The impact of the coronavirus pandemic on implementation of new occupational pension schemes in Poland

Marek Szczepański

Abstract

The aim of the article is to address the question of the impact the coronavirus pandemic (March 2020 to May 2021) has had on the level of participation in employee pension plans (PPK), and the role of other factors in this process. The research considers various groups of stakeholders as participants in the process of changes to the pension system, manifested by the introduction of PPKs in 2019–2021. The PPK programme, in contrast to the assumptions of its initiators (change leaders), has not yet become universal; to date, it covers just slightly more than a quarter of those eligible to participate (as of July 2021). This is due to a number of factors, some of which are independent of the stakeholders in the change management process – including a lack of trust in the pension system caused by the partial reversal of the pension reform introduced in Poland in 1999 and the global coronavirus crisis that commenced in March 2020.

Keywords: employee pension schemes, pension reform, social policy, coronavirus pandemic, Poland

Abstrakt

Článek se zabývá dopady koronavirové pandemie na míru účasti v nových polských zaměstnaneckých penzijních fondech (PKK) od března 2020 do května 2021. Analyzuje rovněž další faktory tohoto procesu. Výzkum zohledňuje různé skupiny účastníků důchodové reformy, při níž došlo v letech 2019–2021 k zavádění PKK. V rozporu s původními předpoklady iniciátorů reformy se zaměstnanecké penzijní fondy zatím neprosadily: do července 2021 do PKK vstoupila pouze o něco více než čtvrtina potenciálních účastníků. Má to řadu příčin, z nichž některé nesouvisí s implementací důchodové reformy. Patří mezi ně i nedůvěra v penzijní systém způsobená částečným odklonem od penzijní reformy provedené v Polsku v roce 1999 a globální koronavirová krize vypuknuvší v březnu 2020.

Klíčová slova: zaměstnanecké penzijní fondy (PKK), důchodová reforma, sociální politika, koronavirová pandemie, Polsko

1. Introduction

Employee capital plans (PPKs) are a new type of occupational pension scheme introduced in Poland and based on automatic enrollment. The first PPKs were introduced in 2019, and the process of their implementation (first in large companies, then in the SMEs sector, and then in the public sector) was completed in the first half of 2021. These are quasi-mandatory schemes: employers are required to introduce them and to enroll employees aged 18–55 who are subject to mandatory retirement and disability pension insurance, and to offer such an option to older employees aged 56–70. On the other hand, employees hold the right to withdraw (before the program starts or during its duration). A characteristic feature of the PPKs is that they are based on the concept of automatic enrollment, modeled on the British *automatic enrollment pension* schemes launched in the UK in 2012. Contribution payments to the PPKs are covered by both the employer and the employee, and the participants of such programs receive additional payments from the state budget.

The legal basis for the introduction of the PPKs is the Act of October 4, 2018 on Employee Capital Plans[1], which entered into force on January 1, 2019. Pursuant to the provisions of this Act, each employer (the Act uses the term "employing entity") employing at least one person is obliged to establish a PPK within the deadlines specified in the provisions (presented in Table 1).

The explanatory memorandum to the PPK Act indicates that they are part of a broader, long-term strategy for socioeconomic development: adopted in 2016. The "Responsible Development Plan," in particular, the Capital Building Program (PBK), which constitutes a key part of this strategy, assuming the creation of new tools for building savings for Poles and increasing domestic capital[2]. Such an instrument for creating long-term savings is to be "building a long-term stable and universal voluntary capital pension system based on third-pillar savings programs."[3] Thus, PPKs were supposed to be universal, and simultaneously voluntary (for their participants), be available to people employed in both the private and public sectors, and the savings collected in these programs with the support of employers and the state were to constitute a significant support for the development of the capital market in Poland. Moreover, compared to other pension products previously available on the Polish market (employee pension plans (PPE), individual retirement accounts (IKE), individual pension protection accounts (IKZE)), employee capital plans are offered at a relatively affordable price – in line with the Act on PPK, the cost of the asset management fee cannot exceed 0.5%.[4]

There is no doubt that the dissemination of additional retirement savings as part of the so-called third pillar of the pension system is necessary due to the progressive reduction in the level of financial security in old age offered by the public pension system (forecasts of the international organization OECD predict that the replacement rate, i.e. the ratio of the old-age pension benefit to the last income from work in the public pension system in Poland will fall from currently around 50% to only 35% for men and 27% for women in 2060[5]; a significant reduction in the level of pensions is also envisaged by the expert opinions of the Social Insurance Institution). One of the reasons for such a significant reduction in the level of pensions in the public pension system in Poland (also occurring in other economically developed countries) is demographic aging of the population, i.e. an increase in the number of the post-working age individuals in relation to the working age population. Moreover, during the radical, systemic reform of the pension system in

Poland in 1999, the formula for calculating old-age pension benefits from defined benefit (ensuring a specific pension to income ratio) was changed to a much less generous defined contribution formula (the old-age pension depends solely on the sum of paid contributions divided by number of months of further life expectancy (for a given year), apart from the minimum pension, there is no guarantee of the amount of the pension in relation to the last or average income from work).

