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SECONDARY PROFESSIONAL ACTIVITY IN THE LABOUR MARKET PENSIONERS

Summary

A pension is a benefit of cash character, which aim is to secure the material existence in the period, in which an individual, regarding to age is not able to perform work. In order to gain the entitlement, one should meet defined conditions, having met which the choice of the moment of retirement is made by the entitled person. A person at retirement age may fully spend their time resting resigning from professional activity, may also continue work, postponing retirement or combine receiving benefits with professional work. The aim of the paper is to analyse the occurrence of secondary professional activity as well as factors determining the undertaking of employment in the period of receiving benefit. The conducted research shows that the responders relatively earlier exercised their right to a pension and average age of responders' retirement amounted to 59 years. However, gaining entitlement to a pension did not caused responders' withdrawal from the labour market and over half of them combined receiving benefits with professional work. The undertaking of the professional activity was conditioned by responders' financial situation.

Key words: pension, retirement age, secondary professional activity

1. Introduction

In the literature there are different definitions of pension. It is widely recognised that this is a financial benefit, the purpose of which is to secure the existence in the period in which individuals, because of their age, are not able to perform their job. To be eligible for the benefit one has to meet certain conditions which primarily are reaching the retirement age and the corresponding length of participation in the labour market or insurance period. However, after meeting certain statutory conditions, a decision on retirement is made by the entitled person. A person at retirement age has different choices, they may wholly devote their time to relaxing, resigning from the participation in the labour market, and they can also decide to continue work postponing retiring or combine receiving the benefit with professional work. In the case of pensioners, reduction or withdrawal from work causes a change of earnings into non-wage income. This does not lead to a complete lack of income, but may be associated with deterioration of the income level of the elderly. In Poland, the amount of benefit is usually lower than

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pay. As a result, this contributes to the deterioration of the income level of pensioners, who decide to participate partially in the labour market.

The purpose of the paper is to analyse the phenomenon of secondary professional activity in the labour market of pensioners, as well as the factors determining taking up employment during the retirement period. The work also presents the factors influencing the decision to withdraw from the labour market. It includes empirical data according to selected demographic variable.

2. Materials and research methods

In order to determine the professional activity of people receiving pensions in 2009-2010 in the region of Wielkopolska, a survey on 350 beneficiaries was conducted. The survey was supposed to contribute to the identification of the main causes for a secondary participation in the labour market of pensioners. The aim of the survey was also to verify whether pensioners' opinions vary depending on the selected demographic variable, namely gender. The purposive sampling method was used to select beneficiaries. The study included only persons receiving benefits from the public pension system. Due to the demographic structure of the population, in particular, feminisation in the older age groups of population, women accounted for 60% of the respondents.

Test of independence was applied to analyse empirical data. In each case under consideration, which was subjected to statistical verification, there was adopted the $\alpha = 0,05$ level of significance. All calculations were performed in the R statistical package using a statistical function `chisq.test()`. The decision to reject the hypothesis of independence of the studied traits in favour of the alternative hypothesis stating that the relation exists, was made on the basis of comparison of the adopted level of significance $\alpha = 0,05$ with the so-called p-value issued by the program. Therefore, in the description of the verified issues, the authors resigned from providing the value of the test statistic, the number of degrees of freedom and the critical value; it is limited to giving the p-values, which unambiguously allows to decide to reject the hypothesis of independence or on the lack of grounds for its rejection.

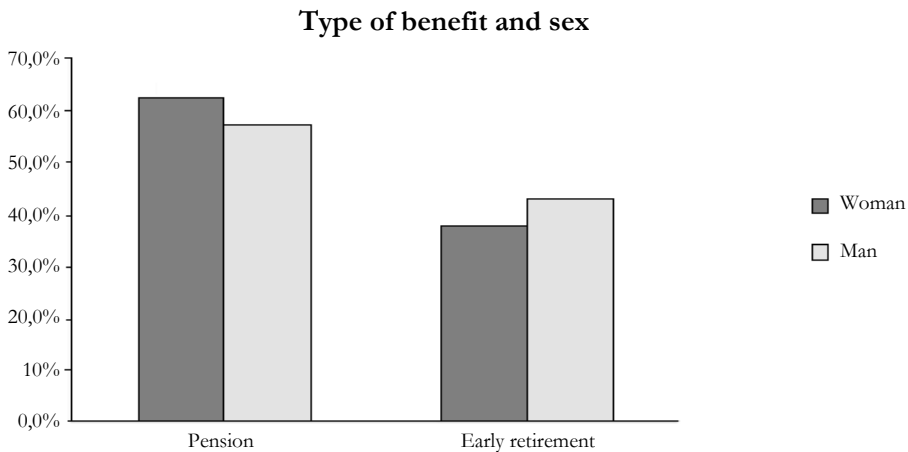
A research tool used to analyse the data was also the automatic interaction detection method (CHAID – Chi-squared Automatic Interaction Detector), which is a technique allowing to choose from a set of variables the ones that most affect the indicated dependent variable; the variables are assigned according to the strength of this effect. As dependent variables were adopted the variables measured on the qualitative (weak) scales of measurement: the answer to the question: *If you do not work at present, are you willing to start work?* As explanatory variables were adopted: gender, age, place of residence, marital status and education.

