INSTITUTIONAL STRUCTURE AND POLICY CHANGE: PENSION REFORMS IN BELGIUM, FRANCE, SWEDEN, AND THE UNITED KINGDOM.

by

Patrik Marier

B.A. Glendon College, York University, 1995

MA, McMaster University, 1998

Submitted to the Graduate Faculty of

Arts and Sciences in partial fulfillment

of the requirements for the degree of

Doctor of Philosophy

University of Pittsburgh

2002

UNIVERSITY OF PITTSBURGH

FACULTY OF ARTS AND SCIENCES

This dissertation was presented

by

Patrik Marier

It was defended on

December 3, 2002

and approved by

Dr. Mark Hallerberg, Assistant Professor, Political Science

B. Guy Peters, Professor, Political Science

Dr. Donald Savoie, Professor, Public Administration

Dr. Alberta M. Sbragia, Professor, Political Science

Dissertation Director: B. Guy Peters, Professor, Political Science

INSTITUTIONAL STRUCTURE AND POLICY CHANGE: PENSION REFORMS IN BELGIUM, FRANCE, SWEDEN, AND THE UNITED KINGDOM.

Patrik Marier, PhD

University of Pittsburgh, 2002

This dissertation seeks to answer the question: what impedes/drives policy change? This objective is sought by analyzing the policy-making process behind recent pension reforms in four European countries (Belgium, France, Sweden and the UK). Despite similar pressures, policy responses have been quite varied. The UK and, to a lesser extent, Sweden have introduced substantial changes to their pension system (*programmatic reforms*) while France and Belgium have resorted to altering existing parameters (*parametric reforms*) to resolve the same issue. The dissertation offers an institutional model, comprised of two ordering principles, to explain this divergence. The first ordering principle states that the type of administrative structure associated with public pension schemes defines the strength and legitimacy of actors in the reform process. More specifically, the presence of social partners in the reform process, as a result of their management and financial roles, constrains governments to adopt parametric reforms while their absence is more conducive to a reform that can overhaul the pension system. The second ordering principle claims that the higher the number of veto players (political parties) required to pass a legislation the less likely programmatic reforms are to occur. Based on these two ordering principles, a typology of policy change is created. It is argued that a high number of veto players can still result in a substantial change if the political parties are able to carry legislation without external influence, but will likely result in policies near the status quo if social partners are involved.

TABLE OF CONTENTS

	Page
Introduction – Policy Change in Difficult Times	1
A. The Extent of the Problem	2
B. Why Study Public Pensions?	4
C. Are Pensions ‘Immovable Objects’? The Argument in Brief	6
1. Methodology	7
D. Overview of this book.	8
1 – Theorizing the Causes Behind the Substantial Differences in Pension Reform	10
A. The Institutionalization of Social Partners and the State, and its Incidence on Reforming Public Pensions	11
1. Bringing institutions in line with the state	12
B. First Ordering Principle: Parliamentary Integration vs. Social Partnership	15
1. Parliamentary Integration	15
2. Social Partnership	18
C. Second Ordering Principle: Proportional vs. Majoritarian Visions	22
D. A Model of Pension Reform – Patterns of Pension Reforms	25
1. Consensus: Easier to achieve in time of expansion (Chapter 3)	28
2. Social Conflict: A winner-take-all system bounded by the social partners (Chapter 2)	29
3. Committee: An expert led democracy? (Chapter 4)	30
4. Cabinet: Unlimited powers? (Chapter 5)	31
E. Methodology and Case Selection	32
1. What is a pension reform?	34
F. Theoretical Background and Alternative Explanations: Theorizing Institutions at a Time of Retrenchment	37
1. The ‘new’ politics of the welfare state – immobilism	37
2. Popularity of the welfare state	37
3. Path dependence	39
4. Institutional stickiness	42
G. Ideology and Party Politics	44
H. Theorizing Political Actors and Welfare State Reform	46
1. Policy networks and its applicability to the study of pension reform	46
2. The resurgence of corporatism	50
2 – France: Still a “Société Bloquée”?	53
A. Historical Development – Pre-World War II	54
1. State employees obtain pension rights…	55
2. So do workers in the private sector	57
B. Historical Development – Post-World War II	62
1. Seeking a new start…dealing with old conflicts	63

C. Theorizing Pension Reform within the French Context 71
1. The importance of the state in France 71
2. The social partners 73
3. The (uneasy) relationship between the state and the social partners 76
4. Bureaucracy 78
D. Reforming Pensions within the French Social Administration 80
1. Vieillir Solidaire 81
2. Commission d'évaluation et de sauvegarde de l'assurance vieillesse 82
3. États généraux de la Sécurité Sociale 83
4. Failed consensus with the Conseil Économique et Social 85
5. Commission protection sociale 85
6. Le Livre Blanc 88
7. Mission Cottave or moving away from the Livre Blanc 92
E. Balladur Does the Unthinkable…He Introduces a Pension Reform…and Survives 97
1. Here comes the reform… 98
2. Explaining the reform 99
3. Impact of the reform 102
F. Juppé Enters Smoothly, Awoke the Sleeping Giant, and Hit a Train! 107
1. Explaining the failure of the Juppé Plan 114
2. Impact of the Juppé Reform 116
3. Private sector truckers obtain retirement at 55! 118
4. Thomas Law 118
G. Jospin Consults, but Does Not Reform 119
1. Charpin Report 120
2. Counter-expertise challenges the conclusions of previous commissions 124
3. The government decides to continue the consultation 128
H. Conclusion 130

3- Belgium: Seeking to Adapt in a Crumbling Consensual World 132
A. Introduction 132
B. Historical Development 133
C. Theorizing Pension Reform within the Belgian Context 139
1. A "pillarized" world? 139
2. The state with a small s 141
3. Social partners 144
4. The relationship between social partners and the state 146
5. Bureaucracy 149
6. Federalism 151
D. A Pension Reform Is Necessary? The ECJ Gives a Push and Willockx Sets the Table…Then Leaves. 154
1. The Pension Minister, Willockx, puts pension reform on his agenda… 154
2. but fails to enact a reform 158
E. Colla Replaces Willocks, Delaying the Reform Further…But Obtain Some "Success" 162
1. After nearly 3 years of delay, the "inequalities" between men and women are erased. 168
F. Consequences of the 1996 Pension Reform: Real Savings? 170

G. Can Belgium Succeed Where Juppé Failed? 173
1. The implications of the non-reform in the public sector 175
H. Complements or the Future Core of the Pension System? The 'Zilverfunds' and the Second Pillar 177
1. Zilverfunds – myth or reality? 178
2. A second pillar… 179
I. Conclusion 179

4 – Sweden: Many Actors…and A Big Reform 182
A. Introduction 182
B. Historical Overview – Pre World War II Period 183
1. An Earnings Related Pension Plan Comes to Life… 185
C. Historical Development – Post World War II 188
1. The ATP struggle 188
D. Theorizing Public Pension Reforms in the Swedish Context 193
1. A Social Democratic State? 193
2. Bureaucracy 196
3. Unions and employers' associations 198
4. The relationship between 'social partners' and the state 199
E. Pension Reform in Sweden…A Long Process, A BIG Reform 204
1. Time to reform ATP? (1982-1990) – Pensionsberedningens Betänkande 204 205
2. First warning signs and indexation difficulties
3. Creation of Parliamentary Committee - Pensionsberedningens Betänkande – and the emergence of the first proposals to reform pensions. 207
4. Aftermath of Pensionsberedningens Betänkande 217
5. A reform is necessary 218
6. Creation of the Working Group on Pensions 220
7. Proceedings in the Working Group on Pensions – A fast start, followed by a stalemate and terminated by a race to the finish line 222
8. The deal – a success in principle 230
F. Seeking to Implement the "In Principle" – The Implementation Committee (Genomförandegruppen) 1994-1998 233
1. Anna Hedborg runs into hot water! 234
2. Delays for the Social Democrats…Do they still want the agreement? 236
3. Race against the clock – Part II 238
G. The Opposition Against the Working Group on Pensions and the Implementation Group 242
1. Gender issues 242
2. Studies 246
3. The Life Income Principle – early retirement 248
4. Costs of the new system 249
5. Difficulties to challenge the members of the group 251
6. Seeking to introduce individual contributions 253
7. The so-called broms… 254
8. Internal critics: Social Democratic Party and Conservative Party 256
9. Position of Labour Market Partners 257
H. The Swedish Reform: A System Shift? 261
1. Why did the Social Democrats agree to such a change? 262

2. Corporatism and union influence, a thing of the past? 265
3. How can this group do so much? 269

5 – United Kingdom: A Marriage to the Private Sector? 271
A. Introduction 271
B. Historical Overview 271
1. Post-World War II – Did Beveridge revolutionize pension policies? 275
C. Theorizing Pension Reform within the British Context – Where is the State? 280
1. Relationship between the social partners and their relationship to the state 282
283
2. Bureaucracy
D. The New Right Wave Hits Pension Subtly…But Efficiently (1979-1983). 284
1. Switching to price indexation 285
2. Setting the table for more change? 286
E. Seeking Permanent Change? 288
1. The Inquiry into Provision for Retirement 289
F. The Conservatives Increase Significantly the Importance of the Private Sector 291
291
1. The real pension time bomb…Fowler's proposals! 293
2. The Social Security Act of 1986 295
3. Consequences of the 1986 legislation 297
4. Explaining the passage of the reform
G. Adjusting the Pension Reform of 1986 – Can the Private Market Be Controlled? 300
1. The scandals erupt 300
2. New Labour, new era? 302
H. Conclusion: An End to the Politics of Wimbledon? 304

6 – Conclusion: Comparative Tests of the Hypotheses and Implications for Further Research 308
A. Introduction 308
B. Review of the Hypotheses 308
1. Parliamentary Integration structure = programmatic reforms 308
2. Social Partnership structure = parametric reforms 311
C. Policy Implications 323
D. Future Avenues for Research 324
1. Generalizing the theoretical framework 324
2. Other institutions 325
Appendix A – What Are Public Pensions? 327
Appendix B – The Evolution of Public Pensions in Comparative Perspective 330
1. Social insurance vs. means-test 330
2. The three worlds of welfare capitalism 332
3. Palme's classification 333
Appendix C – Is Reforming Public Pension System Necessary? Does It Depend on Whom You Ask? 336
A. Are Pension Reforms Necessary? Why? 337
1. Population ageing 337
2. Labour force participation, economic growth and indexation 342
3. Pension benefits 346

B. The Outcome 348
Appendix D – PAYG versus Capitalization: Is It a Genuine Debate? Are There Other Options? 350
A. The Re-Birth of Capitalization as a Retirement Option 350
1. Is PAYG really such a bad alternative to capitalization? 353
2. Why we need political scientists 356
Bibliography 358

LIST OF TABLES

	Page
Table 1: Projected Pension Expenditure (% of GDP, before tax)	3
Table 1.1: Employers' and Employees' Contributions in the financing of Public Pension Relative to the Government. Aggregate Figures (Average 1990-1997)	16
Table 1.2: Patterns of Pension Reforms	25
Table 1.3: Patterns of Pension Reforms with the inclusion of *Lijphart's* (1968) Typology of Political Systems	26
Table 1.4: Pension Reform Index based on the type of institutionalized structure and the number of parties in government (1990-97)	28
Table 2.1: Overview of the French Pension System	71
Table 2.2: Official French Reports on the Future of Public Pensions and Proposals	96
Table 2.3: Scenario from the Livre Blanc	103
Table 2.4: Effect of price indexation on the financial needs of the régime general	104
Table 2.5: Financing need of the various régimes	109
Table 2.6 Number of supplementary contribution points required to reach financial equilibrium in selected schemes	121
Table 2.7: Rapport Teulade. Support and Opposition to the Conclusions of the *Conseil Économique et Social*	127
Table 3.1: The Belgian Pension System	139
Table 3.2: Political Control over the Ministry of Social Affairs and Pensions since 1982.	143
Table 3.3: Regional share of pension expenditure (in %)	154
Table 3.4: Preliminary Projections from the *Bureau Fédéral du Plan* presented during the Roundtable in 1993. Expenditure is in % of GDP	157
Table 3.5: Average Monthly Pensions for Men and Women in 1992 (in BF)	159
Table 3.6: Impact of the Pension Reform as a % of Net Salaries	171
Table 3.7: Supplementary Savings (-) or Expenditure (+) resulting from the Pension Reform of 1996. Wage-earners' scheme only.	172
Table 3.8: Average Pension as a % of the Average Net Salaries	180
Table 4.1: Swedish Pension System as of 1990	193
Table 4.2: MP Representation in Pension Communities (1984-Present)	196
Table 4.3: Total net savings as a percentage of GDP	209
Table 4.4: Required contributions rates to maintain current basic and ATP pension systems with various growth rates (ATP alone in brackets)	214
Table 4.5: New Elements in the Sketch of a Reformed Pension System (Ds 1992:89)	225
Table 4.6: Main line of the 1994 Pension Agreement between the Government (M, Fp, Kd, C) and the Social Democratic Party	232
Table 4.7: Prioritizing of Pensions relative to other issues – by Political Parties	

in Electoral Programs and – in the Debates Among Party Leaders (1952-94) (in %) 232
Table 4.8: Main line of the 1998 Pension Agreement between the Government (SAP) and the Bourgeois Parties (M, Fp, Kd, C) 241
Table 4.9: Benefits/Contributions in the ATP system for those born 1944-50 245
Table 4.10: Positions of Labour Market Partners on Specific Issues Proposed by Pensionsarbetsgruppen as Stated in *Sammanställning av Remissyäranden over Pensionsarbetsgruppens Betänkande Reformerat Pensionssystem (SOU 1994: 20)* 260
Table 5.1: British Public Pension System as of 1979 280
Table 5.2: Pension membership of British Employees (thousands of employees paying class 1 contributions at the standard rate) 295
Table 6.1: Comparative Analysis of the Successful Pension Reforms Introduced in Sweden and the United Kingdom (Parliamentary Integration) 310
Table 6.2: Comparative Analysis of the Successful Pension Reforms Introduced in Belgium and France (Social Partnership) 312
Table B.1: Palme's Classification of Pension Systems 334
Table C.1: Female fertility rates and estimates in EU countries 338
Table C.2: Baseline projections of total population in EU Member States 340
Table C.3: Old-Age Dependency Ratio in EU Member States 341
Table C.4: Employment rate of older workers in the EU 343
Table C.5: Years of Employment and Non-Employment in Belgium, France, Sweden and the UK, Now and in the Future 344
Table C.6: Expected old-age replacement rates for a 55 year old in EU countries 347
Table C.7: Projected Pension Expenditure (% of GDP, before tax) 349

Introduction – Policy Change in Difficult Times

Introduction

The 1990s will be remembered as a period of welfare retrenchment, stopping decades of welfare expansion. Research focusing on the evolution of the welfare state has been replaced by research on its reform (or lack thereof). *Dismantling the Welfare State?* (Pierson, 1996), *Welfare State in Transition* (Esping-Andersen, 1996), and *Globalisation and the Welfare State* (Mishra, 1999) are all evidence that the welfare state is entering a new era, or at the very least that the expansion of the welfare state has been put on hold. This book seeks to contribute to this debate by seeking to answer what impedes and/or drives policy change. In order to answer this question, the recent evolution of pension policies in four European Union countries (Belgium, France, Sweden, UK) is analysed.

Throughout the investigations leading to this book, one of the most frequent question encountered was why do you study pensions to achieve this aim. After all, public pension systems are notoriously cited as being persistent to change.[1] However, it has been known for quite some time that the upcoming retirement of the baby boomers will cause serious financial difficulties to public finance. Thus, public pensions were chosen because most industrialised countries are faced with the prospect of reforming their system amidst structural difficulties and popular disenchantment to enact reforms.

[1] For example, both Pierson (1994; 1998) and Bonoli (2000) have utilized pensions to demonstrate the importance of path dependency in public policy. For further discussion, see below and chapter 1.

The Extent of the Problem[2]

> "If pensions are not reformed…In Italy, workers would have to be paying 48% contributions to their salaries to balance the pensions budget by 2030" (Financial Times, Nov. 17 1999).

> "…despite the absence of a strong case for funding, the momentum for shifting from PAYG to funding remains" (Hemming, 1999:20)

With the upcoming retirement of the baby-boomers in industrialized countries, governments have been pressured to find a solution to the so-called pension 'time-bomb' in order to avoid a stark rise in pension expenditure. Despite the urgency being portrayed in the mass media due to the alleged lack of action on the part of governments, the so-called pension 'time-bomb' is far from being an unexpected surprise. Already in 1975, a leading political scientist in the study of welfare state claimed that "if there is one source of welfare spending that is most powerful – a single proximate cause – it is the proportion of old people in the population" (Wilensky, 1975: 47).

Most industrialised states have been expecting a significant increase in pension expenditure over the course of the next 50 years. As a result, pension reform[3] figures predominantly on the agenda of most governments within the member states of the European Union (EU) as they seek to reduce the upcoming financial pressure.[4] The impact of pensions within public finance should not be underestimated. It is the biggest item within all social expenditure and already accounts for more than 10% of GDP in 9 EU member states (Austria, Denmark, Finland, Germany, Greece, France, Italy, Luxembourg, and Sweden) (EPC, 2000: 27).

With the exception of Italy, Sweden and the UK, the financial weight of public pension will increase significant (see table 1). For most countries it is expected to rise by 3 to 5% of GDP. Belgium and France are quite similar to this effect as pension expenditure is expected to increase by 3,7 and 3,9% respectively. Portugal, the Netherlands and Spain are expecting increases above 6%. By 2010, public pensions will represent more than 14% of GDP in 8 of the 13 countries studied.

---

[2] Four separate appendices are attached to this book for those who seek a better understanding on public pensions. Appendix A provides a discussion on what is a public pension. Appendix B includes a review of the evolution and classification of pension systems. Appendix C includes an in-depth analysis of the so-called pension time-bomb. Finally, appendix D tackles the pay-as-you-go and fully funded debate as discussed among economists.

[3] It is important to note that pension reform does not mean retrenchment. Most reforms in this century have actually led to an increase in the generosity and scope of the benefits made available to citizens. Nonetheless, pension reform is employed in this dissertation to signify a reduction in the size of financial commitment and benefits.

[4] With the exception of the United Kingdom, where expenditure is expected to fall (EPC, 2000: 5).

Table 1 Projected Pension Expenditure (%of GDP, before tax).

	2000	2010	2020	2030	2040	Change 2000-peak year
Belgium	9,3	9	10,4	13	12,6	3,7
Denmark	10,2	12,7	14	14,7	13,9	4,5
France	12,1	13,1	15	16	15,8	3,9
Germany	10,3	9,5	10,6	13,2	14,4	4,3
Greece	NA	NA	NA	NA	NA	NA
Spain	9,4	9,3	10,2	12,9	16,2	8,3
Ireland	4,6	5	6,7	7,6	8,3	4,4
Italy	14,2	14,3	14,9	15,9	15,7	1,7
Luxemb.	NA	NA	NA	NA	NA	NA
NLD	7,9	9,1	11,1	13,1	14,1	6,2
Austria	14,5	14,8	15,7	17,6	17	3,1
Portugal	9,8	12	14,4	16	15,8	6,2
Finland	11,3	11,6	14	15,7	16	4,7
Sweden	9	9,2	10,2	10,7	10,7	1,7
UK	5,1	4,7	4,4	4,7	4,4	0

Source: EPC, 2000: 37.

Reforming public pensions has been a prominent feature within the political agenda of most governments for the past two decades. Nonetheless, it has proven to be quite difficult to move pension reform from the political agenda into legislation. This outcome reflects both the complexity of the issue at hand and the popular support that pension programs have within the populace. Our knowledge of upcoming demographic trends is not sufficient to understanding the financial difficulties of pension programs since other factors such as economic growth, unemployment, inflation, and immigration are directly related to them. For example, a strong increase in economic growth could partly compensate for the higher number of retired individuals expected from the 'pappy boom'. Thus, generating a consensus on the extent of the sickness can be as difficult as agreeing on a cure.[5]

As underlined by the work of Pierson (1994), the welfare state has strong support within the population since many individuals now benefit from it. Public pensions represent a good case where public policy creates politics as many beneficiaries are now organized to protect their interests. For example, no US politician has the luxury of ignoring the American Association of Retired People (AARP) with its 30 million members. Europeans do not have such powerful organizations, but the elderly have been able to use other channels to defend the benefits promised to them by earlier governments. Most unions have included a pensioner

[5] One of the main points in contention is how much change to pension systems is necessary. The key difficulty lies with the reliance on projections. Reliance on projections in the making of public policies can be more an act of faith than a 'scientific' calculation. In projecting pension expenditure parameters for fertility, life expectancy, unemployment, immigration, and economic growth must be included. These elements can act like compounded interests. Any departure from the estimated parameters could result in a large change in the end. A small baby

wing within their organization. The extreme case remains Italy, which has more than 50% of all its elderly belonging to a pensioner union (Campbell and Lynch, 2000). In Sweden, the elderly have shied away from the unions, but have been able to infiltrate the powerful committee system where most expertise for legislation is gathered (Feltenius, 2002).

Finally, the structure of public pension programs constraints severely the choices available for reforms. Most public programs are financed as pay-as-you-go systems, meaning that contributions from current workers are used directly to pay for the benefits of current retirees. Public pensions were created to alleviate poverty among the elderly and payg systems ensured that no waiting period would be necessary. Yet, it is now difficult to move away from payg system since a full privatization of benefits would imply that the current workers would be faced with a double payment as they would have to contribute for their own pensions while still contributing to finance the pensions of current retirees.

Why Study Public Pensions?

Regardless of the economic and/or demographic evidence presented, reforming public pensions *is first and foremost a political problem*. Who gets what remains a political and controversial question. The extent to which pensions should be reformed addresses this fundamental question. Five other political conflicts are analysed in this study. First, even though overstated, a potential intergenerational conflict is looming, if it is not already present. As a result of population ageing and high unemployment, any countries have now reached the point where the active population support a larger inactive population putting a big financial weight onto the shoulders of the former (Appendix C). Despite this new situation, pensioners are viewed as deserving of their benefits, even among the younger generations making retrenchment unpopular. Still, is it fair to allocated more than 50% of the social budget to the elderly (Pierson, 1998), jeopardizing other social programmes such as day care and social housing?

Second, this problematic goes further than a simple intergenerational conflict. Reforming pensions also impact individuals very differently even though they are within the same age group. Continental countries tend to have a plethora of public pension programs tailored to the occupational status of employees resulting in different rules and benefits. While seeking to reform these schemes, governments are finding strong resistance from groups claiming special circumstances, the most popular being civil servants claiming that

---

boom or a significant change in immigration policy would render these estimations useless (for an interesting their pension is part of the status of being civil servant. As it will be demonstrated in this book, occupational divides may even exist within universal systems since uniform rules advantages certain categories of workers over others. For example, the former Swedish pension system granted more generous benefits to those with fast rising wages overtime than to those who maintained a steady income (see Chapter 4).

Third, reforming public pensions relates to the role of the state in providing adequate support for its elderly. Governments have been under both ideological and financial pressure to reduce the size of the state. The traditional picture presents business seeking tax reductions in order to remain competitive in an open world while unions seek to hold on to what they consider earned rights. Financial pressure is strong within the European Union, where its members must actually maintain their public deficit under 3% as part of the Maastricht Treaty. Yet, pension expenditure is expected to grow tremendously if legislation remains unchanged. Should the private sector take an increasing responsibility in this field? The crash of 1929 was actually a key reason behind the introduction of pay-as-you-go (payg) public schemes. The recent poor performances of the stock market coupled with corporate scandals in the US are, once again, raising doubts over the capacity of the private sector to deliver safe pensions.

Fourth, reforming public pensions also raise gender issues concerning the equality of treatment between men and women. The application of a similar retirement age for both genders, as a result of an old EU directive, has provoked stark debates over the adequacy and fairness of such measures.[6] Should the state correct for the inequalities produced by the market? Should this be done within the scope of pension policies? Further, with low levels of fertility being a cause of the pension problem, attention has focused on the role of women within the society since they face pressure to be active participants in the labour market while still bearing most of the responsibilities for child care.

Fifth, the literature on 'neo-institutionalism' has emphasised the importance of institutions when analyzing political conflicts. This literature has stressed that institutions influence and shape political power. What is their role in the field of pension policies? A key question is to determine whether or not specific institutional constellations are better equipped to reform pensions.

---

discussion on this subject, see Math, 2001: 13-25).

[6] Also quite controversial, is the fact that most continental countries still grant pension rights on the basis of the breadwinner model where women's benefits are dependent on that of her husband.

Finally, alternative solutions that could partly resolve the potential increase in public pensions without changing them remain quite controversial. The 'new' countries such as Canada, the United States, and Australia face less of a pressure because of their high level of immigration. However, an increase in the immigration levels in Europe risks generating more support to extreme right parties, which have experienced substantial support in many countries this past decade.

Are Pensions 'Immovable Objects'? The Argument in Brief.

Pierson's claims that the welfare state is an immovable object (Pierson, 1998) have resulted in a debate as to whether or not the welfare state has been retrenched. The stability of the welfare state has been put under scrutiny. Hinrichs (2000), for example, argues that the 'elephants' are on the move. Clayton and Pontusson (1998) and Ross (2000) have stressed that the short time period under study in Pierson's analysis cannot yield conclusive results. This book seeks to distance itself from this debate fearing that it can only lead to a discussion similar to that of the budget literature where the end result was an article on the size of an increment (Dempster and Wildavsky, 1980).

This book argues that pension systems have been altered differently both in terms of scope and domain across Europe. The interesting question remains what has caused certain countries to restructure their whole pension systems while other have simply tinkered with the rules. It is argued that we can find the answer to such a puzzle by focusing on the process under which reforms are being undertaken.

Two important institutional variables are considered to be the determining factors for the type of pension reforms that are being introduced. Moreover, these two institutional factors are ranked according to two ordering principles. The first ordering principle states that the institutionalization of the social partners into the management of public pensions grants them a place within the pension reform process, thus constraining the ability of the government to carry a reform. In this case, pension programs tend to have been built **outside** the state with the management confined to the social partners. The financial contribution of the social partners is also quite substantial in these pension schemes. Thus, social partners represent a 'veto point' (Immergut, 1992) in the process.

In the case where the state manages and bears most of the financial responsibilities, public pension schemes are considered to be **within** the state. The influence and power of unions is constrained to their ties with the social democratic party. It acts as a filter of influence. A similar logic applies for employers and right-wing parties. This situation occurred because unions and employers did not fear the state and/or had trust that the state would administer this program properly without seeking to diminish their power and responsibilities. In order to have a strong influence over the public pension schemes, social actors must find a way to 'capture' or influence the state.

The second ordering principle is inspired by Tsebelis' (1995; 1999) work on veto players. His theory predicts that the larger the governmental coalition, the more likely is the likelihood of policy stability. In this case, this implies a lack of pension reform or a simple tinkering of the rules. Thus, one party governments should be better equipped to introduce substantial pension reforms (but see Pierson, 1994; Weaver and Pierson, 1993; Chapter 1). This book argues that Tsebelis' conclusions only apply once in concert with the first ordering principle. Coalition governments have many tools under their disposal, such as the negotiations on the government declarations, to negotiate binding agreements to tackle major policy challenges such as pension reform. However, the institutionalization of social partners complicates the implementation of coalition agreements since it allows unions and employers to 'poke' at the negotiation process. Thus, it is argued here that a coalition government might be able to carry on more substantial reform than a coalition government and/or a one party government that must negotiate with social partners in an institutionalized relationship (see Chapter 1).

Methodology

Different approaches could have been utilized ranging from the case study to the statistical method where all industrialized countries could have been analyzed. The case study method was rejected because it does not provide the same kind of generalization that can only be obtained by analyzing many cases. Further, many case studies have already been produced. The statistical method was left aside because of the lack of comparable data available. The European Commission[7] began gathering genuine comparable data only few years ago, and it remains extremely difficult to justify similar assumptions across all EU countries. Further, the use of the statistical method for the study of pension is quite unreliable. As stated earlier, the success of a public pension reform is highly dependent on 'external' factors such as unemployment, fertility rates, immigration and economic growth and it takes many years, if not decades, to truly assess the financial impact of a reform.

[7] In collaboration with Eurostat and the Organization for Economic Cooperation and Development.

This book opted for a 'middle of the road' solution by focusing on four cases, each representing a different scenario based on the combination of the two ordering principles presented above. This has the advantage of generating multiple comparisons and controls, which can help to test hypothesis more rigorously than using one or two cases. Another key advantage of using four cases is that one can go beyond comparing within the confine of the three welfare regimes (Esping-Andersen, 1990), which has been common in the literature.

The four cases chosen for this book are: Belgium, France, Sweden and the United Kingdom.[8] European cases were selected because they face the greatest pressures to reform. European countries have the oldest population in industrialized countries, with the exception of Japan, while facing pressure to maintain their public finance in check as a result of the Maastricht Treaty.[9]

The evidence presented is the result of numerous stays in Europe where more than 40 interviews were conducted with most of the actors involved in the policy process (members of parliament involved in pension committees, ministers, bureaucrats, union and employer representatives). Policy documents from these groups were also studied and analyzed alongside official publications. Finally, a careful review of national newspapers was conducted for the four countries under study. A caveat is in order for the British case, where field research was not conducted. This omission is compensated by the vast amount of literature available on the pension reforms introduced in the past 20 years (for example, see Pierson, 1994; Nesbitt, 1995; Boneli, 2000).

Overview of this book.

Chapter 1 presents the main analytical framework employed in this book as summarized above. The argument presented is compared to current theories prevailing in the literature to enhance the discussion. Finally, a series of hypothesis are introduced to test the theory elaborated for this study.

Chapter 2 focuses on the case of France and it analyzes the various attempts to reform pensions in the past twenty years. It represents the scenario where a one party government must include social partners in order to obtain a successful reform. More than ten commissions have been mandated since the mid 1980s and the Balladur government of 1993 generated the only successful attempt to reform the system. Another serious attempt was

[8] For an in-depth justification of these cases, please see chapter 1.
[9] Even though the UK and Sweden are not part of the Euro-zone, both countries have sought to keep the Economic and Monetary Union question a political one by seeking to adhere to the convergence criteria.

made in December 1995 by the Juppé government. However, it was made without consulting social partners and it resulted in the most disruptive protests since the events of 1968.

Chapter 3 presents the Belgian case, which is the nearest case to the status quo. The only significant reform occurred in the mid 1990s under pressure from the European Union to alter its system so that it would not violate the directive on the equal treatment of men and women. Minor reforms were introduced in the past few years with the objective of encouraging the development of occupational pensions within the private sector. The unions have played a big role in ensuring little action on the part of the government. Their presence in this process has forced the government to adopt a small step by small step attitude.

Chapter 4 discusses the case of Sweden. A long process beginning with a parliamentary committee in 1984 has produced a complete overhaul of the system with the agreement of five major parties within the Parliament. The political parties were able to shield themselves from other social actors by restricting their access during the sessions of the Working Committee on Pensions (1991-94), which served as a negotiating trampoline for the five party accord. The agreement has withstood critics within the political parties and social actors, and has begun to be implemented in 1995. Last minute meetings saved the agreement from collapsing in 1998. The unions and employers were not actively involved during the negotiations and were unable to 'poke' at the process, as they were faced with a *fait accompli*.

Chapter 5 analyzes the British case where the most radical reforms were introduced by the Thatcher government. The extent of her reforms has resulted in the near impossibility of restoring a viable public scheme. The new alternatives presented by the Blair government confirm that the presence of the private sector is not going to be challenged by focusing on regulatory aspects. The unions and, even to a lesser extent the employers, were left out of the policy circle that presented most of the reforms. The role of unions was actually dubious since many of their members enjoyed good benefits with occupational pensions contracted out of the state.

Finally, the conclusion reviews and compares the four cases by presenting a detailed analysis of the hypothesis developed in chapter 1. It also reflects on the applicability of the theoretical framework to other cases. The last section tackles further avenues for research and inquiries.

1 - Theorizing the Causes Behind the Substantial Differences in Pension Reforms

Introduction

This chapter introduces a new typology emphasizing the role of actors within the institutional structure of public pensions considering the policy-making environment of each state. The institutional structure matters because it grants specific roles to various actors and generates veto points (Immergut, 1992; Tsebelis, 1995). Further, it is argued that these structured relationships are tied to state formation and the creation of pension programs. Strongly rooted within the neo-institutionalist literature, this chapter argues that the electoral system and the institutionalization of pensions are the two dimensions that should be emphasized in order to comprehend the ability or disability to make substantial pension reforms. As pension reforms during the period studied have taken the form of retrenchment measures, halting a long period of expansion, literature relevant to these policy changes are also reviewed.[10] Nonetheless, contrary to what has been said by some others advocating a 'new' politics of welfare (see Pierson, 1996; 2001) some 'old' theories of the welfare state deserve to be analyzed since they generate insights into the politics of pension reforms. These competing theories are discussed and compared with the approach selected for this book in the last section of this chapter. These approaches are referred to at the conclusion of each following chapter, as they act as a null hypothesis, and can provide some light into possible contradictory results from the expected outcome developed in the theory.

[10] For a good overview of the theories pertinent to the rise of the welfare state, see Skocpol and Amenta (1986) and Esping-Andersen (1990). For a similar overview with pension policies in mind, see Palme (1990).

The institutionalization of Social Partners and the State, and its incidence on reforming public pensions.

This book seeks to contribute to the debate on the retrenchment of the welfare state by comparing the attempts and failures to reform pensions in Belgium, France, Sweden and the UK.[11] All four countries adopted at least one pension reform within the period studies that are quite different in terms of cost reduction, scope, and domain. While also presenting a test of previous theories to be analyzed at the end of each chapter, it seeks to add to the theoretical field by emphasising the importance of institutions while considering the 'nature' of the state. This section discusses the theoretical framework that will be used for the remainder of this book and the methodology employed to evaluate its usefulness. It advocates the use of an institutional theory that encompasses both formal and informal theory acknowledging the nature of the state. This is the kind of institutionalism referred to as 'normative theory' by Peters (1999), which originates from March and Olsen (1989).

The book seeks to answer three broad questions: 1) What are the reasons behind the different routes taken to reform pensions? 2) What accounts for the inclusion/exclusion of social partners in the process? 3) Does the decision on social partners have an impact on the outcome of a reform? Thus, the main focus of the book is on the process under which pension reforms are undertaken, and the outcomes of such processes. The book does not seek to challenge the difficulties associated with retrenchment politics. Retrenchment is a more difficult enterprise than expanding welfare rights and benefits. Consequently, governments seek (preferably) to retrench public pension programmes via 'sneaky' routes to avoid any political backlash via obfuscation, division and/or compensation strategies (Pierson, 1994). However, this does not imply stability. Policy change is an inherent outcome of the policy process experienced in the four countries studied and different outcomes have been obtained.

Key is the 'nature' of the state and the institutionalization of relationships among the various political actors. It is argued that these two variables are crucial in explaining divergence in the type and scope of reforms. As these relationships have been structured overtime, the construction of the welfare state becomes a central element because it established, to use March and Olsen's (1989) terminology, the 'appropriate' relationships among the various political actors.

[11] The justification for selecting these cases is provided below.

Bringing Institutions in line with the state!

> "It is deprived of any particular history in each of the countries where it comes into existence. Without institutional reality, it benefits only from a certain functional autonomy, which enables it to better control the world of business. Thus, the problem of the state – of its origin and of its nature – remains ignored" (Birnbaum, 1988: 110).

Birnbaum's critique of corporatism could easily be applied to most studies of welfare retrenchment. The state remains largely ignored as an important variable worthy of analysis. By stressing that the 'new' politics of welfare was sharply different from theories related to the development of the welfare state, the historical features of the welfare state have been put aside. Not only is the politics absent from this framework (Ross, 2000a), nothing is said about the nature of the state or the historical relationships among the political actors.

Further dissipating the importance of the state and its relationship with political actors (politicians, unions, employers) is the strong reliance on the *Three Worlds of Welfare Capitalism* (Esping-Andersen, 1990) as the basis of comparison for retrenchment measures. It has resulted in a high number of studies comparing 'similar' cases within the Bismarckian family without any real consideration for the nature of the state. Thus, France is now similar to Italy, Belgium, the Netherlands, Germany, and Spain. The policy structure may be similar, resulting in somewhat similar policy options available, but it is a leap of faith to assume that the political constellation is similar as well. Belgium and France may have the same type of welfare state and pension system, but it originated from very different conditions and the political relationship surrounding their creation are starkly different. In France, unions and employers first built friendly societies to keep social affairs out of the state. When the French state began to institutionalize its social security, "the distrust of the state meant that major groups successfully insisted that they have legally defined roles in the new structures" (Ashford, 1986: 298). While similar action was taken in Belgium, it was because the state was too weak to assume this responsibility (see Chapter 2 and 3)!

Hinrichs (2000) also criticizes the use of Esping-Andersen's typology when analyzing pension reforms, but on the grounds that it fails to take into consideration timing as an important variable for the creation of pension systems. He stresses that the latecomers (Netherlands, Australia, Denmark, Switzerland and the UK) have all established a strong private component within their system even though they come from the three different welfare regimes. Therefore, the issue of pension reform operates in a very different problem dynamic for politicians. The strong reliance on the private sector makes reduction of public benefits more acceptable (359; Myles and Pierson, 1998).

A key starting point is King's (1995) conclusions on the evolution of employment policies in the US and UK. Path dependency does not only have an impact on policies and choices to reform them, but it also locks-in political relationships. "It is not just institutional arrangements that are tenacious, but the political interests and choices reflected in them may remain influential upon future policies... The compromises and interests influencing institutional arrangements do not necessarily evaporate or dissipate over time. Institutionalists are in danger of neglecting the politics and history of institutions" (212).

Even though there are some reasons to justify a theoretical break between theories of welfare expansion and retrenchment, the interactions among the political actors involved in these activities remain embedded into the same institutional structure and follow the same logic of appropriateness (March and Olson, 1989). This book seeks to underline that the organizational structures and relationships among political actors are also path dependent. The establishment of welfare institutions brought with it an institutionalization of relationships between the state and social partners. Any alteration to welfare programmes thus required the participation of social partners to the extent in which they have been historically involved with the policy in question.

As underlined by Olsen (1983), there are costs and benefits linked to the association of interest groups in the organization and management of the welfare state, and their role vary across countries and policy sectors. He emphasizes three broad forms of coordination. First, cooperation between the social partners and the state occurs because they share similar ideals and goals. Second, a hierarchical structure fosters coordination with most of the powers in the hands of the legislator. Third, interest groups seek to manage on their own and the state intervenes to ratify agreements and act as a referee when needed. The key variations in coordination "reflect either formal separation or formal merger" (150).

Olsen (1983) stresses the strong variations of integration of the interest groups in the state apparatus by comparing Scandinavia, Britain and the US. This brings us back to Birnbaum (1988) who stresses the importance of the relationship between social partners and the state. No interest group can really decide all of a sudden to integrate itself within the state or not by simply calculating the costs and benefits it may obtain from such action. The forms of integration that have been adopted are the result of long conflicts among political actors, some of which dates back to the formation of the state. Thus, the introduction of one form of coordination over another may not be harmonious. For example, the non-cooperation of the social partners with the state in France is the result of a long history of the *État dirigiste* where state-building involved a stark centralization of powers (Rokkan, 1999). As stated above, the state has sought to integrate the social partners under its roof according to its own set of rule and did not seek to cooperate with them. "The working class has always been excluded from the state; it always had to act conflictively" (Birnbaum, 1988: 123). Thus, the interest groups have sought to maintain social policies away from the state (Olsen's second type) fearing a loss of control over an expanding state (seeking type three). As a result, most strikes are very political and unions seek to protect themselves via the introduction of laws rather than negotiations (ibid, 124). This is the key reason why unions sought to build social insurance "**outside the state**" (Ashford, 1986). It is worth pointing out that, contrary to what Olsen (1983) argues, the institutionalization of unions in France has not resulted in silencing its likelihood for mobilization due to their increase responsibility. The introduction of the state as a key variable helps us explain this behaviour. Based on the empirical material presented in chapter 2, it can be argued that the conflict between type 2 or 3 has actually never been resolved resulting in strange mix of the two, which is favouring the state.

Rothstein (1991) presents a totally different picture for Sweden. He claims that the key reason why unions did not oppose their integration **into the state** was because its power was 'lagom', a Swedish word meaning just about right. They did not feel threatened by the state. On the contrary, unions and social activists sought to introduce their policy of choices within the state, to a point where they could effectively control the bureaucracy (Lindqvist, 1990; Rothstein, 1996). This is in stark contrast to France's recruitment of civil servants within the social domain, traditionally composed of *énarques* with the lowest exam results who marked social affairs as their last choice (Jobert, 1981: 253).[12] Therefore, there were no objections to the institutionalization of social programmes within the state in Sweden. On the contrary, unions continued to insist on granting further responsibilities to the state. The ATP struggle is a clear reflection of this strategy. The main union, LO, did not consider a shared management with the employer but rather sought (and obtained) a pension programme within the state (see Chapter 4). The end result is Olsen's first type of policy co-ordination: goals that are shared by both the state and interest groups.

Belgium represents the institutionalization of Olsen's third type. The state was not perceived as a threat, and the state "could not permit itself social and political conflict to the breaking point" due to its fragile international situation and its dependence on international commerce (Rokkan, 1999: 336). The state was even weak from within. The bourgeoisie, dominated by French merchants, sought to have a minimal state. The presence of multiple cleavages provided a strong obstacle in the extension of state power. Unions were thus in a strong position to further their interests. With union membership rising because of the Ghent system, unions did not want to move away from Olsen's third type and the state could not really alter this choice nor did it seek to. The Belgian pension system followed similar lines and was thus based on a compromise reached by the social partners during WWII, which confined its management to social partners (see Chapter 3).

Britain represents a difficult case to label. The state has never been considered strong with an endorsement to *laissez-faire*. Originally, a Bismarckian type of pension solution was rejected because state intervention was alien (Ogus, 1982: 165)! For the most part, unions and employers attempted to resolve their own conflicts among themselves and the unions sought to increase its representation via the parliamentary process (Birnbaum, 1988: 121). The main union confederation, TUC, attempted to obtain more power via the state, Olsen's first type, but the Labour Party was never as successful as its Swedish counterpart. The first type was never achieved because of the pre-dominance of the Conservatives, who entrenched their choice of pension system following a long back and forth struggle with Labour (see Fawcett, 1995).

First Ordering Principle: Parliamentary Integration vs. Social Partnership

Parliamentary Integration

Based on the previous discussion and analysis of our four cases, we could classify social insurance programmes, resulting from the institutionalization of social conflicts, into two relationship structures: Parliamentary Integration and Social Partnership.[13] This distinction represents our first ordering principle. In the first case, the unions have sought to gain influence or control of pension programmes by capturing office and/or the state bureaucracy. Thus, they are built within the state. This implies that the state is the main financial contributor (see table 1.1) and manager of social programmes. The Parliamentary Integration structure corresponds to countries that have been influenced by 'Beveridge' (such as Canada and the UK) and/or have universal programs (Scandinavian countries). Although this categorization includes both liberal and social democratic welfare regimes (Esping-

[12] France's social engineers where within the unions and were behind the instauration of its social structure following the war (see Marier, 2002).
[13] The following is mostly based on the four cases that are being analyzed in this dissertation. Further generalization would require further research and analysis. The generalized assumptions made here have been introduced to put the four cases into a broader context. Although aware of the potential 'concept stretching' (Sartori, 1970) these terms were chosen instead of Beveridgean and Bismarckian to denote the emphasis on the relationship among the political actors rather than on the type of programmes.

Andersen, 1990), it is worth stressing that the difference between these two lies in the generosity and coverage that is being offered and not in the way programs are being administered.[14]

Table 1.1 Employers' and Employees' Contributions in the financing of Public Pensions Relative to the Government. Aggregate Figures (Average 1990-1997).

Country	Employers' + Employees Contributions/ State Contributions
France	3,82
Netherlands	3,27
Belgium	2,97
Spain	2,46
Germany	2,44
Italy	2,18
Greece	1,97
Austria	1,77
Portugal	1,3
Luxembourg	1,18
Finland	1,08
Sweden	0,88
United Kingdom	0,85
Ireland	0,61
Denmark	0,24

Source: Eurostat, *Social Protection: Expenditure and Receipts* (Bruxelles: Eurostat, 1999).

Sweden represents a case where union's influence was expanded successfully within the state (Korpi, 1983; Esping-Andersen, 1985; Rothstein, 1996) while the UK is a case of limited success due to Labour's electoral difficulties (Fawcett, 1995). Key is that unions sought primarily to achieve their policy objectives via their link to the Social Democratic/Labour Party in the Parliament. It is important to reiterate that this apply only to pensions. For example, unemployment has been under the control of unions in Sweden and follows a logic that is more in line with the Social Partnership structure.

In the case of relationships structured by Parliamentary Integration, governments have strong influence since they do not have to seek a broad consensus outside the government like countries bounded by a Social Partnership structure, which include more formalized veto points (see below). This does not imply that actors other than political parties can influence and shape the pension debate. However, their access into the policy making process is constrained by this structure. One aspect could be the absence of involvement in the formal

[14] The major difference relevant to this discussion concerns the role of the state in term of social responsibilities. It is minimal in the liberal countries where reliance on the private sector is relatively strong. In Scandinavia, the state plays an important role in providing universal social protection.

process of pension reform. For example, Thatcher's reforms were adopted without any consideration for the unions, while Könberg (the former Minister of Health and Social Insurance) was able to institute a Working Group on Pensions without the formal involvement of unions and employers. The influence of the social partners is mostly filtered via the political parties rather than via the state.

Unions and employers' associations are therefore more likely to seek support from political parties to advance their agenda. This can be best exemplified by the passage of the mandatory supplementary pension (ATP) in Sweden in the late 1950s, which was established as a result of a conflict between a Social Democratic proposal (put forward and pushed by LO, the most important trade union), a Centre party proposal, and one emanating from a bourgeois coalition (backed by employers' associations). After an intense struggle, the Social Democratic proposal was adopted (see Chapter 4).

The financial contributions of the government are much more substantial where Parliamentary Integration has been the norm. As demonstrated by Table 1.1, Anglo-Saxon and Scandinavian countries are found at the bottom with a ratio below one, meaning that the government contributes more to public pension schemes than both employers and employees combined. Denmark represents an extreme case since its pension system is mainly financed via sales tax. This leads to a greater influence of the government and the Parliament in the budgetary process for the public pension schemes. Contrary to the situation prevailing in Bismarckian countries, both of these actors are actively involved in the preparation of the budget for this social item.[15]

Before raising the ire of Swedish political scientists with this categorization of the integration of unions and employers, let me summarize briefly my reasons for doing so prior to discussing Social Partnership structures.[16] Olsen (1983) clearly exemplifies his first type of co-ordination, where interest groups and the state share similar goals, with Scandinavian countries. The key argument is their strong presence within parliamentary committees, independent agencies (the so-called *verket* or *styrelse*), and they have many possibilities to influence the policy process because of their active participation within it. On this basis, Olsen concludes, "organizations have legitimate and institutionalized rights to participate in all phases of governmental policy making as representatives of specific interests" (166).

[15] One possible exception could be mandatory public occupational pension schemes, which are an off-budget item. Nevertheless, the Parliament has much greater oversight power than in continental countries with regards to its development. It can alter its ceiling and can easily play with the value of its indexation. The Parliament has full budgetary control of the non-contributory pension.
[16] For a more detailed explanation, see Chapter 4.

This picture has been strongly modified in the past 15 years. The participation of unions and employers has been sharply reduced within both parliamentary committees and independent agencies. Their scattered presence has lost a lot of legitimacy as a result of employers' withdrawal from the board of independent agencies in the early 1990s. Thus, they now tend to focus more strictly on labour market issues. Contrary to both sickness and unemployment insurance, pensions fall closer to being a state responsibility because the ATP reform granted this responsibility to the state. This is evident by the lack of formal participation within the pension reform process versus the continuous presence of both unions and employers within the realm of sickness and unemployment insurance. Könberg attempted to create another small group of politicians excluding unions and employers, along the lines of the Working Group on Pension, for the reform of sickness insurance but failed as a result of their strong objections. Even the composition of bureaucrats within the Ministry of Social Affairs has changed with the arrival of new recruits in the early 1990s coming from a more diverse background and other Ministries such as Finance (Marier, 2001; Chapter 4).

Social Partnership

Found in both Belgium and France, albeit for different reasons, Social Partnership indicates that social partners are highly involved in the administration of pensions. This is usually the case in 'Bismarckian' countries[17] where benefits are granted mostly on the basis of occupational status. In this case, social conflicts between social partners and the state were attenuated by including social partners into the affairs related to public pension such as its management. This institution is legitimized by the strong reliance on contributions, rather than general revenues from the state, to finance pension benefits. Thus, pension can be viewed as a salary because of the contributions made by the employers to the employee for this purpose (Friot, 1998). With regard to the pension scheme for public servants, unions have sought (and obtained) strong protection from the state via the legislative process leading to the inclusion of pensions within the status of civil servant. These give social partners a formal role in the pension policy process[18] resulting in a genuine veto point (Immergut,

[17] Countries where benefits have been granted on the basis of employment and not citizenships. The coverage is based on the occupations of the employees and varies from one profession to another. The financial and administrative roles of the social partners in these countries tend to be relatively high compared to Scandinavian and Liberal (anglo-saxon) countries. For a more detailed description, see Esping-Andersen, 1990.

[18] Although the administration of public pensions is mostly consensual since it involves the application of current legislations, its membership reflects the importance of specific actors within this policy field.

1992).[19] Discussions to alter pension programs tend to be internalized, especially in the case of Belgium. This implies that a reform proposal is unlikely to become public unless it has some kind of support from the social partners. As demonstrated by the numerous committees in both France and Belgium, the social partners play an important role in the search of a pension reform that is politically acceptable and cannot really be excluded (see Chapter 3 and 4). These institutional features are quite difficult to alter or bypass. For example, France's Juppé government in late 1995 enacted a decree to force change. By seeking to alter a previous social arrangement without consulting social partners, Juppé was forced to retract his attempt to reform pensions for public employees due to the massive protest movement that paralysed France in December of that year.

In countries with Social Partnership, the financial and supervisory roles of the government over social programs have tended to be limited. As demonstrated by Table 2,1, the financial burden of social programs is clearly on the shoulders of the social partners. In most 'Bismarckian' countries, social partners contribute twice as much as states. As a result the state has traditionally been confined to a supervisory role. For example, in France, the financial aspects of social security are found in *le jaune* entitled *l'éffort social de la nation*, which is an off budget item, underlining its independence from the state.[20] This is a common situation for many continental countries (Von Hagen, 1992). Still in France, prior to 1996, the Parliament was only informed *post-priori* of social security's financial situation and could not pronounce itself on these budgets administered by the social partners (Mekhantar, 1996: 37-8). In Southern European countries, social contributions have also been employed as a mean to fight tax evasion. Therefore, those who work in the black market do not earn entitlements to public programs.

An exception applies to public employees whose social security is financed mainly by the state, via the Ministry of Finance. Public servants have been able to secure their schemes with the inclusion of a pension within their job description. This results in the maintenance of the civil servant status beyond the age of retirement.

Social Partnership thus consists of a strong dialogue between trade unions, employers' associations and the government, with the latter also needing a majority in parliament to

---

[19] I opted for the term veto points purposefully. Immergut's conception of veto point includes doctors, an extra-parliamentary actor, while Tsebelis' (1995; 1999) more restrictive veto player applies only to parliamentary actors. The difference stems from the more rigid focus on formal institutions by rational choice institutionalists (see Peters, 1999).

[20] Les jaunes consist of general appendixes to the national budget (consisting of les bleus). Les jaunes do not follow the same procedural rules as they act mainly as information material for parliamentarians (Mekhantar, 1996: 37).

enact reform. Any reform proposals must include the social partners who have an institutional veto because of the legitimacy gained via their high contributions and management of pension schemes or the inclusion of pension within their statute. The difficulties are accentuated by the fragmentation of these schemes in three broad occupational statuses.[21] Since these pension schemes have different rules and benefits, generating what is considered a fair reform for one group may be resented by another. Certain groups tend to be more vulnerable than others. This results in targeted reforms where certain pension schemes are reformed while others remain unchanged. For example, the public pension schemes for public sector employees have escaped reforms in many continental countries where the lack of financial involvement is compensated by a strong unionization of the workforce, the conception of deferred wages, and a lower cost associated with strikes.[22]

Without going into all the possible implications of an integrated participation (see Olsen, 1983: 157-164), unions have a very different cost/benefit calculus than political parties. Contrary to politicians, they have very specific clients and they do not face elections. Their logic is to protect the *droits acquis* (earned rights) of their members, and the impact of this defence on elections ranks really low in terms of concerns. Social Partnership leads to an institutionalized structure of relationship where unions are virtually locked-in the policy process. They represent, therefore, a genuine veto point. In this case, it is nearly impossible for the government to ignore them.

This particular institutional constellation impels the government to adopt what Bonoli (2000) calls a *quid pro quo* strategy. It seeks to gather union support (or their silence) by granting them specific requests (49). Thus, logrolling may be employed to gain the acceptance of the unions. Natali (2002) goes in a similar direction by stressing the need of a political exchange between the unions and the government. This conceptualization is interesting but is severely limited by its implications since it underlies that unions can be fooled by accepting a small concession for the endorsement of something that has far more reaching consequences. However, a key benefit from an integrated participation of unions into the policy making process is expertise making it extremely difficult to fool them. As unions tend to be an established institution, they will even be less inclined to enter into negotiations involving a lot of risks because they tend to be quite conservative, preferring to exploit "acquired advantages and the profits accruing from the stats quo than in adjusting to

[21] Private employees, public employees and independents (which include among others self-employed and owners).

new circumstances, grasping new opportunities or innovating (Olsen, 1983: 159). If we assume that unions are not being fooled, then we accept the idea that similar costs are added elsewhere.

The first ordering principle, being the distinction between Parliamentary Integration and Social Partnership structure of relationships, allows us to introduce the first major hypothesis for this book:

Hypothesis 1: Parliamentary Integration structures are more conducive to broader pension reforms than Social Partnership structure since the latter has more built-in veto points.

The key to achieving a successful reform within a Parliamentary Integration structure consists of ensuring a majority in the parliament. The social partners may be involved but their support is not as crucial as in countries experiencing Social Partnership, because their influence is filtered through the political parties. In order to maximize their preferences for a reform that is not too punitive for its members, unions depend on the strength of the party they are associated with. Therefore, we can expect *programmatic* changes in pensions with the Parliamentary Integration structure, especially if Socialist parties are not involved in the coalition behind the reform proposal. Programmatic reform encompasses any significant change in a program resulting in a different logic including new sets of rules, benefits and coverage once a pension is fully implemented.

Pension reforms done within a Social Partnership structure are more conducive to *parametric* reforms or 'tweaking' since it is extremely difficult to reach a broad consensus to introduce a major pension reform because social partners have an institutionalized veto point. Tweaking implies that a government seeks only to alter the parameters of an existing scheme such as the contribution period, the indexation or other rules within the scheme. The philosophy and logic of the system is no threatened by the changes being presented. This argument is supported by Bonoli's (2000) analysis of pension reforms in France, the UK, and Switzerland where he states that only non-concerted efforts succeeded in affecting the politics of the pension system, while concerted efforts "did not significantly alter the political equilibria" (168). In the case of retrenchment, the veto point is most likely to be used by unions as employers generally support policies favouring pension reforms, especially if they result in reducing or maintaining current level of contributions on their part.

[22] In Belgium, civil servants usually receive their lost wages following a strike as part of the negotiated agreement with the state.

This hypothesis also contributes to the 'veto debate'. Rational choice theorists are proponent of a rigid conception of veto player, such as the one advocated by Tsebelis (1995; 1999) for political parties within Parliaments. Empirical institutionalists (see Peters, 1999) advocate the use of veto points which focus on the formalized relationships between the government and outside interest groups. The government must be able to pass this hurdle in order to implement a policy (Immergut, 1992). The hypothesis number 1 clearly provides an endorsement for the latter.

Thanks to the fact four cases are being studied, two other related hypotheses can be tested, which improves our understanding of the formalized (or lack thereof) relationship between government and social partners:

H1a: Reforms are most likely to occur when unions have a co-operative relationship with the state (Belgium) compared to a confrontational one (France).

H1b: Assuming that Rothstein (1996) is right about the capture of the state by unions and Social Democratic interests in Sweden, then the expertise of the state is more likely to be accepted and trusted by unions in Sweden than in France, whose state has a confrontational relationship with unions.

H1a compares two formalized relationships (Social Partnership). Even though both France and Belgium have very similar pension institutions, the relationship between the social partners and the state differs strongly. Social partners are less likely to help a government in times of need if a relationship is confrontational rather than co-operative. H1b also relates to the relationship between the state and the social actors and provides a test of Rothstein's work on the subject.

Second Ordering Principle: Proportional vs. Majoritarian Visions.

Electoral systems tend to produce different types of government and add to the complexity of reforming pension schemes. It is actually more appropriate to refer to majoritarian and proportional influence visions because of the broader implications generated by the electoral rules. As stated by Powell Jr. (2000):

> "In the majoritarian vision citizens use elections to choose decisively between two competing teams of policymakers, providing the winner with the concentrated power to make public policy, allowing the loser only to continue to challenge in future elections. In the proportional influence vision citizens use elections to choose political agents to represent their diverse views continuously in postelection bargaining that will influence policy making. The predominant constitutional arrangements in these countries can be interpreted as designs intended to realize these visions" (233).

As a result of strong divergent groups, many states especially in what Rokkan (1999) calls the *city-belt* have adopted the proportional influence vision to ensure the inclusion of the various cleavages present within a society. This vision has tended to freeze cleavages and has generated 'consensual' democracies (Lijphart, 1984). Birchfield and Crepaz (1998) demonstrate that this 'collective' veto has been responsible for the highly egalitarian features present within these welfare states since they tend to be inclusive of the divergent interests. Belgium is a typical case of consensual democracy (Lijphart, 1984), while Sweden, albeit having experience few coalition governments, has had many minority governments led by the Social Democrats. For the enactment of most policies, they have had to obtain the support of other political parties.

Opposite to the concept of proportional influence visions is the majoritarian vision where first-past-the-post systems are employed. A majoritarian vision provides a winner-take-all framework for the winning political party, which tend to experience a strong concentration of power. The UK is the prototype of this system. France is included into this category for two reasons. First, the powers of the President are close to nil when it comes to pensions. Thus, whether or not *cohabitation* occurs does not influence our analysis. Second, the coalition government present are locked-in. The right wing parties (UDF, RPR) never co-operates with the left (PS, and PCF) and vice versa. It is argued in this book that the majoritarian/proportional distinction is very important when policy reforms must be introduced.[23]

On one hand, a proportional influence vision results in a high number of actors involved in the conduct of government business, thus raising the number of veto players. Any reforms must be negotiated among the coalition partners, or in the case of a minority government, with other parties within the Parliament. This type of government makes significant changes extremely difficult to achieve and tend to favour the status quo. This outcome is best exemplified by the writings of Tsebelis:

> "(P)olicy stability (defined as the impossibility of significant change of the status quo) will be the result of large coalition governments, particularly if the coalitions partners have significant ideological differences among them" (Tsebelis, 1999: 591).

On the other hand, single-party governments face fewer hurdles in introducing significant changes since they do not have to deal with other political parties and they only have to answer to their members. Therefore, single-party governments produce more significant laws than coalition governments (Tsebelis, 1999).

If Tsebelis is right, a systematic bias towards parametric reforms, rather than programmatic reforms, should be the result of having a large coalition of political actors. This type of conclusion is supported by Swank (2001), who concludes that institutions of collective interest representation - social corporatism and inclusive electoral institutions - are more resistant to the neo-liberalisation of the economy. Thus, to borrow Scharpf's (1988) language, coalition governments might be engaged in a 'parametric trap'.[24] This is highly interesting since most studies on the retrenchment of the welfare state emphasize the need of a large coalition behind a reform in order to avoid a concentration of blame, which can have negative electoral consequences in the future (Pierson, 1994; Bonoli, 2000; Green-Pedersen, 2001; Schludi, 2002). This occurs because the majoritarian vision generates a concentration of responsibilities into the hands of a single party, which is held accountable for the public policies it enacted via elections (Powell Jr., 2002). This in turn results in governments seeking to avoid blame when introducing retrenchment measures because the electorate can trace those responsible for their introduction (Pierson, 1994).

As stated earlier, Hallerberg and von Hagen (1999) stress that coalition government are able to act with budgetary constraints despite a high number of actors because they tend to agree on the use of binding targets. Binding agreements are usually done prior to building a coalition government. Coalition partners have very little incentive to break these targets since they are likely going to be reconsidered as a coalition partner in the future (224). A similar logic could be applied to pension by proposing the scheme of a future reform within the governmental declaration for example. As underlined in Peters (1994), a political agenda can include multiple issues to facilitate the emergence of compromise via logrolling. This is usually what is done in Belgium where each coalition partner obtains a Ministry close to its preference and then negotiates its policy objectives with other. Thus, party A gets a diluted version of policy X, but accepting a diluted version of policy Y for party B. Finally, Hallerberg (1999) demonstrates in his study of the Belgian and Italian miracles leading them to membership within the EMU, that institutions can be strengthened or altered to favour a certain outcome despite the presence of coalition governments.

---

[23] This is also consistent with recent research in the field (for example see Hallerberg and Von Hagen, 1999; Powell Jr., 2000).

[24] A key difference would be, however, that this is the result of the electoral system and not federal institutions.

Based on the previous discussion, three null hypotheses can be presented. They are considered null because the main argument of this book is that the interaction between electoral systems and institutionalized structure of relationship matters most. Key is not the number of vetoes present by the nature of these vetoes (see upcoming section).

Hypothesis n2: The higher the number of political parties within a government, the less likely a programmatic pension reform will occur.

Hypothesis n2a: Based on Tsebelis (1999), a broad political coalition that includes ideologically polarized political parties is unlikely to yield a (major) pension reform.

A Model of Pension Reform – Patterns of Pension Reforms

A more theoretically interesting use of both electoral systems and the structure of relationships between the state and social partners is the amalgamation of them to generate a typology – Patterns of Pension Reforms - that is presented in table 1.2. Four types of patterns are generated: Committee, Cabinet, Consensus, and Social Conflict. They are expected to yield different kinds and 'levels' of pension reforms. Prior to discussing each of the cells in depth, it should be emphasised that these patterns are based on the analysis of four countries and they should, therefore, not be taken as a generalization of all European countries. Further research into other cases would be required in order to make this kind of assessment. Nonetheless, a preliminary evaluation of the theory to other European cases is made in the concluding chapter of this book.

Table 1.2 Patterns of Pension Reforms.

Democratic Visions	Institutionalized Structure of Relationship	
	Parliamentary Integration "In the state"	**Social Partnership "Out of the state"**
Proportional Influence Visions	Committee • Sweden	Consensual • Belgium
Majoritarian Visions	Cabinet • UK	Social Conflict • France

By far the most interesting feature of the 'Patterns of Pension Reforms' is the perfect match it has with Lijphart's (1968) typology of political systems even though a different theoretical road was undertaken (see table 1.3). The relationship among the elites is considered to be coalescent when a proportional system is present while they are expected to be in conflict with a majoritarian system. This comes as no surprise since the winner-take-all attitude of the majoritarian vision is conducive to a competitive environment between two rival blocks of political actors. This may create instable public policies, as demonstrated by Steinmo (1993) in his analysis of tax policies where a switch of government often resulted in a new tax policy. On the contrary, elites within a proportional influence vision need to co-operate in order to avoid either a constant state of stalemate or the explosion of the whole political system by ignoring the political needs of minorities. In fact, proportional systems tend to be built as to encourage or even force the creation of super parliamentary majorities inclusive of minorities. In order to function properly these types of political system rest on the hopes that elites sing to the same tune irrespective of cleavages.[25]

Table 1.3 Patterns of Pension Reform with the inclusion of *Lijphart's (1968) Typology of Political System*.

Electoral Systems ***(Political Elites)***	Institutionalized Structure of Relationship *(Political Culture and Society)*	
	Parliamentary Integration "In the state" *(Unified)*	Social Partnership "Out of the state" *(Fragmented)*
Proportional System ***(Coelescent)***	Committee *(Depoliticised)* • Sweden	Consensual *(Consociational)* • Belgium
Majoritarian System ***(Competitive)***	Cabinet *(Centripetal)* • UK	Social Conflict *(Centrifugal)* • France

The matching of institutionalized structure of relationship with political culture and society is even more appealing. As seen earlier, the social partners sought actively to keep social insurance out of the state's hands, a '*centrifugal*' logic (Chapter 2). The Belgian state has left a strong control of social insurance in the hands of the social partners, therefore adopting a consensual approach consistent with Lijphart's *consociational* democracy because of the pillarization of the culture and society, which does not escape unions (Chapter 3). With regards to the Swedish case, the term committee has pretty much the same meaning as the term *depoliticised*, since both assume an important role for experts and a co-operative approach to problem-solving (Chapter 4). Nonetheless, the Committee pattern also implies a stronger concentration of power in the hands of the state vis-à-vis interest groups. This is not explicit in Lijphart's typology. Finally, the term Cabinet was chosen because powers are highly concentrated within the executive, creating a *centripetal* concentration of power (Chapter 5). Thus, the patterns of relationship discovered for pension reform are highly

[25] As stressed by Lijphart and other before him, a PR system without co-operating elites can have disastrous results. France's Fourth Republic and the Weimar Republic are prime examples.

correlated to the type of political system inherent in each of the four cases studied and deserve to be used in conjunction for the studies of pension reform.

Prior to study the implication of each cell, we can consider another way to look at the same phenomena by 'quantifying' it. Table 1.4 is obtained by multiplying both kinds of veto points/players: veto players related to parliamentary actors (average number of parties within a government for the period 1990-7) and veto points embracing social partners (average share of contributions/financing from general taxes, 1990-7). The 1990s were chosen since they represent the period under which most pension reforms occur. However, this table is provided to provide a snap shot picture of the combination of both veto points and veto players, as no further step into quantification is presented. As a matter of consistency, I shall refer to their aggregation as the pension reform index from now on as it goes beyond the original conception of both veto points and veto players.

In line with the ordering principle established earlier, France's pension reform index is above that of Sweden meaning that the nature of the veto matters more than the number of veto found within a governmental coalition. Based on the pension reform index Belgium is expected to have the most difficulties to address its pension troubles while the UK is considered to have the least difficulties. Two scores were provided for Belgium because the number of governmental parties is inflated due to the regionalization of political parties. For example, there is a Flemish and French socialist party, so another score was added (number of parties in government was divided by two). Nonetheless, this is still not representative since some divergence between them has been occurring making a proper assessment more difficult. Therefore, its 'true' score is likely to be somewhere in between the two presented in the table. Even though it is not a subject of investigation within this book, Denmark finds itself at the bottom of the index because of its very high reliance on public funds to finance its pension system. Denmark represents a peculiar case since its pension system relies heavily on a value added tax leading to a very low score in terms of institutionalized structure of relationship.

Table 1.4: Pension Reform Index based on the type of institutionalized structure and the number of parties in government (1990-97).

Country	Institutionalized Structure of Relationship	Number of Parties in Government	Pension Reform Index
Belgium	2,97	3,85 (1,93)	11,42 (5,73)
NLD	3,27	1,96	6,42
France	3,82	1,41	5,38
Germany	2,44	1,92	4,68
Austria	1,77	1,96	3,47
Italy	2,18	1,49	3,26
Finland	1,08	2,7	2,92
Spain	2,46	1	2,46
LUX	1,18	1,96	2,31
Greece	1,97	1	1,97
Portugal	1,3	1	1,30
Sweden	0,88	1,45	1,28
Ireland	0,61	1,56	0,96
UK	0,85	1	0,85
Denmark	0,24	1,72	0,41

Consensus: Easier to achieve in time of expansion (Chapter 3)

The first cell to be discussed is that of the proportional influence vision, which is generates coalition governments combined with an institutionalized structure of relationship that is out of the state. Potential conflicts resulting from the various cleavages are attenuated by coalescent elites and the integration of minorities and social partners within the decision-making structure. Belgium represents the prototype of this cell.

Belgium is considered to be one of the poster children of consociational democracy (alongside with the Netherlands). Not only it is fragmented along class and religious lines, like its Dutch counterpart, but it is also divided along language lines as well. Re-enforcing the power of the elites is the lack of interaction among the three pillars (catholic, socialist and liberal). Belgians simply live in different sociological worlds, even though their importance has been decreasing in the past decade (see Chapter 4).

With regards to pension reform, an optimal retrenchment strategy would be the introduction of a grand social agreement. Traceability to a specific political party would be nearly impossible for the electors (Pierson, 1994) or the unions (Schludi, 2002). In the countdown towards EMU the Belgian coalition government actually sought such a strategy with its 'Plan Global', which aim was to redefine the welfare state in the way it was done after World War II in the so-called 'Social Pact'. It was a big failure because the unions simply did not co-operate.

As stated earlier, the creation of a broad coalition among the governmental parties is simplified via the creation of binding agreements, usually found within the governmental declaration, and continuous co-operation. However, these are more likely to be less stable in the Belgian case since unions have the opportunity to 'poke' at these agreements. For example, it can stress publicly the failure of the Socialist Party to address workers' demands, thus ensuring that it maintains a more leftist profile.

Under these conditions, the governmental strategy tends to consist of a slow but steady evolution, which includes the promotion of proposals that do not seek to provoke stark reactions among all actors involved in the policy process.[26] Proposals are rarely debated on the public sphere, since it could accentuate rather than decrease the differences among the cleavages. A reform proposal is unlikely to be made public if it is clear that unions are strongly opposed to it. The consensual pattern is marked by what a cabinet members refers to as 'petit pas' (slow steps). Therefore, this is the case where the least amount of 'reform action' is expected.

Social Conflict: A winner-take-all system bounded by social partners (Chapter 2).

The combination of a majoritarian vision and social partnership is labelled social conflict because these two categories are strange bedfellows more likely to quarrel than co-operate. The powers of the executive is highly concentrated making it prone to a winner-take-all attitude in a highly fragmented society. At the same time, however, the inclusion of social partners within the institutional structure should be more conducive to a social dialogue, but this is clearly not the case in France. The antagonistic nature of unions comes from a continuous struggle to remain independent from a state seeking to preserve a dominating role in most aspects of the society. Even employers often complain about the interference of the state into its affairs, such as the management of social security. This context of opposition to the state and its subsequent lack of consensus building have resulted in France being labelled a "*société bloquée*" (paralysed society) (Crozier, 1970).

With regards to retrenchment, this case is very enlightening because traceability is definitively not an issue here: The executive is strong, visible, and highly centralized (Vail, 1999). Most constraints are actually found outside the legislative arena. The social partners have an important role within the management of social security and discussions to reform pension includes them. At the very least, they need to be consulted about any proposed changes. Even though they are weaker than in Belgium, they are more likely to mobilize and have a tradition of striking for political reasons rather than for better working conditions (Birnbaum, 1988).

The 'new' politics of welfare literature has stressed that this institutional situation is very difficult for reformers since a government cannot escape blame, and can therefore, be punished at a subsequent election (Pierson and Weaver, 1994; Pierson, 1994). However, this argument has a flip side: pension reform can be easier because social partners do not have the ability to disturb the policy direction or the types of reform a government seeks to pursue. Contrary to Belgium, unions cannot 'poke' at multi-party agreement. The government is in a stronger bargaining situation since it does not have to consider other parties, and is well placed to adopt a strategy of 'divide and conquer' versus the fragmented French unions.

Committee: An expert led democracy? (Chapter 4)

The third cell represents the case where a coalition of political parties is required to enact a reform, but it does not have to face an institutionalized structure of relationship where unions have an important role in the management of pensions (Parliamentary Integration). Their influence tends to be filtered through the Social Democratic Party. The use of Sweden to represent this cell might raise some eyebrows. Despite a PR system, the Social Democrats have historically dominated governments. Less emphasized, however, is that they often had to rely on other parties to maintain a parliamentary majority. Further, the early 1990s marked a point where social democratic support was quite low, and shifting electoral majorities seemed a genuine possibility. After all, the bourgeois parties were able to held office for a similar length of time during the period 1976-1994. The support of the Left Party can also no longer be taken as granted, which was the case for most of the 1980s. In conclusion, a single party cannot carry through a pension reform on its own, as it needs, at the very least, the support of another party.

The other key point in contention is the role and influence of unions, both of which have been in constant decline since the end of the 1970s prompting vigorous debate on the end of corporatism in Sweden. Briefly, the argument presented in chapter 5 stresses that the adoption of the supplementary schemes in the late 1950s confined this responsibility to the state, a position favoured and pushed by LO. However, when it came time to reform the system in the 1990s, it was difficult for unions to advance the claim that they were deserving

[26] However, it may have a better capacity to respond to crisis or international requirements (see Hallerberg,

of representation because they were not as involved in this program as health and unemployment insurance. Therefore, politicians were able to create a very small committee without any interest groups. Contrary to most other European countries, parliamentary committees in Sweden exerts a strong influence in the policy process (Arter, 1990). A great number of multi-party agreements originate in the committees. The various pension committees have included thorough investigations that have involved many experts.

Based on the patterns of pension reform presented in table 1.2, the main stumbling block is considered to be reaching an agreement among political parties. Because such negotiations are made among veto players, and do not require negotiations with another type of political actor (due to the absence of additional veto points), it should be easier to generate a substantive pension reform in Sweden than in France. Contrary to Belgium, a negotiated agreement should be more impermeable because of the exclusion of unions in the formal proceedings. It is far easier to influence an agreement while it is being made rather than facing a final product.

Cabinet: Unlimited powers? (Chapter 5)

The fourth and last cell is composed of a majoritarian vision and a Parliamentary Integration structure of relationship. The government faces no veto points, as it does not have to negotiate with either social partners or other political parties. This results in a strong concentration of decision-making power. It must still face the approval of the cabinet and the parliament, but formal opposition is kept at a minimum. Furthermore, the British society is not as divided as the French and tends to accept authoritative commands (Crozier, cited in Peters, 1995: 60). The strongest capacity for a pension reform should be this case, represented by the United Kingdom.

Pierson (1994) challenges these conclusions on the grounds that actions from this type of government are highly visible and could, therefore, be punished easily by the electorate. Interestingly, this cell represents a situation where the government really has no formal way out in terms of accountability. Contrary to the three other cases, the government cannot blame any other actors for its action. It is worst than France because it cannot blame unions for lacking true leadership to manage pensions, and so on. It can still create expert commissions, attempt to sell the expertise from a think-tank, or blame external events or actors such as the European Union, but at the end of the day the responsibility of a reform rests with the

1999).

government. Nonetheless, Pierson's (1994) list of retrenchment strategies can still be employed and, contrary to his conclusions, have a significant impact.

These four patterns of pension reform provides us with another set of hypotheses:

H3: The impact of pension reforms should be very limited in the Consensual pattern of reform making, and most extensive in the Cabinet pattern. The overall reform ranking should go as follow: Cabinet > Committee > Social Conflict > Consensual.

Application: Belgium should be the case closest to the status quo, and the most extensive reform(s) should have occurred in the UK. Overall, the ranking of the four pension reforms should be as follow: UK > Sweden > France > Belgium.

H3a: Unions will be better equipped to block drastic reforms when they are institutionalized within Social Partnership regardless of union density.

Application: Unions are more likely to have a disruptive role in Belgium than in Sweden despite a similar level of unionization.

H3b: Regardless of the number of veto players (Tsebelis, 1999), it is more difficult to generate a pension reform with the Social Conflict pattern than with the Committee pattern.

Application: France is expected to have greater difficulties in generating a reform than Sweden even though it has fewer veto players.

H3c: The Cabinet pattern generates more extensive reforms than the Social Conflict pattern because the latter faces veto points.

Application: The UK should be able to generate more extensive reforms than France because it does not have a structured relationship based on Social Partnership.

H3d: The Consensual pattern leads to more reform difficulties than the Social Conflict pattern because it has more veto players in a similar structure of relationship (Social Partnership).

Application: Belgium is expected to have more difficulties than France in generating reforms.

H3e: The Committee pattern leads to more reform difficulties than the Cabinet pattern because it has more veto players in a similar structure of relationship (Parliamentary Integration).

Application: Sweden is expected to have more difficulties than the UK in generating reforms.

Methodology and Case Selection

Prior to discussing alternative theories and hypotheses to the framework presented above, it is worthwhile discussing the method used and the selection of the four cases (Belgium, France, UK and Sweden). First with regards to methodology, Scharpf's (1997) discussion on the backward looking bias found in policy research is quite enlightening. He criticized King, Keohane and Verba's (1994) focus on search for the effects of specific variables rather than the causes specific outcomes. Scharpf (1997) demonstrates skilfully that, in policy research, the chain of causation must be long enough to explain also why independent variables behave in a certain way. It is not sufficient to argue that the presence of unions compelled country x to act in a manner y, we need to know the mechanism under which the actions of the unions exercise influence because the presence of unions elsewhere do not generate a similar outcome.[27] Extending Scharpf's logic, Pierson's work starts with the picture of a frozen welfare world and he goes backward into the process to explain why. This book does something similar but emphasises the importance of the policy process since it is assumed that different outcomes are observed across the cases. In order to do that, several step backwards into the process are necessary making the use of a qualitative framework, the analysis of four case studies, more appropriate.

Besides addressing the difficulties stressed by Scharpf, in depth analysis of four countries has some clear advantages. First, the variance obtained is likely to be larger than a comparative study of two or three countries, which tends to be the norm for many publications. This reduces the likelihood of falling onto only exceptional cases. Second, an analysis of four different policy processes is going to be more accurate and helpful than quantitative studies comparing all EU countries at once. It would be quite difficult to quantify policy processes behind granting certain values to institutional features. Further, the outcome of pension reforms cannot be determined in the present since they seek, mostly, to attenuate a possible explosion of costs in the future.

Third, the study of four cases allows various matching combinations among the cases resulting in a clearer picture of the sources of variations. This is key since, for example, we can compare the actions taken by a single party government (France and UK), or a multiparty coalition (Sweden and Belgium) while comparing both groups. A similar logic can be applied to compare the actions taken by Bismarckian countries (France and Belgium), where reforms are considered to be more problematic, with themselves and two others cases from different 'welfare regimes' (Sweden and UK) (Esping-Andersen, 1990). A total of nine combinations are possible. Regardless of combinations, however, it must be underlined that generalization cannot really be made beyond these four cases.

[27] Using an example from earlier writings, Scharpf (1997) stresses these difficulties: "it would have been enough…to show that inflation in the 1970s was controlled by union wage restraint; it was also necessary to identify the factors that enabled the unions in some but not all countries to practice wage restraint" (25).

The four countries analysed in this book were selected on the basis of both institutional structure and electoral systems (see above). Thus, they represent four different ways to reform pensions. The EU is often mentioned as a source of pressure to reform the pension system, therefore four EU cases were selected to remove this variable as a key alternative explanation. The four countries were also chosen because they do not represent strong exceptional cases for the study of pension reforms. For example, the selection of Ireland would raise suspicions because of its very high birth rate, which have pushed ageing issues further down in the future. Norway was dismissed because it can avoid making painful decisions due to the large financial resources it possesses, as a result of its oil. The four cases were also selected on the basis that they complement each other quite well, thus helping to reject other alternative theories. For example, both France and Belgium are considered to be prototypes of the Bismarckian social insurance system present throughout continental Europe. Belgium and Sweden are also highly unionized and are both considered to be highly de-commodified (Esping-Andersen, 1990).

What is a pension reform?

Public pensions are quite complex and are influenced by a multitude of factors, many of which are external to pension systems (fertility rates, labour force participation, growth, immigration). As demonstrated by the numerous projections made in the four countries studied, the alteration of these parameters can yield very different results. The key difficulty in assessing pension reform remains, however, that its effects are far from being immediate. Most measures are implemented over a long period of time with new rules targeted at the younger generations. For example, the Swedish pension reform includes a transition period of 20 years. Thus, it can take 30 to 40 years before the full impact of a reform can be assessed. Moreover, due to the strong variations in all the factors affecting pension systems across Europe systematic comparison are extremely difficult to generate. The figures obtained by the European Union represent an amalgamation of various econometric models where each 'external' variable (growth, unemployment, immigration, etc.) were agreed upon and then put directly into each national model.

Nonetheless, these difficulties should not stop us from attempting to rank or classify pension reforms, and few solutions have been proposed to deal with this issue. First, Pierson (1994) stresses three key elements: spending, program structure, and systemic retrenchment. The later implies changes that are indirectly related to the program, but that still have important implications for the future such as constraining the sources of revenues, weakening popular attachment to a program, alter the institutional structure of a program, and weakening pro-welfare groups (14-7). He returns to these elements in his conclusion and provides a ranking of programmatic retrenchment outcomes with the approximation high, low/moderate and low, an analysis of spending figures, and a qualitative analysis of systemic retrenchment. The programmatic impact of the British pension reform of 1986 is considered to be a 'high' success (142-163). The comparison of two countries allows Pierson greater latitude that he could not have had with more cases.

Second, Bonoli's (2000) *The Politics of Pensions* compares and analyzes pension reforms in the UK, France and Switzerland. However, the four pension reforms covered in his book are never really ranked and pension reform is not really defined.[28] Nonetheless, his conclusion provides us with an important element to consider: the difference between reforms that only seeks a reduction in expenditure and reforms that seek to alter the politics of a particular programme.[29] For example, he argues that the 1986 reform in the UK has created a new bread of private pension holders who are likely to oppose changes related to capital gains (167).

Third, Schludi (2002) compares five cases (Austria, France, Germany, Italy, Sweden) and begins his discussion with "an index for the overall need for adjustment". He obtains this index by presenting data (pre-reform) for 10 possible reform goals of government on the basis of need, and then ranks the need of each country from 1 (lowest) to 5 (highest) for each item. For example, Sweden obtains a score of 1 on the need to harmonize its pension system because it is already universal. He adds the score of each reform goal to obtain his index. He eventually ranks the five countries according to the estimated change in pension outlays 2000-2030, whether or not there was a switch from defined-benefits to defined-contributions, an harmonization of public and private sector schemes, and the promotion of fully-funded pillar. Despite adding clarity to the judgement of pension reforms, his ranking of the five countries remains quite arbitrary since it grants an index point for reform elements that yield very different results. For example, harmonizing pension benefits may not generate as much savings as altering their indexation.[30]

[28] He restricts himself to a discussion of five reform options: shifting financing from payg to funding, increasing the age of retirement, targeting of benefits, changes in the benefit formula, and changes in the indexation mechanism (23-27).
[29] As underlined in Chapter 1, a reform does not have to cut expenditure. However, since most difficulties are related to pension expenditure during the period under study, reforms are associated with retrenchment measures.
[30] The Belgian case (chapter 3) clearly illustrates the strong variation in the effects of different pension measures.

In this book, three broad elements are analyzed in the assessment of pension reforms. First, the financial impact of a reform is scrutinized under two different angles: The expected reduction of governmental expenditure and the expected costs to groups of individuals. Regardless of the fact that spending does not tell us a whole lot about social programmes (Esping-Andersen, 1990), it is financial concerns related to the public budget that are pushing politicians to seek reforms. Despite a variety of acceptance in terms of taxes and benefits, all four countries studied have required changes in order to avoid a stark increase in public expenditure as a result of the ‘pappy-boom’. Thus, a key goal of pension reform remains the reduction of expected outlays. Another interesting way to study the effect of a pension reform is to analyse its impact on groups of individuals. This is very interesting for political scientists since it tells us who shoulders the burden of these reforms.

Second, the program structure is analyzed. An important distinction is made between *parametric* versus *programmatic* reforms. A parametric reform occurs when a government only alters certain parameters of a specific programme without challenging its basic principles. For example, an increase in the length of contribution does not change the philosophy or the basic way under which the system operates. A programmatic reform presupposes a significant departure from an existing system. In such a case, all parameters are likely to be changed and new principles are likely to be added. It is like buying a new house instead of fixing the roof. A programmatic reform is more encompassing and seeks to resolve the ‘pappy-boom’ with one major overhaul of the pension system. It is therefore more far-reaching than a parametric reform.

Finally, the political implications of the reform are studied. Of major importance for this book is the implication of a reform on the relationship between the social partners and the state. Do social partners gained new powers in exchange for their co-operation? What were the social partners able and not able to obtain? Is the government seeking to marginalize them by reducing their institutional role? Does the reform introduce new divisions among future groups of pensioners? The answer to these questions has implications for the way pensions will be addressed in the future and need to be considered.

Theoretical Background and Alternative Explanations: Theorizing Institutions at a Time of Retrenchment

The ‘ new’ politics of the welfare state - immobilism

The re-emergence of institutions within political science (March and Olsen, 1989: Peters, 1999) has not escaped studies related to the retrenchment of the welfare state (for a review see Green-Pedersen and Haverland, 2002). For the most part, institutions have been considered to be a hindrance for politicians seeking to reform the welfare state because of veto points (Immergut, 1992; Bonoli, 2000) and institutional stickiness (Pierson, 1994; 1998). It is rare to find cases where a single majority of 50% + 1 in a national parliament is sufficient to carry welfare reforms. Even though this assertion has been widely supported in the literature, there have been few studies where institutions have been analyzed as favouring retrenchment (King, 1995; Ross, 2000b). For example, King (1995) demonstrates that the re-introduction of workfare in both the US and UK was facilitated by the institutional structure that was in place.

No one can deny the impact of Pierson’s work, which has theorized the difficulties associated with retrenchment politics (1994, 1996, 1998, & 2000; Pierson and Weaver, 1993) and generated an important debate within academic circles. It is therefore logical to begin our theoretical discussion of pension reform by reviewing his work and its critique. His work is strongly rooted within the neo-institutionalist literature and its key contribution is that welfare retrenchment is quite different from welfare expansion. Pierson (1994) argues that retrenchment is a difficult and costly political undertaking, as it is much easier to share benefits than the burden of retrenchment because it is an exercise of blame avoidance rather than credit taking. Moreover, the electorate tends to have a negative bias, by being more aware of losses than equivalent gains (Weaver, 1986). As a result, he claims that the welfare state is like an immovable elephant.[31]

Popularity of the welfare state

Pierson (1994) states three key elements behind the stability of the welfare state. The first is the popularity of the welfare state. Social programs, public pensions being a prime

[31] Albeit for different reasons, Esping-Andersen (1996) supports Pierson’s conclusion by stating that the welfare landscape is frozen.

example, enjoy broad support among the electorate because they benefit from them. This rests on the argument that ‘policies produce politics’ (39). For example, it is very difficult for a politician or a political party to get elected on a platform where pension cuts is one feature. This is emphasized by the fact that the elderly have higher election participation rates than the young. Further, recipients are now members of interest groups defending their interests. Pierson claims that the welfare state actually fostered the creation of interest groups that seek to protect their benefits (30). His reference to the American Association of Retired People (AARP) with its 28 million members and 1300 staff members is a case in point (3).

The ‘grey power’ thesis has been questioned. The elderly do not represent a single unified interest. In the four countries studied here, associations representing the retirees tend to be divided along ideological (Sweden) or occupational (France) and religious (Belgium) lines. Pierson (1994) himself acknowledges that one of the key reasons why Thatcher was able to push through her reform in 1986 was the divisions among the types of British pensioners (71). Further, Lynch (2001) underlines that countries do vary with regards to how much they spend on the elderly vis-à-vis the non-elderly, with the US favouring the elderly. She states that “younger age groups enjoy significant benefits” in many countries (433). Thus, the influence of elderly groups might be stronger in the US than elsewhere prompting the question why, and challenging the generalization of the grey power thesis.

Another problematic assertion is the linkage between public opinion and elections. Thatcher introduced what are considered ‘unpopular’ reforms, but she was still able to hold office for over 10 years. These actions are even more challenging once we consider that the British political system offers little room for blame avoidance tactics. Contrary to the US, for example, a policy cannot be blamed on the Congress or the Second House of Parliament.

Finally, Ross (2000a) challenges the power of the opinion polls in sustaining the welfare state. She does not dispute this support, but also directs our attention to other polls suggesting that retrenchment measure such as the “Personal Responsibility and Work Opportunity Reconciliation Act,” associated with the phrase ‘ending welfare as we know it,’ became a highly popular initiative from the Clinton Administration (19).

The cases reviewed in this book partly support Pierson. A key difficulty for the evaluation of this thesis remains that there is a widespread consensus among politicians in all countries that pensions had (have) to be reformed. The source of the conflict centres more on its degree and on how. Swedish politicians went out of their way to ensure that pensions were not going to be on the electoral agenda. The latest French election, however, resulted in both camps proposing a similar reform to the public sector despite the stark opposition such attempts faced in 1995 from public unions and the a large segment of the population. Thus, the electorate is faced with a choice between two main blocks advocating pension reforms.

Path dependence

Path dependency has been linked mostly with *Historical Institutionalism* (for a more in depth review see Hall and Taylor, 1996; Immergut, 1998; and Peters, 1999), which emphasises the "legacy of the past" (Peters, 1999). It advances that an institutional structure creates a path restraining the number of policy options available by increasing the costs of alternatives. North (1990) describes this phenomenon by citing an article explaining why QWERTY persists on keyboards even though more efficient alternatives now exist.

According to Historical institutionalists, institutions also delimit the power and even the interpretation of one's interest while enhancing that of other political actors. Even if actors act rationally, institution structures create unintended consequences. For example, Steinmo (1993) argues that Sweden was able to build a stronger welfare state than the United States not because Swedes wanted the welfare state more than Americans, but rather because the American tax system was not as efficient as its Swedish counterpart. The Americans were unable to create a national sales tax comparable to their European counterparts and to hide taxes (195-98). The lack of a strong welfare state in the US is an unintended consequence of its tax system.

Pierson (1994) also argues that previous choices, such as opting for payg schemes, constrain the range of options available to policy makers who wish to introduce a reform. Pensions are considered to be a clear example of a path dependent policy, since a move away from payg to a fully funded system would result in a double payment problem for a generation, who would have to finance its own pensions and the one of their elders. This is one of the key reasons why pension reforms are introduced over a long period of time. A pension reform must allow individuals to adjust their savings and working career in accordance with a new reform. A person near retirement would face immense difficulties in improving his/her savings if someone were to reduce the benefits by 10% tomorrow. This reality is, at the very least, as much a reflection of this problematic as a strategy to avoid blame on the part of governments. Even though this conceptualization provides some understanding as to why substantive reforms have not occurred in many countries, it is not heuristically useful in explaining the fact that some countries have been able to introduce substantive pension reforms while others have not. Pierson acknowledges that his theoretical framework cannot really account for the drastic changes to the British public pension scheme. Nonetheless, he claims that this is the 'exception rather than the rule' (Pierson, 1996: 161).

To their credit, Myles and Pierson (1998) provide an explanation to this exception by underlining the importance of program maturity in generating reform.[32] They claim, on the one hand, that countries who were able to introduce significant reforms by adding a funding component into their scheme have been latecomers in the development of their public pension programs (8). They state, on the other hand, that diverse countries such as Italy and France have had major difficulties in introducing these kinds of reform because of the high level of maturity of their public pension schemes (30). Even though this explanation increases our understanding of pension reforms, it does not explain a key case of this book. Sweden's ATP program was fully developed when it was transformed in the 1990s.

Nonetheless, key in Pierson's analysis is the static 'nature' of welfare programs. His theoretical framework, strongly influenced by the new-institutionalist school, is quite prone to that. A common critic is that this school emphasizes (not to say inflate) the stability of institutions and policies. The strong reliance on 'path dependency', a key tool employed by Pierson and others belonging to the historical institutionalist school, reinforces this scenario. As stated by Peters (1999):

> "the entire analytical framework [historical institutionalism] appears premised upon the enduring effects of institutional and policy choices made at the initiation of a structure. Thus, the approach appears much better suited to explain the persistence of patterns than to explain how those patterns might change… [T]here appears to be little or no capacity to predict change" (68; see also Pierre et al., 2002).

Thus, it begs the question what is a move away from the status quo? There is still no clear definition of what is the null hypothesis of Pierson's static elephant. This makes Pierson's work nearly tautological. At the macro level, all of his cases are considered to be 'successful' (Pierson, 1996; 1998) meaning that no substantive changes have been performed. The term path breaking policy is now surfacing within this kind of literature, implying that certain actions are made to favour retrenchment at a later date. For example, Palier and Bonoli (1999) have argued that the inaction of the government with regards to pension reforms in France increases the uncertainty among the population reducing its faith on public pensions and leading them towards private options. Nonetheless, there is nothing on when a path actually gets broken.

---

[32] Pierson (1994) alludes to this in '*Dismantling the Welfare State*' where he states that one of the key reasons behind Thatcher's success in reforming the public pension scheme in Britain was that it had not yet reached a high level of maturity like social security in the US (71-2).

Another difficulty lies with the meaning of retrenchment. Parametric reforms are a lot easier to implement than a sweeping reform of a program and have been advocated in many countries. However, the cumulating effect of parametric reforms can end up having a similar impact as a sweeping programmatic reform. This outcome has been noticed when analyzing the rise of the welfare state and must be considered while analysing retrenchment as well. The evolution of the welfare state is the result of a slow *incremental* improvement in social policies occurring in the last 100 year. As stated by the late Ashford (1986), “there was never an historical turning point where leaders sat around the table and said to each other that we must now devise a welfare state” (4). Thus, Ross (2000a) argues that “welfare states were not built over a decade or two, so why would we expect them to be dismantled over a decade of two?” (16; see also Clayton and Pontusson, 1998). Even though such criticism strikes a cord, it does not resolve the problematic of measuring change as stated above. We replace move from the status quo with increments. A similar discussion occurred in budgetary politics resulting in a debate over this size of an increment (see Dempster and Wildavsky, 1980). A move away from stability towards a more dynamic transforming configuration still requires a solution for this measurement problem.

Pierson’s association of policy stability partly as a result of path dependency can also be questioned. Baldwin (1990b) demonstrates that path dependency has restricted the opportunities made available to reformers but did not halt the development of public pensions in the five European countries studied (Denmark, Sweden, UK, France and Germany). Of importance is the fact that major changes occurred despite the difficulties associated with path dependence.

Governments have historically acknowledged these difficulties, but have also been using them to their advantage. In the case of the Swedish mandatory supplementary pension reform (ATP), the social democrats provided highly generous benefits to white collars workers to gather their support for their public system because they were already covered by private alternatives. Even though the compromise formula led to better benefits for white-collar workers, LO accepted this, as they understood that it was the price to pay for the creation of ATP. This major shift in pension policy was part of a social democratic strategy, which resulted in an extension of popular support in subsequent elections (Svensson, 1994). Had there not been extensive private alternatives enjoyed by white-collar workers, it would have been very difficult for the social democrats to defend its ATP position with LO. Thus, the efforts made to break the private path turned out to be beneficial politically.

Even if we accept that retrenchment is very different from expansion, the association of policy stability with path dependency does not always hold. This is clearly demonstrated by King (1995) in his study of the politics of unemployment in the US and UK. Part of his argument states that the institutional arrangements of both countries have facilitated the re-introduction of work-to-welfare programmes.

The four cases studied in this book emphasise that path dependency does not mean 'frozen' dependency. Two of the four countries studied (Sweden and the UK) have introduced significant changes to their pension system, and, despite adopting less drastic measures, some substantial changes have been adopted in Belgium and France.

Institutional stickiness

The third key point for Pierson is institutional stickiness. Many countries have formal rules requiring a majority well above 50% for the removal or alternation of a law. The United States, with its Congress, Senate and Presidency is a case in point (Pierson and Weaver, 1993). Many authors have referred back to the concept of veto points (Immergut, 1992) and, in a more rational choice perspective, veto players (Tsebelis, 1995; 1999) to analyze the impact of institutional stickiness.

