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Introduction: Studying Pension Privatization in Europe

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The increased privatization of pensions – the shift from state to private responsibility for old age retirement income – raises fundamental issues of participatory stakeholder rights and social inequality. International organizations and national policymakers advocate for a policy shift away from pay-as-you-go (PAYG) financed public pension schemes towards private, mainly prefunded, pensions. This is largely motivated by an economic logic of financial *sustainability* in ageing societies under fiscal austerity and of boosting financial capital markets to create economic growth. Pension reforms over the last two decades cut back public pension benefits, gradually extended the official retirement age, and fostered privately funded pensions. While the sustainability endeavour was driving much of these pension reforms, the *adequacy* of retirement income has often been neglected from current public debates, partly because poverty in old age seems no longer to be such a pressing concern in Europe's advanced welfare states. Yet poverty and income inequality vary across pension systems in Europe; they are also on the rise due to the continued retreat of public pensions and the larger reliance on voluntary prefunded private pensions. The recent financial market crises during the 2000s reveal the problematic nature of funded pensions that fall short of expected returns. These developments pose major questions with respect to the increasing role of private pensions: Does the retreat from public responsibility lead to more private initiative that fills the gap in future old age income provision? How are these private pensions that are invested for the benefit of future pensioners governed and regulated? To what extent are the risks of old age income security shifted onto individuals, and will income inequality grow larger?

Although some countries have a long tradition in pension fund capitalism, others have only recently decided to change from dominantly public to multi-pillar pension schemes. 'Private' pensions are not the same everywhere across

Europe. There is much cross-national and temporal variation that provides important insights. For this collaborative international study, we chose ten (Western) European countries of established Liberal, Nordic, and Continental welfare regimes.[1] These represent varying forms of public–private pension mix following either a more Bismarckian tradition of maintaining income through earnings-related state pensions or a Beveridge model of combining public basic pensions and (mainly private) supplementary pensions. The chosen countries are also at different stages in privatizing old age income responsibility: some have long traditions of multipillar systems with pension fund capitalism, while others have moved in this direction in various ways, and yet some Continental systems are still dominantly public pension systems. Using these cross-national variations, we will be able to explore several policy-relevant questions. What can we learn from the past development of the public–private mix for the division of responsibility today and in the future? And how do differences in regulation and governance of private pensions affect the participatory rights and income situation of those dependent on such pensions?

Addressing these pertinent questions, *The Varieties of Pension Governance* provides comparative analyses of the trend towards privatization and the cross-national variations in public–private pension mix, of the variations in governance and regulation of private pensions, and it investigates the impact of pension systems on the income situation of older people. This edited book combines a standardized analysis of each country experience besides the three systematic comparative analyses. In the country chapters (Chapters 3–12), the volume analyses the development and particular features of each of the ten European countries. Each chapter provides an overview of the main features of the pension system and the evolution of the public–private pension mix, while in the second part of the chapter the country experts discuss the private supplementary pension systems in more detail. This Introduction provides a short guide to the relevant literature, the main concepts used, the rationale for the selection of countries, and summaries of the content of the subsequent chapters.

1. Comparative welfare regime analysis and Varieties of Capitalism

The origins of pension systems date back more than a century when governments began to establish mandatory social insurance against social risks such as

[1] Although the new Member States of the European Union in Central and Eastern Europe have adopted in recent years important reforms that fostered private pensions, these pension systems are still in process of transformation and thus difficult to compare with the established (Western) European pension systems considered here. For important comparative studies on Central and Eastern Europe, see Müller, Ryll and Wagener (1999) and Orenstein (2008) as well as the international organizations OECD (2004) and World Bank (Holzmann et al. 2003).

old age and disability (Flora and Heidenheimer 1981). The choice between two different goals – poverty alleviation versus status maintenance – led to the post-war development of flat-rate 'Beveridge' basic pensions or earnings-related Bismarckian social insurance that left more or less developmental scope for supplementary private pensions. Private occupational welfare was an important defining criterion of Esping-Andersen's (1990) influential welfare state regime typology. In particular, he distinguished the Liberal regime due to its residual public welfare and extended private self-reliance from Social-democratic universalism and Conservative status-maintaining goals (Esping-Andersen 1996). As an instrument of poverty alleviation, the Liberal welfare state provides only flat-rate basic pensions and expects individuals to save privately. In contrast, the Social-democratic welfare state guarantees universal income security to all citizens, financed largely by taxes and relying on full employment. Finally, the Conservative welfare regime reinforces status differences due to its earnings-related and employment-based social insurance, although social contributions drive up labour costs and lead to welfare without work problems.

