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Polish Parliamentary Elections 2023: Social Transfers and the Voters the Government is Counting On

The heated election campaign preceding the October 15th election in Poland has focused on fundamental issues related to the rule of law, migration, media freedom, women's and minority rights, climate policy as well as Poland's role on the international arena. The election outcome will determine Poland's role in the EU and as well as the country's future relations with Ukraine. It will also be decisive for the direction of Polish politics and the foundations of socio-economic development for many years to come. Despite these issues, the primary worries for a substantial portion of Polish households concern the domestic challenges of increasing prices and material uncertainty. With this in mind, this Policy Brief summarizes the results of CenEA's recent analysis, which demonstrates a clear pattern in the United Right government's policy, that in the last four years has strongly favored older groups of the Polish population. In the 2019 elections financial support directed to families with children was a key factor in securing a second term in office for the governing coalition. It remains to be seen if the focus on older voters pays off in the same way on October 15th.

Introduction

The upcoming parliamentary elections on October 15th will close a very special term of the Polish Parliament, marked by the Covid-19 pandemic, a surge in prices of goods and services, as well as the full-scale, ongoing Russian invasion of Ukraine and the tragic consequences associated with it. An evaluation of the second term of the United Right's (Zjednoczona Prawica) government should, on the one hand, cover the most important decisions made in response to these crises. On the other hand, the last four years have also been a time of significant decisions with important medium- and long-term consequences, both directly for Polish households' financial situation and more broadly for the economy at large and the country's socio-economic development.

The heated election campaign has focused on the fundamental issues related to the rule of law, migration, media freedom, women's and minority rights, climate policy as well as Poland's role on the international arena. The upcoming vote is likely to be decisive in regard to Poland's relations with partners in the EU, the role it will play in the EU and – as recent government declarations have demonstrated – the development of future relations with Ukraine. The result of the October elections will be pivotal also for the direction of Polish politics and the foundations of socio-economic development for many years to come. At the same time however, recent surveys have shown that the main concern for a significant part of the Polish society lies closer to home, driven by the challenges of rising prices of goods and services and related material uncertainty.

In light of this, this policy brief summarizes the tax and benefit policies directly affecting household finances, which were implemented in the first and second term of the United Right's rule (i.e., 2015-2019 and 2019-2023). The brief draws upon a detailed analysis published recently in the CenEA Preelection Commentaries (Myck et al. 2023 a,b,c). The results show a notable shift in the

government's focus – while families with children were the main beneficiaries of the reforms implemented in the first term, the policies over the last four years have concentrated transfers and tax advantages to older generations. As we approach election day, it seems likely that the government will further try to mobilize support from this group of voters.

The United Right's Second Term: Tax and Benefit Reforms During High Inflation

In recent years, Polish households has, apart from two major crises (the Covid-19 pandemic and the complex consequences from the Russian invasion of Ukraine), faced one of the greatest price increases in the EU. During the closing term of Parliament, from January 2020 to July 2023, prices increased by 35.6 percent and have continued to grow at a rate significantly exceeding the inflation target set by the National Bank of Poland (2.5 percent +/- 1 percentage point per year). By the end of 2023 the combined inflation rate will reach 38.7 percent. Although average wages have also been rising (nominally by 41.7 percent from January 2023 to July 2023), wage growth has not kept up with the inflation for many workers. One needs to also bear in mind that a significant proportion of Polish households rely on income from transfers and state support. At the same time households' material conditions have deteriorated as a result of a significant reduction in the real value of their savings.

In 2022 and 2023 the government introduced a number of temporary policies designed specifically to assist households facing higher energy and food prices. Throughout the final term in office, it also adopted several reforms which – as we show below – affected some groups more than others, reflecting a clear policy preference:



a) in January 2020 and May 2022 respectively, the government legislated an additional level of support addressed to retirees and disability pensioners. These so-called 13th and 14th pensions have raised the minimum level of pension benefits.

b) in January 2022 the government implemented a major overhaul of the income tax system (the so-called Polish Deal) which significantly influenced the tax burden on most taxpayers, strongly benefitting pension recipients.

c) throughout the term of Parliament, the government has kept the values of most social benefits frozen at their nominal level. This includes its flagship program – the universal 500+ parental benefit (500 PLN, roughly 110 EUR per child per month), introduced in 2016 – as well as means tested family benefits directed to poorer families with children. As a result, both the values as well as eligibility thresholds has fallen by nearly 40 percent.

The implications of these three policy areas are reported in Table 1 for the 2019-2023 term of Parliament and contrasted with benefits and costs from government policies implemented in the first term of Parliament (2015-2019). The results have been calculated using the SIMPL microsimulation model and are based on a representative sample of over 30 000 Polish households from the 2021 Household Budget Survey (for methodological details see Myck et al., 2015; 2023c). The applied method allows for singling out policy effects from other factors affecting household incomes.

