

Beveridge and Bismarck Remodelled:
The Positions of British and German Organised
Interests on Pension Reform

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Dedicated with much love and thanks to my mother Gabriele Klitzke, who deserves a long, happy retirement, and who will hopefully forgive me for all the terrible things I've said about the retirement age. Considerable gratitude and blame also go to Sonja Cameron, who knows what she's done, and who is more than occasionally useful.

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1. Introduction

In establishing their welfare state systems from the first steps in the era of industrialisation to the mature welfare states of the post-World War II order, Germany and the United Kingdom¹ chose specific social protection paths with rather different functional logics to respond to similar problems. As a result, comparing Germany and the United Kingdom is an intuitive choice for social policy researchers, and major typologies of welfare states often hold the two countries up as contrasting archetypes.

The appeal of comparing and contrasting the two systems is even more obvious in the area of pensions policy, as their respective pension regimes represent the two prototypical approaches to state pension provision – the Bismarck model of pensions and the Beveridge one, named after the chancellor Fürst Bismarck of the newly united German Reich and the postwar British reformer Lord Beveridge respectively.

There is a rich literature of existing analyses and comparisons of the German and British welfare systems. But with welfare states undergoing often fundamental changes in the last two decades, it is important to extend the comparison of how these two prototypical systems reacted to similar economic and demographic pressures. After these significant changes the comparative literature on the two welfare regimes shows considerable gaps and uneven depth in our knowledge. For example, while there are already some very thorough analyses of the Riester reform process for Germany, the latest reforms in the United Kingdom have not been extensively covered. Furthermore, while the raising of the retirement age has been frequently addressed by demographic research, because pensions research treats it as a parametric reform there has not yet been a lot of in-depth discussion of what changes to the retirement age mean to those affected by it. A parametric reform, in contrast to a paradigmatic one, does not overturn the entire policy or system; it is what Hall (1993) calls second order change, which “adjusts policy without challenging the overall terms of a given policy paradigm” (Hall 1993: 279). Second order policy changes *can* eventually lead to third order changes, i.e. the overturning of a policy paradigm (Hall 1993: 280), and in this particular case the volume of dissent that changes to the retirement age have provoked may suggest that it is perceived as more than a parametric reform by the affected parties.

The policy paradigm of Bismarckian and Beveridgian pension systems are in stark contrast. A Bismarckian pension typically means a state or publically administered pension that is based on social insurance contributions; the level of the pension is dependent on pre-retirement income, and traditionally Bismarckian pensions are or were meant to allow pensioners to maintain their pre-retirement standard of living, irrespective of private

¹ This thesis uses "United Kingdom" as the preferred shorthand for the United Kingdom of Great Britain and Northern Ireland. On occasion, in particular when discussing authors who use "Britain" as their preferred shorthand, "Britain" is used as synonymous with the United Kingdom to avoid awkwardness in rephrasing.

provision (Palier 2010: 24). A Beveridgian pension system typically means a two-tiered pension system, in which the state pension is a flat-rate benefit not tied to the recipient's previous income and chiefly intended to prevent poverty; income or status maintenance (for most people) in retirement can only be achieved through occupational pensions or private provisions (Meyer 2013: 4f). The flat-rate nature of the state pension is a defining characteristic, though the level of this flat-rate pension can vary between "Beveridgian" systems, which include not only the United Kingdom but also a number of Nordic welfare states.

From the beginning, the development of German and British welfare states has had an impact on existing societal interests. Sometimes the connection is very direct, as in the link between Bismarck's motives in social insurance, which initially was a strategy to weaken the organised working class. Sometimes the link is more indirect, such as the role Friendly Societies played in delaying British welfare legislation. Employers have an interest in whether they have to pay social insurance contributions, and whether they can use occupational pensions as a management tool free from outside interference or only within legal constraints. The financial sector when providing insurance has a stake in avoiding government provisions crowding out their business models (Ebbinghaus 2011a: 8). Interest groups try to protect their interests by trying to influence the shape of welfare state provision, while at the same time these welfare state provisions have a feedback effect on these interest groups.

The connection of organised interests and the welfare systems is frequently touched upon in analyses of corporatism and lobbyism; where organised interests play an institutionalised role as social partners, they are of course also part of analyses of the welfare systems as such. My aim with this thesis is to provide an in-depth analysis of this connection in a specific policy field by focusing directly on the organisations and investigating the stake that these organisations, as intermediary actors which interact with their members and also negotiate the interests of their members with other organised interest groups as well as state actors (Schmitter and Streeck 1999), have in very recent developments and the changing shape of two prototypical pension systems.

In analysing recent British and German pension reforms through the lens of these stakeholders, I will focus on three overarching questions:

- What kind of institutional change did the pension systems in the United Kingdom and Germany undergo with the major pension reforms of the 2000s? Welfare state theory now frequently assumes change happening gradually rather than as a result of an exogenous shock. Which types of change can be observed with the recent systemic reforms, and do the same models of change apply to a parametric but highly contested reform?
- What are the systemic consequences of this institutional change? Germany and United Kingdom both represent archetypes of pension provision, as well as models of the welfare state as a whole. After major overhaul of the pension system, how well

do they still fit their original classification? And with a potentially new classification, have the types of problems to be expected in the future changed as well?

- How do organised interests cope with and adapt to these changes? Organised interests have to represent the interests of their members who have a stake in welfare state institutions. Which organisations have been supportive of recent reforms and why, and which have been in opposition? Feedback effects can make organisations change their strategies, and in the political process the organisations might have to balance membership logic versus influence logic. How might this affect their position on pension reforms, and how might changes to the pension system be relevant to positions and strategies in the future?

It should be noted that the focus of this thesis is not the political process that leads to pension reform, though as a background existing political analyses are important. The changes to the British and German pension regimes will be examined through the lens of the social actors – interest organisations that promote certain viewpoints within society and have to position themselves with regard to policy changes. This is primarily based on qualitative interviews with representatives of these organisations.

In this introduction I will briefly lay out the main concepts and theories this analysis draws on and discuss how they apply to the British and German cases. I will also discuss existing comparisons between the two pension systems and how they relate to the work done in this thesis. I will introduce the main literature on which the historical chapters are based and discuss briefly how the recent changes which are the subject of this thesis relate to these historical developments. The basic issues around the retirement age will be introduced, followed up in more detail in chapter 5. I will also discuss the role organised interests play according to the pensions research literature and develop an argument how the positions of organised interests is significant in pensions discourse even in those cases where these positions were in opposition of the policy that was ultimately carried out. I will also introduce the methodological approach and its advantages, as well as its limitations.

1.1 Theoretical framework

1.1.1 Three Worlds of Welfare?

Analyses of pensions policy and the actors involved typically draw on several strands of political theory. In the following section, I give an overview over these classic approaches before highlighting whether and how these apply to this thesis.

In Esping-Andersen's (1990) famous book *Three Worlds of Welfare Capitalism*, he distinguishes three types of mature welfare states. The Liberal welfare state offers a low degree of decommodification and only residual welfare. In terms of pensions this is exemplified by the model of a basic flat-rate pension with the purpose of poverty alleviation and an expectation that the individual save privately for any retirement income beyond that. The Social-democratic welfare state would in contrast provide a relatively high level of decommodification, guaranteeing income security on the basis of citizenship, with welfare

benefits largely financed from general taxation. For pensions, this would mean a high basic pension that is not only beneficial to the neediest but high enough to also serve the middle class' interests. The Conservative welfare state relies on social insurance and provides a high level of security, but tied to previous contributions and labour market performance. A commitment to traditional family structures leads to decommodification for the dependents (typically non-working wives) of the (typically male) breadwinner, but not actually decommodification for the workers themselves. As in the Social-democratic model, not only the lowest-income groups but also the middle classes rely on welfare state institutions, leading to cross-class interests and broader acceptance of the welfare state and a larger role for the government. However, the emphasis on status maintenance and the linkage of benefits to labour market performance means that unlike in the Social-democratic model, the degree of redistribution is low and inequalities are preserved. This is very clearly represented in the Bismarckian pension system, which traditionally ties status-maintaining earnings-related pension benefits to a long and preferably uninterrupted contribution career. The emergence of these types of welfare states has been explained by the strength of the political labour movement, famously in power resources theory as laid out by Korpi (1983). According to this theory the extent and the features of the welfare state are inherently linked to the strength of the labour movement, trade unions and left-wing parties. Power resources theory supposes that a strong labour movement and electorally successful Social Democratic parties allied with trade unions, leads to generous welfare state arrangements; it also argues the inverse – that a weakly organized labour movement leads to residual welfare states. These assumptions match up well with the Scandinavian universalist welfare states and the liberal Anglophone welfare states respectively, but the Continental European welfare states are not as good a fit (Ebbinghaus 2011b: 317).

The two countries in this comparison represent, or used to represent, almost ideal types of the Esping-Andersen classification, at least in the field of pensions. (The NHS is something of an anomaly in the British Liberal welfare system.) The fact that after the pension reforms of the early 2000s Germany no longer fits the Bismarckian ideal type has been discussed in the literature; which way the British welfare state is heading and how well it still fits the liberal model is also debated (Meyer and Bridgen 2011). The classification is particularly relevant when assessing the scope of a reform, and its systemic relevance. Two of the reforms in this study are precisely those that introduce or significantly increase systemic hybridity. Both the Riester reform in Germany and the auto-enrolment reform in the United Kingdom are those that most directly relate to questions of their welfare system's underlying logic: the Riester reform introduced a subsidized but voluntary private pension provision at the same time as the replacement rate of the state pension was lowered, while the auto-enrolment reform introduced automatic enrolment into occupational pensions for all employees regardless of employer size. The positions of the organisations will be put in the context of the pension system's move towards or away from their original setup. The qualitative approach of the research will also allow me to investigate if the paradigm shift as

such is considered relevant in the narrative of the organisations, or whether they are seen as individual policy issues first and foremost.

Taking up the question of the classification of the German and British welfare institutions, Meyer and Bridgen (2011) analyse the contradictions in describing the German public pension system as conservative and the British as inherently liberal. For the British case, the authors argue that a “statist” dimension to the British pension system has often been overlooked: they refer to the generous public sector benefits that are protected by trade unions, but also the knock-on effect this has had on private sector occupational pensions, in particular the regulation that protects those workers who are covered under occupational systems (Meyer and Bridgen 2011: 158). The authors also take a nuanced view on the significance of the contracting-out regulations for British occupational pensions. Many analyses focus on the fact that contracting-out has always played a major role in attempts to regulate or introduce additional pension provisions. It is true that this reflects the primacy of private provision and that this primacy is desired across the political spectrum and it is directly strengthening private providers. But as Bridgen and Meyer point out, the rules for contracting out also established a floor for minimum requirements that occupational pensions had to meet (Meyer and Bridgen 2011: 160). As for Germany, the conservative label fit until the early 2000s, but the institutional changes that followed have led to such an erosion of the status preservation principle that it is no longer possible to count the German pension system as truly conservative. The authors’ principal argument is that Germany and the United Kingdom are not on the path to convergence, but that they “developed in opposing directions, Britain towards social democracy and Germany towards liberalism” (Meyer and Bridgen 2011: 158).

If the power of the labour movement is a fundamental factor in the development of the welfare state, this raises the question of whether the strength of the labour movement is then also related to its evolution, and whether the retrenchment or expansion of pension systems can be related to the strength of the trade unions at the very least. The situation is complicated in the age of austerity by the fact that it is frequently Social Democratic parties enacting entrenchment reforms. But with respect to pensions in Germany and the United Kingdom, labour power as a factor in the development of the welfare state holds explanatory power especially with how reforms that retrench state provision have gone in tandem with a general decline in union power. It also maps onto the difference between the two countries in terms of the extent of pension provision and union strength.

However, it is important to bear in mind that in Germany, with its (formerly) strong unions, redistribution was never actually an aim of public pension provision. While some elements of the German welfare state do redistribute resources in the direction expected from a leftist point of view, in pensions the equivalency principle is dominant. And although parties are not the subject of this thesis, the retrenchment reforms in Germany were carried out either under the leadership of or in cooperation with the Social Democratic party. (In both countries, it is of course possible to ask how ‘strong’ a Social Democratic or Labour party really is when it has to aggressively move to the political right in order to win elections.)

Beyond state provision, Ebbinghaus (2011a) studies pension governance in the wake of privatisation moves across Europe. The volume by Leisering (2011) compares specifically private pension regulation in Germany and the United Kingdom. Regulatory policies on private pensions are part of the shift towards more mixed private-public welfare arrangements. A state may partially retreat from a welfare sector, but this often goes hand in hand with a new role for the government in regulating these newly opened-up markets. It is also worth noting that regulation on welfare provision does not only mean constriction on business and the free market, but sometimes actually creates or expands the market for private enterprise (Leisering and Mabbett 2011: 6).

Another actor-centric approach to the analysing the development of welfare states can be found in veto player theory. Tsebelis (2002) has analysed what leads to institutional stability in his veto player framework. Veto players can be constitutional, i.e. built into the political constitution such as a president or a parliamentary chamber, or political, such as interest groups. Veto players are defined as actors whose assent is required to change the status quo (Tsebelis 2002: 19). The more veto players there are in a political setting, the higher the chance of stability.

In welfare policy, the presence of veto players has been one compelling way of explaining the failure of reforms and the relative endurance of welfare systems under pressure. The structural, as opposed to the parametric, reforms analysed in this thesis are reforms where the status quo was not upheld; in fact as the reforms take full effect down the line, the old status quo will be significantly altered. According to veto player theory, this should reveal either that the actors under discussion should be in agreement with the changes, or that they are in fact not veto players.

1.1.2 Change and stability

According to the institutionalist literature, the likelihood of rapid change of welfare state systems should differ significantly between Germany and the United Kingdom. Pierson (2001) has argued famously that as mature welfare states were hit by ongoing austerity, they had great trouble reforming their welfare regimes in order to cope with said austerity. Coping with austerity in reality means most often making welfare systems leaner. Investigating why welfare states show rather resilience to reform pressures despite being assessed as being in some form of crisis for several decades, Pierson has argued that this resilience comes from the fact that welfare state programs have turned large shares of voters into their constituency, making it hard, if not impossible, for politicians to change these programs, for fear of being punished for it in the next election. Pierson further stresses the significant role that welfare states play in the lives of a great number of people even beyond the statistics of direct beneficiaries. A great many people's lives are affected by the welfare states. Even those not currently receiving benefits from or employed by the welfare state are likely to know someone or even live in a household with someone who does. Alternatively they might expect to become beneficiaries in the future (Pierson 2001: 412f). In terms of politics, benefits of retrenchment policies ~ such as financial sustainability ~ are diffuse and

not immediate, whereas the pain of welfare cuts is felt strongly and immediately by beneficiaries, who can take it out on political actors in the ballot box.

In the context of this thesis it is worth highlighting that in Pierson's theory of path dependence, the resilience of welfare state programmes against retrenchment is not due to strong trade unions but irrespective of the now weakened trade unions, stemming instead from these new constituencies. Particularly in pensions, contributions act like a sort of deferred wage, which unlike need-based benefits have the strength of a contract between the beneficiary and the state (Myles and Pierson 2001: 321).

The second factor is what Pierson calls institutional "stickiness". Once established, institutions lock welfare systems into particular developmental paths. Path departure, meaning breaking away from one logic of welfare and introducing new systemic elements is unlikely to impossible. However, Pierson does point out that the understanding that path dependence "freezes" institutions is false, but change happens as bounded change: options for the future are limited by past decisions.

For the German case, the fact that policy changes of the order analysed here happened at all is something of a surprise. It is often treated as such in the literature, as Germany has often been seen as the perfect example of an impossible-to-reform welfare state. Pierson's arguments that a pension system would create its own constituency, and that even people not directly drawing benefits are aware of and affected by people around them drawing these benefits, is quite persuasive for Germany's history of pension reform, at least before the Red-Green reforms of the early and mid-2000s. Looking at reform efforts up until that point shows clearly why the assumption of the German welfare state as impossible to reform took such hold. Yet the picture gets more complicated when looking at the Red-Green reforms and beyond, and this is reflected in the literature, as observers were surprised at the magnitude of changes.

Pierson (1994) has shown that even in Liberal welfare states, welfare programs can show a remarkable resilience. In both the United Kingdom and the United States, pro-liberalisation politicians Thatcher and Reagan tried to retrench pension programs but found fundamental change difficult. Thatcher's attempts to scrap SERPS were rejected not just by the trade unions, but also the business and insurance community; the Social Security Act of 1986 cut back on SERPS provisions but was a far cry from the original aim of abolishing SERPS entirely (Blake 2003: 17f). This is remarkable given SERPS had only been introduced eleven years prior.

In other respects, however, there seems to be a far lower degree of lock-in in the British pension system. One factor is that the British welfare state is much less generous; the historical reliance on private savings would mean that the state pension system would not have created the kind of large constituency that Pierson's theory predicts as in the case of the German pension system. Furthermore, the frequent changes to the British pension system offer an immediate indicator that this system is *not* hard to change, and it is hard to ascribe a sort of strong perseverance to most British pension schemes. On the other hand,

as has been highlighted elsewhere and will become even more evident in the history chapter, there is certainly something “sticky” about British pension programs, simply in how once-accrued benefits are keeping abandoned pension schemes in operation until, essentially, the last beneficiary dies, decades after the scheme was thought up.

Another aspect is whether the different scope of beneficiaries plays a role. In health care, Pierson’s description of the role an expansive welfare program can play in the lives of not just the immediate beneficiaries very obviously applies to the NHS, the universalist outlier in the liberal British welfare system. With respect to the British state pensions, while the scope of beneficiaries is technically wide, the benefit is so low that it calls into question whether a significant constituency was created here.

The flipside of discussing reasons for stability is examining the nature and conditions of change, and in considering theories of lock-in and path dependence, one must also consider theories of change.

Pensions being such a long-term issue, the flipside of the coin is that they do provide political actors with the ability to reform the future while leaving the present largely untouched, which makes certain types of reforms easier even in a relatively locked-in system. Engaging in retrenchment is “typically treacherous, because it imposes tangible losses on concentrated groups of voters in return for diffuse and uncertain gains” in the future (Pierson 1996: 145), but this can be flipped around by moving the impact of pension reforms onto future pensioners, exempting the current and the just-about-to-be ones. This makes sense as a political strategy (Myles and Pierson 2001); additionally it is also in line with the long-term orientation of pension policy to not impose major policy changes on existing pensioners. Especially in systems where pensions are an earned entitlement, and also in general, pensioners and people close to retirement are not in a position to compensate for policy changes by modifying their behaviour.

For the German case, Bleses and Seeleib-Kaiser (2004) note a “dual transformation” and argue that while theories of path dependence are good at explaining continuity, they are much less useful for explaining the kind of significant changes that happened in (and to) the German welfare state since the late 1990s. Welfare policy in Germany is increasingly abandoning the principle of status maintenance for labour market insiders and, the authors argue, the most common welfare state theories do not adequately explain this degree of change. Instead, according to their social-constructivist argument, new ideas have entered the policy sphere, which greatly shaped the way the German welfare state was reformed (Bleses and Seeleib-Kaiser 2004: 150f). The role of new ideas is a persuasive angle when we observe how alien some of the changes were to the underlying principles of the German welfare system after a long period of cross-party commitment to Bismarckian principles.

Following an institutionalist approach, Streeck and Thelen’s (2005) typology of institutional change is particularly thorough in differentiating between modes of gradual change. The typology complements the more common perception of change as the result of a sudden, dramatic development with a concept of gradual transformation – an institutional

discontinuity brought on by small, incremental changes that add up over time to major institutional change (Streeck and Thelen 2005: 9). Arguing against an overemphasis on continuity in welfare state research, which they perceive as a conservative bias, they suggest that the distinction between phases of stasis and phases of change is far less absolute than is commonly assumed. Beyond a punctured equilibrium, transformations of institutions can happen one step at a time. In order to account for individual measures being indeed of a small scale, one can differentiate between processes of change – which may or may not be incremental – and the results of change, which can be continuous or introduce major discontinuities (Streeck and Thelen 2005: 8).

Streeck and Thelen (2005: 19ff) lay out five particular modes of gradual but transformative change: 1) displacement (the old dominant institution is supplemented with a new, ‘foreign’ one that then gradually takes over as more and more supporters defect), 2) layering (a second institutional ‘layer’ is added to the original one, slowly draining support from the former and changing the institutional setup as a whole), 3) drift (existing institutions are not adapted to a changed environment and thus their function in society changes drastically without anybody doing anything), 4) conversion (existing institutions are converted towards new purposes and functions) and 5) exhaustion (institutional erosion and breakdown).

On the whole, liberalization has been a dominant trend in European political economies after the post-war consensus, but it was a transformation that happened gradually. However, the authors point out that Britain has been an exception with the “turmoil” (Streeck and Thelen 2005: 30) of the Thatcher years and the radical shift to a neoliberal model in the 1980s. The authors suggest that changes towards liberalization are very prone to happen gradually; while a non-liberal reform in most cases requires either fortuitous timing or a great political effort, degrees of liberalization lend themselves well to policy-by-neglect and incremental reforms that subvert the dominant paradigm in steps (Streeck and Thelen 2005: 33). The addition of a private pension provision on top of a public system is frequently cited as a classic example of layering (Streeck and Thelen 2005: 23). This model of change is particularly relevant to the developments in German pension policy and will be discussed in the context of the Riester reform.

In the same volume, Hacker (2005) looks at the question of why welfare states have failed to adapt to the exogenous changes, such as changing family structures and employment relationships, and why the perceived mismatch of social protection and contemporary social risks developed. He asks whether all change is endogenous or whether the welfare systems and the political processes that shape them bear some responsibility for this development. Agents of change may not want to attack a popular institution directly. Instead, they undermine or oppose efforts to update it to a changing set of circumstances (Hacker 2005: 41ff). Hacker emphasises not to mistake drift as apolitical. While the gap between social protection and risk can occur by chance, it can also be a highly political process when actors deliberately prevent the recalibration of social protection to adjust to the changed circumstance. Policy drift is a very persuasive model when applied to the British state pension and its long – and deliberate – decline in value.

Discussing policy change in the United Kingdom and elsewhere, Crouch and Keune (2005) make the point that as much as institutional stability is often overstated by analysts, so is the homogeneity of an institutional system. They describe how before the Conservative policy changes of the 1980s, policy in the United Kingdom was focused on a Keynesian approach, and trade unions and employers played a substantial role in a corporatism established after the war. In fact, the degree of change in industrial relations and the greatly diminished role of trade unions, and the abandonment of Keynesian policies were unexpected to observers (Crouch and Keune 2005: 87). With the United Kingdom a liberal welfare state according to the Esping-Andersen typology and a liberal market economy in the Varieties of Capitalism approach (Hall and Soskice 2001, see below), it is a good reminder of less than purely liberal elements that did play a role in the history of the British welfare state.

Trampusch (2005) analyses the trajectory of German early retirement policy from the 1950s onwards. With conventional wisdom treating Germany as particularly reform-resistant, Trampusch argues that early retirement is a case where overextension of the policy “ultimately drove its exhaustion” (Trampusch 2005: 203). Trampusch particularly highlights how policies can “balloon” un- or only semi-intentionally. On the German pension age, which is a key point of analysis in this thesis, Trampusch traces how various interests that had primarily not much to do with early retirement or the retirement age ended up having a huge impact on the degree of early retirement. For instance, the 1984 *Vorruhestandsgesetz* extended the pathways to early retirement. It was passed by a Conservative government partly in an attempt to support a more conservative trade union (IG Chemie) over more radical economic demands by IG Metall (Trampusch 2005: 209). Trampusch argues that further results of this conflict were rationalization processes in the metal working sector, leading to redundancies that were, again, socially appeased by way of early retirement. Likewise, the extension of the duration of unemployment benefit for older workers to 36 months was partly motivated by shifting some of the cost of the long-term unemployed from social assistance back to unemployment insurance, and thus bipartite funding. Ultimately, this increased the appeal of early retirement, opening the unemployment path to early retirement to those aged 57 (Trampusch 2005: 210). Further attempts by the government to make employers take on some of the cost of unemployment benefits occasionally led to employers offering early retirement to workers at age 55, since this allowed them to circumvent reimbursing the government for the unemployment insurance payments (Trampusch 2005: 212). The details of this process show very explicitly how difficult political steering can be given unintended consequences and vested interests of actors working against being steered. The initial development of early retirement represents policies applied to circumstances they were not designed for, whereas the latter shows not sudden policy shift but a gradual transformation, at the end of which early retirement has been relocated from government policy to collective bargaining. The difficulty of this transformation, however, and the number of government reform attempts are also indicative of the difficulty of retrenching an established right in the first place. Without denying the serious transformation that has taken place, there is also a certain

“stickiness” of the institution of early retirement to be observed here. The reforms analysed in this thesis can be related to different types of gradual change according to the typology introduced here. For example, the raising of the retirement age is both incremental and not a major transformation, an adaptive reform intended to stabilize and reproduce the system. The introduction of the Riester pension in combination with the lowering of the replacement rate of the German state pension, on the other hand, is incremental, especially given the time horizon, but in terms of its long-term consequences, it represents a major transformation of the functional logic of the German pension system. The introduction of quasi-mandatory occupational pensions in the United Kingdom with a mandatory burden on employers is a mixed case, I would argue, in that the scope and consequences seem too large to declare it an incremental change, but on the other hand, the functional logic of the 2008/2012 reforms is very much in line with the long established logic of the British pension system, but merely intended to make it function *better*.

1.1.3 Who wants change?

For the analysis of actors, the framework outlined by Hacker and further elaborated by Mahoney and Thelen (2010) provides a fruitful basis. Actors may be motivated by clear interests, but as Hacker points out in his analysis of the US welfare state and its change through drift, they can also be motivated by ideology. In some cases, the actors’ positions are not in line with the expected ideological position. In this study, this is particularly striking in the unexpected responses of British employers to the question of government involvement in pensions. It poses the question: why do a priori pro-liberal actors have an interest in taking a position running counter their general ideological stance? Examining the positions that social actors take regarding these reforms, the thesis will also examine whether the nature of the proposed change seen through the institutional change framework seems to make a difference. For this, the qualitative nature of the data will allow for insights into how the reforms were or are perceived, albeit limited by time and subjectivity.

Building on a more gradual conception of institutional change, Mahoney and Thelen (2010) present a model in which modes of change are linked to the institutional context. Specific characteristics of institutions foster specific types of change and influence how change agents may strategize (Mahoney and Thelen 2010: 4). Their emphasis on compliance as a decisive factor makes this perhaps more immediately applicable to other institutional forms than the highly regulated European pension regimes, but it can still suggest an explanation for different types of pension reforms and their impact in different political contexts of Germany and the United Kingdom.

Mahoney and Thelen (2010) adapt Hacker’s (2005) analytical space and ask under which set of circumstances it is likely that any particular type of change will happen. This likelihood varies with the political context and the characteristics of the institution. When the political context gives status quo defenders strong veto possibilities, either because they are strong veto players or because strong veto points are built into the institution, layering or drift is

more likely. Where there are only weak veto possibilities, displacement or conversion is possible.

As an example of pensions policy, Mahoney and Thelen (2010) cite the ability of Social Democrats across Europe to prevent conservatives from dismantling the state pension systems, but being unable to prevent the introduction of voluntary private pensions as a new pensions layer, i.e. a case of layered institutional change, as the old system was not replaced but a new element grafted on top of it, likely to tilt the balance in the long run towards greater private provision (Mahoney and Thelen 2010: 20). In the example analysed in this thesis, it was the Social Democrats themselves who with the Riester reform introduced the additional private pension in Germany. But the introduction of the Riester pension was indeed a case of political layering, where gradual dismantling of a welfare system happened by way of an additional layer, weakening the resistance of veto players such as the trade unions.

The second factor in which types of change are likely is the set-up of the institution itself and how much interpretative leeway there is its rules and regulations. Institutions with very little room for discretion are more likely to be changed by displacement or layering, whereas a lot of institutional ambiguity makes conversion and drift compelling strategies for actors (Mahoney and Thelen 2010: 21). Unlike other forms of social insurance, pensions would generally fall rather firmly into the former categories, as there is very little discretion or ambiguity in the administration of state pensions (see also Hacker 2005: 46). (Private pensions leave more room for drift as they are much less within the control of government.) Concerning the agents of change, Mahoney and Thelen (2010: 22ff) also differentiate between four types of actors and how they position themselves towards existing institutions. Insurrectionaries work to actively overthrow existing institutions and seek displacement. Symbionts benefit from existing institutions and rely on them for their own gain, but in the parasitic version violate the spirit, in the mutualistic version the letter of the existing rules; parasitic symbionts can over the long term undermine the stability of an institution. Most associated with layering are the subversives, who on the surface support the institution but are waiting for and working towards a convenient moment to move into a stance of opposition. Finally opportunists are most associated with conversion, as they like to convert existing institutions to their own purposes (Mahoney and Thelen 2010: 23ff). This categorisation of actors requires ascribing motivations to political actors, which can be difficult to establish in research. However, a strength of the kind of qualitative interview material used in this thesis is the possibility of examining which motivations the actors ascribe to themselves. So while no trade union or employers' organisation is likely to refer to itself as a symbiont or an insurrectionary, it will be worthwhile to examine whether these categories can be attributed to the way they position themselves towards their respective pension systems.

The results for employers as an actor in this thesis make the Varieties of Capitalism a compelling additional angle of investigation. Hall and Soskice (2001) have presented a

framework for analysing the differences and similarities in the institutional set-up of developed market economies. Germany and the United Kingdom are on different sides of this typology too. The original framework differentiates between Liberal Market Economies and Coordinated Market economies as its ideal types. It is a firm-centered approach that takes companies as the principal actors in a capitalist economy (Hall and Soskice 2001: 6). In Liberal Market Economies companies operate primarily based on market competition of supply and demand. In Coordinated Market Economies, while they of course also operate in a capitalist setting, firms are tied into a net of relationships that go beyond the market and that impact their scope for action. The relationship between social policy and the market is different in these two system types. In a coordinated market economy, welfare state institutions also serve the interest of the economic actors – the firms – by making it possible to maintain a skilled workforce. High employment protection, for instance, entices workers to invest in their skill. Long-term orientation for firms *and* individuals becomes possible.

This approach is also reflected in how firms participate in pension provision. In a Liberal Market Economy, funded pensions reliant on the market are systemically consistent, whereas in the logic of Coordinated Market Economies, “patient capital” (Ebbinghaus 2011a: 5) such as pension commitments in the form of book reserves are more common, and therefore a system that assumes much more long-term reliability of the firm and a degree of trust between the company and its employees (and their representatives).

The German political economy is a prime example of a Coordinated Market Economy, while the United Kingdom is a representative of a Liberal Market Economy. This means that beyond having a fundamentally different pension set-up with regard to the *role* of occupational pensions, their administration and the relationship of its actors should be different too. How the Varieties of Capitalism approach applies to the more recent reforms is discussed in this thesis. In the field of pensions there is already a potential contradiction between the view of the United Kingdom as a Liberal Market Economy, in which companies are free to act and occupational pensions are subject to the market, and British politics’ continuous attempt to harness private pension arrangements to provide a public good (Whiteside 2006b). However, one of the main findings of this thesis is how British employers position themselves as surprisingly supportive of improvements in state pension provision, and there is evidence to suggest that this had significant impact on the reform process. This development would be in line with the idea that state pension provision develops when it also serves the interests of capital.

1.2 Pension reform issues in Germany: a story of stagnation?

Until very recently, the focus of pension reform discussion in Germany was clearly the question of how to rein in costs. From its establishment as the prototypical pay-as-you-go (PAYG) Bismarckian pension system in 1957, the problem narrative of the German state pension has been its sustainability, and early reform efforts focused on increasing revenue,

with reform pressures escalating in the 1990s in the wake of reunification. Output-focused concerns are a fairly recent development reintroduced by the seminal reforms of the 2000s. On the history of German pensions, Frerich and Frey's (1993) handbook on social policy in Germany provides a detailed account of the development of the various parts of the German welfare state from its inception under Bismarck in 1889 until German reunification in 1990. It provides an account of the central 1957 Adenauer pension reform, but also traces the small adjustments, mostly the series of pension uprating and raising contributions, that were the common responses to projected deficits in pension financing from the economic troubles of the mid-1970s onwards.

Fisch and Haerendel (2000) provide a collection of essays that track the German pension system from its pre-Bismarck roots to the post-unification situation, covering historical, political, economic and legal angles at a time when the German pension system was still seen in dire need of reform. Of particular relevance in the volume are the near-contemporary account of the effects of reunification on the pension system (Merten 2000), and Döring (2000) on the major systemic changes. Furthermore Manow (2000) tracks the ups and downs that pay-as-you-go as a funding method has experienced in political and expert opinion, pointing out that both PAYG and funded schemes have come under fire for being unsustainable and money pots tempting reckless politicians at various points in history.

Fisch and Haerendel (2000) point out that reform and sustainability discussions have accompanied the German pension system from day one, and argue that while theories of path dependence can explain a lack of institutional change despite mounting pressure, they ignore too much that the German pension system underwent major changes of path departure in the 1957 reform, which lead to an eventual system quite different from the one originally set up by Bismarck (Fisch and Haerendel 2000: 13f).

However, it is one thing to introduce a pathbreaking reform that generates no losers and whose financial commitments will only become a strain decades down the line. The 1957 Adenauer reform essentially created only winners, was highly popular, and while it can indeed be seen as a systemic change, nobody was going to miss the system the new pension regime was replacing. This is a key difference to the situation where a social policy regime is locked in by a lot of existing constituencies with vested interests in the status quo. An example of the latter is the German pension system of the 1990s, which was perceived as in need of reform, but essentially frozen. Only a few years ago the literature on the German welfare state tended to emphasise the slow negotiation processes and the impossibility of thorough reform. The difference is that of a pension system that is perceived in need of reform and dramatically underserving its beneficiaries (the pre-1957 German one) and one that is seen as requiring reform for financial reasons but whose current and future beneficiaries are very satisfied with it (German pensions in the 1990s).

The existence of a "reform blockage", the often-cited *Reformstau*, was also reflected in the wider public discourse. German president Roman Herzog famously admonished the

country in a 1997 speech that it needed to be jolted out of paralysis and indecision², a speech that gained widespread attention and reflected a general impression that Germany needed to reform not only, but definitely amongst other things, its social security systems. The incremental, bounded reforms carried out during the last Conservative-Liberal government before the 1998 election were regarded as unsatisfactory, and the new Red-Green government set out to overcome the “reform blockage” at last. Yet as late as the early 2000s the commentary reflected dissatisfaction and a continued perception of Germany being “stuck.”³

The scientific literature offers some explanations for this strong persistence of welfare state regimes despite elevated reform pressure. In the following I will discuss how these explanations apply to the German case. Cutting existing benefits is politically difficult in any area of welfare policy, but in pensions this is exacerbated by the very nature of what pension policy is supposed to do. A long-term orientation is built into the functional logic of a pension regime as such. More than other areas of the welfare state, pension policy needs to provide a high degree of reliability in order to fulfil its basic function. It is no coincidence that in German politics, pensions was the policy area that for the longest time was kept out of the everyday political arena. The “pension consensus”, an informal understanding between the major German parties to make only consensual changes to the pensions regime even in times of clear political majorities, held for roughly forty years after the 1957 reform that established German pensions as the prototypical Bismarckian one. With huge numbers of existing beneficiaries, and with almost all citizens expecting to eventually become beneficiaries, pensions is primed to be subject to path dependence (Pierson 1996), all the more sharply so in a case of generous benefits such as the German one. In addition to generosity, the financing via PAYG and the “generational contract” this is understood as makes it very difficult to shift to a funded mode of pension financing, as workers who paid and are paying for earlier generations’ pensions with their contributions would become “double payers,” having to pay for their own pensions in addition to the previous generations’ (Myles and Pierson 2001: 313).

Hinrichs (2000) describes the process of pension reform as “elephants on the move”, calling to mind lumbering progress and the unenviable task of getting something to move that does not move well when it does not want to, and might well have a mind (or institutional staying power) of its own. Kitschelt and Streeck (2004: 1) have described the German welfare state under reform pressure as being stuck in a “high-equilibrium trap”. Adopting the logic of path dependence, they argue that the existing institutional and cultural legacies, as well as a general perception of the German model as a success story, constrained the choices available to political actors even in the face of intense reform pressure. The *high* in

² Berliner Rede 1997, http://www.bundespraesident.de/SharedDocs/Reden/DE/Roman-Herzog/Reden/1997/04/19970426_Red.html, 17.03.2016.

³ See for example editorials (Watzal 2003) and issue topics in *Aus Politik und Zeitgeschichte*, B 18-19/2003; on the problem of lobbies and veto players *Aus Politik und Zeitgeschichte* B 51/2003 (Belwe 2003).

high-equilibrium reflects the fairly generous nature of the contemporary German welfare institutions. In times of crisis the political feasibility of reforms is limited because any change will have to measure up to the successful past, and most likely fall short.

The reality of the last two decades, of course, does not bear this out. The German welfare state in general, but in particular in the areas of pensions and unemployment policy, underwent significant changes from the turn of the century onwards. Palier (2010) asks if a “long goodbye to Bismarck?” is happening across the continental welfare states. The reform pressures across the Continental or Bismarckian welfare states are similar. Concerning pensions, most Bismarckian states share a very low fertility rate and the dependency ratio to go with it. They also face a growing discrepancy between the built-in assumption of male-breadwinner families and relatively low female labour market participation, and modern family realities. Reforms of the continental welfare states in general show “a striking degree of convergence” (Esping-Andersen 2010: 11). The reform trajectories, Palier argues, are across the board a matter of incremental reforms rather than “one-shot” reforms that single-handedly change the nature of a particular welfare state (Palier 2010: 31f). In the same volume, Hinrichs (2010) lays out the changes to the German pension system, dividing the development into three distinct phases: a first period from the 1970s to the 1990s, largely characterised by bounded, path-dependent changes; a second period he calls the “gradual defrosting” of the German welfare state, in the latter half of the 1990s; and a third phase starting in 2000 that ended in a paradigm shift (Hinrichs 2010: 46f). This is a compelling observation; it could by now probably be expanded to include a fourth period that involves dealing with the fall-out from the paradigm shift, as the question of pension reform has never truly come to rest after the reforms of the 2000s.

Addressing the question of frozen welfare systems, Häusermann’s (2010) study of the reform of Bismarckian pension systems includes the case of Germany. She argues that not only were the Continental welfare systems not as “frozen” as previously assumed, but that the major reform processes of recent years frequently hurt the interests of established insiders, while expansive elements largely benefitted the politically weak and underrepresented, such as women, labour market outsiders and the unemployed. For instance, the lowering of the state pension replacement rate that was enacted in the context of the Riester reform process hurts traditional labour market insiders, who traditionally benefitted most from the Bismarckian pension regime, while elements of basic security such as the means-tested *Grundsicherung* most often benefit people who were not in the labour market long or consistently enough to build up sufficient pensions entitlements.

