CHAPTER 34

PRIVATE PENSIONS AND PUBLIC POLICY: THE PUBLIC–PRIVATE DIVIDE REAPPRAISED

NOEL WHITESIDE

1 Introduction

Recent pension debates have focused overwhelmingly on problems of pension finance: on the sustainability of present schemes and the problems posed by rising pension obligations for both public and private sectors. In response to the recommendations of the World Bank (1994) and rising pressures to cut public welfare budgets, many European states have restructured their public pension schemes and, under a range of initiatives, have sought to promote private saving to sustain pensioner income. Reductions in public provision follow a neoliberal economic logic: free markets are the source of efficient distribution of goods and services and state intervention distorts market signals while driving up costs. At the extreme, we might conclude that government should not provide pensions at all (Blinder 1988).

This perspective represents the opposite to that taken in many countries after the Second World War, when state protection for all elderly and infirm was considered a fundamental social obligation. Recent reappraisals of state schemes and the acceptance of the World Bank's multi-pillar approach have justified the desirability of raising personal savings. At the same time, public opposition to the dismantling of state pension systems, a foundation stone of European welfare states, has forced delay, compromise, and political vacillation.

This chapter does not take sides in the debate on the relative strengths and weaknesses of public or private pension provision, but examines the assumptions on which this division is based. In many respects, we might argue that the debate over public versus private is irrelevant to the analysis of pension schemes and the current pension crisis. After all, in one way or another, the solution demands that we (collectively or singly) pay more and that future pensioners work longer or receive less. The following section shows how states, through the law, are deeply implicated in all market systems, which offer but one means of coordinating economic action. It is not possible to conceive of a market without rules and the state, solely sovereign in this matter, governs market actions as much as it governs everything else. The second section explores this proposition empirically and relates it to pension policy developments in the decades following the Second World War. It outlines how governments adapted established private institutions (occupational and complementary pension systems) to public purposes, in response to popular demand for higher pensions. This created quasi-independent hybrids that, being neither state nor market, offered old-age security under varied funding systems while attaching pension receipt to previous earnings. The final section demonstrates the relevance of these debates to our current concerns and discusses possible future research agendas that explore the issue along these lines. The chapter suggests that the genesis of global financial markets is central to many current problems, as market-based systems and conventions are overriding other value judgments that offer alternative bases from which to assess the worth of public services, including welfare.

Much comparative social policy literature on pension development since the Second World War has focused on state provision and has been shaped by Esping-Andersen's seminal study on welfare state regimes (1990). Based on a quantitative analysis of the coverage and redistributive effects of public pensions, this analysis divides welfare states into three basic types: social-democratic in Scandinavia, liberal in Anglo-Saxon countries, conservative-corporate in Continental Europe. One problem with Esping-Andersen's 'worlds' of welfare, however, stems from its rigidity. His comparative theory rests on characterizations of welfare states derived from the prolonged period of economic growth following the Second World War. This limited historical perspective distorts understanding of the instability that preceded and has followed this era; it offers a misleading impression of the permanence of postwar social settlements that were necessarily historically

contingent. Even so, this work has proved highly influential. In spite of permanent pressures of austerity, little sign has been found by political scientists of convergence of welfare states (or pension regimes) toward a single, minimal model (Pierson 1998). Wholesale retrenchment and radical welfare reconstruction have been confined to liberal regimes, where state provision has lower public support (Pierson 2001). While embellishing the political factors that underpin the worlds of welfare, path dependency theory still upholds the viability of the model itself.

Not all analysts agree with the premise that welfare reform develops solely along established lines. The view that the Continental European welfare landscape is 'frozen' (Esping-Andersen 1996) is contested (e.g. Bonoli 2000; Bonoli and Palier 1996). There has been a perceptible shift toward the World Bank's recommended multi-pillar pension system within Europe. The European Commission is encouraging the development of a single European market for supplementary pensions, to foster greater cross-national labor mobility while developing a Eurozone-wide pension fund market as a key element in the integration of EU financial markets (Pochet 2003; Connell 2005). With or without the Commission's intervention, EU member states acknowledge the need for private supplementation to bolster shrinking public provision (Myles and Pierson 2001; Palier 2003). This focus on the similar trajectories developed by Bismarckian states (including Sweden) has challenged Esping-Andersen's old geography of welfare regimes as a basis for social analysis (Hinrichs 2001: 2004). Esping-Andersen himself has recently shifted his allegiances, supporting the trend to more neoliberal solutions based on more personal saving in lieu of redistributive, universal systems of the Scandinavian type (Esping-Andersen *et al.* 2002).

