

COLLECTION OF PENSION CONTRIBUTIONS: TRENDS, ISSUES  
AND PROBLEMS IN CENTRAL AND EASTERN EUROPE,

Elaine Fultz and Tine Stanovnik eds, ILO, Budapest, 2004, 282 pp

Review\*

In the last 15 years or so pensions systems have become one of the most important topics of debate in transition countries. At the first level discussions were waged concerning the material position of the pensioners and the sustainability of the system; at the level of principle about the manner of financing pensions, dilemmas concerning private and public and the interaction between capitalised retirement savings and the financial markets. Paradoxically, in all these discussions, one of the key elements in the working of the system was hardly mentioned: the collection of pensions contributions, the effectiveness of the competent institutions in the process and, particularly, lost revenues because of irregular and incomplete payment of contributions.

The book under view has endeavoured to fill up this gap. It gives comparative surveys of the systems for collecting, administering and controlling the payments of pensions contributions in several transition countries. On the basis of the analysis carried out, the identification of the problems and the proposals for measures for their obviation, the book attempts to spot problems that exist in all the transition countries and to recommend universally applicable measures with which to improve the mechanism for the collection of retirement contributions.

The book consists of seven chapters. Chapters 3 – 7 are devoted to an analysis of the situation in the five countries under consideration: Croatia (Predrag Bejaković), Hungary (Levente L. Máté), Poland (Agnieszka Chłoń-Domińczak), Romania (Christian Toma) and Slovenia (Karmen Vežjak, Tine Stanovnik). In Chapters 1 and 2 the editors Elaine Fultz and Tine Stanovnik draw the individual surveys together. The specific features observed are described and the common characteristics and problems are noted, as well as measures for solving them.

The surveys of the systems for the collection of pensions contributions in the individual countries are identically structured – the minor divergences are the consequence of the specific features of each individual pensions scheme and of the competent insti-

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tutions. An additional value and convenience for the reader consists of the survey of the brief recent history and description of the entire pensions system in all of the countries observed. For each separate country there is a description of the mechanisms for the collection of contributions and the relevant institutions and their jurisdiction. Then the causes, levels and hot-spots of evasion are analysed, and measures proposed for improving the systems. Direct comparisons are not always possible without taking into consideration the specificities of the systems in the separate countries. Still, the measures for the improvement of the process of collection, such as:

- for the restructuring of the major sectors in state ownership, such as health care, railways, mining,
- for team building in the competent institutions by education, training and personnel incentives,
- for stepping up control of small companies that often do not register all their employees or perhaps pay contributions on a base lower than the real base,
- for removal or at least minimisation of interference in the system for the sake of party political aims,

are not, as the reader might well imagine, recommendations that are directed specifically towards just Croatia. They are all of them measures that are recommended in Poland, Romania, Hungary and Slovenia. This shows that some common problems and recommendations that might be able to improve the situation can be identified and applied in all the transition countries.

And at the same time this enables a synthesis to be made of all the observations in the given countries, at a level of principle. In the first two chapters, the editors endeavour to spot all the common processes and problems that are recognisable in spite of the differences in the structure of systems and the jurisdictions of the relevant institutions. In particular, there is an attempt to rate the success of the countries from the point of view of effectiveness in collecting pensions contributions. Interestingly enough, according to one of the methods employed (contributions collection efficiency being expressed in terms of GDP) Croatia occupies the number one position. Still, as the author of the Croatian chapter Predrag Bejakovic and the editors state, this figure needs to be taken with a grain of salt since official estimates of GDP in Croatia are probably lower than the real amount.

Another important element in the book is the list of seven guidelines that, in the opinion of the authors, could be formulated as signposts to governments and social partners in all the transition countries on the way towards increasing the rate of collection of pensions contributions. Instead of enumerating these guidelines, we would rather invite the readers to take up this valuable book themselves, and to become acquainted with its results. An analysis of the guidelines stated, their adjustment, elaboration, a plan for operation and application are a task for the competent institutions, for researchers and for the discipline.

We can recommend this book very warmly to them.

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