Despite the obvious need for additional retirement savings, before the introduction of the PPKs, only a small part of the working age population kept saving for old age. For example, according to the Green Book of Pension Review 2016, three-quarters of Poles did not put aside any money at all for old-age security. After the pension reform of 1999, the so-called third pillar – voluntary, additional pension savings (in occupational pension schemes (PPEs) available from 1999 and introduced only in a few workplaces, individual retirement accounts (IKE) in existence since 2004. or individual pension protection accounts (IKZE) launched in 2012) developed very poorly and were not common. According to the data from 2020, the participation level was (in relation to the entire population of working age individuals): 5.8% in IKE, 4% in IKZE and 2.6% in the PPEs[6]. The launch of the PPKs was supposed to be a breakthrough and lead to the popularization of additional, long-term savings for old age.

Taking into account the specific structure based on automatic registration and a number of new solutions that have not been present in the third pillar of the pension system in Poland[7] so far, the employee capital plans can be considered an innovative solution for the Polish pension system. In this program, modeled on solutions previously introduced in other countries (including New Zealand and Great Britain[8]), solutions postulated by the creators of behavioral economics[9] were applied. These include *default options,* in this case – automatic enrollment of employees entitled to participate and automatic assignment of the participant to a defined *life-cycle fund,* run by the financial institution managing the program (depending on the expected date of retirement, funds from the PPKs contributions are allocated in various proportions to financial instruments providing potentially higher income with a higher level of investment risk (mainly equities) or instruments carrying a lower level of risk, but also lower profitability (mainly treasury or corporate bonds)). The use of behavioral stimuli aims at increasing the level of participation in additional occupational pension schemes and is a response to the limitations and cognitive errors identified in behavioral economics, which make additional long-term savings difficult, and often even impossible (e.g. procrastination – constantly postponing the date of starting additional savings until later under the pressure of current consumption needs, excessive valuation of short-term benefits in relation to the deferred ones, insufficient knowledge and economic education, etc.). The introduction of this type of solution (a pension scheme with an automatic enrollment) for the development of additional savings was postulated in their study a few years earlier by authors dealing with the issue of pension economics[10].

Table 1: Dates of introducing PPKs

Stage I – from July 1, 2019	Stage II – from January 1, 2020	Stage III – from July 1, 2020	Stage IV – from January 1, 2021
Enterprises employing at least 250 people (as of December 31, 2018)	Enterprises employing at least 50 people (as of June 30, 2019)	Enterprises employing at least 20 people (as of December 31, 2019)	Other employing entities and units of the public finance sector (regardless of the level of employment).
Dates of concluding contracts with financial institutions servicing the PPKs	Dates of concluding contracts with financial institutions servicing the PPKs	Dates of concluding contracts with financial institutions servicing the PPKs	Dates of concluding contracts with financial institutions servicing the PPKs
- PPK management contract - by October 25, 2019 at the latest,- contract for running PPKs - by November 12, 2019 at the latest	- PPK management contract - by October 27, 2020 at the latest,- contract for running PPKs - by November 10, 2020 at the latest	- PPK management contract - by October 27, 2020 at the latest,- contract for running PPKs - by November 10, 2020 at the latest	for public finance sector units: - PPK management contract - by March 26, 2021 at the latest, - contract for running PPKs - by April 10, 2021 at the latest, for other entities: - PPK management contract - by April 23, 2021 at the latest, - contract for running PPKs - by May 10, 2021 at the latest

Source: own study based on the Act on PPK and data from the mojeppk.pl website

Table 2: Financing the PPKs (employee, employer, state)

Employee's contribution*	Employer's contribution**	State Contribution
2% of gross salary+ voluntarily up to 2%	1.5% of gross salary+ voluntarily up to 2.5%	250 PLN as a welcome + 240 PLN every year

**Employees whose total remuneration obtained from various sources in a given month does not exceed the amount of 120% of the minimum wage, may pay less than 2%, minimum 0.5% of their remuneration*
***Expenses incurred by the employer on PPKs constitute tax deductible costs.*
The employer's contributions do not constitute the basis for calculating ZUS contributions.
Source: own study

In Poland another innovation included the introduction of co-financing of a PPK program by an employee, employer and the state (compare – table 2), which is definitely more beneficial than collecting additional savings in individual pension schemes. Another type of occupational pension scheme – employee pension plans (PPEs), fully voluntary for employers and employees, financed by employers (only a minority of employees pay additional contributions to the PPEs) and have not gained popularity so far.

Savings accumulated in the PPKs may be withdrawn after reaching the age of 60 – 25% of the funds at once, the remaining 75% – in at least 120 monthly installments.

Such a solution in the phase of payments of savings accumulated in PPK (decumulation) causes that they do not provide lifetime payments (as for example life annuities). Thus, they do not protect against the individual longevity risk – "the risks that individuals will outlive their retirement savings"[11]. As in other private pension schemes, the participants of the occupational pension schemes face the following risks (see table 3).

PPKs are typical pension programs based on the defined contribution (DC) formula. There is no way to know how much a defined-contribution plan will ultimately give the employee upon retiring, as contribution levels can change, and the returns on the investments may go up and down over the years. In such pension plans the entire investment risk is born by the program participant. In PPK there is no guarantee of the rate of return of investment or the guarantee of maintaining the real value of capital. It can be concluded that PPKs are exposed to all kinds of risks listed in table 3, except for the portability risk (in case of changing the employer, the program participant has the right to stay in the former program or transfer savings to the new PPK program offered by the next employer).

The private nature of the funds in the PPKs is guaranteed by the possibility of early withdrawal, in this case the state subsidies should be returned, and 40% of the equivalent of contributions paid by the employer will go to the individual account of the program participant at ZUS (negative stimulus preventing too hasty withdrawal of savings).

