

THE PRINCIPLE OF JUSTICE AND THE UNIVERSALITY OF THE POLISH SOCIAL SECURITY SYSTEM. OUTLINE OF THE PROBLEM

The reform of the social security system, conducted in 1999, unfortunately did not meet our expectations which directly results from the study of the author. Pension funds, which were suppose to build our capital retirement became an ideal source of financing the budget deficit through the purchase of the treasury bonds. Social Insurance Institution as a state fund does not generate any profit - it was claimed by Finance Minister V. Rostowski and other similar thinking economists and politicians. On the contrary, it has been generating losses for several years and our accounts are assigned only by indexed for inflation amounts. The worst feature of the system is its compulsion for us as a citizens. The system is neither general nor fair.

Keywords: social security, justice, universality, reform, pensions.

Introduction. In 2011 the Minister of Finance together with the Prime Minister and the Minister of Labour started discussion about the existing system of social insurance and pensions of the Polish citizens. This discussion, sometimes very rough, lasted more than two years. The Minister of Finance has decided - in the name of greater benefits in the future - to withdraw a part of the funds transferred to pension funds and assign them to the ZUS. After more than 14 years of the reformed system was to prove that it is inefficient and the retirement from the two pillars does not provide us with decent benefits on retirement. So the money, received as compulsory contributions - and it is not subject to any discussion - were again divided by politicians. Again, we did not get a chance and possibility to distribute our money.

These changes were introduced in the name of widely understood - by the politicians of course - rules. They talked about solidarity and justice. About the fact that the system should be universal. Looking at these debates we can have impression that few interlocutors do not know what they talk about. They raised the issues of universality, which should be understood as equal social security coverage of the whole society. Nevertheless certain group of professions was excluded from the universality of the system at the beginning.

In the aspect of justice we can talk about the principles of social solidarity, which are:

1. All insured people should bear the costs of benefits,
2. Everyone should have equal access to benefits,
3. The benefits are redistributable, which means that the working people can (or should) pay for the inactive ones.

The synonym for the fair behaviour is proceeding impartial and objective. In other words, the justice is fair and right conduct. If this statement is true, as noted by K. Sopoćko, the problem is when trying to define the "social justice" [7, s.310]. There can be no social justice different from the justice in the meaning stated above. On the other hand the politicians want to claim their rights to define these terms in different ways, depending on budget and social needs. They defined justice and solidarity in their own way, which means that it is applicable to the whole society except costs

which are to be bear by certain group of people only [3, p.84-85].

In this paper, the author focuses on considerations related to the social security. In his deliberations the author was critical of, invoked by some politicians and economists, the principles of justice and the universality of insurance system. There are shown solutions which are demotivating to insured people on the contrary to what some politicians and economists think. At the same time, to not rely only on subjective assessment of the author, this paper includes results of the author's research. This research was conducted in the form of survey among the inhabitants of the city of Radom and its surroundings. Its main theme was perception of the social insurance system in terms of universality and justice. There was no need to focus on deficit neither of the ZUS nor public finances because these figures are well known by the society. In the author's opinion described considerations are very important because of changes made in pension system in terms of its equality and universality. And what is more it is very important because the Government always emphasized security for the people on retirement. The changes unfortunately affected only people who are still working and paying tribute in form of security contributions. The regulations introduced between 2012-2014 had no influence on the people in "privileged groups". The author of this study does not remember any discussions about the principles outlined in the title.

Where is the universality. If we assume that the social security system is universal and its goal is to achieve, described in Article 67 Paragraph 1 of the Polish Constitution, the right of every citizen to get social security when reaching the retirement age it should be noted that it does not fully respect the constitutional statements [1, p. 240]. The Polish legislation only for itself comprehensible manner established universality of the social security system. During the conversations about the universality politicians again aimed for reform of countryside and contributions from the farmers. There were various suggestions and even certain amounts [9]. Perhaps many of the proposals consist of good solutions but many of those can be read as demagoguery. How to explain the proposal to pay contributions to the Social Insurance (ZUS) by the farmers without the idea of

calculating their income. At the moment people paying social insurance contributions pay it on the base of their wages. What is more people who have their own business pay contributions on a fixed base as well. Are all farmers businessmen? Regardless of the size of the farm? And what about us - consumers of agricultural products? Did anyone take into consideration the fact that the introduction of taxes or contributions to farmers will affect the consumers who suffer the consequences by paying higher prices for purchased products? Obviously this is not the only one aspect of possible changes in social insurance for farmers.

