

THE FARMERS' EARLY RETIREMENT SCHEME AS AN INSTRUMENT OF STRUCTURAL CHANGES IN THE RURAL AREAS AFTER POLAND'S ACCESSION TO THE EU

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ABSTRACT

The farmers' early retirement scheme was introduced in Poland in 2002, nevertheless only since the moment of accession to the EU its significance has been risen distinctly. The paper analyses the evolution of the farmers' early retirement scheme in Poland and assesses its running in the period between 2002 and 2007. It is based on the research findings from the field surveys conducted regularly by the IAFE-NRI on a sample consisting of 3705 farming families, the data of the ARMA, ASIF and the legal documents.

KEY WORDS: early retirement, structural changes, rural areas, Poland

INTRODUCTION

A significant characteristic of developed countries economies is an advanced disagrarisation process (TOMCZAK, 2006). Among all the member states of the OECD Poland has one of the highest shares of population employed in agriculture in the total number of working people (OECD, 2008). This excess employment is directly connected with scattered agrarian structure (KARWAT-WOŹNIAK et al., 2006). Small farms constitute a place of employment and living for a significant part of population on rural areas (DZUN et al., 2008). Most of these farms are economically weak, unable to reproduce independently and not competitive on the market. In such case the holding's property has non-productive functions – it is perceived as a dwelling, capital investment or a way to self-supply food. Units with no development potential own a significant area of agricultural land (over 2 million ha), not used for production (SIKORSKA, 2008). In order to increase the competitiveness of agricultural sector and accelerate the structural changes on rural areas mechanisms enabling withdrawing from agriculture and concentration of production resources are being created. One of the measures of agricultural policy aiming mainly at restructuring rural and agricultural structures: labour resources – to improve the quality of human factor and capital – to concentrate agricultural land, is early retirement (PASZKOWSKI, 2006).

MATERIAL STUDIED

The paper is primarily focused on the evolution of the farmers' early retirement scheme (in the text instead off the expression *early retirement* the term *structural pension* is used interchangeably) in Poland in the period between 2002-2007 and spatial differences of the participation in the program based on the data of Agency for Restructuring and Modernization of Agriculture (ARMA), Agriculture Social Insurance Found (ASIF) and legal documents regulating the early retirement scheme in Poland. The second source of the analysed data were surveys of families residing in 76 villages across Poland, conducted by the Institute of Agricultural and Food Economics-National Research Institute (IAFE-NRI) in 2005. The sampling of villages for the surveys was purposeful and representative, based on socio-economic features of the population and the land structure located distinguished regions. The survey covered 3705 farming families living in farms owned by natural persons, with an area of

more than 1 ha of agricultural land. A number of questions concerning the functioning of agricultural holdings included living conditions in rural areas, education, demographic characteristics and economic activity of the rural population (SIKORSKA et al., 2007).

RESULTS AND DISCUSSION

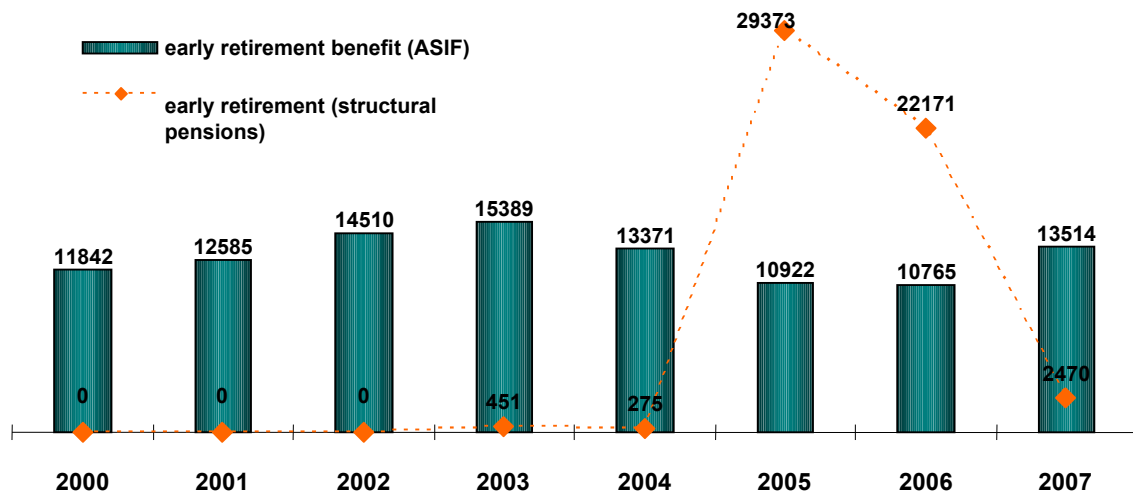
Poland is in the group of the EU Member States in which a social insurance system aimed exclusively at agricultural sector was established (KLIMKOWSKI, 2006). Since it started operating there is a possibility of retiring earlier (TRAWIŃSKI et al., 1999). The objective of this entitlement are social tasks (TRAWIŃSKI, 2001), rather than structural changes in agriculture and rural areas. Therefore, an additional mechanism of withdrawal from labour market for farmers, i.e. early retirement, was introduced. Early retirement scheme began operating before Polish agriculture was included in the mechanisms of CAP (Common Agricultural Policy). Its structure was based on the EU solutions as well as on the experience of European countries in which it influenced changes of agrarian structure. The main task of this regulation was to improve the area structure of agricultural holdings and adjust Polish legislation to that of the EU. It was planned that within a new, separate system early retirement will cover 8 thousands farmers per year and the payments will amount to PLN 36.4 million per year. Taking into account the expenses and the assume range of operation, the objective stipulated by the legislator – improvement of area structure of farms – was not possible to achieve. For five years the system operated in this shape over 3 thousand retirement benefits were granted, on average 514 per year. It is estimated that 0.03% of all farmers benefited from the system and the same figure of farms with the are of (at least) 3 ha was given to young farmers who thus created farms with the area of at least 15 ha (HALAMSKA, 2006). As a result the group of farmers who benefited – those leaving agriculture and young farmers extending their holdings – constituted mere 8% of the initially estimated number of beneficiaries. Comparing the abovementioned data with the extent of Polish agriculture needs concerning changes in agrarian structure, the influence of early retirement was not significant these days.