Table 1 shows a clear difference in focus; from substantial benefits directed at families with children in 2015-2019 to policies targeted at pensioners, partly at the cost of families with children, in the second term. It is also worth noting that while government policy continued to increase household incomes, the resulting gains in disposable incomes in the second term have been much more modest.

Table 1. The impact of modelled policies in the tax and benefit system on household income in the two terms of the United Right's government.

Categories of the tax and benefit system	Annual benefits in bn PLN (bn EUR)	
	2015-2019	2019-2023
1) Direct taxes and transfers		
Direct taxes and health insurance	3.2 (0.7)	17.2 (3.8)
Parental 500+ benefit	59.2 (12.9)	-15.6 (3.4)
Family care capital	-	2.4 (0.5)
Other benefits targeted at families with children*	0.7 (0.2)	-2.8 (-0.6)
Other policies	-0.4 (-0.1)	-0.6 (-0.1)
2) Social security benefits		
Net retirement and disability pensions	7.3 (1.6)	22.6 (4.9)
Total: Disposable incomes (modelled policies)	70.0 (15.2)	23.2 (5.0)

Source: CenEA – own calculations using the SIMPL model based on 2021 Household Budget Survey data (reweighted for simulation purposes and indexed to July 2023). Notes: Simulations with respect to the system and price level from July 2023. Changes are presented in relation to the indexed system from 2015 for the first term of office of the United Right government and the indexed system from 2019 for the second term of office. *Including family allowance with supplements, care benefits, parental leave benefit, and one-off allowance for the birth of a child. The applied exchange rate is 4.6PLN=1EUR.

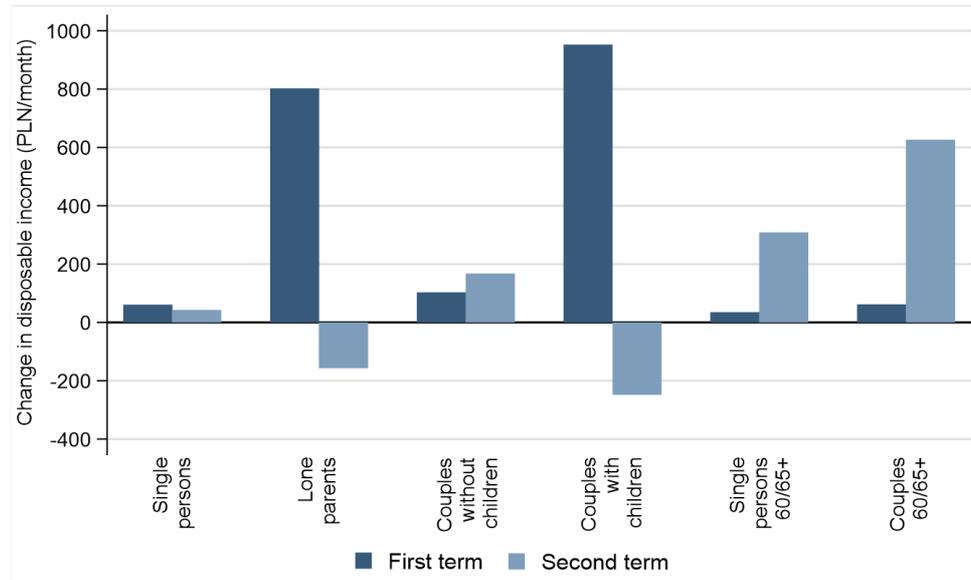
The contrast is also visible when the totals from Table 1 are divided and allocated to specific family types, as presented in Figure 1. On average lone parent families gained about 800 PLN (170 EUR) per month as a result of policies implemented in the 2015-2019 term, while they lost 160 PLN (35 EUR) in the second term. Married couples with children gained 950 PLN (205 EUR) and lost 259 PLN (55 EUR) in each term, respectively. In contrast to this, gains of pensioner families were modest during the first term, while the policies implemented in the second term imply gains of about 310 PLN (70 EUR) per month for single pensioners and 630 PLN (140 EUR) per month to pensioner couples. Gains and losses by family type resulting from policies implemented between 2019-2023 are shown in more detail in Figure 2. Over 85 percent of single pensioners have seen gains of more than 200 PLN (45 EUR) per month, and a similar proportion of pensioner couples gained over 400 PLN (90 EUR) per month. At the



same time the majority of families with children, both among lone parent families and married couples, principally as a result of benefit freezes, saw their incomes fall in real terms. The values of the universal 500+ parental benefit will be indexed in January 2024, and the government has made this indexation an important element of the