Pierson (1994) focuses on formal institutions. His discussion on the subject emphasises the centrality of power in the hand of the British government and the opposite for the United States. Based on these characteristics, he builds a framework stressing the advantages and disadvantages of such institutional structures. For example, he underlines that the British political system makes it easier for a government to introduce retrenchment measures because it does not have to deal with other chambers or federal actors as in the US. However, this concentration of power gives great visibility to retrenchment actions and may be punished by the electorate (31-6). Pierson's characterization of institutions falls in line with what Peters (1999) refers to as empirical institutionalism. Institutions are considered to be taken as a given, and are not expected to change. The key element in analysis emphasising empirical institutionalism is the design of the institution (Peters, 1999: chapter 4). Such framework does not leave any space for the role of the state, how these institutional structures came into formation, and on the day-to-day operation of these institutions.

To emphasise the kind of misrepresentation of the reality that can be found as a result of this type of institutional framework, a look at a recent publication on pensions emphasising formal institutions is very enlightening. Bonolli's (2000) emphasis on institutional design and the creation of veto points is extremely clear when he considers the French President as a veto players because of France's semi-presidential system. Thus, he argues that this veto point was very important in distinguishing success (1993 Balladur Reform) and failure (1995 Juppé Plan):

> "In line with the theoretical approach adopted in this study, it can be argued that this difference in policy-making patterns relates to the different power configurations at the time when the reform was decided. The division within the executive in 1993 constituted a veto point which put pressure on the government to negotiate with the unions. In contrast, two years later, the high level of power concentration which resulted from the same camp controlling both the presidency and parliament did not create the conditions favourable to negotiation. In 1995 the government felt strong enough and thought it could act without the approval of the labour movement" (Bonolli, 2000: 147).

To those familiar with French politics, these conclusions raise suspicions. The debates surrounding the separation of powers between the President and the Prime Minister in time of *cohabitation* have centred mostly on 'grey areas' such as foreign affairs and the EU. Informally, social security is considered to be a purely domestic affair where the intervention of the President simply does not occur in time of *cohabitation*. There is simply no evidence, even in his discussion of the reform of 1993, to suggest that Mitterrand had any say on this matter, let alone that he had a veto and forced Balladur to negotiate with the unions.[33] It is also clear from the Constitution that the Mitterrand could not intervene in this matter. The President has denounced the actions (or inaction) of the government on the subject of pensions, as Chirac did frequently during Jospin's tenure at Matignon, but this is something quite different from a veto. This sort of intervention is actually very similar to the protest made by parties in the opposition. Thus, for this particular policy matter, Balladur had similar power as the Juppé/Chirac team. However, in order to make such a statement Bonolli would have needed to pay closer attention at the informal relationship between the two.

As demonstrated in this book, institutional stickiness can be avoided because actors are embedded in such system and have had experience with these systems and can thus find exit doors. Hallerberg and von Hagen (1999) came to similar conclusions in their analysis of budgetary politics by emphasising the role of fiscal pacts when coalition governments come into being, thus reducing the importance of a high number of parties within a coalition government. With regards to pensions, Sweden has been able to reform deeply its pension system relative to France even though it has more veto players. As it will be argued later in

[33] Even the word negotiate is extremely strong in this case. As it is stressed in Chapter 2, Balladur consulted the unions. No negotiations or concertation occurred.

this chapter, it is not the number of veto points or veto players that matters but the *nature of the veto*.

Finally, the coinage 'new' politics of welfare has also faced its share of critics. First, it has been demonstrated that Thatcher's pension policies did not mark a significant break from the past, but rather followed previous Conservative ideas (Fawcett, 1995). Second, Ross (2000a) provides another set of criticism by stressing that the debate on welfare retrenchment has been 'de-politicized' (12). She asks where are the political leaders, the elites and their influence, and, ironically, institutions such as the bureaucracy. Third, Scarborough (2000) concludes in a recent article that the specificities of a 'new' politics of welfare "slips away when welfare reform is considered in terms of *why* governments took to engaging intimately with the lives of their citizens…a definitive account remains elusive" (251). Her empirical analysis of 'old' theories of welfare state (industrialization, Marxist explanation and nation-building) demonstrates that it may be too early to retire them. As a conclusion, it should be acknowledged that the sheer number of critiques is in itself a testament to the importance of Pierson's work. Many of his inputs into the differentiation between welfare state retrenchment and expansion, such as goals and context, remain highly consensual.

Without negating the importance of path dependency and the difficulties of retrenching the welfare state, the theoretical framework presented earlier addresses some of the critics related to Pierson's work. First, there is variance among the four cases, allowing us to go beyond the general conception of the welfare state as an immovable object where all dependent variable are expected to remain static (Pierson, 2000). By introducing variance within the dependent variable, we can better comprehend the elements that are conducive to pension reforms and those that are not. Second, the typology states explicitly how the institutions influence the *process* and outcome of pension reforms. We can achieve these results by focusing on both formal and informal institutions; hence the creation of a pension reform index that includes both veto players (formal institutions) and veto points (informal institutions).

Ideology and Party Politics

Ross (2000b) points out that the 'new politics' of welfare has seriously underestimated the importance of ideology and party politics. Nonetheless, some insights are available and worth mentioning. In one of the first study on the retrenchment of the welfare state, Mishra (1990) presents a dichotomy in the approaches made to the welfare state by stating that a social democratic world, including Sweden and Germany, is seeking to maintain the current structure of the welfare state while a conservative world led by the US and the UK has attempted to alter it significantly.

Levy (1999), following in the footsteps of Garrett (1998), argues that the difference between the Left and Right matters. He claims that within continental Europe, considered to include many inequities in its welfare system, left parties have pursued a strategy of turning 'vice into virtues' by altering ineffective policies in favour of the most needy. Comparing France's governments throughout the 1990s, he concludes that partisan politics is an important source of differentiation both in terms of approach and policies (Levy, 2001: 281). An important element missing, however, is the failure to acknowledge that the Jospin government has not altered previous retrenchment measures implemented by the right wing government of Balladur and Juppé and did not face an economic crisis while seeking to adhere to EMU's convergence criteria (see chapter 2).

Advocating a logic similar to Nixon goes to China, Ross (2000b) argues that left wing parties are more likely to be trusted with welfare reforms since they have been associated with the promotion of social programmes. A key reason behind this argument is the long lasting relationship between parties and issues, which are long standing "leading voters to develop deep-seated partisan issue associations" (163).[34] Thus, the degree of risk while undertaking welfare reform varies between the right and the left, with the former being more vulnerable than the later. Key is the credibility of the source. In the case of pensions, Hinrichs (2000) provides support to this thesis by claiming that vast efforts to reform pension were undertaken by political parties helping rather their damaging their electoral fortune. "Retrenchments are not punished by voters if their identity is based on a reputation for pursuing foresighted, purposeful policies, which they try to utilise for increasing their appeal to the electorate" (371). His concluding logic on this point, however, echoes Pierson since Hinrichs advocates a long-term perspective to diffuse immediate costs and de-politicize the implementation process while stressing the lack of transparency as an element helping the instauration of large pension reforms.

Political parties are influenced by other factors than ideology such as seeking opportunities to get into power or to secure its hold onto power (Mayhew, 1974). Some course of actions can be vote 'grabbers' and thus be adopted by political parties even though it does not reflect a traditional ideological representation. A clear example would be Clinton's 'ending welfare as we knew it', something that would be expected from the Republicans, not

[34] She argues that the long transformation of Labour resulting in new Labour is a case in point.

the Democrats. Therefore, it is possible that retrenchments can be viewed as vote winners for political parties. Thus, parties would seek to introduce retrenchment measures because they expect electoral benefits.[35]

The ideology argument is quite insightful when dealing with two-party systems. However, it becomes difficult to acknowledge an ideological dimension when analyzing coalition governments. This is the rule rather than the exception in Europe. For example, what would be the ideological inclination of the current rainbow government in Belgium, which includes neo liberals, greens, and socialists?

Linking both partisan politics and institutions, King (1995) demonstrates that the institutionalization of a liberal conception combining training and unemployment insurance have helped conservative parties in re-establishing work to welfare programmes in the 1980s while preventing left to centre parties in establishing less stigmatizing programmes in the 1960s and 1970s.

Few authors have actually tackled this difficulty. For example, it has been argued that certain party systems might be more prone to retrenchment measures than others (Kitschelt, 2001; Green-Pedersen, 2001). Green-Pedersen (2001) argues that retrenchment measures in the Netherlands were easier to implement than in Denmark due to the pivotal role of the centre party, which was prone to create a party consensus, including the labour party, about welfare retrenchment. Similar actions were blocked by the Social Democrats until 1993 when they returned to power.

Such argument, however, has been put aside because interviews conducted in the countries studied have demonstrated a consensus among the political elites to reform the pension system. Differences persist between the mainstream right and left wing parties, with right wing parties being more inclined to favour a larger role to the private sector. Even if one acknowledges these differences, it still does not help us explain why certain right wing parties are more successful than others in their reform endeavours. For example, the British Conservatives have had more ‘success’ than their French counterparts.

Theorizing Political Actors and Welfare State Reforms

Policy networks and its applicability to the study of pension reforms.

The current debate between advocates of policy networks and neo-institutionalism shares some similarities with the previous one between pluralism and corporatism. The role

[35] Even though less applicable than in the US, parties may adopt specific policies in order to raise financial

of the state remains sharply divided by these two ‘new’ schools of thoughts. Within the policy networks literature, there is a hollowing out of the state. We can even find governance without government. The state is now powerless and cannot control independent actors that effectively govern sectors of the public domain. The ‘new’ institutionalists, on the contrary, emphasize the role of the state via its institutions. The key distinction is whether or not the state dictates the debate. This section does not seek to review the different typologies presented to describe the types of policy networks (see Rhodes and Marsh, 1992; Rhodes, 1997), but rather to present the core elements of this approach and to analyze its applicability to public pensions. It is argued that the policy network framework is ill equipped to tackle the subject of pension reform.

The policy networks research agenda stems from the belief that “the reality of policy making as recognized by competent observers was changing” (Jordan and Schubert, 1992: 11). Rhodes (1997) best describes this view by stating that we are now faced with “plenty of governments which government cannot steer” (3).

Six key elements can be found within the policy network approach. The first four are based on Rhodes’ model (1986) while the last two are based on Wilks and Wright (1987). First, the organizations involved in the policy networks are interdependent. They need each other for a policy to function properly, thus justifying their presence in the articulation of a policy. This feature differentiates the policy network approach with that of pluralism and corporatism where it is assumed that the government still has the capacity to act alone. Second, an exchange of resources between the groups occurs within the network. The amount of resources available by a group defines its power. Three, there are some (informal) rules of the games, which define the relationships between the organizations involved in the network. For the most part, these rules are considered to have been routinized and find their legitimacy in previous practice. Fourth, the access to the policy network is restricted in terms of membership and policy output. The restrictive criterion is essential for the effectiveness of the network. The ideal type would have few members with a clear agenda, which policy is not challenged by other networks or organizations outside the network. Fifth, personal relationships are considered to be very important in creating and maintaining a policy network/community. Finally, all policy sectors are considered to be disaggregated. This becomes important because the smaller the scope, the higher the likelihood of a policy network. Marsh and Rhodes (1992) emphasize this point when they claim that the capacity of

support for their re-election (Mayhew, 1974).

a network to run its own affairs is dependent on the salience of the policy issue (ie. the more peripheral an issue is for the government, the less likely it will interfere) and the 'range of interests affected' (196). This is one of the key reasons why a large amount of studies has focused on sub-policy sectors and central/local issues.

Another strand of policy network places greater emphasis on institutions and the policy process while continuing to stress the importance of interdependent relationships among the actors. For example, Klijn (1996) argues that the relationship among the policy actors tend to stabilize leading to a process of institutionalization. However, contrary to most studies coming from the neo-institutionalist school, Klijn's approach is also dynamic; institutionalization processes are always occurring "because actors regularly interpret and reinterpret the structural characteristics of the network" (101).

The key question is whether or not such framework applies to the study of public pensions. The literature on policy network is ill equipped for this policy sector, especially if one seeks to apply the Marsh and Rhodes' (1992) version. First, if there is interdependence among the main political actors, it is quite asymmetric because power is not diffuse. It is also not related to a lack of expertise within the state (or a better one found outside it), but rather on the need to avoid conflicts with the social partners whose participation is dependent on the level of contributions to the system resulting in different structures. Political power is concentrated within the state in the case of the Parliamentary Integration structure since it manages the public pension scheme and does not require external expertise to carry these functions. For example, the state does not have to negotiate with third parties like doctors, as it would be the case in many Health policies. A better case can be made for the social partnership structure because management is formally in the hands of the social partners. However, all actors interviewed in both Belgium and France have stressed that once a law is adopted, their implementation powers are close to nil. This can be understood by the fact that public pensions are a transfer, and not a specialized service like health. Once the rules are in place, it is rather easy to determine the appropriate course of action for all (future) pensioners. The interdependence is related to the passage of a legislation and not day-to-day practice or implementation of legislation.

Actually, there are few policies that are easier to implement than a change to a pension system. There are several reasons for this. Granting pensions is a very passive activity, once the pension of an individual has been calculated it remains fairly stable and it is adjusted in accordance with the indexation mechanisms in place.[36] Contrary to means-tested social benefits, little discretionary power is in the hands of the 'street-level bureaucrats' (Lipsky, 1980) implementing the policies. Other social policies, such as social assistance and unemployment insurance have strict eligibility rules increasing the workload of a case and resulting in a re-evaluation of each case.[37] Individuals can also become unemployed or rely on social assistance more than once in a lifetime. Usually, the number of intermediaries between the government and the pensioners are either nil or amount to one (as in the cases of the pension "caisses" in France and the national social insurance office in Sweden – in both of these cases they only apply the laws passed by the government) and the administrators do not experience a big change in their functions when a reform occurs, unless the government seeks to drastically reform its scheme and the way it is administered. Most people interviewed were actually quite puzzled by questions related to implementation and responded by citing examples from other social policies. Marsh and Rhodes (1992) maintain that "the bulk of the case studies show that policy networks exist to routinize relationships; they promote continuity and stability". The lack of interdependence reduces significantly the power of the relationships between the actors involved in the pension debate. In most cases, actors are involved when a proposal to alter a pension system is made.

Second, the exchange of resources is close to nil. Even though non-governmental agents are involved in the pension debate, the technical expertise in this field is usually provided by the state like the *Bureau Fédéral du Plan* in Belgium and *Riksforsakringsverket* in Sweden. These agencies tend to rely on other governmental agencies or department in the formulation of their analysis, and rarely call on external resources. In a corporatist fashion, the government could negotiate with unions (as employers tend to be favourable to pension reforms) to ensure social peace. However, such framework would be only applicable to corporatist countries. Third, the rules of the game exist within the process of pension reform. They are, however, the outcome of earlier political battles and the institutionalization of social policies. Routine contacts and active participation by various organizations were not responsible for such "*encadrement*".

Fourth, the number of actors has been somewhat limited in the reform process. However, this restriction has been imposed by the government or by the governmental institutions already in place, not by a coalition present within a network. In all four countries

[36] Or in many cases, by unilateral decisions of the government, which can raise benefits more than the inflation in some countries as in France.
[37] Such problematic are only present for poor pensioners who must rely on means-tested benefits.

studied, the government has had quite a free hand in selecting the people involved in the process. The extreme form of this can be found with the Juppé reform in France; less than 10 people were actually made aware that a pension reform was looming. Fifth, good personal relationships exist in virtually all countries studied. Most social partners and civil servants know their counterparts as they meet for various meetings or committees related to pensions. This does not imply that they share a similar philosophy or ideology on the problem at hand. The extent to which these frequent contact decreases the different viewpoints share by them is up for debate.

Finally, public pension is a sector in itself. It is not disaggregated into many sub-sectors. Even in the case of France, which has a high degree of fragmentation in its system, each regime shares similar difficulties and they are all based on the principles of payg.[38] Therefore, a different type of expertise is not necessary for each regime. Besides, reforming public pensions is a very salient issue and can hardly be assessed as a technical matter that could be managed by a network of specialists with relatively little government interference. One of the reasons why pensions are so difficult to reform is that it affects a large number of citizens.

The resurgence of corporatism?

Previously, corporatism had been linked with generous welfare states, and the literature on this subject is quite extensive. The so-called social democratic model is highly influenced by the corporatist literature. Even though Korpi (1983) does not agree that a corporatist arrangement is static, and thus varies overtime, he claims that the tripartite agreement among labour, employer, and the state benefits wage earners. The generosity of the Swedish welfare state arises from this structural arrangement and the political control of the Social Democrats. Many researchers have emphasized the positive effects on the welfare state resulting from this kind of coalition (Shalev, 1983; Cameron, 1984; Esping-Andersen, 1990; and Huber et al., 1993).[39] Other authors such as Cameron (1978) and Katzenstein (1985) have emphasized the economic openness and vulnerability of small states, which have favoured the creation of corporatist arrangements. Regardless of the political parties in

[38] One noticeable exception would be the employers of the civil service, whose pensions is financed via the state budget.

[39] Even though many of these scholars have been considered to be more ‘labourists’ than corporatists because they de-emphasise the role of employers in the structure, the role of the state remain quite similar for both groups of theorists.

power, small states have introduced generous benefits to protect their citizens against the high economic insecurity experienced by them.

In the case of corporatist countries, the role of its social partners[40] is expected to be highly influential. Further, a corporatist state with a left-wing government should result in the maintenance of current programs (Mishra, 1990). However, the importance of unions and the power of the left have been on decline in many of the so-called corporatist countries without major alterations to social policies. Pierson (1996) claims that “there is very little evidence that this decline has had a fundamental impact on welfare states” (150).

Pierson’s assessment has been challenged by the works of Pichot (1998), Reynaud (2000), Rhodes (1998; 2001), and Ebbinghaus and Hassel (2000), and, to a lesser extent, Bonolli (2000), where they demonstrate that governments might actually be more inclined to seek the participation of social partners in times of retrenchment than in time of expansion. However, their contributions shy away from the traditional conception of corporatism by underlining that referring to these ‘new’ agreements as social pacts. They are actually considered to be efficient in the Southern European countries where corporatism has traditionally been considered low. For example, in his edited volume ‘Social dialogue and pension reform’, Reynaud (2000) claims that social dialogue was key to pension reform in all of his case studies.

Both Pichot (1998) and Rhodes (1998; 2001) have stressed the importance of the Economic and Monetary Union (EMU) in encouraging resurgence in the social dialogue especially in the countries facing the biggest mountain in terms of its criteria (Belgium, Italy, Spain, and Portugal). The search for the lesser evil of solution and external vulnerabilities are considered to the two prime reasons behind their re-emergence (Rhodes, 1998: 195). Puzzling is the fact that many of these social pacts are being implemented in countries that have not been traditionally considered ‘corporatists’ and the state plays an important role in them. Rhodes’ competitive corporatism, and possible European third way (2001: 194), is dissimilar from the traditional corporatism because it stresses “competitiveness and macro-economic stability and employment creation and redistribution, but down play the ‘equity’ function of more traditional, ‘golden age’ forms of corporatism (1998: 2000). Ebbinghaus and Hassel (2000) delimits this enthusiasm by underlining that social pacts are unlikely to work where

[40] An interesting point worth noting is that social partners does not really have an equivalent in Swedish. Employers and employees tend to be referred to by the term ‘arbetsmarknadspartners’ meaning labour market partner.

the interests of the social partners cannot really be enhanced and where they are unlikely to play a role in the regulation of the labour market such as in France.

Schludi (2002) emphasises the importance of unions in the politics of pensions where cuts are now the rule rather than the exception. He argues that the support of unions can reduce the size of the parliamentary majority required since the opposition will have more difficulties in putting blame on the government. Inversely, politicians may seek a broad support across various political parties to neutralize the impact of unions, which cannot find electoral alternatives (20). Despite a (much needed) move away from Tsebelis' (1995; 1999) conception of veto players via the inclusion of unions as an intrinsic part of the process, Schludi's model does not fully capture other informal aspects such as the institutionalization of relationships between unions and government. The non-collaboration of French unions has probably more to do with its historical relationship with the state rather than the (expected) failure of the government to reach a broad agreement. Politicians in countries like Sweden, Austria and Germany do not encounter such difficulties.

Hypothesis n2b: A political party advocating stark changes in pension programme will face a reduction of political support.

Hypothesis n2c: Based on Ross' (2000a) critique of Pierson, left wing governments might have more facilities to introduce a pension reform since they benefits from the 'Nixon-goes-to-China effect' while right wing parties are likely to have 'Nixon's disease'.

2 – France: Still a ”Société Bloquée”?

Introduction

This chapter discusses the institutionalization of pensions and its impact on the reform of this policy in France. The management of public pensions today seems quite similar to the one elaborated at the end of World War II. The social partners were highly involved in the elaboration of pension policies and plaid a key role in its implementation. However, this involvement did not happen overnight, but was the result of a long series of conflicts and policy failures that led the state and social partners to co-operate to establish the foundation of a viable pension policy, both in terms of generosity and finance. 50 years later, this trend is being altered with the state playing a strong, but challenged role. This section is divided into two broad sections. The first one analyses the historical development of pension policies. It is further divided into pre and post WWII. The second section studies the reforms sought and introduced while taken into account the institutionalization of actors based on the theoretical framework presented in the previous chapter. As such, it will first discuss the type of management found in each countries and then analyse the role of each actors within in, during successful and failed attempts to reform.

As expected by the theoretical framework introduced in chapter 1, the participation of social partners has proven to be essential to the passage of pension reforms even though this consultation is far from being comparable to that experienced in other countries where the state is not so dominant. However, their inclusion has limited the scope of pension reforms for both socialist and non-socialist governments. After meeting with the social partners in the spring of 1993, Balladur introduced a reform later in the summer knowing that moderate unions were going to be supportive (silent) on this action. The Juppé government tried to achieve similar results with public sector employees and faced a strong reaction in December 1995 forcing him to retrieve his pension proposal.

Historical Development – Pre-World War II

Despite the difficulties faced by public pension programmes in the pre-World War II era in virtually all industrialised countries, it remains important to review their development for three key reasons. First, the new schemes developed after the Second World War originated from those established earlier. The means to guarantee social protection was the key variable that was altered. Coverage was extended to a larger segment of the population even though the occupational distinctions among the different types of workers have remained in one form or another unchanged. Second, and related to the first element, the failure of voluntary plans and fully funded mandatory schemes are the main reasons why policy makers adopted pay-as-you-go schemes. European countries were faced with a poverished elderly population and needed to improve their faith now, thus eliminating the fully funded option. Actually, many of them were already facing severe poverty because of the financial difficulties resulting from the 1929 crash. Finally, many of the debates surrounding pension reforms have many similarities with those associated with the establishment of pension schemes. The most striking case is the opposition of French civil servants to fully funded schemes in the 1700s and 1800s despite the advocacy of a broad coalition of experts.

France represents a picture of programme stability when compared to the other three cases. The old-age pension schemes developed in 1910 and 1945 have remained virtually unchanged (Baldwin, 1990b: 165- 180; Chamberlayne, 1992: 307-8). Contrary to most West European countries, France did not introduce a major pension reform following the end of World War II. All attempts to significantly alter the old pension schemes were stopped by middle class occupational groups in the 1950s. The incapacity of the state to implement its plan led to a strong increase in contractual supplementary pension schemes shaping the pension system into some sort of labyrinth. Another major trade union protest in the early 1970s was followed by minor changes, which raised the basic levels guaranteed for the aged unemployed. Old-age insurance was extended to individuals non-covered by existing regimes in the mid 1970s, thus granting benefits to every citizen. Finally, in 1981, Mitterand opted to raise significantly the basic levels and later reduced the pensionable age to 60.

Public pensions actually have a rich and 'eclectic' history in France, which is partly the reason why they have been so difficult to merge. The very first social security scheme was elaborated under Louis XIV! Sailors were granted insurance for those injured or handicapped as a result of their duties in 1673. Pensions became a right in 1709. The idea of a national retirement office/fund administered by the state was first launched in 1767 (Thiveaud, 1997: 23).

State employees obtain pension rights…

Considering the weight traditionally attached to public administration when it comes to French politics, it comes as no surprise that one of the first large scale public pension schemes were elaborated for civil servants. Prior to the revolution of 1789, pensions were granted as a favour to few civil servants on a discretionary basis. The legislation of 1790 would replace this system by one granting pensions for civil servants whose long dedication and services are considered significant. This piece of legislation opened the door to the ideology of pensions as a social right for civil servants. Still today, civil servants cite the 1790 legislation as the one that gave them the right to a pension. Interestingly, this legislation has faced divergent interpretations. Numerous instances such as the Conseil d'Etat in 1811 had claimed that pensions were not universal but a reward which could only be granted after careful examination of each individual cases. Further, the law of 1790 did not halt the emergence of small pension funds for various departments and the state did not have the economic capacity to grant pensions to all its civil servants. Nonetheless, within the public bureaucracy the right to pension slowly became part of its culture.

In 1853, a new legislation ratified the right to pension and marked the victory of the bureaucrats over politicians. Despite all the expertise in favour of a fully funded system, as already implemented on a voluntary basis in the private sector in 1850, the civil servants fought and obtained a system financed on a pay-as-you-go basis with the financial support of the state. Pensions for civil servants became part of the general budget. No institutions to deal with civil servant pensions were created (a fact that remains even today)! All contributions from the civil servants go directly into the state revunes as part of other taxation. In order to have a pension, an employee would have to work for 30 years[41] and could retire at 60 (Friot, 1995; Drago and de Forges, 2000). This new right became part of the definition of being a civil servant. It is found explicitly in the bill on its status presented in the legislative Chamber in 1909, which defines civil servant as:

> "all those qualified as agent or assistant agent working permanently within a public sevice of the State, compensated by a monthly pay or by the allocation of bonuses and leading

[41] For "services actifs" (active service), 25 years was considered sufficient to obtain a pension (Drago and de Forges, 2000: 104-5).

to the eventual benefit of a retirement pension (cited in Friot, 1995: 50 – author translation)".[42]

The implementation of this new piece of legislation represented a real puzzle for policy makers as it forced the amalgamation and cancellation of the pension plans that existed among the various public departments. Further, some categories of employees actually obtained lesser benefits as a result. The actual birth of this legislation was long and often difficult (Drago and de Forges, 2000). Despite these difficulties, the key achievement of this legislation was that pensions for civil servants began to be conceptualized as a continuous wage and not insurance.[43]

The 19th century would also result in the emergence of 'special' pension schemes for other state workers employed by public entities such as the Banque of France (1806), the Comédie Francaise (1812), and the Imprimerie Nationale (1824). The distinctive nature of these public schemes, as well as some private schemes established by companies who later became public such as the SNCF, still remain today. As such they are considered as a class of their own when it comes to social insurance. In general blue-collar workers did not join the civil servant plan, but rather obtained their own with specific rules and benefits such as an earlier retirement age. These came as a result of strong union pressure within this sector (Dumons and Pollet, 1994: 371).

The 1853 legislation faced only one minor alteration prior to WWII and it ocurred in 1924 when legislators became confronted with the depreciation of the Franc. First, a bill was introduced to reduce the number of years considered into the calculation of a pension from the last six, to the last three. Second, and much more important for the future, another bill changed the indexation of pensions from price to the salaries of civil servants. Current retired civil servants thus gained from the real wage increases of its active colleagues. Adding to this financial benefit, this change strengthened the conception of civil servant pensions as a continuous wage and not as an insurance based on previous contributions or savings (Friot, 1995: 54).

[42] "tous ceux qui, en qualité d'agents ou de sous-agents, occupent dans un service public de l'État un emploi permanent, rémunéré par un traitement mensuel ou par l'allocation de remises et ouvrant droit au bénéfice éventuel d'une pension de retraite".

[43] This is clearly stated by Thuillier, "les rédacteurs de la loi de 1853 ne se sont pas placés du point de vue d'un contract d'assurance. La pension est une sorte de traitement continué au fonctionnaire après sa retraite, s'il remplit les conditions réglementaires" (1990 – cited in Friot, 1994: 80).

So do workers in the private sector.

With regards to private workers, the principle of individualism, which was strongly entrenched following the 1789 revolution, and constant conflict between various social classes are two of the key reasons why France introduced social security later than its European counterpart. Losing the war against Germany in 1871 also meant that the social advancements of its neighbour were met with some indifference and were not really part of any discussion as it was the case elsewhere in Europé (Saint-Jours, 1982).

The state slowly became involved in providing some forms of protection for its elderly. Following the revolution, many proposals came to light, but were shelved by the government due to stark economic difficulties. Finally, the government established a committee to create a national pension fund administered by the state similar to those found in Belgium and the UK. However, the revolution of 1848 halted the passage of this legislation. The project was not abandoned, however, and in 1850 the "Caisse de retraites pour la vieillesse" was created. This institution functioned on a voluntary basis and guaranteed the placement of its contributories. Their interest rate made a popular financial placement, but was of little interest among blue-collar workers (Dumons and Pollet, 1994; Thiveaud, 1997). Guillemard (1986) underlines that old-age represented the risk, which was most inadequate for voluntary saving, particularly among the blue-collars. The long term vision necessary for such undertaking between the first contributions and retirement[44] and the high number of members required to gather sufficient reserves are probably two of the main reasons favouring a switch from a policy of foresight to an insurance policy (35). This institution became the "Caisse national des retraites pour la vieillesse" (CNRV) in 1886 switching its focus toward life insurance.

Due to the lack of effective state action most forms of insurance actually came from the private market, charitable organisations and the family. Friendly societies (mutuelles) arose to fulfil the need for old-age insurance. These non-lucrative voluntary organisations provided social insurance for their members. Due to their working class origins, the friendly societies faced opposition from the state. As a result, they had to operate illegally for many years before becoming recognised in 1852 when the state recognized it needed them in order to implement a social policy. Employers also introduced some forms of insurance for employees involved in a high-risk position. Following some bankruptcies and the mismanagement of employees' contributions by certain firms resulting in the loss of earlier

[44] Collecting a pension was in itself highly uncertain considering the life expectancy of blue collar workers.

contributions made by employees, the state opted to legislate private options in 1890 for the mining and railway industries (Saint-Jours, 1982: 104). Further, preventing the active intervention of the state was the lack of support from both labour and the Socialist party did not consider pensions to be a 'critical' element during the 1890s (Ashford, 1986: 183). In fact, it was not even a major preoccupation within the labour market (Guillemard, 1986: 39).

By the end of the 1800s and beginning of the 1900s, France had a highly fragmented pensions system in which three kinds of alternatives competed with each other. First, based on a paternalistic notion, employers sought to internalise social benefits within their companies. These schemes had the objectives of minimising labour mobility, reinforcing the vertical relationship between employers and labourer, and instituting higher fidelity on the part of the employees towards the enterprise. Second, socialists, alongside the CGT, sought to take away the powers of the employers and the friendly societies and place them in the hands of the beneficiaries, the employees. The ideal version would be an old-age insurance for blue-workers financed by the state and employers but administered by the workers. It was conceived that such a programme could enhance the autonomy of the blue-workers. Finally, the friendly societies were still a force to reckon with as no state alternatives proved sufficient to replace them. Not surprisingly these three types of social insurance had diverse support. The Conservatives and Catholics supported the employers' system, the socialists supported the workers' scheme and the friendly societies gathered their support from liberals and moderate republicans (Pollet and Renard, 1996; see also Guillemard, 1986: 35-58).

Starting in the 1890s social policies gain proeminence via the creation of the 'conseil du travail' a commission that included 72 members (experts, union and employer representatives, and parlementarians). Dumons and Pollet (1994) refers to this commission as a "social parliament" because of the high number of social policies and views discussed. Pensions never became a real topic of discussion but the 'office du travail' (labour office) made many statistical studies of the German and Austrian pension plan, one study of the Australian and New Zealand plan, and another on the pension funds established by French employers. These works and discussions came at a time when it was clear that voluntary options proved unsufficient to resolve poverty among the elderly. Many of these actors in both the 'conseil du travail' and 'office du travail' would play a key role in the creation and implementation of the Labor Ministry in 1906, which would be important in defending the upcoming pension legislation (365-6).

Following a long struggle to unite various socialist factions[45] and build a coalition favouring old-age pension, the first legislation was introduced in 1910. Despite labour's preference for a non-contributory scheme financed via taxation, the new pension system consisted of a mandatory earning-related scheme where employees' contributions had to be matched by employers.[46] The scheme was financed via transfers (payg) and capitalisation (Saint-Jours, 1982: 118; Thiveaud, 1997). All working individuals (male or female[47]) earning less than 3000 Francs a year employed in industry, commerce, liberal professions, agriculture, and domestic services were covered as well as civil servants who were not already eligible for the civil or military pensions. One reason behind the 3000 Francs plateau was that the government did not want to compete and challenge the friendly societies.[48] The minister of labour and a 'superior council'[49] were selected to administer the new public pension scheme. The retirement age was set at 65 and was lowered to 60 in 1912 following strong pressures from the labour movement, which claimed that the previous legislation only granted 'a pension for the dead' since many workers were unlikely to live until then (Perkins, 1910; see also Renard, 1995: 98; Guillemard, 1986: 44). The 1910 legislation also included an escape clause where employees could select other recognized pension funds such as the CNRV (Thiveaud, 1997).

The support behind the 1910 legislation would soon disappear and result in its dismissal during the implementation process, paving the way for discussions on another pension system. First, workers disapproved of the contribution card, which reminded them of old police workers' identity card and certain employers abstained from deducting contributions. Second, the inflation, which ravaged France after W.W.I meant a huge loss

[45] The extreme left considered that social insurance was a way to pacify the workers by granting them less than their due, another group claimed that workers should not pay for what should already be theirs. Finally, a socialist faction viewed this piece of legislation as a promising first step (Baldwin, 1990a: 105). As underlined by Saint-Jours (1982), the French socialists were divided into three main camps with very distinct conception of the state. First, the reformists sought to decentralise the government. Second, the revolutionary movement based on Marx and Hengel sought to take over the state. Finally, anarchist viewed the state as the main obstacle to the emancipation of workers and should therefore be eliminated. The labour movement only became united in 1905, which is comparatively late (101-3). Actually, blue-collar organizations were actually opposed to this scheme and led to its dismissal when it was first introduced in 1901 (Guillemard, 1986: 42).

[46] Whether or not contributions should be made mandatory resulted in a stark debate. Interestingly, the Belgian subsidisation of the friendly societies (which were voluntary organisation) was chosen as a model for the elaboration of a French pension system by a Commission appointed by the Senate. It was argued that this option would result in a lesser financial burden on the state. Eventually, a majority within the commission and the Senate sided with the Chamber of Deputies and supported the mandatory feature (Perkin, 1910: 568).

[47] Although both sexes were included in this legislation, contributions and benefits differed.

[48] Friendly societies had grown from 1.4 million members in 1890 to 3.75 millions in 1905 with a very large share of its membership confined to the middle class. The number of members would peak at 5.3 million in 1914 (Saint-Jours, 1982: 115).

since ‘contributions paid in gold francs were converted to pensions paid in devalued currency’, thus requiring legislation to increase pension benefits (Saint-Jours, 1982: 118). Third, there was a low level of confidence in the new institution created in 1910 resulting in many insured workers opting for the CNRV, which was highly trusted (Thiveaud, 1997). Fourth, the retirement income that one could obtain after 30 years of contributions was only slightly higher than the social assistance for the elderly adopted in 1905, which required no contributions.[50] Fifth, the administrative needs to implement and promote the legislation were not met by the government. More than 850 positions were expected as part of a new central office, but only 59 civil servants were hired and dispatched as a division with the Ministry of Labour in 1911 (Dumons and Pollet, 1994: 397). Finally, a court judgement removed the mandatory aspects of the new regime. Instead of reaching 7 millions contributors as hoped by the legislators, only 1.6 millions were actually contributing. By 1930 only 15 to 20% of the aged were covered by a pension from this regime (Guillemard, 1986: 55; Ambler, 1991: 7).

The law on social insurance, based on Bismarckian principle, was adopted in 1920 However, due to intense opposition, it was shelved until 1930. This time the labour movement would plead in favour by actively seeking its adoption. France’s new pension system was based on “German” principle for workers in industry and commerce who earned below a certain income. Pension benefits were granted to individual from age 60 and required 30 years of contributions for a full pension amounting to roughly 40% of average earnings. A key element of this new system related to the administration of pensions. Workers could choose the organisation of their choice as long as they provided coverage for all social insurance. This resulted in an increase of such organisation by friendly societies, employers, unions, and even religious groups. Their number would eventually reach 727 (Saint-Jours, 1982).

Employers also supported this new legislation for two key reasons. First, the fear of an expansive and intrusive role of the state was pushed aside because of the numerous pension funds/schemes (caisses) and friendly societies. This fear was further decreased when it was decided not to amalgam various social risks under one plan. Second, the contributions of employers were minimal leaving the employees to fend for themselves (Guillemard, 1986: 56-7).

---

[49] This council included senators, deputies, councillors of state, societies for mutual help, savings banks, employers, employees, and the institute of actuaries (Perkins, 1910: 567).

[50] This new form of assistance represented a clear break from traditional means-test policies with the key criteria being age and not revenues (even though citizens had to demonstrate that their income felt below a certain

Besides strengthening the eclectic nature of social insurance organisation, another side effect of the 1930 legislation was that it strengthened the occupational differentiation among the schemes. Individuals earning more than 15 000 francs per annum[51] were not covered by the state scheme, thus creating a void for higher earning workers. This social void was filled via supplementary pension schemes, which were negotiated between the employers and the unions as part of sectoral wage bargaining. This episode is quite important historically because it marked a break through in the relationship between the social partners, which had traditionally been confrontational. Further, this new coalition would later proved to be a major obstacle in the creation of a universal and state run pension system following WWII and helped entrenched the stereotype that the state was mostly concerned with the less fortunate in terms of social policy (Pollet and Renard, 1996).

At this point, it is worth bringing back our comparative lenses to analyse why it took France so long to adopt a mandatory universal scheme similar to the one implemented in Germany more than 40 years prior. In a comparative perspective France is a laggard when it comes to the instauration of its first public pension schemes as most industrial countries implemented theirs at the end of the 19th century and during the first decade of the 20th. Four mains reasons can be found to comprehend such a lag in the adoption of this policy. First, Bismarck sought to extend social insurance as a way to facilitate state building. In France, education rather than other traditional social policies was used to strengthen the state. It was actually a leader in the field of elementary education (Ambler, 1991: 21).

Second, based on the work of De Swaan, Ambler (1991) states that key is the strength of small entrepreneurs and landholders, “the primary class enemy of the welfare state”(7). They were strongly represented politically, especially in the Senate, an institution dominated by rural and agrarian interests. In such a context, the need to establish a pension system was not strong as many workers also sought to become self-employed and had strong ties to the countryside.[52] Even after life long career in the industrial sector became more common, the mentality of obtaining a pension did not take root for a long period. In his comparative study of European countries, Stearns states that “retirement was completely alien to working class

---

level). A key reason behind this change in mentality was that the governments sought to reduce the powers of the Catholic Church, which had had an important role in the social sector (Renard, 1995).

[51] 18 000 in the cities with more than 200 000 inhabitants or 25 000 francs for those heading a family (Pollet and Renard, 1996).

[52] Guillemard (1986) states that most industrial workers from the early 19th century quit their function at the age of 30-35 to become farmer, self-employed, or trader. Employment in the industrial sector was considered as a step towards gaining status as an independent worker. However, such practise change by the mid-1900s as employers sought to retain their labour. It is in this context that employers implemented some forms of social insurance for its labour force (36-52).

cultures" in France (Stearns, 1976 cited in Guillemard, 1986: 40). Such beliefs were also entrenched in a strong tradition of liberalism and individualism that expected little action from the state (Baldwin, 1990a: 102-04). The opposition to mandatory insurance was strong and long lasting leading the state to follow up on voluntary programs rather than seeking to institute a mandatory program while neighbouring countries were doing the opposite.

Third, the industrialization thesis is of little relevance to understand the French case. Germany and Britain were more urban and industrial than France at this period, but Germany obtained its pension system when its industrialization began. It is the increase in the number of wage earners in the early 20th century that led to a broad support for a mandatory public pension scheme. During the same period, the number of industrial workers actually declined by close to 50% (Ambler, 1991: 7-9). Further, as indicated by the name of the pension program of 1910, the agricultural sector remained strong despite increasing urbanization of the population, but plaid a role in obtaining a mandatory public pension program.

Fourth, as demonstrated in this historical overview, the Left had been sharply divided and a consensus would only emerge after WWII. It was this division, alongside the opposition of the liberals, that helped to destroy the consensus behind the 1910 legislation (Guillemard, 1986: 55).

As France headed towards WWII, most of its aged still relied on public assistance and continuing working life. Guillemard (1986) estimates that roughly 25% of the population had retirement income while a similar proportion relied on public assistance (57). Further, as the state engagement remained limited in terms of scope and domain, with little financial and policy engagement, private/occupational initiatives were able to anchor themselves strongly within this policy domain. Major attempts to modernize social programs and alter this situation would come following WWII. Civil servants, on the other hand, were able to obtain a generous and extensive protection for their old age early on, which was later attached to their job description as a benefit to their life-long commitment as servant of the state.

Historical Development - Post-World War II

In the case of both Belgium and France, the public pension structure established after World War II are still pretty much in place today and shape the current political debate. The key distinction between the two is not the outcome of the reforms sought by the various political actors, but rather how much they sought to change pre-existing professional categorization. France probably had the most ambitious reform of all industrialised countries by seeking to universalize pensions into a unique program (Baldwin, 1990). Belgium's ambition were never that far reaching as political actors sought to create uniform rules *within* the various categories of workers. A key reason behind this divergence in objectives is that the strength of the Belgian left never obtained the kind of power the French left had following WWII *as the right was not associated with the occupiers in Belgium* (check). As stated by J.-D. Reynaud in the case of France, "social security was not necessarily established against the wishes of the employers, but rather in their absence".[53]

Seeking A new start…dealing with old conflicts.

Following W.W.II, a new political landscape appeared. The left and unions became much stronger due to their participation in the resistance, while the right and employers were greeted with high level of suspicions for their 'collaboration' with the occupier and the Vichy government. The employers were also quite disorganised and it would take them a year to build a national association (CNPF)[54] to represent their interests. The right was thus forced into a defensive position. This new 'rapport de force' can be seen by looking at the composition of the new parliamentary assembly. The socialists and communists held a majority for the first year, with the latter being the largest party in the legislature. Both parties co-operated with the MRP[55], which was also associated with the resistance. Working class interests also made its way into the administration (Guillemard, 1986: 60; Join-Lambert, 1997: 443).

The honeymoon would not last, however. The Fourth Republic would produce weak governments without any durable coalitions. The failure of the governmental apparatus would generate a window of opportunity for civil servants to come to the forefront of debates on social policy by taking initiatives and leaderships.

The government sought to universalise social risks and combine them into one roof. Social security was viewed as a vehicule by which the state could legitimise and establish a social order (Guillemard, 1986: 61-2). To achieve this objective, the Larocque Plan (named after the civil servant behind it) proposed to unify the eclectic collection of institutions and occupational schemes. The reform, if approved, was to be implemented into two stages. First, middle class workers would join the social security system of blue collars. Second, all economically active individuals were to unite in a single plan. The insured and the state would manage the new regime. There was a strong polarisation on this question. On one

[53] "La sécurité sociale s'est faite sinon contre patronat, du moins, en son absence". Cited in Guillemard (1986: 60).
[54] Conseil National du Patronnat Francais.

hand, a coalition regrouping the Communist Party, the Socialist Party, and the CGT[56] favoured unification and centralisation. This group sought to extend coverage to the whole population, which would have benefited those with weak coverage or no coverage at all. On the other hand, the MRP, the CFTC,[57] the friendly societies (mutuelles) and self-employed workers opposed this plan preferring the fragmentation of plans since they would be the ones paying extra for the extension of the new pooled risk that would include the blue-collar workers (Saint-Jours, 1982; Guillemard, 1986; Baldwin, 1990a).

With regards to pensions, the Larocque Plan also advocated a payg system with no capitalisation to be financed mainly by contributions from both employers and employees. A payg system was favoured due to the negative experience with capitalisation in the 1920s and 1930s where the real value of contributions shrank as a result of high inflation (Baldwin, 1990: 162; Bozec and Mays, 2000: 374). A payg system was actually already in place by the default when the Vichy government opted to use the capitalized savings of the 1930 pension system alongside new contributions to pay current elderly (Guillemard, 1986: 64). High levels of tax evasion and possible conflicts between those who made previous contributions and those who did not, made the adoption of a state financed system unrealistic (Baldwin, 1990a: 159-61). Further, there was a lack of faith in the state with regards to administering social security. Its interventions were associated with means-tested benefits, stigmatising its recipients and making the state an unpopular social agent. There was a fear that benefits may fluctuate in line with the state budget (Pollet and Renard, 1996; Join-Lambert, 1997: 443- 4; Palier, 2000: 4).

A key aspect, which has strong consequences today as the state seeks to reduce its financial expenditure, was the institutionalization of the social security. To borrow the words of Ashford (1986), the french social security system was built "outside the state". In a mutualist tradition, the unions received the responsability to manage social security and this administrative control was one of their key social requests.[58] Boards member were to be

---

[55] Mouvement Républicain Populaire, a centre-right party.

[56] Confédération génerale du travail, the blue collar union. It became the strongest union after WWII and has had historically strong ties with the Communist Party.

[57] Confédération francaise des travailleurs chrétiens. Throughout this debate, its role would be quite neglected as it was seeking to preserve the "pluralisme syndicale", which was threatened by the powerful rise of the CGT and its eventual dominant position within the boards of social security (Guillemard, 1986: 73-4).

[58] When it comes to the organisational structure of social security, the unions' point of view was adopted despite the strong opposition from the employers. The employers objected and claimed that they also should be included into the management board. Because of the fear associated with a possible opposition to social security –a large segment of the elderly population was living in extreme poverty-, most conflicts actually focused on the organizational structure of social security. Empoyers' wishes would be answered when De Gaulle suspended the

elected among workers. This independence from the state was created to ensure that the state bureaucracy would not gain control over social security institutions.[59] A clear division of responsibility was attained. On one hand, the main responsibility of the state would be to support national solidarity, meaning to provide assistance and help those unable to protect themselves sufficiently via social insurance. On the other hand, social partners came to be responsible for social insurance. This distinction is strongly entrenched in the debates surrounding social policies in France and is still supported by all social partners, was a major element of discussion during the attempts to reform pensions in the late 1980s and early 1990s.

Throughout the elaboration of social security, the CGT stood behind the Laroque Plan, which included many of its proposals. This union proved to be the keenest supporter of the plan. The CGT would come to identify strongly with social security calling it a 'child of the CGT' during the celebration marking the 30th anniversary of social security. The role of the CGT, the largest union in the aftermath of the war, would prove to be crucial in the institutionalization of social security as its militants literaly implemented and instituted the administrative organs necessary for the functioning of social security. This was made possible because of their electoral success giving them a majority within the administrative boards of many social security institutions (Guillemard, 1986: 68-75).[60]

The political battle ensuing from the Larocque Plan resulted in a highly fragmented system combined with low benefits for the general pension regime. An ordinance creating the general regime is adopted on 19 October 1945, mandating all workers in the private sectors with the exception of farmers. It is further announced that the special pension schemes granted to public servants are maintained on a temporary basis.[61] In the hopes of convincing other groups to join the general regime, the ordinance would be complemented by legislation adopted in May 1946 extending social security to all citizens. This legislation did not include any starting date, as details needed to be negotiated. The government did not wait, however,

---

managerial elections while forcing an equal representation of employees and employers in the boards administration social security 1967 (Guillemard, 1986: 67-70).

[59] In the words of Pierre Larocque, this was done as a mean "d'éviter tout rique d'étatisme bureaucratique" (cited in Guillemard, 1986: 66).

[60] Pierre Laroque wrote in 1955 that "jusqu'aux premières élections de 1947, la CGT a eu la majorité absolue dans presque tous les conseils d'administration. Ses représentants formaient des groups très dynamique et efficaces. Ils ont joué un rôle prépondérant dans la mise en place de l'organisation nouvelle, qui leur doit beaucoup" (cited in Guillemard, 1986: 74).

[61] A decree of 8 June 1946 sought to alter the current pension schemes of public servant into a supplementary scheme while integrating them into the general scheme. This solution was envisaged as to ensure that civil servants would not lose their special status (Saint-Jours, 1982: 129).

and set 1 January 1947 as the starting date for the new regime, which was to be extended to the rest of the population (Saint-Jours, 1982: 126).

A middle class coalition composed of workers/management (cadres), many regrouped within the newly created CGC,[62] and the self-employed would stop the universalisation of public pensions in France. They would eventually gather support from the employers' association (CNPF),[63] the CFTC,[64] and various groups opposed to the socialist-communist majority. The leadership of the employers would eventually lead to the creation of a different pension regime for management in March 1947 (Guillemard, 1986: 84).

Eventually, management joined the general pension scheme but obtained extremely favourable conditions within it. All income above the wage ceiling for the general plan was not considered. This was a key element since the removal of the ceiling would have implied that they would have received less in the general scheme than in their previous scheme. They could supplement their pensions by investing into a supplementary pension plans, thus generating similar benefits as before the reform and avoided financing the extra contributions associated by adding worker's insurance into a common regime. They were also given the opportunity to make retroactive contributions in depreciated currency to earn entitlements for the period 1930-47. The self-employed negotiated a complete withdrawal from the general regime following the work of the Surleau Commission designed to clarify their situation within the new system.[65] They questioned the principle of solidarity enunciated in the plan since civil servants were excluded and claimed that it imposed an unfair burden on them. The hopes of a universal regime were halted when a 1948 law instituted four separate regimes for the self-employed along occupational lines.[66] Resulting from the failed attempt to integrate the self-employed to create a universal pension plan, the pension schemes of farmers, artists and trade and industrial entrepreneurs turned out to be quite similar to the general scheme. Members of the liberal professions, however, were left alone (Baldwin, 1990a: 170-2).

---

[62] Confédération générale des cadres.

[63] The creation of a supplementary pension regime was sought by employers for three main reasons. First, it could introduce the insurance method of its choice instead of having it imposed on them as it was the case with the régime général. Second, they could regain powers within the administration of pension régimes and could gain a better control over the social gains of the employees. Finally, they were opposed to any universal plan for social security and by creating this régime, they seriously challenged this governmental objective (Guillemard, 1986: 85).

[64] They were actually losing many engineers to the CGC (Guillemard, 1986: 84).

[65] Contrary to the situation prevailing in other countries following the war, the self-employed represented a strong political force as 20% of workers belonged to this category. In contrast, only 5.8% of workers were self-employed in the UK (Baldwin 1990b: 260).

[66] These four occupational schemes based on different set of rules for benefits and contributions were liberal professions, industrial and commerce independents, artists, and agriculture (Baldwin, 1990a: 177). Contrary to the other three occupational schemes, the pension scheme for farmers would be adopted in 1952.

As a result, the general scheme ended up only guaranteeing a minimum. Thus employees turned towards employers to extend the scope and domain of supplementary benefits (Guillemard, 1986: 99).[67] The first supplementary pension scheme was instituted by the liberal professions in 1947 (AGIRC), other such schemes would be created in the 1950s[68] due to the poor levels of benefits found in the various mandatory plans. They would eventually be regrouped into one institution (ARRCO) in 1961. By this date, all workers belonged to a supplementary scheme (Baldwin, 1990a). Both organisations have encompassed a multitude of different supplementary pensions along occupational lines. The AGIRC and ARRCO have been legally non-profit private organisations, but have been considered somewhat to be public institutions due to their 'mission d'intérêt général' (general interest function). The strength of these two organisations have grown significantly, as the government introduced legislation in 1972 making participation into supplementary schemes mandatory.[69]

It is worth visiting the occupational conflicts surrounding the French pension development. Baldwin (1990a) underlines the importance of occupational alignment for the expansion of social insurance. France actually is the poster child of this argument with the "cadres" stopping the universalisation of public pensions. However, the key elements that have allowed them to do such action was the governmental decision to keep people earning more than 15 000 francs out of the public scheme in 1930. It was this decision that forced them to organise, seek alternative options and define them as a group. It would have been difficult for the coalition behind the supplementary pension scheme to succeed without the breakthrough elaboration of supplementary schemes in 1930.

Further, as stated by Guillemard (1986), whose analysis focuses on the conflicts between unions and employers with a passive state playing to the tune of the relative strength of these players,[70] the unions and the left in general began to lose strength in 1946-7. The socialist-communist coalition was no longer able to gather a majority in Parliament while

---

[67] Employers had three main reasons to support the extension of supplementary schemes. First, they could use negotiations on pensions to negotiate salaries, which they had no control over. Second, it allowed them to free their older workers, whom were considered unproductive. Finally, supplementary schemes provided employers with another mean to create divisions within the labour movement by favoring the CFTC and the CGT-FO while marginilizing the CGT (Guillemard, 1986: 104).

[68] For example, a special scheme was introduced for supervisory staff in the metal industry in 1953 and one for all Renault employees in 1955 (Saint-Jours, 1982: 130-1).

[69] By then only few occupations did not have supplementary pension schemes, and few remained outside ARRCO (Saint-Jours, 1982: 138). This is still true today since only three major organisations are not members of either ARRCO or AGIRC: Ircantec (for employees acting as agent for the public sector without being civil servant), CRPNAC (civil aviation employees), and CGRCE (savings office/bank employees).

[70] Clearly a by-product of the weak Fourth Republic.

internal conflicts within both the CGT and later on within the CFTC would fragment the union movement. The relationship among them would then become extremely competitive with the CGT losing ground. This development froze the action of social security institutions, and put unions on the defensive protecting earned rights while being unable to acquire new ones (95).

With regards to civil servant, the word temporary became more and more permanent as their special regimes remained unaltered by this wave of reform. The integration of their schemes with the general regime was never really pursued for two main reasons. First, the pension schemes within the public service had been divided along socio-occupational[71] or structural lines and have a longer history than the ones present in the private sectors. It was much more difficult to reform strongly entrenched and implemented plans like the pensions schemes in the public sector than the ones found in the private sector, which had been recently implemented and hurt significantly by inflation. Second, retirement has been defined differently in the public sector than in the private. Retirement is defined as a continuation of active life implying that public servants receive benefits tied to their professional status at the time of retirement. This special status had been granted earlier to attract employees into the public sectors (Bozec and Mays, 2000). Integrating the schemes of public servant with the ones found in the private would have meant a significant loss of benefits and, possibly, the loss of this special status.[72] Thus, public pension schemes were not incorporated into a broader system including private workers.

The Larocque Plan proved to be too ambitious, especially once compared to other plans proposed in Europe during this period. Larocque had "revolutionary ideas" in mind but was forced to compromise during the debate following the 1945 ordinance (Ashford, 1986: 251). The redistribution effect from the most privileged occupational groups to the less privileged was too visible to succeed (Baldwin, 1990a).[73] This episode in the development of public pensions resulted in a centralization of benefits and contributions for those enrolled in

[71] After World War II, there were 160 pension schemes for public servants, this number has fallen to 100 (Bozec and Mays, 2000: 375).

[72] According to Saint-Jours (1982), many of the special benefits granted to public servants became available to workers in the private sector via the growth of supplementary schemes and a decreased in the benefits granted to civil servants (130).

[73] Further, for those unfamiliar with French politics, it should be reminded that governments in the Fourth Republic consisted of large coalitions and were short lived due to strong ideological differences and weak party discipline. This resulted in a difficult environment for reformers since proposals had to be negotiated with a multitude of actors. The ineffectiveness of governments in pursuing a course of action would clearly come to light as the conflict in Algeria intensified, resulting in the demise of the Fourth Republic.

the general regime and an independent decentralised management, which still prevails today (Saint-Jours, 1982).

The 1960s were a decade of administrative change as the first governments of the Fifth Republic sought to increase the powers of the state and employers within the system of social security. A law in 1960 increased the power of the state over the administrative council in charge of public pensions in the private sector. The candidate for elections had to meet three criteria: 1) be chosen from a list pre-established by the ministry of social affairs; 2) 80% of the candidates had to come from the newly created Centre national d'études supérieures de la Sécurité social; and 3) each new director had to receive the approval of the ministry before beginning his/her term (Join-Lambert, 1997: 450-1). In the same vein, other legislations were introduced in 1967. The national social security office was divided into three offices, corresponding to different risks (sickness, old age, and family). A central agency (ACOSS)[74] was created to recover social security contributions and was accorded the legal status of public corporation. Further, a reform instituting the concept of parity between employers and employees was introduced in the management boards of social security to strengthen the position of employers, which were a minority. The management of each board would consist of representatives of unions and employers' association each receiving 50% of the seats. Representative would no longer be elected but rather nominated by each organisation (Saint-Jours, 1982: 132-3).

The 1970s are regarded as the final stage in the universalisation of the French pension system, a goal sought since the end of W.W.II. The French government passed a law in 1974 seeking to provide social protection to all of its citizens by 1978. As underlined by Baldwin (1990a), universalism would be achieved by the back door. First, the self-employed who had strongly advocated separate schemes in the post-war era became strong supporters of a universal regime due to their sharp economic declined. Wage earners represented by the Left, on the other hand, opposed universalisation since they would have been the ones financing the inclusion of the self-employed. To resolve the difficulties of self-employed without alienating wage earners, the Centre-Right governments introduced laws seeking to save the independent regimes without digging into the funds of the general regime. A reform was first introduced in 1972 and it aimed at aligning the rules and benefits of self-employed regimes, with the exception of the one for liberal professions, with the general regime. State subsidies were also introduced to help alleviate demographic imbalances within the independent

[74] Agence centrale des organismes de sécurité sociale.

regime (Baldwin, 1990a: 248-68). These objectives were pushed further in 1974, when the government introduced an inter-regime mechanism resulting in monetary transfers between schemes to alleviate demographic and socio-economic difficulties experienced by some schemes like the ones for farmers and minors (Bonelli, 2000: 127). This went further than the 1972 laws since it implied that state subsidies granted to the general regime would also be used to finance imbalances in the independent regime. Nonetheless, it is important to note that the government promised that the amount transferred to the self-employed regime would not exceed the amount received in state subsidies (Baldwin, 1990a: 285-6).

Second, coverage was extended to individuals that were still not enrolled in an old-age pension scheme by requiring them to contribute to the general regime (prisoners, some artists, clergyman, housewife under specific circumstances, etc.) (Saint-Jours, 1982: 135; Charpin, 1999). Finally, following the parliamentary and presidential victory of the Socialists in 1981, Mitterand opted to raise significantly basic levels making the French system more universal and less stigmatized. One of the important modifications introduced by the Mitterand government was the reduction of the retirement age from 65 to 60, which had much more to do with redefining employment policies than improving pensions (Guillemard, 1986: 315). This new policy was favoured by both unions, who were seeking to improve pensions and started to advocate retirement at 60 in the 1950s, and employers, who were seeking to replace 'ineffective' and costly older workers. As stated in chapter 1, the country was faced with high unemployment and the cost of maintaining workers on unemployment insurance were actually higher than putting them on retirement (Rein and Friedman, 1998: 63).

Despite the universal coverage provided by social security, which is quite an achievement considering that only 50% of all workers were covered after World War II, unity is far from achieved as there are disparate levels of benefits among groups (Charpin, 1999). Table 2.1 provides a sketch of the French public pension system, which has remained fairly stable despite the reforms of the 1990s.

Table 2.1 Overview of the French Pensions System.[75]

Wage Earners	Basic Regime	Mandatory Supplementary Regime	
Workers from the industrial, trade and service sectors	Régime général – General scheme (divided into various schemes: Cnav, Cram, Crav, CGSS). This scheme includes close to 15 millions workers and 9,6 millions retirees.	ARRCO	
Cadres from the industrial, trade and service sectors		ARRCO	AGIRC
Agents that are not considered state employees		Ircantec 2 millions contributors and 1,3 million retirees.	
Other enterprise wage earners with a special status		Various schemes (CNRCC (CCI), Crepa, CRPCCMPA, CRPNPAC etc… 45 000 contributors and 25 retirees.	
Civil servants and wage earners from governmental organisations	Special regimes for civil servants 4,7 millions contributors and 3,4 millions retirees.		
Agricultural workers	MSA 650 000 contributors and 2,2 millions retirees.	ARRCO 15 millions contributors and 9 millions retirees.	
Cadres in agriculture	MSA	ARRCO	Agirc 3 /1.6 millions
Independents (Self-Employed)			
Agriculture	MSA 750 000 contributors and 2 millions retirees.	Non-mandatory schemes	
Artists	CANCAVA – 482 000 contributors and 684 000 retirees.		
Trade and Industry	Organic 607 000 contributors and 908 000 retirees.	Non-mandatory schemes.	
Liberal Professions	CNAPVL 418 000 contributors and 144 000 retirees. CNBF (lawyers) 31 000 contributors and 8 000 retirees.		
Religious Professions	Cavimac	24 000 contributors and 70 000 retirees.	

Source: ARRCO (found at the CNAV web site: www.cnav.fr, site visited on October 17, 2001).

Theorizing Pension Reform within the French Context

The importance of the state in France

In discussing the concept of policy style, Richardsson et al (1982) summarize France's as being "a policy system characterised by secrecy, limited consultation, immobilism, and stagnation most of the time, and an assertive government and abrupt and radical change some of the time" (1). In the background of this picture lays the state. The French state is considered to be strong enough to overrule interest groups in the pursuit of the national interest (Krasner, 1976). As underlined by Merrien (1991), interest groups such as unions, are only admitted into the policy-making process to the extent that they fit into a state logic, under which case they become a segment of representation for the national interest. It is, afterall, the state that decides which members are representative.

[75] A means-tested pension is also available for those earning below a specific amount.

> “In the French case, this conceptualisation is pushed to limits since the state not only is the principal actor in the social life, but it considers that its mission is to take control directly of the main interests of the nation against the wishes of private interests, which are viewed as seeking to impose individualism to defeat universalism”(Merrien, 1991: 283).[76]

Indicative of the strong powers granted to the state, the cabinet of the Prime Minister, and the Prime Minister himself/herself play a key role on this issue. The reasons behind this centralization of power are multiple. First, many elements related to public pensions can only be changed by an executive decree signed by the Prime Minister, and endorsed by the President. These powers are established in the Constitution of the Fifth Republic as a mean to reduce the power of the legislature. Second, public pensions have been considered to be a very sensitive and important issue. Retirement at age 60, granted by the Socialist in 1982 is considered to be a social conquest and very few politicians seek to challenge it directly. Five years before the Juppé plan and the mass demonstrations that followed in December 1995, the Prime Minister of the time, Rocard, had stated reforming public pensions is an issue that can force the resignation of any government. Further, many analysis related to pension reform have been performed by the Commissariat Général au Plan (CGP), an institution in charge of French planning that is placed under the responsability of the Prime Minister. It has plaid a leading role in gathering expertise and diagnosis on the public pension system.

The influence of the Minister of Social Affairs is not considered to be too strong when it comes to this issue even though the ministry is officially in charge of this issue. A Minister must obtain the green light from Matignon prior to any discussion with the social partners, and the later will contact Matignon to verify that they did. Thus, the role of any individual ministry is extremely constrained (Quermonne, 1991: 44).

France has often been referred to as a semi-presidential or semi-parliamentary system (Duverger, 1980) because of its mixture of parliamentary and presidential features. France has a split executive having both a Prime Minister and a President. When both come from the same party or a similar coalition, the later exercises a dominant role. On the other hand, when they come from different parties or coalition, the Prime Minister exercises the key powers on domestic issues while the President’s influence is mostly confined to foreign issues. Thus,

[76] “Dans le cas francais, cette conception est poussée à l’extrême puisque non seulement l’État se veut un acteur principal de la vie sociale, mais qu’il considère en outre que sa mission implique la prise en charge directe des intérêts principaux de la nation face aux intérêts privés toujours suspects de vouloir faire trimpher le particulier au détriment de l’universel”

this distinction plays an important role for anyone studying ‘grey areas’ such as the EU because it is difficult to distinguish it as a domestic or external issue. However, public pension is strongly rooted as a domestic issue and co-habitation does not have a strong impact in this debate. In the past five years, Chirac has not been able to force Jospin to follow his own way in this debate. The only actions Chirac has been able to undertake has been to criticize the lack of action by the Socialist government. Nonetheless, a co-habitation government can impact the debate in the measure that the Prime Minister is seeking election as President. This reason was explicitely stated by Chirac in 1987 following a commission on reform social security: “any risky measure will be excluded prior to the elections” (Le Monde, October 24 1987).

In his article on pension reforms, Vail (1999) uses the notion of France as a strong state to underline the complexity of activiting a retrenchment policy because it is very difficult to avoid blame. The executive is strong, visable, and highly centralized. It is, therefore, difficult to diffuse blame as it is the case in the United States where the President can blame the legislature and vice versa because it has a legitimate and powerful influence in the decision-making apparatus (Pierson and Wiever, 1993).

When to it comes to translating these powers in the case of old-age pensions, it is difficult to support the position of a strong state. By advocating the virtue of private savings and supporting the mutualités (friendly societies) for a longer period than most democracies,[77] the state never succeeded in exercising the kind of powers described above by Krasner (1976) and Merrien (1991). Its attempt to universalise social security under one scheme failed in 1945, partly because of its earlier actions. The fact that the first mandatory pension scheme occurred in 1930 gave more time for private alternatives to establish themselves. Further, by excluding those earning more than 3000 Francs, this legislation strengthened private options and the organization of well off workers, which had to establish their own plan.

The social partners

France does not have a strong consensual history among its social partners that can be compared to Belgium or Sweden. The stance towards employers had been quite antagonistic after WWII, in part due to their collaboration with the occupier. Class and religion became two major cleavages that led to the division of the CGT and the CFTC resulting in the creation of two new unions (FO[78] and CFDT[79] respectively) besides these two. Management *(cadres)* obtained its own unions in the late 1940s in the CFE-CGC.[80] These five unions have competed for members and social elections (when they arose) throughout the past 50 years, and have been the ones considered to be representative by the state. They are consulted regularly for many policy issues, such as pension. These consultations tend to be formalized via the Conseil économique et social, the consultation institution for any government seeking to test the political waters of any proposal. This institution can also be employed for a social partner to push one of their proposals in the forefront of the political debate as it was done by Chotard in 1988 for pensions.

The membership within the unions is also quite diverse. Not only they have ideological and professional differences, but they are also separated along public/private sector and by the number of elderly they have as members. The CGT used to be the biggest union in France, but it split in two at the onset of the cold-war over the type of Communism it would support. CGT threw its support behind the Soviet régime, while the runaway group CGT-FO put its trust behind democratic communist parties. The CFTC also experienced a split in two over the place of religion within the union. Today, the CFTC is a christian democrat union, which advocates and promotes actively family and church values. Its runaway counterpart, the CFDT is a non-religious union and has put a strong emphasis on seeking agreements with the employers and the government. Finally, the CFE-CGC represents mostly white collar workers. None of the French unions are linked to political parties, at least not in the same way LO supports the Swedish democrats. They have, however, informal links with the political elites. For example, many members of the CGT are also members of the Communist party. Another important cleavage that is worth emphasising here due to the nature of the French pension system is the proportion of members within the unions that belong to either the public sector or the private sector. FO and CGT have most of their members in the public sector. Somewhat similar to Italy, many unions also include a high number of members that are retired.

Contrary to Sweden, the French unions are quite decentralized and it does happen that a sector or a branch disobey the positions spelled out by the executive office. For example, the railway workers of the CFDT were clearly at odds with the executive following the

---

[77] To this effect, it is worth noting that the Larocque Plan was presented as an extension of the mutualités (Ashford, 1991).
[78] Force-Ouvrière.
[79] Confédération Francaise Démocratique des Travailleurs.
[80] Confédération Francaise de l'Encadrement – Confédération Général des Cadres.

introduction of the Juppé plan. Despite the support granted to the plan by Notat (President), they were quick to join other unions to protest the measures. Further, the actions of sectoral branches may vary greatly from the confederal positions. This was clearly demonstrated by the creation of a capitalized pillar to complement the *régime général* and the mandatory supplementary pension schemes (AGIRC and ARRCO) in the insurance sector, which was supported by CFDT, CFTC, and even the strongest opponent to funded options, the Communist CGT (Le Monde, 3 February 1995).

The main employer association, MEDEF (previously CNPF), has become increasingly vocal on the question of reforming the public pension system. Due to the historical mentioned above, the employers had not traditionally had a strong and confrontational public profile. It used to be seeking compromises with the unions on most questions. This philosophy has been strongly altered since the instauration of a new leadership in 1997. MEDEF's approach is now much more confrontational. Indicative of the change, its members have been out in the street protesting the enactment of the 35-hour week in October 1999 (Economist, 22 January 2000), and it pulled out of the social security administrative councils claiming that they have no real powers.

If a person were to base solely its analysis of the relationships among the social partners on public speeches and press releases they would be baffled. In many instances, the tone is uncompromising and clearly antagonistic, especially for FO and CGT. One can be left with the impression that the social partners are preparing themselves to join a fighting tournament rather than seeking to work together. Because of the competitive nature of the union map in France, one cannot leave the appearance of appearing soft on social issues that are closely related to workers' rights. During the period studied, the term *surenchère* (overbiding) is often cited to describe the position of certain unions, as they seek to offer more than their competitor. When it comes to reforming the public pension system, this takes often the form of refuting the analysis of experts, and denouncing that the remedy is too stark, challenging earned social rights. Despite this competitive environment, social partners have found a "paradoxical" way of co-existing:

> "…unemployment insurance is perhaps the most dramatic illustration of free riding in French policymaking. The three major unions, which represent no more than a fifth of French workers, monopolize the negotiations with the CNPF while the Communist unions accept the benefits while boycotting the procedures and condemning the results. All these paradoxes happily coexist because social insurance is defined to include all forms of social risk whether or not it lies within the formal state system" (Ashford, 1991: 35-6).

These patterns exist as well for the pension sector. For example, despite FO's refusal to accept and support the *new "convention d'objectifs et de gestion"* (5 year plan negotiated between social partners and government concerning the management objectives) because it was part of the Juppé plan, it participates in its implementation.

These trends are also quite obvious during the negotiations related to the mandatory supplementary schemes (AGIRC and ARRCO). The CGT virtually never gives its support at the national level, with FO, CFDT, CFTC, and the CGC negotiating with the employers. Recently, FO have been more reticent than the other three to sign in with the employer. Compared with FO and CGT, the CFDT has had a more conciliatory tone, and has been more willing to negotiate with the employers. This position has been somewhat difficult to maintain in the face of the less compromising stance by the CGT and FO.

It is also important to state that as a single organization, none of them have a veto power. There must be a broad majority within a board of representative, in the case of pension within the CNAV, for a proposal to be endorsed. It is quite rare that conflicts arise when it comes to the implementation of the laws set by the government.[81] However, these conflicts are more likely to be present during the negotiations within the mandatory supplementary pension schemes AGIRC and ARRCO. For example, the latest agreement among the social partners was signed in February 2001, and was endorsed by the employers, the CFDT, the CFTC, and the CFE-CGC. Nonetheless, the agreement applies to all employees. If a social partner does not consider a majority to be broad enough, it can appeal the decision to the *Conseil d'État*. This procedure is rarely employed.

The most important resources unions have, remain their mobilization strength, which was expressed so clearly in December 1995. Work stoppage by the SNCF and RATP, which represent around 75% of all strikes in France, can shutdown Paris.

The (uneasy) relationship between the state and the social partners.

The interaction between the unions, employers and the state is quite particular in France when compared to other European nation. On most indices of corporatism, France usually ranks at the bottom. With only 10% of the workforce belonging to a union, this is hardly surprising.

The mutualist tradition has resulted in the trade unions and employers not being completely integrated in the state apparatus leading to a peculiar relationship between the

[81] This is partly the result of the lack of power granted to the administrative council.

state and the social partners especially in the case of old-age insurance and the institutions associated with the Sécu. Indicative of this strange relationship, the various 'caisses' cannot be clearly defined has neither private nor public and its top management actually consists of state employees, while most of its staff are private workers. These responsabilities were clearly defined in 1945 and in favour of the social partners. As underlined by Ashford (1986) social security was built 'outside the state'. However, they never materialised as the state took more responsabilities **as the needs to reform the system grew**. The power of unions reached a peak following WWII, and they have been on the defensive ever since (Guillemard, 1986). Starting with intense conflicts within the unions, the re-birth of employers as legitimate actors, and the arrival of De Gaulle, the state has gradually established itself as the most important actor, setting the legislation to be followed by the various 'caisses' (schemes). This intrusion into the mutualist tradition where workers (and employers) are expected to run their own scheme, has been constantly contested by social partners, however.

The state cannot ignore the social partners as the various '*caisses*' are formally managed by them. Social partners, in particular the CGT, were key actors in establishing and implementing the new system after the war, resulting in a strong legitimation within it. The debate between insurance and solidarity has existed ever since the creation of the *Sécu*, and constantly reappears the when pension reform is on the political agenda. This debate is also a reflection of a conflict between the state and social partners over the control of old-age insurance. The social partners would like to have full managerial powers over old-age insurance, like they do with the supplementary pension schemes ARRCO and AGIRC. Despite all the reports stating that a division between solidarity and insurance cannot be materialised in practice, this has remained a main axe of discussion and conflict between the government and the social partners. The profound attachment to the formal powers, which grant little space for decisions that have policy implications, results from the legitimacy that it grants to the social partners. It places the social partners at the centre of social policy (Rosanvallon, 1995: 81).

Interestingly, even the population is split on the subject. During a last ditch effort by the Socialist government of Bérégovoy (1992-3) to reform pensions, the Minister of Social Affairs (Teulade) commissioned a survey, which included two questions on the management of public pensions. The public was clearly split between the social partners and the state. One question asked who do you trust the most to manage the pension system. 35% of individuals answered the state, 34% the social partners and 23% private insurance companies. Further, 45% of the respondents stated that the government should managed the whole system while

51% stated that it should only concern itself with national solidarity (non-contributive benefits).

Bureaucracy

The institutionalisation of public pensions is clearly another point challenging the strong state thesis. The French bureaucracy never had a strong foothold in this policy domain. It has also lacked the prestige and means to attract good graduates. Actually, many of the comments related to the French bureaucracy on this subject, echo the critiques of the British bureaucracy made by Heclo (1974) in his seminal book *Modern Social Policies in Britain and Sweden*, where he attributes the lack of expertise with the minimalist pension system obtained by the UK.

First, the traditional arena of strength for pension policies usually lie within the Ministry of Social Affairs or an (independent) agency attached to it. In the French case, the Ministry usually acts as a representative on various public boards related to pension such as the CNRACL.[82] It is also responsible for the preparation and implementation of social policies. This is quite different from its Swedish counterpart, which gives the later responsibilities to external agencies, Riksförsäkringsverket (RFV) for pensions. However, the Ministry seems to be lacking resources to perform its mandate properly, which is much more complex than many industrialised country because of the fragmentation of the pension system. As underlined by Bichot (1999), the "statistical department of the Ministry of Social Affairs does not have the means to study seriously all aspects of la *sécu*". The same author would later add, "impact studies, attached to a bill are at a distressing level. Feasibility studies shine by their absence" (18).[83] The reasons behind this situation are diverse and include a bureaucratic tradition that has emphasised legal aspects and the reliance on the 'caisses' for the implementation of its policies. The later are managed by the social partners and are semi-private entities, as they are not controlled by the government to the same extent as RFV for example. Its employees, with the exception of the top management filled with *Enarques*, are private sector workers.

As a result, various governments have relied on a multitude of experts to write their reports. None of them has been as active as the *Commissariat Général au Plan* (CGP). The Plan has focused four key reports since the mid 1980s and has been the locus of pension

[82] Caisse Nationale de Retraites des Agents des Collectivités Locales.
[83] " les études d'impact qui doivent accompagner les projets de loi sont d'un niveau affligeant. Les études de faisabilité brillent par leur absence".

expertise for the publication of other reports as well.[84] There has also been strong reliance on the *Direction de la prévision*, a department within the Finance Ministry specialising in forecasting, and the *Institut national de la statistique et des études économiques* (INSEE). As underlined so clearly in a study by Guillemard (1980), 'external' reliance can produce useless information to understand the situation of elderly. The INSEE systematically ceased to categorize individuals according to their professional status once they reach retirement, which is extremely misleading considering the disparities among the pension reforms. Guillemard goes as far as stating that INSEE is producing ignorance on the subject.[85] Thus, no one knows what the average pension of for each socio-professional group was. More than 10 years later, a journalist at *le Monde* expressed its amazement that no expert really know what is the average pension of a blue-collar worker and that up to 1988 no one even tried to know it (Le Monde, 16 March 1993).[86]

The non-reform activities of the régimes spéciaux (civil servants, SNCF, RATP…). Prior to the work done by the *Conseil d'Orientation des Retraites* (COR) relatively little was known about them. Most reports had suggested vague measures without proper analysis, making it difficult for politicians to take a stance on these schemes. The Balladur cabinet finally opted to tackle the subject, and it took a year to launch a series of studies on the public sector *régimes*. It is extremely difficult to advocate a reform when no one can demonstrate a deficit, or an analysis of the situation. The deficit of the private sectors regimes, on the other hand, were well documented and published on numerous occasions in the newspapers.

Second, when it comes to hiring and forming experts, France's track record is also quite disappointing. The *grande école* devoted to social security, *Centre national d'études supérieures de sécurité sociale* (CNESSS), is the only one lacking laboratories and research centres (Bichot, 1999). Even more worriesome is the fact that the Ministry of Social Affairs

---

[84] This does not mean that the Ministry of Social Affairs, and its bureaucrats are totally excluded. During the redaction of *L'avenir de nos retraites* (ie. Charpin report) in 1998-99, Charpin consulted many offices with the Social Ministry (especially the *Direction de la Sécurité Sociale- DSS)*. Nonetheless, it is worth stating that documents and notes written by the DSS had to be validated by the Cabinet prior to their release. The same process was in place for the work of the *conseil d'orientation des retraites* (COR).

[85] Her critique was strong and blunt: "On voit, par cet exemple, combien ce que les empiristes naïfs appellent des 'données' engage de présupposés théoriques sous-jacents, contribuant corrélativement à produire l'ignorance systématique de certains processus sociaux (Guillemard, 1980, 83-4).

[86] He began his article by discussing all the uncertainty and worriness regarding the possible reforms, and how people are going to manage the reforms. "Alors, innocemment, j'ai demandé combien touche par mois le retraité moyen, l'ancien ouvrier, le 'col blanc', le petit cadre, le cadre sup…Révélation: on n'en sait rien. Un de mes copains, très spécialisé, m'a même dit 'C'est le secret le mieux gardé qui soit. Jusqu'à 1988, on n'avait même pas essayé de savoir. Maintenant on commence à s'en préoccupper, mais c'est du coton' (…) Certes, on glose à perte de vue sur la nécéssité de rallonger les années de cotisations, sur les économies que – globalement – on pourrait faire en versant moins aux futurs retraités, et…on ne sait même pas ce que recoivent pour vivre ceux qui, là, maintenant, sont en retraite. Ca laisse rêveur" (Le Monde, 16 March 1993).

fails to attract good énaques. As underlined by Jolbert (1981), "within the civil administration, social ministries are almost always the last choices. Between 1963 and 1969, 94% of the students ranked among the last 28 when they leave ENA (as part of a theoretical graduation of 100 students) have been affected to the Ministry of Social Affairs, Agriculture or Anciens Combattants" (author translation). These ministries also have the highest number of people without a graduate degree (253). Further, in stark contrast with Sweden (see Rothstein, 1996; Lindqvist, 1990), unions have never pushed and promoted its members to 'capture' the state or to join the bureaucracy to advance its social goals. This is partly as a result of their positions, which emphasised that old-age insurance should be their responsability. Their trust in the state has historically been negligeable, except for a few years following WWII. The common procedure of hiring énarquiste has also provided a strong barriers to achieve a stronger inclusion of union partisans within the bureaucracy.

Despite these critiques, it would be false to conclude that France lacks experts to fulfill to guide its government. Experts from the various organizations (ministries, departments, and other governmental organizations) know each other very well and are end up working on virtually every report that is being produced, with very few exceptions such as the Teulade report.

Reforming Pensions within the French Social Administration

A Belgian cabinet member best described the process of pension reform in his country by stating that changes occur "à petits pas" (by little steps). Despite the further complexity of dealing with coalition governments in Belgian, the same statement applies to France. As it will be seen in the upcoming pages, there is a consensus among the politicians that reform(s) of the pension system is deemed necessary. The key difference between the Right and the Left lies in their attitude towards private options as a mean to complement the current pension system. Even within the social partners, this consensus seems to exist, albeit to a lower level. When interrogated on the subject in private, few dismiss that a pension reform needs to be done.[87] Contrary to their political counterpart, however, what needs to be done is not too consensual. The fragmentation of the labour movement coupled with the fragmentation of the pension system make retrenchment quite difficult for politicians.

[87] This fact has been stated on numerous occasions in various articles of Le Monde (1990-2002) and during the interviews conducted with the social partners. The key exception is the CGT that claims that benefits should be maintained and the financing should come from the profit earned by private companies and economic growth.

Vieillir Solidaire

Three years after granting a full pension at 60 years old, the Socialist Prime Minister, Laurent Fabius, mandated the CGP to create a commission to on the "solidarity between generations in the face of demographic changes" in 1985 (Ruellan, 1993: 911). A key part of the commission was to tackle the future of the pension system. Despite a favourable demographic balance, old-age insurance was already in deficit. To this effect, the mission had a very ambitious agenda, as it was asked to analyse the impact of population ageing on virtually all factors related to the pension system. Then based on these prognostic, it was asked to provide possible solutions. The types of solutions that could be envisaged ranged from parametric reforms (eg. changing the contribution rate) to institutional reforms to preserve old-age insurance. The commission was asked to sketch the main lines of the pension system for the 21st century![88]

The Tabah report,[89] *Vieillir Solidaire*, presented an alarming statement with regards to the future of the current pension system for reasons similar to those presented in the first chapter. It rejected switching to a fully funded system, as the various pension régimes actually provided a satisfying income replacement. A switch to a fully funded or partially funded scheme would not resolve the sharing of resources between the generations, which it considered to be the key challenges in the years to come. The commission advocated immediate action to preserve the financial equilibrium of the pension system, which can not be cured only with a strong growth in employment. The commission rejected increasing the retirement age, as long as unemployment among the elderly remained strong (France then had the lowest participation rates of people 55+ in all of Europe) and added that any measure going in that direction would have to be progressive and uniform. They presented three suggestions. First, the mandatory contribution period should be increased from 37,5 years to 40. Second, a progressive retirement from the age 60 should be instituted where workers could continue to work part-time while receiving a partial pension. Third, retirement prior to

---

[88] "La Commission…analysera l'évolution à long terme des différentes composantes de l'équilibre financier de l'assurance vieillesse. Sur la base de ces projections, il appartiendra à la Commission de tracer les grandes lignes du système de retraite du 21è siècle, et de fixer le cadre général dans lequel devront s,inscrire les mesures à prendre; elle étudiera comment le déséquilibre croissant devra être comblé par des modifications des cotisations et des pensions, les instruments d'actions possibles étant entre autres, l'âge de la liquidation, le mode de calcul des pensions, les taux de liquidation et de revalorisation. Les évolutions démographiques risquant en outre, de rendre plus fragiles les solidarités mises en jeu dans le cadre de l'organisation institutionelle actuelle, la commission proposera les voies propres à garantir la pérennité de l'assurance vieillesse et s'interrogera en particulier sur l'évolution souhaitable des champs d'intervention des différentes institutions: régimes de base, caisses de retraites complémentaire, État, mutuelles, institutions privées de prévoyance…" (Vieillir Solidaire, 1986: 6).

60 years old ought to be reserved for those who really perform a tiresome, difficult job. The latter point was directed towards many régimes spéciaux where the retirement age vary between 40 and 60. For exemple, many SNCF employees can retire at 55 with full benefits even though they never board a train.[90]

Underlining the fact that elderly have similar resources as the working population and that pensions continue to rise faster than wages,[91] the commission proposed three measures to stop this trend. First, a system by points, similar to the one in place for the supplementary régimes ARRCO and AGIRC, would ensure that the revenues of the elderly grow at a pace similar to the workers and would strengthen the link between contributions and benefits. The contributive and insurance aspects would then dominate. Simply put, what you get is dependent on what you pay and the value of each contribution is also dependent on insurance factors such as life expectancy. Concretely, this implies that someone could stop working at age 60 after 37,5 years and his pension would reflect the length of his contribution and the average salary he had during his working career. Another individual retiring at 60 experincing a similar career, but with a duration of 40 years, would obtain a higher pension. Under the system that was in place, both of these individuals could receive the same pension because the years beyond the contribution requirement result in no extra benefits.[92]

Second, non-contributory advantages such as rights earned but unpaid by the unemployed, should be considered part of the national solidarity. They should therefore be financed by general taxation and be made more restrictive by the state. Finally, the adoption of these measures would greatly improve the financial state of the pension system, but an increase in the contribution rate would still be necessary. These measures ensured a strengthening of the link between contributions and benefits.

Commission d'évaluation et de sauvegarde de l'assurance vieillesse

Commissioned by the Socialist, the Tabah report would end up being submitted in June 1986 to the new government of Jacques Chirac, whose coalition won the election of March 1986. Rather than building from this report, the Minister of Social Affairs, Philippe Séguin, mandated Pierre Schopflin (inspecteur général des affaires sociales) to head a somewhat similar commission to present propositions to secure the financial security of the pension

---

[89] Named after the Chair of the Commission. It is a common practice in France to label a commission according to the name of its chair instead of the actual name given to it.
[90] Those working in the trains are entitled to leave at 50.
[91] For exemple the commission stresses that for the régime général, the average pension has increased by a total of 6,7% while salaries grew by only 3,8% during the period 1970-1978.

system up to the years 2000-2005 based on the work performed by the CGP. Another key aim of this commission was to test the political waters by including the social partners and the *caisses* representatives. Thus, the *Commission d'évaluation et de sauvegarde de l'assurance vieillesse* (aka Mission Schopflin) had the potential to generate a consensus on possible reforms to the old-age insurance. As a result, however, its proposals were far less reaching than the ones introduced by the Tabah report. The opinion of the social partners were mixed and only the CGT was opposed to the totality of the report.

The report was presented at the end of March 1987 and four key points were debated to preserve the current system. First, full pension benefits should be granted at 60 but the authorities encouraged the government to make the necessary arrangement for an "adaptation progressive et équilibré" (a progressive and even implementation). The movement towards retirement should be more continuous rather than represent a break. Second, there should be a clearer distinction between the contributive and non-contributive aspects, with alternative financing being found for the later. Third, the indexation of pensions should be made according to an indicator relying on the evolution of consumer prices and salaries. Finally, there was a division within the commission on a proposal to extend the wage of reference for the calculation of a pension from the best 10 years to a higher number of years.

Thus, like its predecessor, this commission advocated a greater link between the contributions and benefits, a clearer distinction between the solidaristic and insurance aspects of old-age insurance, and alternative financing solutions for the former. These key points had a key place in the political debate up to the Balladur reform in 1993 because it was strongly supported by a vast majority of the social partners. They had hoped that a clearer separation between the solidarity and insurance aspects could grant them more powers in the management of public pensions by reducing the role of the state to that of ensuring national solidarity.

États généraux de la Sécurité sociale

The ink of the Schopflin report was not even dry when Séguin annonced the creation of the "*comité des sages des États généraux de la sécurité sociale"* established to analyse and proposed options to reform and sustain the social security system in May 1987. This included health, unemployment, family allowances, and pensions as the whole system was generating important deficits. The directive for public pensions was to find ways to ensure the

[92] That is unless these extra years become part of the 10 best years of the working career.

sustainability of the pension régimes by seeking, among alternatives, new ways to ease the transition from the active life to retirement. This committee included high profile experts such as Pierre Larocque, known as the father of social security in France.

The report of the comité des sages was presented in October 1987. In the span of five months, the committee more than 6 000 letters, most of which addressed to the departments, many of which were visited by the members of the committee. More than 8000 people participated during the work of the committee. In terms of solutions, the committee proposed eight avenues. First, the payg system should remain, as it is still safer than a fully funded scheme and a switch to such system would imply that the younger generation would have to contribute for two pensions, theirs and the one of their elderly. Second, the evolution of the average pension must follow the progression of the average net salary, and not grow faster as it has been the case. Third, the retirement age should be progressively raised from 60. In order to achieve this objective, they suggest an increase in the replacement rate for those who wished to work beyond 60 and/or beyond the number of periods required to obtain a full pension. As underlined by Ruellan (1993), this marked the first time where the entitlement to a full pension at 60 was challenged (913).

Fourth, the link between contributions and benefits needs to be strengthened. The report was highly critical of certain non-contributory benefits such as granting the equivalent of a full contribution period (4 months) to those who only worked 200 hours. It proposed a tightening of these rules and alternative sources of financing for this kind of benefits. Further, as in the Schopflin report, the committee also suggested to increase the wage of reference from the 10 best years to 20 or 25 years and beyond 6 months for civil servants. Fifth, the member of the committees were also favourable to a move towards creating a point system as long as it did not challenge the overall structure of the system, mainly maintain a distinction between the basic and supplementary régimes. This option was viewed as an interesting path to harmonize the various pension régimes. Sixth, it is essential that pension rights should be harmonized. In the short run, a real and unique régime for civil servants and military personal should be constructed. Seventh, the passage into retirement should be made progressively and this should be encouraged. Finally, the committee members underlined that many mothers at home were still not receiving an adequate pension.

Further, in a section on the financing of social security, the report underlines that the financial relations between the state and the various social régimes need to be clarified. The idea of a general and proportional tax to help alleviate the deficit of the social security system is also suggested. The later idea enjoyed broad support among politicians from both side of the political spectrum (Juppé and Séguin- RPR; Rocard and Strauss-Kahn –—PS) and among the social partners (CFDT, CGC, CNPF).

Days prior to the official publication of the report, the Minister of social affairs (Philippe Séguin) immediately set meetings with the social partners to discuss the avenues retained by the governments. All social partners were in agreement with the terms of the problems, with the exception of the CGT. The pre-release enthusiasm would be short lived, however, when Chirac stated that "any risky measure will be excluded prior to the elections" the following week (Le Monde, 24 October 1987). Thus, the consensual strength of the report was never really tested and, like many French workers, this report became retired prematurely.

Failed consensus with the Conseil Économique et Social

The work on pensions continued following the Presidential and legislative elections of 1988, both won by the Socialists. The political waters of a reform were to be tested via a proposal on the social security system presented to the Conseil Économique et Social (CES)[93] presented by Yvon Chotard, President of the CNPF. The section on pensions proposed to transform the régime général into a point system like the ones used for the mandatory supplementary pension schemes (AGIRC and ARRCO). CGT and FO opposed such alterations claiming that it would result in challenging the whole retirement system. The CFDT partially supported the idea, but required guarantees on the evolution of pensions and a debate on all retirement schemes, including the ones of the public sector. The CFDT, CGC, artisans, liberal professions and the CNPF would eventually support the overall report. However, the notice would fail to gather a majority. Nonetheless, a strong consensus was achieved within the social partners to clarify the responsibilities of the state and the social partners within the régime général. The CGT being the only organisation refusing to support this motion.

Commission protection sociale

Few months later, in December 1988, the *"Commission protection sociale"* within the CGP would present its first notice to the government for the upcoming Xth plan. This commission presided by Teulade included representatives from various administrations, the

[93] This institution is roughly the equivalent of the CGP for the social partner without its expertise. It has been used to institutionalise the social partners within the state apparatus and is often used to build consensus among them.

social partners, and experts, many of which were actively involved during the *Commission des sages* in 1987. The most definite positions related to public pensions. The final report would be presented in June 1989[94] and proposed very similar solutions as the ones presented by the *comité des sages.* It proposed a package of five measures. First, an increase in the contribution rates between 3 and 6%, the raise being dependent on the employment situation. Second, the indexation should be based on net salaries. Third, the settlement of pensions to be based on net, and not gross salaries. This measure would thus consider the contributions made by current workers. Fourth, instead of calculating pensions based on the best 10 years, it should be increased progressively, in the span of 15 years, to the best 25 years. Finally, still within a 15 year period, the commission proposed to increase the contributory period from 150 quarters (37,5 years) to 165 quarters (41,25 years) to obtain a full pension (CGP, 1989: 47-8). Interestingly, these options were not favoured in December 1988 when a preliminary notice was presented to the government because of the high unemployment rate present. Both FO and CGT opposed all these points on the grounds that they represent cutbacks and not appropriate in a period of high unemployment. Moderate support was granted by the other unions (CFDT, CFTC and CFE-CGC) while employer associations were more positive (CGPME and CNPF).

The report by the commission was very important in the debate because it tackled options that were highly present in the public debate. First, the Chotard proposal of moving towards a point system was simulated for the régime général by the CNAV. This measure had also been mentioned by the *Tabah commission* and the *Comité des sages*. It was the first time, however, that this option was studied closely. The simulation considered the average salary of the entire career instead of the best 10 in calculation pensions and the contribution requirement of 37,5 years removed as the total number of years became the principle axe of validation.

This solution was dismissed by the commission on the grounds that similar savings could be made with its proposal and that it raised the reliance on the *minimum vieillesse*, the means-tested income replacement program for those who receive too insufficient retirement income. The main reason behind this outcome is the rule where the average salary is based on the best 10 years of a career instead of the average of a lifetime, which 'erases' the difficult years of a working career (CGP, 1989: 49). This system was criticized by FO and CGT as a mean to establish cutbacks, and were, therefore, opposed to its implementation regardless of

[94] "Réflexions de la commission de la protection sociale du 10ième plan sur le 'besoin de financement' à

the technical issues. Still, the attachment to the point system remained strong within some social partners (CFTC, CGPME and CNPF). The catholic union (CFTC) claimed that this system is easier to manage and more equitable than the current arrangement (CGP; 1989: 163).

Second, the commission was highly critical of seeking to differentiate between solidaristic and insurance aspects. The clarification between the contributive and non-contributive aspects of public pensions was endorsed warmly by social partners, who saw this measure as a mean to increase their power within the system, and supported in three previous reports (Tabah, Schopflin and les sages). This stance proved to be quite controversial with the social partners after careful analysis by the Commission. The commission stated that the difference between these aspects is problematic in theory and in practice. Distinguishing between the contributions paid by an individual employed and those paid by the state for diverse reasons (unemployment, sickness and minimum vieillesse) is relatively easy. However, this suppose that the current system pre-supposed a proportional relation between the contributions and the benefits. This was (and still is) clearly not the case. For example, is the fact that the 10 best years are considered instead of the working career for the calculation of the average salary for pension rights a non-contributive or a contributive benefit? The commission further claimed that putting this distinction in practice would result in extreme difficulties. Based on the lack of a possible consensus on the definition of what is contributive and the difficulties of implementing such a distinction, this option was rejected. Nonetheless, the commission stated that this reflection should be pursued in order to improve the knowledge of the system (CGP, 1989: 50-52). Many social partners criticized the commission for not pursuing this discussion further or rejecting the possibility that a distinction may be possible (CFDT, CFTC, and CNPF). CFTC claimed that it was actually easy to differentiate the non-contributive and contributive rights, and that the financing for the former should not come from the workers (CGP, 1989: 164). FO, however, supported the stance of the commission on this particular point.