Blank (2011) presents the welfare reforms of the Red-Green government, which led the way to the major shift in German pension policy, while Schmidt (2010) analyses the welfare policy of the Grand Coalition that followed the Red-Green government. Hegelich (2006) analyses the reform pressures and reform conditions for the German pension system in an actor-centric approach, showing the evolving interests of the social partners and the political-administrative system in pension policy. He examines continuity and change, and

stresses that change has been part and parcel of pensions policy before the reforms of the 2000s, but also discusses that the latter still represented a fundamental shift.

Wiß (2011) examines the role of the social partners in the development of pension reform, with a particular focus on the reforms of the 2000s. Wiß traces how the social partners were involved in legislative pension reform from the 1990s onwards and highlights how social partner “camps” could be split on pension issues, such as interest clashes between the IG Metall and the IG BCE or ideological differences between the BDA and the BDI. On the Riester reform process specifically, Wehlau (2009) provides an in-depth analysis that focuses on the influence the financial industry and their lobbying efforts. She presents the positions and political logic of the insurance industry, which represented the “winners” of this reform and had a clear interest in the strengthening of private provision. Wehlau discusses their attempts to influence the legislative process; she also discusses the shift from a by-and-large consensual approach to pensions to the first time that pensions became a hot topic in a federal election campaign.

Looking out from the post-reform situation, Meyer (2013) takes stock of how the current incarnation of the German Bismarckian system compares to Beveridgian systems, focusing on future rather than present pensioners. In particular with regard to the pension provision of women, but also for low income earners, the post-reform German pension system does not fare well in comparison to Beveridgian systems.

This newer literature shows the shift in the German problem narrative. While rigidity and financial sustainability used to be the major concerns, questions of pensioner poverty and pension sufficiency have entered the political debate, and are likely to become more prominent rather than less.

1.3 Pension reform issues in the United Kingdom: everything stays different

The problem narrative for the United Kingdom is much more output-focused than the German one. Sustainability is a concern in discussions of ways to reform the British pension system, but in general, authors examining the financial sustainability of the British public pension system tend to find it in relatively good shape, especially when compared to its continental counterparts. Much more ubiquitous is the issue of undersaving, pensioner poverty, and the inability of the Basic State Pension to fulfil its basic function. The insufficiency of the Basic State Pension is a central theme of any reform discussion in the United Kingdom and the literature. While “the problem of financing public pensions in the long term has been virtually solved” (Bonoli 2000: 28), the problem of providing the retired with sufficient income has not, and thus the literature on the United Kingdom in the context of pension reform pressures is dominated by an ongoing perception of crisis, meaning thereby insufficiency of pensions. A third, more subordinate but not irrelevant feature of the British pension discourse is the recourse to complexity. While to the layperson pensions policy in any country may appear a mix of arcane, complex and dull, the

special pension system hybridity of the British case and the various remnants of past pension reforms have led to a level of complexity that can befuddle the pensions expert, not to mention the future pensioner (Evandrou and Falkingham 2005: 185).

On the history of pensions in the United Kingdom, Ogus (1981) portrays the development of the early British welfare state and its ideological roots. On the development of social insurance in Britain happening three decades later than in Germany, Ogus suggests that this was due to the endurance of an individualistic ideology, the slower development of collective movements, and a stronger private welfare and charity sector that for a while impeded the development of a collective movement. He further points out that in the British liberal democratic tradition, the kind of authority of the state that Bismarck's reforms represented was alien.

Blake (2003) provides a thorough account of the development of British public pensions, including the political struggles around the major reforms. This account places the New Labour pension reforms of the late 2000s in the context of a 19th century morality, which is a drastic reading, but highlights how welfare state reform efforts from both parties have become based on liberal principles.

One problem of a literature review on British pensions policy is that the shelf life of "current" analyses seems to be considerably shorter than for comparable analyses of Germany. The rate of reforms in British pensions was at times so fast that portrayals of the regime as a whole become outdated very quickly. Some were minor system-conforming adjustments; some, like the introduction of Stakeholder Pensions or the reform of the State Second Pension, were intended to leave a significant mark on the British pension system. Analyses published right after these reforms frequently assume they will do so, but then actual reform effects fizzle out, be it due to rejection by the citizens or due to a lack of financial commitment by the governing parties.

In contrast to Germany, the narrative for the United Kingdom knows no alleged sclerosis, before 2000 or after. This is of course in line with Esping-Andersen's argument that it is the Bismarckian systems in particular that are hard to reform. In a liberal welfare system such as the United Kingdom, the hurdles to reform are fewer and potential veto players less numerous. The modest payments for the basic state pension meant low pension expenditure, and despite facing the same demographic pressure as most of the rest of Europe, the United Kingdom was at times the only country where the percentage of GDP required to finance pensions was projected to go down after the baby boomer retirement bump (Bonoli 2000: 18). The flipside of the coin is of course what this level of pension expenditure means in reality for the average British pensioner.

Pemberton et al (2006) discuss the problems faced by the British pension system up until 2006. The volume maps out the development of British pensions from the Beveridge plan (and its roots) to its recent state. Taking stock of the situation for women, the development of occupational pensions in a system so heavily reliant on them, and equality, the

contributions find the British pension system as troubled and in need of reform, albeit not because of crushing public expenditure.

Taylor-Gooby (2006) takes the UK as a test case of whether market liberalism can be combined with welfare. The centralised nature of the UK's political system makes the test case particularly strong, as regional veto players or other polity institutions are largely irrelevant and can be disregarded for the development of the major welfare institutions. The Labour government that came into power in 1997, for example, had an unusually strong electoral mandate and was facing a weak opposition, so observing what a center-left reform-oriented government will do under such circumstances can be especially revealing (Taylor-Gooby 2006: 116f). He further posits that the United Kingdom can provide useful information for reformers in other countries, given the trend towards and the promotion (by the EU, the OECD and the World Bank) of private pensions across the board. The result of this "liberal test case", when looking at the outcome side, is a highly unequal pension system. Taylor-Gooby calculates that British pensioner income are vastly unequal, with the top fifth of pensioners having five times the level of income as the lowest fifth. For the top fifth, private provision makes up the majority of their retirement income, while the lowest fifth rely on state pensions to the degree of 90 per cent. Single person households are particularly likely to fall into the lowest fifth, and the degree of inequality has also widened over time (Taylor-Gooby 2006: 117f). This seems to underline that in a liberal welfare system, the degree of state pension reliance correlates with financial struggle in retirement.

The challenge for the British case, Taylor-Gooby summarizes, is how to "design a system that encourages people to save for their own pensions, provides decent pensions at the bottom end and does not pose a threat to the attractiveness of the private sector for some groups" (Taylor-Gooby 2006: 134). The New Labour government tried to square this circle but did not succeed. The outcome of this "test case" is therefore that a government in a system with few veto points and largely disorganized interests is in a position to pursue a liberal policy agenda even against opposition from pensioners' and trade union lobbies. In addition, the power of the private pension industry divides pensioners and keeps them from becoming the kind of constituency that is good at preserving established rights. It also illustrates the difficulty of a government that wants to provide adequate security for low-income earners but is essentially unwilling to commit the necessary tax revenue. British governments have been trying to get private pensions to fulfil public policy functions and have them work in the public interest, but these attempts have not had the desired effect (Taylor-Gooby 2006: 133f).

Other perspectives argue that the United Kingdom may not be such a purely liberal test case after all. They stress that the British pension system has had statist elements from the start. Moreover, the intermingling of public and private provision first started with the Graduated Pension Scheme introduced in 1959, the first time that voluntary occupational pensions had to submit to some degree of regulation (Bridgen and Meyer 2011: 271). The degree to which the British pension system might be statist is a highly interesting question in light of recent reforms (see below).

For the most recent developments in British pensions, we have to rely on key documents such as the reports of the Pensions Commission, an independent body announced in 2002 to address the long-term problems of British pensions. This commission was a key point in history for the British pension system. After a long history of continuous but unsuccessful reforms, the Pensions Commission was hardly expected to have that great an impact, at least at the time. For example, Taylor-Gooby (2006: 132) still suspects it of “introducing further delay” into the reform process. Nevertheless, the major reforms of 2008 and even 2012 have their ideational roots in the Commission’s work. The Commission released two major reports, commonly known as the Turner Reports after the commission’s chairman, Adair Turner. The first was released in 2004 and detailed the situation as-was, and offered a diagnosis of the problems facing the United Kingdom in the field of pensions. The second one was published in 2005 and presented the Commission’s recommendations. The Commission did address demographic ageing, but also the issue of insufficient savings and the decline of occupational provision. At the heart of the Commission’s recommendations were not only a higher retirement age, in order to take into account increased longevity, but also the establishment of a new and quasi-mandatory occupational pension based on tripartite financing between the employee, the employer and the government. The details of the Pension Commission’s report will be discussed in more detail later, but the reports themselves, both the identification of problems and the proposed solutions, are important references for the development of the British pension system. The first report represents a calm inventory of British pensions in the early 21st century, while the proposals of the second were at the heart of the pension reforms that evolved from the release of the report in 2005 until the Conservative-Liberal reform of 2012.

It is perhaps worth noting that despite its liberal market economy and despite labour relations that are generally seen as very different from the concerted models on the continent, the appointed members of the commission were a high-ranking trade unionist, a high-ranking employer representative, and a professor of the LSE. It was the compromise envisioned by this commission that stuck. In analysing the outcome of the Commission’s work, former member John Hills argues that the Turner Report ended up suggesting different mixes between higher retirement age, more private saving, and higher government expenditure. On the pension age in particular, the Commission would have preferred a flexible retirement age to take into account the fallibility of projections, but raising the retirement age as such is a difficult undertaking, as it is a major problem for policy makers that people continuously estimate their life expectancy too low and will not believe projections provided by researchers (Hills 2006). Hills further identifies the original flaw built into the Beveridge system as its lack of redistribution: the orientation on what the poorest could afford meant that there was never an adequate benefit that could lift anyone out of poverty (Hills 2006: 672). This dilemma has also become known as the “Beveridge straitjacket”: a limitation in the original set-up that constrains any effort to improve results on the output side (Fawcett 1996; Bridgen 2006: 2f).

Former chairman of the Pension Commission Adair Turner subsequently argues on the issue of demographic change that to address the problem of rising pension expenditure, British politics should employ a mix of further increases in the statutory pension age, reflecting higher life expectancy, and an acceptance of *some* rise of pension expenditure (Turner 2009: 3013f). Turner argues that the replacement rate for low-income earners ought to be high in order to assure poverty prevention and to take into account that low-income earners are less likely to have private investments, and suggests this could be done by lowering the replacement rate for high and middle-income earners (Turner 2009: 3015).

The follow-up discussion to the Turner Report is worth discussing because it highlights just how high the consensus is across the political spectrum on what is actually wrong with the British pension system. The fact that a lack of redistribution is diagnosed as a problem by a major employer representative in a liberal market economy provides some foreshadowing for some of the more surprising outcomes of this study. It is also clear that the reform discussion of 2005 centered around problems built into the very fabric of the British pension system in 1946.

One root of the problems of the British pensions architecture is its long reliance on voluntarism and the role of voluntary occupational pensions. This has led to a fractured workforce in terms of pensions. It also meant that as the willingness of employers to sponsor occupational pensions declined, this had a knock-on effect on the general functionality of the British pension system. Whiteside (2006b) lays out the decline of British occupational pensions from its peak coverage in the late 1960s. Occupational pension schemes flourished in the 1950s and 1960s as labour shortages in skilled industries motivated employers to increase employee loyalty by offering benefits such as occupational pensions, but efforts to make occupational pensions compulsory outside the public sector failed in the face of strong resistance (Whiteside 2006b: 129ff). Schemes introduced by the government such as the Graduated State Pension in 1959 and later SERPS in the late 1970s, always came with significant incentives to opt out, using government policy to strengthen the private sector pension plans and leaving the government-administered schemes with a largely residual role (Whiteside 2006a: 50).

Bridgen and Meyer (2005) argue that this pensions architecture makes employers “a major social player with a significant influence on the generosity of welfare provision” (Bridgen and Meyer 2005: 764). They argue that while the literature often stresses firms (and their managers) as rational players carrying on cost-benefit analysis, decisions such as whether or not to offer an occupational pension are influenced by a variety of factors, and are in fact “culturally embedded” (Bridgen and Meyer 2005: 765). In explaining the decline of occupational pension access, in particular the massive closures of defined benefit (DB) schemes to new entrants, common explanatory factors are the costs of rising longevity, the cost of increased regulation and oversight, and economic crises. But Bridgen and Meyer argue that the decision to close DB schemes does not happen in a cultural and informational vacuum. The role of outside consultants in spreading business and policy

ideas, as well as observations of what other firms are doing, can be as much a factor as policy changes, and can lead to herd behaviour (Bridgen and Meyer 2005: 775f).

In the face of this declining access to occupational pensions and continuously insufficient coverage, Bridgen and Meyer (2011) accordingly call British pensions a case of “exhausted voluntarism”, in which the shortcomings of the voluntary approach to pensions have led to a strengthening of government interference in the public-private mix and a more hybrid system. They divide the development of the public-private pensions mix in Britain into three phases: the liberal phase between 1945-75, characterized by “low benefits, fragmented coverage, and high poverty risks” (Bridgen and Meyer 2011: 268), then a social-democratic reform period of 1976-79, and a second liberal phase in which much of the advancements in terms of pension coverage of British social policy’s social-democratic fling were successively retrenched. The authors stress that the British pension system has had a degree of hybridity since the end of the Second World War, mainly because the state’s role as employer and regulator added statist elements to the pensions architecture that are at odds with a pure conception of a liberal welfare state. High public sector employment means that certain segments of the low-skilled have had better and more generous pension coverage than one might expect; the strong role of public sector employment also means that at least a segment of the British workforce is located in a “corporatist enclave” (Bridgen and Meyer 2011: 271) including strong union representation. Furthermore regulation of occupational schemes means a higher protection of scheme members than the market alone would provide (Bridgen and Meyer 2011: 265).

They further argue that the Pension Acts of 2007 and 2008 strengthen these statist elements and move the British pension regime into a more “social-democratic” direction. Whether one goes so far as to call the pension regime as it is evolving post-auto-enrolment Social Democratic, it is true that two key liberal elements of the British pension system have been weakened by recent reform: the low level of the public pension and the voluntarism characterising private sector pension provision (Bridgen and Meyer 2011: 286), perhaps even more after the coalition government decided to raise the British State Pension to a level above most common means tested benefits in 2012.

In the volume edited by Hinrichs and Jessoula, Natali (2012) examines the relationship between the British labour market and the multi-pillar pensions model, in particular with a view towards the atypically employed. For the situation of British pensions it is most relevant that the UK has always had a flexible labour market in line with the liberal market economy. Natali points out that until the 1970s there did exist surprisingly non-liberal elements, such as the relatively high degree of unionization in certain sectors and a system of industry-wide minimum wages set by Wage Councils (Natali 2012: 127f), though it would probably be reaching to consider these comparable to Continental labour market protection. In any case, these inconsistent labour market rigidities were demolished in the deregulation efforts of the Conservative governments and its deliberately anti-union policies in the 1980s. Natali argues that the United Kingdom could also be a test case for how to address the problem of undersaving among atypical workers and deliver teaching moments

for other countries which are increasingly experiencing an erosion of the standard employment relationship. The UK is, of course, different from a lot of the continental welfare states, in that it has traditionally had one of the lowest levels of employment protection in Europe and is also characterised by low investment in active labour market policies, though here at least spending has increased somewhat (Natali 2012: 128f). On the one hand, the liberal design of the labour market means that the stark insider-outsider divides of the continental model, and Germany as the counterpoint of this comparison, technically do not apply. On the other hand, as Natali points out, the British pension system was also built on the same societal expectations as the more conservative pension models: the idea of full-time employment for men and single-earner households managed by housewives as the societal norm (Natali 2012: 138). And while the UK might lack the institutionalised insider-outsider divide of the German labour market, Natali reports that the approximately 40% of the British working population who are not in a standard employment relationship – i.e. either working on fixed-term contracts, working part-time, or self-employed – will have significantly lower retirement income. New Labour did not significantly re-regulate the labour market, apart from the introduction of a minimum wage in 1998, which Natali expects to benefit in particular women’s future pensions in the long run. Natali highlights that an attempt to improve the pension coverage situation of certain types of atypical earners, in particular women with interrupted work biographies due to family responsibilities, was a key feature of the first tranche of New Labour’s pension reforms from 1999 to 2004. Especially the reduction in the years needed to qualify for a full basic state pension (BSP) will dramatically increase the percentage of women entitled to a full BSP in their own right (Natali 2012: 148).

1.4 Changing the retirement age

For any pension system, the age at which it becomes possible to draw retirement benefit is both a central question and technically merely a first-order calibration tool (Palier 2001; Hall 1993). The retirement age was already a point of contention at the inception of the British and German state pension systems, albeit to different degrees. The decision on the official retirement age can define the functional nature of a pension (see historical chapters). The official retirement age in the United Kingdom and Germany was amended over time, first downwards to an earlier age, and more recently back to a higher retirement age. But as in a lot of mature pension systems, the official retirement age is not synonymous with the de-facto retirement age. Any attempts to change the retirement age do not only have to take the official retirement age into account, but the actual experience of when it is seen as “normal” to retire. A huge factor in the development of de-facto retirement ages as well as people’s expectations of what is the “right” retirement age were early retirement options, in particular following their proliferation in the 1970s.

Hering (2012) provides a comparison of the two laws that raised the retirement age in Germany and in the United Kingdom in 2007. He points out that despite the very different

institutional setups and preconditions in the two countries, the conditions that led to this reform attempt were remarkably similar (Hering 2012: 82).

In an analysis also based on semi-structured expert interviews, Scherger and Hagemann (2014) have investigated the ideational dimension of retirement for actors in the German and British pension discourse, namely employers, trade unions and social organisations. Pointing out that retirement “as a distinct phase of life evolved only recently in history” (Scherger and Hagemann 2014: 7), they look into the role concepts of retirement play for stakeholders, arguing that changing ideas can prompt institutional change. Trade union representatives in their sample present a much stronger adherence to concepts of retirement as a fixed and distinct phase of life than employer representatives, who stress flexibility and, in the German case, find the concept of a fixed retirement phase “outdated” (Scherger and Hagemann 2014: 28).

The consideration of “early” retirement is also crucial in the retirement age discussion. Ebbinghaus (2006a) has argued that early exit from work is on the one hand “an unintended consequence of the expansion of social rights”, and on the other also the result of “a deliberate policy to facilitate economic restructuring and reduce unemployment” (Ebbinghaus 2006a: 3). Expanding early retirement was therefore not just politics against markets but also politics for markets. It provided employers with an opportunity to shed parts of their workforce in socially uncontested ways and trade unions with tangible benefits for their members, while placing most of the financial burden on the public (and at the time willing governments). Ebbinghaus explores the role of the social partners in mediating the push and pull factors that have an impact on early retirement, and shows that the social partners have a vested interest in early retirement policies. This puts them in an ambiguous position where, in the case of the trade unions, they are both defenders of established rights and the potential partners with whom any reversal strategies have to be negotiated (and who would want to be included in any such negotiation).

Trampusch (2005) points out that early retirement in Germany was less a matter of conscious design choice but to a great extent a dynamic development of a relatively small-scale policy innovation, driven by actors who appropriated the measure to changing needs, such economic decline or the unique economic setting of post-unification Germany. In a case of “liberalization through resettlement” (Trampusch 2005: 203), the responsibility for the policy of early retirement was shifted from it being a matter of government social policy to a matter of negotiation between the social partners. The scope of early retirement policies ballooned as a badly anticipated consequence of minor policy initiatives (see above) and was then exported to East Germany upon reunification, where “[e]arly exit financed by social insurance became the most important instrument of dealing with the East German labor market crisis” (Trampusch 2005: 211), giving early retirement yet a different scope.

It is worth pointing out that such a culture of early retirement does not affect all types of employers equally. As a result, on early retirement policies there may well be friction among types of employers, not just between employers and the unions or employers and the state.

As early retirement boomed in the 1980s, there was also an increasing rift between small firms and big firms, as big firms were primarily responsible for the explosion of early retirement, and then had more room to manoeuvre to make up for the higher social insurance contributions. This rift, and subsequent changes in the administration of the employer organisation, eventually led to employers coming around to support a reform of early retirement policies (Trampusch 2005: 213f).

As governments have become less willing – or able – to shoulder the costs of these early retirement policies, and would in fact like to raise the retirement age in general, such reversal strategies have been tried, though not always successfully. Ebbinghaus and Hofäcker (2013) analyse the progress several OECD countries have made in reversing early retirement trends. They analyse both which countries had the largest problems with increasingly early retirement and which countries have been successful in reversing the trend, concluding that in general, early retirement is part of the problem of “welfare without work” found in continental welfare systems, while the liberal Anglophone welfare states as well as the Scandinavian ones continued to have a late retirement transition. Germany belongs to the group that had a relatively high quota of early retirement, but that managed to achieve a reversal (Ebbinghaus and Hofäcker 2013: 851). This successful reversal is perhaps surprising given the passions involved in the retirement age debate (see chapter 5). Ebbinghaus and Hofäcker explain this as a result of the closure of early retirement pathways and a general reduction of pull factors. Active labour market policies or strategies to promote active ageing and lifelong learning seem to have played no strong role in the German case (Ebbinghaus and Hofäcker 2013: 870). The United Kingdom belongs to the liberal or residual welfare states with a generally lower early retirement rate, but is somewhat an outlier within this group, as women had a lower retirement age of 60 for a long time, and there were mildly higher rates of early retirement during economically troubled times in the 1980s and 1990s (Ebbinghaus and Hofäcker 2013: 850). Efforts to reverse early retirement age were only moderately successful to date in particular with regard to women. This may still change as the legislation to raise the general retirement age, and align women’s retirement age with men’s, is starting to take hold.

Given that the success of Germany to reverse its early retirement trend is largely attributed to a reduction of pull factors, it is not surprising that a welfare state providing much fewer pull factors like the United Kingdom both has a lower incidence of early retirement, and has fewer levers to effect further reductions of early retirement. The role of push and pull factors is relevant for the discussion of the retirement age in general and is reflected in the political logic of the societal actors having a stake in both early retirement and retirement age legislation.

The retirement age is only one lever in a whole pensions architecture, and one which should define the total shape of the pension system less than the more fundamental decision between PAYG financing or funded pensions, or flat-rate versus income-related benefits. But it has a systemic character when it is set so high that it means a shift (back) from an old-age pension to a disability pension. The question of whether people expect to

retire in relatively good health or because they are no longer able to carry out their tasks and which is more common in a pension system does seem to be a more tangible issue for public opinion than questions of financing. It also is a defining marker of the concepts of retirement, namely the factor of how strongly retirement is linked to actual inability to work, or whether the absence of a *need* to work for a certain period in life regardless of ability or disability is the political good.

1.5 The social actors

Social actors generally have a stake in the shape of the welfare state and as its stakeholders attempts to change it. As interest groups, they represent either individuals or business entities that can both benefit from the welfare systems and have to shoulder the cost. Depending on the shape of the welfare state, they might even play administrative roles in its self-administration. The concept of trade unions and employers as social partners in Germany is an obvious example of this.

Ebbinghaus (2006b) examines the role of interest groups in pension reform and lays out the main conflict lines, arguing that the development of retirement income systems was a matter of old politics, whereas the reforms under the more recent conditions of austerity are a matter of “new” politics. Importantly, he points out the inherent ambivalence of employers towards public or otherwise mandatory pension provision. Historically it can be observed that employers opposed many kinds of social protection legislation (Ebbinghaus 2006b:762f), both out of a fear of costs and because state-mandated pension schemes can compete with or undercut historical employer-sponsored, voluntary benefits, which by their voluntary nature lend themselves better as a paternalistic employment management tool. However, mandatory pension insurance can create a level playing field among employers in terms of pension costs and risk-pooling, which can benefit especially larger firms at the expense of smaller ones. In addition, the ability to shed older workers in a way that will not cause protests and social unrest has benefitted employers (Ebbinghaus 2006b: 763), an element that became particularly relevant for the development of early retirement policies.

Trade unions, generally seen as defenders and advocates of social welfare expansion, historically held some ambivalent positions, especially where state provision threatened to replace trade unions’ “meager efforts at self-help” (Ebbinghaus 2006b: 764). However, they soon favoured public pension provision for their members. Moreover, in Bismarckian systems, they embraced the resources and legitimacy it brought for them via their roles in self-administration. This inherent potential for ambivalence, which suggests more complexity than the general assumption of how the labour-capital cleavage plays out in pension politics, is worth bearing in mind for the later analysis.

Schmitter and Streeck (1999) have written in depth on the “logic of membership” and the “logic of influence” with a focus on business interest organisations. Voluntary associations in the political sphere must on the one hand offer sufficient incentives to their members to stay members and support the organisation (financially, logistically etc), and on the other

they must be able to have some success in influencing policy and other actors in the political process. The conflict between “pleasing the members” and being political effective frequently involves trade-offs and a balancing act. At several points in the analysis in this thesis’ data, both the employer and the trade union interviewees refer to conflicts in pension policy that reflect these two types of logic.

Döring and Koch (2003) ask which role the welfare state plays for trade unions. Collective bargaining is generally seen as the main task of trade unions. The degree to which trade union organisations can depend on the institutions of the welfare state is often underestimated, even by the unions themselves. For the German case, Döring and Koch stress the integrative effect of being part of social insurance administration has had on trade unions historically. This integration turned them from being mere interest aggregators to intermediary actors. It is due to their function as intermediary actors that they began having to negotiate between membership logic and influence logic in the first place (Döring and Koch 2003: 376), a potential conflict that the later analysis will discuss. According to their thesis, it follows that the more influential a union, the more potential there is for the membership and influence logics to clash. Furthermore, where trade unions are integrated into self-administration, changes to social insurance have knock-on effects on resources and structures of trade unions (Döring and Koch 2003: 390).

The recent pension reforms did lead to a greater emphasis of pension and demographic issues in collective bargaining strategies, but not across the board; in particular the chemical and metal and electronics sectors have made lifelong learning and flexible retirement options subject to collective bargaining agreements. The future focus of collective bargaining agreements on pensions is likely to be the retirement age, and making up for the closure of previous early retirement paths (Kädtler 2014: 450f).

Döring and Koch also describe how the trade unions’ stance on pension insurance was more ambivalent before the 1957 Adenauer reform than one might assume from their later positions. During the Weimar Republic and even after the Second World War, the largely blue-collar trade unions favoured a mix of flat-rate basic pensions and income-related top-ups (Döring and Koch 2003: 387), while white-collar associations had continued to prefer maintaining status differences in pensions, including keeping the workers’ and the employees’ insurances separate (Führer 2000: 266f). This is a case where policy had a feedback effect on social actors: with the passing of the 1957 Adenauer reform, the question of status maintenance versus flat-rate benefits was regarded as settled, and the question of a minimum pension did not become relevant to trade union interests until much later.

Other cleavages can also play an important role, cross-cutting the one between unions and employers. Ebbinghaus (2006b) points out that basic public pensions inclusive of all citizens economically favour blue-collar workers, as they come with a degree of redistribution. Earnings-related pensions that aim at status maintenance, whether as occupational top-ups or as Bismarckian high-replacement state pensions, favour the middle class, and so the

interests of white-collar workers may be at odds with those of blue-collar workers when it comes to pensions (Ebbinghaus 2006b: 765). Similarly, Nijhuis (2009) draws attention to splits within the labour movement between the skilled and well-organised, and the low-skilled facing a tougher challenge in organising themselves. The former frequently have no reason to support vertically redistributive welfare systems. The winners and losers of welfare state organisation can *both* be found within labour: unions with more risk-prone memberships organise mainly among unskilled or semi-skilled workers (as in British general unions) or are industrial unions (as in Germany) that try to organise across a whole industry regardless of skill level. Nijhuis attributes the concurrence of a strong labour movement with a low degree of general welfare state protection to a lack of solidarity within the working class. He stresses the aversion to ideas of redistribution within the skilled and organised British labour movement.

The age structure of trade unions can also have an impact on their engagement. Reforms of the retirement age, for example, have often been phased in slowly and with graver effects on younger cohorts. This is reflecting “blame avoidance” strategies by obfuscating costs, but also a greater willingness of trade unions to accept reforms that spare older workers, who are more likely to be trade union members (Ebbinghaus 2006a, 2011c: 319).

Another increasingly relevant conflict line is that between sectors. Public sector employees tend to be better organised than those in the private sector, and public employment frequently offers a higher degree of protection for vulnerable workers such as those working part-time or on lower qualifications (Ebbinghaus 2006b: 766). A higher degree of protection is also reflected in a higher degree of occupational pension coverage. This can lead to a fragmented workforce and conflicts, in particular over public sector pensions. Public sector pensions can be hard to reform because of the higher degree of organisation, but they can also come under fire in public debate for being privileges whose legitimacy is being questioned (Ebbinghaus 2006b: 760, Meyer and Bridgen 2011: 158).

Even where unions are not officially consulted or have veto power over pension legislation, they can mobilise mass protests and call for strikes in protest (Ebbinghaus 2006b: 769). This is perhaps more common in Italy and France than in Germany (where political strikes are illegal). In the United Kingdom disputes over public sector occupational pensions in particular have also led to strikes, for example in 2006 (Upchurch et al. 2010: 106) and more recently at the time of the interviews for this study.

The public versus private sector cleavage can partly align with gender conflict lines. This stems from the tendency of public sector employment to be more sympathetic towards part-time employment due to family responsibilities. But of course not all women work in the public sector, and outside the Nordic countries and apart from the public sector, women are less likely to be represented in trade unions (Ebbinghaus 2006b: 767), making it harder for them to organise and lobby for the pension needs of female working biographies with interrupted, part-time or lower pay jobs.

While the overwhelming pensions narrative for Germany has been the problem of reform blockage and cost, the German institutional pension set-up did not only generate winners. On the gender aspect, Meyer (2013) takes a closer look at the situation of women in Beveridge versus Bismarck systems, or rather the German pension regime as it presents itself after the reforms of the 2000s and various Beveridgian ones, and argues that at least the modified Bismarckian pension system of 2013 does not serve women well.

The role of trade unions in shaping pension policy has also changed more generally with the onset of austerity and a preponderance of retrenchment. Ebbinghaus (2011c) specifically reviews how the “new politics” of reform in times of austerity changes the influence of social partners, in particular, trade unions, over pension policy, in comparison to their influence in the “old politics” during welfare state expansion. Despite the bipartite self-administration of public pensions, union and employer representatives have relatively little influence in Germany, as the main parameters of pension administration are set by legislation. They also played a relatively minor role in occupational pensions, until some of the recent retrenchment reforms created a legal framework for occupational pensions by way of collective bargaining (Ebbinghaus 2011c: 321). This same reform period also put a greater emphasis on occupational pensions in general; the earlier lack of union influence on occupational pensions was in part due to the earlier irrelevance of occupational pensions.

The question of solidarity, tied to issues of redistribution and the scope of beneficiaries, also played a role in how these two prototypical pension systems in the United Kingdom and Germany were established. Baldwin (1990) in particular, discusses the question of solidarity and asks when solidaristic policies are possible. He lays out in detail the intra-class differences that played a role in the labour and trade union movements’ responses to early welfare legislation in a number of European countries. He argues that class and social risk groups have frequently intersected during the development of European welfare states, but they are not synonymous. Both for Germany and the United Kingdom, just who perceived themselves as would-be winners or would-be losers in redistribution via social insurance was very relevant at important junctures of the development of the pension systems. Baldwin argues that redistribution by means of social insurance does not mean redistribution between classes but between risk groups, and that the working class has not always been *the* most risk-prone group across the board. In the German case, the wage-related benefits in Bismarck’s legislation also partly reflected concerns of the skilled working class, the “urban labor elite” (Baldwin 1990: 100). Although in its early form, the statutory pension benefits surely were too low to speak of any status maintenance, the core of status differentiation within the German pension system has its origins here, in part due to the interests of the better-off sections of the working class.

A British example is the lack of enthusiasm of the British trade union movement for superannuation, which was being considered by the Labour party in the 1950s and would have meant mandatory occupational pensions across the board at a high level, but which the trade union movement had little interest in. Superannuation failed in garnering public

support in no small part due to opposition from both the insurance industry and the trade unions, which were less than fond of its redistributive elements and feared for the already established occupational schemes to which many of their members belonged (Pemberton 2012: 1435). Solidarity, Baldwin (1990) argues, is not to be confused with altruism, and whether it is possible depends on whether those with the power to effect or block certain policies can imagine themselves in the same risk pool as those the policies are meant to benefit: a mix of empathy and rational self-interest.

Some twenty years later, in analysing the major shifts that Bismarckian pension systems have undergone, Häusermann (2010) points out that several of the major reforms of continental pension systems as they came out of their supposedly frozen state actively hurt the interests of established insiders. The recent expansive elements attached to these reforms largely benefitted those who are seen as politically underrepresented and hard to organise, such as women, labour market outsiders, and the unemployed. That such radical changes which a few years earlier seemed unthinkable became suddenly possible is in part attributed by Häusermann to coalitional dynamics and the multidimensionality of policy reform spaces. Gradual institutional change, she argues in line with recent institutionalist theory, is also related to the actors working on and in these institutions, and changing coalitional alliances and conflict lines. Häusermann further argues that conflict lines cutting across the traditional lines of capital and labour are built into the socio-economic structures of post-industrial societies: service sector jobs, female labour market participation, and a greater role for higher education have led to a level of diversity among the workforce that it is hard to speak of the interests of *the* working class, if one ever could. An increasing heterogeneity within the left and the new insider-outsider conflicts based on post-industrialisation are a fertile ground for new alliances and new interest coalitions, complicating power resource approaches to the development of welfare states and resulting in the kind of unexpected policy changes that happened in pension reforms in, among others, Germany.

1.6 Analytical aims and methodological approach

The overall pension policy issues and the reform history of Germany and the United Kingdom have been outlined thus far by way of introduction; they will be presented in more detail in the later chapters. The outcomes of fundamental changes to the German pension system since 2001 can already be observed to some degree. The impact of the most recent British reforms will only become clear a few years down the line, but they pose important questions about the regime type of British pensions.

In terms of their pensions architecture, the United Kingdom and Germany represent most-dissimilar cases for comparative analysis, responding to apparently the same outside pressures of demographic ageing. But beyond the obvious contrast of the Beveridge and the Bismarck system, pension policy also operates in a specific political context, and demographic ageing as the impetus for reform might impact one more than the other.

In the analysis of labour relations, Locke and Thelen (1995) have proposed a “contextualised comparison” as an analytical approach that takes into account institutions, identities and their feedback effects. Comparing “apples and oranges”, they analyse the institutional setup of labour relations and how it shapes the actors and their interests, and emphasise the feedback effects this has on the actors’ identities. Rather than focusing on matched comparisons that negate still existing differences, this approach explicitly considers “cross-national variation in conflicts centering on (different, nationally specific) sticking points” (Locke and Thelen 1995: 343). Cases are selected “analytically parallel” even if “formally diverse” (Locke and Thelen 1995: 344).

The analysis in this thesis pursues a similar contextualised comparison in the area of pensions. In the following, I will present four central reforms, two per country, in greater depth, and discuss the impact they have had or are likely to have on the structure of their respective pension system. The reforms chosen are the raising of the retirement age, which applies to both countries, as well as two reforms that are in themselves not comparable, but which potentially have changed the pensions architecture in the respective countries in significant ways. Both the similar reforms and the fundamentally different reforms will provide insights into the contextual background and institutional change and their feedback effects on actors and ideas, and the results of one case can be very insightful for the other.

For the purpose of this analysis, I use an issue-oriented definition of “reform”, rather than taking “a reform” as a specific piece of legislation. For example, what I investigate and what the interviewees were asked to respond to is the fact of “the pension age going up to 68”, not the specific piece of legislation that introduced it. For an analysis of the lobbying process in an individual case, looking at the policy process would be more relevant. But laws can be changed, amended or “improved”; even the more fundamental changes to these two pension systems did not happen from a monolithic piece of legislation. For actors such as these interest organisations, a reform *issue* such as the retirement age remains salient, making it logical to focus on the policy issue rather than a piece of legislation. Some of the reform legislation analysed here does map fairly neatly onto the policy issue, without fluidity in the details, but this is definitely not the case for all.

1.6.1 Data

As the basis of this analysis, qualitative semi-structured interviews were carried out with representatives of the selected organisations. More than with an analysis of second-hand published material, it was therefore possible to ask very specific questions and ask all interviewees the same questions. Given that the focus of this study is the position and internal logic of actors and not the political reform process as such, interviewees were asked primarily for their contextual knowledge, i.e. the perspective where they or their organisation are involved as an actor. Insider knowledge on structures and processes, however, was often the result of questions not specifically target about concrete reforms. For

the organisations' positions, context knowledge has been extracted, while insider knowledge is useful for the discussion of institutional developments (see Meuser and Nagel 1991).

The interview outline was devised by using methods taught by Kruse (2010). While the expert interview does not require the same level of openness as a biographical or a narrative interview (Helffferich 2009: 162), questions were still kept open and as non-suggestive as possible. For a wider scope and different question angles student volunteers from the department with varying degrees of social policy background brainstormed questions, which were then sorted into thematic "piles". The questions were then streamlined into the overarching research topics and refined by the interviewer/author. The two outlines, one for Germany and one for the United Kingdom, can be found in the appendix.

The interview outline consists of seven thematic blocks. The first question each interviewee was asked was which reform issues they currently considered pressing in their pension system. This was both a "warm-up" question and a way to locate what was currently dominating the pensions discourse in the respective organisation.

Interviewees were then asked a main question for each "block". In many cases, this was sufficient for generating lots of information in response. In those cases where the initial response did not cover all the points of interest, as interviewer I would ask follow-up questions (see appendix), either from the outline or modified based on the course of the interview. In particular the introductory questions were kept as open as possible, although in cases where the interviewee did better with a narrower focus, I would switch to more pointed follow-up questions. The interviewees answered in very complex detail and were free to alter the course of the interview or make additions of their own, with the interviewer steering to make sure all topics were covered. The interviews were generally scheduled in a one-hour window, though they frequently ran ten to fifteen minutes long, with the longest lasting approximately an hour and a half.

The persons chosen as interviewees were the pension policy experts of these organisations. They were either the highest-ranking representative (chairpersons, members of the council, etc.) whose portfolio included pension policy, or the pensions spokesperson or pensions officer of their respective organisation. In the pensions discourse, they can be seen as agents of their organisation and speak on behalf of their organisation. The initial requests were generally sent out first to the executive level pensions expert. It then lay with the organisation to decide whether to agree to an interview at that level or pass it down to the pensions officer; in some cases, it was possible to interview both.

