Pension reforms in European countries

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Introduction

Very different types of pension systems do exist in European countries. These pension systems have been elaborated fully after 1945. During the last twenty years, the various pension systems have been revised, reformed and changed in various ways. The research network ‘RESORE’ is exploring the role of the flows of resources involved in welfare arrangements and in particular in pension systems. The resources channelled through the wage are of central importance, without however neglecting the resources flowing through general taxation.

In this paper the following points will be discussed:
1. What are the characteristics of these reforms? Here we will present an overview of the various changes, and examine if the changes introduce also a. new sources of resources, b. if one can identify new entitlements or rights, and c. if the reforms create new forms of linkages between the sources of the resources and the entitlements.
2. The second point will examine the actors involved in the reforms of pension systems, and raise in particular the question whether new types of actors participate. Moreover, we will examine the arguments that have been advanced by the actors pushing forward the reforms and the arguments of the actors resisting the reforms.
3. In the next point we will analyse how the various types of pensions systems (PAYG, capital funded or financed by general taxes) are affected by the reforms and how these systems continue to exist.
4. The examination of the former points will provide a basis for evaluating the meaning of the ongoing pension reforms at present, in relation to the development of European capitalist welfare states.
1. Characteristics of the reforms

Looking at the various reforms one can quite easily identify a certain number of common characteristics. Here follows a list of the various changes (for more details see RESORE, Work Document 1: Chronology of pension reforms 2003, MISSOC 2003 and 2004, Castellino & Fornero 2003, Hughes & Stewart 2004, Bonoli & Shinkawa 2005):

A/ The introduction, respectively extension of private pension schemes (in general with some form of tax support under certain conditions), for example in Germany (Riester 2001\(^1\)), France, the UK (Stakeholder pensions), Denmark, The Netherlands (for example financed through the ‘Sparloon’\(^2\)). In countries where private pension schemes were already widespread, new regulations and extension have been introduced. The private pension schemes are, in general, subordinated to regulations, concerning the identity of the bodies allowed to offer the private pension scheme as well as the rules of advertisement, and the rules concerning conditions and forms of investments possible for the collected contributions (Germany with the Riester-reform or France with the PERP\(^3\)). These new, respectively renewed private pension schemes are more or less related to other parts of the existing pension system (The Netherlands, Sweden, Denmark, Germany). Additionally, The private pension schemes may be linked in new ways to the work biography, as for example in Germany, where according to the Hartz4-reform, some schemes have to be used in case of long-term unemployment.

B/1 There are various kinds of attempts (in almost all the countries) to reduce the possibilities of early retirement. This is realised through financial disincentives (for example by increasing the number of working years required for full pension rights in France from 37.5 years to 42.5 years, more examples can be found in MISSOC 2004), or by changing of the pension rights through for example new or extended bonus-malus principles (Sweden, Germany, Portugal, malus in Spain, bonus in UK, Austria, Italy), or by terminating the tax-advantages for pre-pension schemes (as in the Netherlands, Denmark and Sweden).

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\(^1\) The so-called ‘Riester-Rente’, a reform of the German pension system given the name of a minister, for details, see K. Hinrichs (2005).

\(^2\) See Cox 2000.

\(^3\) PERP (Plan d’Epargne-Retraite Populaire), see Le Monde Argent, 2005.
B/2 In general, there are attempts to increase the mandatory retirement age. The previous point B1 already points in this direction. In policy papers (OECD 2005, European Commission 2005), the argument is advanced that an extended participation in employment is desirable and necessary for defending the financial viability of the national pension system through increasing the number of contributors to the system.

C/ In all countries new regulations have been introduced concerning the calculation of the level of pension rights, as for instance:
   (a) passing from a system of ‘defined benefit’ to a system of ‘defined contributions’ (Italy, Sweden, UK);
   (b) changing the logic of indexation of pensions (France, Germany, Spain, Sweden);
   (c) changing the years of reference used in order to calculate the pension rights (France: the best 25 instead of 10 years, Spain, Austria: the best 40(!) instead of 16 years);
   (d) introducing the norm of ‘average wage during working life’ in place of the ‘final wage’ for the calculation of pensions (The Netherlands);
In general, one can conclude that these changes have the following consequences: firstly, to individualize more than before the entitlements and secondly, to reduce to some extent (and sometimes quite considerably) the monetary value of the entitlements.

