HALF A CENTURY OF POLITICAL CONTROVERSIES RELATING TO SOCIAL SECURITY REFORMS FOR THE ELDERLY

Half a Century of
Political Controversies relating to Social Security Reforms for the Elderly

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TABLE OF CONTENTS

Half a Century of Political Controversies relating to Social Security Reforms for the Elderly in Europe

INTRODUCTION

Old-age pension provision is one of the most conspicuous, but also one of the most costly, pillars of the welfare state and its social security system. Since the turn of the century, however, pension systems in Europe have been under severe pressure. In particular, an ageing population, deep economic crises and persistently low interest rates on the capital market are forcing the revision of pension systems which are in danger of becoming unsustainable. Therefore, there were enough reasons to pay attention to this problem from an international political historical perspective and from various thematic angles during a conference held on 19 and 20 April 2018 in Nijmegen at the initiative of the Centre for Parliamentary History. This volume is a result of the contributions to this conference.

Why do European countries have different pension systems? How were and are pension arrangements ideologically founded? What are the underlying views on individual and/or collective responsibility and what consequences does this have for the setup of pension systems? To what extent has the transition of societies, from agrarian to industrial and from the industrial to the information society, affected all this? What consequences do access to the labour market, population ageing and the threatened sustainability of pension systems have for the financial position of the elderly, for instance for the duration and level of their pension benefits?

In this volume, four authors use the comparative perspective in their contribution.

Lex Heerma van Voss compares the retirement pension system of the Netherlands with that of other countries, in particular England. He uses the typology of three welfare state regimes: liberal, social democratic and conservative as a means of analysis. The Dutch system can be characterised as a conservative (i.e. Christian Democratic) regime with social-democratic traits. The Netherlands has a state pension that is supplemented by collective supplementary provisions, which are often arranged in a collective agreement. Individual arrangements, which belong to a liberal vision of society, are poorly represented in the Netherlands. In 2013, the political decision was taken to gradually increase the retirement age in connection with the ageing of the population. The level of pension benefits was also adjusted and related more strongly to the funds' results. Nevertheless, the mixed Dutch system is still strong internationally, according to Heerma van Voss.

Pat Thane, for her part, investigates why the English pension system is so weak by international standards. Thane assumes that there has never been sufficient political pressure to achieve an adequate old-age pension system for the economically weaker, as advocated by the Beveridge Report of 1942. The Conservatives, who have been in power longer than Labour since 1945, have always preferred 'private pensions' to 'state pensions', to the disadvantage of the weak and elderly. Even Labour has long given priority to needy groups other than the elderly. As the system of supplementary pensions became more widespread – and this happened mainly among the better-off – the pressure to introduce state pensions was further reduced.

Karl Hinrichs compares the revisions of pension provisions since 1990 in various European countries. These have been necessitated by the increasing ageing of the population, but also by the consequences of the crisis on the financial markets since 2007/2008. Possible answers include increasing contributions, reducing benefits and raising the retirement age. Hinrichs concludes that since the first decade of this century, the number of countries with multi-pillar pension systems has increased and private pension arrangements, such as supplementary pension provision and individual provision, have gained importance compared to public provision. He warns that pension reforms aimed at ensuring the financial sustainability of the systems could lead to poverty among the elderly in the longer term.

Karen Anderson tries to answer the question why the trade union movement in the Netherlands, Denmark and Sweden supports the system of funded (supplementary) occupational pensions for the elderly. After all, there are risks attached to the increasing financialisation of social security. For example, the benefits paid to different groups of pensioners may differ because of differences in the investment results of the pension funds. However, the trade union movement is in favour of this collectively negotiated system because it offers the pensioner some protection against market forces and because it limits the influence of private pension providers.

Other contributions focus on a single national case.

Leon van Damme for example, concentrates on the political debates and antagonisms about the Dutch basic pension provision AOW, which dates from 1957. He distinguishes four major political clashes between 1957 and 2012, which show that the AOW is not a product of consensus politics, but of continuous struggle between Christian Democrats, Social Democrats and conservative Liberals on the design of the old age pension system. The questions at issue were: what is the role of the state, what is a reasonable level of pension provision and for whom is it intended? On each of the three discussion points, a different political tendency won the argument.

Nicole Kramer focuses on the parliamentary debates in the German Bundestag on care for the elderly and old-age pensions after 1945, which are under-reported in the literature. She concludes that the process of policy making was not completed once the legislation entered into force. Parliament also played a role in communicating the importance of the legislation and the Bundestag's role in shaping policy to voters and the media. The Bundestag also had the important task of monitoring the government by exercising its right of question and inquiry. In this way, it could compensate for its knowledge deficit vis-à-vis the government. Kramer also emphasises that the historian must be very much aware of the scope of parliamentary sources, of what they can teach us and of their limitations.

Jef Van Langendonck comments on the changes in the Belgian social security system in general and the old-age pension system in particular. According to him, Belgium is so preoccupied with the division between Flemings and Walloons, which requires endless constitutional and institutional reforms, that the country remains extremely conservative in other policy areas, including social security.

Matti Hannikainen analyses in his contribution the development of the pension system in Finland from the 1980s onwards. In particular, the transition from an industrial-agrarian society to a modern industrial society in the second half of the twentieth century had repercussions on the policy concerning old-age pensions. Initially, social benefits, including old-age pensions, improved considerably, but the deep economic crisis of the 1990s brought a reversal. The ageing of the population also had an impact on the revision of the pension system from the turn of the century.

Finally, Maria Petmesidou, using the Greek example, shows that EU rules on gender equality in legislation and policy do not necessarily lead to more gender equality. The Greek situation is largely characterised by a wide gap between legal provisions and practice. This also applies to the area of social security, especially pension provision. The number of women who receive pension benefits is considerably lower than that of men; the level of benefits is also lower. Important causes are the individualisation of pension provisions through the revisions of the pension system in Greece since the 1990s and the weak position of Greek women in the labour market.

The conference and this volume have been made possible with the support of *Instituut Gak*, *Netspar*, *Pensioenfederatie* and the European Information and Research Network on Parliamentary History (EuParl.net). We are also grateful to Kate Delaney (language correction).

Nijmegen, November 2022

Laura Brinkhorst
Carla van Baalen
Anne Bos
Leon van Damme
Alexander van Kessel
Johan van Merriënboer
Jan Ramakers
Mari Smits
Irene Helsen

Pension Policies in the Netherlands since 1945 in an International Context

ℨ€

LEX HEERMA VAN VOSS

ABSTRACT

National welfare states differ in the organization of their welfare state arrangements, in the political structures that decide on them and arguably also in the cultural preferences of the people concerned as recipients and voters. It is useful to compare the lesser-known Dutch case with the relatively well-known British one. Pensions have become broadly established in the Netherlands since the end of the Second World War. They consist of three tiers. The first tier is a universal and egalitarian basic pension (AOW). The second tier supplies an additional pension, traditionally typically raising total pension income to about 70% of previous wages earned. This is pre-financed with premiums and organized through pension funds, often at the level of the branch of the economy. A much smaller third tier consists of individual saving-and-investment plans. This contribution describes the development of pension policies in the Netherlands since 1945 and tries to explain their distinctive traits.

INTRODUCTION

The aim of this contribution is to give an overview of pension policies in the Netherlands since 1945 and to contrast those with policies elsewhere, especially in Britain. Not only is that comparison facilitated by the excellent overview by Pat Thane, but also historically the British case served as the mirror in which Dutch policy makers looked, especially in the post-war period when the foundation for the welfare state was laid.[1] Most of the international context is provided by situating the Netherlands within the typology of three welfare state regimes.

THREE WELFARE STATE REGIMES

As a context for international comparison, and as a way to situate the Netherlands, it is indeed convenient to start from the well-known division into three "regimes" or types of welfare states defined by Danish sociologist and welfare state specialist Gøsta Esping-Andersen. He categorized national welfare states as liberal, social-democratic and conservative. Esping-Andersen published his study *Three worlds of welfare capitalism* in 1990, describing the situation around 1980.

Along with, for instance, Australia and Canada, and in some ways also the United Kingdom, the United States represents a typical *liberal* welfare state. Liberal welfare programs are lean and avoid interference with the market. De-commodification, the degree to which services are supplied outside the market, is low. The programmes primarily target the very poor. The poor are tested to make sure they do not have other means of surviving. Entitlement rules are strict and being a welfare recipient generally carries a social stigma. Middle-class citizens cover their own risks and save for their own pensions through private insurance. Hence, the liberal welfare state is relatively cheap and taxes can

1 So much so, that the Dutch language has two words for welfare state, both based on the English term: welvaartsstaat and verzorgingsstaat, the first closer in sound to the English original and the second the more literal translation. Both were used in more than 9.000 newspaper articles between 1945 and 1995. *Welvaartstaat* or *welvaartsstaat* (literally prosperity state) was first used in one of the larger papers in April 1946 and was the more common term until about 1980. *Verzorgingstaat* or *verzorgingsstaat* (literally: care state or welfare state) was used for the first time in a discussion of the British welfare state in *Het Vrije Volk* on 23 July 1945. It became the common term after 1980 (www.delpher.nl, consulted 19 November 2018).

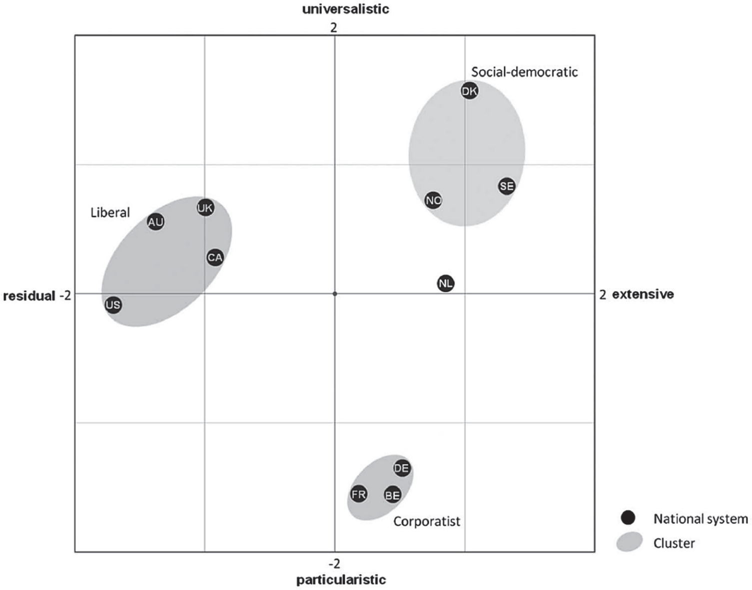
be low. The resulting transfer from rich to poor is limited and differences in income between the poor, the middle classes, and the rich remain substantial.

Esping-Andersen baptized the welfare states found in Scandinavian countries *social-democratic*, because social-democratic parties took the lead in establishing them. However, since they did so in cooperation with farmers' parties, not only working-class interests were taken into account. Hence, recipients include the middle classes. As entitlement is nearly universal, receiving a welfare payment does not necessarily carry a stigma. All citizens are entitled to relatively high levels of welfare, market involvement is limited and social and economic differences between citizens remain small. De-commodification is high. High taxes are needed to pay for all this. Female labour force participation is stimulated.

Esping-Andersen's third category is found in continental Europe. He dubbed it *conservative* because rights are linked to social status and the welfare state is used to sustain and bolster distinctions between the sexes and between social layers, not to make them disappear. Catholic parties were often responsible for putting this type of welfare state in place. Consequently, social security is targeted at keeping mothers at home, and hence day care for children, for instance, is typically underdeveloped. Rights are linked to contributions paid in the past: higher incomes are entitled to higher benefits. The state aims to fund only those programs that are not already well-organized by civil society, hence its alternative designation as *corporatist*. As the level of benefits is positioned between that of the two other types, so is the tax level and the degree of de-commodification.

Not all authors have been able to replicate Esping-Andersen's outcomes. Numerous attempts have been made to update his threefold division, to suggest that the typologies had changed over time, or to add other varieties to the original three. Given all this critical evaluation, the original division into three has aged surprisingly well. Even measured in ways other than those originally proposed by Esping-Andersen, welfare states still cluster together in his three groups. They do so historically for the decades around 1980, but the three groups are also found when

GRAPH 1 Regime clusters, 1990s

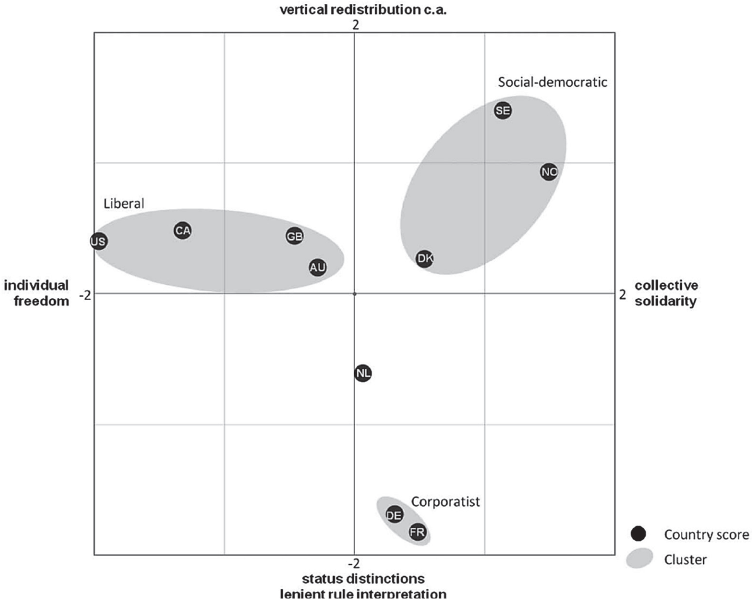


Optimal scaling, nonlinear PCA, of 11 countries on formal regime traits.
Source: Vrooman 2012: 454

much more recent data is used. This was, for instance, the case for data for the years 2008-2010, thus indicating "consistency and persistence of regime differences" (Vrooman 2012: 457; Arts and Gelissen 2010).

The Netherlands are often counted among the continental welfare states. Since the Dutch system includes some traits of the social-democratic type, it is sometimes considered to belong to that group. Still, some authors also have analysed it as an intermediate case between all three types (Goodin and Smitsman 2000; Vrooman 2012). Graphs 1 and 2 visualize the outcome of a recent test of the typology by Cok Vrooman (2012), using nonlinear principal components analysis on a large set of formal traits of social security and welfare state arrangements, and on social security cultures, looking at values held about the arrangements.

GRAPH 2 Value orientations, 1990s



Optimal scaling, nonlinear PCA, of 10 countries on value orientations.
Source: Vrooman 2012: 460

In Graph 1 the arrangements are measured against two axes. The horizontal axis measures whether the welfare state is more developed (extensive, to the right), or only targets the poorest citizens (residual, to the left). As expected, the liberal welfare states show up on the left-hand side, as the residual character of entitlements is a main characteristic of this group. The vertical axis measures the degree to which entitlements are the same for all recipients (universalistic, on top), or differ between social groups (particularistic, at the bottom). Here the conservative/corporatist group shows up near the bottom, as the one group that aims at keeping social distinctions intact through the level of entitlements. Vrooman (2012: 456-8) also measured the arrangements for the years 2008-10, and established that, some convergence and retrenchment notwithstanding, the division into three regimes had held up well.

This outcome can be explained in different ways. Differences in regimes may be the outcome of differences in historical institutions and/or recent socio-economic or political developments. They can also reflect different cultural attitudes. These could be both the cause and the outcome of the regimes. Whatever the causal relations may have been, Vrooman established from opinion surveys that cultural clusters existed, with values and preferences conforming to the welfare state regimes. These are visualized in Graph 2.

HISTORY OF THE DUTCH PENSION SYSTEM

Historically, the Dutch pension system has both deep institutional roots and is a late developer. Its prehistory was rather impressive. In the seventeenth and eighteenth centuries, the development of embryonic welfare arrangements in the Dutch Republic was driven by urbanization. The economic success of the Dutch "Golden Age" led to migration to the towns, especially Amsterdam. Disconnected from the safety net of their rural family and village, these migrants relied on welfare arrangements offered by towns, guilds, religious communities and private charity (Van Leeuwen 2000). Private donors founded, for instance, alms-houses (*hofjes*), where the elderly were housed free of charge, and often also received some food or peat for heating. The historian Looijesteijn has calculated that in 1747 in the important industrial town of Leiden about 7% of those over fifty years of age were housed in a *hofje* and in 1795 about 9% (Looijesteijn 2012: 204-205). By the end of the eighteenth century, the Netherlands, together with England and Wales, topped the international ranking in poor-relief expenditures as share of the national product (Lindert 2004: 46-47), which could point to deeply rooted institutional traditions and values. However, the Dutch head start was lost during the nineteenth century (Heerma van Voss 2015).

In the Netherlands only some civil servants had pensions from the early nineteenth century.[2] Guilds, which had offered in some cases old-age pensions, were disbanded around 1800. Only from the 1870s did working men's organizations and trade unions start to organize collective pensions. Important as these were to the recipients, their success was limited. The workers' mutual insurance organizations were able to offer only low pensions and repeatedly had to suspend payments altogether. A small number of employers offered old-age pensions for their employees from the 1890s onwards.

With the introduction of the *Invaliditeitswet* (Invalidity Act) pension in the 1910s, a limited first tier was established. Workers over seventy years of age received a small pension of two guilders per week in 1913, which was raised to three guilders in 1919 to account for inflation. This was about 10% of the current wage in industry. A married couple received five guilders (Noordam 1998a: 585). In 1919, a similar provision was created for elderly non-wage workers in the same income bracket as workers. At the time, about 75% of those over seventy were entitled to this pension.

The Netherlands had by that time adopted universal suffrage and proportional representation. In the Dutch situation this meant that Christian parties received a large percentage of the vote. Between 1918 and 1994 they participated in every government coalition. The fragmentation of Dutch politics meant that coalitions were always necessary to attain governing majorities. The Christian parties, on the whole, wanted social security to be based on private individual or collective insurance, expecting that the need to insure oneself would foster responsibility. The socialists and progressive liberals favoured state pensions. The *Invaliditeitswet*, a de facto state pension, was introduced by a government formed by a coalition of Christian parties, which was in principle against state insurance. The responsible minister, A.S. Talma, therefore framed his old-age pension as a facility to buy into an insurance arrangement for those workers who had been unable to take out private or collective insurance before and were too advanced in age to collect a meaningful pension if they started paying premiums at the time.

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2 Unless noted otherwise, the following overview of Dutch social security and pensions in the nineteenth and twentieth centuries is based on Van Genabeek 1998a, 1998b and 1998c; Noordam 1998a and 1998b.

Unemployment during the First World War and in the economic crisis of the 1930s led to the expansion of some welfare state arrangements, but pensions remained unchanged until the Second World War, when the British *Beveridge report* triggered a similar report by a committee created by the Dutch cabinet in exile in London, the *commissie-Van Rhijn.* This report opened the door for a relaxation of the preference for workers insuring themselves. Future social security would be financed both by premiums and taxes (Noordam 1998a and 1998b). Another parallel development with the British case, the normalization of Socialist influence at government level, helped this transition. In the Netherlands, the Socialist PvdA (Labour Party) formed part of the government coalitions from 1945 until 1958.

This opened the way to the introduction of a substantive first-tier pension, which in 1947, took the form of the *Noodwet Ouderdomsvoorziening*, the Emergency Old-Age Provision Act. This was paid for by taxes, not premiums, and was originally limited to those who had earned less than a threshold income, but still raised the number of recipients considerably. As in Britain, recipients with special needs, for instance with high health expenditures, had to fall back on a means-tested supplement.

Willem Drees, the Socialist minister of Social Affairs who introduced the Emergency Act, earned many public and private expressions of gratitude. These testify to the immense relief among elderly workers on receiving a pension that they could survive on, as a right, and not as something that they had to ask for and be grateful for to Churches or local officials. One of the letters Drees received from grateful fresh AOW recipients assured him that no fewer than four chairs would be reserved for him in heaven (Gaemers 2008). The Emergency Act was replaced in 1957 by the *Algemene Ouderdoms Wet* (AOW), or General Old-Age Act. This was a flat-rate benefit for everyone over 65. It was nominally an insurance, thus catering to Christian sensibilities, but the premium was collected by the taxman and insuring oneself was obligatory. The time needed to reach this compromise was one of the reasons why an emergency act had to be introduced first and why it took ten years before a permanent arrangement could be introduced.

Women and men were treated unequally under the early AOW. A married woman normally had no individual right to a pension, but only through her husband. She was insured, but would collect AOW herself only if she was the breadwinner for her husband who was under age 65. The level of a pension for a couple was at the level of about 40% of an industry wage. The idea was that it would be combined with additional industry, company, or individual pension arrangements. The benefit was indexed, and it was raised in 1965 to 70% and in 1973 to 100% of the legal minimum wage.

The introduction of AOW pensions, however small, was an incentive to create collective pension arrangements, which now had to fund only an addition to the general pension arrangement. This was already true for the meagre Invalidity pensions created in 1913 and 1919. Again, this development was not unlike what was happening in Britain.

TABLE 1 Collective additional pension funds (firm, branch, and occupational funds combined), 1890-1987

SCHEMES		NUMBERS INSURED	SCHEMES		NUMBERS INSURED
1890	30		1970	1509	4.354.000
1938	800		1975	1270	5.079.000
1955	1265	1.781.000	1980	1120	5.765.000
1960	1728	2.634.000	1985	1097	6.185.000
1965	1678	3.538.000	1987	1090	6.436.000

Source: Van Genabeek 1998c, 894

The existence and level of second-tier pensions often were regulated by collective labour agreements between trade unions and employers' organizations. If an agreement had been concluded between one or more trade unions and an employers' organization an industry branch, the Minister of Social Affairs could make it binding for the branch as a whole. This brought in unorganized firms and workers, thus creating a level playing field. Making collective labour agreements binding for all workers and firms in a branch was quite common in the Netherlands in the post-war decades. The government tried to finance the post-war rebuilding of the economy by keeping wages low and Dutch exports competitive. To compensate for low wages, prices were also regulated and kept low, and welfare state arrangements were introduced. Tripartite bodies, composed of representatives of trade unions and employers' organizations, were instituted both at the national and the economic branch levels. At the national level, they included specialists in social security and Labour Law selected by the government (Jaspers, Van Bavel and Peet 2010). When these parties forged a compromise between their different interests, this was generally carried through. In the case of pensions: if workers and employers agreed on the level of pensions and premiums, and the way the latter were to be shared among workers and employers, and the government specialists did not consider this pension to be an undue burden on the national economy, the Ministry of Social Affairs would consent to the agreement reached. A 1937 law had already made it possible for the Minister of Social Affairs to declare a collective agreement binding for a whole industry branch. In 1949, a special law was added to this, which enabled the Minister to make participation in a pension fund mandatory for all workers in a branch of industry. Representatives of trade unions and employers' organizations administered the branch pension funds. They regarded the reserves formed as money belonging to their members and their say over the way it was invested and spent as entirely natural and justified. This corporatist form of social security management agreement fitted well within Christian social thought and the preferences of the Christian parties (Georgi and Heerma van Voss 2005). Second-tier pensions thus became mandatory for large groups of Dutch wage earners. As these became the norm, Dutch wage earners came to expect an income on retirement of about 70% of their income when working and adjustments to inflation.

Over the two or three decades after 1945, similar arrangements were introduced covering health care, the compensation of income lost due to invalidity or sickness, social housing and rent control, unemployment relief, support for raising young children and education. The Dutch welfare state was felt to be completed as a system with the introduction in 1965 of the *Algemene*

Bijstandswet, the General Welfare Act, which entitled everyone with insufficient means to a benefit and thus served as a safety net for all other arrangements. The involvement of organized workers and employers in designing and running welfare state arrangements gave the Dutch welfare state a distinct corporatist tinge, but the level of entitlements, and the universal character of arrangements like AOW and *bijstand*, brought the outcome closer to the social-democratic model. We see this reflected in the position of the Netherlands in Graph 1.

In many respects, the 1970s were a turning point in the development of the Dutch welfare state. The level of a number of benefits was raised, such as the AOW pensions. Women doubled their activity on the labour market, which had been very low in the Netherlands for married women, from one sixth to one third of all adult women. They also protested against receiving benefits through their husbands, successfully demanding to become directly entitled themselves instead. At the macro-economic level, the "Golden" thirty years of post-war economic growth came to an end. From that moment on, unemployment rose.

DEVELOPMENTS FROM THE 1970S ONWARDS

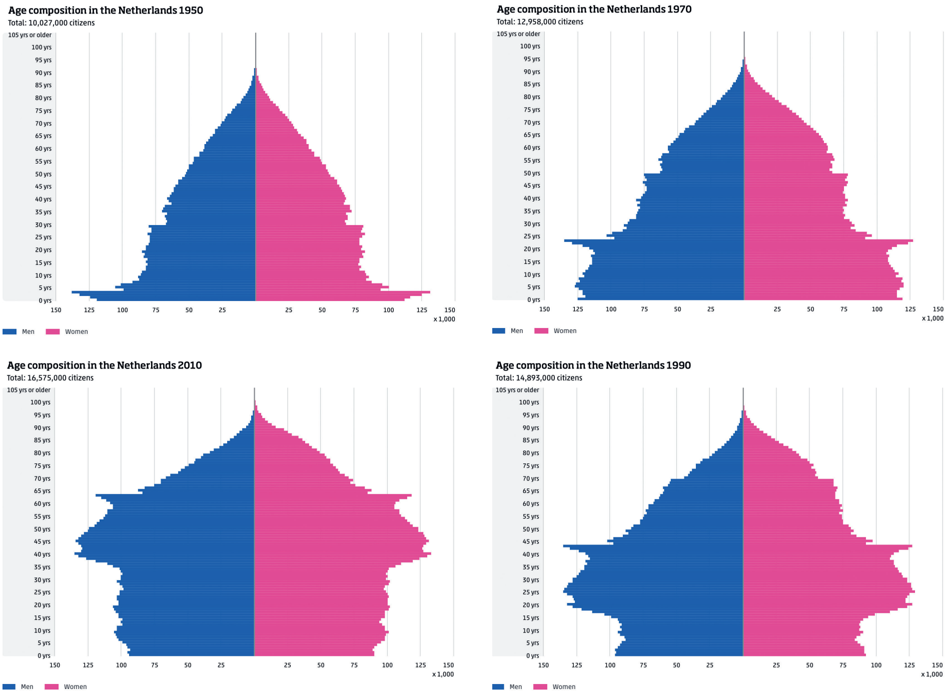
Rising unemployment was also reflected in pension policy. From the mid-1970s several schemes for early retirement were adopted, of which the VUT, *Vervroegde uittreding*, was the most important. Workers would typically be able to retire early, in their early sixties, but sometimes as early as age 55, with 80 or 90% of their previous wage. As they no longer had to pay pension premiums, this often was the equivalent of a full wage. Nevertheless, pensions were built up as if premiums were paid, and the VUT was paid as a pay-as-you-go arrangement, from taxes. The VUT became extremely popular. Trade unions saw it as an easy way out of the labour market with full pay for elderly workers. They also expected that these would be replaced by younger workers, who otherwise ran the risk of remaining unemployed. Employers were willing to swap elderly for younger workers, whom they regarded as more productive and who were certainly cheaper. If employers' organizations and trade unions wrote early retirement into their collective labour agreements, the tax payer picked up the bill. Tax incentives were also used to nudge employees or self-employed to save for additional private early-retirement schemes.

This arrangement was early on recognized as costly, but became extremely popular. The average age of retirement fell to sixty in the 1980s. By the mid-1990s fears had changed. Unemployment was falling, the Dutch population was aging, and the long-term affordability of pensions came to be seen as a problem. The government, but also social partners, wanted more people in the labour market to sustain the welfare state. The social partners agreed to phase out VUT schemes. In the early 2000s, the Balkenende II government totally reversed policies, now using tax measures to discourage early retirement.

This reversal not only targeted early retirement, but the same policy was extended to regular pensions. When the AOW was introduced in 1957, a 65-year-old recipient on average lived to be 73. By 2012, the average life expectancy as a pensioner had doubled, to 81 years. Work was seen as less physically demanding than it had been when AOW was introduced just after the war and workers in their sixties were in better physical condition than they had been in the 1940s and 1950s. Given the large number of recipients, increased by the aging of the population, the AOW became very expensive. It vied with health care for the position of the most expensive part of the welfare state, each being responsible for about one third of total social security expenditures. In 2013, it was decided to raise the retirement age by small steps to 67 years and three months and to link further raises to life expectancy. This was also applied to second-tier pensions.

Other measures to limit costs were debated and implemented. Wage level is irrelevant for the flat-rate AOW, but the second-tier pensions traditionally were based on the final salary (*eindloon*). Employers could do their employees a favour by raising their wage in the last year of employment. These were increasingly replaced by pensions based on the average pay over one's working life (career average, *middelloon*), with the biggest change from 2003 to 2004, when the pension fund of civil servants and many others switched. Still by far the majority option in 2000, final

GRAPH 3 The changing population pyramid of the Netherlands, 1950 – 2010

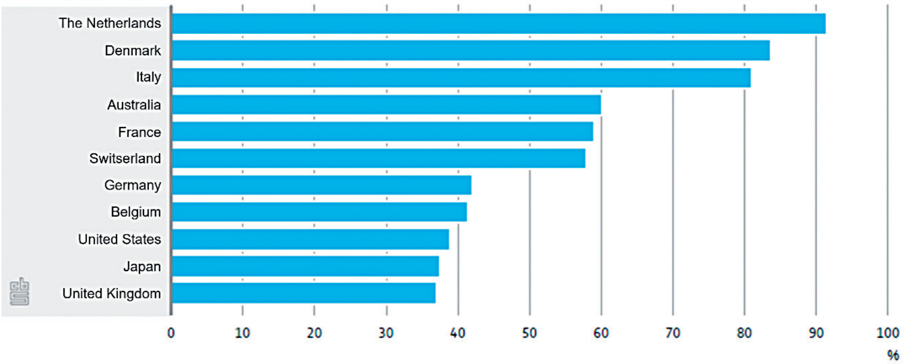


Males blue, Females red. *Source*: Statistics Netherlands

salary calculations had all but disappeared by 2008. There was also a debate about switching from defined benefits to defined contributions. For the time being, defined benefits remained the dominant model (94% in 2012). Most pension funds aimed at following wage growth or price inflation. Both this growth aim and the defined benefit were not always met. In fact, the pension funds were allowed to adjust pensions to their investment results. Indeed, they are even obliged by law to either adjust pensions or raise premiums if their reserves fall below a certain sum in relation to the current interest rate and their future payment obligations.