Looking at the activity of the government and parliament we can conclude that the social security system is not universal. There is a group of professions which are excluded from the system [2, p.319; 5, p.196]. When talking about universality politicians say a lot in terms of contributions paid by business and farmers. But it still does not oblige selected groups. Why the system does not cover contributions of judges, prosecutors and public services wages? Moreover the Member of Parliament have their salaries divided into two parts: the diet and basic salary. this means that they pay contributions only of a part of their wages. There comes the next question. Why, during the introduction of completely new system of social

insurance in 1999, those irregularities were not removed? It was not done neither in 2013 nor in 2014.

Was it for public or social matters? No it was not. Unfortunately the universality was not taken into consideration. There is no argument when saying that those people pay higher taxes.

Those who pay contribution for social security pay taxes as well. If Polish law allows, as determined by R. Gwiazdowski, some groups to not pay contributions why it does not do it to all citizens [1, p.240]. The legislator distorted the principle of universality, even among employees of the public services. Insurance contributions are paid of the salaries of civil servants (eg. tax offices, social security, ministries, etc.). On the other hand selected group of public sector employees have been exempted from this obligation. This is a kind of paradox. In the same public offices or police stations work side by side two persons, one of which is exempted from paying the contributions and the other is not. First of all this results in higher salary for one of the employee and may have influence on the rules of retirement.

This difference is clearly visible in example below. Figure 1 and 2 show the amount of remuneration charged by the people paying the contribution and the ones exempted from this obligation - in the examples the amount of remuneration is 4.200,00 PLN.

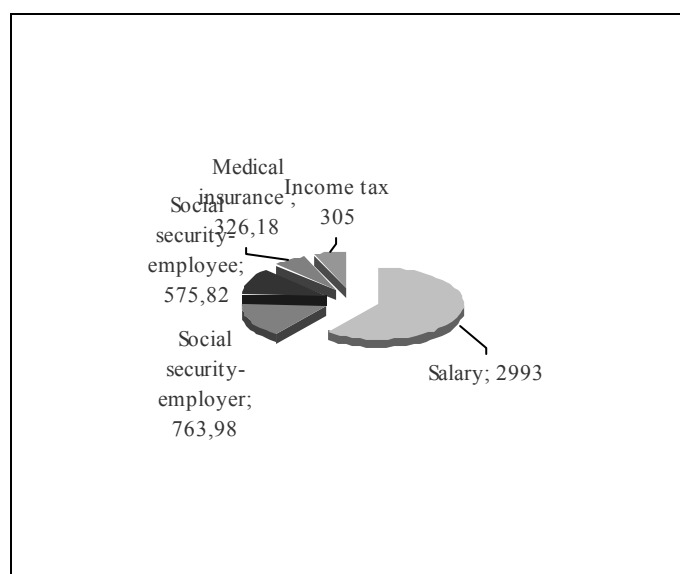


Figure 1. Salary and contributions of employee obliged to pay social security

Source: Author's self study

As you can see the costs incurred by the employee and the employer differs significantly when there is an obligation to pay contributions and when such an obligation does not exist.

Moreover, a person exempted from the payment of social security contributions earns more money. Regarding actual rules during author's survey two questions were asked: how they evaluate the Polish social security system and whether they agree for

continuation of exemptions of certain group of employees from paying contributions. Figure 3 and 4 show the structure of the response.

As it is clearly visible only 6% of the respondents have positive view of social security system. Over 80% of respondents speaks negatively or very negatively. This shows that the community does not accept the actions of politicians who make another attempts to reform the system.

