Public policy and private pensions: historical perspectives on the politics of reform

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Summary This paper compares how extensions of pension rights were developed and implemented in major European economies in the decades following the Second World War. Governments in Sweden, France, Germany, the Netherlands and Britain adapted earnings-related systems as a common policy agenda to meet rising public demand for more generous pension provision. However, this generated divergent policy pathways as a common approach became translated through different institutional mechanisms and different conventions of governance – the points at which states could legitimately intervene to secure policy goals. In consequence, divisions between public and private pension provision (and the boundaries of welfare states) were blurred by the emergence of institutional hybrids. Neither state nor market, these developed in continental Europe as negotiated compromises that fostered social representation in the management of collective provision under various forms. By contrast, in the UK such governing conventions were absent and, hence, the division between public and private has proved more deep-rooted. Historical precedent suggests that current pressures towards private pension solutions cannot but produce another compromise in the form of a public-private hybrid to reconcile financial imperative with popular demand for pension security.

Key words pensions, European; pensions, history; pensions, occupational, complementary, supplementary; pensions policy in postwar Europe; European pension politics

Introduction

In recent years, debates over welfare restructuring in all major European economies have focused overwhelmingly on pensions. Ageing populations and strict public expenditure constraints have stimulated demands for reform, involving a reduction of Pay As You Go (PAYG) public provision in favour of private, funded schemes. Such shifts have been widely contested. They signal the transfer of risk away from the collective and towards the individual; they redefine established divisions between public and private responsibility for old-age security. Such factors, coupled with recent severe downturns in global financial markets, have provoked public opposition in many European states. The panacea for the public pension crisis – the extension or creation of privately funded schemes – offers less security; pension debates remain mired in discussion about the relative merits of public and private provision. On paper, the UK government's future pension obligations appear less of a burden on the public purse than those of its continental neighbours – thanks to the consistent promotion of privately funded pensions in recent years.

The ostensibly different merits of public and private pensions mirror different welfare logics underpinning past policy development. These spring from diverse views about the meaning of pensions and the purpose of pension schemes. Pensions may represent deferred salary (on a socialized or individual basis), the means to secure long

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and better service from essential employees, a necessary investment in industrial restructuring, a source of venture capital, as well as protection against a destitute old age. Different actors in the debate utilize public justifications appropriate to their views: the merits of pension security and intergenerational solidarity counter the commercial advantages pension funds offer for economic investment, for example. Administrative authority (including, where relevant, fund management) may lie with commercial agencies, with employers, with trade unions, under systems of joint or tripartite representation or any combination of these. All are subject to direct or indirect state regulation: in this sense, at least, clear-cut divisions between public and private are spurious as all commercial activity is subject to the rule of law.

Historically, we witness how different countries employed different institutional structures to secure state pensions at the end of the Second World War. However, as this paper shows, European states in the immediate postwar years also contained a range of occupational and professional schemes serving discreet populations which allowed retirement income to reflect previous earnings. During the years of postwar recovery, policymakers viewed the extension of these ostensibly private schemes as one way to combat pensioner poverty without raising public obligations. Faced by a common problem, European governments (including the UK) adopted remarkably similar solutions. However, the different policy instruments and institutions available to governments to realize their objectives resulted in a growing diversity of pension policy – particularly between Britain and her continental neighbours. This was reflected in different combinations of public and private provision, with the state exercising different degrees of influence in shaping earnings-related pensions and their subsequent development.

This paper is not going to rehearse the current demographic crisis or the fiscal debates surrounding pension reform, already the subject of much academic attention (e.g. Clark, 2000; Hinrichs, 2001; 2004; Myles and Pierson, 2001; see also papers in Clark and Whiteside, 2003, among many others). Nor is it going to describe the pros and cons of pension schemes currently in place (Blackburn, 2002). Rather, it analyses the extension of pension rights in the decades following the Second World War – focusing less on statutory schemes forming part of the postwar settlement than on the complementary, earnings-related systems put in place in later years. It will demonstrate how, at this time, European governments adapted established private institutions (occupational and complementary schemes) to public purposes, in response to popular demand for higher pensions. This created quasi-independent hybrids, neither state nor market, which offered old-age security under varied funding systems. By vesting social partners with powers over their administration, however, continental states acknowledged that pensions belonged to the contributors and promoted managerial systems to reflect this. Here, pension security retained top political priority. By contrast, in Britain, pension policy developed along different lines, with commercial and monetary interests dominating policy development. Further, the analysis exposes the weaknesses of comparative studies which rely solely on direct state provision. For Esping Andersen (among others), the framework of social policy is defined by state pension schemes financed by taxation and/or social contributions. If the measurement of policy outcomes is to be taken seriously as a basis for comparative assessments, this framework must be seen as partial. The borders of welfare states are far more porous than is often supposed: the delimitation of public and private systems offers a seductive but misleading route for comparative welfare assessment as it ignores substantial public subsidies (through tax concessions) to ostensibly private schemes.

