## Pension reform in the Italian and the Korean debate

Abstract

Up to now, Asian countries' comparative welfare studies have especially focused on how to locate each nation-case into the Esping-Andersen's typology of welfare regimes. Either so, or single-nation case studies were carried, not leaving much space for comparative analysis. By employing a more dynamic approach, I attempt to locate trends and issues in the pension reform process and in the concerned research, by taking into consideration Italy and Korea (two countries traditionally being associated with the corporativist regime label). The questions this paper is trying to answer to are very simple: what are the issues? What are the approaches adopted in studying them? Though social insurances in the considered cases do not share the same history, common challenges seem to hint to an improvement in cross-national experience exchanges.
Keywords: pension reform, systemic approach, common challenges

**Introduction**

Up to now, literature about East Asian welfare systems has been abounding in terms of models of social welfare, due to the studies inspired by Esping-Andersen's much-cited 1990's work. In other words, given a few common traits in Asian countries, such as their political regimes' authoritarianism, the economic growth-oriented policy priority, and the low public expenditure level for the social policies, the existence of an eventual fourth, so-called developmental welfare state, common to East Asian countries, has been debated by western scholars for about a decade now. Such an approach seemingly did not work as intended, especially in the face of the massive 1997 financial crisis that affected the whole region and basically tore off the simple idea of a third way matching economic prosperity and low welfare expenditure as a model for the Western welfare states, seeking for new directions of reform.

Paradoxically now, when Western welfare regimes face difficulties leading to debates about welfare retrenchment, recalibration, and the like, East Asian welfare regimes try and look at their preceding counterparts to learn how to shape out their very own welfare regime, amidst global tendencies towards privatization, state delegitimization, and financial cuts. Given that social risks covered for by the European social insurance systems are in ever-increasing transformation, labor market structure is likewise on the verge of constant change (with annexed flexicurity orientations), and national authority as such fades away under the new logics dictated by globalization-related challenges, traditional social policy strategies have to be reconsidered. While all this takes in Europe the form of the trauma of the transition from the fordist to the postfordist labor market, where the role of social insurance has to be reshaped to adapt itself to the ever-diversifying situation, social policies in the ex so-called Newly Industrialized Countries (NIC) are to become fully effective in a context where welfare-related measures per se are undertaking a harsh phase of delegitimization.

In the attempt of encouraging a real, fruitful dialogue between East and Western scholars on strategies to be pursued in front of the new social risks, not asymmetrically biased towards the Western world only (from Asian scholars, as it usually happens), this paper tries to understand more in detail the current debate on perhaps the heaviest social insurance *en force* in most welfare states: pension policies. The idea is that problems related to an ageing society are common to all mature capitalist societies: namely, both East and West have to look out for strategies in tackling similar issues.

In doing so, I chose to concentrate my attention on pension reform trends and debates in Italy and South Korea (hereafter simply 'Korea'). Both countries are affected by an adverse demographic trend, increasing their old-age dependency ratio: Italy is considered an aged society among EU countries, and Korea is the OECD country with the fastest pace of demographic ageing.[1] According to the literature on welfare state models, they have often been associated under the same label of "corporativist welfare regime": their pension systems both developed in a fragmented way, having in common a selectivist approach. Seemingly similarities abound, but the intent of this study is a more dynamic one: instead of trying to collocate the two countries' social policy system within a certain classification, my attempt consists on locating directions and issues in the pension reform process and in the concerned research. In short, the questions I try to answer to are very basic ones: what are the directions for reform? What are the approaches adopted in studying them?

The paper will be articulated in three parts. First, a review of the reforms adopted in recent years by both countries provides a basis on which to keep on with the analysis. In the second part my attempt is to locate trends in research topics from the recent academic debate on pension reform for both countries. In the last part I draw a few conclusions, firstly pointing out common challenges, and secondly, noting that a new start is delineating for Korean pension policy reformers and scholars, as they are confronted with the rise of a new, relatively unknown actor: pension benefits' recipients.

**Main reforms**

It is been a while since old-age pensions policies exist, and analyzing reform directions has become a standard benchmark in social welfare studies for grasping the current changes. This certainly holds true for the long history of European welfare states. Ex-NICs, on the other hand, have had a fairly consolidated economic analysis tradition but their social policy development has

[1] For a detailed analysis on the issue, I recommend having a close look at Pizzuti (2008) for Italy, and Howe at al. (2007) for Korea.

been left aside, especially given the relative novelty of it (Ku and Jones Finer, 2007). In 2008 Korean public pension system is reaching an important milestone in that it is going to provide the first full pensions to its subscribers since it started in 1988. At eight years' distance from Holliday's "productive welfare" concept, it might be interesting having an insight on the directions for reform that have been attempted so far in this newly capitalized country, compared with a country where pensions' reform history has had a definitely longer history: the cumbersome Italian reform path.

## Korea: muddling through for financial stability

> In the event an economically active person, while in the process of paying a small amount of insurance contributions, has to interrupt earning activity due to old age, a sudden accident or sickness, faces death or an handicap, he/she or his/her family are paid a pension. National Pension is a system securing income protection that allows a stable life. (Korean Ministry for Health and Welfare, 2006, p.381) [2]

A relatively short-lived history notwithstanding – National Pension system started off in 1988 – Koreans have become quite familiar with the reforming habit, what Yang (2008) calls the "National Pension Fluctuation". Such reforms have mainly been concerned with the system's financial stability, and the latest one (2007) makes no exception. In addition to that, more complexity is given by the fragmented nature of the Korean pension system overall. This is due to a selectivist approach to policy implementation, by which previous schemes coexist with newer ones, by virtue of institutions' stickiness.