The spate of recent reforms thus calls for a new analytical framework. We need a theoretical perspective that explains difference while incorporating a more sophisticated understanding of the dynamics that have provoked modification and change. Further, analyses of developments in global finance on the one hand and of pension reform politics on the other have tended to remain academically separate (exceptions include Deacon and Hulse 1996; Schwartz 2001; Clark 2003). In social policy literature, fiscal and demographic factors that promote welfare state retrenchment receive extensive attention; the strengths and weaknesses of global financial markets receive far less. It is patently obvious that their transfer into private hands does not automatically increase pension resources for future generations. On the contrary, the higher costs generated by competing multiple providers might actually reduce them. Both the promise—and the threat—offered by personal investment on global capital markets as a potential solution to the current pension crisis require more attention. The assumptions underpinning the promotion of market solutions to social problems, moreover, rest on potentially uneasy foundations and to their analysis we now turn.

2 Private Pensions and Public Policy: the Theory of the Convention

To analyze current debates over public and private pensions requires an understanding of the neoliberal premises that have informed policy discussion. In the UK, where privatization initiatives developed during the 1980s (earlier than elsewhere in Europe), politicians argued that old-age protection would be most effectively secured by returning to the individual the freedom to choose the savings product best suited to guaranteeing her future. The assumption that action based on personal interest offers the best way forward rests on neoliberal tenets of political economy; these argue that markets, untrammeled by state intervention, automatically secure the most efficient distribution of goods and services. Such arguments assume that rational individuals, left to their own devices, base their actions on optimizing personal interests, seeking out and utilizing pertinent information to secure this end. Within this framework, public sector interventions should be minimal and confined to residual provision for those who, through no fault of their own, are unable to assume responsibility for their own security. If state provision is excessive, the market becomes deformed: high taxation (to fund collective welfare) distorts price signals and the belief that the state will offer universal protection against risk breeds social dependency. At best, market provision offers choices and market competition guarantees that these choices are available at optimally efficient prices. Within an ordered and tractable analytical logic, collective choice thus permits the perfection of efficient provision. This (admittedly crude) summary of how neoliberal market systems can and should shape collective decision-making is based on a model that unifies the private and the personal. It is applied extensively in the social sciences to the analysis of labor productivity, industrial organization—even public policy formation—as well as social protection.

Sociologists and economists working within the theory of the convention offer us a starting point from which to build an alternative analysis. Focusing on the problem of uncertainty and the consequent requirement for coordinated action to enable all to achieve their goals, this approach denies that each individual is an independent agent (the premise of neoliberal market theory). All social and economic actions are interdependent. The chief problem for individuals is to anticipate how others might respond to their initiatives: this generates uncertainty over outcomes. Uncertainty can provoke distrust and non-participation, leading to the breakdown of socio-economic systems. For uncertainty implies no basis for understanding the consequences of an action: if I hand over money on the promise of future goods or services, can I be assured of their receipt? Or if I turn to someone for help when sick, can I be assured of their professional competence? Similarly,

if I contribute to a pension fund, can I rest assured that it will provide the expected income in my old age? In the absence of conventions that serve as a basis for coordination, I will not act, as the uncertainty is too strong. Successful action depends essentially on collective trust and mutual expectation that all will know and respect conventions underpinning specific situations. Coordination emerges as the cornerstone of social and economic action, rather than competition between multiple providers.

The term 'uncertainty' is here employed to define a world where outcomes of action are unknowable. It must be distinguished from risk or hazard, the phenomena that form part of the insurance world, where possible adverse outcomes are identifiable and, with the aid of expert diagnosis, a probable consequence of action is predictable and risk can be measured. Actuarial evaluation shapes the calculation of premiums in an insurance environment that offers compensation in the event of action or accident producing a collectively recognized but undesired result—but this outcome is identifiable in advance. Protection against collectively acknowledged risk is necessary to establish confidence for all to participate in entrepreneurial activity. In the world of economic action, risk (multiple but identifiable) lies at one end of the spectrum, uncertainty (infinite and unknowable) at the other. In short, taking a risk implies previous knowledge about (even awareness concerning the likelihood of) adverse outcomes of action, while uncertainty denies the actor any basis for reaching a judgment about the effects of action, if any (Knight 1921). Seen from this perspective, effective action depends on the elimination of uncertainty more than on the containment of risk.