Not only people employed under an employment contract are enrolled in the PPKs, but also the following individuals:

- persons performing outwork, who are at least 18 years old,
- members of agricultural production cooperatives and agricultural circle cooperatives,
- persons performing work on the basis of an agency contract or a mandate contract (or other contract for the provision of services to which the provisions on mandate apply), who are 18 years of age,
- persons indicated above, on parental leave or receiving maternity allowance or allowance in the amount of maternity allowance,
- members of supervisory boards remunerated for performing their function.

Thus, the subjective scope of potential beneficiaries of the program remains very wide.

The Act on the PPKs provides that they may be offered by a financial institution in three legal forms (insurance contracts, contracts with an investment fund, contracts with a pension fund). Providers of financial services for the PPKs include 19 financial institutions (as of July September 2021) registered in PFR Portal PPK[12], meeting the capital and substantive requirements (including appropriate experience in asset management on the financial market). As part of the PPK, employers conclude two contracts: one with a financial institution (management contract), the other on behalf of and for the benefit of employees (contract for running a PPK).

The period of implementing employee capital plans by subsequent tranches of employers can be divided into two subperiods: 2019 – before the coronavirus pandemic (phase I of the PPK implementation) and 2020–2021 (phase II, II and IV of the PPK) – during the pandemic.

The PPKs can be perceived as a **product innovation** in the Polish pension system. Moreover, the very process of implementing a new corporate pension scheme (with the participation of various stakeholder groups – employers, employees, state institutions, financial institutions) differed from the introduction of the existing, fully voluntary additional pension schemes in Poland (of group character – in the form of occupational pension schemes (PPE) operating since 1999 and individual retirement accounts (IKE), since 2004 and individual pension protection accounts (IKZE), introduced in 2012). Therefore, one can risk a statement that the implementation of the quasi-mandatory PPK system was also **a process innovation**.

The cognitive aim of this study is to make a preliminary assessment of the implementation of employee capital plans as an innovation in the Polish pension system in the period before and during the pandemic.

Table 3: Risks in private pension schemes

Type of risk	Description
Replacement rate risk	the risk that pension (including additional pension savings) will be insufficient to maintain the living standard after retirement (as a result of inadequate contributions made during the accumulation stage)
Investment risk	the risk that private pension fund is inadequate (as a result of poor investment performance)
Interest rate risk	the risk that pensions annuity is law (as a result of law interest rate during retirement)
Inflation risk	the risk that inflation will reduce the purchasing power of retirement savings.
Political risk	the risk of law connected with changes of government, which can cause adverse impact on contributions and/or benefits form pension scheme
Portability risk	the risk that accrued pension benefits are not fully portable when the member changes job
Employer insolvency risk	the risk that a pension scheme has a deficit at the time the employer becomes insolvent

Source: Own elaboration based on: Blake D., Pension Economics, John Wiley & Sons, Chichester 2006 and Bodie Z., Pensions as retirement income insurance, Journal of Economic Literature, 1990, 28, 361-380.

2. Theoretical assumptions

Usually, considerations regarding the factors of the development of supplementary pension schemes are conducted in the context of pension economy (e.g. the impact of additional pension savings on the level of financial security in old age, efficiency, costs and investment risk, the effectiveness of traditional tax incentives for additional savings compared to behavioral incentives). In the literature on the subject relatively little attention has been paid to the analysis of the very process of change management in pension systems, although interesting studies on this subject have already been provided[13].

For example, Griffin, R.W. defines an organizational change as "any material modification of some part of the organization."[14] Changes can be planned, often well in advance, or can be adaptive, in response to unexpected events[15].

Undoubtedly, the introduction of the PPKs was a planned change. The very Act on the PPKs was being prepared and consulted with various groups of stakeholders for nearly three years. However, interestingly, during the implementation of this new occupational pension scheme, a completely unexpected external (exogenous) factor appeared in the form of the coronavirus pandemic. A fundamental question arises whether, therefore, it was necessary to introduce another (adaptive) change in the very process of implementing the PPKs. This is an issue to which we will return later in our discussion.

The very process of change management in organizations is complex and multi-stage, usually involving various groups of stakeholders. One of the best known models of change management is the concept by K. Lewin, a recognized organization theorist, which assumes that every change should be introduced in the following three stages[16]:

(1) "Defrosting" (people affected by the changes must recognize their necessity);
(2) The change itself (proper change);
(3) "Freezing" of change – strengthening and supporting the change so that it becomes part of the system

According to Atkinson, P. and Mackenzie, R. strong leadership, management style and organizational culture all determine the success of the change management process[17]. The style of *transformatorial leadership,* which treats planned and adaptive changes as permanent elements of the strategic management process, is considered to be particularly conducive to the effective introduction of changes.

Knowledge about change management in the private sector presented by management sciences also applies to changes taking place in the public sector, including pension schemes. Gomola, M. points out that the change management process in pension schemes should take into account different interests and attitudes to the changes introduced by various groups of stakeholders: recipients (addressees) of changes, change agents (people and institutions responsible for implementing changes) and change leaders[18]. A barrier to the introduced changes may manifest itself in a form of resistance to changes or inertia on the part of the addressees of change, resulting from a lack of trust or a lack of a sense of subjectivity towards the introduced changes, in the case of pension reforms imposed by public institutions and not always accepted, the multiplicity and often contradiction of the interests of the actors of change (public and private institutions involved in this process, as well as experts developing concepts for change). And in the case of change leaders (usually politicians), the long-term nature of reforms introduced in pension security systems, not coinciding with the electoral cycle, as well as the rotation of political elites and their doctrinal differences regarding the goals of social policy.

