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AND

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ENEPRI Research Report No. 36/June 2007

Béla Janky and Róbert I. Gál*

Abstract

Various polls reveal that Europeans, even if aware of the looming pension crisis, generally resist pension reforms. In this research report, we show that resistance may be general but it is not uniform. People may oppose reforms but they reject different components of the reform proposals depending on their labour market position, income and age. We analyse the attitudes of nearly 16,000 respondents from the EU-15 countries towards the role of funded pillars, retirement age, the labour market participation of older workers, gender equality and immigration, as well as preferences towards intra- and intergenerational redistribution in the pension systems.

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Executive summary

Aim and methods of the study

- We analyse European public opinion on various issues related to the public pension system. Our aim is to contribute to discussions on the relationship between the political feasibility and financial sustainability of various institutional alternatives. Our results show that diverse social groups may support the present systems for different reasons. Thus, politically feasible reforms could be designed based on the differences in resistance, even though these measures may not necessarily be perfect solutions from the point of view of financial sustainability.
- Our research has been carried out within the framework of Work Package 3 of the Adequacy of Old-Age Income Maintenance (AIM) project. We analyse the data of the European Commission's Special Eurobarometer Report No. 161 on the *Future of Pension Systems* (January 2004) and the Special Eurobarometer Report No. 162 on *Social Precarity and Social Integration* (October 2002) based on Eurobarometer Wave 56.1. The fieldwork for the survey was carried out in September and October 2001 in the 15 EU member countries. In selecting issues and structuring research questions based on the fairly comprehensive survey, we have followed the guidelines of Commission documents on EU priorities. We analyse public attitudes towards the role of funded pillars, retirement age, the labour market participation of older workers, gender equality, immigration and preferences on *intra-* and *intergenerational* redistribution in the pension systems. We apply regression techniques in order to separate the effects that gender, age, income, education, ideology and the current pension regime have on public opinion.

Public opinion and EU priorities

- Our results show that the majority of respondents are aware of the serious problems population ageing will pose in most of the EU-15 countries. Cross-country differences in opinion reflect the degree of seriousness of the problem. Awareness of the looming crisis is a matter of education and political consciousness, rather than ideological stance.
- When it comes to the measures required, however, even those respondents who acknowledge the threat of demographic problems appear to be fairly reluctant to endorse them: most of the reform proposals are refused by the majority.
- The idea of a pension system predominantly based on *funded pillars* is not very popular among European voters, though they may support an increasing role of private funds. If respondents are asked about the freedom of accumulating contributions in private insurance funds, strong support can be observed in favour of a private pillar. Still many people, albeit a minority of the population (46%), support a combination of a state pension providing a bare minimum and a mandatory, privately funded pillar. Nevertheless, when asked specifically about the optimal combination of pay-as-you-go (PAYG) and funded schemes only 7% support a solution that predominately involves

private insurance. The cross-country differences in popular preferences resemble the variance of European pension schemes. The higher the level of funding, the more support private arrangements receive.

- Efforts to place stronger emphasis on *actuarial fairness* do not receive widespread support. Only a minority (23%) embraces the idea of a higher retirement age. It seems problematic that reluctance is stronger in those countries where the existing system is more generous. In addition, there is no absolute majority behind a proposal for higher benefits rewarding retirement above the official retirement age.
- The European public seems to be confused or uncertain concerning *flexible retirement*, so the framing of the question strongly influences answers. If the general issue of gradual retirement is addressed, widespread support (73%) for reforms can be observed. Another question, which asks whether pensioners should be allowed to earn as much as they want on top of their pensions, also receives majority support (58%). This picture radically changes if the issue is approached from another side. The proposal according to which “older workers should be forced to retire at a fixed age” enjoys majority support (57%). The idea that a possible (and desirable) way to decrease (youth) unemployment is to force workers in their late 50s out of employment is also shared by a majority (55%) of respondents. There are more people against flexible (and postponed) retirement in those countries in which the pension systems are more generous. On the other hand, a larger proportion of respondents stick to the idea of flexibility, in which funded pillars play an important role.
- Although documents presenting the view of the Commission on pension systems strongly emphasise the importance of *gender equality*, the Eurobarometer survey is of no help to policy-makers. Questions on gender equality address the issue at a fairly general level. It seems that the principle of equal treatment of the sexes is deeply embedded in modern European democracies. Indeed, equal treatment is supported by a majority even if it possibly widens the gender gap in living conditions and opportunities.
- The analysis of attitudes towards *immigration* as a partial solution to demographic problems points to a somewhat paradoxical link between pension regimes and public opinion. The proposal for more immigration is more popular in countries in which private, funded pillars play an important role, that is, where the pension regimes are less dependent on the demographic composition of the population.

Intra- and intergenerational redistribution

- Our modelling strategy also aims at separating the attitudes of pensioners towards intergenerational transfers from those relating to intra-generational redistribution. Results reveal that various social groups may support the present system for different reasons.
- The current institutional structure highlights the possible political costs of postponing reforms: where funded pillars are weak, taxpayers’ resistance to financing the maintenance of the existing level of benefits in unfunded pillars is strong and vice versa.
- Evidence of the effects of ideology, income and union membership are among the key results of the analysis, as the three groups have markedly different preferences.
 - Ideologically determined left-wing respondents support the increase of inter- as well as intra-generational redistribution in the pension system.
 - Those who are poor support intra-generational redistribution, but they are more likely to oppose feeding the ever-growing present regime with increasing

contributions. That is, at least a segment of the low-income population realise that a higher level of average pensions does not necessarily help them. They also see that they are potential beneficiaries of intra-generational redistribution within the pension system.

- The attitudes of union members support the idea of higher contributions if that is the price of higher benefits. By contrast, they do not seem to differ from other groups of workers in supporting intra-generational redistribution. Although union membership is often regarded as a proxy for left-wing ideology, the two groups clearly differ concerning their attitudes towards pension reforms.

Framing the pension debate

- Lack of political feasibility regarding some important reform proposals may stem from framing effects. The Eurobarometer survey clearly shows that the way questions are worded influences attitudes. The impact of agenda-setting in public discourse on pension reform deserves more attention than it is usually given. The mainstream of public discourse on pension issues introduces a bias against reforms. This attitude comes from a poor understanding of the characteristics of welfare institutions. Certain properties, such as the PAYG nature of the pension system, are often ignored while the features of other welfare institutions, such as social assistance, are attributed to it.
- A shift from questions concerning, for example, the role of market-based solutions or the size of the public scheme to the identification of the real losers of the current regimes and their prospects under proposed reforms may help policy-makers. If efforts to secure the sustainability of the pension systems were successfully separated from intentions to diminish the overall size of the welfare state, pension reforms would be more feasible.

Public Opinion on Pension Systems in Europe

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1. Introduction

The persistence of present demographic trends in European welfare states will impose an increasingly heavy burden on social security systems over the next decades. In many countries, the current levels of contributions and old-age benefits of the predominant pay-as-you-go (PAYG) systems will become unsustainable over the long run. A vast body of literature discusses possible institutional changes targeting long-term sustainability. Yet experience from the fate of several previous reform proposals in Europe suggests that the political feasibility of many of the proposed reforms is questionable.

In this study, we analyse European public opinion on various issues related to the public pension system. Our aim is to contribute to the discussion about the relationship between the political feasibility and financial sustainability of various institutional alternatives. Our results show that diverse social groups may support the present system for various reasons. Thus, politically feasible reforms could be designed based on the differences of resistance, even though these measures may not necessarily be optimal in terms of financial sustainability.

Our research has been carried out within the framework of Work Package 3 of the Adequacy of Old-Age Income Maintenance (AIM) project. We analyse the data of the Special Eurobarometer Survey on *Pension Policy and Pension Reform* (Eurobarometer 161/Wave 56.1 – see European Opinion Research Group, 2004). The fieldwork in this survey was carried out in September and October 2001 within the 15 EU member states. The questionnaire also contains another Special Eurobarometer Survey, on *Social Precarity and Social Integration*, from which we also use variables in some aspects of our analysis. In this respect, we have an extended information base compared with a previous analysis of the survey (Kohl, 2003).

In selecting issues and structuring research questions based on this fairly comprehensive survey, we have followed the guidelines of European Commission documents on EU priorities. After briefly discussing public awareness of the problems caused by demographic trends, in section 2 we compare several priorities laid down by the Commission – such as the role of funded pillars, retirement age, the labour market participation of older workers, gender equality and immigration – with public opinion. In addition, in section 3 we analyse two general principles underlying many reform proposals as well as EU objectives, in particular intergenerational equity and intra-generational solidarity.

2. EU priorities and public opinion

In this section, we address several issues that are highlighted in Commission documents as priorities of pension reforms in Europe. We present the basic distributions of answers and focus our attention on cross-country differences.¹ In addition to presenting cross-tables, we also apply

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¹ See Kohl (2003) for an earlier analysis of the dataset.

regression techniques in order to separate the effects of our explanatory variables such as gender, age, income, education and ideology, on attitudes towards the pension system. We also analyse the independent effect of the current institutional structure of the pension system on public preferences concerning pension reform. For this purpose, we adopt the typology of pension regimes by Soede & Vrooman (2006). They carried out a categorical principal component analysis (CatPCA procedure) for a comprehensive and quantitative characterisation of pension regimes in modern welfare states. Data on pension schemes were gathered under 34 headings. As a result of the analysis, the relative positions of various pension regimes were determined under two main categories.

