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**ASIF in Poland in the
light of national budget
expenditure since 1991.
Justification functioning
system separateness
among the EU countries¹**

**1. Social security of farmers in Poland in the
period 1991-2014 in the light of national
budget expenditures**

1.1. Pre-accession period (1991-2003)

Special position in the structure of expenditure in national budgets for agricultural occupies Agricultural Social Insurance Fund (ASIF) - firstly, they are nominally the biggest expenses, secondly, they are subject to distinct changes. Before the Polish accession to the EU the share of spending on agriculture and food economy with ASIF, taken together, was in 1991. - 3.8%, in 1992 already 9.5%, in 1993 - 9%, not especially changing its level in the following years: in 1998 - 10,6%, in 1999 - 9,68%, in 2000 - 9,06%, in 2001 - 8,7%, while in 2002 - 8,68% of the total state budget expenditure. Also, the proportion

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of spending on agriculture and food economy and the Agricultural Social Insurance Fund in 1990-2002 significantly increased in favor of social spending. Already in 1992 its share was 2-3 times greater than spending on agriculture and food economy and in the next few years was at similar level. Since 1997 the share had been growing to 2,5 times, in 1998 – 3,2 times, in 1999 – 4,1 times and in 2002 up to 4.4 times (Czyżewski 1997-2014). It is significant proof of the high and sustained socialization budgetary expenditure on the agricultural population and accumulation during postponing the problem of Polish restructuring of agriculture in the pre-accession period. The issue of farmers insurance pension had been put forward in the those budget expenditures. Increasingly, it happened at the expense of structural transformations of agriculture and food economy. Unfortunately, this was not an alternative. The dilemma: whether to socialize agricultural budget to support structural change in the sector, was false. The Polish government should have been and still should supporting both by doing it consistently, though carefully, and not to substitute spending on structural transformations by agriculture and rural social spending. Unfortunately, growing in absolute value ASIF benefits have become necessary as the result of many years of omissions and negligence and were the price of postponing of structural changes in Polish agriculture and rural areas. At the same lack of restructuring of agri-food sector has been growing due to long-lasting insufficiency of agricultural farms.

1.2. The situation after the Polish accession to the EU (2004-2014)

The year of 2003 was crucial because of the noticeable change in the proportion of the share of expenditure on agriculture, rural development and agricultural markets. The share of expenditure of a social nature decreased. While 2001-2002, as mentioned above, it was more than 4,4 times higher than spending on the development of the agricultural sector and rural areas, this ratio decreased in 2003 to 3.5 times, and since 2007, for the first time in the analyzed period, the figure was less than one, in 2008 it was 0,59, and 0,83 in 2009. So we can say that the year 2003 brought inhibition, even started to reversing the trend of socialization of budget expenditures for increase spending on structural transformations of agriculture and rural areas. We can also observe a significant change in 2010, which is mainly due to accounting matters (ie. creation of Budget European Funds), but the period 2011-2014 show a relative stabilization of the level of expenditures on ASIF as to their level. On the other hand, the proportion of spending on ASIF and on agriculture,

rural development and agricultural markets after 2010. Again, albeit slightly, increase to spending ASIF. It should be noted, as already mentioned, that in the immediately preaccession period, ie., 2001-2002 expenditures on ASIF were more than four times higher than for Agriculture, rural development and agricultural markets. However, in the period 2009-2014, this share amounted on average 130% in relation to expenditure for agricultural purposes. This also shows that the role of the Agricultural Social Insurance Fund expenditures in the budget of Polish agriculture run relatively decreases in the long, but in the years 1998-2004 this share fell by 1,46%, and over the next 10-year's period this decline reached a further 2,21%. It can be assumed that the rationalization of the agricultural budget, which consists on reducing its social functions to stimulate the economy, had been continuing for several years, but the Polish accession to the EU this process intensified. However, the last few years 2010-2014 brought on the one hand the relative stabilization of the volume of spending on ASIF, on the other hand indicated that this level approached the critical threshold of spending socially determined, which means that the growth of benefits. "Saving expenses" on this account are more and more limited, if at all possible, as is confirmed by for example planned expenditure on ASIF in 2014. It's worth noting that it takes place in Poland in terms of successively increasing GDP. The arguments presented above contradicts the thesis of the need for liquidation ASIF. In recent years the process of "sealing up" rules for granting of these benefits intensified and the reserves in this area are small. In current situation balanced support of both the economic sphere of the agricultural sector and social sphere in farms is rational, according to the principle that good economy postulates cost-effective solutions, but also socially adequate.