D/ In many countries new mechanisms have been introduced in the pension systems or existing ones were strengthened, with the goal to establish procedures to re-evaluate regularly or under certain pre-defined future conditions the parameters used for calculating pension rights (for instance through the wage and demography link of pension calculations in Sweden, Italy and Germany). This category of reforms points to new procedures towards further changes. It might also initiate a transformation between different parts of the national pension system (so-called pillars). For example, the new pension law in France establishes that continuous evaluations will be organised, and that under certain circumstances the changed conditions will necessitate new reforms. In other countries, such as Germany, critical thresholds are established, which will – when passed – entail changes in the calculation of pension rights.

E/ In the countries where the state underwrites and guarantees the pension system, attempts have been introduced to limit the financial liability of the state. For example, in PAYG systems (either more or less full PAYG systems such as in France or very partial PAYG
systems as in the Netherlands with the ‘first pillar’) the state guarantees in general the availability of the resources necessary to meet the established entitlements. This entails that the state (with financial means from general taxation) must contribute if the established pension system cannot sustain itself anymore. National states contribute to the PAYG systems, with percentages varying from 10 to 30 % of the total amount of expenditures (Schmid, 2002). In order to limit this liability, several measures have been introduced, such as new forms of taxation (an ‘eco-tax’ in Germany, a new form of social contribution, the CSG and the alcohol tax in France, the reserve funds in Spain, or ‘virtual funds’ established by realised and projected reductions of the national debt – therefore financed by general taxation - such as in the Netherlands). Also in Spain some social contributions are transferred into general taxation.

F/ In all the European countries one can find reforms that have attempted to redress the inequalities between men and women. This has been realised in two quite distinct ways:

(a) by reducing certain aspects of the traditional male breadwinner model for pensions, which existed universally. This movement of reform is certainly not finished, but some definite steps have been undertaken to eliminate some evident discriminatory aspects of these male breadwinner based systems. Here belong for example the equalisation of the mandatory retirement age for men and women, or the limitations of pension rights of widows (partners as for instance in Denmark, Sweden, the Netherlands, Germany); these measures can therefore also have negative consequences for women.

(b) by attributing pension rights in form of care credits (Germany, Austria, France).

G/1 In several countries the reforms have effects on pension credits for higher education. These credits can, for example, be bought in France, whereas in Germany the credits did exist and have been downsized.

G/2 It is important to mention the plans formulated in several countries (and realised for example in the Netherlands, starting 2006) to introduce ‘life course schemes’, which would permit to save time for care, education, leisure or early retirement.

I/ Changes in the taxation system of either contributions or benefits (e.g. Germany). These changes can discourage, for example, early retirement, and belong to a former point, but
should be stressed here again, because disincentives for early retirement is only one consequence.

J/ In several countries special regulations of pension systems for particular groups, in general civil servants who had special pension schemes or specific professional groups, such as miners (for example in France) are partly abolished or differences between groups (‘employees’ and ‘manual workers’ in Germany for example) are partially levelled out. In Germany and France, for example, the management of pension schemes for the two groups is meant to be integrated.

These different characteristics of reform cannot be brought together under a common denominator. Some of them introduce new variations, such as private pension schemes, others regulate (and in general reduce) the quantitative level of pension rights. Some reforms are specific for women, whereas others can have consequences for retirement age. In short, there is no evident common denominator for all these reforms.

1. a Sources of resources
Concerning the sources of resources, a number of new sources have been introduced, such as:
- New forms of compulsory social contributions (for example in France);
- Private savings for private pension schemes, and under specified conditions resources from general taxation in case the private schemes are subsidised directly or indirectly through tax measures;
- A new form of source of resources can be identified in the so-called ‘virtual funds’ (in the Netherlands for financing the PAYG general state pension scheme) funded by planned reductions of the national debt.