Research on the implementation of the PPKs can also be placed in a broader, currently developing current of considerations on interdisciplinary social innovations conducted in the field of management sciences, economics, sociology or political science[19]. "Social innovations can include products, processes of creation, technology, as well as principles, ideas, legislations, social movements, interventions, and a combination of several of them.[20]" Supińska, J. distinguishes the following instruments for shaping social innovations: legal, economic, information, personnel, and also instruments for shaping space and managing time. Each decision taken in this area is multi-dimensional and requires the use of different instruments. Social innovations have become new instruments or new ways of solving social problems[21].

In further analysis of the change management process in the Polish pension system, and in this case – in the introduction of product and process innovation related to the PPKs – an approach that takes into account the analysis and assessment of various groups of stakeholders will be used.

3. Research Methodology

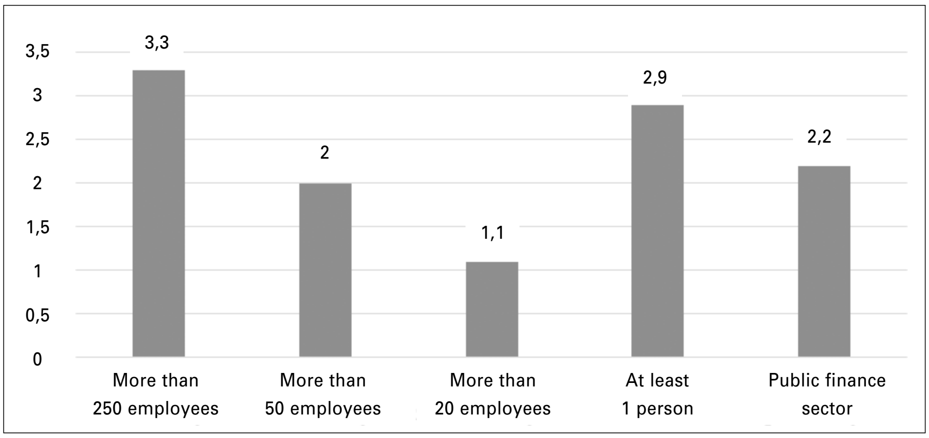
The assessment of the change management process, which was manifested by the introduction of the PPKs, will be conducted on the basis of the results of empirical research (analysis of statistical data from PFR Portal PPK – a public institution responsible for the implementation of this occupational pension scheme) and the results of qualitative research, including – expert assessments carried out by specialized institutions dealing with the issues of employee benefits and occupational pension schemes: Pension Institute in Warsaw and Mercer – an international company, as well as the author's own conclusions.

The process of implementing the PPKs has not been completed. It is true that the deadline when different groups of employers were obliged to create a PPK for their employees[22] has already passed, but new employees are still being enrolled in the program. Moreover, employees who have opted-out are also entitled to rejoin the program. Therefore, at this stage, it is only possible to formulate preliminary assessments, and in this case – assessments concerning the management aspects of the process of introducing changes in the form of product and process innovation in the Polish pension scheme.

4. The process of implementing the PPKs in 2019–2021

Employee pension plans were intended by the leaders of change (Polish Development Fund, Ministry of Finance) to cover a very wide range of entities, and could be joined by even over 11.5 million people (for details – see Chart 1).

Chart 1. Number of employees entitled to save in the PPKs (in millions)



Source: ZUS data, active contributors to retirement and disability pension insurance by voivodships and the number of the insured with the payer, as of March 30, 2021, quoted after: The level of participation in Employee Capital Plans after the 4th cohort implementations, Pension Institute, Warsaw, April 2021 (online) http://www.instytutemerytalny.pl/wp-content/uploads/2021/04/Raport-Partycypacja-PPK_-Instytut-Emerytalny-26042021.pdf.

The anticipated level of participation (the actual number of participants in relation to persons entitled to participate) in the parliamentary documents before the introduction of the PPK Act was optimistically estimated at 75%, and then the forecast was lowered to 50%. Formally, the process of implementing the PPKs ended on May 10, 2021.

It turns out that the **actual level of participation at the end of May 2021 was approx. 28.8%** (in companies and institutions that actually launched this program), and the number of participants – **approx. 2.3 million people**[23]. If one adds to this the companies that have launched employee pension plans alternative to the PPKs, then the percentage of employees saving in them during their retirement increases to 32.6%. In total, about 2.9 million people are saving in the PPKs and the PPEs (as of June 15, 2021). The highest percentage of employees (41%) enrolled in the PPKs in the largest companies. In smaller ones the enrollment ranges between 21% and 22%. Participation would be even lower if PFR had taken into account all employees entitled to participate in the program, i.e. 11.5 million, and not only those from companies that actually launched the PPKs. Detailed data on the effects of individual phases of implementing the PPKs are presented in Table 3.

According to PFR data, as many as 680000 out of almost 939000 companies have not launched the program. Most of them were the smallest companies employing from 1 to 9 employees (micro-companies). Most of them probably did it in accordance with the law, because the PPKs can not be launched if all employees are against them[24]. Obviously, the process of enrolling participants in the companies that set up the program is not closed and newly recruited employees are being enrolled. The records of the PPKs show that the interest in participation in the PPKs is gradually growing, and some of the employees who submitted declarations of withdrawal joined this long-term saving program at a later date. Nevertheless, there is no doubt that the level of participation is lower than assumed and the PPKs are not yet universal.