2. Social insurance of farmers in selected countries of the European Network of Agricultural Social Protection Systems (ENASP)

The agricultural system of social security existing in Poland is not an European exception. There are – apart from Poland – six EU countries with such a social insurance of farmers, that is in: Germany, Austria, France, Finland, Greece and Luxembourg (Musial 2014).

As we can see, at least three of them are the leading EU producers of agricultural commodities, due to both the volume of production and the productive potential of their resources. However, if we look at the labor force engaged in agriculture in the analyzed countries (tab. 1), we will notice

a significant differences, especially as for Poland. Thus the problem of social insurance of farmers is different, broader than in other countries, and directly concerns every 14th resident.

Table 1. Characteristics of selected countries due to the number of people involved in agriculture (data for 2011)

Country	The agricultural population* in thous.	% of total population	Economically active population in agriculture** in thous.	% of total population
Poland	5520	14,4	2884	7,5
France	1216	1,9	546	0,9
Germany	1234	1,5	632	0,8
Austria	271	3,2	139	1,7
Finland	200	3,7	94	1,7

*The agricultural population are those persons whose source of income is agriculture, forestry, hunting and fishing and those of their dependents

** Economically active population in agriculture are those people whose main occupation is to work in agriculture, forestry, hunting and fishing

Source: *Rocznik Statystyczny RP 2013*, <http://stat.gov.pl/obszary-tematyczne/roczniki-statystyczne/roczniki-statystyczne/rocznik-statystyczny-rzeczypospolitej-polskiej-2013,2,8.html#>

We should also indicate the absolute annual quantity of budget support of farmers' social insurance systems. Polish contribution from the budget is one of the lowest, and is about 16 billion zł, which remains relatively constant for almost 10 years. It's almost the same amount as it spends Austria and a little less than we have in Germany (fig. 1). However, it should be noted that in relative measure the share of subsidies for social insurance systems of farmers in the analyzed countries is quite different. The biggest share in this regard have Poland and France (respectively 95% and 82%), the lowest has Germany (65%) (fig. 2). It should be also added that in the analyzed countries, a significant share of state subsidies fall on pension benefits. However, the Polish social security system for farmers in comparison with other countries forming part of the ENASP benefits from state subsidies to farmers pensions the least. The largest share of subsidies to the pension has, among others, France (fig. 3) (Pawłowska-Tyszko 2011).