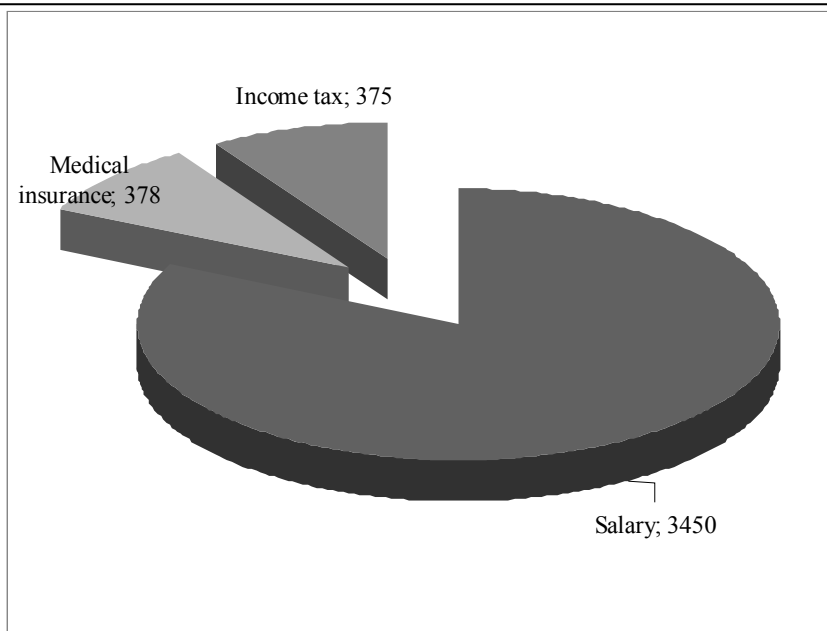


Figure 2. Salary without social security contribution

Source: Author's self study

Almost 90% of respondents are against maintaining privileges for certain professional groups. It means that Polish society is aware that the responsibility for paying contributions for unemployed and, what is more, working people is on its side. It is significant that a people excluded from the social security system on their retirement still remain dependent on society. The situation that they get retirement from special funds dedicated to it does not mean that it is not financed by society. It is not truth.

Their retirement is financed by us when paying contributions. Throughout whole period of activity they receive higher salaries while not bringing anything to the social security system. Only 11% of respondents were in favor of maintaining existing rules. It can be assumed that they have among their relatives or friends a person who is exempted from this requirement, or who consider the current solution is good.

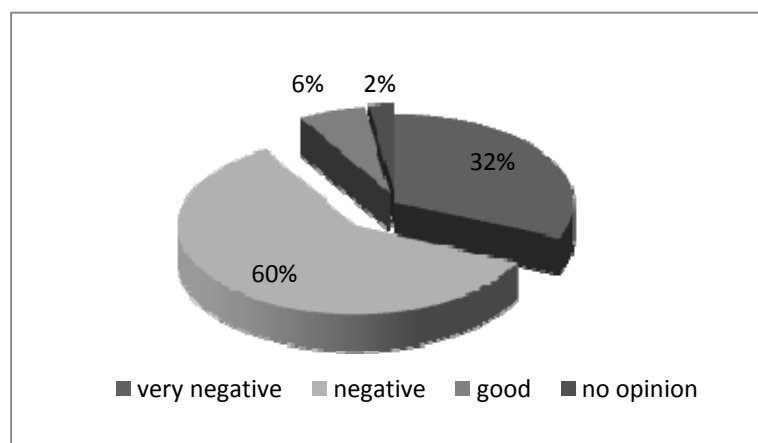


Figure 3. Evaluation of the social insurance system

Source: Author's self study

At this point we should notice the action of the legislator which distort the idea of universality. The author emphasizes introduction of the so called "amnesty of social security contributions" for some business holders [5; 8]. By introducing one regulation we discontinued contributions that were not paid for a period of 10 years. It is introduced at the time when

politicians mention about crisis of public finances and deficit in the ZUS. All unpaid contributions will have to be paid by other citizens. Regarding the information provided by the media over 400 thousand people can use the "amnesty". This will cost Polish country nearly 1 billion PLN.