Given the strong development of the national first and collective second tier, the third tier of individual pensions never

GRAPH 4 Gross replacement income pension systems, 2013 (OESO measurement)

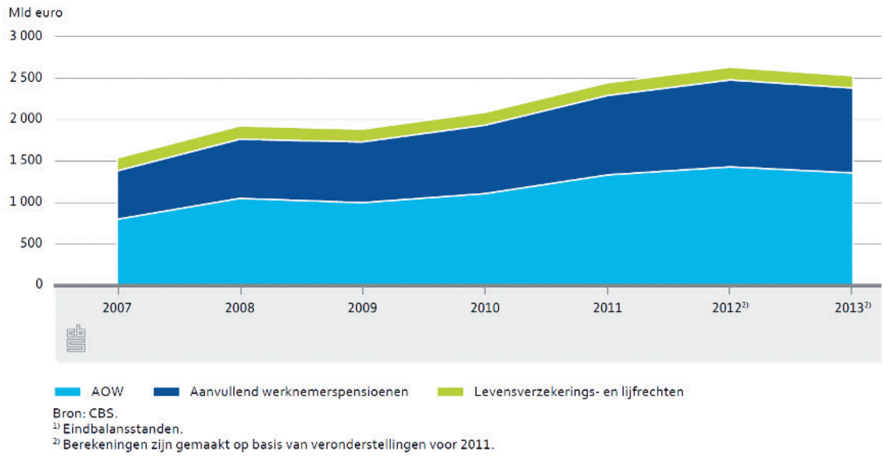


Source: Bruil et al. 2015; 16, based on OESO data

became very important in the Netherlands, not even with the recent waves of individualization and collective pension retrenchment. In 2013, of the total future pension claims 54% was in the first, 40% in the second and 6% in the third tier (Bruil et al. 2015; see Graph 5). The fact that the second tier is financed from investments, means that the Netherlands are consistently among the nations that have the largest amount of their future pension obligations financed through pre-investment. It also results in a pension that supplies a large gross replacement income. This is calculated by OESO for the sake of comparison for a fictive person that has worked his or her full adult life for a median income and worked until the official retirement age. In the NL such a fictive person in 2013 would get a pension worth 91% of the wage level. The average for 34 OECD countries is 54%.

In the meantime, the tradition of worker-employer consultation continued. The rising retirement age is seen more and more as a problem for strenuous occupations. In the spring of 2018, a collective agreement was reached in the Dutch construction sector in which trade unions and employers agreed to a flexible retirement age for workers who put in 45 years of work before the AOW age of 67. This and similar collective agreements are reactions to growing inequality in retirement age between less- and more-ed-

GRAPH 5 Accumulated first-, second-, and third-tier pension rights, 2007-13



Light blue first tier (AOW). Dark blue second tier (supplementary collective pensions). Green third tier (individual pensions).
Source: Bruil et al. 2015; 13, based on data from Statistics Netherlands

ucated workers. The official retirement age – 66 years in 2018 – is uniform in theory, but in practice less-educated Dutch employees retire on average a year later than the more-educated, even though less-educated workers have generally worked longer, held the more strenuous jobs, and will enjoy their pension for a shorter period as they have a shorter (healthy) life expectancy.[3] This difference is another aspect in which the British and the Dutch cases resemble each other.

3 'Werkgevers en vakbonden zetten eerste stevige stap naar flexibele AOW-leeftijd', *de Volkskrant*. https://www.volkskrant.nl/binnenland/werkgevers-en-vakbonden-zetten-eerste-stevige-stap-naar-flexibele-aow-leeftijd~a4594287/ consulted 19 April 2018.

CONCLUSION

The aim of this contribution was to give an overview of pension policies in the Netherlands since 1945 and to contrast those with policies elsewhere, especially in Britain. The intermediate status of the Dutch welfare state is visible in Graph 5. Tier 1, the universal AOW state pension, can be seen as social-democratic. It may have been framed originally as an insurance to cater to Christian sensibilities, but it is tax funded. It is flat rate, and in no way income or means tested. Even members of the royal house are entitled to it, if they qualify on the counts of age and residence. It is thus egalitarian. Tier 2 is not egalitarian and it is clearly an element that belongs to the conservative welfare state entitlements. It reflects income status, and skewed gender participation in the labour market. It is run in a corporatist way, enabled as much as regulated by the state, which renders the outcome of the corporatist negotiations obligatory to all employees in a branch. Tier 3 is very small, but it is completely liberal.

From the history we have outlined, we can also see the movement of the country between the three welfare state regimes over time. The Netherlands started the post-war growth period somewhat more in the conservative camp, as is visible in the way married women were only indirect recipients, through their husbands, of AOW. It moved in a social-democratic direction from the 1960s to the 1980s. There are some liberal tendencies visible in the 1990s and 2000s. These changes reflect, of course, global tendencies, and much the same conclusion could probably be drawn for many welfare states, whatever their position in the Esping-Andersen typology.

A third conclusion can also be drawn. Corporatism and the corporatist welfare state regime are supposed to be resistant to change. It is for this reason that they are also called conservative. This is not the story of Dutch welfare state corporatism. Both employers' organizations and trade union confederations represent their members and these will want their organizations to resist change in undesired directions. Still, the Dutch deliberative system was rather successful in adapting the Dutch welfare state, as we saw when it came to first lowering and then raising again the age of retirement. The result so far, if we compare it internationally, is a well-funded and resilient pension system.

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Social Security for Older People in the UK since 1945: Why are UK Pensions poorer than in other European Countries?

PAT THANE

ABSTRACT

The contribution surveys pension policies in the UK since 1945, including I) the failure of the post-war Labour government to fully implement Beveridge's proposals of 1942, II) Conservative governments (1951-1964) encouraged private pensions rather than raising state pensions, III) Labour, in government (1964-1970 and 1974-1979) failed to implement its proposals for improved income-related pensions until 1978, IV) both this new system and the basic state pension was then cut by Margaret Thatcher's Conservative governments (1979-1990) together with comprehensive cuts to state welfare and encouragement of private pensions, V) Labour governments (1997-2010) substantially increased means-tested supplements to pensions and other benefits for older people without improving the low basic state pension, VI) neoliberal governments since 2010 cut all forms of social security, the state pension less than other benefits to seek the votes of older people; it remains low by international standards.

INTRODUCTION

Old Age Pensions were first introduced in the UK in 1908. They were designed to help the very poor and so were not National Insurance based, as in Germany, but were non-contributory, tax-funded, and strictly means-tested. They were not paid until age 70, though it was generally believed by the many pension campaigners that they were needed at age 60 or 65, when most poor people could no longer work. And the government admitted that these benefits did not provide enough to live on, but should be supplemented by help from families or by personal saving. They were paid at such a low level and late age because the Liberal government was unwilling to spend more on social security (Thane, 2000: 216-231). This has been the story ever since: state pensions have never provided enough to live on, and governments have always been reluctant to spend more on them.

From 1925 pensions were paid from age 65 to contributors to the National Health Insurance scheme introduced in 1911, mostly better-paid, male, skilled workers, at the same low level as before. Poorer older people continued to receive the pension at age 70, still at the low level (Thane, 2000: 318-327). Most of these were female. Women on average outlived men, as we still do and so were the majority of pensioners, as women still are, but also tended to be poorer. From 1940, women received the pension at age sixty, following protests by women who argued that they were often forced to retire from work at earlier ages than men due to employers' prejudice against older women (Thane, 2000: 283-6,330-2). This lower pension age for women continued until 1990 when a man successfully protested against it to a European Court, on grounds of sex discrimination against men. In 1995 it was announced that women's pension age would gradually rise to 65 between 2010 and 2020 (Thane, 2010:18). The process has since been speeded up, but it was little publicized and has come as a shock to many women who still expect to retire at sixty.

THE BEVERIDGE REPORT, 1942

During World War Two William Beveridge was asked to review the UK social security system. Early in the war, in 1940, a survey of the conditions of old-age pensioners found many of them living in severe poverty and ill health, and there was pressure to improve pensions (Thane, 2000: 355-359). Beveridge's report in 1942 (Beveridge, 1942, *passim*) was influential in many European countries. Its fundamental principles were that the state should ensure that every need 'from the cradle to the grave', as Beveridge put it, was covered to genuinely adequate subsistence level, unlike the existing below-subsistence pensions, providing for necessary food, clothing, housing and other necessities, but no more. He believed that those desiring a higher standard of living than basic subsistence when they could not work should save to provide for themselves.

Beveridge recommended that old age pensions and unemployment, sickness, and other benefits should be funded by national insurance contributions (paid by employee, employer, and the state), and both benefits and contributions would be flat-rate, not income-related as in Germany and elsewhere in Europe. Beveridge, supported by the Treasury, rejected income-related pensions because he did not believe the state should subsidize above-subsistence benefits of this kind but provide only a subsistence minimum. The whole working population would be covered by the new system, from all classes, hopefully encouraging universal support for it and improving social cohesion while eliminating the stigma and inefficiencies associated with selective, means-tested benefits. Beveridge strongly opposed means-testing, which he rightly believed was inefficient because many eligible people would not apply and it was expensive to administer. He realized that some people would be unable to contribute because they could not work, including long-term disabled people and unmarried women who gave up work to care for ageing parents. He concluded, with regret, that they could not be fitted into contributory insurance and could be helped only by a means-tested public assistance scheme, which he hoped would be very limited. Married women who were not in employment would be covered by their husbands' contributions.

Beveridge proposed that old age pensions should be paid on condition of retirement from work, from age 65 for men, 60 for women, but with higher pensions for each year worked beyond the minimum retirement age, to encourage older people to keep working for as long as possible. This was because for some years before the war there was a panic in Britain about the ageing of society and the low birth rate (Thane, 1990: 283-305). People were living longer and fewer young people were being born, and there was a panic, rather like that in recent years, about how the costs of pensions and health care for increasing numbers of older people could be paid for by a shrinking younger population. This panic led to innovative research about the capabilities of older people, which revealed that, contrary to popular belief, many people could work effectively and learn new skills at a later age. Beveridge and Keynes were engaged in this debate in the 1930s, and in his 1942 report Beveridge sought a solution to the problem of an ageing society by providing incentives to older people to work until as late in life as they were able (Harris, 1997: 365-412).

LABOUR GOVERNMENT 1945-1951

In 1945, a Labour government was elected for the first time, with a large majority. Labour had strongly supported the Beveridge report, unlike Churchill and the Conservatives who preferred to limit the public sector. Labour was committed to expanding the social security system and indeed greatly expanded state welfare. When it reformed the pension system in 1946 it took up some, but not all, of Beveridge's proposals. A universal flat-rate National Insurance pension was introduced, as Beveridge recommended, but it was not paid at subsistence level and did not provide enough to live on. Within a few years about 25% of pensioners had to apply for means-tested weekly supplements to the pension in order to survive, which was not what Beveridge had intended. This was partly because the government miscalculated the cost of living, which had risen since the war, but they were also anxious to cut expenditures because the costs of war were still being paid off. They prioritized government investment in the economy in order to achieve full employment, which was successful, but of little help to old age pensioners. (Lowe, 2005: 167- 172; Thane 2000b: 99-101). Also they did not implement Beveridge's recommendation to pay substantially higher pensions to people who worked past retirement age. They did receive additional pensions, but these were small. This was unfortunate because had

Beveridge's proposal been implemented it would have avoided conflicts over raising the pension age in recent years due to an ageing population. He was very disappointed.

Post-war pensions were better than before and available to more people, but they were still too low for poorer people to survive on without a supplement. Still, there was little public protest about the pension scheme because it was better than before. Furthermore, pensioners were not a powerful, organized, or vocal political group, and they benefitted from and were grateful for other Labour reforms, particularly the National Health Service (NHS) introduced in 1948, which provided universal free health care. Also, many workers benefitted from occupational pensions, provided by their employers to supplement the state pension, including many manual workers in industries nationalized by the Labour government, including coalmining and the railways, who were covered by occupational pensions as all government employees had been since the late-nineteenth century. So there was little pressure on Labour, even from the labour movement, to improve pensions.

CONSERVATIVE GOVERNMENT 1951-1964

What is more, Labour hoped to remain in government for many years and gradually improve the social security system, but was defeated and replaced by a Conservative government in 1951, who remained in office until 1964. They did not significantly cut pensions or Labour's other welfare reforms, such as the NHS, though some members of the government wanted to, because they were popular with voters. Still, neither did they do anything to improve state pensions or other benefits or services. Instead they encouraged the growth of private, especially occupational, pensions, partly with tax relief, and these spread through the private sector, supplementing the state pension, mainly for better-off, male workers. (Hannah, 1986: 53-58; Pemberton, 2006: 46-49).

This has been the pattern ever since in the UK: inadequate universal state pensions with workers, especially those in secure, better-paid employment, supplemented with much larger occupational pensions. This discriminates especially against women, who have always been less likely than men to be in pensionable employment. Many women have always worked part-time after having children, and until the early years of the 21st century part-time workers were not normally eligible for workplace pensions. Also, these pensions were normally calculated on the basis of income and years in work, and many women work for fewer years than men because of childcare, or elder-care, responsibilities and they have lower incomes, so they receive lower occupational pensions if they receive one at all. This is another example of gender inequality. Furthermore, women tend to outlive their husbands, but few occupational pension schemes include widows' pensions, so they may end their lives as poor widows. There have been improvements over time as more women have gained better-paid jobs and higher pensions, but a large gender pay gap and consequent pension gap remains (Ginn, 2006: 91-111; Thane, 2006: 87-89).

LABOUR POLICY 1950S-1970S

During the period of Conservative government, in 1957, Labour produced a new set of pension proposals: for an income-related scheme providing adequate pensions, which would be redistributive through higher-income people paying relatively higher contributions, those on lower incomes relatively less (Labour Party, 1957; Sheard, 2014: 97-102). It would have solved the problem of inadequate pensions. Labour returned to government from 1964 to 1970. It immediately raised the state pension to its highest level thus far, but it was still not enough to live on and poorer pensioners still needed means-tested supplements. It did not implement its 1957 proposals partly because of cost. Indeed, when they came into government they found that the Conservatives had left a big deficit in government finances. Also, there was a further financial crisis in 1966. Labour found itself under pressure to improve other areas of welfare, including the NHS and the education system which had deteriorated under the Conservatives, and faced stronger pressure to make these improvements than to improve pensions (Thane, 2000b: 107-110). Pensioners themselves were still not politically active as a group, often feeling that the needs of younger people, with their lives ahead of them, should take precedence.

Again, Labour was in government for only six years, until 1970. A Conservative government from 1970 to 1974 again did nothing to improve state pensions. Labour returned to government from 1974 to 1979. For the first time, it raised pensions and other allowances regularly in line with earnings or prices, whichever was higher. This was particularly necessary in a period of high inflation. It also introduced a revised, modified, version of its 1957 pension proposal. It introduced State Earnings Related Pensions (SERPS) for implementation in 1978. The pensions would accumulate over twenty years, fully-funded by contributions, both pensions and contributions earnings-related, supplementing the flat-rate basic pension which would increase annually in line with average earnings or prices. Based on the best-paid twenty years of working life, a State Earnings Related Pension would yield around half-pay for those on average earnings, comparable with pensions elsewhere in Western Europe and a massive improvement on the still inadequate basic pension. Carers for children at home, or older or disabled relatives, counted as contributors. Widows inherited their husbands' pensions. It was the most advanced state pension in the world concerning equal rights for women and carers. Workers could contract-out into occupational schemes providing equivalent benefits, if they were transferable, inflation-proofed, and strictly quality controlled. SERPS was certainly an improvement on the existing pension scheme, but would benefit only future, not existing, pensioners (Glennerster, 1995: 113- 115).

MARGARET THATCHER AND PENSIONS POLICY, 1979-1990

The new pension scheme started in 1978, but Labour lost the election in 1979 which brought in Margaret Thatcher's neoliberal government. Her government strongly believed in private not state-provided pensions and social welfare. The Conservatives remained in government until 1997.They quickly changed the system of index-linked, annually adjusted state pensions introduced by Labour, uprating them annually in line with prices instead of earnings so they fell in value from 23% of average male earnings in 1981 to 15% in 1993. Then in 1986, Labour's SERPS was amended. The Conservatives wanted to abolish it but faced much opposition, so they made it less generous, especially to those with low earnings and interrupted work histories, mostly women. The credits for carers were abolished (Lowe, 2005: 341-348). Instead workers were encouraged with increased tax relief to take out private pensions which were deregulated. Lower-paid workers could not afford this. Also at least 400,000 people were sold disadvantageous pensions by unscrupulous pension companies and were often persuaded to leave better public sector schemes, creating a mis-selling scandal reversed, at considerable cost in compensation, by the next Labour government (Evans, 1998: 261).

In the 1980s, in response to deteriorating pensions and employment conditions, older people became organized and more assertive, campaigning against inequality, inadequate pensions, and discrimination, including the formation in 1988 of the Campaign against Age Discrimination in Employment and other organizations. Many older people were now healthier, better educated and more confident than earlier generations and more prepared to stand up for their rights like other disadvantaged groups. Still, they had little influence on the Thatcher governments (Thane, 2010: 14-20).

Furthermore, in the 1980s many occupational pension funds grew very large due to high interest rates. Their managers all too often used the funds to invest in the business or to pay shareholders rather than keeping the funds intact in case interest rates should fall, as they have very dramatically over the past ten years. Consequently, there have been severe cuts to occupational pension schemes in recent years, which are often blamed on the ageing of society, but are generally due to this mismanagement of funds when they were in surplus, leaving them unable to meet their obligations when financial circumstances changed (Clark, 2006: 145-168).

In other words, state pensions deteriorated through the 1980s and 1990s, having been poor previously, though the Labour reform had brought some, short-lived, hope of improvement. People on low incomes and women were further disadvantaged at a time when unemployment and poverty rose in all age groups, and the number of single-parent families, mostly headed by mothers, increased significantly, leaving more women on low incomes and with very limited pension rights.

'NEW LABOUR' IN GOVERNMENT, 1997-2010

From 1997 to 2010 Labour returned to power, headed by Tony Blair. This government was committed to reducing poverty. In 1997 20% of pensioners were poor by the official measure (income below 60% of median income); the proportion in poverty fell to 14% in 2005-8. Income and wealth inequality had narrowed in the UK between 1945 and the 1970s; it widened from the 1980s, affecting all age groups. It continued to widen while Labour was in government: poverty diminished but top incomes continued to rise.

In 1999, the government announced an increase in the means-tested supplement to the inadequate state pension, later called Pension Credit (PC), with an above-inflation rise to the supplement and future increases linked to the more generous measure of earnings rather than prices. The universal state pension increased by less, remaining linked to prices and still inadequate for survival without the supplement. Labour did not revive its previous commitment to earnings-related state pensions. From 2003 the maximum means-tested PC plus pension rose to the highest level ever, though still only just above the official poverty line. But means-testing, as always and as Beveridge had warned, was costly and inefficient: up to 30% of eligible pensioners, often the neediest and most isolated, failed to claim PC, unaware they were eligible or deterred by the complexity of the process. This remains the case. Higher universal pensions would have been sure to reach the poorest. Labour also introduced universal free TV licences from age 75, free eye tests, winter fuel allowances, and increased income tax allowances for pensioners which benefited only better-off pensioners who paid tax; later came free travel on public transport buses throughout Britain for all those over age sixty. Labour also adopted a number of EU reforms which improved working lives, including a minimum wage and equal rights for part-time workers, who were mostly women, with full-timers, including rights to pensions (Timmins, 2017: 571-585).

Labour established an expert Commission to investigate pensions. It reported in 2004 and 2005 that UK state pensions remained among the least generous in the developed world. It recommended uprating pensions in line with earnings, raising the pension age in line with rising average life expectancy, to help cover the cost of raising pensions, and requiring workers to join occupational pension schemes or a state-provided alternative to supplement the state pension. Again, women and other lower-paid workers would have benefitted least from this requirement (Pensions Commission, 2004, 2005).

The recommendations of the Commission were not implemented by Labour. A Pensions Act in 2007 reduced the qualifying period for state pensions to thirty years from forty years and reintroduced credits for long-term disabled people, their carers, and carers for children. It proposed gradually raising the state pension age to 68 from 2024-2046, on the grounds that average life expectancy was increasing. Introduction of this change was postponed to a sufficiently distant date to stem protest. Trade unions and an expert's report in 2010 pointed out that about 20% of workers, generally the poorest, were already forced to retire before state pension age due to ill health and would thus suffer from the change and not benefit from it (Marmot, 2010: 18). Though *on average* people were living longer, there were big socio-economic differences, and poorer people lived less long and less healthy lives than richer people, as is still the case. In London in 2010 males born in wealthy Kensington had an average life expectancy of 88, those born in poorer, mixed-race Tottenham averaged only 71 (Marmot, 2010: 45-55).

However, the government encouraged later retirement to cut the cost of pensions and to compensate for an expected decline in tax revenue due to the declining number of younger workers given the low birth-rate since the late 1960s. This trend was expected to continue, but, unexpectedly, births rose from 2001, continuing to 2017/18 when it began to decline, though it took some time for this development to be recognized and for policies to adjust (UK Office of National Statistics, 2009, 2018). Immigration of younger workers also helped balance the age-structure, though this was rarely recognized as a benefit of immigration.

Increasing numbers of older people already worked past the basic pension age because they wanted to or needed the income. In 2006 6.6% of people over 65 were still in full- or part-time work compared with 5.5% in 1992; in both years a little over 50% worked part-time. In 2016 10.4% were employed (UK Office of National Statistics, 2016). However, if they became unemployed, it was hard to get another job and employers still discriminated against them. Older people increasingly protested against continuing inequalities and discrimination, especially concerning work, no longer accepting this as a normal fact of older life (Thane, 2010: 18-19). The government responded with measures to help people over fifty to find work; 120,000 people succeeded in finding work by 2004. In 2000 an EU Directive on Equal Treatment in Employment specified age as a dimension of inequality for the first time and proposed measures against age discrimination. As ever, the UK implemented them slowly and incompletely. From 2006, workers could request to work past fixed retirement ages, but employers could refuse without explanation. Following protest, Labour abolished fixed retirement ages from 2011, allowing employers to insist on retirement only for workers demonstrably unable to work efficiently. But by 2011 Labour had been replaced by a Conservative government and the law was widely evaded. This problem of adjusting retirement ages could have been avoided had Beveridge's proposal of flexible retirement and pension ages been adopted. It would have been adaptable to the variations in the actual ages at which people became unable to work and required a pension, but it was totally forgotten. Discrimination at work continued, experienced particularly by women who might still be required to retire at earlier ages than men, including in high profile occupations such as the BBC, which faced legal cases of age discrimination brought by women.

CONSERVATIVE POLICY SINCE 2010

Labour lost the 2010 election following the international financial crisis. It was followed by a Conservative-led coalition with Liberal Democrats, then Conservative governments since 2015. The coalition raised state pensions to just above the existing pension plus Pension Credit level, for new entrants only, so it would not come into effect for many years, over a period in which pension ages were scheduled gradually to rise so that people then in their thirties would not receive a state pension until age seventy. Workers were also now obliged to enrol in private, occupational schemes. Existing pensioners did not benefit, but they did gain from an improved system of indexation so that pensions rose annually by 2.5% or the rise in earnings or in prices, whichever was higher. Pensions were not cut as other benefits were under the Austerity policies of the post-financial crisis government. Governments were now aware that the growing number of retired people in the population were more likely to vote than younger people, and that they were more likely to vote Conservative. Conservatives were thus unwilling to alienate pensioners, who had somewhat greater political power than in the past. State pensions improved somewhat, but they remained lower than in most developed countries other than the USA (Timmins, 2017: 663- 665, 704- 707).

But more lower-paid workers were excluded from state pensions. From 2010, increasing numbers of employers evaded the minimum wage and their obligations to contribute to pensions, sickness pay and other benefits for their workers by designating them as self-employed, or placing them on insecure contracts which excluded such benefits. These developments were widely criticized, and some workers brought successful legal cases against the employers, but the governments made no attempt to put an end to them and the practices continued to grow. Hence growing numbers of people were/are in poverty despite being in full-time work, and they have lost access even to a minimal state pension in old age. This is the current situation.

CONCLUSION

This contribution has surveyed pension policies in the UK. The history of British state pensions is a miserable one and not improving. The explanation seems to be that there was never strong pressure upon governments to introduce adequate basic pensions for people on low incomes, as proposed by Beveridge. Even Labour governments gave priority to other groups in need and there was a certain discrimination against older people. When Labour did introduce improvements, such as the State Earnings Related scheme, it was quickly overturned by the Conservative government that followed. Conservatives have been in government for more years than Labour since 1945 and have always preferred private to state pensions, which discriminate against the lower paid and women. With the growth of occupational and private pensions from the 1950s, the pensions industry became a very effective lobbying group opposing improvements to state pensions. Meanwhile better-off people who benefit from occupational pensions have no incentive to lobby for higher state pensions.

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Contents and Controversies of Pension Reforms from the 1990s until Today: A Comparison of European Countries

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KARL HINRICHS

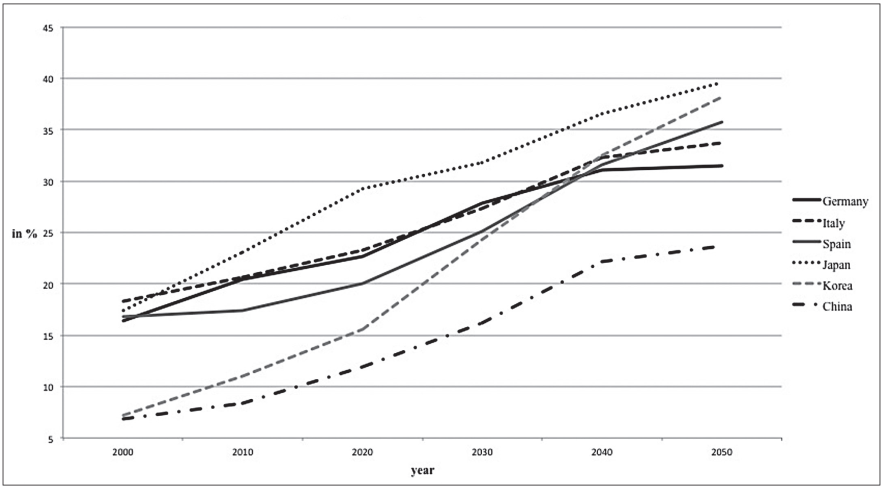
ABSTRACT

During the last 25 years all European Union member states have reformed their pension systems. In view of ongoing and intensifying population aging, efforts have aimed at containing the future rise of the contribution rate, improving the system dependency ratio, lowering the benefit ratio, and/or infusing tax money or other financial resources into the system. Moreover, since about the early 2000s we can observe a move towards a multi-pillar pension system in countries hitherto running a dominant-pillar system: private pre-funded occupational pensions and individual provision for old age are given larger roles within the public-private mix of retirement income. An analysis of reforms shows a finite menu of adjustment options and concrete measures have to be adapted to nation-specific institutional contexts. Finally, we can conclude that pension reforms focusing on long-term financial sustainability may increase the risk of old-age poverty and, thus, violate a central objective of pension schemes.

INTRODUCTION

Ongoing and intensifying population aging represents the most serious challenge for developed and developing welfare states. Presently, Japan is the "oldest" nation worldwide; Italy and Germany are the countries in Europe with the highest share of elderly people; and in Asia, South Korea is the country aging most rapidly, almost catching up with Japan in 2050. In Europe, by the middle of this century Greece, Spain, and Portugal will be the "oldest" nations (see *Figure 1*). The fiscal impact of population aging is not confined to the pension system, almost everywhere the largest item of welfare state expenditure. It is also a matter of concern for long-term care programs because changing family structures increase the need for professional care and hence, for more public funding. Similarly, population aging affects spending on public health care as the elderly are the main consumers of the schemes' medical benefits.

FIGURE 1 Population share 65+



This contribution exclusively focuses on reforms of pension systems in *European countries*, all confronted with a similar, although not equally sized, challenge of more people surviving until retirement age and, thereafter, claiming their (public) pension for an ever-longer period. Pension reform legislation, predominantly retrenchment, refinancing, and restructuring of public schemes, entered the political agenda during the 1990s, continued after the year 2000 and gained additional momentum in the wake of the financial market crisis (2007/08), particularly in countries confronted with serious sovereign debt problems and hence, in need of financial aid from supranational organizations (Carone et al. 2016: 7, 50; Hinrichs 2015). As the general direction of reform is to avoid a parallel development of population aging and rising pension expenditure, there is a trade-off between efforts aimed at long-term *financial sustainability* and assuring the central objectives of pension systems, namely providing *socially adequate benefits*, sufficient to prevent old-age poverty *and* to ensure true wage replacement during retirement. Often, this tension has made (public) pensions a contentious issue in the political arena.

This contribution is structured as follows: The next section systematizes the levers that could be operated in a public pension scheme for containing the fiscal impact of population aging. Subsequently, I will delineate which measures were/are actually taken in European countries, regularly amounting to a series of smaller or more comprehensive pension reforms. Finally, I will discuss which lessons can be learned from the European reform experience.

PENSION REFORMS: WHAT COULD BE DONE?

Usually, public pension programs are run as pay-as-you-go (PAYG) schemes, also known as (fictitious) "generational compact": Incoming contribution (and/or tax) revenues from the currently economically active generation are immediately spent on pensions for today's elderly generation. In addition, most public pension entities have at their disposal reserve funds (PPRFS), sometimes very small or non-existent (e.g. Germany, Italy, or Austria), but quite sizable in other countries and sufficient to cover pension payments for several years without levying any contributions (e.g. Norway, Sweden) (OECD 2015: 190-1). Four parameters are decisive in a PAYG scheme and they can be expressed in simplified manner in the following equation:

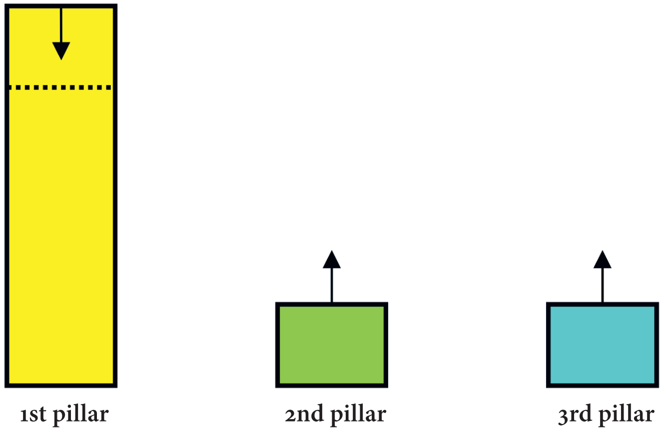
$$c = (B / C) * (P / W) * (1 - S)$$

The contribution rate (c) is the result of a multiplication of three factors, namely the quantitative relationship of beneficiaries (B) and gainfully employed persons liable to contributions (C) (which is the "system dependency ratio"), the average pension (P) in relation to the average wage (W) (which is the "benefit ratio"), and state grants (S) to the pension scheme out of current tax revenues. S can also be withdrawals *from* a reserve fund that is gradually melting down or, in an immature scheme, allocations *to* the reserve fund. At the same time, these four terms denote the "adjusting screws" by which the scheme can be adapted to meet challenges arising from labor market, demographic or other changes. In all European public pension schemes with earnings-related contributions and benefits, it is the prime objective of reforms to keep in check the rise of the contribution rate (c) in order not to overburden the employers with non-wage labor costs and the younger generation for equity reasons. On the right side of the equation three adjustment options for parametric change can be identified: the pensioner-worker ratio (B/C) may be varied by shifting the normal retirement age or increasing the number of economically active persons liable to contribution payments. The variation of the pension level (P/W) is another approach, and finally, it is possible to increase or decrease the tax-funded share (S) of the scheme's expenditure.

Pension reforms in Europe (and elsewhere) since the 1990s were meant to put the brakes on a quasi-natural increase of public pension expenditure resulting from population aging. In order to prevent a proportional rise of the contribution rate (or of total expenditure in tax-funded basic pension schemes) certain targets were politically defined and to be achieved by changing levels or instruments. Usually, their actual attainment is reviewed at regular intervals, possibly triggering a readjustment or intensification of reform measures. Those future targets could be a certain share of GDP that public pension expenditure must not exceed, a maximum contribution rate for pre-defined years, assets in a PPRF that are not allowed to go below a certain limit, but also a minimum benefit level that has to be observed. The concrete reform measures available to influence the system dependency ratio (B/C) or the benefit ratio (P/W) are manifold, but their availability depends on the institutionalized arrangement of the pension scheme. Also, the respective changes produce different impacts for younger and older workers, new pensioners and already retired people, high- and low-wage workers.