Third, the commission asked for an *harmonized* policy for all basic régimes (général, public and *spéciaux*). It claimed that most conclusions made here for the régime général also apply to other basic pension schemes (civil servants and *spéciaux*). However, no concrete proposals were presented because of a lack of data available (CGP, 1989: 50)![95] This lack of

---

l'horizon 2005"

[95] "La Commission n'a pas disposer pour ces régimes de données statistiques et prévisionelles analogues à celles fournies pour le régime général".

information on these régimes would actually prove important in the decision-making process of reforming public pensions, as we will see in the upcoming pages. This was strongly criticized by many social partners (CFDT, CFE-CGC, CGPME, and CNPF), which underlined the detailed proposals for the régime général while avoiding any kind of suggestions for the other basic régimes.

A key ommission was also raised by the social partners. They were quite critical that the commission refused to tackle an important point of the *États généraux*, that is the lack of the clarification between the state and social partners for the management of public pensions. FO actually stated that "many of the problems facing the social security system come from the excessive supervision of the state" (CGP, 1989: 192).

One of the few political comments on the report came from the Minister of Solidarity, Claude Evin, who stated that the government needed to alter benefits and raise contributions. The government would remain silent for nearly a full year on the topic of pension reforms, which can be understood by the lack of feasible coalition to move the debate forward. Its main interaction with the social partners focused on the amount the government would grant to them to help alleviate the costs for the mandatory supplementary régimes resulting from the governmental decision to decrease the retirement age to 60 in 1983. During the negotiations and the struggle between the social partners and the government, the CFDT requested the elaboration of a white book (livre blanc) that would analyse the entire pension system.

Le Livre Blanc

During a parliamentary session in mid-June 1990, the Minister of Solidarity, Claude Evin, announced that the government was currently working on a *livre blanc* on pensions, which would be released in early 1991. Few weeks later, a special issue of the INSEE with an alarmist tone, brought back the issue of pension reform into the political agenda. The study directed by Denis Kessler, now the vice-President of the Medef, stated that contributions would have to be raised to 40% in the worst case scenario (from 16,3%) by the year 2040 if nothing is done. Kessler advocated immediate reforms and proposed three solutions: 1) increase the contributions; 2) decrease the benefits; 3) increase the retirement age. He stated that France is somewhat late in reforming its system compared to its European neighbours. The most controversial issue was its advocacy for the necessity to revert back to funded solutions to resolve the difficulties faced by the payg system. The Minister of Economy (Pierre Bérégovoy) would respond by stating that funded options represent coming back 100 years in the past to an individualist way similar to "la Cigale et la Fourmi". Six months later, however, he declared that he did not exclude introducing a funded component to the pension system generating a debate between the two options for the following months. The debate continued for several weeks despite the reassurances made publicly by Evin (Minister of Health and Solidarity) that the government was not considering private options (Le Monde, 5 January 1990)! The Prime Minister would re-confirm this position one month prior to the publication of the *livre blanc*.

At the end of April 1991, the government released the much awaited document. As it repeated on many occasions prior to its publications, the government restated that the aim of the book is to lay down agreeable data, perspectives and solutions on the future of public pensions. The Livre Blanc represented the culmination of the reports presented since 1985 (Ruellan, 1993: 913). The key difference with the previous reports was that it came from the government, which sought to prepare the table for a reform. The preface was written by the Prime Minister himself, Michel Rocard.

In his preface, few solutions are clearly taken off the political tables, all of which would have implied large structural changes. First, he rejected funded solutions stating that they do not resolve the demographic challenge that lies ahead. Second, he stated that creation of a universal pension scheme had not been an option for decades and that the government ought to practice solidarity measures between the various régimes. He further underlined that the advantages of the public sector régimes vis-à-vis its private sector counterpart had much more to do with the age of retirement and other fringe benefits than with the amount granted by them. Finally, as in the report of the *Commission protection sociale*, the idea of distinguishing between the contributive and non-contributive aspects of the régime général was dismissed due to the efforts required to implement such a plan and because it did not address its financial problems. Other suggestions such as creating a uniform pension system financed by taxation and building a point system were disregarded by the Prime Minister for similar reasons (Livre Blanc, 1991: 10-17).

Another innovation of the Livre Blanc came from the fact that public sector schemes were analysed and discussed much more than the previous reports. Nonetheless, it remained clear that the expertise on these schemes lagged behind that of the régime général and few domains, such as indexation, were discussed by analysing only the régime général. This point was obvious when it came the time to evaluate and propose options to reform the public schemes.

Any options challenging the right to retire at 60 was formally excluded as an option. Nonetheless, the Prime Minister wrote that it ought to be reminded that a right is not the same as an obligation and that this right can be perceived as more appropriate for those who began their working career at an early age (Livre Blanc, 1991: 17).

In order to gather a series of acceptable propositions, the government announced the creation of a new mission presided by Robert Cottave, a former FO secretary to study the propositions made by the Livre Blanc and those offered by the social partners.[96] The Prime Minister, Michel Rocard, also announced a parliamentary debate on the subject in the upcoming months. The livre blanc would end up being sold throughout France as a pocket book in another effort to raise awareness on this issue.

The content of the Livre Blanc and its themes presented options that had already been studied and proposed earlier. All measures were to be introduced in the very near future and progressively over the next 15 years. First, it considered increasing the number of contribution periods required to obtain a full pension. It suggested to raise the number of years required from 37,5 to 41 or 42 years by adding a quarter per generation. The document argued at length that this measure did not challenge the option to retire at 60 stating that many retirees fulfill this condition now and those beginning their career early will reach this requirement. They further stressed that people can retire at 60 even though they are not eligible for full benefits. In this case, the rate of their pension is diminished.

Second, it considered increasing the period of reference for the calculation of a full time pension from the best 10 years to the best 25 years of a career. This measure was seen as a way to raise the contributivity of the system. This measure represented a key argument against the proponents of the point system since it increased the contributivity of the system significantly without any structural change. The impact of a similar option for the civil servant scheme was briefly considered, extending the period under consideration from the last 6 months to the last 15 months. The report stated that the salaries of civil servants are quite fixed, and thus this measure would not result in any changes. On this topic, it concluded that using much longer period of references ought not to be done without analysing other

[96] The creation of this mission was also stated in the preface of the Livre Blanc. This choice of Cottave as President can be viewed as politically interesting. In effect, obtaining the support of FO would greatly enhanced the chances of the government to enact a reform. The chances of obtaining the support of the CGT being nil, getting FO on board with other unions and the employers would be broad enought to ensure the passage of a reform.

aspects related to the status of the civil servants and other elements that are not considered as part of their wages (ie. *primes*).[97]

Third, the report studied various modes of indexation (two types of net salaries indexation, and one on price). It remained quite negative on maintaining the indexation on salaries while not being too resolved on strictly indexing on prices.

The last section of the report emphasised policies no related to the public pension system, but which have quite an impact on it. These measures included the need to care better for the elderly, the need to encourage savings, and the need to favour a better integration of older workers within companies.

The report suscitated many reactions from both social partners and politicians. All social partners, with the exception of the CGT took a cautious approach vis-à-vis the Livre Blanc. This can be understood partly because it set up the table for future propositions, which had to be elaborated with them as part of the Mission Cottave. The CGT claimed that these measures represent an attack "on of the greatest social conquest of the 20th century". FO was satisfied that the report dismissed the idea of moving towards a funded system and expressed concerns for those who have many breaks in their career and the unemployed. CFE-CGC, CFTC and CNPF approved of the document as an important starting point for the debate. The CFDT did the same while restating its commitment to the indexation of pensions based on salaries, not prices (Le Monde 26 April 1991). The journalist covering social security issues of Le Monde wrote that in private unions acknowledged the extent of the problem but that the positions of the two radicals, FO and CGT, seriously constrains them (Le Monde 17 April 1991).

The opposition criticized the government of not taking definite actions on the subject and doubted that it would take any actions so close to the legislative election. Balladur (RPR) called for immediate reforms and a partial role for a funded system (Le Monde 25 April 1991). Indicative of the importance of the Parliament in French politics and the troubles faced by the government, its only representative for the parliamentary debate on May 14 1991 would be the Minister of Social Affairs (Evin)! Few days later Rocard announced his resignation as Prime Minister.

[97] As a way to avoid the rigidity of the salary structure, the government established "les primes". These are kind of permanent bonuses that are added to a salary but that do not generate social rights such as pension benefits. This measure was used, for example, to attract engineers into the public service. The government could not match the wages offered by the private sector since it would have had to raise the wage of all workers within the same category, it therefore offered them the standard wage and *les primes*.

Mission Cottave or moving away from the Livre Blanc

The momentum to reform pensions in both public and private sectors would soon come to an halt. On mid-May, the new Prime Minister, Edith Cresson, reduced the scope of the reform process by stating in her general policy document that:

> "the (pension) debate concerns first and foremost the *régime général*. The *régimes spéciaux* are not like the others. We will not question their specificity" (Le Monde May 24 1991).

With these simple words, proposals to reform the *régime spéciaux* were off the table and the Mission Cottave became more restrictive. The main goal of the Mission was to generate politically acceptable propositions that could be investigated further by the government. Thus, this implied that the propositions would be acceptable to a strong majority of the social partners.

The hearings began in June 1991 and its report was submitted to the new Minister of Social Affairs, Jean-Louis Bianco, in January 1992. Instead of complementing the Livre blanc, the report pretty much threw it to the recycling bin. Increasing the length of the contribution period from 37,5 to 40 years was the only measure derived from the Livre blanc.[98] The report rejected any increase to the reference salary to calculate public pensions, which rely on the best 10 years of a working life, and advocated that pensions be indexed on net salaries.

It promoted new measures such as better benefits for the raising of children and the creation of an institute devoted to monitoring pensions. It was proposed to increase the widow's pension from 52% to 60% of the partner's pension as a mean to improve the equity of the system. Further, the report dismissed any reforms to public sector schemes. On top of these new measures, a central point of the report was the need to clarify the financing of pensions between the social partners and the state. This led back to dividing the contributive and non-contributive aspects, the later to be finance via a new value added tax or income tax. Unsurprisingly, the reactions of the unions were quite positive this time, as the report met most of their demands (Ruellan, 1993: 914; Bonolli, 2000: 136).

Days prior to the public release of the Cottave report in January 1992, the government then mandated Bernard Brunhes, a consultant and former counsellor at Matignon, to conduct another round of consultation to analyse the opportunities to introduce a reform. A key goal

[98] And the later advocated 41 or 42 years not 40.

was to get the pulse of the social partners on some of the ideas presented in the Cottave report.

The content of his proposals were supposed to remain private, but its content found itself on the public sphere rapidly and were even published in Le Monde. It proposed to increase the number of years required to obtain a full pension from 37,5 to 40 years starting in January 1993. The average salary used to calculate the pension would remain based on the best 10 years. In exchange for this support, the government would re-establish "*paritarisme*" within the Conseil National d'Assurance Vieillesse and grant them its board to fix the rate of contribution and the indexation of public pensions. Further, the rate of the widow's pension would increase from 52% of the partner's previous pension to 60%, adding 1% every year (Ruellan, 1991: 914; Le Monde 25 March 1991). The Cresson government never had the opportunity to pursue these recommendations as the Prime Minister resigned few weeks later following a crushing defeat of the Socialists in the regional elections.

The poor support for the Socialists and the proximity of the legislative elections suggested the status quo with regards to pension reforms. These doubts seemed to be confirmed when the representative from FO stated after his first visit at Matignon that "the file on pension will certainly not be resolved by the end of the year" (Le Monde 25 April, 1992). However, in November of that year, the government would end up suggesting what would turn out to be a series of measures, had they been adapted, would have fundamentally changed the structure of public pensions.

With the popularity of the Socialists reaching all time lows, the Bérégovoy government made a last ditch efforts to reform the pension system. Following its predecessor, this third socialist government since the elections of 1988, left the *régimes spéciaux* off the table. Whether it really wanted to make a big coup to improve its electoral chances, or to leave a poison pill for the following government is up for discussion, but the ensuing debate clearly underlined the political feasibility and the wishes of the social partners for a pension reform.

The government proposed, in November 1992, to create a *fond de solidarité social* to finance what corresponds to the non-contributive benefits attached to national solidarity. This was viewed as a first step towards presenting further reforms. The fond would be financed via general taxation. The social partners were lukewarm about this project. The only interested party seemed to be the CFDT who also stressed that the government pay for the contributions of the unemployed (Le Monde, 26 November 1992). The bill was presented in Parliament in December, but the Socialists could not gather a majority. The Communists considered the governmental proposal as a way toward a two-tiered system and the Right claimed that it was just pure cosmetic (Bonoli, 2000: 137).

Unfazed, the government came back with a new plan in January 1993 even though the parliament was not planning to be in session prior to the elections. It proposed to privatize banks and insurance companies, and use 100 billion Francs from these sales to create a fund to finance the upcoming deficits of the old-age pension between the years 2005-2020. The government claims that this measure could ensure 20 billions Francs on a yearly basis starting in 2005. The government suggested to ensure the financing of the non-contributive aspects and leave the management of the contributive aspects to the social partners. In exchange, they would accept to increase the contribution period from 37,5 years to 40 years. Following this announcement, the social partners were invited to Matignon to discuss its feasibility. At the same time, the government announced that 20 billions Francs, 15 of which would come from the upcoming budget (ie. after the elections), would be taken from the state budget to reduce the social security deficit.

These announcements provoked stark reactions even within the Socialist Party. There were clear divisions with regards to the privatization of public assets and increasing the length of contributions. The Prime Minister would add water to his glass of wine the following day by stating that the 100 billion Francs could come from other sources[99] and that the decision to increase the length of contributions to 40 years would depend on the social partners.

Following few meetings with the social partners, the government took the project off the table in February. There was a broad consensus among the social partners to see an increase in their managerial role within the CNAV, but the government never made concrete proposals as to what they would be. There was an overall support for this plan, but all acknowledged the political timing of such proposal. CFTC and CFDT refused to continue the discussions without an extra parliamentary session, which the government opted not to do. Eventually, the CNPF would retrieve its support citing extreme confusion (Le Monde 18 January, 1993). A big meeting with the social partners was held on the 15th of February where no conclusions were presented on the key elements of a possible agreement, the management of the CNAV and increasing the length of contribution. The Prime Minister did not ask any of the social partners to engage themselves formally on any aspects of his

[99] Actually in an academic financial journal, the Minister of Economy (Evin) would write in March that an increase in cotisation of 0,2 could generate the 100 billions Francs. These conclusions would not be lost by the Balladur government.

proposal. As stated by Le Monde, “the social partners probably felt like they were assisting at the reading of a political will by a government at the end of its course" (Le Monde, 17 February 1993).

Following eight years of discussions, no reform project was clearly on the table. The work from the various commissions demonstrate a large consensus on the key points (see table 2.2). Everyone, with few exceptions, acknowledged that something had to be done, but no one was willing to blink first. The only element the government could obtain with its negotiations with the social partners was an increase in the contributory period in exchange for more control over the CNAV and funds to finance the non-contributive aspects of old-age insurance. These are measures that would have hardly been sufficient to resolve the upcoming financial problems of the pension system. Further, it was still unclear how these responsabilities would have restructured. The social partners were not too warmly in favour of the government’s scheme, since it would have implied that they would have been the ones to introduce the unpopular and necessary reforms to the public pension schemes. For the government, this could have been the best blame avoidance strategy, as it would have avoided any responsibility for the reforms.

Table 2.2: Official French Reports on the Future of Public Pensions And Proposals

Rapport (Date c Publication).	> age	> 10 to best 20-25	Price indexation	> contributions?	Funded part?	Others (ie. Harmonisation)
1985 - Vieillir Solidair	Yes, but conditioned by employment.	Nothing but open b/c support point system		Yes, but limited risk generational conflict.	No, only solution is voluntary options.	Better sharing between non-contr. And contr. aspects; and between regimes. Strengthen contr. aspects. System by pts would help. Financing must be enlarged (esp. for non-contr.). Reforms must be progressive.
1986 - Commissio d'évaluation et d sauvegarde d l'assurance vieillesse	More progressive but keep a minimal age		Mix system based on price and salaries			Strengthen rules for non-contr. advantages and increase the sources of financing (also in general). Strengthen the contributory aspects.
1987 - Rapport d Comité des Sages	Yes, inevitable	Yes, 10 to 20 or 25.	Must seek to link with net salaries.		No, PAYG still best.	Strengthen the contributory aspects of the system. Instauration of system by pts would be good and could favour harmonisation – should still remain neutral on the architecture of the system. Harmonisation of the regimes.
1988 - Commissio protection social presided by Teulad Xth Plan.		10 to 25 progressively in 15 years.	Link with net salaries. Liquidation based on net salary.	Increase periods from 150 to 165 quarters for full pension		Simulation of transfer to point system – similar effects can be reached with both systems. Reject (on philosophical and practical grounds) of separating contr. and non-contr. aspects of pensions.
1991 - Livre Blanc de Retraites with prefac by Michel Rocar Prime Minister.		10 to 25 progressively (1 yr by generation)	Price with special pt linking it with growth.	Increase periods from 150 to 168 quarters (1 q generation)	Rejection	Reject shift to system by pts. Reject construction of a single pension regime. Reject separation b/w contr. And non-contr. aspects. Claim need to promote employment of elderly workers. Improve other social needs.
1992 – Missio Retraites predised b Cottave		Reject move from 10 to 25.	On Net salary. Index to be negotiate b/w state and social p.	Increase period from 150 to 160 starting in 1996.		Financing via income tax of non-contr. advantages. Propose the creation of l'observatoire des retraites. Divided on granting strong managerial powers to the social partners.
1992 – Missio Bruhnes		Reject move from 10 to 25.		Increase period from 150 to 160 starting in 1993.		Increase in managerial power for social partners. Social partners would fix contributions and indexations. Non-contributives aspects financed by the CSG. Widow's pension to increase from 52% to 60% of decease's pension. Creation of l'observatoire des retraites.

Balladur Does the Unthinkable…He Introduces a Pension Reform… and Survives.

The Right won an overwhelming victory in April 1993 by obtaining 81,8% of all seats in the National Assembly. Fearful of facing the same faith as in the Presidential election of 1988, Chirac opted not to be in the running to be Prime Minister and this responsibility was granted to Edouard Balladur. The government would be very cautious in its approach fearing that it could harm their chances of re-claiming the Presidency. Many controversial measures were actually abandoned by the government for this reason (Bonoli, 2000: 138).

Nonetheless, the government would waste no time to address the issue of pension reform, and it would be one of the priorities of the Balladur cabinet for the first few months. Most social security accounts continued to have large deficits, and there was a sense of urgency that something needed to be done to stop the ‘bleeding’. Further, studies began to stress that, on average, the elderly had a higher standard of living than those in the labour market. An interministerial committee would be created following the election. A social meeting with the social partners was then convened in April to discuss various issues, including pensions. As stated in Le Monde, the social partners seemed to be surprise with how clear the intentions of the government seemed to be (April 23). Other meetings would follow in May between the new Minister of Social Affairs (Simone Veil) and the social partners. Vail (1999) argues that Balladur was seeking to give the illusion of seeking to create a consensus and that unions were not being dupe by this. Blondel, leader of FO, stated that “in a soft, mild way, the Prime Minister is trying to impose an austerity plan on us” (Le Monde, 8 May 1993, cited in Vail, 1999: 321).

Balladur presented his proposals in mid-May 93. He announced that all measures would apply strictly to the régime général and would be based on the Livre Blanc written by the Rocard government in 1991. By stating clearly that the government was opting to follow the guidelines and suggestions from the Livre Blanc, which was written by a Socialist government, it muzzled the Left (Vail, 1999). However, it must be added that the Left was in complete disarray following the 1993 election and the suicide of Bérégovoy. The Socialists were, therefore, unable to muster a strong opposition.

The measures announced by Balladur in May 1993 consisted of increasing the CSG[100] instituted by Rocard to finance a *fonds de solidarité* set up to finance the non-contributive aspects of social security (*la solidarité)* and to service the cumulated debt of the régime général.

[100] Contribution sociale généralisée – a tax of 1,1% on all income introduced by Rocard.

Balladur also indicated that he would launch negotiations with the unions concerning an increase in the length of the contribution period to obtain a pension from 37,5 years to 40, and an increase in the calculation of the base salary from the best 10 to the best 25 years. Based on these negotiations, decrees would then be executed (Le Monde, 12 May 1993).

Here comes the reform…

The *fonds de solidarité vieillesse* (FSV) would come to life in early June to finance solidarity measures for the régime général, which would be financed by the increase in the CSG (from 1,1% to 2,4%) and a new tax on alcoholic and non-alcoholic beverages. A fraction of contributions would also be re-directed in this fund (Ruellan, 1993: 917). This plan had long been supported by unions, which demanded a clearer separation between contributive and non-contributive aspects of the régime général. This recognized the role of social partners in the management of social security, and can be considered as part of a non-confrontational stance vis-à-vis the unions (Bonoli, 2000: 138). Even though, this measure did nothing to reduce the costs of pensions, it nonetheless provided new sources of financing. Few days later, social partners were convened and met with the Minister of Social Affairs in June (Simone Veil) and were then received individually by Balladur at the end of the month. The outcome of these meetings received strong public reactions from the three main unions (FO, CGT, CFDT), who claimed that there were no real consultations (Vail, 1999: 321).

The government would go ahead with other aspects of its plan and introduced the first retrenchment measures on pensions. First, along with the legislation creating the FSV, the government included a legislation indexing pensions on price, a measure that would have to be renewed in five years by decree.[101] This put in law a practise that had been occuring since 1987 (Ruellan, 1993: 919). A decree (no 93-1023) adopted later (August 27), would set an increase in the amount granted to pensioners based on the expected inflation (average price increase excluding tobacco products). Any discrepencies between the expected and real inflation would be corrected the following year.

Second, two other measures would be inaugurated via Decree no. 93-1024 (August, 27). The length of the contribution required in order to obtain a full pension was increased from 150 quarters (37,5 years) to 160 quarters (40 years) progressively starting in 1994. The reform is to

[101] Which the Socialists did in 1998.

be implemented over a period of 10 years, by adding a quarter every year until 2003. The other measure tackled the period under which the pension is calculated, which was based under the 10 best years. The number of years was increased to 25 very progressively, by adding a year starting in 1994 for the next 15 years (or until 2008).

Contrary to many expectations, the reform did not generate a big backlash against the government or a strong negative reaction from the social partners, besides the CGT who could not mobilize its members, however.[102] Like that, the feared pension reform passed without much opposition. This was a far cry from Rocard's statement that this issue "peut faire sauter un gouvernement" (could brake a government) in 1991.

Explaining the reform

Various explanation have been given with regards to the passage of this reform (Ruellan, 1993; Vail, 1999; Bonoli, 2000). Vail (1999) underlined that obfuscation strategies can be really difficult to achieve in a strong state such as France because of the high concentration of power its executive enjoys. Nonetheless, he claims that Balladur sought to give the illusion of a consultation effort among the unions, which failed. Nonetheless, his reform succeeded because he was able to split the unions (public/private split), mute the Left by adopting their Livre Blanc, and by granting a concession to them (FSV). The split within the unions ensured that the mobilization failed as public sector employees had no real reasons to protest (321), and could represent a strategy of division on the part of the government (Pierson, 1994: 22-3). Bonoli (2000) underlines that the government opted for a tit-for-tat strategy by granting a long standing request while imposing retrenchment measures. He also states that co-habitation helped to reduce the visibility of the executive on this front (147-8).

Let's tackle these arguments. First, the most popular theory on the exclusion of the public sector is that this strategy would split the unions, and ensure that the more unionized public sector workers would not be provoked (Vail, 1999: 321). This argument is far too simple, and does not take into account the knowledge available at that time. Yes, part of the government's strategy was to reform the régime général first, which would have then put pressure to reform to other régimes (Author Interview, ex-member of the Balladur Cabinet, 13 December 2001), and

[102] As stated by Le Monde, "Les syndicats les plus réalistes n'ont soulevé que de timides objections de fond, alors que la CGT n'est pas parvenue à mobiliser ses troupes" (30 août, 1993).

minimise the resistance from unions. However, this decision was also dictated by the expertise available at that time. As so clearly demonstrated by the numerous commissions on the subject, relatively little was known on the *régimes spéciaux*. No commission went beyond advocating that similar measures as the ones in the private sector could be taken. Moreover, these commissions did not specify clearly what these would be. The Livre Blanc represented a possible exception, but it actually specified that increasing the period of contribution in the public sector would have a negligible impact because of the rigid nature of wages. Nonetheless, these conclusions were based on extending the contribution period from 6 to 18 months, and no analysis was required to make this sort of statement due to the rigidity of wages in the public sector.

Everyone was aware that, on paper, many benefits granted to those covered by the régimes spéciaux seem more generous than those received by the régime général. Afterall, these individuals have a lower retirement age, a better indexation, and lower contribution period, etc… However, it was also known that these schemes are quite diverse in terms of rules and benefits, and that a portion of their wages are not considered (*primes*). Nonetheless, it was not known how these schemes would fare in the future, how much pensioners in these schemes were earning, and, more importantly, what kind of measures would ease the financial pressures for the upcoming years. There were broad indications on all of the above, but nothing comparable to what was done for the private sector scheme. There was no headlines stating the deficit of the régime spéciaux (especially for civil servants who have no real régime) that could be as clear as those presented for the régime général. Gathering the proper data, then seeking to incorporate this discussion with that of the private sector would have taken a long time. A member of the Balladur Cabinet took over a year, just to gather the proper data and obtained reports on the subject (Author interview, ex-member Balladur Cabinet, 13 December 2001). Creating a new commission or study group to consider these aspects would have only delayed further the introduction of a reform. It was in this context that the decision was taken to go ahead with the reform proposal for the *régime général*.

With regards to the position of unions and the failed mobilization, a caveat is in order. Vail's reliance on these public statements hides the other face of the coin. As stated earlier, there can be a great divergence between the public statement put by unions and what really goes on. This particular case is a strong example of that, and there is strong evidence to question Vail's argument that the government sought to give the impression of consultations without really conducting any. First, Bonoli (2000) states clearly that the government engaged in serious negotiations with the social partners, and they were involved in the process. An interview he conducted with an official within the Ministry of Social Affairs, supports this view.

> "The government took a deliberately, and unusual, non-confrontational stance with the trade unions and the final content of the reform was decided only after intense negotiations with the trade unions" (Bonoli, 2000: 138).

Second, an ex-member of the Balladur cabinet stated that all social partners were in agreement that something needed to be done. He claimed that everyone knew what needed to be done, and supported the proposed reform. FO did not protest, while the CFDT and CGC were encouraging on the subject. The main point of contention was price indexation (author interview, Cabinet Balladur, 13 December 2001). Finally, Le Monde repeated on few occasions that all social partners in private acknowledged the need for a reform.[103] Therefore, the 'real' opposition to the measures presented by Balladur was not as strong as perceived in the public debate. Adding to this argument is Ruellan (1993), who claims that there had been a constant overestimation of the political costs associated with a possible reform (915). Therefore, it seems that the political risks have been grossly exaggerated.

Nonetheless, it is clear that the negotiations cannot be considered to be a concerted effort, or a social pact. However, it should be reminded that such agreements are rare in France (Bonoli, 2000: 148). Further, as underlined earlier, it is not uncommon for unions to oppose a measure and then participate in its implementation or accept it in practice.

It is also difficult to accept the argument that co-habitation forced the Balladur government to negotiate with the unions because of a split executive (Bonoli, 2000: 147). Even though many policy sectors or areas are dubious with regards to the responsability of the President or the Prime Minister (EU, Foreign Affairs, Corsica…), social affairs have always been considered to be the responsibility of the President when his party has control of the legislative assembly and the Prime Minister during a co-habitation. It is also very unclear as to how a co-habitation could force the Prime Minister to negotiate with the unions. The only visible way under which a

[103] For exemple in its edition of April 17, 1991 on the release of the Livre Blanc it is stated that "leurs dirigeants (unions) admetten en privé, que les problèmes sont réels mais que la surenchère des plus 'durs' – entendre FO et la CGT – voire l'état d'esprit de leurs propres adhérents les incitent, pour le moment, à dégager en touche"…Following the Balladur reform, the author would state that "Les syndicats les plus réalistes n'ont soulevé que de timides objections de fond, alors que la CGT n'est pas parvenu à mobiliser ses troupes" (August, 29 1993).

President can influence the debate is by publicly criticizing the actions of the government on this subject. As we will see later, this was a strategy employed on numerous occasions by Chirac on the Jospin government, and resulted in no action from the government.

Another popular argument, especially in union circle, can be called the surprise effect because the decrees were pronounced while French workers were on holiday. As a result, unions were unable to mount logistically an opposition to these measures. For those interested in this sort of argument, it could be stated that the structural reforms introduced by De Gaulle in 1967 were also adopted during the holidays. More interesting, Pompidou's social counsellor at the time was…Édouar Balladur.[104] However, this argument neglects the fact that these measures had been on the agenda for nearly 8 years, and that the government had put them on the table in early May. Further, the most drastic measure concerned price indexation and it was passed in July 1993. Unions were fully aware that a price indexation would result in a significant decrease of the real value of pensions. The CFDT, for example, had many articles devoted to these issues within its publications. It was also evident that other measures were about to follow; yet there were not strong reactions from the unions.

Clearly, it should be considered that unions believed that something needed to be done, but could not publicly accept to play the role of second violin and be in a position to be perceived as accepting cuts to their members.

Rarely mentioned as part of the failed opposition to the government's plan, is the progressivity of the decrees. Adding one quarter per year over a period of 10 years and adding one year per year to the period under which the average salary is calculated gave the appearance of a small sacrifice. As stated by the former social counsellor of Balladur, "one quarter per year, that does not upset people" (author interview, Cabinet Balladur, 13 December 2001). These measures can be considered as part of a strategy of 'diminishing traceability' as it postponed the burden of the cutbacks over a long period of time (Pierson, 1994: 21-2).

Impact of the reform

Nearly 10 years later, it is much easier to assess the impact of the Balladur reform. Interestingly, we can compare the expected and actual impact of the measures adopted, even though they are still being implemented as the extension of the contribution will finish in 2003

[104] The Secretary of State for Social Affairs was Jacques Chirac!

and the increase in the reference salary will be completed in 2008. Two ways of calculating the impact of these measures is to measure how much they would reduce the financial burden on the régime, or by how much they reduce a possible raise in the contribution rate that would be necessary to maintain the system. The second possible way is to analyse what will happen to the pensioners (ie. by how much their pensions will be reduced). From the Livre Blanc, the measures introduced by Balladur corresponded more or less to option F (see table 2.3). Without any measures the amounts of Francs necessary to restore the financial equilibrium of the régime général would be 186,6 Billions of Francs in the year 2010, or a need to increase contributions rates by 7,8 points. The Balladur measures would generate between 144,3 and 192,8 billions of Francs, as figures for the extension of the contribution period from 37,5 years to 40 instead of 42 were not available. This figure is near the total amount required to finance the upcoming needs of the régime and would imply that an increase in the contribution rates would not be necessary or would be minimal. A caveat here is in order, the Livre Blanc assumed an increase in the real salaries of 2% yearly. This has been criticized as the average yearly growth of salaries between the period 1980-89 was 1,2%. Nonetheless, it was 2% over the 1973-89 period (Hamayon, 1991: 323).

Table 2.3: Scenario from the Livre Blanc

F)	1995	2000	2005	2010
Besoin de financement tendanciel	34,6	67,3	105,5	186,6
Mesures communes de rationalisation	-2,0	-4,7	-7,1	-10,1
Increase the length of contribution by one quarter per year from 37,5 years to 42 years.	-8,5	-15,8	-26,7	-48,4
Increase from 10 to 25 yrs for the reference period	-1,4	-5,4	-13,7	-28,5
Indexation based on prices	-18,6	-42,6	-72,8	-115,8
Besoin de financement non couvert	4,3	-1,1	-14,5	-14,3
Points de cotisations cumulés.	0,3	-0,05	-0,7	-0,6

Source: Le Livre Blanc (CGP, 1991).

Subsequent studies such as the one conducted by the CGP in 1995 (*Perspectives à long terme des retraites*) have shown that the Livre Blanc had underestimated the financial needs to maintain the equilibrium of the régime général. It claimed that despite the Balladur reforms, new measures were necessary. The equivalent of 1,1 contribution point would be necessary for 2000, 2,4 in 2010 and 4,3 in 2015, the later two being equivalent to 59 and 107 billion Francs respectively. Albeit stating lower financial requirements, the *conseil d'orientation des retraites* (COR) predicts needs in the range of 22,6 and 31,7 billions of Francs for 2010.

The key measure here is the price indexation of pensions, instead of gross salaries. Using a study from the CNAV, Ruellan (1993: 921), underline the financial importance of this measure (see Table 2.4). Price indexation is the equivalent of reducing 5 points in the contribution rate in both favourable and unfavourable economic scenario, had the system continued to be indexed according to gross salaries.

Table 2.4: Effect of price indexation on the financial needs of the régime général

	Favorable Economic Growth				Unfavorable Economic Growth			
	1995	2000	2005	2010	1995	2000	2005	2010
No Reform: Financial Needs in Contribution Points	2,21	3,95	5,39	8,23	2,39	5,19	7,89	12,45
Balladur Reform but salary indexation (contribution points).	2,16	3, 49	4,30	6,25	2,35	4,70	6,67	10,13
Balladur Reform (contribution points)	1,74	2,02	2,00	2,73	2,06	3,64	4,87	7,26

Favourable – assumes that the number of salaried employees will grow by 1% until 2010 and that average yearly real wage growth will be 1,5%. Défavorable – assumes no growth in the size of the workforce and a 1% increase in wages. Source: Ruellan, 1993.

Despite the efficiency in resolving financial needs up to year 2010, the Balladur measures are not sufficient in the longer run. This was underlined clearly by recent reports on the subject. According to the COR, the deficit of the régime could reach up to 325,5 billions of Francs (49,6 Euros) in the worst case scenario (260,6 – 39,7 Euros - in the best case scenario) by 2040 (COR, 2001: Annex 8).[105]

None of these tables and numbers, however, indicates what have been the impact of the Balladur reforms on (current) and future pensioners. The increase in the length of the contributivity period from 37,5 years to 40 years has been negligible in the short term, and at the

[105] By 2020 the financial needs would reach 99,5 billions of Francs (15,2 billions of Euros) in the worst case scenario and 71,7 billions of Francs in the best case scenario (10,9 billions of Euros) (COR, 2001: Annex 8).

time it was estimated that more than 60% of the new pensioners already had contributed 40 years.[106] The Minister of Social Affairs also claimed that only 3000 people out of 550 000 would feel the effect of the reform in 1994 (Le Monde, 30 August 1993).

Nonetheless, this reform has long term consequences for those who have experienced the more turbulent economic times following the oil crises. As seen in Chapter 1, France has had one of the lowest employment rates among those above the age of 55. As of 1990, 65% of pension requests for the régime général came from individuals that were not economically active (Ruellan, 1993: 924). This was the main critique of FO, which pointed out the high number of individuals 'pushed' into early retirement and that asking them to bear a longer contributory period was quite contradictory (Le Monde, 1 September 1993). The long term consequences of this measure is likely to favour labour activity beyond the age of 60 for the upcoming generations in order to gain a full pension. Someone would have to enter the labour market at age 20 and work without interruption until age 60.[107] Considering the high inactivity rate of many youth and the lengthening of education, the prospects of choosing between a pension at a reduced rate or a longer working career will be more common in the years to come. Leaving prior to 40 years of contribution can be quite unattractive as an individual is penalized for *both* the rate (which slips by 1,25% for every quarter below, with a minimum rate of 25%) and duration (calculated as a fraction of the total period).[108] Pelé (1998) claims that the reform could result in more than 30% of people retiring beyond the age of 60.

The effect of the second measure seeks to reinforce the contributivity in the regime by having the extended the reference period under which the average salary is calculated from 10 to 25 years. Even though it should have a bigger impact on those with precarious jobs, it also affects those with stable career as earlier parts of the career would also be considered. With the contribution ceiling also being a factor (it has not been indexed properly over the years), Ruellan (1993) demonstrates that both white-collars and blue-collar workers faced a proportional

[106] According to a study by the CNAV in 1992, 66% of men and 40% of women had more than 40 years of contributions at the time to collect their first pensions. 77% of men and 51,5% of women had more than 37,5 years of contributions (cited in Ruellan, 1993: 919).
[107] Unless this individuals can claim non-contributive benefits (ie. unemployment, sickness…).
[108] The pension is calculated as follow: P = Avg. Sal. x R x D/160 as of 2003. R is the rate (50% for a full career, but it is reduced for incomplete careers) and D is the duration of contribution in quarters. Thus, someone who works 38 years instead of 40 obtains a R of .4 and D/160 = 152/160. Thus, with an average wage of 1000 Euros, the person with a full career obtains a pension of 500 Euros. The individual with a career of 38 years with the same average wage obtains a pension of 380 Euros, or 76% of the pensions received by the individual that received the full rate.

reduction in their replacement rate (922).[109] Thus, this measure is more likely to affect those with an ascending or interrupted career.

The most consequential measure, and the one most criticized by unions, is switching from an indexation on gross salaries to a price indexation. As seen earlier, this switch results in a sharp reduction in old-age pension expenses, but it also does the same for pensioners. It has a strong cumulated effect because pension contributions made early in someone's career are price indexed for the remainder of the career, instead of following the evolution of wages.

Hamayon (1991) produced a study on the Livre Blanc using two economic projections (A- 2% annual increase in salaries as in the Livre Blanc, and B - 1% annual increase in salaries). For the first ten years of his simulation (1990-2000), he claims that the replacement rate decreases from 50% to 45% in simulation A, and by 2% with simulation B. However, the main finding is that, relative to gross salaries, pensions continue to decrease in value during someone's career. Thus, after 19 years of retirement (value obtained based on life expectancy), the replacement value of a pension worth 50% in 1990 dips to 34% according to simulation A. The situation worsen for someone who begins retirement in year 2000 since his/her contributions have been indexed on prices for 10 years and, as a result, the replacement rate relative to gross salaries is at 45% during the first year.

Thus, contrary to the claims of various governments that current pensioners would not be affected, they are currently experiencing a *relative* reduction in their pensions vis-à-vis gross wages.

The latest figures provided by the COR suggests a similar pattern. Assuming that 2000 is the year of reference, the relative amount of a the average pension is expected to decline by 26% vis-à-vis the average gross salary (COR, 2001: Annex 8). These figures do not even take into account the period 1987-2000, which was also price indexed. According to FO, wages grew at an annual average of 0.4% higher than price during the 1987-97 period. Assuming a base salary and pension of 100, salaries had reached 104,08 by 1997 while pensions remained at 100 (FO, 2000).

Juppé Enters Smoothly, Awoke the Sleeping Giant, and Hit a Train!

"One man's unfair privilege is simply another man's acquired social benefits" Finance Minister, Jean Arthuis in an unguarded moment on

"They are totally out of touch with the times. This will end up in the street with a kick in the butt" Jean-Louis Borloo (RL), deputy in the hallways after the

[109] From 50,3% to 45,7% for those at the SMIC, and from 23,44% to 21,26% for those at the ceiling both a reduction of 9,3%.

Juppé's attack on unfair privileges enjoyed by civil servants (Economist, 21 November 1995).	annoncement of the Juppé Plan (Le Monde 21 December 1995).

Following the Presidential election of Chirac in May 1995, Alain Juppé was appointed to the position of Prime Minister. He was a former Foreign Affairs Minister and a staunch supporter of Chirac. It is worth noting that the end of co-habitation has resulted in something similar to a change of government, with Chirac being firmly in control even though the political coalition remained the same. The Balladur team was replaced by one more favorable to Chirac. The fragmented nature of French politics, with a loose party discipline, is to blame for this. Some Ministers of the UDF-RPR coalition returned, but the whole Cabinet at Matignon was replaced.

During his Presidential campaign, Chirac's main theme was to repair the 'social fracture' that France is experiencing. His campaign was surprisingly geared towards the Left, partly as a result of the presence of Balladur in the campaign who was advocating austerity measures to restore growth. Chirac claimed the opposite, economic growth would generate enough revenues to avoid welfare cuts (Bonolli, 2000: 142). The nomination of Juppé was actually quite welcome at the time, he had the reputation of being highly appreciated by the civil servants of the Ministry of Foreign Affairs, where he served under Balladur, and of being a fine diplomat (Le Monde, 14 December 1995).

After more than seven months following the Presidential election, the economic situation would soon worsen further creating more public deficits. France would be forced out of the European Monetary System in September and its currency would face attacks by speculators, while financial markets would replace their Francs for hard currencies. During the month of October, there were serious doubts that France would be able to join the Economic and Monetary Union (EMU). Concerns were voiced publicly by German policy-makers (Pitruzzello, 1997).

Pension reform return to the forefront of the political debate at the end of August 1995. The Minister of Economy and Finance, Alain Madelin, questioned the fairness of the pension scheme for civil servants who have to work 37,5 years instead of 40 to claim a full time pension.[110] Few days later, Juppé announces that a major reform of the social security system was being studied by the government. He claims, however, that the consultation will be broader

[110] Madelin would resign few days later. His key proposal, a major fiscal reform, had been put off the agenda by Juppé and he voiced many criticism on the lack of action taken by the government to restore the economy. He was a

and more intense than the one performed by Balladur and Rocard, which would be followed by quick decisions. He also stated that the French are not equal when facing retirement (Le Monde, 31 August 1995).

In early September, Juppé met the social partners and re-affirmed the 'unfairness' of the length of contribution period for civil servants (Le Monde, 6 September 1995). A report requested to the CGP by Balladur, updating the forecast performed in the Livre Blanc taking into account the 1993 reforms, was published at the end of the month (Report Briet). It claimed that the situation was worst than what was stated in the Livre Blanc. For example, it claimed that the equivalent of 2,4 points of contribution would require to maintain the financial equilibrium of the régime général (see Table 3.6) while the Livre Blanc claimed this deficit to be non-existent. It was also quite critical of the disparities that were found between the régime général and the régimes spéciaux, which probably provided the basis of Juppé's statements on fairness. The report had been ready since May, but the government opted to delay its official publication.

Contrary to the Livre Blanc, much more attention was devoted to analyzing the régimes spéciaux. It generated various simulation assuming that these régimes fonctioned on the same basis as the régime général, meaning on contributions. It showed that measures were still required in the private sector, but that the financial situation of the régime spéciaux was more critical. It stated that more than 20 points of contribution or 80 billion of Francs would be necessary to achieve the financial situation found in 1993.[111] The régime for the local and hospital employees (CNRACL) faced a similar faith, as the financial needs would reach the equivalent of 30,8 points of contributions (see Table 2.5). With regards to the CNRACL, it is worth noting that it had generated surpluses for many years, which were used to reduce the deficits of other régimes as part of the 'demographic compensation' measures adopted in the 1970s. Further, it is a regime that is expecting to face a drastic change in its demographic composition moving from 3,3 contributors for 1 pensioners in 1998 to 1,1 contributors for 1

key member of the neo-liberal wing, which was more in line with the Balladur faction and the UDF than with the Chirac faction. Le Monde talks of "limogeage" (dismissal) (Le Monde, 31 August 1995).

[111] Since the civil servants régime does not have a 'caisse' (fund/administration), the CGP claim 1993 to be year 0 and the figures presented in Table 2.5 demonstrate the kind of increase in contributions points that would be required by civil servants to maintain the financial stability of the régime. These figures also assume that the contribution/state financing remains constant throughout the period. Since there is no régime for civil servants the state collects the contributions of its employees and adds the necessary amount. Thus, pensions for civil servants seem much more like a continuous wage in its financial books.

pensioner in 2040 (Charpin, 1999). Thus, by assuming that 1993 is year 0 worsens the 'true' situation of this scheme.

Table 2.5: Financing need of the various régimes.

		1993	1995	2000	2005	2010	2015
Régime Général	Financing Need	25,2	9,5	18,4	17,9	55,5	107
	In contribution pts	1,7	0,6	1,1	0,9	2,4	4,3
Fonctionnaires civils	Financing Need	0	3,8	16,5	34,2	56	80,2
	In contribution pts	-	1,3	5,5	10,7	15,9	20,6
CNRACL	Financing Need	0	2,8	13,6	31,4	49,5	70,8
	In contribution pts	-	1,7	7,8	16,7	23,8	30,8
SNCF*	Financing Need	0	0,1	0,2	0,3	0,4	0,7
	In contribution pts	-	0,6	0,9	1,2	1,8	3,4
ARRCO	Financing Need	-4,3	2,8	-5,7	-9	-5,6	22,9
	In contribution pts	-	0,2	-	-	0	0,9
AGIRC	Financing Need	2,7	0,9	3,5	5,7	10,8	25,2
	In contribution pts	1,0	0,3	1,1	1,5	2,5	5,2
Exploitants Agricoles	Financing Need	-	4,1	5,6	2,2	1,6	2

Besoin de financement en milliards de Francs. For the régime spéciaux, it is assumed that 1993 is in equilibrium. Source: Perspectives à long terme des retraites (CGP, 1995).

In the meantime, the seven major public sector unions (CFDT, CGT, FO, CGC, UNSA,[112] CFTC and FSU[113]) were able to present a common front against the freezing of their salaries for the next year and the threats made to their social benefits. The strike of October 10 proved to be a success for the unions. All seven leaders marched together. Such a common action had not occurred since 1978. The unions proclaimed war on the government (Pitruzzello, 1997). Nonetheless, the government continued its work on reforming social security with both Chirac and Juppé stating that the measures will soon be known. In the meantime, unions are divided with regards to having another strike. Many of them want to see if the government will seek to reform the *régimes spéciaux*, as the government was rumoured to seek an increase in the contribution period for the régimes spéciaux from 37,5 years to 40 like the régime général (FT, 1 November 1995).

The upcoming events would produce the largest public manifestations since 1968, paralysing Paris for weeks. On November 12, the government announced that the régimes spéciaux are quite particular and that these must be examined prior to implementing a reform.

[112] Union nationale des syndicats autonomes (active mostly in the public sector).
[113] Fédération syndicale unitaire.

Following a meeting with Chirac, Blondel (FO) said that the momentum to reform pensions in the public service "s'estompe" (coming to a halt). The government was expected to make a formal announcement that it would be consulting the social partners in the upcoming 3 to 6 months to find a solution (Le Monde, 13 November). According to Bonoli (2000), unions were informed on a non-official basis that pension reform had been left off the agenda (143).

On November 15, Juppé presented its reform plan to the *Assemblée Nationale*. In terms of scale, it represented the most drastic agenda since the creation of social security in 1945. It tackled health, family and pension, addressed the financial needs of the system, and increased the role of the State in the system. The health sector was reform drastically as it became a universal scheme to be financed by both contributions and taxation (CSG), with the financing progressively relying on the later. The various health régimes would become one universal régime. A new tax was levied to finance the accumulating debt of 250 billions Francs from the social security system (RDS),[114] while retired people and the unemployed faced an increase in their contributions for health insurance. Family benefits were to be frozen in 1996 and would begin to be partially counted as income for taxation purposes. Finally, it proposed the introduction of a constitutional change permitting the Parliament to vote on the social security budget.

With regards to pensions, the Juppé plan advocated pension reforms for the *régimes spéciaux* by extending the length of required contributions for a full time pension from 37,5 years to 40 years and by creating a 'caisse' (fund/administration) like the one currently in place for local civil employees and hospital workers (CNRACL) for civil servants in order to increase the transparency of its system. The exact measures necessary to implement these objectives were left to a special commission, which was expected to submit its final report within four months.

According to le Monde (21 December 1995), Juppé decided to include pensions into his plan the night before its presentation to the Parliament in order to ensure that the Balladur faction would support it. However, according to a former Cabinet member of Balladur responsible for social affairs, the Juppé cabinet never reached them or asked him for his opinion. He was consulted for the first time in December, stating that it was not politically clever to add such a pension reforms on top of the reform on health insurance (Author interview, 13 December). That

[114] RDS stands for *Remboursement de la dette de la Sécurité sociale* and amounts to 0,5% of all income for a period of 13 years to erase the cumulated debt of social security.

being said, many members of the Balladur faction and of the UDF were considered to be more neo-liberal than the Chirac faction and other RPR members. Thus, it remains possible that Juppé added this element to strengthen their support to his plan. Still, this thesis can be easily supported when a government has a small majority of seats in the Parliament, but in this case more than 80% of the seats belonged to the right!

The whole process was extremely secret. According to Bouget (1998), several ministers were not even informed of the Juppé plan. He claims that only four social advisors and high-level civil servants, the Prime Minister, and the President had been involved in its preparation (168). Ministers within its own cabinet would later complain about the secretive tendencies of the Prime Minister and his cabinet. Few ministers thought about resigning complaining that their role is limited to "explain the decisions taken without them" (Le Monde, 14 December 1995). The CFDT was the only union really consulted, few days prior to the announcement in the Parliament, and its leader, Nicole Notat, was not made aware of the pension reforms and the introduction of a new tax to finance the deficit of the social security system (Vail, 1999: 323).

The common front that was present in October would collapse soon after the announcement of the Juppé plan. The CFDT broke ranks by granting its support to the general guidelines of the plan. Other unions such as FO and CGT were highly critical of this stance. Blondel (FO) proposed that Notat (CFDT) should change job as she "seems to be talking like a Minister" (Le Monde, 17 November 1995). The critics of the CFDT would not be limited to other unions, however. Many members and regional representatives within the CFDT protested vehemently, especially railway workers. FO, which had held the presidency of the main health insurance scheme and has a membership composed mostly of civil servants, was strongly opposed to it and ask for its immediate removal. The CGT expressed a similar attitude. Strikes by civil servants were scheduled for November 24.[115] They would eventually find a common point, pension reform. The CFDT remained in favour of the health insurance reform.

The Socialist party would be slow to react. The party was internally divided because some of the propositions presented in the Juppé Plan had actually been sought by previous socialist

[115] The strike was originally planned for the 28th, by FO and the CGT, which the CFDT did not plan to attend. However, following the annoncement of the Juppé plan, the CGT and other unions (including the CFDT) decided to have it on the 24th making it a day of defence for social security. FO decided to stick to the 28th. Unions in the private sector decided not to participate in the strike efforts.

government. Jospin would find a rallying point by focusing their criticism on the method employed by the Juppé government (Bonoli, 2000: 145).

On November 23, the railway workers went on strike. Besides their opposition to the Juppé plan, unions were opposed to the new plan for the SNCF, which advocated an internal reorganisation of its structure and a re-organisation of local transportation to improve its deficiting operation. The following day, Paris subway workers would join them. It would soon spread out to other civil servants, and even students. By December 5th, hundreds of thousands people marched in Paris against the measures. The day would feature a handshake between Blondel (FO) and Viannet (CGT), unions that split over their communist allegiance. This close co-operation had not been since then. Both maintain that the Juppé plan had to be abandoned and call on all workers (public and private) to join the movement.

Early on, a survey showed support for the Juppé plan. 51% claimed that the government should not scrap the social security reform while 41% believed otherwise. Private sectors workers remained out of the strike movement. Even private sectors workers within the CGT were not strongly answering the call of their leader to join the strike efforts (Le Monde, 7 December 1995). This represented the only positive outcome for the government, with the support of the financial market (Pitruzzello, 1997).

On December 5th, Juppé defended his government against a vote of non-confidence in Parliament and made a televised address. He annonced that he was willing to meet and counsult the social partners on the subject of pension reforms. The Minister of Labour and Social Affairs, Barrot, was to meet the social partners in the following days to study the implementation of the refoms, and the forms of consultation that would be adopted. He also stated that the existence of the régime spéciaux were not in question, but that something needed to be done to preserve them. Nonetheless, he maintained that the reforms were necessary for the economic health of the country, and that he was not about to retrieve them. Finally, Juppé announced the creation of the commission Le Vert to study the régime spéciaux and start discussion with the social partners (Le Monde, 7 December 1995). He refrained from mentioning any increase in the length of contributions from 37,5 years to 40 years in the mission letter. However, it mentioned that increasing the age of retirement was not out of question, but that the commission will need to consider the hardship of certain jobs and the various working conditions faced by the civil servants (Le Monde, 11 December 1995).

This intervention would not appease the unions. FO and CGT underlined that the word negotiation was carefully avoided by employing the word consultation, and claimed that the government had not made any progress. The unions for teachers (FEN[116] and FSU) refused to support any increase in the length of contributions for a full time pension, and remained opposed to the plan. They would join the movement on December 7. On the other hand, the CFDT, CFTC and CFE-CGC stated that Juppé's speech represented an opening and that discussion with social partners should take place immediately. The CNPF supported the government efforts and the decision to tackle social security and the régimes spéciaux separatly (Le Monde, 7 December 1995). Its leader would claim that the Juppé Plan is "fundamental for the country" (Le Monde, 8 December 1995).

The social movement continue to progress, and remain strong even in the local communities. On the 7th of December, the Minister of Civil Service, Perben, announced that it is now out of question to create a 'caisse' (fund/administration) for their pension regime. Juppé made another public address on the 10th proposing a social summit. With regards to the reform of the régime spéciaux, Juppé surrendered. In the adress he stated that:

> "I have read here and there that we are putting in question the existence of the régimes spéciaux. It is out of question to dismantle them…to align them with the régime général…It is also out of question for the SNCF and RATP conductors to put in question their retirement age of 50 years old, which is justified by the peculiar duties that are performed by these employees. It is out of question to alter the way pensions are calculated…I have never stated that either of these aspects would be in question" (Le Monde, 12 December 1995 – author translation).[117]

He would then follow by stating that the aim of the Commission Le Vert were 'not well understood' and opted to suspend it. The work of the Commission lasted 5 days! Few unions were consulted, but it was boycotted by the key unions behind the protest movement: CGT, FO and FSU.

Earlier during the day, a manifestation in favour of the government by those using public services would gather only 1000 people. Surveys had demonstrated that people were supporting more and more the strikers, while growing increasingly oppose to the Juppé government (Le Monde, 12 December 1995). Juppé's address would not succeed in turning the tides in his

[116] Fédération de l'Éducation Nationale – part of UNSA.
[117] Unions acknowledged that they received a letter from Juppé the following morning stating that reforming public sector pensions was off the agenda.

favour, as on the 12th of December the movement reached its climax with between 1 to 2 millions individuals in the streets across France asking for his resignation and the abolition of his plan. Juppé agreed to meet the union leaders on an individual basis. Still, the unions were not satisfied with their meeting and more than 1 million workers were on strike on the 16th of December.

The strike would end with unions adopting new positions, leading to break in their alliance. The railway workers of the CFDT opted to end the strike while the ones represented by the CGT decided to participate in public demonstrations rather than continuing the strike movement. To appease railway workers, Juppé had appointed a socialist manager to devise a new reform plan for the SNCF (Pittruzzelo, 1997).

Explaining the failure of the Juppé Plan

Even though the reforms to the régime spéciaux proposed by Juppé failed, it is important to stress that the other points were adopted. Reforms to the health system were considered to be the most urgent with a deficit, which nearly doubled that of the pension system. The reforms to the family benefits were maintained. Further, the new sources of revenues were all adopted (RDS, increase in the CSG, increase in health contributions for unemployed and elderly). Finally, the role of the parliament increased substantially within the financing of Social Security. These new powers imply a greater supervisory role for this institution, which had historically been consulted **after** the implementation of the budget by the social partners (Mekhantar, 1996: 37).

The confrontational approach of Juppé marked a clear break with the strategy adopted by previous governments whether or not they were from the Right or the Left. Vail (1999) presents the welfare reforms of 1995 as a case of 'welfare Bonapartism' (322)! He claimed that Balladur was able to pass his reform because he gave the appearance of consultation with the unions, while the confrontational approach of Juppé clearly lacked this aspect.

Other possible explanations have tended to underline the role of railways workers, the promises by Chirac, and the strength of the unions in the public sector. First, the Juppé plan came at a time when the government was negotiating with the unions a new plan for the SNCF, which was losing a substantial amount of money yearly. These negotiations were quite difficult and the railways unions even asked for the removal of the plan proposed by the government during the events of the strike. The government eventually appointed a Socialist negotiator to draw up a new plan (Pittruzello, 1997). Tackling both a restructuration of the railways company and a change to their pension plan were politically dangerous when one considers that the SNCF and RATP have accounted for roughly 80% of all strikes in recent years. Thus, mobilizing these workers was probably easier than with other sectors, and they have the capacity of shutting down Paris. Most accounts claim that it took 4 to 5 hours from suburban population to reach Paris during the strike. Further, retirement has been one of the major benefits found in these two enterprises. Despite their early retirement age, they tend to earn less per month than other civil servants (97 300francs vs. 130 000), and the SNCF and RATP, albeit their structural benefits, do not represent too large a financial commitment because they are small régimes (Le Monde, 12 December 1995).

Second, as underlined by Bonoli (2000), the unions obtained the general support of the French population because many of them felt that Chirac had renegated the general theme of his campaign, restoring the 'social fracture'. An opinion poll conducted after the announcement of the Juppé Plan demonstrated that 68% felt that it represented a broken promise from the President (147). Third, it has been pointed out that the unionization rate of the public service is substantially higher than that of the private sector. However, had this element been a factor, Juppé's strategy would have been different. As stated by Bonoli (2000), "a stronger labour movement in the public sector, if anything, should have pushed the government to seek agreement with the unions" (146). The government sought to create a division between the private sector workers and public sector workers by emphasizing the unjust treatment the later have when it comes to retirement. Juppé kept on mentioning that the French are not equal when facing retirement. This strategy implies that the government did not believe that the private sector was at a disadvantage when it came to seeking approval of this decision.

Based on the theoretical chapter presented earlier, I shall propose another argument. The socialists opted to rally its supporters by maintaining that the government had adopted a reform without consultation. After all, few people were consulted and the Plan came up as a big surprise even for people within the government at the time. There was something more behind the protest movement and the fearlessness under which unions undertook the protest. They viewed themselves as legitimate actors in the process, and ought to be consulted for such undertaken. Yet, this clearly was not the case here. From the Balladur reform, we know that finding a compromise and the cooperation of the CGT is nearly impossible in practice, ensuring that FO will not protest too vehemently is possible. FO had traditionally been more open towards negotiations between employees, employers, and government (Bouget, 1998: 169). In both cases, CFDT was on board and accepted more or less the measures taken by the government. However, in this case, the government launched a frontal assault on FO, and challenged the legitimacy of social partners by increasing the power of the state on social security. FO had been chairing the presidency of health insurance for most of the recent years and was clearly attached to this position and most of its members are civil servants. Understandably, FO was opposed to the reform and felt compel to protest strongly. The Juppé plan generated a common front due to its 'attack' on public sector pensions, launched without strong consultation or commissions on the subject, but also because it reversed the previous trends that had been established between the government and the social partners on the management responsibilities of social security. The government of Bérégovoy, in particular, and Balladur both sought to increase the distinction between the solidaristic role of the state, and the insurancial role of the social partners. Bérégovoy was even willing to leave them 'real' managerial responsabilities in his plan. Balladur did not go this far, but granted a request of the unions by ensuring a source of financing for non-contributive aspects of the scheme. This in turn, opened the door to a possible increase in the responsibility granted to the social partners. The Juppé Plan reversed this slide by increasing the role of the Parliament and by entering the implementation field, a reserved domain of the social partners, by asking them to negotiate with the government a mission plan. Thus, instead of leaning towards separating or clarifying the responsibilities of both government and social partners, the government increased its role and expended the managerial dilemma of social security.

Impact of the Juppé reform

Even though the reform of the régime spéciaux failed, the adoption of an extra tax (RDS) to finance the debt incurred by social security and the introduction of the Parliament as a new player in the system remained. First, the new tax has added extra revenues into the system and implies that the government formally accepts the debt responsibilities of these régimes. This had already been acknowledged in practice, but it became institutionalized with the creation of the *Caisse d'amortissement de la dette sociale* (CADES), an institution responsible for the reimbursement of the cumulated debt of social security.[118] Second, the Parliament became involved in the financing of social security by being asked to vote yearly the law on the financing of social security. Historically, the role of the Parliament had been extremely weak, with social security budget featuring as an annex (known as Les Jaunes) to the state budget.

Even the implementation of governmental legislation is now under the scrutiny of the state as the CNAV must negotiate with the government for a four year plan called the "*convention d'objectifs et de gestion entre l'Etat et la CNAV*". The document must be approved by both the state and the administrative council of the CNAV. This document is a plan that includes managerial objectives related to the régime général. FO has refused to support this undertaking, but nonetheless participates in the implementation of the plan.

Thus, the Juppé Plan contributes to the on-going dispute between the social partners and the state on the management of social security. On one hand, critics can underline that the government has stepped up to the forefront to ensure the viability of the system by paying its deficit, and taking unpopular decisions to save the system while social partners, unions in particular, have promoted a defence of the system without too much consideration for the financial implications of such measures. Therefore, it should come as no surprise that the government seek to expand its role in the administration of the régime général. On the other hand, the social partners have demonstrated that they have been able to take 'appropriate' measures and greater flexibility than the government when it came to the mandatory supplementary régimes (AGIRC and ARRCO). Both of these régimes have been reformed in 1994, 1996 and 2001. Further, with the possible exception of the CGT, unions have been advocated certain measures to contain the costs of pensions and have accepted, mostly in private, the necessity to adapt the system.

Ironically, the more neo-liberal Édourd Balladur had proposed one day prior to the presentation of the Juppé Plan to separate further the insurance and assistance domain while promoting private insurance (Bouget, 1998: 169). The first measure would have surely gathered more support among the social partners than the Juppé Plan and followed the lines of the late Bérégovoy.

Private sector truckers obtain retirement at 55!

[118] Its ressources come mainly from the RDS.

In late November 1996, truck drivers would strike for 12 days paralysing many French roads, ports and the supply of petrol. Their key demands centred on higher pay, shorter hours, retirement at 55 instead of 60 and better sickness benefits. The intervention of the government to stop the conflict would result in the government granting full pension rights for workers in the private sector at age 55. The concessions gained by the truck drivers had been estimated at over 1 billion French Francs a year ($190 millions at that time), with pensions bearing most of the weight. These concessions would soon spark new demands from other workers, such as bus drivers in Toulouse (Economist, 7 December 1996, 48). Not only was the government unable to reform pensions in the public sector, it was now beginning to grant earlier retirement benefits for certain categories of workers in the private sector.

Thomas Law

During his presidential campaign, Chirac proposed to create pension funds for private workers[119] who wish to add to their pensions. It would complement both the basic and mandatory supplementary régimes. This idea was widely endorsed by liberals within the government (ie. UDF and Balladur faction). It would have effectively created a capitalized third pillar in encouraging individuals to seek private alternative to complement their pensions.

Emerging from a deputy in the Parliament (Thomas, UDF), a rarity in France, it would soon gather enough support to be considered by the government. Thomas hoped for a fiscal stimulus reaching 10% in income tax deduction and restricting these investment to the receipt of monthly payment once retired. The final version prepared by the Ministry of Economy and Finance included fiscal incentive up to 5% and the possibility to retrieve up to 20% of the accumulated capital upon retirement. The project would be highly criticized by the Left who viewed this bill as unjust and as institutionalizing a two-speed pension system (Le Monde 23 November 1996). The final bill included many restrictions and ended up even gathering criticism from the banking industry.[120]

[119] Public sector workers already had such plan (PREFON et CRIF) granting them supplementary benefits for their retirement, which is financed via voluntary contributions that are capitalised. Independent workers obtained a similar opportunity with the Madelin law adopted in 1994. These options also include some fiscal incentives.
[120] The Secretary General of the French Banking Association stated that there were "so many restrictions put here or there by different ministries concerned that retirement savings risk failing their objective" (Financial Times, 6 January 1997).

The bill was adopted on March 25, 1997 but was never implement as the publication of the required decrees coincided with a change in government. The Jospin government would then tabled the bill, and then repeal it in 2001 (Palier, 2001). This law was opposed by the unions because it jeopardized the financing of the régime général[121] and did not offer any role to the social partners (Sauviat, 28 December 1998).[122]

Hoping for a renewed mandate, Chirac called a snap election in May 1997, 10 month ahead of schedule, in an effort to increase the legitimacy of his government. After the first round, it became clear that the Right was heading towards a defeat, and in a last ditch effort Juppé announced that he would resign from his position of Prime Minister regardless of the outcome. The Left, which had been crushed in the 1993 elections, would end up coming on top.

Jospin Consults, But Does Not Reform

> "There is only one impossible option: do nothing" Prime Minister Lionel Jospin following the official reception of the Charpin Report in 1999.

With regards to pensions, the five year mandate of the Jospin government will be remembered as one of many consultations, but no reform. Fearful of the consequences of a reform, vividly demonstrated by the Juppé plan, the government would revert to a negotiated approach in the hopes of achieving a compromise with the social partners.

During the early months of its mandate, it became clear that the government would continue implementing the measures taken by Juppé that survived the events of November/December 1995. The CSG was raised from 3,4% to 7,5% while health insurance contributions were decreased from 5,5% to 0,75%. This change in taxation (and social insurance funding) were adopted as part of the law on the financing of social security, which was one of the decrees adopted by the Juppé government. The bill also included an extension of the RDS until 2004, which was supposed to cease to exist in 1999. FO would protest against the action of the government claiming that it was pursuing the measures taken by Juppé (Concialdi, 28 november 1997; Bilous, 2 December 1997).

[121] The unions claimed that the fiscal benefits granted to stimulate savings would cause a lost of 17 to 18 billions of Francs for the payg system (Le Monde Diplomatique, March 1997).
[122] Without too much publicity, the Socialists introduced their own version, referred to as the Fabius Law, in February 2001.

Along with the financing bill, Jospin introduced the *Fonds de réserve de retraite*, a collective capitalized fund managed by the state to smoothen the upcoming financial difficulties caused by the demographic changes. First proposed by Bérégovoy in 1991, the objective of the fund is to obtain 1000 billions of Francs by year 2020, which would be collected from privatization of national assets, excess of the Fonds de solidarité vieillesse, cell phone licenses (the so-called 3rd generation), and other undisclosed sources. The government has fetched far less than it had hoped for, and the fund has only accumulated 43 billion Francs up to now (Express, 22 November 2001).

Charpin Report

In 1998, the government asked the director of the CGP (Charpin) to establish a diagnosis on the (future) financial situation of all pension régimes, which would be shared as much as possible by the social partners and the managers of the various régimes. The note written by the Prime Minister underlined that the Livre Blanc of Rocard in 1991 was essential for the government to reach the reform of 1993, as it underscored the necessity to make adjustments to the pension system. Charpin was well known in government circles. He had previously been a ministerial advisor when the Socialists where in power in the 1980s, and he was a cousellor at the headquarter of the Socialist Party under Jospin in 1984 (Libération, 22 March 1999).

As requested in the mission statement, Charpin established a consultation commission, which included the social partners, a pensioner representative, state representatives from five ministries,[123] and managers from the various pension schemes. 11 meetings were conducted between October 1998 and March 1999.

L'avenir de nos retraites, also known as the Charpin report, presented a bleak future for the French pension system. First, it stated that the demographic balance of most schemes would shift dramatically, with most schemes facing the prospect of having less than 1 contributor to finance 1 pensioner! Second, based on macro-economic projections made by the *Direction de la prévision* (Ministry of Finance), the report claimed that the financial needs of the whole pension system would reach 290 billions Francs in 2020 rising further to 700 billions in 2040 if no

[123] Agriculture and Fisheries, Economy, Finance and Industry, Employment and Solidarity, Equipment, Transport and Housing, and Public service, state reform and decentralisation. This high number is partly the result of the specificities of certain régimes. For exemple, the Ministries of Agriculture and Fisheries is viewed as a legitimate actor because farmers have their own pension régime.

reforms are introduced (See Table 2.6).[124] Assuming an unemployment rate of 6%, the scheme for civil servant would need 255 billions of Francs, or a raise of 33,5 contribution points in 2040 to have a financial equilibrium similar to the one experienced in 1998. The régime général would require 380 billions of Francs, or slightly less than 10 contributions points to be financially stable.

Based on the (future) financial difficulties of the French pension system, Charpin advocated proposals that were similar to the ones unsuccessfully implemented by Juppé and concluded that "the diagnosis found in this report demonstrate that a global reform of the retirement system is necessary" (Charpin, 1999: 144). To this effect, he advocated many policy options, many of which were very controversial. First, Charpin proposed to increase the length of the contribution period to 42,5 years to obtain a full time pension prior to age 65. He stated that raising the retirement age was justified because of a longer life expectancy, better health conditions for those above the age of 60, and a later entry into the labour market. Charpin emphasised that this increase should apply to both private and public sector, so that workers in these schemes would need to contribute for 42,5 years to obtain a full pension.

Table 2.6: Number of supplementary contribution points required to reach financial equilibrium for selected schemes.

Régime		Unemployment 3%		Unemployment 6%		Unemployment 9%	
	1998	2020	2040	2020	2040	2020	2040
CNAV	0,1	3,3	8,6	4,3	9,8	5,5	11,2
Civil Servants*	0	21,3	29,7	24,7	33,5	26,4	40,9
CNRACL	-9,2	14,3	25,9	16,7	28,9	16,7	28,9
RATP	40,3	NA	NA	49,8	46,3	49,8	46,3
SNCF	73,6	NA	NA	56,1	49	56,1	49
Farmers	21,8	NA	NA	18	18,4	18	18,4

Source: Jean-Michel Charpin (1999). *L'avenir de nos Retraites* (Paris: CGP). As in the projections made for the Briet report, the civil servant scheme is assumed to be functioning like other scheme. It is assumed that the scheme is financially stable in 1998.

Second, he rejected the unification of the pension schemes, but maintained that it was imperative to adopt common principles and that 'unjustified' differences be avoided. Charpin

[124] These figures assume an unemployment rate of 6%. Citing a study from INSEE, Charpin claimed that a decrease in the active population does not necessarely translate into a lower unemployment rate. Thus, in order to achieve an unemployment rate of either 3% or 6%, an active employment policy would have to be undertaken (Charpin, 1999: Chapter 5).

was actually critical of the lack of reforms to the public sector schemes, and underlined that these schemes needed to be reformed as well (Charpin, 1999: 15).[125]

Third, the report advocated the introduction of more individual choices in the retirement phase and to attenuate the rigidities of the borders between the different phases of life. This point was later echoed in another commission report, published in September, stressing the need to make retirement into a more progressive process.[126]

Fourth, Charpin suggested that periodical adjustments be made into the pension system in a negotiated fashion between the government and the social partners respecting the objectives of solidarity and universality. He further proposed the creation of a steering device that would periodically, every three years, conduct long-term projections and would propose the government, social partners, retirement associations, and pension schemes measures that could be adopted to ensure the future of the pension system. The government would later pick up this idea after it became clear that its effort to reform the civil servant pension scheme would result in a strong opposition from the unions.

Finally, the report endorsed the creation of collective funded reserve to ensure a smooth passage into the demographically difficult years. It, thus, provided support for the governmental decision to create such a reserve in 1998 (Fonds de Réserve de Retraite).

The conclusions of the report pleased none of the social partners. On one hand, MEDEF[127] claimed the report did not go far enough in terms of proposed action and strongly emphasised the burden that represent the public sector scheme where government's contributions, in many cases, surpassed 50% compared to an average contributions of 15%. They underlined that the public sector schemes have not been reformed yet and that measures similar to the ones adopted for the régime général had to be introduced (Charpin, 1999: 256).[128] In a press communiqué, MEDEF claimed that the deficit in public sector scheme was three times the size of private sector scheme emphasizing that the state as employer needed to introduce reforms (MEDEF, 26 July 1999). The Vice President, Denis Kessler, also indicated that a longer contribution period would be required

[125] "Recent reforms have only concerned the régime général and the mandatory supplementary schemes in the private sector. It is necessary that the upcoming adjustments are applied not only for the private sector régimes, but also to public sector régimes" (Charpin, 1999: 15 – author translation).
[126] Taddei, Dominique (2000). Retraites choisies et progressives (Paris: Documentation française).
[127] It is worth noting that the MEDEF changed President in 1997, and has adopted a more confrontational strategy with the other social partners and the government.
[128] They also stated that employee's contributions in the public sector averaged 7,85% while they average 10,35% in the private sector (Charpin, 1999: 256).

and that “we must end the illusion of retirement at 60 years old” (Libération, 22 March 1999). The creation of the Fonds de réserve de retraite was criticized for being inappropriate at a time when the government is experiencing deficits.

On the other hand, there was a large consensus among the unions that increase the length of contributions was inappropriate when there is high unemployment among the youth, and the older workers are pushed into early retirement. Most of them also criticized the alarmist tone of the report, which is not conducive to a proper debate and pedagogy. These were, however, the sole points in common among them. The CGT argued that the solutions proposed by Charpin were too drastic and inappropriate. The CGT viewed the current social system as an *acquis*, which should not be challenged. A raise in employment should be sought in order to alleviate the pension crisis, not an increase in the length of contribution. They also proposed to increase the contributions of employers by including profits, other non-wage earnings, and financial gains (Charpin, 1999: 235-7).

FO challenged the economic assumption made in this report and refused to accept an increase in the length of contribution. It stated that promoting this sole measure as a way to save the payg system is “pathetic” and “provocative” (Charpin, 1999, 238). They advocated a return to 37,5 years for private workers. Their main axe of predilection centered on increasing the sources of revenues to finance the increasing costs of public pensions. They advocated to strengthen the Fonds de réserve de retraite, tax stock market income, increase the contribution rate for overtime hours, and use part of the revenues from the privatization of public companies. It remained committed to avoid any changes to the régimes spéciaux, a position that was also shared by other public sector unions such as FSU and UNSA, and the CGT.

CFDT had a very different opinion on the report. It actually supported the conclusion of the Charpin report and stressed that an improvement in employment would not fully resolve the needs to sustain the pension system. It further stated that periodical meetings are necessary to adjust the parameters of the system based on the economic, social, and demographic context. Nonetheless, it added that the employment situation of the youth and the tendency to exclude employees above 55 from the labour market should be addressed before serious discussion on a pension reform take place. More specifically, CFDT proposed, among its policy choices, to increase the contributive aspects of all basic pension schemes, base retirement age on the length of contribution, take into account all salaries, introduce a better indexation of pensions, and strengthen the Fonds de Reserve pour les Retraites.

The CFTC acknowledged the challenges facing the pension system, but criticized the "dramatisation" of the debate. Like FO and CGT, they wish a return to a contribution period of 37,5 years. They proposed a debate and a new family policy that would consider the professional and working life to increase the birth rate. Other proposals included the creation of private pension funds at the sectoral level and a certain convergence between the public sector and private sector schemes. The CGC advocated an alignment of all schemes, and more individual choices in the system. It proposed to alter the contributions of employers by shifting the burden from salaries to sales. It claimed that the prices of goods would remain the same, but this option would render French companies more competitive as it would result in a relative decrease in wages while increasing the prices of foreign goods.

Following the official release of the report on April 29, the government announced that a second round of consultation led by the Minister of Employment (Martine Aubry) would soon begin. The government engaged itself to focus on three key principles: consolidate the payg system, reconstructe a full employment society, and reform pensions progressively. The strategy of the government consisted of negotiated and consult the social partners one scheme at a time and, present a plan by the end of the year (Le Monde 28 & 29 April 1999). Aubry met the social partners in the Fall of 1999. The CFDT mentioned a meeting with her stating that it was more a discussion than a consultation about reform proposals (CFDT, 1999).

Counter-expertise challenges the conclusions of previous commissions

Few weeks following the publication of the Charpin report, the *Fondation Copernic* published a volume challenging the diagnosis and proposals made by Charpin.[129] The first edition was actually called *"contre-rapport Charpin"*! The Foundation is composed of union leaders, economists, and sociologists, supported by 600 members, opposed to *"la pensée unique"* (the single vision proposed by neo-liberals) and was one of many groups of this kind created in the aftermath of the social protest of December 1995 (Le Monde, 24 May 1999). These individuals recognized that such a movement would be difficult to re-create and opted to 'attack' the expertise surrounding the proposals of governmental commissions. They do not

[129] Fondation Copernic (1999). "Les retraites au péril du libéralisme" (Paris: Èditions Sylleps).

reject that importance of the demographic change that is occurring. The Fondation Copernic does, however, contest the financial and economical implications of such change.

Their main argument has been that recent reforms (and proposals) have led to a reduction in the value of people's pensions and that only workers are bearing the burden of the demographic change. First, they have argued that the old-age dependency ratio (60+/20-60) is not as important as the active/inactive ratio. The former is not revealing as many individuals are not currently in the job market, thus not contributing to public pensions. They argue that unemployment rates would decrease because of the high number of individuals moving on into retirement. Thus, the active/inactive ratio would not face a drastic change similar to the old-age dependency ratio.

The foundation also challenges the solutions that have been proposed by Charpin, MEDEF, and the government (Left and Right). They are highly critical of pension funds, price indexation, and increasing the length of contribution.[130] According to the foundation, these measures leads to a reduction in the level of pensions attributed and could result in a return to poverty for the elderly.

Finally, they argue that economic growth could be the saviour of the public pension system and that raising contribution rates in this context would not be harmful to the economy and would not be too demanding for workers. They minimise the importance of rising contribution by stating that current workers have experienced a high rise in their contribution rates over the years, which have been offset by the gains in productivity and wages. Interestingly, another official report following these lines would be published few months later.

The question of old-age pensions found its way to the *Conseil économique et social*. The council includes social partners and various experts and is considered to be the consultative/corporatist institution of the state. The government and social partners usually test the political waters by submitting proposals to this institution. René Teulade presented a report in January 2000 on the future of pensions schemes leading to a vote on its adoption (the results are included in table 2.7). The main lines of the report had already been presented for a Socialist Committee (see Taddei, 1999: 77). The Teulade report challenged the conclusions of the Charpin

[130] With regards to the length of contribution, the foundation cites a study by the CNAV demonstrating that 60% of pension applicants are not-employed.

report and clearly sided with unions[131] over the employers by arguing in favour of higher growth and employment as a solution to the pension crisis. The report stated that an annual growth rate of 3,5% annually would be enough to stabilize the current pension expenditure/GDP ratio without having to increase the length of contribution. This growth rate would also allow a return to an indexation of pensions on salaries. In contrast, the Charpin report had assumed an average growth rate of 1,7% annually in the long term.

Thus, in order to resolve the upcoming financial difficulties of the French pension system, the report advocated mostly measures that would improve the growth rate. First, it advocated a better understanding of the passage to retirement and an end to current practices, which favour early-retirement. Second, the report urged the government to undertake active policies to improve the employment rate to reduce the impact of a reduction in the number of individual below the age of retirement. Teulade also proposed the creation of a watchdog national centre for pensions, seeking complementary sources of financing along with strengthening the Fonds de réserve de retraite, and to guarantee a fair replacement rate for pensions (Teulade, 2000: 25).

As demonstrated by Table 3,8, the social 'partners' were clearly divided on the report. MEDEF was so outraged that it attempted to pass a motion (that was defeated 45-125) to make changes, which, according to them, could have led to a consensus. Private sector employers presented seven objections: 1) the 'irrealist' view that a high growth rate would resolve everything; 2) the neglect to consider the lengthening of life expectancy; 3) the lack of reform projects for the régime spéciaux; 4) the lack of analysis on the costs and financial resources required to re-instate pensions indexed on salaries; 5) the lack of discussion on the linkeage between retirement age and actuary neutrality; 6) the refusal to discuss private savings options; and 7) the creation of a new institution. Employers would conclude by stating that "this notice is negative, dangerous, and misleading. It questions the pedagogical work that has been done in the past 10 years" (Teulade, 2000: 63). Following the final adoption of the report, MEDEF stated that it would no longer participate in the pension discussion (Le Monde, 12 janvier 2000), which it did following its general assembly on January 18 (Economist, 22 January 2000).

CFDT was the only union, which did not support the report by opting to abstain. It supported measures such as indexing pensions on salaries, ensuring that enough resources are

[131] With the exception of the CFDT, which abstained (see reasons below).

injected into the Fonds de réserve des retraites, and increasing the number of individual choice with regards to the length of a working career. However, CFDT was highly critical of the economic assumptions that were made in the report and the lack of discussions on narrowing the gap between the régime général and the régime spéciaux (Teulade, 2000: 53-5).

Table 2.7: Rapport Teulade. Support and Opposition to the Conclusions of the *Conseil Economique et Social*

Group	Pour	Contre	Abstention
Groupe de l'agriculture	3	12	11
Groupe de l'artisanat	8		
Groupe des associations	5		
Groupe de la CFE-CGC	6		
Groupe de la CFTC	6		
Groupe de la CGT	16		
Groupe de la CGT-FO	15		
Groupe de la cooperation	7		2
Groupe de l'outre-mer	1		
Groupe de l'UNSA	3		
Groupe de la mutualite	3		
Groupe des personnalites qualifiees	25	11	1
Groupe des Francais etablis hors de France de l'epargne et du logement	2	1	
Groupe des entreprises privees		25	
Groupe des professions liberales		3	
Groupe de l'UNAF		10	
Groupe de la CFDT			16
Groupe des enterprises publiques			9
TOTAL	100	62	39

Each cells represents the numbers of people within the group that had voting rights on this report.

CFTC and CFE-CGC supported the report mainly on the basis that it did not put in question the payg system, and that it considered the importance of seeking a progressive transition into retirement. Both CGT and FO were highly supportive of the report because it matched closely their respective positions. First, it did not threaten the régimes spéciaux. Second, it advocated a return to an indexation based on salaries instead of prices. Third, it opposed increasing the length of the contribution period. FO actually restated that it was still seeking to return to 37,5 years of contributions for private sector workers.

Interestingly, the Teulade report was also highly criticized by experts working in the field. Contrary to Charpin and other studies commissioned by the government, none of the bureaucrats usually affected to their elaboration were consulted, let alone, participated in its production. Those I met were actually quick to point out that the projections included calculation mistakes and distanced themselves from its conclusions (Author interviews, December 2001).

For example the French economist Florence Legros recently pointed out that Teulade ignored that an increase in salary also implies an increase in future pension payments because workers contribute more. Thus, higher the growth rate, higher the pension will be (L'Express, 19 April 2002).

The government decides to continue the consultation…

After many delays, the Jospin government announced the he would like to negotiate a pension pact with the social partners in March 2000. Jospin insisted on the principles of consensus citing the Juppé approach as one to avoid. In terms of policy objectives, he plead for an increase in the length of the contribution period for civil servants, but offered to consider a part or the totality of the *primes* and the difficulty associated with certain professions such as the caring personal in hospitals. Jospin further reiterated that the specificities of the régimes spéciaux would not be put in question (Le Monde, 22 March 2000).[132] Observers were quick to point out that the tone of Jospin's speech implied that he had already move into electoral mode by minimising the "sacrifice needed to fund pensions, and put(ing) further reform until after the 2002 elections", a measure he justified on higher than expected growth and employment performances (Financial Times, 23 March 2000).

Despite the willingness of the government to negotiate, FO, CGT and FSU were quick to condemn the position of the government. FO and FSU refused to make any concessions on the pension code and CGT stated that a negotiation cannot occur if unions must first accept a lengthening of the contribution period. As a result, all three called a strike for the end of March. CFDT, CFE-CGC and CFTC, on the other hand, supported the gesture made by the government.

The Jospin government altered its approach one month later by instituting the *Conseil d'Orientation des Retraites* (COR) following the suggestions of Charpin and Teulade on the need to create a steering institution for pensions. Three main objectives were granted to Yannick Moreau, the President. First, the COR had to paint a picture of the financial situation of the various pension schemes considering the evolution of social, demographic and economic conditions. Second, it was mandated to propose a series of measures to ensure the financial viability of the pension system in the long-run. Finally, the COR was asked to seek to maintain the coherence of the payg system while ensuring solidarity between the schemes and equity among generations. The COR was asked to submit a report every two years analysing the current situations of the pension schemes while proposing measures to ensure their long-term financial equilibrium. 33 members were appointed to the Commission, with close to half coming from social partners (16). Indicative of the increasing role of the Parliament in pensions, 3 senators and 3 parliamentarians were also selected. The remaining seats were granted to public officials (4), experts (4), pensioners (1), and the national family association (1). MEDEF refused to participate claiming that Charpin had already accomplished this task, and would participate only when the government will engage reforms (Le Monde, 29 Mai 2000). The creation of the COR iced the issue of pension reform prior to the Presidential and legislative elections of 2002.

The Jospin government faced a challenge from its Communist ally in Parliament two weeks prior to the official release of the first COR report. The Communist party deposited a bill to grant full pension benefits to those who have already met 40 years of contribution. This bill proposal had strong support even within the Socialists. Afraid of the consequences of a possible vote in Parliament, the Minister of Employment (Guigou) would invoke article 40 of the Constitution, which forbids parliamentarians to propose measures that would result in a decrease in public resources or an increase in its expenses. This action would be highly criticised by Communists and some Socialist deputies (Le Monde, 28 November 2001).

In early December, Yannick Moreau would publicly present the first COR report to Jospin. In a televised address Jospin declared on the urgency of resolving the pension issue: “We have time ahead of us, ten to fifteen years” and it will be tackled in the early days of the next legislature (Le Monde, 6 December 2001). The future state of affairs painted by the report closely matched the one made by Charpin. According to most experts, the most important conclusion of the COR was the dismissal of the Teulade report and the assessment that something needs to be done (Author interviews, December 2001). With regards to policy action, the report emphasized three main points. First, it mentioned that a change of mentality with regards to older workers must be instituted to increase their participation rates. Second, it claimed that the population needed to reassured with regards to the replacement rate of their future pensions. It underlined that the replacement rates was about to decrease from an average

---

[132] Jospin would later propose some measures for the private sector on April 28, which were not actively pursued with the exception of the COR. He advocated reducing the penality (currently at 10%) for those who do not have the

of 78% to 64% in 2040, but proposed no solutions. Third, it advocated increasing the length of the contribution period for civil servants in exchange of including the *primes* and more flexibility for departure into retirement. It did not tackle other régimes spéciaux such as the SNCF and RATP. Overall, the report suggested that the government adopt multiple measures to respond to the upcming social, economic and demographic changes (Le Monde, 7 December 2001; COR, 2001).

Despite its challenge on the public sector, the publication of the report was welcomed by most social partners who were quick to point out that a return to 37,5 years of contribution in the private sector would only cost 0,3% of GDP. Further, it addressed the decrease in the relative amount received by pensioners vis-à-vis workers. Key was that, despite projections similar to Charpin, its tone was much less alarmist.

Conclusion

The French case fits nicely into the typology presented in Chapter 1 even though the responsibility of public pensions is still a source of contention between the state and the social partners. Although the state enacts the laws and parameters of the pension system, with the possible exception of the mandatory supplementary regimes (ARRCO and AGIRC), this responsibility is not fully accepted by the social partners who retain the control of administrative councils of the various pension régimes. This relationship results in the state not being trusted as an institution, and a bureaucratization of pensions that shies away from what is thought of the French bureaucracy. It seems ill equipped to tackle the subject of pension reform. It does not have a 'neutral' institution such as RFV in Sweden, which is also thought of seeking to protect its system. Thus, its proposals and expertise is much more valued. In France, the actions of the state are simply not trusted by the unions, which views any attempts to institute a committee or commission as a way to secure retrenchment. The counter-expertise attack comes from the fact that the CGP is not a pension institution, but a political office of the Prime Minister. This results in the creation of commissions after commissions to seek some sort of consensus.

If pension reforms were evaluated in terms of the number of reports on the subject rather than its actual impact on the system, France would be the runaway leader of all OECD countries. From 1985 to 2001, no less than 13 reports were submitted! Close to one every year. Despite all

required length of contribution when they reach retirement, improve the replacement rates, and create the COR.

this knowledge, the French government has not resolved pension problems beyond the year 2005/2010 where the demographic imbalances are expected to weight heavily. Bonoli (2000) argues that two key reasons lay behind the "commissioning" of public pensions. First, many of those were designed "to test the political feasibility" of specific proposals the government had in mind, which were most often developed prior by the *Commissariat Général au Plan* (CGP). Second, these commissions create the general impression that the government is doing something to resolve the difficulties faced by the pension system.

The long-term impact of the Balladur reform is quite substantial, nonetheless. The legislation of the price indexation, a measure first established in the late 1980s, is a near invisible measure that generates important savings for the government. The other measures are less drastic, but still provide incentives for future older workers to increase the length of their career. The benefits of such measure go beyond a simple reduction in costs. By encouraging individuals to work longer, the government delays the payment of one's pension while collecting further revenues from work. Key for the efficacy of this measure, however, is the promotion of employment among elderly worker.

It is important to notice that the social partners did not react strongly to the Balladur reform. They had been consulted in the spring by Balladur and his cabinet, which eased the passage of legislation. This method was in sharp contrast to the one used by Juppé, whose pension proposals took everyone by surprise. Even the moderate CFDT eventually supported the CGT and FO despite its support for the general guidelines of the reforms because the pension reform did not include any consultations.

3 – Belgium: Seeking to Adapt in a Crumbling Consensual World.

Introduction

A common question I received while in Sweden was something along the lines of: "Why study Belgium, nothing has really been done with regards to pensions there?" Even though Belgian politicians would probably seek to challenge this assertion, in a comparative perspective, Belgium probably fits best Pierson's (1998) picture of an immobile elephant. This is exactly why Belgium is studied in this dissertation. In order to analyse properly pension reforms, it is important to study those who have instituted programmatic changes (UK and Sweden) with those who have sought to alter the parameters (France and Belgium).

Belgium is also a great case because it has many similarities with both France and Sweden. The fragmentation of its pension system is partly the result of French occupation prior to Belgium's independence. Due to its proximity, Belgium has been influenced by (and has influenced) France's pension system. It is therefore not that surprising that the historical development of each system shares many attributes. Thus, the difficulties of reforming numerous schemes at once are similar to France and, based on Tsebelis (1999), are expected to be accentuated because of large governmental coalitions. Belgium has also a lot in common with Sweden. The generosity of its welfare state has often been compared with its Nordic counterpart. Esping-Andersen's pension de-commodification index ranked Belgium second among industrialised countries right after Sweden and ahead of other Scandinavian countries (Esping-Andersen, 1990: 50). Like Sweden, Belgium has also been considered to be a highly corporatist country with a small economy vulnerable to world markets (Katzenstein, 1986).

This section is divided into three broad sections. First, an historical review is presented that will help the reader understand the interactions between the social partners and the state and the historical institutional functionality of the pension system. The second section introduces the main elements, as presented in Chapter 1, that require analysis in order to theorize the Belgian case. Finally, a review of attempts and successes in pension reforms during the period 1990-2002 are presented in the last section.

For this case, a caveat is in order. Literature on the subject has been difficult to gather.[133] Few studies on pension reforms have been published and they tend to describe the reform process in a very general way. Combined with a tradition of political secrecy, it has been hard to gather old public documents as well.[134] This is in stark contrast to Sweden's high openness where most analysis behind individual elements of the pension reform process can be found easily. The language capabilities of the author are also to be blamed since it can function in only one part of the country, and leads to a reliance on French sources.

Historical Development

Belgium's public pension system had faced many changes prior to the main reform of 1968, which remains the basis of the current pension system. As a result of French occupation, prior to Belgium's independence, civil servants were granted a special status, which still exists today. For private sector workers, the Belgian pension system experienced a try out period with voluntary organisations, later subsidising them. These arrangements would later be replaced by mandatory occupational schemes for specific groups of workers. Following the Social Pact of 1944, the generosity and administrative structure for each occupational plan improved significantly. In 1968, a major reform was introduced merging previous disparate occupational schemes for private sector workers into one big scheme managed by a central organisation including the social partners.

Civil servants were the first to be covered by a public pension. The French law of 1790, which took effect in Belgium in 1794 following its annexion, introduced the principles of a

[133] At least one author seemed to share my frustrations: "For over thirty years I have been monitoring the social security system of this country. I have often been disappointed by the lack of openness, the absence of data, the rigidity of the joint positions of the interested parties, the sclerosis at the level of secondary objectives and conservatism where this should not be expected" (Dillemans, 1993: 212).

[134] Even the librarians at the University of Leuven were left disappointed in their inability to help me!

special status for civil servants with regards to pensions.[135] Due compensation was required as a duty for the services rendered to the states by civil servants. In 1844, 13 years after gaining independence, these principles were put into Belgian law and it was stated that pensions were to be fully financed by the Treasury (MASSPE, 2000: 12).

In the case of employees in the private sector, social risks were confined to families or charities such as 'Maisons civiles de Dieu' and 'Bureau de Bienfesance'. However, following the industrial revolution these agencies were unable to meet the social needs of the new industrial workers. Voluntary associations, known as 'mutuelles' (later transformed into 'mutualités'-friendly societies), emerged in the mid 1800s and contributing workers were entitled to protection against social risks such as unemployment, old age and accident (MASSPE, 2000). The state also created the 'Caisse générale de retraite' in 1850 where voluntary private contributions for retirement were guaranteed by the state (ONP, 2000). These benefits remained modest and the state was not financially involved in any of these undertakings.

The first mandatory insurance scheme introduced by the Belgian government was the legislation of 1844, which covered all seamen navigating under a Belgian flag. The role of the state was important in launching this scheme as it subsidised its first 10 years (ONP, 2000; MASSPE, 2000). Despite its modest scope, the introduction of this regime proved to be quite important since it represented the model for subsequent occupational pension schemes introduced by the government.

Following social unrest in the 1880 peaking with national strikes in 1886, the Belgian government began to intervene more actively in social affairs. The state decided in 1891 to allocate a part of its budget to subsidise certain friendly societies (ONP, 2000; MASSPE, 1998)[136] and officially recognised them so that they could start receiving public support in 1894. During this period, the Catholic Conservative government continuously gave legislative and financial advantages, in the form of subsidies, to the catholic friendly societies in the hopes of weakening the socialists and their friendly societies. The alliance between the conservative and catholic worker's movement was a response to the growing socialist movement, which had anti-

[135] It is worthwhile noting that other social benefits such as sickness insurance were not granted prior to the first world war (MASSPE, 2000: 11).
[136] These contributions would become mandatory by law on May 10, 1900 (ONP, 2000).

bourgeois and anti-clerical views.[137] Contrary to many other European nations, non-skilled workers were polarized between catholic and socialist movements, which often had opposite views with regards to social insurance. The Catholics, heavily influenced by the church, advocated voluntary forms of associations encouraging workers to take responsibilities for their own pensions and was far more sensible to private property and harmony between social classes than Socialists. The Socialists, on the other hand, encouraged the involvement of the state in granting and administrating social rights to workers and had a more belligerent attitude towards employers (Vanthemsche, 1994: 18-22). Five national groupings of friendly societies would emerge at the beginning of the 20th century based on ideological/social orientations (MASSPE, 2000: 4-5).[138]

Subsequent to the failure of the 1900 pension reform, where the voluntary option was extended to all individuals, the state expanded the mandatory social insurance to various occupational groups based on the scheme designed for seaman. The 1900 reform resulted in a high number of registered workers in the friendly societies, but their savings were clearly insufficient to guarantee a proper pension. As a result, support for mandatory options became nearly unanimous. Mandatory social insurance became a reality for minors in 1911. A pension was granted following 30 years of labour at the mine. In 1912-14, pensions became part of the Catholic government goal of introducing mandatory social insurance. However, the Socialists, who had the control of the Ministry of Industry and Work, would stop these objectives by instituting their own plans for pensions. The claimed that mandatory pension insurance did not make sense since most workers did not live up to their retirement age, thus they opposed the 'pension for the dead'. They wanted to introduce a non-contributory pension financed by the state (general taxation). A short-lived compromise was reached in 1920, when a 'free' means-tested pension for all Belgians was introduced. This precedent could have paved the way for a larger role for the state and a more encompassing old-age pension system. Instead, it was abandoned following the defeat of the Socialists at the next election, ending their participation in the government (Vanthemsche, 1994: 30-2).

[137] Despite this policy of favouritism, the socialist mutualités had a membership of 31 000 by 1886, a number similar to the catholic mutualités (32 046 members + 4 260 honorary members) (A. Jauniaux, 1930 – cited from Vanthemsche, 1994: 18).
[138] These five groupings are (year of formation in brackets): Allience nationales des mutualités chrétiennes (1906), Union nationale des mutualités neutres (1908), Union nationale des mutualités socialistes (1913), Union nationale des mutualités libérales de Belgique, et Union des mutualités libres et professionnelles (1920) (MASSPE, 2000: 5).