This paper examines pension policy in an era that has commanded little interest in policy analysis (the 1950s and 1960s). The period exists as a lacuna in our understanding – suspended between the creation of postwar welfare states and more recent crises. Many writers have assumed nothing of any great significance occurred. Closer examination reveals this assumption is wrong. On the contrary, pension policies were widely discussed and modified: provision in the late 1970s differed considerably from systems put in place 30 years earlier. Policy is not developed by legislation alone; outcomes are constantly affected by administrative modification and by other external agreements and events. This is a perpetually shifting world, policy is an organic mechanism which is subject to review, amendment and redirection. To ignore the context within which new developments are located is to ignore important influences and to neglect the multiple agendas pension policy was designed to serve.

Comparative trajectories: the extension of postwar pension rights

All European states reappraised welfare provision for the elderly in the immediate postwar decades. As economic recovery assured rising prosperity, so pressure grew to raise pensions accordingly. Earnings-related provision, operating largely under government auspices and covered by the overarching umbrella of labour law, became central to official strategies of pension development.

The fundamental difference between European and Scandinavian welfare and pension policies in the postwar era, when compared to the UK, is reflected in traditions of joint or tripartite decision making and the role of labour law (and government) in underwriting (and extending) employment contracts and collective agreements (Gamet, 2000). The foundations of continental labour law rest on principles of public order: these determine norms governing employment, laying down the rights and obligations of employers and employed (including compliance with social-security legislation). Formal collective agreements set minimum standards. Some states rationalize these agreements by extending their terms and coverage in a range of predefined ways. Hence both pension agreements created by collective industrial bargaining as well as those defined under social-security legislation are offered the protection of the law. In Britain, voluntarist industrial relations mean work contracts are private and, as a result, the depth of the divide between public and private pensions is much more profound. More significantly, European employers' organizations and trade unions are represented in the administration of state social security as well as in firm-based systems, reflecting conventions of code-termination and corporate governance (strong, for example, in Germany, the Netherlands and Sweden although less so in France) that predate the Second World War.

Historically, occupational or firm-based pension schemes were widespread. They developed for broadly similar reasons: to guarantee the loyalty of key employees, to offset the attractions of state pensions available to workers in the public sector, and to provide employers with an additional tool of internal labour management. Fiscal concessions to promote such schemes were common, but variance in state-sponsored social security meant that occupational and professional provision was integrated into the wider sphere of economic and social politics in diverse ways. At the war's end, each government was faced with a fait accompli. Well-established, legally endowed pension rights formed part of a cultural, legal, and institutional heritage which resisted the prospect of radical change. At the same time, these schemes had been damaged (even destroyed) by the war and by the long depression that had preceded it. Hence postwar policies of restoring, extending (and raising) pension rights became entangled in processes of reviving and modifying earlier arrangements.

As only the state could establish solutions acceptable to all parties, the equilibrium between public and private responsibility swung towards greater state-based provision in continental Europe in the immediate postwar decades (with the exception of France). In Sweden and the Netherlands, the basic citizen's pension protected women (who had difficulty in establishing contributory rights), and avoided means tests which were assumed to discourage thrift while raising administrative costs. Defined benefit pensions were widespread in occupational and professional sectors. However, funded schemes, with the notable exceptions of the Netherlands and Switzerland, were rare; wartime monetary disruption and postwar inflation damaged faith in security based on collective savings. Finally, the governance of pensions was vested from the start with the social partners: a feature partly reflecting widespread joint legal ownership of schemes and their financial reserves, partly the orthodoxy of social solidarity which they embodied. The structure, scope, and boundaries of such solidarity were as contested in private industry as they were in public schemes (Baldwin, 1990). However, the principle that the interests of the insured should be guaranteed through representation on governing councils was more widely respected in continental Europe than in Britain.