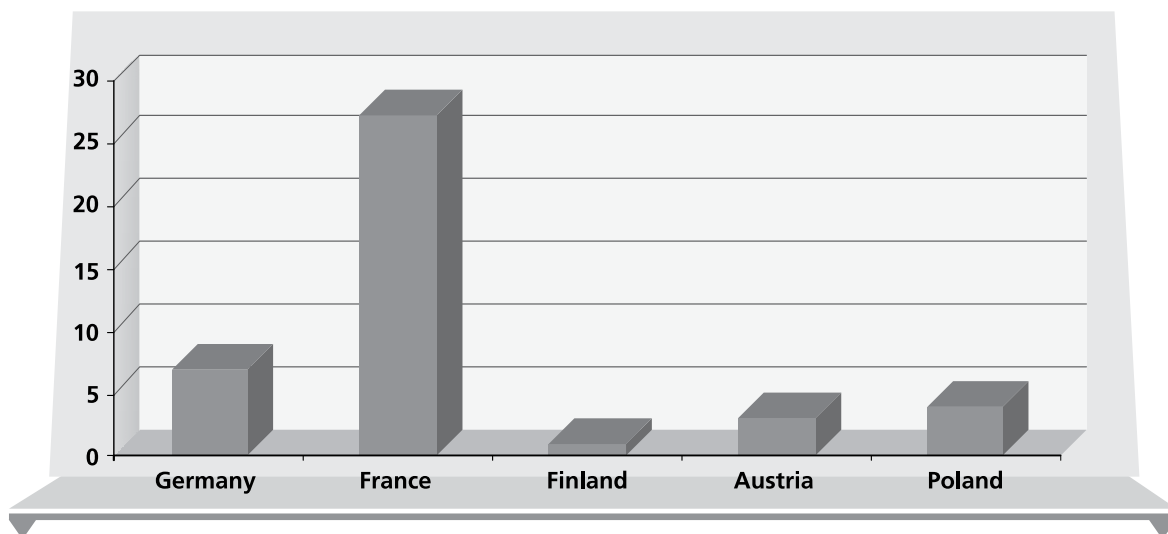


Figure 1. The amount of financing social insurance systems for farmers in countries belonging to the ENASP in 2009 (in billion Euros)

Source: own study based on data ENASP „Rolnicze ubezpieczenia społeczne w Unii Europejskiej”, http://www.enasp.eu/files/enasp/enasp_1293802765477_ENASP_BOOKLET_INSIDE_2010.pdf. and national statistics and national social security systems

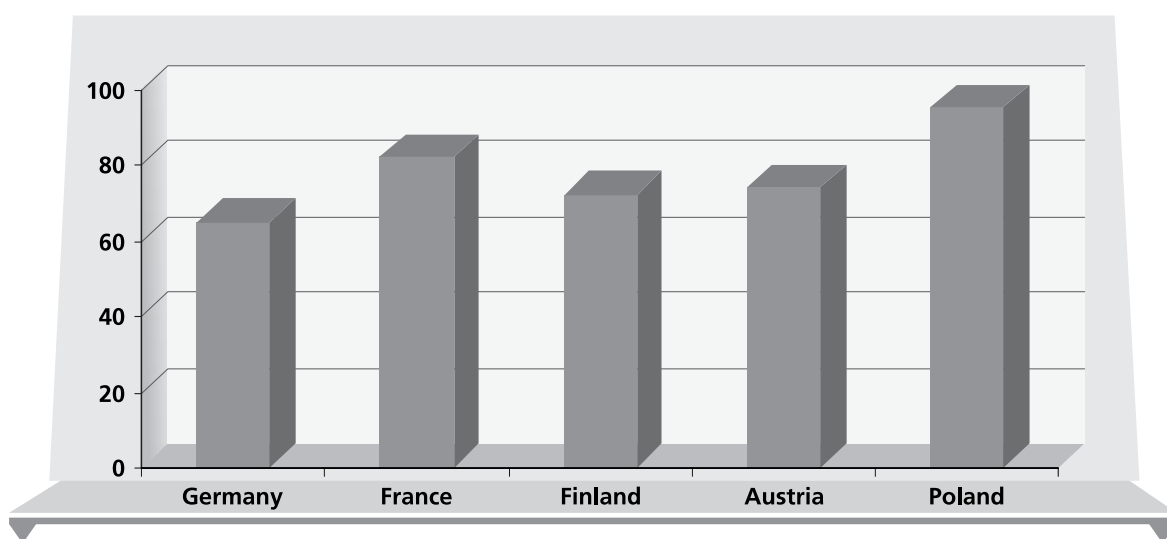


Figure 2. The share of financing social insurance schemes for farmers in countries belonging to the ENASP in 2009 (in%)