In short, the new sources can be situated either in the general means (with the state as actor and general taxation as the source) or in private savings (or in other words, for employees, a part of the wage that cannot be used for consumption, and less responsibility for employers; for example in Germany, in order to have the same entitlements as before, employees are expected to contribute up to 4 % to a new private scheme, tax subsidised; employers do not contribute to this scheme as they do for the public pension).

The contributions of employers and employees (in general these contributions are compulsory, and constitute a part of the wage which is channelled – in the case of pensions –
to pensioners according to their established rights) have not really changed significantly during the last twenty years. In some countries the relative proportion between the contributions of employees and employers has changed slightly, with a tendency to reduce the part of the employers, and in some countries the level of contributions for employees has been increased to some extent. (But there are also developments in some countries from contributions to tax, and there are systems putting the most burdens on employers (France, Spain).

1.b Rights
Concerning the rights a certain number of changes have been established:
- In several states women have acquired individual pension rights (this is the case where male breadwinner models with limitative effects for women have been reformed). This does not necessarily entail that women are better off financially because some of the derived rights (for example for widows) are being reduced.
- In some other states women have acquired new rights (related to child-bearing and child-care).
- (Potential) Pension credits for education have been introduced in some countries (France) or revised in others.
- The pension rights related to the work biography have been more tightly related to the personal work biography (through the introduction of the system of ‘defined contributions’ or by the mode of calculation of the level of pension rights).
- Another general tendency is to introduce new conditions (in terms of pre-defined criteria of re-evaluation with the aim to guarantee the sustainability of the system as a whole) with effects on the levels of pension rights in the future.
- Pension rights are conditional on the personal work biography, but also on a mandatory retirement age, in many countries 65, with various possibilities to stop working before 65 – in different forms of pre-pension. These conditions have been clearly affected by the gradual elimination of pre-pension arrangements, and even the mandatory pension age is under attack.
- New types of rights (in terms of time-slots out of work) are defined with the ‘life course schemes’, which can be used for care, education, leisure or early retirement.

1.c Linkages
Concerning the linkages between resources and rights a number of changes can be observed:
A great number of conditions (age, work biography, etc.) have been reformulated that will have quite considerable effects on the level of pension entitlements.

There are also new conditions related to personal biography – such as higher education, (child-)care, etc., having an influence on pension entitlements.

Specific conditions have been re-formulated for possible tax support for private pension schemes. Relevant examples are: the personal work biography or the percentage of the replacement rate of the expected pension with regard to a certain measure of the wage (for example 70% of the expected final wage in the Netherlands as condition for getting subsidies).

In several countries the management of pensions (sub-)systems has changed, by suggesting for example forms of participation of pensioners or new possibilities of (partly) opting-out that can have effects on the linkages between sources and entitlements.

In summary, the reforms have had various effects on the sources of the resources of pensions, and on the rights over these resources, and also on the linkages between resources and rights. The well-known slogans ‘individualization’ and ‘privatisation’ summarize the majority of these changes, but do not really offer an adequate picture of the totality of the ongoing reforms.

2. Actors and arguments

After 1945 when the various pension systems have been generalized in European countries, the state and the social partners (unions and employers’ associations) were the main actors involved. During the last twenty years a number of important actors have appeared on the scene, such as international advisory organisms, for example the World Bank or the OECD. In Europe, with the ongoing construction of the EU as a new supra-national entity, some quite important actors have joined the game, such as the European Commission and the European Council, and in particular the new actors involved in the forms of co-ordination introduced for social policy and for pensions.

The great majority of these actors (a majority of the European states, the main political parties, the employers’ associations, the international advisory organisms and the majority of the new EU-players) have advocated reforms of the national pension systems (EC report 2003, National Strategy Papers 2002). A few of them, such as the World Bank in its report of
1994, have quite explicitly formulated a neo-liberal approach, similar to the US system based mainly on capital funded pension systems per sector or firm. This approach was influential, but has not been realised in its purity in European countries; and even the position of the World Bank has changed on this subject.