The first category, termed ‘pension level/wealth’, indicates the degree of ‘generosity’ of the pension system. It is closely related to the average replacement rate, pension level, public expenditures on pension benefits and pension wealth as defined by the OECD (2005).² Mediterranean countries, such as Italy, Greece and Spain, have the highest scores in this category. Austria, Finland and the Netherlands also have higher than average scores. Ireland and the UK can be found at the other end of the scale.

The second category, the level of privatisation and funding, captures the role of private and funded pillars. Pension regimes that include a defined contribution scheme, a funded pillar or a private segment in the mandatory system, such as in Denmark, Sweden and the Netherlands, have high scores in the second category. Belgium and Spain have low scores in this category.

2.1 *Public awareness of demographic problems*

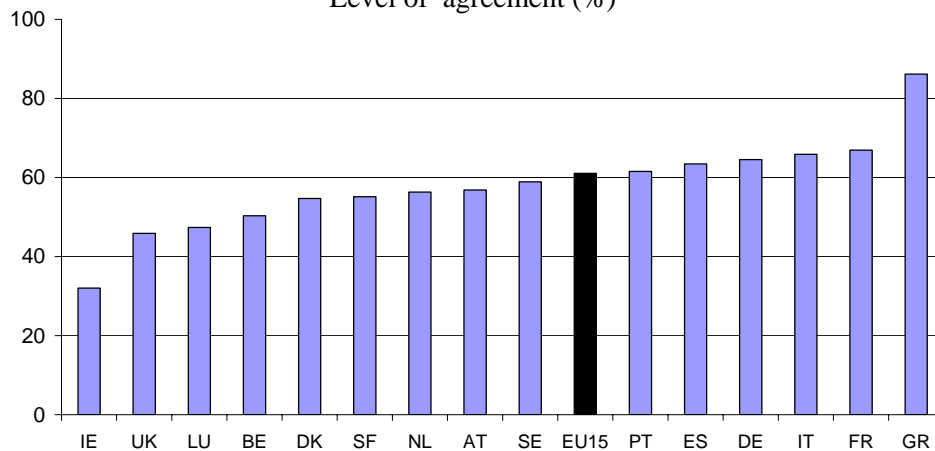
Before turning to attitudes towards specific policy measures and institutions, we take a detour to consider European awareness of the looming pension crisis. No widespread popular support for reforms can be expected if most people find their existing system sustainable over the long run. The Eurobarometer survey includes a question about population ageing as a potential problem.³ It seems that the majority of respondents are aware of the problems caused by present demographic trends (see Boeri et al., 2002; Boeri, 2004). According to 61% of respondents, population ageing will pose a major problem in the future. Only 8% think that societal ageing is not a problem at all.

Nonetheless, considerable cross-country differences can be found in the distribution of responses (Figure 1). Greek respondents seem particularly anxious, for instance 86% of them see population ageing as a major problem. The Irish are much more relaxed: less than a third of them think that demographic trends will pose a major problem for their country. This stance reflects the more favourable demographic structure of Ireland. Citizens of the UK are also optimistic: anxious respondents do not form a majority there. Regression analysis confirms the hypothesis that more respondents are anxious about demographic trends in countries in which the present form of the pension system is less likely to remain sustainable over the long run. The proportion of those who see population ageing as a major problem is higher in countries with more generous systems. By contrast, countries with stronger funded pillars, that is, with a pension scheme less dependent on demography, have lower levels of respondents worrying about the ageing of society.

² The average pension wealth is the estimated actuarial value of the pension benefit of a production worker with a full employment history as a proportion of economy-wide average earnings.

³ The question is “The population in our country is ageing, due to lower birth rates and increasing life expectancy. Do you think that in the future this will pose...1) a major problem, 2) a minor problem, 3) no problem at all?”

Figure 1. Population ageing will pose a major problem.
Level of agreement (%)



Source: Eurobarometer 56.1. (2001)

Approaching retirement age, respondents become more anxious about the demographic structure. Population ageing will pose a major problem according to 52% of the 15–24 year-old respondents, against 67% of the 45–54 year-old cohort. Among the elderly, the proportion of those who think that societal ageing will pose a major problem is somewhat below that of the 45–54 year-olds. Regression analysis shows that the evaluation of this situation is not overshadowed by an ideological divide. Ideologically more determined (and probably politically more conscious) respondents, left- and right-wing alike, are more likely to see problems in demographic trends. Citizens who are more educated are also more likely to be aware of the problems of an ageing society. Active workers, who should bear the increasingly heavy tax burdens, are understandably more anxious than others are. Nevertheless, workers with a high living standard, who also pay more taxes, are *not* more likely than other workers are to see population ageing as a major problem. Those facing financial problems, on the other hand, are more anxious about demographic trends.

These results may raise the hopes of policy-makers for the political feasibility of pension reforms aiming at sustainability. The majority of respondents think that societal ageing will pose serious problems in most of the EU-15 countries. Cross-country differences in opinion reflect the degree of seriousness of the problem. Awareness of the looming crisis is a matter of education and political consciousness, rather than ideological stance (Table 1).⁴

The following sub-sections reveal a slightly more complex picture. Our results demonstrate that when it comes to the measures proposed to alleviate the looming crisis, even those respondents who acknowledge the existence of demographic problems appear to be fairly reluctant to support them: most of the reform proposals are refused by a majority (see Boeri et al., 2002; Boeri, 2004).

⁴ See Appendix 1 for a detailed description of variables. Regression coefficients are presented in Appendix 2.

Table 1. Regression results on opinions of whether population ageing will pose a major problem

Population ageing will be a major problem	
<i>Individual-level characteristics</i>	
Male	
Expected remaining active lifetime (years)	-
Better off (high living standard AND has a job)	
Worse off (financial problems)	
Has a job	+
Has a university degree	+
Right-wing (strongly)	+
Left-wing (strongly)	+
<i>Country-level characteristics of the pension regime</i>	
Pension level/wealth (score)	+
Role of private/funded pillars in the mandatory system (score)	

Note: '+' and '-' signs indicate significant coefficients ($p < 0.01$)

Source: Eurobarometer 56.1 (2001).

2.2 *The role of private and other funded pillars*

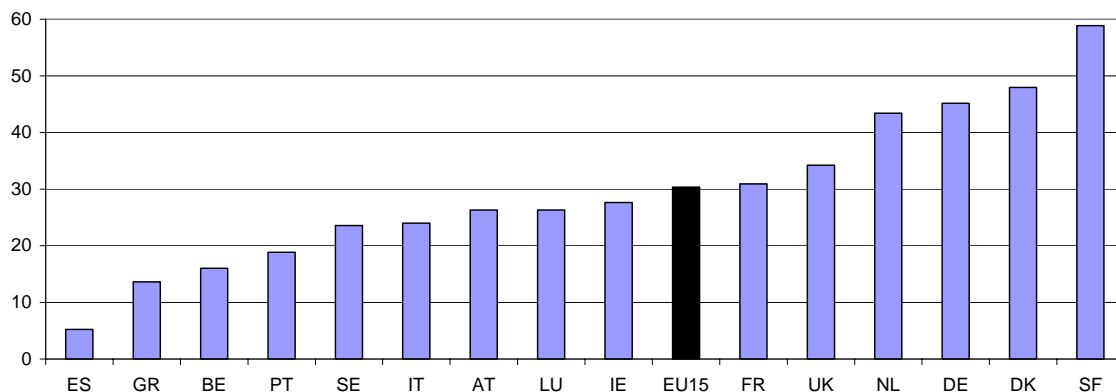
There appear to be significant gender differences in opinion. Men are more likely than women are to prefer private and occupational schemes to a PAYG system. (Some 34% of male and 27% of female respondents oppose the dominance of a PAYG scheme.) This may reflect the fact that PAYG schemes are often redistributive from men to women. A switch to a funded scheme, or indeed any scheme based on individual accounts, may harm women if these reforms do not compensate them for their work in the household (as women carry most of the burden of non-market household production, including raising the next generation of contributors to a PAYG scheme in most European societies). The prospect of increasing gender inequality contrasts sharply with the explicit goal of the Commission to narrow the gender gap in old-age benefits as well (e.g. European Commission, 1999, pp. 8, 16). We return to the gender issue below.

The Commission has emphasised the importance of developing a sustainable combination of pillars for a long time (European Commission, 1999, p. 15). The Eurobarometer survey includes questions about the public support for private funds. Responses depend largely on how the issue is framed. If one asks about the possibility of saving contributions in private funds, significant support can be observed. In the EU-15 countries, 78% of respondents agree with the statement "the government should allow people to put their contributions into private pension funds or life insurance policies of their choice". This does not necessarily imply support for substituting a funded scheme for a PAYG system. Still, a large minority (46%) support a combination of

minimum pensions with additional mandatory provisions for old age. Yet, among the responses to the question explicitly addressing the desired roles of PAYG and funded systems,⁵ support for PAYG systems seems fairly solid: while 57% of respondents think that pensions should be provided mainly by PAYG public pension schemes, only 7% of them support the dominance of solutions based on private insurance.