Many scholars consider these welfare regimes to be largely frozen, and any subsequent transformation to follow a regime-dependent logic: The Liberal regime leans towards retrenchment and privatization, whereas the Social-democratic and Conservative regimes favour re-calibration or rationalizing (Pierson 2001*a*). Such a regime approach aims to explain the (trans-)formation of welfare states as relatively inert institutional arrangements in which the pension system is only one – although a fiscally important – component. According to this line of argument, the reforms of pension systems, in particularly public pensions that are PAYG financed, are largely a product of earlier institutionalized decisions; hence, changes can only take place within certain 'paths' (Myles and Pierson 2001). Since private pensions are largely seen as a hallmark of Liberal regimes, this regime perspective fails to account for the growing importance of occupational welfare in Social-democratic and Conservative welfare regimes (cf. Shalev 1996).

In a similar vein, much of the Varieties of Capitalism approach (Hall and Soskice 2001) assumes different political economy logics for the linkage between social policy and economic governance (cf. Ebbinghaus 2006*b*; cf. Ebbinghaus and Manow 2001). While Liberal Market Economies and pension fund capitalism coexist, Coordinated Market Economies tend to rely more on patient capital, including on the book reserves for occupational pension commitments by firms (Jackson and Vitols 2001). With changes towards a service economy and Anglo-Saxon shareholder orientation, a reorientation of private pensions provided by firms occurred from defined-benefit (DB) towards defined-contribution (DC) pensions (Bridgen and Meyer 2005). In this study, we show that not only Liberal but also some Coordinated Market Economies, in particular the Netherlands (see Chapter 10) and Switzerland (see Chapter 11), developed mature multipillar pension systems and pension fund capitalism (see Chapter 13). We also investigate to what degree these regimes have departed from state pension reliance in recent years, thereby challenging arguments of the welfare regime literature about institutional inertia and path dependence.

2. Two models of public–private mix

Recent empirical studies on pension reforms seek to go beyond time-invariant fixation of welfare regimes and adopt a more differentiated analysis that also focuses more closely on pension systems. 'Two worlds' have been distinguished in retirement income systems: the Beveridge-type basic pensions and Bismarckian social insurance schemes (Bonoli 2003; Palier and Bonoli 1995). Adopting an institutionalist perspective, the timing and sequence of events is of importance for subsequent development, particularly for pension systems with PAYG financing that creates acquired social rights and thus binds future generations to past decisions (Myles and Pierson 2001). As our comparative-historical account indicates (see Chapter 2), different trajectories of public pension development had important consequences for subsequent development of the public–private mix. Bismarckian systems decided early on to establish earnings-related benefits to achieve status maintenance for different occupational groups. Beveridge-type systems shared an initial orientation towards a basic income but later embarked on two different paths: some were 'early-birds', others 'latecomers' in publicly mandating earnings-related supplementary pensions (Hinrichs 2000: 358). Since the mid-1980s, demographic, economic, and budgetary pressures have brought about a further transformation. Contrary to the 'path dependence' thesis of Esping-Andersen and others, retrenchment efforts and reform directions varied greatly even within countries of the same regime, leading to 'path departure' (Ebbinghaus 2006*a*, 2009).

A multitude of comparative politics approaches attributed the success or failure of structural pension reforms to the 'veto points' provided by political institutions (Bonoli 2001) and the electoral competition between political parties (Immergut and Anderson 2007; Kitschelt 2001). In order to limit electoral repercussions, the 'New Politics' (Pierson 1996, 2001*b*) approach assumes that politicians use strategies of 'obfuscating' retrenchment efforts or of diffusing blame through political consensus building (Pierson 1997; Weaver 1986). In addition, societal consensus building through social pacts with unions and employers has been used by governments to facilitate parliamentary passage and to overcome non-parliamentary resistance (Ebbinghaus and Hassel 2000; Schludi 2008). These comparative political analyses focused on the big reforms that instigated political debates if not conflicts, whereas the gradual privatization and smaller subterranean changes remained often neglected. While these comparative politics studies shed light on the causes for welfare state reform in general, the development of occupational pensions was treated rather as a

Table 1.1 Conceptualizing institutional change

	Intended	Unintended
Public policy (top-down)	*Policy-driven*: Private pensions receive preferential tax treatment	*Policy drift*: Non-adaptation of public pensions leads to retirement income gap
Private action (bottom-up)	*Self-regulation*: Collective bargaining partners seize opportunity	*Negative externalities*: Private actors failure leads to aggravated problems

by-product of the politically induced public pension reforms. Although building upon the insights of these New Politics studies, in this book we look more closely at the interaction between 'top-down' public reforms and 'bottom-up' responses by non-state actors (see Table 1.1), thereby applying and further developing the theory of institutional change (Streeck and Thelen 2005).

