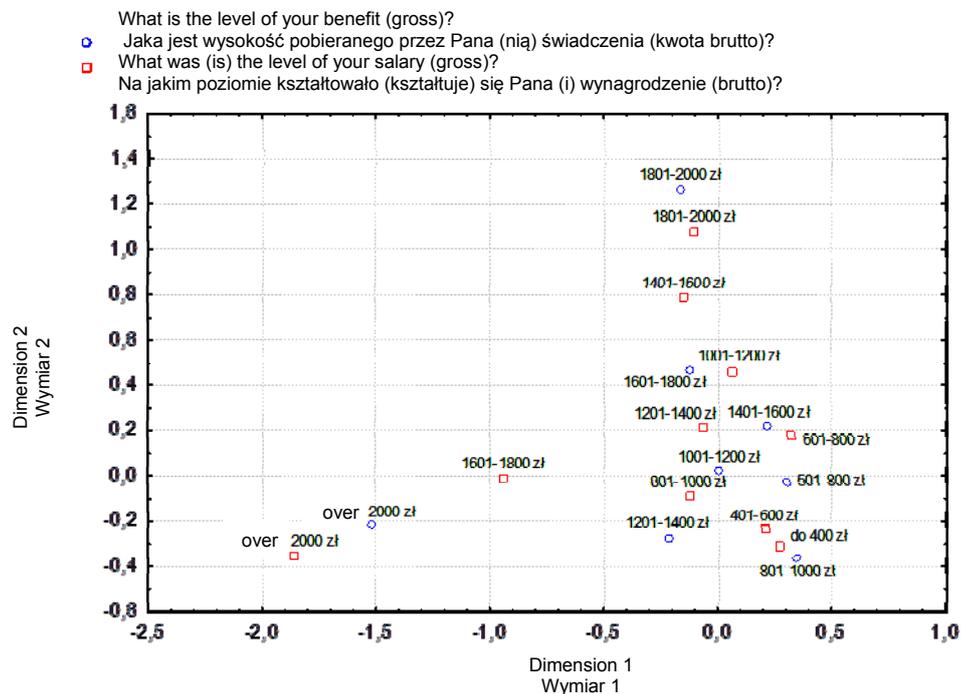


Fig. 4. Perceptual map of interconnections between the level of pension and the level of additional earned income

Source: author's own study.

Rys. 4. Mapa percepcji między poziomem świadczenia a poziomem wynagrodzenia

Źródło: badania własne.

able degree of the activity of the latter groups is connected with the differentiation of jobs, skills and length of service resulting from quick graduation.

## CONCLUSIONS

Retirement does not necessarily mean the same as withdrawal from the labour market. A pensioner can both receive a pension and work. The conducted research indicates that more than a half of the respondents have used that opportunity, of whom the majority continued working from 2 to 5 years, doing the job which they had been trained in or the same type of work as they had done before retirement. Re-entering the labour market by elderly people shows that they are positively perceived by employers. OAPs receiving pensions and doing paid work at the same time prefer part-time employment contracts. At the same time, they accept flexible employment easily, which is favoured by employers. Apart from that, pensioners regularly get unearned income, which means

that they can accept lower earned income, which is particularly the case of pensioners with relatively lower level of education. Therefore, OAPs can successfully compete with other participants of the labour market. According to the assumptions of the introduced reform of the pension scheme, economic incentives to induce individual savings were expected to prove sufficient in order balance income and expenditure and the employed were supposed to remain professionally active and postpone the moment of retirement. The conducted research indicates that the solutions have not significantly influenced retirement decisions about early retirements. Therefore, further research of the financial situation of pension schemes is necessary. It ought to be linked with studying the demographic factors and analysing the labour market as well as the determinants of professional involvement of elderly people in pre-retirement age and OAPs. Complex studies will allow to create a practical change in the functioning of the pension scheme, the labour market and the system of educating adults.

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## AKTYWNOŚĆ ZAWODOWA EMERYTÓW W ŚWIETLE BADAŃ ANKIETOWYCH

**Streszczenie.** W ostatnich latach zwraca się uwagę na aktywność zawodową nie tylko osób młodych, lecz także starszych. Dotychczasowe podejścia do współczesnego rynku pracy są skutkiem przemian zarówno społeczno-gospodarczych, jak i demograficznych, a przede wszystkim starzenia się społeczeństwa. Problem ten jest niezwykle istotny. Rosnąca liczba osób starszych przyczynia się do wzrostu liczby świadczeniobiorców, co z kolei wpływa na zmniejszenie osób aktywnych zawodowo, a w konsekwencji może prowadzić do obniżenia możliwości wytwórczych gospodarski. Wyższe emerytury to z jednej strony wyższe dochody emerytów, ale z drugiej – wzrost wydatków budżetowych. Z kolei niższe świadczenia to nie tylko motywacja do podejmowania wtórnej aktywności zawodowej i wyższe dochody, lecz także wzrost wydatków na świadczenia z pomocy społecznej. W artykule omówiono wyniki badań ankietowych przeprowadzonych w latach 2009-2010 wśród osób pobierających świadczenia emerytalne. Z badań wynika, że ponad połowa ankietowanych emerytów była aktywna zawodowo, a zdecydowana większość z nich pracowała 2-5 lat. Przyczyną podjęcia aktywności zawodowej była przede wszystkim sytuacja finansowa.

**Słowa kluczowe:** aktywność zawodowa emerytów, decyzja emerytalna, świadczenie emerytalne

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