The cross-country differences in popular preferences resemble the variance of European pension schemes (Figure 2). A kind of status quo effect can be observed here in that respondents tend to prefer those schemes (such as occupational, PAYG and private schemes)⁶ that are relatively more important in their respective country. This result is partly in line with the findings of Gelissen (2001), based on his analysis of an earlier Eurobarometer dataset.⁷ Right-wing voters tend to be in favour of private arrangements. In addition, those having a job, higher income and education are, *ceteris paribus*, more likely to support the dominance of occupational or private schemes (Table 2).

Figure 2. PAYG system should NOT dominate.
Level of agreement (%)



Source: Eurobarometer 56.1. (2001)

⁵ The question is “How do you think that pensions should be provided...a) mainly by state or public pension schemes, financed from taxes and contributions; b) mainly by occupational schemes, financed from employers’ and their employees’ contributions; c) mainly by private arrangements between individuals and insurance companies, banks, etc.?”

⁶ The typology is from Soede & Vrooman (2006).

⁷ Owing to differences between his and our models, any comparison is questionable. The results in the Eurobarometer survey for Italy and Germany resemble the findings of Boeri et al. (2002).

Table 2. Regression results on opinions about whether PAYG schemes, occupational systems or privately funded arrangements should dominate

	PAYG systems should <i>not</i> dominate
<i>Individual-level characteristics</i>	
Male	+
Expected remaining active lifetime (years)	
Better off (high living standard AND has a job)	+
Worse off (financial problems)	-
Has a job	+
Has a university degree	+
Right-wing (strongly)	+
Left-wing (strongly)	
<i>Country-level characteristics of the pension regime</i>	
Pension level/wealth (score)	
Role of private/funded pillars in mandatory system (score)	(+)*

Notes: '+' and '-' signs indicate significant coefficients ($p < 0.01$); * $p < 0.1$; in the case of country-level characteristics, we indicate the signs of coefficients in parentheses if $0.01 < p < 0.1$

Source: Eurobarometer 56.1 (2001).

2.3 Increasing the retirement age

In addition to considering structural changes, the Commission also placed emphasis on parametric reforms of existing systems. Raising the actual retirement age is one of the top priorities among these reform proposals (e.g. European Commission, 2005a, p. 4). Introducing a higher statutory retirement age is a possible way but not the only one to extend working life. Later retirement may be rewarded by higher pension benefits or early retirement can be punished by lower benefits. These kinds of incentives are already widely used in some member states. The Eurobarometer provides evidence on public attitudes towards such reforms.

Only a minority support the idea of a higher retirement age.⁸ A mere 23% of respondents would agree with such measures. The resistance is particularly strong in Sweden and Greece (where only 12% and 13% support a higher retirement age), while a large proportion of respondents (41%) support the idea in Ireland. In general, in countries with a more generous system, respondents are less likely to support increases in the retirement age. That is, resistance seems to be stronger where reform would be more urgent. That being stated, adopting a more balanced question format, based on a 'contingent valuation' technique, Boeri et al. (2002) found stronger support for increasing the retirement age (in Italy). As far as individual characteristics are concerned, the more educated and ideologically right-wing respondents are, *ceteris paribus*, more strongly in favour of later retirement than the average, while those who have a job, predominantly prefer keeping the existing rules on retirement ages (Table 3).

⁸ The question is "Please tell me for each of the following whether you strongly agree, slightly agree, slightly disagree or strongly disagree...The age of retirement should be raised so that people work longer and spend less time in retirement."

Table 3. Regression results on attitudes towards retirement age and pension benefits

	Increase of retirement age	Higher pension for later retirement	Lower pension for early retirement
<i>Individual-level characteristics</i>			
Male		+	+
Expected remaining active lifetime (years)		-	-
Better off (high living standard AND has a job)			
Worse off (financial problems)			-
Has a job	-		
Has a university degree	+		+
Right-wing (strongly)	+	+	+
Left-wing (strongly)		-	
<i>Country-level characteristics of the pension regime</i>			
Pension level/wealth (score)	(-)*		+
Role of private/funded pillars in mandatory system (score)			

Note: '+' and '-' signs indicate significant coefficients ($p < 0.01$); * $p < 0.1$

Source: Eurobarometer 56.1 (2001).

Setting the 'default' retirement age may not be the most important issue, since there is already a considerable disparity between the official and the effective retirement ages in most EU countries. Applying the technique by Latulippe (1996) to calculate effective retirement age from labour force participation figures, the effective retirement age for men across the EU-15 countries was about 2.5 years below the standard age of entitlement to public old-age pensions in 2003 (weighted averages; calculations from OECD labour force figures). The Commission prefers a flexible retirement process. The questionnaire includes a question about later retirement and another one about early retirement, offering a chance to capture the issue.

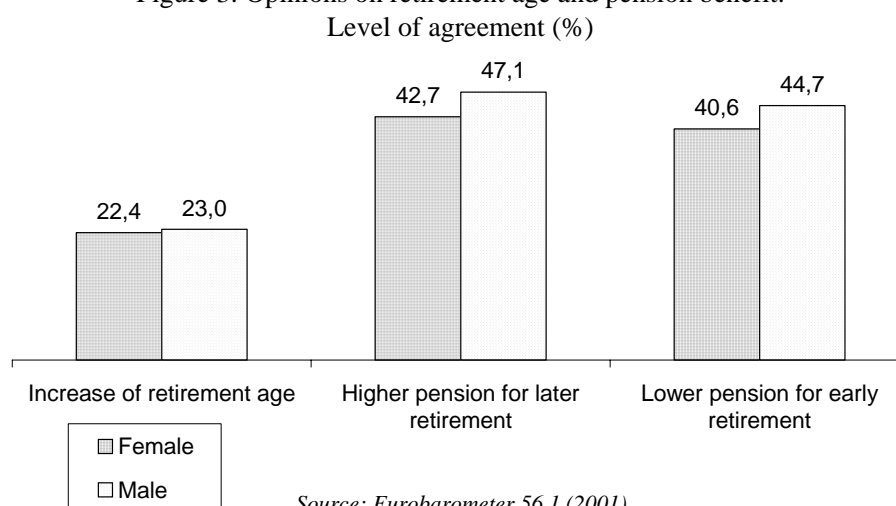
We found no absolute majority behind the proposal of postponed retirement being rewarded by higher benefits.⁹ Only 45% of the total sample agrees, although the proposal has majority support in Germany, Greece, Luxembourg, Portugal, Sweden and Austria. In more generous systems, the level of support tends to be slightly higher than average, while the opposite is true in countries with stronger funded pillars. This moderate support is not a result of resistance by pensioners. The highest level of support for the proposal can be observed in the oldest age groups. Right-wing voters are also likely to be in favour of such a reward for later retirement, while left-wing respondents tend to oppose it.

As in the case of the role of the funded pillar, a significant gender effect can be observed (Figure 3). Again, men are more likely than women are to prefer reform steps, in this case measures rewarding later retirement (47% of male and 43% of female respondents support such a proposal).

⁹ The exact wording of the question is as follows: "I would like you to tell me if you strongly agree, slightly agree, slightly disagree or strongly disagree...Someone who retires after the normal retirement age should receive a higher pension."

The level of support for reduced benefits for early retirees is similar to that of rewarding later retirement: 43% of respondents are in favour.¹⁰ So are the variances by gender, age, income and ideological stance. In this case, education also matters. Country effects also seem to be stronger: the concept of reduced pensions is more likely to be accepted in countries with larger and more generous pension systems.

Figure 3. Opinions on retirement age and pension benefit.



2.4 Promoting the labour market participation of the elderly

It is among the top priorities of the Commission to foster the labour market participation of older workers (e.g. European Commission, 2005a, p. 3) in particular as the effective retirement age tends to differ significantly from the official retirement age throughout the EU. One way to achieve this goal is to promote flexible bridges between work and retirement (e.g. European Commission, 2005a, p. 9). We analysed the answers to five questions on this issue. The overall picture is mixed, and it seems clear that much depends on the framing of the problem.

If the general question of gradual retirement is addressed, widespread support for reforms can be observed. Some 73% of respondents agree that older workers should be allowed to retire gradually.¹¹ There are considerable differences across member states, though the proposal has a majority of support everywhere. Another question asks whether pensioners should be allowed to earn as much as they want on top of their pensions.¹² This proposal is also endorsed by the majority albeit more narrowly than the previous general principle: 58% of respondents support it. In some countries, such as France and Italy, the proposal has only minority support. In the Netherlands, Ireland, the UK and Sweden, on the other hand, the proportion of those supporting it is close to or over 70%. The regression analysis also implies that in generous (mostly

¹⁰ The question is “I would like you to tell me if you strongly agree, slightly agree, slightly disagree or strongly disagree...Older workers who retire early should accept a reduced pension.”

¹¹ The question is “I would like you to tell me if you strongly agree, slightly agree, slightly disagree or strongly disagree...Older workers should be allowed to retire gradually from work (e.g. to combine a partial pension with reduced work).”

¹² The question is “I would like you to tell me if you strongly agree, slightly agree, slightly disagree or strongly disagree...Pensioners should be allowed to earn as much as they want on top of their pension[s].”

