1 Introduction

Mobilized interest groupings shape pension politics as these provoke and reinforce conflicts of interest. Latent and manifest interests play a role in both the old politics, surrounding the development of retirement income systems, and the new politics concerning reforms under current austerity constraints. From the beginning, pension policies were to respond to the growing dependent labor force and to occupational and social status group differentiations. Theories of welfare state development have assumed that social groups’ interests affect retirement income security systems both directly and indirectly. Institutionalized pension systems create their own constituencies. While some interests were mobilized to influence pension politics, both in its historical development and in current restructuring processes, other interests remain largely latent and less politically salient. This chapter delineates some major cleavages posed by these latent and manifest interests in modern (post-)industrial societies. It also compares different modes of overcoming interest conflicts through political and social consensus-building.
In the following section, the chapter reviews the main theoretical perspectives on the development of welfare states that more or less explicitly conceptualize the interests of particular social groups in retirement income systems. In Section 3, the main capital–labor cleavage between the interests of employers and labor movements in such systems is juxtaposed. Then, several intra-class cleavages are presented. These conflicts influence and are reinforced by fragmented pension systems, in particular the difference between blue-collar and white-collar workers as well as between private and public sectors. Weaker labor market groups, in particular the unemployed, and gender issues in retirement income systems are discussed. The section also critically reviews often voiced generational conflicts.

The fourth section moves to the different modes of building political and social consensus. Given the potential impact of interest groups using the electoral route and veto points in political systems, governments may seek to build inter-party or societal alliances to overcome potential reform blockage in political decision-making and implementation. Besides political interest politics, various modes of social governance are discussed: institutional consultation of the social groups, tripartite concertation between governments and the social partners, institutionalized forms of self-administration of pension insurance, and self-regulation via collectively negotiated occupational pensions. The main argument pursued is that governance modes which help build societal consensus for pension reform are that much more important when powerful interest groups have veto power and retirement income systems are based on shared policy-making between government and social partners.

2 Theoretical Perspectives

Conflicts of interest arise between various social groups, though the main cleavage in welfare states since industrialization has been between capital and labor. Besides the class conflict, other intra-class cleavages and inter-class alliances have been important in shaping pension policies. These have been analyzed from numerous theoretical angles: modernization theory (both industrialization and democratization theses), state-centered institutionalism, and political mobilization. According to modernization theory, industrialization led to massive migration from rural to industrial areas, widespread dependency through wage labor, and decline in traditional support structures, particularly the family. With increasing life expectancy, occupational hazards, and unemployment risks, long-term income loss due to ‘old age’ and ‘invalidity’ led to poverty among the growing working class, increas-
ing the pressure on the national state, benevolent employers and workers’ associations to provide some form of income support for older and disabled workers (Rimlinger 1971).

State-centered institutionalist accounts (Heclo 1974) stress that bureaucratic elites implemented social policies as political strategies, linking welfare state building to nation-state formation. The first social pension insurance was introduced in Bismarck’s Germany as a response to the ‘workers’ question’. It sought to integrate the working class into the new nation-state, while suppressing the growing labor movement with anti-socialist laws. Not only did other Continental European countries introduce similar ‘Bismarckian’ social insurance schemes, but also the United States enacted Social Security legislation in response to rampant unemployment during the Great Depression.

T. H. Marshall’s seminal lectures on ‘citizenship and social class’ (1950) advance a liberal democratization thesis, congruent with gradual development of civil, political, and social citizenship rights in Britain. With increased political participation, democratizing nation-states extended social rights to secure all citizens a basic income in old age. Departing from the German model, Denmark introduced a tax-financed people’s pension as early as 1891 and Britain did so in 1908, reflecting broad political alliances beyond organized labor. After the Second World War, the Beveridge reforms in Britain became the model of social citizenship rights for many other welfare states, including the Scandinavian countries and the Netherlands. Yet most reform efforts to introduce universality failed in Continental Bismarckian systems, including Germany, France, and Italy, following Christian-social and conservative conceptions of subsidiarity.