First came the *Severance Pay* (퇴직연금제도), highly discretional at the beginning, having just recently become compulsory (2006). *Special old-age pension* (특례노령연금) also represents a residual kind of protection, meant to work as a link that smoothens the contrast of pension subscribers/not subscribers in the transition towards National Pension's stabilization. The institutional frame is given by the *National Pension* (NP) and the *Pension Schemes for Particular Professions* (namely, public employees, military personnel, and private sector teachers). Such funds are run separately under different rules. The 2007's reform introduced the universal *Basic Old-age Pension*, a hybrid between being a social assistance measure and the pension scheme' first pillar. It would also be correct to interpret it as a measure for favoring political consensus. Below an overview of the Korean pension system's development is shown, with special attention paid to the National Pension.

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[2] The previous quote comes from the White Book on social welfare from the Ministry of Health and Welfare in 2006. Such quotes trying to persuade the skeptical Korean reader abound in institutional websites. Another example in case can be found in the National Pension Service (the institution in charge for the National Pension) website introductory page, where a statement reads: "As long as the nation does not go bankrupt, you are indeed to receive the pension" (www.nps.or.kr).

[Tab.1] Korean pension system's development (1961-now)

| Year | Legislation/Reform content |
|---|---|
| 1961 | Severance Pay (퇴직금제도)[3] introduction |
| 1961 | Pensions for public employees[4] |
| 1963 | Pensions for military personnel |
| 1973.12.24 | Enactment of the National Welfare Pension Law (with delayed implementation) |
| 1975 | Pensions for private teachers |
| 1986.9.18 | Setting up the National Pension Corporation (the administrative organization) |
| 1986.12.31 | Enactment of the National Pension Law (abrogation of the previous law) |
| 1988.1.1 | Implementation for enterprises employing more than 10 employees |
| 1992.1.1 | Implementation for enterprises employing more than 5 employees (enlargement of the "enterprises with compulsory application") |
| 1993.1.1 | Special old-age pension (특례노령연금)[5] payment starts |
| 1995.7.1 | Citizens of fishing and agrarian villages (지역가입자) |
| 1999.4.1 | Urban citizens' coverage (virtual whole population's coverage) |
| 2000 | Amendment of the Public Employees' Pension Law |
| 2001.7.1 | Coverage expansion for enterprises employing less than 5 people |
| 2003.7.1 | Temporary and daily workers + enterprises employing less than 5 people |
| 7.2005 | Amendment of the Public Employees' Pension Law |
| 7.2007 | *National Pension reform*. Change of the computation formula of the basic pension, introduction of the Basic Old-age Pension system (기초노령연금)[6]; *reform of the* |

[3] Severance Pay could be a means to keep having an income, or a starting point for an autonomous economic activity; from the employers' point of view it also helps ensuring a long-term employee's collaboration. Until recently, it was highly discretional and therefore coverage was erratic at best. In 2006 the system has changed into the new Severance Benefit for Workers (근로자퇴직급여제도), which also includes in the coverage workers who worked less than one year for enterprises that have less than 4 employees. Contributions for small firms are meant to gradually increase within the next years (2007-08: 4.16%, 2009-10: 5%, 2011-12: 6.25%, from 2013 on: 8.3%). The system's management is left to employer/employees negotiations: they might choose among lump-sum payment, DB pension, DC pension, and IRA. (김진수, 김태성, 2007)

[4] Ill-conceived since from the beginning, Public Employees Pension had a value 8 times higher than the contributions made (an even higher ratio was applied to the Military Personnel Pension). The present contribution rate is 17% (김진수, 김태성, 2007)

[5] Special Old-age Pension is an old-age pension meant for those people that at January 1988 were 45~60 years old. Whenever they paid contributions for at least 5 years, they could get a pension when turning 60. It is a scheme created for those people who could not fulfill the 2 years' contribution requirement that has to be met in National Pension.

[6] Basic Old-age Pension system (기초노령연금), entirely financed on a tax basis (40-90% from the National Treasury and 10-60% from local governments, depending on the number of residing elderly citizens) is meant to provide some relief to the chronic problem of public pensions' low coverage. Following a means test, it consists of a modest sum (currently 85.000 won) to be granted to all the elderly above 70 years of age and, from July on, to all elderly people above 65 (Seok, 2007).

| | *Public Employees' Pension* |
|---|---|

Sources: Ministry of Health and Welfare(2006), Kim J.S. and Kim T.S.(2007), Yang J.J. (2008), NPS www.nps.or.kr

Following the latest 2007's reform, National Pension has guaranteed itself a few years more of survival, before the accumulated funds are run out. To put it simply, the mechanism by which pensions are being paid is itself biased because the legislator, concerned a too heavy pension scheme from the beginning would put too much of a burden on the employers' shoulders, started off a system commonly labeled as "low contribution, high benefit". The intent was to transform such skewed scheme into a more fit "just contribution, just benefit" one, but increasing insurance contributions revealed itself as being politically less viable than was previously thought. Intervention was consequently concentrated on curtailing benefit levels, although they already did not guarantee a high income replacement rate from the start (income replacement will gradually be lowered from the current 50% to 40% in 2028, with insurance contributions unchanged).

[Tab.2] Main features of what follows from the recent NP reforms

| | 1988-1998 | 1999-2007 | 2008-2027 | From 2028 on |
|---|---|---|---|---|
| Constant | 2.4 | 1.8 | 1.5(0.015 reduction per year) | 1.2 |
| Income replacement rate(*) | 70% | 60% | 50%(0.5% percentage points reduction per year) | **40%** |

Source: NPS, www.nps.or.kr

Note: (*) Income replacement rate refers to 40 years of contribution on the life-long average wage.

More details on the pension calculation formula can be found on the above website.