Bismarckian) systems this kind of reform is less popular (Table 4). In countries with a significant funded pillar, people are more ready to accept part-time retirement. Our data additionally shows that the issue, *ceteris paribus*, is more important for older citizens, and as a reform that widens the window of opportunity for economic actors, it is more popular among right-wing voters.

Table 4. Regression results on support for gradual and part-time retirement, and help for older workers

	Support for		
	Gradual retirement	Part-time retirement	Training for older workers
<i>Individual-level characteristics</i>			
Male			
Expected remaining active lifetime (years)	-	-	
Better off (high living standard AND has a job)			
Worse off (financial problems)			
Has a job	+		
Has a university degree	+	+	+
Right-wing (strongly)		+	+
Left-wing (strongly)			+
<i>Country-level characteristics of the pension regime</i>			
Pension level/wealth (score)		-	-
Role of private/funded pillars in mandatory system (score)	+	(+)*	

Note: '+' and '-' signs indicate significant coefficients ($p < 0.01$); * $p < 0.05$

Source: Eurobarometer 56.1 (2001).

The next question is about the equal access of older workers to training in order to stay in the labour market longer.¹³ A total of 56% of respondents support the idea. There are significant cross-country differences of opinion, however, and the variance is less clearly structured. Generally speaking, this proposal is less popular in countries with more generous pension regimes.

This picture changes if the issue is approached from the opposite side. Two survey questions ask respondents about statements that are in sharp contrast to the programme of gradual retirement. One of them is that "older workers should be forced to retire at a fixed age". In spite of the widespread support for the idea of gradual retirement, this proposal enjoys the support of the majority of respondents: 57% agree with it and only 37% are against it. Along with Greek respondents, among whom a mere 5% are against a fixed retirement age, respondents from Italy, Spain, France and Belgium also tend to view flexible retirement unfavourably and only 20%, 21%, 23% and 25% of them, respectively, oppose the idea of a statutory fixed retirement age. The proportion of opponents of the fixed retirement age is much higher in Finland, the UK, Sweden and the Netherlands: 66%, 62%, 59% and 57%, respectively. As the regression analysis also shows, there are more persons against flexible retirement in countries with large and

¹³ The question is "I would like you to tell me if you strongly agree, slightly agree, slightly disagree or strongly disagree...Older workers should be helped to stay in the labour market by being offered the same access to training as younger workers."

generous pension schemes. Conversely, a larger than average share of respondents accept the idea of flexibility where funded pillars and market-based solutions are more important. As far as individual-level characteristics are concerned, being informed and politically aware may matter (Table 5). In addition, the most highly educated respondents are also more likely than others are to oppose a fixed retirement age.

Table 5. Regression results on opinions about pushing older workers out of the labour market

	Older workers should <i>not</i> ...	
	...be forced to retire at a fixed age	...give up work to make way for the young
<i>Individual-level characteristics</i>		
Male		
Expected remaining active lifetime (years)		
Better off (high living standard AND has a job)		
Worse off (financial problems)		-
Has a job	+	+
Has a university degree	+	+
Right-wing (strongly)	+	+
Left-wing (strongly)	+	
<i>Country-level characteristics of the pension regime</i>		
Pension level/wealth (score)	(-)*	-
Role of private/funded pillars in mandatory system (score)	+	+

Note: '+' and '-' signs indicate significant coefficients ($p < 0.01$); * $p < 0.05$

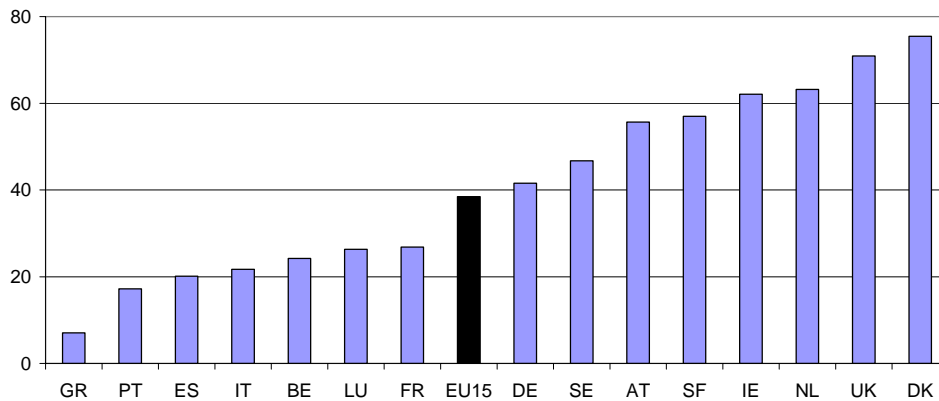
Source: Eurobarometer 56.1 (2001).

The other statement in the questionnaire, which is contrary to the programme of keeping the older labour force in the labour market, links retirement to alleviating youth unemployment. The majority embraces the idea that a possible (and desirable) way to decrease youth unemployment is to force workers in their late 50s out of employment (see Boeri, 2004).¹⁴ Only 38% of respondents oppose such a proposal. The impact of country- and individual-level characteristics on attitudes is somewhat similar to those described above (Table 5 and Figure 4).

In light of the above distributions, the main conclusion is that most respondents hold inconsistent views on the labour market participation of the elderly, making the framing of the issue particularly important. Wording influences answers. In addition, the institutional framework that people see around them is also a strong determinant of preferences. So a kind of status quo effect is observed here.

¹⁴ The question is "I would like you to tell me if you strongly agree, slightly agree, slightly disagree or strongly disagree...People in their late 50s should give up work to make way for younger and unemployed people."

Figure 4. Older workers should NOT give up work to make way for young. Level of agreement (%)



Source: Eurobarometer 56.1. (2001)

2.5 Gender equality

Documents presenting the view of the Commission on pension systems strongly emphasise the importance of gender equality (e.g. European Commission, 1999, pp. 6, 8). Career patterns of women and their longer life expectancy make them prone to poverty even in the generous public pension schemes of Europe. More importantly, some of the proposed reforms aiming at improving sustainability may result in an increasing risk of poverty among women. It is a hard task for policy-makers to strengthen incentives for labour market participation while, at the same time, acknowledging work within the family, which at present is still unevenly distributed between the two genders. Unfortunately, the Eurobarometer survey does not help us contribute to solving this policy dilemma. The questions regarding gender equality address the issue at a general level. It seems that the principle of equal treatment is deeply embedded in modern European democracies. Thus, the vast majority of respondents support gender equality in any rules irrespective of their diverse impacts on the welfare of the two genders.

An overwhelming majority, 91% of both male and female respondents, are in favour of gender equality of pension benefits.¹⁵ In Germany and Austria the level of support for the idea is a bit lower (81% and 83%, respectively), but otherwise the distribution of answers are similar all over Europe, as they are among various age groups. A similar majority (90%) think that men and women should provide the same level of contributions for their old-age benefits.¹⁶ Taking account of the gender-dependent career paths, the two distributions contradict each other, unless the latter question is interpreted as one referring only to contribution rates of currently working men and women. In Austria and Germany, the level of support for equality is lower in the case of this latter issue as well.

¹⁵ The question is “For each of the following, please indicate whether, you think, men and women should be treated equally or not...[concerning the] amount they receive when they retire 1) equally, 2) not equally”.

¹⁶ The question is “For each of the following, please indicate whether, you think, men and women should be treated equally or not...[concerning the] contributions they make for their retirement pension 1) equally, 2) not equally”. Kohl (2003) also analysed this question.

The idea of equality of retirement ages is also preferred by an overwhelming majority of respondents,¹⁷ although the proportion of those favouring equality is a bit lower in this case: 83% of respondents (84% of men and 82% of women) think that men and women should have the same retirement age. Cross-country variance reflects some differences: 99% of Danish and 97% of Swedish respondents support equality of retirement ages, while the corresponding rates are only 66% and 65% in Greece and Austria, respectively.

Finally, empirical evidence shows that intentions to make it easier for women to combine family and work reflect popular preferences: 82% of respondents would support such efforts.

2.6 Immigration

Several Commission communications point out the importance of the demographic composition of the population and suggest a discussion about immigration as a partial solution (European Commission, 2005a, p. 6; 2005b). The Eurobarometer survey includes a question about immigration in the pension reform context. Thus, we look at the issue very briefly. Thirty-seven percent of respondents agree with the statement that more foreigners should be allowed to immigrate in order to alleviate the financial burden on pension systems.¹⁸ Countries significantly differ regarding immigration.

As we know from a vast body of literature, many kinds of country-level and individual characteristics determine preferences on immigration policy, most of which are not related to those considered in relation to attitudes about pension systems. Still, a correlation can be observed between the characteristics of the pension system and the level of support for immigration (Table 6).

Table 6. Regression results on attitudes towards immigration

	More foreigners should be allowed to work in our country
<i>Individual-level characteristics</i>	
Male	
Expected remaining active lifetime (years)	
Better off (high living standard AND has a job)	
Worse off (financial problems)	-
Has a job	
Has a university degree	+
Right-wing (strongly)	
Left-wing (strongly)	+
<i>Country-level characteristics of the pension regime</i>	
Pension level/wealth (score)	
Role of private/funded pillars in mandatory system (score)	+

Note: '+' and '-' signs indicate significant coefficients ($p < 0.01$)

Source: Eurobarometer 56.1 (2001).