Political mobilization approaches look at the influence of interest groups—notably organized labor, the middle class, and employers—in advancing or hindering pension policy development. The social democracy thesis stresses the importance of organized labor for both social-democratic parties’ electoral success and the power of centralized trade union movements, particularly in Scandinavia (for a review see Esping-Andersen and Kersbergen 1992). Comparative studies have investigated the postwar welfare reforms resulting from the strengths or weaknesses of organized labour (Korpi 2001). Similarly, Esping-Andersen (1990) traced the importance of three political ideologies of welfare states—liberal, social democratic, and conservative—to three distinct political movements while acknowledging the legacy of state traditions.

Historical studies stressing the result of cross-class alliances between blue-collar workers, the white-collar urban middle class, and rural small-scale farmers’ interests (Baldwin 1990) amended the social democracy thesis. Such alliances led to a significant difference of Beveridge-type pension systems: income-related superannuation schemes were introduced on top of basic pensions, serving middle-class status-maintenance interests. While some countries (e.g. Denmark) failed to introduce an earnings-related second tier in the postwar period, others (e.g. Sweden)
moved from a basic pension to a two-tier system (basic plus earnings-related pension) and more recently to a fully integrated earnings-related pension system. Laggards in developing public second-tier pensions left more room for private occupational pensions. Myles and Pierson (2001) also link divergent pension reform trajectories to second-tier systems’ early or late institutionalization.

More recently, comparative historical studies have investigated the role of employers, finding that employers are not always against social policies (Mares 2003; Swenson 2002). Against the social democracy thesis of ‘politics against markets’ and organized labor’s fight for redistributive social policies, social protection can also serve productive functions: when early retirement policies help firms restructure their personnel in socially acceptable ways, it may in fact be ‘politics for markets’.

3 latent and Manifest Interests

Institutional legacies and past political compromises reflecting particular interests still affect how current pension systems impact on various social groups, even as demographic, social, and economic changes challenge pension reform efforts and inevitably lead to conflicts. Four main issues are contentious: who is covered, who pays, who benefits, and who controls these programs? These issues form the core of major differences among latent interests in society, among mobilized manifest interests via collective organizations, in particular trade unions and social advocacy groups. This section provides an analytical overview of key latent interest groupings affected by changes and the role of manifest interest organizations in shaping past, current, and future pension reforms.

3.1 Employers’ Interests

In most of the modernization and mobilization theory studies, employers were seen as collectively incapable or politically opposed to providing for social protection in old age. Certainly, paternalist employers provided some company-based social policies, yet these voluntary schemes were too small, scattered and selective to provide a society-wide answer to the consequences of industrialization. Moreover, employers were known to have opposed liability laws and mandatory social insurance. Before the First World War, employer organizations were in fact often
found to lobby against progressive social legislation. Recent studies have revisited employers’ role in social policy development and their interests in today’s welfare state arrangements.

Employer liability for occupational accidents was among the first steps toward social protection, followed by mandatory accident insurance for industrial firms. Employer responsibility is less direct in cases of disability unrelated to industrial accidents or due to long-term occupational risks, personal health, social circumstances, and age. Some early paternalist industrialists voluntarily provided occupational pensions to bind and discipline (semi-)skilled workers and white-collar employees (Shalev 1996). Such employers were therefore against mandatory public pension schemes, while other larger firms and smaller employers without such fringe benefits feared resultant labor cost increases.

Indeed, employers co-finance social contributions (payroll taxes) for public old-age and disability pensions, though there are considerable cross-national variations, from substantial employer contributions (Italy, Sweden, France) to near parity (Germany, United Kingdom, United States) to low mandatory contributions due to tax-financed basic pensions (e.g. Denmark). A parity or larger share paid by employers remains a largely symbolic acknowledgment of partial responsibility since employees bear the final costs. Increasingly, costs are shifted from employers to the insured to increase the visibility of pension costs and the link between individual contributions and benefits.

