Ph.D. Dissertation Review Report

of

Solving the retirement crisis – the US 401(k) plan experience and its applicability in Poland

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General comment

The topic on retirement issues that the author has undertake in his Ph.D. dissertation is of seminal importance today. It portrays several fundamental problems that societies in high-developed economies are about to face in the near future. The author in his work intends to answer some questions arising with respect to the recently emerged phenomenon of 'retirement crisis'; it directs the readers` attention to its roots, emphasizes its importance from social, institutional and economic perspective.

Needless to emphasize that ageing societies are one of the biggest challenges that economies and governments have to challenge in rich, developed countries. Broadly perceived it is a long-run consequence of lowering fertility rates and leveraging life expectancy due to unrestricted access to health care systems. These however, although positive changes, generate radial shifts in

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demographic structure of society where the share of people above 60 and 70 years old is growing at historically unprecedented pace. If, on the other hand, we observe that sub-replacement fertility rates are often far below 2.1 children born per women, which is enhanced by growing urbanization, education, access to contraception and economic fluctuation, this inevitably leads to diminishing population of young generations. This demographic transition has far reaching and long-term economic consequences. It affects labor markets, fiscal systems and government budgets, and economic systems as such.

The so called 'retirement crisis' strictly associated with the retirement savings crisis. Following estimates of Center for Retirement Research at Boston College, we face the problems that more than half of working-age households that risk of not obtaining adequate retirement financial resources. In economic sense, retirement income, allows people maintain their living standards they enjoyed before retirement, which makes them potentially richer. Obviously, individuals, societies and government need to prepare for the retirement by providing solid foundations for the retirement system today allowing profiting from past time savings in the future.

I admit that the presented Ph.D. dissertation contributes to our knowledge on the problem of retirement; it is a useful comparative study on very up-to-date topic. The issues of retirement of public interest and have social and economic implications, and bearing in mind the fact that this topic still poorly discussed in Poland it thus raises our consciousness on the problem. The novelty of this study is acknowledged.

Regarding the previous I fully acknowledge the significance of the topic today, and I express my respect for the author who undertook this important problem.

Structure of the dissertation

The presented Ph.D. dissertation entitled "Solving the retirement crisis – the US 401(k) plan experience and its applicability in Poland" encompasses 4 logically structured chapters forwarded by the Introduction, that ends with the Conclusion, respective appendices, list of references, figures and tables.

The **"Introduction"** is aimed at presenting very briefly the major aims and scopes of this study. It indents to show the reader roots of the concept; it defines hypotheses to be tested throughout the rest of the research. In this part, the author also claims that this study "attempts to fulfill several key goals" (p.9) however I do not see them clearly defined. It seems that these goals are

more likely to present the contents of each chapter probably. In here I refer to the statement "Third, statistical and graphical data derived from secondary information sources are analyzed in order to see the links between the retirement saving instruments and the economies of the US and Poland" (p.9) – in fact I do not really see that the author meant by saying "economies" – *does it refer to general economic condition approximated by, for instance, GDP per capita?, or some institutional aspects*. This should be more clearly written. Next in Introduction research hypotheses are defined. In each hypothesis defined we see "significantly contributing" phrase – I would suggest that this should be more strictly defined. What the author meant by "significantly contributing". Overall, the introductory section lacks the major goal of the study that would be precisely defined, and shortly discussed contents of consecutive chapters, which would guided the reader through the rest of this work.

Chapter 1 is aimed to present the reader major conceptual issues related to the problem examined. First it defines the 'retirement' as the socio-economic phenomenon, also discussing briefly some of its historical roots. I find this part interesting however slightly too long – especially the part on history. Next, the author presents the retirement system, defining its goals and different models applied in different economies. I find this useful, however the number of different references is very limited – most of them refers to one author – Barr (2008), *hence my question in this part is why the author did not find more reference works?* The same reference is repeated many times in section 1.3.4 on financing and funding. In what follows we read subchapters entitled "Economics"(1.3.2) and "Labor" (1.3.3), which are of crucial importance for the matter as they show the relationships between retirement process, economics and labor markets. I wonder why the author dedicates so little space to these aspects, as in my opinion these should more profoundly explored in here. The consecutive sections of Chapter 1 contain descriptions on income replacement ratio, consumption, insurance, taxation, opportunity cost, profit, inflation, saving, economic development. Meanwhile some parts of the latter seem to be of some relevance to the topic – e.g. income replacement ration or savings, then in other case like inflation or economic development I see, in fact, no point in including these topics in Chapter 1. Besides I believe that presenting issues like national accounts counting modes or ways of measuring price dynamics seems of very far relevance to the major topic. *I here I would like the author to ask to justify inclusion of the latter in Chapter 1.*