The interviews in the United Kingdom primarily took place in late 2011, those in Germany roughly half a year later in 2012. They were transcribed verbatim and in detail, including speech pauses, emphases and surrounding noises; the initial transcription work was done by student assistants, with a second correcting pass of all interviews done by me.

These transcripts were then hand-coded for a systematic overview, and will also be used for qualitative discussion in dialogue with the coding.

1.6.2 Coding and qualitative analysis

The interviews that form the data basis of this study have made for very rich material. This depth allows for a back and forth between condensing the information provided about an organisation into a numerical position, as I will do by way of coding on several axes, and a more detailed discussion of the actual reasoning and the organisation's understanding of the issue. This allows me to combine the more systematic presentation of how the organisations relate to each other in a policy space with a more qualitative analysis of the logic of the organisation as perceived by the interviewee. The analysis will make clear not only where the organisations stand with regard to a policy issue, but also how close or distant they are from each other.

This type of analysis also offers a chance to incorporate details on the background of opposition or support for a policy issue as they may play out from the point of view of the organisation's members. The thematic coding (see below) sorted the data into thematic units (Meuser and Nagel 1997: 488f), so that for the qualitative analysis, all statements pertaining to one aspect could be seen together. The organisations' representatives may not be actual proxies for what their members think, but unlike survey data, the qualitative interviews leave room for narratives and elaboration. They can support - or challenge - the results of the systematic coding and offer insights into the kind of policy changes that may be more or less desirable to the organisations' respective clientele.

For this analysis, the interviews were thematically coded in MaxQDA 10, meaning that all sections or statements relating to the retirement age were coded as such and then available at a click. This stage of coding organises the data around thematic nodes and already gives the researcher an overview of which themes and ideas are present in the discourse of these organisations.

Coding adapted a scheme used by Häusermann (2010) in her study of unexpected institutional change in continental welfare systems. The interview segments were coded numerically on a 0 to 2 scale, both for support/opposition of a reform item as well as for its relevance. This is a fairly simple coding scheme, which on the face of it provides less nuances than a 4-point or 5-point scale, but makes for relatively easy and clear coding decisions. The nuances of the organisations' positions are still reflected in the final scores because qualifying statements expressed in other parts of the interview will also be coded and will act as a counterweight if they are in contradiction with the general position.

For example, in the coding on the retirement age, 2 indicates active support for a raised retirement age, whereas 0 indicates strong opposition against the higher retirement age. Statements that either expressed very conditional support, neutrality, or only mild disapproval were coded as 1. For instance, if an interviewee declares, "We are against the higher retirement age," this will be coded as 0. However, if at another points in the interview she expresses that her organisation was, for example, willing to trade on the retirement age in favour of other policy issues, this would be coded as 1. The overall score for that organisation would thus be higher, reflecting less stringent opposition, than for an

organisation that only expresses opposition throughout. The more caveats are given to the main position, the more the overall score will be affected; the more the interviewee stresses the main position, the heavier this will be reflected in the final score.

The following two interview segments may serve as an example.

Well, I think the first thing to say is that Tim Jones and his team at NEST have done a brilliant job of building what they've built. They've delivered exactly what the government asked for, on time and probably within budget. And I have a huge respect for what they've done. And I think on balance it's probably necessary, we need auto-enrolment to succeed. To make it succeed, we need NEST. Will auto-enrolment succeed? I've got some worries about it, but nothing to do with NEST, it's to do with the way we've gone about auto-enrolment, it's to do with the damage to the pension brand in the UK. And it's to do with affordability on the part of the employee... But in terms of NEST, yeah, they've done a great job...	Coded as: <i>Support 2</i>
But one of my frustrations in auto-enrolment is that we're proposing to auto-enrol people into an architecture which when they understand it they just go "Uh, no, I don't want anything to do with that, it's just too complex, it's too rigid" and we can see that people are already making decisions about where they put their retirement savings because we have got over 350 billion of assets now in individual savings accounts.	Coded as: <i>Support 1</i>

The interview these segments are from contained 10 segments in total that addressed the issue of auto-enrolment. After the thematic coding, those segments all show up in a thematic cluster. The example above is tidied up for grammatical errors, but the complexity of the statements is maintained. I coded each of the thematically sorted segments according to their central point. In the first example segment above, I weighed the sentence “*And I think on balance it's probably necessary, we need auto-enrolment to succeed*” and the theme of “worry” over auto-enrolment’s success as an indication of clear support, and coded the segment with 2. In the second segment, the criticism of the details of the implementation of auto-enrolment is the most dominant, and I have thus coded it as 1: in this case, a “yes, but”.

In the example of this organisation, the ten text segments were all coded in the same manner, and the results were averaged; the organisation these segments pertained to averaged out as a 1.4 support score.

Therefore, while the basic coding method breaks down nuance into very simple categories, overall nuance is retained because of the inclusion of *all* statements pertinent to the reform item. The final scores are then qualitatively checked against the interview, at which point any gross miscoding would also become noticeable. The importance and strength of a qualitative discussion also becomes clear in the example above: caveats that lower an organisation’s support score can have different reasons behind them. Only the qualitative discussion can, for instance, clarify if a 1.4 score of qualified support is due to doubt about the principle or doubt about the execution of a reform.

Similar coding has been done on the issue of relevance. While organisations may hold supposedly strong views for or against a political measure, if they assign a low priority to it, one would assume that they are less likely to go to great lengths in terms of lobbying work and political pressure. Combining the stated position on the issue with relevance therefore gives a more comprehensive view on where the organisation stands.

The degree of relevance was coded with the same approach to nuance in the coding of the support/opposition question statements. Expressing that the retirement age was an active issue of lobbying for an organisation were coded with 2; statements expressing that the retirement age did not play a significant role for the organisation were coded with 0. Segments where interviewees indicated that there was a gap between their organisation's official position and what they are really lobbying on were coded with 1, so as in the case of support/opposition, statements like these would lower or raise the overall score.

All coding scores were averaged and the results rendered in multidimensional charts, making visible which organisations – or types of organisations – have similar positions on the reform item in question.

1.6.3 Methodological limitations

Given the subject of the thesis, the analysis run into some methodical limitations. The study is a medium-N study on a number of levels. Looking at several reforms with some degree of depth allows me to look at different angles of these organisations. However, the examination of the reforms does not have the same depth it would have were it a case study of one single reform or one country only. For reasons of length and researcher capacity, the study cannot provide four case studies of individual reforms, nor does it provide case studies of individual organisations, as much as those would surely be rewarding.

Unlike secondary analysis of public opinion based on exiting survey data, tracing the evolution of a position of an organisation over time is more difficult. The interviews are carried out at a specific point in time and while the narrative can cover the interviewee's memories of a development or a trajectory, this is of course not the same as if the interview had been conducted once a year over a certain period. Asked whether the position of their organisation changed over time, the respondents may not have been in the know for long enough; they may not remember accurately; they may give a biased answer for image reasons. Unfortunately it was not possible to generate or access this kind of material at different points in time in the context of this study. For an assessment of whether descriptions of the past are accurate, I will rely on secondary analyses.

There was also the practical matter that not all organisations that are relevant in the pensions discourse were available for interviews in the data collection timeframe. A cross-check was carried out at the end of each interview, asking interviewees to name relevant interest organisations, and while largely the named field corresponds with the initial actor selection, certain relevant actors like the IG Metall in Germany that were meant to be included could not be interviewed due to adverse circumstances. With its dominant role within the DGB, the IG Metall would be particularly relevant (Anderson and Lynch 2007: 201). Similarly, in the case of the United Kingdom, the Federation of Small Businesses would have been a worthwhile interview partner regarding the stance of small employers, and the Engineering Employers Federation was involved in early lobbying for pension reform. However, an interview was not possible with either organisation. While unable to

code for a position, I will be including references from the other interviews where they describe missing organisations in the qualitative discussion.

The following will give an overview of the organisations that are part of the sample with a basic outline of their membership structure and their claim to representation. In general, information on membership numbers and structure is taken from information provided by the organisations themselves (websites, newsletters etc.). As the interviews took place in 2011 and 2012, where possible the membership numbers for 2012 were chosen.

The overview also includes excerpts from the interviews that pertain to the organisation's priorities and perceptions at the time. "Most important issue", "biggest success" and "biggest failure" of the organisation in the view of the interviewee give an immediate impression of what is on the organisation's agenda at the time of the interview; these statements however are impressions at a point in time and should not be taken as a representation of independent facts. They do, however, set the interview in context and give a good overview of the range of focus and interests between the organisations. (Where not listed, it was impossible to extract this information from a particular interview.)

1.7 Structure of the thesis

As laid out above, the three main questions I pursue in this thesis are 1) what kind of institutional change the pension systems of the United Kingdom and Germany underwent since the 2000s; 2) what systemic consequences these reforms have had and how and whether the German and the British pension systems still fit their traditional classifications; and 3) how organised interests cope and adapt to these changes, as seen in their positions and strategies.

The introduction has laid out the theoretical framework and introduced the main concepts and theories I draw on. I have discussed how Germany and the United Kingdom are portrayed in welfare state typologies as well as introduced theories of change which are relevant to the analysis of recent pension reforms. I have presented an overview of the pension reform issues in Germany and the United Kingdom, and introduced the basic outline of the retirement age as a policy issue. The potential roles of social actors in welfare states and welfare state reform have been summarized. The introduction of my methodological approach showed how the qualitative interview data was gathered and prepared for analysis.

In the second chapter, I will introduce the organisations that are part of the sample. The chapter will provide an overview of the organisations for later reference, including basic information about their membership structure and selected points in their background and development that are relevant to the subject of pension reform.

Chapters three and four will provide a historical overview of the British and German pension systems. I will in brief introduce the historical origins (and precursors) of these two pension systems, while giving more space to post-war developments. The history of the British and German pension systems will show significant differences in which questions

have traditionally been central to pension policymaking in the two countries, highlighting the different problem narratives between them. These chapters will also provide a look at the role that interest organisations have played at some critical historical junctures.

In chapter five follows the analysis of the qualitative interview data on the question of the retirement age and how the organisations position themselves on this issue. I will compare the retirement age reform(s) between the two countries and how British and German interest groups are responding to these policy changes. The coding on the axis “support” and on the axis “relevance” shows some intuitive results between types of organisations, in particular a labour/capital split that is in line with expectations, but also some more unexpected results between individual organisations.

To put these results in a wider context of the organisations’ more general (or ideological) stance on pension policy issues, I will present an excursion in chapter 5.3 that draws from the interview data the organisations’ normative ideas on what role state pensions, occupational pensions and private pensions should play in their countries’ respective pension systems. This also provides a backdrop for the discussion that follows on systemic change.

In chapter six I compare the two potentially system-changing reforms which have taken place, the Riester reform in Germany and the auto-enrolment reform in the United Kingdom. These reforms are not as directly comparable as the retirement age, but they instead provide illuminating contrasts and highlight questions of convergence. In particular the qualitative discussion reveals asynchronous parallels that might become highly relevant for the future developments of the two pension systems.

In the final chapter, I will bring the results from the different comparisons together and show how far these results support theories of welfare state development, how the reforms have changed the pension systems, how the interest organisations and their strategy are influenced by this changing institutional framework, and where the results of one case might be highly relevant to the actors in another.

2. The Organisations

The organisations in this study were chosen for their relevance in the wider pensions discourse; for instance, the trade union peak organisations, the employer associations, but also some of the larger individual trade unions, routinely appear in the pensions discourse, as they publish policy responses and respond in public on social policy issues. Some of the smaller organisations, on the other hand, might not be as prominent in the wider reform discussion, but might provide valuable compare and contrast perspectives due to their membership make-up. Actor selection thus tried to cover different types of organisations within the organisation categories (e.g. public and private sector unions, occupational and private pension providers, etc.) and tried, as much as possible, to find corresponding organisations across the two countries.

Unfortunately, not all organisations that are recognised actors in the pensions discourse were available while the interviews were carried out. At the end of each interview, I would ask the interviewees to name relevant interest organisations besides their own; the named field corresponded largely with the initial actor selection, but some actors that were named repeatedly could not be interviewed due to adverse circumstances. Particularly regretful is the failure to have an interview with the IG Metall in Germany and the Federation of Small Businesses and Age UK in the United Kingdom.

As described in chapter 1, the interviewees were the pension experts of these organisations. They were either the highest-ranking representative (chairpersons, members of the council, etc.) whose portfolio included pensions policy, or the pensions spokesperson or pensions officer of their respective organisation; in some cases, it was possible to interview both. (Either at the same time or in separate interviews.)

The following will provide a brief introduction to the organisations and summarize the most important issues and expectations for their position on the pensions discourse. Tables will provide an overview with some brief, non-exhaustive information on the organisations' basic outlines, size, and background.

2.1 The organisations: the trade unions

There are significant differences between German and British trade unions, and they are obviously relevant for a comparison of their reactions to a policy measure. German trade unions, due to their involvement in the state pension self-administration and the high importance of the state pension, have always been considered an important player in pensions politics. In the United Kingdom, with the greater weight on private provision in pensions, this is not the case (Anderson and Meyer 2003: 26, see also Ebbinghaus 2011c).

In both countries, the unions have suffered from membership decline and diminished political importance. For British unions, this process began in the early 1980s, a process that left the unions concentrated in the public sector (Addison et al 2010: 2ff, see also McIlroy and Daniels 2009: 98). The strength of occupational unionism in fields that are

still union-organised should not be disregarded (Oude Nijhuis 2009: 303). In consensual pension politics, especially in a corporatist institutional setup like Germany, a government seeking support for pension cuts can put trade unions in a strong veto position (Schludi 2008: 60), but in the reality of the more recent German pension reforms, unions have frequently been powerless to avert cuts and a paradigm change in the state pension system, managing to secure only limited concessions (Wiß 2011: 153ff). In both countries, unions have responded to these pressures by merging into larger unions (Ebbinghaus 2004), and the history of one particular union is often the histories of several.

As interview partners were chosen first the (main) peak organizations, the Deutscher Gewerkschaftsbund (DGB) and the Trades Union Council (TUC). For the non-DGB perspective in Germany, the peak organisation dbb was also interviewed. Further interview partners were from members of the DGB and the TUC; they were chosen from different sectors and with a different membership make-up. The aim was to reach both the bigger unions for their perspective, as well as different types of unions, such as the very specialised teacher unions.

2.1.1 British trade unions overview

TUC (Trades Union Congress)	
<i>Membership</i>	Peak organisation comprised of 52 individual unions with 5,8 million members in total, 48% of which are women.
<i>History</i>	The TUC was founded in 1868. After WWII it supported the Labour government's plans for the welfare state and was against the long phasing in for pensions favoured by Beveridge. Historically the TUC was in favour of flat-rate pensions and flat-rate contributions; in 1952 it only reluctantly came to support a Labour proposal for superannuation and relatively generous earnings-related pensions. With New Labour the TUC campaigned for a greater role of the Basic State Pension and a return to SERPS, but with little success. Its 2005 President Jeannie Drake was on the 2002-2005 Pensions Commission.
<i>"Most important issue"</i>	Auto-enrolment and the new shape of the pension system; public sector pensions.
<i>"Biggest success"</i>	Auto-enrolment.
<i>"Biggest failure"</i>	Low level of the basic state pension.
UNISON (UNISON the public service union)	
<i>Membership</i>	Member of the TUC. Represents people working in public services. 1,300,000 members. 68% of members are women.
<i>History</i>	UNISON was formed in 1993 after a merger of three public sector unions (health care, local government and general public sector unions). This was explicitly a public service sector merger. Before Unite, UNISON was the largest British union. UNISON is affiliated with the Labour party.
<i>"Most important issue"</i>	Making pensions fair and sustainable.
Unite (Unite the Union)	
<i>Membership</i>	Member of the TUC. Represents people working in the private and the public sector with 1,310,000 members. About 25% of members are women.
<i>History</i>	Unite the Union came out of a series of mergers of smaller unions. In 2007, Amicus merged with the Transport and General Workers Union as the latest and largest of these mergers. Amicus was up till then the second biggest British union and strong in the private sector, while the TGWU

	organised in the private and public sector. The Unite merger creating the biggest union in the UK, overtaking UNISON. It is affiliated with the Labour party.
<i>“Most important issue”</i>	Higher basic state pension as a foundation for pension saving.
<i>“Biggest success”</i>	Maintaining strong pensions in the public sector.
<i>“Biggest failure”</i>	Divided workforce through worse pension schemes for newer entrants and in the private sector.
GMB (National Union of General and Municipal Workers)	
<i>Membership</i>	Member of the TUC. Organises in the private and public sector across various industries with 617,000 members. About 49% of members are women.
<i>History</i>	Founded in 1889 and named National Union of General and Municipal Workers in 1924 after a series of mergers. Over time over 100 smaller unions joined into the GMB. It has historically been the main competitor to the TGWU, and refused to join Unite during the Unite merger and retained its independent identity. It is affiliated with the Labour party.
<i>“Most important issue”</i>	Consequences of the minimum funding requirement for defined benefit schemes.
NUT (National Union of Teachers)	
<i>Membership</i>	Member of the TUC. Organises qualified school teachers and teachers-in-training, 330,000 membership (2014). As a result exclusively in the public sector. Roughly 76% of members are women.
<i>History</i>	Founded in 1870 as a union for teachers in England and Wales and named National Union of Teachers in 1889. The NUT is regarded as “militant” by other teaching unions. It is more predominantly female than the other teaching unions. It is not affiliated with the Labour party.
<i>“Most important issue”</i>	The complexity of the pension system; improving the state pension.
<i>“Biggest success”</i>	Keeping a good quality final salary scheme open and keeping it open to new entrants.
<i>“Biggest failure”</i>	Not enough successes in ensuring sufficient pensions for all working people.

USDAW (Union of Shop, Distributive and Allied Workers)	
<i>Membership</i>	Organises in the private sector, primarily in retail jobs, primarily lower-income workers. Also organises many part-time workers. 433,000 membership. About 56% of members are women.
<i>History</i>	Founded in 1891 and became the Union of Shop, Distributive and Allied Workers in 1947. Historically organised among lower-paid workers. Has a partnership agreement with TESCO. In the 2000s it was rather successful in organising and increasing its membership. USDAW was very supportive of New Labour and experienced relatively little inside factionalism. It is affiliated with the Labour Party.
<i>“Most important issue”</i>	Raising of the basic state pension; the future of contracting out.
CWU (Communication Workers Union)	
<i>Membership</i>	Member of the TUC. Organises workers of the Royal Mail, the Post Office, BT, Telefonica O2 and other, smaller, communications companies. It currently has roughly 200,000 members. About 19% of members are women.
<i>History</i>	The CWU came out of a merger of the Union of Communication Workers and the National Communications Union in 1995. It has been under pressure from privatization efforts in the sector. It is affiliated to the Labour party.
<i>“Most important issue”</i>	RPI indexing of pensions and deficits in defined benefit schemes.

(TUC 2015; www.tuc.co.uk; www.cwu.org; Baldwin 1990; Terry 2000; McIlroy and Daniels 2009)

2.1.2 German trade unions overview

DGB (Deutscher Gewerkschaftsbund)	
<i>Membership</i>	<p>Peak organisation for 8 individual trade unions, representing 6.151.184 members (2012) in total.</p> <p>IG Bauen-Agrar-Umwelt IG Bergbau, Chemie, Energie Gewerkschaft Erziehung und Wissenschaft IG Metall Gewerkschaft Nahrung-Genuss-Gaststätten Gewerkschaft der Polizei EVG ver.di</p> <p>Of these members, 67.4% are men, 32.6% are women. IG Metall (>2,200,000) and ver.di (>2,000,000) represent the biggest member unions.</p>
<i>History</i>	<p>The DGB was founded in the Western occupied zones in 1949 after WW2 as a peak organisation for re-emerging unions. In contrast to the trade unions of the Weimar Republic, the DGB and its member unions not meant to be politically affiliated. This led to more unified, autonomous trade unions.</p>
<i>“Most important issue”</i>	<p>Prevention of old age poverty; re-emphasis of status maintenance.</p>
<i>“Biggest success”</i>	<p>Putting old age poverty on the agenda.</p>
<i>“Biggest failure”</i>	<p>Remaining problems with the paradigm change of the Riester reform.</p>
ver.di (Vereinte Dienstleistungsgesellschaft)	
<i>Membership</i>	<p>Member of the DGB. Organizes in the service sector, comparatively high percentage of women members and low-income earners. 2,061,198 members (2012). 49.1% are men, and 50.9% are women.</p>
<i>History</i>	<p>ver.di was founded in 2001 as a merger of several smaller service sector unions and the big non-DGB employee union DAG, becoming the most important non-industrial union in Germany. As a multi-sector union, it is the most diverse of the DGB trade unions. At its foundation, it was for a</p>

	short while the biggest union in the DGB, until it was overtaken again by the IG Metall in 2005.
<i>“Most important issue”</i>	Pension level of low-income earners.
<i>“Biggest success”</i>	[only founded in 2001]
<i>“Biggest failure”</i>	Riester as a third pillar; 67 retirement age; replacement rate lowering to 43%.
GEW (Gewerkschaft Erziehung und Wissenschaft)	
<i>Membership</i>	Member of the DGB. Organizes teachers and other education professions, mix of civil servants and employees. 266,542 members (2012). Highest percentage of women members among the DGB unions. 29.5% of members are men, and 70.5% are women.
<i>History</i>	The GEW was founded in 1948. Teachers dominate among the membership (70%) but its attempts to turn itself into a general education sector union resulted in a halting of membership decline in the late 2000s. After German Reunification many members of the former GDR science and teacher unions joined the GEW, which led to a pronounced emphasis on East German issues. In collective bargaining, the GEW cooperates with ver.di, on whose organisational strength it occasionally relies.
<i>“Most important issue”</i>	Low state pension replacement rate and legitimacy of the statutory pension system.
<i>“Biggest success”</i>	Successfully defending education credits in pensions for civil servants; successfully suing for maternity credits in public service occupational pensions.
<i>“Biggest failure”</i>	Loss of equivalent occupational pension provision between civil servants and public employees.
IG BCE (Industriegewerkschaft Bergbau, Chemie und Energie)	
<i>Membership</i>	Member of the DGB. Industrial union organising in mining, chemical and energy industry. 668,982 members (2012). 79.8% are men, and 20.2% are women.
<i>History</i>	The IG BCE was founded in 1997 out of a merger of unions in the chemical, paper and ceramics manufacturing, leather, mining and energy sectors. From the 1980s, social partners in the chemical industry began negotiating social policy issues. In 2008, a collective bargaining agreement on

	demographic issues and “lifetime” work hour accounts was reached in the chemical industry.
<i>“Most important issue”</i>	Restoring trust in the pension system; fixing inadequate private provision.
<i>“Biggest success”</i>	<i>Entgeltumwandlung</i> as the last trade union success-
<i>“Biggest failure”</i>	Loss of influence on the pension developments of recent years.
dbb	
<i>Membership</i>	Represents roughly 1,280,000 members in 43 individual member unions. 71% of the members are civil servants, 29% are public sector employees. 32% are women.
<i>History</i>	The dbb was founded in 1918 and re-established after WW2 in 1950 as the second biggest peak organisation in Germany, independent of the DGB. It originally only organised tenured civil servants, but was later opened for workers and employees in the public sector, in particular after the public sector’s increasing reliance on employees instead of tenured civil servants. The employee section of the dbb has had a cooperative negotiating agreement with ver.di since 2007.
<i>“Most important issue”</i>	Prevention of poverty and adjustment of East German pensions.
<i>“Biggest success”</i>	Putting old age poverty on the agenda along with other actors.
<i>“Biggest failure”</i>	Shift of financial burden onto the employees.

(dbb 2015; www.dgb.de; Schönhoven 2014; Wiß 2011; Müller and Wilke 2014; Keller 2014; Schroeder and Greef 2014)

2.1.3 The trade unions: interests and expectations

While trade unionism in the United Kingdom in general is currently primarily successful in the public sector, the make-up of individual unions still varies. Unite is the biggest union and the biggest in the private sector, though it also organises in the public sector. Unison is an exclusively public sector union with about 1.3 million members. GMB is about half that size with around 617,000 members and organizes both in the public and in the private sector. The CWU has slightly over 200,000 members, and its members work in communications services, which consist of a mix of quasi-public companies such as the Royal Mail, privatized former monopolists like British Telecom, and private phone, mail and internet companies; with its roots in formerly public companies and the grandfathering-in of older pension provisions on the one hand but the very definitely private modern communications sector on the other, the CWU is probably the hardest in the sample to categorise on the private-public question.

For Unison, the most important sector is health care, namely the NHS. The GMB also organizes in health care and adjacent sectors, so in this sector one could assume a degree of similarity and competition. But while Unison is exclusively in the public sector, the GMB also represents workers in private security, retail and general services, whom one would generally not assume to have exactly the same interests as public employees. The situation for the CWU is different still, with the public-private split as described above, but also a high percentage of relatively low earners.

The DGB is the main trade union peak organisation in Germany, though it is not the only one. The dbb was founded shortly after the DGB and used to organise exclusively tenured civil servants, but is now also representing public employees. However, the DGB tends to dominate collective bargaining agreements and tends to also be politically dominant (Schroeder and Greef 2014: 127).

The DGB trade unions are generally considered to the left of the dbb unions. As tenured civil servants are not allowed to strike in Germany, until the dbb unions started to organise among public sector employees, strikes were not an option in political and collective bargaining disputes, which would suggest a less confrontational approach.

Within the DGB, the IG Metall, the IG BCE and ver.di tend to dominate. Together they represent 80% of DGB members. Ver.di came out of a merger in 2001, integrating the formerly non-DGB white collar union DAG, the public sector union ÖTV, and several smaller unions. The other DGB unions have a much more homogenous membership, but on the other hand have significantly fewer resources and less influence on the peak organisation (Schönhoven 2014: 78). While the IG Metall and ver.di are traditionally leaning towards the left wing of the SPD or the Left party, the IG BCE has good relations to the top tier of the SPD and moderate Christian-Democrats. The IG BCE tends to organise high-skilled male full-time employees in standard employment relationships. As a result it is more willing and able to negotiate pensions in the area of collective bargaining. Ver.di with its higher percentage of atypically employed and service sector low-skilled has a higher

interest in maintaining general state benefits. Divisions on pensions have at times been strong enough that in the early 2000s the IG BCE threatened to leave the DGB (Wiß 2011: 99f).

The GEW primarily organises among teachers, both among tenured public servants and public employees, and in the education and science sector in general. In terms of public sector workers, it has some organising overlap with ver.di; in fact in the ver.di merger process, the GEW contemplated merging with ver.di as well, but ended up retaining its independence (Keller 2014: 316). With the GEW recruiting primarily teachers, their membership is relatively high-earning and in stable employment. In the public sector, there is therefore some competition between the GEW, ver.di and the dbb unions. Outside of organising in the public sector, ver.di also represents people employed in the service industry in general, which includes more low-income earners, people with unstable working biographies and people in physically demanding jobs.

2.2 The organisations: the employers

2.2.1 German employers overview

BDA (Bundesvereinigung der deutschen Arbeitgeberverbände)	
<i>Membership</i>	Peak organisation for employer organisations on the federal level in the areas of industry, trade and crafts, banking, logistics, services, and agriculture. Organises 50 federal associations and 14 Länder associations.
<i>History</i>	Employer associations formed in reaction to the spread of trade unions. The oldest German employer association was founded in 1869, with the central representation in 1904 and the first employer peak organisation in 1913. The <i>Bundesvereinigung der deutschen Arbeitgeberverbände</i> under that name was established in 1949. The BDA became (again) responsible for social policy and is the counterpart to trade unions in collective bargaining processes. Attempts to merge the BDA and BDI failed. From the 1980s onwards, the employer associations experienced declining membership numbers and struggled with individual companies or smaller business associations questioning the German cooperative economic model.
<i>“Most important issue”</i>	Avoiding any roll-back of already achieved reforms.
<i>“Biggest success”</i>	Raising of the retirement age and lowering of the state pension replacement rate in the context of the Riester reform.
<i>“Biggest failure”</i>	Minor irritants in the area of pensions uprating only. Exemptions from the higher retirement age.
BDI (Bund der deutschen Industrie)	
<i>Membership</i>	Peak organisation for industry sector associations and industry working groups. 37 member associations (2014) representing approximately 100.000 businesses with 8 million employees.
<i>History</i>	The BDI was founded in 1949 in Cologne. Its tasks were the representation of and lobbying for business and industry interests in the political arena. Attempts to merge the BDA and BDI failed. The BDI has been more confrontational towards trade unions and developed into a more neoliberal direction than the BDA in the 1990s.

<i>“Most important issue”</i>	Avoiding roll-back of already achieved reforms and introduction of new payroll costs.
<i>“Biggest success”</i>	Raising of the retirement age and lowering of the state pension replacement rate in the context of the Riester reform.
<i>“Biggest failure”</i>	Abolition of the (original) demographic factor.
ZDH (Zentralverband des deutschen Handwerks)	
<i>Membership</i>	Peak organisation for associations in the skilled crafts sector. Represents 53 chambers of skilled crafts (in which membership is mandatory) and 48 professional associations (<i>Innungen</i> , in which membership is not mandatory), which in turn represent over one million businesses. The ZDH combines two functions in the setup of German corporatism: representation of the chambers, which regulate education, and representation of the professional association, which as employers are collective bargaining partners.
<i>History</i>	The ZDH was founded in 1949 and settled in Frankfurt.
<i>“Most important issue”</i>	Reforms of the trades pension regulations; keeping payroll taxes in check.
<i>“Biggest success”</i>	Abolition of Handwerkerrentenpflichtversicherung; abolition of subsidized early retirement options.

(www.arbeitgeber.de; www.bdi.eu; www.zdh.de; Schroeder 2010a; Lang and Schneider 2007)

2.2.2 British employers overview

Table 4

CBI (Confederation of British Industry)	
<i>Membership</i>	Confederation of 140 trade association and some larger and medium-sized businesses, who can be direct members. Represents the interests of 190,000 businesses in the United Kingdom employing nearly 7 million people.
<i>History</i>	The Federation of British Industry was founded in 1915 as the first peak organisation, prompted by the government in response to the trade union movement. It merged with the British Employers' Confederation and the National Association of British Manufacturers into the CBI in 1965. It is independent of political parties and the main employer

	organisation in the United Kingdom. Its former General Director Adair Turner headed the 2002-2005 Pensions Commission.
<i>“Most important issue”</i>	Getting people engaged with pensions planning.
IoD (Institute of Directors)	
<i>Membership</i>	Membership organisation for business directors, senior business leaders and entrepreneurs. Membership is individual not company-based.
<i>History</i>	The Institute of Directors was founded in 1903. It provides education and networking opportunities for leading managers. It is generally regarded as having a Conservative slant and tends to oppose government regulation. Under Thatcher it supported the neoliberal course of the government and at one time argued for the total privatisation of the state pension.
<i>“Most important issue”</i>	Auto-enrolment.
<i>“Biggest success”</i>	Modifying (simplifying) restrictions on pension savings tax relief.
<i>“Biggest failure”</i>	Still relying on outdated architecture in private pensions (annuities).

(Krumm and Noetzel 2006; Taylor-Gooby 2006; news.cbi.org.uk; Marier 2008)

2.2.3 The employers: interests and expectations

The role of employers in the United Kingdom is quite different than in Germany, due to the corporatist arrangement of the German economy that never existed like that in the United Kingdom (Leisering and Mabbett 2011: 13). British employer organisations move in a pluralist landscape and have no representation monopoly, although Labour governments have tended to treat the TUC and the CBI as virtual partners (Krumm and Noetzel 2006; Sturm 2009).

Historically, the response of employers to social insurance legislation has rarely been enthusiastic, though it is worth noting that, as Varieties of Capitalism (Hall and Soskice 2001) theory suggests, employers have also seen benefits in certain welfare measures. Paternalistic, voluntary occupational pensions have frequently been a labour management tool; mandatory social insurance can undercut these, but can also level the playing field between different types of companies (Ebbinghaus 2006b: 763; see further chapters three and four).

In today’s mature welfare states, the question of whether to introduce pensions at all has of course been answered. Employers in general would have an interest in keeping labour costs

low. It would be safe to assume that keeping pension expenditure in check, and thus preventing rising social insurance contributions, would be in their interest.

However, it is also worth noting that employers are not always perfectly rational actors in pursuit of their objective interests either. Sometimes short-term, specific interests can override long-term systemic interests, such as in the proliferation of early retirement (Ebbinghaus 2006a: 43f). Employers are also not immune to policy trends and can engage in herd behaviour, as Bridgen and Meyer (2005) have shown with regard to the closure of defined benefit occupational schemes.

German employers, organised in the BDA, are integrated into a social partnership. They are actors in the self-determination of the social insurances. Institutionally and culturally, they are thus tied into the German welfare state. No such institutional ties exist in the United Kingdom. In the context of a Conservative versus a Liberal welfare state, one might assume that German employers would be more likely to lean towards a conservative paternalistic approach and the British employers towards a liberal approach.

On social policy issues, the BDA is the more important actor, with the BDI representing another, and sometimes more radical view than the BDA, but the BDI does not actively lobby on social policy. The relationship between the BDI and BDA has not always been without conflict, either. In particular in the 1990s the BDI began to lean towards more neoliberal policies, and argued for more individual solutions at the individual firm level, while the BDA was still attached to its corporatist role and was concerned about weakening the collective bargaining system (Wiß 2011: 105).

In the United Kingdom, the CBI used to firmly reject compulsory occupational pension systems. Once a pension system had been established, though, the CBI could also be protective of it, such as when the Thatcher government tried to abolish SERPS. On the other hand, in that heyday of liberalisation in the United Kingdom, the IoD also advocated privatisation of the basic state pension (Taylor-Gooby 2006: 121f). In more recent years, however, employers were part of the auto-enrolment consensus.

In the recent reform developments, German employers have been fairly successful in having their demands on pensions met. Especially the change in German pension policy from focusing on output to focusing on the revenue side, and putting firm caps on future contribution rates, can be regarded as being in German employers' interests. So on the one hand, one would expect them to support a continuation of this course, while on the other expecting that they would want to keep the German pension system in its general outline intact. British employers have recently accepted a surprising degree of employer compulsion; given their history and generally liberal stance, this is not the most obvious development, and as will become clear in the interview analysis, this has much to do with the state of the British pension system as a whole.

2.3 The organisations: providers

2.3.1 German provider organisations: overview

Aba (Arbeitsgemeinschaft für betriebliche Altersversorgung e.V.)	
<i>Membership</i>	Represents 1,200 members which include companies, institutions of retirement provision, and other interest organisations such as employer associations and trade unions, as well as individual members (experts, people working in the industry).
<i>History</i>	The Arbeitsgemeinschaft für betriebliche Altersversorgung e.V. was founded in 1938 after its predecessor had been dissolved by the Nazi regime.
<i>“Most important issue”</i>	Emphasising the second pillar in the three pillars system, especially over the third pillar. Simplifying existing occupational options.
<i>“Biggest success”</i>	Insolvency protection in the more distant past; occupational provision recognised by the Riester reform and exempting Entgeltumwandlung from social security contributions.
<i>“Biggest failure”</i>	Insufficient weight of occupational provision in the Riester reform.
GDV (Gesamtverband der deutschen Versicherungswirtschaft)	
<i>Membership</i>	Represents the interests of the German private insurers with 460 member companies.
<i>History</i>	The GDV was formed in 1948 in Cologne. It moved to Berlin in 1998. In the 1990s several insurance representative organisations merged with the GDV.
<i>“Most important issue”</i>	Major reform needs have been taken care of by the recent pension reforms.
<i>“Biggest success”</i>	Success of the Riester pension.
BVI (Bundesverband Investment und Asset Management)	
<i>Membership</i>	Represents the interests of investment fund management companies. Has over 80 members managing about 2 billion Euros' worth of assets.
<i>History</i>	The BVI was founded in 1970 in Frankfurt, where it still has its headquarters. It established an office in Berlin in 2002.

<i>“Most important issue”</i>	Strengthening private pension saving.
<i>“Biggest success”</i>	Achieving competition between different product categories in the context of Riester.
<i>“Biggest failure”</i>	Priority of insurance policies over investment-based savings in existing private pensions.
RVBund (Rentenversicherung Bund)	
<i>Membership</i>	Statutory pension insurance body.
<i>History</i>	The Rentenversicherung Bund was established in 2005 as a fusion of several statutory pension insurance bodies.
<i>“Most important issue”</i>	Ensuring gap-free pension coverage and preventing pensioner poverty.
<i>“Biggest success”</i>	Successes in pension reforms.
<i>“Biggest failure”</i>	Insufficient consideration of changes in employment and their knock-on effects on pensions.

(www.aba-online.de; ABA (2013); www.en.gdv.de; www.deutsche-rentenversicherung.de; www.bvi.de)

2.3.2 British provider organisations: overview

NAPF (National Association of Pension Funds, now: Pensions and Lifetime Savings Association)	
<i>Membership</i>	Represents 1,300 pension schemes and over 400 businesses in the pension industry.
<i>History</i>	The NAPF was founded in 1923. It was rebranded the Pensions and Lifetime Savings Association in October 2015.
<i>“Most important issue”</i>	Raising the state pension and getting more people into additional saving.
<i>“Biggest success”</i>	Raising of the state pension; simplifying restrictions on pension savings tax relief.
<i>“Biggest failure”</i>	CPI/RPI change of pensions indexation.
ABI (Association of British Insurers)	
<i>Membership</i>	Represents insurance companies; over 250 members, which together account for over 90% of the British insurance market.
<i>History</i>	The ABI was founded in 1985 as a merger of several specialised insurance trade associations, including the British Insurance Association and the Life Offices’ Association.
<i>“Most important issue”</i>	The reforms based on the Turner commission’s recommendations.
NEST (National Employment Savings Trust)	
<i>Membership</i>	Trust-based pension scheme.
<i>History</i>	NEST was set up as a savings vehicle for auto-enrolment as a low-cost simple savings vehicle, as part of the 2008 Pensions Act. It was first proposed in the 2005 Turner Report, at the time still called National Pension Savings Scheme.

(www.plsa.co.uk, www.abi.org.uk, interview ABI, interview NEST, www.nestpensions.org.uk; Pemberton et al 2006)

2.3.3 Provider organisations: interests and expectations

The different setup of the German and British pension systems leads to a different field of pension providers, and the most relevant organizations on the provider side illustrate this. For Germany, the GDV represents private insurers, who by and large sell private insurance to German individuals. The aba is the association for occupational pension funds and at the same time a lobbying group that aims to make occupational pensions more important

in Germany. The Rentenversicherung Bund is literally the insurance body that administrates the German state pension, and as such not an “interest organisation”, but it was included for its perspective as well. These three organizations map onto the German split between state pension, occupational pension and private pension insurance.