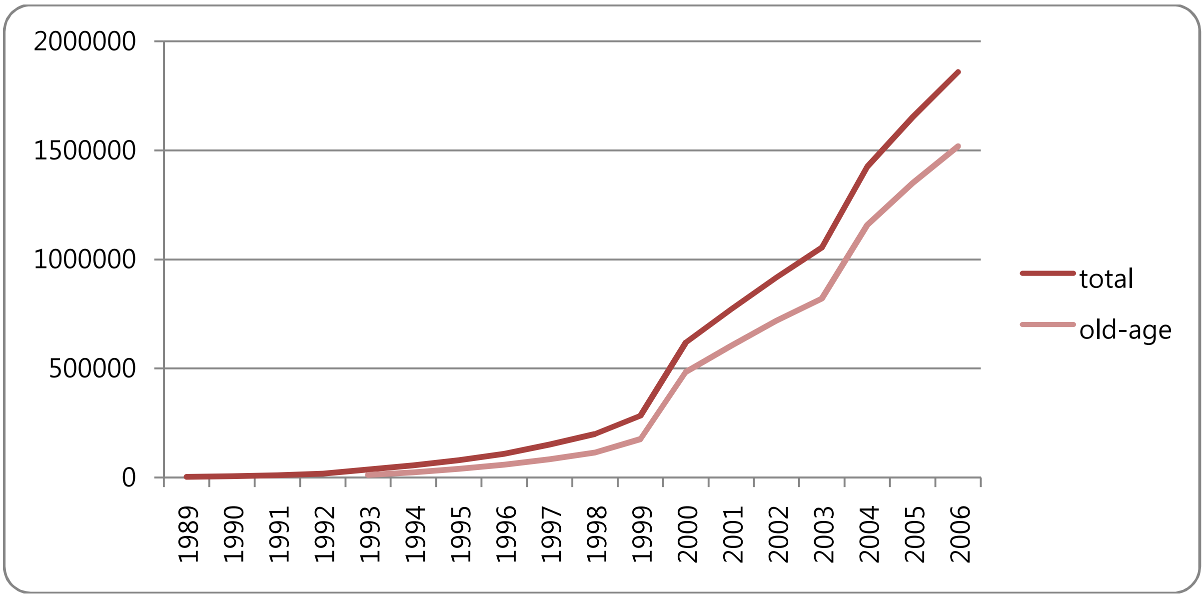
As Howe et al. (2007) point out in their interesting study, though, "full" pensions becoming effective starting from 2008 are in fact only half of the full replacement rate mentioned in the reforms, as 40 years' contributions' period is taken as a standard. That would mean that people retiring now are barely allowed to get 25-20% of their lifelong average wage, which is not, by any standards, the "income protection allowing a stable life" the then Ministry of Health and Welfare[7] was aiming to. A recent research from OECD shed light on the emergency of income protection levels for elderly people in the country: 45% of over 65 year old people fall below the relative poverty line, making the highest record among countries in OECD-countries area.

For compensating the ever-decreasing reliance on respectful Confucian children, appropriate policies should be ready to tackle the emergence of elderly people's living standards. Unfortunately projections on the development of NP for the future do not seem to be very much comforting to such a gloomy situation. As the system naturally develops, both beneficiaries' and pension expenses size are expected to exponentially grow in the next future, as the figures below

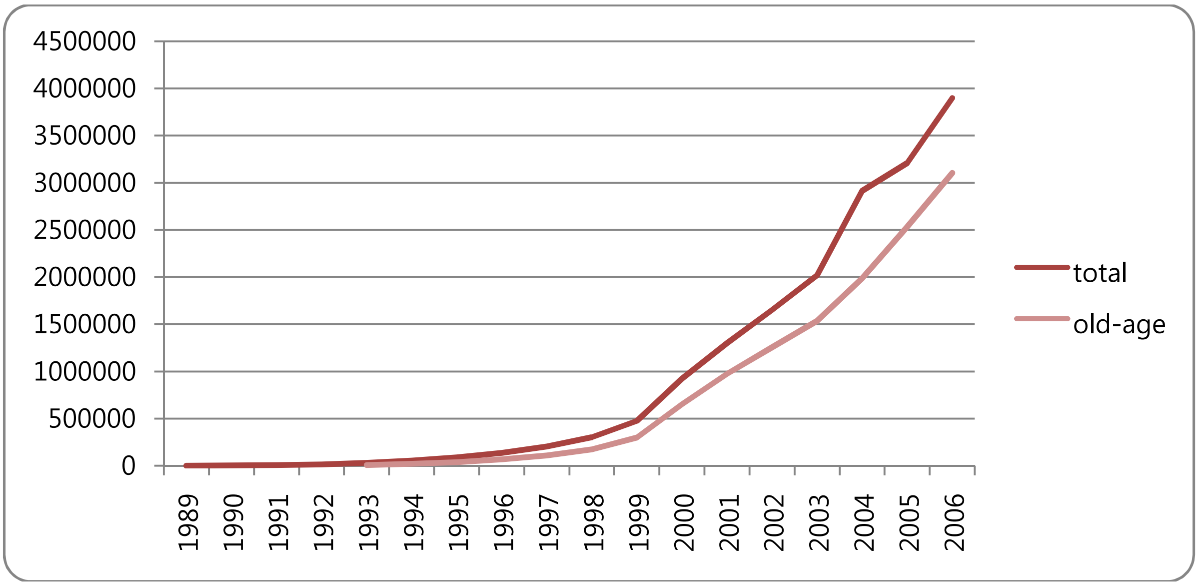
[7] Since 2008 it is the Ministry of Health, Welfare and Family Affairs

show.

[Fig.1] Beneficiaries of monthly pension, 1989-2006




[Fig.2] Expenditure for monthly pensions unit: million won (₩)




Source: Ministry of Health and Welfare, 2006

Note: "Total" refers to Old-age, Disabled and Survivor's pensions.