Employers and their associations have been and are among the most forceful opponents to the introduction and later expansion of public pension schemes, particularly to its mandatory co-financing. Under particular circumstances, some employer organizations were willing to support mandatory pension schemes as the ‘second-best’ solution, while politicians took employers’ interests into account when shaping social policies (Mares 2003; Swenson 2002). Mandatory old-age insurance can take wages out of competition by forcing all employers to contribute, creating a level playing field at least within a nation’s industrial sector. Moreover, when social risks are spread unevenly across and between sectors, a wider sectoral or nationwide pooling of resources would spread risks more evenly, often to the advantage of the more powerful larger firms and to the detriment of smaller firms (Mares 2003). The more pension schemes were subsidized by the state or costs could be externalized to third parties, the more firms with voluntary pensions on a defined benefit basis would be relieved (Swenson 2002). A further rationale for employers are opportunities to use public or collective schemes to shed older workers in a socially acceptable way at mandatory retirement age or with the help of early retirement options prior to normal pension age (Ebbinghaus forthcoming). In contrast to a social right to individually choose (early) retirement, employers would prefer to steer exit from work by exercising control over early retirement provisions (Mares 2003). Depending on historical circumstances, intra-class divisions, and strategic moves by employers and unions, public policies may
have resulted that do not reflect the employers’ first but only second-best preference; nevertheless they affected the outcome.

3.2 Organized Labor

The labor movement, the trade unions, and allied political parties had a major influence on social policy indirectly as a threat to the political elite or directly through mobilized collective action and electoral strength. According to the mobilization thesis, organized labor was crucial in expanding solidaristic welfare states (Esping-Andersen 1990; Korpi 2001). There is a correlation between the strength of unions, measured by union density, as well as the electoral power of the left and the welfare states’ postwar expansion (Huber and Stephens 2001).

Historically, labor’s impact was less direct. The workers’ question (‘Arbeiterfrage’) — the threat of political unrest due to social problems — challenged political elites. While trade unions first opposed state-imposed pension insurance and were reluctant to give up their meager efforts at self-help, they soon came to embrace the advantages of mandatory old-age insurance and the potential influence via self-administration. In Bismarckian systems, co-financing of social contributions brought self-administration rights for employers and employee representatives; they helped to provide resources and legitimacy to trade union officials. While the division of contributions between employers and the insured remained variable across countries, societal compromises between capital and labor tended to be maintained or rebalanced as part of social partnership conceptions (Berger and Compston 2002).

Contributions toward pensions, paid by workers and/or employers, were deferred social wages. Economically, the question of distribution of social contributions between employer and workers is secondary, but this is not the case politically or psychologically. Overall, social contributions reduce post-payroll-tax wages for workers and increase non-wage labor costs for employers, whatever the division between the two sides of industry. An increase in social contributions in total will have two negative effects for labor: (a) it reduces the bargaining scope and the net wages of workers, and (b) it raises overall labor costs to the detriment of employment and competitiveness. Thus, wage negotiations and social policy reforms have to be seen as interdependent, making concertation across both policy fields a necessary strategy in cases where policy responsibility is shared by multiple actors (Ebbinghaus and Hassel 2000). Yet in the past, unions and employers negotiated neo-corporatist income policies by increasing the deferred wage, for example by extending early retirement schemes. Welfare states’ expansion during the high days of corporatist income policies suggests an implicit and sometimes explicit political exchange between wage moderation and pension right expansion.
3.3 White-Collar versus Blue-Collar Workers

While basic public pensions were inclusive for all citizens but allowed inequality in private pensions, Bismarckian employment-related pensions were often occupationally fragmented. Initially limited to workers with low income, the German pension insurance was joined by a separate scheme for white-collar employees. White-collar associations lobbied in both countries for separate pensions aiming at status maintenance; these reinforced social divisions between the new middle and working classes. In many countries, white-collar interests played a large role in employer-provided or negotiated supplementary occupational pensions (superannuation schemes). Thus, collective agreements on second-tier pensions were made compulsory in all of France and for many sectors in the Netherlands.

Thus far, voluntary occupational pensions, in contrast to mandatory schemes, ‘are limited to a sub-group of the population and inequality and discrimination were more or less taken as a given’ (Stevens et al. 2002: 37). In Germany, but also the Netherlands, employers are free to select categories of workers to offer occupational pensions to, though regulations apply that, within the category, all employees must be granted equal rights. Employers thus may easily use pensions as part of their human resource management strategy as they divide the workforce into categorical groups with and without long-term pension plans. Trade unions and works councils have limited scope to challenge this segmentation in employers’ social policies. Even today, the interests of blue-collar workers and white-collar employees may be at odds in pension policy.