In the United Kingdom the NAPF, the National Association of Pension Funds, represents the interests of employer-sponsored pension schemes, and it roughly corresponds with the aba in Germany. The Association of British Insurers (ABI) is an association of insurance companies whose members cover all types of private insurance. They are responsible for over 90% of all privately (individually) sold pension insurance plans but also provide pension schemes for employers who wish to offer an occupational pension to their employees (Interview). They would therefore be roughly but not perfectly comparable to the German GDV.

NEST then falls a little outside of the comparison and its interview is mainly relevant for background information. NEST was established as an arm’s length government body entrusted with building the occupational pension infrastructure that was still required for the new British policy of auto-enrolment, which began to be phased in in 2012. In the period from 2012 until 2017⁴, all British employers (starting from the biggest, moving down to the smallest) would be required to auto-enrol their employees in an occupational pension scheme, with mandatory contributions from the employee (4%), the employer (3%) and a tax rebate from the government of another 1%. Employees still have the right to opt out, but the employer must enrol them at the start. This means by extension that every employer, no matter how small, will need to either set up or join an occupational pension scheme, and while most larger employers already had their own scheme anyway, for many smaller companies the costs of setting up their own pension scheme would have been untenable. NEST was created to bridge this gap and offer a low-cost, low-complexity option for small businesses, or any business that did not want or wasn’t able to set up its own pension scheme.

Like the Rentenversicherung Bund, NEST is its own organization, and not an ‘interest organisation’ as such. Unlike the Rentenversicherung Bund, however, NEST administers occupational pension schemes and is not universal, but rather one option in competition and communication with other providers, like those represented by the ABI and the NAPF. Their position is therefore interesting for background information and for their perspective on the auto-enrolment legislation, even though they are not an interest organization as such. NEST does not have an equivalent in Germany.

⁴ For existing employers. For new employers, the final staging date is February 2018. See Department for Work and Pensions Press Release 25.01.2012 <<https://www.gov.uk/government/news/new-timetable-clarifies-automatic-enrolment-starting-dates>>.

2.4 The organisations: social organisations

2.4.1 Social organisations: overview

Deutscher Paritätischer Wohlfahrtsverband (Der Paritätische)	
<i>Membership</i>	Peak organisation in the independent welfare sector. Membership of over 10,000 individual organisations and associations in the welfare and health care sector.
<i>History</i>	Der Paritätische was founded in 1924 as an association of non-profit hospitals and care institutions. It is one of six peak associations of welfare providers, and started out non-denominational and not politically affiliated. It was dissolved in 1934 and was re-founded in 1949 in Frankfurt.
<i>“Most important issue”</i>	Protecting risk groups against poverty in old age; widening the scope of statutory pension insurance.
<i>“Biggest success”</i>	Establishing itself as a pensions actor.
SoVD (Sozialverband Deutschlands)	
<i>Membership</i>	Represents the interests of pensioners, patients, people in long-term care and disabled people. Has a membership of approximately 560,000.
<i>History</i>	The Reichsbund was founded in 1917 and re-established in Hamburg in 1946 as Sozialverband Reichsbund. Like its southern counterpart VdK, the Reichsbund initially focused on war veterans. The headquarters was moved to then-capital Bonn, though the organisational strength remained concentrated in the North of Germany. It renamed itself into Sozialverband Deutschland in 1999, reflecting a shift in its tasks and membership as advocacy for war veterans had become less of a focus as the WWII veterans died.
<i>“Most important issue”</i>	Preventing pensioner poverty; better uprating of pensions.
<i>“Biggest success”</i>	Putting pensioner poverty on the agenda; putting better uprating of pensions back on the agenda.
<i>“Biggest failure”</i>	Paradigm change around the Riester reform.
Volkssolidarität	
<i>Membership</i>	Membership organisation that lobbies on social policy but also provides a wide spectrum of activities for its members and acts as a welfare and care provider. Has about 244,000

	members more than 17,00 employees in social services.
<i>History</i>	The Volkssolidarität was founded in 1945 in Dresden as an aid organisation. It was a mass organisation in the GDR and played a major role in matters of care for the aged. After reunification it expanded its duties to include long-term care and social care for youths and children.
<i>“Most important issue”</i>	Addressing the problems caused by changes in the labour market and preventing pensioner poverty by improving the future state pension replacement rate.
<i>“Biggest success”</i>	Hardly any.
<i>“Biggest failure”</i>	Paradigm change around the Riester reform.
NPC (National Pensioners’ Convention)	
<i>Membership</i>	Peak organization representing over 1000 local, regional and national groups of pensioners. Individual members around 1.5 million, clustered in urban areas.
<i>History</i>	The NPC was founded in 1979 by former TGWU union leader Jack Jones. It was founded with trade union and age charity support. Its original campaign was for a state pension no less than a third of average earnings for a single person and half of average earnings for a married couple. From 1988 onwards, it was independent of the TUC and union administrative and financial support. The NPC has campaigned with mass rallies for improved pension coverage and holds an annual Pensioners’ Parliament.
<i>“Most important issue”</i>	Raising the basic state pension.
<i>“Biggest success”</i>	Linking state pensions back to earnings; bus passes for seniors.
<i>“Biggest failure”</i>	Continuously low level of the state pension.

(Estes et al 2003, Rock 2010, von Winter 2007; www.sovd.de; www.volkssolidaritaet.de; www.npcuk.org)

2.4.2 Social organisations: interests and expectations

The field of social organisations looks different in the United Kingdom and Germany, and the actors that were considered relevant to the pensions field and thus included in the sample do not fulfil exactly the same role in their respective countries. The German social associations tend to campaign on the full spectrum of social policy, such as health policy, employment policy, pensions, disability and integration, while in the United Kingdom charities tend to organise around a single issue. Age and pension related charities are relevant actors in the pensions discourse, but could unfortunately not be interviewed. The

British social association NPC directly represents pensioners and campaigns on pensions issues; it has been calling for a higher state pension for years and is involved in coordination efforts with the trade unions. The German social associations here have commented on pension policy processes and can be considered stakeholders in the legislative process, but they do not have an official role in the political process like the trade unions have as social partners. Their membership on the other hand is predominantly made up of pensioners; it is less specifically a “pensioners’ organisation” as the NPC but in terms of the membership there is some factual comparability.

The Volkssolidarität and the SoVD are the same type of political actor, organising across different social policy fields. The Volkssolidarität is concentrated in East Germany, as it goes back to German Democratic Republic roots. It also, unlike the SoVD, runs social services such as meals-on-wheels-type services or childcare facilities. The SoVD is historically strong in Northern Germany and does not run social services to any great extent, but in their general function these two are comparable, as is the VdK, which is focused on Southern Germany. (The interview with the VdK fell through.) So in terms of their portfolio, these organisations could be regarded as in competition with each other, but this is mitigated by the fairly pronounced geographical split.

3. Pensions in Germany: a Bismarckian system under pressure

3.1 Summary

“Bismarckian” and “Beveridgian” systems are often seen as the two main contrasting approaches to state pensions. The German pension system at its most prototypical is characterised by a strong relationship between earnings and pension benefits, shared contributions and shared administration between the social partners, pay-as-you-go financing, and a high replacement rate, designed to allow a pensioner with a standard contribution history to more or less maintain their standard of living. As a consequence, there is relatively little interpersonal redistribution, but the idea of intergenerational solidarity. The origins of this institutional set-up can be traced back to the original legislation introduced by Chancellor Bismarck in 1889, but the prototypical “Bismarckian” German pension system did not come into being until after World War II.

In this section, I will outline the development of the German pension system starting from its Bismarckian origins and with a view towards the role of organised labour. I will briefly summarize the introduction of the first statutory pension under Bismarck and the problems that occurred in this early period. As the next major milestone, I will outline the post-war pension reform of 1957, which established the German pension system in its prototypical Bismarckian form, and created the conditions against which future pension reforms were measured: the so-called Golden Age of pensions. This is followed by the welfare expansions of the 1970s as well as the first perceptions of crisis, which continued and worsened in the 1980s.

The next major development in pensions was the impact of German reunification on all welfare systems, and the reforms intended to deal with the increasing financial burden of a matured and generous pension system in times of economic difficulty. I will briefly describe the first, non-paradigmatic reforms that were intended to tackle these financial problems, and then discuss the reforms of the Red-Green government in the early 2000s, which represented a major turning point for the German pension system and which set the agenda for the reform discussions of the 2010s.

This section is intended to provide a general background and timeline for the analysis of individual reform issues that are being discussed in the analysis chapters. A more in-depth history of the development of the retirement age in Germany in particular can be seen in chapter 5.1.2, and a discussion of the origin of the path-breaking Riester reform in chapter 6.1.

3.2 Overview of major pension legislation in Germany

The following will give an overview of the most important legislative steps in the development of the German pension system. There were numerous adjustments of

individual elements of the pension regime, including but not limited to contribution rates and access criteria, throughout this period, but these have been omitted for reasons of clarity.

Table 1: Overview of major pension legislation in Germany

1889 <i>Invaliditäts- und Alterssicherungsgesetz</i>	Invalidity and Old Age Insurance	Mandatory insurance for blue-collar workers below a certain income limit. Pension age 70, therefore mainly invalidity pension. 1.7% contribution rate, split between worker and employer.
1911 <i>Versicherungsgesetz für Angestellte</i>	Employee Pension Insurance	Mandatory insurance for white-collar employees. Pension age 65 or invalidity (50% working capacity). Unconditional survivor benefits for widows.
1957 <i>Rentenneuregelungs-gesetz</i>	Adenauer pension reform	Switch to PAYG financing. Expansion of statutory pension and switch to status maintenance. Dynamic uprating.
1972 <i>Rentenreformgesetz</i>	Social-liberal pension reform	Introduces flexible retirement at age 63 without penalty. Minimum pension for long-term insured. Voluntary insurance for certain kinds of self-employed.
1974 <i>Gesetz zur Verbesserung der betrieblichen Altersvorsorge</i>	Occupational Old Age Protection Act	Minimum standards for occupational pensions. Insolvency protection.
1984 <i>Hinterbliebenenrenten- und Erziehungszeiten-Gesetz</i>	Survivor Benefit and Child-Rearing Credit	Level of survivor benefit becomes dependent on survivor's income. One-year pension credit for child-rearing is introduced.
1989 <i>Rentenreformgesetz 1992</i>	Pension Reform Act 1992	Change from gross to net wage indexation. Deductions for early retirement. Gradual equalisation of pension age between men and women to 65. Gradual raising of retirement age for unemployed and long-term insured to 65. Increase of child-rearing pension credit from one to three years.
1997 <i>Rentenreformgesetz 1999</i>	Pension Reform Act 1999	Demographic factor introduced into pension formula. Raising of child-rearing credit. Increase of federal grant to pension system. Raising of disability-based retirement age to from 60 to 63 and disability pension deductions of max. 10% for early retirement.
1998 <i>Rentenkorrekturgesetz</i>	Revised Pension Reform	Demographic factor abolished. Revision of disability pension. Coverage of low-income earners and some self-employed. Contribution rate is lowered.

2001 <i>Altersvermögensgesetz</i> 2002	Riester Reform	Voluntary, tax-subsidized private pension. Replacement rate of statutory pension reduced from 70% to 64%. Contribution rate ceiling of 20% introduced. Introduction of means-tested minimum pension (<i>Grundsicherung</i>). Survivor benefits reduced from 60% to 55%.
2004 <i>RV-Nachhaltigkeitsgesetz</i>	Rürup Reform	Sustainability factor introduced with a 46% replacement rate floor. Earliest possible retirement age pushed back to 63. Abolition of pension credits for higher education.
2005 <i>Organisationsreform in der gesetzlichen Rentenversicherung</i>	Organisational Pension Reform	Organisational fusion of employee and worker pension insurance.
2007 <i>RV-Altersgrenzenanpassungsgesetz</i>	Retirement Age Reform	Raising of the retirement age for a full pension from 65 to 67, to be phased in from 2012.

Source: Ebbinghaus et al. 2011, Schulze and Jochem 2007, Frerich and Frey 1996b.

3.3 Origins and early developments

Summary: While building on some experience with earlier, local attempts at social insurance, the social insurance legislation in Germany was the first of its kind, establishing a national mandatory pensions scheme. The legislation introduced by Bismarck laid the institutional groundwork for what became known as the Bismarckian pension system, but in coverage as well as generosity it did not resemble the post-World War II system yet. Employers, existing insurance companies and organised labour were originally not in favour of Bismarck's legislation, assuming it ran against their respective interests.

The establishment of the first statutory pension systems in Europe can be traced to industrialisation and the emergence of an urban working class in the major cities, which created a new order of social problems. The “social question” (urbanization, rural and urban poverty, social change) increasingly came to mean the poverty and precarious economic situation of the urban working class. Germany only had only become a fully integrated nation state in 1871, and a politically conscious and organised working class was seen as a potential threat to the new nation state. In this political context, citing a need to address the miserable conditions of workers out of a “humanitarian and Christian duty”⁵ but also explicitly the aim to stabilize the state and win the workers’ support, the government under Chancellor Bismarck began a process of introducing the first statutory social insurance schemes for workers in Germany.

⁵ Official reasoning in the first draft for a statutory accident insurance law, translation JK. Cited in Wannagat 1965: 63.

The first legislative drafts were on accident insurance but the first to pass was statutory health insurance for workers, which in 1883 laid the foundations for the development of the German welfare system. Accident insurance law followed in 1884 (Wannagat 1965: 64f). Then the Old Age and Disability Insurance Law of 1889 insured workers against invalidity and – if they lived long enough – having no source of income in their old age. Contributions were shared between employers and workers.

This was the first collective, mandatory social insurance system in Europe. The German welfare system as it developed from these origins came to stand for the prototype of the “Bismarckian” welfare system, or conservative welfare system as described by Esping-Andersen (1990) in his classification.

Initially the later “social partners” – employers and trade unions – were not welcoming of the social insurance legislation. For some employers, offering pensions to their workers could be part of a paternalistic approach to taking social responsibility, but also a tool to bind skilled workers and stifle worker unrest, as these voluntary occupational pensions were lost when a worker left their employment or was let go (Wannagat 65: 57f). Statutory pensions would undercut this leverage that especially larger companies could exercise over their workforce. For smaller firms, which in most cases did not offer occupational pensions due to their size and financial capacities, mandatory social insurance contributions meant a rise in labour costs, and they opposed social insurance on those grounds (Ebbinghaus 2006b: 763).

But it was not only the employers who had misgivings about mandatory social insurance. Private insurance companies were also opposed to government intervention on the social question. Arguments against statutory social insurance at the time of its inception were that it would weaken family bonds, place constraints upon personal liberty, undercut individual responsibility and destroy frugal saving habits (Zöllner 1981: 73f).

The trade unions originally were no supporters of the establishment of social insurance either. Their main interest at the time was collective bargaining, the level of wages and an improvement in working conditions. In response to the social risks that each worker was subject to, some trade unions had made efforts to protect their members against some of the social risks, in particular periods of unemployment. In general, trade unions at the time were not strong advocates for social insurance systems, in part out of different priorities, in part out of distrust of the state and state-run welfare institutions. Instead of a collective mandatory system, they rather wanted trade unions to be allowed to run their own voluntary insurance funds (Zöllner 1981: 67f).

Despite trade union ambivalence, the establishment of the first German social insurance system indirectly owed much of its inception to the workers’ movement: its political strand, social democracy, was of enough concern to Chancellor Bismarck that he was willing to go to considerable lengths in order to undercut Social Democratic policy demands. He admitted as much in front of the Reichstag in 1884, stating that without social democracy, there would have been no social insurance (Schneider 1989: 57).

The first German state pension built on developments that had begun when the question of old age and invalidity provisions became a political topic towards the middle of the nineteenth century, but it also built on pensions that some German states were already providing for their civil servants. Social insurance legislation in general had some roots in local attempts to secure workers against certain social risks. In Prussia, from 1849 mutual sickness funds were not only allowed but encouraged, and from 1854 they were at least mandatory for factory workers. In the same year, sickness and invalidity insurance for miners was introduced, and was considered a success (Tenfelde 1987: 98).

Before state pensions for workers and employees were introduced, governments occasionally offered pensions to their civil servants. Bureaucracies were seen as vital to the functioning of a state with increasingly more complex and grander ambitions, and so the option of a good state pension at the end of a long work life was seen as a tool to ensure the loyalty and long-term service of experienced and specialised civil servants. From 1825 onwards, most civil servants in Prussia had a right to a life-long pension once they could no longer discharge their duties (Frerich and Frey 1996a: 71). In the private sector, miners' guilds were frontrunners in insuring miners against old-age invalidity, with guild insurances which became mandatory in 1854 and which were financed from shared contributions between miners and employers (Tennstedt 2000: 34f). Independent initiatives that offered workers a pension insurance on a voluntary basis sprung up in the mid-nineteenth century as well, but these voluntary insurances generally failed to get the workers to join (Tennstedt 2000: 32f, Bartels 2014: 30).

3.4 1889: Bismarck's pensions

Summary: Bismarck introduced old age and invalidity pensions for industrial workers as a political strategy manoeuvre against Social Democracy. The replacement rate was roughly 20% of wages and the retirement age was 70. Organised labour favoured a wage-related benefit over flat-rate models. The old age insurance for white-collar workers required higher contributions but was also more generous and offered a retirement age of 65.

The major development in pensions was the mandatory state pension that Bismarck introduced, which like the general spread of social insurance was intended to bind the increasingly politicised working class to the German state and undermine the Social Democrats, with whom he found himself in a political struggle (Vossler 1961: 5, Zöllner 1981: 68ff). In that struggle, Bismarck wanted to offer his own answer to the "social question", and the introduction of a pension for the old and the invalid, in particular one that required both the workers and the employers to contribute, was primarily a strategic political move. As a consequence, the new state pension was initially met with suspicion by the trade unions.

At its inception, Bismarck's state pension did not actually resemble the image that Bismarckian welfare systems later assumed. For one thing, the new pension insurance by no means covered the whole population. In covering industrial workers as well as artisans' assistants and journeymen, it had a wider scope than the previously established health and

accident insurance, but it was still a fairly limited benefit. It was also largely an invalidity benefit rather than an actual pension. At 70, the pension age was set so high that few industrial workers ever reached that age; the benefit was more relevant to those who at some point before 70 became unable to work (Bartels 2014: 31).

Originally it also was not designed to provide status maintenance to workers upon retirement. The benefit was calculated based on the contribution period and four wage categories. For the highest pension benefit in each category, a contribution period of 30 years was required. But even with a full contribution period and even in the highest wage category, the replacement rate was only approximately 20 %, and as a result could only contribute to old-age income, but not serve as the main basis for retirement (Bartels 2014: 32, Frerich and Frey 1996a: 100f).

The wage-related benefits in Bismarck's legislation were partly a response to concerns of the (organised) working class. Alternative models had been discussed, such as flat-rate models with adjustments for regional living cost variety. But both flat-rate and geographical variations did not appeal to skilled workers, whom the legislation was primarily aimed to appease. Therefore wage categories were chosen over other models (Baldwin 1990: 96f).

The old age insurance for white collar workers, introduced in 1911, had more generous access criteria, allowing employees in white-collar professions to draw a pension at age 65, with a minimum contribution period of ten years for men and six for women (Schulze and Jochem 2007: 671). It also included a widow's pension that was not dependent on the widow herself being unable to work, as in the workers' dependents benefit. At 7-8%, contributions were significantly higher than workers' contributions, which were between 1.5 and 2%, but the benefit was also correspondingly higher (Führer 2000:250).

The coverage of both blue collar workers and white collar employees in mandatory old-age insurance was a huge step in the development of the German pension system. The two biggest groups of workers now had *some* form of old age provision, and the foundation for the Bismarckian pensions was laid.

However, the continuity from 1889 and 1911 to today's German pensions only extends to certain elements. The pension insurance set up under Bismarck still lacked some fundamental elements that are generally associated with the "Bismarckian" welfare state. In terms of administration and the inclusion of the social partners, the set-up of the modern German pension system can certainly be ascribed to Bismarck's legislation. Bismarck himself was so keen on tying the people to the German state and generate loyalty and gratitude that he originally favoured a model where the state was the sole guarantor of the new benefits; in the political struggle that followed, however, a social insurance model was chosen that levied contributions from employers *and* workers (Wehler 1995: 912f). This was perhaps the most influential decision for the institutions of the German pension insurance. The social partners were consequently tasked with administrating the funds, which on the one hand fosters cooperation and on the other puts pensions (and, at the time, their funds)

at a slight reach from government. The insurance model with shared administration by the social partners continued throughout the evolution of the German pension system.

A corollary of choosing insurance over a general people's pension is a strong connection between contributions and benefits, meaning that benefits after retirement reflect pre-retirement income. This idea was in principle inherent in Bismarck's pension legislation with the tiered benefit structure and the requirement of contribution years, and the equivalency principle remained a core feature of the German pension system.

On the other hand, a number of elements were fundamentally different from what became known as "Bismarckian" pensions later. On a functional level, the lived reality of a 1899 worker's pension and a 1999 worker's pension would have been entirely different. Most relevant here is probably the replacement rate, with the 20% replacement rate for workers when Bismarck introduced his legislation, as opposed to the 70% that became standard during the Golden Age of the German welfare state. Moreover, the pensions that were paid out were static, meaning that they were not updated with inflation or changes in consumer prices, but stayed at the level at which a person entered retirement (Führer 2000: 261). The status difference between blue and white collar workers was also institutionalised to a degree that would not be regarded as tolerable in a modern welfare state. While the higher benefits correlated with higher contributions, the different treatment of workers' dependents and employees' dependents, concretely what the legislation assumed of a worker's wife versus a white-collar employee's wife, highlights class-based policy principles that would not be defensible in modern times. Beyond that, the original German state pension was funded, whereas one of the most significant markers of the modern German pension system is its pay-as-you-go set-up and the implicit contract between generations.

What characterises the German pension system – and is both at the heart of its political success and its current problems – is a status-maintaining generous old age benefit, generally sufficient to maintain the pre-pension living standard of a breadwinner plus spouse. The actual societal outcome of a Bismarckian pension system is therefore much more related to the level of income replacement, as well as labour market conditions that support the kind of biographies the aims of this pension system depends upon. The German pension system as most people think of it, and as the prototype the literature treats it as, only really came into its own after the Second World War and the Adenauer reform of 1957.

The institutional framework of the German statutory pension and the tradition of social partnership on the other hand was indeed established with Bismarck's pension, as the institutions of self-administration were a major factor in integrating the labour movement, and furthermore offered at least representatives of the working class an early path into the white-collar salariat (Schneider 1989: 60, Döring and Koch 2003: 376ff).

3.5 Weimar Republic and Second World War

Summary: the inequalities in survivor benefit and retirement age between blue and white collar workers were abolished as a consequence of World War I. Contributions to the blue collar workers' insurance could

not keep up with hyperinflation and the funds of the pension insurance eroded during the Weimar period. Experiments with pay-as-you-go financing were short-lived. The Nazi regime used the re-built funds to finance the war machine. The end of World War II left the state pension in financial tatters. Plans by the Allied Control Council to establish one joint people's insurance failed in part due to protest from trade unions and Social Democrats. A unified insurance system was established in the Soviet zone.

Two World Wars and the economic upheaval of the interwar years had a severe impact of pension funds and the development of pensions in terms of their financing, but there were no major innovations or overhaul beyond coping with the effects of war and financial crisis.

World War I had tangible effects on the difference between blue and white collar workers and their pension provision. After the end of the war, survivor benefit for workers' wives was raised as a consequence of the casualties the war had brought. The retirement age for workers was equalised with those of employees (Bartels 2014: 33). An improvement in social insurance equality makes sense in the context of national unity and the support demanded from the working class.

The main issue in terms of the state pensions in the Weimar Republic was not to reform them but to safeguard existing funds against hyperinflation and the worldwide economic crisis (Bartels 2014: 35). The workers' pension insurance in particular had trouble adjusting to the dramatically rising wages in the 1920s. By 1920, the fixed contribution rates amounted to only 0.25 to 0.5% of wages; by 1923 they were down to under 0.001% (Führer 2000: 252). This was a financial relief to workers as well as employers, but would have led to negligible pension benefits in the long run. For employees with an upper income limit, after which they were no longer members of the statutory pension insurance, the hyperinflation of wages meant that at certain points a majority of employees were no longer covered by the state pension at all. The workers' insurance was on the brink of collapse and only survived by way of huge loans from the central government, as administrative costs started to heavily outweigh any income. The white collar employees' insurance survived without loans, but unlike the workers' insurance it had not yet matured to a point where it had to pay out pensions to any significant degree, and still the administrative costs swallowed up most of the contributions (Führer 2000: 254ff).

One result of this extreme financial upheaval was a brief flirtation with pay-as-you-go financing and flat-rate benefits. When the currency had stabilised towards the end of 1923, beginning of 1924, payments of both insurances were switched to a flat-rate yearly benefit that was financed by running contributions, representing the first pay-as-you-go approach to the German state pensions. Unlike with the later switch to PAYG in 1957, neither retired blue collar workers nor retired white collar employees were able to live on their state pension as a sole source of income, and those entirely dependent on their state pension were still reliant on other charitable benefits (Führer 2000: 269). Furthermore, the weaknesses of a funded system that had become apparent in times of hyperinflation did not lead to a general reassessment of the value of funded pensions versus pay-as-you-go. Instead the problems in the early 1920s that had made state pensions essentially worthless were ascribed to flawed fiscal policy. After years of discussion in which especially the Weimar

bureaucracy advocated a return to funded financing, as a way of guarding social policy against the influence of 'party interests', in 1933 the new Nazi regime passed a law that returned the statutory pensions to a funded financing system (Manow 2000: 158).

During the Nazi regime, funds of the pension insurance were used to finance the war machine. On the one hand, contribution levels rose because the pension insurance was opened to certain kinds of self-employed and because preparation for the war raised employment rates. On the other hand from 1938 onwards the pension funds were forced to invest the majority of their funds in government bonds. This led to an almost total collapse of the pension insurance after the loss of the war (Bartels 2014: 36).

After the end of the Second World War, most of the funds had been lost or spent, and what was left lost value due to inflation. The dire economic situation meant low employment and thus low contributions, while the human cost of the war meant a great number of injured claiming invalidity benefit, as well as a high number of survivor benefit recipients due to the war dead (Döring 2000: 178).

The future organisation of the pension system was a subject of Allied negotiation. There were demands to turn the individual social insurances into one joint people's insurance. The Allied Control Council drafted a bill that was supposed to create a unified social insurance, merging pensions, health care, unemployment and accident insurance, and covering workers, employees and the self-employed as early as 1946, a move that reflected long-standing demands from the workers' movement. But the policy was rejected by a broad majority of the German political establishment, including the trade unions and Social Democrats. The Allied powers were not committed enough to push through the measure in the face of that kind of opposition, and so the attempts to establish a people's social insurance failed at least in the three Western occupied zones, while the Soviet zone and (for a time) Berlin chose this model of insurance (Kleßmann 1991: 248f).

In the discussion that followed in West Germany, the welfare systems soon returned to the institutions that had previously been established. In 1948 the *Sozialversicherungs-Anpassungsgesetz* formalised the continued reliance on the fragmented social insurance system in the three Western zones (Schmähl 1999: 399). Even the split between workers and employees in pension insurance was upheld (Frerich and Frey 1996b: 43). Despite the postwar upheaval, the first pensions were being paid out again as early as 1945, albeit at a very low level (Schmähl 1999: 400).

The most pressing pensions problem of the postwar years was then also not the question of how to organise pensions, but how to alleviate the severe poverty that was rampant among the elderly (Elsner and Proske 1953). Pension benefits at the time were static, not updated, so even those pensioners who had significant contribution records saw their pensions decrease over time. Pensioners were among those hit hardest by postwar conditions, so that improving their situation became the focus of and reason for a number of political ad-hoc measures. The need to raise the level of pensions is apparent in the choice to convert pensions at a 1:1 ratio when the monetary reform of 1948 changed German currency from

the Reichsmark to D-Mark, while other entitlements, savings and holdings were not treated so favourably (Schmähl 1999: 400). Between 1951 and 1956, a whole series of laws raising the level of pensions was passed (Frerich and Frey 1996b: 43f), although it is already obvious from the continued need to make adjustments that none of these laws had a significant impact on the core problem of low and static pensions. That a more fundamental pension reform was required was becoming increasingly clear.

3.6 1957: the Adenauer reform

Summary: the 1957 reform under Chancellor Adenauer addressed poverty among the elderly by introducing dynamic pay-as-you-go pensions. Existing pensions rose by up to 65%. State pensions were now supposed to be sufficient to maintain living standard in retirement. Employers and the insurance industry were opposed to it. The legislation marked the beginning of the pensions compromise in politics. The established pension system was highly popular among the German public.

The pension reform that shaped the German pension system into the Bismarckian system it came to symbolise happened in 1957. Originally it had been intended as part of a more comprehensive overhaul of the German welfare state, with pension reform as a central piece of a wider-reaching whole. When these plans were looking increasingly unlikely, the government under Chancellor Adenauer focused their efforts on at least achieving a pension reform that would put the German state pension on a new footing and solve the problem of the level of benefits beyond the previous piecemeal adjustments (Frerich and Frey 1996b: 47).

Adenauer saw this reform as part of an effort to solidify the social order in the young West German state, which in turn was part of making the West German political system seem attractive to people in East Germany, as the contest of political systems was well underway. He pushed it through despite resistance in his own party and despite opposition from his liberal coalition partner, the employers and the insurance industry (Frerich and Frey 1996b: 47f, Schulze and Jochem 2007: 671). He relied on the “left” wing of his party, which represented Christian workers and upheld the traditions of Catholic social teachings, and on the parliamentary support of the SPD. This marked the start of the so-called “pension compromise”, an informal arrangement between the two main parties that removed pensions from immediate political conflict. It lasted until the early 1990s (Schmähl 1999: 402).

This pension reform strengthened the insurance principle and the link between contributions and benefits for future pensions on the one hand (Manow 2000: 165). On the other hand, new *and* existing pensions were switched to a new calculation formula that meant that existing pensions rose on average by 65%. The most fundamental innovation of the new pension formula was the switch to a dynamic pension, which takes inflation and price development into account. Existing pensions were recalculated from the day of retirement, so that the longer it had been since someone entered retirement, the more steeply their pension benefit rose (Schmähl 1999: 404ff). The ambitions of the new pension system were higher as well. The assumption no longer was that the state pension would be

one element of old-age income among many; it was no longer conceptualised as mere poverty prevention. The 1957 reform marks the transition to a status-maintaining state pension that by itself was supposed to guarantee that pensioners would by and large be able to maintain their pre-retirement standard of living (Frerich and Frey 1996b: 48).

This transition is also apparent in the new aimed-for replacement rate. Under the new system a so-called “standard pensioner” – someone who had paid contributions for 40 years on an average income – was supposed to achieve a replacement rate of 60% of their pre-retirement income. In the same vein, the new system took an *as if* approach to current contribution payers and future pensioners and treated them as if they had always lived under (and contributed to) this pension arrangement (Schmähl 1999: 406f).

This kind of increase in pension pay-outs obviously meant that significantly higher financial resources would have to be committed to pensions. Pension funds were still depleted after the war, and as the new pensions were dynamic, future rises in expenditure were also expected. The only way it was possible to finance such a sudden increase in pensions expenditure without years or decades of saving up beforehand was to switch (again) to a pay-as-you-go insurance model. Considered frequently but often maligned⁶, in the context of the postwar pension reform, the PAYG financing model became hugely attractive, more so in the face of pension funds having been more or less wiped out by world history events yet again.

This switch to the pay-as-you-go principle allowed Adenauer to bring about a reform that brought a palpable and immediate benefit to people who were generally seen as deserving, including refugees from formerly German territories in the east, while dispersing the cost across the working population and, even more importantly, across time; a reform that was expansive without generating any losers. As a result it was a hugely popular reform, unprecedented in the level of support and positive feedback it garnered among the population (Frerich and Frey 1996b: 48).

The reform upheld the previous retirement age of 65, but introduced early retirement options for women, for unemployed people as well as for certain groups like miners that made retirement at 60 possible (Frerich and Frey 1996b: 49). It also created a financial compensation mechanism between the workers’ and the employees’ insurance to the financial benefit of the former (Bartels 2014: 40) and in general properly equalised the retirement conditions for workers and employees, with only minor differences in rehab options (Döring 2000: 176).

The period that followed was what would later be perceived as the Golden Age of pensions in Germany, and the situation against which all later developments in pensions would be measured.

⁶ For a history on the debate on pay-as-you-go financing versus funded pensions, see Manow 2000.

The post-war German welfare state as a whole was set up around guaranteeing a family wage, or replacement at an equivalent level, for (male) breadwinners. With the exception of health care, the social insurance systems were all set up on an equivalency principle, meaning high benefits for workers making high contributions, and lower benefits for workers on lower incomes and thus lower contributions; any redistribution was set up to be inter-temporal, happening over the contribution payer's lifetime, not between different contribution payers (Bleses and Seeleib-Kaiser 2004: 18ff). The generosity of the various benefits provided a very high degree of security. The prerequisite to partaking in these spoils was stable labour market participation, but it was also assumed that for most (male) workers who were willing to work, this was not just a possibility but the most likely course of events: "The standard employment relationship was not only perceived to be a normative goal, but also implicitly acknowledged to reflect reality" (Bleses and Seeleib-Kaiser 2004: 18). With regard to pensions, the benefit recipient is obviously no longer required to work or demonstrate willingness to work, but the strong ties to labour market participation and labour market performance apply here as well. In the economic boom years of the 1950s and 1960s, high wages lead to high contributions (or, in the case of older workers, high *as if* calculations), and as a result the pension system as established in 1957 provided high pension payouts for a majority of pensioners and their dependents, provided they had been labour market insiders.

The insider-outsider divide this institutional set-up created in the German welfare state, and pensions in particular, became one of the strongest among developed welfare states. Due to a strong economy, high labour market protection and the German education and training system, the number of labour market outsiders in Germany was small. But because of the very high level of security for insiders, the gap between the two groups was extremely pronounced. On the other hand, the small number of affected people meant that this was not regarded as a pressing problem. Because of the stable working biographies, the standard employment relationships and fairly high wages in Germany at the time, even most working class households could look forward to reasonable retirement income. It is therefore not surprising that the trade unions focused on collective bargaining and wages. Social policy was not a major battleground for them.

The generosity of the institutional set-up was also the reason that Germany largely remained a single-tier pension system. Life insurance as a savings vehicle has been very popular among Germans for a long time, and was often used as a way to bolster retirement income; in fact for the longest time, life insurance was *the* most common way of private pension saving for Germans. On the occupational side, certain employers, primarily big corporations with a high number of employees, used occupational pensions to strengthen employee loyalty and as a tool to moderate early retirement. But these were thin cream layers on a fairly big public pension cake, and the system was not designed to *require* second or third tier pension saving. For most people, as long as they were integrated into the labour market, the high replacement rate of the state pension and their likely to be stable working career assured a

reasonable income in old age, with bonus savings as just that: a bonus, not a built-in necessity.

So despite the fact that it perpetuated inequalities into retirement, the German pension system was generally well-regarded and supported by the German public, and indeed perceived as “fair”.

This happy state of affairs was thrown out of balance in the 1970s by the first of two major changes that affected German pension policy (and politics) at its core; the second would follow towards the turn of the century.

3.7 Expansion and crisis: 1970s and 1980s

The economic foundations of this Golden Age of German pensions were built on growth and full employment; its political foundations were built on a cross-party consensus that pensions were too important, too complex, and too long-term oriented to make them the subject of day-to-day political contest and election campaigns. This is not to say that pensions issues were irrelevant to politicians trying to get elected: in the middle of the 1972 no-confidence procedure, a Social-Liberal government and a Conservative opposition almost unanimously voted for the 1972 pension reform, which had become ever more expansive (and expensive) in an effort by the government and the opposition to claim credit for advocating for pensioners (Hockerts 1992). But political process leading to this ever expanding bill also shows that while there was disagreement in the details, the underlying architecture of the pension system was subscribed to by both major parties, and both were invested in improving the financial situation of pensioners.

Early – and in comparison to more recent developments, minor – demographic pressures had been anticipated in the 1960s, with a first “bulk” of new pensioners expected in 1966. Together with a first – and in comparison to later developments, also minor – economic slump, this led to adjustments in the financing of pensions, including among other things a raised contribution rate (Schmähl 1999: 408). Pension expenditure had become a major share of government spending and a factor in the GDP. Even during this period, the pension insurance required the occasional adjustment to meet its liabilities. But even when the need to adjust on a small level arose now and then, the overall trend in welfare policy was still expansion.

In 1969, a new social-liberal coalition took office, replacing the Great Coalition which had worked together from 1966 to 1969. After the brief economic slump in the 1960s, the pensions system was considered to be on sound footing, and the new coalition aimed to bring in reforms that would reflect changes in society. Among the reform efforts were the introduction of a flexible retirement age, a minimum pension for people with a long contributions history but low wages, one year of increased pension credit for women (the so-called “baby year”), the opening of statutory pension insurance to more societal groups, and an attempt to address the problem of how to divide pension entitlements in cases of divorce. As part of the still on-going pensions consensus, but also because of the institutional split of

power between the *Bundestag* and the *Bundesrat* and different majorities in the two chambers, the coalition was able to negotiate with the conservative opposition on all of these points except the extra year of pension credit for women, which was eventually dropped from the proposal, and not picked up again even when it would have been politically feasible for the coalition to push the measure through without CDU support (Frerich and Frey 1996b: 53). Most of these measures were expansive in nature, with early retirement options that were not kept actuarially fair, and minimum pensions for low-income earners that weakened the link between contributions and payments but reflected a striving towards social fairness. Other measures, such as dealing with the problem of pensions entitlements in cases of divorce, were not expansive in nature but acknowledged societal realities as they had developed.

The expansive nature of these reforms could be in part attributed to the political situation at the time. The social-liberal coalition began to erode in 1972, and as an early election was on the horizon, SPD and CDU were competing on generous suggestions for pension reform. With particularly long-lasting effects, the introduction of early retirement at 63 with no deductions for people with a long contributions history was a very popular measure and had been a demand of trade unions for a very long time. Actuarially fair deductions were undesired from a social policy point of view (Schmähl 1999: 409). This was both an expensive change to the pensions formula, and had a lasting impact on people's retirement expectations. Early retirement began to be seen as an earned social right, which became worthy of defending once governments realised the full extent of the fiscal consequences (Ebbinghaus 2006a: 4ff).

The 1972 reforms had set pension policy on a more expensive course, just in time for the economic troubles of the 1970s. The economic foundations of the hitherto booming German economy first began to erode in the early 1970s with the onset of the oil crisis, and the world-wide economic slump that followed. For the first time, post-war Germany was confronted with mass unemployment. Unemployment insurance caught the individuals hit by lay-offs and the benefit remained generous, but the years of relentless growth were palpably over. Stagflation called to mind the economic troubles of the Weimar Republic, and government debt became regarded as a serious problem for the first time.