Substantial *parametric reforms* – in particular, those lowering the benefit ratio – may endanger the central objectives of public pension schemes, namely the provision of true wage replacement to keep up the attained standard of living during retirement (*income smoothing*) and even the *alleviation of old-age poverty* (see Barr and Diamond 2008: 25-33). Income security in old age has almost never and nowhere solely been a matter of state provision. Rather, pension systems are characterized by a public-private mix that, with varying weight and coverage of the different components, combines public (state)pensions, employer-sponsored occupational pensions and personal provision into a multi-pillar arrangement. Such an edifice opens up the possibility for *structural reforms*: setting new goals for different components and perhaps inventing new components that compensate for the deliberately lowered income security provided by the PAYG-funded public pension scheme (see *Figure 2*). The publication of the seminal report by the World Bank in 1994 proved timely for influencing pension reforms beyond parametric changes and departing from the dominant-pillar approach towards a multi-pillar system with an extended role of occupational and personal (2nd and 3rd pillar) pensions.

FIGURE 2 **Stylized development of pension pillars**



In most European countries public pension schemes are of the earnings-related type – with contributions based on actual wages and the level of benefits somehow related to the former contribution/employment record. In contrast to countries that adopted this Bismarckian model, a few countries followed the *Beveridge* model which means a flat-rate basic pension financed out of taxes or tax-like contributions. Supplementary employer (occupational) pensions and individual pension provision are expected to ensure true wage replacement. The UK, Ireland, Denmark and the Netherlands are countries that started with a basic pension scheme and later on developed the multi-pillar framework (Hinrichs 2000). Originally, the Central and Eastern European (CEE) states had shaped their pension systems according to the Bismarckian model and certain elements remained intact during communist rule. The social insurance approach was revitalized after 1990, before a number of countries (including Hungary, Latvia, and Romania) turned to a "new" multi-pillar pension system when they established an additional second pillar that was private, and pre-funded, but mandatory for the younger part of the labor force.

The compiled information on the contents of reform measures actually taken is derived from the International Updates of the US Social Security Administration[1], documents from the European Commission (for a recent synopsis see Carone et al. 2016), and the OECD publications *Pensions at a Glance* and *Pension Outlook*, both published every two years. For recent comparative studies see Natali (2017), Grech (2017) and Hinrichs (2015).

The pure demographic ratio (*Figure 1*) is not the most important parameter for the (future) financing of public pensions. Rather, it is the system dependency rate (B/C), which is the quotient of inactive elderly receiving a pension and the number of contributors to the social security scheme. Employment policies could broadly improve the system dependency ratio by mobilizing more women for paid work, launching programs to fight

1 http://www.ssa.gov/policy/index.html.

youth unemployment, or recruiting more immigrants. Likewise, it is possible to expand the denominator by making all gainfully employed persons liable to contribution payments (and, as a consequence, eligible for pension benefits later on).

Prolonging working lives

One strand of pension reform measures of the last two and a half decades in Europe has focused on older workers – making them, again, work longer. To some extent, it meant closing pathways into premature retirement that were opened up after the end of the *Golden Age* by the mid-1970s when in a number of countries the belief prevailed that labor market chances of younger workers would improve if older (and worn-out) workers exited into financially well-positioned retirement.[2] Terminating special pre-retirement schemes, lifting the minimum eligibility age, ending old-age pension access after long-term unemployment, or no longer granting disability benefits also for labor market reasons have indeed reversed the early exit trend that dominated in Continental Europe (particularly in Germany, Austria, but also in Finland). Moreover, most European countries have introduced or extended individual options for flexible retirement. Claiming a public pension before reaching normal retirement age regularly implies permanent (and more or less actuarial) benefit deductions, while working beyond the standard age is rewarded with a corresponding bonus. The steep increase of men aged 60 to 64 still participating in the labor market in a number of countries after 2000 should largely be seen as the result of legislated (dis-) incentives and bans as well as improved employment opportunities for elderly workers. However, in almost all European countries the average age of exit from the labor market is still below the presently valid normal retirement age (Carone et al. 2016: 9-10).

2 This belief is also known as "lump of labor fallacy", and, in fact, international comparisons have shown that there is no relationship in such a way that where the employment rate of the elderly is low the employment rate of young workers is high. Rather, there seems to be a positive relationship (OECD 2011: 76-8; Gruber and Wise 2010).

Up to now, legislation lifting *normal* retirement age as such has not yet significantly affected the system dependency ratio as this reform component is of more recent date and regularly goes along with a long phasing-in period. Increasing normal pensionable age is obviously a "quasi-natural" response to rising life expectancy and hence, prolonged pension receipt. It counters the implicit expansion of public pension schemes, but has to be accompanied by an adjustment of the age of mandatory retirement (or its complete abolition, as in Denmark or Norway – see Larsen and Pedersen 2017: 19-21). Discretionary definitions of a normal pensionable age rising to 67 or even 68 years have been, among others, concluded in Germany, Ireland, the UK and Spain, while in a number of CEE countries age 65 has been fixed as a target. Moreover, where women and/or public-sector employees previously enjoyed a lower eligibility age (for example in Italy, the UK, Austria, or Greece), the new eligibility age will be aligned to that of men and/or private-sector workers.[3] In most countries this issue has been quite contentious as restricting eligibility for a public pension is a most tangible retrenchment.[4] Objection to seemingly spending less time in retirement is probably strong because it would take away a vested right and also implies a disadvantage compared to earlier generations of pensioners. Even if working longer does not mean less time spent in retirement, the years "gained" through declining mortality cannot be experienced beforehand. Therefore, people assume they are on the safe side if they do not retire later than their older siblings, colleagues, or neighbors (Hinrichs and Aleksandrovicz 2008: 594-5). Some governments have responded to the widespread discontent by partly (Germany) or completely (Poland) reversing earlier legis-

3 Within the spectrum of reform trends there was another variant of *harmonization* when there were differences within or between public pension schemes – either by unifying hitherto fragmented schemes in order to save on administrative costs (e.g. in Southern Europe or Romania) and/or by removing existent privileges for certain occupational groups (such as a lower normal retirement age or higher accrual rates – see also Natali and Stamati 2014). Predominantly, those equalizing reforms focused on public service employees.
4 For example see the massive protests and strikes in France in December 2019.

lation. A more "elegant" and less tangible solution, thus meeting less resistance, is to establish an automatic link between normal retirement age and further gains in life expectancy. Italy, the Netherlands, Denmark, Slovakia, Portugal, Greece, Norway, and Finland have implemented such proposals (Carone et al. 2016: 9).

Whether discretionary or via an automatic link, a uniform increase of pensionable age raises at least two equity problems: Many people performing heavy labor or working in hazardous jobs cannot persevere up to the presently valid eligibility age, let alone until a higher age. Additional workers may be squeezed out and become (long-term) unemployed, be granted a disability pension, or have to draw a permanently reduced old-age pension. In any case, their income security will be impaired and possibly endangered because often, these hazardous jobs are not well-paid (Hinrichs 2013). Moreover, it is undeniable that on average, today's retirees receive their pension for more years than those who retired forty or fifty years ago. However, recent gains in life expectancy have mainly accrued to well-educated, high-income people. An increased normal retirement age therefore affects the low-skilled, low-income workers more negatively than it does their counterparts at the other end of the social stratum when they receive a lower pension for a shorter period (Kibele et al. 2013; OECD 2017: Ch. 4).

Lowering the benefit ratio

Turning to the benefit ratio (P/W), there are two basic levers for improving long-term financial sustainability: Measures aiming at a lower *overall* benefit ratio may affect pensions in payment or the calculation of newly awarded benefits. Most "brutal" is the nominal cut of pensions in payment. When several European countries had to turn to financial aid from supranational organizations (such as IMF or EU) after 2008, so-called *memoranda of understanding* demanded drastic pension reforms, sometimes including a cut in benefits. In Greece, Latvia, Portugal, and Romania, corresponding legislation has been ruled unconstitutional either completely or in part (Hinrichs 2015: 22; Carone et al. 2016: 51). A more subtle approach was to suspend indexation of (all or higher) pensions for one or more years (Ireland, Greece, Italy, Portugal, Romania, or Latvia). Changing the indexing formulae may as well imply quite substantial long-term savings of pension expenditures due to the "basis effect." A (partial) exclusion of retirees from rising standards of living of the working-age population is attained when pensions are adjusted according to the consumer price index instead of wage growth, the portion of inflation in a mixed indexing formula is increased, or a sustainability factor is taken into account and lowers the annual adjustment (as in Germany or Spain). Most European governments have turned to this reform instrument of "creeping retrenchment" that is less visible to the public and which in turn, makes the governments less likely to be blamed and subsequently penalized in elections (Jensen et al. 2018).[5]

Lower initial pensions come about by changed methods of *valorization*. Often, past earnings that enter the benefit formula and determine pension entitlements are no longer uprated in line with average earnings growth, but according to the inflation rate (e.g. France) or a combined index (e.g. Finland). Furthermore, initial pensions are lowered when in defined-benefit schemes the accrual rate which defines the proportion of earnings replaced for one year of insurance is reduced, as in Austria, Greece, or Slovakia. Additionally or alternatively, demographic parameters – further life expectancy at retirement age (e.g. in all Nordic countries and Austria) or the system dependency ratio (Germany, Spain, and Portugal) – became incorporated in the formula by which the benefit level was determined at the time of retirement. When more years in covered employment are required for attaining for full entitlement, in general, initial pensions will be lower. In many European countries benefit formulae were changed in such a way that earnings liable to contributions over (almost) the entire employment career are taken into account, whereas previously fewer years in covered employment sufficed to attain a "full" pension and the benefit level was determined by earnings

5 Only in the UK are indexation rules presently used to *improve* the still meager basic State Pension relative to average earnings. The so called "triple lock" ensures an annual increase by a minimum of either 2.5%, the rate of inflation, or average earnings growth, whichever is highest.

achieved during a number of "best years" or "last years" prior to retirement (Austria, France, Romania, Portugal, Norway, Finland etc.). Calculating pensions in accordance with the lifetime average principle neutralizes the effect of different career earnings profiles. Still, it also diminishes internal redistribution and implies lower public pensions, especially for workers who cannot produce a long uninterrupted full-time career. The tightest (and most transparent) link between lifetime contributions and benefits was established in so-called *notional defined contribution* (NDC) schemes which mimic fully funded plans (with the growth rate of covered wages defining the "interest rate") but actually operate on a PAYG basis. Italy, Sweden, Latvia, and Poland have shifted their public employment-related schemes to this almost actuarial method of benefit calculation, eliminating all internal redistribution (Palmer 2006).

The various reform elements that deliberately aim at a lower benefit ratio may endanger the social adequacy of pensions and lead to a higher rate of old-age poverty. It is thus no coincidence that non-contributory ("social") pensions have been largely exempted from retrenchment efforts. Rather, in a number of European countries these tax-financed basic security instruments were even expanded (Goedeme and Marchal 2016). Due to their employment careers having been interrupted more often, women are disproportionately affected by the reforms mentioned above. Their heightened poverty risk in old age might be mitigated by the incorporation of *unpaid family work* into the benefit calculation, so that raising children and/or taking care of frail relatives now results in (higher) pension entitlements. The applied procedures and the produced benefit increases vary widely.

The costs of these improvements are mostly covered by tax revenues, as are further redistributive features when "contributions" are actually transferred to the public pension scheme thereby increasing individual entitlements that have not been earned through contributions out of own earnings, e.g. for periods of schooling/studying, military service, unemployment or sickness (Germany, Sweden). Myles and Pierson (2001: 324) call such relief of the community of insured through subsidies from general tax revenues "rationalising redistribution." The amount of “S” in the equation (see above) furthermore influences the contribution rate (c). It keeps it lower than otherwise necessary when tax money covers annual deficits of the public pension scheme (as in Austria, Poland, and a number of other countries) or a necessary increase of the contribution rate automatically triggers a rise of subsidies (as in Germany). The distributional effects of injecting (more) tax money are different from raising (higher) proportional contributions only on earnings and are again different if, at a later date, assets accumulated in PPRFs will be incorporated into the pension system on a regular or ad-hoc basis and the reserve funds are gradually depleted. In Europe, large funds have been built up in Sweden, Finland, and Norway where assets previously accumulated in the *Petroleum Fund* will co-finance pensions in payment decades ahead (OECD 2015: 190-2). Due to state budget problems some countries have stopped building up their PPRF or have already dissolved accumulated assets (like Ireland or Portugal during the sovereign-debt crisis).

Turning towards the multi-pillar approach

While the “old” multi-pillar countries (e.g. Denmark, the Netherlands) have pursued reforms within the given structures of their pension systems, the countries with Bismarckian-type pension systems have all entered a *structural shift*. International organizations – the International Monetary Fund, the OECD, and notably the World Bank – have pressed for such changes. The World Bank’s seminal publication (1994) founded the “new pension orthodoxy,” and became a most influential player in pension reform worldwide. In particular, it pushed for a new (or extended) mandatory, employment-related and pre-funded component within the pension system that was supposed to be less vulnerable to population aging than PAYG schemes and to provide for a better distribution of risks inherent in both PAYG and pre-funded schemes. The strengthened role of pre-funding was also meant to increase national savings as a vehicle for enhanced economic growth in emerging welfare states, and the World Bank became directly involved in the reform process in some Latin American and CEE transition countries which set up mandatory, funded second-pillar schemes (Müller 2003; Orenstein 2008).

Although the World Bank's advice was directed less at welfare states with mature PAYG schemes, it nevertheless contributed to weakening the prevailing pension policy paradigm in Bismarckian countries. Until the 1990s, this paradigm had rested on cognitive and normative beliefs in the superiority of the social insurance approach *vis-à-vis* multi-pillar arrangements. It was widely shared among political and social actors. The apparent exhaustion of this single-pillar approach in light of long-term financial problems however, has allowed the competing multi-pillar concept to gain ground in these countries. Real path departure took place when private, funded pillars were introduced or substantially expanded in order to compensate for lower replacement ratios caused by the parametric reforms mentioned above. Participation in those supplementary schemes became either mandatory (Sweden and numerous CEE countries – Wang et al. 2016) or remained voluntary but was stimulated by tax advantages (Germany, Belgium, France) or auto-enrolment, i.e. workers had to explicitly "opt out" of participation in employer-sponsored pension plans (Austria, Italy).

The general trend of pension reforms in all developed welfare states has been a shift from defined-benefit(DB)-type schemes towards a larger role of defined-contribution (DC schemes. The partial privatization of pension provision and stronger reliance on pre-funded pension schemes goes along with a "risk shift" (Hacker 2006): future pensioners will bear as individuals the risks of exposure to financial markets and increasing longevity because accumulated assets have to be "stretched" over a longer period of retirement and imply a lower annuity. The risks of private, pre-funded DC schemes became painfully clear in 2008 when financial markets (almost) collapsed. The financial market crisis meant a serious backlash for the proponents of pre-funded pensions. It "fed the perennial debate about the suitability of funded schemes as a mechanism for funding old-age security and (…) brought to the fore the risk that pension systems face when cash benefits of individuals are linked to the fluctuations of financial markets" (Pino and Yermo 2010: 7). Despite the "perfect storm" for the proponents of funded pensions, they were worried that individuals and policymakers might "overreact" and dismiss the idea of diversification, or concede to demands for abrupt policy change. Instead, they called for better governance, improved regulation, portfolios that increase conservative investments with the individual proximity to retirement (life-cycle funds) and better minimum protection (World Bank 2008; European Commission 2010: 134-9; Holzmann 2013).

Nevertheless, the diminished appeal of a shift towards funded pensions has triggered a next wave of pension reform. Some countries which envisioned funded schemes as a core component of a modernized pension arrangement have completely abolished this pillar (Hungary, Poland) and shifted to voluntary participation (e.g. Slovakia) or (temporarily) reduced the contribution share diverted for individual accounts (e.g. Latvia, Estonia) (Wang et al. 2016). Apart from the experience of actual financial market risks, reasons for the (partial) reversal were twofold: Welfare markets for pensions which should partly take over the income-smoothing function of the pension system have not worked as efficiently as expected. The products offered were hardly transparent for large numbers of financially illiterate workers, and high administrative charges absorbed all or a large share of the returns on investment. Moreover, especially the CEE countries discovered that they could not escape the "double payment problem": Contributions for the new pre-funded second pillar were diverted from the regular contributions hitherto completely flowing into the public PAYG schemes that now ran into the red because the entitlements of the present retirees had to be satisfied as before. The shortfalls had to be covered by state budgets, ultimately leading to an increase of public debt.

WHAT COULD BE LEARNED FROM OTHERS' PENSION REFORM EFFORTS?

In the preceding section we have seen parametric reforms or, as Peter Hall (1993) calls them, "first" and "second order" changes whereby either *levels* are adjusted (e.g. the standard retirement age) or an *instrument* shift takes place (e.g. the method of indexing benefits). Furthermore, there have also been radical ("third order") changes as an outflow of a preceding paradigm shift[6] by which *new goals* were assigned to the pension pillars. Do those reform trends imply that some convergence of public pension schemes within the group of Bismarckian countries has happened or will come about after legislation has taken full effect? The bulk of comparative welfare state research during recent decades looked at advancing convergence (or persistent divergence) and the relationship of structure and agency as explanatory variables. The question of growing similarity of policies over time depends on the criteria defined for convergence and whether one is able to identify one or several common forces that cause such a process (Greve 1996; Knill 2005).[7] If one focuses on instruments and their setting, it is obvious that public pension schemes have become more similar because comparable changes of instruments have taken place and their concrete setting has been narrowed. In a few cases, one has clearly borrowed from the "tool box" of neighboring countries (e.g. Finland, Norway, and also Poland, which have adapted elements from the innovative pension reform in Sweden – Hinrichs 2007). In general however, the adoption of similar reform elements was less the result of deliberate emulation of other countries' reform efforts than the result of an internally *finite menu* of institutional adjustment options that could be applied in contributory, earnings-related PAYG schemes. Such a limited menu of reform options thus favored *parallel developments* when predominantly cost-containing changes were at stake (Bennett 1991: 220-1, 231; Holzinger and Knill 2005: 786, 791-2).

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6 Such a policy paradigm combines goals and techniques within an intellectual framework (ideas and standards) for interpreting the rationales for a policy and defining its problems (Hall 1993: 279).

7 A decreasing variance of European countries' public pension spending would hardly be a sufficient indicator for convergence. If there have been changes in expenditure (as a percentage of GDP), they reflect the balance of political decisions on program expansions and restrictions reached (very) long ago; furthermore, recent reforms will produce their full effect only with an extended time-lag. Likewise, the income situation of today's retirees is the result of institutional arrangements and individual behavior oriented to those rules, incentives, or obligations in play when they were of working age.

This is not-so-good news for policy practitioners searching across borders for reform measures which could be transferred for solving problems in one's home country. The historically grown old-age security arrangements inherently limit the set of adjustment options in the national context. This is because pension systems are complex institutions, interwoven with the national labor market, a specific industrial relations system, notions of fairness, and not least, a distinct retirement culture.

Since the mid-1990s, the momentum for pension reforms in Europe has obviously increased, contradicting earlier notions of welfare state resilience and especially of old-age security as the most immovable object (Pierson 1996). Such notions stem from the unique nature of pension schemes. They bridge extended time spans – from starting to earn first entitlements (most often, when entering an employment career) until the receipt of last pension payment before death. At the same time, individual capabilities to adjust to institutional change decrease with proximity to retirement age and drop to zero once employment is terminated. Moreover, public schemes have created large constituencies for whom pensions are of vital significance: current pensioners are interested in ensuring their accustomed standard of living and people of employable age want to be relieved from directly providing for their elderly parents and ultimately, to see their own earned entitlements materialize. Politicians thus had to reckon with the people's special attachment to this welfare state branch when retrenchments, rather than expansion, were on the agenda. Opportunities to design reform measures to avoid blame for legislated curtailments eased incumbent governments' attempts. Automatic balancing mechanisms, long phasing-in periods or utilizing possibilities to hide the true (negative) impact were strategies to escape punishment at the ballot box. Moreover, winning an oversized majority in parliament or striking deals with the social partners (foremost with labor unions) were further strategies to make pension systems movable objects (Hinrichs 2000).

In blunt terms, the general direction of pension reforms in Europe has been to contain the *rise* of public pension spending. Realizing this objective means lower benefits and a retirement phase that does not increase in parallel to average gains in life expectancy. The various measures have not yet taken full effect and impaired all (future) pensioners' old-age income. The tightened contribution-benefit ratio will most severely affect future generations of pensioners with an atypical employment career – interruptions due to unemployment and care work, periods of part-time employment, long stretches of low-waged work and enforced early exit – heightens their risk of poverty in old age (Hinrichs and Jessoula 2012; OECD 2019: Ch. 2).

In view of the foreseeable aging process it is not conceivable that in 2030 or 2050 "old" societies in Europe (e.g. Germany or Italy) and Asia (e.g. Japan or Korea) can maintain socially adequate pensions without putting more money into the system, regardless of who is actually burdened – employers, workers, all taxpayers, or the pensioners by retiring later – and how the different pension pillars contribute to the public-private mix of old-age income. What is considered as "financially unsustainable" is largely a matter of political definition, less an economic issue. In much less wealthy societies but with a high youth dependency ratio, as in early twentieth-century Europe, it was quite normal and uncontested that gainfully employed family members willingly shared their income with their dependent children (and few elderly parents with no or meager pensions). Today, when the proportions of young and older dependents have reversed there is less redistribution within families, but rather, the growing share of retired people has to be provided for by benefits financed out of contributions and taxes deducted from the middle generation's gross income. Financial support of the elderly thus runs through the public purse and is contingent upon the state's power to tax, whereas the livelihood of the young is still largely ensured through solidarity and redistribution within families. This makes a significant difference. Maintaining the generational compact inherent in a public pension scheme is thus a political challenge and a precondition for achieving *social* sustainability.

Preserving an effective instrument for poverty alleviation in old age becomes more important than before. However, there is a tension between the generosity of non-contributory pensions and the objective of Bismarckian-type old-age pension schemes which rest upon a (nowadays tightened) equivalence principle that ensures the income-smoothing function. That principle might become de-legitimized when paying contributions is not worthwhile, i.e. generous non-contributory pensions are available and previous contribution payments were obviously made in vain.

The automatic link between gains in further life expectancy and rising normal retirement age that has been established in a number of countries is probably a most effective device for attaining longer working lives and savings on pension expenditure.[8] Once established, it eliminates a sensitive issue from otherwise recurrently arising political struggles. However, fair solutions have to be found for workers in hazardous and heavy labor jobs who cannot continue working up to (a rising) retirement age. The obviously increasing differences in longevity gains along income or status lines pose another problem: Chances for a more equal decline of mortality rates could possibly be improved through better preventive health care and the spreading of epidemiological knowledge (lifestyle, nutrition).

Finally, only Sweden (1994/98) and Norway (2009) have legislated large pension reforms, including substantial parametric and structural changes, in a single stroke. This happened after long discussion, consideration of expert commissions' recommendations, and comprehensive participation of societal actors (labor unions, employers, senior organizations) in the political process.

8 Installing automatic stabilizing mechanisms is not confined to the mortality/retirement age nexus. They may also apply to benefits (or contributions) when adjusting automatically to adverse economic or demographic conditions without direct political intervention. Those mechanisms have indeed become a frequent component of pension reforms (OECD 2019: 38-44). However, they unfold their blame-avoiding potential only if politicians refrain from suspending or manipulating the mechanism for again opportunistic reasons (Weaver 2016).

Finally, a broad consensus was achieved. In contrast, between 1989 and 2019 the German population has seen *eleven* pension reform acts, each with significant impact. It is quite obvious that such a series of reform acts fails to contribute to the public's confidence in the pension system and perceptions of its fairness and reliability.

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Why does Organised Labour support Funded Pensions? Occupational Pensions in Denmark, the Netherlands and Sweden

KAREN ANDERSON

ABSTRACT

This contribution analyses the sources of organised labour's support for funded occupational pension provision in three small coordinated market economies (CMEs): Denmark, the Netherlands and Sweden. It offers a new interpretation of the role of financialisation in occupational pension provision in CMEs and traces the origins, development and recent experiences of funded schemes in Denmark, the Netherlands and Sweden. What explanations can be offered for the support that organised labour gave to these schemes?

INTRODUCTION

Funded occupational pension schemes are important elements of retirement provision in Denmark, the Netherlands and Sweden. Dutch and Danish occupational pension assets exceed 100% of GDP and approach 60% of GDP in Sweden. These high levels of capital-funding are surprising when we consider the perceived risks associated with the growing financialisation of welfare. As the weight of funded pension provision increases, a growing share of retirement income is financed by income from financial assets, rather than current payroll contributions and taxes. Different cohorts of retirees may have very different pension incomes depending on the performance of financial assets when they retire and retirees with similar employment histories may have different pensions because their pension assets were invested differently. Commercial financial service providers may also try to enter the occupational pension market, seeking to sell profitable investment products that may or may not provide retirement security (Langley 2006; Burtless 2012; Anderson 2017; Mabbett 2017).

The mainstream literature concerning the pension-finance nexus has generated important findings about the perils of pension financialisation, but it downplays the potential benefits of financialisation for both workers and employers in coordinated market economies (CMEs). By focusing almost exclusively on the benefit side of the occupational pension contract, the mainstream literature does not inquire into the benefits of funded occupational pensions for other aspects of pension security, such as portability and protection from employer bankruptcy. Employers and unions in CMEs support financialised occupational pensions because these schemes are collectively organised, and the potential risks of financial market volatility are weighed against the benefits of portability and clear ownership rights.

In all three countries, white collar workers' organisations in the private sector supported funded pension schemes where the financial capital was held outside the firm. In Sweden and Denmark, white collar unions in the private sector took the lead in demanding external funding and administration of occupational pensions in the early 20th century. They did this to protect themselves from employer insolvency and to guarantee portability. The introduction of funded occupational pensions occurred in the context of meagre statutory provision. Well-paid workers sought collectively negotiated solutions to their pension gap. Over time, the entire labour market was covered, including the public sector and manual workers. Despite their initial resistance, employers came to support external funding and administration as central elements of negotiated pensions.

Organised labour continues to support collectively negotiated, capital-funded occupational pensions because pension design protect pension savers from the full force of financial markets and limit the influence of commercial pension providers. First, unions and employers share responsibility for most non-state pension provision, so funded pension provision is embedded in collective bargaining, and the social partners strongly support secure pension outcomes. Second, funded occupational schemes pool risks via standardised premiums and collective ownership of pension assets. Third, most occupational schemes are administered by non-profit entities owned and/or administered by unions and employers. These features keep administrative costs low and ensure that investment managers' and plan participants' interests are aligned.

FINANCIALISATION AND OCCUPATIONAL PENSION PROVISION

Comparative political economy (CPE) scholars argue that occupational pension schemes can have several functions. Employers may offer them to recruit and bind employers to the firm, whereas workers are more likely to view occupational pensions as deferred wages. For varieties of capitalism (VoC) scholars, employers negotiate occupational pensions with unions in coordinated market economies to provide incentives for workers to invest in sector- or firm-specific skills (on VoC see Hall and Soskice 2000). Another strand of the CPE literature analyses "pension fund capitalism", highlighting its non-market features (Clark 2003; Ebbinghaus 2011), especially the role of funded pension schemes in providing "patient capital" to firms (Estevez-Abe 2001). These are valuable insights, but they do not tell us much about why organised labour would support funded pensions.

The argument developed in this contribution starts from the assumption that workers and employers have a joint interest in secure occupational pension provision, especially in the context of meagre statutory pensions. Even if employers prefer to keep pension capital within the firm (as in book reserves or some form of pay-as-you-go), workers have cause to be concerned about employer bankruptcy or employers reneging on pension promises. This is precisely why white collars workers in the first half of the 20th century used their organisational resources to press for occupational pension schemes funded by capital reserves that were administered outside the firm. By making sure that employers did not have any legal ownership to pension assets, white collar workers' organisations reasoned that their pensions would be more secure than if they were managed by employers.

Even if white collar workers' organisations preferred capital-funded pensions in the first half of the 20th century, it cannot be assumed that they would continue to support them in the context of the rapid liberalisation and globalisation of financial markets since the 1970s. This section surveys the financisalisation literature, asking whether funded pensions are still a viable strategy for generating secure retirement income. Financialisation is defined here as the extent to which the financial resources that fund some activity are derived from financial transactions rather than from the income generated by activity in the "real economy": the industrial, commodity and service sectors (Krippner 2005).

Retirement pensions are, by their very nature, cash benefits, financed on either a pay-as-you-go (PAYGO) or funded basis (or a combination of both). In capital-funded pension schemes, worker and/or employer contributions flow into a fund that invests in financial instruments (shares, bonds). The fund's contributions and investment income finance current pensions as well as the capital reserves required to finance future pensions. The more a pension scheme relies on pre-funding, the more it can be said to be 'financialised', because a large share of current and future benefits depends on income generated by investments on financial markets rather than income generated by employment.

Much of the recent financialisation literature emphasises the risks associated with pension financialisation. Burtless (2012) compares the workings of private and public pensions schemes, arguing that public schemes are superior in covering risk. He also identifies the attributes of private schemes that would make them more robust (mandatory participation; matching/subsidization; mandatory annuitization; financial knowledge). All of these features require some state intervention in the regulatory sphere. Naczyk and Palier (2015) examine government fiscal support for private DC pensions in Europe, finding that governments promote such schemes not only to compensate for cuts in public provision, but also to strengthen the domestic financial sector.

A growing literature examines the conditions that contribute to solidarity in capital-funded pension schemes. Clark (2003) acknowledges the potential for capital-funded pension schemes to provide adequate retirement income, pointing to the important role of bipartite collective bargaining in securing good pension outcomes in, for example, the Netherlands. Calling it 'an effective compromise providing a beneficial mixture of pension institutions' (2003, 143) Clark notes that social solidarity is built into both the statutory and occupational pillar. Leimgruber's (2008) study of the development of Swiss pension policies also emphasises solidarity. Membership is compulsory, there is a guaranteed interest rate, risk pooling and governance is based on tripartite bargaining.

Taken together, these contributions argue that it is possible to design capital-funded pensions so that they promote solidarity and stability. Still, why did labour market actors choose funding in the first place? And how and why did the state support these choices? The next section addresses this question by tracing the emergence of collectively organised, prefunded pensions in Denmark, the Netherlands and Sweden and discusses their recent performance.

THE CHOICE FOR EXTERNAL FUNDING

Denmark

In the early 20th century Denmark, pension policy covered two groups: the extremely poor and high-level civil servants. Salaried employees in the metalworking sector, organised in the Association of Salaried Employees (FVJ) faced a pension gap, and they struck one of the first collective pension deals with employers (organised in the Association of Manufacturers). The new scheme, *Pensionskassen for Værkstedsfunktionærer i Jernet* (PVJ), was established in 1900 (Due and Madsen 2003, 25). Employers and employees paid equal contributions (2% of eligible remuneration) and the statutes required bipartite administration. Crucially, the employees' association (FVJ) was given responsibility for administration external to participating employers, setting a precedent for the future development of occupational pensions (Due and Madsen 2003).

Subsequent schemes followed a similar model. In 1917, private sector employers and salaried employees' organizations established their own scheme (*Pensionforsikringsanstalten,* PFA). Growing enterprise size also stimulated the growth of salaried staff, including skilled craftsmen. Previous experience with company-based pensions was considered unsatisfactory, because pension reserves were held within the firm and pensions were not portable. These weaknesses created incentives for portable, externally managed, funded pensions (Thorsen 1967).