Risk may be insured individually or collectively. Classical mechanisms of social insurance, the foundation stone of many European state pension schemes, allow low risk cases to compensate for the high risk cases. These systems have long protected working people against conventionally defined 'risks' that threaten their livelihood, covering illness, unemployment, invalidity, as well as old age. In different countries and contexts, protection against some or all of such risks is assumed to be a personal, not a collective, responsibility—current renegotiations over pension provision demonstrate how this balance can change. Further, close examination of how such risks are defined (whether retirement, or the achievement of a pre-specified age, or both, is required for receipt of a pension) reveals variation in terms of place, occupation, and time. Identities are constantly reshaped. This fluidity, however, remains hidden behind the convention that this type of risk exists—and that collective agencies (commercial, mutual, state-sponsored) are in place to offer compensation. The identity of the risk (and the nature of the compensation) themselves reflect expectations about behaviors proper to public or private, collective or individual action: these shape the bedrock of conventions sustaining collective trust and define remits of welfare provision. Hence the existence of social protection promotes specific strategies of collective bargaining and manpower management: the use of early retirement and sickness pensions to

facilitate industrial restructuring during the 1980s offers one example (Chaskiel *et al.* 1986).

Systems of coordination and the logics that underpin them vary widely. In the need to justify our actions publicly, to offer explanation or to resolve dispute, different conventions (collectively accepted means of coordinated action) are revealed (Boltanski and Thevenot 1991). Public forms of justification are necessary to explain and coordinate action, as calculation concerning its consequences requires us to anticipate the reaction of others. In simple terms, these action frameworks (or evaluations of worth) are the building blocks of collective understanding and trust. Different evaluations of worth are pertinent to different given objects. Within plural frameworks of social ordering, market-based systems, reliant on competition and dependent on signals of quality and price, distinguish good products from bad, thereby offering one form of coordination. There are others. Standardized forms of measurement and knowledge provide the basis for professional knowledge: these coordinate evaluations in medicine, or technical knowledge—including, for example, actuarial expertise. This 'industrial' world displays the permanent value of certain types of knowledge, measurement, and analysis: the foundations for coordinating future socio-economic development. In similar vein, we can distinguish hierarchies of worth that legitimate the public exercise of authority and distinguish civic virtues from anti-social behaviors that merit collective condemnation. This civic world denotes the varying bases of moral-political evaluations that identify legitimate forms of decision-making and spheres of state power. Other conventions delineate the domestic or familial world: acceptable modes of behavior within households or local communities. Here, the bonds of love and the desire for intimacy foster compliance and conformity with different social practices. As Thevenot argues (2001), these hierarchies of worth are neither permanent nor stable. All are grounded in historical precedent and all are constantly modified in the course of action. All offer different foundations for rational action: while all co-exist, none can be used to denigrate or disqualify any other as all operate within their own terms of reference. Plural coordinating reference points based on different hierarchies of worth form frameworks for individual choice. These reference points are central to the confidence and trust that render coordinated action possible.

Hence social frameworks (collectively respected conventions) are necessary for market activity; individual choices and compromises are made within complex situations. To secure specified outcomes, individuals make decisions based on their expectations concerning the consequences of their actions and the relationship of these to their desired goals. This implies the pre-existence of a collective understanding about right and proper behavior within specific environments; to act, each person requires the common knowledge embedded in conventions shaping different environments (Dupuy 1989). The various hierarchies of worth reflect worlds of moral judgment, which in turn reflect respectable behavior,

accepted duties, and civil codes. Here, the common good is found: not a side-product of the collective pursuit of personal interest, but conventions accepted by all as a proper basis for social and economic coordination—including the means by which they are defined and enforced. The need for coordination locates the personal within the collective; conventions are central to the creation of market institutions and to the need for state intervention.