In the face of Polish integration with the EU and including Polish agriculture into CAP mechanisms, the early retirement scheme underwent significant modifications. Although the new solutions were based on the same Council Regulation (EC), the changes covered all the areas of the discussed instrument's functioning, from the conditions of eligibility, the amount and rules for making payments, procedures, to the source of financing. Above all, the act regulating early retirement scheme was changed. Also a new regulation was issued, regulating the functioning of the scheme in detail and the mechanism was included in the national Rural Development Programme 2004–2006 (RDP), financed mainly from the EU funds under the second pillar of the CAP. Early retirement as one of the RDP measures had more funds than previously – EUR 534.88 million (which constituted 15% of the total RDP budget). The responsibility for accepting and examining applications as well as for issuing decisions making payments of benefits was taken from ASIF and transferred to ARMA.

The liberalisation of conditions for early retirement and improving the system's functioning from the very beginning have been reflected in popularity of this measure of RDP among farmers and its better availability (PASZKOWSKI, 2004). The majority of potential beneficiaries was well informed on the existence and the principles of functioning of the programme (FEDYSZAK-RADZIEJOWSKA, 2006).

Chart 1.

The number of decisions granting a given type of early retirement



Source: author's calculations based on data provided by the ASIF and ARMA.

During the period of application submission ARMA received over 56 thousand applications for early retirement (Chart 1). The vast majority was reviewed positively (96%). It means that the applications were well prepared and submitted by persons eligible for support (PIĘTA, 2006). The number of agreements concluded with the beneficiaries exceeded 54 thousand. It means that 54 thousand, i.e. 3% of the total number of farms operating in Poland changed their owners. More than a half of transferred farms (53%) increased the size of other units, and 47% was given to successors. The total transferred area covered 54 thousand ha of agricultural land, which constituted 4% of the total area of agricultural land owned by individual farms in Poland. The greatest area of land was transferred for the increase in area of other farms – 29 thousand ha of agricultural land (55% of total transferred area) and for successors – 24 thousand ha of agricultural land (45% of total transferred area). Less than 1% of agricultural land was transferred for other objectives of the programme, i.e. protection of the environment, afforestation and for the benefit of the State. The payments amounted to PLN 2,084 million, which constituted 100% of funds reserved for the implementation of the measure in 2004–2006.

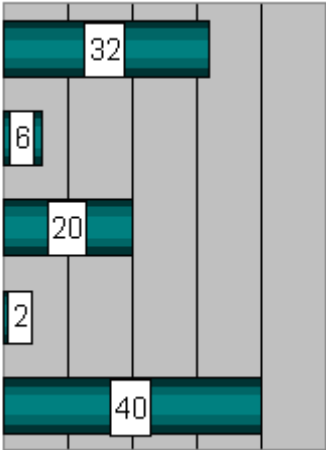
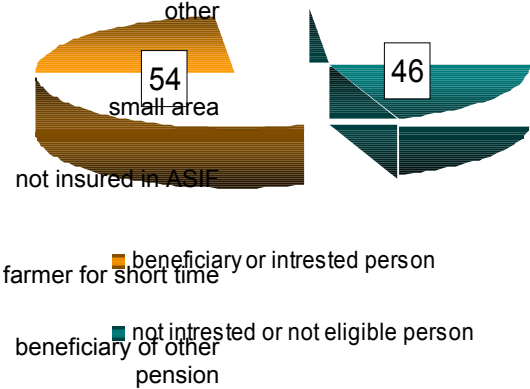
The results of research by IAFE-NRI indicate that, despite a significant growth in the number of farmers – beneficiaries of early retirement, relative to the previous edition of the programme, still a significant number of farm owners in the age entitling them to participate in the programme did not meet other requirements or did not declare the will to benefit from the scheme (45%). Among the farmers aged 55–64, which constituted 8% of the research sample, 54% were granted early retirement or intended applying for it in the nearest future (Picture 1). The most common reason for not being able to participate in the programme was the entitlement to other pension benefit (40%), under agricultural or non-agricultural insurance system - mainly disability pensions as well as early retirement benefits, relatively available in Poland.