3.4 Public versus Private Sector

Further intra-class cleavages emerged due to differences between the private and public sectors. Many nation-states installed particular pension schemes for long-term tenured civil servants and other public employees. These schemes were often introduced before the public pension schemes for blue-collar workers. With the postwar expansion of public services, particularly in growing welfare states, public employment in health services and education expanded rapidly until the late 1970s. The expansion of the public sector not only helped to buffer the loss of manufacturing jobs, but also provided well-paid and protected (part-time) employment opportunities for women during and after child-caring years. Since the 1980s, public employment has stagnated and privatization efforts have cut back on public employment, particularly in Britain, but also in Sweden.

With a few exceptions, public sector employees are better organized than private service sector workers (Ebbinghaus and Visser 2000). Union recognition by a benevolent employer, meritocratic recruitment, seniority-based grades, and
bureaucratic advancement are all factors conducive to high unionization rates. In some cases, particular categories of civil servants are forbidden to strike or collectively bargain; though for most public sector employees these restrictions do not apply. In return for lifelong loyalty to the state, civil servants in Continental Europe receive retirement pay, often financed by taxes or out of pay-as-you-go pension funds. In Esping-Andersen's (1990) welfare regime comparison, the number of special pensions for public employees and their share in overall pension expenditure serve as major indicators of occupationalist fragmentation (Corporatism) and statist legacy (Etatism).

These special public sector pensions, which often provided favorable early retirement conditions and high replacement rates, have been difficult to reform, due to public sector trade unions’ organizational capacity. The French strike wave in 1995 occurred largely in the public sector in protest over cuts on pension benefits that had already been imposed on private sector workers. In Italy, government and trade unions successfully negotiated to harmonize pensions for public sector employees with the less favorable private sector. However, a long-term trend toward privatization of public services, the fiscal limits on welfare states, and a politically induced harmonization of pension rules will make it difficult to maintain these past privileges.

3.5 Weaker Labor Market Groups

Unemployment may negatively affect future pension benefits; unemployment pay may also serve as a quasi early retirement provision. With few exceptions, the unemployed are only sparsely organized by trade unions, while self-help groups emerging in recent years lack the coordination and resources to be politically influential. Only where trade unions remain in charge of administering unemployment insurance (the Ghent system in Nordic countries and Belgium), do workers have more than selective incentives to become members and continue in membership even when unemployed. Long-term unemployment can negatively impact on future pension claims, particularly in systems where public or private pensions are based on contribution years and that grant no pension credits for years of unemployment.

Older workers’ unemployment has been widespread in some countries due to age-related low re-employment chances. While special pre-retirement schemes in the 1980s were designed to allow older workers’ early retirement in exchange for unemployed workers’ employment, today such schemes are seen as counterproductive and costly (Ebbinghaus forthcoming). Long-term unemployment is often the first step on the pathway to early retirement. In Germany, Denmark, the Netherlands, and Sweden, favorable rules for older workers allowed the dismissal of workers into long-term unemployment, bridging several years before an early
pension could be drawn (Kohli et al. 1991). As part of the major shift from passive to active labor market policies, these quasi-retirement possibilities have been recently reformed (Ebbinghaus forthcoming).

3.6 The Gender Dimension

Welfare states, and regime typologies, have been criticized for their strong gender bias (Orloff 1996), as they assume a male breadwinner model to conceptualize social citizenship rights and redistribution. In particular, public or private pension programs that base benefits on contribution years discriminate against women who interrupt or end employment due to marriage or care-giving. Indirect pension claims via spousal pensions and widows’ pension programs only provide partial relief, especially when claims depend on legal marriage or are restricted in cases of divorce.

Female employment rates have increased earlier and most rapidly in Nordic countries, somewhat later in Anglo-American economies, and belatedly in Continental Europe. With few exceptions, the reconciliation between child-rearing and work is based on part-time employment, though this may lead to lower (if any) pension benefits compared to male full-time workers. In countries where pension credits are granted for the first child’s rearing years, this may add to incentives to withdraw from work with substantial difficulties in re-entering the labor market later. Systems with basic pensions based on citizenship would not discriminate against a care-giving parent withdrawing from work fully or partially. However, in addition to Beveridge-type basic pensions, earnings-related second-tier systems, whether public programs or private occupational pensions, create similar problems as under Bismarckian pension systems. The European Court of Justice stipulated that private occupational pensions cannot discriminate against part-time workers (1986) and that equal treatment rules apply also for men and women (1990).