The inter-war period came to be remembered as one that included a close co-operation between the unions and the state. This close co-operation brought key advantages to the unions. The most obvious benefit was the responsibility of organizing the unemployment benefit system, which led to a stark increase in membership following the economic recession of the 1930s. Unions would establish strong political links in line with the pillarization of the country.[139] The main socialist union was actually part of the Socialist Party (*Parti Ouvrier Belge*) and even had few MPs. Once the Socialist Party entered the cabinet, direct access to the cabinet was granted to the Socialist trade union. The Christian trade union movement was also becoming more politicized even though its link to the Party was more filtered. Contrary to the French union movement, “neither socialist nor Catholic unions had objections to this integration of trade unionism and state” (Luyten and Hemmerijckx, 2000: 208-11).

Pension legislation was introduced in 1924 and 1925 and would have big consequences in the future, even though the new schemes would eventually become futile following the depreciation of the Belgian currency (ONP, 2000). First, the principle of mandatory social insurance became firmly entrenched as the main social policy tool for old-age pensions. Second, differentiation of benefits occurred as blue-collar workers (1924 law) obtained a system based on the scheme developed for minors in 1911 with lower contributions and benefits than white-collar workers (1925 law) (Vanthemsche, 1994: 32). The reforms extended the coverage of old-age insurance on the basis of an individualised account, a technique similar to the one found in the private sector, where accumulated capital and interest would flourish and be redistributed once the individual reached retirement age or, in the event of a sudden death, granted to the widow (MSSPE, 2000: 6; ONP, 2000: 28-9). These new pension schemes would face many difficulties in the 1930s because of its emphasis on capitalization, resulting in many headaches for the government (Vanthemsche, 1994: 33).

During W.W.II, a blue print for a social agreement was negotiated between high-level civil servants, employers and the two largest unions (CSC and CGTB[140]). It was adopted by the government virtually ‘as-is’ in 1944 and it quickly came to be known as the Social Pact. Besides laying the foundation for a long period of social peace,[141] the concept of solidarity was

[139] See next section.
[140] Confédération des Syndicats Chrétiens and Confédération générale du Travail de Belgique.
[141] The social pact institutionalised industrial relations by defining ”the procedures of collective bargaining, the type of demands to be raised and how these could be supported by possible action” (Hancke, 1991).

consecrated by labour and capital. The Social Pact led to key changes in the Belgian welfare state: expansion of mandatory social assurance (unemployment, sickness, invalidity, pension) for all workers, increase in social benefits, creation of the 'Office nationale de sécurité sociale' to collect the contributions, and co-management of social security (MASSPE, 1998).[142] Although a broad coverage of social risk was established, the various insurance schemes were legislated separately without any co-ordination. The section on social security involved few discussions and was based on a text developed by the Minister of Employment and Social Welfare, Achille van Acker, who was involved in the later stages of discussions.

Another plan had been drafted during the war by a special commission set to study post-war problems, based on the principles of universalism found in the Beveridge report. However, it did not find much support with unions as it implied that they would lose the control over unemployment insurance, which had been one of the main vehicles to attract membership (Pasture, 1993: 696).[143] Beside, the social agreement had the key advantage of being agreed by all major social actors, a rarity, and required little effort on the part of the government. The big reform advocated by the social pact would never materialised as subsequent committees failed to seek consensus among the main parties. As stated by Vanthemsche (1994), there was equilibrium of power among ideological groups and classes to allow a global reform of social security, which would have renegated many hard-fought compromises (113).

While there was a broad consensus that a major pension reform was long overdue due to the meagre benefits received by pensioners, the solution was difficult to achieve. In the meantime, the multi-party government instituted a pension complement in 1945 financed via general taxation. Thus, this reform opened to the door to a pay-as-you-go (payg) system where current workers financed part of the public pensions. Following the introduction of this reform, there was a long debate between those advocating payg and fully funded systems. The Christian Democratic government would provide an answer to this debate by introducing a new pension system in 1953 for blue-collar workers, where it abandoned definitively funded components for a system relying on payg. Benefits were granted on the basis of the cost of living, the type of

---

[142] It is important to note that the social pact covered only workers in the private sectors and not civil servants and 'independent' (self-employed).
[143] According to Vanthemsche (1994), a third group worked on this issue during the war and consisted of members from the Centre Belge d'Études et de Documentation (CBED) and the Groupement d'Études Économiques (GEE). They sought to create a new social insurance system, which would be mandatory only for those that are

profession, and the amount of contributions made by the individual. A full pension was allocated for a 45-year career for men, and 40 for women. Individuals with shorter career received a pension based on the number of years they contributed to the system (Vanthemsche, 1994; ONP, 2000). [144]

Modifications to the 1953 legislation were made in 1954 and 1955, following the replacement of the Christian Democrat minister by a Socialist, and included such elements as an increase in the amount of the pension and compensation for recognised inactivity (sickness, unemployment, strike, etc.). Legislation in 1957, based on similar principles than the 1953 legislation,[145] replace the 1945 pension scheme for non-manual workers. Although their contributions and, thus, benefits remained higher than blue-collar workers, the operationalisation of its scheme was similar to the blue-collar scheme. Sailors and minors also received new pension systems in 1956 and 1958. Pension benefits were increased for non-manual and manual workers in 1962 (ONP, 2000). The changes made to the 1953 scheme were part of an on-going battle between the Socialists who viewed social protection as a "public service," and the Christian Democrats who sought to keep the government's role to a minimum. As pensions became an electoral issue these differences narrowed,[146] as both parties attempted to demonstrate that they provide leadership by addressing this issue. It is in this context that pension benefits were raised 16 consecutive times between 1945 and 1962 (Vanthemsche, 1994: 166)!

Legislation in 1966 and a royal decree in 1967 instituted the actual pension regime for private workers. Based on the principle of solidarity a single regime of old-age insurance was built for all types of employees in the private sectors (blue-collar workers, white-collar workers, minors and sailors). Some elements of the 1953 legislation remained. For example, the retirement age stayed the same (65 for men and 60 for women) and the length of career for a full pension remained at 45 for men and 40 for women. Early retirement was introduced; individuals could retire five years earlier with a 5% penalty for each year. Individuals could receive pension

---

economically weak. Further, they advocated a professionalisation of social insurance schemes, where each occupational group would have its distinct social insurance (50-1).

[144] For example, if a woman had a 37-year career, she would receive 37/40th of a full pension.

[145] The main difference is related to financing, where a part of the contributions are still capitalized because most intellectual workers still preferred a funded system (ONP, 2000: 31). However, the capitalized part was kept to a minimum (Vanthemsche, 1994: 168).

[146] In 1949, the Christian-socialists presented a bill that was copied from a socialist proposal. They were caught because they skipped a line while copying the text, making it incomprehensible (Vanthemsche, 1994: 163).

points for the period between their 20th birthday and the end of 1945 if they could demonstrate that they had worked continuously between 1946 and their retirement date.

Minimal changes have occurred since this legislation such as a modification of the calculation for obtaining a full time pension (1976), transfer and merger of administrative agencies (1981, 1987), alterations of the rules and index adjustments concerning the amount received by individuals. One of the key transformations occurred in the early 1980s when the government substantially increased the pension minimum, which had been historically low compared to other developed countries (Palme, 1990: 58).

It is worth noticing that most of these changes have resulted in an increase in the generosity of public pensions. This period can, therefore, be referred to as a period of expansion. Table 3.1 provides a sketch of the Belgian public pension system.

Table 3.1: The Belgian Pension System.[147]

Type of Worker	***Basic Regime***
Wage earners	Régime des travailleurs salariés
Civil Servant	Régime des travailleurs du secteur public
Self Employed (Independent)	Régime des travailleurs indépendants

Note: Despite legislation merging various schemes within each of the regime, slight differences still exist due to transition periods.

Theorizing Pension Reform within the Belgian Context

A "pillarized" world?

At first glance, Lijphart's (1968) typology of political systems seems to apply extremely well to Belgium. The consociational democracy category, originally conceived as a Dutch peculiarity, fits Belgium well. However, the political culture and society is not only fragmented along religious and class lines, but along language as well. Complicating matters is that the language divisions are territorially defined politically (Flanders and Wallonia). Since the late 1960s, following the events at Leuven, "federal" elections occur with parties seeking to earn seats within either Flanders or Wallonia, but not both. There

[147] A means-tested pension is available to those not earning a sufficient amount. This amount is quite generous in a comparative perspective.

are no federal parties that present candidate in all of Belgium in a way similar to Canada's major political parties.

According to Lijphart's typology, the political stability of Belgium is the result of "coalescent" elites, representing groups in a hierarchical manner, that have been able to suppress the creation of popular movement against their leadership. The lack of interaction among the difference groups in the populace further strengthened the power of the political elites. This is a consequence of the "pillarization" of the country into different sociological worlds along socio-economic lines:

> "At the birth of Belgium, we experienced the development, surrounding the traditional political parties, of what we call sociological worlds. As evident in the Christian as in the Socialist world, and to a lesser extent in the Liberal world, political parties have been complemented by all kinds of organisations of similar ideological leaning that accompany the members of these groupings from the cradle to the grave. Schools with ideological colour, youth movements, formation associations, unions, friendly societies, coffee places, holiday resorts, women associations, retirement associations, insurance, banks, etc. answer to all needs for the members of the same group. This is what we call "pillarization". Moreover, these organisations, built as pillars, exercise an important influence on the electorate both in terms of ideology and electoral support. These sociological worlds introduce some sort of apartheid in the Belgian society, meaning that members almost never interact with members of other sociological world. The control that the political leaders were able to develop on this basis allowed them to mobilise or demobilise whenever necessary as part of their political strategy. In exchange for their loyalty, the members of different groupings could obtain all sorts of advantages from their leaders. Jobs, social housing, breach of certain rules, … were granted with preferential treatment to the members of the grouping" (Swyngedouw, 1998: 53 – author translation; see also Seiler, 1999: 44-51).

Thus, Belgium's consensual democracy has also been termed the "armed peace" because of the difficulties for any political group to circumvent the pillarization of the country. The French Socialists and the Flemish Christian democrats have such important grounding in their respective region that it is very difficult to govern against their interests (Swyngedouw, 1998: 54). Partly as a result of pillarization, political system contains a high level of secrecy where major decisions tend to be negotiated behind closed doors.

This political arrangement has been strongly challenged since the mid 1970s, especially at the grass roots. New parties successfully entered the political arena, and voters began to switch parties between elections (idid, 54-5). Despite a level of corruption similar to Italy, Belgium did not experience a "clean hands" movement because judges depend on political parties for their promotion. Thus, it would take the murders of children and the poor handling of the "Dutroux affair" to provoke a stark reaction of the populace against the pillar system (Seiler, 1999). As stated by Delwit et al (1999) what were common transactions between the political and industrial world 10 years ago are now considered as acts of corruption (10-11). Other events such as the "Chicken gate" resulted in a backlash against the Christian Democrats during the election of 1999 sending them to the opposition benches for the first time since WWII.

Van Den Brande (1967 cf. Van Den Bulck, 1992) has contested this political picture of Belgium. He claims that the political stability of the country has nothing to do with the special skills of its elites, but is rather the result of cross-cutting cleavages that lead to a certain equilibrium. For example, socialist workers from Wallonia will often co-operate with socialist workers from Flanders but also with catholic workers from Wallonia. "This prevents the total and permanent mobilization of an organisation along a single line of conflict" (Pijnenburg, 1984 cited in Van Den Bulck, 1992: 35).

The state with a small s.

Regardless of the true causes behind the political stability of Belgium, the end result is a stark contrast to France's political culture where the state has sought to trump groups and organizations. The conception of a strong state is absent in Belgium. The place of the state is much closer to what Rothstein's (1991) calls the "lagom" version found in Sweden (see discussion in chapter 5), and it could be argued that it is even weaker. Due to the high number of cleavages, there is a strong need for consensus in order to maintain the unity of the state. A strong state would probably be a recipe for its dismantlement. The Belgian state was conceived to be a minimal state and never sought a radical transformation:

> "Built as an imposed aggregation from the fusion of city-states, the Belgian state has never received strong substance, or any strong administrative apparatus. At the beginning, when the bourgeoisie sought only a minimal state, it was a deliberate choice. Later on, at the time of a Social state, the strength of the public sphere improved. But it never replaced the organised segments of the society. The later being strongly structure, the political life at the centre could only confine itself to the role of mediator between them, while not infiltrating their organisations. No political force wished a

> centralisation of public authority, similar to the one experienced in France in the Third Republic" (Delwit et al., 1999: 7-8).[148]

Attempts to import the French model have been made, but never lasted very long in their original form. For example, it is no coincidence that the French conception of the *bureau du plan* resulted in a single plan (1971-76) when it was applied in similar forms in Belgium. It was very difficult to find a compromise for long-term state planning and the centrifugal force of the Plan was not welcomed. Thus, the Belgian Plan eventually became an expertise office to study the impact of major public policies without pushing too strongly its own options. It is now a mediating device for the social partners, since it provides an external and neutral expertise. It has now much more in common with the Dutch planning agency and the *Direction de la prevision* within the French Ministry of Finance than with the *Commissariat Général du Plan* in France.[149]

With such a conception of the state, it does not come as a surprise that the Belgian civil service does not have the tradition or the prestige of its French neighbour. As stated by a former Minister of Finance, "we simply do not have, as in France, civil servants who identify themselves to the state emporium since the French state and France represent something and in Belgium this makes us laugh".[150] The bureaucratic elites are not trained and formed at a Belgian ENAP, but rather from disparate institutions strongly anchored in regional and/or confessional settings (Delwit et al. 1999: 9). This outcome goes hand in hand with a strong experience of pillarization.

Still in contrast to France, it is not conceivable to apply the concept of majority rule in Belgium. This political acknowledgement is clearly underlined by Huyse (1980): "If in a country like ours one political family imposes its will unilaterally, the result is a serious crisis putting the system itself in jeopardy" (cited in Van Den Bulck, 1992: 36). The decentralisation of Belgium and the splitting of political parties in the late 1960s have further reduced this possibility. Since the strength of political parties are different within each of the regions and that a coalition can only be formed with parties of a similar

[148] These choices were made despite an obvious fascination by the Belgian elites of the late 16th and 17th Century, who were at the time francophone, for the state created in France (Seiler, 1999: 28).
[149] Interview, M. Englert, 24 May 2002.
[150] Interview, Jeans-Jacques Viseur, 21 May 2002.

colour,[151] it would be unlikely to have a government that has less than four parties. The current "rainbow" coalition consists of 6 political parties (Green, Socialists and Liberals).

Table 3.2 Political Control over the Ministry of Social Affairs and Pensions since 1982.

Government Coalition	Position	Name	Political Party
Martens V 1981-85 (CVP, PSC, PRL, PVV)	Minister of Social Affairs State Secretary for Pensions	Jean-Luc Dehaene Pierre Mainil	CVP PSC
Martens VI 1985-87 (CVP, PSC, PRL, PVV)	Minister of Social Affairs State Secretary for Pensions	Jean-Luc Dehaene Pierre Mainil	CVP PSC
Martens VII 1987 (CVP, PSC, PRL, PVV)	Minister of Social Affairs State Secretary for Pensions	Jean-Luc Dehaene Pierre Mainil	CVP PSC
Martens VIII 1988-91 (CVP, PSC, PS, SP, VU).	Minister of Social Affairs Minister of Pensions	Philippe Busquin Alain Van der Biest	PS PS
Martens IX 1991-92 (CVP, PSC, PS, SP)	Minister of Social Affairs Minister of Pensions	Philippe Busquin Gilbert Mottard	PS PS
Dehaene I 1992-95 (CVP, PSC, PS, SP)	Minister of Social Affairs Minister of Pensions	Philippe Moureaux Freddy Willockx* Marcel Colla*	PS SP SP
Dehaene II 1995-99 (CVP, PSC, PS, SP)	Minister of Social Affairs Minister of Public Health and Pensions	Magda de Galan Marcel Colla**	PS SP
Verhofstadt I 1999-	Minister of Pensions and Social Affairs	Frank Vandenbroucke	SP

Source: CRISP (www.crisp.be). *Colla replaced Willockx on July 18, 1994. ** Colla was forced to resign in the spring of 1999 less than two weeks prior to the election.

Radical policy options tend to be eliminated rapidly since they must obtain broad support among coalition partners. Key in Belgium is the *Déclaration gouvernementale*, which traces the objectives and aim of the coalition government. It is negotiated among the coalition partners prior to the formation of the government. Any strong deviation from it tends to be difficult since it requires a new round of negotiations within the coalition.

[151] For example, the Socialists have tended to be quite strong in the French part while the Christian Democrats and Liberals have had better success in the Flemish part. Interestingly, Witte (1992) argues that the French socialist supported the idea of a federal Belgium to increase its power within Wallonia and promote socialists idea independent of Flanders, which would in turn increase its importance at the national level (96-7). It is an unwritten rule to have the sister party join in the government. This means that the French socialists do not join a government without their Flemish counterpart.

When the Prime Minister holds serious discussions with the social partners, he is not alone like its French counterpart, but rather with the representatives of the other political parties within the government, who tend to hold key ministries (*kerncabinet*). Another important aspect tends to reduce further the possibility of swift changes in Belgium. Coalition partners have traditional guarded territories and seek to protect them by securing the ministerial position attached to them. The current government is very transparent to this effect. Broadly speaking, the liberals are in charge of finances, the socialists of social affairs and the Greens of environment and transports. The Socialists (PS & SP) have actually had the control over the Ministry of Pensions and the Ministry of Social Affairs without any interruptions since 1988 (see table 3.2). Any pension reform without a strong endorsement from the socialists is therefore unlikely. It is worthwhile noting that the concept of picket fence applies here since the executive of each ministries is filled with experts and political attachés associated closely to the party. The party in charge of an individual ministry has strong powers in the design and elaboration of projects as long as it follows the *déclaration gouvernementale*. The other parties are kept in touch with the evolution of projects and have a final say when a proposal is presented to the ministerial cabinet.

Social partners

Like Sweden, Belgium has been considered as a good case of neo-corporatism (see for example Katzenstein, 1985). Prior to World War II, it was difficult to conceive that both employers and unions could be co-operating. Their relationship was far from harmonious. The employers refused concerted efforts and the Socialist union, with roughly 75% of all union members, responded with a strong strike effort to gain recognition and start negotiations with them. The union pressured the government, which included the Socialist Party (*Parti Ouvrier Belge*) to institute special committees to establish collective labour agreements. The employers decided, reluctantly, to get involved in tri-partite negotiations because it was the 'policy of the lesser evil'. Despite the intervention of the state, the decision making process was quite antagonistic and required often the presence of both Labour Minister and Prime Minister (Luyten and Hemmerijckx, 2000: 208-209).

The point of departure in establishing a constructive social dialogue is the so-called Social Pact of 1944, which was secretly negotiated among the moderate wings of both employers and employees during the German occupation.[152] It sought to harmonize the relationship between both actors while securing an extension of social insurance. Ironically, once the war over, the Social Pact would not be ratified by either unions or employers. It was nothing more than a “declaration of principle”. Nonetheless, there has been a strong consensus among social scientists that the main lines of the Social Pact “were followed after the war with very little discussion” (Pasture, 1993: 695-6; see also Vanthemsche, 1994: 43-74). This “Basic Compromise” was similar to other post war settlement reached throughout Western Europe. It included three key principles. First, unions and employers agreed on what is negotiable (wages, working conditions, etc.) and non-negotiable (business operation such as investment and rationalization of production). Second, growth was to be shared among both capitalists and labour. Third, there was an explicit engagement to favour consensual decisions and strategies (Hancke, 1991).

Union membership is quite high and covers 60% of the labour force.[153] Following the discussion on pillarization, it comes as no surprise that the union movement is divided into three federations. However, union membership did not evolve as a result of the pillar but because of what the unions offered to their members (Pasture, 1993: 709). Contrary to the political parties, the three major unions and the main employer association have remained federal, and have so far resisted the pressures to decentralise in ways similar to the political parties.

The *Fédération générale des travailleurs Belges* (FGTB) is the socialist union and has a membership of 1,2 millions. 22,3% of its members comes from the public sector. In line with the political dominance of the PS in Wallonia, it has stronger roots there than in Flanders. It has close ties with both socialist parties (PS and SP), even though it is officially independent from political parties.

The *Confédération des Syndicats Chrétiens* (CSC) is the biggest union in Belgium with a membership of more than 1,5 millions. It is stronger in Flanders than in Wallonia,

[152] According to Vanthemsche (1994), the participation of the president of the CSC (Henri Pauwels) did not mean he had the full support of its organisation. The union was actually going through a very difficult internal crisis and many members had participated in the labour union put in place by the occupier (56).

and has had a close relationship with the Christian Democratic Party (PSC and CVP), even though it has not been historically as closed and formalised as the relationship between the socialist union and socialist parties. Despite strong historical differences with the FGTB, their relationship is now much more co-operative and they do not operate in a very competitive environment similar to the one experienced by unions in France for example. This common front began to be developed in the 1960s, and even resulted in an attempt to merge (Pasture, 1993: 709).

The *Centrale Générale des Syndicats Libéraux de Belgique* (CGSLB) regroups 220 000 members, with 25% of them working in the public sector. Historically, it has had a more limited role than the other two, and it took some time before it became accepted as a genuine partner. It has no link with political parties that are comparable to those established by the other two unions.

The main employer association is the *Fédération des Entreprises de Belgique* (FEB), which regroups more than 30 000 small, medium and large enterprises. Like unions it is divided into various federations. It is worth underlining that the FEB has maintained the social dialogue, meaning that it has not adopted the antagonistic tone of the French MEDEF and has not threatened to leave social institutions, such as the *Office National des Pensions* (ONP), that it manages co-jointly with the unions.

The relationship between social partners and the state.

Despite a formal institutionalization that is similar to France, where benefits are divided along wage-earners, civil servants, and self-employed lines, the relationship between the state and the social partners has more in common with Sweden than France.

A key explanation lies in the formulation of the state. The concept of the state was never strongly developed and it has not historically been perceived as a threat by unions. On the contrary, unions turned to the state to expand their power and social benefits for their members. As underlined by Alaluf (1999), social protection progressively began to take shape with minimum level of intervention from the state (219). This has left a strong policy space for social partners and other private organisations such as the friendly

[153] It is worth stating that as in France, unions have included pensioners within their organisation although to a much lesser extent. From the data gathered this figures does not exceed 10% in all cases.

societies (*mutualités*), which are still managing health insurance. The historian Vanthemsche reaches similar conclusions in his study of the evolution of social security in Belgium:

> "A question…must be asked about the old debate concerning the respective role of the state and private associations. We have seen that in Belgium (maybe more than anywhere else in Europe) private organizations have played a crucial role not only in the creation, but also in the functioning of the **current** social security system. Trade unions, friendly societies of all kind, employer's *caisses*, etc. have created the various social insurances and have been integrated within a general system of protection established in 1944. Of course, these private initiatives have slowly changed form and, as a consequence, of nature: they have been transformed in semi-public organisations…The semi-officialisation of the private initiatives (for example, those taken by unions or employers) allowed to reduce the likelihood of conflict…the co-management takes here all of its importance: it implied that this 'ceasefire' between workers and employers, which we just mentioned. This co-management also had the effect of keeping the state at bay since the majority of social partners at the time continued to have doubts about it. Despite the semi-officialisation of private initiatives, Belgian social security never became *étatiste*" (Vanthemsche, 1994: 192-3 – emphasis added; author translation).[154]

This self-found peace is one of the reasons why the government did not push for alternatives to the Social Pact of 1944. It is imperative to stress that the war had taken away the unemployment founds accumulated by the unions and the instauration of single union (UTMI)[155] by the occupier eroded the strength of both Catholic and Socialist union. The Social Pact can also be viewed as a way to re-establish their power as well, but this also resulted in an opportunity for the state to increase its powers on social security.

Vanthemsche (1994) discusses the doubts that social partners had towards the state following WWII in an earlier section in his book. Both employers and Catholics sought to ensure a limited role for the political authority within the system. For the employers, co-management ensured that it would have a strong voice in social security. For the Catholics, an increased role on the part of the state could have marginalized Catholics organizations, an important tool to maintain the place of religion within the society. The socialists were divided into two broad camps. The first camp, which had strong support within the Socialist union, was in favour of co-managing social security, which would have ensured

[154] As a matter of academic honesty towards Vanthemsche, it must noted that he added a footnote following its statement comparing Belgium to other European countries stating that a comparative study would be required to confirm this (Vanthemsche, 1994: 192 fn. 3).
[155] Union des Travailleurs Manuels et Intellectuels.

that workers have a say in the management of social programmes. Even though, this group would have preferred to manage without the employers, their inclusion could result in the extension of other benefits. The second group was mostly a political wing and hoped to establish the notion of "public services" where rights would be universal and would not be related to income, class, gender or race. The Socialist Minister of Labour and Social Affairs, Léon-Eli Troclet, defended strongly this notion of public service within the government (93-99). Thus, this wing of the socialist party was closely seeking what Esping-Andersen (1990) calls "de-commodification", that means the institution of social benefits independent from the market.

It is important to stress that no one feared that a state *à la française* could develop and control social security on its own. The major opponents to an increased role of the state were the employers. This can be partly attributed to the inclusion of the Socialist Party within the government in the early 1920s, which resulted in measures benefiting the unions and promoting collective agreements.[156] This line of reasoning implies that the employers considered the state to be a weak actor, which could come into the hands of hostile interests such as the Socialists. The fact that some socialist politicians were seeking to implement the notion of public service adds support to this hypothesis. As in Sweden, the "political" socialists seemed to believe that capturing the state was feasible (see Chapter 5; Rothstein, 1996). The pragmatic view of the union, combined with the near impossibility to achieve political control without the Christian "pillar" sealed the faith of this option.

The state remained fairly absent from areas that were negotiated by the social partners (labour market and social security) until 1981 when a Christian-Liberal coalition would enter fields traditionally left to the social partners such as altering labour markets rules and unemployment insurance. The role of social partners has diminished somewhat, but it has not been replaced by the state. Rather, the state has become another partner in a new social relationship. "During the past decade the government thus changed from a relatively silent third party to a full-fledged, authoritative bargaining partner" (Hancke, 1991).

[156] Prior to WWII, unions did not mind getting closer to the states since they were obtaining the control of social insurance and were actually using this power to boost their membership. This was particularly true of the Catholic unions and unemployment insurance. Nonetheless, it benefited the socialists as well, and ensured that social protection became the realm of social partners and not the state.

Even today, the government must act with caution when seeking to reform pensions and consult social partners on a regular basis to secure their endorsement. As stated on numerous occasions in interviews, acting à la Juppé, or even à la Balladur, is simply not an option the government has. Government proposals in the social field require a long period of consultation with the social partners and moves by little step (à petit pas). A more pessimist view, supporting the view that the state acts more like a referee than as an independent actor, claims that Belgian policy making is actually more containing conflict rather than solving problems. Thus, it removes "any responsibility for the outcome as far as possible from the centre of power and government" (Van Den Bulck, 1992: 52).

Beside the co-management of social security, unions have used another route to enter into the political arena: the pillars. Even though the importance of the pillars has been decreasing (see above), they remain an important point of entry into the business of government. As it will be demonstrated in the analysis of pension reform, when divergences occur among unions, they do not hesitate to rely to the political party of the same pillar in order to increase their political strength. Nonetheless, unions have been rather successful in maintaining a common front these past 40 years, and such tactics usually occur at an early stage in the negotiation process, as a way to test the political pulse of a proposal and promote it.[157]

Bureaucracy

Besides, of course, the cabinet of the Pension Ministry, three key bureaucratic actors have been active during the pension reform process: The *Office National des Pensions* (ONP), *the Bureau fédéral du Plan* (BFP), and to a lesser extent, the Belgian Central Bank (BNB).

The ONP is much more similar to the French CNAV (see Chapter 2) than the Swedish RFV (see Chapter 4). It conducts the general administration of public pensions for the pensions of salaried workers and the guaranteed minimum pension. The management board consists of social representatives (14),[158] one government official and one delegate from the Ministry of Finance (ONP, 1999: 4). The role of the government is quite limited

[157] For a discussion on whether pillarization and neo-corporatism goes hand in hand in Belgium, see Van Den Bulck (1992).

in this board reflecting the fact that contributions are mostly paid by employers and employees, resulting in a legitimisation of their participation in decisions regarding pensions. The administration of the pension fund is quite consensual since the board implements existing legislations. The ONP is not officially involved in the political process of pension reforms but nevertheless exercise an expertise role since it administers the public pension scheme. As in France, its director-general is quite neutral. It would be difficult for a DG to enter the political arena since it would most likely interfered with the point of views of board and its role of an impartial representative of the organisation. The Ministry of Finance is in charge of the pension scheme for public servants.

The second key actor is the BFP. As mentioned earlier in this chapter, its role is mostly confined to the production of expertise and does not share many characteristics with its French counterpart. Nonetheless, its role in the pension reform is quite important since the government has mandated Le Plan as the main public office for the elaboration of figures related to the Belgian pension system. Interestingly, its figures have been criticized, not for being too pessimistic, but rather for being too optimistic. It has sought to reassure the population that the Belgian pension system was going to be viable in the future pointing towards the reduction of the debt, as freeing new revenues.

The third bureaucratic actor is the Central Bank, which has had a limited and indirect role in the pension reform. It has acted as an institutional balance to the Plan, a function that would be fulfilled by Finance Ministries in most industrialised countries. It has pointed out that some of the assumptions made by the plan are quite optimistic and that the maintenance of the current system will need to address the relative decline of pensions vis-à-vis wage earners because of its indexation on prices. The Central Bank is not a strong public actor because of the possible reaction it could receive from the market. Most of its influence is channelled via the Budget and Finance Ministries behind closed doors. It has gained 'official' recognition and was involved as a junior partner with the Plan in the elaboration of the Belgian expertise for the EU's Working Group on Ageing within Ecofin.[159]

[158] 7 members represent the employers and 7 members represent the workers (3 CSC, 3 FGTB, 1 CGSLB).
[159] Interestingly, DGII has also asked the Plan to adopt less optimistic assumptions.

Federalism

> "La Flandre, vache à lait de la Belgique, allaite la Wallonie" – Van Hecke, President of the CVP in a speech in December 1995.

Before tackling pension reform attempts in Belgium, it is necessary to discuss whether or not federalism has had an impact on these discussions. The main theoretical framework could be dismissed on the basis that Belgium is a biased case, and that its relative inactivity in pension reform has more to do with a federal structure leading to a decision trap (Scharpf, 1988), than different types of veto players.

Prior to 1988, Belgium had been a unitary state. For most of its independence, it had been dominated culturally and economically by the French part of the country. However, the combined effect of a strong industrial decline in the French part and a sharp increase in economic growth in Flanders, has challenged the French dominance within Belgium. Support for decentralisation gained momentum in both regions during the 1960s and 1970s paving to way for a federal state (See Witte, 1992; Lentzen, 1998).

Key in terms of comparison is the fact that social security still operates at the federal level, meaning that all Belgians are faced with the same rules and regulations regardless of domicile. Belgium was thus chosen despite its federal structure because it did not seem to matter in the case of pensions. A series of interviews in May 2000 added support to this choice. However, a careful review of newspaper articles and interviews in 2002 challenge this position. Thus, both views are briefly analysed here.

On one hand, it must be stated that social security has been the object of conflicts between both regions. Large transfers (2,5 billions of Euros) are being made by Flanders to Wallonia every year, resulting in north-south tensions. Based on these numbers, a Flemish regional newspaper would put on its headline: "Every year a Flemish family buys the equivalent of a car to a French family". Despite these provoking titles and perceptions, studies have demonstrated that the differences are the results of socio-economic conditions, and not culture or race (Vaes, 1998: 174).[160]

[160] As underlined by Vaes (1998), these transfers were highly publicized and were used to promote a false stereotype of the Flemish people being hard working and economically responsible while the French were being considered as lazy and wasteful. Subsequent studies have demonstrated that these differences are mostly the result of Wallonia's past experience with heavy industries. Its population is old, less healthy, and voided of employment. With its high employment rate, Flanders pays more contributions.

Obviously, the French political parties are all unanimous to maintain the federal nature of social security, with the Socialists being the less intransigent. A key argument brought forward is that social security is one of the only remaining programmes that holds the country together.[161] The picture is slightly more complex and nuance in Flanders, even though all parties support the idea of regionalizing at least one branch of social security. The VLD has proposed a stronger reliance on the private sector, a policy that would benefit the Flemish region since it would still result in less transfer to the French regions. This party tends to be the most nationalistic of the three "democratic" parties, which is not surprising because it sought to fuse with the nationalistic *Volksunie* in the hopes of breaking the electoral dominance of the CVP.[162] The Christian Democrats (CVP) have supported the creation of a new system splitting social security into a contribution-based system for pensions and unemployment while supporting a tax based system for family allocations and health. This proposal was criticized strongly by the French parties, especially the socialists, as being a way to favour the splitting of social security because it would be easier to transfer health and family allocations once it is based on income tax. The SP has been the most quiet on this issue, but has favoured certain capitalized options to complement existing programmes. The extreme right Vlaams Blook, and VU seek to severe most, if not all, ties with the south, thus favouring a Flemish only social security.

These differences in opinion are accentuated by the fact that each political party have a regional, and not a national, base. Even though Flanders has a lot of economic resources, the instauration of more advanced social programmes at the regional level cannot be created because it is a federal jurisdiction. Promoting them at the federal level is not a popular choice since it implies few returns for the region due to its stronger economy. This strategy can function within a national electorate, but in a regional setting it would backfire. Thus, the parties tend to support policies favouring private options, introducing a ceiling on federal expenditure with the possibility to complement in other ways, and strengthening/increasing the role of the regions in social matters.

---

[161] This argument is similar to the one advanced in Canada for the defence of national health care standards.
[162] The strategy was to change name from the PVV to the VLD adopting a more neo-liberal tone and seek to integrate the Flemish nationalists. It failed to fuse with the Volksunie (VU), but still attracted important VU politicians such as the former president of the party (Swyngedouw, 1998: 50).

As a result of these economic differences between the North and the South, policies that result in "visible" transfers tend to be avoided. Thus, policies have been enacted making "traceability" more difficult in order to ensure that neither French nor Flemish parties can be seemed as being on the losing end. A clear example would be the so-called *gestion globale* introduced in the mid 1990s, which fuses all social contributions into a big fund that is then redistributed among all programs. Thus, for example, the excess in family allocations decreases the financial deficit of health insurance. Further, making wages more competitive via a reduction of social contributions cannot be achieved since a stronger reliance on state resources is blocked by Flemish demands to regionalize social security (Alaluf, 1999).

Another consequence is that new social needs tend to remain on ice. The north seeks to include them in a regional perspective, while the south wants to incorporate it in a federal programme. A clear example has been the discussion to create another pillar of the social security system for dependant elderly, which could be financed via social contributions. The north has been opposed to this extension and has sought to make it a regional policy area.

On the other hand, there are also many reasons to believe that regional differences do not matter in the case of pensions. First, as stated above, social security remains a federal jurisdiction without any role for the regions. For example, pensions for the private sector are administered by the *Office National des Pensions*, which has its central office in Bruxelles (Tour du Midi) and has regional offices throughout the country.

Second, contrary to health insurance and family allocations, pension is simply not mentioned as a policy sector that could be divided regionally by the main political actors. The reasons for this are quite simple and are related to the fact that pensions are linked to contributions,[163] thus higher wages result in higher pensions. Wages have been higher in Flanders for quite some time, meaning that the most expensive pensions will be there. Since the 1985, the differences between the average of French pensions, higher due to the retirement of workers with long careers in the heavy industries, and Flemish pensions have been declining rapidly (Le Soir, 6 January 1995). Peeters (1996) confirms this trend in a study comparing the evolution in the three Belgian regions (see table 3.3).[164] Even if one takes into account non-contributive elements, such as the granting of pension rights for period in unemployment based on the previous salary even though no contributions is made, there is no clear winner or loser here. The high unemployment rate in Wallonia is compensated by the stronger utilization by the Flemish people of early-retirement schemes considered to be a mixture of unemployment insurance and employer compensation.[165]

Table 3.3 Regional share of pension expenditure (in %).

	Bruxelles		Flanders		Wallonia	
	1976	1990	1976	1990	1976	1990
Total	13,3	11,1	49,6	54,5	37,1	34,4
Private Sector	12,0	10,8	51,7	55,7	36,2	33,5
Public Sector	16,6	11,8	44,0	51,8	39,4	36,4
Pensionable Individuals (%)	12,9	11,1	52,6	55,4	34,5	33,5

Source: Peeters, Paul (1996). "Les pensions légales: la peur, bonne ou mauvaise conseillère?" *Reflets & Perpectives de la vie économique* 35.

Therefore, it is not surprising to find that most pressure to de-centralized social security has been mostly confined to health and family allocation (see CSC plan in the discussion below) and not pensions.

A Pension Reform is necessary? The ECJ Gives a Push and Willockx Sets the Table…Then Leaves.

The Pension Minister, Willockx, puts pension reform on his agenda…

Belgium is facing a strong ageing problem compared to other EU countries especially when we consider the active/inactive ratio (see appendix C). Despite strong

---

163 Even though the real link between benefits and contributions is weak, the perception remains strongly anchored. Contributions have been preferred to general taxation as a policy tool since they result in less visible transfers between the regions.
164 Due to its special status within the country, Bruxelles is considered as a region of its own.
165 Whether or not pension was part of the debate on the regionalisation of social security was a question asked to everyone interviewed. A vast majority of people interviewed presented the argument sketched in this paragraph (two cabinet members within the Ministry of Pensions, unions, experts with *Bureau federal du Plan* and the Central Bank, French liberal representatives, and a member of the PSC).

pressures to reform, the debate would only begin in the late 1980s. This is somewhat later than the other three countries studied in this dissertation. One reason could be that the Belgian pension system was exactly what the French employers were dreaming of, at least when it came to private sector workers! The length of contribution required for a full time pension was already at 45 years for men,[166] 7,5 years more than France, pension were indexed to prices and not wages, and the retirement age was 65 years old for men and 60 for women. Even the 1999 Charpin report did not advocate measures that would make the French system similar to the Belgian one. Increasing the length of contribution for a full time pension to 42 years was considered quite radical, let alone 45. Thus, the Belgian pension system for workers in the private sectors did not seem, relative to France, in dire need of painful reform for the future. Nonetheless, it took close to 10 years to make minor adjustments to improve its future sustainability, and the government used an unexpected help from the ECJ.

Many of the French critics against the lengthening of contribution period beyond 40 years could study what has been done in Belgium to add support to their claims. To counteract the negative effects of having a long contribution period for a full time pension, many non-contributive aspects have been instituted these past decades reducing significantly the link between contributions and benefits, and adding costs. This is one of the reasons why the government has sought to reform it even though its system does not seem to require any action on paper.

During the summer of 1988, at the request of the Pension Secretary of State, the BFP was asked to present information with regards to the future of the pension system. Less than a year later, the BFP would be assigned to prepare projections for the future of the whole social security. This was requested to provide a guiding light in a current legislative debate over the possible introduction of a **lower** retirement age. An official document was presented in May 1990, [167] most of the year had been used to gather data and create the basis of the simulation model (MALTESE) that would be used in future years. This preliminary document analysed the social security system and stated that with an annual growth rate of 2,25% pension expenditure would rise from 6.8% of GNP in 1987 to

---

[166] It was 40 for women.

11,8% in 2040.[168] The share of pension expenditure within the social security system was expected to rise from 36% to above 50% regardless of the scenarios.

The timing of these projections coincided with the Belgian government seeking to adapt a 1979 European directive (CEE 79/7) on the equality of treatment between men and women. The EC began to tackle its link with pension in the early 1990s, and asked Belgium to change the discriminatory treatment of its pension system in the private sector (Le Soir, 6 January 1995). So, the main question became whether or not men were going to be offered retirement at 60 or whether women would be forced to retire at 65. Thus in 1990, Belgium instituted a system of flexible retirement age. Men were granted the option to retire at 60, without any additional penalty other than the calculation of the pension was still based on 45 years. Thus, someone working 40 years and retiring at 60 received a pension with the calculation rule of 40/45.[169] Women's scheme was left unaltered.

Belgium obtained its first big public gathering to discuss the future of pensions in the so-called roundtable organized by the Minister of Pensions, Freddy Willockx (SP) in 1992-3. It included the social partners, pensioners' organisations, and various experts. For this occasion, he BFP prepared new projections in May 1993, which are summarized in Table 4.3. Various options for the future were discussed, and the difference of treatment between men and women resurfaced when the ECJ ruled against the adjustments made by Belgium in 1990 on July 1st 1993. Basically, it claimed that discrimination remained because a men working 40 years and choosing to retire at 60 would obtain a pension based on the ratio 40/45 while a women would obtain it on a 40/40 basis. It stated that the new measures had to go beyond granting the opportunity of retiring at the same age, by

---

[167] Une exploration à long terme de la Sécurité sociale (1987-2040): Comment l'avenir se présente-t-il et comment le politique peut-il s'y preparer? (BFP, 1990).

[168] 6,7% in 2000, 7,3% in 2010, 9,1% in 2020, and 11,1 in 2030. The overall picture for the whole social security was more optimistic, with expected expenditure peaking requiring an extra 4,4% of GNP in 2040. These projections were solely based on the pension system for wage earners and self-employed. The pension system for civil servants was not analysed.

[169] This option, in fact, represented the amalgamation of two previous early retirement schemes. The first option, extremely advantageous, was to retire at 60 where 5 years of careers were granted without any contributions. So, a man retiring at 60 with a career of 40 years obtained a pension similar to a men retiring at 65 with a career of 45 years (for women 55/35 same as 60/40). This option was only available to those employed in enterprises committed to hire a young workers to replace the early-retired individual. The second option was voluntary and consisted to take its pension earlier with a penalty of 5% for every year prior to 65. Thus, someone who retired at 60 with a career of 40 years obtained a pension based on its average wage multiplied by the coefficient 40/45 and a penalty of 25%. Those working in small companies unable to replace an individual by a young worker and those unemployed took this option. Due to the disparity in both regimes, it was difficult to justify maintaining them.

including the same method of calculation for pensions. Further discussion followed within the roundtable, but no concrete compromise came out of it. Nonetheless, the roundtable allowed Willockx to comprehend the types of reforms that would be accepted by the social partners.

The pension roundtable occurred while broader discussions seeking to reform the entire social security system were taking place. In July 1993, the government proposed to re-create a new Social Pact that it termed Global Pact. The main objectives were to negotiate with the social partners a big agreement on employment, competitiveness and financing of social security (Arcq and Chatelain, 1994: 57). It was the intention of the government to make substantial savings to reduce significantly the deficit of the whole system in the medium term to facilitate its incorporation into the budget in order to meet the convergence criteria of Maastricht. A deficit of 110 billions BF (2,8 billions Euros) was expected for 1996 and the new measures were aimed at achieving no deficit by that year. With regards to social security, the Global Plan sought to achieve five objective: 1) make its financing more favourable to employment; 2) redefine its basic principles; 3) reform its structure; 4) ensure the financial equilibrium of the system; 5) revise certain spending mechanisms (Reman, 1994: 132).

Table 3.4 Preliminary Projections from the *Bureau Fédéral du Plan* presented during the Roundtable in 1993. Expenditure in % of GDP.

	1991	2000	2010	2020	2030	2040	2050
1. Early Retirement	0,8	0,6	0,4	0,3	0,2	0,2	0,2
2. Public Sector	3,1	3,9	4,2	4,6	5,1	5,2	5,2
3. General Scheme	6,6	7,1	7,4	9,0	10,6	11,1	10,8
(wage earners only)	(5,6)	(6,3)	(6,7)	(8,1)	(9,6)	(10,8)	(9,7)
Total	10,5	11,6	12,1	13,9	16	16,5	16,2

Source : Une exploration préliminaire des perspectives financières à très long terme de la Sécurité sociale (1991-2050) (BFP, 1993).

A committee of experts, the "Verplaetse Group", was set up in early August 1993 with the objectives of making propositions by the end of September. On October 20, the day after the public submission of the report, the Prime Minister (Dehaene) presented a series of issues to be negotiated coming from both the report and the government to the social partners. He asked the social partners to give their opinion on the whole package rapidly. FGTB refused right away, while the CSC accepted to negotiate. Four days later, Dehaene stated that the negotiations failed and the government would work alone. A series of strike then followed. The overall lifting of social security did not occur and the government opted to raise new revenues via taxes on alcohol and tobacco, and energy. A restructuration plan of social security was included, but only as a wish. The Global Plan presented by the government included a proposition to merge all social security receipts and expenditure under the same roof. This implied, for example, that the excess of family allocations could be used to finance the deficit in health insurance and so on. "Global Management" (*gestion globale*) would be adopted in early 1994 (Arcq and Chatelain, 1994: 57-62).

…but fails to enact a reform.

As a result of the ECJ ruling, legal actions against the Belgian government became frequent by men asking their pensions to be counted according to 40 years of career instead of 45.[170] Willocks decided to press ahead with its project of reform, which circulated in January 1994. Originating from the roundtable, the reform project aimed to increase the retirement age of women (along with the length of contributions for a full pension) in line with that of men by the year 2006, eliminate the revalorization of pension contributions given between 1955 and 1974, and reform non-contributive elements of the pension system. The proposal was confined strictly to wage earners in the private sectors and the self-employed. 20 billions of BF were expected in savings via the implementation of these measures. Adjusting the ECJ ruling in the other direction, meaning reducing the retirement age and length of the contribution period of men in line with that of women was never seriously considered because it would have cost an additional 140 billions of BF (Le Soir, 6 January 1995).

The negotiations of the Willockx Plan did not go smoothly, even though the manoeuvring space was quite limited. First, various women associations, including those from the governing parties (PS, SP, CVP, PSC), were very critical of the impact such a reform would have on women since their pensions are already much lower than that of men (see Table 3.5), and would result in a future decrease of 11%. Most of them also asked Willockx to introduce the reform at the latest date possible, which turned out to be 2020.[171] The French Christian-Democrat women argued that due to the precarious career paths of women, many of them would be dependent on derived rights (such as pensions because of marriage),[172] which would go against the objective of achieving more individual rights in the social security system (Le Soir, 19 January 1994). The French socialist women pointed out that the only women receiving a comparable pension to men where widows regardless of whether or not they had worked (Le Soir, 16 February 1994). The Equal Opportunity Office between Men and Women was also critical of the reform project underlining that it did take into account the realities of the labour market.[173] Numbers published in Le Soir in 1996, provide strong support for this critic. As of 1993, only 16% of women had a complete career by the time of retirement, and 76% did not even have 35 years of employment (Le Soir, 10 September 1996). The wave of protest led Willockx to delay the official introduction of its plan.

Table 3.5 Average Monthly Pensions for Men and Women in 1992 (in BF).[174]

	Married	Single
Women	11.586	17.902
Men	19.469	21.902

Source: Le Soir, 16 February 1994.

[170] An article in Le Soir, stated that 13 court rulings had pleaded against the 45 years criteria and that 65 men had also brought forwards judicial requests that their pensions be calculated on the basis of a 40 years working career instead of 45 (Le Soir, 6 January 1995).
[171] This date was obtained because employers are not allowed to discriminate since 1975, thus a 45 years career from 1975 ends up being 2020.
[172] For example, a housewife or a married worker can obtain pension rights from her husband (75% of its pensions) instead of those she earned if it is more advantageous.
[173] *Bureau du Conseil de l'Égalité des Chances entre hommes et femmes.*
[174] Married implies that both in the couple are still alive and living together while living alone means that only one person is alive. The large difference for women results from the fact that many rights are transferred from the men to the women once the former is deceased.

Willockx intentions were not strictly confined to the private sector. In mid-May 1994, the media got a hold of a project circulating within the cabinet of various ministries to reform the pension scheme of civil servants. Exactly as in France, who as an occupier in the 1800s transmitted its system, pension for civil servants is considered a differed wage and an integral part of the status of being a civil servant. In Belgium, however, less importance was attached to the status, for reasons stated in the preceding sections. The reasoning behind higher pensions is the compensation for the lack of good salaries in the public sector. It is now debatable whether or not current public service wages are lower than in the private, but it was not the case when most of the hiring occurred in the 1970s. As a way to stimulate employment, the government took over the role of the private sector by hiring a lot of the unemployed. The wages offered were below market level, but the generous pension was used as a carrot to lure individuals into the public sector. For the employer, this strategy ensured that more individuals could be hire at an affordable price and it was easier to promise future wages than to give them right away. It is the retirement *en masse* of those workers in the upcoming years that is creating worries for the government. Thus, even though the opposition to any reform into public servant scheme was similar in both France and Belgium, the roots of the opposition are different.

As in France, the conditions and benefits of the public sector scheme are more advantageous than those found in the private sector. Each year gives the right to 1/60th (*tantièmes*)[175] of the reference salary in one's career, usually the last one, with a replacement ceiling of 75%. Differences exist within the civil service, but mostly relates to the number of *tantièmes* required to obtain a full time pension. The most privileged positions with regards to these criteria are university professors and the magistrate whose pensions are accorded on the basis of only 30 *tantièmes*.[176] The most advantageous element of the civil servant pension system remains its indexation mechanism. Contrary to the system valid in the private sector, pensioners in the public sector scheme see their pensions indexed in line with the evolution of wages in the public sector. In Belgium this is referred to as *péréquation*. Thus, if civil servants obtain a wage increase of 3%, pensions increase

[175] The basic calculation for a pension in the public service is 1/60 x reference salary x number of years of service. 1/60 is the so-called *tantième*.
[176] Other professions that need a lower tantième than 60 include teachers, postmen, custom agents, railway workers, etc.

by 3%. This is by far the most expansive element of the whole system, and the one that governments have sought to alter. The Global Plan commanded measures to reduce the financial weight of civil servant pensions, which accounts for 17% of the state budget excluding the servicing of the debt, by 750 millions of BF (Le Soir, 19 July 1994).

The end result is a stark difference between the average monthly pension received by wage earners (20 145 BF) and those self-employed (11 788 BF) vis-à-vis state employees (54 931 BF) (Le Soir, 4 January 1995). More importantly, as seen in the French chapter, the replacement rate of private sector pensioners decreases overtime relative to the average wage because it is price indexed while it remains stable for public sector employees. It is worth underlining, however, that civil servants do not have access to the second pillar, which comprises pensions negotiated within a collective agreement or an enterprise. Nonetheless, these have not been widespread and are not easily accessible to many workers. Only 1/3 of all wage earners participate in them.[177] Another way to stress their size is to compare assets. The private pension funds represent 10% of GDP while pension rights represent more than 250% (Pestieau and Stijins, 1997: 6).

Willockx proposals for the pension of civil servants sought to alter two key elements. First, it aimed to delay the effect of *péréquation* by imposing an annual ceiling of 1%. Thus, if wages were to increase by 3% in year x, pensioners would receive an incremental increase of their pensions (1% in years, x, y and z), which would enter into force on the 1st of July instead of the 1st of January. The second element would eliminate the preferential *tantième* treatment received in some sector of the civil service so that everyone would have 60 *tantièmes*. The ceiling of the widow's pension and an inclusion of any years worked in the private sector were two other elements being considered (Le Soir, 19 May 1994).

The reactions of the unions were immediate and negative. Both representatives of the public sector sections of the main unions (FGTB and CSC) expressed their disapproval, but maintained that consultations within their union would be required. The most optimist reaction came from Hervé Decuyer (CCSP – CSC), who mentioned: "personally, I am of course against it. There are only negative elements. That being said, we have to see where we are coming from. During the roundtable, when the Global Plan was released, more radical measures were mentioned" (Le Soir, 20 May 1994 – author translation). Willockx, for his part, expressed regrets that his plan came public so early in the process (ibid). The discussion of the proposal within the Cabinet was delayed, and the project was then shelved following the opposition within the government, coming especially from the Minister of Justice, Melchior Wathelet (PSC).[178] Melchior faced strong lobbying pressure by the Magistrate to reject the Willockx proposal (Le Soir, 5 January 1995).[179]

A month later, the whole reform process was disturbed significantly when Willockx announced that he would leave the government to lead the Flemish Socialist at the upcoming European elections. He claimed, however, that he would be able to present its project to reform the pensions of the private sector, which had previously been announced for January. Willockx left for Strasbourg in July without any reform project being officially presented.

Colla replaces Willockx, Delaying the Reform Further…But Obtains Some "Success".

Following the departure of Willockx to the European Parliament, Colla (SP) was appointed Minister of Pensions on July 18, 1994. All projects would be shelved until the federal elections of 1995. During his first year as Minister, Colla actually implemented measures to generate alternative revenues such as a solidarity contribution of 2% for high pensions (more than 40 000 BF for those living alone), and a tax of 9% on energy (4 January 1995).

Reforming social security was a key point during the electoral campaign of 1995. A major cause was the strong neo-liberal attitude adopted by the Flemish Liberals (VLD), which was partly supported by the French Liberals (PRL).[180] The VLD congress of March

---

[177] One restriction for example is that workers who move to another company cannot bring their pensions with them. This was a tactic used by employers to ensure that workers would remain faithful to the company. Willockx presented a project to make pensions movable prior to his departure, which was adopted later on.

[178] Melchior was no junior Minister. He was one of the three Vice Prime Ministers and he was also responsible for economic affairs.

[179] Reducing the *tantièmes* or harmonizing them would have hurt them a lot because many members of the Magistrate have a *tantième* of 1/30, the passage to 1/60 would mean a 50% reduction in their pensions.

[180] A key difference was that the French liberals promised to guarantee the value of current pensions. They proposed the creation of a minimal pension financed via general taxation complemented by a funded scheme (Le Soir, 12 December 1994). Its rhetoric remained less "brutal" and neo-liberal than its Flemish counterpart. The PRL would

1994 had resulted in a new programme to reform the social security system, and it became a key element of its electoral campaign at both regional and federal levels. Inspired by the pension funds of its Dutch neighbour, the VLD proposed to introduce a new system that would include both funded and payg elements. Claiming that current contributions, set at 19%, for the pension system would need to reach 29% in the future, the Flemish Liberals advocated to raise the contribution rate to 24%, of which 5% would be invested in pension funds. They claim that the funded component would eventually generate enough savings to reduce the payg part to 15% within 20 years, freezing contribution rates at 20%. Further, they proposed to increase the minimum pension by 6 000 BF a month and extend the second pillar via funded schemes financed by employers. Then in order to please the nationalist wing of the party, its President, Verhofstadt, stressed that the Francophones had the choice between his option or the regionalization of social security (21 March 1994).[181]

This neo-liberal tone reached another level during the election campaign with posters featuring an elderly woman under the slogan "Pension Funds will disappear in 5 years"![182] Despite a slight improvement on the electoral result from the PVV era,[183] the liberal ancestor to the VLD, the election of 1995 was viewed as a defeat because of the great support it had in the polls prior to the elections. The president of the party, Verhofstadt, resigned soon after the election.

The social security proposal of the party was simply not accepted and trusted among the population. As stated by an anonymous member of the party, "Guy was considered as the one who would tear down pensions" (Le Soir, 28 November 1995 – author translation). Ironically, the implementation of this programme would have been quite difficult since both the association of insurance (UPEA) and the Belgian association of pension funds (ABFP) expressed their attachment to the first pillar and restated that their role was to complement it, not replace it.[184]

---

eventually abandoned its reform plans of the social security in October 1996 citing studies from BFP claiming that pensions are sustainable in the future (Le Soir, 28 October 1996).

[181] The president of the French Socialists, Philippe Busquin, later responded that Verhofstadt's options represented "a choice between the pest or the cholera".

[182] Pension funds do not even exist within the pension system, which relies exclusively on redistributive aspects.

[183] The PVV received 12% of the votes in the 1991 election, while the VLD counting also on the support of large segments of the VU gathered 13,1%. That was 4% less than the CVP, which it had led in the polls for a large period of time prior to the elections.

[184] Interview, Gauthier Robyns, 29 May 2000; Interview, Mr. Brasseur, 5 June 2000; Le Soir 22 February 1994.

The Socialist and Christian-Democrats gathered enough support to build a new government. The *déclaration gouvernementale* presented on June 28, 1995 was not too precise on the subject of pensions despite the reform attempts made by the previous government. As it did in the *déclaration gouvernementale* of 1992, the government stressed the importance of reducing to debt drastically to sustain the payment of pensions beyond 2010. In a comparative perspective, Belgium's focus on debt reduction and pension sustainability matches Sweden's obsession of linking savings and pensions (see chapter 5).

In its declaration, the government further announced that the pensions system will be supported and that it will be modernized in line with new familial realities, the evolution of the labour market, and adapted to reduce the financial consequences of population ageing. The media also stated that an objective of the government would be to control the expenditure dynamic of the pension scheme for public servants (Le Soir, 19 June 1995). Two other elements related to pensions were mentioned. First, the government promised to ensure that low pensioners receive a fairer part of the increased standard of living. Second, it stated that it would seek to promote the second pillar of the pension system by encouraging employees and employers to consider its importance following the new legal framework.

Few months following the introduction of the new government, it was evident that Belgium would do the necessary adjustments to enter into EMU. Belgium like Italy was one of the countries whose participation was followed by a big question mark. There was a strong commitment from the government and existing institutional powers were re-enforced (see Hallerberg, 1999). Social security reform re-appeared strongly as a necessary element to reach the convergence criteria of Maastricht.

Willockx proposal for the private sector resurfaced and obtained the same kind of reactions as those expressed a year ago. The women association within the Flemish Christian Democrat party restated their worries about the new reform and asked a real effort from the government to equalize the professional opportunities if it opts to continue with its reform project (Le Soir, 23 June 1995). In November 1995, following contacts with the social partners at the top level, Colla announced that the reform for private sector workers and self-employed would be carried out by the end of the year. He also pushed for the creation of collective pension funds to create a strong second pillar (15 November 1995).

It soon became apparent that the support of public sector unions would be much more difficult. Rumours circulated that Colla had proposed something different and more radical than Willockx. The *péréquation* would be maintained for low salaries and the preferential treatment received by certain groups of civil servants (ie. lower *tantièmes*) would be abolished. He further sought to calculate pensions according to the whole career instead of the last five years. These measures would have meant a certain harmonisation with pensions granted in the private sector (Le Soir, November 15 1995). The unions were unfazed by Colla's initiatives. As underlined in the newspapers and during interviews with both social partners and a cabinet member from the Ministry of Pensions, the only way to describe the negotiation is by referring to the word "blockage". The public service unions simply refused to negotiate a reduction in their pensions.[185] The general strike movement in France would halt public discussions on this subject resulting into the addition of the initial phrase "we are not going to act à la Juppé" into the speeches of politicians.

Broader discussions to reform the whole social security intensified during the fall and winter, as the government announced a big reform of the whole social security system for 1996. A proposal from the CSC gathered most of the attention and became the source of regional tensions because it sought to separate social security into two distinct pillars, one financed via general taxation (health and family allocations) and another one via contributions (unemployment and pensions). Its proposal obtained the support of nine social security experts and university professors (one francophone and eight flemish) in December 1995. They supported the project as a good stumbling block to secure a new Social Pact (Le Soir, 23 December 1995). The CVP offered its support to this plan seeing it as a way to improve the competitiveness of Belgium via reduced labour costs for employers. A common socialist front (FGTB, PS, SP) opposed it fearing that it could open the way to a regionalisation of the system.[186] These fears reach new heights when the President of the CVP claims that "la Flandre vache à lait de la Belgique, allaite la Wallonie" (Le Soir, 20 December 1995). The Socialist front affirmed on numerous

[185] Interview, M. Willems, 22 May 2002; Interview, Josette Duchesne, 21 May 2002; Le Soir, 10 November 1995.

occasions that a national system is necessary to maintain the insurance nature and solidarity of the system. Fearing another round of negative reactions, both Liberal parties opted for silence, awaiting the presentation of a governmental plan. The FEB supported any proposition that would feature a reduction in its social contributions and seek 200 billions FB in reduction (Le Soir, 23 December 1995).

In the hopes of reaching a consensus with the government and the FGTB, the CSC announced in January 1996 that it withdrew its project to create two pillars within the whole social security system. This position opened the door for a common front with the FGTB agreeing for alternative sources of financing as long as reductions in contributions be matched with binding employment target (Le Soir, 2 February 1996).

Discussions to reform the pensions of private sector workers resumed in May 1996. As part of the three broad laws that would allow Belgium to enter EMU, it was announced that a pension reform would be included and that it is the action engendering the strongest reactions (Le Soir, 19 May 1996). Based on the reactions found in the newspaper, the stumbling-blocks seemed to be with the FGTB and the PS. In the FGTB, internal conflicts over pension reform paralysed the search of a common position to this effect. Led by the Walloon regional federation,[187] women, and public servants, a group refused to move beyond the 40 years for women.[188] A more pragmatic group led by the Flemish federation supported negotiations towards lengthening of the contribution period as long as the government ensured a decent pensions to all women. The final compromise ended up being that the FGTB would refuse any lengthening of contributions for women if they are not compensated for the unfair treatment they receive in the labour market (Le Soir, 30 May 1996; 8 June 1996; 18 June 1996; 19 June 1996).

The leadership of the French Socialist Party experienced difficulties in seeking support from its grass roots for an extension of the contribution period for women. The

[186] Fearing that it could not convince the CSC to adopt a common platform, the FGTB invited the socialist leaders from both regions to obtain a broad agreement on this issue (Le Soir, 28 November 1995).

[187] It also objected to a reconsideration of the positive adjustments made to contributions made between 1955-74 by previous government, and altering the way to calculate non-contributive periods.

[188] Based on figures from BFP, this group argued that reducing men's career to 40 years would only cost 32,8 billions of BF in 2030 the worst year of the papy-boom. The PS would object to these figures citing an evaluation of the ONP stating costs of 28,2 billions already in 2001 (Le Soir, 18 June 1996). The difference in figures was probably due to the fact that Le Plan probably added expected savings from other social security programs such as early-retirement, mostly financed by unemployment insurance, while the ONP solely focused on pensions.

women association within the party asked for the removal of all points related to the acceptance by the PS of the pension reform (Le Soir, 18 June 1996). To attenuate the critics, the party leadership promised during the congress to ensure that: the transition period would be long, the reform would consider the differences between men and women at the end of a career, and it would seek to raise the minimal pension (Le Soir, 1 July 1996).

It is worthwhile to stress that the protest movement was not confined within these two organisations. First, the CSC adopted a compromise line where it was willing to accept a new pension system based where a full pension would be based on 42 or 43 years. However, it also asked for improvements in the current system. It wanted an improvement of small and minimum pensions, a better consideration of low salaries, and part-time wage earners. Second, the Parliamentary committee dealing with the equality between men and women[189] unanimously[190] voted against any generalization of pensions based on a 40 year career, but raised serious question on the solution seeking to align everybody on a 45 year career. The committee pointed out that such action needed to evaluate the increased costs for other sectors of social security such as unemployment and the negative effects on women's pensions (Le Soir, 26 June 1996).

As a result of this opposition, Colla's official proposal was delayed further. He was so discouraged that he even presented a new solution coming straight out of a hat. Colla suggested similar to the life income principle (see Chapter 5), where every year worked would give pensions points. Those working part-time or unemployed would receive an amount of points equivalent to the minimum pension. The individual could then choose when to retire. He asked the FBP to study this further and stated that he would present this idea to the cabinet at their next meeting (Le Soir, 22 June 1996; 24 June 1996). This idea was pretty much dead on departure since it even failed to gather support from its own party. It was never mentioned again, a sign that his colleagues in the government were not too supportive. Whether or not it was a good idea was a moot point. The major problem would have been the length of time necessary to gather enough expertise on the new

[189] *Comité d'avis pour l'émancipation sociale.*
[190] With the exception of the Extreme Right and VU.

system and, more importantly, the time required for each political actor to study the proposal resulting in another round of negotiations.

The momentum towards the introduction of the pension reforms in both private and public sector increased in the fall of 1996. Working with the hypothesis elaborated by the BFP, a brainstorming group including experts from various ministries worked on various scenarios in September 1996 (Le Soir, 10 September 1996).[191] According to the Belgian state radio and television (RTBF), a one shot operation delaying progressively the payment pensions within the public sector is among the alternatives considered for the public sector (Le Soir, 25 September 1996). Unions continued to be consulted, but their opposition to the reforms, especially the one in the public sectors, did not seem to decline. As a precautionary measure, more than 1 500 civil servants, from the three major unions, pledging to defend their pensions gathered in front of *Val Duchesne*, where the Council of Ministers was meeting. (Le Soir, 14 September 1996).

After nearly 3 years of delay, the "inequalities" between men and women are erased.

Faced with continuous pressure not to alter the pensions of civil servants, the government abandoned plans to reform them. The government officially announced the introduction of a reform, first proposed by Willockx in late 1993, at the end of September. It is clearly stamped by numerous compromises, and comprises five elements. First, women will be required to have 45 years of contributions in order to have a full pension, but this new requirement is implemented over a long transition period of 13 years.[192] Women would need to contribute 41 years for a full time pension, adding an extra year of contribution every three years to reach 45 in 2009. Second, the flexibility to retire between 60 and 65 remain under the same "penalty",[193] but the minimum number of years in contributions required is gradually increased from 20 to 35 (2 years per year until 2005). Third, pensions were revalorized during the period 1955-74 by a coefficient of 1,036 (or 3,6%). This coefficient is removed gradually to be eliminated in 2005 (.004 per year).

[191] This type of meeting is called in "kern" meaning a restraint cabinet.
[192] Earlier government proposals suggested an implementation period lasting until 2006.
[193] For example, someone who stops working at 62 with a career of 43 years would obtain a pension reflecting his average wage x 60% x 43/45 and not 45/45 as do individuals with a complete career. This system remains more advantageous than the actuarial mechanism put into the new Swedish pension system (see Chapter 5).

Fourth, the government introduced a minimal pension right for each year of career. In order to obtain this benefit, an employee has to be employed for at least of 15 in a job at a minimum of 1/3 time, which can include period under unemployment. Thus, someone having a part-time or broken career can receive a pension based on a full time career at the minimum wage. Finally, for non-active periods considered to be part of a redistribution of work, pension points are granted as a mean of compensation. The value of the assimilated period could be doubled or even tripled for the education of a child below the age of six. The final two measures have a direct impact on women, who tend to have more precarious positions than men. They can be viewed as a way to lessen the pain of an increase in the length of contribution.

It is important to stress what did not end up being in the pension reform. The key element being a reconsideration of the non-contributive benefits granted for sickness and unemployment for example. Willockx had proposed earlier to reduce the level of compensation so that "fictive" points would be granted on the basis of the average wage instead of the wage of the previous year (see Le Soir, 27 January 1994). The early retirement scheme was also not altered, with the exception that women would have to wait for an additional period of time to obtain it. A similar reform was introduced for the self-employed.

The responses to the reform were quite positive with the exception of the Liberal opposition who claimed that Colla's proposal was not really a reform, but only an adjustment to put women's pensions in line with men's (Le Soir, 2 October 1996). Probably fearful of the backlash their previous position caused within the populace, their critics remained moderate. Due to implementation delays, the reform would be enacted six months later, July 1st 1997 instead of January 1st. Highly problematic was the co-ordination of the reform with early retirement schemes partly financed by the employers, and the granting of pension rights to part-time workers (Le Soir, 3 January 1997). A manifestation against the way the government instituted the calculation of the minimum right for pensions occurred in February 1997. Other demands included a better indexation of pensions and a solution for the transitional problems caused by to early retirement schemes by increasing the age of retirement for women (Le Soir, 7 February 1997).

Consequences of the 1996 Pension Reform: Real Savings?

Contrary to expectations, the pension reform did not provoke stark changes within the system and doubts were even raised that it did not really produce any savings. To enlighten us on this subject, the BFP produced a special planning paper on the effects of the new reform entitled *La réforme des pensions: Une nouvelle generation et un nouveau contrat* (BFP, 1997).[194] Interestingly, the author of the report, Festjens, analyzed the effects of the reform on both individuals (table 3.6) and the state budget (3.7). The projections performed by Festjens assume an annual growth rate of 2,25%, stable long term interest rates of 4%, and an unemployment rate of 5%.[195]

As seen in table 3.6, the individual effects of the new reform are quite negligible. Most individuals will lose less than 1% in the value of their pensions. The long-term effects are almost nil, if not positive. Most of the negative effect of the lengthening in contributions affecting women are compensated by the institution of the minimum pension right for individual career years falling below the minimum wage. In the worst-case scenario, a 1% reduction in pension is observed for non-married women pensioners in 2010. The main savings measure is the elimination of the revalorization granted during the 1955-74 and not the increase in the length of contribution for women.

The macro data presented in table 3.7 underline that the pension reform actually introduces a new burden to other social security programmes such as unemployment, invalidity, and early retirement. By the year 2007, more than 20 billions BF will be required by these programmes as a result of the reform. This is a direct consequence of the fact that many women between the age of 60 and 65 will most likely end up being unemployed or in early retirement programmes. As seen in Chapter 1, Belgium's activity rates among older workers (55+) are the lowest in Europe and many older workers find themselves into long-term unemployment or early retirement schemes. This is a practice that was considered acceptable for most of the 1970s and 1980s. Even though it was criticized heavily in the 1990s, no sharp decrease was experienced and social partners continue to reject any change. Thus, despite pension savings of 33,8 billions in 2007, the

[194] The pension reform: A new generation and a new contract.

[195] Other assumptions include: an increase in fertility rate from 1.55 in 1995 to 1.75 in 2010, to remain constant afterwards; an increase in life expectancy; a decline in the net migration from 10.638 in 1996 to 2.897 in 2050 (probably caused by a decline in the population due to ageing rather than a reduction in immigration).

state budget will end up being reduced by 16,3 billions of BF (appr. 6,5 billions Euros) once other social security programmes are taken into account. The reduction in pension expenditure for other programmes occurs because many women have mix career. When the career is longer in the private sector, the points from the other regimes are transferred into it (Festjens, 1997: 75).

Table 3.6 Impact of the Pension Reform as a % of Net Salaries
(1) increase in the contribution length for women; (2) elimination of the revalorization for 1955-74; (3) introduction of the minimum pension right per year of career.

Type of Pension	2005			2010			2030			2050		
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
Head of Househol	0,1	-1,2	0,6	0,1	-1,4	0,8	0	-,1	0,5	0	0	0,2
Men (single)	0	-,6	0,3	0	-,7	0,4	0	-,2	0,4	0	0	0,2
Women (single)	-1	-,4	0,7	-1,4	-,7	1,1	-,3	-,2	1,4	-,5	0	0,9
Married Men	-,2	-,9	0,4	-,2	-,9	0,5	-,2	-,1	0,3	-,1	0	0,1
Married Women	-,2	-,4	0,5	-,1	-,6	0,8	1,1	0	0,9	0,8	0	0,6
Couple	-,3	-1,3	0,9	-,3	-1,5	1,3	0,9	-,1	1,2	0,7	0	0,8
Average Pension	0,5	-,7	0,4	0,9	-,8	0,6	0,8	-,2	0,6	0,5	0	0,3

Source: M.J. Festjens (1997). La réforme des pensions: Une nouvelle generation et un nouveau contrat (Planning Paper 82, BFP). Page 71.

Table 3.7 also demonstrates that two elements of the reform were cost saving while the third main element of the reform results in further expenditure. The element generating the most savings remain the increase in the contributory period for women, which is set to generate 33,7 billions of BF in savings. Ironically, the introduction of minimum pension right per career year results in higher costs for men than women even though it was granted as a compensation measure for the later group.

Based on her analysis, Festjens comes to the conclusion that the group that will suffer the most from the reform are women with a stable career. They are unlikely to obtain minimum pension rights because they do not have career breaks or precarious positions, thus they face the full effect of the reform without any pillows. Those women are likely to lose 9 to 11% of their pensions when they decide to retire at 60 (Festjens, 1997: 75).

Table 3.7 Supplementary Savings (-) or Expenditure (+) resulting from the Pension Reform of 1996. Wage-earners' scheme only.*

	In Billions of BF.				As a % of GDP.			
	1998	2001	2004	2007	2010	2020	2030	2040
Wage Earners' Pension Scheme – Total (a+b+c)	-3,8	-11,7	-23,5	-36,8	-,447	-,373	-,238	-.189
Men	-0,1	-1,0	-2,2	-2,5	-,018	+0,32	+,062	+,043
Women	-3,7	-10,7	-21,4	-34,3	-,429	-,405	-,299	-232
a) Equalization into 45th	-3,7	-9,9	-19,7	-31,7	-,401	-,403	-,335	-,277
Men	+0,2	+0,7	+1,3	+2,0	+,023	+,027	+,026	+,020
Women	-3,9	-10,6	-21,0	-33,7	-,424	-,430	-,361	-,297
b)Reduced Revalorization	-1,1	-5,2	-10,2	-14,6	-,152	-,118	-,050	-,002
Men	-0,8	-3,7	-7,1	-9,7	-,095	-,056	-,016	-,001
Women	-0,3	-1,5	-3,1	-4,9	-,057	-,062	-,034	-,001
c) Minimum Right per year of career	+1	+3,4	+6,3	+9,5	+,106	+,148	+,147	+,090
Men	+0,5	+2,0	+3,6	+5,2	+,054	+0,61	+,052	+,024
Women	+0,5	+1,4	+2,7	+4,3	+,052	+0,87	+,096	+,066
Other Pension Schemes	-0.3	-0,8	-1,7	-3	-045	-,060	-,056	-,037
Invalidity	+0,5	+1,4	+2,5	+3,7	+,045	+,046	+,042	+,031
Unemployment	+1,3	+4,1	+8,4	+14,1	+,176	+,187	+,157	+,120
Early Retirement	+0,8	+1,8	+3,3	+5,6	-,076	+,100	+,094	+,068
Other expenses	-	-	-	-0,2	-,003	-,008	-,003	-,001
Total Impact of the Reform	-1,5	-5,1	-10,9	-16,3	-,198	-,108	-,004	-,008

Source: M.J. Festjens (1997). La réforme des pensions: Une nouvelle generation et un nouveau contrat (Planning Paper 82, BFP). Page 74.

While interpreting and analyzing these projections, a caveat is in order. The total savings might actually be less positive than what was projected by the Plan. Considering the recent development in the Belgian economy, both growth rate and unemployment must be considered as optimist. The average growth for the period 1990-2000 was of 2% due to strong growth in the second half of the 1990s. Had the plan used similar macroeconomic hypothesis as the Economic Policy Committee (where the growth rate is expected to be of 2,5% from 2002 to 2011, 1,8% between 2011 and 2021, and 1,2% thereafter), the savings would have been reduced further. Purely in terms of savings, growth is the key element in a pension system that is price indexed because the revenues increase in real term while expenses increases only in terms of new adherents to the system but not as a result of the evolution of pensions, which remain frozen in real term. As experienced in Sweden during the early 1980s, negative growth with high inflation can result in the pensioners being better off than the wage earners. As we will see in the conclusion, a strong growth rate also results in difficulties.

Can Belgium Succeed Where Juppé Failed?

Willockx was the first minister to consider seriously reforming public pensions, but retrieved its proposal because of strong pressure from civil servants, more particularly from the Magistrate. Colla had high hopes early on, but the French reaction to the Juppé plan made him reconsider. Contrary to France, most civil servants are unionized in Belgium. The introduction of the pension reform in the private sector re-launched discussions to do the same in the public sector. The third attempt would be as successful as the previous two.

When the pension reform for the private sector was made official, politicians all made comments stating that actions was also necessary in the public sector. This was, after all, the sector in which pensions were expected to grow fastest due to their indexation on wages instead of prices. The retirement of the numerous agents hired in the 1970s was causing strong headaches to the government. At a time where budget constraint was the norm, pension expenditures in the public sector were expected to double within 20 years.

The head of the PSC group, Jacques Lefèvre, mentioned that he regrets “the lack of measures for public sector pensions” (Le Soir, 2 October 1996). Key leaders of the other three political parties in the coalition, Dehaene (CVP), Vande Lanotte (SP), and Busquin (PS) confirmed on numerous occasions their wishes to reform the pension system within the public service. A political consensus existed on this issue. All parties recognized that the basic agreement of lower wages and higher pensions could not be altered in principle. This implied that current pensions and those forthcoming in the near future could not be touched. However, they argued that a reform including a long transition period ought to be considered because of the changing conditions found within the civil service. State employees now have similar wages as those in the private sector, the value of job security is worth significantly more than 30 years ago, and the length of retirement has increased as well (Le Soir, 8 October 1996). The main objective for the government was still delaying or reducing the effect of the so-called *péréquation* (Interview, Willems, 22 May 2002).

With discussions surrounding a reform, public servants ensured that the government understood the readiness of the opposition. Sponsored by the three major unions, a strike of more than 14 000 people paralysed Bruxelles for few hours at the end of January. A key request was the respect of their status and their pensions (Le Soir, 30 January 1997).

Pension reform discussions disappeared for about six months. Two newspapers, L'Écho and the Standaard, surprised by announcing that the government was close to adopting a reform in the summer of 1997. L'Écho claimed that the *péréquation* would no longer by automatic and that the *tantièmes* would be increased by 4 for all civil servants (Le Soir, 7 June 1997). The Standaard referred to a reform project similar to the one advocated by Willockx. The *péréquation* would have a ceiling of 1% per year, and an increase in the number of *tantièmes* would be encouraged via the granting of bonuses (Le Soir, 17 June 1997).

These rumours were strongly denied by the Minister of Pensions and his cabinet. Colla even considered "farfelue" (batty) the idea of increasing all *tantièmes* by 4, mentioning that such options had not even been studied. Cabinet members maintained that inter-ministerial discussions had not yet begun (Le Soir, 7 June 1997). To weather the storm, the Prime Minister called a press conference few days after an inter-ministerial meeting devoted to the issue. Dehaene claimed that reforming public sector pensions was a part of the *déclaration gouvernementale*, but that his government was strongly committed to the process of negotiation with the unions. Finally, he rejected all questions concerning the rumours initiated by the media since no precise scenario was being considered by the government (Le Soir, 20 June 1997).

The tone of the unions was uncompromising. First, the **liberal** union (SFLP – branch of CGSLB) stated that touching the *péréquation* and increasing the *tantièmes* would amount to a declaration of war (Le Soir, 7 June 1997). Second, the FSCSP (branch of CSC) decided to adopt a wait and see attitude while the CGSP (branch of FGTB) announced warning measures (Le Soir, 20 June 1997), which it did the following two weeks.

A frustrated Colla would make a final pledge in early 1998 to convince the opposition to alter their stance. In an interview, he said that:

> "My file has been ready for months. I have ideas, proposals. Up to now, it has not been politically feasible to implement them…It is possible that those who do not want a reform could avoid it during this parliamentary mandate. Will it be a victory? No. The problem will remain on the political agenda. I ask "solennellement" the political leaders, my friends in the union movement, and to all civil servants to reflect well on this. It is in their interest that this reform happens as soon as possible. Even if we vote in a year, I am ready to make a reform that is socially acceptable and that guarantees the uniqueness of the public servant scheme" (Le Soir, 7 January 1998).

Failing in his last attempt, Colla redirected his energy to his other main portfolio, Public Health. This turned to be more devastating than his pension work, as he ended up being one of the two main political figures implicated in the scandal of the contaminated chicken, the "chickengate". He was forced to resign in early June 1999.

Following the elections of June 1999, Frank Vandenbroucke (SP) became the new Minister of Pensions. Freshly arrived from a political exile in Oxford where he obtained a PhD in Social Science, he opted for a successful course of action: inaction. He would refer the issue to those who negotiate wages (Le Soir, 14 September 1999). This implies seeking to moderate the increase in the salaries of public employees, which in turn moderates the increase in the pension paid by the Ministry of Finance. This "new" strategy also has the support of the government. Pension reform in the public sector did not even feature in the *déclaration gouvernementale* of 1999![196]

The implications of the non-reform in the public sector.

The failures of the previous governments to reform the pension scheme of civil servants do not imply a full retreat for the current government. In fact, sneaky solutions have been used to reduce the possible effect of a sharp increase in the number retired civil servants. First, many new agents are hired on a contractual basis, which puts them into the wage-earner pension schemes. This also has the negative effect of disavowing the tenure traditionally associated with the civil service.

Second, Vandenbroucke referred to the other solution, which is the cost-containment of wages. Lower wage increases result in lower pension increases. As in private investments, compounded wages play an important part of one's pensions. Slow increase early on, can result in good savings thirty years down the road. This was in effect the aim of the Willockx proposal. Nonetheless, this tactic cannot function unilaterally, as the government must negotiate wages with the unions. When projections were released in the mid-1990s, unions were quick to point out that wages were not evolving as quickly as claimed in governmental studies. However, it must be pointed out that a key reason behind the wage increase of civil servant is that its members are now more educated and have a better formation, thus a better wage and better wage increases affecting the whole average for the civil service. This is one of the reasons why newspapers and analysts contest the validity that wages in the public service are lower than in the private service. This is in sharp contrast to most of the hiring made in the 1970s, which included many blue-collars or low skilled individuals with lower wages than those offered in the private sector. Via *péréquation*, these individuals end up benefiting from the higher skills of their children.

Third, another sneaky way to reduce the burden of civil servant pensions is to reduce the rate of hiring. The ultimate tool would be to replace civil servant, not when they retire but when they are deceased. Of course, this is not a strategy employed by the government, but a stronger reliance is being made onto the private sector, thus reducing the payroll of the state.

A fourth option exists, and has been employed by the government. It is introducing new taxes on pensions. Since 1st January 1995, the so-called solidarity contribution affects pensions above 44 163 BF at a progressive varying from 0,5% to 2%.[197] This measure concerns mostly pensions obtain by civil servants since their average pensions is much more generous than the ones obtained in the private sector via the first pillar (54 931 BF vs.

[196] In an interview, Vandenbroucke claimed that it was an easy point to negotiate with the Liberals, who had been strong advocate of a pension reform within the public sector (Le Soir, 14 September 1999).

20 145 BF) (Le Soir, 4 January 1995). As a way to sell this new tax as a way to introduce an intra-generational solidarity, Colla had included all pension contributions made to a second pillar and invested in collective pension funds retroactive to 1981 as taxable income. Following numerous court cases, in which the ONP sought to delete the reimbursement of collected contributions, all amount obtained via the second pillar was eliminated from consideration. Thus, by the end of the 1990s a large proportion of the pension inflicted by the solidarity contribution were in the public sector.

None of these options are really viable in the long term, however. They may reduce the effect of the upcoming pensioners in the civil service, but cannot really alter it. A further increase in any of the four options will likely result in a strong opposition from the concerned groups.

Lastly, one might question the union solidarity due the vast divergence in treatment that exists within the public and private sector. These divergences were pushed aside rapidly in France when studies demonstrated that the differences between the two regimes were not as wide as first thought (see Chapter 1 and 3). When questions arose concerning the inequalities between the public and private sectors, the representative interviewed within the central federation all politely referred me to their public sector federation. As the saying goes, there is a lot to be learnt from a dog that does not bark at night. In all likelihood, these conflicts are probably resolved within the executive of each confederation, as they do not figure as public conflicts within them.

Complements or the Future Core of the Pension System? The Zilverfunds and The Second Pillar.

Following the 1999 election, pension reforms returned to the agenda of the government. However, contrary to their predecessors, none of the measures proposed to retrench any of the pension schemes. The new government took three key measures. First, it established the creation of a demographic fund, referred to as Zilverfunds (Silver funds). Second, the government established a legal base alongside fiscal incentives to promote the development of the second pillar via the creation of group insurance or pension funds at the company or sectoral level. Finally, the minimum pension was increased substantially in the

[197] That is for a single pensions, for a couple it affects pensions with a pension above 55 204 BF.

spring of 2000. This last section discusses the first two measures, as they are likely to have a strong influence in the future.

Zilverfunds – myth or reality?

Colla had proposed the creation of a demographic fund in December 1994, but that was rejected by the government because such funds ever survived an economic recession and that a high level of debt and the creation of savings did not go hand and hand. The idea resurfaced during the electoral campaign with both PSC and PRL endorsing the idea.

Following a study made the BFP claiming that public funds would be made available in the upcoming years, the Minister of Budget, Johan Vande Lanotte (SP), proposed to create a Zilverfunds to prepare the state for the consequences of population ageing starting in 2030. It had already been stated on numerous occasions that new credits would be available with the reduction of the debt. This belief has gone a step further since its entrance into the Economic and Monetary Union (EMU). The lower interest rate found within the Euro zone has allowed Belgium to shrink its public debt and interest payments on its debt, leaving budgetary room for pensions. Vande Lanotte's plan would make use of the public funds made available by the reduction of the public debt, starting with 25 billions BF up to the year 2002. Annually, this figure would reach 220 billions in BF in 2013, this amount would be invested annually thereafter until 2030 (L'Écho, 11 May 2000).

Broad support was found within and outside the government. The Prime Minister, Verhofstadt (VLD) stated that such projects were within the realm of the *déclaration gouvernementale*. The PS, the FGTB, and the Greens supported the principle and claimed that it was a step in the right direction, but requested more details. The CSC came out strongly in favour of the plan giving a "gold medal" to the Minister (Le Soir, 12 May 2000).

Like any spending plans, the Ministry of Finance was quick to critic the idea of its colleague. Didier Reynards (PRL) had one main question: "How to justify to the EU 10 000 billions of debt and a reserve of 4 700 billions on the side?" He also had a philosophical objection related to the self-employed, who are poorly covered by the state system. The creation of the Zilverfunds implies a new form of financing for the pension system via the introduction of a large sum of public money. This measure would not be fair to the self-employed because the funds would serve mostly the wage-earners (Le Soir, 17 May 2000). Following the visit of the Pension Minister, Vandenbroucke, at the headquarters of the PRL at the end of June, the party gave its support to the idea (Le Soir, 27 June 2000). The President of the VLD, Karel de Gucht, echoed similar doubts (Le Soir, 20 May 2000). The Zilverfunds was adopted at the end of 2001. Consisting of government bonds, the end result is not different than having the debt reduced further.

A second pillar…

Clearly present in the *déclaration gouvernementale* was the creation of a second pillar that could be accessible to all wage earners. Thus, it came as no surprise when it was announced that the "Vandenbroucke Plan" was adopted without opposition by the Council of Ministers in January 2001. Contrary to many industrialised countries, this pillar was underdeveloped in Belgium, and was most often instituted according to the will of the employer benefiting mostly management. Thus, a key objective of the reform was to "democratize' this pillar. The objective was to ensure that it became an item of negotiation in the collective agreements of all branches at the sectoral level. In order to ensure the support of the social partners, they were granted the responsibility of managing the funds themselves. This was an important point for the unions, since the previous system gave a quasi free hand to the employer. Sold as a means to ensure a pension that would not result in large discrepancy between the final wage and the first pension, and not a replacement of the first pillar, its importance may increase significantly in the future if proper indexation is not granted to pensioners.

Conclusion

In line with the typology presented in Chapter 1, Belgium has had the most difficulties in introducing a pension reform. Like France, it could not generate a pension reform in the public sector. Its consultation strategy with the unions did not bear fruit, and the fear of a wave of protest à la Juppé constrained the government to avoid this route. Political opposition within the government (PS?) probably had something to do with this inaction as well. Contrary to France, where both main parties have been stating that a pension reform within the public sector would be occurring following the election of 2002, the Belgian coalition government made the opposite promise: Pensions in the public sector will not be touched.

In the private sector, the Balladur reform occurred rapidly and without too much hesitation by the government. To do something far less drastic, the Belgian government needed an ECJ directive and three years of consultation resolving its dilemma with the court, while generating very limited savings. More problematic is the fact that numerous non-contributive elements remain strongly anchored in the system. Thus, the 45 year career required to obtain a full pension is more of a myth than reality. The link between contributions and benefits is extremely weak.

Despite this aspect, the BFP has made numerous statements stating that the future of the pension system is safe, as it will not cost too much to maintain it. This statement, however, hides another reality: the lack of benefits for future pensioners relative to pensioners. As presented in table 3.8, the relative value of pensions is expected to decline sharply due to its indexation on prices. When compared to France, not only is Belgium paying a high price for its pension system, but it is also not receiving a great return on it. From this table it is clear that future governments will make adjustments because a replacement rate nearing 20% would not be socially acceptable.

Table 3.8 Average Pension as a % of the Average Net Salaries.*

Type of Pension	1995	2000	2010	2020	2030	2040	2050
Head of Household	40,6	42,8	43,4	40,8	37,1	33,6	30,4
Men (single)	29,6	29,9	29,4	28,1	26,1	23,7	21,5
Women (single)	23,4	24,2	25,3	24,9	23,5	21,9	20,5
Married Men	25	26,7	27,7	26,2	23,7	21,4	19,4
Married Women	15,6	16,5	17,5	17,4	16,4	15,5	14,8
Couple	40,7	43,2	45,2	43,6	40,1	36,9	34,2
Average Pension	28,7	29,5	29,8	28,8	26,7	24,5	22,4

Source: M.J. Festjens (1997). La réforme des pensions: Une nouvelle generation et un nouveau contrat (Planning Paper 82, BFP). Page 71. *Does not consider the 1996 reform.

Therefore, it becomes really difficult to believe the new Pension Minister when he claims that the creation of the second pillar will only act as an extra. Based on table 3.8, its future vocation might be double fold: save the first pillar and act as an extra. Belgium's pension system ranks 12th in the EU for the replacement rate of its system, and the financial contribution of the state has continuously declined since the early 1980s (Montagne, 2000: 2), meaning a stronger reliance on contributions. The problem is many periods are assimilated, meaning that benefits are granted without any contributions. Since the government is not subsidizing those as much as it should, contributions fulfill this function as well. The end result is a very low replacement rate.

The political difficulties to introduce the reform are supported by the typology presented in chapter 2. The combination of a large number of veto players within a governmental coalition associated with a large number of veto points in its social security structure have resulted in a position very close to the status quo.

4 – Sweden: Many Actors … and A Big Reform.

Introduction

The Swedish system of old-age pensions is imbued with social democratic values which reflect the hegemonic domination of the Left in the post World War II period. Although most observers link the actual system with the Social Democratic Party, the introduction of the first form of assistance to the elderly was actually introduced by the Liberals, a centre/right-wing party. The introduction of the ATP[198] pension system in the late 1950s aimed to "equalize the pension status of all wage earners" (Esping-Andersen, 1985: 108). It is not surprising, therefore, that the principal philosophy and rule attached to the Swedish system is considered to be universalism (Esping-Andersen, 1990; Rothstein 1998). The ATP struggle was actually a key political issue in the late 1950s leading to sharp conflicts among the political parties and labour market partners resulting in two elections and a referendum on the subject. However, once a plan was legislated, it remained extremely stable until the pension reform of 1998, which was the result of a five-party agreement. The compromise survived a change of government and internal dissent within the Social Democratic Party (SAP).

The Swedish case meets the expectation of the theoretical framework presented in chapter 1. The pension program, which is mainly financed and administered by the state, was reformed without strong interference from the unions and employers. The five political parties behind the reform were able to negotiate without the intervention of these two important political actors, who were left with a final product. This resulted in a drastic change in the pension system where all parameters are being altered. It is argued in this

[198] Allmänstjäntepension (universal earnings related pension).

chapter that parliamentarians were able to do that despite the high influence attributed to unions because of the large role confined to the state in this policy sector.

Historical Overview – Pre World War II Period.

As in Belgium and France, assistance to the elderly who were unable to work came from the family and voluntary associations. The importance of the latter never grew to the same extent as the other two continental countries because Sweden was a late "industrialiser", as it remained mainly agrarian until the beginning of the 20th century.

The first proposal to introduce old-age pensions came from two liberals, Westin and Hedin, who pushed for an investigation of social insurance following its appearance in Germany. Hedin saw the creation of social insurance covering workers as a way to stop social discontent and emigration, which had reached an all time high of 42 000 in 1880. He even claimed that a universal pension program should be considered. He believed that the introduction of social insurance could create a form of loyalty to the state (Höjer, 1952: 40-1). Further, he claimed that old-age insurance was a general movement across Europe, citing the occurrence of such legislation in France (caisse de prévoyance) and Denmark. Hedin was also highly critical of Bismarck (Berggren and Nilsson, 1965: 210-1).[199] These pressures resulted in a commission in 1884, which presented its findings five years later. The majority opinion advocated a universal scheme, but failed to gather broad support leading to its defeat without ever reaching the Riksdag (Heclo, 1974: 179-183).

Following the German adoption of old-age insurance in 1889, the momentum for a public pensions system intensified. Some politicians thought that this type of insurance could also be adopted in Sweden to stop the growing support for the Social Democrats and bring social peace. This resulted into two proposals based on Bismarckian principles and sketched by a professor of mathematics, Lindstedt, whose skills had been used for earlier public commissions.[200] The first proposal (1895) had very little support leading to the creation of a new version few years later (1898). It was elaborated according to the comments received by those opposing the first proposal. These proposals were not

[199] Hedin was known to be an expert on the French Revolution and a Francophile. He did not like the Bismarckian approach to social insurance, and was thought to have had little influence on his parliamentary motions (Berggren and Nilsson, 1965: 214-6).

universal, as they targeted workers like the German law. This time, it reached the floors of the Riksdag, but was defeated in the First Chamber after being accepted in the Second.

Key behind the rejection of this proposal was the strength and opposition of farmers during that period. The establishment of a pension system in the late 1800s was not politically and socially as pressing as it was in Germany and Britain because these two countries were already becoming very industrial at the time while Sweden was still mainly agrarian.[201] As a consequence, the political power of the farmers in Sweden was still strong enough to reject a pension system favouring industrial workers (Williamson and Pampel, 1993: 68-9). They acted as a 'narrowly focused interest group' and were unable to come up with a strong proposal of their own (Baldwin, 1990a: 83-8). Other politicians from the right criticized the proposals for deviating from self-help while the left criticized them for providing less generous benefits than the Hedin proposal (Höjer, 1952: 42-3).

Support for the creation of an old-age pension system continued to grow in part due to a group headed by a former Army captain (Raab), which actively pushed for public pensions to replace the inadequate poor relief for the aged. They advocated a flat pension based on need, which would be financed by a fix yearly mandatory contribution. Following the 1905 election, the joint Committee on Public Pensions endorsed Raab's proposal, and sought an investigation on this matter. It gathered strong support in the Second Chamber but was narrowly defeated in the First (Heclo, 1974: 187-90). A group of Liberals, who had included pensions in their electoral agenda, then proposed a motion for a universal and non means-tested pension that would be financed via general taxation. There was hope that this proposal could gather support from the more fortunate, as they would be included in this social programme. They would thus receive something in return for their taxes, which was not the case if a means-tested programme was adopted (Baldwin, 1990: 88). The liberal motion never really took off and was put off the table after the government resigned (Heclo, 1974: 190).

---

[200] It is worth noting that Lindstedt had spent time in Germany in 1888 while pension reform was being discussed there (Heclo, 1974: 185).

[201] In 1900, 55% of Sweden's workforce was still employed in the agricultural sector, compared to 28% in manufacturing. In contrast, 46% of Britain's workers were in manufacturing (Williamson and Pampel, 1993: 66).