Germany: developments in company pensions

In Germany, fiscal incentives encouraging company pension schemes originated in the 1920s; state policy focused on guaranteeing the adequacy of company balances to meet these liabilities. Large companies adopted the book-reserve model which allowed pension savings to be internally invested, while others preferred group insurance or the creation of pension funds. During the interwar years, these schemes had expanded. The association of company welfare with modern scientific management fed into the sophisticated systems surrounding the DAF and Nazi labour policies, structuring rewards around work performance and tying the worker's present and future income to the firm (Fiedler, 1996). As statutory social-insurance funds were raided to pay for rearmament, company pensions retained their importance for old-age security. In the aftermath of 1945 and the monetary reforms of 1948, German pension funds lost value as they were converted from Reichsmark into Deutschmark on a ratio of ten to one (pensioners under the state-insurance scheme benefited from a conversion based on parity). Contributors to book-reserve schemes were less penalized as their future pensions relied not on monetary reserves, but on current contributions and future company profits.

German companies continued to offer such pension guarantees, not least because workers' contributions met urgent postwar requirements for internal investment. Joint management by employers and employed, not only of company pensions but also of management strategies on future investment as well as salaries and working conditions, fostered worker confidence. Pension management was located within the machinery of wage bargaining. The legacy of worker representation on works councils, dating back to the First World War and substantially reinforced under the Weimar Republic, eventually translated into joint representation in the management of corporate affairs. This promoted the widespread consensus, shared by employers and trade unions and reinforced by returns on growth in the 1950s and 1960s, in support of the book-reserve system. By the 1990s, two out of three salaried workers were covered by these complementary pensions, and invested balances were valued at DM250,000m (Reynaud, 1994: Ch 4). Not all companies operated a book-reserve system. Many smaller ones preferred to vest pension obligations with an insurance company which, in contrast to its Anglo-American counterparts, tended to invest in long-term assets, thereby constraining the development of a market in equities. During the 1990s, as returns on government stocks dwindled and equity performance soared (and as German corporate growth stalled), some major corporations and their investment strategists started to talk up the advantages of global investments, provoking exit from the established system and greater support for privately funded schemes. Here we witness the sources of tension and conflict; the old link between corporate growth and pension security is ruptured as employers seek to meet their pension obligations through different economic strategies.

In Germany, the principles of codetermination found in industrial affairs extended to earnings-related state social-insurance funds, which operate on a PAYG basis. Hence the principles of social democracy and the social market were equally embedded in company pensions and national pensions policies. Such principles also underpinned long-term investments that, in collaboration with the Landesbanken, aimed to secure viable local economic development (Clark, 2000). The pension legislation of 1957, introducing state earnings-related pensions, reconciled the need for wage restraint in a key period of economic recovery (deferring higher income into old age), with recognition that a purely liberal market economy was failing to redistribute newly created wealth in an equitable fashion. The PAYG basis of the new state scheme created a link between pensions and wage rates, allowing the elderly a share in growing prosperity as pensions rose alongside wages. Following this legislation, state pensions rose 60–70 percent (Abelshauser, 1996: 138; Hinrichs, 2004: 17). Within both public and private pension strategies, deferred salary was shaped to secure the industrial future: through the *Land* (under the state pension scheme), or through the company (under the book-reserve system). As the pension was deferred salary, and thus wage earners' property, workers' interests had to be represented in the management of both types of pension provision.

The Netherlands: the birth of sectoral pension funds

As in Germany, unions and employers combined to realize social security in the Netherlands within the remit of legislation passed by the state. Here, in the postwar years, universal welfare replaced the state-subsidized voluntary schemes which had dominated social security before 1939. Through the medium of national bargaining under new joint bodies such as the Foundation for Labour (1944) and the Socio-economic Council (1950), state, employers and trade unionists negotiated coordinated national strategies for postwar recovery. Agreement on strict wage restraint was secured in return for price controls, low rents, and new extensions in state welfare. The 1947 *Emergency Act* gave a temporary, universal tax-funded pension on a means-tested basis for all aged citizens, pending the creation of social insurance. The basic state pension, finally introduced in 1956, offered a flat-rate, PAYG minimum. Funded by contributions, its pension covered all citizens and was deliberately designed to encourage the expansion of funded pension schemes which were expanding very swiftly at that time (van Riel, 2003). By 1953, around two out of three Dutch workers were already contributing to a jointly negotiated, earnings-related, quasi-private supplementary pension; with government support, these became the mainstay of old-age income security for Dutch workers.