Except in Nordic countries, women are underrepresented in most union movements. Union density for women only meets or tops that of men in Nordic countries (and today’s Britain). In all other countries, women tend to be less organized than men (but often as highly organized in the public sector), partly as a result of the difficulties in recruiting part-time, temporary, and private service workers. Given their low employment rate and low union density in Continental Europe, women are underrepresented in the main union confederation (less than one-third of union membership). Organizations of women and family policy groups are increasingly active in voicing gender and family-related issues in pension politics. However, pensioner organizations still tend to best represent the interests of current pensioners of generations with lower female labor force participation, thus defending the rights of married women and widows against sudden changes in pension policy. For example, while British pensioner groups and
organizations of women successfully argued for lower retirement ages for women under the reformed postwar Beveridge scheme, during the 1980s, they were unable to prevent the long-term upward equalization from 60 to 65 years (2010–20), in line with EU gender equality rules.

3.7 The Generational Conflict

Conflict between old and young and between current pensioners and the current payers are often claimed, yet surveys show no clear cleavage between generations (EEIG 2003). This is surprising since ‘many studies have shown empirically that the social security system does not treat generations equally, is not “actuarially fair”, and was most generous to the initial generations of retirees’ (Cooley and Soares 1999: 136). One explanation is that each generation of payers has an interest in maintaining the current system until they retire. In fact, pay-as-you-go systems face a double-payer problem: the current generation of payers would have to pay for current pensioners via public obligations and save for their own private pensions if a system reform seeks to shift toward funded pensions (Myles and Pierson 2001). Other reasons why generational conflicts are less likely to occur are family bonds between the old and the young, within-family resource transfers from grandparents to parents and to grandchildren.

Nevertheless, a seniority bias is at stake with the favorable representation of older persons’ interests in political parties, in trade unions, and at the workplace. While young people tend to be underrepresented today in voluntary organizations—political parties and trade unions—older people and particularly those approaching retirement are well organized. Moreover, particular interest groups exist for pensioners (Walker and Naegle 1999) and many trade unions organize a considerable share of pensioners (Ebbinghaus and Visser 2000); most notably half of all Italian union members have already retired.

4 Political and Social Consensus-Building

The development of retirement income systems and the current pension reform efforts show the importance of both political and social consensus-building. While in the past, inter-class alliances often enabled major reforms, today governments
need more than their own political majorities to provide sufficient momentum to overcome vested interests in reforming established pensions systems. The more responsibility for retirement income is divided between the state and society, the more possibilities there are for social interest groups to influence political decision-making processes and implementation. Even if they have no formal institutional right or direct channel, unions may use non-institutionalized veto power, such as mass protests or even general strikes, to fight unilateral pension reforms, as happened at times in France and Italy (Ebbinghaus and Hassel 2000). Such mobilization potential in turn may provide the rationale for the state to consult and even negotiate with the social partners to avoid political and social conflict over state interventions. When the social partners share social policy implementation, unilateral state intervention may lead to blockage in the execution phase. Governments may thus be willing to cooperate with the social partners—unless they are able to reform governance structures in order to regain sufficient control.

Beyond unilateral state intervention, the social partners’ involvement ranges from institutionalized consultation of interest groups by policy-makers to concertation between the government and social partners on economic and social policy. Advisory councils are a form of consultation, whereas a ‘social pact’ agreed in tripartite negotiations is defined as social concertation. Corporatist interest intermediation and the social partners’ participation in self-administration should be distinguished since the latter provides less scope for state interference than the former. A further distinction is whether the state devolves self-administrative functions in a semi-public agency to the social groups affected or whether the social partners have assumed self-regulatory functions without state interference. In the case of self-administration, legitimacy derives from the state’s delegation of public authority to an agency. By contrast, with self-regulation, the state abstains from intervening in the social actors’ self-help, according to the subsidiarity principle.

### 4.1 Political Veto Power

Today and in the future, pension reform politics will be about building political consensus within institutional conditions and policy legacies. Past explanations for welfare state expansion are insufficient to explain current reform processes that aim at retrenchment or recalibration. Prominently, Pierson (1996) has argued that the ‘new politics’ of pension reform under austerity does not mirror the ‘old’ politics of welfare state expansion. Past policies led to vested interests in these programs’ continuation among the public generally and the welfare state clientele in particular. He argues that politicians can no longer claim credit for
expanding social rights, but must now anxiously avoid blame for retrenchment. In particular, pay-as-you-go pension systems entail major problems for systemic reform, given the dual-payer problem. Moreover, institutional conditions for advancing or blocking reform policies vary considerably across democratic welfare states. Multiple ‘veto points’ may exist due to federalism, separation of power, coalition governments, constitutional courts, or binding referendums.