Next, **Chapter 2,** by convention, concentrates exclusively on broad and exhaustive description of the US Retirement Income Framework. I find this part of dissertation very informative, useful to the reader and thus contributing significantly to our state of knowledge. The author presents in

details, tracing back to history, the way that social insurance system works in US and its other elements providing the reader wide perspective on issues associated with the retirement income. I have to admit that the stock of information and knowledge presented in Chapter 2 is massive and impressive. The author draws exhaustive picture of the social security systems in US, demonstrates how they work and what they rely on, including some detailed considerations on legal acts, modes on income distribution and many others. To develop Chapter 2 the author has used multiple original sources, and has shown his analytical skills in drawing conclusions.

Chapter 3 seems to be of seminal importance. Chapter 3 is aimed at locating the problem on retirement in broader economic and social perspective, and additionally the author intends to examine and compare respective statistics in US and Poland, henceforth recommendation could be formulated. The author examines fundamental economic data on GDP, interest rates, unemployment, inflation and currency values; it is done by general description of respective data both for US and Poland. I appreciate this part, however I would expect in here more "sophisticated" modes of presenting data, like for instance, simple charts would be good enough to analyze trends and so on. Moreover, this part lacks information on time span of analysis and sources of data. The author provides reference on CIA, but is all data derived from this database? *I wonder why other data sources like OECD or World Bank were not implemented?* Next, the author moves to demographic issues. My major concern in why in this part, data in poverty and education and culture have been dealt with. *Are you sure that these data are demographic-type?* I admit that issues like poverty and others relate to demographic aspects, but *I wish the author to provide more justification on that.*

In Chapter 3, the section 3.3 "Retirement" seems to be of central importance. As claimed by the author himself the "key objective here is to form a comprehensive framework that will be used later to draft recommendations" (p.158). Next on page 159 the author lists a set of variable and other aspects that affect functioning of retirement systems both in US and Poland and on that basis he hopes to formulate recommendations for designing retirement system in Poland. In this section we also read a lot on the 'retirement crisis' describing comprehensively different aspects of functioning of system in US, showing its contextual background and statistics. He confronts some facts of US with those in Poland, concluding that the general view is similarly pessimistic in both countries. The author interestingly combines issues and data related to retirement problem with economic situation of countries; especially he discusses the Great Recession that heavily affected both fiscal condition of states on one hand, while on the other hand generated some problem on labor market and all these negatively affected the retirement systems that started to

face financial and security problems. In what follows the author discuses some aspects related to retirement system in Poland showing its financial, legal aspects; he discusses the IKE system gaining more and more popularity among Poles. Next in this chapter we see lots of different aspects of retirement systems that are emphasized and presented in details. For me the major contribution of Chapter 3 consists in proving extensive description of the retirement system especially in US; however this Chapter lacks some more general conclusions. Moreover I have a feeling that this part of work is too long and overloaded. In some cases it is difficult to follow, and link some information and data.

Finally **Chapter 4** is aimed to recommend a 401(k) Plan-like System in Poland. Although I understand (at least I think so) the major objective of the study, its structure I find a bit strange. Note that the first subchapter (4.1) is entitled "Summary", while the second one (4.2) – "Interpretation". Usually the "summary" comes last not the first in given section. Honestly speaking I would expect to present some major cons and pros with respect to US retirement system, and to show how and if – under Polish economic and legal conditions, such type of system could be implemented. In fact I do not actually find this, despite several rather general conclusions. Overall the structure of the last chapters is a bit misleading to me, I could not find much logic in it, despite the fact that information and knowledge it contains I find interesting and useful.

Major critical comments on Ph.D. dissertation general quality

Despite the fact that I generally appreciate the presented Ph.D. dissertation in its overall quality, and acknowledge the importance of the topic today, I need to point some critics in what follows.