3. Research results

Retirement age

The respondents relatively early exercised their right to pension benefits. The average age of the respondent's retirement was 58.6. The results of the survey do not differ significantly from the statistics published by the Social Insurance Institution (SII), according to which in 2010 the average age of a retiring man was 60.2 and women – 59 [Social Insurance Institution, 2012, p. 46]. The report *Deactivation of people approaching retirement age* shows that nearly 70% of men and 68% of women obtain the benefits for 1-5 years before reaching the retirement age. This means that the majority of population receive benefits allowing the deactivation before the retirement age [Sztanderska, 2008, p. 18]. The study shows that the right to early retirement exercised more than 43% of men and 38% women (figure 1.).

FIGURE 1.



Source: authors' own research.

For many people retiring earlier than the statutory retirement age is a preferred alternative to professional work which is influenced by the fact that in the previous pension system extension of the length of service insignificantly increased the level of benefits. Therefore, in the case of a lower level of pay there is no strong motivation to continue to work in a situation when there is a right to receive pension. The lower the pay, the more the pension replaces the lost income [Wóycicka, Matysiak, 2004, pp. 63-64] (table 1.).

TABLE 1.

Pension in relation to pay (excluding social security contributions) depending on the length of service and pay in the current system

Length of service	60% average pay	100% average pay	120% average pay
	Pension in relation to pay		
25	82%	62%	57%
30	88%	69%	64%
35	95%	75%	70%
40	101%	82%	77%
45	108%	88%	83%

Source: [Wóycicka, Matysiak, 2004, p. 63].

Implemented for many years, the labour market policy fostering early withdrawal from the labour market of older people helped to spread among people around the retirement age a tendency to give up their jobs and retire [Klimkiewicz, 2007; Klimkiewicz, 2009, p. 4-10]. The research shows that the main reason for exercising the right to a pension was reaching the retirement age (58 %), which to a large extent also was associated with favourable conditions for retirement (12.5%) and unfavourable pay conditions (5 %), as well as the threat of job loss (8%).

Secondary professional activity in the labour market

Exercising the right to a pension does not need to have a direct impact on professional deactivation. However, it creates a favourable opportunity to combine receiving the benefit with performing professional work. This allows pensioners to feel more financially secure. When receiving the benefit, 197 out of 350 respondents (56%) were economically active, of which the highest percentage, i.e. 69% worked from 2 to 5 years, 22% not more than one year, and 9% from 6 to 10 years. Men demonstrated higher professional activity than women did. About 58% of men and 54% of women connected retirement with work. The data of Social Insurance Institution show that in December 2009 the number of people entitled a pension registered to the pension insurance amounted to 422.6 thousand, and in December 2010 – 404.8 thousand, and registered to health insurance respectively: 586.7 thousand and 582.0 thousand [Social Insurance Institution, 2012]. It can therefore be concluded that about 15% of retirees were economically active². The report published in 2006, *The future of retirement*, prepared by The Hong Kong and Shanghai Banking Corporation (HSBC) in collaboration with Oxford Institute of Ageing, containing the results of surveys conducted in 20 countries around the world, including Poland, shows that after retiring 20% of respondents do not intend to work, and 75% would like to continue employment, out of which 9% full-time and 66% part-time. In Poland, about 7% of the surveyed