Source: as in figure 1

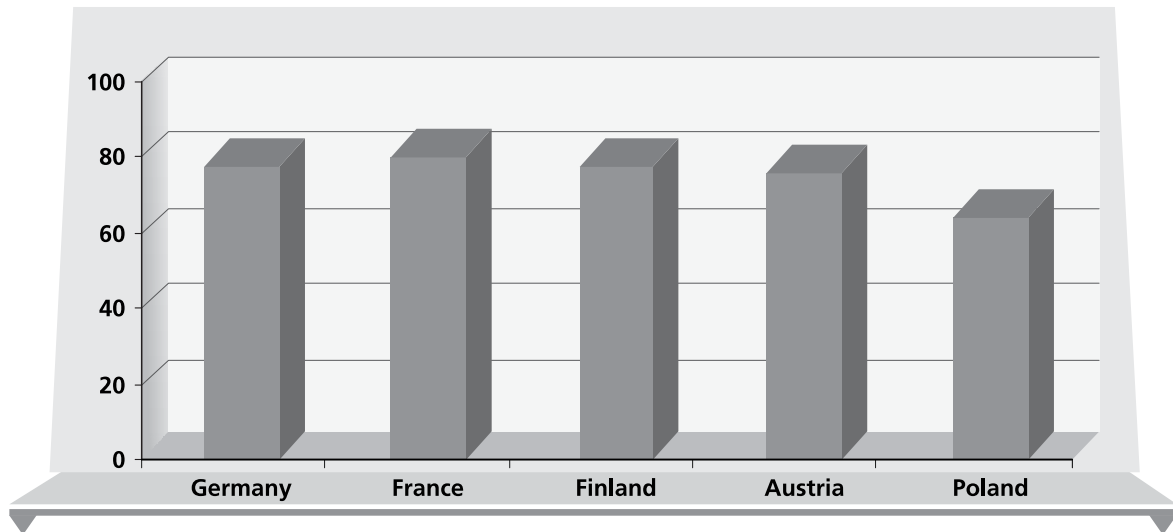


Figure 3. Share of financing the retirement pensions of farmers' social insurance (%)

Source: own calculations based on data from national statistics of social security systems and data ENASP 2010

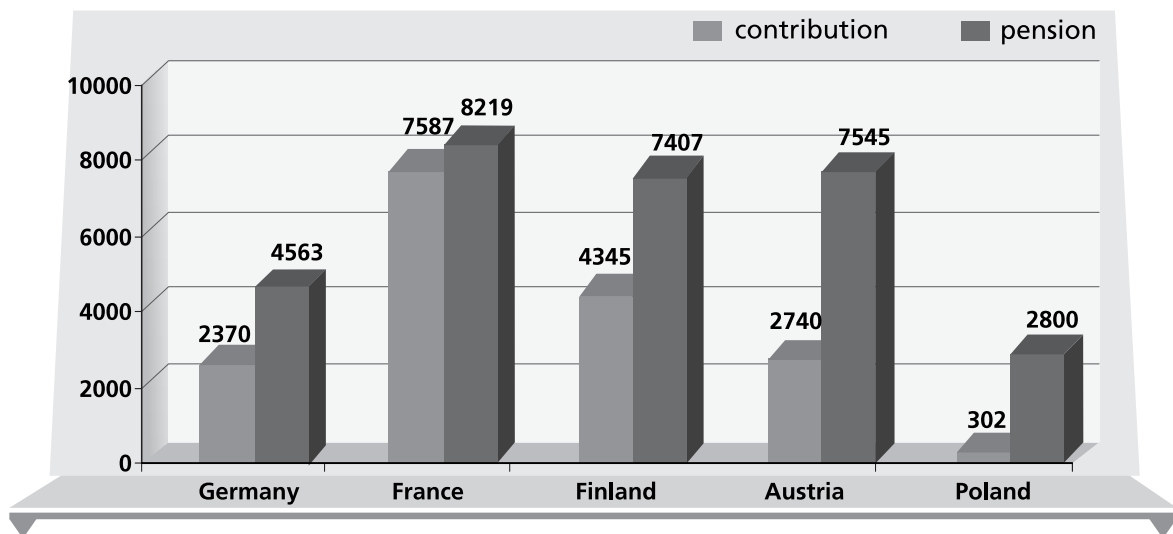


Figure 4. The amount of average contribution and pension in systems of social insurance of farmers in selected countries (EUR / year)

Source: as in figure 3

The comparison of the average annual contribution and pension is also significant. Germany, Austria and Finland, the benefit is paid about two times higher than the contribution paid on average, however, in case of Poland disparity is glaring the difference is more than nine times greater (Fig. 4), even though benefits paid by ASIF are significantly smaller and have a narrower scope than the benefits guaranteed by the Social Insurance Institution.