In the immediate postwar years, as state pensions remained minimal and wage restraint was strictly enforced, the negotiation of funded occupational pension schemes became attractive for both sides of industry. In 1947, the Dutch government introduced measures to extend agreements reached in specific industries to all firms in the sector concerned, to prevent unfair competition, creating pooled funds for small and medium enterprises. As a result, cross-subsidy between firms covered by a specific sectoral agreement offered pension security while removing disincentives to labour mobility provoked by single-firm schemes. Unlike German book-reserve schemes, however, Dutch pension funds were not permitted to invest in their own firms: this being another mechanism through which pension security is safeguarded (Clark and Bennett, 2001). While major companies ran their own schemes, the consolidation of occupational pensions into sectoral funds encompassed all firms operating in predefined spheres of economic activity. Thanks to legislation extending initial agreements, employers were compelled to offer an earnings-related pension; those insufficiently large to offer total security against risk were not permitted to contract out of the sectoral collective pension fund. While employees were not compelled to contribute to their occupational scheme, coverage of the population grew steadily, reaching 60 percent in 1960 and around 90 percent in the 1990s (Van Riel et al., 2003).

The popularity of Dutch supplementary pensions reflects the degree of trust in the system, itself the product of how the schemes are governed. Sectoral pension funds are overseen by representatives of employers and scheme members, with direct control vested in financial-service subsidiaries charged with actuarial prediction and fund management, the latter being the responsibility of commercial asset liability managers. Until the 1990s, these assets were largely held in government stocks and bonds, supplying the finance to promote investment in infrastructure (Clark and Bennett, 2001). This reflected the corporatist solidarity typical of Dutch economic and social governance, forming a different virtuous circle between social protection and economic growth to the one found in Germany. Unlike in Germany, however, greater reliance on funded pensions allowed the Dutch public finances to escape the worst consequences of the pension crisis which developed in the 1990s (Haverland, 2001). Neither public nor private (until EU competition law forced a change in their legal status), the successful development of Dutch supplementary pensions shouldered the burden of rising pension costs. Following the millenium, however, falling equity prices have led to the imposition of higher premiums and lower benefits (in many ways similar to cuts imposed on other countries) – demonstrating that markets cannot provide a failsafe solution to the pension problem.[1]

Sweden: the extension of state-sponsored schemes

Like the Netherlands, Sweden introduced an extended tax-funded citizenship pension immediately after the war (1946), although in this case, the decision was strongly influenced by national precedent and pressure from an influential agrarian sector opposed to contributions (Baldwin, 1990). From 1951, the tide in pension discussion turned in favour of comprehensive, income-related social insurance. The earlier people's pension had never aimed to offer more than subsistence and, with the public sector and white-collar workers in receipt of earnings-related pension supplements, social justice required the extension of similar benefits to the less well-off. A debate ensued during the late 1950s over the coverage of new earnings-related pensions, which would determine whether administration should be under joint management in the private sector, or be run by the state: also, whether such supplements should be funded or operate on a PAYG basis. In the event, state earnings-related pension supplements (ATP), operative up to a specified income ceiling, passed the legislature in 1960 (Kangas and Palme, 1996). While farmers and the self-employed participated on a voluntary basis, the rest of the employed population was obliged to insure under the new state scheme.

Measures were introduced to facilitate redistribution from rich to poor and to those whose contributory record was incomplete. To accommodate the interrupted working life of women, concessions were made to permit the receipt of partial pensions for those whose contributory record fell between 15 and 30 years. Although ostensibly run on a PAYG basis, contributory income (funded nearly totally by employers) was designed to outstrip benefit expenditure. The scheme accumulated substantial buffer funds; returns on these were sufficient to meet pension payments until the late 1980s. As the combination of supplementary scheme and basic state pension was generous, little space was left initially for the development of extra 'private' occupational pensions. Even so, comprehensive occupational cover did develop during this era under national agreements offering comprehensive cover to all workers in four specified sectors. Pioneered by state employees whose occupational pensions, in Sweden as elsewhere, form part of their work contracts, the unification of coverage for municipal employees was finalized in the early 1970s. A scheme covering white-collar workers, originating in the early 20th Century, was radically extended during the implementation of ATP in the 1960s under the management of a major occupational pensions company (SPP). Blue-collar workers negotiated a similar supplementary pension scheme in the early 1970s, also managed by an occupational pensions company (AMF). High levels of unionization ensure comprehensive coverage and collective negotiation of the pension plan guaranteed equitable treatment (Palme, 2003).