Collective foundations for social action (firms and other institutions) now no longer appear as anomalies in market competition, but instead can be understood as formalized compromises between different hierarchies of worth (Thevenot 2001). For such institutions, market competition, technological and organizational planning, and public relations generate tensions over resources and priorities that require constant re-evaluation and compromise: compromises focused on the nature of the product, the degree of capital investment, the location (and values) of potential consumers. Far from relying solely on product quality and price, real life markets depend on the development of trust between seller and buyer. Here, the nature of the product is crucial. The very term 'marketing' denotes the ambition of creating consumer confidence: the 'Find, Mind, Bind, Grind' of US consultant manuals stresses how customer relations are based on care, to foster trust and confidence as necessary preconditions to the extraction of profit. All markets, including pension markets, are a compromise between different worlds. When choosing complex goods, consumers turn to friends, work colleagues and family for advice—and will be happier choosing the 'good enough' product ratified by intimates than one that appears to offer better value for money (for an historical example, see Whiteside 1997).

To achieve coordination, all markets rely on collectively recognized codes of conduct. Much of this is ratified in law: there exist (implicitly or explicitly) moral orders that reflect collective perceptions of social justice, or the 'proper' way of doing things. The rules of competition and contract, of agency and its just remuneration, have to be known and accepted for market economies to function. Institutional arrangements ensure that rules are observed. The state, the only institution endowed with sovereign powers, acts as the coordinator of last resort: guaranteeing social justice by establishing the rules of the game, by identifying undesirable behaviors, and by protecting the polity from external threat or the sudden alien imposition of new rules (Salais 1998). In all market-based economies, regulation is present; should markets wobble or threaten to fail, the public turns to government for more legislative protection, not less. Hence, to take an example, the collapse of Enron (2002) stimulated demands for international accounting regulations, to enable all investors to be informed of total corporate assets and liabilities. When seen from this angle, the division between 'state' and 'market', so common in neoliberal discussion, becomes hard to sustain, for the state—through the law—remains charged with underwriting market operations to secure the necessary confidence and trust to enable all to participate. As some economists have noted

(Storper and Salais 1997; Dore 2000; Hall and Soskice 2001), contractual relations, the institutions that enforce them, and their underpinning conventions vary widely—between nations, between products, and over time.

From this perspective, pensions also represent institutionalized compromises rooted in agreed principles of social justice (Whiteside 2005). These compromises have been officially ratified in various ways. Governments in different countries have established or sustained very diverse typologies of pension management, requiring different points of state intervention and creating varied patterns of direct and indirect control. In consequence, there is no equivalence between apparently similar institutions or pension schemes embedded in different environments. Comparative assessments based solely on social support provided directly by the state are therefore highly partial. There is no simple way to distinguish between public and private schemes. An examination of pension development in the postwar years illustrates this point.

3 Occupation and Security[1]

In Europe, state-funded pensions formed part of a postwar settlement characterized by a standardized working week and faith in the efficiency of state welfare. These varied schemes were less an economic than a political product: a compromise reached between industrial, labor, and national economic interests underwritten by collective agreements and social legislation (Whiteside and Salais 1998). The agreements reflected specific historical circumstances: an urgent need to rebuild war-shattered economies, to modernize industrial production, to secure democracy, and to establish universal security following the destructive impact of the slump years and total war. American paradigms, stressing economies of scale and the commercial merits of large, integrated production systems, influenced how modernity was conceived. Postwar labor shortages encouraged firms to develop company pensions to foster worker loyalty, a development equally evident in the professional protection already established in fast-expanding public sectors. This drive to rationalize labor distribution and to secure worker cooperation for an agenda based on a specific vision of the future represented an apogee in state-sponsored security (Salais and Whiteside 1998, part III). As postwar living standards rose, so demand increased for the socially dependent—particularly pensioners—to share in rising prosperity. To protect public expenditure from future growing burdens, some European governments decided to promote

earnings-related pensions and turned to the extension of company and occupational schemes to meet rising expectations.