My major concerns are listed and explained below:

1. In Introduction the author writes about "several goals", but they are not clearly defined. Next, we see hypotheses, but in my opinion they should correspond to research goals (or questions) – in this case I see no reference among them, and this makes the reader a bit lost in the logic of the research.
2. Following the previous – *have the major goals of the study been achieved? I see it difficult to answer.*
3. I find the research question in the "Conclusion" section – *why not at the beginning?*. Finally the research question sets the problem as "(…) if and how effectively can Poland's worker adopt a 401(k) employer-sponsored plan-like retirement income framework?" The use of the word

"effectively" implies certain analytical techniques and regimes – I suggest that next time the author uses this word more carefully.

4. This work is mainly descriptive in its nature, the author – in fact, does not use any kind of analytical tools – even simple ones. This makes me a bit confused especially that this should be a scientific work, which implies using selected broadly acknowledge analytical techniques that allow concluding. On page 213 we read "information sources were analyzed using a wide variety of techniques" – in fact I do not see these techniques. *I wish the author to explain what he meant by that.*

5. Throughout the work the author used lots of data and information, but he does not trace any relationships among them. *I wish the author to explain why?*

6. This work contains no methodological part; the research techniques are not discussed. Some analytical methpds are listed on page 215 but without their further explanation and adoption. I see no explanation on how data analyzed help to solve the problem?

7. On page 214 we read: "the study makes a contribution to economics by applying economic theory and data against real-life problem, namely generating adequate median retirement income replacement ratios" – *can you please explain this statement?*

8. In Sect. 4.2.2, we read that hypotheses are set and "tested", but in fact I see no hypothesis testing. *Can you please explain how you have tested the hypothesis?*

9. Regarding the second hypothesis – page 218 we read "it is clear that adopting a 401(k) retirement plan-like system can effectively alleviate Poland`s retirement crisis" and then the author rejects the hypothesis – *this is not clear to me how the hypothesis has been tested? Can you please explain?*

10. In Sect. 4.2.1, page 215 we see the "Research Design" – *should not it rather by in the beginning of the work?*

11. I did not find the time span of the analysis – *to which time period you refer to?*

12. This study lacks profound justification of the topic. I would expect this work to show generic causes of the problem which are mainly demographic-kind; such type of work yields broad contextualization.

13. The study poorly locates the topic in economic theory – *can you please tell to which economic theories you referred to?*

14. The author should discuss the literature in ageing societies and its socio-economic consequences. Respective literature is vast; see for instance works in journal like Ageing&Society (Cambridge Univ. Press), Journal of Population Ageing (Springer), Journal of Aging & Social Policy (Taylor&Francis). Including some evidence from previous works his

would enrich this research and allowed putting it into wider context. *Why you did not discuss the demographic changes in Poland and US for the last years – this would be helpful.*

15. What odds it that some references are repeated many times in the same paragraphs – see, for instance, Barr, Purcell, James in Chapter 1, or Carpenter in Chapter 3.

16. Regarding references – I find a lot of internet web-pages which are not scientific sources. *My question is: why did not include, e.g. WHO reports and many others?* The body of reference is massive on this topic.

17. Graphs are small, hard to read and not prepared in one standard. I believe they are not developed by the authors but extracted from other sources. I definitely long for charts done by the author, and this would ensure me that he analyzed the data yourself which shows the author`s skills on that field.

18. Chapters are definitely too long, overloaded and difficult to follow. They encompass lots of "small subchapter". This violates the flow of the text. Sometimes it is difficult to link different area and data that are discussed in details.

19. "Conclusions" are very general, I would expect to develop this section.

Conclusion and recommendation

The discussed above Ph.D. dissertation is of good overall quality; it contributes to the present state of the art and demonstrates some new results and knowledge. In my opinion, this Ph.D. dissertation satisfies the requirements for Ph.D. dissertation defined in respective legal act issued on 14th of March 2003 with consecutive updates.

Despite my criticism and observed deficiencies in some areas, I hereby recommend admitting this Ph.D. dissertation to be defended orally in front of respective committee.

Ewa Lechman

Note: in italics – questions to the Ph.D. candidate I wish to be answered.