The popularity of existing welfare state arrangements has proven a major obstacle to systemic reforms. Studies on public attitudes to welfare states show widespread support for current public pension systems and indicate limited support for retrenchment and majority support for the status quo (EEIG 2003). Moreover, the public underestimates the cost of public pensions, although they are aware of pension systems’ future financial problems (Boeri et al. 2001). Indeed, a large share are welfare state dependents, either as beneficiaries or public employees (Flora 1986). The public opinion’s status quo preference and the vested interests of the ‘welfare state clientele’ provide major political reform obstacles.

To change highly institutionalized retirement systems proves difficult: ‘while the benefits of retrenchment for welfare state opponents are generally diffuse and often uncertain, the large core constituencies for the welfare state have a concentrated interest in the maintenance of social provisions’ (Pierson 2001: 413). Politicians as vote maximizers are worried about the political costs of changing the pension benefit rules of past payers in pay-as-you-go systems. ‘The politics of retrenchment is typically treacherous, because it imposes tangible losses on concentrated groups of voters in return for diffuse and uncertain gains’ (Pierson 1996: 145). One political strategy has been to stretch the impact of changes in a gradual way, exempting current retirees or obfuscating through invisible technical changes (Myles and Pierson 2001).

Indeed, political systems provide numerous veto points for interest groups to influence policy-making, if not to block major changes detrimental to their own interests. Particular institutional arrangements account for cross-national variations in the political capacity of governments to unilaterally intervene in the public pension system or regulate private retirement systems. Diverse institutional veto points (Bonoli 2001) include the ‘veto’ of federalist second chambers (Germany), the need to compromise between national and regional governments (Canada), presidential cohabitation (France), bipartisan checks-and-balances (United States), coalition governments that rely on small parties opposed to a reform (Continental Europe), popular referendums (Switzerland), and Constitutional Courts (Germany). These political institutions allow interest groups that do not represent the majority (the median voter) to block reforms that affect their interests, provided that these veto points can be used in pension policy matters.
indirectly through political parties or directly by mobilizing or advocating for intervention on their behalf. Governments may consider circumventing these veto points by building large social consensus via consultation or concertation. Or they may have delegated implementation rights to self-administrative bodies or rely on private self-regulation.

4.2 Consultation

Institutionalized consultation via formal tripartite bodies or more informal consultative practices has been more common in corporatist countries in Continental Europe and Nordic countries, while in Anglo-American pluralist countries organized labor’s influence is more remote, although bipartisan committees in the 1981 pension reform in the United States and royal commissions in Britain provided some indirect possibilities. Particularly in corporatist countries in Continental Europe, conventions or legal mandates ensure that statutory advisory bodies are routinely consulted. In Nordic countries, instead of formal bodies consultation procedures (hearings and commissions) are common in the policymaking process, providing opportunities for organized interests.

The French Social and Economic Council and the Italian Economic and Labor Council remain rather symbolic postwar institutions that provide a forum for deliberation, but largely fail to enhance consensus-building due to their heterogeneity. On contentious matters, the governments seek either unilateral action or direct negotiations with the social partners. In the Scandinavian countries, political actors increasingly bypass the long-standing tradition of social consultation in committees and parliamentary hearings, and governments seek direct consultation of interest organizations, often via party channels. In the Netherlands, government initiatives, bipartite consensus-seeking within the social partners’ Foundation of Labor, and ad hoc tripartite concertation have increasingly replaced institutionalized concertation via the Social and Economic Council. In Germany, inter-party consensus-building and parliamentary commissions traditionally play a surrogate role for a formal social consultation body, as in the last consensual 1992 pension reform. Due to the political exigencies of a federalist system with the possibility of second chamber opposition, however, the institutional need to seek consensus has also increased the likelihood of reform blockage.