Not only benefits' level, but also pension scheme's coverage is a serious fault in NP system. An example illustrating the problem could be given by the following table, shedding light on the unevenness of coverage between regular/irregular workers, taken from a sample of 5000 households in the Korean Labor Panel, 2006.

[Tab.3] Black spots in coverage: Workers' status and subscription to NP, 2006 (crosstabs)

| Worker's status | Subscription to NP | | | Total |
|---|---|---|---|---|
| | Yes | No | Don't know | |
| Regular | 15,533 (59.0%) | 10,558 (40.1%) | 250 (0.9%) | 26,341 (100%) |
| Temporary | 720 (13.7%) | 4,467 (84.9%) | 73 (1.4%) | 5,260 (100%) |
| Daily | 211 (4.8%) | 4,142 (94.5%) | 29 (0.7%) | 4,382 (100%) |
| Total | 16,464 (45.8%) | 19,167 (53.3%) | 352 (1%) | 36,034 (100%) |

Source: 8th Korean Labor Panel database, www.kli.re.kr

According to Seok (2007), introduction of the Basic Old-age Pension following the 2007 reform is an attempt to compensate the insufficient coverage problem, and it is meant to supplement NP benefits' cuts, even though this is not going to resolve the overall financial stability of the system. If this were to stand true, the 2007 reform for NP is intervening in both curtailing benefits' level and intervening on the black spots in pension coverage.

2007 has also been the year in which social protection schemes for special professions has been reformed. Such schemes, like NP, are ill-planned since from the start, in that they are not financially viable in the long term. Special professions' schemes are even more so, given their longer history and the more unbalanced ratio contribution/benefits due to more generous pension provisions. Financial situation per fund in 2007 was as follows.

[Tab.4] Special Pension for Particular Professions: financial situation per fund and perspectives

| Pension scheme | Introduction | Beginning of deficit | Fund exhaustion | Present financial situation |
|---|---|---|---|---|
| Public employees' pension | 1960 | 1999 | 2001 | 1 billion won of financial support from National Treasury (projected to increase) |
| Military personnel pension | 1960 (1963) | - | 1977 | 600 million-1 billion of public support per year |
| Private school teachers' pension | 1975 | 2022 | 2029 | Deficit is expected to keep growing |

Source: 김진수, 김태성, 2007

The 2000 reform foresaw an increase in contributions and supporting the deficit via public finances, therefore adopting a short-term solution that was not sustainable over the long term.

Another form of reform intervention focused on securing financial stability was the amendment of the public employees' pension in July 2005, by which pension benefits were subject to cuts whenever other sources of income were trespassing a certain limit. By the same token, participants to the Military Personnel Pension were subject to controls in income levels. The reform that has been approved in July 2007, on the other hand, was both an attempt to further decrease benefits through a different calculation basis (from the last 3 working years to the whole working period) and to incentive the development of supplementary social security measures.

In a word, following the social welfare extension period in the aftermath of the 1997's Asian financial crisis, the whole Korean pension reform has focused on cuts dictated by the system's financial viability issue. Such trend is projected not to be finished, either, as solutions adopted seem to just be short-term palliatives. It looks as if an unfinished thing is not going to further develop, as retrenchment measures hinder its natural expansion and functions.

**Italy: the no way back policy**

On the contrary, Italy's pension reform long history is a getting back to the basis path: from actuarial insurance, to PAYG-led public finance's inflation, ending up to actuarial insurance once again (under PAYG financing formula). When the National Fund for Social Insurances (CNAS) started off in 1898, with compulsory coverage starting from 1919, it had a stronger connotation as insurance as such. Then, during the fascist period, and following the '50-'60s unprecedented economic boom, pension scheme, now administered under the National Institute for Social Security (INPS), inflated as much as to let the difference between social insurance and public assistance become blurred.

When the whole system grew as much as to deter any further political opportunism, retrenchment reforms started especially beginning from the '90s, about time considering financial problems were already there since the '70s. A clearer distinction was set between social insurance and public assistance, thus strengthening the insurance's actuarial principle: financial stability was the foremost concern. Qualifying the reforms that took place since the '90s as simply being measures guaranteeing financial stability would be restrictive, though. It has been argued that they represented instead a restructuring of the then extremely fragmented pension system (known as "pension labyrinth" [8] ), the creation of a general system with homogeneous characteristics (Pizzuti, 2008). An overview of the main reform measures taken from after the Second World War, categorized into different groups for synthesis' purposes, can be viewed in the following table.

[8] The expression has been created first by Castellino in his 1976's work "Il labirinto delle pensioni", Il Mulino. Since then it has gained much popularity and it is being often used (see, for example, Ferrera 1996)

[Tab.5] Main legislative measures for old-age social security in Italy (1945-today)

| Type | Norm | Content |
|---|---|---|
| Extension of coverage and PAYG introduction | D.lgs.lgt.(*)177/1945 | Introduction of a PAYG component (FIAS) |
| | Law 218/1952 | Reform of the PAYG component. Introduction of the supplement to the minimum guarantee |
| | Law 1047/1957 | Coverage extension to agricultural self-employed workers |
| | Law 463/1959 | Coverage extension to artisans |
| | Law 903/1965 | Seniority pensions[9] for private sector employees |
| | Law 613/1966 | Coverage extension to merchants |
| | Law 238/1968 | Conversion to the PAYG system for employees |
| Expenditure inflation | Law 153/1969 | Reform of PAYG with more generous benefits. Definitive removal of the capitalization component. Introduction of the social pension |
| | Law 160/1975 | Reform of the indexation mechanism for employees' pension funds (FPLD): connecting pensions to wage growth in the industrial sector |
| | Law 177/1976 | Reform of the PAYG system for employees. More generous benefits |
| | Law 297/1982 | Reform of the severance pay (TFR) |
| PAYG systematization | Law 233/1990 | Introduction of PAYG for self-employed workers |
| Pension system restructuring | Law 421/1992 | Amato Reform[10] |
| | D.lgs.(**)503/1992 | Reform of the public pension system |
| | D.lgs. 124/1993 | Normative frame for the supplementary social security[11] |
| | Law 335/1995 | Dini Reform: introduction of the NDC system[12] |
| | Law 449/1997 | Prodi Reform[13] |

