

THE POLITICAL ECONOMY OF PENSION REFORMS IN CROATIA 1991-2006

- After the collapse of ex-Yugoslavia, Croatia inherited a “premature” socialist pay-as-you-go system
- In early 90s it was widely used to ease the pain of the transition to a market economy

3 PHASES:

- 1) RETRENCHMENT PHASE
- 2) RESTRUCTURING PHASE
- 3) POPULIST PHASE

1) RETRENCHMENT PHASE

- 1990-HDZ’s victory on elections-phase of authoritarian regression
- 1993-stabilization program introduced by Nikica Valentić
- Result: pensioners condemned to poverty
- **Goal of stabilization program**-to maintain low inflation equilibrium, spurious indexation-as a result there was a drastic drop in replacement rates
- 10 major Croatian enterprises were given 1 year to transform into joint-stock companies and prepare a privatisation plan

2) RESTRUCTURING PHASE

- Governed by international financial institutions which led to the legislation of radical reforms
- The newly appointed Zlatko Mateša (7 November 1995) endorsed the multi-pillar reform
- Pension Insurance Act- Entered into force in 1999, opened the door for 2nd pillar legislation, departure from original draft-substitution of 10% contribution rate to the funded pillar
- 27.1.2000-formation of new government by PM Ivica Račan (SDP)

3) POPULIST PHASE

- Three pensioners associations signed a social agreement granting electoral support to SDP and HSLs before the 2000 elections, and the Croatian Pensioners party(HSU) entered the government coalition with HDZ in late 2003
- With hyperinflation in 1993,pensions and wages were blocked and subsequently only wages were allowed to grow freely
- Due to inefficient leadership,trade policies,political parties-pensioners were being sacrificed to finance the country



www.finance.hr

Financijski klub • info@finance.hr
Trg J.F. Kennedyja 6 • 10000 Zagreb • Hrvatska