Also noticeably over were the baby boom years. Reliable birth control in the shape of "the pill" had become widely available in 1961, and official statistics started to reflect the first inklings of demographic change.

This was not regarded as cause to overhaul the pension system as such. But the vulnerability of a PAYG system to developments on the revenue side was being felt for the first time, and the first warnings about sustainability of the pension system were being heard.

However, instead of prompting structural changes or serious retrenchment efforts in the area of pensions, the oil crisis and the economic turmoil that followed led to policy responses that would later exacerbate the demographic problems rather than alleviate them. The social policy issue keeping politicians of the day awake at night was unemployment,

which pushed past the one million mark in 1975, quadrupling from only three years earlier (Frerich and Frey 1996b: 83). This put an end to the feeling of constant boom and full employment that had been the backdrop to the expansion of the German welfare state after the war. Welfare reform of the 1970s mainly had to grapple with the cost of keeping the promise of status maintenance for a much higher number of unemployed people and keeping the unemployment benefit sustainable; more liberal concepts of managing unemployment and calls for more “personal responsibility” entered the political debate, but did not lead to a reconceptualising of the German welfare state as such (Frerich and Frey 1996b: 161f).

The pension consolidation reforms of the 1970s focused on smaller and technical adjustments. On the side of payouts, this included delaying the uprating of pensions. On the income side the contribution rate was set to rise from 18% to 18.5% and from 1978 the employment agency was supposed to pay pension contributions for the unemployed, shifting some of the financial burden between social insurance branches (Frerich and Frey 1996b: 228).

Towards the end of the 1970s, these technical adjustments seemed to bear fruit and stabilize the financial situation of the state pension. However, once the economic situation worsened again in the early 1980s, financing the state pension became a concern once more. In a mirror movement to the shifting of money from the employment agency to pensions, a lowering of pension contributions was meant to offset the raising of unemployment insurance contributions (Frerich and Frey 1996b: 228).

Out of efforts to combat unemployment came also one of the most consequential policy ideas for the German pension system in the years after the oil crisis: in the early 1980s, employers, trade unions and the government all for their own reasons saw great benefits in using early retirement policies to phase out older workers. Big employers wanted to renew their workforce in socially acceptable ways; trade unions saw the advantage for their members to secure an early exit and a longer stay in retirement, and expected early retirement to open up job opportunities for younger workers; the government hoped to reduce the official number of unemployed in visible and election-relevant ways. This idea was in particular reflected in a short-lived early retirement provision in place between 1984 and 1988, by which older workers could be retired early with generous government support on the condition that the position would be filled with a young person or an unemployed person (Bundesministerium für Arbeit und Sozialordnung 1984, Ebbinghaus 2006a: 129f).

While these reforms succeeded in easing the transition for a cohort of older, accomplished workers into a financially secure retirement – a not insignificant benefit – it is generally seen as evident that the desired invigorating effect on the labour market did not occur. Furthermore, the brain drain and loss of experience through early retirement only began to be appreciated a good while into the process. The most significant consequence of early retirement, however, was changing expectations of retirement among the working population. When it became relatively common for people to retire at 58 or 60, not due to

ill health, but as a normal path to retirement, this became the yardstick against which people measured their own desired retirement age.

Despite the ruling by the European Court of Justice in 1986 that declared a discriminating treatment of women on the retirement age as violating principles of equality (EuGH 1986)⁷, the German Federal Constitutional Court ruled in 1987 that the lower retirement age of 60 for women did not violate the constitutional principle of equality, on the argument that this advantage of an earlier retirement age was likely to be offset by other disadvantages that women faced over the course of their career (Frerich and Frey 1996b: 238).

Despite expected demographic pressures and the economic developments that put pressure on the social insurance systems as a whole, the development of the retirement age at the time was not rising either legally or in reality, and in fact the trend towards an ever shorter work life continued. These developments around early retirement in the 1980s still put politicians in a bind today. Contemporary reforms raising or attempting to raise the retirement age not only have to grapple with the nominal retirement age, but against people's lived experience of a much lower actual retirement age. People who saw their parents retire at 58 or 60 are now told they will retire at 67, a prospect hard to communicate to voters (see chapter 5.)

The early retirement policies also put a severe strain on the pension insurance system. The early retirees of the 1980s were often workers who had enjoyed stable employment and rising wages throughout the post-war years, and were thus entitled to very high pension benefits, which they continued to draw, due to rising longevity, for decades.

At the same time as the early retirement options were still being expanded (Schulze and Jochem 2007: 679), there were once again efforts made to curb pension expenditure. In response to the pressure created by unemployment, low economic growth and rising pension costs, from the early 1980s there was a general consensus that a more fundamental reform of the pension system was going to become necessary. A study by the Labour Ministry expected a pensions contribution rate of 24,6% by 2010, and an even more alarming study by PROGNOSE expected a contribution rate of 27.1% by 2015 and 36.4% in 2040 if the economy and the labour market developed favourably. Prognosis for lagging economic growth and a troubled labour market was even worse (Deutscher Bundestag 1996). Model calculations predicted a shift from 1,000 working people supporting the payout of 557 pensions in 1986 to the same number of working people supporting the payout of 1325 pensions in 2030 (Frerich and Frey 1996b: 249).

Similar to the smaller pension crunches in the 1970s, the mid-1980s saw a number of small scale adjustments to ensure the liquidity of the federal pension insurance. After the pension raises of the seventies the yearly pension adjustment was reduced, and at certain times postponed to ease temporary financial burdens on the insurance funds. Pensioners had to

⁷ This was a case where a woman sued to overturn a default retirement age that was lower for women than for men. EuGH, 26.02.1986 - 152/84

pay a higher share of their health insurance contributions, relieving the pension insurance of some of its health care burdens. On the income side, sick pay became fully liable to pension insurance contributions, as did most bonus payments. Additionally the pension contributions rate was raised in 1984 (18.5% to 18.7%) and 1985 (18.7% to 19.2%) (Frerich and Frey 1996b: 230).

Beyond these adjustment relief measures, a more thorough structural reform, in reaction to the longer-term questions of sustainability, was in the works. The government, a conservative-liberal coalition that had come into office through a vote of no-confidence in 1982 and then won reelection in 1983 and 1987, declared in 1987 that it was going to tackle a structural pension reform in the next legislative period. Both the government and the oppositional SPD were still interested in maintaining the pension consensus and for any major pension reform to pass with a broad parliamentary majority. After long negotiations, a cross-party draft was presented in 1989 for a pension reform that was supposed to come into effect in 1992, the “1992 reform” (Frerich and Frey 1996b: 251).

The 1992 reform is often seen as the third great pension reform after the original establishment and the 1957 reform (Schmähl 1999: 410). However, the chief tenets of this reform were still entirely in line with the principles of the existing pension system. A system change was explicitly rejected: the reform was intended to protect the state pension as a status maintaining pension on the basis of PAYG financing (Frerich and Frey 1996b: 252).

The reform included the plan to raise the retirement age for women and unemployed people from 60/63 to be in line with the general retirement age for men at 65. This was one of the most contested elements of the reform (Frerich and Frey 1996b: 253). The pension formula was simplified, with an added factor that took into account early or later retirement, which was supposed to strengthen the link between a person’s contribution and their later pension again. From 1992 onwards, pensions uprating would be based on net wages’ development (Schmähl 1999: 412f). This was a consequence of the previous state where uprating according to gross wages’ development had placed a disproportionate burden on the wage earners, as pensions had risen steeply in some years even when net wages – as a result of among other things rising pension contributions – were going down.

3.8 Reunified Germany and the erosion of the pensions compromise

Summary: the cost of reunification and the economic slump in East Germany put severe pressure on the social insurance systems. The perception that the German pension system was in need of radical reform gained momentum. At the same time the German welfare state was increasingly seen as impossible to reform. The relationship between the conservative-liberal government and the trade unions worsened. The pension consensus between the main parties eroded, leading to the first election campaign based on pensions policy in 1998.

The 1992 reform passed practically on the eve of German reunification. The integration of East Germany into the German welfare state represented a major financial and

administrative undertaking, and this applied especially to pensions. The East German pensions were converted 1:1 and changed to a dynamic calculation, backdated to the point of entry into retirement (Schmähl 1999: 216). This meant that almost 4 million existing pensions were recalculated. The “new” pension, however, was only paid if it was higher than the pension would have been under GDR law (Frerich and Frey 1996b: 623f). The East German pensioners who lost out in the transition were those who had earned very high incomes in the GDR, as they had paid full contributions on their entire income in the GDR, but the calculation imposed a fictive upper earning limit as it had always existed in West Germany on their past contributions. There were also attempts to limit the pension payments to those who were deemed close to the GDR political regime, by for example calculating the pensions of employees of the Stasi using only 70% of average earnings and limiting the inclusion of various occupational pensions of GDR government employees, but the Federal Constitutional Court declared this incompatible with the constitution (Merten 2000: 329f).

The strain on the state pension insurance was also due to the wider fiscal burden of reunification. This financial strain was not inherently due to the transfer of the West German pension system to the East German areas. While the social policy union of East and West Germany meant that a considerable number of retirees were integrated into the West German pension system, PAYG financing meant that so were a considerable number of contribution payers. Merten (2000: 324f) points out that an actual pension cost of reunification would only have occurred if the former East Germany had had a significantly worse demographic structure than West Germany, when in fact the opposite was the case. What made the social policy union fiscally difficult for the unified Germany was rather the economic collapse in East Germany and the high unemployment rate that led to the massive financial transfers from West to East. Pensions were paid out at a rate almost as high as in West Germany, but the East German economy was doing much more poorly in comparison. Schmähl (1999: 416) calculates that state pension expenditure between 1992 and 1996 made up for approximately 10% of GDP in West Germany, but for the same timespan approximately 20% in East Germany.

The fiscal pressures largely brought on by integrating the East German economy and exacerbated by globalisation meant that the German welfare state was seen in need of reform. The generosity established in a time of full employment had developed into a fiscal problem from the 1970s onward, which had been met with system-confirming adjustments as outlined above rather than path departure. Until the mid-1990s, pension reform consisted of “bounded, largely path-dependent changes within the established paradigm” (Hinrichs 2010: 64). By the 1990s the fiscal problems had garnered so much salience that a more radical approach was deemed necessary, but politically unlikely.

Reunification had resulted in higher taxes and rising social security contributions, putting pressure on wages and heightening concern over the non-wage labour costs associated with the Bismarckian welfare model. As Hinrichs (2010: 46) writes, “Not least triggered by the

fiscal costs of unification, the political discourse shifted from social insurance as an effective problem-solving technology to a perception of social insurance as a problem in itself.”

This was also the period in which the German welfare state became seen as inert and stagnating, incapable of reform. Kitschelt and Streeck (2004: 1) describe the condition of the German welfare state as a “high-equilibrium trap” in which “institutional and cultural legacies of a successful past shape the actors’ interpretations of self-interest and of feasible strategies, as well as choices available to them”. In the case of pensions in particular, its long-term nature, with consequences and costs affecting society decades into the future, reforming – which in this context almost always means retrenching – established entitlements was regarded as especially difficult. This is also the period where path dependence according to Myles and Pierson (2001) can be observed most clearly for the German case, and systemic changes was expected to come at enormous cost. The general consensus up until the early 2000s seemed to be that Germany would remain incapable of reforming its welfare system (Häusermann 2010: 126).

Reunified Germany continued to suffer financially as a result of the economic slump in the East, and the social security systems were not well-equipped to deal with prolonged high unemployment. The unemployment “crisis” of the 1970s, back when it had first alerted politicians to the end of full employment, seems minor in comparison.

The relationship between the trade unions and the conservative-liberal government worsened in this period as well. After increasing their vote share in several *Länder* elections, the FDP was pushing the coalition towards a more liberal profile, with several issues that were anathema to the trade unions. Efforts to tackle unemployment together in an Alliance for Jobs broke down in 1995/96 as a consequence of the FDP pushing through sick pay reductions, which was “not negotiable” for trade unions (Schulze and Jochem 2007: 683).

Pension policy also turned into a partisan arena. The pension reform of 1997 under the auspices of Social Minister Blüm represented a major attempt to tackle the looming demographic problem. The so-called Blüm Commission was tasked with finding solutions for this problem within the principles of the statutory pension system. Their resulting recommendation was to widen the scope of insurance coverage on the revenue side and introduce a so-called demographic factor which would slow down pension growth – i.e. reduce pensions over time from a 70% to a 64% replacement rate – in accordance with the development of life expectancy. It also proposed to raise the statutory retirement age for disability benefits to 65 and included reductions of disability pensions if they were drawn before 65. The SPD made its own suggestion, which also aimed to improve social insurance revenue by extending coverage, but guaranteed full disability pensions without deductions. Despite offers from Social Minister Blüm to negotiate, as would have been the traditional mode of operation on pensions issues, the SPD refused the offer, and later blocked those parts of the law that required consent of the second chamber with its *Bundesrat* majority (Schulze and Jochem 2007: 683f). In the end negotiations for the financing led to a compromise with the SPD-led *Länder* so the financing could pass the *Bundesrat*, but in the

election that followed in 1998, the SPD campaigned on a promise to repeal parts of the law if it won the election, and pensions were a virulent topic in the 1998 election campaign. This marked the end of both the consensual model of pension politics and the general understanding between the main parties to keep pensions out of election campaigns and day-to-day politics (Schulze and Jochem 2007: 686).

The reform itself also already hinted at a systemic departure. The provision it included about the long-term lowering of the pensions replacement rate could be seen as indicative of a “programmatically shift” (Schulze and Jochem 2007: 686), indicating that the principle of status maintenance on the state pension alone was becoming disposable in the face of demographic and financial pressure. A replacement rate that for some low-income earners would provide them with a pension only barely above welfare benefits and that weakened the link between contribution and eventual pension had the potential to call the legitimacy of a mandatory pension system into question (Schmähl 1999: 418).

3.9 1998-2005: Red-Green and systemic change

Summary: the Red-Green government introduced paradigmatic change into the German pension system. The state pension would no longer guarantee status maintenance for future pensioners. Private voluntary Riester pensions were introduced that were supposed to bridge the gap. Attempts to raise the retirement age were postponed.

The conservative-liberal coalition lost the election in 1998. After sixteen years in opposition, the SPD came back into office, now with the Greens as their coalition partner. In accordance with their election promises, they repealed those parts of the 1997 pension reform that were deemed ‘unjust’, including the demographic factor Blüm had introduced. But shortly after this partial repeal, the Red-Green government began working on its own major pension reform. Social Minister Riester was in charge of developing a pension reform that would become known as the *Riester reform*, and the type of private pension that was developed in this process is to this day known as a Riester pension.

The Riester reform for the first time established private provision as an expected and integral part of a status-maintaining old age income plan. After a prolonged negotiation process during which not just the opposition parties, but also the SPD-led *Länder* had a number of misgivings about the reform (Schulze and Jochem 2007: 687-691), the Riester reform passed parliament in split bills in 2001.

The reform introduced a clear deviation of the previous pension path of the German welfare system. The principle of status maintenance through the state pension alone was explicitly abandoned. Instead, the reform introduced a capital-funded supplementary private pension that was supposed to compensate for the lowering of the replacement rate (Schulze and Jochem 2007: 691). At the urging of the trade unions, the law also included a provision that entitled employees to save into an occupational pension, the so-called *Entgeltumwandlung*, in which parts of an employee’s wage were to be directly converted and taken out of their paycheck by their employer. Employees have a right to ask for

Entgeltumwandlung and the employer is required to supply the infrastructure, but not pay occupational pension top-ups, making this resemble more individual savings accounts with administrative support.

The new supplementary pensions were not mandatory, but they were intended to offset a significant drop in the replacement rate for future retirees. In other words, for a full pension, i.e. the kind of wage replacement that was seen as common and to be expected, private or occupational supplementary provisions were now required and no longer optional.

Riester's initial plan had included making the private Riester pension mandatory, but this had to be abandoned in the face of serious opposition from employers, trade unions and even parts of the coalition. Instead people would be incentivised by tax breaks – relevant for high-income earners – and flat-rate co-contributions to the fund by the government plus extra payments for each child, which was supposed to benefit families and low-income earners.

But the problem of pension expenditure remained on the agenda, and the SPD chancellor Gerhard Schröder campaigned before the 2002 election on a promise to reform the health and pension systems further. In the wake of a narrow re-election, the Red-Green government then set up the Rürup Commission to draw up plans for further pension reform. Tactically, the reliance on commissions in welfare reform allowed governments to heighten reform pressure through a third, “neutral” party's findings and recommendations (Schulze and Jochem 2007: 694).

The Rürup commission, in line with previous commissions' findings, recommended raising the retirement age, in this case from 65 to 67, but the government decided to postpone this measure. It also recommended a *sustainability factor*, which was in effect an even more cost-cutting version of Blüm's demographic factor, as well as that pensioners pay full contributions on long-term care insurance, both of which the government adapted into their legislative draft and passed, if narrowly. As a concession to resistance within the SPD, the government added a replacement rate floor below which the sustainability factor could not push the replacement rate, which was 46% of average earnings at 45 years of contributions (Schulze and Jochem 2007: 694).

In contrast to the low expectations that experts had for Germany's ability to reform its welfare state provisions, the pension reforms of the Red-Green government in the early 2000s went on to change the nature of the German pension system for good. Within a few short years, the German pension system was changed from an essentially one-pillar state pension system with status maintenance in retirement to a system that, once the long phasing-in of these measures takes effect, is multi-pillar in construction and only guarantees poverty prevention. Streeck and Trampusch (2005) point out that unlike other reform efforts of that period, the 2001 pension reform was one that lasted, “[a]gainst all expectations”. Looking at it through the lens of non-wage labour costs, the move from a public pay-as-you-go system to one that involves private provision alone only provided “a

brief respite” (Streeck and Trampusch 2005: 182). The follow-up reform of 2004 and its sustainability factor was therefore necessary, along with a significant cut in the replacement rate for future pensions (Streeck and Trampusch 2005: 183).

3.10 The retirement age and cleaning up after retrenchment

Summary: the Grand Coalition under Chancellor Merkel raised the retirement age from 65 to 67 in 2007. This move was welcomed by the employers but fiercely opposed by the trade unions. Pension reform discourse afterwards shifted towards dealing with the fallout from retrenchment and attempts to improve the coverage of women and people with irregular employment histories.

In 2005, a second Grand Coalition of CDU/CSU and SPD took office under Chancellor Merkel. By that time, the raising of the retirement age was a missing element to pension reform that had been called for again and again, but always postponed or rejected by the government. It now became one of the main social policy issues in the 2010 coalition agreement. The trade unions were vocally in opposition, fearing it was nothing but a pension cut and would lead to higher unemployment among the young. There were also critical voices within the SPD, and as a result a special clause for people with long contribution histories was inserted that would still allow those who had started to work young to retire at 65 (Schroeder 2010b: 195). The exception for people with a 45-year contribution history only applied to 5% of women but 30% of men, and thus significantly reduced the savings potential (Schmidt 2010: 311).

Generally seen as the driving force behind the raising of the retirement age were not the conservative parties, even though they had called for the measure during Red-Green’s tenure. The central role was played by Labour and Social Policy Minister Franz Müntefering, who took on the matter as a way of complementing, completing the reforms of the previous government and the Agenda 2010 (Schmidt 2010: 311).

The reform was well-received by the employers but detested by the trade unions (Schroeder 2010b: 195), and they continued to campaign against it. The topic stayed on the agenda within the SPD as well, and the party struggled with having introduced a reform that proved to be very unpopular among its members. The resentment of the later retirement age dogged the party for so long that in 2013, when it came back into office as a junior partner in Germany’s third Grand Coalition, it insisted that a new retirement age of 63 for people with long working biographies should be re-introduced, and the reform in question was passed in 2014.

Unlike the Riester reform, raising the retirement age is a parametric reform that – speaking generally – does not mean a systemic shift. It did add to a general sense of continuously increasing pension cuts among the German population. The higher retirement age of 67 started being phased in in 2012, but as a policy issue it was not settled, and debate kept flickering up.

In 2009, the government changed again and Chancellor Merkel was now leading a Conservative-Liberal coalition. During this period, the problem of poverty in old age was

pulled into the public eye. The most important pension reform issue in this legislative period was the debates around a minimum pension for the long-term insured who had also contributed to private provisions, but still could only look forward to a pension level below or around general welfare benefits. This applied in particular to women. Minister for Labour and Social Policy von der Leyen pushed forward a proposal to introduce a minimum pension in which pension payments were topped up to be above that of means-tested social assistance if several criteria were met, such as a 35-year contribution record – where child-rearing credit counted as well – and private provision. As a conceptual discussion, the so-called *Zuschussrente* introduced a new approach to dealing with the problem of old age poverty, which is expected to become larger as the Red-Green reforms fully come into effect, and which is supposed to incentivise low-income earners to save privately, without having those private savings means-tested away (Arent 2012). But in terms of actual policy impact, the conditions were so tightly constricted and the predicted number of pensioners this applied to so limited that this cannot be counted as one of the major pension reforms.

The issue of the retirement age, on the other hand, remained salient and subject to ever more reform. Despite the 2007 reform taking effect from 2012, the issue was not settled in particular within the SPD. When the 2013 election resulted in the third Grand Coalition between CDU/CSU and SPD, the parties committed to further adjustments to the retirement age in the coalition agreement at the urging of the SPD. While the general retirement age of 67 remained standing, the exceptions for people with a long contribution history were made more generous: people who had paid pensions contributions for 45 years will now be allowed to retire at 63 with no deductions, and achieving a 45-year contribution history was made easier by recognising certain periods of unemployment as well as the raising of children (BMAS 2014).

The dominant topics in pension discourse in the 2010s have been the retirement age and the fall-out from the Red-Green pension reforms, though as the debate around the *Zuschussrente* shows, the systemic shift introduced with Riester has been generally accepted as a fact of life, and reform concerns now center around how to alleviate the unintended consequences and less desirable by-products of the systemic shift. The retirement age issue is a general retrenchment versus generosity item and does not call into question the underlying system. But the introduction of a minimum pension in response to the threat of old age poverty as a result of a declining replacement rate could be the next reform touching on the systemic principles of the German pension system, moving it even further away from the framework established in 1957.

4. Pensions in the United Kingdom: the unfulfilled Beveridge system

4.1 Summary

In this section, I will outline the development of the British pension system starting with the first state pension introduced in 1908, while providing a brief look back at the historical foundations and the relation of pensions legislation to government poverty relief. I will briefly discuss the relevance of the major pieces of legislation that came after the first state pensions in 1908, the 1911 social insurance legislation and the 1925 legislation that introduced the first contributory pensions.

Next I will highlight the importance of the Beveridge Plan, published in 1942, and its development into the fundamental pensions legislation of the National Insurance Act of 1946. I will then map out the pensions developments in the decades after the Beveridge legislation. I will argue that most of the major pension issues that followed, such as the need for and development of second-tier state pensions in the 1960s and 1970s, were directly related to flaws inherent in the 1946 constructions, and struggling with the same fundamental opposition between the virtues of universality and frugality.

I will then outline the conservative attempts at retrenching these expanded state provisions in the 1980s, and the first attempts to raise the state pension age in the face of demographic change.

The next major development in pensions happened under the New Labour governments from 1997. These reforms were intended to address the problems of pensioner poverty without significantly raising state pension expenditure. I will discuss the third attempt at a second-tier state pension, the State Second Pension, and ultimately its failure, as well as the reforms that came out of the 2005 Pensions Commission, including the most innovative reform of the Labour period, the introduction of auto-enrolment with compulsion on employers, and the establishment of the National Employee Savings Trust (NEST).

Again, this section is intended to provide a general background and timeline for the analysis of individual reform issues. A more in-depth history of the development of the retirement age in the United Kingdom can be seen in chapter 5.1.3 before the analysis of interest group positions, and a discussion of auto-enrolment is in chapter 6.2.

4.2 Overview of major pension legislation in the United Kingdom

The following will give an overview of the most important legislative steps in the development of the British pension system. As with the German example, only major reforms are listed, and administrative adjustments are omitted for the sake of overview.

Table 2: Overview of major pension legislation in the United Kingdom

1908 <i>Old Age Pensions Act</i>	Old Age Pensions	Provides a means-tested, non-contributory old-age pension for people over the age of 70.
1911 <i>National Insurance Act</i>	Health and Unemployment Insurance	Not a pensions act as such, but set up the framework for a contributory national insurance.
1925 <i>Widows', Orphans' and Old Age Contributory Pensions Act</i>	Old Age Contributory Pension	Established an old-age pension for people aged 65 to 70 based on insurance contributions. Also included benefits for dependents.
1946 <i>National Insurance Act</i>	Basic State Pension	Introduced a universal contributory state pension with flat-rate benefits and flat-rate contributions, planned as funded but pay-as-you-go in reality due to immediate deficit. Retirement age of 65 for men, 60 for women.
1959 <i>National Insurance Act</i>	Graduated Retirement Benefit	Introduces first state earnings-related pension scheme. Applies in a band of earnings and is mildly redistributive. Deliberately made less appealing than private provisions, opt-out possibility.
1975 <i>Social Security Pensions Act 1975</i>	State Earnings Related Pension Scheme	Introduces second state earnings-related pension scheme, replaces the graduated retirement benefit. Calculated on the best twenty years with an aimed-for replacement rate of 25% of the average wage.
1986 <i>Social Security Act</i>	SERPS Reform and Personal Pensions	Personal Pensions are introduced and become an opting-out possibility. SERPS is re-calculated on lifetime earnings and the aimed-for replacement rate lowered to 20% of average wage. Survivor benefit of SERPS reduced to 50%.
1995 <i>Pensions Act</i>	Pension Act 1995	Increase in female retirement age from 60 to 65, to begin in 2010. SERPS recalculated to reduce benefits.
1999 <i>Welfare Reform and Pensions Act</i>	Stakeholder Pensions	New personal pension is introduced. Introduction of means-test for incapacity benefits.

2000 <i>Child Support, Pensions and Social Security Bill 2000</i>	State Second Pension	Introduces second state earnings-related pension scheme, replaces SERPS. Redistributive towards low-income earners.
2004 <i>Pensions Act</i>	Pension Protection Fund	A pension protection fund is introduced, designed to protect members of defined-benefit occupational pension schemes in case of employer insolvency.
2007	Reform of the Retirement Age	Qualifying years for the full basic state pension are reduced from 44 years for men and 39 years for women to 30 years for both. Women's retirement age will rise to 65 by 2020. Both men and women's retirement age will rise from 65 to 68 between 2024 and 2046. Credits for parents and carers are introduced for the State Second Pension.
2008 <i>Pensions Act</i>	Auto-Enrolment Reform	Auto-enrolment of all employees into an occupational pension scheme becomes mandatory from 2012 to 2017. Employees can individually opt out. The National Employment Savings Trust (NEST) is established with a government loan to provide a low-fee pension scheme for employers without their own preferred scheme.
2014 <i>Pensions Act</i>	New State Pension	Introduction of a single-tier pension to replace the basic state pension and state second pension with a flat-rate pension that is set above the basic level of means-tested support. To come into effect from April 2016.

Source: Bozio et al. 2010, Schulze and Moran 2006, Department for Work and Pensions.

4.3 Origins and early developments

Summary: the development of the welfare state in the United Kingdom lagged behind developments on the continent. The first existing pensions were for retired civil servants. Support for the aged came from private charities and friendly societies or poor relief. The legacy of the Poor Laws shaped British pension policy for a long time after. Trade unions tried to offer mutual support between members but were largely concerned with working conditions and wages. In general they were politically more cautious than trade unions on the continent.

The British welfare state in the shape it is generally thought of today was established after the Second World War. It came out of policy plans that had developed during the war years, and despite the economic restraints of post-war reconstruction, these foundations of the modern British welfare state could be passed into law on a general political consensus that carried over from the wartime coalition. Its main pillar was the National Insurance system that was passed into law with the National Insurance Act of 1948, which introduced a new system of flat-rate universal pensions, survivor benefit, sick pay and unemployment, and contained contributions for the newly founded National Health Service (Parry 1988: 159f).

Regardless of subsequent amendments, expansions and retrenchment, this established the basic structures of the modern British welfare state. But this framework was not drafted onto a blank slate. The earliest concerted government efforts to provide citizens with at least a subsistence level standard of living date back to the turn of the seventeenth century and the Poor Laws of 1597 and 1601, and elements of these Poor Laws remained in effect until the 1946 National Insurance legislation came into force (Blake 2003: 3).

The age of industrialisation started in Britain, but the social policy response to the problems that industrialisation brought with it lagged behind developments on the continent. In comparison with Germany, the development of social insurance in Britain happened roughly three decades later. Ogus (1981) suggests a mix of reasons for this: one is the endurance of a highly individualistic ideology. Additionally, collective movements developed much more slowly than on the continent. In response to that, there was an expansion of private welfare and charity, which quite possibly weakened demands for decisive government action by providing at least a certain stratum of workers with some degree of social protection. Furthermore, the kind of authoritative state Bismarck envisioned, in which providing for social welfare was another way of the state asserting itself, was alien to the British liberal democratic tradition.

The social changes brought on by industrialisation did eventually lead to pension provisions for the aged, but the philosophical tenets of the Poor Laws underpinned most of the legislative steps right until the 1946 National Insurance Act.

The first explicit pension did not address the social question, or workers in general. Like in other countries, the first real pension scheme established in the United Kingdom was one for civil servants. It was passed in 1834, more than two hundred years after the first Poor Law. Plans for this scheme came about because it had become increasingly obvious that the government needed to find a way to gracefully retire its civil servants when they were no longer able to perform their tasks adequately. The scheme applied to all civil servants and was non-contributory, offering pension payments to civil servants who were unable to continue carrying out their duties due to infirmity. Much like other pioneer pension schemes, it was essentially a disability pension (Blake 2003: 3f).

The cost of providing for all civil servants in retirement was a concern from the outset. Similarly, there was an immediate concern that any guarantee of a pension in old age would undermine efforts of self-help and encourage idleness. The ideological approach to poverty in the Victorian age was that the poor were largely poor due to laziness and other moral failings, and any legislation addressing questions of social welfare had to contend with questions of morality and good character. It is illustrative that in the same year that this first pension scheme for civil servants was established, the report of the Poor Law Commission of 1834 found that the administration of poor relief had been lax, and that financial support through parishes for low-income families and child allowances had a demoralising effect on the poor, encouraging them to live beyond their means at the expense of the community and to have children they could not afford (Ogus 1981: 289).

After the civil service pension scheme, it still took several decades for other classes of public employees to successively be included in some form of pension provision. For example, the first comprehensive pension scheme for police officers was not established until 1890; the first comprehensive scheme for elementary school teachers was not set up until 1898, and did not even cover other types of teachers (Blake 2003: 5).

For members of the public, meaning those not working in the public sector, a pension scheme was still further away. Until then, support for the aged who could not support themselves came either from private charity or the provisions of the Poor Laws.

The Poor Laws were a system of poor relief that dated back to the Tudor era. In its time it was quite modern, in that it officially acknowledged that the state had to step in to address the problem of rampant poverty, vagrancy and begging. Its relief measures were administered locally and varied between parishes (Blake 2003: 3).

In 1834, a new Poor Law modernised and centralised the administration of poor relief. But while the Poor Law relief had always come with qualifications and the assumption that there were the “undeserving poor”, the new Poor Law of 1834 codified Victorian era attitudes towards poverty and introduced new punitive elements to prevent abuse and discourage idleness. The most notorious of these was the central role now given to workhouses. Previously individual parishes had had leeway in how relief was administered, but with the establishment of the Poor Law Commission came the requirement that all able-bodied poor were to be offered admission to the poor house without exception, as a test of whether the claim to neediness was sufficiently real. The principle of “less eligibility”, by which Poor Law relief had to provide less income than that of the poorest self-supporting worker, was intended to discourage anyone from claiming Poor Law relief, and the ideological underpinnings of the law assumed that by discouraging people from asking for relief, one automatically encouraged self-help (Metz 1988: 73ff).

The aged poor did not generally count as able-bodied under the new Poor Law regime, and so they were not as affected by its harshest innovations. If they qualified, meaning they were both poor enough and deemed of good character, they were able to receive help outside the workhouse. At the same time, the new Poor Law of 1834 was an administrative innovation in that it centralised the relief system, taking responsibility away from local administrative bodies and giving the managing authority to a central body (Ogus 1981: 296f, Baek 2010: 127).

There was also a thriving philanthropic sector, with private charity stepping in absent sufficient government provisions. The financial volume is estimated to have surpassed government spending on Poor Law cases. On the other hand, private charities were just as concerned with the morality of poverty, and support was frequently tied to trying to teach people better character (Ogus 1981: 298f). This reliance on private initiative was perfectly in line with the dominant ideology. That private philanthropists could exercise this sort of power according to their own moral standards is likewise in line with the kind of liberal

thinking that assumed that the best outcome for all would be achieved by each individual being completely free to pursue their own happiness.

Like in Germany, there were also efforts at solidaristic self-help among British workers before any meaningful government provision took hold. One crucial development here, also for the subsequent development of pensions, was the growth and importance of the so-called Friendly Societies. These associations were a reaction to industrialisation. Skilled workers sought mutual protection against sickness and to provide for their dependents in case of their death. They had existed for a while but started to spread in earnest in the 19th century. This self-help approach to social insurance was in line with the popular view on welfare. It is therefore not surprising that unlike trade unions, Friendly Societies were supported to a degree by the government (Ogus 1981: 299f). As early as 1893 they had been recognised by parliament in the Friendly Societies Act, which had given them legal status and protection for the funds they managed (Pelling 1992: 11).

Trade unions as well tried to offer their members some protection against social risks. Their main tasks were to improve working conditions and wages. But they also tried to address unemployment, a social risk missing in the Friendly Society-type protection. Although unemployment insurance was a difficult financial feat, by the 1880s some rudimentary unemployment insurance schemes had been created by trade unions (Ogus 1981: 300).

The British trade unions were politically more cautious than their continental counterparts. Striving to win legal recognition, they withdrew from international cooperation. The most socialist ideas in United Kingdom around that time could be found among Christian socialists, who were opposed to radical trade unionism. The establishment of the Social Democratic Foundation in 1881 put Social Democratic ideas back in focus, but in terms of political power and legislation, the founders were only interested in trade unionism, not lobbying in parliament. The opposite of this were the Fabians, who sought to turn the state into an instrument of public welfare through the use of parliamentary politics (Ogus 1981: 308f).

4.4 1908-1911: Liberal reforms and the first British welfare state

Summary: changing perceptions of the causes of poverty and the limits of Liberalism led to a reform discourse on pensions. Insurance companies and friendly societies argued against a centrally-administered state pension. Bismarckian-type insurance systems were discussed in the late 19th century but opposed by industrialists, insurance providers and friendly societies. A Liberal government introduced the first state pension in 1908 with a retirement age of 70 and a flat-rate means-tested benefit. By 1911 a rudimentary British welfare state had been established.

After the turn of the century, there was a shift in perception of poverty. Several studies addressing pensions and pensioner poverty garnered public attention and attention of

policymakers.⁸ They highlighted that a sound economy was only sustainable as long as there were healthy and at least somewhat content workers to support production. Part of these poverty discourses was some acknowledgement that people could indeed fall into poverty through circumstances outside their control. Views on the reasons for poverty shifted from the idea that poverty is always a sign of moral failings, to a distinction between the deserving poor and the undeserving (Ogus 1981: 310).

Another factor, and one that is missing from the German insurance reform discourse, that was instrumental in creating a public receptive to welfare reform in general was Britain's imperial role. During the Second Boer War, in which Britain fought from October 1899 until May 1902, questions over the physical state of British army recruits were raised. Then in 1906, an official report on the health of British people called into doubt whether a Great Britain with a malnourished, frequently sick populace would be able to sustain an empire. This led to policy measures introducing school meals and eventually school medical inspections. While probably not directly applying to pensions, as the aged were not the ones called upon to sustain the empire, it contributed to the erosion of the belief that classic laissez-faire Liberalism was creating the best outcomes for society (Fraser 1984: 148f).

There was also a growing push by activists and newly-developing pressure groups for a new approach to old age poverty and pensions. Several key actors did not subscribe to the liberal model of poverty, and campaigned for the introduction of government measures to address the poverty problem.

In 1899, philanthropist and social researcher Charles Booth published a pamphlet calling for a general old age pension. As a direct result, the National Committee of Organized Labour on Old Age Pensions was formed and campaigned for a statutory old age pension. The demands and analyses of the Committee were in direct relation with the later Old Age Pensions Act of 1908. Parallel to that, the Woman's Industrial Council lobbied for a state pension with a focus on the problems of women, arguing that the typical life course of a woman and interruptions in her working life meant that she would have a very small chance of being able to save for retirement. In opposition to such a reform stood the insurance industry and the Friendly Societies, who saw it as a threat to their interests and wanted to protect their position in the decentralised, privately focused pre-reform welfare system (Ogus 1981: 312f).

Scientific methods in the second half of the 19th century also showed for the first time that poverty was a problem disproportionately affecting the aged (Ogus 1981: 324). This underlined that there was indeed the possibility that someone could become poor due to an event outside their control, in this case being old.

⁸ Some of the most influential works came from private individuals who developed an interest in the subject, such as Charles Booth, a Liverpool shipowner, whose writings included *The Aged Poor* (1894) and *Life and Labour of the People of London* (1903), or industrialist philanthropist Seebohm Rowntree, who published *Poverty, A Study of Town Life* on poverty in York in 1901 (Ogus 1981: 310).

In this climate of a slowly evolving perception of poverty, several commissions were put to work on the issue of pensions and old age poverty. The results were mixed, with some commissions clearly sticking to the moralistic foundations of the Poor Law, but one commission in particular also coming up with the blue print for the first real pension legislation in the United Kingdom.

A modest Bismarckian-type statutory insurance had been suggested by Canon William Blackley (Fraser 1984: 150f). But it was not only industrialists, insurance providers and Friendly Societies who were opposed: trade unions, while seeing some merit in the idea, did not see how it could be made to work for casual workers and female workers (Ogus 1981: 324f).

The other problem with an insurance system, of course, was the insurance principle as such, and the need to build up entitlements. Among those pushing for the introduction of a state pension, the problem of old age poverty was considered so urgent they wanted a system that allowed for immediate relief, and the workers' movement supported a non-contributory pension for all that could come into immediate effect (Ogus 1981: 325).

In 1899 Prime Minister Chamberlain appointed Henry Chaplin to chair a Select Committee of MPs that was to come up with suggestions for social reform to help the aged. The Chaplin Report in the same year was condensed into an actual bill. This bill suggested paying out 5s a week for those over 65 years of age, with both the means test – applicants had to earn less than 10s a week – and the character assessment supposed to be administered by the Poor Law Board of Guardians (Ogus 1981: 326; Macnicol 1998: 74).

The bill was not passed into law, as the Boer War broke out and set other political priorities, and Chamberlain's social reform suggestions were becoming unpopular with the right and the left alike (Macnicol 1998: 74f).