In general, these institutionalized consultation mechanisms are insufficient to provide the social partners with ‘veto power’ because their advisory role remains limited, and they are often consulted at a late stage in policy-making. Traditional statutory advisory forums seem too cumbersome and heterogeneous to foster
consensus and initiate reforms in social policy areas, whereas more informal institutions (such as the bipartite Dutch Foundation of Labor or the Irish concertation with different negotiation rooms) appear to be more flexible. Consultation institutions’ most important function is to develop a shared understanding of particular policy problems and deliberate on joint solutions with long-term positive results for all sides.

### 4.3 Self-Administration and Self-Regulation

Instead of relying on consultation, the social partners may actually find more opportunities to influence pension policy through their role in the self-administration of social insurance (Reynaud 2000). Also, social partners perform self-regulatory functions in (private) occupational pensions (Rein and Wadensjö 1997), involving not only employers, but also unions through collective bargaining. As in the case of formal consultation, there are major differences in self-administration and self-regulation with respect to old-age and disability pension policies. Cross-national differences in social partner involvement reflect historical variations in welfare state development, commonly exemplified by the Bismarckian social insurance and the Beveridge-type welfare state models. Where old-age pensions were introduced as social insurance for industrial workers, benefits tended to be financed and self-administered by both employer and employees. On the other hand, in Beveridge-type welfare states, voluntary self-help was supplanted by state-provided social benefits to all citizens, financed by general or payroll taxes and administered by public agencies. Although these main differences still hold, there are many subtle variations and changes over time within the two models.

There are significant cross-national differences in the degree to which the social partners, particularly the trade unions, assume a self-administrative role in publicly mandated social insurance and/or perform self-regulative functions in private occupational pensions. While participation in self-administrative bodies can provide some decision-making power and control over implementation, the degree to which the state can regulate the benefits and conditions of social insurance schemes varies considerably across welfare regimes (Reynaud 2000). The social partners have traditionally had the most say in the Dutch negotiated second-tier pensions and the French mandatory supplementary pension. These schemes are mandatory by *erga omnes* extension in some industries in the Netherlands or legally mandatory for all workers in France. The influence of German and Italian social partners through self-administration is more symbolic, leaving responsibility for setting financial and regulatory parameters largely to the government, while the occupational pension was traditionally employer-provided.
Among the Beveridge-type welfare states, public welfare schemes in Britain and Ireland as well as the Nordic countries’ basic income schemes are government-administered and controlled, with no self-administrative functions delegated to the social partners. Yet, voluntary agreements on supplementary pensions are now common in Scandinavia (Shalev 1996), giving the social partners an amplified role in negotiating not only wages, but also occupational benefits. A similar trend could develop in Bismarckian systems, following recent reforms during the late 1990s that foster a ‘second pillar’ of private occupational pensions and efforts by unions to enhance their bargaining role (e.g. in Germany and Italy). Nevertheless, the state can use regulatory power and ‘incentives’ through taxation policy to influence private pensions and thus encroach upon social partner self-regulation. Thus, while shared responsibilities in the social policy arena have made reforms more difficult, particularly their implementation, the state still has considerable authority over important parameters with respect to the public pension system. Moreover, the government can influence occupational pension development by using regulatory frameworks.

4.4 Social Concertation

Social concertation—negotiations between governments and social partners—plays an important role in pension reforms where public policy is traditionally shared or when governments do not have the capacity to push through unilateral reforms due to union opposition. If a pension system is based on an earnings-related pay-as-you go model, attempts at radical reforms can provoke resistance by workers and their organizations as this would alter an ‘earned’ social right. ‘Unlike generic schemes for those in “need” or for “citizens,” each individual has his or her own contract with the government with specific benefits attached to his or her specific work record, years of contribution, and earnings history’ (Myles and Pierson 2001: 321). Bismarckian pension systems should thus provide the most noticeable ‘veto power’ to unions, while Scandinavian unions would follow, given their organizational strength and role in negotiated supplementary pensions. Lastly, dual pension systems with a liberal basic pension and voluntary occupational pensions exhibit the least union influence.