The development of the insurance sector supported the shift to funded pensions managed by independent entities. In 1917, life insurance companies got the right to offer pension insurance (annuities) and firms began to transfer their pension schemes to these vehicles (Østrup 2009). The 1935 Law on the Supervision of Pension Funds required private employers to fully fund pension commitments in a recognized life insurance company or an independent pension fund under public supervision. Capital could not be held within the firm as shares or a loan.

The two-track development of occupational pension coverage continued in the post-World War Two period: civil servants enjoyed generous pensions, as did private sector salaried employees, whereas private sector manual labourers faced pension gaps. The principle of external funding now also began to apply to the public sector. Until the late 1950s, civil servants were tenured and received earnings-related, tax-financed pensions. In order to recruit new tenured civil servants at higher salaries, the government offered new recruits employee status, with collectively negotiated wages and portable, funded pensions. Sectoral pension schemes also grew significantly. The first sectoral fund, for engineers, was founded in 1953. By the end of the 1950s, the role of unions in bargaining and administration was established (Due and Madsen 2003).

A political stalemate prevented progress on negotiated pensions for manual workers until 1991 (see Due and Madsen 2003; Goul Andersen 2011). Social partners stepped in where legislation failed, taking the first steps toward comprehensive second pillar coverage in 1989, and the process was largely complete by 1991. Today, the coverage rate of occupational pensions is more than 90%, up from about 33% in the late 1970s.

The Netherlands

By 1900, Dutch occupational pensions were considered part of the employment contract (Tulfer 1997: 12-13). On the eve of the First World War, there were only a few dozen company pension schemes, but they increased rapidly, reaching 738 in the late 1910s (Tulfer 1997: 13-14). As in other countries, workplace pensions were intended to provide a decent standard of living for salaried employees and other valued staff. Voluntary statutory provision for manual workers was not adopted until 1919.

The state stepped in fairly early to regulate the growing occupational pension sector. In 1908, legislation provided light regulation, but it was important because it required employee participation in the administration of pension funds. The 1908 law also regulated investment strategy by limiting allowable investment categories and forbidding assets to be held as investments in the company itself. As in Sweden and Denmark, this early legislation required that assets be held separately from the assets of the company and facilitated portability. These requirements were an important influence on legislation; they did not apply, however, if the employer paid the full premium (Tulfer 1997, 14).

The spread of collective agreements contributed to the rapid growth of occupational pension funds. 1928 legislation strengthened provisions adopted in 1907 on collective agreements. Collective agreements increasingly included obligatory promises about participation in sectoral pension funds. In 1937, the law requiring participation in a collective agreement was introduced and extended to sectoral pension funds in 1949 (Anderson 2011).

The growing importance of occupational pension schemes prompted comprehensive legislation in 1952. There were several high-profile cases of company bankruptcies in the 1930s that resulted in employees losing their pension rights (Tulfer 1997: 23). Employers were not required to offer pensions (unless party to a binding collective agreement), but if they did then contributions and assets were protected against employer insolvency. Pension rights could not be cashed out, and employees got the right to take their pension rights with them to a new employer. Pension funds were also required to have a responsible financial and actuarial structure (Nijhof 2009; Van der Zwan 2017).

The coverage of occupational pensions expanded rapidly in the post-war period. 1957 legislation introduced the universal basic pension (AOW; a temporary measure had been in place since 1947) and occupational schemes quickly adjusted their schemes to statutory provision. By 2000, about 90% of wage-earners participated in negotiated occupational schemes which have developed into an important supplement to the statutory basic pension.

Sweden

In Sweden, 1913 legislation introduced meagre universal old-age pension coverage, but it was not enough to meet the needs of salaried employees. However, the 1913 law also included a voluntary, workplace-based, contributory supplementary pension based on vesting (*oantastbarhet*) and capital funding. Individuals controlled their supplementary pension savings and employers were forbidden from using the capital reserves. The law set an important standard by requiring vesting and capital reserves held separately from the employer (Harrysson 2000).

Salaried employees joined with employers (Swedish Industrial Association) to form their own scheme, SPP (*Sveriges privatanställdas pensionskassa*), in 1917. Both sides wanted to ensure secure, portable pensions for the growing class of salaried employees. Employers contributed to the defined benefit scheme based on vesting and the legal separation of capital reserves from employers. The state also provided regulation in the context of uneven acceptance of vesting and external financing (Harrysson 2000: 8). The idea of vested, secure pensions was controversial in the 1920s, largely because of disagreement about whether a pension should be a deferred wage with the status of a property right or a payment for loyal service provided at employer discretion. (Harrysson 2000; SOU 1938 no. 18). The principles of vested, secured rights carried the day and firms participating in SPP had to accept these rules. In the 1930s, the state supported this by adopting regulations to make pension reserves more secure (SOU

1937 no.13) and by abolishing the favourable tax treatment of internally-held pension provisions (book reserves; pay-as-you-go; Harrysson 2000: 18).

The introduction of local government pension schemes also contributed to the growth of vested, capital-funded pensions. The basic pension introduced in 1917 did not include civil servants, leaving local civil servants without coverage (state civil servants had tax-financed pensions). In 1919, local governments established their own pension scheme and chose SPP to administer it. The new scheme, *Sveriges Kommunalanställdas Pensionskassa* (SKP) was up and running 1922. Like the nascent private sector schemes, it was based on secure, vested pensions defined as deferred wages. In the following decades, SKP expanded to include more and more local authorities (Grip 1994).

The 1950s were a turning point for Swedish pension development. The universal basic pension was substantially increased in 1956, but manual workers did not enjoy earnings-related provision on similar terms as white collar workers. The issue dominated Swedish politics for a decade, culminating in the 1957 *Allmän tilläggspension* (ATP) reform that aimed to address this inequality by introducing universal statutory defined benefit (DB) earnings-related pensions. Most existing occupational pension schemes were converted into contractual arrangements that supplemented statutory benefits; however, blue-collar workers still lacked occupational coverage. This was finally achieved in 1973, when the *Landsorganisation* (LO), the Swedish Trade Union Federation negotiated a mandatory occupational pension scheme with the Employers Federation (SAF; since 2001 Confederation of Swedish Enterprises, SN). This new scheme, *Särskild Tilläggspension* (STP) provided a defined benefit of 10% on top of the ATP (STP was later replaced by SAF-LO *avtalspension*). SAF and LO established a non-profit, jointly owned institution to manage the pensions, AMF (Lindström 2009). By the 1970s, more than 90% of the labour market was covered by one of the four sectoral schemes (municipal employees; state employees; white collar workers; manual workers). In the private sector, secure, portable pensions prevailed, whereas in the public sector, pay-as-you-go financing dominated.

COLLECTIVELY ORGANISED FUNDED PENSIONS IN DENMARK, THE NETHERLANDS AND SWEDEN

This section discusses how Danish, Dutch and Swedish second pillar pensions markets are constructed and how they try to make markets for collective pensions more "social". Four features are important for understanding the social embeddedness of pension markets. First, schemes are governed collectively (social partners administer schemes as part of collective bargaining). Second, pension schemes are based on risk sharing (membership in collective schemes is usually mandatory, and members pay the same contribution rate regardless of individual characteristics). Third, participants share ownership assets and share equally in profits and losses). Fourth, there are strong or even marginalized constraints on commercial financial market actors (low management fees; pension schemes decide which investment products are offered). This means that collective schemes can harness the potential of financial markets with the aim of delivering attractive returns if there are safeguards in place (financial buffers; schemes are non-profit; high quality advice is available to individuals who have the option to choose investment vehicles).

The institutional foundations of solidarity

First, Danish, Dutch and Swedish occupational pensions are strongly embedded in collective bargaining institutions. Coverage is high in all three countries, at over 90% of wage earners (OECD 2016). Statutory provisions extend collective bargaining to all sectors in the Netherlands and labour market institutions are robust enough in Denmark in Sweden to ensure near universal coverage. Collective governance means that pensions are standardised across firms and sectors, so employers cannot compete for workers on the basis of pension benefits. Bi-partite administration of pension funds ensures that pension design represents a deal acceptable to both parties.

Statutory regulation supports collective governance. The legal basis of most Danish and Swedish occupational pensions is life insurance, so they are regulated by relevant national and EU insurance law concerning solvency (Goul-Andersen 2011;

Lindquist and Wadensjö 2011). Dutch occupational pensions are largely constructed as pension funds, so national legislation based on trust law applies. The Pension Act sets out the relevant parameters concerning tax treatment of contributions and solvency (Anderson 2011).

Second, a key advantage of collectively organised pension schemes is risk-sharing. All members take part on the same terms, regardless of age or salary. Assets are pooled in a single fund and invested on the part of the members. Both contributions and investment income finance benefits. Swedish DC schemes top up statutory benefits by adding about ten percentage points to the replacement rate of statutory benefits, bringing the combine replacement rate to 50-70% of average wages. Employers pay contributions of 4.5% of income below the statutory ceiling (SEK 504,375/EUR 50,900 in 2018) and about 30% on the income above it (Anderson 2015). There is much greater variation across Danish schemes, but they have a similar ambition. Pension contributions range from 8 to 12 per cent of wages. Employers typically pay two thirds and employees one third. Dutch DB pensions aim for a replacement rate (including the statutory pension) of 70% of average wages with 40 years of service (Anderson 2011). Contributions are paid on income above the AOW offset (EUR 13,000 for most schemes); employers typically pay two thirds of contributions and employees one third. Participants accrue entitlements on their salary above the AOW offset.

Third, both the trust-based Dutch pension funds and the insurance-based Danish and Swedish pension schemes are based on shared ownership of assets. Unlike the individual retirement products widely available in the USA, pension savers do not own the capital in collective funds. Instead, individuals have a right to a stream of income generated by contributions in the collective fund. Danish and Swedish schemes often include the option of a lump sum pay-out. However, this does reduce the annuity one receives if taken.

Many Danish and Swedish schemes offer individual investment choice (unit-linked products), but they are not very popular. Swedish private-sector schemes are DC, and participants choose between traditional and unit-linked annuities. Public sector schemes combine elements of DC and DB (Lindquist and Wadensjö 2011). The majority of private-sector negotiated pension schemes operate much like the premium pension that was introduced in 2000 as part of the 1998 statutory pension reform (Anderson and Immergut 2007). Participants bear all risk for their investment choices, and they choose from a range of pension products offered through non-profit fund clearinghouses owned by employers and unions. Public sector schemes follow a similar model.

Fourth, the structure of pension management serves these collective, social purposes. In Sweden and Denmark, members typically own the non-profit organizations that invest assets and administer investment choices. In the Netherlands, non-profit entities administer and invest most pension assets. For example, a subsidiary of the largest Dutch fund (ABP, for civil servants) manages investments for the fund. In Denmark, the three largest sectoral schemes (*PensionDanmark* for manual workers in the public and private sector; *IndustriensPension* for private sector industrial workers; and PKA for workers in health and social care), are non-profit and jointly managed by employers and unions. In Sweden, non-profit organisations owned by employers and unions administer private sector schemes, limiting the number and type of financial institutions allowed to offer pension products to occupational scheme members. This structure also allows pension schemes to keep management fees low and to exclude risky investment vehicles.

CAN FINANCIALISATION BE HARNESSED IN PURSUIT OF PENSION ADEQUACY?

The widening and deepening of capital markets since the 1970s have dramatically changed the nature of pension financialisation. Pension schemes in all three countries under investigation now invest large sums in shares and alternative investments and have not been immune to financial market volatility (Wiss 2015; Anderson 2017). Why do stakeholders continue to support financialisation as a viable method for providing portable, secure retirement income? The key to understanding this continued embrace of financialisation is the cross-class consensus that financial markets can be harnessed to provide secure pensions. Employers and unions believe strongly that capital-funded pensions can provide secure pension income at reasonable cost. In Denmark for example, funded collective DC schemes are considered to embody "the best of two worlds" in the sense that they combine elements of collective and individual DC. Collective structure allows pension schemes to pool investment risks and to smooth them over time in order to provide members with secure income. Schemes typically use lifecycle investing, offering variable annuities at retirement based on 85% of a member's share of the collective asset pool. The other 15% is used as a buffer to adjust for inflation. Members receive annual statements detailing the benefits they can expect to receive (interviews with fund managers at *PensionDanmark* and *Industriens Pension*, June 2017). Swedish stakeholders strongly support the current system in order to control labour costs and generate secure, reasonable pension outcomes.

CONCLUSION

This contribution offers a new interpretation of the role of financialisation in occupational pension provision in CMEs. It traces the origins, development and recent experiences of funded schemes in Denmark, the Netherlands and Sweden. It argues that labour's embrace and continued support for financialisation in occupational pensions is rooted in concerns about pension security and portability. White collar workers joined with employers to establish jointly owned, non-profit organisations legally separate from employers to manage and invest pension capital. The ideas of the growing cooperative movement accelerated this orientation. Capital funding was not the goal of this arrangement, but rather a means to achieve other goals. Despite enormous pension reserves, commercial pension providers have not made large inroads into the occupational pension market. Where they are active, as in Denmark and Sweden, they compete against non-profit providers and they face the very considerable bargaining power of bipartite pension schemes that demand high quality pension products with low management fees.

Unions and employers in all three countries continue to support funding in the context of financial liberalisation because it delivers stable labour costs and good pension outcomes. This is somewhat less true in the Netherlands, as stakeholders continue to debate the contours of a new system. There is, however, no consensus among Dutch stakeholders that capital funding should be abandoned. Instead, current reform debates centre on how to shift from DB to some form of collective DC and to improve governance, especially concerning risk management investment policy (Frijns et al. 2010; De Deken 2017).

The analysis presented here has two implications for the CPE literature. First, socially embedded occupational pension markets are potential elements of the household consumption growth regime identified by Baccaro and Pontusson (2016). By exploiting the opportunities of global financial markets, financialised pension provision is an important driver of household income. Buoyant financial markets result in higher pension incomes, but the converse is also true, especially in DB schemes like the Netherlands. Second, the emphasis on historical sequencing and the importance of employer-union cooperation and non-profit financial companies points to promising research avenues as occupational pension financialisation develops in other countries.

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Sixty-five Years of Political Controversies about the Dutch National Old-Age Pensions Act (AOW), 1947-2012

LEON VAN DAMME

ABSTRACT

For years, the Dutch pension system has been ranked, worldwide, as the next-best system for guaranteeing decent standards of living for elderly people. The Dutch pension system's three main characteristics are: a flat-rate state pension, supplementary occupational pension schemes and private individual pension provisions. In this contribution I focus on the basic pension, which is based on the National Old-Age Pension Act (AOW) that came into effect in 1957. Most scholarly publications give the impression that the AOW has been one of the most stable social security acts in the Netherlands. However, between 1957 and 2012, there were four major political controversies concerning the AOW. What were the problems facing politicians and how did they try to solve them? To what extent did international developments play a role in the decision-making process? And what can be concluded from the analysis of these four controversies?

INTRODUCTION

Several studies have been published on how Western welfare states should be classified. The most well-known and influential study is that of the Danish sociologist Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism*. In this book, Esping-Andersen stated that after the Second World War, three welfare state variations had emerged: corporatist or conservative, liberal, and social-democratic welfare regimes. At the same time, Esping-Andersen recognized that no pure case of any variation exists. Predominantly social-democratic countries are, for instance, not free of crucial liberal elements and vice versa (Esping-Andersen 1990: 26, 28). Esping-Andersen's classification has been subjected to substantial criticism (Bambra 2007: 1098-1102). For example, the Netherlands has never really fit into Esping-Andersen's welfare typology. That is why the Dutch sociologist Cok Vrooman speaks of the Netherlands as 'a true hybrid, occupying a position between the social-democratic and corporatist countries' (Vrooman 2012: 462).

Of course, models and classifications are useful in making international comparisons, but only if they are used for a specific time and place. The main objection is that classifications are by definition static, whereas welfare regimes are the result of dynamic processes, determined by inherited policies and political developments (Schuyt 2013: 7 and Keulen 2014: 16). This is also the case for the development of the Dutch National Old-Age Pensions Act (in Dutch: *Algemene Ouderdomswet, AOW*). The Dutch National Old-Age Pensions Act is the first pillar in the Dutch pension system and provides a basic pension benefit for everyone. Compulsory occupational pensions for those who have had a job are the second pillar. Private provisions form the third pillar of the pension system.

The National Old-Age Pensions Act has been seen as a radical change from the pre-war situation and since then as the most stable Pensions Act in the Netherlands (cf. e.g., Van Gerwen 2000: 60-61; Dorrestijn and Kingma 2006: 5). However, in the first section, I argue that there is more continuity in thinking about the ideal old-age pension arrangements before and after the Second World War than has been assumed. Moreover, if we look at the minutes of the weekly meetings of the Dutch Cabinet, which are available for research, we can see that between 1957 and 1992, the ministers of the Dutch government discussed the National Old-Age Pensions Act 378 times. In the subsequent sections, I shall give a brief exposition of four important debates in the Dutch House of Representatives about the National Old-Age

Pensions Act: at the beginning of the 1960s, in the mid-1980s, at the beginning of the 1990s and after the global financial crisis of 2008. These discussions were determined by the following three questions: 1.) To what extent should the state be responsible for old-age arrangements? Should it be a state pension, paid by taxpayers, or a social insurance, paid by employees? 2.) What constitutes an adequate pension scheme? 3.) For whom exactly are the basic pensions meant? The answers differed from time to time and created finally a whole new basic pension scheme.

A POLITICAL DEADLOCK OF MORE THAN SIXTY YEARS: THE INTRODUCTION OF THE NATIONAL OLD-AGE PENSIONS ACT IN 1957

At first sight, the Second World War marked a turning point in Dutch social security development. In imitation of the British committee headed by the liberal economist William Beveridge to survey the existing national schemes of social insurance, the Dutch government in exile in London appointed a similar commission headed by the Social Democrat Van Rhijn. Right after the liberation of the Netherlands in 1945, the commission's report was published. The crux of the report was that the community organized in the government could be held liable for social security and freedom from want of all its members, under the condition that citizens are committed to obtain this social security and freedom from want themselves (Rapport van de Commissie 1945: 10).

The elections of 17 May 1946 were won by Social Democrats and Catholics. Following the elections, the Catholic People's Party formed a grand coalition government with the Labour Party. One of the main goals of this so-called Roman-Red Cabinet was – in the words of Prime Minister Beel – to establish social security for every citizen. (*Handelingen II* 1946-I: 45, 46) The first step was to introduce a guided wage policy: wages and prices were not allowed to rise excessively. The second step was to expand the social security arrangements, especially care of the elderly. Already in 1947, Minister of Social Affairs Willem Drees, introduced an

Emergency Retirement Pensions Act: every person over the age of 65 received a pension from the state. (*Kamerstukken II* 1946/47, 362, 1-2). Drees became famous in the Netherlands because of this. Indeed, pensioners at the time talked about 'drawing money from Drees', as if he was paying them out of his own pocket (Daalder and Gaemers 2014: 117).

However, it was just an Emergency Act. A definitive arrangement in the form of the National Old-Age Pensions Act followed ten years later, in 1957. This delay represents a political struggle which lasted more than sixty years. The disputes were related to tensions between Socialist and Social-Democratic parties, on the one hand, and the Conservative and confessional parties, on the other. The Social-Democratic parties advocated a compulsory state pension for everybody, financed by taxes. Based on the principle of subsidiarity, confessional parties, on the other hand, aimed for limitation of the role of the state as much as possible. They believed that individuals should provide for themselves before the state interferes, so they argued for a voluntary insurance for workers, paid by employees (Van Gerwen 2000: 105-110).

Before the Second World War, the Antirevolutionary Party, the biggest Protestant party, managed to torpedo every attempt to create a generous compulsory state pension act. Although the Protestant Minister Syb Talma introduced the Disability Act in 1913, which provided a pension scheme for retirees, it was most insufficient: only employees who reached the age of seventy received a small benefit (*Kamerstukken II* 1912/13, 58, 37: 117). In 1918, the Catholic Minister Aalberse expanded the Disability Act by lowering the retirement age to 65 and by making insurance compulsory. Still, even now, the benefit remained very small. Aalberse also introduced a voluntary Old-Age Pensions Act for people above 65 who had too little income (*Kamerstukken II* 1918/19, 483, 1-2: 8). However, this insurance scheme was not successful because the benefits were financed according to the capital-coverage-principle: a reserve had to be built up from paid premiums in order to guarantee future obligations. It was simply too expensive.

After the Second World War, the classic struggle between Social-Democratic parties and confessional parties continued.

Therefore, Minister Drees had to promise the confessional parties in parliament that the definitive pension scheme would take the form of a social insurance, thus paid by employees and not by the state via tax revenues. In 1955, the parties reached a deal: the definitive arrangement should not be a state pension nor an exclusively social insurance, but a mix. In 1956, the parliament received the final bill proposal for a National Old-Age Pensions Act: a flat-rate basic pension for everybody of 65 and over, regardless of income (the wish of the Social Democrats), and financed by premiums paid by employees (the wish of the confessional parties) according to the pay-as-you-go system: today's contributors finance the pension payments made to the retirees of today. Benefits were minimal because the cabinet wanted to promote the occupational pension schemes (*Kamerstukken II* 1954/55, 4009, 3). Finally, only the small orthodox Protestant party SGP voted against the National Old-Age Pensions Act, which came into effect in 1957 (*Handelingen II* 1955/56: 3973).

THE NATIONAL OLD-AGE PENSIONS ACT: A BASIC PROVISION OR A SOCIAL MINIMUM?

Five years after the introduction of the National Old-Age Pensions Act a new discussion started. The National Old-Age Pensions Act was meant as a basic pension scheme whose benefits were linked to the rise of wages. Together with the occupational schemes and private provisions, the pensioner should have an income which was about seventy per cent of the final earned salary. However, soon after the introduction of the National Old-Age Pensions Act, it became clear that in practice, this was not the case.

In the first place the problems were caused by occupational pensions. Most of them were not linked to the price index, nor to wages and were financed by capital coverage instead of by a pay-as-you-go system like the basic pension scheme. This meant that most of the occupational pensions could not keep up with inflation. Consequently, many pensioners fell into poverty. It was hard to solve the problems of the occupational pensions because the social partners could not agree and the recommendations they presented in 1961 were very divided (SER 1961: 7-8, 15-16 and 25-32).

The second problem was that until 1963 the government had the legal power to keep wages low. At that time, wages were about twenty per cent lower in the Netherlands than in Belgium and Germany (Peters 2017: 191). This meant that production costs could be restrained, international competitiveness could be improved, and investments could be stimulated. This was essential in order to create employment and an impressive average growth rate of the economy of five per cent per year. The balance of payments was healthy and the rate of inflation was low. However, in 1963, the so-called guided wage policy was replaced by a free wages policy. A wage explosion followed, and as a result, employers had to increase their prices. This new system was thus highly inflationary, forcing many pensioners to claim relief (Luiten van Zanden 1998: 79-81).

The only way to solve these two problems was to increase the benefits of the National Old-Age Pensions Act. A new discussion was started: should the Old-Age Pensions Act provide narrow basic provisions, or should it provide a social minimum so that pensioners would not have to claim poor relief? Although during the election campaign of 1963 the main political parties, confessional, Conservative-liberal, and Social-Democratic, had called for an increase of the basic pension benefits, a big row started within the cabinet between the Catholic Minister of Social Affairs Gerard Veldkamp and his colleague Conservative-liberal minister of Finance Johan Witteveen. Veldkamp wanted to pay the increase of the benefits through tax revenues, so that the premium increase could be limited. However, the Conservative-liberal Witteveen rejected this way of finance because he had promised parliament a tax reduction of more than a billion guilders. Moreover, he was worried that this increase, which was linked to the rise of wages, would lead to financing problems in the future, especially because of the expected aging of the population (*Notulen Ministerraad*, 18 October 1963, 5 and 12 June 1964; Van Kessel 2010: 38-40, 430).

Veldkamp then put pressure on Witteveen and let him know that he would not approve his tax proposal. A cabinet crisis loomed. Only after many long walks in the rain along the beach near Kijkduin and many conversations at home while enjoying ample glasses of wine were they able to reach a deal. Veldkamp dropped his objections to the tax proposal of Witteveen, while Witteveen dropped his objections to increase the National Old-Age Pensions Act to the social minimum (Van Griensven and Clerx 1993: 91, 115 ,117, 121, 136-139). Finally, in November 1964, the bill was approved by parliament. From that moment onwards, the National Old-Age Pensions Act no longer provided basic benefits, but a social minimum which was partly structurally financed by tax revenues. This marked a fundamental change in the character of the basic pension scheme. Still, this is also why the orthodox Protestant parties GPV and SGP, the conservative agrarian *Boerenpartij*, and three members of the Protestant Anti-Revolutionary Party, Wim Aantjes, Jan Meulink, and Maarten Schakel, voted against the bill. According to them, it represented a first step in breaking down the insurance character of the basic pension scheme (*Handelingen II* 1965/65: 400).

POLITICAL PROBLEMS CONCERNING THE IMPLEMENTATION OF THE THIRD EC DIRECTIVE

The third controversy about the Old-Age Pensions Act arose in the mid-1980s. The Old-Age Pensions Act was, as in other European countries, based on a breadwinner model. Men were supposed to work and make enough money to support the family, while women were expected to stay at home. This way, there was need for an old-age provision only if the man reached retirement age. This also meant that married women had no independent entitlement to receive an old-age pension, even if the married woman reached retirement age before her husband. During the 1960s and the 1970s, Dutch society – as elsewhere – redefined the role of women as wives, mothers and workers. More and more women entered the labour market and became an integral part of the national workforce. Despite these societal developments, the legal inequality between men and women in areas of employment, pay, and pensions remained unaffected.

It was the Council of the European Communities that forced the Dutch government to abolish the inequality between men and women. The Third Council Directive of 19 December 1978 on the implementation of the principle of equal treatment for men and women in matters of social security was of particular importance because not only men, but also women, obtained the right to an individual basic pension. Therefore, the Old-Age Pensions Act had to be adjusted to conform to this Third Directive (Foldes 1989: 441; Council Directive 79/7/EEC), which turned out to be most problematic for the Dutch government. Confirming article 8, member states had to bring the social security laws into compliance with the Directive within six years of its notification. However, due to political problems, it was not until 4 November 1982 that a new stable centre-right cabinet of Christian Democrats and Conservative-liberals under the leadership of Prime Minister Ruud Lubbers sworn in. Consequently, the new cabinet had no more than two years to implement the Third Directive. In addition, this Directive made the social security system potentially more expensive, while the new government was committed to making cutbacks and therefore had implemented a retrenchment policy (*Kamerstukken II* 1977/78, 15081, 2; *Notulen Ministerraad*, 16/17 July 1981).

Not until the summer of 1984, exactly six years after the publication of the Third Directive, did the cabinet send the parliament a bill that would bring the National Old-Age Pensions Act into alignment with the Directive, which was very late compared to other European Countries. Everyone who reached the retirement age should receive an individual basic pension of fifty per cent of the minimum wage. It sounded great, but was problematic for married couples if the pensioner was the breadwinner. In order to prevent married couples from falling below the social minimum, the government proposed to give the younger partner a 'partner allowance' of maximum fifty per cent of the minimum wage. However, this 'partner allowance' would be income dependent (*Notulen Ministerraad*, 13 April 1984; *Kamerstukken II* 1983/84, 18515, 1-2).

This proposal caused major problems within the coalition parties. Unlike the Christian Democrats, the Conservative-liberals strongly opposed the idea of an income-dependent partner allowance. Firstly, they saw it as an income equalization which they opposed. Secondly, they saw it as a measure against two-income households. They expected that older women in particular, would quit their jobs because there would be little financial incentive to continue working. In their opinion, this would sustain the male breadwinner model in an indirect way, which contravened the meaning of the Third Directive. That was also why social partners were against this proposal as well. Despite the objections of the Conservative-liberals and the social partners, the cabinet refused to withdraw the bill (*Handelingen II* 1984/85: 1085-1167).

Curiously, the oppositional Labour Party decided to help the cabinet. Unlike the Conservative-liberals, Social Democrats supported income equalization. Moreover, they had a chance to soften the original proposal by demanding a transition period of eight years. In addition, they demanded that a smaller part of the total income of the younger partner of the pensioner would be taken into account in the calculation of the partner allowance. The Conservative-liberals were furious but could do nothing but accept it because the issue was not worth creating a cabinet crisis over (*Handelingen II* 1984/85: 2903-2985).

The parliament passed the bill in February 1985, once more fundamentally changing the National Old-Age Pensions Act. From now on, the basic pensions scheme was not only individualized, but because of the income-dependent partner allowance, the insurance character became less clear. Moreover, the lower basic pension benefits had to be compensated by the occupational schemes, so the financial burden of the occupational pension schemes increased, creating a problem to be solved by the social partners.

DISCUSSIONS ABOUT THE AFFORDABILITY OF THE NATIONAL OLD-AGE PENSIONS ACT

In the 1990s, a discussion started in the Netherlands about the future sustainability of the basic pension scheme, which was, in comparison with, for example, Scandinavian countries, rather late. Even the United States had already decided in 1983 that between 2010 and 2020 the retirement age would be raised from 65 to 67 and would then be linked to life expectancy. Although the main political parties in the Netherlands had called for a more flexible pension age in their election programmes of 1989 and 1994, the discussion about raising the retirement age stopped mid-1990s (Svahn and Ross 1983: 12; election programs VVD, SGP, PvdA, D66 and CDA 1989/1994).

This had to do with the election campaign of 1994. During this campaign, the Christian Democrats proposed to unlink the basic pensions from the wage index. As a result, many older members left the Christian-Democratic party to set up their own single-issue party: the *Algemeen Ouderen Verbond* and *Unie55+*. Not surprisingly, the Christian Democrats lost the elections dramatically by losing 20 seats of the 54, ending up in the opposition. Although the single-issue parties dissolved into quarrelling factions and disappeared a few years later, the message was clear: proposals to adjust the National Old-Age Pensions Act during election campaigns meant political suicide.

In the meantime, the discussion about the sustainability of the basic pension scheme continued. As soon as the so-called first Purple Cabinet of Conservative-liberals, Social Democrats, and Social-liberals was installed in the summer of 1994, the Conservative-liberals wanted to reduce pension costs by – not surprisingly – abolishing the partner allowance. However, the Social Democrats and the Social-liberals opposed this proposal. Only in 2015 did the cabinet decide to abolish this allowance. In order to achieve short term cutbacks, the cabinet decided to consider brothers and sisters who lived together as a married couple. From then on, they did not receive an individual basic pension of seventy per cent of the minimum wage anymore, but, like married couples, a pension benefit of fifty per cent of the minimum wage (*Kamerstukken II* 1994/95, 24258, 3).

At the same time, pension premiums rose by a few per cent per year. In order to secure the future sustainability of the National Old-Age Pensions Act, the Social Democrats proposed that rich elderly people should pay for their own basic pension as well. In contrast, the Conservative-liberals proposed to raise the retirement age to 67. After exhaustive discussions, the parties came to a deal. In the first place the cabinet maximized the pension premiums to 17.9 per cent of the total income per year. From then on, tax revenues would be used in order to cover occasional deficits. And indeed, since 2002, the basic pension scheme has been paid not only by premiums but also by tax revenues. This meant that the basic pension was no longer real national insurance, but more and more a state pension (*Kamerstukken II* 1997/98, 25699, 3).

Secondly, the cabinet set up a Savings Fund in 1997. Every year, the government deposited some billions of guilders in this fund. This amount had to be invested in government bonds. It seemed to be a real fund, like the Norwegian Government Pension Fund Global which was established in 1990, but it was not. In 2011, it became clear that the Dutch Savings Fund was completely fake. The total amount of 135 billion euros was only used to bring down the national debt and to make the costs of ageing more visible. The Savings Fund was thus nothing more than an accounting trick. In 2011, the fake Fund was abolished (*Handelingen II* 2010/11, 32696, 3). It becomes evident that in the Netherlands any real measures were postponed in the 1990s, unlike in other European countries, such as Germany, that reformed their pension schemes between 1992 and 2004 (Börsch-Supan and Wilke 2006: 5-9).