France: creating private complementary pensions

Raising old-age income in France developed along lines similar to the Netherlands, although here trade-union representation was far more contentious. In France, as elsewhere, both public-sector and some company pensions dated back to the 19th Century. The (comparatively late) advent of contributory state pensions for elderly workers (1930) had excluded white-collar workers, technicians, and managers in private industry (cadres). Following mass strikes in Paris in 1936, the Popular Front Government endowed collective agreements with legal status (Accord Matignon). The following year, the cadres in engineering negotiated an agreement which created a professional funded pension for their members. Inflation and the impact of war destroyed this scheme's reserves. Following the war, however, the cadres sought to restore established privileges and negotiated a new interprofessional agreement that extended a compulsory earnings-related pension supplement to the *régime générale* (introduced in 1946), funded on a PAYG basis (AGIRC). This unified scheme covered all technical and white-collar staffs and was managed by joint representation (Lion, 1962; Friot, 1998). It formed an important precedent for other private-sector workers. Various complementary pension schemes were negotiated during the early 1950s, some covered by collective agreement, some not (ARRCO, 1972: 11–12), which operated alongside *the régime générale*. Many firms committed to such systems were very small; their workforces were highly mobile, and, in a period of intense modernization, many disappeared or merged with other companies. Larger umbrella associations of interprofessional regimes emerged to manage these varied professional schemes. Early examples included AGRR (Association Générale des Retraites par Répartition), created by collective agreement in 1951; by 1971 this covered 99,800 firms with 780,000 members in sugar, textiles, wood, and furniture. ANEP (Association Nationale d'Entraide et de Prévoyance), founded in 1950, covered 7,800 firms in engineering and electricity, with 125,000 members in a mixed funded/PAYG scheme by 1970. The largest was UNIRS (Union des Institutions de Retraite des Salariés), founded in 1957 to coordinate provision between firm-based, regional and professional sector-based associations of varying size. By 1971, UNIRS covered 298,000 firms with 1.9m complementary pensioners and 4.2m subscribing members (ARRCO, 1972: 27–44).

Beveridge's scheme of consolidated, centralized social security was discussed by French experts after the Second World War, but it was rejected (Palier, 2002: Ch. 2). The state *régime générale* was confined to salaried workers in the private sector. Administered by local *caisses* dominated by trade-union representatives and devoid of either state contribution or state representation in its early years, French social security offered very low pensions to restricted numbers on a PAYG basis. Employers preferred to negotiate occupational supplements (over which they at least exerted joint control) to extensions in the state scheme (over which, until 1967, they had none – even though they were obliged to pay for it). At the same time, the Rapport Laroque (1961) laid bare chronic poverty among the old. The Gaullist Government resisted state subsidies, promoting instead the extension of complementary schemes. In 1961, the Ministère de Travail ratified a collective agreement between the main French employers' organization (CNPF) and the French trade-union federations to create ARRCO, an umbrella organization embracing all the complementary pension associations. Compulsory cover was extended to all firms affiliated to CNPF. Member associations pooled a proportion of income; funds in surplus subsidized those in deficit, while leaving employers and associations free to run additional supplementary schemes if they so wished.

Thus, although public pension provision remained fractured in France (Palier, 2003), the reverse was true of supplementary pensions. ARRCO, modelled on AGIRC, was charged with safeguarding collective financial viability and with protecting the pension rights of those who changed jobs or whose employer ceased business (Veillon, 1962). Like AGIRC, it was a non-profit-making organization whose management was vested in a jointly representative body of employers and unions, supplemented by technical staffs. A technically complex system of 'points' allowed the equitable establishment of a pension in accordance with previous salary and number of years worked. Pensions supplied by ARRCO and AGIRC remained index-linked, pre and post award. Affiliation of occupational pensions to an association of similar schemes transferred the responsibility for paying the pension to that association, whose size rendered the risk negligible. Compulsion enabled complementary pensions to be extended to lower-income groups and reduced previous discrepancies in old-age income between modernized and traditional economic sectors (Lyon-Caen, 1962). In the 1960s, collective negotiations extended the system's cover to incorporate domestic workers, gardeners, bakers, *patissiers* and the multiplicity of small artisanal trades characteristic of French small-town life. Under two ministerial *arrêtes* (15 March 1973 and 6 April 1976), compulsory cover was extended to all workers in France and its overseas territories. Thereafter, both AGIRC and ARRCO aimed to keep government intervention to an absolute minimum. Recent high unemployment has caused the policy to be modified and, finally, to be abandoned in 2000, when extensions in EU competition law forced the complementary pension schemes, as in the Netherlands, to be legally redefined as part of the national welfare state (Coron, 2003).