Postwar welfare states have been thoroughly documented in both historical and social policy literature; less attention has been directed to earnings-related occupational pensions in the 1950s and 1960s.[2] Here, we can note fundamental differences between European and Scandinavian welfare and pension policies and their Anglo-Saxon counterparts. This is reflected in traditions of joint or tripartite decision-making and the role of government (through labor law) in guaranteeing (and extending) basic employment contracts (Gamet 2000). Continental European labour law enforces the norms governing employment, as reflected in rights and obligations of employers and employed (including compliance with social security legislation). Formal agreements establish minimum standards: pensions agreed through collective bargaining, as well as those stipulated by social security legislation, are given the protection of the law. As a result, the apparent divide between public and private pension provision is less profound in Continental Europe than in Anglo-Saxon countries, where occupational pension schemes may be collectively negotiated, but are still essentially private arrangements. Moreover, European employers' organizations and trade unions administer occupational or enterprise-based systems and state welfare: this reflects long-established conventions of co-determination and corporate governance (strong, for example, in Germany, the Netherlands, and Sweden but less so in France). Such differences are rooted in Bismarckian social insurance, revived after the Second World War.

In the immediate postwar years, occupational or complementary pension schemes grew rapidly. In an era of skilled labor shortages, employers cultivated the loyalty of key employees, to offset the attractions of pensions available to workers in the public sector, and to facilitate internal labor management. Generally, company pensions covered white-collar, professional, and technical staffs who were hard to replace; blue-collar, unskilled, or temporary personnel (the sectors most vulnerable to old-age poverty) tended to be excluded. Fiscal concessions to promote such schemes, originally introduced in the early twentieth century, were extended. However, variance in state social security meant that occupational and professional provision was integrated into the wider sphere of economic and social politics in diverse ways. Legally endowed occupational and professional pension rights formed an institutional heritage highly resistant to change. Postwar processes of establishing (and raising) state pensions necessarily affected previous arrangements. In Europe, the legacy of the war (inflation, industrial devastation, and labor market dislocation) almost required the provision of citizenship pensions (exemplified by Sweden and the Netherlands) independent of contributory record or means test, to prevent the spread of destitution. The contested solidarity embedded in such public schemes (Baldwin 1990) extended to occupational pensions that also involved a pooling of risk, whose governance was, like its public counterpart, vested in representatives of employers and employed.

The 1950s witnessed the emergence of the first pension panic; rising longevity combined with growing prosperity was creating poor pensioners unable to share in rising living standards. Governments in the 1950s and 1960s sought to adapt existing employment-based, earnings-related provision to eradicate future pensioner poverty. This strategy had many advantages. It allowed, by index-linking contributions and benefits, pensioner income to be secured against inflation. Contributory income could be used for the purposes of industrial modernization. Finally, offering higher earnings-related pensions (as deferred salary) could help to contain wage demands. Similar strategies, however, were disguised by the very different roles ascribed to the state (as direct provider, legal guarantor, or participatory administrator) in different national contexts. Even as different governments had created different public agencies for the purposes of postwar economic reconstruction, so these precedents helped to shape the nature of state participation in pension reform, thereby generating varied remits of public and private responsibility, administration, and ownership. A brief review of pension politics in this period reveals how public and private spheres of activity were reconstituted: key cases demonstrate how political processes shaped a public/private division that has subsequently assumed an enormous importance.

In the late 1950s, Germany and Sweden transformed state pension provision to embrace a universal, earnings-related component on all incomes under a specified ceiling. Norway followed the Swedish example in 1966 (Palme 2003: Hinrichs 2004). Following extensive debate, reforms in these countries endowed the state with responsibility for guaranteeing that pensioner income remained linked to current earnings, protecting pensioners against inflation. In Germany, the high replacement ratio guaranteed by the new state scheme (following the 1957 reform, state pensions rose by 70 percent: Hinrichs 2004: 17) did not spell the disappearance of company pensions. On the contrary, German firms continued to promote private schemes. Thanks to the 'book reserve' system, German corporate pensions helped to restrain wage demands while creating funds for the company to invest in future expansion. In the 1990s, two out of three salaried workers were covered by a complementary scheme (Reynaud and Tamburi 1994, ch. 4). In Sweden, following the introduction of the state-run earnings related scheme in 1959 (ATP), additional pension protection was collectively negotiated. A new defined benefit scheme to cover white-collar workers was collectively agreed in 1960 (ITP), with an additional scheme for blue-collar workers created in 1973 (STP). Finally, defined benefit pensions were established for central (SPN) and local government (KPA) employees (Kangas and Palme 1996). This created a multi-tiered hierarchy of guaranteed pensions, offering high levels of old-age income replacement and reducing the need for personal saving until pensions were restructured in the late 1990s (Palme 2003).