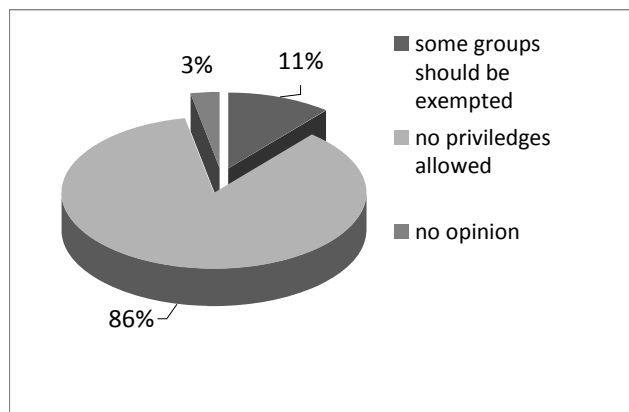


Figure 4. Exemption from paying contributions by certain group of employees. Should it be left unchanged?

Source: Author's self study

The amnesty covers all unpaid contributions during years between 1999 to February 2009. The law states that the period for which no contributions are paid will not be used for calculating the rate of retirement. But what does it mean in a situation where in Poland people mostly get minimum retirement.

This means that even if the taxpayer does not pay contributions enough for his retirement he is able to receive it because it is guaranteed by the law.

At this point the author is considering the question of how to reward people who honestly pay public dues. Will it be demotivating for them? What legislator has provided for them as a reward? The author already knows it. The government has prepared for us few surprises by the end of the 2012. There are new rules for the use of the web and tax relief for children.

What about the justice? This considerations cannot end the discussion about the principles of universality. It is necessary to speak over the justice as well. It is important because that these two principles exist together. Violation of the principles of universality has a significant influence on the perception of justice. We cannot assume that the justice means equality. Equally does not mean fair. In the name of the widely understood, by politicians and some economists, justice farmers should pay contributions and taxes. But again no one mentioned about certain professional group which is exempted from paying social security contributions.

It is not fair favoring some groups with early retirement. Is it fair that some people go on their retirement at the age of 30-40? Is it fair from the point of view of the rest of society that we enabled early retirement for prosecutors of the National Prosecution even after several years of work? Today these people are at the age of 40-50 and get the salary of 15,000 PLN per month. It will last until they reach the age of their retirement when they will be able to get the retirement of 75% of their last salary. Throughout their whole professional life they will not pay any social security contributions. However they will get money from the same system. Without any contribution they will receive a significant "dividend" from the rest of society.

There are many other questions. Why does the system, as a employer, take contributions from one of the employees and from the other it does not? Why people who work for the public services (eg. tax office,

ZUS) have to work until they reach the age of 67? Maybe there is a possibility to exempt every public service workers from paying contributions for social security? Maybe we should do the same with the age of retirement and make it the same for everyone? From this point of view we can say that Polish country, as a employer, discriminates its own employees. We cannot say about the respecting the principles of justice. We can also consider, mentioned above, "amnesty" of social security contributions in terms of justice. It is not reasonable or economical from the social point of view. Redemption of contributions for business holders who, for various reasons, did not pay it will not improve the condition of the business sector. The redemption only allow certain entities to avoid the execution of their assets. Remitted amount will have to be paid by the rest of society, which is not possible to hide their income or to adjust expenses. There is no need to search for another examples of the failure of respect the principles of justice.

Some groups of professions are exempted from paying contributions, some get it remitted but those who want to earn some extra money because of low retirement rate are obliged to pay taxes again.

It seems that people who are on their retirement should no longer pay any money for social security. Why? I will emphasize it once again - they have already paid taxes and contributions. Now taking additional employment they have to pay taxes again on behalf of those appointed by politicians. They, like the rest of the citizens, are forced to fund the benefits of prosecutors, judges, policemen or soldiers. It is not fair to maintain this situation to persons at age of 30-40. Today these people are placed in the new retirement system and seeing such diversity among selected groups do not accept this. The author is in the same situation and believes that it is not fair neither from economical nor justice point of view [4, p.192]. Someone could obviously say that those who are unhappy about the retirement system could be judges, policemen or firefighters. They could, of course. But do we need so many employees in public services. We do not. Maybe it is easier to change the law for several thousand public servants instead of several million of the rest.