The majority of the actors (with the exception of unions, a few ‘left’ political parties, and at moments some states) have advocated more ‘sober’ pension systems with the following arguments:

- Demography: the ratio of non-employed is changing significantly at present and in the next 40 years if the present trend of retirement/employed continues. The changing composition of the population means that the actual provision of resources will be insufficient to satisfy all entitlements. Therefore, either the contributions (as well for PAYG systems as for capital funded systems) have to increase, or the pension rights have to be reduced quantitatively, or the factual retirement age has to change, or a combination of all these specific measures has to be realised. This is still the dominant argument used ‘unisono’ by all these different actors. This argument is used in two ways: a simplistic version conceives demography as a completely ‘exogenous’ factor, totally independent of other factors, and a more integrated version, which conceives demographic variations in relation with economic and social development. Therefore, this last version will be used in one way or another as backing argument in all the other arguments. This argument is certainly relevant for a policy concerning pensions, but leaves open a great number of options and has to be specified for specific interventions. Castles (2004), for example, rejects the ‘crisis myth’ while recognizing the relevance of demographic changes.

- In the present stage of globalisation, each state as a ‘Standort’ of economic activity has to provide a competitive profile for investment and production. One of the elements of a competitive climate is the wage, next to many other elements such as the regulations of the labour market, the levels of qualifications of the population and many other variables, such as security. As contributions for pension schemes are almost everywhere part of the wage, higher contributions diminish the competitive profile. Considering the political decisions during the last two decades liberalise financial markets and to diminish the existing limitations on mobility of production facilities, this argument is certainly to some extent pertinent in the

\[^{4}\text{Müller (2004) in his book with the telling title ‘the reform-lie’ has examined critically the ‘demographic arguments and the suggested measures’.}\]
present phase of capitalist development. However, it should also be clear that the political decisions having established the liberalisations, can be re-discussed and changed. Yet, one country on its own cannot easily step out of the established regime. Once a new framework (for financial mobility for example) is established, transformations of the framework are quite difficult to realise.

- The same actors advance another argument for reforming the pension system. The existing pension systems should be financially sustainable; in other words, there should be a fit – at present and in the foreseeable future – between the resources on the one hand and the established (and future) entitlements or rights of pensioners. This argument is almost self-evident. Pension systems are complex ways of transferring rights over resources between (and to some extent within) generations over a long period of time. Such a transfer cannot be realised by classical markets, because there is no stable equivalent over time – such as value for example – that would satisfy the market criteria of transparency and reciprocity. As all the existing pension systems have been invented at a certain historical point and under specific conditions (such as high fertility rates, continuous increases of productivity, etc.), one can only expect that the various systems are less stable under changing (or not foreseen) conditions. However, it must also be stated, that this argument does not entail any firm conclusion concerning how to guarantee stability. It only points to a problem, which was and is urgent and more problematic for some pension systems (Italy, Germany, France, Sweden) and less for others (Netherlands).

- A similar argument is specific for the EU; it refers to the criteria of the stability pact which forms one of the bases of the monetary unification. According to the stability pact, the deficit per year of participating countries should not be higher than 3 % of GDP. If the state is not only regulating the pension system but also responsible for the financial liabilities of pension obligations, then it may be possible that national states spend more and more money in order to contribute to the payment of pensions. A higher national debt is therefore one of the possible outcomes. This argument is also relevant, given the juridical status of the stability pact; however, once more it should be stated that agreements can be changed if new situations (for example the unification costs in Germany) ask for that (there is at the moment a tendency to ‘open up’ a bit the strict application of the criteria, because, anyway, some countries do not wish to or cannot fulfil the normative criteria), but not in a unilateral way. More in general, this argument points to the possible financial crisis of developed welfare states. Indeed, it is
related to the ‘Standort’ argument, and if a single state attempts to get out of rhythm of the competitive dance, it might be punished severely.