Building upon but also going beyond previous policy-oriented studies that have analysed government-induced pension reforms (Immergut et al. 2007; Natali 2008; Schludi 2005), this study explores the consequences and interaction of pension reforms that alter the public–private mix. While the state partially retreated from its responsibilities to finance adequate state pensions, the scope for public regulation and control of private pensions increased. Consequently, the debate on restructuring and recalibrating pension systems has increasingly concentrated on regulation. Prominently, Lutz Leisering (2002, 2010) claims that the need for regulation and the political relevance of pensions has increased due to privatization. By adopting a *governance* perspective (Merrien 1998; Rhodes 1996) that investigates who regulates what, this study enhances the policy-focused analyses by considering the role of non-state actors, especially employers, trade unions, financial institutions, and the individuals (contributors and retirees). It also combines the study of policymaking, its implementation, and outcomes (cf. Arza and Kohli 2008).

While previous comparative studies have focused on the political process, this study builds upon these documented pension reforms 'from above' and concentrates on the potential adaptive changes 'from below'. Even if the state induced reforms, these depend on the adaptation of private actors to these public policies (see Table 1.1). Public policy can set up a conducive regulatory environment for private pensions, in particular through tax incentives or public mandates, thereby aiming to foster or impose private pensions. Political retrenchment of public pensions might lead to lower benefits in the future, thereby indirectly increasing the need for private initiatives to fill the gap. Even non-action by the state can have major consequences due to 'policy drift' (Hacker 2005). For instance, when governments do not raise pension benefits in line with wages, the replacement rate will slowly erode. An example of a 'bottom-up' process that is not controlled by the state is the withering away of DB plans in Britain as more and more employers replace them by DC plans in order to meet a more competitive environment and follow the moves by others (Bridgen and Meyer 2005), thereby undermining their former personnel policy to bind skilled workers to their firm. Finally, the failure of self-regulation of private pensions may lead to increased state intervention. This so-called 'paradox of privatization' (Leisering 2010; Leisering et al. 2002) led to more state intervention despite the aim to retreat from public pension responsibility. Therefore, the governance mode of private pensions will be crucial for the impact of the public–private mix (Clark 2003). The question for the future is whether self-regulation can guarantee sufficient social responsibility or whether the social consequences of failures in pension governance will call for further state intervention, collective negotiations by the social partners, or better self-regulation by 'codes of conduct' of the pension funds.

In this study, we investigate two major sets of hypotheses, more or less explicitly advanced in the literature (Pedersen 1999; Shalev 1996), in the comparative-historical account of the changes in public–private mix (Chapter 2) and in the comparative analysis of income inequality (Chapter 14). The 'crowding-out' thesis postulates that Bismarckian state pensions have limited the developmental scope for private occupational pensions because they provide for sufficient earnings-related benefits (except for very high-income groups due to contribution ceilings). Moreover, the 'social partners', trade unions and employers, are involved in the self-administration of Bismarckian social insurance (Ebbinghaus 2010), thus they are less interested in setting up an additional collective pension scheme. Even if this thesis holds for the past, the question arises whether a retrenchment of public pensions will automatically lead to the reverse process: the 'crowding-in' of the formerly suppressed historical alternative. The 'inadequate state pension' (or pension gap) thesis postulates that Beveridge-type basic pension systems, particularly those 'lite' systems that did not develop mature earnings-related state pension (Hinrichs 2000; Myles and Pierson 2001), leave more room for non-state activities, thereby potentially 'crowding in' private pensions. This was particularly the case in Britain, where employers or individuals were given the opportunity to 'opt out' from the state earnings-related system. In addition, the strategy of the social partners matters a great deal. Unions tended to push for better state pensions first, but when employers were willing to negotiate occupational pensions in return for wage moderation, an opportunity for collective schemes emerged.

3. Studying the public–private pension mix

As early as the 1950s, Richard Titmuss (1958) emphasized the occupational side of welfare activities. Thirty years later, Rein and Rainwater (1986) demanded to bring labour relations back into the analysis of social policy, emphasizing the role of firms and social partners. Seminal comparative studies highlighted the role of occupational pensions provided by non-state actors (Rein and Wadensjö 1997; Reynaud et al. 1996; Shalev 1996). In times of austerity, the tax subsidies for private pensions, the 'hidden side' of the welfare state (Howard 1997), expanded, often unnoticed from official statistics (cf. Adema 1999). Different concepts have been used to describe the newly transformed arrangement such as the 'welfare producing state' or 'enabling welfare state' (Gilbert 2002). As discussed in this study (see particularly Chapter 2), the *public–private mix* of national pension systems has been shifting over time, but the dividing line between state responsibility and that of private actors varies across countries (cf. Clark and Whiteside 2003; Rein and Schmähl 2004). In order to compare the shifting public–private mix and to analyse the private supplementary pensions more in detail, we need a comparative analytical typology of the different pension systems.