A question arises as to why the level of participation is significantly lower than the needs and expectations and what was the impact of the fact that the implementation of the second, third and fourth phases of the PPK took place during the coronavirus pandemic.

In order to address this question, the actions and attitudes towards the change management process undertaken by the leaders of change, the agents of change and the beneficiaries (according to the classification proposed by Gumoli, M.) in 2019–2021 will be assessed. Individual groups of stakeholders in the change management process are summarized in Table 5.

4.1. Implementation of the PPKs in large enterprises in 2019 (in the period before the pandemic)

In the first phase of implementing the PPKs (from July 1 to November 12, 2019), in large companies employing at least 250 people, the most tasks to be performed and the greatest activity related to the implementation of the new program were manifested by an institution that can be described as a **change agent**: Polish Development Fund (PFR) and the related PFR Portal PPK (acting as a regulator and the actual project coordinator on behalf of the government). It mainly consisted of launching the necessary infrastructure for the PPKs: an internet portal which provided basic information about the program, offers of financial institutions servicing the PPKs and the program register. From the beginning of 2019 PFR Portal PPK was also conducting very intensive training activities (open and closed traininga, at employers' premises and remotely – via the Internet) for employers launching the programs and for the interested employees. Financial institutions, which submitted their offers to manage the PPKs and made them available on the PFR Portal PPK website, were also very active (but they did not hold the right to conduct direct acquisitions). A lot of materials addressed to employers interested in launching the PPKs appeared on the websites of these institutions, training sessions were organized, representatives of financial institutions participated in various types of conferences, seminars and gave press, radio and television interviews. However, there was no intense advertising campaign as the one accompanying the introduction of the capital pillar of the public pension system (open pension funds – OFE) in 1999.

Table 4: Summary of the effects of implementing individual phases of the PPKs in 2019–2021

PPK stages	Employees in companies with an active PPK	Employees in companies with active PPEs and PPKs	PPK participants	PPE and PPK participants	Participation in the PPKs including companies with an active PPK	Participation takes into account the participants of the PPKs and the PPEs
I	2 933 424	3 673 968	1 202 707	1 684 060	41.0%	45.8%
II	1 698 052	1 835 593	360 361	449 762	21.2%	24.5%
III	557 249	594 597	123 998	135 274	21.5%	22.8%
IV	2 804 737	2 852 382	617 312	648 281	22.0%	22.7%
Total	8 013 462	8 956 539	2 304 378	2 917 378	28.8 %	32.6%

Source: PFR Portal PPK (online) https://www.mojeppk.pl/aktualnosci/Co-trzeci-pracownik-w-Polsce-oszcz-dza-wsp-lnie-z-pracodawc----podsumowanie-wdro-enia-PPK.html [access: 10.07.2021]

Table 5: Stakeholders in the change management process – the introduction of the PPK program

Beneficiaries of changes	Change leaders	Change agents
Employees	The government, in particular: Ministry of Finance	Polish Development Fund (PFR) PFR Portal PPK* Financial institutions managing the PPKs Polish Financial Supervision AuthorityNational Labour InspectorateEmployers

**PFR Portal PPK is a public institution directly responsible for the implementation of the PPKs*
Source: own study

In the process of implementing the PPKs – in the first, pre-pandemic phase (2019) – in the unanimous opinion of experts (Pension Institute, Mercer), apart from PFR PPK Portal, precisely the private financial institutions should be distinguished.

When it comes to the attitude of entrepreneurs as change agents, in the first stage of program implementation, it remained varied, but most of them did not engage in promoting the programs beyond what was required by the minimum information obligations imposed by the PPK Act. A certain surprise was the relatively large number of large enterprises that consciously avoided the creation of the PPKs, instead launching employee pension schemes (PPEs), to which the basic contribution is paid by the employer and the employee is not obliged to pay contributions at all. This could have been influenced by the attitude of trade unions in some large workplaces. These were short-sighted actions, because the PPK program financed from three sources is more beneficial for employees in the long term.

Government institutions (especially the Ministry of Finance), which can be considered **leaders of change,** were most active earlier, during the preparation and adoption of the Act on PPKs in 2017–2018. In 2019, an amendment to the act on the system of development institutions was prepared and introduced, relating to public procurement related to the PPKs[25]. The Ministry of Family and Labor and Social Policy was relatively weak in promoting the PPKs even though the introduction of a new, intended – universal corporate pension scheme may constitute a significant support for the public pension system.

Publicly funded PPK advertisements appeared sporadically on television (the medium with the greatest reach and power of impact), but they were unattractive and unconvincing. The scale of promotional and educational activities carried out – apart from the high activity of the PFR Portal PPK change agent and supporting activities in this area by financial institutions – was very limited.

On the other hand, the perception of the new PPK program was adversely affected by the announcements regarding the final liquidation of OFEs (Open Pension Funds) repeated by government institutions (including the prime minister) and a long public discussion on this subject, partially overlapping with the period of introducing the PPKs. Although in Art. 3 of the PPK Act, it was clearly stated that the savings collected in this program remain private, negative opinions and the lack of trust in the entire pension system have become permanent in the public awareness due to the dismantling of the second pillar of the pension security system reformed in 1999. A constant motive that appears in discussions and training sessions on the PPKs is the fear expressed by potential participants of this system that after collecting significant savings, half of them will be taken by the state, as it happened in 2014 (redemption of approx. 50% of assets from OFEs invested in treasury securities and the transfer of liabilities towards participants of the pension system to the first pillar administered by the Social Insurance Institution).

