‘Ageing and pension reform around the world’

Edited by Giuliano Bonoli and Toshimitsu Shinkawa

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This volume, edited by Professors Giuliano Bonoli and Toshimitsu Shinkawa, includes 11 chapters surveying the recent history of public sector pension reforms in six European countries (Italy, Germany, France, Sweden, UK, and Switzerland); three Asian nations (Japan, Taiwan, and Korea); and two from North America (USA and Canada). In addition, the editors provide an overview with lessons from the various country experiences. Chapter authors and the editors are all political scientists and sociologists from several countries who participated in a 2003 conference on the subject of global ageing and old-age support.

The editors’ thesis, outlined in the introductory chapter, is that ageing has had and will continue to have a powerful impact on national public pensions (ie social security programmes), but these reforms will inevitably differ across countries as a result of different ‘institutional structures of policy-making’. Readers not versed in political science will find it difficult to interpret exactly what the phrase ‘institutional structure’ means in practice, as the concept seems to be extremely broad and includes factors such as (a) the institutional structure of the pension systems themselves; (b) the approved role for the national government in old-age provision; and (c) the ‘instruments used

to deliver old-age income security’. While political scientists may understand the differences between these, neither the terminology nor the conceptual differences between these terms is clear and little effort is made to translate to non-specialists. The editors go on to acknowledge that a government’s ‘political complexion’ can also shape pension reforms, but they contend that there is no systematic or predictable link, nor is there any clear role played by ‘ideas’, such as the emphasis on private accounts offered by the World Bank. Based on their review of trends, they conclude there is ‘little variance left to explain’ across pension reforms, once ageing patterns and institutional structure are taken into account.

A better understanding of why countries adopt particular pension systems, and why they reform them as they do, would potentially be quite valuable in helping policymakers and researchers project out-of-sample — namely, to help peer into the future. But to accomplish this, a theoretically founded and careful statistical analysis would be needed to develop and test specific hypotheses regarding causal factors driving change. Unfortunately this book does not devise such empirically testable hypotheses of the factors causing pension system change (eg what is meant by *institutional structure?*) and outcomes

(eg how should one measure the impact of a pension reform?) Unless clear and replicable measures of both inputs and outputs can be implemented and evaluated statistically in a cross-country analysis, it is difficult to prove how altering one causal factor in Country X might potentially change outcomes in Country Y.

In the individual chapters, country authors offer a quick history of public pension reform and then assess prospects for future change. Although an effort was made to cover similar topics in each country case study, there are some notable omissions. For example the Japan and France chapters include a discussion of corporate and occupational pensions, but the US chapter completely glosses over the role of employer-provided pensions — despite the \$8trn invested in them. The chapters also differ in their timeliness. For instance the Japanese chapter covers reforms through 2004, whereas the US chapter concludes that social security reform is not a priority of the Bush administration as the analysis stops in 2003 — and the author's

forecast, of course, proved incorrect. Another concern is that the chapters are too narrowly country-focused. For example, there is little reference to EU efforts to coordinate public pensions and accounting reforms seeking to make pensions more transparent to stakeholders. The book's most troubling omission to an economist, however, is its silence regarding the sheer size of the public systems, the costs of financing benefits promised, and the systems' projected cashflow problems and unfunded liabilities. Unless policymakers know just how large the budget shortfalls will be, and when they are likely to occur, they — and readers of this book — will have a difficult time judging how urgent pension reforms are, and how deeply they may cut into other economic and policy priorities.

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