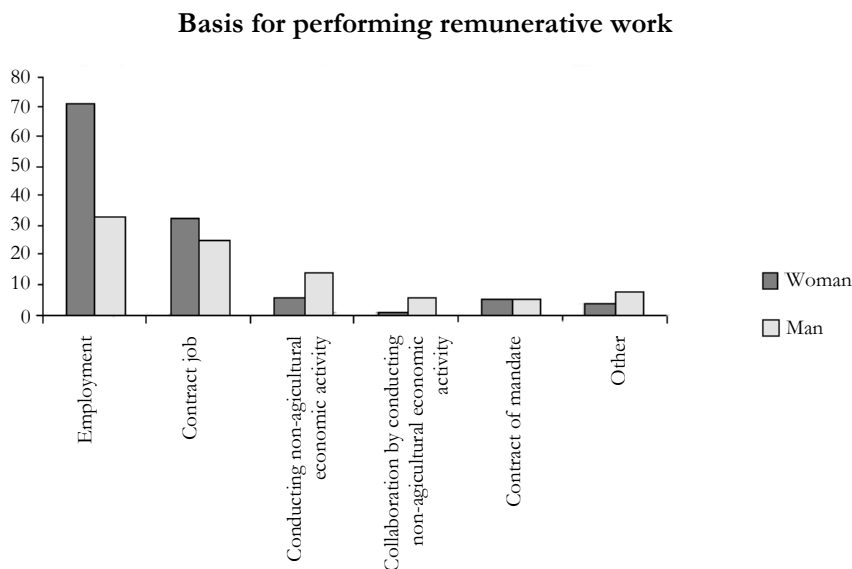
² The CSO data shows that the number of retirees under the non-agricultural social insurance system in 2009 was 5239 thousand, in 2010 – 5256 thousand. However, there were 1138 thousand pensioners under the agricultural social insurance system in 2009, and in 2010 – 1097 thousand.

want to work full-time and 70% part-time [*The Future of Retirement...*, 2006; Kaluża, Lewandowska-Sweda, 2009, p. 169]. However, the survey conducted in 2011 by the European Commission shows that the majority of the EU citizens would not want to work after reaching the retirement age (54%). About 33 % of the respondents were interested to be further active in the labour market. In Poland, the percentage of people belonging to the first group was slightly lower – 49%, while the latter one – 37% [European Commission, 2012, pp. 74-75]. The data proves that over half of the employed at the age of 45/50+ plan to use the right to a pension as quick as possible. About 30% of the inquired would like to undertake secondary professional activity and 16% was hesitant [*Diagnoza obecnej sytuacji kobiet i mężczyzn...*, 2013, p. 21].

The professionally active pensioners are generally socially active people, higher educated, with higher incomes and living in larger cities, usually employed under a contract in full-time or part-time work. The pensioners mainly occupy managerial positions and other independent ones, and perform basic work requiring low physical load [*Diagnoza obecnej sytuacji kobiet i mężczyzn...*, 2013, p. 21].

The conducted inquiry research proves that over half of the respondents receiving benefits and continuing paid work were employed under a contract of employment, however, most of them part-time (figure 2.).

FIGURE 2.



Source: authors' own research.

The test of independence shows that there is a statistical relationship between working time and gender of respondents. However, no statistically significant relationship was started between the number of working hours (full-time or part-time work and the

age, educational background and marital status of those polled (table 2.)³. Respondents working $\frac{1}{2}$ and $\frac{1}{4}$ of working time were dominated by women, who respectively accounted for 66% and 54%.

TABLE 2.**Working time – test of independence results**

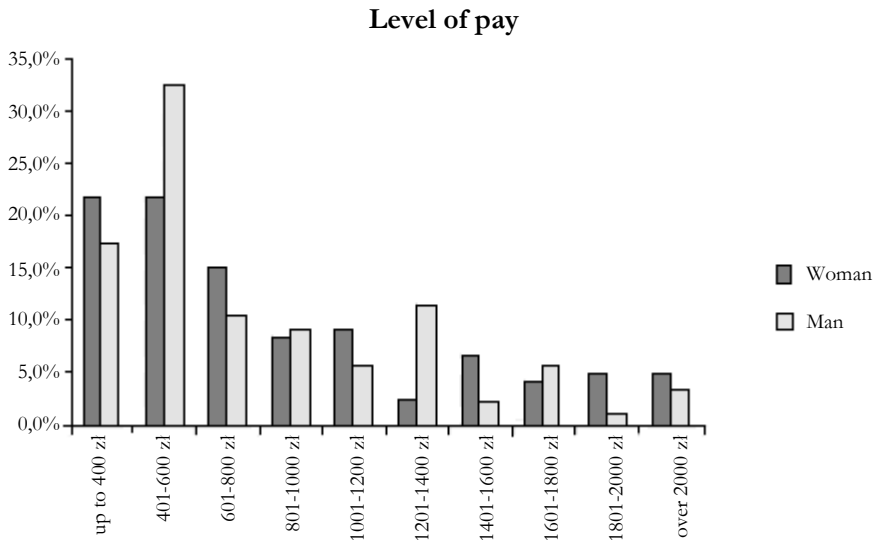
Specification	Gender	Age	Education	Marital status
Working time	0.042	0.224	0.177	0.907

Source: authors' own research.