Already in 1999, experts such as the Netherlands Scientific Council for Government Policy recommended that wealthy pensioners should pay basic pension contributions as well and that the fiscalization of the basic pensions should be expanded, which meant that all tax payers and not only workers would contribute to the basic pensions scheme. Finally, the Scientific Council recommended a flexible retirement age (WRR 1999: 341-342).[1] Nevertheless, it was only during the election campaign of 2006 that the Social Democrats under the leadership of Wouter Bos called for further fiscalization of the basic pension scheme. However, opponents like the Christian Democrats under the

1 An English summary of this report is available: *Generationally-aware policy*. See, www.english.wrr.nl/publications/reports/1999/12/14/generationally-aware-policy.

leadership of Balkenende called this proposal an 'elderly tax'. History repeated itself. Due to a negative and personal election campaign, the Social Democrats lost the elections dramatically. As a result, measures to make the basic pension scheme more sustainable were postponed once again.

It was only after the global financial crisis of 2008-2009, that the Dutch government took fundamental measures to make the Old-Age Pensions Act sustainable. On 15 October 2009, the cabinet of Social Democrats, Christian Democrats and representatives of the centre-left Christian Union decided to increase the retirement age from 65 to 67 in 2020 (*Kamerstukken II* 2009/10, 32163, 2). At that very moment the pensioners' interests party *50PLUS* was founded. During the general election of 2012, the party obtained two seats in parliament. In 2012, the Dutch cabinet of Conservative-liberals and Social Democrats decided to raise the retirement age to 67 not in 2020 but in 2025 and to link the retirement age to life expectancy (*Kamerstukken II* 2011/12, 33290, 3).

CONCLUSION

Neither the introduction of the National Old-Age Pensions Act in 1957, nor its subsequent adjustments were the result of a consensus-minded political system, but of a constant political ideological struggle between Social Democrats, Christian Democrats, and Conservative-liberals. This explains the late introduction of the Old-Age Pensions Act in 1957, the debate within the cabinet about increasing the benefit level in the early 1960s, why it took so long before the cabinet in the 1980s implemented the Third Directive, and why in the 1990s the 'purple' cabinets failed to take effective measures to make the basic pension scheme more sustainable in the future. Moreover, it was due to the conflicting values of the political parties and – especially since the 1990s – fear of losing elections that fundamental changes of the National Old-Age Pensions Act had to be forced by international developments, like the announcement of the Third Directive and the global financial crisis after 2008.

As discussed in the introduction, the political struggle was determined by different ideological answers to the following three questions. 1.) To what extent should the state be responsible for old-age arrangements? Should it be a state pension, paid by taxpayers, or a social insurance, paid by employees? A synthesis was achieved in the 1950s, but especially since the 1990s, the old-age pension scheme has been changed into a state pension, paid by taxpayers. This means that the Social Democrats have won this debate. 2.) What constitutes an adequate pension scheme? During the 1950s the pension scheme was merely a basic provision, since the 1960s it was a guarantee of a social minimum, and now it again is a basic provision, which means that occupational pensions have become more important. This discussion was thus won by Christian Democrats. 3.) For whom exactly are the basic pensions meant? Until the 1980s, it was the breadwinner who received a basic pension at 65 and over. Nowadays, the basic pensions scheme is fully individualized: only those who reach the retirement age of 66 receive a basic pension. Moreover, the retirement age will be linked to life expectancy. This means that this discussion was won by Conservative-liberals.

Indeed, social security arrangements in general and in this case the basic pension scheme in particular, are the result of constant, dynamic socio-economic, international, but, above all, political developments and ideological contradictions before and after the Second World War. This is why the original National Old-Age Pensions Act has been adjusted in fundamental ways. Nowadays, the basic pension scheme corresponds to a certain extent with the pre-war pension arrangements. The current basic pension is barely adequate to live on and the retirement age seems to be linked again to the degree of elderly disability. The call for making supplementary occupational pensions voluntary again is getting louder. This means that private individual pension provisions will become more essential. And that is exactly the opposite of what the creators of the original Old-Age Pensions Act wanted.

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Let's talk about Old Age. Parliamentary Debates and the Meanings of Pension and Elderly Care Policies in the Federal Republic of Germany

NICOLE KRAMER

ABSTRACT

Much has been written about the history of ageing policy in the Federal Republic of Germany, but very few scholars have focused on exploring the role parliament played in its making. This paper urges thinking about the role of the German *Bundestag* within the process of social policy making. It is all the more important for historians to be sensitive to such questions, because historical research widely uses digitalized parliamentary proceedings as primary sources.

After an overview of the development of pension and long-term-care legislation, arguments about parliament's loss of power to the benefit of other political bodies will be considered. The paper's main aim is however, to discuss the role of the *Bundestag* in shaping ageing policy. The paper presents some observations on how parties orchestrated debates in order to sell pension reforms to the electorate and on how the Enquete commission helped to legitimize demographic knowledge. In doing so, it argues for a cultural-history approach towards parliamentary debate and social policy making.

INTRODUCTION

The needs and problems of older people have been discussed by the German *Bundestag* on a regular basis. Members of the Bundestag have discussed the issue of social security for the elderly not only when they engaged in legislative processes. In fact, many parliamentary questions as well as Enquete commissions were directed at ageing and the welfare policies towards older people. While pensions are a pivotal part of old-age policies, they are not everything. Historians who are interested in how the state cared for the elderly in the twentieth century emphasize the fact that in addition to pension schemes, the expanding welfare states introduced many programs to provide social and health services for older people (e.g. Mierzejewski 2016; Torp 2015; Brunozzi 2012).

This paper will concentrate on the parliamentary debate on ageing policies in the Federal Republic of Germany. In doing so, it is acknowledged that the *Bundestag* was only one among many players, when it comes to legislating. We therefore need to explore and discuss systematically how the German Parliament shaped old-age policies. What are its contributions within the legislative process regarding pensions and long-term-care arrangements? Thinking about what we can learn from parliamentary debates and reflecting on the limits of the sources seem even more important given that scholars rely heavily on the digitized and therefore easily accessible minutes of the plenary proceedings in order to get insights into the history of social politics.

First of all, I will give a brief overview of the main pension and long-term-care reforms. Secondly, the paper will then engage with some arguments on how the role of Parliament became limited, e.g. regarding the power of the government, the increasing importance of expert knowledge, and the interventions of the Federal Constitutional Court (*Bundesverfassungsgericht*). Finally, findings about how the *Bundestag* shaped policies directed towards older people will be presented. All in all, the paper sheds light on the cultural history of parliamentary debate (Mergel 2002) as well as on the hermeneutic process of gaining knowledge of past social policy making (Patel 2011: 336-337).

In the implementation of social insurance legislation in general, the German *Kaiserreich* was a pioneer. Invalidity and old-age pensions were cornerstones of the social insurance law package introduced in the 1880s, only some years after the *Kaiserreich* had been founded (Hennock 2007: 197-200). Benefits rates allowed only a supplemental pension income, hence recipients had to rely on additional income sources like public welfare or paid work. Nevertheless, scholars agree that – despite its limited character which in light of today's standards seems even more meagre – the invalidity and old-age insurance improved the lives of older people and strengthened social cohesion. Those participating in the public pension insurance scheme got the chance to claim entitlements and, most importantly, procedures were sufficiently transparent (Kaschke 2000: 129-133).

All in all, the development of the German welfare state was shaped by continuity rather than shifts and ruptures. This is a remarkable feature of the German experience since German political history, since the end of the nineteenth century, has been characterized by drastic changes and severe upheavals. But when looking at the outcomes of two World Wars, several economic crises, the rise of the Nazi party and the subsequent return to democracy, the welfare system, and foremost the old-age pension scheme, has been solid as a rock. Most reforms have produced short-term and piecemeal changes but left the fundamentals untouched. Obviously, coverage and benefits have been expanded, despite the political and economic upheavals.

After 1945, a window for a major overhaul of the German Social Security system opened up. At least three factors pushing for a restructuring have to be considered: First of all, in order to eliminate the racist and eugenic rules implemented by the Nazi government (Schlegel-Voß 2005: 101-103), changes had to be made anyway. Second, the war and the post-war crisis created new risks and more people than before were in need of social care and social security. Among them were widows and orphans left behind after the deaths of soldiers and people who had lost their homes due to the bombings. Furthermore, many of those who had survived the Nazi crimes found themselves in desperate situations after 1945. The care for displaced persons as well as compensation for those who were persecuted during the *Third Reich* became a new area of social policy (Hockerts 2001: 24). Finally, when the Allies occupied German territory, the future of the social security system became open to discussion. A unified comprehensive insurance plan, mainly tax-financed with standardized benefits, was an idea that became popular during the Allied occupation. In general, favouring social security schemes, which based entitlements on citizenship rather than on the insured previous work record had become an international trend since the 1930s (Lengwiler 2015: 88-89).

In the end however, in the Western part of Germany social insurance traditions again proved to be strong and the plans for a major overhauling failed.[1] Still, some of the reform enthusiasm carried on to restructuring German pension insurance. The pension law of 1957 was a watershed because it transformed pensions by basing them on earnings, which guaranteed that living standards would be maintained for those leaving the workplace. It introduced a new formula that adjusted pensions according to increases in wage levels (Hockerts 1980; Torp 2016).

However, taking stock of the ageing policy of the rather young republic includes looking at the Social Welfare Act of 1961 as well. It was an instrument fighting poverty by providing income support as a means-tested benefit. Within this frame the elderly could apply for benefits to cover costs related to care. Even if it was never intended as such, it became a cornerstone of public long-term-care policies (Föcking 2007: 298-308).

In subsequent years, pension and care provisions expanded, as did the welfare state in general. The introduction of flexible retirement options, the provision of a minimum pension to low-income pensioners and the possibility to enroll voluntarily in the retirement insurance scheme made the reform of 1972 a highlight of the golden era of welfare state expansion. Only two years later,

1 While the Federal Republic followed the path of Bismarckian social policy tradition, the welfare state of the German Democratic Republic changed according to socialist principles

politicians widened the state's responsibility towards the elderly by adopting the registered homes act. This legislation was necessary as more and more older people entered residential care, receiving benefits based on the Social Welfare Act. Therefore, the state had to take over responsibility for guaranteeing the protection of those living in care facilities. The registered homes act was directed at regulating residential care homes, regardless of whether they were run by public bodies, voluntary organizations, or private owners (Brunozzi 2011: 112-114).

As in other Western industrial countries, in Western Germany too, the period of the long post-war boom came to an end in the mid-1970s. Although the expansion of social security structures in the post-war era was hotly debated during the 1970s and 1980s, there was neither a dismantling of the welfare state nor a path-breaking alteration. In fact, according to current research, the West German handling of the economic crisis was more about consolidation than fundamental changes. Consolidation means social spending was reduced by cutting costs within programmes and schemes without touching basic principles and structures (Geyer 2008: 894).

Pension policy proved to be an area where politicians felt the need for tiptoeing around even more when it came to cutbacks. Moving away from indexing pensions according to gross wages in favour of net wages is a case in point. In the 1980s governments of different political directions began introducing measures to reduce pension levels in that way. However, they did so cautiously, not daring to clearly name the modification for what it was. Even the reform of 1989, which came into effect only in 1992, reflects the reluctance to make fundamental changes. Nevertheless, it did abolish the flexible retirement options and raised the retirement age of women to 65 (Torp 2015: 290-293).

It has often been stressed by scholars that conservative-corporatist welfare states like Germany resembled 'frozen landscapes' when compared to other welfare models, where reforms and changes were more greatly facilitated by institutional settings. Nevertheless, the German case supports those scholars who have coined the phrase of a 'long goodbye to Bismarck', emphasizing that these welfare state models also have changed significantly in the last decades of the twentieth century, even though they took a rather long and twisted route towards restructuring (Palier 2010: 609-610).

The introduction of long-term-care provisions stands out when we are looking at legislation that broke with German welfare traditions. In 1995, years of debating on elderly care and the need for provisions resulted in the introduction of statutory long-term-care insurance, which became the fifth pillar of the German social insurance system. This far-reaching expansion came at some cost. It provided only partial coverage: beneficiaries got a fixed amount and had to cover the rest of the care costs themselves. Furthermore, the law encouraged not only private welfare organizations to provide residential and home-care services, but equally invited for-profit providers. In doing so, the government promoted the already ongoing development of a care market (Hockerts 2012: 76-77).

One of the latest turning points regarding structural reforms and ageing policy is the so-called 'Riester pension' reform of 2001. Private insurance companies pushed for introducing capital-based, privately funded supplementary pension schemes. They based their demands on the three-pillar-doctrine, which was circulated within the OECD and the EEC even before the World Bank report 'Averting the old-age crisis' of 1994 made it widely known among social policy experts (Leimgruber 2012). Up to this point, occupational and individual pension schemes had been rather weak in Germany. The Riester pension law, named after Walter Riester, the German Minister of Labour between 1998 and 2002, thus paved the way for privatizing pensions (Hockerts 2010).

Looking at this overview, it seems that there has always been a reason to discuss the situation of the elderly and potential reforms within the Parliament. This is even more true when we keep in mind that only the more important legislative acts were mentioned above, the tip of the iceberg so to speak.

BUNDESTAG CONSTRAINT

In 1999, Ralf Dahrendorf lamented in a newspaper article how the *Bundestag* has lost its influence and purpose. According to him, legislative decisions were being made in other places and less on the floor of the parliament. There is some evidence supporting

Dahrendorf's view that the *Bundestag's* authority has been significantly constrained. However, this development has taken place since the early days of the *Bundestag* and the Federal Republic's history is not exceptional in this regard (Bayley 2004: 10).

In fact, while the role of the government as well as that of the *Bundesrat*[2] had been defined before they went into operation in 1949, the status of the *Bundestag* and its relation to other constitutional bodies were still in flux. Moreover, the first chancellor, Konrad Adenauer, fought hard in order to create rights for the cabinet and to constrain the influence of the parliament. The latter, for example, failed in gaining any say in how the government or ministries were staffed. More importantly, the government took the lead regarding initiating legislation. The political practice regarding the relationship between parliament and cabinet, developed during the first legislative term, continued later on (Recker 2018: 516-518).

Moreover, this power differential was deepened by another trend. Since legislating was relying increasingly on scientific expertise, the influence of the government grew. While the 'scientification of the social' dated back to the nineteenth century, the golden era of welfare state expansion nourished the need for expertise, which social scientist and economists were able to provide (Raphael 1996). Ageing policy is no exception to this trend.

In contrast, the *Bundestag* had only meagre means to engage its own experts. An attempt during the early days to set up a legislative reference service was not approved (Recker 2018: 513). Even if we take into account the possibility of hearing experts when draft laws were revised in parliamentary committees, the *Bundestag's* right to engage with scientific knowledge was rather limited compared to the government. The latter could commission entire studies providing knowledge needed for specific laws.

The *Bundestag* was not only challenged by national bodies, but it was also rivalled by international and European organizations. Enabling free movement of workers made the European Union

2 The *Bundesrat* is an independent constitutional body that represents the interests of the *Länder*. The *Bundesrat* participates in the legislative process.

and its forerunners adopt the co-ordination of national social security as a priority task. Meanwhile, it is well known that decisions on welfare schemes partially had been shifted from the *Bundestag* to the European Union. While co-ordination regulations regarding social policy were in the beginning directed at skilled workers alone, today they apply to the social rights of the self-employed, pensioners and students as well.

Finally, there is another institution to consider when reflecting on the *Bundestag's* power and how it got constrained: that is the German Federal Constitutional Court (Kneip 2011). More and more petitions brought before this court dealt with social security issues. Individuals thus had the chance to take their criticism of social policy legislation to court and, in case of success, they were exercising their political rights as citizens in a rather immediate way (Alber 1985: 218).

Regarding the rulings of the German Federal Constitutional Court concerning ageing policy a certain agenda can be observed. Many claims revolved around the same issue, which was that care work, or in more general terms the contributions of care-givers, were not acknowledged enough within social security. In 1992, when the German Federal Constitutional Court decided in favour of Rosa Rees, an older women and mother of nine children, it asked the legislature to redesign social security schemes in order to stop privileging those without children within old-age insurance schemes. This position culminated in 2001 when the Court ruled on the new long-term insurance and decided that having insured people with children and the childless pay equal contributions was a violation of the Constitution.[3] Consequently, the legislature was urged to introduce a law in 2005 which made the childless pay slightly higher contributions than those raising children. In both cases the German Families Association, an organization representing the rights of families founded in1924, stood behind the individual complainants (Butterwege 2002: 210-211).

All in all, we can see that the *Bundestag* had many rivals when it came to legislating. However, this contribution is not about

3 BVerfG, Judgment of the First Senate of 03 April 2001 – 1 BvR 1629/94 – paras. (1-74), http://www.bverfg.de/e/rs20010403_1bvr162994en.html.

joining those lamenting the decline of parliamentary system. Instead, we must explore the specific role of the *Bundestag* in legislating and the discussion of legislation and think harder about what we can learn from reading parliamentary minutes.

TEACHING POLITICS TO THE ELECTORATE

As discussed above, major policy decisions were laid down by the government and other state bodies. However, the parliament offered a platform for communicating the making of politics to the media and the citizens, a fact of which political parties were very much aware.

In the autumn of 1955, when the plans for a comprehensive restructuring of the West German welfare state were buried by the government, the work on the pension reform of 1957 took off. When the body met to discuss the pension reform, one of the longest debates the parliament had seen so far began. For four days representatives commented and decided on the future of the pension system (Hockerts 1980: 417-420). The Social Democrats filed no fewer than 156 amendments, which were directed at minor as well as fundamental alterations, like introducing a care allowance for frail pensioners. Most of these amendments were blocked, but that does not mean the SPD's strategy failed. While the Social Democrats' desire for amending was hardly driven by the idea of actually altering the draft, it certainly did serve the purpose of teaching the electorate the leftist party's plans and visions on providing for old-age security. After all, this was a smart move, because at the time when the reform was introduced nobody knew that it would shape the pension system for the next decades. Some Social Democrats hoped they would soon be getting a chance to realize their own social policy visions, and it made sense to give the electorate a glimpse of what they could expect.

However, we only can assume the motives behind the amendment marathon in 1957. Still, if we look some time ahead, definite evidence for the tactics of using the parliament as site to communicate politics becomes available. It brings us to the pension reform of 1972, when the end of the long boom and golden era of welfare state expansion was already in sight. At the end of the 1960s, political winds had shifted in favour of the Social Democratic Party, which entered the government in a coalition with the liberal FDP. Thus, for the first time since the Federal Republic of Germany was founded the CDU/CSU took over the role of the opposition. Many politicians considered pension reform as pivotal for winning back votes. Furthermore, during the economic miracle the revenues of the retirement scheme increased significantly, which nourished ideas about expanding benefits and coverage once again. The governing coalition and the opposition entered a 'bidding competition' resulting in the generous pension reform of 1972, a watershed of the golden era of benefit expansion (Mierzejewski 2016: 208-211).

In such a situation claiming credit for expanding benefits and coverage of pensions was as important for the political parties as the decision-making itself. The minutes of proceedings of the parliamentary fractions give us some insights into the ways the parties orchestrated debates on the floor. The technical innovations since the legislative period of the SPD/FDP coalitions allow us to know a lot more about that process. At the end of the 1960s, the plenary hall was modernized and microphones as well as speakers were installed. Parliamentary groups could tape their meetings. Moreover, the technical innovations provide historians with word-for-word recordings (Jüngerkes 2016: 19). What knowledge do we gain from analysing them? The day before the second reading of the pension reform took place the Social Democrats laid out their plans to push the debate in a certain direction. Ernst Schellenberg, deputy leader of the parliamentary group and expert on pension policy, urged that under any circumstances the SPD had to convince the electorate that the pension reform was theirs. Schellenberg feared that the CDU/CSU would try to take credit for the generous reform by introducing a plethora of amendments. After all, this strategy was very familiar to him as he already had participated in the pension reform debate of 1957. He addressed his fellow party colleagues:

> After the debates within the board of the parliamentary group and the working group I recommend to discuss the complex subject in an effective manner […] In our working group we agreed on starting the second reading tomorrow with a policy statement, read by myself, which will explain that the reform as a whole is ours, that it was designed by the social-liberal coalition […]. It is important to make clear, that it represents a big achievement of the coalition.[4]

To Schellenberg and other party leaders it seemed crucial that the debate in the *Bundestag* should be to the point and therefore only a few chosen members should comment on behalf of the SPD. It may not be surprising that the parties aimed to sell big reforms as their very own success, but it is worth stressing that they had to put some effort into communicating policy making and politics to the electorate.

BRINGING EXPERT KNOWLEDGE INTO PLAIN SIGHT

Parliaments have many functions and reading and ratifying laws is only one of them. Within the *Bundestag* the chancellors have to present their guiding ideas for the upcoming legislative session, the Federal Budget is debated annually and the government is regularly called to account for policies through parliamentary questions. The German Parliament's right of scrutiny is manifold.

There are many functions scholars ascribe to parliamentary questions. First of all, they provide an instrument for monitoring the government's work to the members of the *Bundestag*. However, this is not its most important function. In the absence of possibilities to draw on expert knowledge parliamentary questions became a way of filling gaps of information. Hence, parliamentary fractions used interpellations to make the ministries work for them (Kepplinger 2007: 317). The documents resulting from these questions contain considerable amounts of infor-

4 Transcript of taped meeting of the SPD parliamentary group, 19.9.1972 (Jüngerkes 2016: 1238-1239).

mation. Even today they are of much value to those interested in the history of social policy. What is the financial situation of older women? What percentage of older people were living in institutions? How many old-age and nursing homes were run by private entrepreneurs? Some of the parliamentary questions led to obtaining concrete figures, which were not known before.

Hans Mathias Kepplinger, a scholar specialized in the research of political communication, stresses that the rising numbers of parliamentary questions have to be seen as resulting from the mediatization of politics. According to his findings, based on survey data, members of the parliaments used their right of scrutiny not only for the purpose of immediate legislating and debates in the *Bundestag*. They also tried to catch the media's attention (Kepplinger 2007: 310-314). In light of Kepplinger's arguments, parliamentary questions, which forced the government to provide information, contributed to bringing expert knowledge into view. While facts about demographic ageing and the situation of the elderly were discussed within the government mostly behind closed doors, the *Bundestag* made them known to a wider public.

This argument proves even more true when looking at another tool of the *Bundestag's* right of inquiry: Appointing Enquete commissions. Among other things in 1969 the Parliament's right of scrutiny was significantly widened by introducing the possibility to set up an Enquete commission. Unlike commissions of inquiry focused on scandals and maladministration, an Enquete commission should serve the aim of acquiring external expertise in order to prepare complex decisions. This reform thus strengthened the position of the *Bundestag* with respect to the executive because it compensated for the lack of scientific expertise. The *Bundestag* is thus able to commission research. More importantly, unlike hearings, Enquete commissions involve members of parliament and experts working together and engaging for many years in a dialogue. (Recker 2018: 367)

A quarter of the members of parliament are necessary to get the process started. Half of the members of such an Enquete commission have to be members of parliament, while the other half is recruited from external experts. Since 1971, 28 such commissions have been appointed to work on various subjects. In the early years they mostly focused on questions arising from technical and scientific progress, like genetic engineering, the use of nuclear power, or new communication technologies. Such Enquete commissions seemed to compensate for the lack of science and technological knowledge within the parliament, which more and more was dominated by members educated as jurists (Altenhof 2002: 130-131; Hampel 1991).

However, during the 1980s and afterwards, many Enquete commissions dealt with issues related to the welfare state as well as political and social change. Among those only one was directed at ageing and older people. In 1992 the *Bundestag* appointed an Enquete commission on 'demographic change. Challenges of an ageing society to the individual and politics'. It was renewed after the elections in 1994 and again in 1998, and existed until 2002 (ten years). It was the very first commission spanning over three legislatures. Important experts on ageing and social policy, like Gerd Naegele and Winfried Schmähl, took part. Another member was the economist Bert Rürup, who later had much influence on the pension reforms during the first years of the New Millennium. More than one hundred meetings in workgroups and another forty of the commission as a whole resulted in several reports on demographic processes in Western and Eastern Germany and their impact on social security, the labour market, society, and economy.[5]

Did the Enquete commission on demographic change introduce demographic arguments to a wider public? Demographers like Herwig Birg rather doubted the impact of the commission's work and lamented the neglect of the commission's work by the media (Birg 2001: 194-196). However, we should evaluate his view carefully because his agenda aimed at widening the influence of the discipline on politics. His constant claim that demographic experts have been overlooked helped with that.

Hence, we could, instead, argue also the opposite. The Enquete commission mattered in so far as it pushed for spreading demo-

5 Schlussbericht der Enquête-Kommission "Demographischer Wandel – Herausforderungen unserer älter werdenden Gesellschaft an den Einzelnen und die Politik", BT.Drs. 14/8800.

graphic knowledge beyond academic and political circles. Before the commission was appointed, the media rarely wrote about demographic findings and arguments, and among the electorate they were hardly known. This is not surprising given that after 1945 demographers had to take a backseat regarding advising politicians. Due to their deep involvement in Nazi race and population policies, their opinions were not as accepted as they used to be. However, historians have showed that demographic thinking had already gained the attention of politicians by the 1970s and 1980s when the welfare state was targeted. Those in favour of significant cutbacks pointed towards the consequences of demographic ageing and the so-called birth gaps (Geyer 2015: 46-50). Still, this was a debate among political and scientific experts, while the wider public remained largely ignorant about demography.

Only at the turn of the millennium did this situation change. Demographic concepts and thinking became a topic newspapers wrote much about (Messerschmidt 2014: 300). Moreover, prognoses of demographic ageing paved the way for fundamental changes of the German Social Security schemes, like the Riester pension act (Hockerts 2010: 285). While scholars have stressed the impact of international organizations like the OECD and the World Bank on spreading demographic thinking, we need also to acknowledge the influence of the Enquete commission. Even without concrete proof linking the spread of demographic knowledge among the media and the wider public to the Enquete commission's work, we have at least to consider the coincidence in time.

Having an Enquete commission devote ten years to the issue of demographic change reflected society's interest in demographic knowledge. Vice versa, when the parliament engaged intensively with the questions how the ageing of the population, the decline of fertility, or increasing life-expectancy will affect the social and economic situation, an important message got sent. Demographic knowledge was discussed by the *Bundestag*, the symbol of Germany's way back to democratic rule. Consulting demographers was seen not only as necessary, but once again it was considered legitimate.

CONCLUSION

When we are looking for places where in the past old age and the situation of older people were discussed, the parliament is one we have to consider. The *Bundestag* of the Federal Republic of Germany engaged regularly with pension- and care policies. Debates within parliament qualify as an elite discourse, in which only a limited number of speakers take part. However, when politicians elected to the *Bundestag* speak, it is a 'form of public discourse' (Bayley 2004: 11-12). How then, do the parliamentary debates regarding old-age policies in Germany matter? That was the question investigated.

As government took a more prominent role regarding legislation, the parliament's weight was reduced. Also, the sites where decisions on legislation were made, multiplied. In the German case the European Union and the Federal Constitutional Court became more important. Still, this contribution does not concur with scholars who state that the parliament was heading towards irrelevancy. Instead, it argues we should look beyond the decision-making process, which brings us to two conclusions.

First, once future laws have been enacted, policy making was not over. Decisions had to be communicated to the electorate and members of parliaments took this teaching assignment very seriously. The pension laws of 1957 as well as those of 1972, both major and complex reform packages, needed to be explained to the voters. The Social Democrats, as well as other parties, thus choreographed the readings of laws carefully in order to make clear how much they had contributed to the law and what the legislations actually meant. Even if we do not know if the electorate perceived it that way, we learn a great deal about the self-perceptions of members of parliaments and parliamentary groups.

Second, legislating was only one function of the *Bundestag*. Many of the debates on the floor were related to other forms of discourse, like parliamentary questions. These aimed as much at monitoring the governments as at gathering information. After all, the parliament lacked the ability to draw on expert knowledge, unlike the government, which could rely on well-staffed ministries and had the means to commission research. By tabling questions to the government, the members of the *Bundestag* compensated for that disadvantage. After the introduction of the right to create an Enquete commission in 1969, they were even more able to do so. By improving the *Bundestag's* access to expert knowledge, the latter was brought into plain sight. As members of Enquete commissions, experts could talk directly to the people beyond the academic and political elite circles. When the members of the *Bundestag* picked an issue and made it the subject of an Enquete commission, they didn't just stress its importance for society. Enquete commissions as part of the *Bundestag*, the heart of democracy, had the power to ennoble themes.

Finally, thinking about the impact of parliamentary debates not only tells us something about the history of old-age policies, but makes us aware of the pitfalls in gaining knowledge about the past as well. It stresses the necessity of considering carefully what the minutes of the parliamentary proceedings can and cannot tell us. Taking the sources seriously and bringing them into perspective is what can make a valuable contribution to history.

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Social Pensions Reform in Belgium

JEF VAN LANGENDONCK

In this essay Emeritus Professor Van Langendonck presents a brief historical overview on the social policy reform movements in Belgium since the First World War and gives an assessment of their impact on Belgian pension policy.

Belgium is not a progressive country. It would seem that Belgium is so fascinated with ethnic problems, for which it devises endless constitutional and institutional reforms, that it tends to remain very conservative in all other spheres of public policy, including that of social protection.

The Belgian system of social security and its pensions component goes back to three ancient traditions, which were found in most Western European countries: public assistance, social insurance and public pensions. All three still constitute the backbone of the system to-day.

They are, of course, not unchanged. Our country has experienced three major reforms, one of a general nature and two concerning the pensions branch specifically. Moreover, there have been three attempts at in-depth reform, two for the system in general and one specifically for pensions. There have also been a number of changes and transformations over the years, some of which have been called "reform" even if it is not certain that they deserve that ambitious name.

The First World War could have brought an important moment of reform in Belgian social policy, but it did not. In 1914, the Belgian government had elaborated a comprehensive plan of national social insurance for workers, inspired by the German model. It was already approved by the Chamber of Representatives and still had to go to the Senate, when those same Germans invaded the country. From that moment on a German-inspired plan, of course, had lost all of its appeal.

After the war, the trade unions demanded that a real social protection scheme became active again. There was little argument about the contents of such a scheme, based upon the pre-war plans. However, for the whole duration of the inter-war period its realisation was put off by a fierce dispute over the scheme's management. The Christian party wanted the system to be run by existing private organisations, of which the vast majority were of Christian signature. For that very reason the socialists and liberals wanted public law institutions.

It was not until the end of the Second World War that this ideological and partisan dispute could be resolved. Already during the war there were more or less clandestine meetings of employers and trade unions to prepare the social policy for the post-war times. These resulted in an institutional compromise, with financial management given to official institutions but benefits management left in the hands of the private organisations. Incidentally, this compromise plan also served to fend off the more ambitious reform plans the government in exile had brought with it from London, inspired by the Beveridge report. Such far-reaching proposals were felt to be too un-Belgian. In the report to the Regent the government said that it wanted to give an overall protection to "all working men and women", but they immediately added that they would "provisionally" start with reforming the already existing schemes for the employed workers. And so it remained.