The success of the first phase of the implementation of the PPKs in favorable conditions before the pandemic could have largely translated into the success of the entire program. However, it appeared otherwise. The vast majority (59%) of the **beneficiaries of change** – the employees of large companies automatically enrolled in the program, decided to withdraw. This was also true of many large state-owned enterprises. Some large entrepreneurs made a conscious decision to avoid the creation of a PPK by launching an employee pension plan (PPE). Relatively the largest number of employees remained in the PPKs created by financial institutions (banks, insurance companies, investment fund companies).

In retrospect, it turned out that the attitude of employers played a key role in the success of the PPKs and the level of participation in a given workplace. In places where employers went beyond the minimum information obligations imposed by the PPK Act and became involved in promoting the program for their employees, the level of participation was higher. On the other hand, only a small group of private employers employing more than 249 people offered them to pay an increased contribution to the PPKs[26], which could indicate the willingness to use the program as an instrument in the human resource management system and building employee loyalty[27].

The own research conducted in the period from August to September 2019 on a representative sample of 50 large enterprises introducing the PPKs in Greater Poland Voivodeship shows that despite the optimistic declarations about including the PPKs in the long-term human resource management policy (1/3 of the respondents), only 3 entities (6% of the surveyed enterprises) confirmed that they paid an additional contribution to the scheme (in excess of the basic contribution required by the employer, 1.5% of the gross salary)[28].

4.2. Introduction of the PPKs during the pandemic

Stage II of the implementation of the PPKs covering companies employing at least 50 people (as of June 30, 2019), started on January 1, and ended on November 10, 2020 and mostly took place during the coronavisrus pandemic (in Poland, the starting date pandemic can be adopted as March 1, 2020). The next stages of the program's implementation already took place in full during the pandemic (stage III – companies employing at least 20 people (as of December 31, 2019): from July 1 to November 10, 2020 and stage IV – other employing entities and units of the public finance sector (regardless of employment status) – from March 26, 2021 to May 10, 2021.

In total, throughout the pandemic period (stage II, III and IV of the PPKs), as in the period before the pandemic, very high activity was manifested by the **agent of change management process,** i.e. PFR Portal PPK. For understandable reasons, stationary training for employers and employees was replaced by remote educational activities: nearly 5,000 training sessions were organized: educational events – generally available or addressed to specific workplaces, including numerous professionally prepared webinars with the participation of PFR experts, representatives of science and financial institutions, online activity was sensibly built (mainly via www.mojeppk.pl, which recorded 17 million views by 4.6 million users, and the PPK calculator on this site was used 1.9 million times)[29]. Frequent guests in the media included Paweł Borys – the president of PFR and Robert Zapotoczny – the president of Portal PPK. Such a huge activity of the change agents regarding education and public relations did not translate into an increase in curiosity towards the PPKs. The level of participation in stages II, III and IV slightly exceeded 20% (coll. Table 4).

As for the PPKs implemented during the pandemic, a large group of employers did not meet the requirement to launch a PPK, and "an unexpectedly large number of employing entities appeared, where 100 percent of employed people gave up saving in the PPKs"[30]. Many small companies and micro-enterprises did not create any program at all, in some public institutions (schools, kindergartens, libraries) even 90–100% of employees enrolled in the PPKs submitted declarations of resignation.

What were the reasons behind that phenomenon? Undoubtedly, the period of the pandemic was not favorable for the implementation of the PPKs. In such extraordinary conditions companies from the SMEs sector, with fewer financial resources, were often forced to fight for survival and use anti-crisis shields. Launching the PPKs was treated by employers as an additional cost. It is true that the Act on PPKs prohibits discouraging employees from joining the PPKs, but the lack of involvement of employers in actively promoting the program was visible as well.

Government institutions (including the Ministry of Finance and the Ministry of Family, Labor and Monetary Policy and the Ministry of Health, especially active during the pandemic) were directly involved in saving jobs and protecting citizens' health, and the issue of implementing the PPKs was inevitably relegated to the background. During the pandemic, political disputes also intensified, which – as Mercer experts rightly noted – turned the project of purely economic reform into a "political project."[31] The unfinished issue of the announced liquidation of OFEs continued to exercise a negative impact on the implementation of the PPKs. However, there was no extensive information and promotion campaign financed from public funds. The PPK advertisements appearing sporadically on the radio and television were not attractive, and their impact was very limited.

The **beneficiaries of change** – employees of the SMEs sector and the public sector – in the vast majority (nearly 80%) resigned from participating in the PPKs. It can be assumed that fear for one's own health and even life during the pandemic, insufficient knowledge about the new occupational pension scheme and the lack of trust in the pension system itself (bad experience with OFEs) all influenced the attitudes of employees[32]. The level of participation in the PPK program in the subsequent phases of its implementation during the pandemic period was much lower than in the period before the pandemic in enterprises employing more than 249 people.

5. Summary – evaluation of the PPK implementation process in the period before and during the coronavirus pandemic

Taking into account the baseline at the beginning of 2019, the introduction of employee capital plans, which, after being implemented in 2019, covered 2.3 million new participants, can be considered some progress, but far from sufficient.