[9] Traditionally, referring to pension benefits' entitlement, Italians distinguish between Old-age Pensions, related to the pensionable age, and Seniority Pensions, linked to the length of the contribution period. This is still influencing eligibility rules for the present NDC system (with the so-called "quotas" and "windows")

[10] It especially intervened on pension benefits' reevaluation: abrogation of the double-indexation mechanism (inflation and real growth), favoring instead a partial indexation per income brackets only following prices' dynamic; and gradual transition to stricter actuarial mechanisms, from 2013 to 2030.

[11] Supplementary social security is divided in three types: 'closed' (or negotiated) pension funds, 'open' pension funds, insurance policies with social security purpose (PIP)

[12] Among the contents: updating coefficients every 10 years starting 2005. Encouraging capitalized pension funds. Abrogation of minimum pension integration institution.

[13] Separating social security and public assistance in order to circumscribe financing sources and to provide incentives for the development of the supplementary social security, and making equal public and private employees were the main purposes (for more details, see Onofri 1998). By restricting conditions for entitlement the yearly expenditure growth average for the 1998-2006 period has been 1.67% against an average value of 4.53% in the 1990-1997 period (Pizzuti

| | | |
|---|---|---|
| | Budget Law 1998 | Rules related to the Compulsory General Insurance: harmonization of pension schemes' regulation[14] |
| | D.lgs. 47/2000 | Review of the measures for the supplementary social security: more generous tax incentives |
| | 2001 | Maroni-Tremonti Reform: Legislation Proposal in Commission |
| | Law 243/2004 | Reform of the public pension system[15] |
| | D.lgs. 252/2005 | Reform of supplementary social security and of TFR[16] |
| | Law 127/2007 | Previous to the protocol (increase of low pension benefits) |
| | Law 247/2007 | Agreement Protocol on social security, work, and competitiveness (Welfare Protocol)[17] |

Source: Ferrera (2006), Pizzuti (2008), Paci (2007)

Note:

(*) D.Lgs.Lgt.: Legislative Decree in Commission

(**) D.Lgs.: Legislative Decree

The term "legislative decree" (d.lgs.), or decree in commission, is meant in the Italian Constitutional Law as a legislation issued by the government commissioned by the Parliament. Such norm is to be deemed as a law.

Harmonizing the exceedingly fragmented pension labyrinth, securing financial viability, keeping an adequate level of income replacement within the available resources: in a context where government volatility and group interests were paramount a social pact at a national level was needed, a huge negotiation process that foresaw the participation of government, enterprises, trade unions (see, for example, Onofri 1998). Harmonization was pursued both by creating common rules under the NDC system and eliminating incongruities such as establishing clearer demarcation lines between social insurance and public assistance (Prodi reform). Financial stability was secured under a twofold strategy: restricting access to retirement (i.e. higher pensionable age), and changing the calculation method (Dini reform). The former strategy was a short-term relief to public pension expenditure, while the second one, given its gradual implementation, can be

2008).

[14] For details, see Onofri (1998)

[15] Through this reform, the "scalone" (literally, big stair) incongruity took place: concretely, those being born in 1951 had to wait 3 years more than those born a year before being allowed to retire.

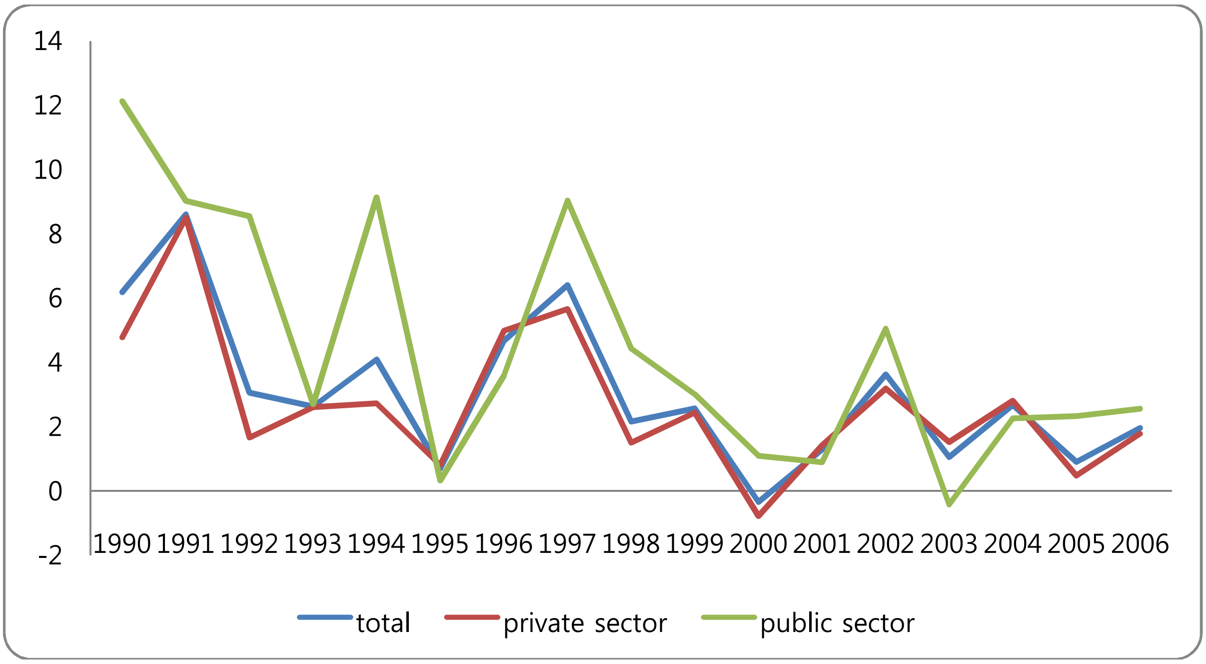
[16] Through this law, the "tacit consent" mechanism about addressing the severance pay to the pension funds took place. Whenever the employee did not explicitly declare he/she wished to keep his/her severance pay (TFR) in the company, the latter would be transferred to the pension funds, administered with a capitalization DC formula. According to the 2007 Budget Law those enterprises employing less than 50 people, even when employee chose to keep their TFR in the company, it will be transferred to an ad hoc fund set up in the National Treasury and administered by INPS.