Following common practice in pension policy analysis (Immergut et al. 2007: 24), we distinguish *pillars*, that is, the question: 'who provides a pension?', from *tiers*, that is, the question: 'what function does a pension serve in old age income security?'. In contrast to the comparative typologies based on 'welfare regimes' that describe the underlying institutionalized principles of welfare provision as most prominently propagated by Esping-Andersen (1990), the concept of 'pillars' (Goodin and Rein 2001) provides an analytical tool to delineate the different institutionalized providers (or sponsors) responsible for the production of welfare: the state, a single employer, the social partners, and/or the individual (see Chapter 13). In addition to pillars, pension systems assume different functions with respect to income security or maintenance which is referred to with the concept of 'tiers' – different layers of income protection (see Chapter 14). The first, basic social security aim is either a guaranteed minimum to all in need (e.g. social assistance) with a means test or a basic pension for all residents independent of any means test, what T.H. Marshall (Marshall 1950) referred to as a 'social citizenship right'. The second tier aims at status maintenance through earnings-related benefits, following the 'equivalence' principle of paid contribution record and expected benefits. This is common in Bismarckian pensions but also possible to achieve by a second (earnings-related) state pensions in Beveridge-type systems or through occupational pensions. The final tier is only a 'topping-up' of retirement income thanks to the expected returns on invested savings, for instance a fringe benefit offered by an employer to high-skilled employees or a voluntary personal saving schemes offered by financial institutes.

Under *supplementary* pensions, we thus consider all non-state pensions sponsored by firms, negotiated by the social partners (employers and trade unions), or individual decisions to save for old age in addition to mandatory state-provided pensions. For our analysis we divide (see Table 1.2), in addition to

Table 1.2 Pillars and tiers in pension systems

Tiers	(I) Public pillar	(II) Occupational pillar		(III) Personal pillar
	State	Social partners	Employer	Individual
Third tier (topping-up)				(3) Personal savings
Second tier (earnings-related)	(*a*) Earnings-related (*b*) Second tier	(1) Collective agreement	(2) Firm-level pension plan	
First tier (minimum income)	(*a*) Social assistance (*b*) Basic pension			

Notes: (*a*) Bismarckian pension, (*b*) Beveridge pension; (1–3) alternative private pensions (grey box), sometimes coexistent.

the public pension's first pillar (I), between the second pillar (II) *occupational* pensions (collective schemes governed by the social partners or firm-level pension schemes set up and sponsored by an employer) and the third pillar (III) *personal* pensions (individual saving plans). Thus private pensions can be an alternative or a complement to second-tier state pensions.

The ten countries considered in this study were chosen from a variety of pension systems with varying public–private mixes (see Table 1.3). Four countries represent dominantly public pension systems of the Bismarckian tradition (Belgium, France, Germany, and Italy) with important earnings-related state pensions for most occupational groups, and rather limited private pension development. The Nordic countries (Denmark, Finland, Sweden) represent not only different variations of the Beveridge-tradition with basic income security but also different public or private solutions for earnings-related supplementary pensions. And finally, we consider three mature multipillar pension systems (Britain, the Netherlands, Switzerland) with basic pension provisions for all and rather developed private pensions, in particular (quasi-) mandatory occupational pensions. However, there are two borderline cases (marked in boxes) of schemes that share public and private features: they are both mandatory quasi-public schemes but are also partly administered by the social partners. This is the case in Finland for the public and private sector as well as in France for private sector employees. Although they are often considered to be first (public) pillar schemes, we consider these as second (collective) pillar schemes in the comparative analyses. In two cases, we include public personal pensions as part of supplementary pensions: the Danish and Swedish mandatory personal pensions are included as third-pillar personal pensions since they are fully funded and allow individuals choices as to their portfolio. Although these are integral part of the public pensions, we consider them here