Soon afterwards, in 1950, the government appointed two royal commissioners to design the new social protection scheme. One commissioner was a French-speaking socialist, the other one a

Flemish catholic. They made a number of excellent proposals, some of which would still be considered interesting today. Still, unsurprisingly, they disagreed on the private or public management of the future scheme, along the same lines as during the inter-war period. And so the reform proposals were buried.

Until then, the Belgian social security system had developed along the classical Bismarckian lines, concentrating on employed workers. In the period known as the "golden sixties" it was felt that something should and could be done for the self-employed, many of whom found themselves in poor circumstances when disabled or in old age. A committee was appointed, consisting mainly of representatives of the associations of self-employed persons, under the chairmanship of count d'Alcantara. The committee took the disastrous option of a parallel system, similar to but totally separated from that of the employed workers. Some class-consciousness went into this. The proposals were enacted in in 1956 for pensions and in 1967 for a more comprehensive – but poor - protection scheme. The poor risk situation of the self-employed as a group, particularly with regard to disability and old age, made that the scheme could only pay limited benefits and remained chronically underfinanced.

It would not be until the 1980's that a new reformist zeal struck the country. It was felt that the Belgian social security had become a mosaic of schemes and sub-schemes from various periods. One looked with admiration to the Germans who were preparing their overall Social Code. By an Act of 23 July 1980, Parliament appointed a mixed political-scientific commission to "harmonise, codify and simplify social security in a general reform of the system". The two chairmen were – not surprisingly – a Flemish catholic and a French-speaking socialist, Roger Dillemans and Pierre Vandervorst, who this time understood each other reasonably well. Many of the best specialists in the country took part in the work. The commission presented its voluminous report in 1982. In the meantime the then Minister of Social Affairs had prepared and Parliament (unanimously) voted an Act of "the basic principles of social security", inspired by part I of the German Social Code. This act, however, never came into effect (apart from a bizarre last minute addition to it), because of a personal rivalry between the minister and the Prime Minister, even though belonging to the same party. The report of the commission followed the same path. It was laid aside and soon forgotten. Apparently, it was not easy to reform in a conservative country.

POVERTY IN OLD AGE

The fear for poverty in old age has always been strongly present among the working classes. It became more acute than ever in the first half of the 19th century, when the poor workers in the cities found themselves far from their familiar farms where they could always find some subsistence. The authorities tended – as always – to blame the poor for their poverty, because of their lack of prudence and foresight. Only private charity and public assistance provided some relief for the worst and most meritorious cases.

One of the most severe crises occurred in the year 1848, after a disastrous potato harvest, triggering revolutionary movements in several countries. The Belgian government, as most other governments, responded with some measures promoting mutual aid societies and cooperatives. There was also a more important reform with the creation, in 1850, of a public old-age savings fund meant to encourage the working classes to save for their old age, the "Caisse de retraite" or "Lijfrentekas" ("Annuity Fund"), to be reformed in 1865 into "Caisse Générale d'épargne et de retraite" (CGER) or "Algemene Spaar- en Lijfrentekas" (ASLK) ("General Savings and Annuity Fund"). This was a public institution, guaranteed by the State and operating though the National Bank, where the participants could be confident that their money would not be lost, as it was too often the case with private savings banks and workers' saving clubs.

Originally, it enjoyed only a limited success, but from 1891 on the State added subsidies boosting the savings of the workers. This was officialised by an Act of May 10, 1900. These subsidies amounted to no less than 60% of the value of the deposits. Moreover, a flat-rate minimum pension was granted to those who had already reached the age of 65 on January 1st, 1900. Schoolchildren were issued savings books in which they entered small deposits every week and which they kept for their whole lives. No wonder that the Fund grew rapidly in popularity and soon became the largest savings bank in Europe.

From 1889 on, the Fund started issuing mortgage loans, secured by life insurance and so became the first combined bank and insurance institution. The Fund survived until the 1990's until it fell victim to the huge Belgian national debt, which at that time exceeded 120% of GNP. It was gradually privatised and finally merged into the bank group "BNP Paribas Fortis". Still, even today family members discover in the inheritance of their parents or grandparents a yellow savings book with some long-forgotten deposits, now mostly without value.

After the First World War the government had to take emergency measures for the pensioners whose savings with the General Savings and Annuity Fund had lost practically all of their value. Two acts of June 17, 1919 and August 20, 1920 instituted "free" minimum pensions for all persons born before 1858. Similar means-tested minimum pensions were organised again after the Second World War. These poor pensions subsisted for a long time.

When the first mandatory social pensions were created, first for the coalminers in 1911 and afterwards for the other employed workers in 1924 and 1925, the General Savings and Annuity Fund remained the central institution. The main difference was that all workers were obliged to join the Fund. They paid flat-rate contributions (with the exception of white-collar employees who paid proportional contributions), with an employers' contribution and a government subsidy. The system remained half-way between a poverty relief and a social insurance scheme. To this day, the Belgian pension system has always remained in this social twilight zone.

In the "golden" 1960's Belgian society discovered the scandal of "poverty in the midst of plenty" and it was felt that a better minimum standard of social protection ought to be guaranteed for all citizens. It started with the elderly who, by an Act of April 1st, 1969 became entitled to a minimum pension in a means-tested scheme, financed out of general taxation, with the administration cost (incongruously) at the charge of the general pension scheme for workers. It was considered an important progress in social policy that these minimum pensions (and the other minimum benefits created soon afterwards) were part of the social security system, not of public assistance and that these benefits could be claimed as of right, if necessary before the newly created Labour Courts. It is not certain, however, that many of the beneficiaries of the scheme ever noticed the difference.

By the year 2000 it was time for a reform of the scheme. This was triggered by the change in the pension system for workers, where the lower pension age for women (60) was gradually equalised to that for men (65). The transition period in the workers' scheme, where the full equal pension age would be reached only in 2009 was not deemed necessary for these "free" pensions.

The benefits were also "individualised" in that sense that entitlement no longer depended on the family status (often a source of trouble and controversy) but simply on one's housing situation. The benefit was different for those who lived alone and for those who shared their household with others. This appeared as a more objective criterion than the sometimes volatile family situation. Unfortunately, the means test was maintained along the lines of the old scheme, so that the family situation and its controversy remained.

Strangely, around the same time a general public assistance scheme was set up by an Act of July 8, 1976 granting minimum benefits equally as a right, to be claimed before the Labour Courts. Often, persons who were refused the minimum pension or another minimum benefit under social security (mainly because they don't possess the necessary resident status) simply turned to this public assistance to claim the same benefit under very similar conditions (only with a – at least theoretically – more severe means test). In some cases they were served at the next teller window in the same office. Some of the beneficiaries were not even sure under which scheme they were claiming. Simplicity of administration has never been a Belgian specialty.

The "big bang" of Belgian social security in 1945 did hardly affect the pension branch, which continued along the lines of the existing scheme, with its mix of social insurance and poverty relief elements. The pension benefits in the post-war years were still based on the old-age annuity from the General Savings and Annuity Fund, supplemented with a State subvention for the elderly of Belgian nationality, doubling the annuity and a means tested supplement.

All of this was reformed in 1955 with the introduction of pay-as-you-go financing (here more aptly called "repartition") at least for the blue-collar workers and with pensions of 75% of average wages for a family or 60% for a single person. The white-collar workers demanded and obtained a partial preservation of their funded scheme.

The most important reform of pensions in the modern era took place in 1967, at a time when an unexpected economic crisis brought an end to the boom period known as the "golden sixties". Parliament voted special powers to the government to introduce social and economic reforms by Decree. One among the long "train" of Decrees under these special powers was Royal Decree No. 50 of October 24, 1967.

The problem was a specific one. The Belgian workers' pensions were divided into four schemes with very different risk ratios. The newest scheme for the white-collar workers was in a very good situation with many active contributors for few pensioners. The situation was opposite for the two old schemes for coalminers and sailors. For the coalminers there was one contributor for 1,35 pensioners. There was only one solution: merging the four schemes into one. However, the coalminers and sailors wanted to keep their preferential benefit conditions, particularly the low pension age and the advantageous benefit calculation, related to the dangerous nature of their occupation. Similarly, white-collar workers didn't want to pay for the poor risk ratio of all the other workers. They also wanted to keep their partly funded scheme. Strikes and street protests followed. Still, the then Prime Minister, Paul Vanden Boeynants, one of the most colourful figures of Belgian politics, was a strong personality. He maintained with some adjustments the advantages for the coalminers and sailors, whose number were dwindling anyhow and he gave the white-collar workers a (temporary) 10% pension increase, but the merging of the four schemes was carried out. From then on, a full pay-as-you-go scheme including all employed workers.

It is however a pity that the self-employed, whose risk ratio was clearly worse than that of the employed workers, were not taken into the scheme. This was not even mentioned in the debate. Apparently, class society was not dead yet. Also, the special pension system for the public sector workers, a remainder of the old system for the civil servants, was kept separate and not brought into the discussion. After the reform Belgium still had three completely different pension systems. Indeed, for old-age prospects it made a big difference under which scheme you worked. The scheme for the self-employed provided minimal pensions under a more or less funded system, that for the public sector gave very generous pensions mostly paid out of public funds and the workers' pay-as-you-go scheme was situated in-between.

It was not until the 1980's that voices were heard to question this state of affairs and to call for a harmonisation of pension schemes. At that time there was another economic crisis and again Parliament voted a "special powers" Act enabling the government to make the necessary reforms by Decree. The Prime Minister at that time was Jean-Luc Dehaene, nicknamed the bulldozer, who didn't hesitate to issue more than 600 Decrees modifying existing legislation. A large number of these dealt with social security but only a limited number concerned the pensions branch. The most important ones were the introduction of the "prepension", a preferential unemployment benefit for male workers laid off in the last years before their retirement age (Decree No. 95 of Sept. 28, 1982) and the abolition for female workers of the possibility to claim early retirement at a reduced rate (Decrees No. 416 and 417 of July 16, 1986).

Mr. Dehaene was not a friend of harmonisation. He was famous for his tendency to govern by complication, mainly in the area of institutional reform but also in social security. But while he was showering complicated Decrees over the country one obscure Minister quietly prepared a very important harmonisation reform and got it unanimously approved by Parliament. He was the first Minister of Pensions, appointed not because it was felt that a pensions department was needed, but because of the political balance in the government they were one Walloon Christian Democrat short. Pierre Mainil was a senator from the province of Luxemburg and he patiently composed his bill to become the Act of May 15, 1984 now called "Mainil Act".

This was the first real attempt to bring together the pension systems for employed workers, self-employed and public sector workers. It bravely unified the pension age and the pension conditions for all persons earning an income from work. At the same time, it enacted in Belgian law the European Directive on equal treatment of men and women in social security, particularly in the area of survivors' pensions. It left the very advantageous pension calculation for the public sector largely untouched, but it unified in principle the calculation formula for pensions in the schemes of employed and of self-employed workers, with a correcting factor based on the contribution differential between both groups. If in the future both groups would pay the same pension contributions (including, of course, the employers' contribution) then their pensions would also become the same.

This silent reform also meant a breakthrough in the stalemate around the public sector pensions. The beneficiaries of these pensions were strongly attached to their privileged scheme, along the old concept of a life annuity, unilaterally granted by the Prince as in the Ancien Régime. These pensions were not contributory and at 75% (earlier 100%) of final pay. The pension amounts were adapted every year to the evolution of the salaries in public service, by a practice called "perequation". Like annuities they were independent of family or employment situation, but they were also conditional on "faithfulness" to the service, meaning that no the pension right was lost if one quit or was dismissed before retirement age.

Lastly, public sector pensions are more numerous in Belgium than in most countries since all teaching staff of private institutions were brought under it by the "School Pact" of 1956. The financial burden of all these pensions became too much for the

State budget. Therefore, the Act of 1984 assimilated the pension conditions to those of the private sector, which meant that a retirement condition was introduced, but also that early retirement became possible. Still, this is where the reform movement stopped.

THE PROBLEM WITH RETIREMENT AGE

From the 1970s onwards there was a general unease about the sustainability of social pensions, originating from the growing demographic imbalance between young and old in society. The panicky feelings about this problem were fuelled to a considerable extent by a campaign on the part of banks and insurance companies anxious to sell private pensions and life insurance. In 1974, the Belgian government had reduced the retirement age from 65 to 64 for men who had had a sufficiently long working career. However, from then on the debate was about raising retirement age.

The first focus was on women, who had received in the 1930s the privilege of a lower retirement age at 60 instead of 65. This was however not done in consideration of the double charge of women in domestic and occupational work. Rather, it was to counter the claims of women workers, who considered, with some justification, that they should pay lower contributions, since these only gave entitlement to old-age pensions, whereas the contributions of male workers gave possible entitlement to survivors' pensions for their wives and children. The government had no wish to lower the contributions for women, which could have given men a disadvantage on the labour market. However, considering the low employment opportunities for women at that time of economic depression they decided to lower the retirement age for women instead.

Curiously, this measure has withstood the passage of time and economic upheavals for more than half a century. It has received the status of an acquired right for women, nearly as a moral rule. However, this was about to change.

On December 19, 1978 the Council of Ministers of what was then the EEC issued a surprising Directive No. 79/7/EEC on the "gradual implementation of the principle of equal treatment in social security". Surprising because the Council had no legal powers to take such a measure. The competence of the EEC in matters of social policy was even more limited than that of the EU and did not include harmonisation of social security systems. It could only be based upon the general power of the Council to act by unanimous vote on all matters likely to improve the operation of the economic community. Whether equal treatment of men and women was such a matter became an irrelevant question as soon as all member countries concurred in their vote.

The unanimity of the voting is astonishing, considering that the UK was then a member of the Community and not known for its favourable attitude towards community social policy. However, the spirit of the time, after the successful international women's year, was such that measures to promote equality between men and women received warm support everywhere. Furthermore, the EEC was in need of warm support, since its popularity was declining together with the economic situation in the member states.

Belgium was as usual very slow in implementing this Directive. It left it until the last minute of the transition period. Eventually though, something had to be done. The already mentioned "Mainil-Act" of 1984 equalised pension entitlements for men and women with the exception of the retirement age, as was allowed by the Directive. Still, it left the pension age untouched.

The socialist Minister of Pensions at the time came with a plan to equalise the retirement age for men and women in a flexible way, allowing both male and female workers to retire at the age of 60 – which was always a basic claim of the French socialists. The problem with the Act of July 20, 1990 was that it equalised the pension age but left the pension calculation different for men and women – exactly the opposite of what Directive 79/7 said and allowed.

As expected, this Act was challenged in the courts, both national and European, by male retirees who wanted their pension to be calculated at the advantageous rate for women. Of course, the courts found that European law has precedence over national law. Faced with a possible huge increase in pension payments the government then came up with the idea of an "interpretative law" (Act of June 19, 1996), which strangely said that the Act of 1990 did not mean to equalise the retirement age for men and women. It pretended – not very convincingly – that the pensions for men and women were not of the same nature. The retirement pension for men was based upon an assumption of incapacity to work at a certain age, whereas that for women would be related to the weak position of women on the labour market. The point of the interpretative law was that it should justify the differential in pension calculation *ab initio*, whereas a change in the law would only count for the future, leaving the government with six years of expensive pensions to pay.

The Belgian Court de Cassation and the Constitutional Court (then called "Court of Arbitration") finally, but reluctantly, accepted this interpretative law as valid. Remarkably, it is still on the books.

A new "special powers" Act of December 23, 1996 authorised the government to act by decree to "modernise social security". One of the Decrees under this Act made certain reforms in the pension scheme and specifically introduced a gradual equalisation of the retirement age and the pension calculation for men and women, over a transition period until 2009. The old "flexibility act" was not abolished but became something of an "early retirement act". As a result, the matter of the pension age is now ruled by four different acts of parliament. This clearly bears the mark of that "ruler by complication" who was the Prime Minister at the time, Jean-Luc Dehaene.

In more recent times the unified pension age has been raised from 65 to 66 and to 67 years. Surprisingly, this has met with little resistance. It would seem that the population has become aware of the financing problem of pensions when people live longer. One can also look at the fact that the real retirement age in Belgium has always been relatively low. Successive governments have taken various measures to counter this tendency: more strict conditions for early retirement and a bonus for those who work longer. Still, at least some Belgian workers seem to prefer moving abroad before retirement age with a lower pension, while their relatively good health allows them to enjoy a better quality of life.

TOWARDS A THREE-PILLAR SYSTEM

The Belgian pension scheme for employed workers has, from the 1920s on, been of classical Bismarckian inspiration. It wanted to provide a retirement benefit that would be the main and sufficient source of income in old age. From the time after the Second World War the benefit has been typically 60% of average wages for a single beneficiary and 75% for a family.

The pension calculation was based upon the total wages earned during the lifetime of the worker, divided by the number of working years. There was a wage ceiling for white-collar workers, but it was sufficiently high (or the wages sufficiently low) so that it did not affect the majority of the workers. Occupational pensions have for long been reserved for a small minority of highly paid employees.

This was changing in the 1980s. The influential report of the World Bank on *Averting the old-age crisis* (1994) strongly boosted the tendency to shift the financial burden away from the public social pension scheme towards privately managed occupational pension plans.

The Belgian government held much the same views. Already in 1976 it was decided not to adjust the wage ceiling anymore to the general evolution of wages, only to the price index. The result was that the real value of the higher pensions went lagging behind that of earnings of active workers. On the other hand, minimum guaranteed pensions for workers with at least two thirds of a full working career were introduced (Act of August 8, 1980). With time the maxima and the minima converged towards each other. The pension system was in this way slowly changing from a proportional benefit towards a flat-rate benefit. The gap had to be filled by occupational pensions.

These occupational pensions were not strongly developed in Belgium. For a long time they were not considered to be part of the social protection system, being regulated only by tax law and of insurance law. The first statutory instrument in this field, the so-called "Colla-law" after the name of the Minister of Pensions of the time, was still very much situated in this perspective. But in 2003 came a new law, the Act of April 28, 2003 called WAP ("*Wet Aanvullende Pensioenen*"), bearing the mark of the best minister of social affairs we ever had: Frank Vandenbroucke.

Under this act a distinction is made in occupational pensions between "ordinary" and "social" plans. Social plans must apply to all employees of the enterprise or the branch. They have to contain an element of solidarity by way of providing for periods of unemployment or interruption of work, and possibly also for illness or disability or premature death. In that case they will be eligible for more favourable treatment in tax law than ordinary plans.

All plans have to accept all workers without discrimination and without medical selection. Workers have to join from the age of 25 and there is no redemption before the age of 60. The plan has to guarantee a certain minimum rate of interest on the investment, the percentage of which has been later adapted to the general slack in interest rates.

Around the same time, a reform was also made in the occupational pensions of self-employed workers, along similar lines. Here also one finds the possible option for a social plan with some solidarity benefits, such as for disability or premature death. The minimum interest rate is kept at 0%, which means that the worker must always be guaranteed his money back.

As a result, the number of workers covered by occupational plans has clearly increased, even if it still does not reach the proportions known in some other countries. Still, the "solidarity" plans have not known the success that was hoped for. Workers and enterprises see the occupational pensions mainly as financial investments, rather than part of their social protection scheme.

Of course, there was talk about a "three-pillar" system. The third pillar should have consisted of individual pension plans through banks or insurance companies, with a favourable treatment by the tax system. This scheme was successful in that a large majority of workers took advantage of it insofar as the tax advantage was concerned. Still, it never could count as a serious element of the pension system.

The Belgian pension scheme was always situated between a savings and an insurance system, to the image of the public savings fund (ASLK/CGER) that ran the original scheme and that was in fact a mixed bank and insurance institution. The pension was calculated upon the earnings for each year of insurance up to the retirement age.

In the 1970, there was already a change of conception of the pension system in that pensioners were no longer allowed to combine their pension with income from work above a certain limit. The idea was to provide some relief to the labour market at a time of high unemployment. This way, the pension was changed from an old-age benefit to a retirement benefit, retirement from the labour market becoming a condition for eligibility.

Sometime afterwards this tendency was reversed. In 2005, pensioners who had reached the regular pension age with a sufficient number of working years were again allowed to enjoy their pension benefit while continuing to work, combining earnings and pension for a better standard of living. This was part of an effort by the government, ambitiously named “Generation Pact” (Act of December 23, 2005), with the aim to secure the sustainability of the pension system for the future. The pact consisted mainly of tax measures to increase employment, particularly of elderly workers, an area in which Belgium lagged behind most other European countries. It also introduced a “pension bonus” to reward workers who continued in employment until their full retirement age, or near to that age.

On the other hand, workers who took early retirement were as before not allowed to combine their pension with earnings. This was a deliberate effort to curb the tendency towards early retirement, an area in which the Belgians were champions. The real retirement age in Belgium was always much lower than the statutory retirement age. Over the years the requirements for early retirement have been made more strict. The minimum age for early retirement was gradually raised to 62 and the number of working years required was increased to 40 (2011).

The early retirement has always been actively stimulated by measures taken outside the pension system in the field of unemployment by way of what was known as "brugpensioen" or "prépension" ("bridge pension"). At the time of the unemployment crisis in the 1970s systems were developed by which employers could lay off manpower under very generous conditions, with a favourable unemployment benefit topped up by a supplement from the employer and with preservation of full pension rights for the worker. This scheme was enormously popular. Workers who kept their jobs were jealous of those who could leave with a generous *brugpensioen*. When enterprises got into difficulties the first claim of trade unions was always for "bridge pensions" at the earliest possible age.

This perverse system has gradually been eroded by increasing the minimum age and the requirement of a minimum number of worked years for their awarding, be it with a number of exceptions for special cases and for enterprises recognised as being in difficulties. However, employers found ways around these requirements by providing supplements to unemployment benefits outside this framework under agreements called "Canada Dry" after the first enterprise that discovered this way. These have also been curbed by imposing rather severe employers' contributions on them.

THE PENSION COMMISSION

A more serious effort was undertaken to tackle the problem of the future of the pension scheme by the appointment of a "Pensions commission" under chairmanship of the much respected former Minister Frank Vandenbroucke. The commission produced a heavy scientific report, starting from five problem areas: the ageing of the population, the widespread early exit from the labour market, the financial unsustainability of the system, the differential between the existing schemes, and the mutation in family patterns.

Its main recommendations were

– to (slightly and gradually) raise the pension age, and the minimum age and working years for early pension

- to introduce a pension points system for pension calculation, as in the German and Swedish (second tier) systems
- to split pension rights between partners in marriage or cohabitation in case of divorce or separation, again as in the German system
- introduction of a part funded system in the social pensions, again as in the Swedish system.

All in all, these are rather tame propositions, staying relatively close to the present system. The points system actually is not far removed from the existing calculation. It mainly replaces the figure of the actual earnings by a relative figure comparing the earnings to the average. To this points system the commission proposes to apply corrections for maxima and minima as in the existing scheme. It also does not take the points system to its logical consequence of an automatic adjustment of pensions to the evolution of wages, considering that this would be too expensive.

More importantly, the commission failed to show the way for a unification of the different schemes for the public sector, for employed workers and for the self-employed, which is the main point of social injustice in the whole system. It only proposes some form of harmonisation along the lines of the old harmonisation act of 1984.

The government did take some action on the basis of these recommendations, but only in a somewhat loose relation to the text of the report. A shift was operated from an old-age pension to a career pension in a way that is not far removed from a points system. A career was always 45 years, which is now defined as the equivalent of 14,040 days in full-time employment. Who fulfils this complete career is entitled to a full pension even when retiring before the statutory age. The retirement age (now gradually raised to 67 in 2030) fades into second place, the duration of the career is the more important feature in the system now.

Another important point is the treatment of so-called "assimilated periods". These are periods of interruption of work for illness, disability or unemployment or for some other "social" reason as recognised by labour law. Traditionally, these were assimilated to working periods and for pension purposes a fictitious wage was calculated as if the previous wage had been continued. For some time already voices were heard pointing out that up to 1/3 of the pension careers were composed of "assimilated" periods for which no contributions had been paid. The government responded by first reducing the wage ceiling for these periods and more recently by changing this to a flat-rate calculation in accordance with the generally guaranteed pension minimum. This way, the risk of illness, disability or unemployment was partially shifted to the worker himself. The government called this strengthening the relation between pensions and work. However, it amounted to reducing the solidarity element in the public pensions scheme at a time when one tried to increase it in occupational pensions.

Furthermore surprisingly, the government abolished the *bonus-malus* for longer work or early retirement that was considered important in the (vain) attempt to make Belgians work longer. The pension reduction for early retirement was abolished for employed workers in 1997 and for self-employed workers in 2014. The pension increase was abolished for both groups in 2015. It simply did not work. Early retirement is a cultural phenomenon. People will move to South Spain when then can do it. They will take the pension reduction in their stride, the cost of living being lower there anyhow.

INCOHERENCE

Overall, one can point at the incoherence in Belgian pension policy, in such important matters as the retirement age, equal treatment of men and women and of workers of different status, the pension calculation and the permission (or not) for pensioners to work.

Originally, old-age pensions were perceived as annuities to which the beneficiary had an absolute right. In 1970 this entitlement was made conditional upon at least partial retirement from paid work in order to liberate jobs for younger unemployed workers. In recent years, the limitations on earnings allowed for pensioners were gradually softened, until now old age pensioners with a full career or after the age of 65 are completely free again to engage in paid work – even if not very many do this.

The pension age for women was reduced from 65 to 60 in the 1930s. In 1990 the retirement age was in principle equalised to 60 for both sexes, but restored to 65 for men and 60 for women by an "interpretative act" of 1996. This was followed by a pension reform in 1997 to raise the age gradually to 65 for both sexes by 2009. And now recently it has been raised again, even more gradually, to 67 in 2030.

Early retirement was in the old days possible in an equal way for men and women, with a reduction of 5% per year of anticipation. Then came in 1978 a special "bridge early pension" ("*brugrustpensioen*") for workers who were unemployed or disabled. They could be retired off at 60 for men and at 55 for women without reduction in the pension calculation. Then came Decree No. 415 of July 16, 1986 restricting the right to early retirement to only male workers. In the same way the "bridge early pension for unemployed or disabled workers could only be granted from the age of 60, restricting this right to only male workers since 60 was, of course, the normal retirement age for women. This was officially justified as a "step towards equal treatment of men and women in pensions.

The "flexible retirement" Act of 1990 went one step further by abolishing the pension reduction of 5% per year for men taking early retirement. When afterwards the retirement age for men and women was gradually equalised at 65, early retirement became possible for both sexes from the age of 60 if certain career requirements were satisfied. No pension reduction was applied in the scheme of the employed workers, but the 5% reduction per year of anticipation was maintained in that of the self-employed – at least for a number of years, till 2003. On the other hand, a "pension bonus" was granted in both schemes to those who continued working instead of taking early retirement. All of this has finally been abolished in 2015.

A pension system has to inspire confidence in the long term. This cannot be achieved by constant reforms going in various directions. Workers should know when they start their working career what pension prospects they have and how sure they can be of them.

SOCIAL CONSERVATISM

Most importantly the pension commission and the government action after it have left the situation unchanged insofar as the division of the pension system in three parts is concerned: one for the employed workers, one for the self-employed and one for public sector workers. These three groups have vastly different risk ratios, with the result that their pension prospects can never be the same. With a public sector pension one can be confident in the future, with a self-employed pension one has to provide for one's own old age and employed workers are situated somewhere in-between.

This is justified by the commission in vague terms on the "important differences in legal and socio-economic status" between the three categories. In reality these difference are no longer there. There is no real difference between working for a public or for a private employer – if one can already distinguish clearly what is private and what is public. There is also no clear distinction between employed work and self-employment. The diversity and flexibility of the labour market makes the grey area between the two always larger and more opaque. As we said: what one cannot distinguish clearly has to be treated equally.

The first important reform plan of Belgian social security by the national commissioners Fuss and Leën in 1950 was the only one to propose a full integration of the self-employed in the scheme for the employed workers. For that purpose they proposed the abolition of the Bismarckian division between workers' and employers' contribution. However, this proposal was not acted upon.

The much later report of the parliamentary commission Dillemans – Vander Vorst (1985) has not even contemplated a merger of the three schemes. Their separate existence seems to have been considered as a natural phenomenon. Also, the recent pension commission Vandenbroucke has explicitly rejected merging the three schemes, opting for a moderate rapprochement instead.

Clearly, everyone is afraid of the trade unions' and other involved groups' and organisations' reaction, along the lines of what one sees in France. No one wants to give up the advantageous position they have reached throughout history, with or without struggle. The trade unions once were the defenders of the underprivileged. They have now turned into defenders of – admittedly relative – privileges. This way, Belgium remains a socially conservative country.

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Tensions and Compromises between Agrarian and Wage-Work Interests in Finnish Pension Policy until the 1980s

MATTI HANNIKAINEN

ABSTRACT

This contribution analyzes the development of Finnish pension schemes until the late 1980s. Finland underwent a transformation from an industrializing agrarian country to an industrialized and modern wage-work society during the second half of the twentieth century. Rapid structural change was evident also in its pension policy. The national pension and earnings-related pension schemes were vying with each other over which would be the main provider for the elderly and the disabled. In the transition period, increasing social spending created safety nets and decreased resistance to structural change when a multidimensional competition between the schemes led to an acceleration of benefit improvements in a short period. This contribution engages in the discussion over the virtuous circle of the welfare state.

INTRODUCTION

The formation of the welfare state was one of the most remarkable changes in Western society during the twentieth century (Flora 1986; Esping-Andersen 1990; Tanzi & Schuknecht 2000; Petersen & Petersen 2009; Espuelas 2012). The transition period had already started in the late nineteenth century, but the most important period of growth occurred in the latter half of the twentieth century. Public education, healthcare, unemployment benefits and pensions became the cornerstones of modern societies. In previous decades and centuries, the lack of work, underemployment, illness, disability and old age were major risks that adversely affected well-being. Growing social spending redistributed the fruits of economic growth between the rich and poor and among different ages and societal classes. Moreover, an 'average' wage-worker (taxpayer) received substantially more income transfers and services than before. As Lindert (2004) has argued, social spending linked to three other great social transformations: the transition to fuller democracy, sustained economic growth, and the demographic transition.

The societal development in Finland can be described as an example of the relative "Gerschenkronian type of backwardness" (Gerschenkron 1962). Like many other European countries, Finland transformed politically from an absolutist to a parliamentary regime in the early twentieth century and experienced rapid catch-up growth from a poor agrarian country into an industrialized and modern welfare state in the decades following the Second World War. In this transformation the widening of democracy, economic growth, structural change and the formation of the welfare state were closely entwined. The growth of social spending reduced poverty and it included many egalitarian elements and the idea of universalism. As Finland was a latecomer, along with Iceland, for example (Jónsson 2001) in economic and social development, growth was faster than in the leading countries.

This contribution analyzes how extensive pension reforms became an important part of the transformation into a modern wage-work society and welfare state in Finland. Structural change mandated the need for social security and ideological and political changes such as social equality and the widening of democracy after the Second World War increased willingness to carry out social reforms. Economic growth boosted resources for social reforms. The greater portion of the fruits of economic growth was directed to welfare-increasing policy interventions with the result that poverty declined. The rapid structural change was evident in pension policy as the national pension and the earnings-related pension schemes were vying with each other over which would be the main provider for the elderly and the disabled. Moreover, the earnings-related pension scheme became a central component of Finnish corporatism. (Alestalo & Uusitalo 1986; Salminen 1993; Hinrichs & Kangas 2003; Bergholm 2009; Hannikainen & Vauhkonen 2012)

The contribution is structured as follows. The next section presents pension reforms in Finland during the Golden Age of the welfare state, i.e. until the late 1980s. Thereafter, the section titled "Coordinated capitalism" examines institutional factors that influenced the formation of pension schemes, which then leads to a discussion of the virtuous circle of the welfare state. The last section briefly describes the start of the retrenchment period: the recession of the 1990s and the impact of an ageing society on the welfare state.