A change in political power paved the way for the first British state pension. In 1906 the Liberal Party won an unexpected landslide majority in the House of Commons. Social reform had not actually been a major electoral issue in the run-up to the election, but the new Liberal government then made it a "major preoccupation" (Fraser 1984: 147). Between the 1906 election and the first National Insurance Act in 1911, a first British welfare state was established. It was limited in scope, patchy in coverage and still infused with Victorian morality, but it laid the groundwork for much of the postwar welfare legislation, and indicated an acceptance of government responsibility for several areas of life that was new at the time.

It is also worth noting that the 1906 election was the first in which Labour managed to establish a significant presence in the House of Commons, gaining 53 seats. It was after this election that the Labour Representation Committee began calling itself the Labour Party. This electoral success was in part owed to cooperation with the Liberal party, which had left 30 formerly Conservative seats uncontested, allowing Labour to be the focus of non-Conservative votes. Indeed, many on the left and in the trade union movement still saw Labour and British Liberalism as natural allies. But the relative success of the Labour party

also presented a challenge for the Liberal party. After the 1906 election, it had the political means to carry out reforms; it also had a strong incentive to not leave the field of caring for the poor and seeing after workers' interests to the newly rising Labour party (Fraser 1984: 147f).

One way to do that was to tackle the pensions issue that was the subject of so much discussion. The pensions bill that was passed in 1908 did not follow the suggestions of the 1899 commission entirely. The age at which a pension could be drawn was set at 70 for reasons of cost. The pension was flat-rate, i.e. not related to previous income, but it was means-tested on a somewhat sliding scale, with other sources of income taken into account. If other income was less than 8s. a week, the pension was 5s. a week. People who earned between 10 and 12s. a week could draw a pension of 1s. a week. At the time the average weekly wage was 30s. a week (Blake 2003: 7). The applicant still had to meet certain moral criteria, and drawing a pension was dependent on not having relied on Poor Law relief after 1908, not having been arrested within 10 years of claiming the pension, not being a foreigner or married to a foreigner, and not having "habitually" refused work while still of working age (Ogus 1981: 327). However, in comparison to the Poor Law restrictions, these qualifications were codified and communicated in advance. Furthermore, the pension was collected at the Post Office, removing the moral stigma of the Poor Law and claiming relief at the Poor Law Union. People reacted so differently to this new benefit in comparison to Poor Law relief that there were far more claimants than expected. The realisation that Poor Law services had been avoided by many people despite them being destitute enough to qualify was to have lasting significance for the British welfare system (Fraser 1984: 153f).

The 1908 Old Age Pension was completely different from the idea of an "insurance", but along with the Workmen's Compensation Act 1897 it was a step towards the 1911 reform. Its administrative rules, including actually defined income thresholds and the possibility of appealing a ruling, meant that despite its limitations, the Act did create a structure for later developments to build upon. It also represented the first actual entitlement to financial support by the government, regardless of the hurdles to qualification (Ogus 1981: 327).

The 1908 pensions legislation also had a more general impact on the development of the British welfare state. It put into focus other groups among the British population who were in need of support but did not qualify for the state pension, and Lloyd George, who as Chancellor of the Exchequer was in charge of providing the financing for the new pension, travelled to Germany for an up-close investigation of the German social insurance system, a trip that was directly connected to the origins of British national insurance (Fraser 1984: 154).

Lloyd George was a central figure for the development of the British Welfare state. He had been President of the Board of Trade since 1906 and became Chancellor of the Exchequer in 1908. He personified the kind of New Liberalism that was the backdrop for the social policy reforms that happened during this (last) Liberal government's tenure. His famous People's Budget of 1909 introduced a more progressive tax system and put a new tax on

land value. The constitutional battle that followed over the House of Lords' refusal to pass the People's Budget ended in a victory for Lloyd George and stripped the Lords of most of their power on monetary issues (Fraser 1984: 155ff).

Following the introduction of the first state pensions, he instigated further reforms on other social risks. In 1911, the National Insurance Act established a first general and mandatory health insurance for workers, and charted new territory by also introducing a general unemployment insurance, the main tenets of which had been developed by a young Winston Churchill at the Board of Trade.

By answering demands for a "national minimum" (Fraser 1984: 163), the protagonists of the 1908-1911 reforms like Churchill and Lloyd George expected to improve the whole of society, and thus make a fundamental reorganisation of society less likely. This was not as central to the origins of the legislation as it had been with Bismarck and the German insurance scheme, but British reformers too believed in the stabilising effect of social insurance, and rejected ideas that the national insurance system would be a first step towards socialism. In fact it was explicitly acknowledged that the insurance system protecting the German worker had dealt a heavier blow to socialist movements in Germany than any of the Socialist Laws (Fraser 1984: 164f).

By 1911, a rudimentary welfare state covering the main social risks had been introduced in the United Kingdom. Not everyone was covered, and benefits were low, but the general principle had been established. The next milestone was to come roughly thirty years and two World Wars later. In the interim there was progressive legislation on housing, health and education, but without the systemic shifts of the Liberal reform government. Smaller reforms of existing benefits led to an extension of eligibility and a relaxation of qualifying conditions, rendering the remnants of the Poor Laws ever more obsolete (Parry 1988: 159).

4.5 The Path to the Beveridge Plan

Summary: the first contributory pension scheme was established in 1925 against opposition from the Labour Party and the insurance industry. The depression of the 1930s and the means test left a lasting memory in British society. The 1942 Beveridge Report provided the basis for a consolidation of the British welfare state and the introduction of a general basic state pension. Between 1945 and 1948, the main pillars of the modern British welfare state were established by the post-war Labour government. A flat-rate state pension with universal coverage and no means-test requirement became the foundation of the modern British pension system. From the outset the basic state pension fell short of subsistence level.

The interwar years in the United Kingdom were marked by the economic slump and the depression of the 1930s, which impoverished many British families. It was possible for them to get aid, but the means test introduced in 1931 was to have a lasting effect in British cultural memory. A stringent means test that applied to all family income, it was perceived as intrusive, its "inquisitorial tone" (Fraser 1984: 194) long-remembered. The image of the means test as inquisitorial and digging into the whole family's business still echoes in the discourse of why in particular older people, who either experienced this time as children or

heard stories from their parents, refused to claim means-tested supplementary pensions even though they would have been entitled.

In terms of the welfare state, the most important piece of legislation between the Liberal reforms until 1911 and the publication of the Beveridge Report in 1942 was the first contributory pension scheme, established in 1925 by the *Widows', Orphans', and Old Age Contributory Pensions Act* under Neville Chamberlain. Its purpose was to provide everyone already insured in national insurance with a 10s a week pension, with the flat-rate contributions split between workers and employers. In line with the contributory nature of the pension, it was not means-tested and applied to those between 65 and 70 years of age; at 70, the existing non-contributory pension was to take effect again. It also included dependent benefits. The pension was explicitly not meant to be adequate to be someone's sole income in retirement, but instead was supposed to provide a basis covering the existence minimum only, on top of which individual saving should happen (Blake 2003: 8f, Schulze and Moran 2007: 59).

Neville Chamberlain managed to pass the 1925 *Widows', Orphans' and Old Age Contributory Pensions Act* against opposition from the Labour movement, which was very attached to the idea of financing pensions out of new taxation, and against opposition from the insurance industry, which was concerned over losing its death insurance business. Death insurance had been a lucrative business for the insurance industry for a long time. Frequently the only insurance poor people could afford – if they could afford it – it was meant to spare people the indignity of a pauper's funeral, fear of which was widespread among the working poor. The opposition of the industry against any benefit that would make such insurance obsolete had previously led to Lloyd George dropping an orphans' and widows' benefit from the 1911 National Insurance legislation (Fraser 1984: 166).

The 1925 scheme's financing reflected principles that would become standard in national insurance-type systems. The scheme was financed through equal contributions from employer and employee, plus a government subsidy, and was integrated into the already existing health insurance system, i.e. national insurance. An insured worker could now claim a non-means-tested pension from 65 years of age until he turned 70 and would transition into the non-contributory system. There were also dependent provisions for his widow and children in case he died, as the Act had a strong focus on the male breadwinner (Macnicol 1998: 200f).

But it was in the social policy that came out of wartime considerations that the British welfare state in its best-known shape was really established. The central document here was the Beveridge Report of 1942.

Beveridge had a background in employment policy. In 1908 he moved on from being a journalist to becoming a senior civil servant at the Board of Trade and adviser to Churchill. There, he was involved in the organisation of the Labour Exchanges in 1909 and 1910 (Parry 1988: 159, Harris 2006: 29). He had a long-standing interest in social policy, and while he was not a pensions expert as such, he had studied the German pensions set up by

Bismarck, and found their insurance character and the fact that they were paid not at a fixed age but at the age at which the individual became unable to work appealing. He also had a strong aversion to the means test. In the 1920s Beveridge became Director of the London School of Economics and around that time started arguing for “administrative harmonization of all existing state insurance schemes, together with the introduction for the first time of an insurance-based retirement pension for those no longer able to work” (Harris 2006: 29).

During the war, Beveridge was tasked with identifying how scattered elements of social welfare programs might be consolidated and unified into a central administration. But Beveridge delivered a far more consequential work product, the 1942 Beveridge Report, which suggested a comprehensive system of social transfers to protect workers, but also the rest of the population, against all social hardships. The core ideas of the Report were to provide National Insurance to ensure the basic necessities for everyone, National Assistance as a final safety net for those who did not manage to qualify for National Insurance, and beyond that non-governmental institutions and private businesses to provide voluntary insurance for anything beyond these basic necessities. Because National Insurance was to cover all main events that could befall a working person, Beveridge expected that National Assistance would only play a marginal role (Baek 2010: 129).

The Labour Party came into power in 1945 on a promise of carrying out the Beveridgian reform proposals, defeating the Prime Minister who had Britain through the Second World War. But despite the change in government, the post-war politics were not immediately confrontational. A cooperative spirit and a spirit of reconstruction had carried over from the wartime coalition. The main actors in the Labour government were also not revolutionaries. They were shaped by a corporatist approach to politics that had emerged during the war. Far-reaching as their post-war reforms were, they were generally carried by a wider consensus, and while the Conservative Party had misgivings about some elements especially around the National Health Service, they did not oppose the reforms in parliament (Parry 1988: 159f).

In short order, the Labour government introduced a Children’s Allowance in 1945. The National Insurance Act and the National Health Service Act followed in 1946. In 1948, the National Assistance Act introduced the means-tested and tax-financed “last safety net” of social assistance (Baek 2010: 130).

The introduction of the tax-financed NHS, after which most hospitals were nationalised and most doctors, while formally still self-employed, received most of their income through the NHS, was perhaps the most famous post-war welfare reform in Britain, establishing the paradigm of a “free at the point of access” general medical provision for all that became something of a British cultural icon.

Less iconic, but the basis for the entire post-war British pension regime was the flat-rate state pension that came with the National Insurance Act. It built on the architecture of the 1911 legislation, but it still represented something new in British pensions policy – “a major

break with the past because of the introduction of universal coverage based on a social insurance model” (Bozio et al 2010: 8).

The reforms built also on a change in perception, or a cultural change beyond the political consensus. The war years and the shared hardships of the time had altered people’s perspective on several already existing social welfare measures. Before the war, welfare entitlements such as school meals and free milk for needy children had often been perceived as some form of charity and associated with Poor Law handouts. As wartime shortages and rationing created some form of equality in scarcity and the scope of such programs was dramatically widened, this transformed perceptions of what welfare could be and who might be entitled (Fraser 1984: 211f). The Beveridge report had a huge public impact because of a well-orchestrated publicity campaign. Without this public resonance, it might never have had the impact that it did (Baldwin 1990: 117). After the war expectations ran high, and that included pensions.

A crucial difference between the Beveridge Plan and how it was eventually realised, though, was the level of contributions and benefits. In 1941 Beveridge’s initial draft plan included a fixed retirement age of 65 for men and 60 for women, perhaps in concession to the fact that fixed retirement ages had been introduced in 1925. The pension payments outlined in this plan would have been very expensive in the expected post-war economy, so he had already been pressured to prune back the benefits described in his report (Harris 2006: 32f).

A big problem was that in a system of flat-rate contributions and flat-rate benefits, universality could only be achieved by making contributions affordable to the lowest-paid members. In effect this meant that while benefits were supposed to be at subsistence level, from the outset there was doubt whether they even managed to reach subsistence level. So while the equity principle – everyone pays the same, everyone gets the same – was enshrined in the Beveridge Plan, its implementation did raise questions over finding different, non-flat-rate means of financing (Fraser 1984: 228f).

Originally, Beveridge had expected there to be a long phasing-in of the new pensions, so that benefits would be actuarially fair. Existing pensioners or those with not enough time to build up entitlements were supposed to be covered by the old 1908 legislation until it became obsolete. But the new Labour government decided to start paying out the pensions immediately, including those who had never contributed. This made political sense, as it seemed essential to take on board and secure those who had lived through the economic uncertainties of the 1930s and the war. In the post-war climate, when big things were expected from the government in general, but also the Beveridge Report in particular, introducing a system that excluded older people, especially those who had already suffered through the Great Depression of the 30s and who had contributed to the war effort, was politically untenable (Pemberton 2006: 44f, Bozio et al 2010: 8). The Labour Party and the trade unions were also pushing to abandon the idea of a long phasing-in period (Baldwin 1990: 130).

But it meant that the finances of the new state pension were severely weakened from the beginning, and turned it into an unfunded scheme in practice (Pemberton 2006: 44f). In turn, the benefits of the insurance system were set so low that they did not actually reach the subsistence level that Beveridge had seen as the basis of a National Insurance System. As a result, and contrary to expectations, people hit by economic hardship relied much more heavily on the means-tested social assistance, because they were unable to survive on the insurance benefits they were entitled to (Baek 2010: 131, Harris 2006: 28f).

The system as envisaged by Beveridge also contained no redistribution. According to his original plan, pensions were to be calculated on an actuarially fair basis, meaning that a pensioner was supposed to be paid what they had paid in on the basis of a funded system. Beveridge also had a deep aversion to the means test as a political tool (Harris 2006: 29), so the level of benefits, and the reliance on social assistance, was at odds with his original concept from the outset as well.

Beveridge's plans also encountered problems of fairness and solidarity. There were questions over whether to include for example rural workers, who had very low wages but also needed lower benefits and could have gotten by with cheaper premiums, and whether it was fair to include tenured civil servants in unemployment insurance. The TUC insisted for the civil servants to be enrolled in order to help the less fortunate. A similar question centered around the self-employed, which the TUC also insisted should join social insurance, even though they would probably pay in more than they would receive in benefits. In the end, though, representatives of self-employed people favoured integration, assuming they would indeed benefit from the insurances offered (Baldwin 1990: 119f).

For the first time, an explicit retirement provision was entered into the legislation, making withdrawal from work compulsory for drawing the state pension. This was following a suggestion from the TUC as a potential answer to the problem of how to keep costs manageable without tagging an unpopular means-test onto the new pension. While this did not solve the perceived problem of the well-to-do having the same claim to the pension as the poor, it did somewhat rule out that people would draw a pension they did not "need" because they were still working, and it was also supposed to prevent employers from lowering the wages of older workers because those could draw a pension, and Beveridge took this suggestion on board (Baldwin 1990: 125).

The Beveridge Plan did not spring out of nothing, but built on decades of social policy development. On the other hand, the Second World War had created the political will to pull these piecemeal parts of legislation together, plug the holes in coverage, and unite it into a cohesive whole (Fraser 1984: 238).

4.6 Building on Beveridge

Summary: inflation began to erode the value of the state pension almost immediately. Occupational pensions became more popular in the post-war labour market. Attempts to introduce an earnings-related

state pension tier either fail or turn out not very generous until SERPS in 1975. Attempts at redistributive pensions had failed in part because of resistance from the trade unions.

The state pension as established in 1946 started with the handicap of being much too low while costing too much. It had been set rather arbitrarily on a suggestion by the Labour Party at 35s. a week after the subsistence principle had been abandoned (Baldwin 1990: 131). The pension system then was faced with the inflation of the post-war years. The post-war economy was doing well, but the economic boom came with serious inflation that eroded the value of the state pension. Despite several attempts to raise it back to its original real value, it fell behind the payments of National Assistance. The Treasury worried about looming masses of future retirees with incomplete contribution histories and was reluctant to raise the value of the state pension each time. All the while wages rose in the post-war boom, further widening the gap between a state pension's purchasing power and what the people still in work could afford (Pemberton 2006: 46f).

For those whose employers chose to provide it, occupational pensions increasingly bridged the gap. The spread of occupational pensions was on the one hand supported by Conservative aims to reduce the pressure to raise the state pension. On the other hand, there was also a real demand for earnings-related pensions, which was partly a result of the state pension's downward slide in real value. With unemployment low and the labour market tight, employers found earnings-related occupational pensions a useful tool for staff retention. By 1967, over half of the working population were enrolled in occupational pension schemes (Pemberton 2006: 47f).

The reliance on additional savings had been part and parcel of Beveridge's plan. In order to enjoy a standard of living above the subsistence level, the individual had to see to it themselves by making additional pension provisions. This was already happening for employees on higher incomes, who were more frequently offered occupational pension schemes. Whether people on lower incomes could hope to pay both for their statutory state pension and pay contributions to an occupational pension was debated, but in 1954 the Committee to Review the Economic and Financial Problem of the Provision for the Old Age concluded that occupational pension provision was the only possible way to bring adequate pensions to everyone, and that therefore they should be extended to cover all employees (Blake 2003: 11).

The need to establish pension provision beyond the basic state pension was picked up by both political parties. In the 1950s, back in opposition, the Labour Party tried to come up with measures to address the inadequacy of the state pension. Labour began to favour contributions based on ability to pay, whereas the TUC defended the flat-rate contribution, and argued for financing shortfalls to be met by a more generous subsidy from the Treasury, i.e. general tax. The unions began to re-evaluate that position as it became clear that subsistence level would never be reached when premiums were based on the lowest-paid workers' wages (Baldwin 1990: 233). In 1957 the Labour Party then proposed a 'national superannuation' scheme, which was supposed to bring an earnings-related second tier of

state pension to all. The aim of the proposal was that the combination of basic state pension and the new earnings-related tier should provide a pension benefit of 50% of income at retirement, with redistributive effects by which lower-income earners would be slightly above this 50% replacement rate and higher-income earners slightly below. It was acknowledged that higher contributions would be needed, and these should be invested in stocks and shares, building up a fund (Pemberton 2006: 49).

The TUC gradually came around to supporting Labour's superannuation idea. Still less than fond of earnings-related benefits, they recognised that subsistence would never be achieved on the Beveridgian model (Baldwin 1990: 238). These were detailed and thought-out proposals that would have played well with the electorate. As a result they put pressure on the Conservative government to move forward with plans of their own to reform the state pension and introduce an earnings-related element to improve people's retirement income. The Conservatives strongly favoured the market solution of private provision, but even the insurance industry conceded that private provision would never cover all British employees, given the difficulties small business had in setting up occupational pension schemes (Pemberton 2006: 49f). The Conservative government thus accepted that for certain employees, a state system of *some* kind was the only way to supply them with an adequate pension, and proposed its own plans for an earnings-related (or graduated) second-tier pension scheme in their white paper *Provision for Old Age*. In contrast to the Labour proposal, this had a heavier focus on contracting out, and suggested a state benefit deliberately less generous than most occupational schemes in order to encourage people to contract out and choose more generous occupational pensions where they could (Blake 2003: 11).

Nijhuis (2009) argues that the failure to implement superannuation is actually less related to a political weakness on the left, or the working class, but to a general aversion to any redistributive pension elements in the organised labour movement. In 1952 the Labour Party had approached the TUC with a pensions model similar to the more redistributive Dutch one but was rebuffed. Similarly, Baldwin (1990) writes that superannuation, "in contrast [to the flat-rate public pensions], at first addressed the concerns of precisely those groups ignored by the supposedly so socialist reforms of the postwar era: urban, blue-collar workers" (Baldwin 1990: 247), but the TUC took a long time to come around to staggered financing and in the 1957 superannuation plans the TUC was not at all fond of the redistributive elements and was among those who kept pressing for opt-out options (Nijhuis 2009: 312ff).

Then the Labour Party lost the 1959 election to the Conservatives. Under Prime Minister Harold Macmillan the Conservative plans for a second-tier state pension were realised in the National Insurance Act of 1959, which created the basis for the *State Graduated Retirement Pension Scheme* (SGRPS). Contributions and thus the earnings-related benefit were relatively low, and in 1960 both contributions and benefits were amended upwards.

When the SGRPS came into effect in 1961, more than twice as many employees as expected, 4.5 million, chose the contracting out option (Blake 2003: 11ff).

Even at full maturity the new pension was not very generous. Instead of a fundamental overhaul of the pension system and establishing a means for a majority of the population to acquire sufficient pensions entitlement for their retirement, the measure was a reaction to political pressures and more relevant in the short-term than in the long-term. In fact, while the SGRPS was supposed to be funded, contributions to the new graduated scheme were used to offset the deficit in the funding of the flat-rate pension (Pemberton 2006: 51f).

Regarding the funding of the basic state pension, this was also the time when the financing method for the British state pension was formally amended to a pay-as-you-go system. Over the years, the state pension, while funded in theory, became ever more de-facto pay-as-you-go, as benefits rose in line with living standards, more people claimed the pension, and as the pension had been granted to people with incomplete contribution records from the start. By the late 1950s the state pension funds were less than one tenth of what they would have needed to be to pay out the pensions on income, and so pensions were paid out from incoming contributions as well as the subsidy from the Chancellor of the Exchequer. Now this was formally acknowledged, and PAYG was accepted and adopted as the method for financing pensions going forward (Blake 2003: 12).

Labour took another stab at a follow-up proposal to their 1957 superannuation scheme in 1965, after they had come back into office. This was faced with protests by white-collar and skilled workers' unions, who were concerned about being disproportionately burdened with paying out higher pensions to low-income earners. The TUC, having to balance representing different types of member unions, argued for their favourite financing model, tax-financing (Baldwin 1990: 244).

In 1966 the new Ministry of Social Security was established. This new ministry took on the functions of the old Ministry of National Insurance and the National Assistance Board, and when it did so, it also became responsible for about 63.000 pensioners who were still drawing non-contributory pensions from the old National Insurance Acts (Blake 2003: 14), showing again just how long once established pension schemes can cast their shadow into the future.

This fact was also evident when the next major state pension reform was attempted by the Labour government. SERPS, the *State Earnings-Related Pension Scheme*, was established with the Social Security Pensions Act 1975 and came into effect in 1978. It was a response by the Labour government to the ongoing pension insufficiency concerns and building on some of their ideas from 1957. SERPS was unable to incorporate the graduated scheme of 1961, and so these systems continue to exist in parallel until the death of the last contributor to the graduated scheme. Similarly, when the State Second Pension replaced SERPS some twenty-five years later in terms of contributions, it did not end pension rights acquired under SERPS, which like the graduated 1961 scheme will continue until the death of its last contributor (Pemberton 2006: 54f).

Drafts for a new earnings-related pension had existed in the Conservative government before 1974, but when the Labour Party came into power in 1974, it went forward with more generous plans. Contributions and benefits were calculated on a band of earnings between a lower and an upper limit, and there was no flat-rate element anymore. The 1975 plans, as opposed to the 1957 ones, had given up on any redistributive elements (Nijhuis 2009: 315).

The additional pension that could be earned through SERPS with at least twenty years of membership was 25 percent of relevant earnings, which were in turn calculated on the basis of the best 20 years of contribution, within the bands of earning. Contracting out was still possible for workers enrolled in occupational pension schemes that met the guaranteed minimum of a benefit as high as that expected under SERPS (Blake 2003: 15).

With the Social Security Pensions Act in 1975, several major changes for women were also introduced. Women were now required to pay full contributions, instead of previous reduced rates for married women, but would also be entitled to full benefits of their own. For the basic state pension, they were on the one hand now required to work for the same number of years as men to qualify, but on the other hand, pension credit for women who took time out of the labour market to raise a family for up to 20 years' worth of contributions was introduced. This meant that in effect married women with children could claim a state pension on 20 years of contribution compared to men's 40 (Blake 2003: 15f).

In keeping with liberal market tradition, the introduction of SERPS came with an opt-out provision for employers. If they sponsored occupational pensions that were more generous than the SERPS provisions for their employees, they were rewarded with a rebate on National Insurance. This measure boosted the private pension industry and was a compromise between a more statist approach to pensions that compelled employers to move beyond voluntarism and the liberal belief in the market.

The introduction of SERPS meant a marked improvement in pension coverage for workers with previously poor provisions, and carers who had not been covered at all. From the introduction of SERPS in 1975 to the change in government in 1979, "coverage rates were at their highest overall level generally, and reached a peak for men" (Meyer and Bridgen 2011: 164). While not as generous as original state second-tier plans, it could have marked a turning point for the overall character of the British pension system. For a brief period, it seemed to develop towards a more Social Democratic set-up, shortening the gap between British pensions and many continental pension systems, including the German one.

But the shift in British politics in the 1980s meant that SERPS in its original form only had a limited political life, and only really had an impact for a very narrow cohort of contribution payers.

4.7 Conservative reform and retrenchment

Summary: the Labour government of 1974 was defeated in the 1979 general election and Margaret Thatcher became Prime Minister. The Conservative government stopped continuously uprating the basic state pension. It failed to abolish SERPS due to resistance from insurance companies and employers but made it less generous. Private pension provision was strengthened and contracting out of state provision was encouraged.

In the years after the introduction of SERPS, there were several minor adjustments in social security benefits. But after the change in government, the social security legislation of the new Conservative government was to have a lasting effect on the state pension, and by extension on the pension system as a whole. In 1980, in the second of two social security reforms, the Social Security (No.2) Act 1980, made it possible for the government to delay or reduce the uprating of pensions. The Act also changed the definition of interruption of work with regard to pension entitlements and it first reduced, then abolished the earnings-related element in unemployment benefit, sick pay and maternity allowance, and elements of widows' benefit (Blake 2003: 16f). Following that, in 1981 and 1982 earnings limits for SERPS were raised and the subsidy from the Exchequer was reduced. In essence, "from the very start of SERPS, governments began tinkering around with it" (Blake 2003: 17).

In the long term it was in particular the flexibility in uprating the basic state pension – flexibility meaning reductions – that was to have a lasting effect on the role of the state pension within the British pension system, as in the following years the state pension, never generous in the first place, slipped even further below subsistence levels. This newly introduced problem would continue to dog pension policy reformers.

The low flat-rate state pension, quite apart from what it meant for the individual pensioner, was a serious flaw built into the system from the start, but the lower the basic state pension sank compared to wages, the graver the consequences of this flaw became. As described above, in the original Beveridgian design, means-tested welfare was supposed to be a minor supportive element in the whole welfare state construction, and one which Beveridge expected to wither away over time as the pension system matured. But from the beginning far more people had needed to claim social assistance than expected, in part because the state pension was too low to live on. This kind of set-up then becomes a self-perpetuating and self-re-enforcing problem. It is fiscally easier for a government, and politically tempting, to focus any additional welfare spending on the very targeted means-tested benefits, which improves the situation of those most "in need", than try and raise the universalist benefit for all, a much more costly endeavour. As a result, the role of the means-tested benefit within the system becomes ever greater (Harris 2006: 37, Emerson 2002: 168ff).

Regarding the second-tier earnings-related state pension, the Conservative government under Margaret Thatcher had engaged in "tinkering" with SERPS in its first term. But in the second term a comprehensive review of the social security system as a whole was tabled. As part of that general review, the green paper called *Reform of Social Security – Programme for Change*, published in 1985, contained the suggestion to abolish SERPS entirely. At the

heart of this was a concern about future changes in the dependency ratio and thus the financial viability of SERPS (Blake 2003: 17).

When Thatcher came into office, she planned on abolishing SERPS in favour of private provision. But attempts to undo the SERPS legislation in its entirety failed, to a large degree due to opposition from the insurance industry and employers' organisations, who were concerned about the government forcing more private provision on them (Taylor-Gooby 2006: 121f). So the 1986 Social Security Act amended SERPS instead of abolishing it. The PAYG status was preserved, but benefits were reduced. Instead of 25% of relevant earnings, the benefit at retirement would only be 20%. Additionally the calculation of relevant earnings was switched from a "the 20 best years" formula to a career-average formula. These changes were supposed to come into effect from 1999. Furthermore a spouse's pension was cut from formerly 100% of the contribution payer's pension to only 50% (Blake 2003: 18).

What the Thatcher government was most interested in was to expand the role of private provision. Part of the reform efforts in the mid-1980s was the introduction of personal pensions as an alternative to occupational pensions for contracting out of SERPS. This was supposed to improve portability when employees changed jobs, and also to "roll back the state" (Taylor-Gooby 2006: 116). A Green Paper came out in 1985 that outlined the end of SERPS and suggested the introduction of personal pensions that would also qualify for opting out. This policy proposal, though, was opposed by interest groups across the political spectrum. The TUC, National Pensioner's Convention, employers and insurance industry all spoke out against it. The White Paper that was published in 1985 was amended, taking the concerns of the employers and the pensions industry into account. A significant change introduced with this White Paper was that employers now could offer defined contribution schemes and that these qualified for the SERPS opt-out. Previously employees were only allowed to contract out into defined benefit schemes (Schulze and Moran 2007: 72f).

Personal pensions were introduced, however, and subsequently became subject of the so-called misspelling scandal: insurance sellers convinced many people to opt out of established and more generous occupational pensions and enter personal account pension schemes, in which they paid more in fees and charges and ended up less well-off (Chung et al. 2008: 171ff).

There had also been discussion about the equalization of the retirement ages of men and women, with the Labour Party and the TUC arguing for making it 60 for both men and women, and the government arguing for raising women's state pension age to 65. But subsequently the government still shied away from raising women's retirement age (Schulze and Moran 2007: 72).

In the early 1990s, the British pension system was rocked by another scandal. In the Maxwell scandal of 1991, business tycoon Robert Maxwell took over 400 million pounds out of his companies' pension funds, before being found dead on the Canary Islands. Other pension funds who had invested in Maxwell companies also lost about 200 million

pounds of their investments in total (Blake 2003: 340ff). This did not help public trust in the security of pensions.

The next significant pension reform was in 1995 after a Conservative change in leadership from Thatcher to John Major. The 1995 Pensions Act raised the state pension age for women from 60 to 65, although as a very long engagement: the phasing-in of the higher retirement age for women was not supposed to begin before 2010. Additionally, the 1995 Pensions Act further chipped away at SERPS. A revaluation factor for band earnings meant that in combination with the legislation under Thatcher, future SERPS benefits were reduced by about two thirds from what they would have been under the original SERPS legislation (Blake 2003: 18).

The combination of SERPS cut-backs and private provision expansion had a significant effect on SERPS coverage, and while built-up entitlements stayed, adding to the pluralistic spread of parallel British pension schemes, SERPS coverage stopped expanding. The Conservative aim to let SERPS wither away, if it could not be abolished, was yielding fruit. At the end of the 1980s, roughly 40% of workers had built up entitlements under SERPS. By 1999 only 20% of workers still had SERPS entitlements (Taylor-Gooby 2006: 122f).

4.8 New Labour 1997-2010

Summary: the Labour government coming in in 1997 had high reform ambitions for the welfare state. A lot of the reforms stayed within the market-oriented framework established by the previous government. Pensioner poverty was addressed by several new means-tested benefits. SERPS was replaced by the State Second Pension. The private Stakeholder Pension failed. The Pensions Commission's report in 2005 outlined the major reform issues in pensions and led to more ground-breaking reforms. The 2008 Pensions Act introduced auto-enrolment, a new quasi-mandatory occupational pension, and established NEST as its fall-back savings vehicle.

When Labour won the general election in 1997 and Tony Blair succeeded John Major, the new government came into office with a radical reform agenda for the welfare state. This applied to pensions as well, where the Green Paper *A New Contract for Welfare: Partnership in Pensions*, published in 1998, proposed reforms that were not as radical as initially thought, but the underlying principles very still in line with the private-over-public agenda of the previous Conservative government. In fact the Labour government explicitly aimed to turn the state versus private pension provision ratio from 60:40 to 40:60 (Evandrou and Falkingham 2005: 183). The New Labour government then passed the Welfare Reform and Pensions Act of 1999. In order to address pensioner poverty, a Minimum Income Guarantee of 75 pounds was introduced for pensioners. This was a means-tested benefit (Blake 2003: 18f).

Labour also made another attempt at a second-tier state pension by replacing the fading SERPS with the State Second Pension. The State Second Pension was part of the *Child Support, Pensions and Social Security Act* in 2000 and would replace SERPS, with the goal of improved coverage for low-income earners, disabled people and carers (Schulze and Moran

2007: 71). The idea behind the State Second Pension was a sort of top-up scheme, by which people earning below a certain threshold only contributed based on their real income, but would earn pension credit as if they had earned the lower pension threshold. The S2P also offered people taking care of young children or disabled dependents pension credits as if they had earned the lower pension threshold. The principle of the State Second Pension was therefore redistributive, more so than the basic state pension (Schulze and Moran 2007: 77).

The Labour government also made a second attempt at introducing a personal pension reminiscent of reforms under Thatcher, but with a focus on low and medium income earners, in the shape of the Stakeholder Pension. These were individual accounts that combined the strategies of tax relief, targeted at particularly under-saving groups who did not have access to occupational pensions and for whom the upfront costs of personal pensions were too high. Employers with more than five employees who did not offer an occupational pension had to nominate (essentially recommend) a stakeholder pension to their employees, but they did not have to contribute. In general, the stakeholder pension is regarded as a failed policy, with low take-up rates, and most of those who did take one up switching from already existing pensions provisions instead of being first-time pension savers (Disney et al 2008: 171, Chung et al 2008: 186f). It was the stated aim of the Labour government to switch the ratio of pension provision from 60% state pension and 40% private provision to be the other way around (Marier 2008: 167).

The redistributive elements of the State Second Pension were strengthened in the following years, and it was supposed to turn into a flat-rate benefit, meaning that earners of higher income would contribute more than earners of lower incomes for the same level of benefit.

The State Second Pension was supposed to ensure that anyone with a complete work history would have an income higher than the Minimum Income Guarantee in retirement. The redistributive elements represented a strong incentive for high and middle income earners to contract out. The S2P again allowed the government to give pension credit to caretakers and people raising children (Blake 2003: 19). However, even shortly after it was introduced, different uprating mechanisms between the State Second Pension and the Pension Credit meant that by 2050, the Pension Credit would essentially outstrip Basic State Pension and State Second Pension again (Evandrou and Falkingham 2005: 184).

The problem of low income earners or people with interrupted work biographies is a serious one for established pension systems, and is bound to become a greater problem even in “high pension” countries like Germany. The attempt to square this particular policy circle by means of a redistributive second tier flat-rate pension is therefore interesting and could theoretically be of relevance for pension systems outside of the United Kingdom. But while the principle of the S2P may have been Social Democratic and redistributive, it operated on such a low level in terms of benefits and contributions, and on such a high level of complexity, that its effect would have been minor. In any case, the political life of the S2P was shorter than that of SERPS.

The Labour government also tried to address the perceived problem of pension undersaving due to false incentives in the system. The problem with pension undersaving in the United Kingdom for a long time has been that in particular among those groups most prone to undersaving, the gap between a retirement income based on the basic state pension and a modest occupational pension and the means-tested minimum income guaranteed to all pensioners is so small, or even non-existent, that “saving doesn’t pay off”. The incentive to commit to painstaking pension saving for decades, only for those low additional pensions to be “taxed away” through the structure of the benefits system, was considered low. With the introduction of the Pension Credit in October 2003, the Labour government attempted to counteract this incentive. This new type of welfare top-up was supposed to improve the situation of low-income pensioners by calculating only 40% of private savings for the means test (Blake 2003: 19, Marier 2008: 164).

The Pensions Act 2007 made it easier to qualify for the Basic State Pension by reducing the required years of contribution for a full pension to 30 for both men and women (from 45 and 39 respectively) and introduced a new system intended to help people taking time out of the labour market to raise children or take care of a dependent accrue entitlements to the State Second Pension (Pensions Act 2007).

The most significant innovation in the field of pensions, though, that came out of the Labour governments between 1997 and 2010 was the introduction of the auto-enrolment legislation and related to that the establishment of the National Employment Savings Trust, NEST. While the legislation did not come into force until another change in government had brought a Conservative-Liberal coalition into power, auto-enrolment and the establishment of NEST have their roots in the 2008 Pensions Act.

The 2008 legislation was part of the bundle of reform suggestions that came out of the Pensions Commission. The Pensions Commission was a non-governmental body set up in 2002 to look at the state of British pensions and come up with possible solutions to a perceived looming pension crisis. It consisted of Adair Turner, formerly Director General of the Confederation of British Industry; Jeannie Drake from the TUC; and John Hills, professor of Social Policy at the London School of Economics. It worked from 2002 to 2006. Its second report, published in 2005, recommended a mix of a higher retirement age, more private savings, and higher government expenditure, a mix that was meant to address both the problem of financial sustainability of state pensions under demographic pressure and the problem of people making insufficient pensions provisions and risking poverty in their retirement (Hills 2006: 667ff).

The Pensions Commission had originally preferred a flexible retirement age that would generally rise with life expectancy, but this did not translate into legislation (Hills 2006: 665ff). Instead the state pension age was raised from 65 to 66, then 68 between 2024 and 2046. It also suggested the introduction of a new system of occupational pensions that would require employers to auto-enrol their employees in an occupational pension scheme,

with a minimum contribution of 3% from the employer, 4% from the employee, and 1% from the government. This was the origin of the auto-enrolment legislation of 2008.

Unlike the reforms around the State Second Pension and the various means-tested benefits, which failed to have a serious impact simply due to their penny-pinching spirit, this was a conceptual reform that could still transform the British pension system. With the 2008 Pensions Act, the Labour government introduced a compulsion for employers to offer an occupational pension meeting certain criteria, with an option for the employee to opt out, but not for the employer. The compulsion would apply to all employers from one employee onwards, though it would only apply to a band of income after a certain minimum threshold. In support of the measure, the government also set up an arms-length body in NEST, the National Employment Savings Trust, which was tailored to the requirements of auto-enrolment and offered in particular small employers a low-cost and centrally administered occupational pensions option (Pensions Act 2008).

The idea was to make sure that everyone working would have an occupational pension to top up their low basic state pension, and to reaffirm the social responsibility of employers. Whole segments of the British labour market had not had a tradition of occupational pensions, and an across-the-board compulsion on employers was hoped to bring great swathes of employees into pension saving for the first time. The introduction of auto-enrolment was staged according to business size, starting in 2012. However, even with auto-enrolment, there was still the problem of whether these new occupational pensions would really be beneficial for everybody, or if in particular low-income earners could only expect a negative effect on their means-tested benefits without exceeding the level of the means-tested benefits (Mabbett 2011: 203).