[17] Abrogation of "scalone", new entitlement measures for the seniority pension retirement through the "quota" mechanism, i.e. attaining a specific combination retirement age/contribution period (Pizzuti 2008, Gronchi 2008). Restriction of eligibility requirement is thus rendered more gradual. Since 2010 transformation coefficients are to be automatically updated on a three-year basis in order to guarantee the actuarial balance of the system.

regarded as a long-term policy[18]. Since the NDC method considerably lowered future benefits' levels (from 90-80% to 60%), supplementary pension benefits' system (so-called 2nd pillar) has been set up in order to guarantee an adequate replacement income; this was especially laborious given the limited resources (D.lgs. 124/1993, D.lgs. 47/2000, D.lgs. 252/2005).

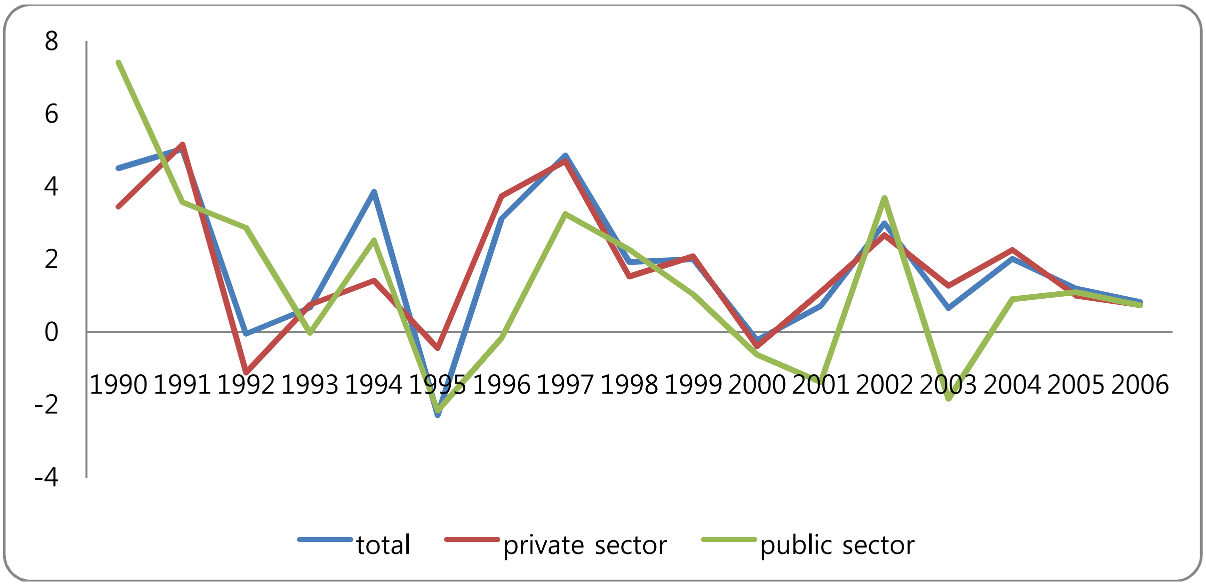
All such efforts seem to have borne fruits on the expenditure containment's side. Overall pension expenditure's growth rate has been considerably slowed down, as figure 3 shows. The transition period is, though, taking a long time. By distinguishing pension benefits' levels and plain number of pensions, it looks like the reforms had a direct effect on the latter, but not on the former, showing that restriction of eligibility criteria are having a more direct impact on overall expenditure than the change in the benefit's computation formula (figures 4,5).