In most countries the scale of the problem is smaller, due to the lower percentage of employed in agriculture in relation to the total number of employed and less role of agriculture in the national economy than it is in Poland. In the analyzed countries, in order to minimize the state's participation in the financing of the system the period of payment of contribution necessary to receive a pension is prolonged and the retirement age is raised, indicating the need to reform the national social security system for farmers, too.

The relation between number of contributors and number of beneficiaries of the system in case of Poland is relatively good – this ratio is close to one. In other analyzed countries the ratio is worse, especially in France, where two paying contribution are equal to 10 beneficiaries of the system (fig. 5).

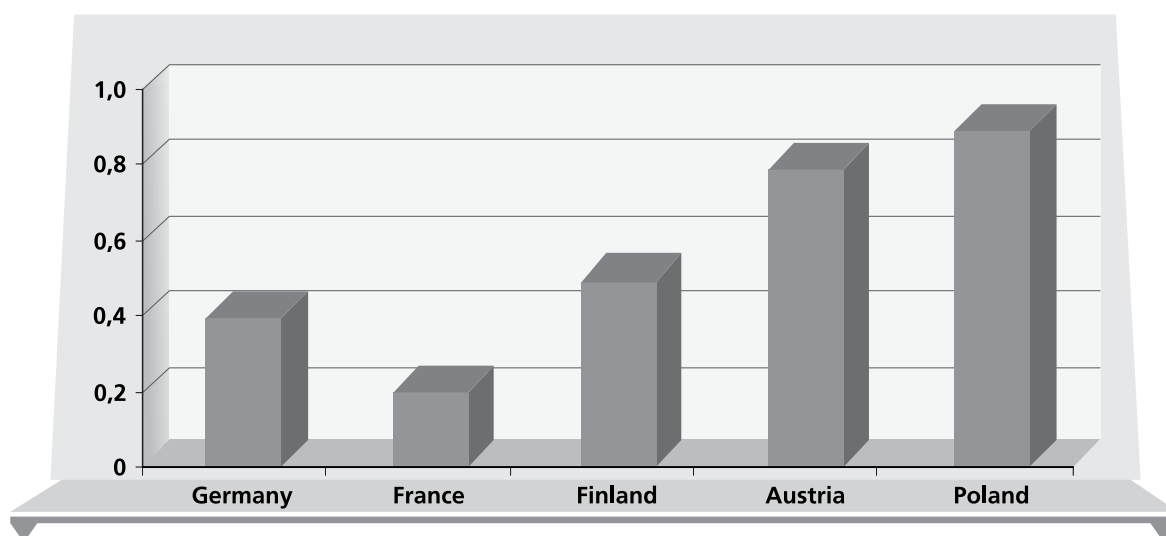


Figure 5. The ratio of contributors to the number of beneficiaries of the system

Source: as in figure 1

Farmers' social security systems in the EU countries differ in terms of organization, but their shape invariably influence the processes of