Over 20% of the group of farmers at the age entitling them to early retirement could not benefit from it as they were not insured in agricultural insurance system (ASIF). The exclusion of farmers having non-farming insurance from the programme is considered unjustified. It is because this restriction does not consider an important feature of Polish

agriculture, i.e. a large share of farmers additionally performing another profession and therefore insured in non-farming system. It is stressed that this group seems to be more adequate to be covered by the instruments of structural policy, as they usually own farms with no development perspectives, functioning outside of the market (PASZKOWSKI, 2004). The research by IAFE-NRI indicates that in almost half of farms owned by people insured in non-agricultural system and eligible for early retirement, the agricultural production was not conducted. If they ceased functioning it would not affect national production and incomes of families living on these farms. Lack of interest in early retirement in 2004–2006 resulted also from other than formal factors. For a major share of farmers the benefits were not attractive financially. It applied to almost one out of seven farmers at the age entitling them to the benefit. They managed relatively well equipped farms, with higher than the average area of agricultural land (14 ha).

Picture 1.

Reasons for farmers' lack of interest in early retirement (%)



Source: Survey by IAFE-NRI 2005.

It is underlined that the extent of participation in early retirement programme depends on numerous factors connected with socio-economic character of individual regions. In this context the following characteristics of a given region are enumerated among the most significant: population density, demographic situation, the tradition of land trade, urbanisation level and the level of agriculture development (BIKA, 2007). The analysis of the data gathered by ARMA indicates that in 2004–2006 the willingness to benefit from the programme was

spatially diversified. The highest activity in using early retirement benefits characterised south-western and north-eastern Poland and the lowest – southern and south-eastern part of the country. In the south-western and north-eastern Poland the highest number of farm owners met the criteria of participation in the programme and concerning their age and the type of insurance they were covered by. Additionally, these regions are considered as the areas which in the recent years undergo intense transformations in agricultural structures, in particular the processes of agricultural holdings polarisation (SIKORSKA 2006). Therefore the assumption that there are better conditions for transformation in the regions of relatively more polarised agrarian structure and thus – greater interest in early retirement, is being confirmed (PASZKOWSKI, 2004). On the other hand in the southern and south-eastern Poland early retirement was relatively less popular. These regions were characterised with low level of agricultural development.

Evaluating the functioning of early retirement system in force in 2004–2006 it should be stressed that it covered over seventy times more farmers than the previous programme. In a relatively short time the process of transferring farms intensified. The significant increase in the interest in early retirement was accompanied with the decrease in popularity of early retirement benefits (Chart 1). It means that farmers who wanted to use the opportunity of discontinue of agricultural activity after 2004 more often decided to benefit from early retirement schemes than early retirement benefits from ASIF. The reason was easier than in the previous years access to early retirements and the difference in the amount of the two benefits, of which the former was higher. In such cases early retirement more often had social than structural functions. Nationwide, the estimated share of beneficiaries in the number of eligible persons amounted to 32%. It means that almost one out of three eligible farmers benefited from early retirement and withdraw from farming. However, in almost half of the cases beneficiaries decided to transfer farms to their successors, i.e. most often members of their families. In such cases the discussed instrument contributed to rejuvenating farming population and sometimes it could, in the long-term perspective, improve the production results of farms. In many cases also the income situation of farming families improved. However the immediate effect in the form of improvement in the area structure did not take place (ROWIŃSKI, 2008). Moreover, it is considered that in many cases the transfer of farm to the successor entailed only the ownership rights and not the function of manager, still held by the farmer receiving benefit (MICHNA, 2007). The concentration of land occurred when the land was transferred for the extension of other farms. In 2004–2006 such situation applied to slightly more than half of farms and agricultural lands covered by the programme.

SUMMARY

The assessment of the implementation of early retirement system's objectives cannot be straightforward. The number of farmers who in 2002–2007 benefited from this instrument, in particular after the accession of Poland to the EU, is significant. Covering such a large group with the programme was possible only due to the support from the EU funds, improvement of administrative procedures and relaxation of eligibility criteria. Setting aside the first three years of functioning, early retirement system was a tool stimulating the succession of generations among farmers and improving income situation of beneficiaries (PASZKOWSKI, 2007). It seems that the policy towards agriculture and rural areas should contribute to changes in the scattered agrarian structure. The implementation of demographic and social objectives is to ensue next, as the population of the Polish farmers is relatively young and persons willing to exit from farming may derive income from early retirement benefits under agricultural social insurance. Diversification of the activity of benefiting from early retirement in individual regions confirmed that there are differences in the development

of agriculture and rural areas throughout Poland, which was taken into consideration in the new edition of the programme for 2007–2013.

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