Every third respondent performed work under commission contracts, and every twelfth conducted non-agricultural business. Over 5 % of the respondents worked under specific task contracts, and 6% without a contract. Out of 350 respondents over 3% combined receiving pension with conducting non-agricultural business activities and working under a contract of employment. People who before being entitled to benefits had conducted non-agricultural economic activities were more likely to take up employment under a contract of employment (47%) than to continue to be self-employed (14%). If the business is profitable and cannot be conducted by another people, then at the time to retire the beneficiary runs it further. In this case, they decide to take advantage of the right to benefits for fear of a change in legislation in this area. They continue to operate regardless of the level of generated income, which may affect the suspension or reduction of pension. In this case, the deactivation causes deterioration of the financial situation. If the economic activity is unprofitable, then the person decides to terminate it and take up employment, which in combination with receiving pension, improves financial conditions. Over two thirds of respondents did work consistent with their learned profession or the same kind of work as prior to acquiring the right to the retirement benefit. The decision to take up employment under a contract of part-time employment or a commission contract, specific task contract was related to the situation in the labour market. Employers prefer flexible forms of employment, since these are often deprived of the privileges of employees. On the other hand, working pensioners are not interested in such privileges. Flexible forms of employment are also associated with low pay. Due to the extra work almost 70% of pensioners obtain income not exceeding PLN 1000, over 27% – PLN 1001 to 2000, and 3% – over PLN 2000 (figure 3.).

³ The table presents p-value in chi-square independency test between following variables: working time and gender, age and marital status of a responder. The level of significance $\alpha=0,05$ was accepted for the test of hypotheses about the independence of the relevant features. The cases, in which the dependency was observed ($p \leq \alpha$) were marked with bold font.

FIGURE 3.



Source: authors' own research.

Men received higher pay than women. This is due to far worse position of women in the labour market, the evidence of which is the ratio of pay of women and men. Women, although on average better educated, are still paid less than men [Kolaczek, 2009, pp. 2-6]. Low income of working pensioners compared with people not receiving benefits results not only from short-time work, but also the low level of pay in the labour market. The level of income of beneficiaries may also result from the fact that the undertaken work is an additional activity, odd job, often on a replacement. Among people performing professional work there is a significant part for whom combining income from work and benefits is an important way to improve their financial situation. With the additional participation in the labour market the pension increased in the case of over half of the respondents, 11% significantly and 46% slightly. Due to the receiving too high pay, 98 % of respondents did not have suspended or reduced benefits. This shows that the pensioners themselves opt for flexible forms of employment in order to generate income from work not causing suspension or reduction of benefits.

Among those who combined old-age pension and professional activity 52% gave up work. The most common reason to cease economic activity, indicated by the respondents, was health (95%) (figure 4.).

FIGURE 4.

Reasons for resignation from work



Source: authors' own research.

Confirmation of the health assessment of the elderly is the Central Statistical Office research, which shows that in 2009 45% of respondents aged 50-59 favourably assessed their health status (very good and good), and 40% as *'so-so, neither good nor bad'*. Moreover, 15% claimed they had bad and very bad health. Among people aged 60-69 years old, almost half of the respondents assessed their health status as *'so-so, neither good nor bad'*, 25% as poor and very poor, and 28% as very good or good. Among people aged 70 years old or more, compared to the previous age group, the share of negative health assessment increased by 18 percentage points, and the number of those who evaluated positively fell by 13 percentage points [CSO, 2011, p. 108]. Over one third of the beneficiaries resigned from work for other reasons, which included among others: age, taking care of family members, lack of need, and lack of job offers. Every third respondent gave family reasons, and every fourth – low pay.