4.9 Auto-enrolment and a return to Beveridge?

Summary: the Conservative-Liberal government coming into office in 2010 did not scrap auto-enrolment. In support of auto-enrolment it merged the basic state pension with the State Second Pension into a higher non-means-tested state pension for future contributors. The raising of the retirement age was sped up.

In 2010 the Conservative opposition failed to garner enough seats in the House of Commons to form a traditional one-party British government, and a coalition between Conservatives and Liberal Democrats replaced a worn-out Labour party with David Cameron as Prime Minister. The new coalition revamped the British pension landscape once again, occasionally in ways that were surprising to observers.

Current pension arrangements in the United Kingdom include leftover entitlements from SERPS and the State Second Pension. But the two elements that are most likely to shape the future British pension landscape are the introduction of auto-enrolment, part of Labour government legislation in 2008, and the reform of the basic state pension passed in 2012 by the Conservative-Liberal government that followed – provided they will be allowed to mature.

The State Second Pension never got a chance to mature into an actually relevant part of the British pension system. Before anyone had had a chance to build up substantial benefit under the S2P system, in 2012 the coalition passed legislation in that folded the State Second Pension into one flat-rate benefit with the Basic State Pension, at roughly the same level the S2P and the BSP would have been combined. This was supposed to create a new foundation on which auto-enrolment and in particular the occupational pension saving of low-income earners was thought to have a much better chance at success.

Despite Labour's dabbling with the savings-rewarding Pension Credit, there remained a problem and perceived injustice in pensioners who invested in private savings being no or not much better off than their peers who did not. With the onset of auto-enrolment, this was seen as a critical issue that could lead to many people opting out of saving.

The reform of the basic state pension in 2012 was then intended to put auto-enrolment and occupational pension saving on the foundation of an above-means test level general pension. It does not encompass some of the benefits that are highly relevant to poorer retirees, such as the winter fuel allowance, so whether it really undercuts the means-test disincentive as much as it claims remains to be seen. The policy was developed under the condition that the Department for Work and Pensions make it cost-neutral, and pensioner representatives and trade unionists have greeted the policy with suspicion that cuts in other policy areas will offset any gain for future pensioners (Interviews, see in particular chapter 6.2.4 and 6.2.7).

This latest reform can also be seen as a strengthening of the core idea of a Beveridgian pension system. Through a combination of the low level at the outset and the devaluing of the state pension, parallel to the greater role that means-tested benefits took on over the years, one might argue that the British pension system moved ever further away from the spirit of the 1946 reform.

Whether the combination of a reformed basic state pension and auto-enrolment will succeed in reversing this development and bring British Pensions in line with the original Beveridgian idea of a government-guaranteed minimum and (successful) private saving on top remains to be seen; it will depend in part on whether these reforms are allowed to mature, whether the government will refrain the temptation to devalue the new, subsistence-level state pension again due to short-term financial expediency, and whether opt-out rates will remain comparatively low. Only if the reformed basic state pension stays genuinely above the means test will it provide the hoped-for incentive to save even on small incomes, and only if the new occupational pensions can generate trust among the savers and prevent a high opt-out rate will the aim of providing the majority of British pensioners with a decent living be achieved.

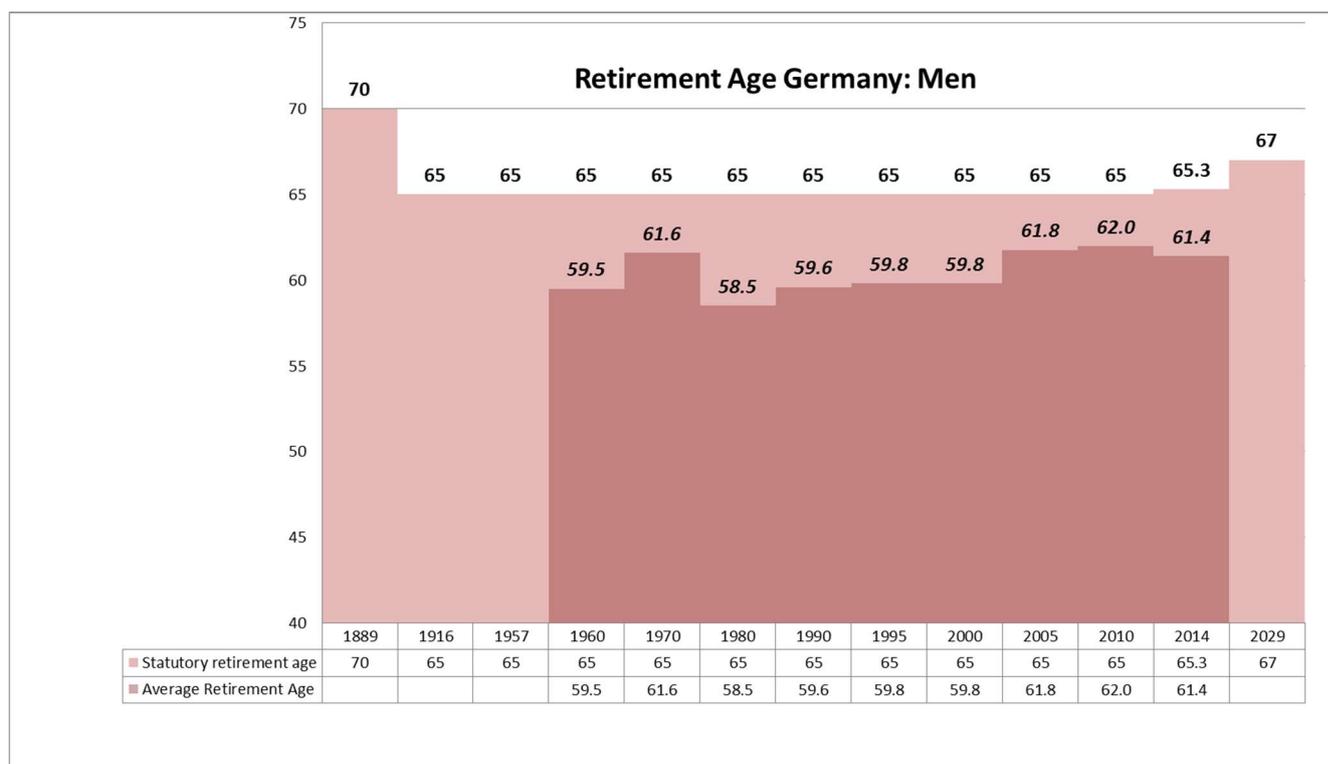
5. Reforming the retirement age

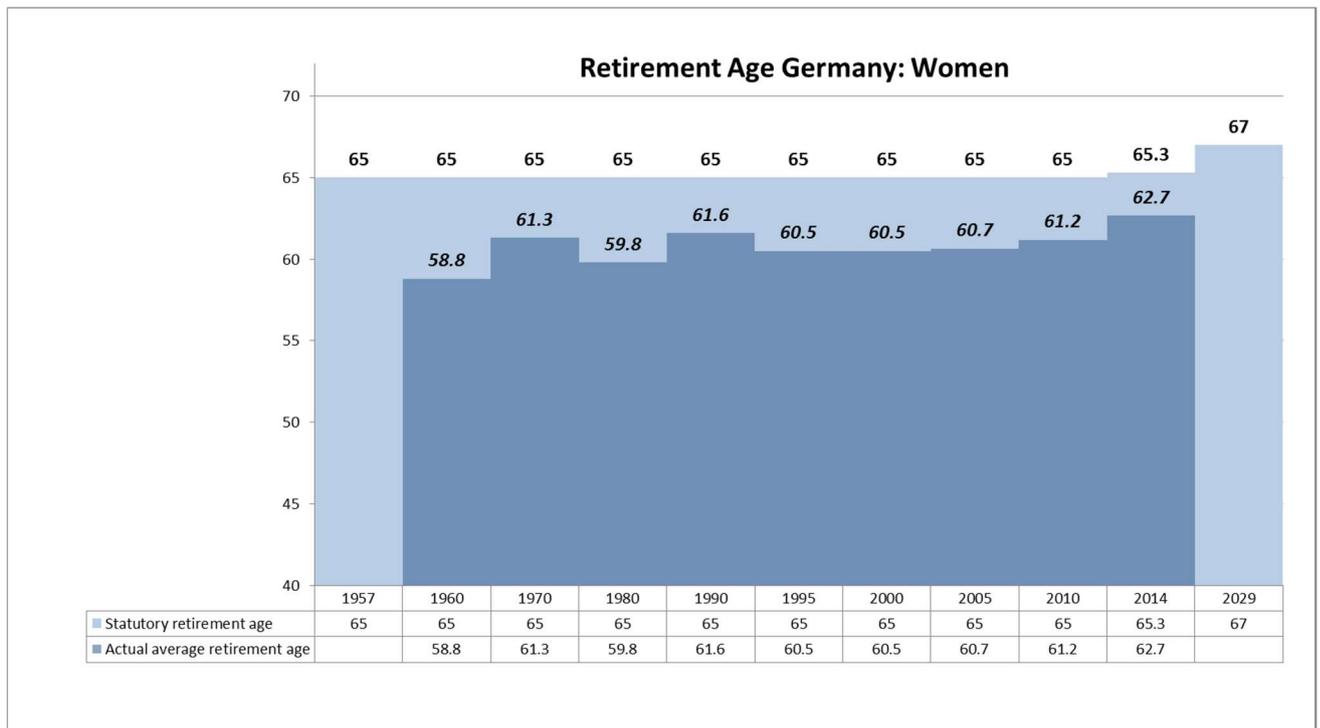
5.1 Policy background on the retirement age

One reform chosen for analysis is the raising of the retirement age. The raising of the retirement age has been one of the most salient pension policy issues in recent years across pensions systems. In response to rising longevity, governments all over the world have started raising the thresholds at which a state pension becomes available. This includes Germany and the United Kingdom.

As a policy issue, raising the retirement age is fairly easily comparable. While long phasing-in periods lend themselves well to blame avoidance (see also Hering 2012: 87), a higher retirement age is generally not a highly complex, technocratic issue that is easy to conceal. On the contrary, most people are acutely aware of the discussion about the higher retirement age. It is a clear retrenchment reform that theoretically does not involve targeting or restructuring; theoretically it is also a parametric reform only, with the purpose the same across pension systems: to reduce expenditure (or slow down rising expenditure) in the face of demographic change.

5.1.1 Retirement age in Germany: Overview





(Data: OECD 2014, Gendell 1998, chart Julia Klitzke)

5.1.2 Retirement age in Germany

When the Bismarckian pension system was introduced in Germany for workers as well as lower-paid employees, it mainly served as a pension in case of invalidity, meaning when a worker became unable to work. An old-age pension could be drawn at the age of 70, but given much lower life expectancy at the time⁹, this was almost a marginal function of the new pension insurance. A great majority of workers as well as employees left employment due to invalidity or death, not because they reached a statutory retirement age (Conrad 1994: 335f). A second pension insurance was introduced in 1911, which covered better-paid employees at higher contributions and with accordingly higher benefits. Employees could draw an old-age pension at 65 and had more generous arrangements for surviving dependents.

The retirement age as a whole was lowered to 65 for both workers and employees during the First World War, and despite the interruption of the Nazi regime and systemic changes after the Second World War, it remained the official retirement age until 2012.

But early retirement policies, combined with the generosity of the replacement rate, had for years worked as incentives to retire even before 65 (Börsch-Supan 2000: 29). Until the 2007 legislation that would raise the retirement age from 2012 onwards, 65 remained the official retirement age, but various pension reforms over the years opened paths to early retirement, leading to a significant drop in the actual retirement age. Gendell (1998) calculated that the average retirement age in Germany fell from 64.7 years in 1965-1970 to 60.3 in 1990-1995.

⁹ Life expectancy for men at birth was 40 years, though this is impacted by high infant and child mortality. At 20 years of age, a man could on average expect to live another 41,23 years (Statistisches Bundesamt 2015).

Other authors assume that the de-facto retirement age dropped below 59 in the 1980s (Krupp 1989: 16).

The 1957 pension reform which introduced the pay-as-you financing of German old age pensions that still forms the basis of today's pension system upheld the retirement age of 65. The "generation contract" was able to provide pensioners with an old-age income at the stroke of a pen, as the required funds were generated through contributions, not savings. But the 1957 reform already included provisions that allowed women, older unemployed people and miners to retire at 60 under certain conditions (Frerich and Frey 1996b: 49).

The 1971 pension reform under the social-liberal coalition was the next milestone of pension legislation. The impetus of the reform was to introduce more options and choice for future retirees with regard to their retirement. Part of this effort was the introduction of a flexible retirement age, which allowed people to enter retirement at 63 if they had paid contributions for 35 years (Frerich and Frey 1996b: 53f). They received full benefits, but deferring their pension until 65 built up an even higher state pension. It was also made easier for unemployed people to transition to retirement.

In the 1980s, rising unemployment led to new early retirement policies. Both trade unions and employers considered early retirement a socially desirable way of reducing the workforce. The trade unions in addition expected that early retirement for experienced workers would lead to increased employment for people just entering the labour market (Ebbinghaus 2006a: 3).

While the conservative-liberal coalition under Helmut Kohl that came into office in 1982 represents a period that is generally considered to be about welfare state consolidation, on the issue of the retirement age the trend towards early retirement continued. Even before the official early retirement policies of the 1980s took hold, the "59 convention" had been extended again and again (Trampusch 2005: 105). This allowed companies to send workers aged 59 into an early unofficial retirement, in which a mix of a company pay-out and government contributions supported the worker until he or she reached 60 and thus entered early retirement proper, drawing *Altersruhegeld* until they reached the actual state pension. Then with legislation in 1984, the social partners were allowed to negotiate early retirement agreements for people 58 and older, with the government covering some of the cost when the freed-up position was filled with a young post-vocational training person or an unemployed person (Frerich and Frey 1996b: 188). Other smaller reforms, for example concerning the retirement provision of civil servants, further strengthened the downwards trend of the actual retirement age.

This general trajectory was combined with the high level of pensions. Due to high wages and the high replacement rate of 70%, a worker with a long contribution record in a well-paying industry could retire early even if it meant cuts to his or her pension and still expect relatively high benefits, so for many people with some additional savings or an occupational pension, this was another possible path to early retirement.

This combined strong pull factors (the incentives provided by high benefits) with push factors (company restructuring, changes in production etc.) for older workers (Ebbinghaus 2006a: 11ff), leading to the de-facto retirement age for the majority of Germans being well under 65. Through different paths, people with stable careers could enter retirement on comfortable benefits even if they faced some cuts. I would argue that an early retirement culture became established, with people experiencing those around them retiring at 59, or 60, or 62, and coming to regard this as normal and what they expected for themselves.

The pension reform of 1989 was the first move away from the trend towards shortening the work period in favour of a longer retirement period. Up until that point, pension policy after the Second World War had – intentionally or not – moved the retirement age forward (Schommer 2008: 84). The 1992 reform (passed in 1989) legislated that from 2001, the retirement age was to be raised incrementally to be in line with the official retirement age of 65 by closing paths of early retirement for the unemployed and women. Early retirement options were only supposed to be maintained for the disabled (Frerich and Frey 1996b: 255).

The financial strain of reunification emphasised that pension expenditure was becoming a budget problem. As West German institutions were transposed onto East Germany, so were the pension system and pension entitlements (see Frerich and Frey 1996b: 620ff). East German workers of either gender often had full working careers, which meant high pension payouts to East German pensioners. But more dramatically, on the revenue side, reunification and the ensuing economic transition came with a high degree of unemployment in the former East, significantly higher than in West Germany (Merten 2000: 325).

Furthermore, while demographic change is a process that technically can be seen from decades away, the impact of a changing population structure – more older people, fewer people being born in following generations – on a PAYG pension system started to become tangible. Rising longevity added to changes in the dependency ratio. Early retirement for older workers had not reenergised the labour market, but rather simply shrunk the workforce. The report published by research and consulting agency PROGNOSE which outlined that future pension contributions might rise as high as 36% if the pension system was not adjusted for demographic changes (Deutscher Bundestag 1996, Frerich and Frey 1996b: 249) made a splash among pension policy makers (and is still being referred to in the interviews of this study). But while several technical adjustments were made to slow down rising expenditure, the retirement age was not discussed as a lever.

The Rürup Commission, a commission set up by the Red-Green government under Chancellor Gerhard Schröder in 2004, recommended several pension reform elements that went on to have a lasting impact on the German pension system, among them the change away from the idea of status maintenance in retirement through the state pension alone and the necessity for more funded private provisions (see below). It also recommended the raising of the retirement age, but this was not adopted into the Red-Green government's

reform agenda (Schulze and Jochem 2007: 694). In fact neither the Social Democrats nor the Christian Democrats mentioned the reform option of raising the statutory retirement age as they headed into the federal election campaign for the 2005 election (Hering 2012: 87).

It was not until after this election had brought in a Grand Coalition of Christian Democrats and Social Democrats that a reform of the retirement age was pursued. The Social Democratic Minister for Work and Social Policy, Franz Müntefering, played a leading role in pushing through the raising of the retirement age from 65 to 67 for cohorts born after 1947. He did so against the opposition of the trade union and parts of his own party (Schmidt 2010: 311). At the time, the move came as a surprise for both opponents and supporters (Interviews BDI, IG BCE), and is still characterised on occasion as a “coup” of sorts (DGB interview). While the coalition had changed, the retirement age reform was in line with the Red-Green reform agenda (Schroeder 2010b: 195), and it has been argued that the fact that the reform happened under the auspices of the Social Democrats was one reason that trade unions (and other actors on the left) were unable to block it, despite their strong opposition to the concept of a higher retirement age.

The reform raised the retirement age from 65 to 67 for men and women alike, in incremental steps starting with cohorts born after 1947; the first new pensioners affected by this measure were those retiring in 2012, at 65 years and one month. Retiring before the state retirement age would still be possible, but would entail cuts of up to 14.4% in the state pension.

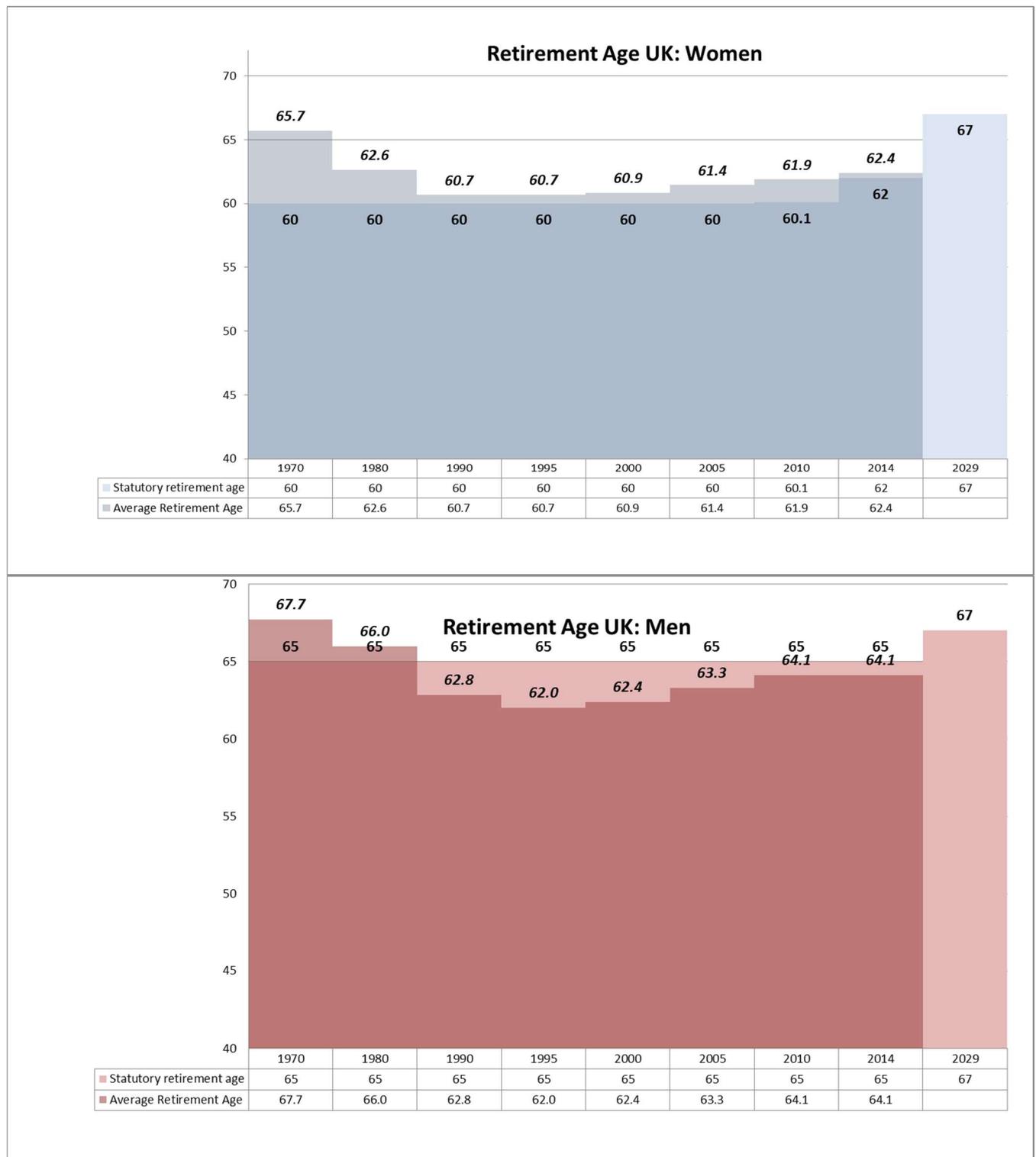
In concession to the trade unions, the legislation contained an exception for workers with 45 contribution years; they were still supposed to be able to retire at 65 (Schroeder 2010b: 195). It also contained a provision for a review of the legislation in 2010, with an eye towards the employment chances of older workers.

The prospect of a revision of the law in 2010, but also the general unpopularity of the measure among the population and the trade unions kept discussion alive and resistance strong in the years that followed.

The reform was hugely unpopular among the German public. Up to 70% of the population in West Germany and 80% in East Germany were against it in 2007 (Scheubel et al 2009). The only ones vocally in favour of the higher retirement age were the employers, who considered the measure long overdue and considered the exception for people with 45 contribution years against the spirit of the reform (Schroeder 2010b: 195).

The issue remained so divisive that it kept dogging Social Democrats in elections, and despite the legislation starting to take effect in 2012, a reform of the reform was passed shortly after the 2013 federal election. At the time of writing, a new Grand Coalition, which came into office in 2013, softened up the reform by strengthening the exceptions: people with 45 contribution years will be allowed to retire at 63 instead of 65 (BMAS 2014), a move welcomed by the political left and the trade unions, but strongly rejected by employers.

5.1.3 Retirement age in the United Kingdom: Overview



(Data: OECD 2014, Gendell 1998, chart Julia Klitzke)

5.1.4 Retirement age in the United Kingdom

As described in the historical chapter, the first pensions paid out by the British government were pensions for civil servants who were “no longer able to perform their duties efficiently” (Blake 2003: 3). This was in the early 19th century and applied only to civil servants in

relation to their service to the state. An actual state pension system with old age benefits available to the public at large started to emerge with the 1908 Old Age Pensions Act, after which a non-contributory and means-tested benefit was paid out to people over the age of 70 (Bozio et al. 2010: 7). Because of the means-tested nature of the benefit, this was essentially poor relief specifically targeted at the aged, and had “good character” qualification requirements attached to it. This made it of a cloth with similar Victorian poor relief, which was concerned with unearned or undeserved benefits ruining character and morality. While in the late 19th century, commissions had looked into the problem of the aged poor and recommended a general pension to everyone over the age of 65, 70 was nevertheless chosen in the 1908 legislation (Blake 2003:6f), presumably for reasons of cost.

The pension age was then reduced to 65 for men and women in 1925 through the Old Age Contributory Pensions Act, which provided all people already insured in the new national insurance systems for health and unemployment with a pension from age 65, and was supposed to be contributory for future retirees. In 1940, women’s pensionable age was reduced to 60, based on the assumption that married women were on average four years younger than their husbands would thus be able to begin drawing their pensions together. This act also introduced pensions for unmarried women and widows at the age of 60 (Blake 2003: 8f).

These respective retirement ages – 65 for men and 60 for women – were also adopted for the National Insurance Act 1946, which introduced the British State Pension, the basic architecture of which lasted into the present day.

Whether the state pension age is really the age at which people retire, of course, depends in large part on what other provisions they have made, in particular in the British pension system, where the state pension was never intended to be above subsistence level, and attempts to reduce expenditure by uprating it not in line with wages but inflation let it sink below the relative poverty threshold. Occupational and private pensions are not the focus of the question of how the government regulates the state pension age, and they are too varied and individually different to investigate how many of them align with the state pension age. But Blake (2003) points out that many (though not all) of the early “big” occupational schemes in the public sector had retirement ages of 60 for both men and women (Blake 2003: 25ff), whereas in the private sector, where pension schemes had grown “decentralised and piecemeal”, salaried employees often had higher wages and earlier retirement than manual labourers (Blake 2003: 29f).

The state pension ages of 65 and 60, on the other hand, remained stable for a long time. The plurality of legislated early retirement options that developed in Germany in the same period was absent here. The *actual* retirement age, on the other hand, dropped for men in the United Kingdom as well, if not as far below the nominal retirement age as in Germany; in general even at the time of the retirement age reform the United Kingdom had a much higher percentage over older workers in work than Germany (Hering 2012: 80). Until the early 1980s, factual retirement age in the United Kingdom was roughly in line with the state

pension age, but between 1981 and 2000 dropped to around 62 or 63 for men, while remaining above the nominal retirement age of 60 for women (OECD 2014). According to the OECD data, it would appear that men and women in work would retire at comparable ages, *below* the official retirement age for men and *above* the official retirement age for women. While a higher actual retirement age for women is a somewhat surprising result, this still means that women would have to work considerably longer to make it to a retirement age of 65.

This was the subject of the next major change to state pension age. In 1995, the Conservative government under John Major attempted to raise the women's state pension age to be in line with men's. The Pensions Act 1995 aimed to equalize the state pension age between men and women from 2010 (May 2010: 133).

But as life expectancy continued to rise, and on the other hand the financial inadequacy of the state pension became ever starker, state pension age came under discussion. Raising the state pension age was one of the compromise recommendations that came out of the Pensions Commission, an advisory body set up in 2002 to look at the state of British pensions and come up with possible solutions to a perceived looming pension crisis.¹⁰ Its second report, published in 2005, recommended a mix of a higher retirement age, more private savings, and higher government expenditure, a mix that was meant to address both the problem of financial sustainability of state pensions under demographic pressure and the problem of people making insufficient pensions provisions and risking poverty in their retirement. The Pensions Commission had originally preferred a flexible retirement age that would generally rise with life expectancy, but this did not translate into legislation (Hills 2006: 665ff).

The Labour Government's Pensions Act 2007 further legislated that after equalisation, both women's and men's State Pension age would have increased to 66 by 2026, to 67 by 2036, and to 68 by 2046. The Conservative-Liberal coalition that replaced Labour in government in 2010 sped up this: the Pensions Act 2011 amended the timetable and moved the increase forward. State pension age will increase to 66 between 2018 and 2020. For this, equalisation of male and female retirement ages also had to be sped up; women's retirement age was set to be raised more quickly between 2016 and 2018, so that they would have reached 65 by 2018 (Pensions Act 2011). In combination with the equalisation of women's pension age, this meant rather dramatic changes in the state pension age for a specific cohort of women, a problem that was also a repeated focus in the interviews. (The original White Paper had still stipulated April 2020 as the final date for state pension age 66; this was then amended to October 2020 in the bill.) In the Pensions Act 2014, a review of the pension age every five years was legislated without speeding up the timetable for the retirement age of 68 (yet) (DWP 2015a). However, official documents explicitly state that

¹⁰ The Commission consisted of Adair Turner, formerly Director General of the Confederation of British Industry, Jeannie Drake from the TUC, and John Hills, professor of Social Policy at the London School of Economics and worked from 2002 to 2006.

“the timetable for the increase in the State Pension age from 67 to 68 could change as a result of a future review” (DWP 2014a: 1). The official retirement age as per the state pension is therefore officially in a certain state of flux, even though the general direction – up – is clear and recent governments have not wavered on pursuing a higher state pension age.

5.1.5 Retirement age: the issues

The same core questions come up in the development of the British and the German pension system. The development of their early pension schemes highlights the central question of what retirement means: is retirement the absence of the need to work, or the absence of the ability to work?

Both the early British and the early German state pension functioned as a de facto invalidity pension; this makes sense given that before any state pension system, for the majority of people “retirement” only happened once they were unable to work any longer, and given the tie to poverty in old age the early pension movements had.

A major shift happened in both countries when the expectation of retirement changed to being defined by the absence of the need to work. For this, the retirement age needs to be low enough that significant numbers of people reach it in comparatively good health, and the benefits need to be high enough for these people to feel able to choose retirement over continuing to work. The question of the nature of retirement is one that plays a large role in public discourse, which becomes evident in this analysis, and one that the public reform debate does not actually address to a great degree. (For a discussion of concepts of retirement and working past retirement with stakeholders, see the very recent Scherger and Hagemann 2014).

Another concept that is not new in the historical pensions discourse is different retirement ages for different types of workers. In both countries certain types of jobs came with more favourable i.e. earlier retirement ages. Sometimes, this would be primarily a privilege of a certain caste of workers, such as privileges for civil servants, but earlier retirement ages for, for example, miners, probably relate to health and deteriorating working capabilities. In the current discourse, whether different types of jobs should be different in terms of retirement age is a fairly common theme; sometimes stakeholders are firmly against even as it would be the most intuitive corollary of an argument about the strains of particular jobs. Also relevant on the issue of stratified retirement ages, where the retirement age is primarily decided by occupational pension coverage, well-covered sectors might have a lower retirement age than less-covered ones.

In this same context of difference and fairness, another historical retirement age issue has been the difference between women and men’s retirement ages. This is also still relevant in the current retirement age discourse, mostly where statutory retirement ages are in the

process of being equalised but then also raised in general. With the question of women's retirement age, the accumulated hardship of equalisation plus general raise is the politically charged issue; a lower retirement age for women in principle is not a demand generally still raised.

The most profane question of the retirement age is the one that is related to any issue of systemic design of a pension system: the factor of cost. Where to set the age of retirement has always been linked to what is financially bearable. Certainly the motivation for politicians to introduce highly unpopular retirement age reform in recent years has been fiscal concern.

But the question of cost works in connection with the other political choices of what the retirement age should be, not as the sole determining factor. With issues such as required private saving or mandatory occupational pensions, it is immediately obvious why the political choices involve more than the question of what is affordable, important though that question is.

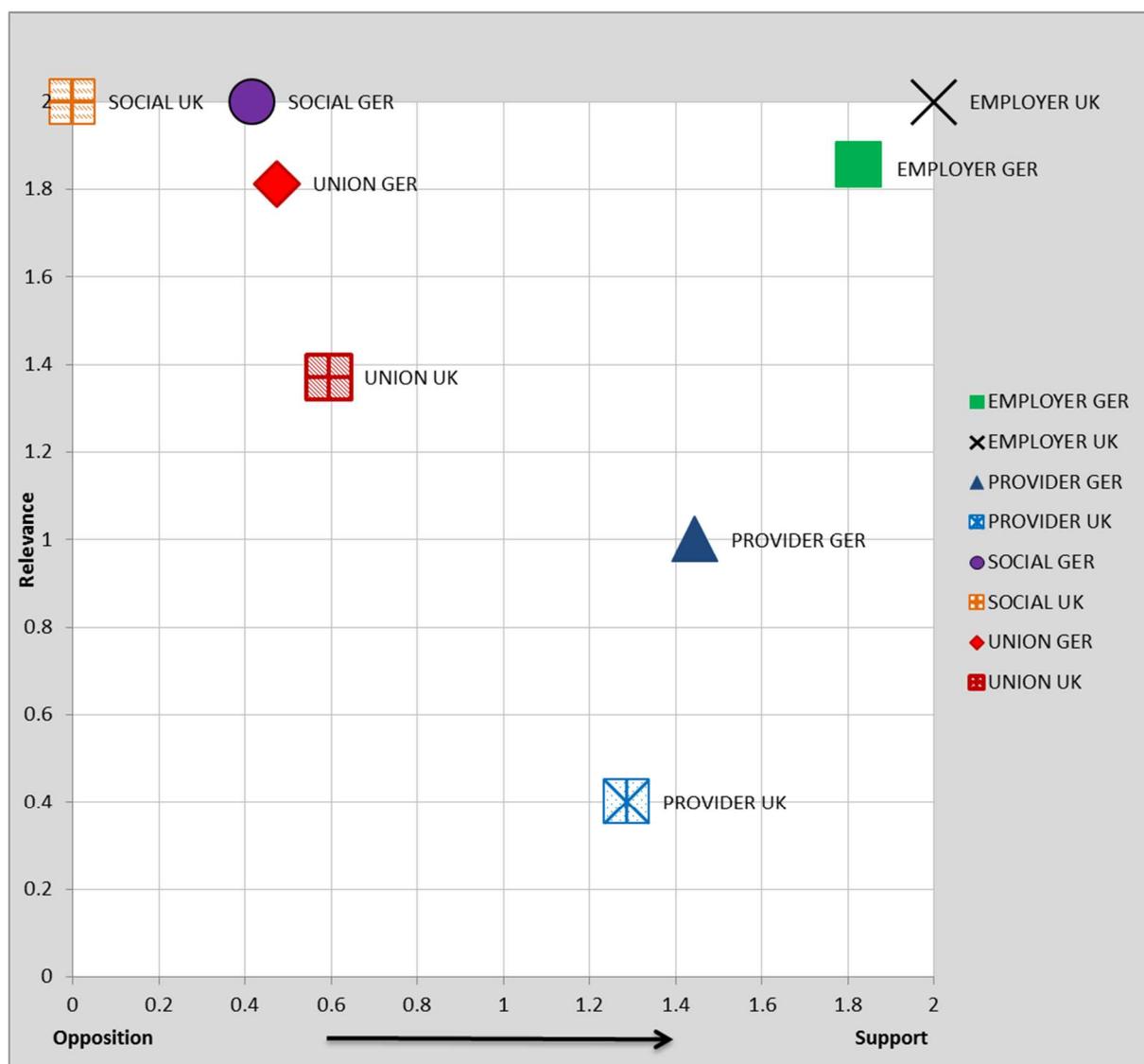
But the data of this study also makes it clear that questions of what retirement age is and a normative approach to how it should be organised are very salient for stakeholders, and for a significant number, the raising of the retirement age touches on just that question, casting at least doubt on whether this is truly a parametric reform.

5.2 Descriptive analysis: positions on the retirement age

This section contains a descriptive analysis of the interview data gathered between 2011 and 2012 with interest organisations in the United Kingdom and Germany. The analysis focuses on the raising of the retirement age, a policy issue that has been a major point of contention in recent pension reforms across Europe, for coding and positioning, while drawing on additional interview data in the discussion.

The interview data was coded as described in chapter 1.6. In short, support for a higher retirement age was coded with 2, opposition was coded with 0, and instances of ambivalences were coded with 1. As a second dimension, relevance of the issue was coded using the same metric. The results were averaged for each organisation and presented in a two-dimensional graph.

The first graph is an average of all the organisations of each category (employers, trade unions, insurers, social organisations) in both countries, which provides an overview of the political field.



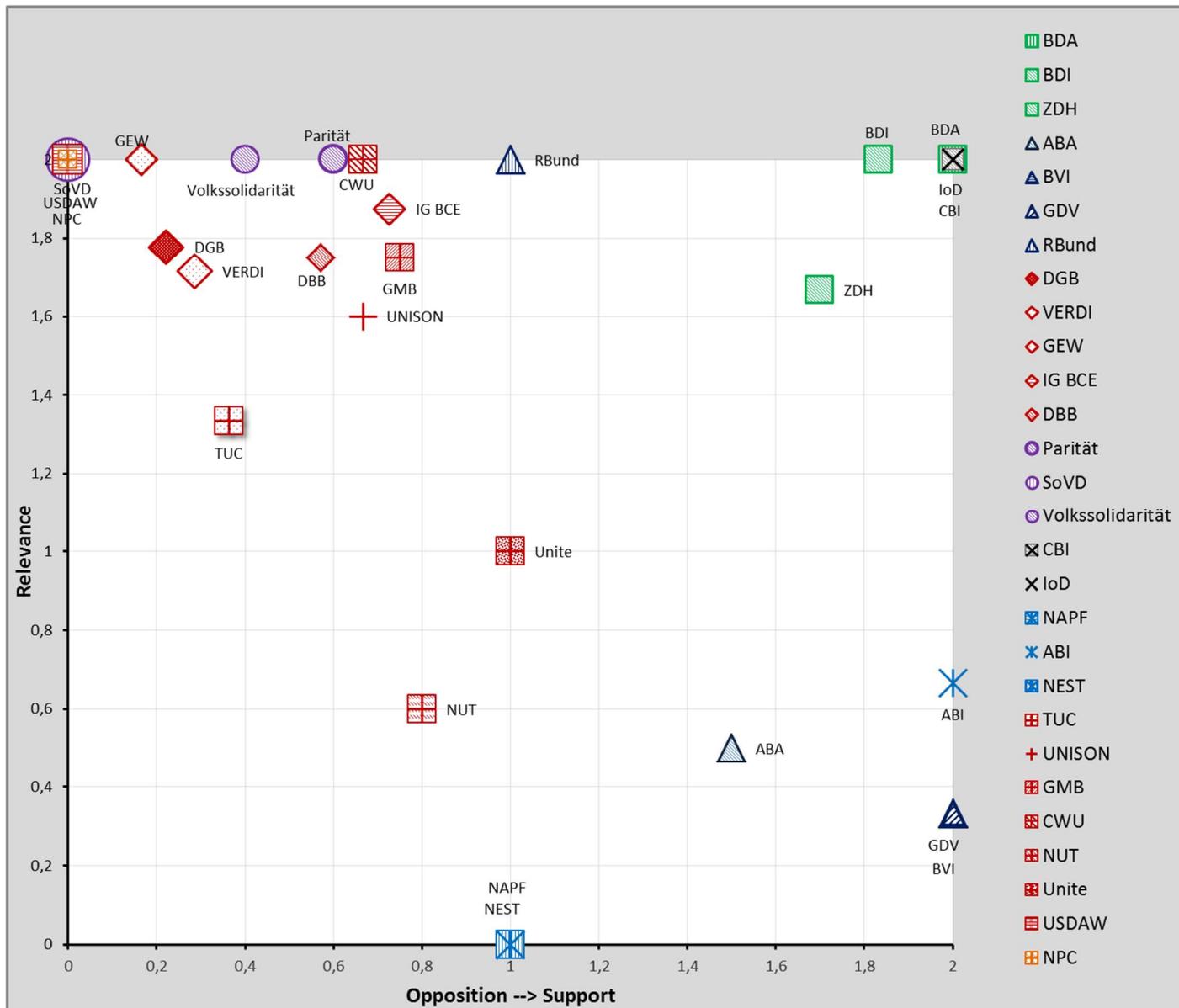
(Data: interviews 2011-2012, Julia Klitzke)

This arrangement in a two-dimensional space gives an immediate impression of the field of actors and how it arranges itself on the question of a higher retirement age. When averaging the positions of all organisations in my sample according to type and country, the clustering is fairly clear. Trade unions and social associations clearly show a high opposition to raising the retirement age; both British and German employers clearly show a high support for raising the retirement age. The support/opposition split falls along a very traditional cleavage line, with trade unions and social associations on the one side and employers and the insurance industry on the other. However, a closer look at the visualisation also shows that while the demarcations between the types of organisations are very clear, some of the distances do not line up as one might expect from the traditional labour and capital cleavage. Specifically, the literal distances between insurance industry and employers and insurance industry and trade unions are almost the same.