An earnings related pension plan comes to life…

In 1907, a Conservative government created a fourth commission, the Old Age Pension Commission, which resulted in the world's first universal pension system. The Conservative Civil Minister, Hugo Hamilton, was a strong advocate of state pensions and was behind the creation of this commission. The commission worked for five years and presented an extensive overview of foreign pension systems, cost projections for years to come, and statistical tables under the leadership of Lindstedt (Heclo, 1974: 190-1). Discussion within the commission centred on two models of pension systems found elsewhere: the social insurance model based on contributions from employees and employers (Germany) and the means-tested model financed via general taxation where benefits (Denmark, New Zealand and UK). The commission was quick to reject the social insurance model for two main reasons. First, it was believed that the social insurance system created barriers between people. This was unwelcome since it was argued that everyone faced the same inability to work (Höjer, 1952: 75-6). Second, the German system would have excluded a large number of individuals because many workers were not employed in industries (Heclo, 1974: 191). The means-tested approach was also rejected since it was considered to be insufficient to alleviate the elderly out of poverty. The committee actually sought to free people from the poor care and associate old age as a risk deserving insurance (Höjer, 1952: 78). The commission proposed a combination of both systems, seeking universality. It adopted a mandatory social insurance scheme for all individuals. Contributions and benefits would be split into three categories of income to avoid providing meagre benefits for all. Further, to avoid double payments on the part of the self-employed such as farmers, financing were made by individuals and the state only (Baldwin, 1990: 89-90). The retirement age was set at 67, and pension benefits were to represent 30% of all contributions for men and 24% for women (Höjer, 1952: 76-7).

Following the submission of the report in November 1912, three sets of external critiques arose and a strong internal conflict took shape within the Social Democrats. Economists and other members of the right denounced the proposal because it restrained individual choices and harmed the national economy by creating disincentives to individual savings. Poor law representatives claimed that the new system would only institute a new category of poor and discourage self-help. Petterson, a liberal parliamentarian, supported their views and sought to create a broad base coalition against the proposal.[202] Women organisations were also highly critical of the plan. They claim that in order to be universal, the universal system should not distinguish between men and women (Höjer, 1952: 79-83). These critiques were discussed in parliament, but gathered little support.[203] Nonetheless, Hamilton, who was chairing the joint public committee on the adoption of the report for its approval in parliament, agreed to increase the contributions for the upper income echelon to ensure its approval in the First Chamber, where the conservatives had a strong majority (Heclo. 1974: 194).

Even though the leader of the Social Democrats, Branting, rallied its party behind the report, it remained divided. Members of the party had many objections to the proposal. First, the executive of the party and unions were highly critical that the proposal did not include contributions on the part of the employers. Second, benefits were not adjusted according to the cost of living, meaning that industrial workers living in the city would receive lower benefits than farmers would in real terms (Baldwin, 1990: 91). Third, the redistributive elements were weak (Heclo, 1974: 192-3). Finally, the benefits were considered to be quite low for the current elderly and did not target their constituency (Williamson and Pampel, 1993: 70). Branting, who was a member of the committee, had mixed emotions about the bill, but felt that this proposal was better than nothing. He defended it with a 'heavy heart' (Höjer, 1952: 85-6).

The government adopted the proposal, with the compromise made by Hamilton, but increased the contributions by 1 krona. It passed easily in both houses. Full pensions were to be first made in 1956 following 42 years of contributions. Further, benefits granted up to 1919, would be somewhat lower in order to ease the transition to the new system (Heclo, 1974: 191-2). Contrary to many beliefs, the creation of the first universal pension system did not originate as a result of the influence or dominance of the Left. "The new departure

[202] Speaking against his own government in Parliament, Petterson stated: "This proposal betrays political wisdom. The committee has obviously considered on one side, winning the support of right-wingers by freeing the employers from contributing in the insurance scheme, and, on the other side, pleased the social democrats by instituting the right of a state pension for every poor workers" (Höjer, 1952: 83 – author translation).

[203] The fact that women did not have the right to vote clearly impeded their political action and entered into the calculus of Straaf, the liberal Prime Minister (Höjer, 1952: 86). The government was able to minimise the opposition by granting a very short period of time to submit remiss (public responses to commission proposals that are later published) and rushed the bill into parliament. As a result, the effort to stop the bill came too late (Heclo, 1974: 194).

in Swedish social policy was supported by but scarcely attributable to the advocacy of the Left" (Heclo, 1974: 193; see also Baldwin, 1990 and Williamson and Pampel, 1993).

The real value of pensions declined significantly during the 1920s and 1930s, despite an adjustment made to the benefits in 1921. The Right attempted to shift gear during a brief stint in the government by creating a commission, composed mainly of people with right-wing views in 1923. The commission concluded that the 1913 system threatened the economy and that a move towards a more contributory system should be undertaken. The report ended up lost in space with the electoral victory of the Social Democrats in 1924, who refused to reduce pension supplements (Heclo, 1974: 215-7).

Another commission was created in 1928 and would submit its final report in 1934. A compromise was achieved for the most important items, strongly improving its chance of success in the Riksdag. The 1930s resulted in a good period to improve pensions as two political parties sought to alleviate the old age from poverty in this period of economic hardship. In the 1932 election, the Liberals sought to increase old-age insurance while the Social Democrats campaigned on creating a folkpension (literally a people's pension), which would provide people with a sufficient amount to live on. Based on the 1934 report from the commission, a new legislation was adopted in 1935. The reform introduced a means-tested supplement to low-income earners. The linkage between contributions and benefits was weakened, signifying an abandonment of the insurance principles found in the 1913 reform. A folkpension (basic pension) of 100 crowns was granted to all Swedes above 67 as well as 10% of previous contributions. Contribution rates were also increased. Contrary to the multi-party agreement reached in the commission, the Social Democrats were unable to include a variation of pension benefits to compensate for the higher cost of living found in cities (Höjer, 1952: 188-9; Heclo, 1974: 219-24).

Despite this increase, pensions were not generous enough to relieve most old-age people from poverty. Another proposal was presented as a matter of confidence by the Social Democrats in 1936, but the non-socialist majority voted it down. As a result, adjusting pensions on the basis of cost of living area became an electoral issue in the summer of 1936, and led to the first social democratic majority in the lower chamber. However, the Social Democrats still needed the support of one bourgeois party in the upper house. Thus, they created a coalition government with the Farmer's party on the condition that they accept varying pension benefits according to living areas, which it accepted. The Social Democrats were then able to gather enough support in the Riksdag, which approved its proposal in 1937 (Heclo, 1974: 225-6; Olson, 1988: 81-2). Soon thereafter, in 1938, a commission was created to establish a public policy to improve public pensions as many pensioners still had to rely on public assistance to make ends meet; its findings would resurface following the war and be part of the public debate.

Historical Development - Post-World War II

The Beveridge report in the UK, published in 1943, was highly discussed in Sweden and most parties began to promote raising the quality of life for all citizens. The Conservatives abandoned their old views on welfare and began advocating broader social programmes, which would also benefit its constituents. This meant discarding means-tested benefits as their preferred policy option (Baldwin, 1990a: 137-8). In 1946, with a strong Conservative support, the Social Democratic government adopted a universal pension plan liberating three-quarters of pensioners from means-tested benefits. All citizens aged 67 and above, regardless of income, were to receive a flat rate pension financed via general taxation. This represented the most generous option presented by the commission of 1938. The Social Democrats had originally advocated a much less costly alternative, which would have kept means-tested benefits with a higher threshold (another option of the report). The Conservative backing of the most generous options triggered lively debates within the Social Democratic Party (SAP) and led to a change of position on their part. The new universal approach adopted by the Conservatives was in contrast to the Social Democratic policy of helping the poor. Abolishing means-tested benefits did not result in any gain for those currently obtaining these benefits (Baldwin, 1990a: 140-1). Soon after, Sweden became the first country in the world to index their pensions with the Consumer Price Index (Heclo, 1974: 230-1; Olsson, 1988: 82; Williamson and Pampel, 1993: 73).

The ATP struggle

The following reform would bring one of the most adversarial political battles in modern Swedish history. The debate would lead to three parliamentary commissions, a referendum and two elections. Never before had social policy occupied such an important place in politics.

In the 1950s there was consensus that the old pension scheme needed reform to provide higher benefits to pensioners. Despite this common understanding, there was little consensus on the kind of reform that should be introduced. Superannuation (occupational pensions) became the dominating political question in Sweden, dividing political parties during the later part of the 1950s (Molin, 1965: 1).[204] “The political forces were clearly set for a stark confrontation, a confrontation contradicting the theory of supposedly bland, non-ideological development of post-war social policy” (Heclo, 1974: 245-6).

Landsorganisation (LO), the most powerful union in Sweden, had a membership almost exclusively composed of manual workers and proposed a mandatory occupational pension plan to supplement the folkpension. Civil servants, white-collar workers as well as a minority of blue-collar workers were receiving an occupational pension granted by their employers resulting in more generous pensions. However, most blue-collar workers were not covered by such plans and SAF, the employers’ association, was unwilling to extend occupational pensions to them. LO claimed that only a compulsory plan would ensure the coverage of all workers and pushed the Social Democrats to include this issue in their agenda. In 1947, the Social Democrats, under the auspices of the Commerce Ministry, instituted a commission composed only of the labour market partners and a few civil servants. This issue was considered technical and did not require political participation. Consensus was nowhere to be found. SAF was opposed to state involvement in this issue and LO continued to press the Social Democrats for legislative actions to resolve this issue. (Heclo, 1974: 234-6).

Another investigating commission was created in 1951, with many returning members of the previous commission. This time around it also included politicians. Prior to the release of the report, SAF made a vain last minute effort to convince LO to adopt superannuation together outside the realm of the state. The report was released in 1955 and the majority opinion advocated the creation of a mandatory superannuation plan, guaranteeing an old-age pension of about 50% of the mean wage during the lifetime.

[204] “The superannuation issue whipped to a froth the normally pacific waters of Swedish politics during the late 1950s” (Baldwin, 1990a: 208).

Opposition to the report was strong within and outside the committee. The other two major unions, TCO and SACO, were lukewarm about the plan since they already had occupational pension plans and would not gain from this new state plan. Compromise to have their support failed. The right wing parties favoured a voluntary pension plan with an increase in the current state pension. SAF, business groups, and most white-collar groups favoured this option as well. The Farmers' party was also in favour of a voluntary plan as long as the government administered the plan (Molin, 1965; Baldwin, 1990a: 212-16). The only common position was that folkpension ought to be increased, which was done in 1958 (Heclo, 1974: 239).

Following a small decrease in support after the election of 1956, the Social Democrats suffered their first major electoral setback in decades. A third parliamentary commission was created following the election, leading to another stalemate in 1957. Most accounts reveal that this resulted in a wake up call for both SAP and its coalition partner since the early 1950s, the Farmers' party, leading to the construction of a new strategy to attract new voters. Both parties were losing their electoral base as the number of blue-collar workers and farmers declined. As a result, both sought to reverse these trends. The Social Democrats wanted to attract more white-collar workers, while the Farmers' party tried for a more centrist position. This shift in position resulted in the Social Democrats, with the backing of LO, making a very favourable compromise with TCO by altering the proposed superannuation plan during the work of the parliamentary commission. It proposed to shorten the number of required years for a full time pension from 40 to 30 and grant pension benefits on the basis of the best 15 years of the working life. This was extremely favourable to white-collar workers who tend to have a long educational period followed by constant rising wages afterwards. This resulted in the TCO member of the commission to support the new superannuation plan (Molin, 1965: 196-7; Heclo, 1974: 239-40; Baldwin, 1990a: 217-19).

The Farmers' party changed its name to Centre Party and sought to distance itself from the other two right wing parties and its coalition partner, the Social Democrats on the pension question. It argued for a voluntary pension scheme administered by the government with a more substantive increase of the folkpension. This view became clear when the representative on the parliamentary commission of 1956-7 criticized both right and left wing parties while defending the party's position (Molin, 1965: 194-5; Baldwin, 1990a: 217-9).

The Conservatives, Liberals and SAF stuck to their original position and emphasised that mandatory superannuation was unnecessary following the rise in the folkpension. Thus, they claimed, private occupational plans administered by employees and employers should be favoured with rules laid down by the labour market partners. As late as the end of 1956, these actors believed that the Centre Party would rally behind this position to present a common front to the social democratic option (Molin, 1965: 194).

Unable to settle the issue, the Social Democratic government decided to call a referendum for October 1957. This was highly unusual as the country only experienced two referenda prior. Agreeing on the process of the referendum even led to intense conflicts among the parties (Heclo, 1974: 242). The government put forwards three options reflecting the views of most groups:

> 1. Compulsory supplementary earnings-related pensions paid for by the employers and administered by the government.
> 2. A voluntary supplementary plan administered by the government.
> 3. A voluntary supplementary plan administered by a nongovernmental agency

Option 1 received most votes with 45.8% of the ballots. Option 2 gathered 15% support, option 3 obtained 35,3% of the votes and 3,9% voted blank. Both Right and Left claimed victory. The social democratic option gathered the most support, yet a majority of voters supported the voluntary option. The Centre Party left the government two weeks after the referendum, forcing the Social Democrats into a minority government position. Intense negotiations followed between the political parties, with the Liberals seeking a compromise position. Unable to reach a compromise, the minority Social Democratic government presented a bill similar to option one at the end of April 1958, which was defeated in the Second Chamber. To resolve the issue, the government called an election (Heclo, 1974: 243-5; Hermansson: 1993: 318-320).

The election focused solely on the superannuation issue, with the parties advocating their earlier positions. Both the Centre and Conservative Parties made gains while the Liberals, who put forth many compromise solutions, lost 20 seats. The Social Democratic Party recorded its best results since 1944 with 46% of the popular vote and gained five extra seats (Esaiasson, 1990: 204). More importantly, key white-collar voters gained during the referendum maintained their support for the SAP (Baldwin, 1990a: 220). With a Social Democratic Speaker in the Riksdag, both the socialist and bourgeois bloc ended up with 115 seats. The election did not resolve the pension conflict and there was no hope for reform. However, a Liberal member from a blue-collar region in Göteborg, Königsson, announced that he would abstain if the proposed legislation were introduced in the Riksdag. He stated that he would vote for the social democratic option if the alternative remained the conservative-centre proposal. In February 1959, a mandatory universal superannuation plan (ATP)[205] was finally adopted in the Riksdag by one vote thus implementing a complementary pension system to the already existing basic pension (folkpension)(Molin, 1965: 190-1; Heclo, 1974: 246-7).

The new scheme led to a reshaping of the pension system by adding a new program to top the existing basic pension.[206] Full benefits to the ATP were attributed according to the best 15 earning years out of a minimal career length of 30 years. Expectations were to replace 60% of an individual's average wage during retirement. Pension benefits were adjusted for inflation and other improvements were made according to the increase in the standard of living. These adjustments became "routinised" by the administration during the 1960s (Heclo, 1974: 248). This should not be underestimated as the real value of the basic pension more than trebled during the period of 1949-1984 (Olson, 1988: 41). The passing of ATP implied a move from ensuring subsistence benefits to maintaining a decent standard of living.

The Conservatives and the Centre Party promised to change the plan once elected, but these threats were soon pushed aside after an electoral setback in the 1960 election while advocating this position. The opposition to the reform eventually disappeared. The Social Democrats, on the other hand, recorded another electoral success and were able to drop the Centre Party as coalition partner (Baldwin, 1990a: 221). The superannuation question disappeared almost completely from partisan debates in the Riksdag during the 1960s and its implementation went smoothly. The main contention points were related to the collected contributions during the 20-year transition period (Heclo, 1974: 247-9).

[205] Allmänstjäntepension.
[206] Besides the passing of ATP, it is worth noting that income-tested municipal housing benefits were extended to include every regions of the country during the 1950s (Olson, 1988: 18).

Few changes occurred for the 30 years following the passing of ATP. Few efforts were also made towards this direction. Pension contributions from employees were completely eliminated for the basic pension in 1973, as employers agreed to pay these contributions in exchange for a reduced wage increase (Williamson and Pampel, 1993: 76). This measure meant that no direct employee contributions financed that public pension system. The retirement age was lowered from 67 to 65 and part-time pensions introduced in 1976. Other changes to the public pension system included the removal of distinctions based on gender and marital status, and cost-containment measures. Despite the latter, introduced during the difficult economic periods of the 1970s and early 1980s, evidence suggested that pensioners were the least affected in terms of living standard (Olson, 1988). Contrary to France, the Swedish pension system as of 1990 was highly centralized and universal (see table 4.1).

Table 4.1: Swedish Pension System as of 1990

Basic Pension	Earnings-Related Pensions
Folkpension (granted to everyone)[207]	ATP

Theorizing Public Pension Reforms in the Swedish Context

A Social Democratic State?

Any discussion on the strength of the Swedish welfare state tends to begin with the hegemonic power of the Social Democrats and their firm control of the political executive **and** the bureaucracy.[208] Since the end of World War II, the Social Democrats have been in the government for all, but 9 years (1976-82; 1991-94)! Despite this electoral dominance, the Social Democrats have often had to rely on another coalition partner or a supporter (most often the Communist/Left party) to hold on to power resulting in an environment where compromise and negotiation is a central part of politics.

The state, albeit influential, has not been considered to dominate and trump private interests as in France. On the contrary, it has actively sought to include private interests in the

[207] + Housing supplements for those without sufficient resources. Administered and granted by the regional governments.
[208] On the later, see Lundqvist, 1990 and Rothstein, 1996.

decision-making apparatus. As so clearly underlined in Rothstein's (1991 & 1992) work on this subject, it was the Liberals in the early 1900s that sought to increase the participation of both labour and employers in social affairs by including representatives of their choices into national boards treating social issues. Based on the competitive and unproductive climate experienced in both France and Germany, the state sought to involve both groups in order to "increase that state's knowledge and information about many social problems entailed by the 'labour question'" (Rothstein, 1991: 162).[209]

The Swedish corporatist structure has been considered largely responsible for the generous and universal welfare system (Korpi, 1983; Esping-Andersen, 1985 & 1990) and strong economic growth (Cameron, 1984; Katzenstein, 1985; Garrett and Lange, 1991). The co-operation and involvement of both unions and employers with the state have been considered important in the elaboration of the Swedish model. Rothstein (1996) and Lindqvist (1990) go even further in their assessment of corporatism by claiming that private interests, in this case unions, actually 'captured' the state in certain policy sectors (see below).

Contrary to France, pensions have not been centralized to the Prime Minister's office. Commissions on pensions do not report directly to the Prime Minister and have not been under the direct supervision of the Prime Minister. This is largely due to institutional factors. The power of individual Ministers and ministries tend to be quite strong, especially if one compares them to France and the UK. When coalition governments prevail each individual ministries tend to have a certain independence from the centre. Mattson (1996), for example, has argued that ministries have been able to extend their resources beyond targets set by the Ministry of Finance in times of coalitions, a by product of the negotiations that occur within the governmental coalition.[210] Thus, rather than relying on a cabinet member specialized on pension, as in France, a Swedish Prime Minister is more likely to rely on the experience and expertise of his/her Minister.

In fact, one of the key aspects of Swedish governance, which tends to be neglected due to the (overstated) emphasis on corporatism, is its reliance and focus on expert commissions and parliamentary committees in the policy making process. Their

[209] Rothstein (1991) claims that the state was not strong enough to incorporate the working class as in France and that it was not so weak as to prevent any form of corporatism like in Britain. It was 'lagom', meaning just right (168).

[210] Von Hagen (1992) has also ranked Sweden very poorly in terms of financial control.

importance can easily be seen by noticing how difficult it is to find a Swedish academic article that has no SOU[211] citation. These reports tend to play a large role in the public debate on public policy. Thus, contrary to what is experienced in most Western democracies, the parliamentary committees of the Riksdag have a strong influence (Arter, 1990; See also Hermansson, 1993). Parliamentarians are by no means by-standers in these committees. They tend to specialize in a few policy areas and are involved much earlier in the policy process than their European counterparts. Finally, the committee system is considered to be very important for a minority government, which can seek coalition partners for a bill and avoid a possible vote of non-confidence in Parliament (Arter, 1990: 125-33).

As demonstrated by Table 4.2, the main architect of the pension reform of 1998, Könberg, Gennser, Petersson, Wiklund/Frebran,[212] Hedborg and Thalén, have been associated with pension committees for a long period of time. Most members who left a committee have done for personal or electoral reasons.[213] The two committees strongly associated with the 1998 pension reform, the working and implementation groups have remained extremely similar. It is therefore not so surprising that a quick lunch with a Swedish expert in the field can be sufficient to gather the names of all key players.

One of the key results of this policy structure has been a strong coherence and long-term life and vision of policies. For example, in *Taxation and Democracy*, Steinmo (1993) clearly demonstrates that Sweden has been able to avoid the constant remaking of tax policies experienced by the United Kingdom following the introduction of a new government and the complexity of the US tax system, which cannot be reformed as a whole due to the constellation of power resulting in endless additions to the tax code reducing its fluidity.

---

[211] Statens Offentliga Utredningar (State Public Inquiry).
[212] Wiklund retired and left his seat to Frebran.
[213] Such as retirement (for example Wiklund (kd) was replaced by Frebran (kd)), negative election results (Bergdahl (nd), Westerholm (fp)) or positive (most social democrats in the implementation group), 'promotions' (for example Anna Hedborg (s) was appointed as General Director of the National Social Insurance Board in 1996) or because his/her party refused to participate further (Ulla Hoffmann (v)).

Table 4.2 MP Representation in Pension Committees (1984-Present).

MP	Pensionberedningens betänkande (1984-90)	Arbetsgruppen (1991-94)	Genomförande gruppen (1994-Present)
Bo Könberg (fp)*	X	X	X
Margit Gennser (m)		X	X
Pontus Wiklund (kd)	X	X	
Anna Hedborg (s)**		X	X**
Åke Petersson (c)		X	X
Doris Håvik (s)	X		
Gösta Andersson (c)	X		
Ingegerd Troedsson (m)	X		
Ingegerd Elm (s)	X		
Karin Nordlander (v)	X		
Bertil Whinberg (s)	X		
Barbro Westerholm (fp)*		X	
Leif Bergdahl (nd)		X	
Ingela Thalén (s)		X	X***
Per Lennart Börjesson (v)		X	
Ulla Hoffman (v)		X	
Rose-Marie Frebran (kd)			X
Inger-Maj Klingvall			X***
Maud Björnemalm (s)			X
Arne Kjörnsberg (s)			X
Hans Svensson (s)			X***

* He was the Minister of Social Affairs under the Carl Bildt government of 1991-94 and Head of the Working Group (penssionsarbetsgruppen). Westerholm took his seat as representative for the Liberal Party during this period. She is now the President of the second largest Pensioner organization (SPF).
** She resigned in 1996 to become the General Director of the National Insurance Board, and thus remain a key actor in the process.
***Rejoined the group in September 1999 replacing the tandem Klingvall/Svensson

Bureaucracy

The policy-making apparatus in Sweden is formally divided into two distinct components. First, the departments are responsible for policy planning and formulation. The departments are considered to be relatively small, as the total number of staff members reached 1800 in 1991 (Pierre, 1995: 142-7; Peters, 1996: 146). In the case of pensions, the main responsibility for policy planning and formulation rests with the Ministry of Social Affairs. The Ministry of Finance can also claim a legitimate role since this issue represents a large part of public spending. Second, the implementation process falls within the jurisdiction of numerous agencies, such as *Riksforsakringsverket* (RFV) in the case of pension. These agencies are considered to be quite independent from their respective ministries, the Constitution states that they are under the supervision of the government. The agencies are much larger organization with a total of 390 000 employees and are responsible for the daily administrative work (ibid). The only contacts permissible between agencies and departments are assumed to be informal (Pierre, 1995: 146).[214] Nonetheless, the final decision on the implementation of laws and regulation rests on the shoulders of the Director-General of the Board (Rothstein, 1996: 80).

In a comparative perspective, RFV performs tasks that are similar to the *Office National des Pensions* (ONP) and the various 'caisses' administering the various pensions schemes such as the *Caisse Nationale d'Assurance Vieillesse* (CNAV). However, there are substantial differences between them with regards to their independence vis-à-vis the government and the role of unions and employers. RFV has more independence than its Belgian and French counterparts. On paper both are relatively similar as they implement the rules and regulations decided by the government. However, the independence of the Director-General is stronger in the Swedish case vis-à-vis the government and the board. The DG can publicly voice his/her preferences, and advocate specific social policies without reappraisals from his/her minister. Such actions would be impossible in the French or Belgian case because the Director-General is constrained by the Minister of Social Affairs and the social partners who control the administrative council of the pension agencies. The French CNAV is actually a semi-public organization managed by the social partners and its employees are not even considered to be civil servants. In the Swedish case, the board is more diverse and includes other actors such as parliamentarians and experts, and it is part of the state apparatus meaning that its employees are civil servants. When asked about the status of RFV, both KG Scherman (former DG of RFV, 1982-1996) and Anna Hedborg (current DG, 1996-) maintained that there is no confusion: RFV is a state apparatus.

In practice, both agencies and departments seek to maintain informal contacts with each other and, as a result, agencies do play an important role in the early stages of the decision-making process. First, due to the complex nature of the issues faced by elected officials today, the expertise and resources of agencies are needed to draft proposals. This

---

[214] Pierre provides data from 1968 indicating that 63% of senior personal in departments were having informal contacts with central agencies 'once a week or more frequently'.

situation is partly a result of the institutional structure, where departments have a limited number of employees. Second, the involvement of the agencies ensures a smooth implementation process by guaranteeing that proposed policies could be carried out. Finally, the agencies have a strong incentive to be active in the early stages of the policy formulation process since most key decisions tend to occur at this stage.[215]

As the evidence presented in this section suggests, the reform of the pension system has followed these practices to a large extent. First, RFV produced sections of the report *Sammanställning av remissyttranden över pensionsarbetsgruppens betänkande reformerat pensionssytem* (SOU 1994: 20)[216] and provided most of the data used by the Ministry of Social Affairs. This role should not be underestimated as their projections constituted the framework and substance for debate among the political actors. The negotiations were mostly based on data presented by RFV for the various alternatives being considered by the politicians. Second, RFV was highly active in promoting pension reforms in the 1980s and early 1990s as well as a solution to the problems faced by ATP.

*Unions and employers' association*s

For most of the 20th century, unions and employers' association have cooperated extensively following the historic agreement of Satlsjöboden in 1938 between *Landsorganisationen* (LO) and *Svenska Arbetsgivareföreningen* (SAF) which set the ground rules for collective bargaining. Further, unions re-acknowledged the role of employers (freedom to fire and hire workers, direct and allot work) in exchange for recognition of the status of unions and their right to collective bargaining. The later was achieved in a historical agreement in 1906 but many conflicts would damage this co-operative breakthrough in the following decades.

More than 80% of workers in Sweden belong to one of the three largest unions: LO, TCO and SACO. In contrast with France and Belgium, unions do not tend to be divided into socio-professional or public/private lines but according to economic sectors (Svenska Institutet, 2001: 2).

---

[215] Ibid 3, 146.

[216] Author interview, the Ministry of Social Affairs 10/00-12/00.

(LO) is the blue-collar union[217] and has the highest membership with 2,1 million members. It is composed of 16 federations, the two largest regrouping the Swedish Municipal Workers' Union and the Metal Workers' Unions. Historically, it has had very close ties with the Social Democratic Party. On average, 70% of LO's members tend to vote SAP[218] and LO members were de facto SAP members until the late 1980s when collective membership was abandoned by the party due to pressures from all other political parties.[219]

Tjänstemännens Centralorganisation (TCO) represents most while collar workers and has more than 1,2 million members. Finally, Sveriges Akademikers Centralorganisation (SACO) represents academics and professionals, and it has a membership of 500 000 members.

At the end of 2001, the two largest employer associations, SAF and *Sveriges Industriförbund* merged into a new association called Svensk Naringsliv (SN). The new Confederation of Swedish Enterprise have a membership approximately 48 000 small and medium-sized companies. SAF and LO used to set the standard for centralized wage bargaining until the former abandoned this procedure in 1990. Negotiations now occur at the economic sector level.

The relationship between 'social partners' and the state

First and foremost, it is important to stress that the word social partners does not exist in the Swedish language, and this significance goes beyond pure semantic. This distinction implies that unions and employers' associations do not consider to be mandated beyond labour market issues and the separation of responsibilities between the government and labour market partners is much more defined as in Belgium and France. Bluntly put, it does have the Christian connotation that they have a social role for the country. As stated by Petersson (1991), the Saltjöbaden agreement of 1938 was made to ensure that the state would not get involved in the process of collective bargaining. "The basic concept was that

[217] LO cover 85% of all blue-collar workers (Svenska Institut, 2001).
[218] www.lo.se (visited on May 9, 2002).
[219] According to Aylott (2001), it was a 'divorce' that was convenient for both side. On one hand, LO's attachment to an unpopular Social Democratic Party was hurting its recruitment efforts in an increasing competitive environment. On the other hand, the Social Democrats were seeking to become more like a 'catch all party' (4).

the two sides would independently reach agreements on wages and working conditions" (174).

In stark contrast to France, unions and employers' associations are very centralized, highly hierarchical, and face an environment that is not so competitive relatively speaking. They do not have distrust for the state and have participated actively in the elaboration of many policies, especially those related to the labour market. The influence of LO was considered so strong, that its President used to be considered the most important political figure after the Prime Minister. This role has been declining since the 1970s, however, and was constrained further by the decision of employers in 1991 to withdraw from the administrative councils of national boards such as *Riksförsäkringsverket* (RFV), the National Social Insurance Board.

Two important characteristic of the corporatist state in Sweden needs to be underlined and are crucial elements for the argument presented in this thesis that unions were less influential in the pension debate in Sweden as they were in France and Belgium. First, the state has often been the forgotten part of the triangular corporatist equation.[220] For example, Przewoski and Wallerstein (1982) argue that state policy came from a compromise by both labour and capitalist interests (236, cf. Rothstein, 1996). The works of Korpi (1983) and Esping-Andersen (1985) challenge the conception of a triangular relationship by theorizing conflicts along class lines, a power class struggle, where labour seeks to reduce the powers of capital by seeking democratic dominance to alter the outcome of capitalism. The social democratic thesis of welfare clearly emphasises the importance of achieving strong political power. Esping-Andersen (1990) is clear on this point by stating that the differences between liberal and social democratic regimes lie in the political power of labour. "Where…labor fails to realign the nation's political economy and assert dominance, the result is continuously low, or at most, moderate de-commodification". He further claims that the high de-commodification scores obtained by the Austria, Belgium, and the Netherlands in the 'Conservative' regime is due to "the strong political position of the social democratic labor movements" (53).[221] Thus, a key

---

[220] See for example Rothstein (1991) on the importance of the state in the creation of corporatism in Sweden. He challenges the economical factors underlined by Katzenstein (1985).
[221] The later point was challenged by Huber and Stephens (1993) who claims that Christian democratic parties in Belgium and the Netherlands have performed a role similar to that of social democratic parties in Scandinavia.

variable is the association LO-SAP with the latter capturing the reign of government. Corporatism might have been important in obtaining strong economic growth, but its relationship with the expansion of the welfare state seems to follow another pattern.

This point was clearly demonstrated by the ATP struggle. The two poles of the conflicts centred on the mandatory option proposed by the SAP-LO coalition and the voluntary option advocated by the bourgeois parties-employers coalition. As we will see in the upcoming pages, LO was successful in pushing the idea by the Social Democrats, who reluctantly at first endorsed the idea.[222] Seeing a possibility to expand its support beyond blue-collar workers, the Social Democrats took control of the issue and were able to obtain a state controlled mandatory earnings-related pension scheme by being able to attract enough white-collar workers on their side. The ATP system became one of the golden trophies of the Social Democrats.

The key point here is that this new pension scheme was going to **be administered by the state**. The spirit of Saltsjöbaden, where both SAF and LO sought to keep the government out of labour market issues, was not reproduced here. LO turned to the state, which had been dominated by the Social Democratic rule since 1945. It actually refused to SAF's efforts to create a scheme outside of the realm of the state, which would have resulted in a supplementary earnings-related scheme similar to those found in France (AGIRC and ARRCO). The key question becomes why LO opted to trust the state?

Rothstein's (1996) *Social Democratic State* provides an answer to this question by bringing the control of the bureaucracy as an important variable in explaining the success and failures of the Social Democrats. The state is not a passive entity, and it can play an important political role (Birnbaum, 1988). Getting control of the political office is only one part of the equation.[223] More challenging and equally important, is to control, or at the very least neutralize, the bureaucracy. While the CGT in France was able to gather enthusiast supporters to implement the new social security system in the aftermath of World War II

[222] This is the reason why this issue was first sent to the Commerce Ministry and was part of a commission that lacked political participation.

[223] "Even if the electoral problem has been solved, and even if corporatist macroeconomic agreements are in place, a social democratic government must make sure its policies are implemented by the state machinery in accordance with the political intentions and goals of the party. If the policy are not carried out in the way the party has intended, or are not implemented at all, the electorate will respond negatively no matter how clever the party's strategy to incorporate different social classes has been" (Rothstein, 1996: 8).

(see chapter 3), they did it in a system that was built "out of the state" (Ashford, 1986).[224] LO did something similar, but it was **part of the state** as enthusiast recruits from the labour movement joined the civil service. Rothstein's (1996) most important contributions remains, however, that the state is not a unified apparatus. He compared two institutions (labour market and education authorities) and concludes that the Social Democrats were able to implement their objectives in the former while failing in the later. The key reasons for the success of the active labour market policy were the result of an overall strong dedication. More specifically, it obtained a strong commitment from LO, a strong ideological goal, the recruitment of individuals committed to the cause rather than weberian style bureaucrats, and great powers (in terms of regulation and resources) to achieve its objectives. Key was the capacity of the Social Democratic Party to create a state agency that represented its values. The national labour market board "was a goal-oriented organization based on substantive rather than formal rationality," which still prevailed within the National Education Board (171).

Even though no studies have been made concerning the implementation of ATP in the 1950s, it would be difficult to argue that the Social Democrats and LO were not committed to this adventure considering the time and energy devoted to the issue. Like the Rehn-Meidner reform program, the ATP program was designed by LO and promoted strongly by its leaders and is "everyone's favourite story of successful labor-initiatied reform" (Pontusson, 1993: 556). It is therefore not surprising that it was difficult for the labour movement and the social democrats to accept that ATP needed to be reformed. As stated by Anna Hedborg, a former Social Democrat Minister and a key player behind the pension reform of 1998, "it was hard and difficult for the social democratic party to accept the reform of the ATP system, which is sort of a gold treasure for the party" (Author Interview, 6 December 2000).

There is also another reason to believe that the implementation and control of the ATP program was 'social democratized'. As underlined in Chapter 1, pension policies are relatively easy to implement if ones opt to change the parameters of the system. Contrary

[224] As underlined in Chapter 3, the system was built out of the state because unions did not trust the state, which was too dominating. "The working class has always been excluded from the state; it had immense difficulties in having its voice heard and always had to act conflictively" (Brinbaum, 1988: 123). Further, those in the state tended to be

to other social policies, they do not require another party, such as doctors, teachers, unions or employers, for a successful implementation. Further, it is not a policy area that requires a lot of personal judgment for civil servants like policeman, welfare officers and other 'street-level' positions described by Lipsky (1980). As stated by a staff of France's *Caisse Nationale d'Assurance Vieillesse*, it takes less than five days to process a retirement file and then most individuals receive their pensions monthly via a direct deposit into the individual's account. People who have more complex files, like those who have contributed to more than one pension system, need an extra day or two to get their pensions! Thus, the specificities of pension policies make it easier for dedicated governments or cadre like civil servants to steer it into a 'social democratic' direction.

Indicative of a possible 'social-democratization' of the bureaucracy, Pierre (1995) presents few of the many accounts provided by non-Socialists ministers about the "significant obstacle to policy reassessment and change" they faced once they took office. It was a substantial problem since many of the individuals causing obstacles were not political appointees, but rather tenured senior officials (150). As it will be demonstrated in the upcoming pages, the Ministry of Social Affairs was slow to propose solutions to resolve the difficulties faced by the ATP system. During my interviews, few individuals stated that they held a strong attachment to ATP, and it took them a while to accept that changes were necessary. The authority responsible for implementing pension policies, the National Board for Social Insurance (*Riksförsäkingsverket*) was also strongly committed to maintaining the ATP system and was much more transparent on these objectives by advocating measures that would not challenge the core of the system (i.e. parametric reforms).

much less enthusiastic about their placement. Most of the students coming out of ENA in the 1960s had social ministries as last choices.

Pension Reform in Sweden…A Long Process, A BIG Reform!

> Experts have come to the conclusion that with a contribution rate of around 10%, all possible difficulties can be overcome in the future– Minister of Social Affairs, Torsten Nilsson during the pension debate of 1959.

Those seeking to criticize the 'garbage can' view of public administration would be hard pressed to find a more linear process than the pension reform process that led to the 1998 legislation. A first commission, ***Pensionberedningens Betänkande***, stressed the need for a reform and plaid an important ontological role in making various actors realise that such undertaking was necessary. Further, it provided an opportunity for all political actors to present their view and kick start a debate on the question (SOU 1990:76). Following the electoral victory of the Bourgeois coalition in 1991, a working group on pensions (*pensionsarbetsgruppen*) including all political parties was set up to reach a compromise on this issue. Five out of seven parties agreed on a sketch in late 1992, which would result in a final report presented in 1994 (SOU 1994:20). The agreement was strong enough for the actors to renounce discussing the issue during the electoral campaign of 1994, and an implementation committee including many members from the working group would be instituted following the 1994 elections and it continued to work on the implementation process of the new reform. The legislation was adopted in 1998.

The Swedish pension reform is very substantive as it did not limit itself to parametric changes, but rather instituted a whole new system which features have already been exported to other European countries such as Italy, Latvia and Poland.

Time to reform ATP? (1982-1990) - Pensionberedningens Betänkande

The consensus that a pension reform was required would be established during the 1980s in Sweden. The publications of both a *Riksförsakringsverket* (RFV – National Insurance Board) in 1987 and the conclusion of a parliamentary commission presented in 1990 would leave no doubt that it was time for "a new war on ATP".[225] As indicated by the title of an article published in Veckans Affärer in 1990, it was far from obvious that a compromise would be achieved few years later, as the positions of each political party seemed relatively

[225] "Dags för en ny ATP-Strid", title of a special article written in Veckans Affärer on October 10, 1990.

unchanged compared to their original positions in the 1950s. This section analyzes this important ontological period.

First warning signs and indexation difficulties.

As part of its mandate, RFV was asked by law to publish a report every five years to provide a picture of the financial future of ATP and whether adjustments should be considered with regards to contribution levels. The 1982 report presented a bleak picture for the future of the ATP system. It stated that if the economic stagnation were to continue, more than 1/3 of individual's wage would be required to finance the system by the year 2030.[226] The conclusions of the report led to few debates in early 1983 in numerous newspaper articles. For example, Staffan Burenstam Linder, a Conservative MP, wrote a debate article[227] stating, "the flagship is leaking" and advocated a new form of indexation that would also be based on the evolution of wages. He also pointed out a theme that would be brought up on numerous occasions by economists throughout the 1980s, that the ATP system is its worst enemy since strong wage increases could save the system, but that such increase was unlikely due to the disincentive in savings brought up by the ATP system (SvD, 13 February 1982). Sune Davidson, from the Finance Ministry, would write few days later that playing with the indexation mechanism to reduce the burden of pensions would not change the structural difficulties of the system and that it would be much better to acknowledge that the Swedish economy cannot carry such a commitment. He advocated sharp reductions in pension benefits (SvD, 20 February 1982). Sture Korpi and Ingemar Lindberg, both secretaries of state for the Ministry of Social Affairs in the social democratic government responded by pointing to the failure of the American model, and its emphasis on means-tested benefits. They underlined that the Swedish model was based on work and not handouts, thus the solution to the problems of the ATP system was to decrease unemployment (SvD, 24 February 1982). LO acknowledged the problem as well, but claimed that the prognostic presented by RFV was too pessimist, and stated that with an economic growth of 2 to 3%, contributions would only have to be raised from 9% to 12-13%.[228]

[226] It stated that contributions rate could reach 15% by the end of the 1980s and more than 20% by the year 2000.
[227] Page 2 or 3 in most Swedish newspaper tend to include an article referred to as Debate or Burning Issues where political actors express their views on current political issues.
[228] With similar economic projections as RFV, LO claimed that costs would stabilize around 23% (Veckans Affärer, 26 January 1983).

A key feature of this debate was related to the indexation of pensions.[229] Contrary to France, the Swedish pension system was already indexed on prices rather than wages. Thus, the government had not actively sought a switch towards a pension system indexed on prices. Ironically, the economic crises of the late 1970s and early 1980s brought up the discussion of changing the indexation of pensions so that it would consider the movement of the economy and wages. This was precisely what the French government was seeking to get out of! The reason of this state of affair was related to the way the Swedish government sought to get out of the economic crisis. By devaluating the Swedish Krona, it led to a reduction in real wages and a strong inflation. Thus, while workers were faced with lower real wages, pensioners continued to obtain increases in their pensions. To stop this growing gap between pensioners and the working population, the bourgeois coalition "tricked" pensioners by not fully indexing pensions to price increases raising sharp criticism from pensioner's organisations and the parties in opposition, the Social Democratic and Left Party. The former would use this "under indexation" as an electoral issue, promising to re-index properly the value of pensions. As a result of the indexation system, a Swedish Daily (DN) would later refer to pensioners as "1980s' winners", when statistics from the national statistical office demonstrated that the average pensioner experienced an increase of 650 kronar during the decade. This amount was more than the average wage increased (DN, 27 November 1992).[230]

Another pension adjustment made by the minority government of the Centre Party was the introduction of payments for contributions above the ceiling in 1982.[231] This measure, affecting high-income earners, resulted in a disguised tax since those payments did not result in higher benefits. It would come under intense scrutiny following a report published by the RFV in 1987 (see below), as this measure helped to force the consensus that a pension reform was necessary. Due to its redistributive nature, the Social Democrats were quite fond of this progressive tax and had pledged to maintain it. This stance would turn out to be one of the adversarial points between the SAP and the bourgeois parties, who sought to revoke this tax,

[229] Besides the articles mentioned above, indexation was also stated as problematic in articles written by Anna Hedborg (LO and SAP), Olof Johansson (c) and in a piece in *Veckans Affärer* (26 January 1983). According to Burenstam Linder, even LO acknowledged the need the review the indexation structure of the ATP system (SvD, 13 February 1982).

[230] However, a part of this increase is the result of higher pensions being attributed to new pensioners since they have tended to have had longer working careers and better wages than previous ones.

[231] The ATP system was based on "based amount" with the ceiling being fixed at 7,5 base amount.

during the negotiations in the Working Group on Pensions (*pensionsarbetsgruppen*) in 1991-94.

Creation of Parliamentary Committee - Pensionberedningens betänkande – and the emergence of the first proposals to reform pensions.

Few days following the elections of the Social Democrats in the 1982 elections, the Minister of Social Affairs, Sten Andersson, announced the creation of an overview of the pension system.[232] The system had been in operation for over 30 years and little was relatively known about its real impact. Further, following a meeting with both pensioner's organisations and the association for the disabled the Minister announced that pensions would not be fully indexed as promised stating that it would be foolish to increase pensions while workers have been experiencing declining wages in the past seven years (DN, 3 October 1983). This decision was strongly criticized by the later actors and right-wing newspapers. It would take more than two years for the SAP to establish the committee as internal conflicts surrounding the indexation of pensions paralysed action (Lundberg, 2001: 14-5).[233]

The committee began its work in November 1984 and included the labour market partners (LO, TCO, SACO-SR and SAF), other interest groups (Association for the disabled and Pensioner organisations), representatives from various ministries (Labour, Finance and Social Affairs), the National Social Insurance Board (Riksförsäkringsverket) and other experts. The State Secretary of the Social Affairs Minister, Sture Korpi who was known to have a strong interest in pension questions, chaired it.

The mandate of this committee (*pensionberedningens betänkande*) was to evaluate past experiences with the rules of the pension system and undertake an overview of them. Eight particular points of study were mentioned as objects of study: 1) the indexation of pensions was to be analyzed based on three different alternatives: prices, wages, and a combination of the two; 2) private options as a possible complement to the pension system; 3) the possibility of maintaining pension rights without increasing contribution rates too much; 4) the economic security of individual pensioners and community needs for service and care; 5) the calculation method of the ATP system; 6) elimination of the widow's pension; 7) increase of the basic

[232] LO was one of the actors that had been pushing for the creation of such of committee starting at the end of 1982.

pension to reduce the burden of the ATP system; 8) flexible retirement age and part-time pensions (SvD, 25 November 1984). It also stated that the main elements of the basic and earned pension scheme (ATP) should remain and that the basic pension level should remain independent of previous employment and continue to complement the ATP pension. Methods of financing were also not to be altered (SOU 1990:76). The work of the committee would last six years!

During this period, many developments related to the reform of the pension system would occur, however. First, LO would begin to promote a proposal to ensure the future of the ATP system. From the mid 1980s until the early 1990s, it would promote the extension and de-regulation of the AP-funds. The later measure would have allowed the funds to enter the stock market to increase its rate of return. These funds originated from the surpluses of the system. Prior to 1983, the amount of contributions outweighed the amount of benefits granted to pensioners. Contrary to most industrialized countries, the government did not take these surpluses and added them to its general budget.[234] LO had hoped to gather 1200 billions Swedish Kronor by 2010, partly as a result of an increase in contribution of 4 points (Veckans Affärer, 10 October 1990). The original purpose of the AP-funds was two folds. First, it was to compensate for potential lack of savings that could result as a consequence of the ATP system. Private savings would actually decrease substantially during the period 1950-1990 (see table 4.3). Right wing politicians were quick to criticize the ATP system as the one to blame for this state of affairs, which was among the lowest in OECD countries.[235] A second function of these funds was to smooth over any sudden change in the ratio between contributors and pensioners. Unsurprisingly, the importance of each function was debated highly between the left and right wing parties. The left emphasizing the later function and the importance of collective savings, while the right continued to focus on the savings rate while re-iterating that the best solution to increase savings is to encourage private individual savings.[236]

---

[233] Pension indexation was part of a strong conflict between the Finance Minister, Kjell Olof Feldt, who was already quite critical of the indexation promise, and Sten Andersson.

[234] One of the most visible examples of this behaviour remains President's Johnson transfer of social security surpluses into his budget to help finance the Vietnam War. As we have seen in the French chapter, the government used various surpluses from the regime general to finance the schemes facing deficits in the 1970s.

[235] An economic professor, Bo Södersten, would go as far as stating the Sweden's savings rate was more in line with underdeveloped countries than industrialised ones (DN, 21-22 July 1991).

[236] How to manage the AP funds became a source of political conflicts between the SAP and the bourgeois government. The AP funds had been invested mainly in very secured items such as bonds and it was not allowed to enter the stock market and buy shares, except under very strict conditions. Less than 1% of the funds were investing in private companies, most of which involved real estate investment to promote the construction of more apartments

Table 4.3 Total net savings as a percentage of GDP.

Years	OECD Average	Sweden
1963-66	15,44	19,28
1967-70	15,80	18,02
1971-74	16,03	15,26
1975-78	12,57	10,69
1979-82	10,81	5,22
1983-86	9,00	6,34
1987-90	-	7,54

Source: Sparande och investeringar I svensk ekonomi. SOU 1990: 78 (cited in Ds 1992: 89).

LO's proposal was opposed by many political actors, especially on the right. Most of all, SAF and the Conservative Party expressed strong opposition to the intervention of the AP funds in the stock market fearing more control over the private economy by the state (Affärsvärlden, 18 May 1989). The Finance Ministry, even under a SAP government, favoured the extension of private rather than collective savings.[237] What to do with the AP-funds would actually be at the forefront of debates in the weeks following the election of the Bourgeois coalition. Many debate articles advocated the complete elimination of the AP-funds. Bo Carlsson, an economist with SAF, would go further than most in an article entitled "Time to retire the whole ATP system". He proposed to eliminate completely the current pension system replacing it by private savings built on a minimum pension financed by taxes. The current AP-funds would be used to finance the transition period (SvD Brännpunkt, 19 November 1991).[238]

The major criticism against LO's plan, however, was that the AP funds could not be sufficient to cover the revenues necessary to maintain the ATP system. Analysts pointed that the AP-funds could disappear quickly if nothing was changed in the system. A governmental report[239] published in 1987 stated that the first AP-funds would begin to lose

---

and houses. As a result, the growth rate of the funds was below that of the placements made by private insurance companies. In 1974, a fourth AP funds was established, which was allowed to enter the stock market. The fifth fund, created in 1988, was also granted permission to buy company shares. The intervention of the AP funds in the stock market was strongly opposed by the bourgeois parties since they claim it represented an attack on the free economy. Today, there are 7 AP funds (?).

[237] This will change briefly following the resignation of Feldt, but would regain predominance with the nomination of Larsson to replace Asbrink.

[238] Another proposal put forward in this discussion was the use of the AP-funds as the basis of funded private pension accounts. See Brännpunkt (the debate page of the Conservative Daily Svenska Dagblatet). October 15, 18, and 29, and November 18 and 19 1991.

[239] *Socialförsäkring iett ekonomiskt perspektiv*, annex to LU87.

money starting in 1995, as the sum of contributions and interest would not cover the costs of benefits. An article in Svenska Dagbladet claimed that the AP funds could be totally emptied by 2015 if contribution rates were to remain the same (SvD, 26 September 1990). Thus, relaxing the rules of investment of the AP-funds could lengthen the process, but not stop it, and a large increase in the contribution rates would still be necessary. Whether or not 4 points would be sufficient was up for debate.

The second wave of discussion surrounding the pension reform debate occurred as a result of the publication of *ATP och dess finansiering I det medel- och långsiktiga perspektivet* at the end of 1987 by RFV. [240] The report presented a rather grim picture for the future of ATP and proposed a reform. Further, for the first time it demonstrated that even economic growth could not save the system, as it would lead to a high number of individuals being above the ceiling of 7.5 basic amounts. With two percent economic growth it was projected that 80% of men and 66% of women would be above the ATP ceiling.[241] In the long run, this would have made the ATP system a semi basic pension since most people would reach the contribution ceiling. This outcome was the result of the indexation structure, which was based on prices and not economic growth. Many projections were presented accounting for a possible increase in the ceiling based on economic growth to highlight the change in dynamics once the ceiling is adjusted. These findings made several proposals to save the ATP system, such as the one presented by LO, obsolete.

As discussed in previous debates in the 1980s, RFV reiterated that slow economic growth combined with population ageing would require a significant increase in the contribution rates in order to maintain the system. This report was very important ontologically because it marked the beginning of a strong consensus that the ATP system had to be reformed.[242]

RFV advocated two broad changes to the ATP system, which were related to its construction and operation. First, it proposed a reconsideration of the functioning of the

---

[240] Riksförsäkringsverket. ATP och dess finansiering i det medel- och långsiktiga perspektivet. RFV Anser 1987: 9. RFV: Stockholm, 1987.
[241] With 3% growth these figures increased to 87% and 81.7% respectively (RFV, 1987: 87).
[242] Few economists and civil servants within the Ministry of Finance had raised similar concerns earlier during the work the Pension Commission, but were never able to convince the politicians that the old system was unsustainable.

ceiling in the calculation of pension benefits. Second, it suggested a reform of ATP rules so that the pension system would be more in line with economic growth. By doing so, RFV believed that pensions would be more in line with income and the system would be more stable[243]. It is important to note that the press release was signed by the General Director, KG Sherman but was not fully endorsed by the board. There was even a radio debate featuring Mr. Sherman and Ms. Doris Håvik (s), who was a board member, on this issue. Ms. Håvik was highly sceptical of the recommendations presented by the General Director and his employees.

Following the press release, RFV's General Director entered into public debates to raise awareness about the need to reform the ATP. The board was invited to give lecture on the financial status of the system and was also doing calculations based on various alternatives presented publicly in order to stimulate debates. For example, it generated some calculations regarding the costs of transferring to a fully funded system for a conference sponsored by Skandia.

Based on RFV's publication, other ideas were put on the public table by various experts and political figures. In Ekonomisk Debatt (Nr. 5, 1989) and Arbetet (9 July 1989), Stålberg, an economist specializing on pension questions at the University of Stockholm, advocated leaving the ATP system run its course while complementing it progressively with stronger occupational schemes. Her solution corresponded to a progressive movement towards the Line 2 of the Swedish referendum of 1957, that is a strong basic pension complemented by occupational schemes negotiated among the labour market partners. As those rely on funded components to finance pensions, this solution also had the merit of tackling the issue of the weak savings rate. She stated that the current system was actually regressive, meaning that working class workers supported the pensions of higher wage earners. This conclusion would also be underlined a year later in the report of the pension committee - *pensionberedningen* (SOU 1990: 76).[244] Thus, raising the ceiling would not

[243] Within the context of the current system, it proposed an increase of .5% per year during the period 1990-94 so that contributions would reach 13.1% by 1994 (RFV, 1987: 8).

[244] The analyses presented during the commission demonstrated that many blue-collar workers were contributing more than white-collar workers to the system while receiving less generous benefits. This was a non-intended consequence of the ATP system and it was attributed to the 15/30 years rule, which clearly advantaged white-collar workers such as professionals. Their career path begin at a later stage in life as they attend universities and were not penalized for this since they could still reach 30 years of work. Their formation result in higher wages and higher wage increases overtime. Blue-collar workers, in contrast, begin working at an earlier stage in life with a wage that

alleviate the problem and would imply more benefits to high-income earners since they are the ones currently above the ceiling. This was a direct consequence of the 15/30 rule where only 30 years of work was required with the best 15 years being considered (Stålberg, 1989). This was made as a concession to attract TCO workers during the pension debate of the 1950s and it clearly worked towards their advantage since long period of studies resulting in jobs producing non-stagnant wages fit nicely with the 15/30 rule.

The President of SACO (Jörgen Ullenhag) also came up with a plan of its own advocating the abolition of the ceiling, price indexation, and a stronger link between contributions and benefits. Few weeks prior to the publication of the report from the pension committee, Margit Gennser from the Conservative Party, criticized the discussion of allowing AP-funds as avoiding the real difficulties faced by the pension system. She argued that more capitalized options were necessary and stated that Chili could be used as an inspiration to reform the Swedish pension system (Sydsvenska Dagbladet, 1 October 1990). Bo Södersten, an economics professor, would take this line of argument further in the summer of 1991, by advocating the creation of a fully funded scheme while criticizing payg in principle for not generating essential savings function. He followed up by mentioning that both liberals and conservatives had been too passive with regards to the ATP system despite its shortcomings (DN, 21-2 July 1991). Wibble and Könberg, two liberal deputies, would respond critically by arguing that creating a fully funded scheme would not be possible because of the double payment problem. Nonetheless, they maintained that they supported a partially funded system and policies that could help increase Sweden's savings rate (DN, 10 August 1991).

The publication of Allmän Pension (SOU 1990:76), the report from *pensionberedningens betänkande* brought up new proposals to the table, and increased the amount of discussion on reforming the pension system. Six members of that committee were interviewed and concurred that this commission was more of a fact-finding seminar rather than a political commission seeking to alter the pension system and it was clear from

is likely to increase as fast as white-collar workers overtime. Further, their working career tends to be longer. This resulted in cases where certain blue-collar workers contributed more to the system than their white-collar counterparts while receiving a less generous pension. In brief, poor workers were financing the public pensions of rich workers.

the very beginning that finding a political compromise would not occur.[245] All pointed out to the limited scope of the mission, where the ATP system could not really be altered. It was even stated in the introduction of the report that the aim of the commission was not to reach a political compromise but represented rather a first step in the process with the objective of pursing the discussion further in another setting.[246] The committee received endless studies and papers related to the pension system underlining different problems and solutions. Thus, *pensionberedningens betänkande* was highly conducive to the creation of various reform plans. Despite its limited role, this commission would be of great importance since it created a strong consensus that pension reform was necessary, even though stark disagreements were found as to the nature of the reform and the extent under which is should be undertaken.

The work of the commission re-stated the conclusions underlined by RFV in 1987. With low economic growth, a strong increase in the contribution rate would be required. An annual growth rate of 2% would be sufficient to stabilize the contribution rates (see table 4.4), but many individuals would eventually find themselves above the ceiling resulting in the ATP system becoming a basic pension.

With regards to reforming the ATP system, no concrete option was provided, but three models were studied. The Model A promoted the creation of a more extensive basic pension by increasing its size in the system. ATP benefits would be granted for contributions above the amount of this new floor. Unsurprisingly, the Centre Party supported this option since it represented something similar to their line of argument since the 1950s.[247] Model B was like model A with the exception that all points earned under the

[245] The only significant decision resulting directly from this commission was the elimination of the widow's pension.

[246] 'Våra överväganden skall ses enbart som ett första steg i ett arbete som tar sikte på att samordna pensionssystemets olika beståndsdelar. De modeller som vi skisserar i betänkandet är inte färdigutvecklande. Det slag av omfattande förändringar av pensionssytemet so det här är fråga om bör enligt vår mening beslutas under bred politisk enighet och helst med instämmanded av pensionärsorganisationerna och arbetsmarknadens organisationer. Det har under vårt arbete visat sig inte vara möljigt att finna en lösning som tillgodoser detta önskemål och samtidigt kravet att den skall liga inom oförandrade kostnadsramar. Oberende härav återstår en rad frågor some måste lösas och som kan vara tekniskt komplicerade. Också ufrormningeng för framtiden av olika regler för intjänande av pension och systemet för värdesäking av pensioner kan vara av betydelse vad gäller möljigheterna att finna en lösning på den här aktuella problemställningen…Vi anser emerlletid att det arbete som vi har påbörjat bör drivas vidare I ett annat sammanhang (SOU 1990: 19).

[247] This was the closest option to Line 2 in the Swedish referendum – see above. The Centre Party member in the commission, Gösta Andersson, claimed that the poor and women would gain from an extended basic pension, which would also eliminate the need of income testing, thus reducing the administrative costs of the pension programs. He

ATP system would grant points. Thus it would not have to be above a certain amount as in Model A. In both models, the ceiling and other subsidies, such as the one offers to pensioner for housing,[248] would remain. Finally, model C marked a break with the other as it reinforced the contributory nature of the system by decreasing the importance of the basic pension and eliminating the housing subsidies provided by the communes. The committee agreed that further work on pension reform should be performed based mostly on model C.[249]

Table 4.4 Required contribution rates to maintain current basic and ATP pension systems with various growth rates (ATP alone in brackets).

Year	Annual Growth Rates in % of GDP			
	0%	1%	2%	3%
1990*	23,3 (14,6)	23,3 (13,8)	23,3 (13,7)	23,3 (13,6)
1995	25,6 (17,4)	23,9 (15,7)	22,6 (13,7)	21,6 (13,7)
2005	31,7 (29,0)	26,4 (19,6)	22,4 (17,1)	19,3 (14,2)
2015	43,0 (33,8)	32,2 (26,5)	24,8 (21,0)	19,3 (15,9)
2025	47,5 (38,2)	32,7 (29,1)	23,1 (20,8)	16,2 (14,2)

Source: Pensionsberedningen (SOU 1990:76) and RFV (1987). *Discrepancy with the actual rate (20,45) at the time because part of the pension cost was financed via taxation and the AP-funds.

The responses provided by the members of the committee underlined some of the many differences between the political parties, even though these were made cautiously as no concrete proposal was analyzed. All right wing parties stated that people should not have to contribute above the ceiling since they do not receive benefits for this (577-8). The

claimed that this solution would also allow for a better comprehension of pensions for the population, favour private savings, and result in more personal choices for pensions. Ironically, he also criticized the fact that income above the ceiling was collected, but resulted in no benefits even though the Centre Party introduced this policy when it was in government in 1982. This option was considered as one of two main alternatives to avoid the collapse of the ATP system – the other being a stricter earnings-related scheme - by two economists (Olsson and Schubert) who wrote a report (DS 1991: 27) for the expert group for the study of the public economy within the Ministry of Finance. They argued that the Centre party option was more conducive to savings, but nonetheless stated that a stricter earnings-related scheme would be more appropriate since it would mark less of a break with the ATP system.

[248] As stated in the report, this subsidy is financially important for many elderly and could add up to 15 552 SEK to a basic pension of 43 362 SEK in 1990 (SOU 1990: 76, 15).

[249] Enligt vår uppfattning bör därvid en lösning som möjliggör en sammanslagning av folk- och tilläggspensionsioneringen söknas enligt de principer som ligger till grund för modelltyp C (SOU 1990: 76, 19).

representatives from the Conservative and Liberal Party, Troedsson and Könberg respectively, proposed to increase the pensionable age, the possibility to seek private alternatives, plans to favour house ownership to reduce the reliance on housing subsidies. They also advocated a stronger link between contributions and benefits (577-80). Most of their points of view were shared by the employer's organization (SAF) (591-3). The Left representative stated the importance of housing subsidies for many poor elderly and that its removal would have important negative consequences for them (583-4).

Because the Social Democratic party was chairing the working of the committee, it did not present any responses to the report. However, the way the objectives and aims of the committee were framed made it obvious that it did not seem ready to abandon the ATP system yet. The leadership within the Social Affairs Ministry was embracing a reform extending the 15/30 rule to a 20/40 rule. Such a plan was studied while the Ministry of Social Affairs was working towards the publication of *Allmän Pension* and seemed to be the closest position to be taken by most traditional supporters. It became clear that Korpi had envisioned such option with the publication of *ATP i takt med framtiden* (APT in line with the future) in 1991 (Lundberg, 2001: 17). Support for Korpi's solution was also strongly anchored within the Ministry of Social Affairs (Marier, 2001: 106).

Adding support to the (perceived) strength and popularity of this solution within social democratic circles, RFV actually proposed a solution to the pension dilemma with the political context in mind as both the Director General[250] and his deputy (Gustav Jönsson) were on opposite sides of the political spectrum. Key elements of RFV's proposal included a longer view for the AP-funds to finance future pensioners, an increase of the 15/30 rule to a 20/40 years rule, the creation of a new index for both benefits and the ceiling based on economic growth, a minimum of 40 year residency in Sweden to get a basic pension, a reduction of part-time pensions, and an increase in the legal pensionable age (RFV, Anser 1991: 15). Many elements in this proposal were quite similar to the ones advocated by Korpi and RFV's solution would re-surface in later pension debates within social democratic circles.

[250] The Director General was appointed by the Minority Centre government of 1982. Interestingly, as a bureaucrat he sought to maintain the system rather than see it become like a strong basic pension, the traditional position of the Centre party (see Marier, 2001).

All labour market partners acknowledged the need to reform the ATP system. However, the extent to which it had to be reformed and how it should be reformed was not very consensual even among unions. This was quite a shift since by the late 1980s when many people within the unions did not really acknowledge that there was a problem with ATP and were actually seeking better benefits within the system. TCO, for example, hosted a conference during this period seeking to find ways to reduce the pensionable age. Prior to 1987, LO held the firm belief that economic growth could save the ATP system.

Both the financial and redistribution impacts of ATP made labour market partners believe that a pension reform was required, but the basis of a reformed system was not consensual even though some elements were. This resulted in different sets of concerns among them. Many of them were presented as part of the reservations at the end of the report from *pensionberedningens betänkande*. First, SACO and SAF stated that a new pension scheme should generate a stronger link between contributions and benefits[251]. SACO's Chief economist and member of *pensionberedningens betänkande*, Jan Bröms, discussed this concern further in his highly influential book *Ur Askan av ATP.*[252] The sketch of a new pension system was presented, which strongly reinforced the link between contributions and benefits by introducing the life income principle where every earnings count. He further advocated the elimination of contributions above the ceiling that were not counted for pension benefits to increase savings, a point also shared by SAF. Finally, Bröms also supported the continuation of a payg system and an indexation based on the state of the national economy, the later point was also stressed by LO and TCO. TCO's representative within *pensionberedningens betänkande*, Ljung and Olsson, claimed that basic amount risked becoming a tax as more and more individuals contribute above the ceiling. They also maintained that a pension system must include some forms of redistribution between income groups and a spreading of the risks among the population.[253]

[251] *Allmän Pension*. Socialdepartementet, SOU 1990: 76. P. 585.
[252] The publication of the book was supposed to coincide with the publication of *Allmän* pension. However, due to delays *Ur Askan av ATP* ended up being published earlier. Many members of pensionsarbetsgruppen have acknowledged that this book had been highly influential in their thinking of reforming the ATP system. Many experts within the Committee expressed similar views.
[253] Ibid 12, p. 589-93.

Aftermath of Pensionberedningens Betänkande.

The publication of *Allmän Pension* also generated further discussions in the public sphere, but as importantly, within the government. The ministries of Social Affairs and Finance were both seeking to take initiatives for the following step.

Anna Hedborg joined the Ministry of Social Affairs as State Secretary, and led discussions among cabinet members from the Ministry of Finance and the office of the Prime Minister. LO took part in many of these discussions.[254] With her nomination, the 20/40 option began to lose momentum.[255] The Ministry of Finance also started to draw some sketches for a possible reform, and was quite eager to do something immediately. Reform to the pension system would end up the budget proposition for the 1991 written by the Ministry of Finance. Surprisingly, it would state that "to stimulate a higher savings rate we ought to study the possibility of more funded options in more private and insurance ways than what we currently have with the AP-funds" (Proposition 1990/91: 100, p. 34),[256] which clearly went against the party line of sticking by the AP-funds. Although it is thought that the cabinet approved his proposition, people within the Ministry of Social Affairs were shocked by this statement as they felt it required more preparation. They also believed that this issue should not be raised during an election year.[257] Following the election of the bourgeois parties in 1991, the new Finance Minister, Anne Wibble, would advance similar principles.

A reform is necessary.

Prior to the election of 1991, it was widely acknowledged, and even accepted, that a pension reform was in order. Nonetheless, proposals ranged from increasing contribution rates and facilitate capital accumulation via the AP-funds (LO) to the (partial) capitalization of the system (Right wing parties). In fact, there did not seem to exist large

---

[254] Interview, Tore Lidbom, 21 April 2002.

[255] She claimed that she was never part of any discussion promoting this alternative to save the ATP system. She has believed that it implied a pure reduction in benefits and did not resolve any of the difficulties inherent in the system.

[256] "för att stimulera till ett högre sparande bör övervägas om fondering kan ske i mer individuella och försäkringsmässiga former än vad som nu är fallet i AP-fonderna"

[257] Interview, Anna Hedborg 6 December 2000. Adding support to the surprise hypothesis, even civil servants within the Ministry of Finance were surprised to see their suggestions adopted almost unaltered by the government (Interview, Stefan Ackerby 17 November 2000).

variations between the positions of political actors in the early 1990s and those held during the pension debate of the 1950s. No one could have predicted that, 7 years later, Sweden would obtain a brand new pension system based on a compromise among the five largest parties, and that pensions would not even become a predominant electoral question! This represented a sharp turn of events considering the historical politicization of this issue.

That being said, it is worth stressing few common points beyond the need to reform the system among the political parties prior to the election of 1991. First, the need to strengthen the link between contributions and benefits was acknowledged by all actors. In a debate article in late 1991, Jan Bröms mentioned that the only real stance taken by *pensionsberedningen* was that a clear link between contributions and benefits should be present in the pension system (DN, 21 October 1991). Second, all accepted capitalized options, as a way to improve the savings rate and prepare for the upcoming demographic change. Even though the form (collective or individual) and the extent (partial or full) were in question, this option was not rejected right away as it was in France. Had the Swedish social democrats had a position similar to the French socialists, negotiations with the bourgeois coalition would have never started! The fact that the SAP Finance Minister mentioned the possibility of promoting private savings options, even though it angered some of his SAP colleagues, demonstrated that this option could be considered seriously in upcoming negotiations.

The Politicians Take Over the Control of the Reform Agenda (1991-94).[258]

The outcome of the 1991 elections would result in a return to power for the bourgeois parties after close to 10 years in the opposition. The victory was not complete, however, as it would have to rely on the support of the (far-right) party Ny Demokrati, which entered the parliament for the first time. There was a strong conviction within and among the four government parties (Conservative, Liberal, Centre, and Christian Democrats) to avoid a repeat of the turbulent coalition period of 1976-82. This aimed would be successfully achieved for the most part, but strong economic difficulties would persist resulting in a sharp decline in output unseen since the 1930s. The crises forced the government to negotiate “crisis packages” with the

Social Democrats, a more reliable partner than Ny Demokrati. This type of co-operation between both sides of the political spectrum had not been seen since World War II.

There is no doubt that this context was favourable for the introduction of new ideas. A civil servant within the Ministry of Finance resumes best the situation by stating that all of a sudden "anything was possible, you could notice this, feel it".[259] It is worth stating that the Working Group on Pensions, created immediately after the elections, began its work before the crisis and would reach a compromise in its aftermath. Nonetheless, it had a strong influence as it meant freer hands for the members of the committee because other actors such as MPs, the Ministry of Finance, and even the media focused on immediate economic difficulties. The work within the committee was even slowed down as a result because two members were involved in the elaboration of the so-called "crisis packages". Even when it sought to expand the discussion on the reform, the committee had difficulties. A sketch of a possible reform was presented in early September, but discussions never got off the ground. One of the key reasons being a sudden raise in the interest rate, which would reach 500% overnight a week or two later.

The crisis also provided an opportunity for all Bourgeois parties and the Social Democratic Party to get closer and reach compromises, a rare occasion. Few weeks following the presentation of the political compromise on pensions, the chair of the Working Group on Pensions would state that "if someone was trying to find a time where parties had the possibility to be quite close to each other, I think people would have to go back to 1948" (Ekonomisk Debatt, 1994).[260] The crisis further put pressure on the committee to find a solution to reassure the population. The previous commission had underlined the increasing financial difficulties that could occur if Sweden was to enter an economic recession. Thus, high level of uncertainties lied around the future of pensions.

Considering the adversarial atmosphere surrounding pensions in Sweden, the crisis surely made it easier to reach a compromise and make this big decision. Nonetheless, it worth emphasizing that the crisis may have helped the process but was not the cause behind the pension reform. Once the crisis over, each party involved had numerous occasions to withdraw from the

[258] In order to facilitate the understanding of the political compromise among the five parties and the opposition to it, it was decided to tackle them separately. Thus, an overview of the negotiations among the five parties is presented in the following two sections, which is followed by a full section on the opposition to the compromise.
[259] Interview, Stefan Ackerby 17 November 2000.
[260] "Skall man försöka hitta någon tidpunkt då partierna möljigen har stått ganska nära varandra, tror jag att man får gå tillbaka till 1948".

agreement and no one did, even though the Social Democrats came close in 1996-97. In conclusion, all parties involved were quick to affirm that the pension reform has not been a crisis decision, but rather the continuation of a long process that began in the mid 1980s.

Creation of the Working Group on Pensions

It is in this context that the search for a solution for the pension question continued. One week after the formation of the government, a Working Group on Pensions (pensionsarbetsgruppen) was created by the new Minister of Health and Social Security, Bo Könberg (fp). The aim of the working group was to present a proposal to reform pensions to the parliament, which would make pensions "more responsive to the general state of the economy, strengthen the link between contributions and benefits, and encourage an increase in long-term saving" (Ministry of Health and Social Affairs, 1994: 5). In order to increase the likelihood of a compromise with the Social Democrats, he had based the guidelines on the budget proposition for 1991 (see above).[261]

Könberg was no stranger to the pension debate, having been the liberal party representative in the previous pension commission (*pensionsberegningen*) from 1988. Based on this experienced, he was convinced that the usual way to carry a parliamentary commission (*utredningar*) could not lead to a pension compromise and sought to create another kind of committee.[262] Thus, he opted for a mixture of parliamentary commission and platform for negotiation by setting up a working group. That way, he was able to create the smallest committee possible by only inviting political parties.[263] Following the first meeting in December, it was decided that he was going to chair the group, something highly unusual by Swedish standards.[264]

---

[261] Interview, Bo Könberg 20 November 2000.

[262] He stated his reasoning clearly during an interview granted to Göteborgs Posten in 1994. In this previous parliamentary commission, "we were only able to eliminate the widow's pension even though everyone was in agreement that the ATP system had to be changed substantially. I thought a lot about what this could be depending on…We were often 30 people in the room, many of which had only one mission to defend their own organisations and their members" (GP, 16 May 1994 – author translation; Interview, 20 November 2000).

[263] Further, as a way to reduce further the number of players to get an agreement, he only offered two seats to the social democrats despite their much larger size. The Social Democrats agreed since both side understood that giving them three seats would have lead the Conservatives to ask for two and so on (Interview, Bo Könberg 20 November 2000).

[264] According to Könberg, this happened only once before (Negotiations between municipalities and county councils for the responsibility of elderly) (Interview, 20 November 2000).

The labour market partners were excluded, which drew some criticism but no strong protest on their part.[265] This was in sharp contrast to the instauration of the ATP system, where they were first asked to resolve this issue among themselves. Könberg was able to push them aside by claiming they were consulted during the previous pension commission and that it was now time for politicians to take their responsibilities. Even though many people interviewed doubted that the Social Democrats would have ever been able to exclude them, there is no counter factual to support or discredit this hypothesis. Their exclusion from this working group was part of a growing trend that they should be involved in strictly labour market matters. Since this reform did not involve the negotiated supplementary pension from collective agreements, they were unable to muster a strong political claim to be included. Demonstrating the validity of this reasoning, Könberg tried to do the same thing with sickness insurance but was forced to cave in and give them representation in the committee.

The individual parties chose their representatives from the Working Group. Indicative of the seriousness of this new committee, most of them had been involved with pension questions previously and the parties involved sent people open to compromises.[266] Whether or not the latter was achieved strategically or not is up for debate, but it is clear the Conservatives could have sent a more neo-liberal parliamentarian than Margit Gennser such as Lars Tobisson while the Social Democrats could have sent individuals strongly opposed to the reform of the ATP system like Doris Håvik[267] instead of sending Anna Hedborg and Ingela Thalén. Such decision would have made it even more difficult to reach a consensus, and such a strategy could have been easily employed by any of the big parties to ensure the failure of the committee. Thus, it seems that they all acted in good faith with their nomination. Also important is the fact that both the

[265] A review of the major newspapers of the period does not contain any article where their exclusion is stated as an issue. TCO would begin to criticize publicly its exclusion from the committee in September 1993 when it became clear that they could not have strong influence in changing aspects detrimental to its members. LO felt confident that it could retain some of its influence via the Social Democratic Party and had a high level of confidence in the two SAP representatives. Anna Hedborg had been highly involved with the wage-earner funds in the late 1970s and early 1980s, and thus had a strong affiliation with them. According to her, they (two SAP representative) "were very much involved in the process informing, discussing with them (LO)" (Interview, Anna Hedborg 6 December 2000). The LO representative confirmed that they met at least once a month, on a need basis (Interview, Tore Lidbom 22 April 2002).

[266] The members of the Working Group on Pensions were: Bo Könberg (fp), Leif Bergdahl (nyd), Per Lennart Börjesson (v; until the end of 1992), Ulla Hoffmann (v; replacing Börjesson), Margit Gennser (m), Anna Hedborg (s), Åke Pettersson (c), Ingela Thalén (s), Barbro Westerholm (fp), and Pontus Wiklund (kd). The liberals (fp) had two representatives because Könberg sat as Minister/Chairman and not party representative. To find out more about the reasons behind the selection of the two SAP representatives, please see Lundberg, 2001: 25.

Minister of Health and Social Affairs and, the Minister of Finance came from the Liberal Party. Even though it remained a party of the right, it is much closer to the Social Democratic Party than the Conservatives, and has had a history of co-operation with the SAP. Newspaper reported on numerous occasions in December 1993, that it was considered as a possible coalition partner in a future government when polls demonstrated that the SAP could not carry a majority on its own.

Despite these favourable conditions, there was not strong optimism from the Social Democrats when the Working Group was formed. The former Prime Minister and leader of the Social Democrats, Ingvar Carlsson, believed that the possibilities to find a consensus are as good as being excluded (DN, 20 November 1991). The Conservative leader and Prime Minister, Carl Bildt, was more optimistic claiming, "there are possibilities for a common understanding on the question". He would even add, "I am fairly convinced that we will keep the ATP system, but in the long run it will need to be completed" (ibid).[268]

Proceedings in the Working Group on Pensions – A fast start, followed by a stalemate and terminated by a race to the finish line.

The creation of the working group rejuvenated the pension debate. Clearly present in a much more direct manner was the link between reforming the pension system and increasing savings. This connection directly led to debates about the AP-funds, including the wage-earner funds within it, and the role it could have for the future of the pension system. More interestingly, it involved individuals present in the working group.

In a debate article, Hedborg and Thalén proposed a way to save the pension system in a country "with the oldest people with the world's best pensions for the common people" (DN, 7 December 1991). They argued in favour of maintaining the AP-funds and increase their assets by raising contribution rates by an extra point to build up a buffer fund for the upcoming demographic change. They agreed with the importance of savings but rejected claims that it had to be in private hands. They stressed that dismantling the AP-funds would only make the matter worst since it would reduce savings. Nonetheless, they left the door open to the possibility of breaking up the AP-funds into multiple funds where people could choose the one of their choice.

---

[267] Håvik was a MP from Göteborg. She was the Vice-President of the Social Insurance Committee in Parliament, the Presidency being held by a Conservative, and a member of the RFV board – see debate with Scherman above.

One of the critics of funded schemes is that it leads to a further reduction in the pensions for women since they tend to live longer. According to them, there was no doubt that the wage earner funds belong to the pension system (ibid). In a subsequent article, they rejected the 20/40 option by stating that it amounts to a simple reduction in benefits, which would hurt women most without tackling the basic difficulties of the system.[269] They also issued a warning signal that funded option results in a pension level dictated by the market, and underlined the double-payment problem (SvD, 8 May 1992).

Margit Gennser was also quite active in promoting her solution to the pension and savings problem. She stated on numerous occasions that more than 50% of the Swedish population did not support the current ATP system upon its creation, and that individual, not collective, savings was necessary to promote growth. Indicative of the long bridge to cross between her and the Social Democrats, she wrote few articles in magazine and newspaper where the Thatcher reform of 1986 in Britain became her example of choice. People would have the choice to remain within the ATP system or not, newcomers into the labour market would have to select private options, and the ATP system would be disintegrated in 20 years.[270] Acknowledging the double payment problem, she advocated a solution that would maximize personal savings while maintaining previous commitments.[271] She mentioned Bröms' book "*Ur Askan av ATP"* as a way to switch from a payg to a fully funded system (Gennser, 1992).

Despite these sharp ideological differences, a compromise seemed within reach few months after the creation of the Working Group on Pensions. The members felt that they had made such strong progress that they published a document "*Ett reformeratpensionssytem – Bakgrund, principer och skiss"* in early September 1992.[272] Following many seminar-like meetings where various experts presented their views and proposals, the committee had opted to

---

[268] "Jag är tämligen övertygad om att vi kommer att ha kvar ATP, men på lång sikt behöver det kompletterras".
[269] In terms of reaching an agreement, dismissing the 20/40 option was extremely important since the Conservatives had strongly opposed an extension of the ATP system by simply changing the parameters (see for example, SdS, 24 January 1992; Gennser, 1992).
[270] She was explicit about this inspiration in an article written for the Taxpayers' Association (*Skattebetalarnas Förening*) in 1991. In this article, she also proposed to create a new law that would force individuals to put aside 21% of their income for pension purposes and that 2/3 of these contributions would have to go into an individual ATP system, with the rest being invested elsewhere. She also advocated transferring earlier ATP points into a private account and that pensions paid from individual accounts would be granted according to insurance principles. For more information about the British reform, please see Chapter 6.
[271] In a debate article co-written with Ivarsson, they would write as a concluding remark that "the bigger the part of the future pension savings that are channelled to a funded system, thus the higher the increase household savings to improve the necessary economic growth" (SdS, 10 January 1992 – author translation).

publish some of the elements under which a consensus could be established.[273] It was not clearly defined, as it was published to generate discussions in and outside the committee and to secure a broad base to pursue the negotiations for a reformed pension system.[274]

The 89 pages document provided a broad picture of the current future state of the pension system, while underlining the difficulties associated with the ATP system. It re-instated some of the earlier conclusions brought up by the previous committee, that is the economic instability of the system, the weak link between contributions and benefits, and the small savings incentive it gives.

The fifth chapter presented the sketch of a possible reform. Many elements of this section would actually end up being part of the new legislation on pensions that would be introduced two years later. It proposed to maintain a pension system that is income related with a guaranteed basic level financed by contributions. The mandatory nature of the system was to remain unchanged. The key elements of the sketch are presented and developed in Table 4.5.

Two key elements came from the sketch. First, there was the adoption the life income principle, where every krona contributed would count towards the calculation of an individual's pension. This implied a switch from a benefit-defined to a contribution-defined system.[275] As a result of switching to life earnings instead of using the best 15 years of employment out of 30, the working group introduced ways to grant pension points while individuals are unemployed, sick, doing military service, and child care. Second, the sketch proposed the creation of a funded component on top of the payg system. No specific details were provided for the later, because no broad political compromise had been achieved yet. However, during the public conference presenting the sketch, the bourgeois parties made it known that the group was studying the option of placing 10 to 15% of future contributions in individual funded schemes (DN, 1 September 1992). Besides these two key elements, the working group raised the question of sharing pension points among married couples and proposed to change the indexation

---

[272] "A reformed pension system: Background, aspects and sketch" (Ds 1992: 89).
[273] All people interviewed within the committee (Könberg, Hedborg, Palmer, Ackerby, Hoffmann, Gennser) underlined that good chemistry existed within the group and that the group was really open to suggestions and ideas stemming from individuals. As underlined in an article in Äffärsvärlden, "most of them in the group had been department's secretary or secretary of state and was an expert within the field...the atmosphere was an academic seminar. The group could resolve a problem and the members came to trust each other, listen to each other, and believe in each other's word" (Äffärsvärlden, 15 November, 2000).
[274] Interview, Bo Könberg, 20 November 2000.
[275] The ATP system with its 15/30 rule and contributions above the ceiling was considered more of a taxed based system. Few economists claimed that 70- to 80% of the contributions amounted to a tax rather than a contribution (Konjonkturrådet – cited in Gennser, 1991).

mechanism for pensions from price to wages or something more in line with the evolution of the economy.

Table 4.5 New Elements in the Sketch of a Reformed Pension System (Ds 1992: 89).

Element	Explanation	Replace
Life Income Principle	Pension based on all earnings accumulated throughout one's career. Strengthen the link between contributions and benefits. The system becomes contribution-based. Replacement rate based on amount contributed into the system.	Best 15 years with a minimum of 30 years for a full pension. Pension equals 60% of average income for those 15 years.
Pensionable income granted for child caring (4 alternatives presented for child caring points) and military service.	These were not compensated in the previous system, but needs consideration because of the life income principle.	
Social benefits such as unemployment and sickness insurance are pensionable income.	Become necessary to ensure that they are not too penalize as a result of the lifelong earnings principle.	
Sharing of pension points between married couples.	Possibility for couples to exchange pension points between them based on insurance principles (men's points are worth less than women due to life expectancy).	ATP was an individual system. New measure could somewhat compensate for the widow's pension abolished in 1988.
Flexible retirement age and elimination of the pre-pension.	Possibility to retire at any time between the ages of 60-70. Benefits vary accordingly. If pre-retirement is caused by sickness or other reasons, the appropriate authorities should pay it.	Retirement age of 65. Pre-pension options available.
Wage indexation for pensions (or something along this line).	Aim to align pensions closer to the state of the economy.	Price indexation
20 years transition period.	For those aged 35 or 40 until 59. Someone aged 59 would have 1/20 of the new system and so on.	
Funded component	Created to increase the savings rate. Questions raised, but details lacking.	AP-funds partly fulfill this function, but savings rate low.

Source: Ett reformeratpensionssytem – Bakgrund, principer och skiss (Ds 1992:89).

The sketch would not result in a strong public debate. Several events were responsible for this outcome. First, as stated earlier in this section, a strong currency and economic crisis would hit Sweden shortly afterwards. People became much more concerned about that than a potential reform that would affect them many years later. Second, many of the individuals involved in the process claimed that the lack of political conflicts did not make this story very appealing to the mass media. A quick look at pension articles written during this period partly supports this hypothesis. The release of the sketch was part of a day seminar on the subject with large TV and press coverage,[276] but the interest did not rise strongly afterwards. The number of articles on pension reform and the working group on pensions would be far greater in the end of 1993 when political conflicts arose within the group and TCO came out strongly against the reform.

Optimism was high with the Chairmen of the group. Könberg announced two months later that within a year the new rules might already apply (DN, 29 November 1992). However, 1993 did not turn out to be as successful as 1992 and the pension committee reached stalemate on sensitive political questions, most of which were relatively unchanged from the mid-1950s. The economic crisis also reduced the working pace of the committee since both Könberg and Thalén were highly involved in the so-called crisis committee.

Starting in late September 1993, stories began to emerge that the "ATP reform might be in danger" (DN, 19 September 1993) and would accentuate in the following months.[277] Following an executive meeting of the Social Democratic Party in late November, hopes of finding an agreement seemed rather grim. Rumours ran that there were individuals wishing to interrupt the commission and start anew after the election. Their hope was to exclude the Conservatives and seek a deal with the Liberals and Centrists after a possible election victory (DN, 28 November 1993). Pessimism was not strictly confined to the Social Democrats. According to Bo Könberg, "almost none in the government in the beginning of autumn 1993 thought that it was possible" to reach an agreement.[278] To stop these persisting rumours, the Working Group on Pensions would come out publicly to state that they would go into overdrive in the hopes of finding a compromise in late November. The members of the committee ended up working around the clock during the Christmas holiday and in early January to hammer a deal.

Five key issues were quite difficult to resolve, and resulted in a long period of stalemate. First, and foremost, was the taxation of contribution above the ceiling. As stated above,

[276] Könberg claimed that it was one of the biggest he had ever been involved in (Interview, Bo Könberg 20 November 2000).
[277] DN, 19 October 1993; DN 4-5, 28, and 30 November 1993.
[278] Interview, Bo Könberg 20 November 2000.

contributions above the ceiling began to be taxed in 1982 by the Centre government[279] but did not give any pension points. On one hand, the Liberals, the Conservatives, and SACO consistently denounced this measure because it was not in line with the life income principle where every krona counts.[280] Könberg had the backing of the government to negotiate it off. In a debate article he stated clearly the argument of the government: "Contributions over the ceiling do not result in benefits and are therefore a tax – and the two social democratic representatives admit that" (DN, 24 September 1993).[281] The Social Democrats were opposed to the removal of contributions above the so-called ceiling because it represented such a good progressive tax. All individuals above the ceiling are, by default, high-income earners and represent a very regressive tax, which can be justified to pay pensions solely financed by the state (the new guaranteed pension, which replaced the basic pension). This was clearly one of the most difficult questions to resolve within the committee:

> "The question with what we should do with the fee over the roof was a hard negotiating matter up to the last hours really, I think the last two days before we ended. Because I had made up my mind trying to reach, to take it away completely, maybe in a few or couple of years but take it away. They (the social democrats) decided by reason that it was a way of taxing the rich that it should be kept completely" (Interview, Könberg, 20 November 2000).

According to Wiklund, the Christian Democrat representative in the committee, he crafted the compromise with the support of the Centre Party that both parties meet halfway (Lindbom, 2001: 73). Thus, contributions remained but at a discounted rate of 9,25%.

The second issue was closely related to first matter mentioned above since it concerned the indexation of the so-called ceiling. Originally, the bourgeois parties wanted to index it with prices, as it was the case with the ATP system. As demonstrated by RFV and economist, such an indexation implied that a higher number of individuals would eventually earn income above the ceiling. Almost all income earners could find themselves above it. The logic for the bourgeois parties was thus to keep a price index, remove the taxation above the ceiling to replace it with funded options. For the Social Democrats this option was unacceptable since it implied the

[279] Interestingly, this measure was taken for administrative simplicity. Very few individuals had contributions above the ceiling then, and collecting contributions above the ceiling made it easier for employers since they did not have to spend time to calculate which employee was over the ceiling, and by how much.
[280] The Centre Party and Christian Democratic Party were also opposed to contributions above the ceiling but it attached far less importance to this issue than the other two bourgeois parties.

eventual transformation of the system into a large basic pension. It was thus important to create a ceiling that would be indexed on real wage growth. The Social Democrats ended up obtaining a ceiling indexed on real wages. This resulted in the safeguard of the payg component, an extremely important element for the Social Democrats, and this outcome paved the way for the creation of a funded part.

The third issue, and one of the most important aspects of the compromise (if not the most important), pitted the bourgeois parties against the SAP on the creation/extension of a funded component in the system. The Social Democrats had defended the AP-funds, which were an important financial tool for the state, and a collective saving instrument.[282] The early proposals from the SAP were to increase contribution rates to expand the size of the AP-funds to finance the upcoming increase in the number of retirements. The bourgeois parties, especially the Conservatives, had been advocating an expansion in private individual savings. This position went back to the 1950s with the so-called "ägardemokrati" (owner democracy), where the spreading of private property/ownership could balance an increasingly powerful concentration of power within the economy by the state and the bureaucracy. It was clear from the bourgeois parties' perspective that no deal could be reached without granting a place for an individualized funded component (see Lidbom, 2001). Even though the Social Democrats accepted this demand in late December 1993, the thought behind this decision was a long process to maintain a high component of payg (thus, it was also related to the second issue mentioned above).

> It was a two front war actually to have a big public system. One front was the Ministry of Finance, which has really delayed, regardless of government by the way, and tried to minimise the level of the public pension system. That was more amazing with a social democratic government because that is of course what I feel is the importance of the democratic thing about it, to have a big public system, which means a big redistributing compulsory system. It was impossible to get it from the bourgeois party for more than what was needed to support old claims of the system because we did get the bourgeois parties, even Margit Gennser to accept a payg point of view, which supported old claims restrictively but still she realised that she will be claiming a more capitalized system it would mean double payments for a generation. She realised that as an argument. So, the calculation of what was needed to support the payg right was a very important part of the process, which turned out to be at 16.5%. So, block in between the bourgeois, at least the Moderates on one side, and the Ministry of Finance on the other, within my own government, I could only have a bigger system if I agreed to that extra thing (PPM). It could then begin an extra thing I

[281] "Avgifter over denna gräns ger ju inga förmåner och är därför en skatt – vilka också de socialdemokratiska ledamöterna medger".
[282] It had among other things, help the financing of housing.

> felt then all right, it is not so bad to have eggs in different baskets either, so why not. Because, what people in general did not understand was that it was not a choice between a full payg or not. It was more actually a choice between the 16.5% contribution system or 18.5% contributions (Interview, Anna Hedborg 6 December 2000).

The Social Democrats were thus willing to accept a funded component as long as it remained within the system,[283] and the Conservatives were willing to make this compromise, as "it was very good for Sweden to have 5 millions new capitalists who are saving in accounts".[284] Initially, both parties settled for a 2% in the 18,5% in contributions to be funded, and to be part of the state pension system.[285] The social democrats offered to raised the funded component to 2,5% if the bourgeois parties were willing to raise contribution rates to 19%. The Conservatives refused, as they seek to maintain low compulsory fees.

The fourth major issue was the amount of the guaranteed pension. Historically, the Centre Party had promoted a high basic pension to be complemented by private options. This was Line 2 in the old ATP referendum. This line had not really changed by the 1990s. The Centre Party representative, Åke Pettersson, sought to increase it significantly: from 51 000 SEK to 80 000 SEK (roughly \$5100 to \$8000) (DN, 4 November 1993). Interestingly, not much had changed from the 1950s. Pettersson was not able to gather strong support from anyone else besides the Christian Democrats. Frustrated, he came out publicly against the Conservatives, the Liberals and the Social Democrats for their lack of consideration for his position (ibid; DN, 24 November 1993). The Christian Democrats ended up withdrawing their support for a high guaranteed pension in mid December 1993 (DN, 18 December 93) marginalizing the Centre representative further.[286] He obtained a small increase in the guaranteed pension (4000 SEK - \$400).[287]

---

283 As underlined in Lundberg (2001), it was also important for the social democrats to ensure that everyone would participate, so that the funded component would just not be another tool to enrich the high-income earners. Also, it was key that these new savings be used for pensions.

284 Interview, Margit Gennser 12 December 2000.

285 Originally, calculations performed by the economists working within the pension group revealed that up to 2,5% of the new system could be capitalized. However, few weeks prior to the final discussion, they came back and claimed that the group could not go beyond 2% (Interview, Bo Könberg 20 November 2000; Marier, 2001). The key variable under study was the capacity of the AP-funds to finance the shortcomings of this transition since this implied a loss of 2% in contribution for a long period.

286 According to Lindbom (2001), the Christian Democrat representative withdrew its support once it became clear that such alternative would be extremely expansive (17 billions SEK per year – roughly 0,17 billions US dollars), worst such a stance would have been difficult to support with Sweden being in a strong recession (74).

287 In the new system the guaranteed pension is taxed, however (DN, 13 January 1994). This means that this increase is far more symbolic than real.

The final stumbling blocks concerned the compensation for early childcare. In the previous such measure was deemed unnecessary due to the 15/30 rule. However, in a system where life income is considered, consideration has to be given for the interruption of one's career due to unemployment, sickness, military service, and childbirth. In this case, this is where the influence of the Christian Democrats was felt the most. Key for them was to find a way to give the opportunity to women to stay at home and raise their kid(s) without getting penalized in the pension system. This ran against the equality views of the Social Democrats, and even the Liberals. The Social Democrat representatives were keen on maintaining the individuality of the system. Further, "to make it more important for our daughters and grand-daughters to marry a rich pension than to get a good education and income is really not what we believe to be a good signal" (DN, 15 January 1993).[288] The bureaucrats attached to the committee would produce more than 70 models for three options in order to resolve differences within the group.[289] The final solution included a notional income to be added during the child years on top of any income earned during that year. Three options were made available to women (and men), where they could pick the one that is most favourable to them: 1) obtain a supplement raising pensionable income to 75% of the average income for all insured; 2) A supplement up to the income the insured person had the year before the child was born; 3) A fixed supplement to earned income of one wage base amount. These rights were granted to the parent deciding to receive the child credit for up to four years after the birth of the child. A decision on this matter was reached in early January 1994, and it was announced that it would be financed via the family policy budget (GP, 7 January 1994).

The deal – a success in principle!

In mid-January 1994, it was announced that an agreement had been reached (DN, 11 January 1994; GP, 12 January 1994). The working group presented three volumes summarizing

[288] "Att göra det viktigare för våra döttrar och dötterdöttrar att gifta sig till hög pension än att skaffa egen utbildning och inkomst tycker vi inte är någon bra signal".

[289] There was great unity on the fact that women (or men) needed to be compensated for early child-care. However, there was great divergence as to how to introduce the compensation into the system. This was a brand new element since compensation was not included in the previous ATP system (the 15/30 rule doing the trick). Thus, everything was up for debate such the type of compensation, the number of years that would be allowed, and whether or not it would apply to both men and women. In order to find a solution more three broad options were analysed and RFV ran more than 70 models for each of them (Interview, Edward Palmer 5 December 2000).

their thinking on this question and explaining the reasoning behind their decisions.[290] They also presented impact studies of the new system. The third volume is a study performed by the economist Ann-Charlotte Ståhlberg solely dedicated to the gender issue. The main lines of the agreements are presented in table 4.6.

The agreement contained elements that had been mostly discussed publicly for a while such as the life income principle, the extension of funded options, sharing of pension points within married couples, and a new form of indexation. Nonetheless, few elements came as a surprise such as granting pension points for studies,[291] and the sharing of contributions by both employers and employees. The later measure implied a reduction of contributions by employers, which would be forced to grant a raise to individuals to compensate for this new contribution.

In order to rush this agreement to the Parliament before the end of the summer session, the last one before the elections, a very short period of time was granted for criticism (6 weeks). Even though one critic claimed that the two weeks *remiss* period was pretty much a joke (Stark – Expressen, 30 March 1994), the members of the Working Group on Pensions would come up with 8 minor changes to the previous proposal.[292] One important point was that the group opted to discuss indexation later, stating that it would include price, wages or both. As seen in previous chapter, this is an important element in the long run and strongly affects both benefits and costs. To resolve these issues, the Working Group on Pensions announced the creation of an implementation committee (Genomförandegruppen) along the same lines as the working group. As a result of the technical details to be further analysed, the bill presented to the Parliament ended up being in principle. Nonetheless, two key changes would be introduced from January 1, 1995. First, all individuals would have an individual contribution of 1% of their gross wage. Second, the new calculation rules would begin to take effect (i.e. Life income principle, points for studies, military service and childcare). The bill was adopted with an overwhelming majority (279-19) in early June 1994.

