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## **Pension reforms in Central, Eastern and Southern Europe: a comparative overview**

**Table 1: Pension reforms in the 1990s & 2000s**

	<b>Year of legislation</b>
Bulgaria	first pillar 2000, second pillar 2002
Croatia	first pillar 1998, second pillar 1999
Czech republic	1995, 2004, 2008
Hungary	1997, 2006 - 2008
Poland	1999
Romania	first pillar 2000, second pillar 2006
Slovakia	first pillar 2003, second pillar 2004
Slovenia	1999

Source: National reports on strategies for social protection and social inclusion 2008-2010, country reports, Holzmann and Guven (2009)

**Table 2: Directions of pension reform**

	1. pillar	2. pillar
Bulgaria	change to point system	mandatory
Croatia	change to point system	mandatory
Czech republic	parametric reform	-
Hungary	parametric reform	mandatory
Poland	change to NDC	mandatory
Romania	change to point system	mandatory
Slovakia	change to point system	mandatory
Slovenia	parametric reform	-

Note: According to the World Bank terminology, the second pillar is a mandatory pillar; however we include in the second pillar all pension schemes (mostly occupational) which are strongly linked to the first pillar, i.e. include only members of the first pillar.

**Table 3: Legislated statutory retirement age**

	Men	Women
Bulgaria	63	60
Croatia	65	60
Czech republic	65	65
Hungary	65	65
Poland	65	60
Romania	65	60
Slovakia	62	62
Slovenia	63	61

Source: National reports on strategies for social protection and social inclusion 2008-2010, country reports; Holzmann and Guven (2009), Kiss (2009)

**Table 4: Possibilities for early retirement**

	Early retirement possible	Early retirement possible without reductions
Bulgaria	no	no
Croatia	yes	no
Czech republic	yes	no
Hungary	yes	yes
Poland	no	no
Romania	yes	no
Slovakia	yes	no
Slovenia	yes	yes

Source: National reports on strategies for social protection and social inclusion 2008-2010, country reports, Holzmann and Guven (2009), Kiss (2009)

**Table 5: Some legislated features of the public pension systems**

	Minimum insurance period (years)	Period relevant for calculation of pension	Indexation mechanism
Bulgaria	15	Entire working period (gradually)	Swiss indexation
Croatia	15	Entire working period (gradually)	Swiss indexation
Czech republic	35	Last 30 years	Price growth + 1/3 of wage growth
Hungary	15	Entire working period (gradually)	Swiss indexation
Poland	none	n.a.	Price growth + 20% of wage growth
Romania	15	Entire working period (gradually)	Not fixed
Slovakia	15	Entire working period (gradually)	Swiss indexation
Slovenia	15	Best 18 years	Wage growth

Source: National reports on strategies for social protection and social inclusion 2008-2010, country reports; Holzmann and Guven (2009), Kiss (2009)

Table 6: Minimum income guarantees for pensioners

	Minimum pension	Minimum social insurance pension	Old-age allowance
Bulgaria	yes	yes	no
Croatia	no	yes	no
Czech republic	no	no	no
Hungary	no	yes	yes
Poland	no	yes	yes
Romania	yes	no	no
Slovakia	no	no	yes
Slovenia	yes	yes	yes

Note: See text for additional explanations.

Table 7: Poverty rates (in %) for total population and for population 60+, 2007

	Poverty rates (in %) for total population			Poverty rates (in %) for population 60+		
	Total	M	F	Total	M	F
Bulgaria	14	11	17			
Czech Republic	10	9	10	5	2	7
EU15	17	15	17	20	17	22
Hungary	12	12	12	6	4	7
Poland	17	18	17	8	7	9
Romania	25	24	25	28	24	31
Slovenia	12	10	13	18	10	23
Slovakia	11	10	11	7	4	10

Source: Eurostat

Table 8: Contribution rates for pension insurance (in %)

	1. pillar	2. pillar	Total
Bulgaria	18	5	23
Croatia	15	5	20
Czech republic	28	-	28
Hungary	25,5	8	33,5
Poland	12,22	7,30	19,52
Romania	27,75	2	29,75
Slovakia	9	9	18
Slovenia	24,35	-	24,35

Source: National reports on strategies for social protection and social inclusion 2008-2010, country reports; Holzmann and Guven (2009).

Note: Poland and Slovakia have separate contribution rates for disability insurance.

### **Some reflections on the reform of the public pension pillar (first pillar)**

- Introduction of a point system, which allows for less redistribution than the “classical” Bismarckian system
- Very diverse solutions even within the point system – some systems allow for a fairly rapid decrease in pensions for new entrants into the pension system (Croatia)

### **Some reflections on the mandatory private pension pillar (second pillar)**

- Discriminating against persons who have opted for the mixed system (Hungary, Croatia)
- Problems of large inclusion of “voluntary” insured persons in the mandatory second pillar – and problems of opting out of the private mandatory pension schemes and moving back to full social security
- “Competition” and management costs
- The risk “exclusiveness” of the second pillar
- The contribution rate split between the first and second pillar

### **Do voluntary pension schemes fare better?**

- Low amounts of contributions, in spite of very strong government incentives
- Complete exclusion of certain economic sectors

**Did pension reforms  
improve employment rates  
among the “critical”  
55-64 age group?**

Figure 1: Employment rates in the age group 55-64, 2000 - 2008