THE FORMATION OF PENSION SCHEMES

The first nationwide obligatory old-age and disability pension covering the whole population (the National Pensions Act) was enacted in Finland during a post-Depression economic boom in 1937. It was mainly based on plans made in previous decades (Hannikainen 2013a). In line with an industrializing agrarian society, the pension arrangements were the result of cooperation and a compromise between the Center (agrarian) party and the Social Democrats which formed the country's government. The act came into force in 1939 so that the first disability pensions were paid in 1942 and the first old-age pensions in 1949. The retirement age was set at 65 years, as was the case with earlier plans and in many other countries, although the Social Democrats supported retirement at 60 years. The national pension was based on individual insurance contributions collected in savings accounts. (Niemelä 1988; Salminen 1993; Häggman 1997; Hinrichs & Kangas 2003; Blomster 2004; Kangas 2006; Hannikainen & Vauhkonen 2012; Vauhkonen 2016; Hannikainen 2020)

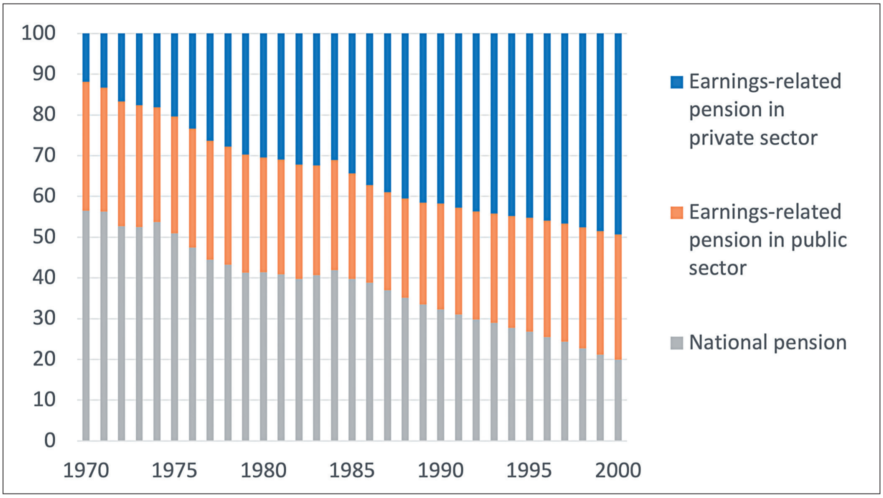
The national pension did not respond to expectations, and the state committees began to reform it right after the Second World War. After a long preparatory period, the national pension was fully reformed and the new National Pensions Act took effect in 1957. Parliament came to a completely different system than had been put forward by the committee. The Agrarian Party and the Communists, but eventually also the Social Democrats supported this type of reform. According to the new national pensions, everyone above the age of 65 or disabled was paid an equal-sized pension. If the pensioner had no other income, the pension could be topped up with supplements. The financing of national pensions was arranged mainly based on the PAYGO scheme in which insurance contributions are collected each year roughly to the amount needed for the pension payments and administrative costs of the year in question.

The new national pension created the need for earnings-related pensions. After four years of preparation, the earnings-related pension scheme in the private sector was finally founded in 1962 (Act 1961), as a compromise between employees and employers. The earnings-related pension provision was implemented in a decentralized way. Taking out earnings-related pension insurance was made obligatory, but the employer could choose from which earnings-related pension provider to take out the insurance. Employment-based pensions were initially financed by employers and administered by private pension providers (companies and funds). The employee contribution share has been in place since 1993. Although in private-sector schemes partial funding is used, most pensions paid are financed according to the PAYGO scheme. Accrued pension rights are maintained when an employment contract ends. The retirement age was originally 65 years, the same as for the national pension.

Pension reforms continued in the 1960s. Public-sector pension schemes, which had originally been established for many central government authorities in the nineteenth century and for some municipalities in the first half of the twentieth century, were also reformed in the 1960s in line with the private-sector reform but including, however, better benefits and lower retirement age. For a long time, the public-sector earnings-related pensions were based on the PAYGO scheme, but due to the projections concerning the growth of future pension expenditure, funding was introduced as of the late 1980s. The earnings-related pensions were extended to farmers in 1970. At the same time, an expanding population group, the self-employed, was included in the earnings-related pension scheme. Thus, earnings-related pensions covered nearly the entire population. All these pension schemes include old-age and disability pensions and survivors' pensions were included in the pension schemes in the late 1960s.

The benefits of the earnings- and national pension schemes were coordinated into a more appropriate entity from the 1970s onwards. The annual accrual in the earnings-related pension schemes was increased in the middle of the 1970s, but by the same token the national pension was decreased for recipients of the employment pension. The general increase meant that, as of then, pension accrued at a rate of 1.5 per cent of the earnings instead of the former 1-per-cent rate. The earnings period for a full earnings-related pension remained forty years. The new target level for earnings-related pensions was raised one and a half times compared to the previous level, i.e. to sixty per cent of wages. The pension reform was negotiated between the labor market organizations as a part of the incomes policy agreement

FIGURE 1 The shares of pension schemes expenditures in Finland, %, 1970-2000.



Source: The Finnish Centre for Pensions; The Social Insurance Institution of Finland; Hannikainen & Vauhkonen 2012.

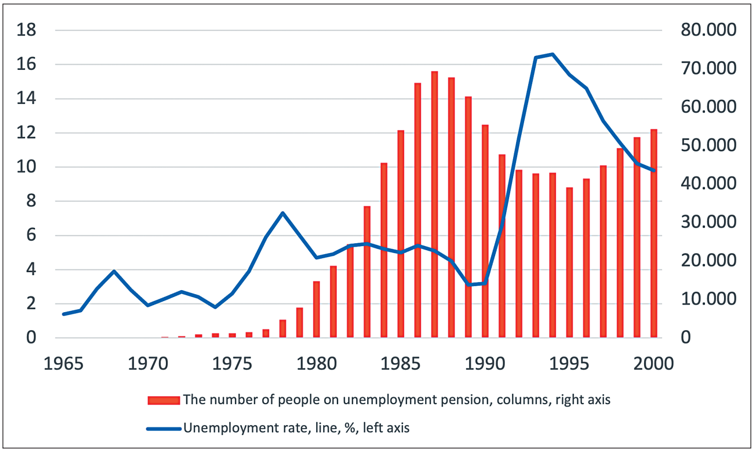
of 1974. Because of the reforms, the earnings-related pension gradually developed into the most important pension scheme. (Hannikainen & Vauhkonen 2012)

In the late 1970s, the coalition government – left-wing and center (agrarian) parties – decided to go ahead with a reform of the national pension scheme. In the reform carried out in stages in the 1980s with which the national pension level was increased, means-testing was abolished, spouse's pensions were differentiated, and the scheme was simplified. The work distribution between the pension schemes, pending for decades, was completed when the national pension gradually became fully pension-tested as of 1996. This meant that in the future, as the earnings-related pensions increased, more people would receive only an earnings-related pension and no national pension at all. The national pension guarantees a minimum pension level for those with no or only very small earnings-related employment pensions (Hinrichs & Kangas 2003; Hannikainen & Vauhkonen 2012).

The discussion of an appropriate retirement age started (or continued) immediately after the pension schemes came into force. The private-sector old-age retirement age of 65 was higher than the public-sector old-age retirement age which, due to supplementary pension arrangements and occupation-specific retirement ages, was 63 or less for practically all public-sector employees. Instead, in the private sector a supplementary pension involved mainly white-collar employees. New possibilities for early retirement were introduced in the 1970s and 1980s.

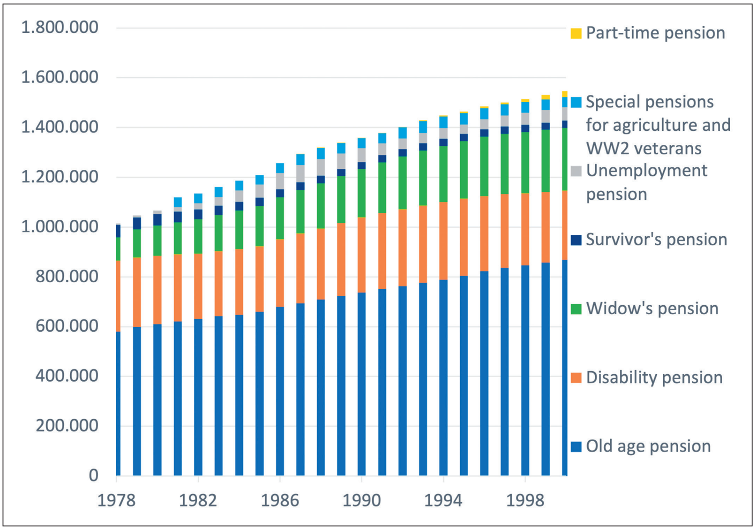
Attention was paid to three issues above all: taking account of wartime active service periods, elderly persons' problems of subsistence due to structural changes and the retirement age of employees in physically demanding occupations. Special pensions were created for WW2 veterans when veterans in a weak financial position were granted additional war pensions from 1968 to 1971. The early-retirement scheme for veterans came into force in 1982. It involved pensions managed by the earnings-related pension scheme but financed by the state. The farm-closure and change-of-generation pensions (1974) eased the impacts of structural change and reduced opposition to change. A reduc-

FIGURE 2 Unemployment rate and the number of persons on unemployment pension in Finland, 1965-2000.



Source: Labor force survey, Statistics Finland; the Finnish Centre for Pensions; the Social Insurance Institution of Finland; Hannikainen & Vauhkonen 2012.

FIGURE 3 The number of persons according to pension types in Finland, 1978-2000.



Source: The Finnish Centre for Pensions; The Social Insurance Institution of Finland; Hannikainen & Vauhkonen 2012.

tion in the number of small farms and forest properties and the accelerating generational circulation also increased productivity and were thus, at least to begin with, justified as promoting the development of the entire economy (Hannikainen & Vauhkonen 2012).

Unemployment pensions (1971) also assisted in the streamlining of regressive fields and companies and thus accelerated structural change and economic growth. Without pension arrangements, the unemployment rate would have been higher (see Figure 2). Initially, the lower age limit for unemployment pension was 60 years, but it was lowered to 58 in 1978 and 55 in 1980. The growth in number of unemployment pensions gave rise to criticism on two grounds. Firstly, some companies used the scheme to their advantage since it became a cheaper alternative to disability pensions, in particular for large companies. Secondly, due to the unemployment pension, it was mainly the elderly who were made redundant since they often stood a smaller chance of finding new employment. For many, redundancy and unemployment meant a permanent transition from working life at a considerably younger age than the old-age retirement age. The same phenomenon was visible in many other European countries (Hannikainen & Vauhkonen 2012).

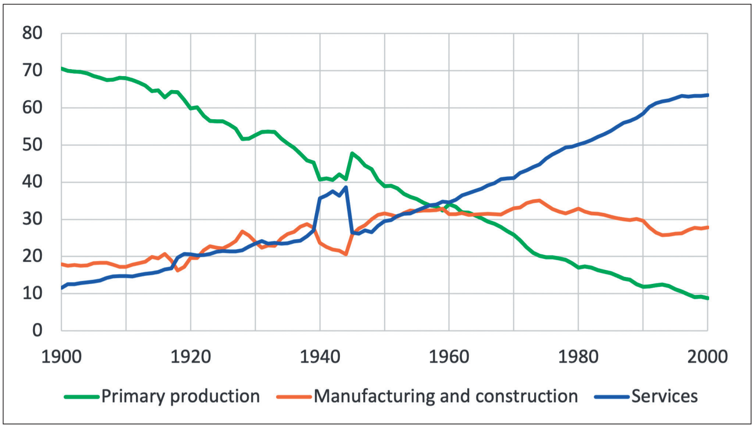
From the mid-1980s onwards, there was a shift from structural-political bulk retirements to more individual consideration. After years of clarifications and negotiations, the labor market organizations could not reach consensus on the lower retirement age for individual early retirement (in force in 1986). Instead of reaching a compromise, the coalition government (left-wing and center) adopted the proposal presented by the Central Organization of Finnish Trade Unions, the largest labor organization. The lower retirement age for individual early retirement was thus set at 55 years instead of 63, as presented by the Finnish Employers' Confederation. The individual early pension was a disability pension to which lighter medical criteria were applied. Another new type of pension was the early old-age pension (in force in 1986), which allowed for retirement at the age of sixty at the earliest. In such cases, the pension was permanently reduced. The third new pension type was the part-time pension, in force in the private sector in 1987 (lower retirement age 60 years) and in the public sector in 1989 (lower retirement age 58 years). The lower age limit for unemployment pension was raised gradually from 55 to 60 years and the occupation-specific retirement-age scheme was abandoned after transition periods in the public sector. (Kohli et al.; Hannikainen 2013b)

COORDINATED CAPITALISM

In comparison with Western European nations Finland experienced "belated" structural change. In 1900, industrialization had already started, but the employment share of primary production remained at seventy per cent. Fifty years later, almost half of the population still earned their living from agriculture, forestry and fishing. Structural change accelerated in the latter half of the twentieth century. The share of services grew simultaneously with secondary production. At the turn of the millennium, two thirds of employees worked in services, in the private or public sectors and the share of primary production in the economically active population was only five per cent. Along with many other late-comers, Finland too, experienced rapid catch-up growth, i.e. the growth was higher than in leading countries. Productivity increased especially in manufacturing and primary production, but also in services. Moreover, the factor of production moved into the industries with higher productivity and the process of labor reallocation added significantly to growth. GDP per capita grew in Finland twelve-fold from 1900 to 2000 (Hjerppe 1989; Ojala, Eloranta & Jalava 2006; Kokkinen, Jalava, Hjerppe & Hannikainen 2007; Jalava 2007).

The end of the Second World War produced a major break in political development, and it denoted a new era in Finnish society. The powerful Communist Party shed its illegal status and became a major force in the political arena. Tensions between Social Democrats and Communists continued in the political arena and the labor market until the 1980s. The state and political parties were not, however, the only significant players in social policy reforms in the latter half of the twentieth

FIGURE 4 **Distribution of Employment, 1900-2000, %.**



Source: National Accounts, Statistics Finland; Hjerppe 1989.

century. The labor market organizations also played an important role. The trade unions' improved status in society and increased bargaining power were visible in the labor market, but also manifested in other areas, especially in social policy from the 1950s onwards.

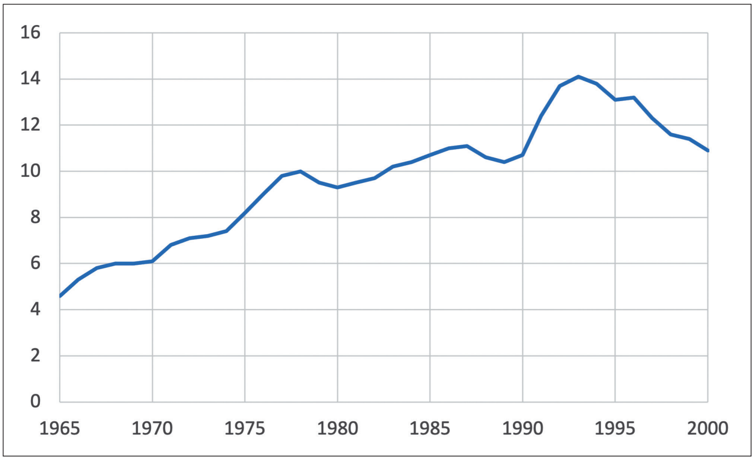
Competition over pension policy was an expression of the tensions between the towns and the rural areas. The formation of the pension schemes occurred – from the 1950s to the 1980s – at the same time as rapid structural change and a drop in the rural population. The national pension scheme was supported by the rural population and the Agrarian Party and the earnings-related pension scheme by the urban population and the Social Democrats. When an earnings-related pension scheme with extensive state-support was extended to the rural population in 1970, it meant that those left behind by rapid structural change also received a part of the fruits of economic growth. Improving benefits for all people maintained the legitimacy of social policy and served as a sign of the compromise between the wage-workers and the rural population or the Social Democrats and the Agrarian Party.

Social contracts between employers and employees were another important feature in the growth period of pension reforms.

In the decades after Second World War, labor market policy and social policy entered a new phase. Extensive co-operation between the government and the labor market organizations aimed at economical stable development. As in many other European countries, politicians tried to integrate the labor market parties into governmental decision-making, with the goal of getting trade unions to moderate their wage claims. As the economist Eichengreen interprets this "neocorporatist bargain" in the European context of the 1950s and 1960s, trade unions were provided with "assurances that labor would share fully in the eventual increase in incomes" (Eichengreen 2007: 32). Incomes-policy agreements were relatively successful in limiting increases in wages and directing resources to investment. In Finland, this "coordinated capitalism," as Eichengreen labels it, culminated in a nationwide incomes-policy agreement in 1968, and this corporatist development was helped by the fact that the trade union movement (the blue-collar Confederation of Finnish Trade Unions) became stronger, and its membership increased after the mid-1960s (Bergholm 2003 & 2009).

The trade unions' improved status in society was visible in the labor market, but also manifested in other areas. The earnings-related pension scheme became the central component of the strengthening Finnish corporatism. This can be explained by the fact that employers' organizations and trade unions were planning the pension system in the state committee in the late 1950s. These organizations explained and justified their strong position by regarding pensions as "a postponed wage." As a counterbalance to the power surrendered to the labor market organizations, they were committed to statist social planning and to pinning down the short-term and long-term economic limitations for social development. Interest-group representatives — including agricultural producers — became permanent members of the state committees and other planning bodies. Moreover, the pension schemes introduced a new important group in social and socio-political planning: pension scheme experts.

FIGURE 5 Pension expenditure in relation to GDP, %, 1965-2000.



Source: National Accounts, Statistics Finland; Hjerppe 1989.

Agrarian versus wage-work and employer versus employees were not the only tensions in Finnish pension policy. The Social Democrats and the Communists often had different opinions on pensions and other social policy issues and the rivalry inside the trade unions was also visible in pension policy. The earnings-related pension scheme was supported by the Social Democrats and the national pension scheme, at least in principle, was supported by the Communists, who were however, in a problematic position. Although it was ideologically easy for them to support the national pension scheme, in practice many earnings-related pension reforms were especially beneficial for skilled outdoor workers and metal workers who often supported the Communists. The co-operation organizations of the Finnish earnings-related pension institutions became the key actors in mobilizing the labor market organizations for the defense and expansion of the earnings-related pension scheme. Since only employers paid the pension contribution until 1993, when the employee's share of the contribution was introduced, employers financed the activities of these organizations.

In the Nordic countries there has been widely shared trust in a virtuous circle between economic growth, social equality, and the widening of democracy. This trust implied that equality, efficiency, solidarity, and class compromises were means for economic competitiveness and growth. The labor movement accepted that the rationalization of production was necessary to create resources to enable social reforms and bourgeois groups and employers admitted that expanding social rights would bring economic benefits. According to the historian Kettunen, the virtuous circle was based on "three different ideological strains of Nordic modernization processes: the idealized heritage of the free peasant, the spirit of capitalism and the utopia of socialism." (Kettunen 2010: 36-37)

Therefore, according to this mode of thinking, the system of nationwide bargaining and the central role of labor market organizations in the pension policy reforms had large and cumulative effects on labor market outcomes and economic performance. A virtuous circle can thus be formulated from the point of view of pension policy:

- Structural change and the widening of democracy increased the need for and acceptability of social reforms.
- Economic growth created resources for social reforms.
- Competition in the labor market and political life increased readiness to co-operate between employers' and employees' organizations, resulting in mutual trust.
- Economic growth and social reforms increased the standard of living.
- The higher standard of living and future expectations for new social reforms decreased resistance to structural change, which made it easier to implement further economic growth.

CONCLUSION

A multidimensional competition between political parties, labour market organizations and pension schemes led to an acceleration of benefit improvements over a short period of time from the late 1950s until the late 1980s in Finland. Rapid economic growth and increasing social spending effectively reduced poverty in society. At the same time, as the average life span increased, the effective retirement age decreased. As in other Western countries (Kohli et al.; Lindert 2004), this phenomenon was linked to increasing democracy and a stronger political voice, when the working-class people and rural smallholders demanded new social rights and benefits and better public services.

Economic development, structural change, nationwide collective bargaining, and the formation of the welfare state were all closely intertwined. While the labor market organizations have been successful in reforming the pension schemes, corporatist features have become even more prominent in social policy. Many pension policy reforms supported more general economic and socio-political goals. Different kinds of competition and tensions became however, an obstacle hindering the development of systematic social policy correctly dimensioned in relation to national economic resources, as the famous Finnish social scientist and the member of parliament Pekka Kuusi (a Social Democrat) pointed out in the late 1960s. (Hannikainen & Vauhkonen 2012) Moreover, the social policy schemes became complex and difficult to administer. As a result, citizens found it difficult to understand how the schemes functioned, but the societal policy retained its legitimacy because of improvements in benefits and the standard of living.

The deep economic crisis in the early 1990s paved the way for scaling back pension schemes and other social benefits in Finland. When the demand for labor diminished, the bargaining power of the trade unions also decreased. During and after the deep recession of the 1990s, public-sector pensions were standardized with private-sector pension benefits. Moreover, employee contribution share was introduced to the earnings-related pension schemes and early-retirement schemes were weakened. Pension reforms continued in the 2000s when the question of an ageing population played an increasingly important role in political discourse. During the retrenchment period of the welfare state longer working careers have become an important societal goal in Finland as well as in other Western countries (Pierson 1994; Bonoli & Shinkawa 2005; Jónsson & Stefānsson 2013; OECD, Pensions at a Glance 2017). Corporatism has thus so far survived in Finland, but we might wonder about the virtuous circle of the welfare state.

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Gender Equality: How far has Greece come?

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MARIA PETMESIDOU

ABSTRACT

This contribution focuses on the impact of EU gender-equality directives on Greek law and policy practice. It highlights a major inconsistency regarding gender equality in Greece. Indeed, although the implementation of the EU gender-equality *acquis* in national legislation is considered quite satisfactory, in practice the country ranks lowest in the EU in terms of attaining equality (as persistently reflected in the scores of the Gender Equality Index). The contribution provides evidence and explanation of this condition through a brief overview of legal provisions and policy practice regarding the gender dimension in the pension system (with emphasis on its recent reform), in the employment/unemployment pattern, in work-life balance, and in access to decision-making. Various indicators of gender equality/inequality, prior to and during the crisis, are discussed within a comparative context. The conclusion wraps up the main findings and emphasizes the disproportionate impact of the crisis and austerity measures on women.

INTRODUCTION

This contribution critically discusses gender equality in law, policy, and practice in Greece. It consists of two main sections and concluding remarks. Section two highlights a major inconsistency, namely although the implementation of the EU gender-equality *acquis* in national legislation is considered quite satisfactory, in practice the country ranks lowest in the EU in terms of attaining equality. Section three provides evidence and explanation of this condition through a brief overview of legal provisions and gender policy and practice. The latter are examined with respect to the employment/unemployment patterns, the pension system, work-life balance, and access to decision-making positions. Trends in indicators of gender equality in these policy fields, prior to and during the crisis, are discussed vis-à-vis the other EU countries. Emphasis is put on the disproportionate impact of the crisis and austerity measures on women.

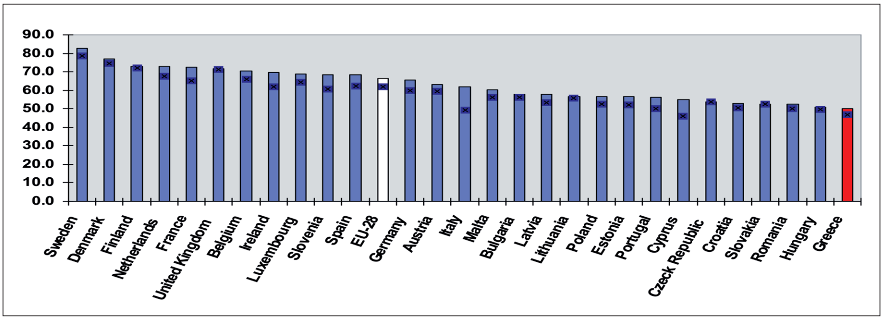
WHAT IS DISTINCTIVE ABOUT GREECE?

A distinctive feature of Greece with respect to gender equality is the considerable gap between legal provisions and practice. Although national legislation is very much in line with the EU equal-opportunities directives (and indeed in some matters the Constitution and the legislation even exceed EU law), in practice the country lags very much behind, in terms of attaining gender equality. This is evident on the basis of the Gender Equality Index developed by the European Institute for Gender Equality (EIGE) in order to monitor trends over ten-year periods. Figure 1 depicts the ranking of EU countries in 2005 and 2015. In 2015, Greece held the bottom position in the respective ranking and improvement in its score from 2005 is marginal.

The Gender Equality Index is a synthetic indicator that assesses developments in a number of domains (work, income, education, time-use, health, and power).[1] If we disaggregate this Index into its constituent indicators, we see that Greece's position has persistently been very low with respect to gender equality attained in employment, time-use (i.e. engagement in unpaid domestic work) and power (i.e. access to decision-making

1 It draws upon data from large EU-wide surveys, coordinated by Eurostat, the European Foundation for the Improvement of Living and Working Conditions, as well as by the European Institute for Gender Equality.

FIGURE 1 Gender Equality Index scores (EU member states, 2005 and 2015)



Source: EIGE(2017: 89).
Note: The black dots refer to 2005 and the bars to 2015.

TABLE 1 Greece's ranking among the EU28 countries with regard to the constituent domains of the Gender Equality Index

	2005	2010	2015
Work	26	27	27
Income	16	17	21
Education	25	22	20
Time-use	28	28	27
Power	25	25	27
Health	18	20	22

Source: EIGE (2017: 90-93).

positions). Between 2010 and 2015, the country's position even deteriorated with regard to most of these core domains of gender equality (with the exception of the dimension of women's education, where a slight improvement in the ranking is recorded, from the 25th to the 20th position; see Table 1). Undoubtedly, the crisis has significantly contributed to the worsening of the gender gap.[2]

2 On the issue of how austerity policies in Europe are "disrupting and potentially reversing progress toward gender equality" see Rubery 2015: pp. 715-741.

The following remarks shed light on the discrepancy between law, and gender policy and practice. First, there are significant differences between the public and private sectors in respect of gender equality. This condition is further compounded by the existence of a two-speed labour market due to the existence of a large grey economy (estimated at about thirty per cent of GDP prior to the crisis, Vassardani 2011). As argued below, legislation and policies promoting gender equality have been generous in the public sector, while low levels of protection characterize the private sector. Especially among small firms[3], of which a significant number operate in the grey economy, gender-protection regulations exist predominantly on (Lymberaki and Tinios 2016; European Commission 2016).

Second, for a long time, the labour market and the social protection system have functioned on the assumption of the "familialist, breadwinner model" (Petmesidou 2013 and 2017). Women have thus been considered as "ancillary helpers" in the labour market and primary carers within the family. This has resulted in a persistently considerable gender gap in engagement in unpaid domestic work (accounting for Greece's low ranking in time-use among EU countries, as indicated above).

Third, women's "ancillary status" is reflected in their "derived rights" in social security. As a result, there are significant gender differences in pension coverage and a considerable gender gap in pension income, with elderly women persistently exhibiting a higher risk of poverty compared to elderly men. Since the early 1990s, pension reforms, partly reflecting the EU gender-equality directives and soft policy instruments (such as the social Open Method of Coordination of the European Commission) have progressively supported the "individualization" of rights. This trend has greatly intensified since 2010, in the context of drastic pension reforms under the successive bailout deals that the country signed with its international lenders (Petmesidou 2014). However, under conditions of a two-speed labour market, very high unemployment and rapidly receding statutory social care provision (which was rudimentary even before the current crisis;

3 95 per cent of businesses in Greece have fewer than 5 employees.

Petmesidou 2006), the change in the pension regime has had an ambiguous impact on gender equality. Extending working life but cutting back on welfare provisions maintains high gender inequality in domestic, unpaid work. Not to mention women's vulnerable position in non-standard forms of employment and the difficulties faced by elderly unemployed women trying to re-enter the labour market.

GENDER EQUALITY IN LAW AND PRACTICE

An overview of relevant legislation

Gender equality was enshrined in the 1975 Constitution adopted after the restoration of democracy. Article 22 provides that "all workers, irrespective of sex or other distinction are entitled to equal pay for work of equal value". Moreover, with the coming to power in 1981, for the first time, of a socialist party (PASOK, the Panhellenic Socialist Party), significant changes in family law took place: parental care replaced paternal authority, civil wedding was introduced, the institution of the dowry was abolished and married women could keep their maiden surname and could pass it on to their children, on the basis of a common agreement by both parents.

Table 2 exhibits the main legal acts, from the mid-1980s onwards, which transposed into national law the successive EU equal-opportunities directives. In the mid-1980s all forms of gender discrimination in employment were abolished. Legislation also provided for the integration of women in the labour market through participation in training programmes and for protection against displacement for maternity reasons. Furthermore, the Parental Leave Directive (96/94/EC) was transposed into Greek law. In 1997, measures for health security at work of pregnant women were legislated. Furthermore, in the early 2000s the principle of equal treatment of men and women in occupational social security schemes was adopted, and the Directive on the Burden of Proof in Cases of Sex Discrimination was transposed into national law. Since the mid-2000s a number of legal acts have further strengthened the principle of equal treatment of

TABLE 2 The main legal acts on gender equality

Act 1414/1984, transposed 75/117/eec and 76/207/eec	Implementation of the Principle of Equal Treatment of the Sexes in Employment Relationships
Act 1483/1984 as amended by Article 25 of Act 2639/1998, implemented Directive 96/34/ec on parental leave.	Protection and Facilitation of Workers with Family Responsibilities
Presidential Decree 176/1997, implemented Directive 92/85/eec on social and health security of pregnant women.	Measures for the Improvement of the Safety and Health at Work of Pregnant Workers and Workers Who Have Recently Given Birth or are Breastfeeding
Presidential Decree 87/2002 implemented Directives 96/97/ec (on parental leave) and 86/378/eec (on equality in social security)	Implementation of the Principle of Equal Treatment of Men and Women in Occupational Social Security Schemes
Presidential Decree 105/2003	Adaptation of Domestic Law to Directive 97/80/ec on the Burden of Proof in Cases of Sex Discrimination
Act 3488/2006, transposed Directive 2002/73/ec	Implementation of the Principle of Equal Treatment of Men and Women Regarding Access to Employment, Professional Training and Evolution and Terms and Conditions of Work
Act 3769/2009, transposed Directive 2004/113/ec	Implementation of the Principle of Equal Treatment of Men and Women Regarding Access to Goods and Services and Their Supply
Act 3896/2010, transposed Directive 2006/54/ec (that repealed and recast Directive 86/378/eec)	Implementation of the Principle of Equal Treatment of Men and Women in Matters of Employment and Occupation
Act 4075/2012, transposed Directive 2010/18/eu following the Revised Framework Agreement on Parental Leave Concluded by businesseurope, ueapme, ceep and etuc	Parental Leave
Act 4097/2012, transposed Directive 2010/41/eu	Implementation of the Principle of Equal Treatment of Men and Women Engaged in an Activity in a Self-Employed Capacity

Source: Complied on the basis of the information provided by European Commission (2016).

men and women regarding access to employment and professional training, and access to goods and services. In addition, in 2012 the revised Framework Agreement on Parental Leave concluded by social partners at the EU level (Directive 2010/18/EU) as well as the Directive on equal treatment of men and women engaged in self-employment activities were incorporated into national law.

Overall, one could argue that national legislation is very much in line with the EU gender-equality *acquis*. However, empirical evidence indicates the country's unsatisfactory performance in attaining gender equality.

