

## Social Policy and the Global Crisis: Consequences and Responses

Stream 10: PENSION POLICIES

### *2007 Portuguese Pension Reform: an atypical case of retreat towards the multi-pillar approach.*

Name: **Daniel Fernando da Soledade Carolo**

Affiliation: Ph.D. student at Social Sciences Institute – University of Lisbon

ICS-UL

Postal address: Instituto de Ciências Sociais – Universidade de Lisboa

Avenida Professor Aníbal de Bettencourt, n.º9,

1600-189 Lisboa - PORTUGAL

Phone number: +351917827237

e-mail: [daniel.carolo@ics.ul.pt](mailto:daniel.carolo@ics.ul.pt)

**Summary:** The Portuguese 2007 pension system reform seems to be an exception on ongoing pension reform process in Europe. This reform was implemented in 2007, which means that some of the sustainability risks were already addressed before the financial crisis. Moreover, although the fact that the 2007 reform policy options contrasts with some international recommendations, the reform process was politically well succeeded. Therefore, the aim of this paper is to provide an explanation for these dissimilarities, based on the analysis of three dimensions: i) *Which Portuguese pension reform policy options and institutional factors made the Portuguese reform distinct from the ongoing pension reforms across Europe?* First, this paper will focus on policy options, namely the trade-off between pension generosity and retirement age, and the retreat of the introduction of the private pillar. ii) *How to explain the implementation of such a deep and unexpected reform especially if we consider the social and political problems in the other EU countries?* In this part, we will shed light on the exceptional constellation factors that may explain this. Some of the ‘opportunity windows’ that legitimated the government strategy to avoid expected political costs will also be presented. iii) *What were the crisis effects and its policy implications?* Nevertheless, the reform was implemented in 2007, some of its policy mechanisms are being challenged due to the current economic crisis context. Thus, this paper aim is also to provide some preliminary outcomes of the pension reform, such as the incentives to postpone retirement, the public complementary pension scheme creation, new pensions’ actualization rules and the evolution of pensions’ values after the introduction of the sustainability factor in the pension formula. These indicators are crucial in order to assess how the current crisis is affecting inequality and disadvantaged groups, namely the lowest-income elderly. Besides the fact that this analysis is focused on a single country, this could provide important insights about the explaining factors that make reforms in the context of Southern European countries become possible. In this case, Portugal contrasts sharply with Greece, for example. Furthermore, while in some countries the increase of retirement age is controversial (Germany, Spain, Greece), the Portuguese Reform implemented a mechanism to delay retirement age without social hostility, probably due to a well succeeded blame-avoidance strategy and the ‘flexible’ policy options. Actually, the Portuguese reform was considered a successful case amongst OECD and EU countries.