[Fig.3] Growth of the aggregate pension expenditure, 1990-2006 unit: %

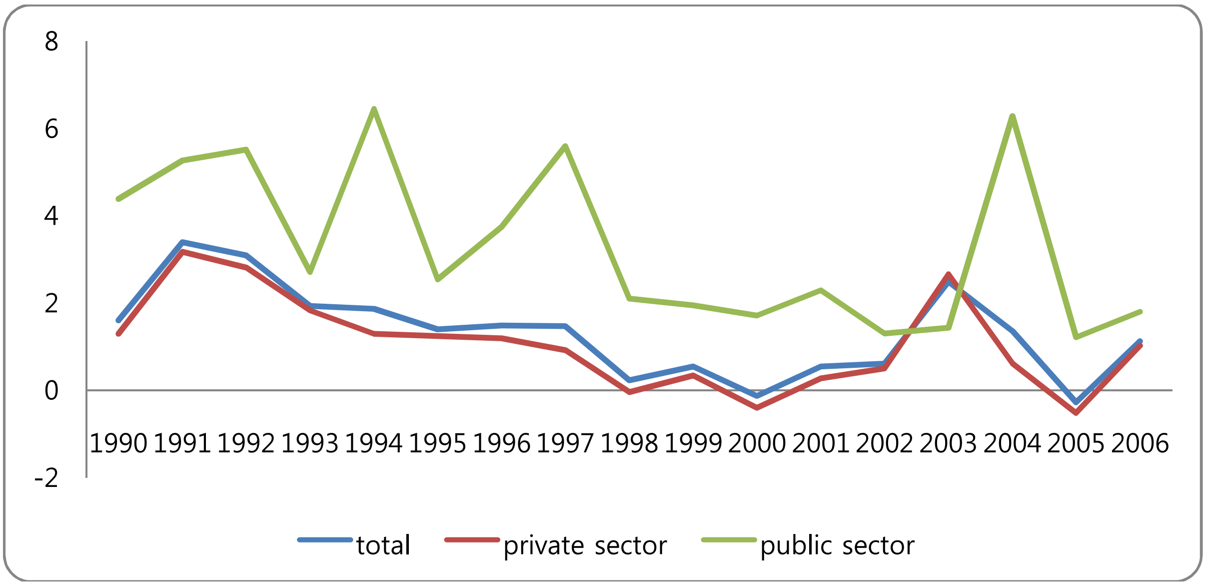



[Fig.4] Growth of pension benefits' level, 1990-2006 unit: %

[18] For a deep insight on the positive ratio between income and expenses of INPS pension accounts, refer to Pizzuti (2008)




[Fig.5] Growth of pension benefits' number, 1990-2006 unit: %




Source: Pizzuti (2008)

Whether and to which extent system harmonization and adequate level of benefits have been achieved is more controversial, and the hastily set up Italian NDC system needs further adjustments in order to work properly and to guarantee social security for the future elderly. What seems to be out of discussion is the possibility of implementing further major systemic changes: reforms of the '90s have addressed the whole country into a path from which it is not possible to reverse backwards.

**Scholarly debate in each country**

In the previous section I underlined how directions for reforms in Italy have been especially concerned with three major themes, namely, system's harmonization (same rules for all), financial stabilization (through NDC system adoption) and adequate level of pension benefits (through enhancement of multipillar system). The variable of the social consensus via formal negotiations at a national level has played a big role, too, following a long-established pattern of conducting major policy reforms in this country. Scholars' attention reflects attention towards such themes in a rather integrated way. Without pretending to be in any way representative of the opinions of Italian researchers on the theme (at least not in a statistical sense), the next table is meant to work as an overview of the positions and concerns of a few chosen experts on such issues:

[Tab.6] Issues on pension reform from selected Italian academics' contributions

| Issues | Author |
|---|---|
| Pension system's harmonization (common rules, extensive coverage) | Onofri (1998), Paci (2007), Jessoula (2008), Gronchi (2008), Pizzuti (2008) |
| Financial stability (calculation formula) | Forni and Giordano (2001), Gronchi (2008) |
| Adequate level of pension (multipillar system) | Onofri (1998), Cesaratto (2001), Forni and Giordano (2001), Jessoula (2008), Pizzuti (2008): intergenerational equity |
| Social consensus | Onofri (1998), Cesaratto (2001), Forni and Giordano (2001), Gronchi (2008): "contributive culture" |

As it can be seen, themes tend to overlap. Onofri's contribution, in particular, has been a far-sighted analysis of the long-term consequences of the reforms adopted in the '90s, and, as a member of the '96-'98 Prodi government's welfare commission (an *ad hoc* consultative group for welfare reform), he engages himself in a very comprehensive study both in covered themes (ranging from projections on pension expenditure to the end of the differences between public and private employees), and in long-term future perspective. Paci's work, has a broader, sociological style and especially focuses on the coverage of irregular workers through reinforcement of the basic pension. Jessoula is also concerned about differences among insured workers' categories in the 2nd pension pillar, both in terms of coverage and of pension levels. Cesaratto, Forni and Giordano are involved in a debate about the opportunity of devolving TFR to capitalization pension funds, while Pizzuti leads a wide study photographing the present situation of the Italian pension system, underlining problems such as introduction of competition among different pension funds. Finally, Gronchi, as one of the initiators of the NDC scheme introduction in Italy, is primarily concerned with pension benefits' calculation formula, and in particular with its incomplete application, such as delays in updating transformation coefficients, but he also points out how difficult it is to let foreigners understand incongruities in the Italian eligibility system ("leopard skin" access). Briefly stated, issues juxtapose, so that the same author is repeatedly collocated into different cells by theme.

Considering how low public awareness or trust towards the relatively new pension system is in Korea (Kim J.S. et al. 2008), Takayama (2006)'s assertion on Japanese people being more interested to the 'taste of the pie' rather than the 'size of the pie' or the 'distribution of the pie' seems to be fit for the Korean case as well. I already mentioned the persuasive tone of institutional organisms such as the Health and Welfare Ministry and the online National Pension Service. In short, Korean public opinion seems to be skeptic at the point it does not really count how much will the pension's amount be, or who will benefit best from redistribution, while a question arises: what do we keep this pension system for? This attitude seemingly stems from the financial ups and downs of the pension schemes for particular professions, and the conspicuous number of reforms NP scheme has already undergone before even seeing its full-fledged start (all in the retrenchment direction). What are the issues and prospects according to the Korean academics' research choices? For comparison purposes, I am using a frame that quite resembles the one previously viewed. Since debate on harmonization is lacking, I replaced such topic with the issue of black spots in coverage for the Korean case.