¹⁷ The question is "For each of the following, please indicate whether, you think, men and women should be treated equally or not...[concerning the] age at which they can retire 1) equally, 2) not equally".

¹⁸ The exact wording of the question is as follows: "Please tell me for each of the following whether you strongly agree, slightly agree, slightly disagree or strongly disagree...More foreigners should be allowed to work in our country so that there will be more people who pay the contributions and taxes needed to finance pensions."

In generous regimes the idea of inviting new immigrants seems to be somewhat (albeit not significantly) more popular. It is easy to rationalise this, since a larger system implies greater financial problems. The proposal for increased immigration is also popular in countries in which private, funded pillars play an important role.

We did not carry out such a detailed analysis of the determinants of attitudes towards immigration as done in earlier studies concentrating on this issue alone. Nevertheless, even our over-simplistic regression analysis presents some interesting results. Basically, education and ideology are the most important individual characteristics in our model. Educated persons and voters on the left are more likely than others are to be in favour of immigration.

3. Intra- and intergenerational solidarity

In this section, we analyse European public opinion with regard to two general directions of the redistribution of resources: intergenerational and intra-generational redistribution within the pension system.

Most empirical surveys on the welfare state concentrate on explaining preferences towards *intra*-generational redistribution, which is redistribution from the rich to the poor. In the case of public pension systems, however, *intergenerational* redistribution between overlapping generations is equally relevant. The winners and losers may differ in the two types of redistribution. We put special emphasis on separating the mechanisms that may influence preferences towards intergenerational transfers from those shaping opinions on intra-generational redistribution among pensioners.

The design of the questionnaire affords the opportunity to capture some of this distinction (Kohl, 2003), although intergenerational redistribution could only be defined for the present and not between the entire life cycles of generations. In this section, we concentrate on separating supporters and opponents of the two forms of redistribution.

In PAYG schemes, an increase in contributions implies the growth of intergenerational redistribution. Our indicator of the preferred level of intergenerational redistribution is based on attitudes towards current contributions and pensions. It is derived from two questions: the first one considers the possibility of an increase in contributions and pensions, and the second one addresses the possible decrease in pensions and contributions. Below we delve into the details.

The questionnaire approaches intra-generational redistribution within the pension systems from several aspects. There are various questions concerning this issue and we extracted information regarding three of them to indicate respondents' attitudes towards intra-generational redistribution. One such question addresses the issue directly, but at a fairly general level. The other two questions do not mention redistribution explicitly. They focus on special policies, such as state pensions for the rich and the relation between past contributions and current pensions, both bearing consequences for intra-generational redistribution.

We examine the influences of self-interest, ideology, the neighbourhood effect and the institutional framework on public attitudes. Our empirical model relies on the assumptions of political economy models as well as a rich tradition of empirical research on welfare attitudes. Our results show that once the two types of redistribution are clearly distinguished, some previously hidden groups of supporters of reforms become more visible.

3.1 *Previous evidence of public opinion*

Sociological literature on public preferences towards welfare systems provides theories of class-based solidarity and other types of ideological influences on popular support for intra-generational redistribution. The application of these concepts to attitudes towards intergenerational redistribution, however, is theoretically unfounded (Irwin, 1996). Models of political economy, by contrast, examine the mechanisms that establish and maintain unfunded public pension systems (for comprehensive surveys see Mulligan & Sala-i-Martin, 1999b, 1999c; Persson & Tabellini, 2000; and Galasso & Profeta, 2002). They focus on intergenerational redistribution, but intra-generational redistribution also appears in some models. Below we mostly rely on models by Browning (1975), Tabellini (2000) and Mulligan & Sala-i-Martin (1999a, 2003) in applying the effects of age, income, labour market status and conditions in the respondents' neighbourhoods to explain public preferences.¹⁹

The empirical sociological literature concentrates on the determinants of attitudes towards intra-generational redistribution. Results show that the best predictors are direct individual gains and general ideological stance – which in turn may also carry the effects of individual gains indirectly (e.g. Gelissen, 2000; Hasenfeld & Rafferty, 1989; Svallfors, 1997) and the institutional structure of the welfare system (Svallfors, 1997; Blomberg & Kroll, 1999; Gelissen, 2000; Arts & Gelissen, 2001; Gevers et al., 2000). Gelissen (2001) studies the preferred role of the state and the individual in providing old-age security. He does not focus directly and explicitly on intra-generational redistribution as such, but rather examines preferences regarding general solidarity in the pension system. His analysis mostly confirms previous results on general issues and certain sub-systems of the welfare state. Workers, younger respondents, men, the middle-classes, right-wing voters and those who are not members of trade unions are more likely to emphasise individual responsibility. Regarding institutional-level effects, demand for state intervention is lower in countries with smaller pension regimes.

Several studies also address the issue of generational self-interest in welfare preferences (e.g. Hamil-Luker, 2001; Silverstein et al., 2000). Yet the interpretation of results on intergenerational redistribution is not as straightforward as in the case of intra-generational redistribution. Empirical evidence does not support the prediction of a sharp discrepancy between the opinions of various generations. A series of researches show that many young and middle-aged respondents support several aspects of the existing social security scheme and the level of support among them is often as high as among the current beneficiaries (Silverstein et al., 2000; Hamil-Luker, 2001).

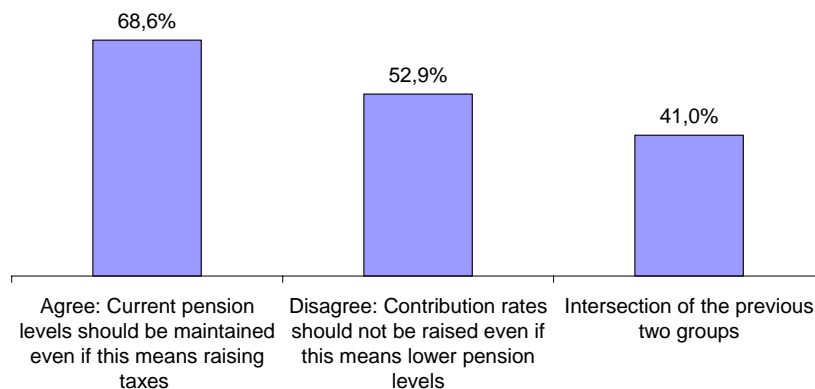
Economists more often concentrate on the issue of intergenerational redistribution in their empirical research on welfare preferences. Boeri et al. (2002) analyse public opinion in some European countries. They find that young, rich and educated male respondents are more likely to support downsizing the pension system. Their results also show a significant effect of ideology: left-wing voters are more likely to be in favour of a larger system than are right-wing voters. Boeri (2004) analyses, among others, opinions on the optimal retirement age, which may have consequences for intergenerational redistribution as well. The more educated and more informed are more likely to support an increase in the retirement age. It is surprising that the marginal effect of income is negative on the support for higher retirement ages.

¹⁹ See a detailed review of the relevant political economy models of social security in Janky (2005).

3.2 Basic distributions

We use two interrelated questions from the survey to create a means of measuring public opinion on *intergenerational redistribution*. The first one states that current pension levels should be maintained even if this means higher contribution rates. The other one says that contributions should not be raised even if this results in a lower level of old-age benefits. While 22% of respondents gave inconsistent answers agreeing with both statements, 41% consistently rejected reductions in pensions. We compare them, the supporters of higher intergenerational transfers, with the rest of the respondents (Figure 5).

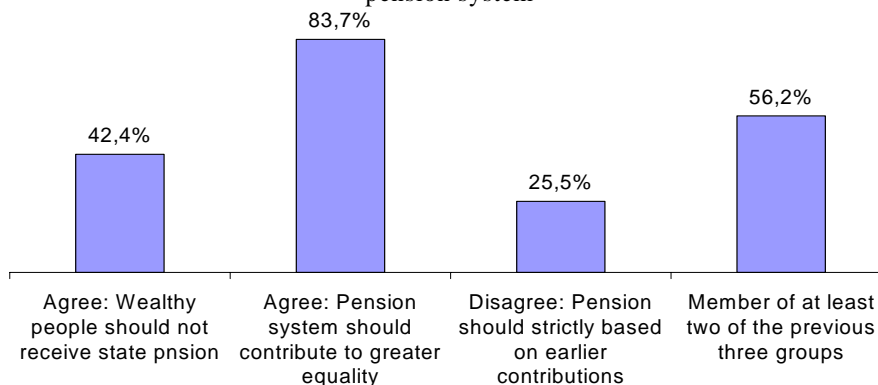
Figure 5. Opinions on intergenerational redistribution



Source: Eurobarometer 56.1 (2001)

Intra-generational redistribution is captured by questioning respondents' attitudes to three statements: the first one states that rich people should not receive a state pension, the second one states that the pension system should contribute to greater equality and the third one states that pension benefits should be strictly based on contributions. Some 13% of the respondents fall into the perfect 'equaliser' category (by answering that they agree with the first two statements and disagree with the last one). In order to achieve a larger variation in the dependent variable, all those who matched the equaliser category in at least two of these three cases we coded as '1'. Hence, the proportion of those coded as '1' increased to 56% (Figure 6).