Mr. Waldemar Pawlak, former Prime Minister, said that he did not believe in the state retirement. He told the truth but he did not pointed to any solutions helpful for

people who starts his working career. Maybe we can take into consideration his proposal of disbanding the ZUS and making KRUS the primary social insurance. How should we save money for our retirement - as proposed by W. Pawlak - when more than 30% of salary is grabbed for the funds and taxes. Persons exempted from social security contributions receive higher wages (see Figure 1 and 2). Additionally other regulations determine their retirement which means that they get other retirement benefits very often higher than those who get the retirement from ZUS.

Summary. In the context of consideration of the principles of justice and the universality the author believes that in this study he indicated only a few examples of their violation. The rules which should be a kind of pillars of social security system are not respected. Analyzing the arguments for and against there can be visible that many of the people showed by the media did not understand the problem.

For them, justice and universality means something completely different. It could be that they understand the

importance of these principles in a different way but they are not able to present any arguments in their favor. If they finally do those arguments are acceptable by the rest of society.

Polish system introduced a kind of saving compulsion for our future retirement which violates our freedom to make decisions about our money. Additionally our country attempts to over-regulate our lives. Those activities may reduce our motivation to take further action. This is what happened with our social security system. Not only the business holders, as employers, are complaining about contributions rate. Employees are doing it as well. The Government and the Parliament decided that they are the only ones who can decide about our savings. Unfortunately it comes from the lack of funds in the state budget and our savings are to be used as current expenditures.

The completion of activity on the labour market is associated with peace and rest. Unfortunately, as it comes from the analysis, it will be associated with decreasing life standard.

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Анотація

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ПРИНЦИПИ СПРАВЕДЛИВОСТІ ТА УНІВЕРСАЛЬНОСТІ ПОЛЬСЬКОЇ СИСТЕМИ СОЦІАЛЬНОГО ЗАБЕЗПЕЧЕННЯ. ПЛАН ПРОБЛЕМИ

Реформування системи соціальної безпеки в 1999 році, на жаль, не виправдало наших очікувань. Пенсійні фонди, які мали б забезпечувати вибуття основного капіталу стали ідеальним джерелом фінансування дефіциту бюджету за рахунок купівлі казначейських облігацій. Як зазначають економісти та політичні діячі, інститут соціального страхування в якості державного фонду не створює ніякого прибутку, а навпаки, – став причиною наростання збитків протягом декількох років і наші рахунки присвоюються лише через індексовану величину інфляції. Негативною рисою системи є її обов'язковість для громадян. Система ні узагальнена, ні справедлива.

Ключові слова: соціальна безпека, справедливість (правосуддя), універсальність, реформа, пенсії.

Аннотация

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ПРИНЦИП СПРАВЕДЛИВОСТИ И УНИВЕРСАЛЬНОСТИ ПОЛЬСКОЙ СИСТЕМЫ СОЦИАЛЬНОГО ОБЕСПЕЧЕНИЯ. ПЛАН ПРОБЛЕМЫ

Реформирование системы социальной безопасности в 1999 году, к сожалению не оправдала наших ожиданий. Пенсионные фонды, которые должны обеспечивать выбытия основного капитала стали идеальным источником финансирования дефицита бюджета за счет покупки казначейских облигаций. Как отмечают экономисты и политические деятели, институт социального страхования в качестве государственного фонда не создает никакой прибыли, а наоборот, - стал причиной нарастания убытков в течение нескольких лет и наши счета присваиваются только через индексированную величину инфляции. Отрицательной чертой системы является ее обязательность для граждан. Система ни обобщенная, ни справедливая.

Ключевые слова: социальная безопасность, справедливость (правосудие), универсальность, реформа, пенсии.