From the point of view of program participants (beneficiaries) – employees who remained in it after being automatically enrolled, the balance of inputs and benefits is positive. The employee's investment (the cost incurred) is the contribution of 2.0% of their salary and the tax on the employer's contributions to this program. The employee's (program participant's) profit consisted of the following: the employer's payments, state subsidy, profit / loss generated by the entity managing the PPK, less the income tax on the employer's contributions. Table 6 presents the calculation of the benefits of the PPKs participants from the beginning of 2020.

The average value of the participant's PPK account at the end of June 2021 ranged from approx. PLN 4.200 (for FZD 2025) to over PLN 4.800 (for FZD 2045, FZD 2050, FZD 2055 and FZD 2060). The investment in PPK brought its participants – according to Mercer calculations – a real rate of return from 83% to 130%[33]. Experts from the Pension Institute have presented analogous results of the profitability calculation for the participation in the PPKs. Their analyzes show that a PPK participant who joined the program in December 2019 obtained a 100.9% return within 15 months; on their account there was PLN 1.984 more than they contributed into the program (PLN 1.984). This calculation was conducted for a person earning an average monthly salary in the enterprise sector according to the data from the Central Statistical Office[34].

Thus, **in financial terms, the PPK program turned out to be very beneficial for its participants in the analyzed period.** It is worth mentioning that positive real rates of return were achieved despite the periodic decline in the value of assets on the financial market in March 2020, related to the coronavirus pandemic. After a brief downturn, financial asset values returned to their pre-pandemic levels. None of the other additional pension products (PPE, IKE or IKZE) carried such benefits as the PPKs in the same period, which is easily explained by the fact that the employer and the state pay almost the same amount as the participant.

Despite this, the PPK program, **contrary to the assumptions of its creators (change leaders), has not been universal so far. It has covered slightly more than a quarter of those eligible to participate** (as of July 2021). This is due to multiple factors, some of which have been independent from stakeholders of this change management process – including the global coronavirus crisis that has been in place since March 2020.

The positive effects of the change management process are due to the actions of change agents (very high activity of PFR Portal and financial institutions participating in the implementation of the PPKs). Serious mistakes were not avoided – especially the failure to resolve the OFE issue and unnecessary public discussion on the subject (mistakes on the part of the leaders of change – government institutions and legislative authorities). On the part of change beneficiaries (employees, qualifying for the participation in the PPKs), an obstacle to the popularization of this long-term, additional pension savings program is the lack of trust in the pension system in Poland, low social capital, and still insufficient knowledge of the entire pension security system, as confirmed by various public opinion polls.

There is no doubt that the coronavirus pandemic has seriously hindered the introduction of the PPKs in both the SMEs sector and the public sector. It was generally lower than in companies with over 250 employees. Perhaps the extension of stage II, III and IV of the implementation of the PPKs would bring better results, allow for better promotion and education, and the introduction of this innovation in the pension system under more favorable conditions.

The success of the PPKs is determined by the activity of all stakeholders in this process. High activity of such agents of change as PFR Portal PPK and financial institutions turned out to be insufficient. With regard to employee capital plans, as in the case of other types of corporate pension systems, the attitude of employers (who are also, or perhaps primarily, the agents of change related to the introduction of the PPKs in their workplace) remains crucial.

Table 6: Average employee profit and rate of return for their participation in the PPKs in the period from January 1, 2020 to June 30, 2021.

	FZD* 2025	FZD 2030	FZD 2035	FZD 2040	FZD 2045	FZD 2050	FZD 2055	FZD 2060
Average profit of a PPK participant (in PLN)	1 982	2 199	2 395	2 442	2 581	2 587	2 577	2 577
Average rate of return for a PPK participant (in%)	89%	99%	108%	110%	116%	116%	116%	116%

**FZD - an abbreviation for a target date fund (adjusted to the age of a PPK participant and expected retirement date)*

Source: Summary of the PPK reform, "Mercer Pension Inside Series", op. cit., p. 4.

The Act on PPKs provides for automatic re-entries to the PPKs in 2023. Especially on behalf of change leaders and change agents, this creates opportunities to improve the so far unfavorable balance of management of this otherwise very much anticipated change and innovation in the Polish pension system.