Table 1.3 First and supplementary pension pillars

Country	Statutory pensions		Supplementary private pensions		
	I. State (SP)		II. Occupational (OP)		III. Personal (PP)
	First tier	Second tier	Collective	Firm	Individual
Dominantly Bismarckian public pension systems					
Belgium	Min.	<u>Earnings</u>	*Sector-wide*	–	*Voluntary*
France	Min., <u>Mixed</u>	<u>Mandated earnings OP</u>		*Voluntary*	*Voluntary*
Germany	Tested	<u>Earnings</u>	*Sector-wide*	Larger firms	*Voluntary*
Italy	Min.	<u>Earnings</u>	–	(*Tfr*)**	*Voluntary*
Nordic emergent hybrid multipillar systems					
Denmark	<u>Basic+</u>	Flat	<u>Sector-wide</u>	–	*Mandated SP*
Finland	Tested	<u>Mandated earnings OP</u>		*Voluntary*	*Voluntary*
Sweden (a)	<u>Basic+</u>	Earnings	Nation-wide	–	–
Sweden (b)	Tested	<u>Earnings</u>	Nation-wide	–	<u>*Mandated SP*</u>
Mature multipillar pension systems					
Britain	<u>Basic</u>	Earnings*	–	<u>Opt-in</u>*	*Opt-in**
Netherlands	<u>Basic</u>	–	<u>Sector-wide</u>	Larger firms	–
Switzerland	<u>Mixed</u>	–	<u>*Mandated*</u>		Voluntary

Notes: <u>Underlined</u>: main income systems; *italics*: reformed since 1980s; (*a*) Sweden until 1998 reform, (*b*) since 1998 reform; SP: integral part of first public pension pillar, grey box: supplementary private pensions.
*Opt-out of mandatory state second pensions possible;

***Tfr*: mandatory end-of-service pay, partly transferred to personal pensions.

because they are similar to the voluntary schemes such as in Britain or Germany, except for being mandated.

Each country chapter provides an in-depth analysis of the development towards a multipillar pension system as well as the governance and regulation of the private pensions. The first part provides an overview over the current pension system. The development of the public–private mix is analysed with respect to the country's welfare regime, labour relations, and market economy. The emergence and changes of the public–private pension mix before and after 1945 is provided with the help of chronologies that provide a quick guide for the reader to understand the main steps in the path-dependent development but also the more recent path departures. The second part of each country chapter focuses on the governance and regulation of supplementary pensions of both occupational and personal pensions. All country chapters are organized around four leading questions. 'Who is covered?' analyses the overall coverage and its mechanisms (mandate, collective bargaining, employer or individual decisions). 'What kind of benefits?' describes the specific rules for benefits deriving from occupational/personal pensions, whether these are DB or DC systems. 'Who pays?' looks at the financing of the contributions and possible deficits (underfunding) of private pensions. The final section 'who governs, decides and manages?' analyses the problems of governance and regulation, the modes in which employees' interests are represented, and how supervision is regulated.

4. Bismarckian latecomers to multipillar pension systems (Part II)

In Chapter 3, Johan J. De Deken argues that Belgium's public–private pension mix can be considered a paradox: despite the conservative-corporatist welfare regime and rather limited Bismarckian social insurance for old age, voluntarist occupational pensions remained underdeveloped. Until recent pension reforms, the comparatively low replacement rates of public pensions did not lead to the development of extensive occupational plans, even if several institutional conditions that elsewhere advanced the expansion of supplementary pensions were given. The chapter also reviews the governance of private pensions, discussing how recent attempts to broaden access to occupational pensions have been facilitated and frustrated by the decision to embed those schemes into the neo-corporatist system of collective agreements. Although this allows to extend coverage of private pensions for lower-income groups, at the same time it also severely limited the possibility to mobilize funds that are necessary to guarantee adequate income maintenance for the general population.

In Chapter 4, Marek Naczyk and Bruno Palier discuss the French efforts to promote funded pensions in Bismarckian Corporatism. Following its social insurance tradition, the post-war pension system of France has been characterized by occupational fragmentation, its strong reliance on PAYG financing, and by the direct involvement of employers and trade unions in their management. Generous benefits offered a combination of statutory public pension and mandatory occupational pensions, initially crowding out any funded private pensions. However, pension reforms that promoted retrenchment both in the two PAYG-financed statutory public and occupational pension schemes since the 1990s have resulted in the gradual development of funded private pensions. In recent years, the governance of mandatory occupational schemes has been harmonized, and inequalities between different occupational categories have been reduced. While the regulatory framework governing voluntarily funded plans (both occupational and personal pensions) has been largely unified, access to these schemes remains mostly limited to high-skilled employees.

