Implementation Delays in Pension Retrenchment Reforms

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July 01, 2019

On average, pension retrenchment reforms are phased in over a decade, but age-related forms can take much longer to implement.

As the global population ages, public spending on pensions has increased dramatically. As a result, policymakers have increasingly focused on pension retrenchment reforms to keep their systems solvent. These reforms usually involve long implementation delays to provide retirees time to adjust their retirement plans. However, long implementation delays also slow the rollback of governments' pension spending, potentially raising long-run fiscal risks.

Huixin Bi, Kevin Hunt, and Sarah Zubairy collect a new data set that tracks implementation delays during pension retrenchment reforms for 12 countries from 1962 to 2017. They find that the average phase-in period for a pension retrenchment reform is about a decade. However, they also find that implementation delays are significantly longer for age-related pension reforms, which account for a large share of pension retrenchments since 2000.

Publication information: 2nd Quarter 2019
DOI: 10.18651/ER/2q19BiHuntZubairy

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