ASPECTS OF GENDER POLICY AND PRACTICE

The employment gap

Figure 2 traces the gender employment gap among people from 15 to 64 years of age. Strikingly, before the crisis, the employment rate for men in Greece was slightly higher than the respective EU27 average. However the employment rate of women has persistently been much lower than the EU27 rate (43 and 62 per cent respectively in 2016). Although women have been successful in getting educational qualifications, this has thus not facilitated their greater integration into the labour market.[4] Hence, the employment gender gap has continually been very high in Greece (close to thirty percentage points prior to the crisis, compared to about thirteen percentage points for EU27). The gap slightly closed during the crisis. However, this is not due to the improvement of women's position in the labour market, but to the fact that men's position has deteriorated rather rapidly, since the crisis affected the male-dominated sectors of the economy (construction and industry) more severely.

Women are overrepresented in non-standard forms of employment (temporary and part-time employment) as shown in Figure 3. Though compared to the other three South European (SE) coun-

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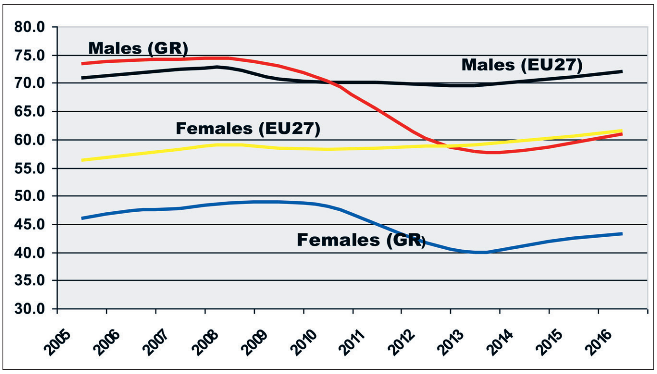
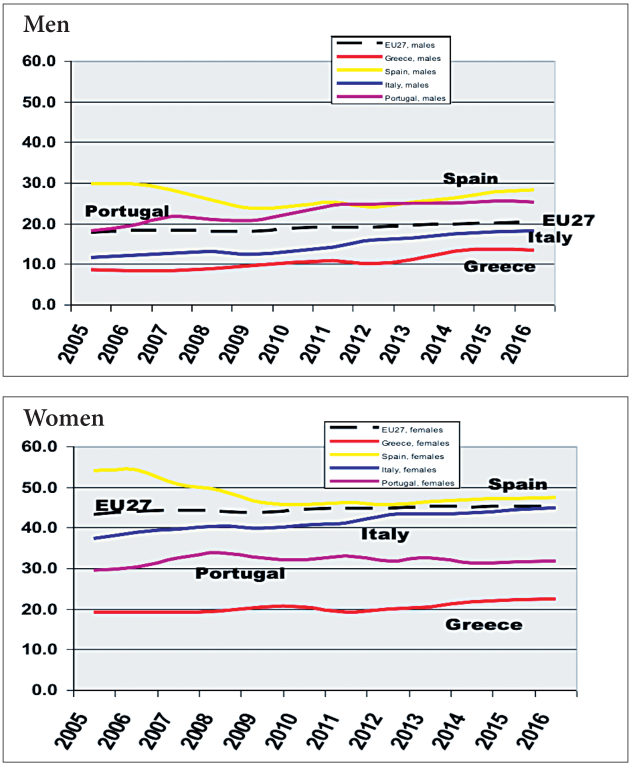
4 For a brief review of the impact of EU employment policy on Greek national policies with regard to gender equality see Zartaloudis (2015).

FIGURE 2 Gender Equality Index scores (EU member states, 2005 and 2015)



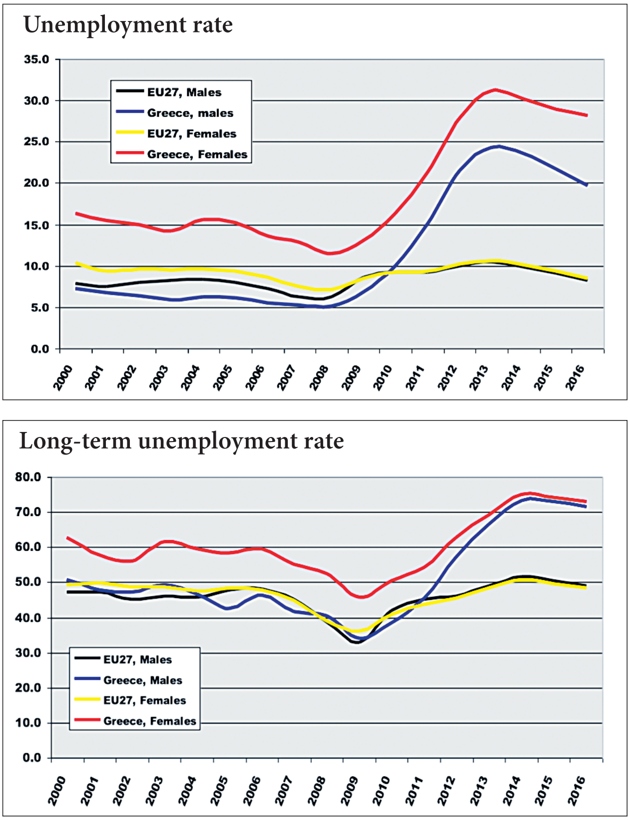
Source: Eurostat, Labour Force Survey data

FIGURE 3 Part-time and temporary employment (15-64 years of age)



Source: Eurostat, Labour Force Survey data

FIGURE 4 The gender gap in unemployment (20-64 years of age)

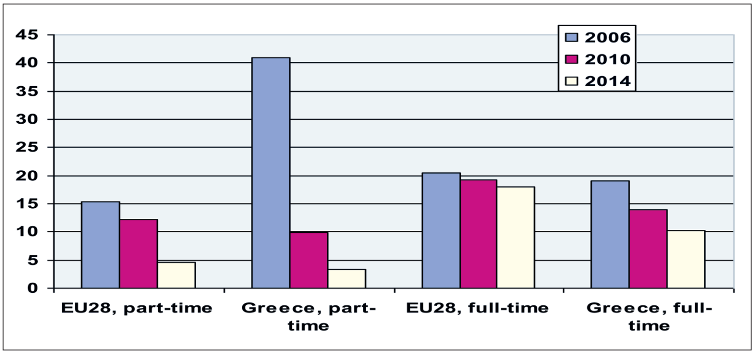


Source: Eurostat, Labour Force Survey data

tries (and the EU27 average) part-time and temporary employment rates have continually been lower in Greece. Still, as stressed above, Greece has a comparatively large informal economy[5], where it is extremely difficult to estimate the size of flexible, non-standard employment. We also note that women's careers are flatter and often interrupted because of family responsibilities and a persistently high risk of unemployment.

5 Larger than in the other three SE countries (with the exception of South Italy).

FIGURE 5 **The gender gap in mean hourly earnings (measured in Purchasing Power Standards) in industry, construction, and services**



Source: Eurostat data on Gender Equality

Over the 2000s, the gender gap in unemployment remained high, compared to the EU27 average. It considerably diminished during the crisis, mainly because unemployment for men grew rapidly. From 2009 to 2014, female unemployment doubled, while male unemployment tripled. Notably, as unemployment started declining slightly in the last few years, the gender gap has been widening again. Also, long-term unemployment (for over twelve months) affected women more frequently than men before the crisis, but since 2009 the gap has diminished rapidly. In the last few years the long-term unemployment rates for men and women converged at a dramatically high level (seventy per cent).

Hourly earning differentials greatly diminished during the crisis. Evidently, successive drastic cuts in high- and medium-level incomes under the bailout deals, earned mostly by men, account for the shrinking gender gap. In addition, a “selection effect” among women has contributed to this, due to the fact that rapidly growing unemployment has disproportionally hit low-skilled women. As the more highly skilled women remain in the labour market, mean earnings of women “artificially increase” (OECD 2017: 1). In 2006, female hourly earnings for part-time work were forty per cent lower than men’s earnings (the respective gap for full-time work stood at about twenty per cent). In 2014, the gap shrunk to less than five per cent among part-time workers. It diminished among full-time workers too, though less sharply than among part-timers.

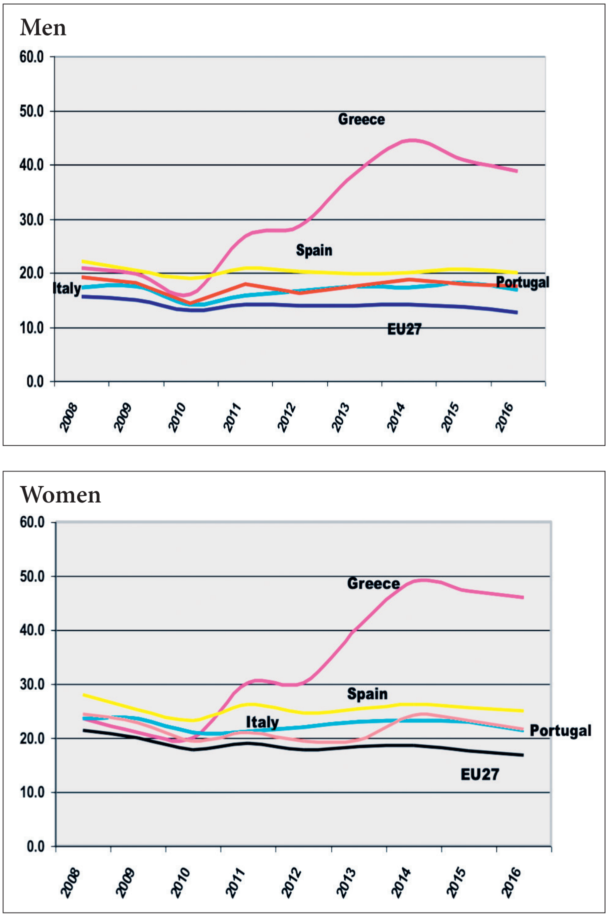
Gender and pensions

Until the end of 2000s, the pension system in Greece was highly fragmented. There were about 130 social insurance funds with great inequalities in terms of coverage, scope, and quality of provisions. This has its roots in the pattern of socio-political integration in Greece, which for a long time combined the logic of populism with electoral overbidding in clientelist concessions to various socio-occupational groups (Petmesidou and Glatzer 2015: 158-159).

In the context of this familialist-breadwinner model, social protection based on universal service provision remained rudimentary. Family and kin have been the main providers of informal care and gender roles have significantly been influenced by this pattern. This accounts for the very low female labour force participation and women's ancillary status in the labour market. The latter is reflected in the discriminatory features of the pension system, greatly pronounced in the public sector (Lymberaki and Tinios 2016: 74-81).

For instance, the Civil Service embraced regulations safeguarding women's primary role as family carers. Of central importance were: (a) the fifteen-year rule that allowed married women to receive an old-age pension after fifteen years of service (without any age requirement), and (b) the entitlement of unmarried daughters to survivor's pensions for life. Also, until lately, in the private sector women were entitled to a lower pensionable age (60 as opposed to 65 for men). Such preferential treatment was justified on the grounds of women's dual role throughout their life. For this they had to be supported (or even rewarded) by being allowed to exit earlier from the labour market. Preferential measures also substituted for the absence of family policy and social care services and were even intended as a demographic measure to increase fertility. The latter had dubious impact as the fertility rate significantly declined (from 2.35 in the mid-1970s to 1.30 in 2015).

FIGURE 6 Poverty rate anchored at a fixed moment in time (2008) among people 65 years and over



Source: Eurostat data

Undoubtedly, preferential treatment violated the principle of gender equality, and the European Commission issued warnings for Greece several times prior to the major pension reforms of 2010. Overall, these conditions did not benefit women, as they limited their career progression and deprived them of sufficient social insurance contributions that would secure adequate pension income. Hence the comparatively high poverty rate among elderly women, compared to elderly men, prior to and during the crisis. Figure 6 depicts the poverty rate anchored at a fixed moment in time (2008) in Greece and in the other SE countries. Compared to relative poverty, this indicator can better trace the changes in living standards at a time when there was a fall of pension incomes across the board and a diminishing range of income differentials among retirees.

When the crisis erupted, poverty among elderly women was higher than that of elderly men. It then increased rapidly among both men and women, but reached a higher level among the latter in the last few years (in 2016 close to fifty per cent of elderly women had incomes below the 2008 poverty line). Strikingly, in the other three SE countries, which were also hit hard by the financial and economic crisis, pensioners were sheltered from the adverse distributional consequences of austerity measures.

As to the trajectory of pension reforms, suffice it to stress that, in the previous decades, despite increasing deficits of social insurance, reforms were of a limited range. In the early 1990s stricter requirements were introduced for the fifteen-year rule for women in the public sector and in the private sector pensionable age was equalized between men and women entering the labour market after 1993 (Vlachantoni 2007: 342-349).

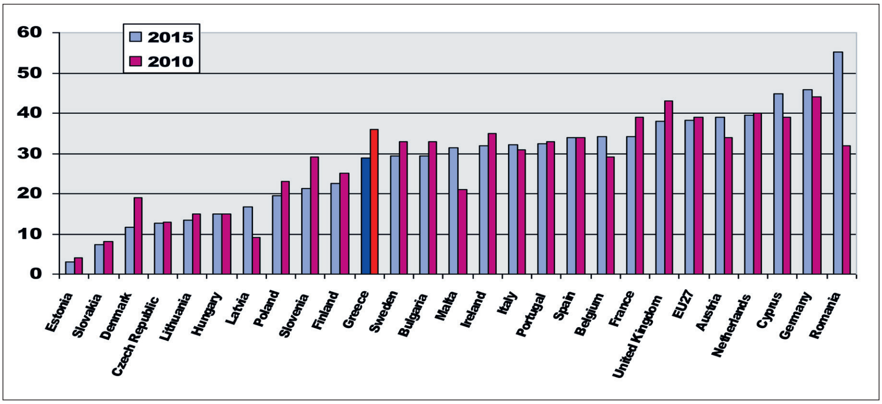
However, it is particularly through the major reforms that have taken place since 2010 that full equalization of entitlements has occurred, and derived rights have greatly been curtailed. From January 2013, pensionable age has been equalized and increased to 67 years in both the private and public sectors (with reduced pension at 62 years). Importantly, the 2010 law and the subsequent developments introduced a path-breaking reform that replaced the Bismarckian social insurance system (based primarily on the first pillar), by a unified, multi-tier system. This distinguishes between a basic (quasi-universal and flat) non-contributory and a contributory pension. The reform also drastically reduced replacement rates for future retirees and stipulated the merging of social insurance funds into a unitary organization. The above two tiers will need to be complemented by funded pension schemes and private savings. Yet, inequalities of access (that may arise) to a funded, occupational pension-tier (so far little developed), as well as to private insurance will highly impair the adequacy of pensions and collective solidarity (Petmesidou 2014).

Current pensioners' incomes have also been drastically reduced through successive rounds of cuts (up to forty to fifty per cent for certain categories of pensioners) compounded by a tax increase over the last three years that disproportionally hit middle to lower incomes. The social funds' revenues have been severely strained by steeply falling wages and salaries, galloping unemployment, and the inability of the self-employed and small businesses to continue paying contributions. Most significantly, a devastating blow to social insurance was dealt by the government's decision (under the rescue deal) to include the social insurance funds in the private sector "haircut" of March 2012 (that is, the restructuring of the Greek debt held by private investors). This led to losses of over fifty per cent in social funds' reserves, undermining the actuarial valuations and forecasts included in the bailout deals, which guided reforms (Petmesidou 2013: 606).

These developments have had a negative impact on women because a large number of them are on low pensions due to lack of adequate contributions. Figure 7 depicts the gender gap in pensions in 2010 and 2015 (see also Tinios 2013 and European Commission 2017: 59-60). The difference in pensions between men and women slightly decreased during the crisis due to drastic cuts in a great range of pension benefits. In 2015, the pension gap amounted to 29 percentage points, indicating significant inequality. Still, it was below the EU27 average (about 38 percentage points). The gap in pension coverage between men and women in Greece has been rather high. In 2015 it stood at about sixteen percentage points (EU28, five percentage points).

The negative effects on women have been intensified by a confluence of reforms: the individualization of pension rights in tandem with the extension of working life, persistently high unemployment severely affecting older workers, drastic cuts in pension benefits and gradual dismantling of the welfare state. Notably, according to the forward-looking gender pension gap index calculated for the EU27 countries by the European Parliament's Committee on Women's Rights and Gender Equality

FIGURE 7 **Gender gap in pensions (aged 65 and over)**



Source: European Commission (2017: 59).

(European Parliament 2017), Greece appears to be exposed to a high risk of a sustained gender pension gap in the future due to labour market conditions and pension system compensation.

Work-family balance and access to decision-making posts

National legislation on maternity and parental leave is in accordance with EU law. However, the terms are less favourable in the private sector compared to the public sector. In the private sector maternity leave is seventeen weeks with an allowance equal to one hundred per cent of earnings (tripartite funding by the employer, the Social Insurance Organization [IKA] and the Manpower Organization [OAED]). The worker has to be insured in IKA for at least two hundred days in the last two years prior to pregnancy in order to claim full compensation.[6]

In the public sector women are entitled to nine months' fully paid leave, without any prior service requirement. This applies to permanent civil servants as well as to those on a contract of indefinite duration, while public-sector employees on fixed-term contracts (e.g. substitute school teachers) are covered by private-

6 For a detailed discussion of leave policies see European Commission (2016: pp. 26-42), and E. Hatzivarnava-Kazassi and M. Karamessini (2017).

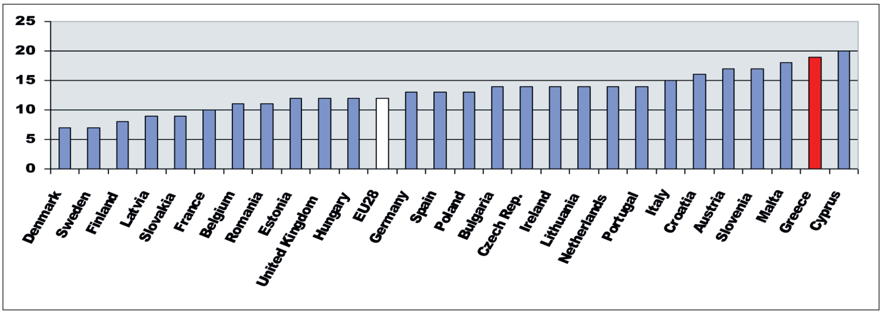
sector regulations. This is indeed a discrimination that runs counter to Directives 2006/54 (equal treatment of men and women in employment), 92/85 (social and health security of pregnant women), and 99/70 (equal treatment of fixed-term workers with indefinite term workers and permanent civil servants). However, according to the European Court of Justice, "the fact that the maternity leave provided under Greek law is higher than the maternity leave provided by Directive 92/85 as a minimum, it cannot be considered [that Greek legislation] excludes the application of these Directives" (European Commission 2016: 28).

Legislation on parental leave applies to both the private and public sectors, though again conditions are more generous in the latter (with the exemption of fixed-term public-sector employees): four months', unpaid (and non-transferable between parents) leave in the private sector, nine months' fully paid and transferrable leave in the public sector. Moreover, in line with Directive 2010/41, from 2014, transposing legislation provides that self-employed women may be granted a maternity allowance that would make possible a temporary interruption (for up to fourteen weeks) of their activity due to pregnancy or maternity. However, this is a meagre allowance, well below the poverty threshold (580 Euros) and the unemployment benefit (360 Euros). Also, not all self-employed women receive this allowance (e.g. self-employed women who are farmers are not granted such an allowance), and there are differences between the two major social insurance funds for the self-employed in the level of this provision. Self-employed professional women (insured in the Fund of Self-Employed Professionals, ETEAA) receive 200 Euros for four months, while those insured in the Social Insurance Fund for the Self-Employed (excluding professionals) (OAEE) are entitled to 150 Euros for the same duration.

Even though national legislation guarantees "the right of a woman, after maternity leave, to return to her job or to an equivalent job, on terms and conditions that are no less favourable to her, and to benefit from any improvement in working conditions to which she would have been entitled during her absence" (European Commission 2017: 30), in the private sector this provision is often ignored, particularly among small- and medium-sized firms. As the economic contraction highly squeezed the profitability of such firms, violations have increased. Women are thus often faced with adverse conditions upon their return from maternity leave: their contract may be downgraded to part-time or rotation work and their earnings be reduced below ensuring adequate living standards, while working schedules may make it difficult for them to meet family responsibilities (Greek Ombudsman 2014 and 2016). A recent report (European Commission 2016: 28) indicates that only a few cases of unjustified firing or change in the employment conditions of women during the time of their maternity leave have been brought to the attention of the *Ombudsman*, an institution civilians can go to when they have problems with the government. Among the reasons why an increasing number of women do not press actions are: inability to afford legal aid and the costs of litigation, fear of unemployment, difficulty in proving that the employer's behaviour is unlawful, etc. The latter is largely the result of "great legal uncertainty as the rules are complex, unequal, fragmented, scattered and are often and unexpectedly modified" (European Commission 2016: 40). We must also stress that since 2010, under the stipulations of the bailout deal, the system of collective agreements has gradually been dismantled. Reforms facilitate enterprise labour contracts and the individualization of employment conditions, accompanied by reduced remuneration and an increase in uninsured labour (Petmesidou 2017: 165-166). These have had a negative impact on women as their enterprise-level bargaining power is weaker.

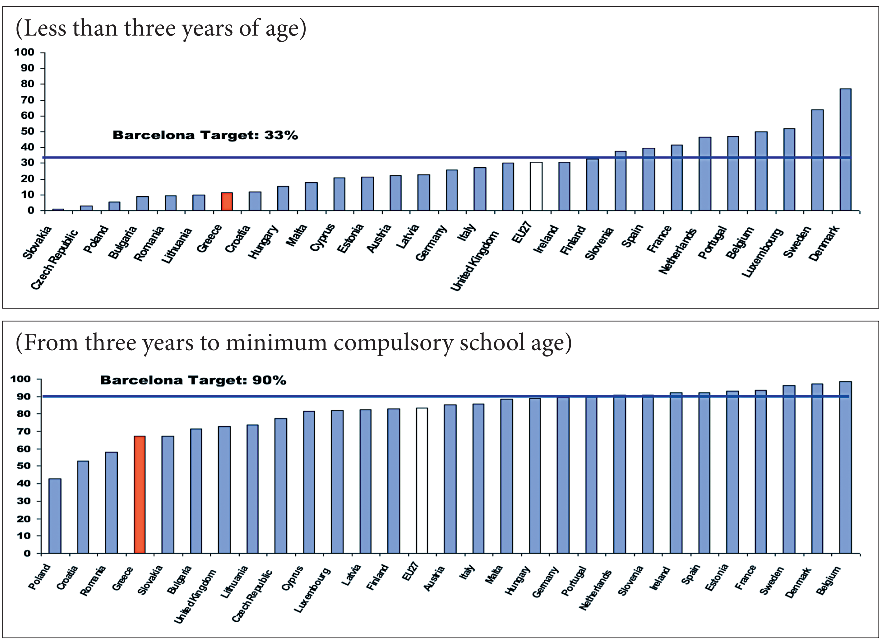
The gender gap with respect to engagement in unpaid domestic work is another major aspect of work-life balance. Also, the division of housework and care between women and men is most unequal in Greece according to a recent survey (Figure 8; see also European Commission 2017: 12). This gender gap is measured as the difference in the hours per week devoted to unpaid domestic work by women and men (18-64 years). Greece is placed almost at the top of the ranking. At the other end we find the Scandinavian countries, which exhibit a more equal division in this respect.

FIGURE 8 **The gender gap in unpaid domestic work (2015)**



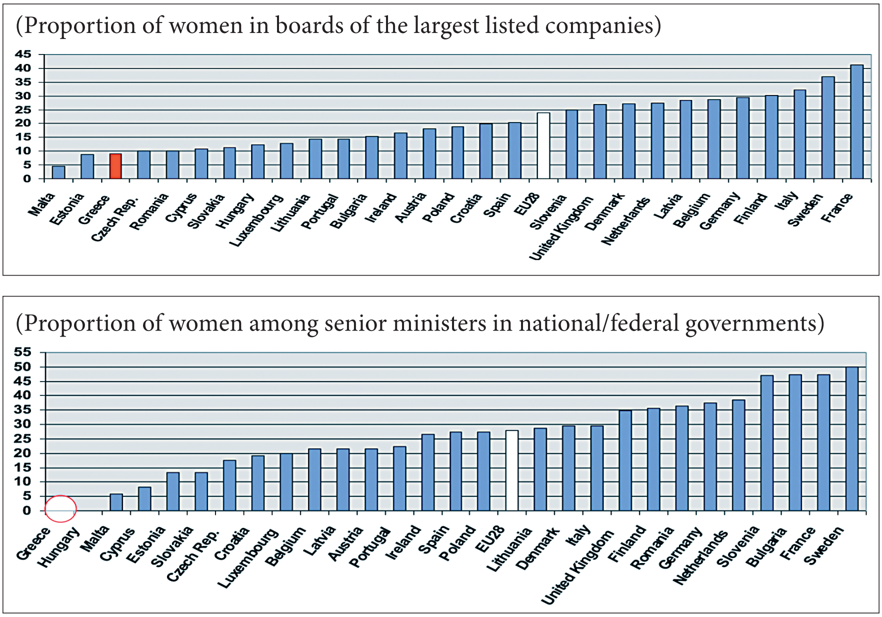
Source: Eurofound (2015).

FIGURE 9 **Formal child care (2016)**



Source: Eurostat data

FIGURE 10 The gender gap in decision-making, 2016



Source: European Commission, Data base on women and men in decision-making

Rudimentary provision of formal child care and long-term care services largely accounts for the high burden of care work borne by women. Figure 9 clearly shows that Greece lags very much behind in achieving the Barcelona targets for formal child care (for children up to minimum compulsory school age). As to long-term care, no universal coverage is available, while existing public service provision is addressed to the neediest groups in extreme poverty (Petmesidou 2017: 165; Petmesidou et al. 2015: 211-232). This is reflected in the very low level of public long-term care spending, 0.17 per cent of GDP (concerning inpatient and outpatient long-term care as well as home-based long-term care).

All the indicators above concerning work-life balance clearly show that Greece is an outlier among EU countries (even lagging behind the other three SE countries, Italy, Spain, and Portugal, with which Greece shares several characteristics regarding welfare state development). Statutory care provision is minimal (and has further contracted during the crisis), and gender inequality in domestic unpaid work considerably high.

What is more, Greece scores very low with regard to women's access to decision-making positions (Figure 10). In 2016, the proportion of women on the boards of the largest listed companies was below ten per cent (Greece ranking lowest together with Malta and Estonia; EU28, 29 per cent), while the proportion of women among senior ministers in national government was close to zero.

CONCLUDING REMARKS

In a nutshell, the evidence in the analysis above corroborates the view of significant discrepancies between legislation, which has satisfactorily incorporated the EU gender-equality *acquis*, and actual practice. Moreover, the crisis and harsh austerity policies have affected women in multiple ways. Gender gaps in (un)employment as well as in earnings remain persistent and wide, negatively impacting women's pension incomes. During the crisis, women have been more exposed to adverse working conditions in the private sector. Their over-representation in precarious and low-paid jobs has increased and often women face "unjustified" changes in their employment conditions during pregnancy and upon their return from maternity leave.

The structural-adjustment measures stipulated by the bail-out deals are characterized by a striking degree of gender-blindness. The dismantling of labour rights further weakened women's bargaining power, while labour market flexibilization had an adverse impact on gender equity. In parallel, severe cuts in the social budget and shrinking social service provision put the brakes on any progress in the division of labour between men and women regarding unpaid domestic work, which had been achieved prior to the crisis. Rather, the gendered familialist model is reinforced, severely limiting women's choices. There are few signs in Greece of a possible move towards a positive welfare state future with wide-ranging social provision along the lines of north-western

Europe. Undoubtedly, these conditions do not augur well for gender equality.

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On the Authors

Karen M. Anderson is Professor of Social Policy and Head of School at University College Dublin, School of Social Policy, Social Work and Social Justice. Her research focuses on comparative social policy development, the financialisation of welfare, and the impact of Europeanisation on national welfare states. She is the author *of Social Policy in the European Union* (Palgrave, 2015) and the editor (with Ellen M. Immergut and Isabelle Schulze) of the *Handbook of West European Pension Politics* (Oxford University Press, 2007).

Leon van Damme is policy officer at the Dutch Ministry of Social Affairs. He obtained his Ph.D. in 2021 at Radboud University Nijmegen with a thesis entitled: *Unemployment Schemes in the Netherlands. A Parliamentary History* (publication in Dutch: *Werkloosheidsregelingen in Nederland – Een parlementaire geschiedenis* (Boom Amsterdam, 2022)).

Matti Hannikainen is Senior Researcher at the Finnish Labour Archives and Adjunct Professor of economic and social history at the University of Helsinki. His main research interests focus on the welfare state, economic crises, and the history of the Social Democratic Party in Finland. In 2020 he published a book on the history of Varma Mutual Pension Insurance Company in Finland.

Lex Heerma van Voss is Professor Emeritus in the History of Social Security at Utrecht University and was Director of the Huygens Institute for the History of the Netherlands (Royal Netherlands Academy of Arts and Sciences, Amsterdam). Is a fellow of the International institute of Social History. His research focusses on the History of Social Security and Work, and the History of the North Sea in the Early Modern Period. He is currently working on a global history of work, constructed around three occupations: dock work, textile production, and prostitution.

Karl Hinrichs is Professor at Bremen University's Research Center on Inequality and Social Policy and Professor of Political Science at Humboldt University Berlin. His main research focus is on comparative welfare state analysis, the development of social policy in Germany, and the study of old-age security policies and politics in aging societies. In 2012 he published *Labour Market Flexibility and Pension Reforms: Flexible Today, Secure Tomorrow?* (Palgrave Macmillan, 2012; edited together with Matteo Jessoula).

Nicole Kramer, Junior Professor Contemporary History (tenure track) at the University of Cologne. Her research interests include gender, war, and National Socialism as well as ageing, welfare state building, and care policies in Europe after 1945. She is currently writing a book on the meanings of old-age care in Italy, Germany, and England, 1945-2000.

Jef Van Langendonck is Professor Emeritus of Social Security Law at the KU Leuven. From 1976 to 1994, Van Langendonck was Secretary General of the European Institute of Social Security. He also taught for many years at the KU Leuven and was the director of the Institute for Social Law at the same institute for almost forty years.

Maria Petmesidou is Professor Emerita of Social Policy at Democritus University (Greece). For several years she was fellow/member of the scientific committee of CROP (Comparative Research on Poverty) sponsored by the International Social Science Council and the University of Bergen. Her most recent publications include: 'Health care in post-crisis South Europe: Inequalities in access and reform trajectories' (in: *Social Policy and Administration – An international Journal of Policy and Research*, 2020, with A. Guillén & E. Pavolini), and 'Health policy and politics' (in: *The Oxford Handbook on Modern Greek politics*, Oxford University Press, 2020).

Pat Thane is Fellow of the British Academy and Visiting Professor in History, Birkbeck College, University of London. Previously she was Research Professor in Contemporary History at King's College, London, 2010-2019, Professor of Contemporary History at the University of Sussex, 1994-2001, and at the Institute of Historical Research, University of London, 2001-2010. Among her publications are *The Foundations of the Welfare State* (Longman, 1982; 2nd ed. 1996) and *Britain's Pensions Crisis. History and Policy* edited with Hugh Pemberton and Noel Whiteside (British Academy/Oxford University Press 2006).