Figure 6. Opinions on intra-generational redistribution in the pension system



Source: Eurobarometer 56.1 (2001)

3.3 Regression analysis

We derive many of our conclusions by comparing the effects of the same explanatory variables on the two different dependent variables of the intra-generational and the intergenerational model, respectively. Consequently, we used the same sets of explanatory variables in both models.²⁰ There is a large set of variables. For the sake of tractability, they are grouped into eight categories: demography, current income, income prospects, pension prospects, bargaining power, ideology, neighbourhood effects and institutions.²¹

Demography. *Gender* does not influence preferences on redistribution (Table 7). *The expected remaining active lifetime* does not affect attitudes towards intra-generational redistribution but it strongly shapes preferences on intergenerational transfers. Younger respondents are less likely to support further increases in contributions and benefits. This tendency reveals an important difference in the motives behind a seemingly general opposition to pension reform.

Income. Respondents' financial situation is an important factor shaping opinions (Table 7). *Household heads having high living standards*, active and retired in concert, are resistant to a larger redistribution among pensioners. Regarding intergenerational transfers, workers with a high-income status are more likely than other workers are to resist tax increases. This finding does not hold for richer pensioners.

Those having *financial problems* are more likely to support stronger intra-generational redistribution. That being stated, an intriguing result of the analysis is that workers who suffer from financial problems are not more but rather less supportive of a more generous pension system than are individuals who have no such problems (see Boeri, 2004). This result is at odds with the predictions of some of the political economy models on social security. Nevertheless, as we emphasised above, the poor are not necessarily interested in a larger social security system (Mulligan & Sala-i-Martin, 1999b). Workers with low wages and inactive persons in the active age group may rationally oppose initiatives that may extract money from other welfare programmes currently helping them.

The questionnaire also contains a variable revealing the *self-evaluation of old-age benefits* by pensioners. The indicator has no effect on opinion of intra-generational redistribution within the pension systems. Still, those who have low pensions are more likely to support tax increases in order to avoid any decrease of the general level of old-age benefits.

Income prospects. We used labour market status, job type and educational level as indicators of future income prospects. *Having a job* has only a weak impact on attitudes towards intra-generational redistribution (Table 7). Nevertheless, *students* (at universities and colleges in most cases in the sample) who are not only young but are also likely to have higher income prospects predictably oppose the idea of tax increases. *Respondents with a university degree* are more likely to be against a strong redistribution within the pension system and between generations. Those with only basic education, *ceteris paribus*, are more likely to oppose the preservation of current old-age benefit levels at the cost of higher contributions. This finding indicates a similar mechanism at work as in the case of persons with low incomes; however, as this regression analysis makes it clear, education has a separate effect.

Income prospects may be sensitive to the remaining active lifetime. We checked for this in some cases. Our results show that the effect of education on welfare preferences negatively correlates to the length of the remaining active lifetime.

²⁰ See Janky & Gál (2006) for hypotheses and other issues of model-building.

²¹ See Appendix 1 for a detailed description of variables.

Table 7. Regression results on attitudes towards intra-generational redistribution and intergenerational transfers in the pension system (part 1)

	Intra-generational redistribution	Intergenerational transfers
<i>Demography: Gender and age</i>		
Male		
Not retired		
Remaining active lifetime		-
<i>Income</i>		
High living standard AND main income AND has a job	-	-
High living standard AND main income AND retired	-	
Financial problems	+	-
Financial problems AND retired		
Has low pension benefits		+
<i>Income prospects</i>		
Student	-	-
Has a job		
Self-employed or top manager		
Self-employed professional		
Self-employed professional BY SQRT (remaining active lifetime)		
University degree	-	-
University degree BY SQRT (remaining active lifetime)		+
Only primary education		-
<i>Pension prospects</i>		
Main expected source of income in old age is private		
Fear from poverty in old age (among the active)	+	+
Bargaining power		
Job in the private sector		+
Union member		+
Job in public administration		+

Note: '+' and '-' signs indicate significant coefficients ($p < 0.1$)

Source: Eurobarometer 56.1 (2001).

Pension prospects. As regards pension prospects, the empirical evidence shows that respondents of active age *who fear old-age poverty* are more supportive of redistribution among pensioners as well as between generations (Table 7). This finding has an important consequence for communication about pension reform. If the main argument for reform is the unsustainability of the current level of pensions and contributions, respondents may become alarmed about their future old-age income and vote for policies that would further deteriorate the long-term balance of the system.

As mentioned above, such higher-than-average support for intra-generational redistribution cannot be observed among pensioners who reported currently low benefits (and who not only fear low pensions in the future).

Bargaining power. A *job in public administration* makes respondents more tolerant towards taxes: they support the maintenance of the present level of old-age benefits (Table 7). This could be the case because their potentially strong bargaining power can make the net income of civil servants less dependent on tax levels. Similarly, *union members* have stronger than average bargaining power, making their net income more protected than in less unionised sectors. Indeed, union members are more likely to support the maintenance of the present level of benefits. On the other hand, our data do not show any significant effects of union membership or a job in public administration on attitudes towards intra-generational redistribution.

Workers in the *private sector* are more supportive of a larger system than are employees of public companies or those working in public education and health care. The regression coefficient is highly significant. Even an additional exploratory analysis could not bring us closer to understanding this phenomenon yet.

Ideology. The estimated effects of indicators of ideology present a fairly clear picture (Table 8). *Left-wing* voters support intra-generational redistribution as well as a possible increase in intergenerational transfers. By contrast, respondents who *blame the poor for their fate* – often associated with right-wing ideology – oppose redistribution both within and across generations. The effect of right-wing ideology shapes preferences in a different way among pensioners. Whereas individuals blaming the poor for their fate are against redistribution of all kinds, when this attitude is held by pensioners it is not associated with the rejection of higher contributions and pensions. The insurance and assistance characteristics of old-age benefits may not be fully distinct. Active workers may be prone to see it as a welfare transfer, whereas the elderly may purely interpret it within the terms of an insurance contract.

Neighbourhood effect. We also incorporated indicators of a neighbourhood effect into our models. The presence of poverty in the neighbourhood seems to increase the strength of social solidarity (Table 8). Respondents surrounded by poor persons are more likely to support intra-generational redistribution as well as more extensive intergenerational transfers.

Country-level characteristics of the pension regime. As regards the current *size of the pension system*, intra-generational redistribution receives stronger support in more targeted systems, whereas a further increase of taxes and contributions is less popular in larger systems. Nonetheless, owing to the small sample size at the country level, those effects are not significant at the usual levels.

One of the most intriguing results of our analysis is the effect of the *role of funded components* of the pension system on preferences for intergenerational transfers. Individuals are more likely to support tax increases in regimes where private solutions and funded pillars are more important, in order to maintain the existing level of benefits in the unfunded pillars (Table 8). It is a highly significant effect, though the estimate is based on the data of only 15 countries. Further research is needed to explore the factors behind this finding.

Table 8. Regression results on attitudes towards intra-generational redistribution and intergenerational transfers within the pension system (part 2)

	Intra-generational redistribution	Intergenerational transfers
<i>Ideology</i>		
Blames the poor for their fate	-	-
Blames the poor for their fate AND retired		+
Right-wing (strongly)	-	
Right-wing AND retired		
Left-wing (strongly)	+	+
Left-wing AND retired		
<i>Neighbourhood effect</i>		
Has a small child		
Children are necessary in one's life		-
Poor in the neighbourhood	+	+
Poor in the neighbourhood AND retired		
Not retired AND partner is retired		
Retired AND household head has a job		
<i>Country-level characteristics of the pension regime</i>		
Pension level/wealth (score)		
Role of private/funded pillars in mandatory system (score)		+

Note: '+' and '-' signs indicate significant coefficients ($p < 0.1$)

Source: Eurobarometer 56.1 (2001).

4. Discussion and conclusions

In this section, we summarise what we have learned from the Eurobarometer survey. Instead of replicating the results presented above, we attempt to draw policy conclusions.

Our main conclusion is that, for all the widespread resistance to most reform proposals, it may be possible to form coalitions of the supporters of certain reform components. Certainly as far as single policy measures are concerned, reform-oriented social groups usually comprise only a minority of the population. A careful design of institutional changes, however, might lead to the emergence of reform coalitions whose members strongly support at least some features of the proposed new system but do not (strongly) resist other measures of the new scheme. Nevertheless, there are obvious trade-offs between the political feasibility and financial sustainability of pension institutions. Building a majority coalition for pension reform almost inevitably compromises on economic efficiency. What we are saying here is that certain measures improving the current pension regimes in Europe may receive popular support.

There is a discrepancy between the awareness of problems regarding population ageing, such as the unsustainability of PAYG pension systems, and the lack of willingness to solve them. A majority of European citizens are aware of the problems of demographic trends in advanced post-industrial societies. In this respect, the results of the Eurobarometer survey are in line with

other research carried out on public attitudes. Awareness, however, is not translated into popular support for reforms, which aim at tackling the problems. This latter experience also resembles the results of other surveys.

We also found that the poor realise that higher average pensions, which imply higher contributions, do not necessarily help them. Apparently, poor respondents also realise that they are potential beneficiaries of intra-generational redistribution within the pension system. That is, they are more likely to support intra-generational redistribution while opposing an increase of contribution rates in order to maintain the present average level of pensions. In this respect, the preferences of the poor resemble those of right-wing voters. This converging line of support is one on which a potential reform coalition could be formed.