-Finally, quite different arguments of unions and of some scientists should be mentioned. Firstly, employees and their organisations attempt to defend their acquired rights; and in many countries, such as Italy, France, Austria, The Netherlands, the reform process could not be realised smoothly. There have been many struggles (strikes, manifestations) in these countries, and these struggles have had a certain influence on the reforms, without, however, blocking the reform process. Secondly, and more specifically, reforms have been rejected with the argument of a ‘just’ sharing of the continuous gains of productivity. Gains in productivity can and should be distributed in such a way that the growing pension entitlements of the changing populations are satisfied\(^5\). This argument is certainly valid, but supposes that (a) there is some relation between the growth of productivity on the one hand and the demographic changes on the other hand, which is far from clear. (b) The argument could also entail that possible decreases of productivity have to be shared. (c) Moreover, increases of productivity are far from regular, and it is not evident at all if these increases, under the new conditions of globalisation, are evenly distributed among countries. The argument can also be formulated in other ways, pointing to extra sources of resources provided by the units of production for pensions, but in any case, it involves an ‘equitable’ distribution of the gains of productivity. This argument supposes also that specific answers are given to the former arguments of competition of nation states as sites of production (reject this point) and sustainability (considered as not relevant). A solidary distribution of the gains of productivity could be a relevant argument, but in its present formulation it is based on some problematic presuppositions, and it will involve a struggle concerning the forms and directions of resolution of the former arguments presented here.

In short, we can distinguish three families of positions: (1) a neo-liberal perspective on pensions; in its extreme form this perspective has not been carried through in European countries, even if neo-liberal elements are clearly present in the on-going pension reforms; (2) a resolute reform perspective of pension systems; this perspective acknowledges without serious reservations the political, financial and economic framework developed during the last twenty-five years, and uses therefore quite a few neo-liberal elements. However, this

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\(^5\) B. Friot, for example, has elaborated this argument for France in a distributed paper.
perspective also gives a central place to all kinds of new regulations introduced and guaranteed by the state (Frericks 2005). This is at the moment the dominant perspective concerning pension reforms in European countries. (3) A critical perspective on pensions, with a critical examination of the established framework. This critical perspective points to new forms of institutional economic processes, involving a just distribution of the produced wealth.

We can now summarise the new positions of the involved actors: states (or more precisely governments and parliaments) come more to the foreground, taking in general the initiatives of pension reforms. National states use intensively the developed discourses and publications of the EU and of international organisms, with a strong ‘neo-liberal’ flavour, but states introduce also a great number of new legal regulations in the ongoing reforms of pensions systems. These regulations are compulsory, and cannot be qualified as neo-liberal. Employees (and their organisations) appear to be in a defensive position, but in fact they formulate – mostly locally\(^6\) - extremely interesting perspectives concerning the attribution of responsibilities. They reject the strategy which attributes all the responsibilities to individual employees (concerning the resources for employability and learning, measures for older workers, and the consequences concerning pensions). During the last years, the struggles (such as in Italy, Austria, France, Germany and at present the Netherlands) concerning pension reforms show a confrontation between the unions (the organisations of employees) and the respective government. Employers (and their organisations) play a very important role, because they put the accent on a ‘good climate for entreprise’, and they avoid taking on responsibilities concerning employability and learning. However, in the public struggles around pension reforms, they have a rather low profile.

3. How are the different pension systems affected by the ongoing reforms?

The ongoing reforms have transformed in radical ways the existing pension systems, without, however, dismantling completely the existing systems. Although, on a more abstract level, one can certainly identify a definite degree of unification of the existing systems in the various European countries.

\(^6\) See for example the paper of the Dutch Federation of Unions FNV (FNV2003) on pre-pensions and the life course scheme.
As already said before, a pension system is a complex institution that is meant to guarantee the transfer of rights over resources between (and to some extent within) generations. The resources used for satisfying pension rights have to be produced in the present time, but the claims on these resources have been built up in the past, and at present new claims on resources – to be produced in the future – are constituted. In general terms there are three large families of pension systems: PAYG systems, capital funded systems and systems financed by general taxation.

