

# **Pension Reforms in Europe:**

## **Policy mixes in the current pension reform process**

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### **ABSTRACT**

Many European countries have begun (or have announced) programs intended to reduce the growth of entitlement programs, in particular of public pensions.

Current costs are high, and the pressures will increase due to population aging and negative incentive effects. This paper focuses on the pension reform process in Europe. It links the causes for current problems to the cures required to make the pay-as-you-go entitlement programs in Continental Europe sustainable above and beyond the financial crisis. It discusses examples which appear, from a current point of view, to be the most viable and effective options to bring entitlement systems closer to fiscal balance and still achieve their key aims.

There is no single policy prescription that can solve all problems at once. Reform elements include a freeze in the contribution and tax rates, an indexation of benefits to the dependency ratio, measures to stop the current trend towards early retirement, an adaptation of the normal retirement age to increased life expectancy, and more reliance on private savings – elements of a sustainable but complex multipillar system of pensions and similar entitlement programs.

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