Ideologically determined left-wing voters support a large and fairly redistributive system. They may aim at helping the poor by supporting large systems with high contribution rates and extensive intra-generational redistribution, while those who are actually worse off have somewhat different preferences. As mentioned above, they support intra-generational redistribution, but they are more likely to oppose feeding the ever-growing present regimes by increasing contributions, thus more closely resembling right-wing voters in their preferences.

The attitudes of union members can be interpreted more easily as referring to their narrow self-interests than left-wing ideology. They support a larger system, but at the same time, they are *not* more likely to be in favour of intra-generational redistribution than non-unionised workers are. In this way, the attitudes of union members are closer to those of the middle classes than to the opinions of the poor.

Responses to the questions of the Eurobarometer survey show that how the question is framed influences attitudes. Opinions about older workers and flexible retirement, for instance, strongly depend on the question format. Any proposal could receive majority support, irrespective of its position on flexible retirement. Similar contradictions could be observed in the attitudes towards gender equality. All statements promoting equal treatment of the two genders are widely supported, independent of their consequences on the gender gap in income opportunities at old age. Such framing effects point to the fact that many respondents are uncertain and public discussion of pension issues could modify their preferences.

Our results reveal that the intentions of the Commission to re-frame public discussion of pension policy by concentrating on the real effects on poverty and social integration could, potentially, be well accepted by the general public, particularly by the poor of active age. Moreover, supporters of left-wing ideologies could also be influenced by re-framed public discourse.

We might conclude that a shift from ideologically charged questions (such as those on privatisation or the general size of the public scheme) to the identification of the real losers of the current regimes and their prospects under proposed reforms may help policy-makers. If efforts to secure the sustainability of the pension systems were successfully separated from intentions to diminish the overall size of the welfare state, then pension reforms would be more feasible.

5. Summary

In this study, we have addressed the political economy puzzles of long-needed pension reforms and the strong popular support for the existing designs of public pension schemes in Europe. We have used data from the special Eurobarometer survey, *Pension Policy and Pension Reform* (European Opinion Research Group, 2004), which was carried out in September and October 2001 in the 15 EU member countries. We have studied opinions on the role of funded pillars,

retirement age, the labour market participation of older workers, gender equality and immigration. In addition, we have also analysed popular support for more general principles. In particular, our modelling strategy has aimed at separating attitudes favouring intergenerational transfers from those favouring intra-generational redistribution among pensioners. Our results reveal that various social groups may support the present systems for different reasons. The attitudes of pensioners may differ from those of the active cohorts. Age and income prospects influence the opinion of the working-age population. The empirical evidence also shows that if preferences are strongly influenced by traditional political ideologies (left- and right-wing alike) or pressure groups such as unions, adequacy and sustainability are more likely to be in conflict in the future.

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Appendix 1. Description of individual-level variables adopted in regression analyses

Male: a dichotomous (dummy) variable (females are coded by '0', males by '1').

Not retired: a dichotomous (dummy) variable (retired persons are coded by '0', all other respondents by '1').

Remaining active lifetime: the difference between the current age and expected retirement age (Q48, "At what age do you intend to retire?"). Its value is zero for retired persons. Missing values are substituted by the median (60 years).

High living standard: a dichotomous (dummy) variable that is coded by '1' if the respondent enjoys a comfortable life (if the respondent answered, "very easily" to Q5, "How well do you get by with the income of your household?"). As with many opinion polls, the Eurobarometer survey gives a poor measurement of personal income, so we had to use proxies. Our exploratory analysis shows that subjective indicators function better than objective indicators.

Main income: a dichotomous (dummy) variable indicating whether the respondent is the head of a household. It coded by '1' if the respondent answered yes to question D19, "Are you in your household, the person who contributes most to the household income?"

Financial problems: a dichotomous (dummy) variable that is created using several questions, including the following: Q5, "How well do you get by with the income of your household?"; Q9/1-3, "In the last twelve, months, have you, or any member of you household, had problems in...1) paying the rent or mortgage, 2) paying the water, gas, electricity or heating bills, 3) paying for food?"; Q11, "Do you ever happen to see for yourself the conditions in which these people [poor people mentioned in Q10] really live?"; and Q16, "In the last five years, have you ever been unemployed or not?".

Has low pension benefits: a dichotomous (dummy) variable based on the subjective evaluation of the level of old-age benefits of the (retired) respondent. It is coded by '1' if the respondent answered "with great difficulty" to Q58, "Do you think that the state pension you receive now, allows you to get by?"

Student: a dichotomous (dummy) variable indicating student status (coded by '1' if the respondent is a student and by '0' otherwise).

Has a job: a dichotomous (dummy) variable indicating labour market status (it is coded by '1' if the respondent has a job and by '0' otherwise).

Self-employed or top manager: a dichotomous (dummy) variable indicating labour market status (coded by '1' if the respondent is self-employed or a top manager and by '0' otherwise).

Self-employed professional: a dichotomous (dummy) variable indicating labour market status (coded by '1' if the respondent is a self-employed professional and by '0' otherwise).

Self-employed professional BY SQRT (remaining active lifetime): Professionals usually have a steeper age/earnings profile than other workers. Thus, current income may imply different future income paths. At any income level, the longer remaining active lifetime of professionals implies a larger, expected average value of future losses owing to intra-generational redistribution. Our 'interaction variable' captures this information.

University degree: a dichotomous (dummy) variable indicating educational level (coded by '1' if the respondent has a university degree or is a student older than 20 years).

Only primary education: a dichotomous (dummy) variable indicating educational level (coded by '1' if the respondent has only a primary level of education).

Main expected source of income in old age is private: a dichotomous (dummy) variable that separates those whose expected income sources after retirement are mainly private from all other respondents; this variable reflects the expectations of persons who are currently not retired (based on Q52, "Which of the following will probably be your main source of income after retirement?").

Fear of poverty in old age (among the active): a dichotomous (dummy) variable based on the question that asks active respondents about their fears of old-age financial insecurity. It is coded by '1' if the respondent selected the answer, "with great difficulty" in reply to Q53, "Do you think that the state pension you will receive when you retire, will allow you to get by?"

Job in the private sector: a dichotomous (dummy) variable indicating working place characteristics (coded by '1' if the respondent has a job in the private sector and by '0' otherwise – including the non-working population); the coding is based on Q27, "What does the firm or organization that you currently work for actually make or do?"

Union member: a dichotomous (dummy) variable indicating union membership (coded by '1' if the respondent is a member of a union and by '0' otherwise)

Job in public administration: a dichotomous (dummy) variable indicating work place characteristics (coded by '1' if the respondent has a job in public administration and by '0' otherwise – including the non-working population). The coding is based on Q27, "What does the firm or organization that you currently work for actually make or do?"

Blames the poor for their fate: a dichotomous (dummy) variable distinguishing those who think that the poor are to blame for their fate, which is based on Q14, "Here are several reasons, which might explain why people are socially excluded. Which three do you think are the most common?" It is coded by '1' if the respondent, answering this question, selected at least one of the following statements: "They don't plan for the future", "They are lazy", "They have too many children" or "They have chosen to be like this".

Right-wing (strongly): a dichotomous (dummy) variable indicating ideological stance, coded by '1' if the respondent positioned his/her views on grades 8, 9 or 10 when answering question D1, "In political matters people talk of the left and the right. How would you place your views on this [10-point] scale?"

Left-wing (strongly): a dichotomous (dummy) variable indicating ideological stance, coded by '1' if the respondent positioned his/her views on grades 1, 2 or 3 when answering question D1, "In political matters people talk of the left and the right. How would you place your views on this [10-point] scale?"

Has a small child: a dichotomous (dummy) variable indicating whether the respondent has small children, coded by '1' if the respondent stated, "I have a child at home under five years of age" when answering Q18/3.

Children are necessary in one's life: a dichotomous (dummy) variable indicating attitudes towards childbearing, coded by '1' if the respondent stated, "Having children is absolutely necessary to live properly nowadays" when answering Q2/4.

Poor in the neighbourhood: a dichotomous (dummy) variable about the presence of poverty in the neighbourhood of the respondent, coded by '1' if the respondent answered "situation of extreme poverty" or "situation of poverty" to Q10, "In the area [where] you live, are there people who live in one or other of the following situations?"

Appendix 2. Regression coefficients

Table A1. Regression coefficients of multilevel binomial logit regressions on opinions of whether population ageing will pose a major problem

	Population ageing will be a major problem
<i>Individual-level characteristics</i>	
Male	-.070**
Expected remaining active lifetime (years)	-.010****
Better off (high living standard AND has a job)	.152*
Worse off (financial problems)	.076*
Has a job	.214****
Has a university degree	.356****
Right-wing (strongly)	.247****
Left-wing (strongly)	.156****
<i>Country-level characteristics of the pension regime</i>	
Pension level/wealth (score)	.355****
Role of private/funded pillars in mandatory system (score)	-.065
Intercept	.120
-2 log likelihood	21,553
N	15,943

* p<0.1; ** p<0.05; *** p<0.01; **** p<0.001

Source: Eurobarometer 56.1 (2001).