demographic change among the rural population. At the same time the most important issue related to the reform of the current system, remains the problem of connection the paid contribution for pension insurance with the level of income on the farm. For the smooth functioning of the systems the key are also: active life expectancy and the length of the contribution period which allows to obtain a full-time retirement. From the point of agrarian and social policy view, both aspects of the functioning of the system are important, but stand in opposition to each other: the acceleration of generational changes in agriculture through the use of a system to promotion of the transition to early retirement means shorter contribution period for a recipient, which raises the need to reduce the amount of benefits paid, or the need for involvement of the state budget in the form of supplements to the expected amount of pension. Considering decline in the working population in all EU countries and in the face of increasing the population aged over 65 years countries quite the systems that support the acceleration of replacement generations among farmers and choose system that promote flexible retirement age. The biggest policy challenges in Poland are stimulating concentration processes and thereby improving the area structure of farms, rationalization of employment in agriculture, rather than to supporting the process of generational changes. A different situation applies to the European Union, where, until recently, the biggest challenge was to improve the demographic structure of the farm managers, as one of the factors of improving the investment and organization activity in agriculture. Due to differences in the number and structure of farms in different countries, an investment scale and an impact of national social security systems of farmers have diversified effect, which raises the need to focus attention on the specific conditions of development of family farming, patterns of succession and the macroeconomic situation, which determine the effectiveness of applied instruments. Therefore, the conclusions from the experiences of other European countries can be applied in their home ground to a limited extent, that means observed general patterns and trends having an impact of system on agrarian transformation. In the present condition resulting from the operation principles of family farms and the not productive function of owned agricultural property means that each adopted formal and legal solutions will not be indifferent to the processes of concentration (Sikorska 2009).

In summary, the Polish social security system for farmers primarily requires further improvements, not liquidation. Proponents of inclusion ASIF to Social Security do not seem to take into account the specifics of land factor

management, treating it on a par with capital and labor. Special features of the land factor is non mobility, lumpiness, non augmentation. These features determinate of its peculiarities to other factors of production, which is essential for the processes of reproduction and economic calculation. The proposed changes would mainly rely on gradual change, as well as the further elimination from the system of those who *de facto* are not farmers (Podstawka 2010).

Summary

1. There is gradually progressive rationalization of the national agricultural budget consists in reducing its social functions and stimulating the economic ones after Polish accession to the EU are. After 2010 this process has achieved however relative stability in connection with reaching the critical threshold of socially determined expenses by ASIF. The increase of economic benefits from reduction of expenditure on ASIF becomes more and more questionable.
2. Putting the dilemma: whether to support structural change in agriculture and rural areas at the expense of reductions in spending on ASIF is a mistake. Today we should, in a similar proportion as before, do both, consistently albeit prudently, and in no case we shouldn't substitute spending on structural transformations of agriculture and rural areas by social spending.
3. Separate social security system for farmers in Poland is not unusual and exceptional in the EU. Above we draw attention to the effective, efficient and independent of general system functioning of separate social insurance systems for farmers in countries such as Germany, France, Austria, Finland, and also Greece or Luxembourg. All of these systems operate for years, have established position and no one talks about their liquidation, as they effectively fulfill the social aims. Nowadays in Poland we cannot talk about liquidation of ASIF system, because there is no evidence and economic and social conditions for any alternative. However, it was noted the need for gradual the ratio of contributions and benefits, so as to approach it relation in highly developed EU countries, where the benefits paid are about twice higher than the contribution paid. In Poland, the difference is more than nine times greater.

Summary

ASIF in Poland in the light of national budget expenditure since 1991. Justification functioning system separateness among the EU countries

The purpose of this article was to show that the existence of ASIF, as an important element of the social insurance system for farmers in Poland is not unique on a European scale. There were shown relationships ASIF with the budget and the characteristics of social insurance of farmers in selected countries of the European Network of Agricultural Social Protection Systems (ENASP).

Keywords: *ASIF, agricultural budget, finance, social security.*

Streszczenie

KRUS w Polsce w świetle krajowych wydatków budżetowych po 1991 r. Uzasadnienie funkcjonowania odrębności systemu wśród krajów UE

Celem niniejszego artykułu było wykazanie, że istnienie KRUS, jako ważnego elementu systemu ubezpieczeń społecznych rolników w Polsce nie jest ewenementem w skali europejskiej. Ukazane zostały relacje KRUS z budżetem oraz charakterystyki ubezpieczeń społecznych rolników w wybranych krajach należących do Europejskiej Sieci Rolniczych Systemów Ochrony Społecznej (ENASP).

Słowa

kluczowe: *KRUS, budżet rolny, ubezpieczenia społeczne.*

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