Britain: collective faith in market mechanisms

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

Unlike other West European countries, both sides of British industry resented state interventions in the negotiation of industrial agreement. Attempts by Conservative and Labour Governments to impose wage restraint in the 1960s were opposed: public policies straying into the realm of free collective bargaining, including occupational pensions, remained highly controversial (Whiteside, 1996). In the public sector, fringe benefits such as pensions became one means to offset official wage restraint, as a form of deferred salary. Here, unlike the administration of state social security, public-sector unions could be represented on boards of management. In private industry, occupational pensions for blue-collar workers were rare; their provision for technical, managerial and white-collar staffs remained subject to employer discretion and managerial control.

In Britain, pension debate also centred on occupational provision, but official initiatives to extend state controls over established schemes were not acceptable. Britain had embraced Beveridge's pension model, but even its author advocated strict limits on state provision. 'The State, in organising security should not stifle incentive, opportunity, responsibility;' Beveridge wrote in 1942. '. . . it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family' (Beveridge, 1942: 6–7). As early as 1953, an official committee endorsed the view that policy should encourage private pension savings. By the end of the decade, senior civil servants were arguing, along lines similar to those expressed during the Thatcher decade, that state pensions should be reduced to a residual role.

> The growth of private pension schemes is to be encouraged; it produces social stability. In the long run, moreover, it should reduce the individual's dependence on the Government scheme and perhaps even enable the Government to get away from the expensive doctrine of 'universality' – and perhaps lead to the adoption of benefit payments according to need. (Treasury memo., 1960)[2]

In contrast to its continental counterparts, centralized administration of British social security allowed civil servants total control over its development. In the Treasury, contributions and benefits became increasingly viewed in terms of their impact on the public accounts (and hence the value of sterling), not as collective insurance against risk. As postwar economic problems provoked reviews of public expenditure, so social-security budgets came under pressure. However, in response to evidence of pensioner poverty and the introduction of earnings-related pensions in other European states, a Conservative Government introduced a graduated state pension in 1959. The aims of this scheme should not be misinterpreted. Far from promoting state social protection, policy combined fiscal incentives and insurance contribution rebates to subsidize private occupational schemes that 'contracted out' of state provision. During the 1960s, occupational schemes flourished while inflationary effects corroded the value of the graduated state pension. Pension funds came to represent over one-third of private saving in the UK economy: a proportion higher than that found in the USA (Hannah, 1986: 48–51). Bolstered by high returns on equities, actuarial predictions forecast continuous future growth; private cover would reach 13–14m employees by 1980 and could eventually replace public provision.[3] To encourage the spread of occupational schemes, the Treasury kept official regulation to a minimum.[4] Occupational protection was used to bypass official wage restraint policies: a trend supported by public-sector unions which remained suspicious of any plan to universalize the additional cover they had negotiated for their members.

Even so, the incoming Labour Government in 1964 promised to create a compulsory national superannuation scheme, to operate on a funded basis managed by independent trustees, to guarantee an income at 50 percent of previous earnings. This would extend earnings-related protection to the majority of workers with none. The fund so created would allow government, as in Sweden, to influence investments in the public interest – a powerful tool for national planning (Thane, 2000: 373–6). Labour's plan was opposed by the pensions industry (Hannah, 1986: 56) and by Beveridge for its cost, its inflationary effects, and its detrimental consequences for private saving (Thane. 2000: 376). The scheme also provoked opposition from the union movement, from employers, the financial service sector and, most effectively, from the Treasury, where the plan was interpreted as 'nationalization by the back-door'. Labour's scheme threatened monetary stability and private-sector investment. Higher contributions (and consumption) would be 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 the cost of government borrowing.[5] Conversely, if vested in government securities, new pension obligations would eventually burden the public accounts while diverting funds from London's capital markets and internal industrial investment.