There are many PAYG systems, for example a more unified one such as in France, a more diversified one in Germany, and also partial PAYG systems with a different form of financing in the Netherlands (by a popular insurance). There are also many capital funded systems; their variations depend on:

(a) the regulations applied to the funds, with many variations per country,
(b) the membership – participation can be individual at one extreme or be organised by branch of activity or by single firms at the other; participation can be voluntary or compulsory (such as in the Netherlands), and
(c) the institutions and actors managing the fund.

Moreover, there are countries with mixed pension systems, such as the Netherlands, with (a) a basic state pension based on residency financed as a PAYG system, (b) a supplementary pension, organised by branch or firm, as a capital funded system and (c) supplementary private pension schemes. As well (a) and (c) are in different ways co-financed by the state; in other words, from sources of general taxation.

In a PAYG system, the contributions of the participants (either as part of the wage, or as deductions from all forms of income, a kind of ‘national assurance’) are directly transferred to actual pensioners, the holders of pension rights. At the same time, the participants, by and through their contributions, build up rights on resources to be financed in the future through contributions of future participants. In capital funded systems, the contributions to a pension fund are invested in multiple ways, and the return (or the value in case of pension funds which are liquidated) of the invested funds is used for satisfying the pension claims of the former contributors.
As already stated before, all the resources to be distributed have to be produced in the present, and appear either as part of the wage, as taxes or as profits in national accounts.

The recent reforms of pension systems in European countries have had effects on the different pension systems, but in different ways.

-PAYG systems, managed in general by the social partners and underwritten by the state, were extremely adapted institutions to the employment relations after WWII (after the war no resources were left; and in the coming years there was almost full employment, rates of participation in the labour market were increasing, there were strong regular increases of productivity, there were not many pensioners, etc.). However, in the present and foreseeable conditions, the PAYG systems face a number of problems, presented before (tighter control on wages and therefore on contributions as part of the wage, because of international competition, stricter controls of national debt, a shifting composition of the population). Also the relations between the different actors involved (and the new actors, such as the EU and the international organisms) have profoundly changed. The reform perspective, presented above, puts the state in the foreground. In PAYG systems, the state adopted to begin with a secondary role, with the social partners on the foreground. The state regulated, in general through a legal framework - the pension laws - the pension system. Moreover, the state guaranteed the financial health of the system. At present, considered from a reform perspective, states take a much more active role. In order to assure a competitive climate and in order to limit their liability, states have chosen to initiate a very active reform policy, with all the measures presented before. As the great majority of these measures promote a more ‘sober’ pension system (in terms of benefits, effective retirement age, etc.), the employees and their organisations are pushed in a defensive position. Employers and their associations are the interested bystanders, they support mainly a neo-liberal perspective.

In capital funded systems, the problems are quite different. In this case, states have in general no financial responsibility. However, in the recently introduced private pension schemes, states contribute through tax subsidies to the contributions, and in some cases they guarantee the value of the invested funds (for example directly in Germany, and indirectly in France, where the PERP’s have to be invested in more and more in state obligations when approaching retirement).
States are in general not involved in the day-to-day management of the funds. However, states supervise and control in various ways the pension funds:

(a) Firstly, and foremost in order to avoid mis-selling practices (examples in the UK are well-known);
(b) Secondly, in order to prevent immediate and severe effects on contributions or on benefits due to the fluctuations of the value of investments of the funds in stock markets. (For example, in the Netherlands, these fluctuations are smoothed out over several years).
(c) Finally, in order to regulate the nature and form of the investments. In the Netherlands, for example, the pension funds have to submit every year actuarial and liability studies to a control organism of the state. The pension funds are in principle free to invest their resources as they want, with the limitation that not more than 5 % of the assets can be invested in the own firm in the case a pension funds is restricted to a single firm. Moreover, pension funds are obliged to cover with their investments more than 100 % of all the pension obligations, for actual pensioners and for future ones. If this is not the case, a readjustment plan has to be submitted to redress the situation within 8 years. This is a typical example how effects of up and down movements of the stock market for pensions can be smoothed out over a longer period. Another Dutch rule states that pension funds with many old participants (already retired or close to retirement) have to avoid risky investments. In this case, the role of the state is quite different, because of the absence of financial responsibility.
(d) Stricter conditions and laws on how to use these investments (pure old age security as in Germany for instance)

Finally, in tax-financed systems (for example the state pension in Denmark) the state is directly responsible financially and also for the management of the provision. In this case, similar problems as in PAYG system can arise.