Chapter 5 by Bernhard Ebbinghaus, Mareike Gronwald, and Tobias Wiß discusses to what degree Germany has departed from its Bismarckian public pension tradition. The chapter first reviews the emergence and change of the public–private pension mix in Germany, emphasizing the path-dependent but recent path-departing developments from the Bismarckian social insurance tradition. The politically contentious pension reforms of the 1990s and subsequent reforms in the 2000s followed a strategy of institutional layering by introducing a voluntary personal ('Riester') pension, while fostering coexisting occupational pensions. At the same time, the reforms of public pensions made voluntary private pensions necessary for status maintenance in old age. The second part analyses the structure and governance of occupational and personal pensions in Germany, highlighting the new instruments for the design of occupational pensions such as collective agreements and collective pension institutions self-administered by employers and trade unions. The chapter concludes with an outlook on the future, discussing potential scenarios for institutional change and its consequences for old age income in Germany.

Finally, among the Bismarckian pension systems, Chapter 6 by Matteo Jessoula discusses Italy's efforts towards multipillarization under adverse conditions. In Italy, the move from a dominant public pension pillar based on a PAYG-financed Bismarckian social insurance towards a multipillar system is an instructive example of a 'top-down' process pursued by governments in order to compensate for the far-reaching pension reforms in the 1990s. Change began during difficult socio-economic and financial conditions when policymakers opted to exploit the pre-existing severance-pay scheme as an 'institutional gate' in order to boost private supplementary pensions. However, this strategy ruled out compulsory affiliation to the new funded schemes, thereby limiting their potential coverage. The establishment of supplementary pensions has recently given rise to a 'new politics' putting pressure on policymakers, employers, and trade unions for regulatory harmonization between occupational funds and personal pension schemes.

5. Emergent Nordic multipillar pension systems (Part III)

Jørgen Goul Andersen describes Denmark's silent revolution towards a multipillar pension system in Chapter 7. Denmark developed a multipillar pension system, adding private pensions to its universal flat-rate, tax-financed 'people's pension'. Following the failure to introduce a public earnings-related supplementary pension, fully funded 'labour market' pensions were added through collective agreements between employers and trade unions, extending these occupational pensions to nearly all employment groups since the early 1990s. Comprehensive institutional change took place almost without any legislation by non-state actors, except for the reform of the public basic pension which became increasingly means tested. Private pension governance is typically left to pension funds or to special life insurance companies jointly owned and controlled by unions and employers. Strict rules protect pension funds against financial shocks, but these were eased during the financial crisis to improve returns on these DC pensions. Nevertheless, the Danish pension system looks quite satisfactory from both an economic and social policy perspective.

Chapter 8 on Finland by Olli Kangas and Päivi Luna reviews the move from statutory pension dominance towards voluntary private schemes. Finland's pension system consists of income-tested 'national pensions' and statutory employment-related pensions. The latter are 'hybrid' public–private pensions that were legislated in the 1960s and partly funded through private insurance companies, while employers and trade unions participate in their administration. There is a strong corporatist element: the social partners have been owners of the statutory schemes, therefore they channelled improvements through 'their' own schemes, not via voluntary private pensions as elsewhere. Since the mandatory employment-related pensions are income-related with no ceilings, the high-income earners have had no incentives to contract voluntary supplementary pensions. However, this is changing through a piecemeal institutional change: as statutory pension promises are cut back, an expansion of voluntary occupational and individual pensions occurs.

Gabriella Sjögren Lindquist and Eskil Wadensjö argue in Chapter 9 that Sweden has a viable public–private pension system. The Swedish pension system developed through different stages from the establishment of the first statutory basic pension, the introduction of an earnings-related supplementary pension, and collectively negotiated occupational pensions to the most recent institutional change. A comprehensive pension reform was finally decided in 1994 which led to a switch to an earnings-related insurance with a notional defined-contribution (NDC) and a mandatory funded personal pension component (premium pension). In the second pillar, occupational pensions negotiated by employers and trade unions came under financial pressures due to the decline of industrial employment, which led to some restructuring such as the gradual switch from DB to DC pensions. The chapter also examines the governance and design of these occupational schemes as well as personal pensions.

6. Mature multipillar pension systems (Part IV)

Paul Bridgen and Traute Meyer argue in Chapter 10 that Britain has exhausted voluntarism. The British pension system – with a meagre basic pension in the Beveridge-tradition and coexisting private pensions that have increasingly been transformed from DB to DC pensions – has generally been viewed as consistent with the liberal welfare and production regime types. While this classification is appropriate for some elements, from the 1950s onwards a strong statist side was expressed through the role of the state as employer and as regulator, with important consequences for the scale of state provision and the coverage and governance of occupational provision. The dynamics set in place by these arrangements lie behind recent pension reforms. These serve to enhance the hybrid pension system, moving it in a clearly more social-democratic direction. However, the financial crisis and the change of government in 2010 mean that this movement may be halted before it had really begun.