Such arguments persuaded British Governments of all political complexions, both at the time and since, to give monetary stability priority over questions of pensioner security. In the 1960s and 1970s, occupational schemes in the UK covered few women and discouraged labour mobility between firms (the protection of pension rights remained notoriously weak); the financial viability of many smaller schemes was highly dubious. Yet when a State Earnings Related Pension Scheme (SERPS) was eventually introduced (1976), it still assumed a residual role, underwriting some 60,000 private occupational schemes in a manner not witnessed anywhere else in Europe. This increase in state liability in an era of economic instability provoked the introduction of private personal pension plans by the Thatcher Government in 1986: an attempt to shift risk back onto the private sector. Occupational cover peaked in the UK in 1967 at around 50 percent of the working population: recent adverse market trends have left many companies with substantial deficits, many are currently closing down their defined benefit schemes. To this day, those without private savings remain reliant on complex, means-tested systems of state support.

These limited historical narratives demonstrate how postwar pension rights were extended and coordinated in continental Europe by means of collectively negotiated agreement (as in the Netherlands and France) or the establishment of new state schemes (as in Sweden and Germany – with the former case later incorporating collective professional provision). This created a range of public-private hybrids: in both France and the Netherlands, ostensibly private schemes have always operated under the regulatory eye of the state. Industrial solidarity was invoked as a foundation for pension security, blurring the boundaries of state welfare in the process. German and Swedish Governments endowed the state with primary responsibility for earnings-related pensions, guaranteeing the administrative representation of the social partners: each country, however, fostered very different typologies of occupational complementary provision. In all cases, social representation created public confidence while reconciling economic growth and social justice. This marriage of social solidarity and economic interest, ostensibly more stable in this period in Germany, the Netherlands and Sweden than in France, formed the bedrock on which subsequent pension policies were grounded.

In Britain, no such settlement was established. The control exerted by the Treasury over policy development located the British pension debate within the context of public finances in a manner unimaginable on the other side of the Channel. No other country tried to weave a state earnings-related pension scheme around multiple, virtually autonomous company schemes, generating an administrative nightmare for government, employers, and the public whose repercussions continue today. The complexity of the system makes it impenetrable and unaccountable. It creates costly administrative problems, discourages labour mobility and offers little to the most vulnerable future pensioners, women with broken employment records due to domestic responsibilities. For half a century, British Governments have trusted in the merits of private finance as a solution to the pension problem. In 2004, numbers with inadequate personal or occupational cover remain roughly the same as in the late 1960s (around 7m). We might conclude that this policy has failed.

Conclusions

This paper focuses less on how pension extensions were funded (the usual preoccupation of pension analysts) than on how they were governed. It shows the significance of social representation in the administration of European occupational or complementary schemes developed during the postwar era, to guarantee the interests of present and future pensioners. As indicated in the introduction, pensions are located within very different political logics; income security in old age forms but one objective that a pension policy may be designed to serve. Governments in the continental European countries described here created new schemes which reconciled the demand for industrial investment and public expenditure and wage restraint with the promotion of labour mobility and higher pensions for the elderly. Collective political representation allowed these multiple objectives to be negotiated, while integrating previously private systems into state policy as new public-private hybrids. Trade union representation reinforced workers' trust in new postwar schemes by fostering transparency. In this respect, at least, Britain stands apart from its continental neighbours. The apparently permanent contrast between the UK's pre-occupation with the value of sterling and the profile of the public accounts, over all considerations of equity or pensioner security, is striking. In contrast, even French Gaullist dirigisme appears as a model of democratic probity. As few controls were placed over UK occupational pensions (until the early 1990s), British employers used pension funds for multiple purposes. Further, the rationale underpinning the UK's 'hands-off' approach – that private pension finance would secure industrial modernization – proved completely unjustified. British industry did not so much modernize as collapse in the ensuing decades, while a subsidized financial-services sector has grown phenomenally.

The integration of pension-scheme administration with institutions of industrial bargaining signals important differences between Britain and continental Europe – and in the nature of European social democracy and welfare regimes. In Sweden, high levels of union organization, the well-established involvement of the Landsorganisationen i Sverige (LO) in nationally negotiated systems of economic planning and manpower management – and close union integration within the dominant Social Democrat Government – all facilitated the placement of ATP management under government auspices. As creator of the People's Home and guarantor of social equity, the Swedish state was in a position to reconcile industrial planning and development with social welfare. In the Netherlands and Germany, the remit of state involvement was more limited. Pre-Nazi systems of joint industrial management (codetermination) offered important possibilities for reviving German industrial democracy and, aside from framework regulation governing financial security and joint representation, the German Federal government did not seek to control company book-reserve schemes. Equally, while the Dutch government actively promoted collectively negotiated strategies for postwar recovery, its legislative framework for funded pensions negotiated by the social partners focused on their representative governance and guaranteed financial viability, but offered no direct state role in their operation. The experience of Nazism provoked reactions against the extension of direct state central control over industrial affairs. The restoration of social democracy fostered strategies designed to create negotiated frameworks for both public and company welfare reinforced by constitutional law.

