

## **Requirement of a Comprehensive Framework for the Study of the Pension System**

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The pension system is a large-scale and long-term project. Its reform requires long-term prognoses, and its consequences become evident long after.

It is well known that Poland introduced the new mandatory old-age pension system in 1999. The pension reform of this country, characterized by its designers as ‘Security through Diversity’, attracted a great deal of attention from researchers as did the reforms during the same period in former socialist countries. According to the new pension scheme, contributions are accumulated in two individual accounts which represent the so-called first and second pillars respectively (the third pillar consists of voluntary pension programs). The second pillar appears as a completely new instrument in which the accumulated contributions are expected to be multiplied through the operation of previously unknown private pension funds in the capital market. However, attention also needs to be given to the first pillar. The future benefits will be calculated as the amount on the individual notional account divided by the expected life expectancy at one’s retirement age. The contributions accumulated in the individual notional account are directly proportional to the individual’s employment duration and wages. Thus, the system is designed so as to give people more incentives to work longer. Ironically, the element of social solidarity immanent in the traditional social security system is minimized in the country, associated with the trade union ‘Solidarity’.

In 2009, female pensioners will be the first to receive benefits according to the reformed pension system. In the eve of this new stage, we see some events not to be ignored.

A public opinion poll conducted by the Public Opinion Research Center (CBOS) in October 2008 shows some aspects of a Pole’s attitude towards the pension system. During these ten years, that is, 1998–2008, they have become more pessimistic towards the future pension rate. The ratio of the respondents who think that the replacement rate in the future will be lower than the one now, drastically increased from approximately 8% in 1998 to approximately 46% in 2008. Paradoxically, however, they still display a strong inclination to early retirement. Two-thirds of the respondents are of the opinion that males have to retire at the age of 60 or earlier and females at 55 or earlier, whereas the statutory pension ages are 65 and 60, respectively. Only 10% of the respondents of both sexes or even less (8%) of females support the opinion that the pension age

has to be the same for both sexes. Twenty-five percent of the respondents accept the gender difference in the pension age. The majority (60%) of the respondents are of the opinion that women should be able to decide whether or not to work as long as men. Such tendencies with regard to the pension age have not changed much during the ten years, although a sign of change can be observed. Does this fact suggest that the individualistic philosophy of the new pension system has not sufficiently penetrated the people's minds?

Despite the 1999 reforms, the problem of an early retirement system for some privileged worker groups remains unsolved, and in autumn 2008, it appeared to be a crucial issue. The government is considering replacing the current early retirement system by the so-called bridge pension for only 270,000 people working under the most difficult conditions. As a result, 800,000 people, including teachers, will lose the right to early retirement. The trade unions are offering a stiff resistance against such measures to rationalize the pension system across all types of employment. Even the younger generation tends to support the vested rights of workers, probably without taking into consideration the future financial burden for themselves.

As of now, the impacts of the global financial crisis triggered by the failure of Lehman Brothers on the Polish economy have not yet become fully evident. However, contradictory to some optimistic or rather less pessimistic estimates based on the current situation of the Polish economy, which indicate that the economy is sounder than, for instance, the Hungarian one, a negative consequence has already appeared. In October, the Financial Supervision Committee revealed that the open pension funds already lost 24.5 billion zloty in the first three quarters of 2008, that is, half of the total earnings of the previous years. It is argued that the funded pension system has to be evaluated in the long term as long as the capital market fluctuates. Moreover, it is suggested that the female recipients of pension from the next year may consider themselves as unfortunate. We need to remember that the average benefits for women with shorter careers are originally lower than those for men.

The pension reforms have been discussed and estimated from various viewpoints: financial sustainability in view of the demographic changes, adjustment of various types of interests and political compromises, stimulation of economic growth through the creation of pension funds as actors in the capital market and so on. However, from the viewpoint of income security and decent livelihood for the aged, the pension system should not be examined from a single viewpoint independent of the related conditions.

Some researchers propose a methodological concept of a 'livelihood security system'. For instance, Taro Miyamoto, a political scientist in welfare politics, understands the livelihood security system as a combination of the employment system and welfare system. Mari Osawa, a social policy specialist with expertise in comparative gender analysis of the livelihood security system, characterizes the Japanese system as male breadwinner centered one. It is true that the pension system, as one of the components of the welfare system, should not be treated separately

from the job opportunities in terms of the quantity and quality offered by the employment system. If the pension benefits are not enough for ensuring a decent livelihood owing to a career that is insufficient in terms of the wages and employment duration, another element of the welfare system, that is, public assistance, might be taken into consideration. The financial sustainability approach should not ignore this fact.

The study of the pension system requires a comprehensive framework, that seems to be reconfirmed by a series of the situations in Poland, in autumn 2008.