Chapter 11 by Karen M. Anderson discusses the Dutch adaptation of a multipillar pension system to demographic and economic change. The Netherlands departed from the Bismarckian social insurance tradition by combining flat-rate public basic pensions with quasi-mandatory, funded occupational pensions with near universal coverage. The emergence, expansion, and reorganization of occupational pensions show their close integration with the public pension scheme. Many efforts helped expand coverage through collective agreements by employers and trade unions. Short case studies of pension funds in the public and private sector highlight the core features of the Dutch system as well as its institutional variation. In the wake of the financial crisis, occupational pensions were scaled back since DB pensions were threatened by underfunding. Current debates question the future viability of the Dutch system in an era marked by both demographic ageing and volatile financial markets.

Finally, Giuliano Bonoli and Silja Häusermann draw important lessons in Chapter 12 from the regulation of the multipillar pension system of Switzerland, which is considered a prototype. It includes both public and private, PAYG-financed social insurance and mandatory funded occupational pensions. As many European countries introduced supplementary funded pensions over the last several decades, Switzerland has become an instructive case for policymakers looking for lessons in pension fund governance, in particular concerning underfunding and guarantees in DC pensions during financial crises. However, the Swiss case does not provide a simple blueprint of effective regulation: governance of supplementary pensions not only involves employers and trade unions but it also entails continual political renegotiation. Moreover, the Swiss case also demonstrates the difficulties of effective regulation because governance practice tends to deviate from the formal rules both to the detriment and to the advantage of the sponsors, the insured, and the benefit recipients.

7. The comparative analyses (Parts I and V)

In addition to the individual country chapters, this volume contains three comparative chapters that systematically examine the varieties of pension governance across Europe. As a first comparative overview, Chapter 2 by Bernhard Ebbinghaus and Mareike Gronwald maps the evolution of the public–private mix of old-age pension provision in the ten European countries. It describes the ways in which past decisions in expanding public pensions had major repercussions by defining the space of development for private (occupational and personal) pensions. The process of institutional change is examined by analysing three critical junctures in a comparative historical analysis. First, the early decisions leading towards a Bismarckian earnings-related social insurance for older workers or a Beveridge-type basic pension for citizens to prevent poverty had major implications for further reforms. The second juncture was the successful (or failed) expansion of public pension systems to safeguard the living standards of the middle classes by earnings-related state pensions, leaving less (or more) space for private initiatives that crowd 'out' (or 'in') non-state supplementary pensions. Finally, the more recent pension reforms are evaluated as to their impact on the public–private pension mix, indicating that 'path departure' has been possible in recent shifts away from state and towards private responsibility for old age income. Given the contemporary global economic crisis, the question of institutional change and reform potentials in these complex systems is more important than ever.

Following the country analyses, Chapter 13 by Bernhard Ebbinghaus and Tobias Wiß provides a comparative overview on the governance modes of supplementary pensions, the scope for collective or state regulation, and the different modes of financing mechanisms. It asks how these variations in governance and regulation impact the coverage, type of pension benefits, and its funding. The analysis of the selected European countries indicates a wide variety of supplementary pension governance types, which combine many different features in terms of coverage, benefit calculation, funding rules, supervision, and administration. While the state has partially retreated from the public responsibility to finance sufficient state pensions, the need for and importance of state regulation and societal control of private pensions has increased. Societal actors like trade unions, employers' associations, and financial service firms have become more important in regulating and governing pension systems. The ongoing changes of the public–private mix thus imply not only a privatization with decentralization of responsibilities on to private actors but also more self-regulation by collective bargaining partners as well as increased state re-regulation. The challenge is to balance both public and private responsibility for sustainable and adequate pension income in old age, especially as citizens' longevity extends and the economic situation remains more volatile.

Finally, Chapter 14 by Bernhard Ebbinghaus and Jörg Neugschwender analyses the effect of public and private pensions on the incomes of retired people for the ten selected countries, using available international survey data on retirement income packages by individuals and households. Analysing overall poverty rates and income inequality indicators for older people (aged 65 and older), Chapter 14 discusses significant differences in pension systems and social inequalities. While the reduction of poverty risks is largely due to the minimum income protection in public pension systems, cross-national differences in inequality are due to existing market income differences, the overall public–private pension mix that intervenes in redistribution, and the degree to which unequal protection arises from private pension arrangements. Focusing on private (occupational and personal) pensions, we then compare disparities in coverage as well as the degree to which pensioners receive private pensions and their share of transfer incomes. Analyses by gender, income group, and past employment career provide insights into the ways in which private pension systems may amplify market-generated social inequalities in old age. For the later third of the life course in the developed democracies, historically evolved pension systems determine who will age in relative security and who will face growing older with risks and fears.