In France and the Netherlands, policy reinforced occupational pensions, but the management of earnings-related provision remained outside state hands. In the Netherlands, collective agreements in the early 1950s created funded occupational

pension schemes in pre-specified sectors (1953), predating universal state insurance (1957). Sectoral pension funds were invested in postwar reconstruction of the Dutch economy and, from the start, their provision was compulsory for all employers (Van Riel 2003). Coverage grew steadily, reaching 60 percent of Dutch employees in the 1960s and well over 90 percent in the 1990s (Clark and Bennett 2001). In France, social security fractured along occupational lines from its very inception (Palier 2002, ch. 2). The cadres (white-collar and technical staffs in the private sector) supplemented the new state regime of social security created in 1946 with their own earnings-related pension scheme (AGIRC) (Lion 1962). This precedent encouraged other supplementary occupational pensions in the 1950s, to complement state pension benefits that remained very low. Many firms committed to such schemes were small: intense economic modernization forced some to disappear or merge with other companies. Larger umbrella associations guaranteed worker protection. For example, AGRR,[3] established in 1951, covered 99,800 firms with 780,000 members in sugar, textiles, wood, and furniture 20 years later. The largest, UNIRS,[4] founded in 1957, covered 298,000 firms, was paying 1.9 million complementary pensioners, and had 4.3 million subscribing members by 1971. In 1961, under official prompting, a collective agreement created ARRCO,[5] an association covering all complementary occupational pensions below specified earnings (Lyon-Caen 1962). By pooling a proportion of contributions, funds in surplus subsidized those in deficit; employers remained free to offer additional pensions if they wished. By the early 1970s, ARRCO covered all French workers in France and its overseas territories (ARRCO 1972).

These examples show that, through collective agreement and legislative obligation, major European economies consolidated and extended established occupational earnings-related pensions. The object was to guarantee pension security while promoting labor mobility during the years of postwar economic modernization: collective provision protected acquired pension rights. In Sweden, the Netherlands, and even France (where ARRCO and AGIRC initially established large reserves), accumulating pension contributions, invested largely in government securities, were used for state-sponsored programs of modernization—reflecting the public equivalent of what the German book reserve system achieved for the private firm. This formed a foundation for the European social model. Concordance between public and private was not, however, so visible in Anglo-Saxon economies. Debates over pension reform in Australia and the UK illustrate very different political trajectories.

In both Britain and Australia, pension debates also centered on occupational provision—but in both countries official initiatives to extend established schemes were widely (and more successfully) opposed. The reasons behind the opposition were, however, not identical: the foundations of postwar state pensions in the two countries were very different. While Britain had embraced Beveridge's pension model, Australian governments and trade unions had long rejected the contribu-

tory principle. In a country whose economy still relied overwhelmingly on the farm and the mine, seasonal employment and mobile labor blurred distinctions between subcontractors, the employed, and those ostensibly working on their own behalf, making contributory systems an unrealistic solution to the coverage of social risks. Social security (including state pensions), introduced by a Labor government in the 1940s, rejected contributions in favor of tax-funded welfare. Postwar Australian pensions were universal and flat-rate, but lightly means tested. When the Liberal (conservative) government tried to introduce a contributory system of national superannuation in 1965, the scheme won no support: an exercise repeated by a Labor administration in the mid-1970s, with the same result. As might be expected, employers and insurance companies opposed state initiatives that threatened their business, for much the same reasons as in Britain. Occupational providers, managed by major companies and financial service institutions, looked askance at competition from a state-sponsored alternative. However, Australian trade unions opposed any scheme that required workers to pay for their own retirement. The virtue of the postwar welfare settlement for Australian workers lay in its redistributive nature: tax-based pensions meant that the well-off paid for the poor. Australian trade unionists argued that solutions to pensioner poverty lay in raising the basic state pension, not in the introduction (or extension) of contributory schemes. In consequence, the world of Australian pensions changed little prior to the 1990s.