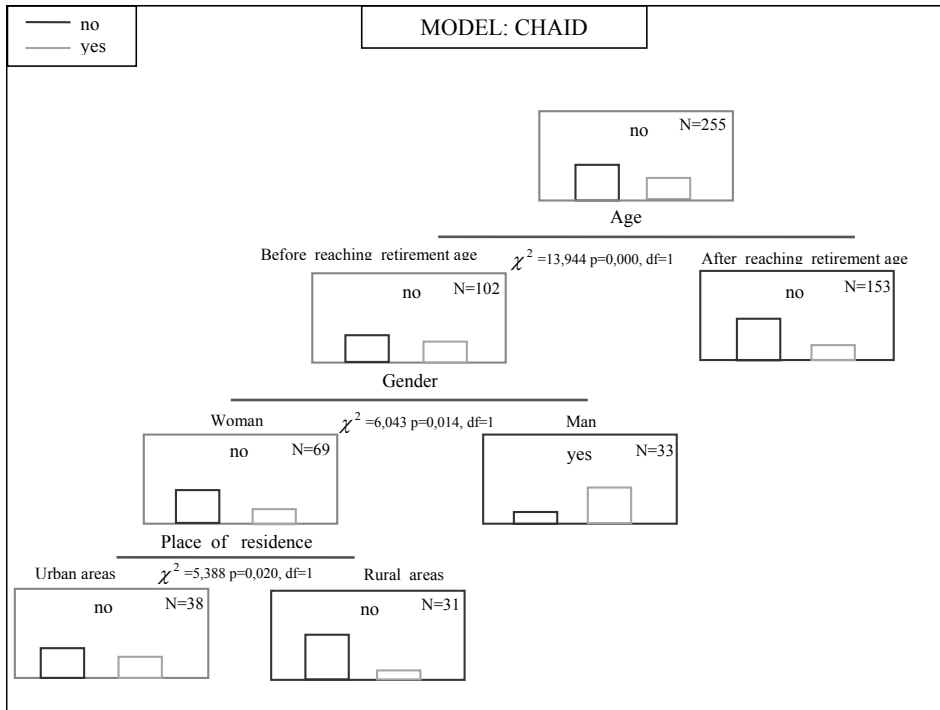
At the time of the study, 73% of the beneficiaries were not economically active, with 69% of respondents expressed no willingness to work, and 31% wanted to start a secondary economic activity. In order to build a profile of a pensioner who is interested in professional activity, the automatic interaction detection method (CHAID) was used. The variables measured on qualitative (weak) scales of measurement were adopted as dependent variables, namely the answer to the question: *If you do not work at present, are you willing to take up employment?* As the explanatory variables were adopted gender (woman, man), age (before reaching retirement age, after reaching retirement age), place of residence (urban areas, rural areas), marital status (married, divorced, widow/widower) and education (primary, vocational, secondary, higher). The division of the branches is related with the value of test probability p in χ^2 independency test. The figure 5. presents information on χ^2 test statistics values, p -value and appropriate number of degrees of freedom (df).

The CHAID model analysis shows that the willingness to take up employment depended primarily on age. Among the respondents who at the time of the survey

were not economically active 60% were people who reached the retirement age and 40% were people who did not reach the retirement age (figure 5.). In the first group, those who did not want to take up employment accounted for 77%, while in the latter on – 55%.

FIGURE 5.

Pensioner’s profile according to reaching to undertake professional activity



Source: authors’ own research.

Among the respondents in the pre-retirement age an explanatory variable strongly influencing the dependent variable was sex. Men accounted for 32% of the pre-retirement age respondents, and among them 73% expressed a desire to undertake economic activity. However, women accounted for 68% of the pre-retirement age respondents, but 68% were not interested in finding a job. In the group of women another explanatory variable strongly influencing the dependent variable was the place of residence. Urban inhabitants accounted for 55%, and those living in rural areas – 45%. Both groups were dominated by people who did not express a desire to take up employment. Nearly 58% of women living in the city did not want to restart their economic activity. However, among women living in rural areas the proportion was much higher and accounted for over 80%.

Secondary participation in the labour market is not interesting for people who reached the statutory retirement age (65 for men and 60 for women), and women before the age of retirement, living in rural areas. Those interested in taking up employment are primarily men before the retirement age.

Nearly 47% of people expressing a desire to work received benefits below PLN 1000. However, those who did not want to take up employment were dominated by the respondents receiving pension of PLN 1001-2000. The decision to restart the participation in the labour market is connected with the opinion of the respondents on meeting everyday needs. People receiving lower benefits had difficulty meeting current needs, which encouraged them to take up employment. Among the respondents who would like to work over 74% said they had difficulty meeting the needs (table 3).