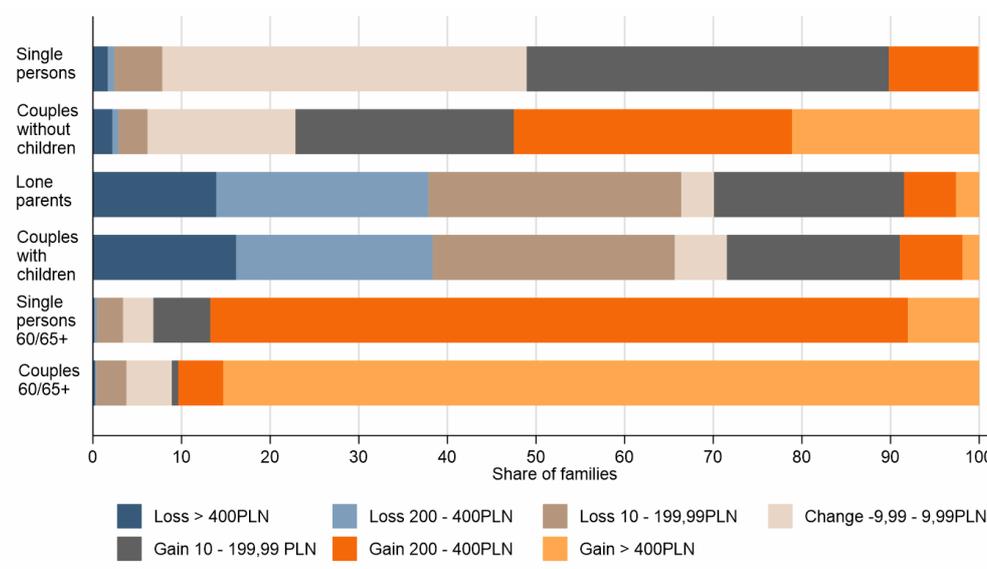
campaign. However, the indexation will not compensate the losses that families experienced in the last four years, a period with high inflation. It remains to be seen if a promise of higher transfers in the future will translate into political support, as seen in the 2019 elections (Gromadzki et al. 2022).

Figure 1. The impact of modelled policies in the tax and benefit system on household income in the two terms of the United Right's government, by family types.



Source: CenEA – own calculations using the SIMPL microsimulation model based on 2021 Household Budget Survey data (reweighted for simulation purposes and indexed to July 2023).

Figure 2. Ranges of monthly benefits and losses resulting from the modelled policies introduced in the United Right government's second term of office (2019-2023), by family type.



Source: CenEA – own calculations using the SIMPL microsimulation model based on 2021 Household Budget Survey data (reweighted for simulation purposes and indexed to July 2023).



Timing and Other Tricks: Securing the Votes of Older Generations

The so-called 13th and 14th pensions are paid once per year, in May and September respectively, to recipients of public pensions, at a value equivalent to a monthly minimum pension (approximately 360 EUR). While the first is a universal benefit, the latter has a withdrawal threshold and is thus targeted at lower income pensioners. In 2023 the government decided to increase the value of the 14th pension to about 580 EUR, with the benefits paid out to pensioners in September, the month before the election. This additional bonus came at the cost of about 7 billion PLN (1.6 billion EUR) – a budget which could have paid for two years of indexation of benefits targeted at low-income families with children or financed the payment of the indexed value of the universal 500+ parental benefit for nearly four months. The decision completes the picture of a clear preference for the older generation in regard to social policy in recent years and suggests a clear focus on this group of voters prior to the upcoming election.

The government has also taken a number of steps to facilitate electoral participation among voters in smaller communities by increasing the number of polling stations and making it obligatory for local administrations to finance transportation for older individuals with mobility limitations. The government is also mobilizing voters in smaller communities with turn-out competition initiatives. Additionally, some commentators have pointed out that the choice of election day – one day ahead of the so-called ‘Papal day’, devoted to the memory of John Paul II – is also non-accidental.

Conclusion

The analysis presented in the recent CenEA Preelection Commentaries and summarized in this brief indicates that in the area of reforms

directly affecting household incomes, pensioners are the social group that benefited most from the United Right’s government policies in the 2019-2023 term of office. This is evident both from policies that have become a permanent feature of the Polish tax and benefit system, as well as from various one-off decisions. Taking into account other policies surrounding the approaching parliamentary election, it seems clear that the government is strongly counting on the support of older generations of voters on October 15th. As election day is approaching it becomes more and more evident though, that securing their vote may not suffice to win a third term in office. Numerous policy and corruption scandals, a significant departure from judicial independence and an extreme degree of governing party dominance in public media have come to the fore of public debate ahead of the vote. According to recent polls the final outcome is still uncertain and even small shifts in support might swing the future parliamentary majority. According to Gromadzki et al. (2022), financial support directed to families with children was a key factor for securing a second term in office for the United Right coalition four years ago. It remains to be seen if the policy focus on older voters pays off in the same way on October 15th.

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