[Tab.7] Issues on pension reform from selected Korean academics' contributions

| Issues | Author |
|---|---|
| Black spots in coverage | Synn J.W. and Lee J.H. (2004), Kim S.W. and Kim S.O. (2007), Seok J.E. (2007) |
| Financial stability (calculation formula) | Yun S.M. and Kim M.K. (2005), Yang J.J. (2006), Jung C.L. (2007) |
| Multipillar system (level of pensions' benefits) | Synn J.W. and Lee J.H. (2004), Yang J.J. (2006), Kim S.W. and Kim S.O. (2007), Seok (2007) |
| Social consensus, politics of welfare reform | Kwon H.J. (1999), Kim Y.S. (2005), Kim J.S., Lee D.Y., Ahn S.R. (2008), Kim H.R. (2008), Yang J.J. (2008) |

Again, this is not meant to be exhaustive nor representative of Korean researchers' attitudes; hopefully though, it can give us some ideas about where research tendencies tend to in this country. The first impression is that researchers engage in studies accruing to clear categories: politics for politics, finance for finance. The very fact that no debate on harmonization rules can be detected seems to further hint to such fragmentation. Traditionally, Korean studies on pension were more oriented towards pension funds' financial stability, since insurance contributions accrued since 1988 without paying off pension benefits. Such massive resources have been partly used for state purposes other than pension allowances, and only a little part for people who had a right to claim allowances after a shorter time of subscription.

In recent years topics such as the process of pension policies' formation and multipillar system's construction (following World Bank's recommendations) have become more popular, but such approaches seem to be biased towards firstly, lessons to be learned by the "forerunner states", as western countries are often being called (for example, Kim Y.S. 2005), and secondly, technical devices for better pension schemes (especially for what concerns calculation methods, see for example Jung C.L. 2007). Since Korean welfare system has a relatively short history, having a look at older European pension schemes and reforms is deemed to be helpful in improving their own scheme, but it also indirectly suggests the idea that an ideal pension plan exists, over national and historical differences.

Thus, such "outward looking" perspective seems, at times, to miss the link with national characteristics. When Kim H.R. (2008), referring to pension policies, points out that, following the economic crisis, Italian reformers' strategy followed the "competitiveness" principle as opposed to the Korean "compensation" perspective, she is somehow neglecting the respectively different starting points, where Italians had an excessive public expenditure and Koreans an excessively low one; hence, reform directions were already predictable to a certain extent, because they followed a path which was already inherent to their pension schemes' structure.

Synn J.W. and Lee J.H. (2004) have argued that research about pension system in Korea has been excessively skewed towards pension providers, having to deal with the accrued fund's administration, and that now that full pension benefits are about to be paid, a more beneficiary-friendly perspective, focusing on the adequateness of the scheme protecting people's incomes in old-age, should be the new focus of research. Four years later, their point stays topical.

## Closing Remarks

At the end of this rather cumbersome attempt to work out paths and issues of pension reform in the two countries, I would argue that path dependency effectively matters when by that we imply that new policies must come out from the existent ones; this does not mean, though, that they always follow the same route. Decision-makers make the difference in that.

Even though, regrettably, western researchers seem to be not so eager to learn ongoing social policy trends in Asian countries[19], eastern scholars are periodically referring to their "forerunner" colleagues in shaping their very own system. The Italian case provides, for example, a good record for the magnitude of its recent pension reforms, and Korean studies on NDC often refer to it.

It is interesting to note that, even starting from theoretically similar preliminary remarks, conclusions can be considerably different for Korean pensions' reform. Yun S.M. and Kim M.K. (2005), Yang J.J. (2006), Jung C.L. (2007) all wonder whether it is desirable to adopt an NDC system

[19] For currently available studies on this topic, refer to Ku Y.W. and Jones Finer C. (2007).

for their own country, and final answers all differ: Yang comments that it is more suited for Koreans to have a calculation that emphasizes individual saving than collective paying, therefore he stands for a public NDC system, supplemented by a multi-tiered pension system; Jung engages in a thorough analysis of NDC's characteristics and shortcomings, and concludes that such system is better suited for countries experiencing financial difficulties within a huge PAYG system, but that NDC is not deemed to be a priority solution for the Korean case; Yun and Kim agree with Jung on the many reform possibilities NP still has, but they make a point for NDC's application on dealing with the financially distressed funds for Special Professions. Such diversity for pension schemes' possible directions reflects the system's short history, which lets considerable room to manoeuvre with reforms in the future. Figuratively speaking, were the pension scheme a puzzle, Italians would be in the middle of adjusting its edges, while Koreans only would have assembled a few parts of it, not seeing the whole figure. Neither task is preferable if compared to the other, and both should be future-oriented, trying to let the system work according to their respective societies' needs.

Common issues for the two countries following reform abound. Questions still left unattended though worthy of future consideration are addressing invalidity and survivors' pensions in the aftermath of old-age pensions' reform[20], tackling the problem of differences in coverage and income replacement in the 2nd pillar for irregular and autonomous workers in comparison with regular employees[21], and, on the long run, contemplating the idea of unifying different funds, as corporative interests start to fade (this is Onofri's suggestion). The idea here is that directions for improvement might be worthy working out through cross-national dialogue and exchange.

In conclusion, I would like to comment on a reflection by Gronchi.

> "Without giving up to technocracy, it is important to learn how to choose within technically feasible possibilities, instead of merely pursuing a simple pragmatic approach, by which choices are uniquely legitimated from the consensus they can collect" (Gronchi, 2008, pag.80)

Gronchi's remark lets us imagine a continuum that runs from pure technocracy (by which all that counts is the system's –financial- feasibility) to pure political pragmatism (according to which limitations in resources are neglected favoring political consensus), indirectly underlining Italian legislators' attitude to look for a social consensus via negotiations, and in general, the high politicization of such society. On the opposite, for Korean scholars (traditionally paying more attention to financial stability issues), seeking more consensual pension reforms solutions could be a desirable path. 'Pension' now not only means an abstract fund's administration, but the income protection of elderly citizens whose proportions are on a constant rise.

[20] As Gronchi (2008) and Kim J.S. et al. (2008) separately point out

[21] This issue is being addressed from both Jessoula (2008) and Kim S.W., Kim S. O. (2007)

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