1 Act on PPK – the Act of October 4, 2018 on employee capital plans (journal of laws 2018, item 2215, as amended).
2 Justification to the PPK Act, (on line), http://rogala.pl/wp-content/uploads/2018/02/uzasadnienie. projektu-ustawy-o-PPK.15.02.2018.pdf [access. 15.06.2021].
3 Ibidem.
4 In this respect, the PPKs stand out in favor of IKZE, where the financial institutions managing them have much more freedom in shaping prices, and "a potential saver for retirement purposes has a problem with comparing the available offer and making the optimal choice" (J. Rutecka-Góra, K. Bielawska, M.Hadryan, P.Kowalczyk-Rólczyńska, S.Pieńkowska-Kamieniecka, Understanding, transparency and efficiency of individual pension products in Poland, Oficyna Wydawnicza SGH, Warsaw 2020, pp. 11. The costs of running PPKs are also more transparent and lower than the fees charged by financial institutions for running PPEs.
5 Pensions at a Glance 2019. How does Poland compare? OECD, Paris (online) https://www.oecd.org/poland/PAG2019-POL.pdf [access: 5.07.2021]. The forecasts concern the so-called net replacement rate (that is, the amount that the pensioner receives after deduction of taxes or health insurance contributions).
6 The pension market in Poland (as at the end of 2019), the Polish Financial Supervision Authority, Warsaw (online), https://www.knf.gov.pl/knf/pl/komponenty/img/Raport_emerytalny_2019_v2.pdf [access: 10.07.2021].
7 For example, the possibility of early withdrawal of funds accumulated in the PPKs, without losing subsidies from the state and tax benefits, in an event of a serious illness of a PPK participant or their family, the possibility of borrowing funds from the PPK in order to pay their own contribution for an apartment or building a house, as well as contributions to the PPKs in defined life-cycle funds, with the risk adjusted to the age of the program participant.
8 A detailed comparison of the PPKs to pension schemes with automatic enrollment is included in the paper titled: M.Szczepański, The effects of applying behavioral impulses ("nudges") to stimulate the development of occupational pension schemes – Comparative analysis, in: Pensions today. Economic, managerial and social issues , ed. by F.Chybalski and E.Marcinkiewicz, Lodz University of Technology Press, Łódź 2021, pp. 170–182.
9 R.H. Thaler, Sunstein C.R., Nudge: Improving Decisions about Health, Wealth, and Happinies, Yale university Press: New Haven, London.
10 J.Rutecka, K.Bielawska, R.Petru, S.Pieńkowska-Kamieniecka, M.Szczepański. M.Żukowski,Dodatkowy system emerytalny w Polsce - diagnoza i rekomendacje zmian, Towarzystwo Ekonomistów Polskich, Warsaw 2014.
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14 R.W. Griffin,Podstawy zarządzania organizacjami, PWN, Warszawa 2017, p. 397.
15 Ibid., p. 398.
16 E.Abrahamson, Change Without Pain, "Harvard Business Review", July-August 2020, pp.75–85.
17 P.Atkinson, R.Mackenzie, Without leadership there is no change, "Management Services", 2015, No. 59 (2), p. 42–47.
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21 Ibidem.
22 The exceptions have been micro-enterprises in which all employees submitted declarations of non-participation in the PPKs, as well as those enterprises or institutions which, before the deadline obliging them to establish a PPK, offered their employees an employee pension scheme (PPE) with a basic contribution of at least 3% of the employee's remuneration (in the case of PPE, the basic contribution is covered by the employer, and the employee is not obliged to pay contributions, unlike in the PPKs).
23 Press conference summarizing the implementation of the PPKs, PFR Portal PPK, 16 June, 2021 (online) www.mojeppk.pl [access: 15.07.2021].
24 The Polish Development Fund is going to investigate this problem.
25 Act of 4 July 2019 on the system of development institutions (Journal of Laws of 2019, item 1572).
26 Summary of the PPK reform, "Mercer Pension Inside Series", 2021, No. 2, pp. 5-7.
27 Pursuant to the Act on PPK, entrepreneurs hold the right to offer an additional contribution to the PPKs for employees with longer work experience, as well as on the basis of other, non-discriminatory criteria (agreed with the employee representation).
28 A detailed report on this empirical own research on the implementation of the PPKs in large enterprises in Greater Poland is presented in the following publication: M.Szczepański, K.Kołodziejczyk, The Initial Stage of Implementation of Employee Capital Plans in Greater Poland from the Prespective of Human Resource Management: A Research Report, "Human Resource Management", 2020, No. 3-4, pp. 75-97. The article presents the results of the team's research: Tomasz Brzęczek, Andżelika Libertowska, Krzysztof Kołodziejczyk, Maciej Szczepankiewicz, team leader: Marek Szczepański.
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31 Ibid, p. 7.
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33 Summary of the PPK reform, "Mercer Pension Inside Series", op. cit., p.6.
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Shrnutí

Zaměstnanecké penzijní fondy (PKK) jsou novým typem podnikových penzijních schémat zaváděných v Polsku v letech 2019–2021; nejdříve ve velkých společnostech, později v malých a středních podnicích, následně v dalších podnikatelských subjektech a nakonec ve veřejném sektoru. Tyto zaměstnanecké penzijní fondy využívají poznatků behaviorální ekonomie: automatické začlenění účastníka (auto-enrollment) a přednastavené opce (při vstupu do systému a při úpravě investiční strategie podle věku účastníka). Využívají se řešení zavedená v jiných zemích včetně Velké Británie. V polském penzijním systému se jedná o nový finanční produkt, který lze označit za inovaci sociální politiky.

Autoři zákona o PKK předpokládali, že tento nový typ kvazipovinných zaměstnaneckých penzijních fondů (povinných pro zaměstnavatele, dobrovolných pro zaměstnance) bude univerzální – že tedy do PKK vstoupí většina zaměstnanců. Aktuální účast je ale mnohem nižší – kolem 28 % a podle některých odhadů pouze 24 % (2,3 milionu účastníků z 11,5 milionu zaměstnanců, kterým jsou PKK k dispozici). Cílem článku je zjistit vliv koronavirové pandemie na míru účasti v nových polských zaměstnaneckých penzijních fondech (od března 2020 do května 2021) a vliv dalších faktorů. Výzkum zohledňuje i úlohu zainteresovaných subjektů při důchodové reformě v letech 2019–2021.

Marek Szczepański, Ph.D., D.Sc. (marek.szczepanski@put.poznan.pl) professor of Poznań University of Technology is a Head of Department of Business Economics, Investment and Insurance at Poznan University of Technology, J.Rychlewskiego Str. 2, 60-965 Poznań. The author of 75 scientific publications, including habilitation dissertation titles "Drivers and barriers of the development of occupational pension schemes in Poland" (2010). The main areas of his research interest: social policy – in particular: comparative studies of pension reforms and pension schemes in different countries, economic and social aspects of social security, corporate financial management (including risk management).

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