A first conclusion of this overview is that even if the national pension systems as such did not change fundamentally, the role of the involved actors has dramatically changed, in particular in PAYGO systems. Engaged in a resolute reform perspective, stimulated by EU and international organisms and supported by employers associations, the state adopts at present a central role, and puts unions in a defensive position. In other pension systems, the role of the state is also significant, but different. Considered from a reform perspective, states assume
above all a role of assuring a level of stability in time (in capital funded systems) or they try to prevent further financial engagement (in tax-financed systems or PAYG systems).

States adopt also a more active role in other areas, because of their functions of maintaining and establishing a social and political climate of ‘coherence and solidarity’, or in other words, to assure that the population is sufficiently qualified and disposed to engage actively in the international competition.

-For example, concerning education attempts have been made to introduce pension credit for higher education.

-Quite important are all the measures eliminating forms of discrimination for women in pension systems, even if these measure do not eliminate the very marked inequalities between men and women concerning pension rights.

-Another important point is that the European states have introduced or generalised private pension schemes, in general supported by tax measures, such as subsidies;

-New forms of financing pensions have been introduced by raising special taxes (such as the ‘eco-tax’ in Germany);

-Also new forms of social contributions have been introduced, for example in France.

A first conclusion is that the existing pension systems have not been dismantled completely. However, in all countries new sub-systems have been introduced, creating a more complex situation of the pension systems. As new actors appeared and because the reciprocal relations between the existing actors have changed quite drastically, one can speak of a profound transformation of the existing pension systems in European countries.

Furthermore, the new actors (especially on the level of the EU) have introduced a new discourse concerning pensions. A unified language has been created for studying, comparing, evaluating and reforming pension systems. This discourse combines macro-economic data (demographic characteristics, degree of participation in the labour market, expenditures on pensions as percentage of GDP, etc.) with normative criteria concerning the flow of resources and the desirable attribution of pension rights (higher degree of work participation, demographic distributions, viability of the systems, prevention of old-age poverty, equal rights for men and women, etc.\(^7\)). This new language is formulated quite independently of the

\(^7\) See the critical comments of Müller 2004 on these points.
existing systems. This new discourse stimulates and gives direction to the at present dominant resolute reform perspective. Therefore, this discourse is quite powerful and introduces on a discursive level a new form of unification of the European pension systems.

4. General tendencies and meaning of the ongoing reforms

It is quite difficult to explain the emergence of the various pension systems in European countries. Many factors were involved, such as the necessary pre-conditions of wealth and political will, demographic conditions, a minimum degree of confidence in state guaranteed arrangements, a solid degree of organisation of employees and employers and therefore regulated employment relations. These conditions were required because capitalism is in principle an economic form of production that is certainly dynamic but also unstable over time and characterised by a certain number of changing tensions. Capitalist forms of production presuppose moreover non-market regulated types of resource flows (for example state-regulated education) and other forms of non-market exchanges in the household economy, mainly the gender-contract. Only a mixed social and economic system - capitalist in variable degrees on the one hand but institutionalised on the other with at least the previously enumerated characteristics - can elaborate relatively stable pension systems.

During the last twenty years, because of many reasons (presented above as arguments of different actors) the viability of the existing pension systems had been questioned. In the first section of this paper we have argued that the various reforms cannot be subsumed under one clear heading in an evident way, because the reforms intervene on many distinct points (conditions of calculation, age of retirement, conditions of tax support, de-gendered rights, etc.). However, considering their effect on employment relations we can identify a common tendency of all the measures. Indeed, each single measure is either a response to emergent arrangements in employment relations or an attempt to stimulate new arrangements.