8. Will Europeanization and globalization lead to convergence?

The reform of pension systems and the governance of private pension schemes are increasingly influenced by European political and economic integration (Natali 2008) as well as the globalization of financial markets (Clark 2003). Generally, European integration restricts the making of social policy on national level though 'negative integration' (Scharpf 1996), that is, market-making via deregulation. It is difficult to agree on redistributive policies at a supranational level. For instance, the European Court of Justice Barber ruling of 1990 imposed equal retirement ages for men and women in private pensions, but it led to a Maastricht Treaty amendment that limited its retroactive impact on past pensions (Pierson and Leibfried 1995). Most importantly, the European Monetary Union's deficit criterion provides a rationale for cost-cutting pension reforms since the 1990s. The Greek debt crisis in 2010 has increased pressures to cut back public pension, leading not only in Greece to social conflicts about pension retrenchment. Thus, other countries with large public debt followed suit, such as the French government's decision in June 2010 to raise official retirement age from 60 to 62. The European Union's Open Method of Coordination (OMC), by developing indicators and common objectives, invited EU member-states to adapt their policies in fighting social exclusion, achieve financial sustainability of social budgets, and foster welfare state modernization (de la Porte and Pochet 2002; Zeitlin et al. 2005). Most prominently, the EU's target to increase the employment rate among older workers aged 55 to 64 to above 50 per cent by 2010 has added pressures to the ongoing reversal of early retirement policies across Europe (Ebbinghaus 2006*b*). However, due to the high political salience and particular institutional conditions, pension reforms nevertheless remain largely within the national political realms and follow its own electoral political logic.

Where pension issue meets internal market rules, the EU also takes on direct responsibility: it regulates supplementary pensions through the passage of directives regulating the private insurance market. As early as 1998, Directive

98/49/EC guaranteed the portability of acquired pension rights. The Pension Fund Directive 2003/41/EC established a European market for pension funds. The directive regulates disclosure, cross-border administration of pension funds, principles of investment ('prudent investor rule'), and the calculation of actuarial reserves. Contrary to the first draft, the final directive did not include criteria for social, ecological, and ethical investments because it would lower the rate of return. Although the Pension Fund Directive liberalizes the pension market to some extent, Haverland (2007) argues that EU member-states largely succeeded in securing the national prerogative in social policy, while business and financial service interests were too fragmented to advance a more liberalized directive. Moreover, 'the preservation of national competence on social and labour law and the burden on individual IORPs (Institutions for Occupational Retirement Provisions) to conform with such a wide range of social, labour and tax rules have largely hindered the hoped for spread of pan-European pension plans' (Guardiancich and Natali 2009: 25).

The response to the financial crisis by international organizations such as the OECD (Organisation for Economic Co-operation and Development) has been rather cautious, suggesting that governance of private funded pensions should be improved not only by a more balanced portfolio and prudent investment rules but also it warned to backtrack on public pension reform and ongoing privatization (Antolín and Stewart 2009). The immediate impact of the financial crisis of 2008 was considerable losses in pension fund assets of 10–20 per cent not only in the mature multipillar pension systems of Britain, the Netherlands, and Switzerland but also in the emergent pension fund systems of Denmark and Sweden (OECD 2009: Figure 1.3). This led to considerable immediate underfunding of DB pension schemes or lowering of the short-term if not medium-term returns for those individuals expecting to draw on their DC plans soon. Those pension fund schemes with less risky investment strategies fared better, indicating the importance of oversight, if not quantitative portfolio restrictions.

The more long-term impact of the financial crises during the 2000s may be the disenchanting effect on individuals concerning the returns on saving for retirement after the sustainability problems of public pension have already led to a loss in confidence. These current economic problems increase the problems for social risk groups to contribute to voluntary private pensions (Meyer et al. 2007), while public pensions will collect less contribution to finance the acquired rights of pensioners. Moreover, the severe pressures on fiscal policies and public debt increase the pressure for governments to further control costs of public pension systems. While these long-term implications of the current financial crisis remained to be seen, the comparative analyses and country studies collected in this volume will provide a comprehensive overview of the current stage of public–private mix in retirement income responsibility and the different modes of private pension governance and regulation. Despite the long-term trend towards privatization and these pressing challenges, the cross-national varieties of pension governance discussed in the subsequent chapters will certainly remain important for the coming years.

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