During recent years, concertation does not necessarily follow corporatist traditions: some corporatist countries have moved away from social concertation, while others with a weak tradition have opted for social concertation (Molina and Rhodes 2002). Concertation and social conflict have been present in Europe. The strikes against the pension reform of the Berlusconi government in 1994 and the Juppé government in 1995 indicate that at least in countries with contentious labor relations, unions remain able to muster a political strike (Ebbinghaus and Hassel
However, such mass protest depends on the seriousness of welfare retrenchment and the unions’ mobilization capacity. In most cases, governments had good reasons to opt for consensual reform. Concerted reforms were undertaken by government and unions in Italy in 1995 and 1997, an all-party consensus led to the German 1992 reform (but limits were set thereafter), and the French government made concessions in 1993 that prevented such mobilization. Bringing the trade unions into reform coalitions entails phased-in reforms and quid pro quo side-payments.

Concertation does not seem to be limited to countries with self-administrative involvement of the social partners. Thus, Scandinavian trade unions have some influence in political decision-making, in particular the blue-collar unions with special corporative links to the Social Democratic party. However, policy-makers have increasingly circumvented the social partners. Consensus on pension reforms was more limited over the 1990s than earlier. Trade unions have the least institutionalized veto power in the United Kingdom, though employers had some impact on the privatization of pensions under the Conservative government. Although the social partners have no self-administrative role in Ireland, tripartite concertation has become an overarching policy process also increasingly used for pension policy, in particular since collective bargaining partners have to implement the expansion of occupational pensions.

In addition to reforms aimed at cutting benefits and restricting eligibility, governments have also attempted to change social governance more generally, either through changes in self-administration or by changing financing modes. The Dutch government has undertaken both strategies by reorganizing the social partners’ involvement in self-administration and shifting responsibilities to private actors, for instance, transferring the costs of sick pay to employers. Similarly, the French government has altered self-administration and budget control. The French state increasingly assumes financial responsibility, thereby gaining more control over policy instruments and circumventing the social partners’ interests.

New governance in pension policy entails not merely privatization, but could also include increased state-financed and means-tested benefits. Moreover, the trend toward privatization may increase the potential scope for social partners’ self-regulation—similar to the trend in Scandinavian countries, France, and the Netherlands, where social partners have negotiated supplementary benefits. Thus, in countries in which private pensions have gained importance, such as Germany and Italy, the social partners may utilize the opportunity to negotiate private pension improvements in exchange for wage moderation (Ebbinghaus and Hassel 2000). In the two countries with traditional employer-provided occupational pensions (the United Kingdom and Ireland), unions have only recently embraced an increased role in private pensions. Depending on the strength
of the collective bargaining parties as well as on legal and general frameworks, unions can seize this opportunity and negotiate comprehensive occupational pensions.

5 Conclusion

Retirement income systems affect the interests of most social strata in society. Consequently, these groups have mobilized to influence pension policies in the past and will continue to do so in future. Interest groups have often been singled out as the main defendants of the status quo and as obstacles to the rational redesign of retirement income systems. Yet only rarely are governments in the comfortable position of facing no institutionalized veto points in political systems or to have no need to share policy implementations with diverse social groups. To the degree that they have to overcome blockage by vested interests and to the degree that they have to rely on social partners’ cooperation in pension regulation, they need to consider the possibilities for building political and societal consensus. This requires an understanding of the potential conflicts of interests between organized capital and labor, as well as the nature of intra-class cleavages and the potential for inter-class alliances.

Over the long term, retirement income systems affect the vital interests of social groups considerably as they regulate the flows of payments and benefits over the life course. This review of the main latent and manifest interests in pension policy has revealed considerable internal differentiation over time and variation across countries in such arrangements. (The chapter could only sketch the main issues without systematically comparing and explaining these differences.) Similarly, the modes of political and social consensus-building vary considerably between welfare states and over time, depending on institutionalized sharing of public policy between the state and the social partners (or other interest groups). Although our technical knowledge about retirement income systems and the global and domestic challenges has increased greatly over the last two decades, the comparative analysis of ongoing reform processes and the obstacles and opportunities for political and social consensus-building are still in progress. More systematic research is needed to study the specific processes of political influence of veto points, institutionalized consultation of social policy-making, tripartite concertation on pension reform, self-administration of pension insurance, and social partner self-regulation via negotiated pensions.
National legacies and contingent political events challenge generalizations about best practice in managing interest conflicts concerning retirement income systems. There seem to be few opportunities to learn from others how to effectively transfer political and social consensus-building processes from one societal context to another.

References