---

[290] SOU 1994: 20; SOU 1994: 21; SOU 1994: 22.

[291] See below for an explanation, as to why this non-contributory element was added.

[292] The eight points were: 1) doing the transfer of contributions from employers to employees at once rather than gradually; 2) introduce the new system in 1996 rather than in 1995; 3) push further the discussion on indexation, which will be based on a combination of prices, wages, or both in combination; 4) leave the door open to the possibility of sharing pension points during childcare years; 5) change in the technical construction of the studies benefits, but its level remains unchanged; 6) want that sickness and unemployment insurance generates pension points based on the salary of reference; 7) choice of funds will be available after the taxes of the current year; 8) income earn after 65 will be solely calculated in the new system (DN, 4 May 1994).

Table 4.6 Main lines of the 1994 Pension Agreement between the Government (M, Fp, Kd, C) and the Social Democratic Party.

• The new system is mandatory and covers the whole population.
• contributions (so-called life income principle). This includes other social security benefits such as sickness and unemployment insurance.
•
• to 65, but receive a lower pension. But one could eventually retire past 65 to have a bigger pension.
• contributions at all. 40 years of residency in Sweden is required.
• contributions came exclusively from employers.
• savings account earning interest (National Debt Office).
•
• before retirement, income differences between men and women, and future growth in real wages. Thus, the first pension is calculated according to the divisor.
• real wages.
• men's points are worth less than women's point since the former have shorter lives.
• have their pensions based on both systems. For example, those born in 1935 will have 1/20 of their pension based on the new system while those born in 1953 will have 19/20 of their new pensions based on the new system.
•

Source: Reformerat Pensionssytem (SOU 1994: 20) and Pension Reform in Sweden – a short summary (Ministry of Health and Social Affairs, 1994).

As a result of the agreement, pensions disappeared almost completely from the political and electoral agenda, a stark contrast to the politicization of ATP leading adoption of the supplementary pension scheme in the late 1950s. It was even a strong reduction from the amount of times it was discussed among the party leaders compared to the two previous elections (see table 4.7).

Table 4.7: Prioritizing of Pensions relative to other issues - by Political Parties in Electoral Programs and – in the Debates Among Party Leaders (1952-94) (In %).

	52	56	58	60	64	68	70	73	76	79	82	85	88	91	94
Programs	3	10	26	13	3	3	4	4	3	2	2	2	3	5	3
Debates	8	19	35	18	27	10	9	4	5	4	5	5	8	8	2

Source: Brander, Esaiasson, and Hankinson (1996). *Svensk valfrågor: Partiernas valdebatt 1902-1994*. Stasvetenskaplig Tidskrift, årg 99: 1. Pages 34-36.

Seeking to Implement the "In Principle" – The Implementation Committee (Genomförandegruppen) 1994-1998.

Contrary to expectations, it did not take only a year to complete and implement the remainder of the agreement reached in 1994, but four years. Worst, some issues are still not resolved as of 2002! These four years were quite turbulent and, on few occasions, it seemed like coalition behind the agreement was going to break up.

The victory of the Social Democratic Party did not change the dynamic of the newly formed Implementation Group since it consisted of almost the same individuals as the Working Group on Pensions. Every civil servant interviewed stressed that the election did not have any real impact on the continuation of the reform. As stated by Bo Könberg, "after the electoral defeat, the new Minister for social insurance, Anna Hedborg, and I changed chairs on the opposite side of the table and continued with the implementation".[293]

In 1995 few elements of the 1994 agreement began to being implemented. For example, pension points were first granted for studies, military service, and childcare. Out of the 18,5% contributions, 2% was confined to an independent agency (*Riksgälskontoret* – National Debt Office) that was investing for all Swedes while the decision on the structure of the funded part awaited. Nonetheless, many decisions remained extremely problematic, and the first decision of 1995, to announce that the reform will come into first on January 1st 1997 instead of 1996 was the first sign of a difficult road ahead (GP, 12 January 1995). Other delays pushed the starting date to 1999.

In the summer of 1995, the Implementation Group (*genomförandegruppen*) announced an agreement concerning the calculation of pensions rights and on the kind of income that give pension rights (see table 5.8). More sensitive issues such as switching some contribution over to individuals and indexation were postponed to the fall. The decision for the former was directly linked to the fact that labour market partners were entering a negotiation period and that introducing this issue in the middle of the negotiations would not have been welcomed (DN, 8 July 1995). Both unions and employers were already quite critical of the decision to force a

[293] Interview, Bo Könberg 20 November 2000. The only difference would be that Könberg would replace Westerholm as the Liberal representative since he was no longer Minister. As Hedborg became Minister and Chair of the Group, this led to an additional place for the Social Democrats. Further, Thalén became Minister of Social Affairs and left the group. Thus, two new Social Democratic representative joined the group (Maud Björnemalm and Arne Kjörnsberg).

change in the contribution structure without having been consulted and they stressed that switching contributions for a higher income was technically complicated.

Anna Hedborg runs into hot water!

A major shift in the pension system remains the transformation of the basic pension into a guaranteed pension. Despite the literature demonstrating the beneficial effects of having a universal program (see for example, Rothstein, 1998), the Working Group on Pension had opted to transform the universal basic pension into a means-tested pension. This philosophy, strongly rooted in liberal countries (Canada, US, UK, Australia), is based on need where the state enters as a hand of last resort. Therefore, means-tested benefits tend to stigmatize those receiving benefits.

Thus, in the new Swedish pension system high-income earners would not receive any guaranteed pensions. The thinking behind it was that as income grows, the guaranteed pension diminishes. A line in the 1994 agreement stated that voluntary occupational pensions negotiated by unions and employers could be used towards calculating the guaranteed pensions. Even though this issue was not well publicized, it had attracted strong negative reactions from labour market partners who considered collective pensions to be part of wages and that it was not logic to include this pension and not private pension plans.

In November 1995, this issue was frontline news for over a week. On national TV, Anna Hedborg acknowledged that voluntary occupational pensions would be integrated into the system to calculate the size of the guaranteed pension. More controversially, she went on to mention that she agrees with the criticism of the labour market partners that private pensions should be included as well if their negotiated pensions were integrated in the new system. She reconfirmed her statement in a newspaper interview the day after (Aftonbladet, 16 November 1995).[294] The reactions fused from everywhere. As underlined by the Newspaper Aftonbladet, "the telephone rang many times from private insurance companies and banks" (Aftonbladet, 17 November 1995). Despite re-assuring words from Hedborg that the government and Implementation Group were not proposing this course of action and that she was not seeking to count private pensions,

[294] Journalist: Do you mean that people who invested in private insurance can end up losing these monies in the state pension?
Hedborg: Yes, a part of it, it is a possibility. This is a way, which makes the whole a little bit more logic (Aftonbladet, 16 November 1995 – Author translation).

her statement fuelled uncertainties over the independence of private pensions. Politicians were quick to distance themselves from this possibility, and each political party promised not to touch private pensions.

Nonetheless, the uproar eventually proved Hedborg's logic right, as collective pensions were removed from consideration in the state system, much to her delight and that of labour market partners. This exclusion favoured mainly low-income earners who would have seen the size of their guaranteed pension shrink as a result of their collective pension. However, the decision to abstain from including collective pension meant that the Implementation Group would need to find 2 billion SEK elsewhere.[295]

Delays for the Social Democrats…Do they still want an agreement?[296]

With opposition rising within her own party, Anna Hedborg asked for a break into the work of the Implementation Group in early 1996 in the hope of convincing the sceptics. The upcoming congress in March, to invest Göran Persson as Prime Minister, was getting filled with motions quite critical to the 1994 agreement. Many of them, presented mostly by the labour movement, were actually advocating scraping the whole agreement. It was clear that the pension reform was going to be the major stumbling block at the congress (GP, 6 March 1996).[297]

The congress turned into a major challenge for the political coalition behind the pension reform. First, there was the cabinet shuffle following the selection of Göran Persson as Prime Minister to replace Ingvar Carlsson. Persson was not very enthusiastic about the pension agreement of 1994, and his first action as Prime Minister did nothing to alleviate the critics. Both Hedborg and Thalén left the cabinet! Thalén became Party Secretary while Hedborg moved on to become Director General of Riksförsäkringsverket to replace KG Scherman who had held this position since 1982. Thalén's replacement, Maj-Inger Klingvall, was not familiar at all with this

---

[295] Hedborg made another controversial statement while seeking to defend herself a few weeks later by saying that: "private pensions are not necessary". This would bring a sharp reaction from Gennser (SvD, 30 November 1995) and build Hedborg a reputation of getting into hot water with the mass media for thinking out loud. According to SvD, this was a major strike against her obtaining a promotion with the Ministerial Cabinet of Persson (SvD, 14 February 1996).
[296] A more expanded explanation on the opposition within the Social Democratic Party is presented in the next section (Opposition Against the Working Group On Pensions and the Implementation Group).
[297] Over 80 motions were related to pensions, of which 20 sought to scrap the agreement and 22 sought to alter and reform the ATP system instead of instituting the new system (Lundberg, 2001: 42).

policy area. She would rely strongly on her secretary of state, Hans Svensson.[298] Thus, the whole group dynamic was altered significantly at a time where difficult issues still had to be resolved. Most people interviewed stated that this change was a major cause behind many of the delays.

Second, in light of the strong opposition, it was convened to gather opinions for an internal review (*samråd*) on three key elements of the new pension reform: the creation of individual contributions, the funded system, and the financing of the new system (SvD, 22 March 1996). These were very sensitive issues for Social Democrats. The labour movement was opposed in principal to individual contributions. Funded options were supported as long as they remained public, and many uncertainties surrounding the financing of the new system and pre-pensions needed to be clarified (SvD, 31 August 1996). The party waited until August to start the process and received more than 508 opinions on the matter by late December. The results were never published, supporting the thesis that many of them were quite negative (see next section). During all this time, the Implementation Group was at a standstill, unable to progress. Worst, following the internal review, Svensson answered the critics within its own party by taking a difficult stance on very sensitive issues within the Implementation Group. He announced that the switch to have more individual contributions in exchange for a wage increase could not be implemented because "people are worried that they will not be possible to find a system that will guarantee a wage increase" (SvD, 30 November 1996). More worrisome, was his challenge to review the funded part, the main element for the bourgeois parties in the new system. In late December, the party leadership confirm this new position on these two elements and added that it was necessary to find more money for the system and that the government would resolve the issue of pre-pensions on its own. As important, the party leadership stated that the life income principle, flexible retirement age, indexation with the state of the economy, guaranteed pension, share pension points among married couple, and pension points for child care, studies and military service were not in question. If there was a glimpse of hope for the Implementation Group, it was that the controversial elements were still being negotiated.

The immediate response of the bourgeois parties was to minimise this opposition in the hopes of not raising conflict to another level. Nonetheless, their patience began to run out. In a debate article in Dagens Nyheter, the representative of the bourgeois parties in the

[298] According to Börje Karlsson, the DN journalist who covered the pension reform, Klingvall never really took the case in the Implementation Group, leaving this role to Hans Svensson. He led the work of the group (DN, 12 April

Implementation Group stressed that the pension reform could not be changed without their involvement. They wrote that, unsurprisingly, social democratic members supported sections of the agreement closed to their position while rejecting those close to ours. They stated that they would obtain a similar result if they were to hold a similar consultation. They claimed that pre-pensions and financing are part of the Implementation Group's domain. When it came to the funded part, they wrote that "Vi kommer att slå vakt om premiereservspension" (DN, 11 January 1997).[299] The vice-President of the Conservatives, Lars Tobisson, was less forgiving claiming that the Social Democrats want to imply that the agreement is finished (SvD, 15 January 1997). To ease tensions, Göran Persson convened a meeting among all party leaders (meaning that the Green Party and Left Party were invited as well) in mid January 1997 to discuss pensions. Following the meeting, he stated that the agreement holds (GP, 16 January 1997).

The agreement remained on thin ice, however, as pressure to reform it grew further within the Social Democratic Party. The protest movement against the reform culminated at the 1997 congress. Many motions sought to strike down the five party agreement while many others asked for a reform following the guidelines proposed by RFV in 1991 (RFF, Anser 1991:7 – see above). Fearing an embarrassing defeat on this issue, the party executive ended up making a deal with some of the key opponents to the agreement as the critics began to be heard on the congress floor. The compromise stated that: 1) the new system would guarantee a similar replacement level as the old ATP system with 2% growth; 2) low income earners would be compensated if contributions were raised; 3) people can choose to invest their 2% into a public fund. If they want to change to a private fund, they would have to ask for it (DN, 13 September 1997).

The other representatives condemned the SAP compromise right away. Wiklund said: "this is an unacceptable compromise to continue the work further" (DN, 13 September 1997).[300] Pettersson was more reassuring stating that the Centre Party was to remained within the agreement (ibid). Gennser criticized the AP funds and the importance of having private funded options in order to get a good return. She added: "We had an agreement. Why should we have sat and tried to come in agreement all these years if we were going to have the ATP system left in any case?" On the question whether or not the agreement was effectively dead, she answered: "I have no idea. We hold on to it. If they want to break it, so they do it not us" (ibid).

1998).

[299] We are going to strike guard on the funded part ??? (translation needs to be revised).

The five parties met two days later to discuss the future of the group. They released a statement underlining that they would continue to work within the framework of the five party agreement to resolve the remaining questions. The four bourgeois parties stressed that everyone has a veto in the negotiations (GP, 16 September 1997).

Race against the Clock – Part II!

The delays resulting from internal struggle within the SAP and the cabinet shuffle led to another run against the clock, this time to salvage the 1994 deal. Members of the Implementation Group met on several occasions in the fall to resolve their divergence. Their first decision was to increase further the guaranteed pension by 1067 SEK ($1000).

The Implementation Group had strong difficulties in reaching a compromise to introduce individual contributions in the new system so that employees and employers contribute the same percentage (9,25). In the hopes of resolving it, the group narrowed the range of possibilities to three. The first option was to compensate the imposition of individual contributions by granting a wage increase. This was the original agreement and it was supported by the Conservatives, the Liberals and the Christian-Democrats, but it had been rejected by the Social Democratic party leadership at their last congress. Margit Gennser had given signs that she was willing to review this point, but Bo Könberg continued to be strongly attached to the split. This was rejected by all labour market partners previously, but was now accepted by the employers (SAF). The second option was presented by the social democratic government, and was supported by the Centre Party. A sickness insurance contributions of 5,95% paid by wage earners would be given to employers in return of a similar contributions in pensions. The remaining 2,3% would be obtained via a wage increase and the use of the tax system. The last option was to shelve the whole proposition and maintain all contributions with employers.

In order to clarify each position and provide the group with criticism and comments on all three options, the proposals were sent out for opinions (*remiss*). The SAP government, fearing another deadlock, decided to move ahead by sending their proposal for parliamentary review, a move contested by the Conservatives, Liberals, and Christian Democrats (DN, 14 November 1997). In early December the replies obtained clouded the picture further. Not only were political parties divided on the issues, but so were public authorities. The Implementation Group was back

[300] "Det är en oacceptabel kompromiss som det går att arbeta vidare ifrån".

to square one. Pessimism started to reappear strongly with one newspaper stating that the switch "could be the element that destroys the whole pension agreement. It is so difficult to resolve that no one believes it will work" (DN, 12 December 1997). This statement would turn out to be right on its conclusions, as it is still not resolved, but wrong on the outcome of the agreement.

At the end of December, all five parties held a press conference promising not to make an electoral issue out of pensions (SvD, 29 December 1997). Intense negotiations followed New Year's 1998, and an agreement was reached on January 9 1998, three days after it was announced that the negotiations could end up in a big political fiasco because of deep differences (Expressen, 6 January 1998). The social democratic option was selected to resolve the issue related to individual contributions. In exchange, the bourgeois parties gained another .5% in the funded system (DN, 10 January 1998). The other main lines of the new agreement are found in table 4.8.

Resolving the question of the funded part turned out to be easier than first anticipated despite strong divergences in the two main political blocks. The Social Democrats sought to transfer the responsibility of managing the funded component to the AP funds, while all four bourgeois parties reiterated their preference to keep the management of the various funds as far as possible from the state. The European Union was indirectly involved in resolving parts of this conflict via its convergence criteria for EMU, which Sweden was seeking to follow in order to maintain its admission into the Euro zone as a political and not an economic decision. The Minister of Finance had stated on numerous occasions that the funded part had to be done in a way that does not damage the state's finances (GP, 16 January 1997), and this was widely accepted within political circles. The option favoured by the bourgeois parties, however, would have implied that the AP-funds (included in the state's finance) were to be drained overtime without any substitution within the state budget. This meant a sharp decrease in public resources making it much more difficult for the state to meet the EMU criteria. This forced the bourgeois parties to accept the creation of an independent agency within the state instead of leaving the funded part fully to the private sector, a solution much closer to the preference of the Social Democrats. This shift in position is expressed clearly by Gennser:

> There was another thing that was quite silly and that was the Maastricht Treaty and the convergence criteria. That was our own accounts, calculated into our state debt. If you made these standing in the statistics as private instead of state savings then we could not get our criteria right. Then we inherited the PPM (the independent agency responsible for the funded part), which I thought was a

> really silly invention. I was very critical to most of the Treaty; we have got it so this is the only real solution you can have. So, my party bought it (Interview, Margit Gennser 12 December 2000).

Thus, the compromise was to agree to the creation of the Prefunded Pensions Administration (*Premiepensionsmyndigheten* – known as PPM). This agency would be responsible for ensuring that the money is transferred to the selected fund or funds. Another point of the agreement was the creation of a seventh AP-fund, with free hands to enter the stock market, for individuals who do not select a private fund. However, a restriction was included: once an individual has selected a private fund, he/she can no longer revert to the public fund (7th AP-fund). Therefore, not selecting a fund was equalled to choosing the public fund. Most Ministers within the Social Democratic government would end up selecting this option for their personal pensions (SvD, 21 October 2000).

Once again this pension bill gathered strong support in the Riksdag. 257 MPs voted in favour, 17 voted against it, and 16 people abstained. As a result of the sprint marathon to maintain the five party consensus, at least seven issues were postponed to a later: 1) the so-called broms (see paragraph below); 2) the technical application of pension rights for studies; 3) future housing subsidies; 4) transition of the basic pension (folkpension) into the new system; 5) raising individual contributions to 9,25%; 6) transfer of money from the AP funds (except the 7th pension fund created for the new system) to the state budget to compensate for the changing financial balance between the AP funds, the state and the new pension system; 7) issues related to survivor's pension (DN, 9 June 1998; DN, 7 July 1998). The broms alongside the transfers of funds from the AP funds to the state budget, and the search of a solution to raise individual contributions to 9,25% would obtain most of the attention for the following year. The later issue resurfaced one month after a deal was reached in January 1998. The Tax Minister, Östros, would stress that the Ministry was unable to come up with a technical solution to enact the January agreement (DN, 14 February 1998). Still today, no solution has been found and the individual contribution rates remains at 6,95%.

Table 4.8 Main lines of the 1998 Pension Agreement between the Government (SAP) and the Four Bourgeois Parties (M, Fp, C, and Kd).

• The new system is mandatory and covers the whole population.
• contributions (so-called life income principle). This includes other social security benefits such as sickness and unemployment insurance.
•
• to 65, but receive a lower pension. But one could eventually retire past 65 to have a bigger pension.
• contributions at all. 40 years of residency in Sweden is required. **Occupational and private pensions do not count towards the means test.**
• **fund(s) earning interest to be chosen by the insured. The supervision of the funded part is granted to the Prefunded Pensions Administration (PPM). Those who do not select a fund will see their money managed by the 7th AP fund.**
• **much by employees will be decided later. By the year 2000** the total contributions will be divided equally between employees and employers (9,25% each).
• **earnings rise, the value of the pension points will rise too. If they fall, the value of the rights will be lower in terms of purchasing power than at the time of payment of contribution. Once a person retires, the value of one's pension is calculated according to the aggregate pension assets collected. For the PAYG component, assets will be divided by a coefficient based on life expectancy and a notional future growth factor of 1,6%.**
• **minus 1,6%. If growth is equal 2% in a given year, pension will rise in real terms by 0,4%. If on the other hand, growth is equal to 1,2% pensions will not be fully compensated for inflation (or reduced in real terms).**
• men's points are worth less than women's point since the former have shorter lives. **This can only be done for the money contributed into a private funded account.**
• have their pensions based on both systems. For example, those born in **1938** will have 1/20 of their pension based on the new system while those born in 1953 will have 19/20 of their new pensions based on the new system.
•

Source: The Pension Reform. Final Report, June 1998. Lines or words in bold means that changes were made from the 1994 agreement.

Few precisions are required for the so-called broms. In order to de-politicize the new pension system, the five parties came to agree that a technical device be introduced to stabilize the system (read a way to reduce pensions) in case of strong economic decline or a sharp decline in fertility rate. Klingvall as referred to the broms as an "automatic protective device" (DN, 7 July 1998). A final decision on this item is expected in the year 2004. The whole reform is still being implemented little by little. The selection of funds was further delayed to the fall 2000 in order to avoid having to deal with the computer bug of 2000.

The Opposition Against the Working Group On Pensions and the Implementation Group.

The lack of traditional political conflicts and the economic crisis did not result in a high profile for the Working Group on Pensions group despite the political tensions associated with pensions in Sweden. Nonetheless, the work of the group was not unchallenged even though five of the major parties in the Parliament stood behind it. This section analyzes 7 broad kind of criticism that was presented against the sketch presented in 1992 and the agreements of 1994 and 1998. The criticism concerns: gender issues, studies, the life income principle, the costs of the new system, the difficulties to challenge members of the group, practical issues to introduce individual contributions, and the creation of the broms. Further, this section reviews some of the early struggles within the SAP and the Conservative Party, as well as the position of the unions. Despite the acknowledgement that the ATP system was not going to survive, most of the debates between those opposed to the new system and the politicians focuses on the differences between the two systems. Ironically, the members of the pension groups claimed that comparisons with the ATP system were not fruitful since it could not be sustainable in the future. However, they were themselves quite active in comparing the two systems to promote certain elements of the new system.

Gender issues

The most constant and challenging issue throughout this period was related to the negative impacts of the reform on women, a key group benefiting from the ATP system with its 15/30 rule according to the critics. Further, some criticism was aimed at the childcare solution since it seemed to encourage women to stay at home. By granting pension points worth 75% of the average income, many women could thus earn more by points by staying at home than working if they have a low wage job. The pension proposal was thus criticized for being "hostile to women" (DN, 27 January 1994)[301] and "hostile to equality" (DN, 16 April 1994).[302]

[301] Debate article written by the TCO president Rosengren and the economist Maria-Pia Boethius.
[302] Debate article written by eight women representing various professional occupations.

The first set of critics centred on the fact that introducing the life income principle meant a reduction of pensions for women since they tend to have interrupted careers and work part-time for long periods. The ATP system did not penalize them too extensively since they only needed 30 years of work, under which 15 had to be very good. However, a switch to lifelong income puts them at a disadvantage compared to men, who do not experience such breaks in their career. Thus, women could end up with much lower pensions relative to men in the new system.

Strong critics emanated from the Social Democratic Party. Its women's association rejected the life income principle and asked its representatives to maintain the ATP rules in late July 1993 mainly on these ground (DN, 31 July 1993). 33 women MPs even wrote an open letter to Ingvar Calsson and Mona Sahlin with the title "Not one more deceit"! They acknowledged the need to reform the ATP system, but raised serious questions with regards to the pension proposal. They strongly criticized the two key issues mentioned above:

> We already know that women have the lowest wages. They often have longer study period for professions that nonetheless give low wages. They have often difficulties to find full time jobs. They will therefore get the lowest pensions in a pension system that is built on the whole life income…The pension that is currently proposed for the care of children is negative from an equality point of view. It will encourage women that have men with high income to refrain or reduce their paid work…Why would the Social Democrats say yes to that? (Aftonbladet, 7 April 1994 – author translation).

Within the SAP, Karin Westergål emerged as a strong opponent of the pension proposal mainly on the basis it has negative consequences for women. She wrote on numerous occasions that the life income principle hurts women because they tend to have lower wages and more difficulties at finding full time employment (See for example, SdS, 6 October 1996).

The critics went beyond the Social Democratic Party, however. 21 leading women figures including the President of the Women's forum, a leading Liberal MP (Maria Leissner), and Karin Westergål asked for a longer consideration period (remisstid), and first questioned the impact on of the new system on women since they tend to earn less than man (Expressen, 2 February 1994). A young liberal MP, Karin Pilsäter, criticized the childcare compensation for having a "construction built on the life patterns and circumstances of the 1960s" (DN, 8 April 1995 –

author translation). The President of TCO, Björn Rosengren, also criticized the working group along similar lines.[303]

Interestingly, parties that support the Social Democrats in Parliament, the Left and Green Parties were opposed to the new pension reform and cited gender issues as an important reason why. The left representative within the "formal" working group, Ulla Hoffmann, criticized the stance of Hedborg and Thalén since its women's association rejected the life income principle and that the SAP claimed to be a party that stands for women (Aftonbladet, 11 January 1994). Another Left MP, Ingrid Burman, stressed the fact that, on average, men already had place 3000 SEK more than women and that by age 65, it could result in a difference of around 100 000 SEK (UNT, 7 March 2000). MP Kerstin-Maria Stalin criticized the life income principle by underlining that women already receive such a low income that they can barely survive on their own (GP, 6 June 2000).

The Working Group on Pension did not remain idle on these issues. In fact, the inclusion of Ståhlberg's study into the public inquiry was directly related to repeated attack concerning this issue. Citing her study, Hedborg and Könberg came out and argued that the previous ATP system did not benefit women, but mostly men with high income. Worst, women with precarious jobs were in fact gaining the least from the previous system and were contributing to finance the pension of those wealthy men, as they obtained only 0,64 Krona for every Krona put into the system (see table 4.9). The big winners were high educated women, the only ones to receive more than what they had contributed.

Anna Hedborg defended her position by claiming that women could actually gain in the current system since low-income women will get full compensation for their contributions. Typical LO jobs, where individuals start working at a young age without sharp increases in their wages, would receive a full exchange for their contributions. With the four years childcare, she claimed that: "large groups of LO and TCO low wage women will receive a higher pension than with today's rules" (GP, 3 March 1994; see also DN, 8 March 1996).[304] Three women dominated unions within LO added credibility and support to Hedborg's point of view by endorsing the proposal on the ground their members typically have long career and low wages (DN, 11 April

[303] See DN, 12 September 1993; DN, 5 October 1993; Aftonbladet, 7 January 1994; DN, 25 January 1994; DN, 27 January 1994 (with Maria-Pia Boethius).
[304] "Därmed kommer stora grupper lågavlönade LO- och TCO- kvinnor att få högre pension än med dagens regler".

1994).[305] Had these three federations been negative to the reform, it would have been impossible for LO to maintain its support at the central level.[306] Further, pension economist Agneta Kruse, and Andreas Bergh came out strongly in favour of the life income principle and that fact that it encourages women to participate in the labour market and refuted claims that the ATP system was advantageous to women (SdS, 21 May 2000).

Table 4.9: Benefits/Contributions in the ATP system for those born 1944-50

Group	Ratio Benefits/Contributions
All women	0,78
Women - high official/employee	1,06
Women – low official/employee	0,73
Women – qualified worker	0,79
Women – unqualified worker	0,64
All men	0,83
Men – high official/employee	0,84
Men – low official/employee	0,84
Men – qualified workers	0,82
Men – unqualified workers	0,77

Source: Ann-Charlotte Ståhlberg, bilaga till SOU 1994:20 – (SOU 1994:22).

This study was not sufficient to appease the critics, however. A social democrat economist, Agneta Stark pursued the debate by citing other cohorts studied by Ståhlberg in a 1993 book, but not included in the public inquiry. She claimed that non-career women born in the period 1964-70 were actually gaining the most from today's ATP system. LO women would benefit from the system as much as LO men, and more than SACO and TCO men (professionals and white-collar workers). Further, by the year 2003, women as a group were expected to gain more from the system (Expressen, 30 March 1994). There are, of course, lots of uncertainties attached to that cohort, however. Since we are talking about data from the early 1990s, this implies individuals aged between 22 and 28 years old. Many workingwomen tend to have children at an older age. Thus, no breaks in careers had been experienced by many of them yet.

Hedborg tackled the critic that the system was encouraging women to be housewife, by underlining that the ATP system and its 15/30 rule was much more conducive to that. She

[305] The three federations were Kommunal Förbundet (regional government – and the largest LO federation), Handelsförbundet (retail) and the one for hotels and restaurants.

[306] Interview, Tore Lidbom, 21 April 2002.

defended the paid employment incentive of the new system in a 1995 debate article in Aftonbladet:

> "In the new pension system, we have avoided to create some housewife traps. It will always pay off more to have a paid employment than to take care of healthy men at home. But at the same time, we know that women take most responsibilities for children. Therefore, the child pension points in the new system are first made available to women" (Aftonbladet, 29 November 1995 – author translation).

She added on in a subsequent article that an ATP type of system "encourages women to be dependent on men or the state instead of encouraging them to establish themselves in the labour market with their own income" (DN, 8 March 1996).

In closing, it is worth mentioning that the constant emphasis to compare the new system with the ATP system probably helped the members of the pension groups in this case. By focusing the debate on the relative differences between the two systems, less emphasis was placed on the simple fact that women are going to get a lower pension than most men since it does not acknowledge the wage and status differences in the current labour market.

Studies

This point was raised strongly by TCO following the release of the pension sketch of 1992. Nothing was given for studies, or training. The thinking behind this decision was strongly related to the ATP system, which favoured those with high education since they tend to have a strong increase in their wages overtime with shorter career. Thus, they tended to obtain the best 15 years, and reach 30 years without contributing too much beyond that. Statistics demonstrated that the redistributive effect of the old system was mostly from low-income earners to high-income earners (see table 5.7). The thinking in the working group was that education leads to better wages, thus it did not need to be subsidized by those who are working at an earlier age, unlikely to experience large wage increases. That way, the system would not grant, what Anna Hedborg called a "career discount" (karriärrabbatt) (DN, 19 September 1993).

Nonetheless, this reasoning was not shared at all by TCO. It criticized strongly the fact that those who start working directly after high school might get a higher pension than those who opt to study further (DN, 29 November 1992). Rosengren stated that the pension proposal discourages parental responsibilities, education, and training. These are so important for the development of a community that they do not need further disincentives (DN, 12 September

1993). A student representative within TCO, Ann-Charlotte Jakobsson, further challenged the link between education and high wages by stating that many academic jobs do not lead to high income and that many low educated professions have really high wages (Expressen, 1 February 1994). TCO demonstrated that those stopping in the middle of their career to further their studies, or obtain a new degree were heavily penalized (even more so, if it was a women who had children earlier), and that the new pension system could result in a 20% decrease in certain cases (DN, 29 March 1993). SACO added some support to TCO's claim when its President, Milton, criticized four key elements within the agreement, one of them being that university and research training ought to be compensated (GP, 23 April 1994).

Hedborg responded to Rosengren by emphasizing the points mentioned above. Thus, there are as many winners as losers since low-income earners will get a fairer link with their contributions. She acknowledged that there are some professions that do not receive full compensation for the education of its members, and they systematically tend to be women jobs within TCO. Nonetheless, she stressed that it is not the task of a pension system to resolve this wage failure (DN, 17 September 1993). Könberg used a fairly radical comparison of a 30 year career, with 15 of them being part-time with that of a 45 year career of a low wage earners to demonstrate that, under the ATP system and with the same yearly wage, they would receive the same pensions even though the later contributed 2,4 times the amount of the former (DN, 24 September 1993). Nonetheless, the pension group added pension points for studies in the 1994 proposal. However, it was highly symbolic since the pension points are based on a fictive income of 20 000SEK ($2000).

The issue turned into proper compensation for studies instead of support for studies. It was, however, rarely mentioned in the debate. Rosengren sought to re-launch the debate by stressing that financial burden faced by recent graduates with student loans and possible replacement rates of 44% (SvD, 21 September 1999). However, two bureaucrats from Riksförsäkringsverket were quick to point out that TCO used unrealistic assumptions and that the replacement wage for the example used was in fact closer to 50-55% (SvD, 14 October 1999). Interestingly, the lack of compensation for studies even reached some Conservatives and it was part of a debate between Margit Gennser and Jan Carle in Svenska Dagbladet in the spring of 1996.[307] The lack of compensation for studies was also cited widely by those opposed to the

[307] SvD, 14 March 1996; 22 March 1996; 4 April 1996; 24 April 1996.

reform as a whole such as writer Sven Lindqvist, economist Agneta Stark, Ulla Hoffmann and Karin Wegestål.

The Life Income Principle – early retirement.

Interestingly, the fact that the life income principle encouraged strongly people to have longer working career was never opposed as strongly as it was in France and Belgium. A possible reason behind this sharp difference is that Sweden's participation rate in the labour market for those 55-64 is about twice that of France and Belgium (see Chapter 1).

Nonetheless, critics claimed that the life income principle was not adapted to today's labour market because a high number of blue-collars had been benefiting from pre-pensions or were out of the labour market at an early age. For example, it was stated that half of LO's members were on pre-pensions by the time they reach the retirement age (Aftonbladet, 3 January 1994).[308] Following a governmental proposition to rise the retirement age, Doris Håvik, a SAP MPs and vice-president of the Social Insurance Committee in Parliament, expressed similar concerns. Based on statistics from Metall[309] and the National Statistics offices, she underlined that the retirement age in Sweden was closer to 60 than 65 (DN, 22 March 1993). Lundqvist and Stark stated that the retirement age of LO's member was worst at 57, and that for women it was 56 years old. Even more worrisome, they claimed that only 17% of LO women worked full time between the age of 55 and 64 (Aftonbladet, 16 March 1996).

The consequence of retiring before 65 results in strong penalty, which raised fear that many individuals would experience a lower pension. Citing a report from the Finance Ministry, Lundqvist argued that around 60% of individuals could find themselves below the pension floor, meaning that they would have to rely on the guaranteed pension (Ordfront Magasin, 5/2000: 11). Unsurprisingly, many LO members and Metall were therefore opposed the life income principle even though the central office stood behind the reform. Their voices were strongly heard during the SAP congresses of 1996 and 1997.

The Left and Green parties have been opposed to the life income principle for the impact it will have on women (see above). The Left party was opposed to it on the grounds that it took away the solidarity that was found in the previous system. The 15/30 rules covered numerous

[308] Debatt – Jan Hagberg.
[309] The second largest federation within LO.

events such as the birth of a child, studies, and long period of unemployment without being penalized heavily. Now the system is individualized.[310]

Strongly favoured by all members of the Working Group on Pensions, the life income principle remained strongly anchored in the agreement. Comparing the new system to the "unfairness" of the ATP system was one of the favourite tools of the pension committee to stress the advantages and benefits of the life income principle. For example, it was stated on numerous occasions that up to 1/3 of contributions in the former ATP system did not result in higher benefits (SdS, 3 November 1996). However, this implied a working career of 45 years. On many occasions, they argued that LO types of career (high number of working years with slow rise in wages) were likely to benefit the most from the new rules.

Costs of the new system

Following the presentation of the pension proposal in early 1994, critics became to emerge within that the new system would be as costly as the old ATP and could still require large public sums. The Ministry of Finance, Riksrevisionsverket (the National Audit Office), and even some economists within the Social Democratic Party claimed that the current proposal was very expensive and that like the ATP system, it required 26% to cover current costs (current contribution rates would be around 20%) (DN, 19 February 1994; DN, 22 February 1994). There even was concerned within the Ministry of Finance that this proposal could be more expensive than ATP with a growth rate of 2%, the figure used by the Working Group to sustain its system.[311]

The Ministry of Finance wanted to ensure that the resources taken from the state budget would be maintained at a minimum. It criticized the pension proposal for having a too large guaranteed pension, which is financed via taxes and not contributions, a generous indexation mechanism, and financing once the AP-funds are empty (DN, 22 February 1994). Indexing the ceiling on wages also required more resources according to the Ministry (Marier, 2001: 113). Even following the final agreement of 1998, the Ministry seems to be quite sceptical of its financial balance. A recent report stated that the amount collected from contributions would soon

[310] Interview, Ulla Hoffmann 29 November 2000.
[311] Interview, Stefan Ackerby (Ministry of Finance) 17 November 2000.

not be sufficient to pay for benefits in a few years and that this trend was to continue strongly until 2030 (DN, 11 November 2000).[312]

The opposition of the Ministry of Finance deserves a closer look to its role within the process. For the first few years, the presence of the Ministry of Finance was not strongly felt within the Working Group on Pensions. None of the party representatives had strong affiliation with this Ministry, as most had been primarily involved with social issues. The Ministry presented some analyses to the group but was not highly involved in the negotiations prevailing among the members of the group. The structure of the Working Group on Pension and the handful number of individuals within the Ministry of Finance working on this issue further marginalized its role.

Thus, up to about the time the bill was to be introduced in 1994, the role of the Ministry of Finance was negligible. Usually, within a government, the Minister of Social Affairs presents his/her proposal to the Minister of Finance. Negotiations then follow on the proposal prior to presenting it to the whole government. In the case of the proposal brought forward by the working group, the Ministry of Finance did not have the opportunity to alter it significantly as the proposal was part of a five party agreement. Its strength was seriously reduced since modifying the proposal would require re-negotiating an agreement that took two years to build. The strong coalition behind the proposed reform raised the political price of turning down the proposal and forced the Ministry of Finance to work within the framework set up by the members of the working group (Marier, 2001).

These constraints did not stop the Ministry for seeking to influence the deal. Regardless of the political colour of the members in the committee, it was often mentioned as the major stumbling block in the pension reform process.[313] It was even mentioned that the relationship between the Ministries of Finance and Social Affairs was extremely adversarial (DN, 4 April 1998). An important element of discord was the amount of money from the AP-funds that should be transferred to the state budget to cover the new responsibilities granted by the reform, which used to be financed by the AP funds. According to the former Director General of

[312] Debatt – Kjell Olof Feldt former Minister of Finance in the 1980s.
[313] See citation of Hedborg above. On the question of what was the major stumbling block during the negotiation, Margit Gennser answered the Ministry of Finance with hardly any hesitation (Interview, Margit Gennser 12 December 2000).

Riksförsäkringsverket, one of its proposal asked for a transfer of over 333 billions SEK to cover the costs, of which 120 billions were already transferred (SvD, 15 May 1998).

Despite its intrusive role, it is worthwhile mentioning that the Ministry of Finance was pleased with many features of the system such as the life income principle providing a strong work incentive, and the funded part resulting in a higher individual savings rate. According to Könberg, it was very happy with 95% of the proposal and its direction, but they fought for every detail.[314]

Difficulties to challenge members of the group

The Ministry of Finance was not the only one frustrated by the close co-operation of the working group's members. Strong critics would arise for two particular points: the secrecy behind the negotiations, and the short period granted for discussion (*remisstid*). TCO's President, Rosengren, would raise the first point loud and clear in September 1993:

> "The doors of the Working Group on Pensions are almost always closed for the labour market partners. Therefore, we do not know exactly what is going to be proposed" (Debatt – DN, 12 September 1993 – Author translation).

Könberg responded to Rosengren few days later by referring to the presence of a reference group, which met on many occasions to inform labour market partners of the progress made by the working group, and personal meetings he had had with them. He further stressed the publication of the reform sketch in 1992 (DN, 24 September 1993).

Regardless of the efforts made by the member of the working group to integrate the labour market partners via the creation of the so-called reference group, it is clear that it cannot replace a place as a full standing member within it. There is no doubt that the collegial atmosphere would have been very difficult to create had the labour partners been involved as full members. Further, the advantages of being in the group go beyond having an influential role during the negotiations, but it also provides members with all documents and analysis performed by the bureaucrats attached to the group. In many cases, these documents can be the best source to critique one's proposal. The exclusion of the labour market partners within the working group must be considered as an important part of this process, and an important political decision since

[314] Interview Bo Könberg 20 November 2000.

it had the effect of reducing their influence. This would have been really difficult to do without a previous commission on this subject or with a social democratic government.

The Working Group on Pensions gained the name of being a “secret” group, not as a result of the exclusion of labour market partners but because it excluded both the Left and Ny Demokrati representatives for the negotiation of the agreement. A journalist from Göteborgs-Posten called Hoffmann, the Left representative, in mid-December to tell her about this. She claimed to have had no idea that this was going on (GP, 15 December 1993).[315] All serious negotiations were made in this “secret” group, and few issues were negotiated directly between Könberg and Thalén (ibid). Thus, when all members of the Working Group on Pensions would meet, many decisions had already been taken. The members of the working group defended their actions by underlining the refusal of both parties to support the main elements of the pension sketch of 1992, which was the basis of all negotiations.[316]

The fact that the Implementation Group continued with pretty much the same actors and employed the same structure did not appease the critics. Nonetheless, few, with the exception of the two parties not involved in the compromise, openly challenged it on the grounds it did not operate like other commissions even thought they questioned the openness of the group. One possible exception remains Karin Wegestål, who tried in vain to break up the agreement. She advocated a bigger group with more MPs and experts (SdS, 6 October 1996).

The second point is clearly specific to Sweden and it relates to the times individuals and organizations are allowed to respond to the conclusions of commissions. Starting in the fall 1993, the working group was clearly running against the clock in order to reach an agreement prior to the elections. The final agreement was reached quite late for it to be legislatively processed in time. As a result, six weeks were granted for comments and opinions (*remiss*). This was a very short period considering the importance of the issue at hand and the size of the working group’s documents (more than 900 pages). In terms of comparison, six months was granted for the

[315] She would push forward a challenge to the constitutional committee on this subject claiming that state resources were used for political reasons. The challenge would be rejected. The Ny Demokrati representative, Leif Bergdahl, opted for another way to express his displeasure. Citing bad treatment from the government during his work within the Working Group on Pensions, he would vote against a house doctor bill without warning the government first in March 1994. He supposedly was not able to held discussion alone with Könberg, who insisted of having a social democratic representative present (GP, 25 March 1994).

[316] For example, in a debate article in Aftonbladet, Thalén would justify the exclusion of Hoffmann on the basis of the refusal of the Left Party to accept the life income principle, thus refusing to take the responsibility to reform the ATP system (Aftonbladet, 6 January 1994).

reports of the previous pension commission.[317] Moreover, the working group only gave itself two weeks to consider all of the comments prior to preparing the bill for the Parliament.

Some of the critics even pointed towards mistakes within the report to stress that the whole process was rushed and that it was nearly impossible to compare the old system with the new one.[318] Many of the comments received by the working group would concur that the proposal was not fully completed and that many aspects needed to be précised further (DN, 11 April 1994). A week and half extension were granted following these protests. Könberg would then add: "the critics would be mush harsher had we not found a compromise" (GP, 12 April 1994 – author translation).[319]

Surprisingly, newspapers were not filled with similar complaints in 1998 despite the fact that the agreement came relatively late resulting, once again, in a short remiss period.

This short period did not allow for a thorough discussion within large unions and other organizations, and provided many difficulties for those who wanted to prepare a strong opposition to the proposal. Unsurprisingly, many of the protest behind the remiss period came from those who were opposed to the system. Nonetheless, this decision was widely criticized in the comments and opinions received by the working group.

Seeking to introduce individual contributions

Unexpectedly, an element of the pension proposal included splitting contributions equally between employees and employers. It was one of the few elements from the pension reform that had not been mentioned in the media earlier. What is surprising, however, is that the labour market partners seemed to have received the news from the mass media.

Following this announcement, SAF responded by stating that it is not that obvious that wage will rise if its contributions are reduced. It was argued that such rise would have to be negotiated within the collective agreement. A director even stated that the reduced contribution rates should go to share holders or to increase profits (DN, 4 February 1994).[320] A few weeks

[317] Ironically, Ingela Thalén had claimed earlier that the remiss period had to be significant for such a reform (DN, 11 January 1994).
[318] See for example, Agneta Stark - DN, 30 March 1994; Margareta Frölich – GP, 24 April 1994.
[319] To this specific issue, Hedborg would state: "the question is if we will take the chance to get a broad agreement in the Parliament or take the risk that something happens during the elections…you can never know whether some or many parties will get off board" (DN, 5 February 1994).
[320] The journalist from GP would write that SAF has entered the pension debate "with the finesse of an elephant in a porcelain store" (GP, 5 February 1994).

later, its confrontational tone decreased, but it still claimed that a one for one krona exchange might not be possible since other social contributions were higher because of the wage increase (DN, 19 February 1994).

The politicians were quick to react. Könberg stated the SAF was playing a dangerous game, which could endangered the whole reform while Hedborg claimed that it was a simple question of good will and moral (DN, 4 February 1994).[321] The key difficulty for the members of the pension group was that they could not do much more than recommend an increase in wages for a reduction in contributions.

This element of the reform was to become seriously jeopardized when LO expressed its opposition to individual contributions in principle. It also questioned how this would work in practice (GP, 15 February 1994). TCO criticized the proposal for its marginal effects. According to the economist Pia Nilsson, further wage increases would be required to maintain the same net wage. A key reason mentioned was that a rise in income implied higher taxes (DN, 20 June 1994).

Following the election of 1994, this issue was to remain the biggest stumbling block for the Implementation Group. However, few external critics intervened strongly in the debates. The labour market partners changed their tone once it became clear that the government would bear the costs of any adjustment that would be necessary to implement this change. The critics have all emphasised the lack of agreement on this question even though more than 5 years passed since its inclusion in the 1994 agreement.

The so-called broms…

As stated above, civil servants are currently working on a technical device that would allow an indexation of pensions in the case of stark changes in demographic and/or economic conditions. The main objective of the broms is to ensure a depoliticization of pension decisions when such time arises by having the problems resolved "automatically".[322] As stated by two civil servants within the Ministry of Social Affairs:

[321] In an effort to reduce possible tensions within the committee as a result of SAF's stance, Gennser declared that it is not catastrophic is individual contributions are not achieved. Key is that the tax relief for contributions above the ceiling remain (GP, 15 February 1994). Nonetheless, it is worth pointing out that Könberg, and not Gennser, was the one insisting on this principle.

[322] Bo Könberg stated that the objective of the Broms was to "make the system as independent as possible. The alternative is naturally that the Parliament goes in and reduce pensions in the bad time and speeds them up in good

> "the brom will be done as an automatic control system, which will be operative when the economic balance of the system is displaced…The aim is to create a completely stable financial system is not to free politicians from responsibility. The aim is instead to free future politicians from the risk to being forced to choose between breaking electoral promises or introduce higher taxes. Therefore, we take the responsibility today for the system's sustainability and do not push the problem into the future. The system does not take away any responsibilities for future political decision-makers (SvD, 24 July 1998 & 21 August 1998– author translation).

The technical properties of the broms are so complex that only a couple of experts actually seem to understand how it works![323]

Despite the fact that it is not yet finished many critics have sought to challenge its very existence and have speculated on when it will be used. A key cynical response to the broms by its critics has been to state something along the lines of "the new system was supposed to be financially stable and robust while being able to face changing demographic and economic situations. What has happened to that?" The broms has been viewed quite suspiciously as another device to reduce pensions beyond the mechanism already put in place in the new system.

One line of argument advanced by KG Scherman (the former DG of RFV) and Barbro Westerholm (former MP for the liberals, member of the Working Group, and now President of the Swedish Pensioners' Association) is that the AP-funds should be fulfilling this function; it was designed as the broms. Thus, they have been highly critical of the large sums of money transferred from the AP funds to the state budget. Further, they argue that if there is a big economic or social catastrophe in the future, future politicians should take care of that (SvD, 15 May 1998; 11 August 1998; DN, 19 February 2000; UNT, 29 May 2000).[324]

Critics have specified that the broms might end up being in effect a lot sooner than expected. According to Scherman and Westerholm, RFV and the administration of the AP funds have stated that they could be used within the next 10 years (DN, 19 February 2000). Feldt followed in the same footsteps by stating that the use of the broms could come very soon because benefits will soon outweigh contributions (DN, 11 November 2000).

---

times" (UNT, 26 May 2000). Nonetheless, he has continued to defend the "automatic" device rather than future politicians.

[323] Interview, Jan Bröms 15 November 2000.

[324] See also debate articles written by Scherman (SvD, 27 September 1999; 3 November 1999). The disappearance of collective savings (AP funds) was also criticized heavily by some social democrats and the Left party because of the way it had financed collective projects and provided further financial protection for the whole country.

The controversy surrounding the broms is unlikely to stop in the near future. Despite all the critics, its application may prove to be the most important element for the opposition. As stated during an interview with Westerholm, she is anxious to see the politician who is actually going to announce a reduction in pension benefits to current pensioners.

Internal Critics: Social Democratic Party and Conservative Party.

These two parties were really the only ones to question the pension proposal presented by the Working Group on Pensions and completed by the Implementation Group. Despite continuous support from the party leadership and executive, the work of Anna Hedborg and Ingela Thalén became increasingly criticized within the SAP. As seen above, its women's association was strongly opposed to the life income principle. Many MPs under the leadership of Karin Wegestål started to question the actions of its representatives and criticize the reform. Few days prior to a vote on the approval of the pension proposal within the party leadership, 33 social democrat women even wrote an open letter raising a number of questions and asked for a broader debate (Aftonbladet, 7 April 1994). Nonetheless, the party leaders elected to go ahead with the pension proposal. There had been a strong belief that it had to be resolved prior to the election and could not become an electoral issue.

As pointed out earlier, the SAP congress of 1996 and 1997 nearly forced the government to break up the agreement with the four bourgeois parties. Strong critics emerged during the congress of March 1996, which included few motions to scrap the agreement. Anna Hedborg presented the reform to the congress and spent a lot of time defending the position taken by the party. In the hopes of appeasing the opposition within the party the leaders agreed to have a broad consultation of its members, even thought the framework of the agreement had been approved two years earlier. However, this strategy backfired, as most comments were quite negative. Adding oil to the fire, Klingvall refused to make the results of the inquiry public.[325] More than 15 000 members participated in various forums, producing more than 500 official submissions of opinions. According to Lundberg (2001), around 80% of the opinions were negative towards the new system and advocated changing the parameters of the ATP system

[325] In protest, the writer Sven Lindqvist quoted some of the responses given by some party districts in Dagens Nyheter, all of which were negatives. He would also cite one of LO's newspaper who used the title Are 95% of the replies critical to the five party agreement? (DN, 18-19 August 1997).

instead (43). The reform proposal sketched by RFV in 1991 became the alternative model for the opposition.

The result was a stormy congress in 1997. 28 motions were very critical of the new pension system while 17 mentions asked for a dismantlement of the pension agreement to replace it with a reform based on the ATP system (Lundberg, 2001: 42). The Minister Thage G Petersson and Metall's representative Göran Borg, who had been advocating the dismissal of the proposal, saved the agreement thanks to a compromise stroke during the early stages of the debate on pensions.

Margit Gennser also faced opposition within her party. The critics were mainly a group led by Lars Tobisson and individuals within the government's office (Rosenblad) who had been advocated a fully funded system, or a higher funded component. Lars Söderstrom, who had been advocating a fully funded system himself (see above), would give his support to Gennser and convinced the others to do the same underlining the tax reduction and the closer link between contributions and benefits (Interview, Margit Gennser 12 December 2000). Eventually, Tobisson supported Gennser. Tobisson's support would be key, as other influential party members such as current leader Bo Lundgren and the then Prime Minister Carl Bildt were more critical of the pension proposal (DN, 12 April 1998).

Position of Labour Market Partners

The specific positions of each labour market partners are summarized in table 4.10 for the 1994 pension agreement. LO was the only organization to give its full support to the new pension proposal. Interestingly, it was also the quietest during this whole period. Not one article in a newspaper was found regarding LO's action while the Working Group on Pensions was active.[326] According to Lundberg (2001), there was a pre-negotiation between the leadership of SAP and LO to support each other throughout the process in order to avoid an internal conflict between those supporting reforming the reform and those seeking to maintain the ATP system (27). Despite frequent contact between the central office and the two SAP representatives,[327] it is difficult to concur that LO was actively involved in the proceedings for many reasons. First, being outside the committee implied that it had to rely on the Social Democrats and the so-called

[326] LO would break its silence few weeks after the release of the Working Group's report by criticizing the introduction of individual contributions in principle (GP, 15 February 1994).

reference group to obtain information on the progress made by the committee and documentation. However, many documents were not made available making it difficult for the critics to argue against the pension groups. A key complaint from a TCO expert was that the Pensioner's organisation[328] could receive all internal documents, which were not accessible to them.[329] Regardless of the ties between LO and the SAP, such contacts cannot replace full participation within a committee. Second, the elements that were difficult politically were negotiated during December 1993 and early January 1994. These negotiations were quite rapid and intense, diminishing the input of an external player. More importantly, LO had another major pre-occupation during this period: the resignation of its President, Stig Malm. Third, LO's reactions to the introduction of individual contributions suggests that they were not fully aware of this decisions.

LO was also divided internally, marginalizing further its position. It had the support of its largest federation, Kommunal Förbundet and key women's federation (see above), but not Metall's, the second largest union within the confederation. It pronounced itself against the reform even though its leaders had suggested earlier the approval of the proposal. Metall claimed that many workers are forced to retire at 60 and would thus be heavily penalized by the new system. One of its objectives was to convince the SAP to go against the proposal (DN, 26 March 1994). Metall proposed to lengthen the rules of the old system to 20/40 instead of adopting the life income principle. It was also highly critical of the introduction of individual contributions (GP, 19 January 1997).

Despite the support granted by LO's central office, newspapers stated on numerous occasions that LO members were very critical of the pension proposal. This came obvious during the internal review of the SAP in 1996 and during both congresses in 1996-7. Both LO and Metall stated publicly that there was no need to rush a new pension system as the problems with ATP would only arise in 2010-2020 (GP, 14 January 1997).

The congress promise of holding on to collective funds was viewed as an important gain for LO. It saw the possibility of using pension accounts to promote the development of regional

---

[327] Interview Anna Hedborg, 6 December 2000; Tore Lidbom (LO), 21 April 2002.

[328] Göran Persson surprised everyone in the Implementation Group by promising a seat for pensioners in their group in 1996 without prior consultation.

[329] Interview, Anita Elfwing (TCO), December 2000. She claimed that they did not even receive a first draft of the 1994 inquiry.

economies in the way originally planned by the wage earners fund (GP, 14 September 1997). These hopes would, however, vanish rapidly.

TCO had been opposed to the reform from 1992. Its confederation was the big loser of the new system. In a sense, TCO lost what it gained in the 1950s when its support was needed to support the creation of the ATP system. It was no secret, even then, that the 15/30 rule was created to secure the vote of a large chunk of its members. The Social Democrats representative were able to secure LO's support by demonstrating that TCO type of jobs had been gaining under the ATP. This is extremely important since the new system, in fact, results in an increase in the length of contributions. By demonstrating that LO's members became relatively better off, the social democrat representatives were able to secure its support. Nonetheless, it was unclear whether or not LO members would actually gain a higher pension with the new system.[330] Thus, despite all the articles discussing the main advantages of Sweden as being a universal welfare state, where occupational divisions are minimized, it is along occupational lines that the political game was plaid. SACO would also come out against the pension proposal, but it stated that there positive with regards to the foundation of the system. There negative answer came as a result that many questions needed to be clarified such as the financial consequences of the system on the state's budget. They claimed that this could result in higher taxes (DN, 7 April 1994). SAF ended up supporting the splitting of contributions between employers and employees and was quite positive to the reform despite certain elements it deemed expansive. It would not be active in the process.

[330] Regardless of what was said by the committee members, such promise could not be fulfilled without a clear decision on the rules of indexation. Further, due to the funded part, any prediction becomes even more volatile.

Table 4.10 Positions of Labour Market Partners on Specific Issues Proposed by Pensionsarbetsgruppen as Stated in *Sammanställning av Remissyttranden över Pensionsarbetsgruppens Betänkande Reformerat Pensionssytem (SOU 1994: 20).*

	Life Income Principle	Pension Rights for Children	Pension Rights for Studies	Pension Rights for Insured*	Indexation based on state of Economy	Basic Pension	Transition Rules	Splitting Contributions 50% each	PPM
O	Support – if considers redistribution based on sickness, unemployment...	Support	Support	Support	Support	Support	Support	Opposed	Support – still prefer use of AP-funds
CO	Opposed – based on labour market of yesterday, short work life heavily penalized.		Support – should be increased and granted for part-time studies	Support – should be based on insured income	Support	Support	Opposed – need review	Opposed	Leads to a decentralisation of savings
ACO	Support – even though it hurts academics (low early wages).	Opposed – wants change (not equitable - men and women).	Support - should be increased and granted for part-time studies		Support		Mild Support – period should be prolonged by 5 years	Mild Support – many complication for this transition	Support
AF	Support	Opposed – benefits without contributions	Opposed – benefits without contributions	Opposed – did propose an alternative solution	Support	Opposed – too high.		Support	Support

* People on unemployment or sickness insurance.

The Swedish Reform: A system shift?

Instead of fixing some parameters like France and Belgium, Sweden ended up creating a whole new pension system. The numbers of issues and difficulties raised by such undertaking are paramount relative to the aforementioned countries. The implementation of the Swedish reform has been quite complex and difficult. Numerous reports were published for many technical details and the final legislation was composed of 1091 pages excluding the annexes. This is in sharp contrast to the problems experienced in France when it introduced a pension reform in 1993. When asked about implementation and legislation, Hourdain answered: “it was easy, I wrote three lines”! With this in mind, it is difficult to support Pierson’s view of stability for the Swedish case, not to mention his conclusions, where he states that “the pension reform introduced in June 1994, based on extensive consultations among the major parties and the representative of labour and capital, seeks to get Sweden’s public pension system on a stable, long-term footing without challenging its basic principles” (Pierson, 1996: 172-3).

Curiously, it is practically impossible to present a picture of the financial consequences of the new system because it is still being constructed, and the inclusion of the fully funded component raise the level of uncertainties with regards to replacement rates that will be available in the future. Further, pensions become much more volatile and it is suggested that the system will balance itself as needed. The switch from a defined benefits system to a defined contribution system also means that contribution rates are expected to remain fixed at 18,5%, thus projecting future costs pressure by studying the contribution rates needed to cover it becomes a useless exercise.

When the first pension deal was reached in 1994, many commentators claimed that it was in fact a blending of the three positions that were debated during the ATP conflict of the 1950s. It includes a large payg component guaranteed by the state, a somewhat high guaranteed pension, and a funded component. By default, such metaphor implies the acknowledgement of a system shift towards the right since they were not able to integrate any of their preferences in the 1950s. The introduction of a funded component into the state system was the key item that had to be accepted by the Social Democrats to get this agreement. It is worth noting, however, that the life income principle does not necessarily represent an anti-social democratic element. Contrary to the misleading picture of Sweden and its generous welfare state, the system encourages and pushes people into employment, not passive handouts. When answering the gender critics, Hedborg would be quick to point out that employment not the state or a rich husband was the way for women to acquire independence (see above).

Why did the Social Democrats agree to such a change?

By accepting to reforming the whole pension system, the social democrats agreed to open the door to the demands of the four bourgeois parties. Thus, the key question becomes why would they do it?

First, it is important to note that reforming an instituted system is not the same as modifying one. The responsibility of having a supplementary pension for all citizens was accepted by all actors as a given. Had this element been in question, discussions would have never begun. This goes beyond the commitment made to future generations and the difficulties related to changing the system that would fit under the label path dependency.

Second, Sweden has had a tradition of solving crisis by consensus that was severely tested in the early 1990s when it entered in a terrible recession. The government adopted a major crisis package and it was supported by the Social Democrats. Thus, contacts between the opposition and the government were quite frequent and conducive to compromise. Even though the work of the committee began prior to the big economic crisis, it cemented the necessity to do something about pensions. The long-term vision required to introduce a new pension system also enhanced the need for co-operation.

Third, the question becomes why would the Social Democrats agree to change the system? It is often mentioned that the Social Democrats were in office for all but a few years since WWII, but a closer chronological outlook presented another reality. For the period 1976-1994, the bourgeois parties held office for 9 years (1976-82; 1991-1994) the same length as the Social Democrats (1982-1991)! At the beginning of the negotiations, the popularity of the Social Democrats was extremely low and the hopes of gaining office looked bleak at first. Despite SAP's desire to reform the pension system according to its preferences, it had to acknowledge the possibility that a future bourgeois government could do the same and that this likelihood was much stronger today than it was tomorrow. Thus, the maintenance of a strong payg component required a broad political support to ensure its long-term viability. The politics of pension in the United Kingdom supports this hypothesis. This point of view was clearly stated by Hedborg when asked why the Social Democrats accepted the proposal even though all polls in 1994 switched into their favour:

> "Because there would be another election, perhaps it would have been possible to use pension reform as an opponent thing in an election campaign. This is so long run, if there is one real danger to pension reform is to have reform all over again. It is not a system we can carry and remake every four years, then it goes down the drain. We really felt that we needed to get it out of the election arena that one and the next election" (Interview, Anna Hedborg, 6 December 2000).

Even though Carlsson was sceptical that an agreement could be reached among the largest parties, he was still extremely careful in selecting the SAP representatives. Hedborg and Thalén were chosen for upcoming difficult negotiations within the working group and the party (Lundberg, 2001: 25). This selection underlines that the SAP was serious about getting a compromise. It could have easily selected members that had been critical on the need to reform the pension system such as Doris Håvik who was had been the vice-president of the social security committee in the Parliament. The negotiations would have gone nowhere, and the SAP could have campaigned on saving pensions. Within this perspective, one has to wonder what were Persson's true motives by appointing Klingvall as Social Affairs Minister in 1996 and a pensioners' representative within the Implementation Group during the same year.

Fourth, why did the Social Democrats stood by the agreement in 1996 and 1997 when it became evident that grass-root support was, at best, questionable? The costs of renouncing to the pension agreement increased as time went on. Had the social democrats opted to renounce to the five party agreement, they could have face stark criticism from the population for leaving the pension agreement when it was widely understood that a pension reform was necessary. These costs were considered quite important, and might have been overestimated, but no party wanted to be blamed for the failure of reaching an agreement. Some internal critics (Tigle, Wesestål and Hagberg) would stress this situation by calling the five party reform process a "chicken race" to know which party will get out of the agreement first (SvD, 11 March 1999). Anna Hedborg mentioned the same point, as to why the social democrats stuck to the pension agreement:

> "…at the end, who would have been happy with the social democrats if they had left the reform except a small group in the party congress. Even if it was close in the party congress and it was a hard time to get it through in a positive way, it was also very impossible not to do it. If you look at it from the outside, or even inside. It is impossible to be the one to say no. That would have meant that the bourgeois party would

> have sort of ruin, take down the public system making it pretty much smaller. Then how would that responsibility look for that individual? That is a similar logic that has kept the Moderates within the agreement. To be the one and say no, we do not want this, it would have never paid once you are there (mean in the negotiation). Because it is a fair deal, it is a way of saving rights. And the one who would leave the negotiating table would have to pay a price" (Interview, Anna Hedborg, 6 December 2000).

Further, they would have faced many difficulties in pushing through their own preferences. Even the internal opposition admitted that themselves by pointing towards possible coalitions the party could make to avoid dealing with the Conservatives. Bengt Silfverstrand, a SAP MP, would argue in favour of a new pension agreement with the Centre Party and the Left Party (GP, 15 September 1995). The president of Metall, Göran Jonnsson was highly critical of both Centre and Conservative parties because they both favoured only a basic system of social protection. Thus, he advocated a new deal with only the liberals and the Left Party (SvD, 14 January 1997). Even if we accept the unlikely possibility of a co-operation of a tri-partite agreement that would include the Left and a bourgeois party, re-opening negotiations with a new party while seeking the co-operation of a bourgeois party would have resulted in further delays. Moreover, it did not provide any guarantee that a new coalition may be able to generate a system shift soon afterwards.

As stated above, the bourgeois parties would have most likely opted for a very antagonistic stance and be able to criticize the social democrats for jumping off the boat to defend a unsustainable pension system it built. The bourgeois parties could attack the ATP system using all evidence pointing towards its demise. With a radicalization of the conflict, people seeking a much stronger private role would have replaced Gennser's acceptance of a large payg component. Moreover, the bourgeois options had not been tested and could have been perceived as worthy of a try. The bourgeois parties would have most likely sought to reform any system adopted solely by the social democrats. They could not assume that their political hegemony would continue. As demonstrated by the UK example, a pension reform putting strong emphasis on the private sector makes it extremely difficult for any follow up government to reverse the clock.

Another important element is that many elements of the new pension system started to be in effect in 1995 such as the life income principle, the investment of the 2% funded componenet within the National Debt Office, pension rights for studies, military service, and childcare. Altering those to create a new system would have resulted in further transition difficulties and more confusion within the population.

Finally, the alternative to the pension proposal was built on shaky ground. Its own members had stated on numerous occasions that the old ATP system would crumble in the new future and that it was unfair for LO types of workers. Turning back the clock to defend it would have resulted in a serious credibility dilemma and further internal conflicts. The mass media would have had a field day bringing back old comments made by the SAP representatives from various pension commissions. Once again, Hedborg's insights are worth mentioning:

> "To be the one to ruin the thing would have meant quite a price. It would have meant staying in the old system, not changing anything. That would come back in the political process hammering on you for ages. You would also be stuck with the problem. Not doing this, mean doing something else, what would that be? If you just do not want to be in opposition forever, saying you could have had much and much better. But if you are a responsible party wanting to be part of a government of either kind, you would have to do something anyway. Come up with something better on your own after having left the table. I mean how respected as a reformer can you be" (Interview, Anna Hedborg, 6 December 2000).

Obtaining a five party agreement also diffused the responsibility if the new pension system does not generate the promised outcome. It will be quite difficult in the future to point the finger towards the responsible of the new system (Pierson, 1994). However, one must careful when pushing this argument since the Left Party remained outside the agreement and could capture support from disenchanted Social Democrats.

Therefore, it was better to hold on to the agreement and seek to alter some parameters such as pre-pensions to compensate for the earlier retirement of many industrial workers.

Corporatism and union influence, a thing of the past?

This chapter, and book, challenges previous works that have underlined the participation and importance of LO in the Swedish pension reform (see for example, Anderson, 2001). The traditional answer to any denial that LO was actively involved is to answer with a typical Olson (1965) argument: the concentration of interest results in a stronger political position where conflicts can be internalized because of the highly hierarchical structure of unions. Thus, a compromise can easily be reached where losses are spread out in a corporatist way.

As mentioned prior to the discussion of the pension reform process, this picture is becoming increasingly difficult to support. First, the role of labour market partners within the decision-making process and state apparatus has been declining sharply in the past two decades or so. Analysing a wide range of indicators and factors related to Swedish corporatism, Hermansson et al (1997) conclude that:

> "A systematic analysis of previous research completed with our own preliminary study has demonstrated that reports on the death of Swedish corporatism are not totally groundless. Yes, it is overstated and yes, the empirical literature tends to point out opposing trends. Despite all these caveats, there remains the fact that something quite palpable has happened within the Swedish state within the course of the past two, three past decades. With a lower degree of indirect parliamentary representation for the prevalent interest groups, we see less corporatist decisions. The past 20 years have also implied a decreased participation on the parts of interest groups in committees and independent agencies (the so-called *verket* or *styrelsen*)" (Hermansson, Svensson and Öberg, 1997: 378 – author translation).

On this subject, Jan Bröms, chief economist with SACO, mentioned that the unions had experts like him participated actively into various commissions and inquiries in the past. It was not unusual for an expert to be involved in a few inquiries at the same time. Indicative of the changing involvement of labour market partners into the state, Bröms was only involved into the works of one committee at the time of interview and he sat in because of its expertise in the subject and not his union affiliation![331] Labour market partners now tend to confine themselves to labour market issues.

As a result of ATP, a universal pension scheme was created and confined to the state. LO trusted the state and it sought (and did) capture the state (see Rothstein, 1996). Thus, its proposal was to build such a scheme within the state rather than apart from it. This is in stark contrast to France, where unions were highly critical of the state and its overwhelming presence. Thus, they constantly sought to obtain the control of occupational pensions while keeping the state at bay.

These two factors can explain with the protest from the labour movement was very mild when Könberg announced the creation of the Working Group on Pension. In fact, I was unable to find a newspaper article stating opposition from unions or employers when the group was created. TCO would criticize its exclusion in 1993 only when it became clear that the new system meant a reduction of pensions for its members.

[331] Interview Jan Bröms, 15 November 2000.

Being able to exclude them goes beyond the fact they had been consulted previously. During the interview, Könberg stated that it would have been impossible to exclude social partners if Sweden had Finland's system because it is being taken care by social partners.[332]

Thus, throughout the later part of the pension reform process, LO's influence would be obtained via its links with the Social Democratic Party[333] and not the state. This is the reason why protests from LO members were targeted at the SAP and both congresses and not the pension group directly, as it would have the case in France. Historically, this is nothing new. Korpi (1983) and Esping-Andersen (1985) claim that the rise of the Swedish welfare state was dependent on this collaboration. However, for this equation to work, the social democrats were able to sustain a long political dominance. In the early 1990s, it was not clear that they would govern for two consecutives mandates, and maybe a third, after the bourgeois coalition of 1991-94. As underlined by Rothstein (1996) and Lindqvist (1990), the control of the state bureaucracy and a strong participation in the organs of the state was also an essential element. As mentioned earlier, the Ministry of Social Affairs would see a stark rise in staff members, which included few members from the Ministry of Finance. These shifts helped decrease the attachment to the ATP system (see Marier, 2001). And, as discussed above, the participation of labour market partners have been on decline for the past 20 years.

Thus, LO's influence into the deal cannot have been very strong. Of course, it had close contacts with the social democrats and they were aware of LO's preferences. For example, they had plenty of time to discuss the sketch published in 1992. However, these discussions and contacts could not replace the fact that it was not directly participating in the negotiations. The two most serious rounds of negotiations (December 93/January 94 and January 98) occurred in a very short period of time, decreasing the likelihood of external consultations. LO was even going through a change of leadership in December 1993! Once the agreement was done, LO like other parties outside the "secret" Working Group on Pensions were left with a *fait accompli*. It could comment negatively on specific aspects, ask the social democrat to seek certain modifications, but it was forced to either accept the package or reject it.

The second major element often stated as a major difference between Sweden and other countries, is the universalistic nature of the welfare state, which is partly the result of a highly

---

[332] Interview, Bo Könberg, 20 November 2000.

centralized labour movement. This results in a welfare state that is supported by all groups of individuals since they all received benefits from it (Rothstein, 1998). Thus, reform or retrenchment measure will tend to be more easily accepted since it implies that all individuals make a sacrifice. This is in sharp contrast to countries that have means-tested or occupationally benefits where welfare state support clusters around these divisional lines. Thus, support for means-tested programmes tend to be low within the population, which make them vulnerable for retrenchment because many individuals do not receive any benefits from it. More conducive to the status quo, because of the potential political costs, are occupationally defined programs. As we have seen in the case of France and Belgium, it becomes difficult to enact a "fair" reform because of the differences in benefits accorded to the various occupational groups.

This chapter raises doubt to the validity of the universal argument in times of retrenchment. The creation of a universal income related pension programme was the result of an occupational coalition of blue and white collars. The Social Democrats and LO needed the support of TCO members, many of whom already had occupational pensions, to ensure that it could emerge with a sufficient majority to beat the opposition. The Social Democrats agreed to the 15/30 rule in order to gather TCO's support for the supplementary pension and expend the size of its electorate (Svensson, 1994). The fact that TCO types of jobs benefited most from the previous system should have not come as a surprise. The ATP system was built to get their support, not to improve the situations of women or those facing long period of unemployment and so on. Of course, they benefited from the system too (even though not in relative terms).

The new pension system came into reality because of the opposite action, and an occupational logic led LO to support the system. As seen in France, blue-collar unions (FO and CGT) were strongly opposed to any increase in the length of contributions because many of their workers already had difficulties reaching the 37,5 years of contributions required and many of them relied on early retirement. Despite having a better situation than their French colleagues, the average retirement age of LO members was still below 60 and many workers were benefiting from pre-pensions. The new pension system with its life income principle has the same effect as an increase in the required number of years to obtain a full time pension, but it was not criticized as heavily as in France. Why? LO came to be relative winners in the new system at the expense

[333] This was acknowledged by Tore Lidbom, LO's pension specialist who was involved in the process from the very beginning (Interview, Tore Lidbom, 21 April 2002).

of TCO members. The five party agreement meant that the support of TCO was not as crucial as it was when the ATP system was created. It could no longer play the role of being the centre element sought by two blocks opposing each other. LO's support, however, was more crucial because of its connection to the SAP. Moreover, the five party coalition were able to sale an extension in the length of contributions by stressing that the previous system disadvantaged them. Statistics demonstrated that they were financing the pensions of TCO's members, who could obtain a higher pension even though they might have had contributed a similar amount. This was a powerful argument to justify counting all contributions made to the system. It would be powerful enough to quieten those criticizing the fact that many LO members could end up with small pensions because they tend to retire early. The later argument struck a cord among industrial workers, but could not outweigh the relative gain made by other professions within the union (regional government employees, retail and service sector employees).

How can this group do so much?

In terms of restructuring and creativity, the Swedish pension reform went way beyond reforms introduced elsewhere. It even served as an inspiration for other countries (Latvia, Poland, and Italy). Bluntly put, it was not simply a matter of a simple political compromise.

A key aspect behind the reform was the cohesiveness and chemistry of the pension groups. Helping to develop this chemistry was the institutional manoeuvrings of Bo Könberg, who created an unusual working group rather than an official inquiry. The small group was composed exclusively of politicians and experts, which was conducive to a seminar like atmosphere generating a lot of open discussions among the members. As stated by Gennser, "it was really like we were sitting at a seminar at a University and we were discussing how to find a solution. Of course, I had to look at my customers and they had to look at their customers. But, I mean we had to find a solution" (Interview, Margit Gennser, 12 December 2000). The group approached the reform as an intellectual problem, with issues to be resolved one by one. The fact that Könberg was a Liberal Minister also helped to bridge the differences between the Social Democrats and Conservatives. Both Hedborg and Gennser would gain the reputation of being social engineers and members would learn to trust each other (DN, 12 April 1994; Affärsvärlden, 15 November 2000). All members acknowledged that such strong personal chemistry was really the result of pure luck.

The members of the Working/Implementation Group all acknowledged that their experience within this group has been quite unique. The group was made to reach a genuine political compromise and the influence of each member remained virtually the same regardless of electoral results. Usually, the influence of opposition politicians in such a group tend to be rather limited since the government does not require their support to enact legislation.

The strong cohesiveness would be felt strongly among those outside the group such as labour market partners, Ministry of Finance, and politicians opposed to the deal. They demonstrated strong resolve to stick together, and often speak with a single voice. Complaints would be formulated that speaking to different members of the group did not really change their response. Some comments from opponents almost gave the impression that they were part of the same political party.

Such strong cohesion was required to transform the whole pension system, however. To conclude, the creation of the Working/Implementation Group made it possible to exclude labour market partners from actively participated into the reform process. This helped reduce the size of the group working on pensions, with all the advantages mentioned above, and extinguished other possible conflicts (such as between the Conservatives and LO; SAF and the Social Democrats).

5 - United Kingdom: A Marriage to the Private Sector?

Introduction

Pension policy in the United Kingdom is sharply distinct from the previous three cases because it has never had the chance to mature. Its most consistent feature has been the strong reliance on the private sector with the state seeking to minimise its responsibilities (Nesbitt, 1995: 141). This could be partly explained by the combination of a parliamentary system with a first-past-the-post electoral formula, which favours a bipartite system, single party majority with a strong executive. Other studies of policies in the UK, like Steinmo's Taxation and Democracy, suggest this sort of pattern. Policies seem to be more easily changeable due to competitive and confrontational aspects related to British politics. Nonetheless, a popular argument in the literature of retrenchment is that this high accountability constraints the action of government because they cannot easily avoid blame (Pierson, 1994, 1996; Vail, 1999). This chapter demonstrates, in line with the theoretical framework presented in chapter 1, that British governments have introduced the most drastic pension reforms. They refute the claim that accountability restricts the actions of the government.

Historical Overview

As in the previous three cases, private charities and friendly societies have provided most of the assistance to the elderly throughout the 19th century. The friendly societies were supported and encouraged, via legislation, by successive government as they symbolised the ideology of self-help while reducing pauperism. Their number rose in accordance with diminutions to the generosity of the Poor Law (Raynes, 1957: 158-162). By the end of the century, friendly societies were an important political force within the realm of social benefits. The friendly societies vehemently opposed any government intervention in pension since it would reduce significantly the number of their members.[334]

The first government initiative occurred in 1833 with the creation of a voluntary program guaranteeing annuities, which could be purchased at the Post Office. This new scheme turned out to be very unpopular and inefficient. It was a vain effort to curb the increasing powers of friendly societies and private insurance companies. The civil administration did not dispose of an army of collectors, very few post offices participated in the scheme and very few needy enrolled into the scheme (Heclo, 1974: 158).

By 1870, only 23% of the labour force was still working in the agricultural sector compared to 50% in Germany (Esping-Anderson, 1990: 89). The presence of industrialisation was already felt in most of the UK increasing the need for some form of social policies. However, even though the United Kingdom was the most industrial nation in Europe at the turn of the 19th century, its citizens would have to wait until 1908, almost 20 years after the Germans, for the appearance of an old-age pension plan.

The idea of a public pension scheme, although already introduced in the 1880s, was very difficult to sell to any government in a country that praises laissez-faire liberal values. Moreover, contrary to Germany, the labour movement in the UK was very weak at the turn of the century. Nevertheless, from the 1890s, there was growing national dissatisfaction with how respectable old-age persons were handled through poor-relief (Orloff, 1993: 211) and group of citizens from various backgrounds started to organise themselves to promote the idea of old-age pension. Key behind this movement was the publication of a social science study conducted by Booth, and published in 1891. He concluded that 38% of paupers were above the age of 65 and he became an ardent activist for a non-contributory pension scheme. Following the publication of Booth's report, a parliamentary committee was created in 1892 and concluded in 1895 that no public pensions scheme is acceptable and such functions should be left to the friendly societies (Heclo, 1974: 162; Williamson and Pampel, 1993: 45). This outcome strengthened the emergence of the movement for a public pension scheme and led to the creation of the National Pension Committee (NPC). Pressure was mounting on the government to take action. However, the Boer War, 1899-1902 and opposition of the Treasury, induced the government to postpone any discussion

[334] In 1880, 50% of working-class males belonged to one (Esping-Andersen, 1990: 91).

on matters related to social policy since it would need extra financial resources to support the war (Heclo, 1974: 165-170).

Neither major political party in the late 1800s was particularly eager to introduce old-age pension legislation. This attitude changed following the war as two key events pushed the government to introduce a public pension scheme. First, by the late 1880s, the portion of young workers in friendly societies started to decline, thus leading to major financing difficulties for many of the societies in the 1890s. Indeed, many friendly societies were very close to insolvency and unable to meet their financial commitments to the elderly. The extent of these problems forced the friendly societies to finally join the movement supporting the introduction of old-age pension in 1904 (Williamson and Pampel, 1993: 49).

Second, the Liberal party was searching for a candy to give to the working class in order to establish itself as a party of social reformer. It was following the defeat of an important education bill that the Liberal Prime Minister Asquith turned its attention into pensions in the hopes of an electoral reward.[335] Asquith asked the Treasury to come up with a pension plan. In the footsteps of Booth's proposal and the conclusion of a commission on instituting old-age pensions launched in 1899, the Treasury proposed a means-tested non-contributory pension scheme. The provisions were based on the budgetary surplus forecasted for the upcoming year, and not on the social problem at hand. No efforts were actually made to assess the costs of the proposed program beyond the following year (Heclo, 1974: 174; Ogus, 1982: 177-9; Hennock, 1987: 128).

The Liberals introduced the Treasury's proposal in 1908. A weekly allowance of 5 shillings would be granted to individuals above the age of 70 as long as they could demonstrate that they earn less than 10 shillings per week and have been British resident for at least 20 years. Other strict conditions promoting 'good citizenship' were attached.[336]

---

[335] However, the liberals would not get their wish. The fact that pensions were only going to be accorded to those over the age of 70 resulted in "laughter and sarcasm" among most workers who were unlikely to survive past that age (Heclo, 1974: 176).

[336] "An applicant must not received poor relief after January 1908, must not have been imprisoned for any offence including drunkenness during the 10 years preceding the claim, was not an alien or the wife of an alien, and was able to satisfy the authorities that he had not been guilty of 'habitual' failure to work according to its ability, opportunity, or need, for his own maintenance or that of his legal relatives" (Ogus, 1982: 178).

The new scheme was financed via general taxation. “It was a pension for the very old, the very poor and the very respectable” (Ogus, 1982: 177-8).[337]

During this whole process, the insurance-based German system created in 1889 received very little attention (Hennock, 1987: 138). An insurance-based system was never really considered by British politicians for many reasons despite a similar level of industrialisation. First, the strength of the individualistic ideology resulted in negative views towards compulsory schemes. Second, state intervention was alien in Britain (Ogus, 1982: 165). As a result, it did not have a strong civil service, which was actually quick to point out that it did not have the resources to operate a scheme similar to the one in Germany (Heclo, 1974: 160).[338] Third, friendly societies and private insurance companies had grown in importance during the 19th century and became strong opponents to public pensions.[339] Fourthly, collectivist movements, such as trade unions, were slow to develop in Britain. Finally, the legal system did not favour the centralisation of policies and was substandard within the public realm vis-à-vis the private (Ogus, 1982: 165).

The introduction of sickness and unemployment insurance in 1911 marked the beginning of a new movement towards the establishment of compulsory old-age insurance along the lines of the German system. The inclusion of pensions was considered but was soon abandoned due to its long-term nature. The key reason why pensions were not included was the belief that it would not result in immediate returns for the government (Heclo, 1974: 196). Nonetheless, a restriction of the means test was introduced with the consideration of capital resources such as property into the qualifying conditions for a pension (Raynes, 1957: 183). Increases in the pension rates were introduced in 1916 and in 1919, following the work of a commission but they could not restore its pre-war value

---

[337] Quote cited by Ogus from P. Thane (1978). ‘Non-contributory versus Insurance Pensions 1878-1908’ in P. Thane (ed.), *The Origins of British Social Policy.*

[338] Beveridge, who was then an editor of a newspaper, underlined the lack of public policy skill available. He was quick to point out that the government had misunderstood the German pension system while quoting the benefits obtained by the average pensioner. The information obtained by Asquith from its civil service failed to consider many categories of pensioners (Hennock, 1987: 131-4). Further, the number of old-aged was grossly underestimated. Many of them had refused to collect Poor relief benefits due to the high stigma attached to it. This led in higher costs (Bruce, 1973: 138).

[339] Hennock (1987) claims that the power of the friendly societies has been overstated. They were not unified behind the issue of public pensions and positions varied greatly among them. Few of them offered supperanuation benefits. Further, the introduction of sickness insurance in 1911 was far more damaging to them than proposed old-age insurance schemes, and the government was able to get them on board (140).

(Heclo, 1974: 197). World War I was important for the development of future social policies as it led to an increase in the role of the state (Ogus, 1982).

During the early 1920s, intense discussions to combine sickness, unemployment and old age under one insurance scheme. A committee was created in 1923 under the Conservative government to study this question. While the committee was still working, the Labour Party won its first parliamentary election but only introduced a modest raise, which brought on heavy criticism (Heclo, 1974: 205). The committee presented its report in 1924, which were adopted by the recently elected Conservative government after it failed to gather support for its own views. Once again, the Treasury was in charge. The new pension reform was introduced in 1925. The main feature was the introduction of a contributory pension plan. The establishment of a contributory scheme was only feasible after most participants in the pension debate came to realise that any improvement or supplementary pension scheme would not be financially possible without contribution. The new pension scheme advocated contributory pensions for those aged between 65 and 70 and the means-test non-contributory pension benefits starting at age 70. Those who earned benefits through their contributions between 65 and 70 were entitled to a pension at age 70 without any means test. Contributions were to be similar for all workers irrespective of wage differentials and the new plan was financed by workers, employers as well as by the government. Furthermore, this new system was incorporated into the British social insurance program (Heclo, 1974: 208; Williamson and Pampel, 1993: 51). As in the pension reform of 1908, the negotiations for this plan were held in total secrecy with the Treasury, Britain's key actor in the transformation of the welfare state (Ashford, 1986: 179). Despite these two major pension reforms, 1 out of every 6 pensioners still relied on Poor relief in 1940 (Bruce, 1973: 234). In order to improve the condition of the aged, a new legislation came about in 1940, introducing the supplementation of old-age pensions. These were means-tested benefits granted by the Unemployment Assistance Board.

Post-World War II – Did Beveridge revolutionize pension policies?

The war led to a blurring of class distinction and an increase in the strength of unions, which had been co-operating with the government during mobilization. The presence of the state was accepted and instituted an efficient tax system that could help levy funds to finance public pensions (Williamson and Pampel, 1993: 58).[340] This created a window of opportunity to upgrade social policies. In 1942, the Beveridge report, resulting from a parliamentary commission, became one of the most influential reports on social policy in modern history. The report advocated the universalisation of social policies.

In the field of pensions, it sought to move away from the means test principles in order to relieve the stigma associated with such policies. As such, Beveridge proposed a contributory flat-rate pension, which would be the same for all (Baldwin, 1990a: 117-8). The first pension benefits would be obtained after 20 years of contributions. One major difficulty related to the transition period. After many deliberations, Beveridge opted to maintain the current system during the transition period. He despised the means test but he could not find alternatives that could please the Treasury and he wanted to avoid an intergenerational conflict. His proposal was modified by the newly elected Labour government and became law in 1946. Among the modifications made by the government were the elimination of the transition period granting pensions immediately to those insured since 1925 and the granting of full benefits after 10 years of contributions for those who started to contribute in 1948. Both of these changes were actively pursued by the Trade Union Confederation (TUC) (Heclo, 1974: 256-7; Baldwin, 1990a: 117-126).[341] The government felt that something had to be done right now for the old-aged and therefore instituted a pay-as-you-go system to avoid the double payment problem for the current workers (Baldwin, 1990a: 131-2).

The Beveridge report was quite progressive for its time, despite the fact that Beveridge was a Conservative. Churchill became so worried that he set up a committee of MPs to get out of Beveridge. They eventually agreed on lowering the benefits bestowed in the new schemes (Nesbitt, 1995: 4). Nonetheless, its report enjoyed broad support from both the left and the right, and even the Treasury. The insurance principle without redistributive measures (ibid) and the universal flat-rate benefits pleased the Conservatives. The later was accepted as it resolved the problem of administrative selectivity and the issue of the unpredictability of needs, which varied a great deal during the war. Unions and Labour wanted a move away from means-tested benefits, and the former was a strong

[340] The success of the central administration during the war also decreased the powers of the local administration (Chamberlayne, 1993: 303).

supporter of flat rate benefits (Baldwin, 1990a: 129. More importantly, Beveridge satisfied the Treasury, which was his biggest constraint (Heclo, 1974: 256). He demonstrated that his pension scheme could be afforded (Nesbitt, 1995: 4).

Although, benefits were slightly improved overtime (usually preceding an election), inefficiency and increasing costs for pensions to relieve the aged from poverty after the changes of 1946 forced both the Labour and Conservative party to initiate proposals for reforms in the 1950s. The flat-rate system led to benefits that were too minimal for pensioners who could not afford the high levels of private occupational pensions necessary to obtain a decent living standard (Heclo, 1974: 255 and 261). The flat-rate approach resulted only in a small upgrading of the "old minimum pension" (Esping-Andersen, 1980: 101). The Conservatives raised further concerns over an eventual financial crisis due to upcoming increases in the number of old age people resulting in a higher demand for pensions. The Phillips Committee of 1953, composed mostly of Conservatives, claimed that the later was a central problem and a move towards private sector solutions should be undertaken (Heclo, 1974: 259-60; Nesbitt, 1995: 8).

During this period, the Labour Party adopted a study presented by academics under the leadership of Titmuss. They demonstrated that the Beveridge solution meant that two groups of pensioners would be formed in the long run. One group would rely solely on the low flat rate benefits, and another group would be able to receive a good pension due to their private occupational schemes. It proposed a new earnings-related pension plan that would be financed by the employees, employers and government. The plan also included a redistributive approach, which would guarantee a pension worth half the average wage of workers for those with low revenues. The Labour Party added a contracting out option to their plan and utilised this plan as a new Party policy for the election of 1959 hoping to regain power. This became necessary due to the growth of private occupational plans, which covered a sizeable number of workers. After guaranteeing a minimum level of benefits, TUC supported the plan in 1957 (Heclo, 1974: 260-270).

In reaction to the Labour proposal, the Conservative Party, with the support of many interest groups, mainly private insurers and businesses, proposed its own version of an earnings-based scheme. The Tory plan would provide much less pension benefits than

[341] Every year another year of contribution was to be added until it reached 20.

the Labour plan, or to use Heclo's word, the benefits proposed were "meagre at best". With its parliamentary majority, the Conservative government went ahead with this plan and the bill was approved prior to the 1959 election. The new plan introduced a contribution scheme for those earning between £9 and £15 a week with a contracting out clause. Those earning less than £9 were confined to means-tested benefits (Heclo, 1974: 270-272). It was clear that the main objective of the conservatives was to reduce pension costs. The plan, with its payg feature and low benefits, served as a new tax to finance the state flat-rate pension scheme for those contributing while promoting private occupational plans (Nesbitt, 1995: 10). Following this defeat, the Labour Party made pension policy their number one policy issue for the 1959 election and actually lost further support. As a result, the Conservative plan stayed and it came into effect in 1961.

Following an electoral victory in 1964, major changes to the Conservative plan were expected. However, coming up with an alternative plan proved to be quite difficult. The growth of private occupational plans complicated the task of policy development within the Labour party. These plans covered 55% of all workers by 1967 and demonstrated a pattern of stability, meaning that a good section of the labour force was still unable to have an earnings-related scheme to complement the flat-rate benefits. Most of the uncovered workers consisted of female and blue-collar workers (Nesbitt, 1995: 11). A national occupational plan could no longer replace the private plans. Nonetheless, Labour could not ignore those already covered by a private plan (Baldwin, 1990a: 243). This resulted in many administrative delays while seeking a solution. The Treasury consistently refused to accept higher spending on pensions, and unions were quite hostile and uninterested in the new plan. Finally, Labour proposed a new plan in 1969, which included a redistributive aspect guaranteeing up to 60% wage replacement for the poor workers and a partial contracting out option.[342] The new scheme would be automatically indexed to prices, and 20 years of contributions would be required to obtain a full pension. Indicative of the importance attached to this issue, an election was called just prior to the final reading of the bill in parliament in June 1970. Worst, public pensions would not even constitute a major element of the election (Heclo, 1974: 274-9). The Conservatives returned to power

[342] This option represented a major concession to the insurance companies in order to seek broad acceptability. The previous contracting out option had made the insurance industry a very powerful group (Fawcett, 1995: 155-9).

and the Labour proposal was shelved. The Conservatives launched a new plan securing flat-rate benefits, relying strongly on employers to provide earnings-related pensions. A new state scheme would be introduced for those uncovered by private plans. It would be fully funded and operate on the same principles as private ones. The plan would never come to life as Labour scrapped it immediately after its electoral victory in 1974 (Baldwin, 1990a: 244-5; Fawcett, 1995: 156).

A major reform would be introduced in 1975 instituting a broader earnings- related scheme. It answered the strong pressure put by the TUC to increase pension benefits (Chamberlayne, 1992: 307) and the reality that many workers were still uncovered by private occupational schemes. According to Reynaud (1997), 60% of all workers still did not have access to an occupational pension scheme. The new Act included all occupations and it improved the earnings-based scheme by providing higher benefits to pensioners. The State Earnings-Related Pension Scheme (SERPS) gave pensioners, who participate in the plan, benefits equal to 25% of their 20 best years of coverage adjusted to the cost of living.

This scheme also encouraged employers to "contract out" as long as they could guarantee a minimum pension that would be equivalent to the one offered by SERPS. If the opt out clause was used, contribution rates were reduced by 2,5% for the employee and 4,5% for the employer (Bonoli, 2000: 60). This clause was introduced because of the high number of individuals already contributing to private pension schemes, and trade unions, especially those in the public sector, had already a strong interest vested in them and desired opt-out options (Fawcett, 1995: 160). This incentive led to an increase in the number of workers relying on private scheme from 50% to 67% (Williamson and Pampel, 1993: 54-5). This reform paved the way for a more Germanic, albeit a weak one, pension system (Chamberlayne, 1992: 307).

Despite minor objections, the Conservatives at the time accepted this legislation in order to break the period of uncertainty faced by the insurance industry and repeatedly expressed support for the new pension legislation (Nesbitt, 1995: 14; Pierson, 1994: 58), which was implemented in 1978. Thus, after 30 years of partisan conflict producing high levels of uncertainty, pension policy finally seemed set for a long period of stability. The end result of these conflicts between Labour and the Conservatives was a fragmented pension system along the lines of private/public pensions. It also had an occupational dimensions attached to it, as high wage earners tended to belong to private schemes while the others relied on the public scheme (see table 5.1). The election of Thatcher would soon destroy the foundation of the new pension compromise.

Table 5.1: British Public Pension System as of 1979.

Basic Pension	Earnings-Related Pensions	
Flat-rate benefits + means-tested benefits (for those not receiving earnings-related pensions or insufficient amounts from them).	SERPS	Private Schemes (must guarantee similar level to SERPS)

Theorizing Pension Reform within the British context - Where is the state?

As it is necessary and assumed that any discussion of French politics begins with the state, it is extremely difficult to find discussions that actually centres on the state in British politics. Birnbaum (1988) claims that, for example, anarchism never rose in Britain because it had "no *raison d'être*". There was no strong dominant state to fight as France, Spain or Italy (75). Using Krasner's (1976) typology, the UK is clearly a weak state. The state is able to resist societal pressure, but unable to change the behaviour of private actors. The extent to which it has sought to change the behaviour of private actors has actually been quite limited by international standards. It is no accident that the burgeoning literature on policy networks originated from the UK, private actors tend to play a much larger role than their European counterparts.

The UK is the country where the ideas of Lizst never stood a chance in the face of laissez faire. The combination of the elitist nature of policymaking and the strong entrenchment of individualistic assumptions within the society resulted in a lack of drastic action in the welfare sphere on the part of the government even in times of persistent social needs in the mid-19th century (Ashford, 1986; Polyani, 1944). Still today, self-reliance and individualism is so entrenched in the mentality of the society that a large number of elderly needy still refuse to accept means tested benefits.

Despite being a political and economic hegemon (Gilpin, 1987), the benefices from this power were not translated into better social policies. Its vast international expansion implied a policy of open trade benefiting those having strong interests abroad and the City, which was not reversed even though it has resulted in a long period of decline. It also resulted in a very powerful Treasury fearful of budget deficits and public finances that could impede its international interests (Gamble, 19xx), The strength of the Treasury ended up seriously constraining the expansion of social budgets (Heclo, 1974; Ashford, 1986: 236).

The UK did not need to use welfare as a tool to support the creation of the state in ways similar to Bismarck in Germany. This can be related to the fact that state formation was done with ease compared with the continental countries because a strong state was not necessary to create unity, as it was the case for states seeking to incorporate territories from the city-belt (Rokkan, 1999). Thus, social policy was never strongly linked to the state even though everyone acknowledged it had a role to play (Ashford, 1986: 76).