Table A2. Regression coefficients of multilevel binomial logit regressions on opinions about whether PAYG schemes, occupational systems or privately funded arrangements should dominate

	PAYG system should <i>not</i> dominate
<i>Individual-level characteristics</i>	
Male	.213****
Expected remaining active lifetime (years)	-.001
Better off (high living standard AND has a job)	.227***
Worse off (financial problems)	-.228****
Has a job	.240****
Has a university degree	.346****
Right-wing (strongly)	.285****
Left-wing (strongly)	-.012
<i>Country-level characteristics of the pension regime</i>	
Pension level/wealth (score)	-.065
Role of private/funded pillars in mandatory system (score)	.309*
Intercept	-1.088****
-2 log likelihood	18,691
N	15,943

* p<0.1; ** p<0.05; *** p<0.01; **** p<0.001

Source: Eurobarometer 56.1 (2001).

Table A3. Regression coefficients of multilevel binomial logit regressions on attitudes towards retirement age and pension benefits

	Increase of retirement age	Higher pension for later retirement	Lower pension for early retirement
<i>Individual-level characteristics</i>			
Male	.092**	.224****	.208****
Expected remaining active lifetime (years)	.001	-.006****	-.001
Better off (high living standard AND has a job)	-.075	.166**	.172**
Worse off (financial problems)	-.044	-.032	-.124****
Has a job	-.115****	-.031	-.089**
Has a university degree	.184****	.000	.202****
Right-wing (strongly)	.195****	.166****	.178****
Left-wing (strongly)	.027	-.139****	.030
<i>Country-level characteristics of the pension regime</i>			
Pension level/wealth (score)	-.147*	.079	.409****
Role of private/funded pillars in mandatory system (score)	-.032	-.089	-.068
Intercept	-1.287****	-.194**	-.500****
-2 log likelihood	17,200	22,444	21,761
N	15,943	15,943	15,943

* p<0.1; ** p<0.05; *** p<0.01; **** p<0.001

Source: Eurobarometer 56.1 (2001).

Table A4. Regression coefficients of multilevel binomial logit regressions on support for gradual and part-time retirement, and help for older workers

	Gradual retirement	Support for Part-time retirement	Training for older workers
<i>Individual-level characteristics</i>			
Male	.055	.064*	.036
Expected remaining active lifetime (years)	-.005****	-.009****	-.002**
Better off (high living standard AND has a job)	.016	.137	.015
Worse off (financial problems)	-.016	.014	.064*
Has a job	.172****	.036	.058*
Has a university degree	.137***	.146****	.191****
Right-wing (strongly)	.122**	.269****	.168****
Left-wing (strongly)	.111**	.005	.120***
<i>Country-level characteristics of the pension regime</i>			
Pension level/wealth (score)	-.073	-.324****	-.254***
Role of private/funded pillars in mandatory system (score)	.559****	.209**	.023
Intercept	1.252****	.583****	.356****
-2 log likelihood	16,909	21,385	21,825
N	15,943	15,943	15,943

* p<0.1; ** p<0.05; *** p<0.01; **** p<0.001

Source: Eurobarometer 56.1 (2001).

Table A5. Regression coefficients of multilevel binomial logit regressions on opinions about pushing older workers out of the labour market

	Older workers should <i>not</i> ...	
	...be forced to retired at a fixed age	...give up work to make way for the young
<i>Individual-level characteristics</i>		
Male	-.036	-.039
Expected remaining active lifetime (years)	.001	.000
Better off (high living standard AND has a job)	.015	.050
Worse off (financial problems)	-.090**	-.173****
Has a job	.100***	.111***
Has a university degree	.368****	.431****
Right-wing (strongly)	.271****	.225****
Left-wing (strongly)	.155****	.110**
<i>Country-level characteristics of the pension regime</i>		
Pension level/wealth (score)	-.345**	-.487****
Role of private/funded pillars in mandatory system (score)	.600****	.521***
Intercept	-.395***	-.353**
-2 log likelihood	19,374	19,351
N	15,943	15,943

* p<0.1; ** p<0.05; *** p<0.01; **** p<0.001

Source: Eurobarometer 56.1 (2001).

Table A6. Regression coefficients of multilevel binomial logit regressions on attitudes towards immigration

	More foreigners should be allowed to work in our country
<i>Individual-level characteristics</i>	
Male	.067**
Expected remaining active lifetime (years)	.002**
Better off (high living standard AND has a job)	.061
Worse off (financial problems)	-.094***
Has a job	-.054
Has a university degree	.265****
Right-wing (strongly)	-.005
Left-wing (strongly)	.271****
<i>Country-level characteristics of the pension regime</i>	
Pension level/wealth (score)	.148
Role of private/funded pillars in mandatory system (score)	.303**
Intercept	-.462****
-2 log likelihood	21,502
N	15,943

* p<0.1; ** p<0.05; *** p<0.01; **** p<0.001

Source: Eurobarometer 56.1 (2001).

Table A7. Regression coefficients of multilevel binomial logit regressions on attitudes towards intra-generational redistribution and intergenerational transfers

Variables	Intra-generational redistribution	Intergenerational transfers
	B	B
<i>Macro level</i>		
Size of the system	-0.10	-0.08
Funding rate	-0.06	0.24***
<i>Micro level</i>		
<i>Demography – Gender and age effects</i>		
Male	-0.00	0.03
Not retired	0.09	-0.02
Remaining active lifetime	0.00	-0.02****
<i>Income effect</i>		
High living standard AND main income AND has a job	-0.23**	-0.18***
High living standard AND main income AND retired	-0.30***	0.08
Financial problems	0.30****	-0.15****
Financial problems AND retired	0.06	-0.05
Has low pension benefits	0.07	0.32***
<i>Income prospects</i>		
Student	-0.14*	-0.26***
Has a job	0.01	-0.08
Self-employed or top manager	-0.10	-0.08
Self-employed professional	-0.51	-0.02
Self-employed professional BY SQRT (remaining active lifetime)	0.14	0.00
University degree	-0.20**	-0.13*
University degree BY SQRT (remaining active lifetime)	0.02	0.08****
Only primary education	0.07	-0.21****
<i>Pension prospects</i>		
Main expected source of income in old age is private	-0.04	0.03
Fear of poverty in old age (among the active)	0.21****	0.11**
Bargaining power		
Job in the private sector	-0.05	0.18****
Union member	0.02	0.13**
Job in public administration	-0.13	0.22**
<i>Ideology</i>		
Blames the poor for their fate	-0.13****	-0.11***
Blames the poor for their fate AND retired	0.00	0.14*
Right-wing (strongly)	-0.17***	-0.04
Right-wing AND retired	0.10	0.08
Left-wing (strongly)	0.23****	0.23****
Left-wing AND retired	-0.03	0.06

Table A7. Continued

<i>Neighbourhood effects</i>		
Has a small child	0.00	-0.04
Children are necessary in one's life	-0.05	-0.13****
Poor in the neighbourhood	0.15***	0.19****
Poor in the neighbourhood AND retired	0.02	-0.04
Not retired AND partner is retired	-0.11	-0.05
Retired AND the household head has a job	-0.19	0.12
Intercept	0.19***	0.11***
-2 log likelihood	21,914	21,602
N	15,943	15,943

* p<0.1; ** p<0.05; *** p<0.01; **** p<0.001

Source: Eurobarometer 56.1 (2001).

About AIM (Adequacy & Sustainability of Old-Age Income Maintenance)

The AIM project aims at providing a strengthened conceptual and scientific basis for assessing the capacity of European pension systems to deliver adequate old age income maintenance in a context of low fertility and steadily increasing life expectancy. The main focus is on the capacity of social security systems to contribute to preventing poverty among the old and elderly and more generally to enable persons to take all appropriate measures to ensure stable or “desired” distribution of income over the full life cycle. In addition it will explore and examine the capacity of pension systems to attain broad social objectives with respect to inter- and intra-generational solidarity.

Furthermore it will examine the capacity of pension systems to allow workers to change job or to move temporarily out of the labour market and to adapt career patterns without losing vesting of pensions rights. The project will also address the specific challenges with respect to providing appropriate old age income for women.

A general objective of the research project is to clearly identify and analyse the potential trade-offs between certain social policy objectives and overall stability of public debt.

AIM is financed under the 6th EU Research Framework Programme. It started in May 2005 and includes partners from both the old and new EU member states.

Participating institutes

- Centre for European Policy Studies, CEPS, Belgium, coordinator
- Federal Planning Bureau, FPB, Belgium
- Deutsches Institut für Wirtschaftsforschung (German Institute for Economic Research), DIW, Germany
- Elinkeinoelämän tutkimuslaitos, (Research Institute of the Finnish Economy), ETLA, Finland
- Fundación de Estudios de Economía Aplicada, FEDEA, Spain
- Social and Cultural Planning Office, SCP, Netherlands
- Istituto di Studi e Analisi Economica (Institute for Studies and Economic Analysis), ISAE, Italy
- National Institute for Economic and Social Research, NIESR, United Kingdom
- Centrum Analiz Społeczno-Ekonomicznych (Center for Social and Economic Research), CASE, Poland
- Tarsadalomkutatasi Informatikai Egyesüles (TARKI Social Research Informatics Centre), TARKI, Hungary
- Centre for Research on Pensions and Welfare Policies, CeRP, Italy
- Institute for Economic Research, IER, Slovak Republic
- Inštitut za ekonomska raziskovanja (Institute for economic research), IER, Slovenia