Let us start with private pensions schemes. The introduction of these schemes can be seen as a reaction to the ongoing flexibilisation of the labour market. Quite a number of qualified employees have chosen (or have been forced) to organise their work within new constructions, either by becoming ‘self-employed’, or by ‘sub-letting’ or via ‘special labour loan organisations’. This means that they could not build up pension rights within the usual
employment relations. The introduction of private pension schemes, which are in fact quite often connected to the ‘professional’ schemes, enables these categories of ‘workers’ (even if they have formally a ‘self-employed’ status), to build up pension rights with certain guarantees of the state, through the regulations of the private pension schemes and funds. Moreover, the introduction of these schemes can stimulate the opportunities of these new forms of ‘work’. Moreover, the private schemes offer the opportunity for workers who build up insufficient pension entitlements (because of various reasons) to supplement their pension entitlements. However, this is only possible for employees with a relatively high wage, and therefore excludes many women and low-qualified workers from these schemes.

The development of private pension schemes is in fact very complicated, because of the great variety of schemes, and their interconnections with professional pension schemes (for example through opting-out possibilities). The tendency to stimulate such private schemes is, however, clearly manifest in all countries, and constitutes a definite threat for existing compulsory pension schemes, because the presupposed solidarity will possibly be undermined by the extension of these private schemes.

As far as women are concerned, the reforms (of general and private schemes), seen from the perspective of employment relations facilitate and stimulate in many ways the participation of women on the labour market, with a strategy of ‘carrots and sticks’. In so far as this tendency already existed because of the changing roles and activities of women, the reforms follow this development. But there is much more: it is an explicit goal of the reforms to stimulate an increased participation of women by taking away obstacles in the classic pension systems based on a male breadwinner model, and by providing opportunities to get – in some countries - pension credits for child-bearing and –care. However, there still exists a definite gender division of labour (in paid work, care and homework), which is manifest in all kinds of discrimination, as well in the labour market and at home. Therefore, the position of women, while formally improving, is far from being equal concerning pension rights.8

The great majority of the measures of the reforms directed to limit the possibilities of early retirement and the attacks of the mandatory retirement age (for example by a bonus-malus system) are explicitly set up with the goal to stimulate a higher degree of work participation

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of older employees; without at the moment providing any assurance that suitable job opportunities do exist.

In general, the perspective to assure the sustainability of pension systems is explicitly based on a high degree of participation in paid work. That is the discourse of the “resolute reform perspective” on pensions in Europe (EC report 2003, OECD 2005). This argument holds for all the different pension systems, but differently for each system; in PAYG systems and in capital funded systems the level of contributions has consequences for the level of wages, whereas tax increases can be a cause of inflation. And higher wages, within the present political and economic framework and the adopted resolute reform discourse, will not stimulate the demand side of the labour market.

Pension systems have been constructed under specific historical conditions, and the various elements of the then existing employment relations, including the institutional forms of bargaining, the recognition of forms of qualifications, the degree of organisation of the employees and the employers, the ‘confidence’ in state guarantees, etc. have influenced the emergence of the various pension systems. The various pension systems can therefore be interpreted as products of these conditions, products that were seen help reproduce and stabilise the existing employment relations. There is therefore a double ‘path-dependency’: a financial one and another one, related to employment relations (Myles & Pieson 2001, Harvey 2004).

However, in the present phase, a new function of pension systems emerges: the transformation of the existing pension systems is more or less explicitly undertaken with the aim to reconfigure and to transform employment relations in certain ways in conjunction with an ‘active labour market policy’. This statement does by the way not imply that all the various actors have formulated explicitly this aim. The adopted discourse can influence and limit in many ways the perception of the reality one acts in. However, it is evident, that we are engaged at present in an important struggle of reconfiguring employment relations in Europe and worldwide, and that the aims of the at present dominant actors appear as promising, if one follows the line of their discourse (high degree of participation, great flexibility of life course arrangements with many choices, guaranteed viability of the system, etc.) but it is also full of dilemmas and contradictions (how can one expect that the labour market can absorb all the ‘new’ employees? How can one attribute in an equitable way the relevant responsibilities for the life course to individuals, to employers and to the state?).
References