As evidence by King (1995), the strength of liberal ideas has had an impact similar to that of institutional arrangements in shaping debates and policy options. Contrary to Scandinavian countries, Labour has not been strong enough politically to alter this liberal legacy (203). To reverse the head start of the Conservatives, Labour would have needed a long period of political hegemony. Up to World War II, both parties had quite similar agendas and ideas (Esping-Andersen, 1990: 46). A key difference was that the Swedish Social Democrats were able to extend its political bases successfully via the promotion of encompassing programmes (Svensson, 1994).

The political system helped the Swedish Social Democrats dearly to move out of their liberal legacy. As stressed by Rokkan (1999) a proportional representation electoral system was adopted in Sweden because the opposition of primary and secondary economy reinforced the periphery/centre cleavage. The British structure did the opposition, it encouraged the gradual merger of rural and urban interest, thus making first-past-the-post an acceptable electoral system (321). As underlined in chapter 2, a first-past-the-post makes it difficult to establish unaltered long-term policies, especially if they are controversial. This is clearly demonstrated by the case of pensions, Labour was never able to establish a more socialist pension system because the Conservative ensured that strong reliance on the market would remain. The later preference was re-enforced by the consecutive electoral successes of the Conservatives. Quite opposite to the faith of Labour, Swedish Social Democrats were able to establish their power largely because of its coalition with agrarian interests. Thus, they were able to use the political system and the re-enforcement of cleavages to their advantage. Such options were never truly available to Labour.

The end result is a state acting as a guarantor of last resort when market fails. As in other former British colonies, labour is considered to be highly commodified and it is assumed that individuals can fend for themselves (Esping-Andersen, 1990). This is evidence historically by the emergence of private actors such as the Friendly Societies, which never received the kind of state support their French counterpart obtained (Ashford, 1986).

The role of the private sector in the field of pension never faded away to the point where it became marginalized at the detriment of the state system like the other three cases analyzed. Contrary to post-war reforms in the other three countries, Beveridge ended up instituting flat-rate benefits that were too minimal leaving ample room for the private sector. Thus, once the private sectors became highly entrenched, especially among white-collar workers, it was extremely difficult to for any government to include them into a new state system. This sort of action would have gone against the traditional politics of laissez-faire, and the Treasury would have never accepted the costs for their integration.

Relationship between social partners, and their relationship to the state

In lines somewhat similar to what happened later on in Belgium, the trade unions and employers have refrained from integrating themselves within the state structure by opting to maintain their independence. Further, contrary to their French counterparts, unions actually sought to divorce labour problems from social issues seriously delimiting their political importance (Ashford, 1986: 315). The Labour party was also at fault by keeping TUC within a certain distance early on, an action that has been blamed on an "overexaggerated respect of Parliament, forcing the socialist to behave in a certain way" (ibid: 210). This could partly explain the lack of interest on the part of TUC when the idea of a mandatory occupational scheme was first proposed while its Swedish counterparts were actively pushing the Social Democrats to do just that.

These difficulties combined with weak state powers resulted in the absence of corporatism and the formal institutionalization of unions and employers within the state. As noted by Birnbaum (1988):

> "Corporatism is incompatible with British society, in which the state remains relatively unstructured. The failure of corporatism might be attributed to the centralised character of employers' interests, the relative weakness of British trade unionism (incapable of controlling delegates from the base who react against any intervention that might

> deprive them of their role), and the inability of the political system. More likely, however, *the failure stems from the very nature of the British state* – nondifferentiated, nonautonomous, noninstitutionalised, and without a particular personnel of high functionaries to serve it and impose its will (122).

Unions and employers never became social partners or labour market partners as in Continental Europe and Scandinavia. Thus, even when concertation reached its high point within the British political system during the 1960s and 1970s, these interactions were never fully institutionalized. They were considered legitimate and institutionalize by British standards, but their role never really went beyond exchange information and inquiries, and rarely featured active participation in policy-making and implementation (Olsen, 1983: 167). It is far easier to exclude actors involved in this type of relationship than those who have had long-standing participation in committees and agency boards. The Conservatives under Thatcher were able to do that quite effectively.

Bureaucracy

When it comes to the influence of the bureaucracy on social policy, Heclo (1974) eloquently demonstrates its inherent weaknesses and incapacities to deal probably with emerging social problems. Many research on social problems have actually been performed outside the bureaucracy. He even blames its inefficient resources for the lack of consideration for a contributory pension scheme within the state (302). Peters echoes by stating that "unlike the case with the continental countries, bureaucracy and administration have not played a prominent role in British thinking about government" (138).

Constraining the influence of the bureaucracy further is the 'arrogance' of the Parliament. Contrary to Sweden where MPs are expected to attach themselves on a committee and rely strongly on expert from both within and outside the state apparatus, a long held view has been the MPs in the UK consider themselves competent enough to carry on policies without strong external help. According to Ashford (1986), this was particularly true prior to 1945. "The presumption was not only that there were national solutions to social issues, but that ministers and Parliament were quite capable of finding them" (33).

The two main bureaucratic actors are beyond any doubt the Department of Health and Social Security (DHSS)[343] and the Treasury. The role of the DHSS has been quite marginalized by the Thatcher government. As it will be demonstrated in the following pages, the Conservatives were quite successful at keeping them at bay. The Secretary of State responsible for pensions, Fowler, appointed someone alien to the department as his assistant secretary as a mean to avoid the influence of the department. The DHSS was also not consulted on many critical proposals, such as the elimination of SERPS.

The influence of the Treasury can be resumed with one line: Nothing gets done without its approval. Bonoli (2000) even claims that it represents a veto points in British social policy making (84). Its historical importance emphasised above has not really changed. Contrary to the Swedish Working Group on Pensions, the Treasury was an important actor in the main inquiry into pensions and often stopped discussions when they were related to tax issues. It was also able to impose a zero-cost constraint on pension discussions and intervened effectively when proposals implied a rise in public expenditure.

The New Right Wave Hits Pensions Subtly…But Efficiently (1979-1983).

This section discusses the various pension reforms introduced by the Conservative governments from 1979-1997, and concludes with a brief analysis of the Labour period 1997-present. In light of the history of pensions in this country, analysing the actions of the Labour government since both parties have traditionally been undoing what the previous government in this field previously did. However, the changes made by the Conservative governments combined with a long period in office have made policy reversal extremely expensive and have seriously constrained the policy options available to the Labour government. Thus, the core of the changes made during the 1980s has remained untouched.

Even though this dissertation has not tackled the second pillar of pension systems, ie. Occupational pension schemes granted within the private sectors, it must be included in the discussion for this case. This is as a result of SERPS, which have let occupational schemes run alongside the state scheme. Consequently, the private sector is a key political player in the UK because it has a vested interest in the current system.

---

[343] It later became the Department of Social Security (DSS), and it is now called the Department of Work and Pensions (DWP).

Prior to carry on the discussion on the British case, a caveat is in order. The UK was the only country where field research was not undertaken. Nonetheless, the literature on the pension reforms is abundant and has been part of large comparative projects by Pierson (1994) and Bonoli (2000). Moreover, Nesbitt's (1995) *British Pensions Policy Making in the 1980s* provides an extremely detailed analysis of virtually every events related to pensions during that decade facilitating the elaboration of this section greatly.

Switching to Price Indexation…

The arrival of Thatcher into office brought in a government strongly committed to reduce the size of the public sector and grant as much space as possible to the private sector. As stressed by Pierson (1994), pensions seemed 'a dubious target for reform' (58). Benefits were quite low by international standards; the replacement rate of 25% is far cry from what is being offered by the other three countries analyzed in this dissertation. The replacement rate for a single person was considered to be 33% in 1980 while it was 66% in France, 69% in Italy and 44% in the US. Being married did not improve one's position enormously generating 47% compared to 75% in France, 69% in Italy and 66% in the US (Walker, 1991: 20).[344] Further, the strong reliance on the private sector via occupational pensions implied that future payments on the part of the state would not be as extensive as in Continental countries. Thus, it was unlikely that pensions would be the target of reform. The first budget of the Thatcher government in 1979 added support to this view. Apart from unemployment insurance, social security was relatively untouched (Nesbitt, 1995: 34-5).

The pension truce would be short lived, however. The 1980 budget introduced a changed in the modality of indexation for both the Basic Pension and SERPS pensions. Howe suspended the higher price or wage inflation indexation introduced by Labour in 1978 by replacing it solely with price (based on retail price index). In order to minimise opposition, the government sold this measure as being temporary claiming that wage indexation would be reintroduced once the economy is better (Nesbitt, 1995: 35-6). The government never did, and Labour promised to re-establish the link once back in power.

[344] If we go back to Table 1,7 in chapter 1, we can see that the total replacement rates for a 55 year old individual is 33,8% in the UK while it reaches 62,5% in France, 70,5% in Belgium, and 77,1% in Sweden.

As seen in the case of France, switching to price indexation has big financial consequences.[345] Already by 1989, a married couple had 25% less than what they would have obtained with the previous indexation mechanism (Walker, 1991: 26). Assuming an annual growth rate of 2%, the replacement rate of the Basic Pension would decline by 50% by the year 2020 (Pierson, 1994: 59). Pierson (1994) refers to this measure as an 'implicit privatization' since it encouraged further the involvement of the private sector to compensate for the loss of these benefits (59). Fawcett (1995) goes further by arguing that this reform was the most drastic of all pension reforms undertaken by the government. With a price tag of £4-5 billion per annum, it is unlikely that any future government will seek to alter this (Fawcett, 1995: 165-6). Accordingly, the Labour Party removed the restoration of the more advantageous indexation during its makeover (in 1996), and subsequent Labour governments have not made any alterations to Howe's measure.

Setting the table for more changes?

The remaining years of the first Thatcher government included other discussions on pensions. One of the first actions of Thatcher in the field of pensions took the form of an '*Inquiry into the value of pensions'*. Commissioned to study the difference between public and private sector occupational pensions, Thatcher had expressed on numerous occasions her concerns vis-à-vis the favourable treatment of the pension schemes enjoyed by public servants. Their occupational pensions were value and inflation proof and no private occupational pension scheme was able to match in the following decade due to high rising inflation. Contrary to Thatcher's expectation, the report (Scott Report) of this inquiry did not condemn the public sector pension treatment, but rather argued that better treatment was required for private sector employees (Nesbitt, 1995: 36-7). A government seeking aggressively to reduce public expenditure and public intervention was unlikely to search for alternatives to increase its role in occupational pensions, and the report found itself at the bottom of the government's drawer.

The key pension issue dominating the political agenda was the problems of 'early-leavers'. As a consequence of their dependence on occupational pensions rather than the state pension, employees' pensions became tied in with their employers. Thus, a switch of

[345] Unless, as we have seen in the previous chapter, wages deline.

company or unemployment often resulted in the loss of pension benefits from the previous employers. Employers embraced occupational pensions as an effective mean to maintain loyalty among its members, and were reluctant to alter them significantly (Bonoli, 2000: 73). It was clear from the early going that the government and the Secretary of State, Norman Fowler, were seeking to give every opportunity to the private market to find a solution to this problem. However, with the continuous silence of the market the pressure began to mount on the government to take action. The 'early leavers' were indirectly subsidizing other pensioners and addressing their concerns implied a rise in contributions or a decline in the benefits of employees with long and stable careers, two unpopular avenues.

The 'early-leavers' problem slowly became associated with another potential 'difficulty', the maturation of SERPS. The Conservative government of Thatcher was keen on increasing individual responsibilities and bringing on lesser dependence on the state. The White Paper '*Growing Older'* released in 1981 was extremely clear on these objectives. It emphasized that pensions needed to be reformed on the grounds that: 1) individuals should obtain more rights and responsibility for their pension; 2) SERPS was likely to be very expansive in the future; 3) the problem associated with the 'early-leavers'. According to Nesbitt (1995), the paper was "high on ideology and low on substance" and "indicated quite clearly that economic considerations must take precedence and that social need would be met as a consequence of lower inflation and increased growth" (37).

A year later, the Treasury ordered the Central Policy Review Staff (CPRS – a think tank) to write a paper on the state of public finance. The paper was immediately leaked in September 1982 and argued for deeper costs in order to avoid reaching a level of expenditure of 45%, a level reached by the previous Labour government. Its circulation was the object of many discussions within the cabinet and was brushed aside. Few months later, the CPRS released a report focusing explicitly on pensions stating that both state pensions and private occupational pensions were failing their objectives. The former did not alleviate poverty and removed individual responsibilities while the later was deemed too rigid and inflexible constraining career change. It argued for the elimination of SERPS and the creation of personal pensions. This time both the Department of Health and Social Security (DHSS) and the Treasury rejected it, albeit for different reasons. The paper was considered so politically sensitive that Thatcher tried in vain to stop its publication because of the proximity of the election (Nesbitt, 1995: 42-9).[346]

The CPRS was not alone in advocating changes to SERPS and solution to the 'early-leavers' problem. Other think-tank, pension funds, and insurance companies began to point out the expected increase in SERPS, and the need to reform it before it is too late. For example, Stewart Lyon, a leading personality within the pension industry, criticized the generosity and future burden of SERPS on the economy during his presidential address to the Occupational Pensions Board (OPB) in 1982 (Nesbitt, 1995: 45). He would re-state this position in a later address at the annual meeting of the National Association of Pension Funds (NAPF) in 1983 (54-5). The think-tank co-created by Thatcher and Joseph, the Centre for Policy Studies (CPS) entered the debate in 1983 arguing strongly in favour of personal pensions, emphasising that market solutions can resolve the 'early-leavers' problem. Its input was deemed extremely important because it became a de facto arm of the Thatcher governments. Surprisingly, it remained silent on SERPS. This probably had more to do with the upcoming election rather than an implicit support for the public pension programme (50-3).

Even though the government remained silent on its pension ambitions in the even of a re-election, its main supporters and sources of ideas had already laid down the carpet for possible scenarios. Many of them quickly re-surfaced following the overwhelming victory of the Conservatives, who obtained a majority of 188 seats in the elections of June 1983.

Seeking Permanent Change!

> "Neither I nor the Government generally are interested in securing temporary change. We want change to last" Norman Fowler, State Secretary for Social Services in the Thatcher Government during the 1980s.

The re-election of the Conservatives allowed them to focus on longer-term policies and it erased the fear that the following government could alter changes introduced by them. Further, due to the size of its majority, the tone and attitude of the government as

[346] The DHSS claimed that the CPRS solutions would break the 'pension consensus' while the Treasury argued that

well as its policy orientation became increasingly uncompromising and more ideologically driven (Nesbitt, 1995: 57-8). As it will be demonstrated in the following pages, pension policy did not escape this new reality.

The Inquiry into Provision for Retirement.

Following a failed last ditched effort to resolve the issue of 'early-leavers' via a meeting at the DHSS in September 1983,[347] and pressure from the Prime Minister and Exchequer to reduce the long-term costs of SERPS, Fowler decided to create a special inquiry to deal with pensions. On November 22 1983, the *Inquiry into Provision for Retirement* was formally launched and its composition was announced at the same press conference (Nesbitt, 1995: 60-5).

A key motive behind the inquiry was to reach a favourable political decision, this was evidenced by Fowler in an interview: "I had to make proposals not only proposals I believed in and supported but proposals which I could get past my colleagues" (cf. Nesbitt, 1995: 68-9). Therefore, he set up the inquiry in an unorthodox way to achieve this goal. First, Fowler shied away from creating a Royal Commission or an internal committee since they would have been composed of civil servants. Despite claiming that he did so because pensions was not a high priority for the DHSS, his motives seemed really to push them aside. He nominated a newly member of the department (Nick Montagu) as his Assistant Secretary. As underlined by Nesbitt (1995), "he had only recently joined the DHSS and therefore had not had time to be socialised into their particular culture. Nor had he had time to establish formal or informal relationships with interested parties" (68).

Second, he appointed important members of the pension industry alongside Conservatives MPs. However, key social security actors such as the Social Security Advisory Committee (SSAC), the Confederation of British Industry (CBI – the main employers' association), and the TUC were left aside, but were nonetheless consulted (71). Considering the positions of both SSAC and TUC to maintain SERPS and not introduce

---

the proposals presented costs too much (Nesbitt, 1995: 49).

[347] The Meeting occurred on September 14, 1983 and was attended by the NAPF, OPB, CPS, Institute of Directors, Society of Pensions Consultants (SPC), Association for Consulting Actuaries (ACA), Life Offices Association/Associated Scottish Life Offices (LOA/ASLO), the Government Actuary's Department (GAD), the TUC and the CBI. The presence of the think-tank CPS was highly related to the presence of the Conservative in the government.

personal pensions, their influence was close to nil in this process. TUC simply refused to discuss the introduction of personal pensions (Bonoli, 2000, 77-8). Third, to raise the profile of the inquiry and marginalize groups outside the ones invited, Fowler included three public sessions. Finally, Fowler created a sub-group to discuss the possible implementation of personal pensions, which was composed mainly of economists. This group was largely created to provide strong evidence to Fowler to go ahead with this policy, and SERPS was not part of the agenda of this group (Nesbitt, 1995: 74). A very short period was granted for interest groups to present evidence to this subject prior to the beginning of the deliberation. Considering that the budgetary impact of proposals considered by the inquiry were only published two years later (73), it is difficult to argue that these had a strong influence in the work of the committee.

Albeit different institutional constraints, the actions of Fowler bears strong resemblance to what was done by Könberg in Sweden during the early 1990s when he instituted the Working Group On Pensions (see Chapter 4). Both actors sought to maximize the likelihood of reaching a politically acceptable proposal. They abstained from employing usual commission channels, allowing them to shape them according to their policy objectives. Key was their ability to exclude specific actors, especially employers and trade unions. Obviously, it was easier to find a political solution for Fowler because he only had to please his own government while considering the pension industry, which had been considered a supporter of the Conservatives. Thus, he did not really have to come up with a specific document or report, but a proposal to be negotiated within the Cabinet. Könberg had to create a political consensus among five parties, a much more difficult task considering that its proposal had to be a much more finite product. Both commission were extremely important as they set the political agenda for the pension reform and their proposals were the basis of future legislation.

Most of the discussions in the *Inquiry into Provision for Retirement* centred on: 1) the impact of population ageing on the future costs of SERPS; 2) the introduction of personal pensions; 3) the 'early-leavers' problem and the age of retirement (Nesbitt, 1995: 76-7). Upon the release of figures on the future costs of SERPS in 1984, the government was quick to interpret them as an intolerable financial burden, which required immediate attention. Wide objections by its political opponents, independent commentators and academics (Bonoli, 2000: 63) would do little to stop the government's campaign against the future costs of SERPS. The Treasury added support to the achievement of these goals via the publication of the Green Paper *The Next Ten Years* during the same year, where it advocated sharp reductions in public spending. Therefore, it was keen to reduce the costs of SERPS (Nesbitt, 1995: 82-3), and had pressured Fowler to generate savings from social security in the order of 5 to 10% (Pierson, 1994: 60). It is worthwhile stating that, contrary to Sweden's committees on pensions, the Treasury was a present and effective actor at a very early stage. It firmly objected to any propositions resulting in more public expenditure and blocked any discussions related to taxes claiming that it was its reserved domain (70). The Inquiry held its final meeting in early 1985 (69).

The Conservatives increase significantly the importance of the private sector.

The Real Pension Time Bomb…Fowler's Proposals!

On June 3rd 1985, Fowler released the long awaited Green Paper on pensions, which was supposed to be the outcome of the discussion within the *Inquiry into Provision for Retirement*. In a nutshell, the Green Paper advocated eliminating SERPS to replace it with personal pensions, an idea that had been proposed earlier by the Conservatives' own think-tank, the CPS and the Institute of Directors (IoD). Fowler's propositions soon faced a mountain of criticism from both traditional opponents of the government (trade unions, Labour party) and supporters of the party (pension and insurance industry, CBI). Even more unexpected, is that the fiercest opposition actually came from within the government: the Chancellor of the Exchequer, Nigel Lawson.

It comes as no surprise that the Labour Party, the TUC, and the anti-poverty lobby were quick to express their disapproval with Fowler's plans. The Labour Party had just recently launched SERPS with the support of the TUC, as part of the 'pension consensus' and was inclined on keeping it alive. The shadow secretary of state for social services, Micheal Meacher, criticized publicly the proposal as being "the re-introduction…of Victorian values in an invidious distinction between deserving and undeserving poor" (cf. Bonoli, 2000: 75). Labour promised soon afterwards to re-introduce SERPS if elected at the next election during their annual congress. TUC was also strongly opposed to Fowler's intentions. It had actually sought to raise the replacement rates of SERPS to 33% in the early 1980s (77). Implicitly relating the Green Paper to the ‘pension consensus’ of 1978, TUC claimed that the proposals represented a “colossal breach of faith on the Government’s part” (cf. Pierson, 1994: 61). The anti-poverty criticized the government’s plans as being detrimental to those with precarious employment, an argument supported by the conservative Institute for Fiscal Studies (ibid), and maintained that they would end up with lesser benefits than with SERPS (Bonoli, 2000: 78).

What was more surprising, however, was the strong opposition the Green Paper generated from traditional supporters of the Conservatives including key members of the inquiry. First, insurance companies and the private pension industry were not too thrilled to add bad risks into their plans. Many individuals contributing to SERPS have erratic careers and are likely to be expansive clients, whose expectations are sure to be unattainable. The NAPF expressed concerns about the wisdom of such a plan if Labour was to repeal it once in office, and asked for a longer period of study (Bonoli, 2000: 75). More importantly, Stewart Lyon, a member of the inquiry and a representative of the largest pension funds in the country, also expressed his disapproval and further claimed that such proposals was never analyzed within the inquiry (Pierson, 1994: 62).

Second, the Confederation of British Industry (CBI) opposed the proposals because it challenged the current order of occupational pension schemes and left them with the double payment problem. They would have to pay for current employees and those already retired. According to the Financial Times, the estimated costs to employers of scraping SERPS would be between £1,5-2 billion (cf. Pierson, 1994: 61). Both employers and insurance companies also expressed their concerns to the administrative difficulties that would occur during the transition period (ibid).

The death of Fowler’s proposal became a certainty with the strong opposition of the Treasury. According to both Nesbitt (1995) and Bonoli (2000), the Treasury had expressed its opposition to the Green Paper prior to its publication. A meeting chaired by Thatcher was held for this matter in early 1995, where supposedly the Treasury initially endorsed the move. However, it soon realized that scraping SERPS implied an immediate increase in expenditure, a fact acknowledged even within the Green Paper. This is the direct consequence of abandoning a payg system. The government would have had to continue paying retirees that had contributed earlier to SERPS without receiving any contributions from current workers. Therefore, Nigel Lawson, the Chancellor of the Exchequer, opposed it. Interestingly, Thatcher continued to support the elimination of SERPS (Nesbitt, 1995: 87). Highly indicative of the extent to which Fowler's proposals were contested, the Conservatives' own social security officials opposed the Green Paper (Walker, 1991: 27).

The Social Security Act of 1986

Following the uproar caused by the Green Paper, the government withdrew its plans to eliminate SERPS. Nonetheless, this did not stop its effort to alter significantly pension policies. The White Paper *Programme for Action* released in 1985 included new proposals with the objectives of making SERPS unattractive to future contributors while encouraging a further expansion of the private sectors with the introduction of personal pensions. These were presented as having the advantage of being portable, thus facilitating movement within the labour market and, more importantly, as a solution to the 'early-leavers' problem. The elements included in the White Paper were eventually adopted by the Parliament in 1986 in the Social Security Act. They were implemented in April 1988 (Nesbitt, 1995: 89-90).

The measures related to SERPS included a decrease in the value of the replacement rate from 25% to 20% and extended the period under consideration from the best 20 years to lifetime earnings. Those retired prior to year 2000 were saved from these measures and the transition phase would occur between 2000 and 2010. As important, these new SERPS measures meant a reduction in the Guaranteed Minimum Pension (GMP) that occupational had to guarantee when contracting out employees as long as they continue to guarantee the post-retirement value in line with prices up to a maximum of 3% (ibid). This new threshold made it more likely that small employers could establish new occupational plans and stay away from SERPS.

The White Paper also mentioned the introduction of personal pensions with a special incentive for individuals to contract out of SERPS. The rebate being discussed was in the range of 2-3% for a period up to 1992-3. Finally, survival's benefits were cut in half (ibid).

The Social Security Act of 1986 put a serious dent into the role of the state for the provision of pensions. All SERPS and survival's pension proposals from the White Paper were included in this new legislation and the conditions surrounding personal pensions were defined more precisely. Individuals were granted the option to opt-out of either SERPS or occupational schemes depending on their current affiliation with an advantageous rebated of 2%. Employers were also given an incentive, a 3,8% rebate on their contributions for a total of 5,8% contribution rebate for the state.[348] This option was offered for a limited time from April 1988 to April 1993. Such generous conditions after reducing strongly the appeal of SERPS underlines the commitment of the government to the expansion of personal pensions. As we will see in the following section, these generous conditions turned out to be extremely expensive.

It is important to note that the new legislation challenged both SERPS and current occupational pensions. A direct consequence of the new legislation was the lost of many contributors to SERPS (see table 5.2). Employers could no longer force employees into their occupational schemes, and they could not stop an employee for switching to personal pensions. Thus, as demonstrated by table 6.2, the new legislation also had the effect of stopping the growth of occupational pensions. This measure was in line with the Conservatives' views on promoting individual ownership. The Centre for Policy Studies, the think-tank created by Thatcher and Joseph, had previously criticized occupation pensions as a tool for concentrating wealth, which could have negative political and democratic impact (Nesbitt, 1995: 105).

The new legislation was better received than the Green Paper, but it still did not lack critiques. First, the CBI and the NAPF still criticized the new bill because it extended the 2% rebate into occupational pensions and challenged the pension order. Many occupational schemes were benefit defined, and thus enjoyed an internal solidarity that could be threatened by exit options. Both organizations would have preferred an initiative limiting personal pensions as third pillar rather than instituting them as a competitor to occupational pensions (Bonoli, 2000: 75). They, however, supported the changes made to SERPS. In response to the Green Paper, the CBI had actually suggested to increase the period under which benefits were calculated from 20 years to the whole career and the 50%

[348] According to Nesbitt (1995), employers were also provided with a strong incentive to soften their objections to the introduction of personal pensions, as they preferred to strengthen occupational pensions while decreasing the value of SERPS. The incentive also helped to make personal pensions attractive for employers contributing into

cut in survival benefits (Nesbitt, 1995: 89). Second, both Labour and TUC continued to criticize the government. Labour promised to stop the implementation of the new legislation if in power prior to 1988 (Bonoli, 2000: 76). After failing to capture office, Labour was forced to accept the new pension landscape without being able to alter it significantly when it returned to power in 1997 because of the large costs and administrative difficulties that would result from a policy reversal.

Table 5.2: Pension membership of British Employees (thousands of employees paying class 1 contributions at the standard rate).

	SERPS	Occupational Pensions	Personal Pension
1987	10,878	8,042	-
1988	10,043	7,904	1,288
1989	7,973	8,030	3,397
1990	7,679	8,270	4,172
1991	7,436	8,202	4,810
1992	6,653	8,068	5,340
1993	6,335	7,804	5,667
1994	6,527	7,476	5,732

Source : DSS, 1996 (cf. Bonoli, 2000 : 80).

Consequences of the 1986 legislation

This section assesses the impact of the Social Security Act of 1986 on individuals, groups of individual, and the state. Its main effect goes way beyond a simple cost and benefit analysis. It reinforced the importance of the private sector for the provision of pensions by making SERPS less attractive while promoting personal pensions. As underlined by Nesbitt (1995), SERPS became a “scheme of default” for those who are unable to join an occupational scheme or find an appropriate personal pension plan (95). The introduction of personal pension has stark implications for those who adopted this way of securing their pensions. Contrary to many occupational pensions and SERPS, personal

SERPS while eliminating potential opposition on the part of employers for the loss of members in occupational plans (95).

pensions are based fully on contribution and do not guarantee a certain level of benefits. Further, the flip side of obtaining personal choice is that all the risks associated with one's investment are borne by the individual without any guarantee of the state.

The first element worth mentioning is that, surprisingly, the state ended up spending more rather than less money via the introduction of the new scheme. The personal at the DHSS did not envision that personal pensions would be so popular. The department had estimated that roughly 500 000 individuals would opt out of SERPS during the period 1988-1993. However, more than 4 million individuals choose to opt out of SERPS in favour of the personal pensions (Nesbitt, 1995: 98; see table 6.2). An aggressive campaign by private pension providers combined with the strong incentives provided by the government is to blame (Bonoli, 2000: 80).

As a result of the DHSS' misjudgement, the total cost of the rebate amounted to £9,3 billion while the savings from SERPS only amounted to £4,3 billion. Thus, the government was left with a tab of £5,9 billion (National Audit Office, cf. Ward, 2000: 140). Nonetheless, the government is expected to obtain more savings since expected expenditure are expected to plummet to £7,1 billion by the year 2021, down from a pre-reform estimation of £16.4 billion (Pierson, 1994: 63-4). Ironically, the total expected savings over a period of 35 years (£9,3 billion) barely covers the incentives provided by the government during the period 1988-93 (£9,3 billion). Therefore, the 'astronomical cost' of SERPS was never eliminated, but rather displaced into the hands of individuals who opted to switch to personal pensions resulting in a 'regressive transfer'. The money saved was taken away from those remaining in SERPS to subsidize those fortunate enough to have personal pensions. As mentioned above, precarious career patterns entail a very high administrative fee and this group of individuals is highly unlikely to benefit from personal pensions.

Second, as highlighted by the Maxwell affair, the behaviour of the private sector has not been too responsible in most cases resulting in heavy losses for many individuals. Financial service companies sold personal pensions in a way similar to a shark smelling blood. According to a research performed by the Security and Investment Board, 91% of personal pension sales were made without adhering to its standard business rules (cf. Ward, 2000: 141). Nurses and steelworkers were convinced to leave the generous occupational schemes in favour of less profitable personal pensions. Many individuals with precarious positions and low wages left SERPS for personal pensions despite the negative effect of this choice.[349]

Finally, the overall effect is the elimination of difficulties to meet the financial challenge created by the time-bomb with many estimates suggesting a freezing of costs (see appendix C). However, the meagre benefits offered by SERPS and the limited protection available to those with precarious career patterns imply that action will most likely be required to alleviate many elderly from poverty. Prior to the reform of, it was estimated that a third of elderly lived in poverty (Walker, 1991: 21). The Social Security Act has likely ensured that this figure will rise in the future unless corrective action is taken. No action to this effect was taken by the Conservatives who constantly refused to admit that poverty was a problem among the elderly (29).

Explaining the passage of the reform

In terms of retrenchment, the effects of both the Social Security Act of 1986 and the indexation of pensions on prices in 1980 represent the most drastic measures implemented in the four countries studied in this dissertation. The prudent and careful approach adopted in the other three countries is in stark contrast to the uncompromising way under which the Conservatives pushed through the 1986 legislation. Interestingly, pension reforms in the UK represent the only policy area where even Pierson (1994) acknowledged that far-reaching cuts were made (53). This section seeks to bring some light into how such reforms were possible.

Nesbitt (1995) argues that a policy community was formed in the early 1980s, which strongly supported the individualisation of benefits. Fowler sought to integrate them to shape his own policy agenda. The nature of these contacts was considered quite informal and individuals were considered more important than the organisation they represent. His conclusion stresses that the policy community of the 1980s was sharply different than that of the 1970s, which relied more strongly on the DHSS, and institutionalized support from TUC (142-5). Nesbitt's explanation centres on the participation within a policy

[349] The first estimates claimed that 1 million people lost by leaving SERPS, a figure reduced to between 43,000 and 238,000 after further analysis and consideration of the impact of the 2% rebate (Ward, 142).

community. What is lacking, however, is a better understanding of the political process. The individuals, whose roles were upgraded during the process, all had one thing in common: they supported the views of Fowler. TUC never took part in this policy community because it refused to co-operate with the government and its views were sharply opposed to that of the Conservatives. Fowler kept DHSS at bay, probably because its views were closer to the maintenance of the 'pension consensus' than his. Nesbitt's detailed analysis cannot refute the claim that it was Fowler and his government that were controlling the policy agenda and not vice versa.

Pierson (1994) argues that "Thatcher did not always get her way, but she controlled the political agenda and ultimately engineered a major transfer of responsibility for retirement provision to the private sector" (53). Thatcher engineered a highly visible and unpopular policy, and was not punished at the following election. Pierson and Smith (1993) proclaimed that the limited progress of Thatcher were the result of an unpopular welfare state in the UK (513). However, it is difficult to support this thesis once we consider that more than 5 millions opted for personal pensions (Bonoli, 2000). Pierson (1994) himself shies away from the unpopularity thesis since the resilience of the welfare state is associated with its popularity with the electorate!

Pierson (1994) emphasizes five reasons why British pensions deviate from his general theoretical framework, which is summarized in chapter 1. First, the system was quite fragmented between the private and public occupational schemes. This argument had already been presented by Walker (1991), who criticizes functionalist theories that considers the elderly as a single unified group.[350] Prior to Thatcher's reform there was already a social division with white collar employees benefiting from occupational and private pensions while others had to rely on the state (blue-collars, unemployed, those with precarious employment) (23).

Second, Pierson pointed out to pre-existence of an extensive private market, making expansion easier. It would have been much more difficult for a government to introduce market solutions had the pension system been solely within the public realm. Third, it was easier to index the Basic Pension alongside prices because it was not earning-related. Fourth, contrary to other occupational schemes in Europe, the financing structure

[350] As we saw in Chapter 3, Guillemard (1986) does the same for the French case.

of SERPS remained part of the state's financial structure. Thus, it was much more difficult to present a true picture of the financial state of SERPS. Finally, SERPS had not had the chance to mature, reducing the difficulties with the double payment problem (Pierson, 1994: 71). These difficulties were underlined in a subsequent paper with Myles (Pierson and Myles, 2001). Thus, compared with Sweden, there was no talk of the limit under which contributions could be made to the private sector.

Fawcett (1995) claims that Thatcher's policies in the field of pensions did not mark a radical break with previous Conservatives government, thus challenging the distinction made by Pierson (1994) between the politics of expansion versus the politics of retrenchment of the welfare state. For example, she points out that privatization was such at a high level that its spreading by Thatcher was not something radical but rather the continuation of a trend (153). Araki (2000) follows similar lines when he concludes that:

> "the Conservative transformation of pensions indicates a high degree of 'persistence' in pension policy...the cumulative trend towards privatisation and the high degree of persistence in pension policy ensured that the Conservative pension reforms from the 1980s onwards were more 'radical' than those of their predecessors" (617).

Thus, the attitude of the Conservatives was not that different from its predecessors. What changed, however, was the 18 years of uninterrupted political power experienced by them protecting their reforms from being altered by Labour.

As a conclusion to this section, it is worth analysing whether or not the Green Paper was actually a setback or rather a political strategy to make a future reform look more acceptable. The setback thesis is quite popular. Bonoli (2000) states that the abolition of SERPS was stopped as a result of strong pressure from interest groups **and** opposition from the Treasury. Thus, it "was a major concession by the government" (83). Pierson (1994) stresses that "a rattled Thatcher government was searching for a graceful way out" following the high amount of criticism (62). Fawcett (1995) argues that the abolition of SERPS was pretty much universally opposed (162).

Puzzling is that both Nesbitt (1995) and Bonoli (2000) write that the Treasury had already expressed its opposition to the Green Paper prior to its release. Fowler's plans "met with fierce opposition from the Chancellor of the Exchequer" during a meeting in early

1985 (Nesbitt, 1995: 87).[351] Considering the importance of the Treasury, Bonoli (2000) claims that it represents a veto point (84), in ensuring that social policies do not challenge the stability of the public purse (see Heclo, 1974) and its strong commitment to reduce public expenditures, why would such a Green Paper be published if it is already doomed to fail? Moreover, why would such measures be presented without being part of any discussion with the Conservatives' own supporters and members of the Inquiry? One possible explanation is that it made the Social Security Act of 1986 look like a step back or a compromise on the part of the government. However, all of the government's objectives were achieved. Personal pensions were introduced and the appeal and costs of SERPS was starkly reduced. These were the two main elements discussed by the policy community surrounding Fowler during the inquiry!

Adjusting the Pension Reform of 1986 – Can the Private Market Be Controlled?

The changes made by Fowler in 1986 became more likely to last with the re-election of the Conservatives in both 1988 and 1992. Following a wave of scandals related to both private occupational and personal pensions, the government withered the storm by strengthening the rules in the Pension Act of 1995, however the Conservative commitment to the market remained untouched. During the election of 1997, they proposed to suppress both SERPS and the Basic Pension (Reynaud, 1997: 43). Once in office in 1997, Labour had little choice but accept the policy consequences of the Conservatives.

The scandals erupt

The equivalent of the 401(k) Enron scandal in the United States actually occurred a decade earlier in the UK with the death of the newspaper tycoon Robert Maxwell on November 5th 1991. Regardless of the country visited during the fieldwork of this dissertation, his name was always at the forefront of any discussions on funded options to alleviate the burden of the pension crisis. On one hand, supporters of the later went to great lengths to ensure the population and policy analysts that well regulated and monitored

---

[351] The Green Paper advocated clearly an increase in public liability during the transition period and was thus unacceptable to the Treasury: "The move to additional funded pension provision will be taking place while the cost of the pay-as-you-go state system continues unchanged. The total volume of resources being devoted to pensions will, therefore, increase" (cf. Pierson, 1994: 61).

funded options could generate higher returns. On the other hand, opponents of funded options were quick to stress the negative consequences of the Maxwell scandal and the adventures related to the launch of personal pensions, which have been summarized above.

Maxwell had removed close to £1 billion from the pension funds of his employees in order to keep his business activities afloat (Bonoli, 2000: 81), even though this transaction went against what is considered appropriate practice. His companies would later be dissolved resulting in a huge loss to current and future pensioners. The estate originally claimed that only £8,75 million could be recovered. Eventually close to £100 million were recovered, but accounting fees of more than £300 000 per working day in the year following Maxwell's death were taken directly from the pension funds recovered reducing the hopes of proper compensation. The government refrained from intervening decisively by creating a trust fund fearing liability (Nesbitt, 1995: 136-8).

More worrying was the fact that the current legislation in place could have not prevented such a scandal even if actions had been taken by the appropriate regulatory agencies (Nesbitt, 1995: 136-7; Bonoli, 2000: 81). Thus, most of the decades would be devoted to establishing better rules to avoid the abusive behaviour of private companies for both occupational and personal pensions.

Few commissions were established to analyze both the Maxwell affairs and the mis-selling of personal pensions. The government dealt with those issues in very different ways. First, for private occupational pensions, it introduced a Pensions Act in 1995 to constrain self-investment of pension funds by the employer by introducing a 5% limit to be enforced by trustees, a third of whom would now have to be elected. A new regulatory board was instituted alongside an emergency fund to be used when schemes become insolvent (Bonoli, 2000: 82). Far from simply restricting the practices of employers, the Pensions Act of 1995 further promoted the private sector by eliminating the guaranteed minimum pension (GMP) requirement, thus the link with SERPS was totally broken. Starting in 1997, private occupational scheme have now to demonstrate that they offer benefits similar to SERPS, but pensions have to be protected against inflation up to 5% instead of 3% (Fawcett, 2002: 15; Araki, 2000). Further, the incentive rebate were changed to make it age sensitive with the end result that those aged 47 and above could get 9% out of the 10% paid over to a private insurance company if they decide to opt-out of SERPS

(Ward, 2000: 142). Finally, in line with the EU directive on the equal treatment of men and women, the retirement age of women was to be increased gradually in line with that of men. In stark contrast to Belgium, this measure involved almost no discussions.

Second, the government opted to ensure that the private companies find solutions to the misselling of pensions without intervening via legislation on the issue. As stated by Ward (2000), the government “resisted imposing any control on the sales practices of insurance companies and others, despite the evidence of the abuse” (142). The government pressured the missellers to correct their mistake. As in the case of the ‘early-leavers’ problem, this approach deemed highly unsuccessful with only 2% of to 1,5 to 2,5 million Britons waiting for compensation received satisfaction prior to the election of 1997 (Le Monde, 24 November 1997).

New Labour, new era?

Even prior to its election in 1997, it was obvious that the Labour Party was not going to repeal the changes made by the Conservatives. Doing so would have been extremely expensive. For example, simply re-indexing the Basic Pension in line with wages or inflation instead of inflation carried a price tag of £4-5 billion annually (Fawcett, 1995: 166). This measure implied stronger reliance on the means-tested programmes (Rake et al., 2000: 298). Re-introducing a strong public occupational scheme was also not an appealing option for a party eager to demonstrate it can be ‘financially responsible’ (see Ross, 2000a).

Nonetheless, this did not imply that the ‘new’ Labour would stand idle. It introduced legislation to take the wind out of the market forces. First, the government pursued actively the companies that were failing to compensate the victims of the personal pensions scandal. It fined companies and published the list of the late compensators on a monthly basis (Le Monde, 24 November 1997).

Second, and more importantly, Labour presented a Green Paper entitled *A New Contract for Welfare: Partnership in Pensions* in 1998 where it announced a major reshaping of pension policies. Pension reform was presented as necessary to restore faith in the system. The elements contained in the Green Paper were legislated in 1999 (Welfare Reform and Pensions Act). Blair restated clearly that Labour espoused the private sector as the primary source of provision, and that the state would intervene only when the market fails:

> "We are building a new contract for pensions between the State, the private, and the individual. We believe that those who can save for their retirement have the responsibility to do so, and that the State must provide effective security for those who cannot" (DSS, 1998: iii).

Concretely, the Green Paper proposed to alter the means-tested assisted programme by providing more generous, create a new state pension scheme that would eventually replace SERPS for low wage earners and provide flat rate benefits called State Second Pension (S2P), and introduce a new form of private pensions designed for those who do not have the opportunity to join an occupational scheme, but can ill afford a personal pensions named stakeholder pensions.

The Minimum income guarantee (MIG) introduces means-tested benefits that are more generous than the Income Support, which are expected to be indexed to average earnings in the upcoming future. The adoption of the name guarantee can be viewed as a way to reach the high number of entitled pensioners who do not seek to collect it because of the stigma attached to this kind of benefits.

The Second State Pension is targeted to those earning less than £9000 per annum, a situation experienced by roughly 9% of men and 17% women working full time (Rake et al., 2000: 303). Substantial improvement would be made in terms of benefit. For example, someone earning £9000 could receive a pension worth double that of SERPS. Further, non-contributive benefits are granted for those experiencing periods of sickness, childcare, and invalidity, as if they had earned £9000 (DSS, 1998). The government's optimism is not share by everyone, however. Because S2P is price indexed, its value relative to wage earners is expected to decline. In a study analysing the effect of the Green Paper on low wage earners, Rake et al. (2000) argue that the combined benefits of both Basic Pension and S2P will be slightly higher than what will be offered by the Minimum Income Guarantee (MIG), and the later will be necessary to avoid a relative drop in benefits. "The level of income promised by S2P, in combination with the basic pension, is so close to MIG that many will not benefit in retirement from their lifetime's contributions, and incentives to saves are compromised…The basic pension and the proposed new State Second Pension will *de facto* combine to provide a new flat-rate pension for the poorest"

(299-300 and 313). This is a long way from the aims of SERPS when it was introduced in the late 1970s.

The answer of the Labour government to personal pensions is its stakeholder pensions, which targets those having earning between £9000-£18 500 per year. This group of wage earners rarely has access to occupational pensions and personal pensions are considered to be ill equipped to tackle their needs since it yields high administrative costs for low-income earners, and interruption in one's career engenders penalties (DSS, 1998: 5). Stakeholder pensions still rely on the private sectors, but the government plays a more active role in advertising the schemes that meet its standards. Thus, the principal behind it is similar to the ISO established for private companies, except that the government rather than an international agency sets standards. The requirements are that the pension schemes offered carry a yearly administrative cost of less than 1% of the value of the fund, charge no fee when the pension is transferred elsewhere (most likely the case when one change employer) or when payments are not made, and the schemes must be willing to accept contributions of £20 or more, though some may accept less.

As part of the strategy to ensure lower administrative costs, employers that do not offer occupational schemes to their employees will have to provide a stakeholder pension, and collect the contributions for it. The trustees must also be independent, and have no relationship to the employer. Finally, new incentives would be introduced to encourage savings into these schemes (ibid).

The government's plan with some opposition from commercial firms, the Occupational Pensions Regulatory Authority (OPRA), and, as usual, the Treasury. (Ward, 2000: 143). Further, Rake et al (2000) argues that in order for the stakeholder pension to keep low wage earners out of means-tested benefits, they would have to earn a life-time earning similar to that of the average male earnings (315)!

Conclusion: An End to The Politics of Wimbledon?

The past ten years have resulted in controversy over the game of tennis, particularly at the fast grass court of Wimbledon. New technology has transformed the game of tennis into a game of serves. They are now so powerful that exchanges have been considered rare. Thus, recent Wimbledon champions have all been great servers.

Pension politics in the UK shares many of the problems facing the game of tennis. The party holding the reign of power can send powerful serve that are difficult to stop. However, once a serve is lost, the other player gets to serve and can serve similar medicine. Key is to hold on to his serve as long as possible if one wants to control the match.

The only pension truce in British politics lasted from 1975 to 1979! Both Labour and Conservatives have been serving new pension reforms on an on-going basis for most of the post-world war period. The Conservatives were able to provide the private sector with an important share of the responsibilities in ensuring provision for retirement, but this is not because their plan was better. They were simply able to generate a tiebreaker by holding on to their serve for 11 years after the introduction of the Social Security Act of 1986 (17 if ones prefers the indexation of the basic pension on prices). In order to get back into the game, the Labour party had to accept to play according to the rules established by the Conservatives. Nonetheless, it added three new types of pension scheme complicating the pension field even more. This assessment is the continuation of a long historical traditions where social polices have long been confrontational, but confined to the Parliament. This is clearly stated in Ashford (1986)'s analysis of the development of social policies between the years 1890 and 1950:

> "British social politics never lost its adversarial character and social policies continue to be treated as a reserve for political and parliamentary bargaining. British institutions seemed condemned to marginal and partisan attacks on basic social and economic questions so that even some of the most notable success, such as the NHS, have been constantly disrupted by political attacks from both left and right…In a sense, the complexities of French politics were reproduced within social policies while the British rather ingenuously set out to simplify social politics and policymaking" (310-11).

In the UK, a political party faces relatively few constraints once in power and controls the political agenda. First, it does not have to negotiate with other political parties unless there is a coalition government, a rarity. The opposition can underlines the failures of a government, but it cannot really alter policy choices especially when the outcome carries a lot of uncertainties as in pensions. Second, the administrative capacities of the state are such that the pension expertise has historically come from the outside (Heclo, 1974). This allows great flexibility on the part of the government since it can chooses the experts closest to its policy position. The individuals who ended up being actively involved in the formal policy process when Fowler was Secretary of State were highly supporting the extension of private provisions, the reduction in the size of SERPS, and personal pensions. For example, the CPS was easily introduced into the policy process. The set up of the Inquiry into Provision for Retirement also demonstrates the extent to which the bureaucracy can be disregarded. Fowler appointed as Assistant Secretary an individual who had just arrived at the DHSS without any difficulties. Worst, the DHSS Research Unit was not even consulted when Fowler elaborated his Green Paper (Nesbitt, 1995: 68).

Third, social actors such as unions and employers can be more easily avoidable than their French or Belgian counterparts. It is interesting to point out that both CBI and TUC were not granted a seat within the Inquiry into Provision for Retirement. Nesbitt (1995) emphasised that contacts between these two groups and the government became more informal in the 1980s, another indication of their weak institutionalization. These two groups were never formally involved in the creation of policy, their participation tended to concentrate "upon information exchanges and inquiries, and that participation less often includes policy formation and implementation" (167). This type of institutionalization makes it easier for politicians to discard them than the French or Belgian institutionalization.

As expected, who is in power matters greatly for the kind of influence they have. TUC was an important actor in the elaboration of SERPS (Walker, 1991: 21) and its leader traditionally met the Prime Minister at Downing Street for beer and sandwiches in the 1960s and 1970s (Nesbitt, 1995: 142-3), but was off the radar screen as soon as the Conservatives took over. The belligerent attitude of Thatcher towards unions added more impetus to keep TUC out of the policy process. Interestingly, the CBI was not extremely influential in the process. It was in favour of maintaining strong occupational pensions and favoured personal pensions as a third pillar, but not as a competitor of its schemes.

Fourth, as in the case of re-introduction of workfare, the institutional legacy can play in favour of interests seeking to retrench (King, 1995). The importance of the private sector within the pension system greatly helped the Conservative to pursue its agenda. As underlined by Fawcett (2002):

> "the legacy of past policy meant that there was an absence of well-established and powerful interests in defence of the state sector. The strength of the private sector and the corresponding weakness of the state sector meant that the Conservatives did not face 'veto points' or

> interest groups which would obstruct their agenda. Ironically, the major interest group that blocked certain policy proposals was the insurance industry itself' (11-2).

Few policy constraints are notable, and apply to both parties. First, the Treasury continues to play a dominant role in social policy by ensuring that public finance will not be committed to large new expenditure. The resistance of the Treasury is far from being a new phenomenon and is a good reason why the British state never accepted a large expansion of the public pension system (Heclo, 1974). Second, as stated by Fawcett above, private companies are now so involved in pension provision that they cannot be ignored, and can represent a powerful source of opposition.

6 - Conclusion: Comparative Tests of the Hypotheses and Implications for Further Research

Introduction

The aim of this chapter is twofold. First, it seeks to compare and analyze the hypotheses presented in chapter 1. Despite the difficulties associated with the comparison of pension policies, it is argued that the theoretical framework used in this book is promising. The process under which pension are being reformed tells us a lot about the breadth of these reforms. Key is the institutionalization of political actors. Further, the null hypotheses are studied and dismissed. Second, a brief exploration of the policy implications associated with this book is presented alongside further avenues for research.

Review of the hypotheses

This section analyzes the hypotheses presented earlier in chapter 1. Each individual hypothesis is stated and then answered in line with the four cases studied in this book.

Hypothesis 1: Parliamentary Integration structures are more conducive to broader pension reforms than Social Partnership structure since the latter has more built-in veto points.

Parliamentary Integration structure = Programmatic Reforms.

This is the main hypothesis for this book, which is also referred to as the first ordering principle. Based on the four cases reviewed in this book, an affirmative answer can be granted to this hypothesis. Both the UK and Sweden, two cases representing the Parliamentary Integration structure, were able to introduce programmatic reforms (see table 6.1). The UK actively promoted the private sector by making the public scheme unattractive while granting generous tax benefits to join private schemes. The Trade Union Confederation (TUC), and the Confederation of British Industry (CBI) to a lesser extent, were pushed aside during the discussion and elaboration of pension reforms in the Thatcher years. Even though the TUC was not opposed to the idea of privatization in principle, since many of its white-collar workers where benefiting from good occupational pensions, it really had no say in the outcome sketched by the Conservatives, who were committed to reduce the political influence of unions. More radical reforms were stopped by the intervention of the Treasury, which feared an escalation of the public deficit in order to finance transition costs implied by the elimination of SERPS. Further, the elimination of SERPS was also opposed by the pension industry fearful of having to integrate 'bad' risks into their pension schemes.

In the Swedish case, the Minister of Health and Social Insurance was able to push both unions and employers into a marginal position during the negotiations surrounding the reform of the whole pension system. By creating a working group on pension instead of commission, the Minister successfully reduced the number of individuals within the committee enhancing the chances of reaching an agreement. Among those excluded were unions and employers. Despite mild protest on their part, it was understood that it was the responsibility of the state to change the system. It was argued earlier in this book that this was a consequence of the pension reform of the late 1950s, which granted extensive responsibility to the state in the administration and financing of the pension system. Contrary to Continental Europe, unions and employers were not granted administrative responsibilities.[352] Once a compromise was reached among the politicians involved in the committee, it was extremely difficult to change specific elements since it implied a re-opening of the negotiations among the five political parties. Because of their expertise gained via the workings of committees, Swedish MPs were able to defend their proposals.

[352] It is acknowledged that they had seats within the administration board of the social insurance agency, but did not held a majority like Belgium and France. Further, union and employer representatives left the board in the early 1990s.

Table 6.1 Comparative Analysis of the Successful Pension Reforms Introduced in Sweden and the United Kingdom (Parliamentary Integration).[353]

	Parliamentary Integration	
	Sweden	**UK**
Pension Reform (Name)	1998 – New Pension System.	1980 – Budget 1986 – Social Security Act 1995 – Pensions Act 1999 – Welfare Reform and Pensions Act
Pension Reform (Content – main elements)	1998 – Whole new system. Increase in the length of contribution (from 30 years using the best 15 to life income); compensatory measures introduced for childcare, studies and military service; new indexation mechanism based on economic growth, prices and population ageing; 2.5% to be invested in the private sector; instauration of a means-test for the guaranteed pension; flexible retirement age.	1980 – Pensions are indexed solely on prices. 1986 – Decrease in the value of the replacement rate for SERPS (from 25% to 20%); reduction in the minimum pension that needs to be guaranteed by private occupational pensions; introduction of personal pensions with fiscal incentives reaching 2-3% alongside rebates reaching 3.8% for the employers. 1995 – Constraints on self-investment for occupational pensions and creation of a regulatory board. 1999 – Introduction of the stakeholder pension and of the second state pension.
Conse-quences	1998 – Due to the extent of the changes, its strong connection to the state of the economy, and its reliance on the stock market the outcome of the reform is difficult to assess and/or predict. Expecting to lose: those with broken careers; blue-collar workers prone to early retirement; white-collar workers who were benefiting from the 15/30 rule of the ATP system (eg. Female university professors). Expecting to gain: those with steady career and low wage progression. Buffer fund created by the old system is scheduled to disappear to finance the transition to a private component.	Dependence on the private sector for the bulk of pension provisions. Public policy shift from providing pensions to regulating the private sector in these functions. Expecting to lose: those with bad occupational schemes (eg. Maxwell scandal); those with broken careers (especially with long periods of unemployment); those who had invested a lot within SERPS. Expecting to gain: those with good occupational plans; those who play the market successfully.
Inclusion of Employers and Unions	Exclusion/Informal – a reference group was set aside – unions and employers did not participate in the negotiations of the new system; influence filtered by the political parties (eg. LO via SAP). No veto points.	Excluded – both unions and employers were not active players during the preparation of the legislation, nor were they active during commission studying reform proposals. No veto points.
Number of political parties involved	1998 – 5 (SAP, FP, M, Kd, C)	1980 – 1 (C) 1986 – 1 (C) 1995 – 1 (L) 1999 – 1 (L)

353 This table is not exhaustive. For a more detailed analysis of the reforms, please consult the country chapters.

Unsurprisingly, the need to do further cuts to the pension system in the UK and Sweden has disappeared and has been replaced by discussions on the efficiency of the previous reforms. The reforms introduced to these two pension systems bring a high degree of uncertainty for individuals, as to what can be expected for retirement benefits. Even though the guarantor of pensions differs (state vs. private market), both systems are contribution driven and place a strong emphasis on the state of the economy to generate adequate benefits. In the UK, it is the value of the investments that guarantees the level of benefits while Swedish benefits are adjusted in accordance with an index that emphasizes both the state of the economy and population ageing.

Social Partnership = Parametric Reforms

France and Belgium have been limited to parametric reforms (see table 6.2). Governments have not been able to produce changes to the pension system as a whole, but were rather co-opted into adjusting existing parameters. The simple way to explain this outcome is that there are simply too many actors to consider the implementation of a new system. The formal inclusion of social partners into the reform equation plays a significant role since unions and employers serve different interests than political parties. Neither is preoccupied by re-elections. Further, they have very opposite opinions as to what must be done to reform pensions. On one hand, unions tend to emphasize the past promises/commitments made by previous governments and are very defensive in their actions. Regardless of the country, unions have stressed that growth could compensate for population ageing and that the forecasts presented overexaggerate the pension crisis. On the other hand, employers are using the pension crisis as a mean to achieve lower labour costs. They stress the importance of not increasing employers' contributions due to the detrimental effect such action cause on the economy.

The importance of social partners might be viewed as misconstrued for the French case due to the importance of the state and the lack of genuine concertation efforts. However, the social partners are well aware of the activities related to this field since they manage the programs even though they do not control the rules and regulations related to pensions. Both employers and unions are actually hostile towards the involvement of the government in this policy area and pay close attention to the actions of the latter. The reason why the Balladur reform survived and not Juppé's is strongly correlated with the level of consultation done by

Matignon with the social partners prior to enacting a reform. The Balladur cabinet knew that the measures introduced had the support of one of the three major unions while Juppé did not even bother to discuss pension reform with any social actor.

Table 6.2 Comparative Analysis of the Successful Pension Reforms Introduced in Belgium and France (Social Partnership).[354]

	Social Partnership	
	Belgium	**France**
Pension Reform (Name)	1996 – Colla Reform. 2001 – Silver Fund & Second Pillar.	1993 – Balladur Reform. 1995 – Juppe Plan.
Pension Reform (Content – main elements)	1996 – Alignment of the pensionable age for women in line with men; reduction in the indexation rate for contributions made between 1955 and 1974. 2001 – Government money put aside to create a buffer fund; creation of an second pillar managed by social partners.	1993 – Increase in the length of contribution (37.5 to 40 years); benefits based on the best 25 years of contribution instead of 10; price indexation instead of wage indexation; creation of a retirement fund. 1995 – Increased managerial powers granted to the parliament.
Consequences	1996 - Limited due to the long transition period and other social benefits that will compensate for the loss of pension for women – exception are women with long careers who may lose up to 11% in pension benefits. 2001 – Nil. The buffer fund consists of government bonds. Same effect as paying back the debt right away; second pillar does not resolve any difficulties of the first pillar but add extra retirement income.	1993 – Biggest impact comes from the price indexation of pensions (close to twice the savings generated by the other two measures combined). Pensions may decline by an average of 26% vis-à-vis average wages over a period of 50 years depending on the duration of benefits. 1995 – No financial impact, but the parliament constrains further the managerial duties of the social partners.
Inclusion of Employers and Unions	Constant social dialogue between the government and the social partners. Act as veto points.	Institutionalized dialogue between the social partners and the government. Government may act alone – the absence of consultation can be dreadful (events of December 1995). Veto points.
Number of political parties involved	1996 – 4 (PS, SP, CVP, PSC). 2001 – 6 (PS, SP, VLD, PRL, Agalev, Verts)	1993 – 1* (RPR-UDF) 1995 – 1* (RPR-UDF)
Worth Noting	Public Sector schemes have not faced any reform despite being more generous.	Public Sector schemes have not faced any reform despite being more generous.

* Due to the 'permanent' coalition between the RPR and UDF, they are considered to represent one party (see chapter 3 for further explanation).

[354] This table is not exhaustive. For a more detailed analysis of the reforms, please consult the country chapters.

In Belgium, the situation is somewhat different because of the lesser power granted to the state. The communication channels between the social partners and the government are continuously open. Contrary to the other three cases, many of the discussions and debates occur behind closed doors. Interestingly, some of the scoops obtained by the media were all related to ideas for reforms that were strongly opposed by the unions leaving little to the imagination with regards to the origins of the leak. Thus, once a government tables a bill broad support is already guaranteed.

Obtaining a broad consensus on the action of a coalition government in Belgium is less difficult than conceived by those advocating the use of veto players. The *déclaration gouvernementale* provides the blue print of a grand bargain among the governing parties. There is a logrolling of policy choices among them. They tend to obtain support for some of their core issues in exchange for returning the favour. This type of behaviour causes a problem for issue that arise suddenly, but pension reform is not one of those. Pension reform remains difficult in this context because the social partners have the opportunities to poke at agreements among the political parties. As they are involved in the process from beginning to end, radical proposals are not even considered. This explains why a programmatic reform like the one implemented by the coalition of political parties in Sweden is not feasible in Belgium.

H1a: Reforms are most likely to occur when unions have a co-operative relationship with the state (Belgium) compared to a confrontational one (France).

As implied by the discussion above, the unions are insiders in the policy process in Belgium while outsiders in France even though both have managerial responsibilities and can claim a 'legitimate' involvement. The inclusion of the unions within the process can ensure a 'smooth' implementation since the government has the opportunity to secure their support ahead of time. In the French case, the government consults, but it is expected to make the final ruling resulting in greater uncertainties as to the kind of response it will get. Due to the fact that unions have been strong defenders of the pension system and opposed to the actions of the government in this field, at the very least in its rhetoric, it is expected that the Belgian government should be more successful. However, contrary to expectation, France has been more successful in its reform attempts than Belgium.

The Balladur reform introduced much more change than the Belgian reform of 1996 since the long-term effects of the latter were heavily compensated by other social measures and they were already lesser in scope and breadth. Nonetheless, it is worthwhile noting that the Balladur reform was already implemented *de facto* in Belgium since its pension system had less advantageous conditions to begin with. It was already price indexed and it has had a contribution period of 45 years (compared to 40 years in France **with** the Balladur reform). When it comes to the public sector, the 1995 reform attempt by Juppé had the indirect consequence of muting the reform efforts of the Belgian government with its public servants.

H1b: Assuming that Rothstein (1996) is right about the capture of the state by unions and Social Democratic interests in Sweden, then the expertise of the state is more likely to be accepted and trusted by unions in Sweden than in France, whose state has a confrontational relationship with unions.

Few economists (Tambori, 1999; Legros, 2001) have emphasized the importance of institutional credibility when seeking to reform pensions. People are most likely to distrust the politicians if there is a ‘credibility gap’, meaning when there is not a popular institution attached to a specific policy area (ibid). The evidence provided in this book supports this thesis. The polar opposites remain France and Sweden. In the former a vast amount of energy and a big part of the debate surrounding pensions relate to the expertise of the government and the accuracy of the projections. It is not an accident that many French people are confused about the need to reform the system. It has been difficult for citizens to trust French politicians for two main reasons. First, the state does not manage the system and has a difficult time ‘selling’ the need for a reform when the unions, co-manager with the employers, argue otherwise while employing studies from the agency responsible for managing pension programmes. Blurring the picture further is the fact that the French population is split in two when it comes to assessing who should be responsible for pension policies. 35% believe the state should manage the pension system compared to 34% in favour of the social partners. Thus, who conducts, chair, perform the statistical analysis is highly political and controversial. Second, clearly highlighting the lack of institutional leadership is the constant reliance on commissions, many of which considered to be external to the organs of the state. In the span of 16 years, 13 commissions have presented reports and no consensus has been achieved. More worrisome for the average citizens many reports have had starkly opposed conclusion. For example, the Teulade report (2000), with its emphasis on the need to seek policies promoting economic growth rather than altering the pension system, negates virtually all of the conclusions presented by the Charpin report (1999), which prescribed specific reforms to the pension system (see chapter 2).

Many of these political issues are absent in Sweden because of the high trust placed in the hands of the national insurance agency (*Riksförsakringsverket* – RFV) and the various departments. None of the individuals interviewed raised the issue of contesting the analysis presented by these offices. Many competing alternatives coming from various parties were actually analysed by the same people. Further, 'external' expertise has been incorporated within the committee and complemented rather than challenge the work of the committee. The critics have focused on the consequences of the reform using the numbers and analyses provided by the state agencies.[355] All of this has important consequences, especially if we compare to France. First, the endorsement of the reform by these three offices adds credibility to the actions of those involved in the committee because citizens trust them; they are highly credible and RFV is not nearly as politicized as the Bureau du Plan in France. The fact that RFV first came out stating that a pension reform was necessary helped politicians with this task since they did not have to pursue strategies of blame avoidance. The fact that a reform was necessary was highly consensual and did not become a vote-losing proposition.[356] Second, more political energy is spent discussing substantive issues such as what elements should be included or excluded in a reform because the playing field is not being challenged. Third, when the credibility of an 'analyzing agency' is not in question, a committee is taken far more seriously because there is less of a chance that an alternative group will be formed afterwards to challenge its findings, which is precisely what occurred after Charpin published its report in France.

Hypothesis n2: The higher the number of political parties within a government, the less likely a programmatic pension reform will occur.

---

[355] Of course, few individuals criticized the work of the committee and the assumptions made by RFV for the evaluation of the pension system. However, these individuals made this on a personal basis and did not have the backing of a powerful group within Swedish society such as a political party or a union. The Left was highly critical of many sections of the five party agreement, but did not challenge the basis (projections provided by state offices) under which these decisions were reached.

[356] Here it is important to differentiate between the consensus on the need to reform the system and the actual agreement on the reform itself. The latter was less consensual, but was simply not discussed during both 1994 and 1998 elections.

This hypothesis is rooted in the rational choice literature, which emphasises that the higher the number of veto players (Tsebelis, 1995) the less likely substantial policy reforms can be undertaken. For example, Alesina and Perotti (1995) and Mattson (1996) argue that coalition government have more difficulty obtaining fiscal discipline because the negotiations among the political parties within the coalitions result in higher spending. Albeit for institutional reasons, Scharpf (1988) makes a similar argument when he claims that the German political system, like that of the EU, produces a 'decision trap.' These arguments have been challenged by Hallerberg and von Hagen (1999), who emphasize the possibility of reaching binding agreement within a coalition government, and Peters (1997), who stresses the possibility of 'logrolling' as a way out of a decision trap (see chapter 1).

The empirical evidence presented in this book supports the latter authors. A grand bargain among five key parties in the Swedish parliament resulted in one of the most radical pension reforms in Europe while consecutive one party governments in France have been unable to reform a portion of its pension system (public sector) and managed to introduce parametric reforms in the other schemes. The new Swedish system is full of compromises and many of the issues were resolved in a 'logrolling' fashion. For example, a big public component was retained in exchange for a private savings account within the pension system (see chapter 4). Even in Belgium, the difficulties have lied with the social partners and not the governmental actors. The leadership of the Flemish Socialists has not been questioned by other political parties in the coalition, which are more concerned with their issues of preference (see chapter 3). As underlined by the main theoretical framework of this book, key is not the number of veto players, but rather the nature of the veto. The institutionalization of social partners within a pension system is more problematic than having many parties within a governmental coalition.

Hypothesis n2a: Based on Tsebelis (1999), a broad political coalition that includes ideologically polarized political parties is unlikely to yield a (major) pension reform.

In light of the Swedish pension reform, such hypothesis cannot be supported in this book. Even Belgium, with its current rainbow coalition composed of socialists, liberals and greens, casts another challenge to this hypothesis since a consistent line of reform within the government is present. In the UK, Thatcher did not have to compromise as much as its Swedish counterpart to obtain an important reform. However, the French Prime Minister has had more difficulties.

H3: The impact of pension reforms should be very limited in the Consensual pattern of reform making, and most extensive in the Cabinet pattern. The overall reform ranking should go as follow: Cabinet > Committee > Social Conflict > Consensual.

Application: Belgium should be the case closest to the status quo, and the most extensive reform(s) should have occurred in the UK. Overall, the ranking of the four pension reforms should be as follow: UK > Sweden > France > Belgium.

This is the combination of both ordering principle: parliamentary integration vs. social partnership and proportional vs. majoritarian vision. It is argued that the number of veto players within a parliamentary assembly matters once it is integrated with the structural pattern of relationship. Thus, a high number of veto players might not be too cumbersome within a parliamentary integration structure, but a social partnership structure amplifies the difficulties associated with the negotiations among the political parties. For example, in the latter case, unions might effectively pressure socialist parties to act in a 'socialist' manner or simply veto reform projects (see chapter 1).

As expected, the most radical reforms occurred in the UK. The Thatcher government promoted actively a stronger reliance on the private market making it nearly impossible for successive government to re-establish a public system. The early years of the Labour Party have entrenched the reforms enacted by the Conservative governments by not seeking to re-create another strong public system. Most of the debate now centres on the ways under which private pensions can be regulated in order to ensure a financially secure retirement for citizens who now invest heavily in the private sector. The unions and employers were simply not included in the main committees studying pension reform and no other political party was consulted (see table 6.1 and chapter 5).

The Swedes enacted the second most changes to their pension system by creating a whole new pension system, which is going to be implemented over the next 20 years. Among the most important features of the new system is the introduction of a funded account representing 2.5% of the 18% of contributions levied. Nonetheless, it is important to emphasize that the new system relies heavily on insurance principles with all contributions being counted towards one's pension, a substantial change from an earlier system where benefits were calculated on the basis of the fifteen best years in a thirty (or more) year career. Furthermore, the basic pension is being replaced by a means-tested guaranteed income, which is price indexed. The latter measure breaks the universal nature of the previous system where every citizen received the basic income. As argued by Rothstein (1998), it is the universalistic nature of the Swedish welfare state that led to its strong endorsement within the population. This shift could have negative consequences in the long run since countries employing means-tested benefits such as the US and the UK tend to have the lowest support for their welfare state. As stated earlier, the influence of the unions and employers were limited due to their exclusion from the main negotiations among the political parties. They were faced with a final product, which could not really be altered since changes would have resulted in re-opening a complex compromise.

It is more difficult to assess whether Belgium or France ranks third because the changes made in France are already built-in the Belgian system. Further, neither country has been able to alter the pension scheme for civil servants. Nonetheless, the Balladur reform results in more important changes since, contrary to Belgium, generous early retirement options do not exist to cushion the alterations of the public scheme for private sector employees. The three measures taken by the Balladur government (see Table 6.2),[357] will result in lower pension benefits for a large segment of the population, especially if one considers the evolution of pensions versus that of the average wage.

Pension discussions involve the social partners, who contest the legitimacy of the state in this field. This results in highly publicized conflicts between governmental actors and the social partners. From the public stance of social partners, it is difficult to assess truly what is acceptable as a reform and what is not. As demonstrated by the events of December 1995, the social partners cannot be ignored.

The social partners are actually more powerful in Belgium because they are truly part of the policy process. As a result, conflicts are internalized and actions on the part of the government rarely occurs without their prior consent (or mild opposition). Social partners can also influence the outcome of coalition negotiations by pressuring related political parties to address the concerns of their electoral interests. For example, the Socialist Ministers have had to defend their negotiation stance within the government with the unions.

[357] Price indexation, calculating benefits according to the best 25 years instead of the best 10, and extension of the contribution period from 37.5 to 40 years.

Following the guidelines of the *déclaration gouvernementale*, the Minister of Social Affairs has had to present proposals to the other members of the coalition prior to seek their approval with the social partners. This adds another element of complexity in the process, which can be partially negated by 'logrolling' (see above). The end result is a policy process, which progress *'à petits pas'* (with small steps). The 1996 reform was enacted after an extended period of negotiations even though it had to be done because of an earlier European Court of Justice ruling. The compensation package introduced (or maintained) with this reform result in a near status quo, with only career oriented women being strongly affected by it. The following reforms (the creation of the silver funds and occupational pensions) do not alter in any way the current public system.

H3a: Unions will be better equipped to block drastic reforms when they are institutionalized within Social Partnership regardless of union density.
Application: Unions are more likely to have a disruptive role in Belgium than in Sweden despite a similar level of unionization.

Belgium and Sweden represents two good comparative cases in this domain. Both of them have highly generous pension systems and high levels of unionization. Further, in both countries the state has historically sought to incorporate the unions within their policy process and they were consenting because the state was not perceived as a threat like in France. However, as evidenced by this book, Belgian unions had more input into the pension reform process than their Swedish counterpart because they could interact with policy-makers while proposals were being considered. Swedish unions were left to face a *fait accompli*, where they could only accept or reject the agreement. The fall of corporatism and the large responsibilities given to the state when the pension system was extended in the late 1950s explain the relative lack of union input. The unions played a stronger role within the political parties, where they almost forced the SAP to back track on its earlier agreement with the four bourgeois parties.

H3b: Regardless of the number of veto players (Tsebelis, 1999), it is more difficult to generate a pension reform with the Social Conflict pattern than with the Committee pattern.
Application: France is expected to have greater difficulties in generating a reform than Sweden even though it has fewer veto players.

This is another test of the concept of veto players. On one hand, even though Sweden is not a case where coalition governments have been occurring on a regular basis, rare have been the occasions where a single party could push through its own agenda without the support of at least another party. In the early 1990s when the Working Group on Pensions began its functions, the support of five parties was necessary to obtain a majority. Despite this high threshold of acceptance an extensive pension reform was instituted. On the other hand, unitary French governments have been unable to carry such reforms. As argued in this book, the institutionalization of social partners in the French case explains why it has been more difficult to alter the system.

H3c: The Cabinet pattern generates more extensive reforms than the Social Conflict pattern because the latter faces veto points.

Application: The UK should be able to generate more extensive reforms than France because it does not have a structured relationship based on Social Partnership.

This is also an interesting comparison since, according to the literature on the 'new' politics of welfare, both countries should have a lot of difficulty to reform their system because accountability can easily be traced back to a single party in power. The government cannot blame another actor or political party for a retrenchment measure (see Pierson, 1994). Thus, any changes to the pension system resulting in negative consequences can be easily punished at the subsequent election. However, the UK has introduced radical pension reforms and the Conservatives did not suffer in the following elections. Even in France, the popularity of the Balladur government did not decline as a result of the pension reform of 1993. This explanation cannot help us differentiate why the UK introduced such radical reforms while the Balladur government, committed to introduce options, could not do more than alter three parameters.[358]

H3d: The Consensual pattern leads to more reform difficulties than the Social Conflict pattern because it has more veto players in a similar structure of relationship (Social Partnership).

Application: Belgium is expected to have more difficulties than France in generating reforms.

This is a test of the second ordering principle. In this case, both countries have a social partnership structure meaning that they must consider the unions and employers into their

[358] One of these options, price indexation, was already implemented in 1987 and renewed every year.

decision-making process. The key difference between the two countries is that France can have a prime minister who decides to act *'à la Bonaparte'* like Juppé did in 1995 (see Vail, 1999) while such action could have never been taken in Belgium since any ministerial proposal must receive the approval of other coalition members. Further, pension reform has tended to be included in the *déclaration gouvernementale* meaning it is an object of negotiation among the coalition members in the formation of a government. Thus, the governmental position of the government can be pushed more forcefully in France than in Belgium. Nonetheless, as evidence by the reaction to the Juppé Plan, these centralized powers do not imply that a reform will be implemented more easily since the social partners, more particularly unions in this case, are more likely to oppose such action vigorously and may even gather substantial public support. Thus, social partners have the capacity to act as a counter balance.

H3e: The Committee pattern leads to more reform difficulties than the Cabinet pattern because it has more veto players in a similar structure of relationship (Parliamentary Integration).
Application: Sweden is expected to have more difficulties than the UK in generating reforms.

This is clearly supported by the analysis presented in chapter 4 and 5. Both countries introduced substantial changes to their pension system, and yet the way under which this was achieved varied greatly because of the number of veto players in each setting. The Thatcher government was uncompromising and first sought to scrap the public system. It was the intervention of the Treasury, which foresaw a substantial rise in public expenditure, which stopped this proposal from going through. The plan B was still highly favourable to the private sector and jeopardized the viability of the public system in the long-run.

In the Swedish case, a single political party cannot have the kind of latitude Thatcher had. This is best exemplified by a response provided by Anna Hedborg, a SAP representative on the Working Group on Pensions, during an interview. She felt a political opposition from both the Ministry of Finance (regardless of the government) and the bourgeois parties. The Ministry of Finance had similar concerns as its British counterpart. The key difference was that Hedborg had to negotiate and compromise with the bourgeois parties to reform the whole pension system. Thus, the final agreement does not represent a solution advocated by any single political party, but rather a collage of wishes from each of the five parties. This explains why it took longer for Swedes to enact a reform. This is also, however, the strength of the Swedish policy making process. Policies tend to be more stable in the long-run than in the UK since an agreement like the pension reform of 1998 is unlikely to be altered once a new government comes in power. Steinmo (1993) in his analysis of taxation came to similar conclusions.

Hypothesis n2b: A political party advocating stark changes in pension programme will face a reduction of political support.

Out of the four cases studied in this book, this event only occurred once. During the 1994 election, the Flemish liberals advocated a strong privatization of the pension system and suffered a setback. Therefore, more cases would need to be studied in order to make any meaningful assessment of this proposition.

Most political parties have avoided this issue prior to and during elections. In Sweden, there was an explicit agreement among the five parties behind the 1998 agreement not to bring pensions as an electoral issue in 1994 and 1998. In the UK, Thatcher never mentioned that she had the intention of drastically reform the pension system in the 1984 election. Pension reform was also not mentioned during the 1993 electoral campaign in France and Balladur wasted no time after the elections. Even though reforming the public pension system is rarely mentioned explicitly, political parties have raised other types of issues related to the pension system such as the promotion of private alternatives to complement the public system.

Hypothesis n2c: Based on Ross' (2000a) critique of Pierson, left wing governments might have more facilities to introduce a pension reform since they benefits from the 'Nixon-goes-to-China effect' while right wing parties are likely to have 'Nixon's disease'.

Albeit limited, the evidence presented in this book does not support the 'Nixon-goes-to-China' argument. This hypothesis is difficult to test since both Belgium and Sweden have had coalitions that included both left and right wing parties. Thus, only France and the UK can be tackled. As stated above, it would be difficult to state that Thatcher's popularity was hurt by the introduction of pension reforms in 1980 and 1986. The same conclusions could be made for Balladur. Due to the extent of the reforms introduced by Thatcher and the length of her tenure, there was not much policy space left for the Labour Party when they came into power, nor could there have been a desire to make further cuts into the pension system. However, the Jospin government, elected in the aftermath of protest towards the Juppé government, had five years to address the pension issue and did not introduce a piece of legislation to alter the pension system.

Policy Implications

Due to the difficulties associated with institutional structures, it is clear that the options available to policy makers remain limited. Nonetheless, few conclusions can be introduced on the bases of our four cases. First, in order to reform public pensions one has to recognize the limitation of one's structure. A state that has had delegated substantial authority to social partners in the past must include them in the decision-making process. This implies that a coherent strategy is more likely to be successful if it includes a serie of small steps and/or other policy issues where more negotiating room is available.

In the long run, states can try to minimize the impact of the social partners by taking more responsibilities within the system. The revision of the social budget by the Parliament, as introduced by the Juppé Plan, represents this type of strategy. Albeit less likely in this day and age, a possible alternative would be to grant more responsibility to the social partners so that they face a larger share of the burden to reform the system. This action was proposed by Bérégovoy in the early 1990s in a desperate attempt to salvage the fortunes of the socialist government. The reaction from the social partners was quite cold, however, as they understood clearly that they would be forced to face the music and be responsible for future unpopular decisions.

The fact that it is easier to reform pensions within a Parliamentary Integration structure can also be a disadvantage. The pension system of the United Kingdom is excessively complex because no pension policy has had the chance to mature due to the constant changes that have accompanied a new government. Considering the long-term vision required in the field of pension policy, this outcome is quite undesirable. The potential costs of uncertainty were actually a key factor behind the resolve of the five Swedish political parties to reach a compromise. Both socialists and bourgeois parties feared that a future government would undo a unilateral decision, thus resulting in an unstable policy for a hotly disputed political issue.

Second, and derived from the latter point, policy change can be obtained regardless of the structure. Reformers are more likely to succeed within a Parliamentary Integration structure if they opt to carry an overhaul of the system or explicit reforms. It is worthwhile noticing that both

Swedish and British reforms tackles some financial shortcomings of previous systems, but introduce new difficulties. For example, despite all the efforts put by the pension committee in Sweden, there is no guarantee that the new system will prove to be sustainable in the long run. It remains to be seen whether or not politicians will have the courage to let that automatic indexation of pensions occur when the country falls into a recession.

Ingenious ways to reform the pension system within the Social Partnership structure can be found even though one cannot be as explicit as the previous cases. For example, the Belgian reforms have put the burden elsewhere (pre-retirement), which may be easier to reform in the future, and have introduced new programs (occupational pensions) to compensate for a future lack of adequate replacement wages. Simply privatizing a component of the public scheme would have failed to gather support, but the creation of a new pillar obtained widespread support. At the end of the day, both policies achieve similar aim: increase the share of private savings into the system.

Future Avenues for Research

Generalizing the theoretical framework

Broadly speaking two avenues could be undertaken to expand the use and testing of the theoretical framework presented in chapter 1. First, one avenue consists of expanding the number of cases under study by analyzing other European and/or industrialized countries. Thus, it is expected that continental countries follow the Social Partnership structure while both liberal and social democratic welfare regimes (Esping-Andersen, 1990) are expected to fit with the Parliamentary Integration structure. For example, an analysis of Canada should yield results that are quite similar to that experienced by the UK. It is expected that the decisions to reform are centralized and do not include unions and/or employers. Further, the role of the opposition is also expected to be close to nil.

Another avenue consists of expanding the framework to other policy area. Unemployment and sickness insurance quickly come to mind due to a somewhat similar integration of the social partners into these schemes. Interestingly, Sweden becomes more of a Social Partnership type because the unions and employers manage these two programs. The Minister of Health and Social Security, Bo Könberg, pointed out during an interview that he tried to reform sickness insurance in the same manner he tackled pensions. However, a special committee composed stricktly of parliamentarians was never set up due to the strong opposition of unions who firmly requested a seat due to their managerial role. An investigation into health policies would also be interesting since the Juppé Plan was implemented in this sector and not in pensions.

Other institutions

One possible difficulty associated with an expansion of this dissertation remains the integration of other institutions. The USA illustrates this point perfectly. Due to the high influence of the two legislative chambers and the separation of power between the legislative and the executive, the framework presented in chapter 1 seems ill equipped to tackle this case. Simply considereing the US case as a strange form of coalition government could not resolve this difficulty because party discipline is not as strong as in most parliamentary systems. The German Bundesrat also provides a similar puzzle, as regional leaders may refuse to follow the national party line. Three of the four cases studied in this dissertation have a second chamber (Belgium, France and the UK), but none were considered because they are not influential.

Appendices

Appendix A

What Are Public Pensions?

Pensoners rely on a multitude of resources to sustain their livelihood during their retirement years. The pension of citizens, thus, originates from various pension schemes composing a pension system.[359] Whatever the pension system present in a country, specific types of schemes are present and can be regrouped into three pillars. The first pillar consists of public pensions granted to individual on the basis of citizenship or need. For example, Sweden guarantees a full basic pension for every citizen **providing** that they have resided in the country for a minimum of 40 years.[360] Belgium, France, and the UK on the other hand, have provided means-tested benefits to needy pensioners who have been unable to reach a minimal standard of pension rights or savings.[361] The average retiree in these three countries is unlikely to receive any amount from the first pillar due to its means-tested element. Regardless of the country, this pillar is usually not sufficient for individuals to sustain a high level of wage replacement. The second pillar consists of occupational pension schemes, which are contribution-based programmes

[359] For the purpose of this dissertation, the distinction between pension system and pension scheme presented in the literature shall be used (see Bonelli, 2000: 9). For example, Dangerfield and Prangere (1998) claims that more than 75% of French retiree perceive many pensions from various basis or complementary social insurance schemes (9).

[360] For the year 2000, the basic pension for a single individual was worth 37 300kr (3 730US dollars) (www.rfv.se – September 11, 2001). Note that this figure does not include other potential source of revenues such as housing subsidies.

[361] In Belgium the *revenu guaranti aux personnes agees* (guaranteed revenue for older people) was of 256 019BEF ($5764) for a pensioner living alone. A person who had 2/3 of a full working career is entitled to a minimum of 346 762BEF ($7720). In France, old age people living alone with little or no resources can claim a means tested allowance of 17 633Fr, which reaches 42 910Fr ($5894) with a supplementary allowance allocated to people who qualify for the means-tested allowance. In the UK, the minimal amount provided to a pensioner living alone is of £39.95 per week (£479.40 annually - $2981) (http://europa.eu.int/comm/employment_social/missoc2000/missoc_132_en.htm).

financed by both employees and employers.[362] These schemes tend to be mandatory and administered by either the social partners and/or the state. For example, in Sweden, citizens have two sets of mandatory earnings related pension schemes. One that is administered by the state and another one that is considered to be private and occupational, that is negotiated between labour and employers during wage settlements. (For the reminder of this dissertation, public occupational schemes will represent pillar 2a, while the private ones will be labelled 2b?). The third pillar consists of various private pension schemes ranging from private savings plan, insurance and, even, home ownership. Belgian officials are quick to point out that Belgium does not have a thriving capital market like the Netherlands, but a vast majority of its citizens are homeowners, which is not the case for its neighbour.[363] This in turn represents a valuable investment. The importance of each pillar varies within the EU.

For the purpose of this dissertation, reforms to public pensions in the EU are analysed with a particular focus on Belgium, France, Sweden and the UK. After all, the potential crisis behind old-age pensions is mostly related to the public aspects of the system and not private ones.[364] Defining what is public and what is private is quite troublesome. Esping-Andersen considers public all pension schemes legislated and administered by the state as well as private sector plan mandated by the public. As such, he considers the British second-tier pensions as public. France represents a special case of public pensions, since mandating exists informally even though it is not legislated.[365] Interestingly, though, he excludes the government civil-service pension, which he considers to be a special category of its own (Esping-Andersen, 1990: 81).[366] Bonoli (2000) defines pension systems as the totality of transfers to the older population that ”are either compulsory, provided by the state or encouraged by legislation” (9f). For the purpose of this study, public pensions refers to pension schemes that are legislated and administered by the state or schemes that are administered by other bodies mandated by the state. This definition includes

[362] If the scheme is considered to be public, it also includes contributions from the state.
[363] According to Eurostat statistics, 68% of Belgian households own their home compared to 30% in the Netherlands (Eurostat, 1999).
[364] Although there is strong support for this position, one may ask who will buy the stocks of the baby boomers once they retired.
[365] This view was also acknowledged by the ECJ in the Pistre case, which considered that mutuelles cannot be considered as an entity engaged in economic activities due to their special status.
[366] He considered that the civil service scheme is a priori an occupational scheme that has little to do with social rights, but rather with ”status demarcation” (81).

pension schemes administered and financed by the government on behalf of public employees.[367] Like private workers, civil servants pay contributions towards their occupational pension. This includes the first and second pillar, with the exception of private occupational pensions. This implies, for example, that in Sweden the negotiated occupational pensions provided to individuals as a result of a collective wage agreement with their employers is not included. Excluding the main pension schemes for civil servant would imply leaving a large group of pensioners out of the analysis.

[367] This would include the mandatory occupational pension schemes received by civil servants in France and Belgium, but not the occupational pension scheme for civil servants in Sweden. The logic behind this choice is that the public pension schemes for Belgium and France are considered to be the main program of pension benefits (similar to what workers obtain in the pension legale (B) or regime general (F)) like the universal pension scheme in Sweden while the occupational pension received by civil servants in Sweden is an addendum to the main public scheme that is negotiated as part of wage settlement, and is therefore considered private (similar to other unionised employees). UK?

Appendix B

The Evolution of Public Pensions in Comparative Perspective

Pension policies, like most public policies, are quite incremental in nature making original legislation in each country an important milestone in analysing it.[368] Pensions are considered to be a policy area that is quite path dependent making it difficult to alter once it is in place. In concluding his historical study on the development of the welfare state in Europe, Baldwin (1990) states ”once made, choices in social policy exerted a determining influence on the course of event later possible” (290).[369] It is therefore not quite surprising that the core elements of earlier pension schemes still remain in effect today for most European countries. This reality is reflected in the various typologies that have been generated on pension systems.

Social insurance vs. means-tested

The most simplistic classification separates pension systems into two specific models, which put emphasis on the origins of pension systems and the goals it aimed to achieve (Palme, 1990: 41; Bonoli, 2000: 10). It underlines core elements of original pension schemes that remain in place today for most of these countries.[370] First, the social insurance model implies a relationship between working activities and pension levels. Workers and employers pay social contributions to finance social insurance (along with the state), which are occupationally based

---

[368] For a discussion on the evolution of pension rights and systems, see Joakim Palme (1990), Esping-Andersen (1990 – chapter 4), and Williamson and Pampel (1993).

[369] It is important to note, however, that previous policy choices constrain available options for reform, but they do not stop change from occurring (Baldwin, 1990).

[370] France and the UK first introduced means-tested programs in the early 1900s but adopted insurance-based pensions by the 1930. UK is usually classified as means-tested country. Sweden and the USA are considered to be means-tested countries but first adopted a social insurance system (Palme, 1990: 41-3).

and administered by the social partners.[371] This implies that various pension schemes, with different rules, contributions and benefits, are present reflecting professional groupings. Key is that pension entitlements must be earned, and are not granted on the basis of need. Bismarck first introduced this type of pension systems in Germany at the end of the 19th century hoping to stop the increasingly popularity of the labour movement and social insurance was one of the tools employed to alt the rise of socialism. It was introduced along with laws banning the political organisation of workers (Alber, 1988: 5). As a new nation, Bismarck wanted to ensure social peace and order within the confederate state. His intervention in the field of welfare was also inspired from "the social control value of Napoleon III's limited protection efforts" (Williamson and Pampel, 1993: 22 - 27). Moreover, Bismarck wanted to maintain patriarchal values against an increasing liberal bourgeoisie (Myles, 1989: 35).[372] This model is predominant in continental countries such as Austria, Belgium, France, Germany and Italy.

The second model follows the footsteps of the old poor laws with countries introducing means-tested old age pensions. Anglo-Saxon and Scandinavian countries followed the lead of Denmark (1891) and New Zealand (1898) who introduced means-tested benefits financed via general taxation. The key distinction from the social insurance model is that citizens were entitled to benefits, regardless of prior revenues as long as they satisfied the means-test conditions (Palme, 1990:41-2; Bonoli, 2000: 10-11). Still today, Anglo-Saxon and Scandinavian countries have schemes in their pension systems where benefits are granted on the basis of citizenship and/or means-tested.

This distinction between insurance and means-tested models represents an idealisation of the reality. Most countries actually have pension systems, which include both types of components. Continental countries, with the noticeable exception of Germany, all have means-tested old-age pension schemes for citizens who do not achieve a specific level of income.

[371] Social partners consist of both employees and employers. The terminology suggests that these two groups have a social duty towards the state and its citizens.

[372] Another key explanation behind the introduction of these schemes – pension insurance was introduced in the same wave as sickness and industrial insurance – was the pressure from industrialists, especially those working in heavy industries. Some of them were highly concerned by the increasing number of liability suits, following the Liability Act of 1871 and pushed for social insurance as a way to reduce the number of claims (Williamson and Pampel, 1993: 25).

Anglo-Saxon and Scandinavian countries, with the exception of Denmark,[373] have added insurance-based schemes to their means-tested schemes.

Palme (1990) actually identifies three paths of pension development within industrialised countries. First, a group of nations (Austria, Belgium, Italy, and Japan) added means-tested benefits to their insurance schemes.[374] The second path consists of countries that first established means-tested programs and supplemented them by adding more generous benefits, which took the form of mandatory insurance based programs (Canada, Denmark, Finland, Norway, and Sweden) and/or flat rate schemes (Australia, Canada, Denmark, Finland, Netherlands, New Zealand, Norway and Sweden). Finally, the last path includes countries that had a means-tested model and later introduced insurance based schemes. These countries include France, Ireland and the UK. Palme underlines that the means-tested benefits in France have always been marginal, making it more similar to other continental countries like Austria, Belgium and Italy (58-66).

The three worlds of welfare capitalism

Esping-Andersen's (1990) typology on the three world of welfare capitalism provides interesting insights into the evolution of pension systems. Key in his typology is the concept of de-commodification, that is the degree to which citizens are not dependent on the market in the obtention of social rights (21-2). His typology takes the previous classification a step further by integrating causal factors in the evolution of these models. Further, he argues that two different trajectories arose from countries that first adopted means-tested benefits, thus leading to three different regimes. First, the corporatist regime includes the social insurance countries mentioned above. With relations to the market, the redistributive aspects of pension programs are minimal and the state, alongside social partners, plays a key role in providing welfare benefits. Such system also emphasises traditional values such as the Church and the family. Market considerations and concerns with commodification did not play a large role in their adoption (27).[375] In relations to pensions, status remains a key element as pension schemes are highly segregated with civil servants being privileged. Countries typifying this pattern are the same as

[373] Denmark has a universal pension system financed via sales tax. Its work related program is in fact based on the length of employment, and does not lead to a large increase from the universal scheme (Palme, 1990: 65).
[374] It is worth noting that the USA and Switzerland introduced means-tested schemes alongside their insurance-based program (Palme, 1990: 59). Germany still does not have a means-tested program for the elderly.
[375] Supporting this thesis is the fact that Bismarck's first proposals did not even include contributions for workers (Hennock, 1987: 110).

the ones presented above – Austria, Belgium, France, Germany, and Italy – plus Japan and Finland (85-6).

Second, the liberal family consists of countries that have maintained means-tested programs with other modest social benefits. The key concern behind this strategy was to maximise reliance on the market leading to a low de-commodification level for citizens (26-7). This result in public pension system that is quite residual, in the sense that the state will offer benefits 'when all else fails'. In these countries, private pensions are quite important in establishing an old-age pension, which implies that income differentials are likely to remain. These countries comprise Australia, Canada, Switzerland and the USA (86).[376]

Finally, the social democratic regimes include countries that have extended their means-tested benefits to the remainder of the population while improving them, making their programs universal. The state de-commodifies individuals and rebuffs status privileges (86-7). This regime was called social democratic due to the importance of social democracy behind the extension of social benefits (27). Scandinavian countries tend to typify this regime.[377]

Palme's classification

Palme (1990) proposes another typology based on the goals of pensions systems. More specifically, he classifies countries according to whether or not they aim to provide income security, in the form of wage replacement and whether or not they seek to provide a decent basic income for its citizens, hence basic security. Based on these two axes, he presents four models. First, the residual model comprises countries that have public pension schemes that provide neither basic security nor income security. Such countries leave elderly to depend on 'external' sources of income to complement their public pension benefits to maintain their livelihood. Countries belonging to this model include Australia, Ireland, UK, USA, and Switzerland.[378]

Second, the basic security model consists of countries that have universal programs ensuring that its population is guaranteed an 'adequate' minimum income without any emphasis on income replacement. Canada, Denmark, Netherlands and New Zealand mostly

---

[376] It is important to note that the UK is considered to be part of the liberal regime, but that it was considered an outlier when it came to pensions. Esping-Andersen (1990) claims that its public occupational scheme was not adequate in decommodifying individuals due to its opt-out clause, which led to the growth of private pensions (87).

[377] With the possible exception of Finland for pensions.

exhibit features of this model.[379] Third, the income security model implies that the state seeks to provide a replacement income for its individual but no basic security. This model benefits the economically active while leaving the non-active vulnerable. Austria, Belgium, Germany, Italy, Japan and France typify this cell. [380] Finally, the institutional model includes states that minimise the reliance on the market, since the state provides an adequate minimum income and a replacement wage. Sweden, Norway and Finland typify this model as they all have a basic pension that is supplemented by a mandatory universal occupational scheme.

Table B.1 – Palme's Classification of Pension Systems.

		Basic Security	
		No	Yes
Income Security	No	Residual Model: Australia, Ireland, United Kingdom, USA, Switzerland	Basic Security Model: Canada, Denmark, Netherlands, New Zealand
	Yes	Income Security Model: Austria, Belgium, Germany, Italy, Japan, France	Institutional Model: Finland, Norway, Sweden

Source: Joakim Palme (1990). Pension Rights in Welfare Capitalism. Stockholm: Sofi. P. 87.

The previous models, albeit focusing on various aspects of pensions systems, demonstrate a certain level of consistency as most country groupings remain somewhat similar, especially when it comes to social insurance countries (Austria, Belgium, France, Germany, and Italy). Norway and Sweden consistently classify as having highly universal schemes that protect its citizens from the market. Puzzling for this study is the UK. It originates as a means-tested model, and failed to significantly improve its public occupational scheme. Esping-Andersen (1990) does not classify it as either liberal or social-democratic when it comes to pensions, but Palme (1990), using data from 1985 and not 1980, clearly puts the UK into the residual category.

