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**Articles** 

## The Battle over Privileges and Pension Reform: Evidence from Legislative Roll Call Analysis in Poland

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## **Abstract**

Pension reform is among the most economically pressing and politically controversial issues worldwide. Numerous countries have achieved noteworthy results, but for others overcoming opposition to reform remains an elusive task. This article argues that opposition does not necessarily come from the left, but also from parties connected with privileged occupational groups. Focusing on a distinction between the diffuse and concentrated costs of reform, the article analyses the formation of pro-reform and anti-reform coalitions in a two-dimensional space and discusses how particular configurations of the party system relate to reform outcomes and sustainability. The argument is tested using legislative roll call data from Poland.

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## Notes

Although these questions are asked in the context of pension reform, they pertain to a whole range of unpopular policies, of which pension reform is an exemplar case.

The number of pensioners divided by the number of contributors.

The first pillar of the new pension system is a public 'pay-as-you-go' type of pension arrangement, meaning that the current generations of workers pay the retirement benefits of the current generations of those in retirement; it is highly redistributive. First pillar reforms include an increase in the retirement age and the recalculation of benefits to reflect more closely the lifetime contributions, therefore reducing redistribution from high to low pensions. This pillar provides continuity with the old pension system. The second and third pillars of the new pension system are newly created private arrangements funded by individual contributions. The revenues they generate are invested in the market. Participation in the second pillar is mandatory, while participation in the third pillar is voluntary. The private pillars are intended to address demographic pressures better than the first public pillar, by eliminating the intergenerational transfer and bringing higher returns through private investment.

This amounted to between 30% and 40% in some Latin American countries (Mitchell 1999, p. 15).

Single-peaked preferences mean that the closer a policy proposal is to a party's ideal point, the greater the support for it by that party. Symmetry implies that equal departures from the ideal in opposite directions yield equal declines in satisfaction (Hinich & Munger 1997).

For a discussion of why the median voter is likely to hold a position distant from both the status quo and the radical retrenchment, see Schludi (2003).

The same reasoning applies if the outcome is in M's win set.

See <a href="http://orka.sejm.gov.pl/proc2.nsf/opisy/2376.htm">http://orka.sejm.gov.pl/proc2.nsf/opisy/2376.htm</a>, accessed 28 December 2009.

See <a href="http://orka2.sejm.gov.pl/Debata3.nsf">http://orka2.sejm.gov.pl/Debata3.nsf</a>, sitting 36, day two, 26 November 1998, Sprawozdanie Komisji Nadzwyczajnej o rządowym projekcie ustawy o emeryturach i rentach z Funduszu Ubezpieczeń Społecznych, accessed 29 December 2009. See <a href="http://orka.sejm.gov.pl/proc3.nsf/opisy/339.htm">http://orka.sejm.gov.pl/proc3.nsf/opisy/339.htm</a>, accessed 29 December 2009.

See <a href="http://orka.sejm.gov.pl/SQL.nsf/glosowania?OpenAgent&4&108&11">http://orka.sejm.gov.pl/SQL.nsf/glosowania?OpenAgent&4&108&11</a>, accessed 7 January 2010.

See <a href="http://orka.sejm.gov.pl/SQL.nsf/glosowania?OpenAgent&6&29&27">http://orka.sejm.gov.pl/SQL.nsf/glosowania?OpenAgent&6&29&27</a>, accessed 9 January 2010.

Polska Agencja Prasowa Legal Bulletin, Week 46, 13/11/08-19/11/08, available at: <a href="http://www.girodivite.it/IMG/pdf/BPP46A.pdf">http://www.girodivite.it/IMG/pdf/BPP46A.pdf</a>, accessed 9 January 2010.



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