TABLE 3.**Willingness to undertake employment and to meeting current needs**

If you currently do not work professionally, are you interested in undertaking such work?	Is the level of your income sufficient to meet your current	
	is not sufficient	is sufficient
I am not interested	55.2%	44.8%
I am interested	74.1%	25.9%

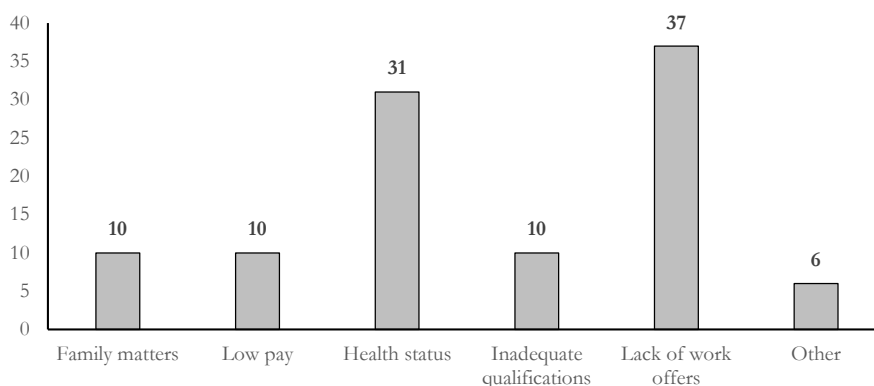
Source: authors' own research.

Although the received pension was not sufficient to meet current needs, 55% of the respondents expressed no desire to restart their professional activity.

Among those who wanted to work, their deactivation was due to various reasons. For 81 people who declared their willingness to work the greatest barrier was the lack of job offers, and health status (figure 6). These reasons were pointed by every second respondent. The demand for work in this age group depends on the level of education and type of occupation. This is due to the fact that older people should not perform certain kind of jobs. This applies mainly to jobs requiring physical strength, fitness and the use of modern technology, as well as jobs which are connected over the years with a 'burnout', leading to lower efficiency.

Poor health is a major factor impeding undertaking employment by economically inactive people [Kotowska, 2008, pp. 23-26; Kotowska, Abramowska-Kmon, 2008, pp. 47-69]. Employers often do not want to hire older people, because of certain limitations related to age, such as the pace of work, reluctance to acquire new skills and qualifications, lower education level compared to young people, professional burnout. However, it should be noted that as employees, older people have a lot of valuable advantages, namely experience, precision, discipline, concentration. Considering these features, multi-generational groups of workers can be created. Undoubtedly, their important advantage is combining current knowledge and years of experience, diverse skills and abilities, which in turn may contribute to the stabilisation of employment [Golinowska, Szatur-Jaworska, 2004, p. 204].

FIGURE 6.

Reasons for professional inactivity

Source: authors' own research.

4. Conclusions

The research shows that respondents relatively early exercised their right to a pension, and the average age of respondent's retirement was under 59. However, for the surveyed retirees acquiring entitlement to a pension did not contribute to the withdrawal from the labour market, and over half of the respondents combined receiving the benefit with professional work. At the time of the survey almost two thirds of the retirees were economically active or expressed the desire to participate in the labour market again. Retirement is usually associated with deterioration of income, since the benefit provides a constant, though lower than pay income. This is due to the existing rules for determining the amount of benefits, as well as maintaining their real value. Among the respondents participation in the labour market was mainly conditioned by their financial situation (68%). Almost two thirds of respondents combining receiving benefits with work stated that the received pension was not sufficient to meet current needs, which was the main reason to participate in the labour market.

It should be noted that the secondary economic activity of pensioners is of a multidimensional meaning. It affects eliminating socio-economic inequalities. In terms of on personal and individual level, professional work can be regarded in two aspects, namely the material and immaterial one. In terms of the material aspect, it guarantees an income and contributes to improving the quality of life, both during the professional activity and afterwards. Combining work and receiving pension is not just an additional pay, but also an increase of the amount of pensions in the future. In terms of the immaterial aspect, it has many functions very important for every person. Through work the man meets important psychosocial needs, which include self-esteem, usefulness and fulfilment. Work of pensioners also affects the increase in revenue to the pension

system. On the other hand, receiving too high work income helps to reduce its expenses by reducing or suspending the benefits, which has a positive effect on the financial situation of the pension system.

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