The four cases selected for this study demonstrates great similarities and differences. France and Belgium have always been grouped together, as part of various social insurance

[378] Check Castles and its critique regarding the coding of Australia…
[379] Denmark with its universal pension scheme based on citizenship and financed via its sales tax approaches the most this ideal model.
[380] Germany, which does not have a minimum pension, is the closest to the pure form of this model.

models. Sweden and the UK both had means-tested pension schemes and upholding status never figured predominantly in their pension structures. Both sought to improve their pension systems with a mandatory universal occupational scheme (Sweden succeeded, while the UK failed). Sweden and Belgium, although not belonging to any pension model together, have similar levels of **generosity** as demonstrated by their high level of de-commodification in Esping-Andersen's analysis (17 and 15 respectively). This Belgian ranking has been associated with a strong social democratic movement within a conservative tradition (Esping-Andersen, 1990) and with the strength of the Christian Democrats who have advocated generous benefits within a conservative setting (Huber and Stephens, 1993).

Appendix C

Is Reforming Public Pension Systems Necessary? Does It Depend on Whom You Ask?

This appendix explains why pension reform found its way on the agenda of most EU member states. Virtually every member states have been faced with the political dilemma of reforming their pension systems, as their pension expenditure is expected to rise.[381] The impact of pensions within public finance should not be underestimated. It is the biggest item within all social expenditure and already accounts for more than 10% of GDP in 9 EU member states (Austria, Denmark, Finland, Germany, Greece, France, Italy, Luxembourg, and Sweden) (EPC, 2000: 27).

Based on the analysis presented here, it is argued that public pension systems are in dire need of reform, but not in need of a major surgery (see Disney, 2000). Many of the scenarios described in newspaper are exaggerated and privatization of benefits, as advocated by many, also has serious disadvantages and may not resolve the problems associated with population ageing. The scope of reform necessary varies from country to country depending on factors such as economic growth, generosity of pension benefits, fertility rates, unemployment, and life expectancy.

This appendix analyses the causes associated with the so-called pension time bomb. It includes a review of endogenous and exogenous factors. Endogenous factors are domestic factors, specific to each country, which influence old-age pensions. Such elements include the generosity and coverage of pension benefits, structure of pension systems, population ageing, birth rate, unemployment and quality of health care. Most of

[381] With the exception of the United Kingdom, where expenditure is expected to fall (EPC, 2000: 5).

these elements are responsible for the future problems of public pension systems. Exogenous factors, comprising the pressure occurring from globalization and europeanisation, do not directly affect public pension schemes but restrict the policy options available to governments in resolving the challenges brought on by endogenous factors.

Are Pension Reforms Necessary? Why?

Most industrialised states have been expecting a significant increase in pension expenditure over the course of the next 50 years. As a result, pension reform[382] figures predominantly on the agenda of most governments within the member states of the European Union (EU) as they seek to reduce the upcoming financial pressure. This section presents the reasons why governments are seeking to reform their public pension system. This question is critical since it provides the driving force behind the need for reform.

Population ageing

Already in 1975, a leading political scientist in the study of welfare state claimed that "if there is one source of welfare spending that is most powerful – a single proximate cause – it is the proportion of old people in the population" (Wilensky, 1975: 47). Still today, there exists a broad consensus among economists and political scientists that one of the leading causes, if not the leading cause, behind the (upcoming) financial difficulties of public pensions is population ageing. This is the result of two continuous and complementary factors: decrease in fertility rates and increase in life expectancy. Fertility rates have been declining after the 'Baby Boom,' which followed World War II, and are not expected to rise significantly (see table C.1). Within the EU, the rate has decreased from 2,5 children per women to 1,5 between 1950 and 2000. This means that women today have 1 fewer children compared to women in 1950. To put it in another way, every family has lost a member compared to 50 years ago.

[382] It is important to note that pension reform does not mean retrenchment. Most reforms in this century have actually led to an increase in the generosity and scope of the benefits made available to citizens. Nonetheless, pension reform is employed in this dissertation to signify a reduction in the size of financial commitment and benefits.

Even though the decrease in fertility rates has occurred in every EU countries, there are some marked variations between them. The situation is quite acute in the case of Italy and Spain, which have faced extremely low birth rates this past decade. These differences have repercussions and highly influence the timing of the financial difficulties that will be experienced by EU countries. For example, the UK experienced a high fertility rate during the years 1955-65, which began in 1945. A high increase in the number of retirees is expected in 2010-30 (Algava and Plane, 2001). Sweden, on the other hand, will enjoy a smoother increase in the number of retirees partly because its fertility rate has been relatively continuous, without high peaks. Sweden also experienced a mini baby boom in the early 1990s.

Table C.1 Female fertility rates and estimates in EU countries

	1950	1960	1970	1980	1990	2000	2010	2020
Belgium	2,3	2,5	2,3	1,7	1,6	1,6	1,6	1,7
France	2,7	2,7	2,6	1,9	1,8	1,7	1,8	2
Sweden	2,2	2,2	2,1	1,6	1,9	1,6	1,6	1,7
UK	2,2	2,5	2,5	1,7	1,8	1,7	1,8	1,9
Denmark	2,5	2,5	2,2	1,7	1,5	1,7	1,8	1,9
Germany	2,2	2,3	2,3	1,5	1,4	1,3	1,4	1,5
Greece	2,3	2,3	2,4	2,3	1,5	1,3	1,3	1,4
Spain	2,6	2,8	2,9	2,6	1,5	1,2	1,2	1,3
Ireland	3,4	3,7	3,9	3,5	2,3	1,9	1,9	2,1
Italy	2,3	2,4	2,5	1,9	1,3	1,2	1,3	1,4
Luxem.	2	2,2	2,2	1,5	1,5	1,7	1,7	1,8
NLD	3,1	3,1	2,7	1,6	1,6	1,5	1,6	1,7
Austria	2,1	2,5	2,5	1,6	1,4	1,4	1,5	1,6
Portugal	3	3	2,8	2,4	1,6	1,4	1,4	1,5
Finland	3	2,8	2,1	1,6	1,7	1,7	1,8	1,9
EU-15	2,5	2,6	2,5	1,9	1,6	1,5	1,6	1,7

Source: United Nations Population Division, *World Population Prospects: The 1998 Revision.*

Razin and Sadka (1998) demonstrates that an increase in the number of immigration could have positive effect on pension systems, which could compensate for decreasing birth rates. However, contrary to countries such as Canada and the US, EU members have not traditionally had high immigration levels. Unless immigration policies are changed drastically in the near future, many EU countries will actually begin to experience a decline in population.[383] Population growth peaks in 2030 for most EU countries. By 2040, if current trends persist, 10

[383] Actually, immigration issues were largely ignored in the EPC report. No hypothesis was found on this topic (Math, 2001: 13-4).

out of the 15 member states will be facing the prospect of a declining population, a direct result of low fertility rates and insufficient immigration to cover the loss. All four countries studied in this dissertation will face this reality after 2030. Consistent with their low fertility rates, Italy and Spain face the sharpest decline in population within the EU (see table C.2). The long-term implications of this decline are serious due to the nature of current public pension systems, which rely on payg. Under a payg system, current workers finance the pensions of retired individuals. If a generation cannot 'replace' itself by a similar number of individuals, it results in an extra burden in financing the public pensions of retirees. Workers must either pay more or retirees must accept less.

Population ageing is not only the result of low fertility rates. The improvement of social services, a direct benefit from the welfare state, has resulted in higher standards of living and higher life expectancy. These trends are expected to continue for the next fifty years. A Belgian man at age 60 could expect to live another 15 years in 1960. This figure had risen to 18,1 by 1995, a gain of 3,1 year. French men have gained 4,1 years, Swedish men 2,5 and British men 3. The improvement is even more pronounced with women. A Belgian woman at age 60 could expect to live 23 years in 1995, up from 18,7 in 1960, a gain of 4,3 years. This figure has risen by 5,4 years in France, 4,6 in Sweden, and 3,1 in the UK (Kalisch and Aman, 1998: 49).

The increase in life expectancy has a strong impact on public pension expenditure because pensionable age has not risen in line with this new reality. On the contrary, most countries reduced their pensionable age. For example, Sweden decreased its pensionable age from 67 to 65 in 1976, while France decreased it from 65 to 60 in 1982. The end result is a longer period of benefits for retired individuals, which requires more contributions from current workers or a decrease in the generosity of benefits.

A reduction in life expectancy cannot be sought for both political and humanitarian reasons. However, adjustments to a pension system can be made to take into account the increase in life expectancy. In its latest reform, Sweden included a life expectancy indexation, which would be taken into account when an individual retirement. If people live longer, the value of a pension would decrease accordingly. As a result, pension expenditure are expected to rise by 9% up to the year 2050, while the number of pensioners are expected to grow by 16% (EPC, 2000: 45).

Table C.2 Baseline projections of total population in EU Member States
(beginning of the year, millions of persons)

	2000	2010	2020	2030	2040	2050	% Change 2000-2050
Belgium	10,2	10,4	10,5	10,5	10,4	10,1	- 1,0
France	59,2	61,4	62,8	63,7	63,5	62,2	+5,1
Sweden	8,9	9	9,1	9,3	9,2	9,2	+3,4
UK	59,5	60,9	62,2	63,2	62,9	61,8	+3,9
Denmark	5,3	5,5	5,6	5,6	5,6	5,6	+5,7
Germany	82,1	83,4	83,3	82	79,6	76	-8,0
Greece	10,5	10,8	10,8	10,7	10,6	10,2	-2,9
Spain	39,4	39,9	39,5	38,6	37,3	35,1	-12,3
Ireland	3,8	4,1	4,4	4,6	4,7	4,8	+26,3
Italy	57,6	57,3	56	54	51,5	48,1	-19,8
Luxem.	0,4	0,5	0,5	0,5	0,5	0,6	+50*
NLD	15,9	16,7	17,3	17,7	17,9	17,7	+11,3
Austria	8,1	8,1	8,2	8,1	7,9	7,6	-6,6
Portugal	10	10,3	10,5	10,7	10,8	10,7	+7,0
Finland	5,2	5,3	5,3	5,3	5,1	5	-4,0
EU-15	376,2	383,4	386	384,6	377,6	364,5	-3,2

Source: EPC (2000), 31; own calculations.
* Due to rounding this figure is highly overestimated

The combined effects of a decreased fertility rate and an increased life expectancy rate leads to population ageing. One way to assess the importance of these changes, is by looking at the progression of the old-age dependency ratio for EU countries (see table C.3). This ratio expresses a measure of the population above 64 (65 is the legal age of retirement for most countries)[384] relative to the population of working age. A ratio of 1 implies that there is one person over the age of 64 for one person of working age. In many cases, the ratio will increase by more than two folds by the year 2050 (Germany, Greece, Spain, Ireland, Italy, Netherlands, and Austria). Surprisingly, none of the four countries studied here reach the two folds mark. From a methodological point of view, this is a positive sign since it implies that demographic pressures are quite similar and thus, should not be held accountable for a variation in the scope of reforms introduced.

Concretely, population ageing results in fewer workers supporting more retirees. This phenomenon is not new. France's public pension scheme for private workers (régime général) has continuously seen its ratio of contributors over retired individual diminish since 1960. At that time, 4,14 workers financed one pensioner. In 1999, 1,54 workers were

[384] France is a clear outlier here since its legal age is 60.

asked to do the same.[385] Worst, this ratio is expected to decline further as the baby boomers retire.

Table C.3 Old-Age Dependency Ratio in EU Member States
(ratio of the people over 64 to working age population, in %)

	2000	2010	2020	2030	2040	2050
Belgium	28,1	29,4	35,6	45,8	51,3	49,7
France	27,2	28,1	35,9	44	50	50,8
Sweden	29,6	31,4	37,6	42,7	46,7	46,1
UK	26,4	26,9	32	40,2	47	46,1
Denmark	24,1	27,2	33,7	39,2	44,5	41,9
Germany	26	32,9	36,3	46,7	54,7	53,3
Greece	28,3	31,6	35,8	41,7	51,4	58,7
Spain	27,1	28,9	33,1	41,7	55,7	65,7
Ireland	19,4	19,1	24,5	30,3	36	44,2
Italy	28,8	33,8	39,7	49,2	63,9	66,8
Luxem.	23,4	26,2	31	39,8	45,4	41,8
NLD	21,9	24,6	32,6	41,5	48,1	44,9
Austria	25,1	28,8	32,4	43,6	54,5	55
Portugal	25,1	26,7	30,3	35	43,1	48,7
Finland	24,5	27,5	38,9	46,9	47,4	48,1
EU-15	26,7	29,8	35,1	43,8	52,4	53,4

Source: EPC, 2000. Page 32.[386]

Because of the importance of the demographic change, it has been proposed to increase the age of retirement. Technically, this should be a simple issue. Reynaud (1998), for example, argue that increasing the age of retirement in France to 65 (up from 60), would result in a similar cut off line between the working and non-working population than the one found in 1990 (34). Not surprisingly, many EU countries have increased pensionable age. Using the EU directive on the equal treatment of men and women, four countries (Belgium, Germany, Portugal and the UK) have increased the retirement age of women in line with that of men. Italy raised the retirement age for both men and women in 1992 (Kalisch and Amen, 1998: 57-63). Nonetheless, the political difficulties associated with such reforms make it less appealing than its technical efficiency.

[385] Figures obtained at www.cnav.org. Website visited on November 16, 2001.
[386] Kalisch and Aman based on 1994 book had lower rates…the situation has worsened…Page. 47

Labour force participation, economic growth and indexation

Due to the payg system, unemployment and other absences from the labour market put further stress and have resulted in fewer contributors to finance old-age pensions. Despite this intuitive link, the role of labour force participation is more controversial because of the structure of many public pension schemes, which will be discussed below.

Despite an increase in the number of women in employment, labour force participation rates have fallen during the past 30 years. The fall has been quite pronounced for those aged between 55-65 (see table C.4), resulting in shorter contribution periods and higher demands for pensions (Boldrin et al., 1999: 295). Governments were not benign in this process. Tracy and Adams (1989) analyzed the actual age at which full time pensions were awarded in ten countries during the period of 1960-1986, and noticed a distinctive trend towards granting pension benefits at an earlier age than the legal requirements. This was the case for eight of the ten countries they studied (Austria, Belgium, Denmark, Germany, Finland, France, Sweden and the US – Norway and the UK were the exceptions). Many governments actively pursued a policy of early retirement in the hopes of increasing the level of employment of its younger population and to resolve long-term unemployment among the aged. Belgium, France, Germany and the UK instituted highly visible pre-pension options directly related to favouring the integration of younger workers in the labour force (460). To achieve these objectives, generous benefits were presented to encourage early retirements. In Belgium, pre-pension options became widely used by employers to restructure human resources in order to make their firms more competitive resulting in the lowest rate of employment in Europe for those aged 55-64. Blöndal and Scarpetta (1998) argue that most public pension systems in the mid 1990s made it financially unattractive to work after the age of 55.

Many of these advantages have been scaled back in the 1990s, which can partly explain the rise in employment rates in countries that pursued actively these programmes (for example, Belgium, France and UK).[387] Despite these measures, the ‘real’ retirement age for many individuals still lies below the legislated age. Further, low employment rates among older workers persist and need to be addressed effectively if a policy of increasing

[387] Other cases could have been cited, but these three countries were mentioned because there are part of the dissertation and because they were part of Tracy and Adams’ analysis.

retirement age is pursued (Legros, 2001). Disney (2000), while attempting to demonstrate that parametric reforms could not save payg systems, argue that retirement behaviour is notoriously absent from most models simulating an increase in the age of retirement. It remains unclear whether or not individuals could or would retire later (F15). In the same vein, Cichon (1998) refers to the pension problem as an employment problem. The key is to ensure employment for older workers, which could be accompanied by a raise of the pensionable age. Unemployment among older workers actually led France to reduce its retirement age in 1982. Many individuals above 60 were benefiting from special unemployment benefits with a replacement wage of 80% that led them to retirement and pension points as if they were employed. At 65, they received the old-age pension. Due to lower replacement rates found with old-age pension (around 60%) the government decided to lower the retirement (Rein and Friedman, 1998: 63).

Table C.4 Employment rate of older workers in the EU
(Employment of workers aged 55-64 as a % of the population aged 55-64).

	1980	1985	1990	1995	1999
Belgium	..	26	21,4	23,3	24,7
France~	50,7	37,2	35,6	33,5	34,2
Sweden	65,7	65	69,4	61,9	64
UK	..	47	49,2	47,5	49,4
Denmark	..	50,1	53,6	49,3	54,2
Germany	42,2	35,5	36,8	37,5	38,5
Greece*	..	45	40,8	40,5	39,1
Spain	44,7	38,2	36,8	32,1	34,9
Ireland	..	40,9	38,6	39,2	43,7
Italy	..	33,3	32	27	27,5
Luxem.	..	25,4	28,2	24	26,3
NLD	36,3	27,3	22,4	22,7	35,3
Austria	..	..	..	29	29,2
Portugal	51,3	47	47	44,7	50,8
Finland	47,1	45,4	42,6	34,4	39,2

Source: OECD Labour Force Statistics.
~ It is woth noting that the legal retirement age in France is 60 and not 65 as in most OECD countries.
* The year 1999 refers to 1998.

Once we consider pre-working years, work stoppage, and retirement years, a bleaker picture appears. As demonstrated by table C.5, years of non-employment has surpassed years of employment and the gap is expected to widen in the next 30 years. The crossover year, where non-employment years first exceeded employment years for male workers, varies across the four countries studied. Considering its policies of favouring pre-retirement, it is not a surprise to see that Belgium had its crossover year earlier than the other three cases studied in this dissertation. The UK is the only case where the crossover has not occurred yet. Based on the data presented, it can be predicted that it is likely to happen in the near future. The reduction of employment years relative to non-employment years adds implies that individuals earn a wage for less than half of their life, increasing their dependence on other forms of income for a larger part of their life. On the positive side, an increase in the number of employment years for women should result in more contributions to public pension schemes.

Table C.5 Years of Employment and Non-Employment in Belgium, France, Sweden and the UK, Now and in the Future (Projection for 2030 in parentheses).

	Years of Employment		Years of Non-Employment		Crossover*
	Men	Women	Men	Women	
Belgium	32 (28)	23 (33)	42(50)	58	Several Decades Ago
France	32 (29)	25 (33)	43 (49)	58 (52)	1980s
Sweden	37 (33)	34 (36)	40 (47)	48 (49)	Recently**
UK	38 (34)	32 (38)	37 (44)	49 (45)	Not yet

Source: Reforms for an Ageing Society, OECD (2000).
*Crossover is the year where men/women began to spend more time in non-employment activities than in employment –for male workers.
** This statistic was not granted for Sweden, but it can be assumed that it occurred recently due to the small difference between the number of years in employment and years in non-employment activities.

Based on the realities and projections presented above, the OECD (2000) and the European Commission (COM(2001)362) have advocated reaching higher participation rate in the labour market for both men and women as one of the ways to resolve the upcoming pension crisis. Intuitively, this makes sense, as it would result in a slower reduction in the number of contributors relative to retirees. It would also reduce other social expenditure, which could be transferred to old-age pensions. Further, labour force participation rates are sensitive to fiscal and labour policies, which are less rigid than demographic trends and should therefore be easier to change (Boldrin et al., 1999: 302). These policy options are broadly endorsed even though they have been contested due to the structure of most public pension system. In most cases, an increase in labour market participation would only delay the problem onto the next generation, as it would result in a higher number of men and women obtaining a full-time pension (Breyer, 1999; Fernandez, 1999; cf. Siebert, 2002). This might be financially detrimental to many pension schemes due to the relationship between contributions and pension generosity. Therefore, it seems unlikely that an increase in labour force participation may be sufficient to preserve existing public pension schemes. This become more evident once we consider that the working age population is set to decline after year 2010 in Europe (Algava and Plan, 2001: 5).

This leads us to a complementary argument closely related to labour participation, economic growth. A popular argument among economists and political scientists is that the potential financial crisis of public pension systems is a combination of population ageing *and* economic growth (Esping-Andersen, 1996: 7-8; Pierson, 1998). Basically, the inability of industrial countries to sustain the growth rates of the years following World War II constrains the public finances of governments who can no longer increase their revenues. Reasons behind the slower growth rates have been associated with the rise of the service sector, which generates lower growth rates than manufacturing. Citing an OECD report from 1988, Esping-Andersen (1996) maintains that the additional pension expenditure due to population ageing could be finance by an annual rise of 0,5 to 1.2% (depending on the country) in real earnings growth (7). Boldrin et al. (2001) argue that much of pensions insolvency problems could be resolved if pre-1973 conditions were re-established (302).

In France, this line of argumentation has been employed against the Charpin report, which advocated a longer period of contribution and the creation of a reserve fund by the state to alleviate the upcoming ageing of the population. Teulade (2000), in a report presented to and adopted by the "Conseil Économique et Social," seeks a reversal of pre-pension policies to increase the employment rates of older workers and higher economic growth, the latter being considered the key. In the analysis, it is argued that an annual growth rate of 3,5% for 40 years would guarantee current level of pensions without increasing its proportion as a percentage of GDP (37).

Despite all the benefits generated from economic growth, it may not resolve the financial difficulties ahead for public pension schemes. Key is the indexation mechanism in place within a payg pension system. In most EU countries, pensions are indexed according to the increase of wages within the country. Bluntly stated, pensioners benefit from the wage increases offered to current workers. Blake (2000) claims that public pensions will be unviable in the future if real pensions are increased in line with the growth rate achieved in labour productivity (F49-51). A high level of economic growth coupled with a price index pension system would improve the financial fortune of public pension schemes tremendously. In a pension simulation, it was concluded that a switch from a wage defined index to a price defined index combined with a higher rate of labour participation would reduce the future burden of pensions by half in all countries (Boldrin et al., 2001: 302-5). Few reforms, such as the one introduced in Belgium in 1996, reduce the indexation levels of previous or future year as a way to reduce pension expenditure. Nonetheless, an extensive use of this option remains politically unattractive because it results in a diminishing share of the relative wealth found within a country.

Regardless of the validity of the argument concerning the indexation of pensions, the growth considered necessary to rescue pensions without altering them remains highly problematic. France, for example, has not experienced the high and continuous growth levels advocated by Teulade in the past 30 years, and would be hard press to achieve a continuous 3,5% growth for the next 40 years.

Pension benefits

One of the key elements brought into the debate by economists is pension generosity. Cremer et al. (2000) claimed that “we are living in the golden age of retirement” (975-6). Over the last century old-age pensions have shifted from a policy against poverty to an income-maintenance policy. This was clearly demonstrated in the historical overview presented in chapter 1. By the late 1970s all four countries analysed in this dissertation had extended their pension benefits beyond alleviating poverty to include other forms of benefits such as superannuation. The United Kindgom stands as somewhat of an outlier here since its replacement rates never achieved what is typically found in other EU member states. Replacement rates were above 45% in all EU countries by 1980, with the exception of the UK and Ireland. They were above 60% in Austria, Belgium, Finland, France, Italy, Netherlands, and Sweden (Palme, 1990: 77). Blöndel and Scarpetta (1998) have calculated the expected replacement rates for an average 55 year old worker for the years 1961, 1975 and 1995 and discovered a similar pattern (see table C.6).

Table C.6 Expected old-age replacement rates for a 55 year old in EU countries.

	1961	1975	1995
Belgium	72,6	70,5	67,5
France	50	62,5	64,8
Sweden	53,8	77,1	74,4
UK	33,4	33,8	49,8
Denmark	35,9	42,3	56,2
Germany	60,2	59,6	55
Greece	..	..	120
Spain	..	50	100
Ireland	38,6	28,9	39,7
Italy	60	62	80
Luxem.	..	..	93,2
NLD	32,2	48	45,8
Austria	79,5	79,5	79,5
Portugal	85	77	82,6
Finland	34,9	58,6	60

Source: Blöndel and Scarpetta (1998). OECD Economics Department Working Paper n. 202. P.96

Another key element in the increasing financial burden relates to the extension of benefits. Governments sought to universalise pensions and achieve a broader coverage. France, for example, extended coverage to those previously excluded from typical occupational categories in the 1970s. 77% percent of individuals were covered by public pension schemes in 1970; this rate has climbed to 90% in 1995 (Blöndel and Scarpetta, 1998: 14).

As a result of this increasing generosity, pension benefits grew at a faster rate than economic growth during the last decades (Pierson, 1998). The upcoming difficulties mentioned above would only be enhanced by this factor because many of the policies resulting in an increased generosity will mature in the next decades when individuals collect their pensions. Economists have come up with various statements to underline the impact of pension generosity. Boldrin et al. (1999) state that 75% of the pension burden is due to increasing pension generosity, while only 25% comes from population ageing (291-2). Cremer et al. (2000) refers to a study on pension liabilities up to the year 2010 to demonstrate the burden that will be left onto upcoming generations. It states that with a discount rate of 3% and a growth rate of 1,5%, liability ranges from 196% of GDP in France to 36% of GDP in the UK (975-6).

The Outcome

The elements mentioned above would result in a pronounced raise in the costs of maintaining current public pension systems if they remained unchanged. The latter is the key as most projections assume that current pension systems will not change, resulting in a significant increase in the vast majority of countries (see table C.7).

With the exception of Italy, Sweden and the UK, the financial weight of public pension will increase significantly. For most countries it is expected to rise by 3 to 5% of GDP. Belgium and France are quite similar to this effect as pension expenditure is expected to increase by 3,7 and 3,9% respectively. Portugal, the Netherlands and Spain are expecting increases above 6%. By 2010, public pensions will represent more than 14% of GDP in 8 of the 13 countries studied.

There is a widespread consensus in the literature that pension expenditure will increase in the future if no reforms are undertaken. The main point in contention is by how much. The key difficulty lies with the reliance on projections. Table C.7 includes projections made by the OECD for the four countries studied. Large differences are found in Belgium and Sweden. Part of this difference could be attributed to reforms introduced in 1996 and 1998 respectively. France, however, did not experience any pension reforms past 1996 and we find a noteworthy difference. Reliance on projections in the making of public policies can be more an act of faith than a 'scientific' calculation. In projecting pension expenditure parameters for fertility, life expectancy, unemployment, immigration, and economic growth must be included. These elements can act like compounded interests. Any departure from the estimated parameters could result in a large change in the end. A small baby boom or a significant change in immigration policy would render these estimations useless. Math (2001) presents a critique of the projections presented by the Economic Policy Committee. He particularly contests the economic projections, which are very difficult to make in the short-term. Making them in the long-term is almost like making a random estimation. More specifically he claims that the EPC assumed low growth rates (1,6 to 3%) and a high unemployment rate (13-25).

Table C.7 Projected Pension Expenditure (%of GDP, before tax).

	2000	2010	2020	2030	2040	Change 2000-peak year
Belgium	9,3	9	10,4	13	12,6	3,7
OECD	*9,7*	*8,7*	*10,7*	*13,9*	*15*	*5,3*
France	12,1	13,1	15	16	15,8	3,9
OECD	*9,8*	*9,7*	*11,6*	*13,5*	*14,3*	*4,5*
Sweden	9	9,2	10,2	10,7	10,7	1,7
OECD	*11,1*	*12,4*	*13,9*	*15*	*14,9*	*3,9*
UK	5,1	4,7	4,4	4,7	4,4	0
OECD	*4,5*	*5,2*	*5,1*	*5,5*	*5*	*1*
Denmark	10,2	12,7	14	14,7	13,9	4,5
Germany	10,3	9,5	10,6	13,2	14,4	4,3
Greece	NA	NA	NA	NA	NA	NA
Spain	9,4	9,3	10,2	12,9	16,2	8,3
Ireland	4,6	5	6,7	7,6	8,3	4,4
Italy	14,2	14,3	14,9	15,9	15,7	1,7
Luxemb.	NA	NA	NA	NA	NA	NA
NLD	7,9	9,1	11,1	13,1	14,1	6,2
Austria	14,5	14,8	15,7	17,6	17	3,1
Portugal	9,8	12	14,4	16	15,8	6,2
Finland	11,3	11,6	14	15,7	16	4,7

Source: EPC, 2000: 37; OECD (1996) for OECD data in Belgium, France, Sweden and the UK.

Appendix D

PAYG versus Capitalisation: Is it a genuine debate? Are there other options?

The debate between pay-as-you-go (payg) and capitalisation, where pension schemes are fully funded via investments in stocks, bonds or other investments, has been raging ever since the publication of Feldstein's influential article in 1974. In light of the difficulties faced by payg systems, this debate has resurfaced and figures predominantly in the economic literature. This section seeks to expand on the various alternatives to resolve the upcoming financial difficulties of public pension systems by integrating them within the current debate between payg and capitalization. The reader will quickly denote an ideological tone to this debate. In a nutshell, experts from the Right favour a movement toward fully funded scheme claiming that it encourages private savings, and thus national savings, while providing incentives for longer working careers. They further claim that fully funded systems bring higher rates of return and protect individuals against the political risks associated with payg. Experts from the Left maintain that payg can be saved and that a move to a fully funded system ignores important redistributive isses and does not resolve the financial problems associated with old-age. They also dispute that payg discourages savings and underline the high administrative costs present in many private options.

The Re-birth of Capitalization as a Retirement Option.

Following negative experiments with capitalization prior to World War II (see historical development in chapter 1), virtually all industrialized countries opted for a payg system. This policy choice ensured immediately a decent pension for current retirees at the time while avoiding an additional burden on public finance. The consensus behind payg began to be challenged in the 1970s. In his seminal article published in 1974, *Social Security, Induced Retirement, and Aggregate Capital Accumulation*, Feldstein present a virulent critique of the US social security system due to its reliance on payg. He presents a model to demonstrate that Social Security results in a loss of personal savings worth 50%. Feldstein uses this figure to discuss its impact on the economy:

> "The evidence that the social security program approximately halves the personal savings rate implies that it substantially reduces the stock of capital and the level of national income. During the 1960s, personal saving accounted for 60% of total private saving. By having personal saving, social security reduced total private saving by 38%. In the long run, this decrease in the rate of private saving would also decrease the private capital stock by 38%...A 38% decrease in the capital stock implies a substantial reduction in GNP. If this assest substitution had not occurred, the long-run capital stock would be 60% higher" (922).

Feldstein's argument, despite being more than 25 years old, has provided an important point of departure for the debate on how to resolve the upcoming pension 'crisis'. Five key elements are usually presented to justify a move away from payg toward a fully funded pension system. First, the market provides higher return than a payg system. Feldstein (1996) argues that huge losses in investment occurred since the publication of its 1974 article. Because of the redistributive nature of Social Security, which result in a small return, large investment opportunities were lost. Due to the higher returns provided by the stock market, he estimates the value of these losses at 68 billion dollars in 1995, about 20% of total social security payroll revenue (5). Disney (2000) supports this argument by stating that funded schemes always yield a higher return than non funded schemes (F17). Similar claims are made elsewhere (World Bank, 1994; Disney, 1996; Blake, 2000; Boersch-Supan and Winter, 2001)

Second, advocates of a fully (or partially) funded pension system claim that two economic goals could be achieved with the adoption of a policy abandoning payg systems. An increase in the rate of aggregate savings could bolster the rate of growth while resolving the demographic issues plaguing payg (see for example World Bank, 1994). Feldstein (1996) reassessed that Social Security has resulted in a decrease in private savings, stating that the median amount of saving for those between the age of 55 and 64 was $8 300 (6). To rectify this situation, a fully funded system is advocated. Boersch-Supan and Winter (2001) argue that a move towards a fully funded pension system would be highly beneficial to France, Germany and Italy since it would increase the size of their relatively weak capital market resulting in higher growth.

Third, the lack of linkage between contributions and benefits generate work disincentive and hurt the employment rate. Most of the incentives to retire early have been provided above and include generous pre-retirement policies and rules granting a full time pension prior to the legal retirement age. Disney (2000) points out that funding systems have the advantages of being highly transparent due to the direct link built up between benefits and contributions. Despite its attractiveness, notional accounts based in a payg system such as the ones established in Sweden, is still not transparent because its indexation mechanism can lead to a pension that is not indexed with inflation if there is population growth and no economic growth (F16).

Fourth, there is an increasing political risk by holding onto payg. Many economists are implying a 'natural' selection process where future generations will slowly abandoned payg because of their refusal to support it. According to Blake (2000), it is in this context that a fully funded system becomes more attractive:

> "Funding provides greated potential pension security than payg which, given demographic and labour market development, has become an increasingly unreliable vehicle for delivering the pension promise: there can be no guarantee that future generations will be prepared to pay for the increasing burden that payg now represents" (F77).

A key aspect of this argument relies on the assumption that governments will have to reduce promised benefits in order to salvage pensions. It is argued that detoriating financial conditions might lead to a change of its own even if elected officials do not encourage it if current systems persist (Feldstein, 1996; Boersch-Supan and Winter, 2001). Vording and Goudswaard (1997) demonstrate that wage indexation levels have decreased during the 1981-93 period compared to earlier periods dating back to 1961 despite legislation limiting its tinkering. They maintain that changing economic circumstances have a stronger impact on indexing than actual legislation preventing it. McHale (1999) emphasises that fear of reductions to payg systems may lead younger generations towards private solutions.

Is PAYG really such a bad alternative to capitalization?

Switching from a payg to a fully funded system is far from being consensual. In fact many economists have argued that payg is not a bad system once its goals are considered. The seminal article on this subject is Diamond's *A Framework for Social Security Analysis* (1977). He presented two key objections to Feldstein. First, he argues that Social Security make sense for individual workers since proper alternatives are not yet available, resulting in a market failure to provide adequate guarantees for a pension. A safe annuity indexed to inflation does not even exist yet, and many individuals do not have the necessary resources to diversify their portfolio. Moreover, the market does not provide good solutions for those representing bad risks such as the unemployed and the sick (279-81). Second, he points towards studies that indicate a lack of savings on the part of individuals. Individuals find it difficult to find the right information to save appropriately and face high levels of uncertainty while making retirement decisions. Further, for a variety of reasons, people tend "to spend more now and less later than seems sensible" (281-2). This phenomenon is widespread, regardless of income (286). This represents a direct challenge to a key assumption made by Feldstein with regards to capitalization since it implies that not all contributions made to social security would actually be replaced by private savings. Therefore, a paternalistic role from the state should be welcome to ensure an adequate level of savings for retirement.

One of the key challenges posed by the instauration of a fully funded system is the transition period. Proponents of maintaining payg are quick to point out that such a transition would result in a double payment for a generation. Regardless of the strategy employed to switch toward a fully funded system, the double payment problem subsists. The only thing that changes is its form. If the government goes into debt because of the loss contributions, the generation that is financing its own pensions will likely face higher taxes. Even a movement towards partially funding a part of payg leads to difficult choices. For example, in the new Swedish pension system a new 2,5% component is now funded. To finance this loss in revenue in paying current retirees, the funds held from the previous ATP system are being sold overtime. What is alarming is the fact that such funds do not exist in most countries using a payg system. The transition towards private solutions in the

UK was not pain free and entailed high cost. It is worth noting that these costs would likely be higher in other European countries due to the fact that their pension systems are more generous. The delimitation put on public finance as a result of the Maastricht criteria makes this shift even more problematic.

Payg advocates have challenged all five key elements that point toward a fully funded system to resolve the pension issue. First, the claim that fully funded scheme yields higher return than payg system is far from being consensual. Key reasons behind the creation of payg systems were the collapse of the stock market in 1929 and the rapid devaluation of many European currencies. Payg can result in higher returns than a fully funded system is if its indexation mechanism (based on wage and/or price increase) provides a higher rate of return than the stock market. A French economist, Artus, argues that the upcoming demographic cycle for the period 2005-2010 will actually favour payg in terms of return. This is because a strong increase in wages is expected with higher inflation (Legros, 2001). In a historical analysis of both payg and private systems in France, Reynaud (1995) argues that for some periods payg yielded higher return, while for others a fully funded system would have (42). Another key aspect worth mentioning with private funds is that administrative costs tend to be higher than with public systems. Diamond (1977), for example, states that administrative costs of 17% were present in the insurance industry compare to the 2% cost generated by the US Social Security program (296). Studies of the UK, which has experienced a large outburst of private funds, denote similar trends.

Further, in all the arguments presented in favour of a fully funded system, there is an implicit assumption that population ageing does not affect private savings and the financial markets. This assumption, however, is also highly controversial. The financial markets are not immune to demographic changes since there will be an increasingly high number of selling stocks to a decreasing population. This has the ultimate result of decreasing the value of a stock. Thus, one cannot support an argument for a fully funded pension system by stating the constant and high rates of returns provided by the financial markets over the last 50 years. Brooks (2000) takes this argument a step further by arguing that even if markets are rational and aware of the demographic changes, the price of the stock will still decrease. A way out of this dilemma could be to assume that the population within emerging markets will buy these stocks, but they are ageing as well and may not have the necessary capital to buy them.

Second, a key element brought up by those supporting a move towards a fully funded system is that payg disrupt and reduce the size of national savings. A survey of the literature by McKenzie, Gerson and Cuevas (1997) demonstrates theoretical and empirical researches do not result in strong conclusions about a relationship between savings and public or private pensions (cited in Hemming, 1999: 18). Even the World Bank, a strong advocate of fully funded system, admits that the impact of public pension plans on savings and capital market is a nebulous one, with research pointing towards opposite directions (World Bank, 1994: 126). Reynaud (1998) argues that the introduction of fully funded plans may not even boost private savings.

> "Empirical research does not enable us to state incontrovertibly that the introduction of funded schemes has a positive effect on saving. It remains a controversial matter, and the debate is far from over" (37).

Third, the lack of linkage between contributions and benefits is acknowledged. Key is, however, that most public pension systems were created with the purpose of favouring inter and *within* generational transfers. A variety of intra generational transfers occur in most pension systems, and goes beyond transferring wealth from the rich to the poor. Pension points are usually granted for childbearing years, unemployment and illness, which are risks that would be difficult to replace in the market. The market tends to compensate for the loss of the current income, but not for the reduction of income at retirement due to such events. The granting of pension points also reflects clear policy objectives. For example, granting pension points for child-bearing even though contributions are not made, is partly intended to encourage an increase in the fertility rate. Even if one refutes the validity of this argument, advocates of fully funded systems cannot guarantee transparency either. The link between benefits and contributions is not constant, because benefits can be highly volatile. The main problem is that rates of return vary. People who retired in 1972 had a 10-fold increase in their contributions; those who retired in 1974 a 4-fold increase (Hemming, 1999: 21). Many private pension plans have been hit hard by the Asian crisis and the low returns years experienced in the aftermath of the plunge experienced by Internet stocks.

Fourth, the claim that payg is plagued with political risks has been over exaggerated according to many. Tamburi (1999) refers to this phenomenon as a credibility gap where citizens begin to lose faith in the institutions providing public pensions. Such loss of faith may provide an added motivation to reform current systems. However, he claims that a key reason why reforms have been so difficult to introduce in Germany and France is related to "the absence of an institutional credibility gap" (19). Legros (2001) argues in the same vein by stating that "segments of public opinion remain doubtful about the gravity of the pension problem itself" (2). Parametric reforms, such as the one described in section 2.1 (increase in the age of retirement, tightening up of pre-retirement conditions and decrease in the indexation rate to name a few), can save payg from its 'supposedly eminent death' and can restore faith and credibility in the system. Math (2001), in fact, blames alarmist reports like the one presented by the Economic Policy Committee (2000) for instauring fear and mining the confidence of the populace in current pension schemes (42-4).

Why We Need Political Scientists.

Economists are providing the best reasons why political science matters by being unable to state why various options debated in journals are not being adopted. Many economists have claimed political problems are responsible for the non-application of solutions that could rescue payg or lead to a (partial) funded system. Legros (2001) underlines that the difficulties of public pension systems raise conflicts with regards to the distribution of burden that reforms entail (2).

It is not surprising that recent studies seek 'political science' variables to explain the lack of reforms in public pension systems and/or the acceptance of expensive social security programs.[388] Cremer et al (2000) build a model to support the argument that suitable reforms are available but are being blocked by an entrenched interest: the elderly. Despite their numerical minority feeling of entitlement enhances their political weight (980). Tabellini (2000) argues that a coalition of elderly and poor individuals result in a

[388] Despite this 'rapprochement', many statements made by economist when analysing political variables raise many eyebrows. For example, Tabellini (2000) views social security programs as an anomaly. Seeking to answer a puzzle considering the size of social security, he mentions that "since the early 1980s, social security programs have grown in size almost everywhere. Yet, it is difficult to explain why a social security exists, let alone why it is so large. At any given point in time, the number of recipients of social security is smaller than the number of contributors. So, why do a large majority of citizens support a system that redistributes towards a minority" (523)?

majoritarian support for social security programs. This conclusion is, however, achieved only by considering the proportion of elderly, the proportion of poor individuals and the size of social security as a percentage of government spending. Another key problem with the economic literature is the underestimation that public pension systems are entrenched within existing institutions. As stated by Schmähl, “we are not starting from a clean slate” (1999). There are no careful analyses of elections, electoral systems, political parties, or institutions, which are common themes in political science.

The economic literature provides a great starting point in understanding the causes of the upcoming financial difficulties of payg, and in providing solutions to enrich the debate over the future of public pensions. Nonetheless, it remains deficient when it attempts to explain why more significant reforms have not been implemented, and why certain reforms have been chosen over others.

Bibliography

Bibliography

"Entretien avec Marc Vilbenoit, Secrétaire Général de la CFE-CGC." Revue d'économie financière 23.Hiver (1992): 213-216.

"Entretien avec Jean Picot, Directeur Général de l'ARRCO." Revue d'économie financière 23.Hiver (1992): 227-30.

"Entretien avec Yvon Chotard, Ancien Vice-Président du CNPF." Revue d'économie financière 23.Hiver (1992): 221-25.

"Entretien avec Jean-Marie Spaeth, Président du Conseil d'Administration de la Caisse Nationale d'Assurance Vieillesse." Revue d'économie financière 23.Hiver (1992): 217-19.

"Annexe: Synthèse du rapport du Commissariat général du Plan <Perspectives à long terme des retraites>." Revue d'économie financière 40 (1997): 59-64.

Ackerby, Stefan. Pensionsfrågan. bilaga 12 till LU 92. Stockholm: Finansdepartmentet, 1992.

Alaluf, Mateo. "Le modèle social belge." Gouverner la Belgique. Clivages et compromise dans une société complexe. Ed. Jean-Michel De Waele Pascal Delwit, and Paul Magnette. Paris: Presses Universitaire de France, 1999. 217-246.

Alber, Jens. "Germany." Growth to Limits. Ed. Peter Flora. Vol. 2. New York: Walter de Gruyter, 1988. 1-154.

Alber, Jens. "Is there a crisis of the welfare state? Cross-national evidence from Europe, North America and Japan." European Sociological Review 4.3 (1988): 181-206.

Alber, Jens. "Continuities and Changes in the Idea of the Welfare State." Politics and Society 16 (1988): 451-68.

Algava, Élisabeth and Mathieu Plane. "Vieillissement et protection sociale: une projection comparée pour six pays de l'Union européenne." Études et Résultats .134 (2001): 12.

Ambler, John S. "Ideas, Interests, and the French Welfare State." The French Welfare State: Surviving social and ideological change. Ed. John S. Ambler. New York: New York University Press, 1991. 1-31.

Ambler, John S. The French Welfare State. New York: New York University Press, 1991.

Anderson, Karen M. “The politics of retrenchment in a social democratic welfare state: reform of Swedish pensions and unemployment insurance”. Comparative political studies 34.9 (2001).

Andries, Mark. “The Politics of Targeting: The Belgian Case.” Journal of European Social Policy 6.3 (1996): 209-223.

Araki, Hiroshi. “Ideas and Welfare: The Conservative Transformation of the British Pension Regime.” Journal of Social Policy 29.4 (2000): 599-621.

Arcq, Etienne and Eric Chatelain. “Bref survol des relations collectives, des origines au Plan global.” Pour un nouveau pacte social. Bruxelles: Editions Vie Ouvrière. 45-62, 1994.

Arcq, Étienne. Les partis politiques et les interlocuteurs sociaux face à la sécurité sociale. Liège, 1995.

Arter, David. “The Swedish Riksag: The Case of a Strong Policy-influencing Assembly.” WEP 13.3 (1990): 120-142.

Ashford, Douglas E. The Emergence of the Welfare States. Oxford: Basil Blackwell, 1986.

Ashford, Douglas E. “Advantages of Complexity: Social Insurance in France.” The French Welfare State: Surviving social and ideological change. Ed. John S. Ambler. New York: New York University Press, 1991. 32-57.

Aylott, Nick. “After the Divorce: Intra-Party Power and Organizational Change in Swedish Social Democracy.” Keele European Parties Research Unit Working Paper 1 (2001).

Baldwin, Peter. “Class interests and the post-war welfare state in Europe: A historical perspective.” International Social Security Review (1990b): 255-69.

Baldwin, Peter. The Politics of Social Solidarity: Class Bases of the European Welfare State 1875-1975. Cambrige: Cambridge University Press, 1990a.

Baret, Perry. Régimes de pensions du secteur public. Perspectives à long terme de l'augmentation de la charge des pensions., 1999.

Baziadoly, Sophie. Les finances publiques. Que sais-je? Paris: PUF, 1998.
Beattie, Roger and Warren McGillivray. “A risky strategy: Reflections on the World Bank Report Averting the old age crisis.” International Social Security Review 48.3-4 (1995): 5-22.

Beaufays, Jean. “Petite histoire d'un jeune État binational.” Où va la Belgique? Ed. Marco Martiniello and Marc Swyngedouw. Paris: Editions L'Harmattan, 1998. 15-30.

Becquaert, Henk. Social Security and Pension Reform. The Belgian Pension System. Washington, DC, 2001.

Benington, John and Taylor, Matthew. “Changes and Challenges Facing the UK Welfare State in the Europe of the 1990s.” Policy and Politics 21.2 (1993): 121-134.

Berggren, Håkan and Göran B. Nilsson. Liberal socialpolitik. Uppsala: Almquist and Wicksell, 1965.

Bichot, Jacques. Retraites en péril. Paris: Presses de Sciences Po, 1999.

Birchfield, Vicki and Markus M.L. Crepaz. "The impact of constitutional structures and collective and competitive veto points on income inequality in industrialized democracies." European Journal of Political Research 34 (1998): 175-200.

Birnbaum, Pierre. States and collective action: the European experience. Cambridge: Cambridge University Press, 1988.

Blake, David. "Does it matter what types of pension scheme you have?" Economic Journal 110 (2000): F46-81.

Blanchet, Didier. "Le progrès de productivité: Remède miracle ou facteur aggravant des problèmes de retraite?" Revue d'économie financière 23.Hiver (1992): 27-46.

Blanchet, Didier. "Fiabilité des perspectives démographiques." Revue d'économie financière 23.Hiver (1992): 81-88.

Blanchet, Didier and Florence Legros. France: the difficult path to a consensual reform. NBER/Kiel Instituted for International Economics, Berlin, 2000.

Blöndel, Sveingjörn and Stefano Scarpetta. "The retirement decision in OECD countries". Economic Department Working Papers No. 202 (OECD).

Boersch-Supan, Axel H. and Joachim K. Winter. "Population aging, savings behavior and capital markets." NBER Working Paper 8561 (2001): 51.

Boldrin, Michele, Juan Dolado, Juan Fimeno and Franco Peracchi. "Rescuing unfunded pensions." Economic Policy .October (1999): 288-320.

Bollon, Pierre and Gilles Cossic. "La <loi Thomas>: Un dispositif permettant d'assurer l'avenir des retraites des salariés du secteur privé." Revue d'économie financière 40 (1997): 263-72.

Bonoli, Giuliano. The Politics of Pension Reform. Cambridge: Cambridge University Press, 2000.

Bouget, Denis. "The Juppé Plan and the Future of the French Social Welfare System." Journal of European Social Policy 8.2 (1998): 155-172.

Bovenberg, Lans and Anja van der Linden. "Pension Policies and the Ageing Society." OECD Observer .205 (1997): 10-14.

Bozec, Géraldine and Claire Mays. "The Pension Reform Process in France." Innovation 13.4 (2000): 373-88.

Brandorf, Martin, Peter Esaiasson and Nicklas Hakansson. "Svenska valfragor: Partiernas valdebatt 1902-1994". Statsvetenskaplig Tidskrift 99.1 (1996): 1-36.

Brooks, Robin. "What will happen to the financial markets when baby boomers retire?" IMF Workin Paper 00/18 (2000): 37.

Bruce, Maurice. The Rise of the Welfare State. London: World University, 1973.

Bröms, Jan. Ur askan av ATP. Stockholm: SACO, 1990.

Cameron, David. "The Expansion of the Public Economy: A Comparative Analysis". American Political Science Review 72.4 (1978): 1243-61.

Cameron, David. "Social Democracy, Labour Quiescence and the Representation of Economic Interest in Advanced Capitalist Society." Order and Conflict in Contemporary Capitalism. Ed. John Goldthorpe. Oxford: Oxford University Press, 1984.

Campbell, Andrea L., and Julia Lynch. "Whose 'Gray Power'? Elderly Voters, Elderly Lobbies and Welfare Reform in Italy and the United States." Italian Politics and Society 53 (2000).

Castles, Francis G. "Population Ageing and the Public Purse: Why Families of Nations are Different?" Manuscript (2000).

Chamberlayne, Prue. "Income Maintenance and Institutional Forms: a comparison of France, West Germany, Italy and Britain 1945-90." Policy and Politics 20.4 (1992): 299-318.

Charpin, Jean-Michel. L'avenir de nos retraites. Rapport Officiels. Paris: La Documentation Francaise, 1999.

Chavigné, Jean-Jacques and Gérard Filoche. Retraites: Réponse au MEDEF. 255 vols. Paris: Ramsay, 2001.

Cichon, Micheal. "Barking up the wrong tree?" Trans. . Geneva: International Labour Office, 1998. 14.

Cichon, Micheal. "Can Europe afford the future financing of the welfare states?" Trans. . Geneva: International Labour Office, 1998. 21.

Clayton, Richard and Jonas Pontusson. "Welfare-State Retrenchment Revisited: Entitlement Cuts, Public Secotr Restructuring, and Inegalitarian Trends in Advanced Capitalist Societies." World Politics 51 (1998): 67-98.

Colla, Marcel. Le vade-mecum de la pension légale: Tout sur les pensions. Bruxelles: VIF, 1997.

Committee, Economic Policy. "Progress report to the Ecofin Council on the Impact of ageing populations on public pension systems." Trans. . Brussels: European Union Commission, 2000. 62.

Cornilleau, Gérard and Henri Sterdyniak. "Les retraites en France: Des débats théoriques aux choix politiques." Les retraites: Genèse, acteurs, enjeux. Ed. Bernard Cochemé and Florence Legros. Paris: Armand Collins, 1995.

Cox, Robert Henry and Helen Fawcett. Same Idean, Different Result: Welfare Reform and the Third Way in Britain and Germany. Québec city, Canada, 2000.

Cremer, Helmuth and Pierre Pestieau. "Reforming our pension system: Is it a demographic, financial or political problem." European Economic Review 44 (2000): 974-83.

Crozier, Michel. La société bloquée. Paris: Éditions du Seuil, 1970.

Daly, Mary. “Welfare States Under Pressures: Cash Benefits in European Welfare States Over the Last Ten Years.” Journal of European Social Policy 7 (1997): 129-46.

Dangerfield, Odile and Danièle Prangère. “les retraites en 1997: 6 800 francs par mois pour les retraités de 60 ans ou plus.” Solidarité santé 1.janvier-mars (1998): 9-23.

Delpérée, Francis. “Le fédéralisme de confrontation.” Gouverner la Belgique. Clivages et compromise dans une société complexe. Ed. Jean-Michel De Waele Pascal Delwit, and Paul Magnette. Paris: Presses Universitaire de France, 1999. 53-69.

Delwit, Pascal, Jean-Michel De Waele, and Paul Magnette. “Gouverner la Belgique. Clivages et compromis dans une société composite.” Gouverner la Belgique. Clivages et compromise dans une société complexe. Ed. Jean-Michel De Waele Pascal Delwit, and Paul Magnette. Paris: Presses Universitaire de France, 1999. 1-13.

Delwit, Pascal and Jean-Michel De Waele. “Partis et systèmes de partis en Belgique: 1930-1998.” Gouverner la Belgique. Clivages et compromise dans une société complexe. Ed. Jean-Michel De Waele Pascal Delwit, and Paul Magnette. Paris: Presses Universitaire de France, 1999. 113-153.

Dempster, M.A. H. and A. Wildavsky. “On Change, or There is No Magic Size for an Increment?” Political Studies 27 (1980): 371-89.

Diamond, P. A. “A Framework for Social Security Analysis.” Journal of Public Economics 8 (1977): 275-298.

Dillemans, Roger. “A proposal for Social Security Reform in Belgium.” The European Face of Social Security. Ed. Jos Bergham and Bea Cantillon. Avebury: Aldershot, 1993.

Disney, Richard. Can We Afford to Grow Older? Cambridge: MIT Press, 1996.

Disney, Richard. “Crises in public pension programmes in OECD: What are the reform options?” Economic Journal 110 (2000): F1-23.

Duverge, Maurice. Les Partis Politiques. Paris: Seuil, 1980.

Drago, Roland and Jean-Michel L. de Forges. “La naissance du régime de retraite des fonctionnaires francais au 19è siècle.” Jahrbuch Für Europäische Verwaltungsgeschichte 12 (2000): 95-111.

DSS. “A new contract for welfare: Partnership in pensions.” Trans. . London, 1998. 117.

Dumons, B. and G. Pollet. L'État et les retraites: Genèse d'une politique. Paris: Berlin, 1994.

Ebbinghaus, Bernhard and Anke Hassel. “Striking deals: concertation in the reform of continental European welfare states.” Journal of European Public Policy 7.1 (2000): 44-60.

Economic Policy Committee (EPC). “The Future Evolution of Social Protection from a Long-Term Point of View: Safe and Sustainable Pensions”. COM (2000) 622.

Economic Policy Committee (EPC). "Supporting national strategies for safe and sustainable pensions through an integrated approach". COM (2001) 362.

Esaiasson, Peter. Svenska kampanjer 1866-1988. Stockholm: Almänna förlaget, 1990.

Esping-Andersen, Gosta. Politics Against Markets. Princeton: Princeton University Press, 1985.

Esping-Andersen, Gosta. The Three Worlds of Welfare Capitalism. Princeton: Princeton University Press, 1990.

Esping-Andersen, Gosta, ed. Welfare State in Transition. London: Sage, 1996.

Eurostat. Housing conditions of the elderly in the EU. Statistics in focus, 14 (1999).

Eurostat. Social Protection: Expenditure and Receipts. Bruxelles: Eurostat, 1999.

Fawcett, Helen. "The Privatisation of Welfare: The Impact of Parties on the Private/Public Mix in Pension Provision." West European Politics 18.4 (1995): 150-169.

Fawcett, Helen. Pension Reform under Thatcher and Blair: Path Dependency and the Impact of Parties. Amsterdam, 2001.

Fawcett, Helen. Pension Reform in the UK: re-casting the public/private mix in pension provision 1997-2000. Turin, Italy, 2002.

Feldstein, Martin. "Social Security, Induced Retirement, and Aggregate Capital Accumulation." Journal of Political Economy 82.5 (1974): 905-926.

Feldstein, Martin. "Should Social Security Benefits Be Means-Tested?" Journal of Political Economy 95.3 (1984): 468-484.

Feldstein, Martin. "The Missing Piece in Policy Analysis: Social Security Reform." American Economic Review 86.2 (1996): 1-14.

Feltenius, David. "Pensioners' Organizations in the Swedish Policy Process: From Lobbyism to Corporatism." ECPR, Turin (Italy), 2002.

Festjens, M.J. La réforme des pensions: Bureau fédéral du Plan, 1997. 92.
Flora, Peter. "Introduction and Interpretation." State Formation, Nation-Building, and Mass Politics in Europe. Ed. Peter Flora with Stein Kuhnle and Derek Urwin. Oxford: Oxford University Press, 1999. 1-91.

Fondation Copernic.

Franco, Daniele and Teresa Munzi. "Public pension expenditure prospects in the European Union: A survey of national projections." Trans. . Brussels: Directorate-General for Economic and Financial Affairs, 1996. 45.

Friot, Bernard. "De la propriété au salaire: La retraite des fonctionnaires et des cadres en France (1920-1950)." Les retraites: Genèse, acteurs, enjeux. Ed. Bernard Cochemé and Florence Legros. Paris: Armand Collins, 1995. 49-63.

Friot, Bernard. Puissances du salariat: Emploi et protection sociale à la francaise. Paris: La Dispute, 1998.

Garrett, Geoffrey. Partisan Politics in the Global Economy. Cambridge: Cambridge University Press, 1998.

Garrett, Geoffrey and Peter Lange. “Political Responses to Interdependence: What’s Left for the Left.” International Organization 45.4 (1991): 539-564.

Gaudemet, Jean-Philippe. “Un point sur le financement de la retraite.” Revue d'économie financière 40 (1997): 55-58.

Gilpin, Robert. The Political Economy of International Relations. Princeton: Princeton University Press, 1987.

Green-Pedersen, Christoffer. “Welfare-state retrenchment in Denmark and the Netherlands, 1982-1998: The role of party competition and party consensus.” Comparative Political Studies 34.9 (2001): 963-85.

Green-Pedersen, Christoffer and Markus Haverland. “The New Politics of the Welfare State and the New Scholarship of the Welfare State.” Journal of European Social Policy 12 (2002).

Guillemard, Anne-Marie. La vieillesse et l'État. Paris: PUF, 1980.

Guillemard, Anne-Marie. Le déclin du social. Paris: PUF, 1986.

Guillemard, Anne-Marie. “Protection sociale et cycle de vie. Résultats d'une comparaison internationale sur les transformations de la transition entre activité et retraite.” Les retraites: Genèse, acteurs, enjeux. Ed. Bernard Cochemé and Florence Legros. Paris: Armand Collins, 1995. 72-88.

Hall, Peter A. and Rosemary C. R. Taylor. “Political Science and the Three New Institutionalisms.” Political Studies 44 (1996): 936-57.

Hallerberg, Mark and Jurgen von Hagen. “Electoral Institutions, Cabinet Negotiations, and Budget Deficits in the European Union.” Fiscal Institutions and Fiscal Perfomance. Ed. Poterba and von Hagen. Chicago: University of Chicago Press, 1999.

Hallerberg, Mark. “The Importance of Domestic Political Institutions: Why and How Belgium and Italy Qualified for EMU.” Manuscript (1999).

Hamayon, Stéphane. “Lecture critique du <Livre blanc> sur les retraites.” Chroniques de la S.E.D.E.I.S. 9.15 septembre (1991): 321-30.

Hancke, Bob. “The crisis of national unions: Belgian labor in decline.” Politics and Society 19.4 (1991).

Hanke, Steve H. “Les systèmes de retraite gérés par l'État: Témoignages de l'échec gouvernemental.” Revue d'économie financière 40 (1997): 255-61.

Hannah, Leslie. Inventing retirement: The development of occupational pensions in Britain. Cambridge: Cambridge University Press, 1986.

Hayward, Jack and Rudolf Klein. "Grande Bretagne: De la gestion publique à la gestion privée du déclin économique." Le tournant néo-libéral en Europe: Idées et recettes dans les pratiques gouvernementales. Ed. Bruno Jobert. Paris: L'Harmattan, 1994. 87-121.

Heclo, Hugh. Modern Social Politics in Britain and Sweden. New Haven: Yale University Press, 1974.

Hemming, Richard. "Should public pensions be funded?" International Social Security Review 52.2 (1999): 3-29.

Hennock, E. P. British Social Reform and German Precedents: The Case of Social Insurance 1880-1914. Oxford: Clarendon Press, 1987.

Hermansson, Jörgen. Politik som Intressekamp. Stockholm: Norstedts Juridik, 1993.

Hermansson, Jörgen, Torsten Svensson, and Per Ola Öberg. "Vad blev av den svenska korporativismen." Politica 29.4 (1997): 365-384.

Hewitt, Martin. "New labour and social security." New Labour, New Welfare State? Ed. Martin Power. London: The Policy Press, 1999. 149-170.

Hinrichs, Karl. "Elephants on the move. Patterns of public pension reform in OECD countries." European Review 8.3 (2000): 353-378.

Hirst, Paul and Grahame Thompson. Globalization in Question, 2nd edition. Cambridge: Polity Press, 1996.

Höjer, Karl J. Svensk socialpolitisk historia. Stockholm: Norstedt, 1952.

Huber, Ragin and Stephens. "Social Democracy, Christian Democracy, Constitutional Structure, and the Welfare State." American Journal of Sociology 99.3 (1993): 711-749.

Hugues, Gerard and Jim Stewart, ed. Pensions in the European Union: Adapting to Economic and Social Change. Boston: Kluwer Academic Publishers, 2000.

Immergut, Ellen M. Health Politics: Interests and Institutions in Wester Europe. Cambridge: Cambridge University Press, 1992.

Immergut, Ellen M. Health Politics: Interests and Institutions in Western Europe. Cambridge: Cambridge University Press, 1992.

Immergut, Ellen M. "The Theoretical Core of the New Institutionalism." Politics and Society 26.1 (1998): 5-34.

Jepperson, Ronald L. "Institutions, Institutional Effects, and Institutionalism." The New Institutionalism in Organizational Analysis. Ed. Walter W. Powell and Paul J. DiMaggio. Chicago: The University of Chicago Press, 1991. 143-63.

Jobert, Bruno. Le social en plan. Paris: Les éditions ouvrières, 1981.

Jobert, Bruno. "Introduction." Le tournant néo-libéral en Europe: Idées et recettes dans les pratiques gouvernementales. Ed. Bruno Jobert. Paris: L'Harmattan, 1994. 9-20.

Jobert, Bruno and Bruno Théret. “France: la consécration républicaine du néo-libéralism.” Le tournant néo-libéral en Europe: idées et recettes dans les pratiques gouvernementales. Ed. Bruno Jobert. Paris: L'Harmattan, 1994. 21-85.

Johanet, Gilles. Contes et mécomptes de la protection sociale. Paris: Collection de la RPP, 1986.

Join-Lambert, Marie-Thérèse. Politiques sociales. Paris: Presses de Sciences Po, 1997.

Jordan, Grant and Klaus Schubert. “A preliminary ordering of policy networks labels.” European Journal of Political Research 21 (1992): 7-27.

Jordan, Bill. The New Politics of Welfare. London: SAGE, 1996.

Kalisch, David W and Tetsuya Aman. Retirement Income Systems: The Reform Process Across OECD Countries. Paris: OECD, 1996.

Katzenstein, Peter J. Small States in World Markets. Ithaca: Cornell University Press, 1985.

Kerschen, Nicole. “L'influence du rapport Beveridge sur le plan francais de sécurité sociale de 1945.” Revue francaise de science politique 45.4 (1995).

King, Gary, Robert O. Keohane, Sydney Verba. Designing Social Inquiry. Princeton: Princeton University Press, 1994.

King, Desmond. Actively Seeking Work? The Politics of Unemployment and Welfare Policy in the United States and Great Britain. Chicago: University of Chicago Press, 1995.

Kitschelt, Herbert. “Partisan Competition and Welfare State Retrenchment: When Do Politicians Choose Unpopular Policies?” The New Politics of the Wefare State. Ed. P. Pierson. New York: Oxford University Press, 2001

Klijn, Erik-Hans. “Analyzing and Managing Policy Processes in Complex Networks: A Theoretical Examination of the Concept Policy Network and Its Problems”. Administration and Society 28.1 (1996): 90-119.

Korpi, Walter. “Social Policy and Distributional Conflict in the Capitalist Democracies. A Preliminary Comparative Framework.” WEP 3 (1980): 296-316.

Korpi, Walter. The Democratic Class Struggle. London: Routledge, 1983.

Korpi, Walter and Joakim Palme. “The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality, and Poverty in Western Countries.” American Sociological Review 63 (1998): 661-687.

Krasner, Stephen D. Defending the National Interest, 1976.

Krasner, Stephen D. “Approaches to the State: Alternative Conceptions and Historical Dynamics.” Comparative Politics 16.2 (1984): 223-46.

Kruse, Agneta and Ann-Charlotte Ståhlberg. "Pensionerna i Framtiden." Ekonomisk debatt 20.4 (1992): 269-278.

Lane, Jan-Erik and Svante Ersson. The New Institutional Politics: Performance and outcomes. London: Routledge, 2000.

Legros, Florence. Pensions reform between economic and political problems. Berlin, 2001. 14.

Lentzen, Évelyne. "Le processus de fédéralisation." Où va la Belgique? Ed. Marco Martiniello and Marc Swyngedouw. Paris: Editions L'Harmattan, 1998. 31-43.

Levy, Jonah D. "Vice into Virtue? Progressive Politics and Welfare Reform in Continental Europe." Politics and Society 27.2 (1999): 239-273.

Levy, Jonah D. "Partisan politics and welfare adjustment: the case of France." Journal of European Public Policy 8.2 (2001): 265-285.

Lewin, Leif. "The rise and decline of corporatism: The case of Sweden." European Journal of Political Research 26 (1994): 59-79.

Lijphart, Arend. "Typologies of Democratic Systems." Comparative Political Studies 1.1 (1968): 3-44.

Lijphart, Arend. Democracies: Patterns of Majoritarian and Consensus Government in Twenty-One Countries. New Haven: Yale University Press, 1984.

Lindbom, Anders. "De borgerliga partierna och pensionsreformen." Hur blev den stora kompromissen möljig? Politiken bakom den svenska pensionsreformen. Ed. Joakim Palme. Stockholm: Pensionsforum, 2001. 50-87.

Lindqvist, Rafael. Från folkrörelse till välfärdsbyråkrati: Det svenska sjukförsäkringssystemets utveckling 1900-1990. Lund: Arkiv, 1990.

Lipsky, Micheal. Street-Level Bureaucracy. New York: Russell Sage Foundation, 1980.

Lundgerg, Urban. "Socialdemokratin och 1990-talets pensionsreform." Hur blev den stora kompromissen möljig? Politiken bakom den svenska pensionsreformen. Ed. Joakim Palme. Stockholm: Pensionsforum, 2001. 8-49.

Luyten, Dirk and Rik Hemmerickx. "Belgian labour in World War II: strategies of survival, organisations and labour relations." European Review of History 7.2 (2000): 207-227.

Lynch, Julia. "The Age-Orientation of Social Policy Regimes in OECD Countries." Journal of Social Policy 30.3 (2001): 411-436.

Magnette, Paul. "Le régime parlementaire. De l'orléanisme au fédéralisme." Gouverner la Belgique. Clivages et compromise dans une société complexe. Ed. Jean-Michel De Waele Pascal Delwit, and Paul Magnette. Paris: Presses Universitaire de France, 1999. 71-112.

March, James G. and Johan P. Olsen. Rediscovering Institutions: The organizational basis of politics. New York: Free Press, 1989.

Marsh, D. and Rhodes, R.A.W (Eds). Policy Networks in British Government. Oxford: Clarendon, 1992.

Marier, Patrik. “Byråkratiernas roll i pensionsreformprocessen.” Hur blev den stora kompromissen möljig? Politiken bakom den svenska pensionsreformen. Ed. Joakim Palme. Stockholm: Pensionsforum, 2001. 88-121.

Marier, Patrik. Where did the Bureaucrats go? Role and Influence of the Public Bureaucracy in the Swedish and French pension reform debate. Turin, Italy, 2002.

Marton, Susan Gerard. The Mind of the State, 2000.

Math, Antoine. “Quel avenir pour les retraites par répartition en Europe?” Revue de l'IRES .36 (2001): 59.

Mattson, Ingvar. Förhandlingsparlamentarism - en jämförande studie av riksdagen och folketinget. Lund: Lund University Press, 1996.

Mayhew, David R. Congress: The Electoral Connection. New Haven: Yale University Press, 1974.

Mazmanian, Daniel A. and Paul A. Sabatier. Implementation and Public Policy. Lanham: University Press of America, 1989.

McHale, John. “The risk of social security benefit rule changes: Some international evidence.” NBER Working Paper 7031 (1999): 63.

Mekhantar, Joël. Finances Publiques. Paris: Hachette, 1996.

Merrien, Francois-Xavier. “L'État par défaut.” Sortie de siècle: La France en Mutation. Ed. Jean-Pierre Durand and Francois-Xavier Merrien. Paris: Editions Vigot, 1991. 273-93.

Merrien, Francois-Xavier and Giuliano Bonoli. “Implementing major welfare state reforms: A comparison of France and Switzerland - a new institutionalist approach.” The Survival of the European Welfare State. Ed. Stein Kuhnle. London: Routledge, 2000. 128-45.

Meyer, John W. and Brian Rowan. “Institutionalized Organizations: Formal Structure as Myth and Ceremony.” The New Institutionalism in Organizational Analysis. Ed. Walter W. Powell and Paul J. DiMaggio. Chicago: The University of Chicago Press, 1991. 41-62.

Ministère des affaires sociales, de la santé publique et de l'environnement. Apercu de la sécurité sociale. Bruxelles: MASSPE, 2000.

Ministry of Health and Social Affairs. Pension Reform in Sweden. Stockholm: Ministry of Health and Social Affairs, 1994.

Minns, Richard. “The control and centralisation of pension fund investment in the United Kingdom.” Pensions in the European Union: Adapting to Economic and Social Change. Ed. Gerard Hughes and Jim Stewart. Boston: Kluwer Academic Publishers, 2000. 71-81.

Mishra, Ramesh. The Welfare State in Capitalist Society. Studies in International Social Policy and Welfare. Ed. MacPherson and Midgley. Toronto: University of Toronto Press, 1990.

Mishra, Ramesh. Globalization and the Welfare State. Cheltenham: Edward Elgar, 1999.

Molin, Björn. Tjanstepensionsfrågan. Göteborg: Akademiförlaget, 1965.

Montagne, Sabine. "La réforme du système de retraite." Chronique international de l'IRES .57 (1999).

Montagne, Sabine. "Les conséquences de la nouvelle politique budgétaire sur le système de retraite." Chronique International de l'IRES 67 (2000): 1-8.

Muller, Pierre, ed. L'administration française est-elle en crise? Paris: L'Harmattan, 1992.

Myles, John. Old age in the welfare state: The political economy of public pensions. Lawrence: University Press of Kansas, 1989.

Natali, David. The transformation of the European Welfare State: pension reforms in France and Italy. Amsterdam, 2001.

Natali, David. Pension reforms in France and Italy: an example of a Political Exchange. Turin, 2002.

Nesbitt, S. British Pension Policy Making in the 1980s: The Rise and Fall of a Policy Community. Aldershot: Avebury, 1995.

North, Douglass C. Institutions, Institutional Change, and Economic Performance. Cambridge: Cambridge University Press, 1990.

OECD. Ageing Populations, Pension Systems and Government Budgets: Simulations for 20 OECD Countries. Paris: OECD, 1996.

OECD. Labour Force Statistics. Paris: OECD, various years.

OECD. Reforms for an ageing society. Paris: OECD, 2001.

Offe, Claus. "Some contradictions of the modern welfare state." Contradictions of the Welfare State. Ed. John Keane. Cambridge, Mass.: MIT Press, 1984. 147-161.

Ogus, A. I. "Great Britain." The Evolution of Social Insurance 1891-1981: Studies of Germany, France, Great Britain, Austria and Switzerland. Ed. Peter A. Köhler and Hans F. Zacher. London: Frances Pinter, 1982. 150-264.

Olsen, Johan P. Organized Democracy: Political Institutions in a Welfare State - The Case of Norway. Bergen: Universitetsforlaget, 1983.

Olsen, Mancur. The Logic of Collective Action. Cambridge: Harvard University Press, 1965.

Olson, Sven. "Sweden." Growth to Limits. Ed. Peter Flora. Vol. 1. New York: Walter de Gruyter, 1988. 1-116.

ONP. "Rapport Annuel." Trans. . Bruxelles: Office National des Pensions, 1997. 116.

ONP. "Rapport Annuel." Trans. . Bruxelles: Office National des Pensions, 1999. 116.

ONP. “Rapport Annuel.” Trans. . Bruxelles: Office National des Pensions, 2000. 116.

Orloff, Ann S. Politics of Pensions: A Comparative Analysis of Britain, Canada and the United States, 1880-1940. Madison: University of Wisconsin Press, 1993.

Palier, Bruno and Giuliano Bonoli. “Phénomènes de Path Dependence et réformes des systèmes de protection sociale.” Revue française de science politique 49.3 (1999): 399-420.

Palier, Bruno. The Necessity to Negotiate Welfare Reforms in Birsmarckian Social Protection Systems, the French case. Quebec City, 2000.

Palier, Bruno. “Pension reform in France: An issue "sans issues"?” Trans. , 2001.

Palier, Bruno. How to Characterise the Pattern of Reforms in Bismarckian Welfare Systems? Analytic Framework and Hypotheses. San Francisco, 2001.

Palme, Joakim. Pension Right in Welfare Capitalism: The Development of Old-Age Pensions in 18 OECD Countries 1930 to 1985. Dissertation Series. Vol. 14. Stockholm: Swedish Institute for Social Research, 1990.

Palsterman, Paul. “Le financement de la sécurité sociale: la situation actuelle.” Pour un nouveau pacte social. Bruxelles: Editions Vie Ouvrière. 85-99.

Palsterman, Paul. “Vers un financement alternatif de la sécurité sociale?” Pour un nouveau pacte social. Bruxelles: Editions Vie Ouvrière. 100-112.

Palsterman, Paul. “Vers une sécurité sociale à deux piliers?” Pour un nouveau pacte social. Bruxelles: Editions Vie Ouvrière. 113-124.

Pasture, Patrick T. “The April 1944 'Social Pact' in Belgium and its Significance for the Post-War Welfare State.” Journal of Contemporary History 28 (1993): 695-714.

Peeters, Paul. “Les pensions légales: la peur, bonne ou mauvaise conseillère?” Reflets et perspectives de la vie économique 35.2 (1996).

Perkins, Clarence. “Old-Age Pensions -- French Act of 1910.” American Political Science Review 4.4 (1910): 565-9.

Pestieau, Pierre and Jean-Philippe Stijins. “Social Security and Retirement in Belgium.” NBER Working Paper Series .6169 (1997).

Peters, B. Guy. The Politics of Bureaucracy. 4th ed. White Plains: Longman, 1995.

Peters, B. Guy. Institutional Theory in Political Science: The 'New Institutionalism'. New York: Continuum, 1999.

Peterson, Olof. Makt: en sammanfattning av maktutredningen. Stockholm: Allmänna Förlaget, 1991.

Pierre, Jon, ed. Bureaucracy in the Modern State: Introduction to Comparative Administration. Hants: Edward Elgar, 1995.

Pierre, Jon. “Dépolitisée, repolitisée ou simplement politique? La bureaucratie suédoise.” Revue francaise d'administration publicque 86 (1998): 301-309.

Pierre, Jon, B. Guy Peters and Desmond S. King. “Beyond Path Dependency: Political Conflict in Historical Institutionalism.” Manuscript (2002).

Pierson, Paul. “When Effect Becomes Cause: Policy Feedback and Political Change.” World Politics 45.July (1993): 595-628.

Pierson, Paul and Miriam Smith. “Bourgeois Revolution? The Policy Consequences of Resurgent Conservatism.” Comparative Political Studies 25.4 (1993): 487-520.

Pierson, Paul D. and R. Kent Weaver. “Imposing Losses in Pension Policy.” Do Institutions Matter? Government Capabilities in the United States and Abroad. Ed. R. Kent Weaver and Bert A. Rockman. Washington: The Brookings Institution, 1993. 110-150.

Pierson, Paul. Dismantling the Welfare State? Cambridge Studies in Comparative Politics. Ed. Peter Lange. Cambridge: Cambridge University Press, 1994.

Pierson, Paul. “The New Politics of the Welfare State.” World Politics 48.January (1996): 143-79.

Pierson, Paul. “Irresistible forces, immovable objects: post-industrial welfare states confront permanent austerity.” Journal of European Public Policy 5.4 (1998): 539-60.

Pierson, Paul. “Increasing Returns, Path Dependence, and the Study of Politics.” APSR 94.2 (2000): 251-266.

Pierson, Paul and John Myles. “The Comparative Political Economy of Pension Reform.” The New Politics of the Welfare State. Ed. Paul Pierson. Oxford: Oxford University Press, 2001.

Pitruzzello, Salvatore. “Social policy and the implementation of the Maastricht fiscal convergence criteria: The Italian and French attempts at welfare and pension reforms.” Social Research 64.4 (1997): 1589-1642.

Pochet, Philippe. “Les pactes sociaux en Europe dans les années 1990”. Sociologie du Travail (1998): 173-190.

Polanyi, Karl. The Great Transformation, 1945.

Pollet, Gilles and Didier Renard. “Genèses et usages de l'idée paritaire dans le système de protection sociale francais.” Comparer les systèmes de protection sociale en Europe. Ed. MIRE. Vol. 2. Paris: Rencontres et recherches de la MIRE, 1996.

Pontusson, Jonas. “The Comparative Politics of Labor-Initiated Reforms.” CPS 25.4 (1993): 548-578.

Powell, Walter W. and Paul J. DiMaggio. “Introduction.” The New Institutionalism in Organizational Analysis. Ed. Walter W. Powell and Paul J. DiMaggio. Chicago: The University of Chicago Press, 1991. 478.

Powell, Walter W. “Expanding the Scope of Institutional Analysis.” The New Institutionalism in Organizational Analysis. Ed. Walter W. Powell and Paul J. DiMaggio. Chicago: The University of Chicago Press, 1991. 183-203.

Powell, Walter W. and Paul J. DiMaggio, ed. The New Institutionalism in Organizational Analysis. Chicago: The University of Chicago Press, 1991.

Powell Jr., G. Bingham. Elections as instruments of democracy : majoritarian and proportional visions. New Haven: Yale University Press, 2000.
Przeworski, Adam and Micheal Wallerstein. “The Structure of Class Conflict in Capitalist Societies”. American Political Science Review 76 (1982): 215-238.

Quermonne, Jean-Louis. L’appareil administratif de l’État. Paris: Éditions du Seuil, 1991.

Quillet, Gérard. “Le régime supplémentaire d'Elf-Aquitaine.” Revue d'économie financière 40 (1997): 285-89.

Rake, Katherine, Jane Falkingham and Martin Evans. “British Pension Policy in the Twenty-first Century: a Partnership in Pensions or a Marriage to the Means Test?” Social Policy and Administration 34.3 (2000): 296-317.

Raynes, Harold E. Social Security in Britain: A History. London: Sir Isaac Pitman and Sons, 1957.

Razin, Assaf and Efraim Sadka. “Migration and Pension”. IMF Working Paper 165 (1998).

Rein, Martin and Barry L. Friedman. “Employment and retirement: Conflicting aims within the welfare society.” The State of Social Welfare, 1997. Ed. De Jong Flora, Le Grand and Kim. Aldershot: Ashgate, 1998. 57-82.

Reman, Pierre. “Du Pacte social de 1944 au Plan global de 1993: évolution de la notion de solidarité.” Pour un nouveau pacte social. Bruxelles: Editions Vie Ouvrière. 125-135, 1994.

Renard, Didier. “Les rapports entre assistance et assurance dans la constitution du système de protection sociale francais.” Comparer les systèmes de protection sociale en Europe. Ed. MIRE. Vol. 1. Paris: Rencontres et recherches de la MIRE, 1995.

Reynaud, Emmanuel and Giovanni Tamburi. Les retraites en France: Le rôle des régimes complémentaires. Paris: Documentation Francaise, 1994.

Reynaud, Emmanuel. “Financing retirement pensions:Pay-as-you-go and funded systems in the European Union.” International Social Security Review 48.3-4 (1995): 41-57.
Reynaud, Emmanuel. “Le New Labour face aux retraites après dix-huit ans de libéralisme.” Chronique international de l'IRES .48 (1997): 57-64.

Reynaud, Emmanuel. “Pensions in the European Union: Adapting to economic and social changes.” International Social Security Review 51.1 (1998): 31-46.

Reynaud, Emmanuel. “Introduction and summary.” Social dialogue and pension reform. Ed. Emmanuel Reynaud. Geneva: International Labour Office, 2000. 1-10.

Rhodes, Martin. "'Subversive Liberalism': market integration, globalization and the European welfare state." Journal of European Public Policy 2.3 (1995): 384-406.

Rhodes, Martin. "Globalization, Labour Markets and Welfare State: A Future of 'Competitive Corporatism'." The Future of European Welfare: A New Social Contract? Ed. Martin Rhodes and Yves Mény. London: McMillan, 1998. 178-203.

Rhodes, Martin. "The Political Economy of Social Pacts: "Competitive Corporatism" and European Welfare Reform." The New Politics of the Welfare State. Ed. Paul Pierson. Oxford: Oxford University Press, 2001. 165-94.

Rhodes, R.A.W. Understanding Governance: Policy Networks, Governance, Flexibility and Accountability. Buckingham: Open University Press, 1997.

Rhodes, R.A.W., and Marsh, D. "New Directions in the Study of Policy Networks. European Journal of Political Research 21 (1992): 181-205.

Richardson, Jeremy, Gunnel Gustafsson, and Grant Jordan. "The Concept of Policy Style." Policy Styles in Western Europe. Ed. Jeremy Richardson. London: George Allen & Unwin, 1982. 1-16.

Riksförsäkringsverket. "ATP och dess finansiering i det medel- och långsiktiga perspektivet." RFV Anser 1987: 9 (1987).

Riksförsäkringsverket. "En strategi för ATP-systemets framtid." RFV Anser 1991: 15 (1991).

Rokkan, Stein. "State Formation and Nation-Building." State Formation, Nation-Building, and Mass Politics in Europe. Ed. Peter Flora with Stein Kuhnle and Derek Urwin. Oxford: Oxford University Press, 1999. 93-224.

Rokkan, Stein. "Mass Politics." State Formation, Nation-Building, and Mass Politics in Europe. Ed. Peter Flora with Stein Kuhnle and Derek Urwin. Oxford: Oxford University Press, 1999. 227-340.

Rosanvallon, Pierre. La nouvelle question sociale. Paris: Éditions du Seuil, 1995.

Ross, Fiona. ""Beyond Left and Right": The New Partisan Politics of Welfare." Governance: An internationa Journal of Policy and Administration 13.2 (2000): 155-83.

Ross, Fiona. "Interests and Choice in the 'Not Quite so New' Politics of Welfare." West European Politics 23.3 (2000a): 11-34.

Ross, Fiona. ""Beyond Left and Right": The New Partisan Politics of Welfare." Governance: An international Journal of Policy and Administration 13.2 (2000b): 155-83.

Ross, Fiona. "Framing Welfare Reform in Affluent Societies: Rendering Restructuring More Palatable?" Journal of Public Policy 20.2 (2000c): 169-193.

Rothstein, Bo. "State Structure and Variations in Corporatism: The Swedish Case." Scandinavian Political Studies 14.2 (1991): 1991.

Rothstein, Bo. “Labor-market institutions and working--class strength.” Structuring politics: Historical institutionalism in comparative analysis. Ed. Kathleen Thelen and Frank Longstreth Sven Steinmo. Cambridge: Cambridge University Press, 1992.

Rothstein, Bo. “Explaining Swedish Corporatism: The Formative Moment.” Scandinavian Political Studies 15.3 (1992): 173-191.

Rothstein, Bo. The Social Democratic State: The Swedish Model and the Bureaucratic Problem of Social Reforms. Pittsburgh: University of Pittsburgh Press, 1996.

Rothstein, Bo. The Social Democratic State. Pittsburgh: University of Pittsburgh Press, 1996.

Rothstein, Bo. “State Building and Capitalism: The Rise of the Swedish Bureaucracy.” Scandinavian Political Studies 21.4 (1998): 287-306.

Rothstein, Bo. “The future of the universal welfare state: An institutional approach.” The Survival of the European Welfare State. Ed. Stein Kuhnle. London: Routledge, 2000. 217-233.

Rothstein, Bo. “The Universal Welfare State as a Social Dilemma.” Rationality and Society 13.2 (2001): 213-233.

Rouban, Luc. “Public administration at the crossroads: the end of the French specificity?” Bureaucracy in the Modern State: Introduction to Comparative Administration. Ed. Jon Pierre. Hants: Edward Elgar, 1995. 39-63.

Ruellan, Rolande. “Retraites: l'impossible réforme est-elle achevée.” Droit Social 12.Décembre (1993): 911-29.

Saint-Jours, Yves. “France.” The Evolution of Social Insurance 1891-1981: Studies of Germany, France, Great Britain, Austria and Switzerland. Ed. Peter A. Köhler and Hans F. Zacher. London: Frances Pinter, 1982. 93-149.

Sapin, Michel. “L'avenir des retraites.” Revue d'économie financière 23.Hiver (1992): 19-25.

Sartori, Giovanni. “Concept Misinformation in Comparative Politics.” American Political Science Review 64.December (1970): 1033-53.

Scarborough, Elinor. “West European welfare states: The old politics of retrenchment.” European Journal of Political Research 38 (2000): 225-259.

Scharpf, Fritz W. “The Joint Decision Trap: Lessons from German Federalism and European Integration.” Public Administration 66 (1988): 239-68.

Scharpf, Fritz A. “Decision Rules, Decision Styles and Policy Choices.” Journal of Theoretical Politics 1.2 (1989): 149-76.

Scharpf, Fritz W. Games Real Actors Play. Boulder: Westview Press, 1997.

Scharpf, Fritz W. “The viability of advanced welfare states in the international economy: vulnerabilities and options.” Journal of European Public Policy 7.2 (2000): 190-228.

Scharpf, Fritz W. “Institutions in comparative policy research.” Comparative Political Studies 33.6/7 (2000): 762-90.

Scherman, K. G. “The Swedish pension reform.” ILO Discussion Paper 7: (1999).

Schludi, Martin. The Politics of Pensions in European Social Insurance Countries. Turin, Italy, 2002. 49.

Schmähl, Winfried. “Fundamental decisions for the reform of pension systems.” International Social Security Review 52.3 (1999): 45-55.

Schwartz, Herman. “Small States in Big Trouble: State Reorganization in Australia, Denmark, New Zealand and Sweden in the 1980s.” World Politics 46.July (1994): 527-55.

Schwartz, Herman. “Round up the Usual Suspects!: Globalization, Domestic Politics, and Welfare State Change.” The New Politics of the Welfare State. Ed. Paul Pierson. Oxford: Oxford University Press, 2001. 17-44.

Scott, Richard W. “Upacking Institutional Arguments.” The New Institutionalism in Organizational Analysis. Ed. Walter W. Powell and Paul J. DiMaggio. Chicago: The University of Chicago Press, 1991. 164-82.

Scott, Richard W. and John W. Meyer. “The Organization of Societal Sectors.” The New Institutionalism in Organizational Analysis. Ed. Walter W. Powell and Paul J. DiMaggio. Chicago: The University of Chicago Press, 1991. 108-40.

Seidman, Laurence S. “The case for funding Social Security.” Public Interest .130 (1998): 93-102.

Seiler, Daniel-Louis. “Un État entre importation et implosion: consociativité, partitocratie et lotissement dans la sphère publique en Belgique.” Gouverner la Belgique. Clivages et compromise dans une société complexe. Ed. Jean-Michel De Waele Pascal Delwit, and Paul Magnette. Paris: Presses Universitaire de France, 1999. 15-51.

Shalev, Micheal. “The Social Democratic Model and Beyond.” Comparative Social Research 6 (1983): 315-351.

Shepsle, Kenneth A. “Studying Institutions: Some Lessons from the Rational Choice Approach.” Journal of Theoretical Politics 1.2 (1989): 131-147.

Siebert, Horst. “Introduction: A European Perspective.” Social Security Reform in Europe. Ed. Martin Feldstein and Horst Siebert. Chicago: University of Chicago Press, 2002.

Simon, Herbert A., Victor A. Thompson and Donald W. Smithburg. Public Administration. New Brunswick: Transaction Publishers, 1991.

Skocpol, Theda and Edwin Amenta. “States and Social Policies.” Annual Review of Sociology 12 (1986): 131-157.

Socialdepartmentet. Ett reformerat pensionssystem: Bakgrund, principer och skiss. Vol. Ds 1992: 89. Stockholm: Allmäna Förlaget, 1992.

SOU. “Allmän pension.” Trans. . Stockholm: Allmäna Förlaget, 1990. 593.

SOU. “Reformerat pensionssystem.” Trans. . Stockholm, 1994. 575.

SOU. “Reformerat pensionssystem: Kvinnors ATP och avtalspension.” Trans. . Stockholm: Fritzes Kundjänst, 1994. 86.

SOU. “Reformerat pensionssystem: Kostnader och individeffekter.” Trans. . Stockholm, 1994. 249.

Ståhlberg, Ann-Charlotte. “Problemen med ATP”. Ekonomisk Debatt 5(89): 351-361.

Ståhlberg, Ann-Charlotte. “Pension reform in Sweden.” Scandinavian Journal of Social Welfare 4 (1995): 267-273.

Steinmo, Sven, Kathleen Thelen and Frank Longstreth, ed. Structuring politics: Historical institutionalism in comparative analysis. Cambridge: Cambridge University Press, 1992.

Steinmo, Sven. Taxation and Democracy: Swedish, British and American Approaches to Financing the Modern States. New Haven: Yale University Press, 1993.

Stone, Alec. “Le <néo-institutionalisme>: Défis conceptuels et méthodologiques.” Politix 20 (1992): 156-168.

Svensson, Torsten. Socialdemokratins dominans: En studie av den svanska socialdemokratins partistrategi. Uppsala: Acta Universitatis Upsaliensis, 1994.

Swank, Duane. “Political Institutions and Welfare State Restructuring: The Impact of Institutions on Social Policy Change in Developed Democracirs.” The New Politics of the Welfare State. Ed. Paul Pierson. Oxford: Oxford University Press, 2001. 197-233.

Swyngedouw, Marc. “Les rapports de force politiques en Belgique.” Où va la Belgique? Ed. Marco Martiniello and Marc Swyngedouw. Paris: Editions L'Harmattan, 1998. 45-58.

Tabellini, Guido. “A Positive Theory of Social Security.” Scandinavian Journal of Economics 102.3 (2000): 523-545.

Taddei, Dominique, ed. Retraites choisies et progressives. Paris: La documentation Française, 2000.

Tamburi, Giovanni. “Motivation, purpose and processes in pension reform.” International Social Security Association 52.3 (1999): 15-44.

Tauran, Thierry. Les régimes spéciaux de Sécurité sociale. Que sais-je? Paris: PUF, 2000.

Teulade, René. L'avenir des systèmes de retraite. Paris: Les éditions des Journaux officiels, 2000.

Thelen, Kathleen and Sven Steinmo. “Historical institutionalism in comparative politics.” Structuring politics: Historical institutionalism in comparative analysis. Ed. Kathleen Thelen and Frank Longstreth Sven Steinmo. Cambridge: Cambridge University Press, 1992.

Thiveaud, Jean-Marie. “La lente contruction des systèmes de retraite en France de 1750 à 1945.” Revue d'économie financière 40 (1997): 21-54.

Tilly, Charles. "Reflections on the History of European State-Making." The Formation of National States in Western Europe. Ed. Charles Tilly. Princeton: Princeton University Press, 1975. 3-83.

Tilly, Charles. "Western State-Making and Theories of Political Transformation." The Formation of National States in Western Europe. Ed. Charles Tilly. Princeton: Princeton University Press, 1975. 601-38.

Titmuss, Richard. Social Policy. London: George Allen & Unwin, 1974.

Tracy, Martin B. and Paul Adams. "Age at which pensions are awarded under social security: Patterns in ten industrial countries, 1960-1986." International Social Security Review 4 (1989): 447-461.

Tsebelis, George. "Decision Making in Political Systems: Veto Players in Presidentialis, Parliamentarism, Multicameralism and Multipartism." British Journal of Political Science 25 (1995): 289-325.

Tsebelis, George. "Veto Players and Law Production in Parliamentary Democracies: An Empirical Analysis." APSR 93.3 (1999): 591-608.

United Nations Population Division (UNDP). World Population Prospects: The 1998 Revision New York: UN, 1998.

Vaes, Bénédicte. "Un divorce de la sécurité sociale?" Où va la Belgique? Ed. Marco Martiniello and Marc Swyngedouw. Paris: Editions L'Harmattan, 1998. 173-180.

Vail, Mark I. "The Better Part of Valour: The politics of French Welfare Reform." Journal of European Social Policy 9.4 (1999): 311-329.

Van Den Bulck, Jan. "Pillars and Politics: Neo-Corporatism and Policy Networks in Belgium." WEP 15 (1992): 35-53.

Vandenbroucke, Frank. "La qualité de nos régimes de pensions: un engagement Européen." Revue belge de sécurité sociale .4 (2001): 839-852.

Vanthemsche, Guy. La sécurité sociale. Bruxelles: De Boeck, 1994.

Vasselle, Alain. "Réforme des retraites: peut-on encore attendre?" Commissions des affaires sociales, 459 (1998-99).

Von Hagen, Jürgen. "Budgeting Procedures and Fiscal Performance in the European Communities." Trans. . Brussels: Commission of the European Communities, 1992.

Vording, Henk and Kees Goudswaard. "Indexation of public pension benefits on a legal basis: Some experience in European countries." International Social Security Review 50.3 (1997): 31-44.

Walker, Alan. "Thatcherism and the New Politics of Old Age." States, Labor Markets, and the Future of Old-Age Policy. Ed. John Myles and Jill Quadagno. Philadelphia: Temple University Press, 1991. 19-35.

Ward, Sue. "Personal pensions in the UK, the mis-selling scandal and the lessons to be learnt." Pensions in the European Union: Adapting to Economic and Social Change. Ed. Gerard Hughes and Jim Stewart. Boston: Kluwer Academic Publishers, 2000. 139-146.

Weaver, R. Kent. “The Politics of Blame Avoidance.” Journal of Public Policy 6.October-December (1986): 371-98.

Wilensky, H. The Welfare State and Equality: Structural and Ideological Roots of Public Expenditure. Berkeley: University of California Press, 1975.

Wilks, Stephen and Maurice Wright (Eds). Comparative Government-Industry Relations. Western Europe, The United States and Japan. Oxford: Clarendon Press, 1987.

Williamson, John B. and Fred C. Pampel. Old-Age Security in Comparative Perspective. Oxford: Oxford University Press, 1993.

Witte, Els. “Belgian Federalism: Towards Complexity and Asymmetry.” WEP 15.4 (1992): 95-117.

Woldendorp, Jaap, Hans Keman and Ian Budge. Party Government in 48 Democracies (1945-1998). Dordrecht: Kluwer Academic Publishers, 2000.

WorldBank. Adverting the old age crisis. New York: Oxford University Press, 1994.

Non-Academic Sources (Newspapers and/or Documents from Unions and Employers)

Belgium
Newspaper: Le Soir and L’Écho

Documents from Le Bureau Fédéral du Plan

France
Newspapers and Magazines:
Le Monde, Le Monde Diplomatique, L’Express, Libération, News wire from the *observatoire européen des relations industrielles* (Eiro - name of the author cited and date).

Documents from CFDT, MEDEF, FO, CGT and Le Bureau du Plan.

Sweden
Newspapers: Dagens Nyheter (DN), Svenska Dagbladet (SvD), Expressen (Exp), Veckans Affärer, Affärsvärlden, Göteborgs Posten (GP), Sydsvenska Dagbladet (SdS), Uppsala Nyheter Tidning (UNT), Aftonbladet (Aft).

Other type of magazines: Ekonomisk Debatt, Ordfront Magasin.

UK
Newspaper: The Times, The Guardian.

Not Specific to any country:
Financial Times, The Economist.