In France, the situation was more fraught. Post-Liberation social-security legislation had excluded central government altogether. From its inception, the *régime générale* received no state funding; no state officials were involved in its administration. Here, the identification of a welfare state is conceptually problematic. The dominance of elected trade-union representatives, specifically the CGT, on the local *caisses* (the product of public gratitude to the Resistance) reinforced grass-roots union organization. The *régime générale* became a locus for union influence and union organization (private-sector union recognition being extremely limited in postwar France). Indeed, the extension of central controls over the local *caisses* (at the instigation of the employers) in 1967 helped provoke the protest strikes of May 1968, demonstrating union opposition to the extension of state powers and the destruction of trade-union administrative majorities. Parity with employers on the *caisses*, as in the administration of both AGIRC and ARRCO, was a compromise, but hardly embodied the more stable forms of social democracy found in the Netherlands or Sweden. However, like their Dutch equivalents, ARRCO and AGIRC were dedicated to keeping central government at bay and until the 1990s this strategy was reasonably successful. In both cases, joint negotiation determined the development of pooled systems.

Hence all countries adapted a similar strategy (the extension of professional and occupational pensions): however, the context, the problem and the solution became translated through different institutional mechanisms which embodied different governing traditions. The experience in each country reflects long-established conventions which identified the points at which the state could legitimately intervene to achieve its policy goals. Here we witness how assumed institutional equivalence, which underpins much quantifiable comparative analysis, rests on dubious assumptions. We can only view divisions between public and private pensions as historically contingent: in some cases, such distinctions cannot be seriously established as all governments (bar the British) were involved to some degree in guaranteeing the security of new pension systems. The role of the state as guarantor might be more acceptable than direct state provision tout court. Hence, for example, Swedish trade unionists could accept state administration of earnings-related pensions with equanimity while extensions of state control in France provoked (and provoke) hostility and public protest. Equally, the powers of a French or Dutch Minister of Labour to extend collectively negotiated pension agreements found no parallel in Britain, where voluntarist traditions of industrial relations remained unchallenged. Viewed from this angle, relying on measurements of *state* pensions as a means of comparing welfare states becomes problematic: where exactly do the boundaries of state welfare fall?

Many writers comparing recent trajectories in pension policy have, following Myles and Pierson (2001), insisted on the significance of established institutional arrangements in shaping provision. This paper has told a different story, one of fluidity and change, as postwar governments in continental Europe colonized privately negotiated pension arrangements in various ways, transforming them into instruments of state welfare. This previously neglected history arguably represents only a first phase of converting private pensions to public purposes. It has traced how industrial solidarity was reshaped into national solidarity; outside Britain, this involved some standardization of provision and consolidation of cover, either by the state or by state-sponsored agencies. The current pension crisis has provoked a similar search, with the focus now on the personal funded pension. We can note how European states are taking an increased interest in regulating this private realm of market provision, with the view to improving security and encouraging support for reform.

As recent history in the UK shows, 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. 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 behaviour in accordance with 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). Regulatory requirements have not been confined to national boundaries. The growth of global financial markets has forced even the most liberal 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. A successful reformulation of pension security is devoutly to be wished; historical precedent offers some insights into the problems of adapting private agencies to serve a public policy agenda.

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Notes

1 Thanks are due to an anonymous referee for some of the information contained in this paragraph.
2 Collier to Robertson, 13 Oct. 1960: on file T 227/1426, Public Record Office [PRO] Kew.

3 Government Actuary to Menner (Social Security), 12 Aug. 1966: ACT 1/1554, PRO.
4 Collier (Treasury) memo. Oct. 1960: T227/1426, PRO.
5 '. . . if government is going to join in the rush to get out of gilt-edged,' one Treasury official noted sourly, 'it is difficult to see who can be expected to stay in.' Baird (Treasury) memo: National Insurance Review Committee, 'National Pensions Fund', 14 Feb. 1966: EW 25/219, PRO.

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