Similar resistance to the adaptation of private pensions for public purposes was also encountered in Britain, but the eventual outcome was different. Far from being a liberal measure faced with opposition from organized labor, the British debate was stimulated by two Labour governments and the most persistent resistance to any policy to widen state provision came from within the civil service—from the Treasury. Evidence of continuing pensioner poverty in the midst of growing affluence, coupled with rising earnings-related provision in other European states, stimulated the introduction of a graduated state pension by a Conservative government in 1959. This earnings-related state scheme was, however, misleading: policy combined fiscal incentives and additional insurance contribution rebates to subsidize British employers who introduced private occupational schemes, contracting out of state provision. During the 1960s, occupational cover boomed; pension funds came to represent over one-third of private saving in the UK economy: a proportion higher than that found in the United States (Hannah 1986: 48–51). Occupational protection was also used within collective bargaining, to bypass official wage restraint policies: a trend well supported by public sector unions who therefore looked askance at plans to universalize occupational cover that would negate negotiated and hard-won gains for their members.

Even so, the incoming Labour government in 1964 promised to create a national superannuation scheme, to operate on a funded basis managed by independent

trustees, to guarantee an income at 50 percent of previous earnings. The fund so created would allow government, as in Sweden, to influence investments in the public interest—a powerful tool for national planning. The scheme provoked opposition from the union movement, from employers, the financial service sector, and, most effectively, from the Treasury, where the plan was interpreted (to quote one official) as 'nationalisation by the back door'. For these civil servants, the scheme threatened monetary stability and private sector investment. Higher contributions (and consumption among the elderly) would prove inflationary, would disrupt the balance of payments, and damage confidence in sterling. Further, if fund balances were placed in equities, this would inflate market prices, forcing up interest rates on gilt-edged securities and thus the cost of government borrowing. Conversely, if vested in government securities, the new pension obligations would eventually burden the public accounts while simultaneously damaging London's capital markets and internal industrial investment. These arguments persuaded British governments of all political complexions to give monetary stability priority over questions of pensioner security. When the State Earnings Related Pension Scheme (SERPS) was eventually introduced (1976), it assumed a residual role, underwriting around 60,000 private occupational schemes in a manner not witnessed anywhere else in Europe, creating an administrative nightmare in the process.

These limited historical narratives demonstrate how a similar strategy (the promotion of earnings-related complementary pensions) was debated as a potential solution to common problems (pensioner poverty, funding for inward investment, wage restraint) in widely differing combinations of private responsibility and public regulation or provision. From the roots of a common strategy emerges a history of divergent trajectories, as political contingency combined with social necessity to generate multiple public-private productions of old-age security. Varied pathways were taken toward a common goal. We can see that divisions between 'public' and 'private' provision, common to neoliberal discourse, are ill-suited to describing these systems. Different states intervened at different points to promote a common objective. Clear distinctions between Pillars 1 and 2 under the World Bank classification (1994) become hard to sustain and identifying public and private pensions is rendered problematic. Both Dutch and French occupational systems, for example, were established by legislative enactment, but were regarded as essentially private concerns, with ownership and management vested with the members and no direct financial contribution from the state. Nor was the state entirely absent from any of these systems: in both the UK and in Australia, tax advantages effectively subsidized companies sustaining occupational schemes. Hybrid compromises served varied political purposes, linking old-age security to strategies of modernization and growth, with official agencies performing their coordinating role in multiple ways.

4 Conclusions

The pension developments described above offer a new perspective on more recent debates. They show how the real world of pension provision does not divide between the public and the private, but has long involved agencies whose management and ownership reflect widely differing arrangements. Yet, with the establishment of the single market, European hybrid systems have been compelled, under the exigencies of EU competition law, to identify themselves either as part of the welfare state (and therefore public) or as private (and therefore commercial). In other words, the introduction of market-based systems into established pension provision has forced conformity with conventions that these institutions do not recognize and into whose evaluative world they do not fit. In consequence, AGIRC, ARRCO, and the Dutch sectoral pension schemes are today legally regarded as part of the public sector, threatening their earlier (and much cherished) independence while throwing into question whether the state is now liable for their continued financial viability. This gives rise to further logical anomalies concerning the position, for example, of other systems of social protection that do not operate on the basis of market competition, but are highly regarded for the services they offer and the ethics they espouse. Should we assume that market discipline will guarantee either their effective conversion into successful commercial operations, or their imminent demise? What values and moral imperatives derived from other hierarchies of worth that formed the foundations of such institutions will be destroyed in the process—and is such destruction desirable? In short, we should be aware of the dangers posed by a myopic addiction to the virtues of the market world at the expense of every other form of evaluation. Complex institutional constructions reflect diverse compromises between different hierarchies of worth that have developed over prolonged periods of time.

