



## **Pension Reforms In Central, Eastern and Southeastern Europe: Legislation, Implementation and Sustainability**

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### **Abstract**

This dissertation compares the political economy of pension systems and reforms in four Central, Eastern and Southeastern European countries, Croatia, Hungary, Poland and Slovenia. The study employs a historical institutionalist framework to analyse the policies, actors and institutions that characterised the period between the collapse of socialism and 2008.

Similar to other transition economies, Central, Eastern and Southeastern European countries inherited inequitable public pension systems that already under socialism experienced severe financial strains. These pressures became unsustainable during the transition to a market economy. Already ill-prepared to withstand the long-term effects of demographic ageing, in the context of acute labour market crises, these schemes were overstretched to the point of breakdown.

As a result, the region's retirement schemes underwent three reform phases. Before the mid-1990s, local policymakers tried to solve the crisis via parametric adjustments. When that failed, a debate on systemic change launched the second, structural reform phase, which culminated in the adoption of paradigmatic reforms in a number of countries in the late 1990s. Although the outcomes vary, Central, Eastern and Southeastern European countries eagerly embraced the new pension orthodoxy of the time, which prescribed a shift to partial funding and a stricter link between contributions and benefits. There then followed a third implementation phase, which saw a fine-tuning of these schemes and the emergence of unforeseen and sometimes critical problems.

The unprecedented scope and depth of this transformation has elicited a vast academic literature. Existing research mainly focuses on the first two phases in the attempt to explain how reforms were possible and what interests and motives pushed them forward. What remains largely unexplored is the fate of the new reformed systems and the sources of their current problems.

This dissertation fills the gap by encompassing all three reform periods. After providing an overview of the early reform phases and exploring the surprising feasibility in certain countries of paradigmatic reform, this study focuses on the third period to show that reform outcomes may not only be fiscally or socially unsustainable, but also that under certain conditions they become vulnerable to shifts in political power.

This study's principal argument is that successful pension reform implies the rewriting of the underlying social contract. This means that reformers should adopt inclusive rather to unilateral modes of policymaking, and take into consideration the interests and expectations of the broader polity in formulating their policy proposals. Failing that, reforms may not be accompanied by sufficient incentives to ensure ongoing political support at all levels. This line of thinking contrasts with claims in

the literature that favour the unconstrained executive model, which is deemed more effective in terms of reform capacity, or others which emphasize the significant trade-offs between a reform's responsiveness to socioeconomic challenges and its political sustainability over time.



**Jury: Nicholas Barr (LSE), Martin Kohli (EUI) – Igor Guardiancich – Tine Stanovnik (Uni. Ljubljana), Martin Rhodes (Univ. Denver/formerly EUI)**

Igor Guardiancich graduated in Economics at the Università di Trieste in 2001 and obtained his Master's degree in Political Economy of Transition at the London School of Economics in 2003. The following year he joined the European University Institute. His working and research experience includes periods spent at the European Commission (DG Enlargement), at the International Labour Organisation, at the European Trade Union Institute. As for his academic involvement, in 2007 he was a visiting fellow at the Central European University in Budapest and at the Centrum Europejskie Natolin in Warsaw. He collaborates with various research networks, such as RECWOWE, Reconciling Work and Welfare in Europe, on the interplay between flexicurity and old-age pensions and the ERSTE Foundation Social Research Fellowship 'Generations in Dialogue', on social inclusion and pensions in former Yugoslavia. He is currently employed in a project on pension reforms for the Belgian government through the Observatoire social européen in Brussels and started working as academic collaborator on higher education issues at the Academic Careers Observatory of the Max Weber Program in Florence.