Current arguments about the benefits of market-based systems are driven by neoliberal logic (outlined briefly at the beginning of this chapter). This is largely responsible for the compulsion to reduce state welfare budgets and the translation of the state's role from welfare provider to welfare guarantor. However, the adaptation of commercial markets to the provision of social services has not been an unmitigated success. The nature of risk, the plethora of unwritten conventions, and the sheer complexity of market products in financial services have provoked new types of state intervention and regulation, largely to protect new consumers, to foster confidence and trust. In the process, transaction costs rise as administrative complexity increases while signals of quality and price (the hallmark of market value) are obscured by the introduction of official subsidies directed to shape consumer behavior in accordance with current policy preferences. The result has been public uncertainty, opposition, and non-participation (witnessed both in Britain and Germany) or continuing reliance on the state—currently evident in

Sweden, where rising numbers of participants in obligatory personal pension plans vest the state with the responsibility of managing their funds (Hinrichs 2004: 39–40). Moreover, regulatory requirements have not been confined to national boundaries. The growth of global financial markets has forced even the most neoliberal administrations to demand international agreement on collective rules to foster confidence in market operations. The slow and painful birth of a single market for European financial services has required the extensive negotiation and elaboration of its remit and the identification of legal and illegal practices (Lamfalussy process). The negotiation of international accounting standards, rules on disclosure, investment regulations, and so on reflect attempts by a range of official bodies to guarantee coordination by making markets user-friendly, to foster confidence and trust in their activities, to enable the uninitiated to participate. Thus are new institutional hybrids born.

This historical repetition (if it can be so characterized) invites empirical research into claims that supposedly 'private' pensions offer better value to the citizen than the public alternative. Such assertions are in need of serious reappraisal. We have lost sight of Beveridge's strictures based on economies of scale: the cost advantages of collecting compulsory contributions (as opposed to voluntary saving), the 'duplication and waste' (in terms of buildings and personnel) generated by multiple competing providers (Beveridge 1942). The transfer of pensions from state bureaucracy to private enterprise may improve the profile of the public accounts. Does this represent 'better value' for the majority of future pensioners—who ultimately pay not just for multiple managerial hierarchies but also for the unmeasured (because unmeasurable) compliance costs consequent on burgeoning regulation? Do such judgments take account of the high transaction costs (and multiple social consequences) of means-testing claimants who are unable to save for a pension?

Thanks to the genesis of increasingly unified market systems without the control of the state, the pensions agenda is increasingly driven by conventions of international accountancy—which themselves require academic attention. We need to understand the conventions underpinning the real world construction of public accounts. While neoliberal arguments that shape current pension policy are widely understood (if not necessarily accepted), we know far less about how financial accounting practices operate. How is the remit of public expenditure on pensions defined in practice? Are tax concessions offered to employers to fund occupational or professional schemes understood as a public subsidy (and, if not, why not)? What 'counts' as public taxation? Why are compulsory collective premiums (or social insurance contributions) included under this remit while some compulsory personal premiums (car insurance) are not? How do conventions of public accountancy determine the public/private status of Pillar 2 and Pillar 3 pensions? In other words, we should unpick the macroeconomic statistics that fuel the arguments of politicians and academics alike, to understand the political processes

involved in their construction and their implications for pension policy. This research agenda is highly complex: conventions of public accountancy have, like all other conventions, evolved over prolonged periods of time. Their political significance has, however, attained an importance in pension deliberations that outstrips nearly all other considerations. Their analysis, therefore, is a matter of urgency if current debates are to become more balanced and the collective costs and benefits of alternative typologies of pension provision are to be understood.[6]

Notes

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1. A more detailed account of the following section can be found in Whiteside (2003).
2. Exceptions include Hannah (1986), Reynaud and Tambouri (1994), Whiteside (2003), Kangas and Palme (1996).
3. Association Générale des Retraites par Repartition.
4. Union des Institutions de Retraites des Salaries.
5. Association des Régimes de Retraites Complémentaires.
6. At the time of writing, the EU Directorate-General for Economic and Financial Affairs is calculating the impact of new conventions of public accounting (forcing governments to conform to recently introduced International Accounting Standards) on the finances of both national social security and schemes involving the state as employer. This implies a new order of magnitude for public debt and deficit. See Oksanen (2004); I am grateful to Bernard Casey for this reference.

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