The high salience of the retirement age is shown in how employers, unions and social associations alike consider the issue relevant to themselves. Only representatives of providers consider it comparatively unimportant to their organisations.

What this visualisation of the aggregate of interviewed organisations makes clear is that in general, intuitive assumptions hold. Trade unions are against a higher retirement age and care deeply about the issue, and employers care just as deeply but are in favour of a higher retirement age. A higher retirement age for the same level of pensions is a benefit reduction for working people, and so the trade unions' opposition in both countries is a clear matter of protecting workers' rights. This makes sense whether the benefit in question is an income-proportional pension that makes up the bulk of the average pensioner's income, as in Germany, or a flat-rate pension that serves as a basic protection in old age but does not come close to replace pre-retirement income, as in the United Kingdom: workers and employees in both systems lose with a higher retirement age. The social actors, which often represent pensioners as well as lower-income earners, position themselves similarly, and for presumably similar reasons.

In the chart that presents the individual organisation scores, this already looks quite a bit different.



(Data: interviews 2011-2012, Julia Klitzke)

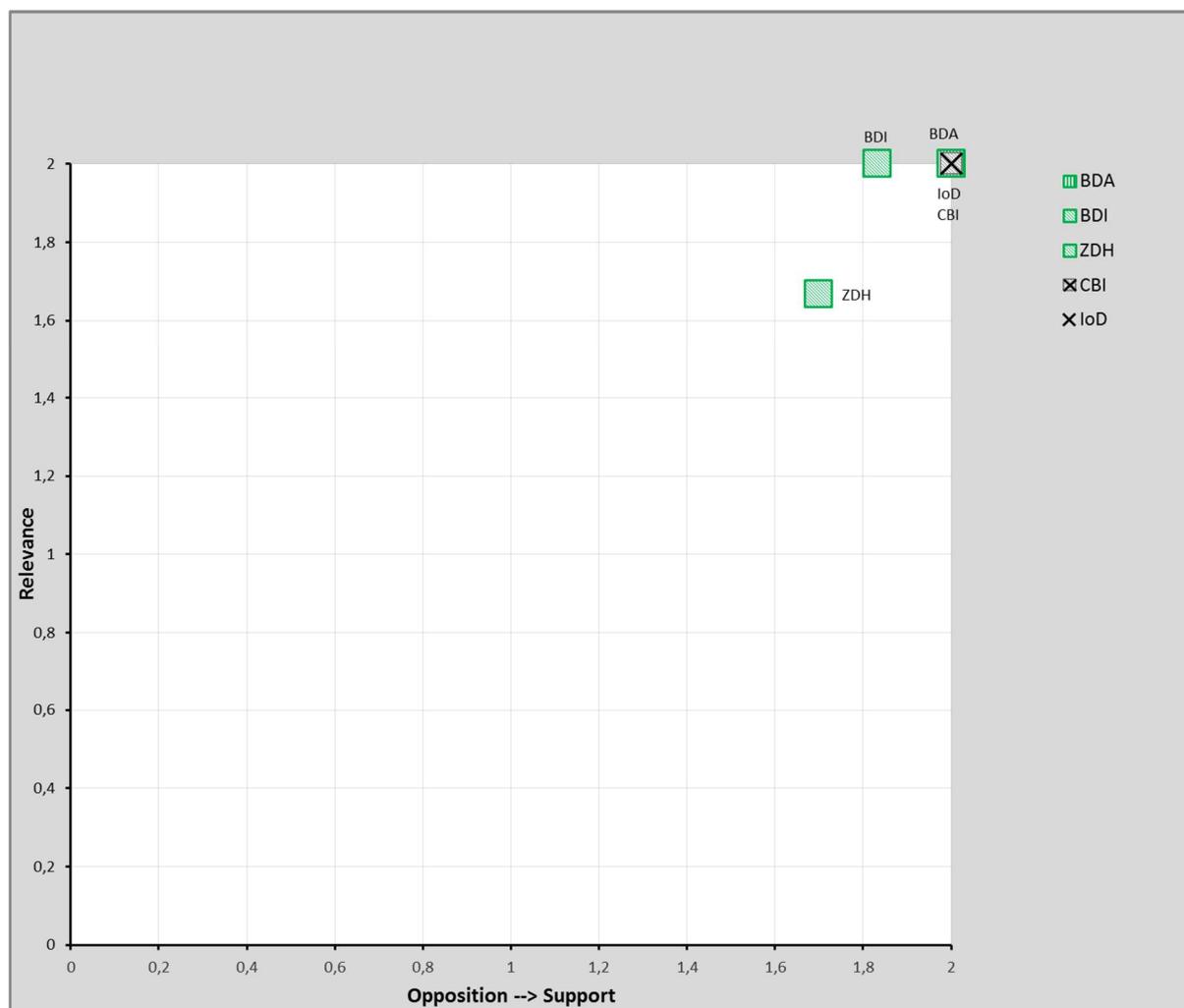
One preliminary result of the distribution of position scores above was that for all that systematic differences apply to Germany and the United Kingdom, the general outline of the field of actors looks structurally similar. This suggests that even in the comparison of a Bismarckian and a Beveridgian pension system, certain concerns and fault lines exist across the system divide.

However, in this overview one can observe some noticeable differences. While British trade unions are clearly in opposition to British employers on the retirement age, they score much lower on relevance than the German unions; on the question of relevance they in fact score much more similarly to German pension providers than to German trade unions.

The aggregate visualisation suggests similarities across welfare state type and a general confirmation of the intuitive assumptions, certainly for trade unions and employers.

The scores of the individual organisations, on the other hand, offer more counter-intuitive results and invite the analysis of differences. While employer scores are still fairly similar, the situation on the union side is much more varied.

5.2.1 Employers



(Data: interviews 2011-2012, Julia Klitzke)

On the side of the employers, there appears to be the least variation. The most noticeable “outlier” is the German ZDH, which represents small and medium-sized enterprises in the

skilled crafts sector. This slightly lower relevance score is due to a less explicit engagement by the ZDH regarding raising the retirement age. The ZDH represents smaller companies that employ people in physically taxing professions, such as the proverbial “roofer”, a staple of any German discussion on the retirement age and the most often cited example of the type of worker who cannot be expected to work past 65. Due to this membership make-up and concerns related to the sort of workers their membership employs, the ZDH favours the higher retirement age and considers itself in line with the other German employer organisations, but was not actively pushing for it in comparison to other actors. (“Wir haben uns an der Diskussion um die Anhebung der Regelaltersgrenze in den Jahren vor dem Beschluss zur Rente mit 67 nicht aktiv positioniert.” Interview ZDH.)

Overall, the employers’ associations across countries are still scoring very similarly, supporting a higher retirement age while considering the issue highly relevant.

Cutting or limiting pension expenditure has an impact on contribution rates in PAYG statutory pensions, so the German employers’ support of a higher retirement age is to be expected. German employers have been arguing for years against Germany’s relatively high payroll taxes, and the pension contribution is by far the most expensive element. In the British case, the connection between a higher retirement age and lower costs for companies is less obvious, though with the state pension being financed as part of the general social insurance contribution, a similar logic applies. There is on the other hand an apparent contradiction in how strongly British employers seem to be in favour of a higher state pension age and how hotly they contested the abolition of the default retirement age. (The default retirement age, by which a worker or employee could be automatically – or forcibly – retired at the age of 65, was only abolished in 2011, shortly before the raising of the state pension age started to take effect. British employers were vocally against its abolition.)

In a qualitative look at the interviews, the most prominent argument among German employers in favour of the higher retirement age is demographic change and what it will do to pension contribution rates. With rising longevity, is the central argument, a longer time spent in retirement should be counterbalanced by a longer work life, and raising the retirement age is considered “without alternative” (ZDH) under these circumstances.

Die BDA hat schon sehr frühzeitig in Statements und Stellungnahmen, Diskussionen und Gesprächen immer wieder darauf hingewiesen, dass sich die Unternehmen und Betriebe darauf einstellen müssen, mittel- und langfristig mit älteren Belegschaften zurechtzukommen.	BDA
Notwendigkeit und Begründung für die Anhebung der Regelaltersgrenze auf 65 Jahre ergaben sich schon damals aus der kontinuierlich weiter steigenden Lebenserwartung und damit der Gefahr, dass bei unveränderter Erwerbsphase die Rentenphase immer länger und letztlich unbezahlbar wird. Um diese Balance zu halten, war dann - auch aus Sicht der BDA - später eine weitere Anhebung der Regelaltersgrenze auf 67 Jahre unvermeidlich. Die schrittweise Anhebung und das Zieljahr 2030 fanden die volle Zustimmung der BDA.	BDA
Das haben wir sehr begrüßt, wollten wir auch immer. Da wird man wahrscheinlich	BDI

in Zukunft noch nachsteuern müssen. Der Sachverständigenrat hat ja auch schon einmal gesagt, dass man das gesetzliche Renteneintrittsalter an die Lebenserwartung koppeln und entsprechend erhöhen muss.	
Klar, die Rente mit 67 war auch im Handwerk nicht ganz unumstritten, insbesondere bei den Fachverbänden, die besondere Schwierigkeiten in der Umsetzung in ihrer Branche sahen, also z.B. Bau, Ausbau, also ZDB, Dachdecker, Gerüstbauer, die letztlich aber doch die Rente mit 67 alle unterstützt haben.	ZDH

It becomes very clear that the position of the German employers is by and large unambiguous. Both the interviewee of the BDA and the BDI credit the BDA with actively and successfully pushing for a higher retirement age.

A number of central arguments underlie this strong support for a higher retirement age. While the main reasons for supporting a higher retirement age are cost containment and the long-term sustainability of the pension system, the representatives of the organisations also refute the most common objections to raising the retirement age.

A central view on the employer side is that on top of rising longevity itself, people are also healthy for longer. This is in direct contrast with the core trade union argument that many people cannot work in their professions past the current retirement age due to physical or mental strain.

Es ist doch nicht so, dass Beschäftigte just mit der Vollendung des 65. Lebensjahres körperlich nicht mehr in der Lage sind, in Ihrem Beruf und in einem anderen Beruf zu arbeiten. Nicht vergessen werden darf in diesem Zusammenhang, dass die Anhebung der Regelaltersgrenze auf 67 Jahre schrittweise und - beginnend mit 2012 - über einen langen Zeitraum von insgesamt 18 Jahren läuft. Die BDA ist, gestützt auch beispielsweise auf die Krankheitsartenstatistik und die Gesundheitsberichtserstattung, der festen Überzeugung, dass ältere Menschen und Beschäftigte heute und auch künftig viel gesünder und leistungsfähiger sind bzw. sein werden als die jeweilige Vorgängergeneration. Anders ließe sich auch die fortlaufend weiter steigende Lebenserwartung nicht erklären.	BDA
Und wir sind ja auch, in der Masse zumindest, länger gesund; es ist ja nicht so, dass alle ab 65 bettlägerig sind.	BDI
Auf einem anderen Blatt Papier steht natürlich die Frage, ob das jeder Mensch vor allem gesundheitlich bzw. körperlich schaffen kann. Wobei es auch hier Untersuchungen gibt, die zeigen, dass die Menschen in den letzten 30 Jahren im höheren Lebensalter immer fitter geworden sind und werden, und insofern die schrittweise Anhebung, die jetzt beginnt [...], durchaus zumutbar ist.	ZDH

This assessment of the general physical condition of older workers is in clear contrast to what the trade unions argue (see below).

Employer representatives do address the question of what should happen with workers who become unable to work before the (new) retirement age. Potential solutions proposed revolve around a new design of disability pensions. Depending on the extent and whether this would apply to whole types of workers, or is conceptualised merely (still) as an

exception for hardship cases, this may point towards a resurgence of a disability-based concept of retirement.

One obvious question regarding the employers and the retirement age is whether there is not a disconnect between calling for a higher retirement age and the employers' complicity in the advance of early retirement, when they used early retirement schemes as an instrument of workforce management. In addressing the fact that employers played a major part in lowering the de-facto retirement age in the hey-day of early retirement policies in the 1980s, the interviewees state that they also have to argue with their members and prepare them for having to deal with an aging workforce.

<p>Es ist vollkommen klar und nachvollziehbar; dass der einzelne Betrieb Chancen zur sozial abgedeckten Frühverrentung wahrnimmt und wahrnehmen muss; wenn er dazu durch die Marktgegebenheiten und Marktveränderungen gezwungen wird. Die Zeiten arbeitsmarktbedingter Frühverrentung sind aber vorbei. Von daher besteht auch kein Widerspruch zur weiteren Anhebung der Regelaltersgrenze auf 67 Jahre, zumal die Altersgrenzenanhebung einhergeht mit mehr Wahlmöglichkeiten für den Einzelnen, seinen Eintritt in den Ruhestand eigenverantwortlich selbst zu bestimmen.</p>	<p>BDA</p>
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This highlights that the immediate needs of the individual organisation member can be occasionally opposed to the longer-term goals of the members as a group. Employer organisations have to navigate this discrepancy in particular with regard to older workers.

The British employers focus on the same interlinking arguments: increased longevity should lead to longer working lives and people stay healthy for longer. Rising cost due to longevity is considered "not sustainable" (IoD), though in line with the systemic difference this is a general problem for the pension system and the state; specific concern over social insurance rates plays a minor role.

The main argument in favour of raising the retirement age is the same as in the German case: the consequences of demographic change on retirement systems and the argument that longer lives should also mean longer working lives.

<p>When we think about entitlement and how state pension architectures were designed to work, the assumptions that the Beveridge Report made in 1944 were of a very full employment scenario, of most men not living to claim their state pension, and when they did live to claim it, they didn't live very long in retirement. Most blue collar workers did not live long enough to claim their state pension, because medium male life expectancy in 1948 was 56.</p>	<p>IoD</p>
<p>We are in favor of raising the state pension age, in fact our proposal from 2004 was to ultimately raise it to 70. We think that it is not credible to say that people should be retiring at 65 anymore unless, if they want to, if they got their money, that's fine, but as for the majority of the population, we are living a lot longer, but also we're living healthier lives.</p>	<p>CBI</p>

The British employers, too, assume that people are not only living longer but also staying healthier, and thus able to work, for considerably longer. The British and German

employers argue very similarly in this regard. Similarly, while there is acknowledgement that for some people, working into their late sixties might be impossible, this should not be the yardstick for the general pensions policy. Suggested solutions from the British employers are also disability pensions and increased flexibility at the end of the working life.

I think you will see more of that and I think you will see much more of people remaining bright, vibrant, engaged and alert in continued employment. It might be a different type of employment, it might be part-time rather than full-time. It might be flexible, it might be a temporary contract, don't know. But I think we should leave the market to sort that out. And the market will sort it out.	IoD
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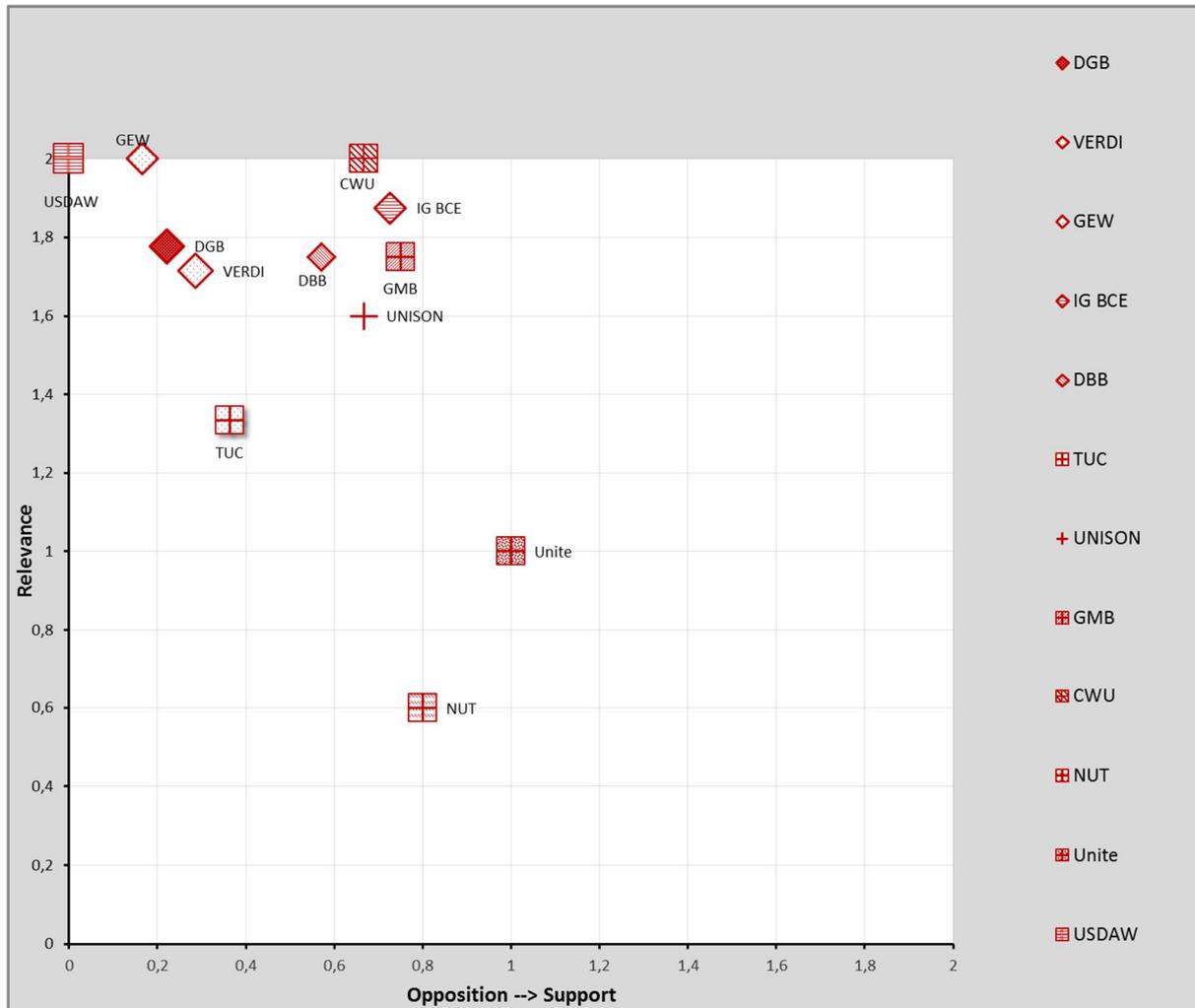
There is another line of argument that is unexpected from the employer side, but that highlights the differences in pension systems. The higher retirement age, both the IoD and the CBI representative argue, not only helps keep pension expenditure in check, but would specifically free up resources to raise the level of the state pension for everyone. The support of the British employers for a higher retirement age is on the one hand motivated by sustainability concerns, i.e. saving money, but there is an additional dimension to their argument, in that they wish to have existing money distributed differently and raise the level of the flat-rate state pension.

Essentially at the moment, savings credit plus basic state pension deliver to you about 133 pounds a week. For a single person. We think that we could pay a basic state pension to everybody, existing and future pensioners of somewhere between 140 and 150 pounds a week at 2008 values, by reforming other things, including raising the state retirement age.	IoD
We think that a lot of the money that we'll save from [raising the retirement age] can be used to help input of the state pension as well. So there are wins on both sides there.	CBI

In the case of the IoD interview, the expressed aim is that a new and improved state pension should be above the current level of state pension plus means-tested supplements, which is similar to the state pension reform proposal of the Conservative-Liberal coalition at the time of the interview, but goes farther in actually arguing that this should be extended to existing pensioners. For British employers, the raising of the retirement age is part of a structural overhaul of the state pension that would not necessarily cut the money retirees receive, but change the way (the same money, but as one entitlement, not entitlement plus benefits) and the time (more money but later) they receive it.

This particular aspect of employer argumentation cannot be found in Germany, where of course the state pension is generally not below subsistence levels (yet). It highlights that the British employers are, in addition to arguing for cost containment, arguing for a genuine restructuring of the way the pension system is set up.

5.2.2 Trade Unions



(Data: interviews 2011-2012, Julia Klitzke)

The view on the union side when taking all unions separately shows more significant distances between organisations than the employer side did.

Of the German unions, the DGB, GEW and ver.di score similarly, with a high relevance score and a high opposition score. Ver.di and GEW, while having some overlap in the areas they organise, significantly differ in size and membership make-up (see 2.3.2). The DGB is the peak organisation of eight major German unions. Ver.di is its second-biggest member union. Out of its eight members, three are part of the sample, and the DGB's position is certainly not an average of those three. The DGB, ver.di and the GEW also score very similarly to the social associations, which generally seem to hold more stringent views on the retirement age. The DGB has to represent the views of all its members and one would expect a compromise position. However, it is fairly clear in its opposition and in how relevant the retirement age is to its members.

These trade unions express their opposition quite strongly and decisively.

ver.di war immer die Gewerkschaft, die am lautesten gegen die Einführung der Rente mit 67, protestiert hat, und offiziell ist die Einstellung schon auch noch bei unseren Mitgliedern da, die Rente mit 67 wieder zurückzunehmen, weil die	ver.di
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Mitglieder natürlich vor Ort am ehesten sehen, was diese Rente mit 67 bewirkt.	
Wir halten das weiterhin für eine Fehlentscheidung.	DGB
Also grundsätzlich halten wir eine Erhöhung des Rentenalters für ein falsches Signal.	GEW

The central points in the unions' arguments are that even the current retirement age is out of reach for a considerable number of workers and employees. Therefore raising the retirement age is unrealistic, and as such little more than a pensions cut. Additionally, it is regarded as a pensions cut that disproportionately affects already less well-off groups

Es ist auch für manche Leute eine riesen Herausforderung, also denken Sie an Bauarbeiter, aber auch Krankenschwestern, oder auch Erzieherinnen und Erzieher, auch die 65 sind schon eine große Herausforderung.	DGB
Man muss auch einfach sehen, dass eine Gewerkschaft eine Mitgliederorganisation ist, und wenn ich sehe, dass von meinen Mitgliedern 98% sagen, oh Gott, ich weiß doch kaum, wie ich bis 65 durchhalten soll, dann werde ich mich bestimmt nicht hinstellen, und das wird keine Gewerkschaft machen, das wird keine Mitgliedsorganisation machen, und sagen, ja aber aus übergeordneten, politischen theoretischen Erwägungen heraus werde ich das trotzdem befürworten.	GEW
Es gibt viele Bereiche, auch gerade im Dienstleistungsbereich bei uns, das sind nicht nur die Dachdecker, wir haben in unserem Bereich auch schwierige Bereiche, im Bereich der Altenpflege, der Erzieherinnen, der Müllwerker, wo wir sagen, da können die Menschen nicht bis 67 arbeiten, egal wie gut die Bedingungen sind.	Ver.di

It is the same problem perception across these strongly opposed unions: that regardless of life expectancy, too many of their members are unable to work past 65, frequently before that. This is in direct contrast to the situation described by the employers.

Apart from emphasising the general perception that an extension of working life is only selectively possible, the excerpts also raise the question of social fairness, and what the social outcome would be of raising the retirement age across all professions, regardless of the type of work and the condition of the people doing the work. The DGB's position is worth highlighting in this regard:

Weil sie die sozialen Risiken und auch die sozialen Unterschiede erhöht, in der älteren Generation. Es wird Menschen geben, die das mit dem höheren Rentenalter schaffen, aber es wird ganz viele geben, die das nicht schaffen. Die dann auch sozusagen mit der Rente mit 67 noch mal, in Führungszeichen, bestraft werden, mit höheren Abschlägen und damit auch niedrigeren Renten, und wegen der sozialen Schlagseite lehnen wir das weiterhin ab.	DGB
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The two remaining German unions in the sample, the IG BCE and the dbb, are the contrast to this. Both also ascribe a high relevance to the issue, but have a moderate to

neutral stance, with opposition/support scores of around 1. These two unions are quite different from each other. The IG BCE represents mainly industry workers in physically demanding jobs. The dbb is another peak organization in which 39 smaller unions have joined together; its member unions organize mostly in civil service and the private service sector.

When examining the arguments of these two trade union outliers in detail, it becomes clear that they agree with advocates of a higher retirement age in their problem perception, but also in principle with those who argue that a higher retirement age is unfair to working people who cannot work past 65, but that they weigh these two elements differently.

Es gehört sogar die Erhöhung der Regelaltersgrenze dazu. Da muss man dann nur eben überlegen, wie man sowas ausgestaltet, das hat der Gesetzgeber leider nicht zu Ende gedacht, das ist das Problem. Man kann nicht einfach nur so eine Regelaltersgrenze anheben für alle und glauben, dass alle Menschen gleich sind und alle dann bis 67 arbeiten, das funktioniert nicht.	IG BCE
Heute treten die jungen Menschen mit 18, 19 Jahren oder auch später ins Berufsleben ein, gleichzeitig werden sie aber auch älter, und das hat zur Folge, dass es längere Bezugsdauern bei den Renten geben wird. Das hatte zur Folge, dass man darüber nachgedacht hat, auch über das 65. Lebensjahr hinaus möglicherweise erwerbsfähig sein zu müssen. Wir als IG BCE haben uns mit dieser Frage differenziert auseinander gesetzt und haben es aufgegeben, uns dogmatisch an der Diskussion zu beteiligen, die da heißt: "Rente mit 67 muss weg!"	IG BCE
Dies ist keine Position, die Sie so aus irgendeiner DGB-Gewerkschaft hören würden, aber wir stehen [der erhöhten Regelaltersgrenze] nicht strikt ablehnend gegenüber, sondern halten das schon für eine sehr nachvollziehbare Maßnahme, zumal tatsächlich ja auch nur ein Teil der voraussichtlich steigenden Lebenserwartung tatsächlich dann auch zu längerem Arbeiten herangezogen wird. Tatsächlich steigt das Lebensalter, oder die Lebenserwartung, ja stärker an als die zwei Jahre zusätzlicher Arbeit bis 2029. Insofern ist das keine so unausgewogene Maßnahme. Wengleich man wirklich sehr genau hinsehen muss, wie die Auswirkungen konkret auf den einzelnen, Menschen sind, denn auch da muss man wahrscheinlich ja von unterschiedlichen Betroffenheiten sprechen.	dbb

These arguments reflect the different scores of these two organisations and why they land in between the full-on supporters of a higher retirement age, but are significantly removed from the other trade unions in the sample.

The dbb representative explicitly refers to the difference between their position and the DGB member unions. As another peak organization, comparison to the DGB at a more in-depth level would, given their different positions on the retirement age, also be worthwhile.

The IG BCE on the other hand is a member of the DGB, but it has a different perspective on the higher retirement age from its peak organization or its fellow DGB unions in the sample. Like them, the IG BCE ascribes high relevance to the question of the retirement

age, so the idea that the retirement age might not be important to their members does not present itself as an explanatory factor. The most noticeable difference between the IG BCE and the GEW and ver.di is of course the sectors in which it organizes. However, an intuitive assumption would be that the kind of workers the IG BCE represents, which include heavy industry workers, people operating furnaces, coal miners etc., would have at least as big a stake in opposing a higher retirement age, if not a bigger one, than people in the service sector and white collar public employees. In fact it is clear in the interviews that industrial workers are very concerned about not being able to reach the statutory retirement age. Their representatives outline the members' expectations: industrial workers expect trade unions to use collective bargaining tools and shop floor representation to find solutions, "die die Arbeitsbedingungen verbessern, um so lange wie möglich arbeiten zu können, auf der einen Seite, aber auf der anderen Seite auch, Drehtüreffekte zu organisieren; das ist die klare, deutliche Erwartung, die die große Masse der Arbeitnehmerinnen und Arbeitnehmer im industriellen Bereich hat." So it is fairly clear that the moderate position of the IG BCE cannot be attributed to all of their membership being content to work until 67. Rather the IG BCE representatives emphasise flexibility and indicate both a willingness to try out, and a search for, alternative models to address the shortcomings of a higher retirement age policy. At the time of the interview, this was for instance the idea of a partial pension combined with continued income:

Wir ringen heute sehr stark um das Modell der Teilrente, um einerseits im rentennahen Alter weniger zu arbeiten, andererseits aber schon eine Rentenleistung zu beziehen und aus Rentenleistungen und Arbeitslohn ein vernünftiges Einkommen zu haben, um das Leben auch ordentlich und vernünftig bis zum Beginn der Altersrente gestalten zu können.	IG BCE
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Flexibility as a solution to the downsides of a higher retirement age is the tenor of the viewpoints of those unions with a more moderate position. If 'gliding paths' to retirement become the preferred tool for managing conflicts over the retirement age, this might suggest that a fixed retirement age has become obsolete.

According to the DGB, it has not:

Aber wir brauchen eine gesellschaftliche Norm, die sagt, ab einem bestimmten Alter entfällt der Arbeitszwang. Ab da darf man arbeiten, wenn man will, aber muss nicht mehr, ich glaube ohne so eine Norm kommt man ganz schlecht aus. Die Menschen wollen und brauchen das.	DGB
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There are different concepts represented here that go to the heart of what a pension is *for*. Even if the outcomes were the same, the idea of a fixed period of retirement free of any obligations is fundamentally different from the concept of flexibility. One assumes and prioritizes a societal norm of when it is appropriate to stop working, while the other prioritizes choice - individual or by way of professional groups.

These fundamental questions aside, however, what also becomes clear with those German trade unions who do oppose the higher retirement age strongly is that a certain shift of

strategy has occurred, along with an acknowledgement that the higher retirement age is probably not going to be overturned soon. Despite the underlying maintained opposition, the strategic shift moves the trade unions move away from fundamental opposition to constructive not-quite-cooperation. A potential new field of focus is working conditions, and improving people's ability to work for longer.

Die Position, was die Einschätzung der Rente mit 67 angeht, hat sich <i>nicht</i> verändert, aber die Strategie, wie man mit der Entscheidung für die Rente mit 67 umgehen muss, die muss natürlich sich weiterentwickeln. Weil Gewerkschaften die Aufgabe haben, die Lebensbedingungen der Menschen, der Arbeitnehmerinnen und Arbeitnehmer zu verbessern, und wenn der Gesetzgeber bei der Entscheidung für die Erhöhung des gesetzlichen Rentenalters bleibt, und wenn wir keine anderen gesellschaftlichen Mehrheiten schaffen, dann wird man sich die Frage stellen müssen, wie gestalten wir jetzt die Arbeitswelt so, dass die Leute wieder möglichst nah da rankommen.	DGB
Wir haben die offizielle Position, die lautet bei uns, auch noch ganz aktuell letztes Jahr auf dem Bundeskongress wiederhergestellt, Abschaffung der Rente mit 67. Intern, das will ich aber auch sehr ehrlich sagen, arbeiten wir aber auch sehr intensiv mit dem BMAS, die Möglichkeiten zu verbessern, länger gesund im Erwerbsleben bleiben zu können, Stichwort, alters- und altersgerechte Arbeitsbedingungen, weil wir wissen, dass auf Dauer nicht eine Rücknahme des Rentenalters diskutiert wird, sondern eher auch aus Sicht von uns Gewerkschaften wir noch höhere Renteneintrittsalter abwehren müssen.	ver.di

The British trade unions that were interviewed offer an even more diverse view. The CWU, GMB and Unison form a group of three with a high score on relevance combined with a slightly-above-neutral position against the higher retirement age. Two further unions, the NUT and Unite, are similarly located close to a neutral position on the higher retirement age, but without considering the issue as relevant to their membership. The strongest position against the higher retirement age is that of USDAW, which is the only British trade union we interviewed that organizes exclusively in the private sector and represents shop workers, and the chief argument against the higher retirement age is the disproportionate effect this has on lower-earning sectors and geographical areas with generally lower incomes.

The Trades Union Congress, which is the peak organization of all the British trade unions in the sample, has the second-highest opposition score, but also considers the issue only moderately relevant to their members or the membership of their member unions.

As examples of arguments brought forward in the interviews, these cover the variety of positions:

[Being against the higher retirement age] is the dominant view, I would say. And it's become the TUC's position simply because we do represent large numbers of very low-paid workers in manual jobs who would be the ones who would lose out most if the state pension goes up. However, we know that the state pension age WILL be going up. So...that is an argument that has not been won. [...] We have protested the	TUC
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coalition government's current policy of raising the retirement age more rapidly, but it's not been an enormous issue for us because in the area of pensions we've been concentrating on other things.	
A lot of [our membership] had planned to retire at a certain date but that's normally linked to their occupational scheme. Because the occupational scheme provides more of the income, significantly more of the income than the state will.	GMB
It's our view that the pension scheme for teachers shouldn't have a normal pension age higher than 65, we'll wait to see what the Department for Education says. The government's saying that employees generally should work until 68 for their whole pension but we'll see if we can persuade the Department of Education to make a specific exemption for teachers.	NUT
No, I don't believe it should be raised. I recognise the challenge for governments not just in this country, all over Europe and the world, people are living longer. But a mandatory increase in state pension age disproportionately impacts on the people at the lowest income levels in society, or regions where there are more people on lower incomes. So it's nothing more than a cut really in retirement income for those people.	USDAW

Where British trade unions assign more relevance and do more focused lobbying is on specific elements surrounding the retirement age. This is in particular the raising of the retirement age for women: due to the speed with which the retirement age is being reformed in combination with the equalisation of male and female retirement ages, a specific cohort of women currently in their fifties is faced with a very steep increase in their retirement age at relatively short notice.

This bill that's going through at the moment brings it forward, from 2024 to 2018, and it's going to impact on both men and women but it's going to particularly impact on women, and there's been a lot of lobbying on that.	TUC
With particularly the change to women's state pension age, recently we did get fair bit of comment [from our membership] on that.	GMB
There is another fight going on at the moment because of the equalization of state pension age between men and women. The government's proposing to speed up the process of equalization at 65 so that happens by November 2018 and the women who are most severely affected, I think born between 1951 and 1953, now will get up to a 2 year increase. There's definitely a lot of pressure over that.	NUT

Nearly all the trade unions point this out as being an unfair burden that does not give the women in that cohort enough "time to prepare", in other words make private retirement arrangements. This particular opposition is concentrated on a very small number of future retirees, who are affected by a particularly unlucky amalgamation of new legislation. Demands for a softening of this retirement age progression specifically for this group of women are not irrelevant, but because they concern a very specific case with a limited scope, statements on this issue were not included in the coding for positions on the higher retirement age as a whole. However, this issue highlights the time dimension in pension reform. There are future cohorts much more dramatically affected by changes to the

retirement age, but the concentrated opposition is much more focused on a reform that is much more immediate in time.

Apart from USDAW, the biggest variation among the British unions is on relevance. Only the TUC comes even close to the high-opposition stance of three German unions, or indeed the British pensioners' association, NPC. The others all have opposition-support scores around 1. As in the German case, there is no obvious pattern and even some contradictions in which of the trade unions cluster together. Between the three that have very similar positions, the CWU, the GMB and Unison, membership profiles and sizes vary considerably.

The membership make-up is relevant to the positions of these three, but for different reasons. For the CWU, its background in a low-paid profession is highly relevant. It is explicit in the interview that the CWU did not take a decisive stance on the issue of the retirement age because of disagreements over whether this would benefit their low-paid members or not, with some arguing that it makes more sense for low-paid postal workers to work longer and draw their salaries for more years rather than switch to a pension that even with an occupational layer on top will be rather low. The occupational provisions are generally there, but in contrast to organized workers in other sectors, the interviewee stated, postal workers were less likely to own their own home by the time they retire, were more likely to have to keep paying rent, and were often likely to have low enough occupational pensions that it was beneficial to them to keep working regardless of what the state retirement age was.

If you're going to get told that you're going to retire at 60 or you get the chance to work to 63, 64, 65, 66, there's an attraction, because your pension's not worth a lot, but actually you can carry on working, yes? And earn the 20-odd grand that you were earning when you were 59 as opposed to the four grand pension you're going to get at 60, and you think, well why wouldn't I want to work till 60, and then when you're 60 why wouldn't you want to work till 61?	CWU
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A main theme in the interviews of the British unions is the question of relevance – not just the political relevance of the reform but the relevance of the state pension as such. Both the interviewee for the GMB and for Unison explicitly state that to their members, occupational pension provisions are more relevant than the state pension. Examples illustrating the lower relevance scores of the state pension in the United Kingdom stress the importance of the occupational pensions for the trade union members and their future retirement planning:

An occupational pension can determine whatever the retirement age will be.	Unite
A lot of [our members] had planned to retire at a certain date but that's normally linked to their occupational scheme. Because the occupational scheme provides more of the income, significantly more of the income than the state will.	GMB

In the Unison interview, it becomes clear that in fact, a major problem for the union would be the linking of conditions of occupational pension schemes to those of the state pension,

i.e. linking occupational retirement age to the state pension age, which is the second dominant theme in the British trade union interviews: the concern over linkage.

In Unison's case, this possibility seems likely because the occupational pensions of its most important membership group, the NHS employees, come from the same source as the state pension. Occupational pensions for the NHS are (still, for the moment) pay-as-you-go defined benefits pensions where the government as the employer is paying out those occupational pensions. So the state pension age is relevant to Unison's members because of knock-on effects on the pension layer that really matters to them, the occupational one, but there is less need to campaign on the subject of the state pension age *as such*. This is reflected in Unison's high relevance score combined with a medium opposition score.

I think our problem is linking the public sector pension to the state pension age. It should be separate. You should know when you retire. I think we would be open to debate about what the state pension age might be. Our issue would be linking it.	Unison
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The GMB does not deal with the government as a main employer of their membership. It becomes clear from the interview that for the members, occupational pensions *are* more important than the state pension in terms of maintaining income and standard of living upon retirement, but the question of linkage plays a much less prominent role. This makes sense given the membership structure of the GMB; while their members also generally have access to an occupational pension, they do so with a wider base of employers, some public, some private. In the GMB interview, the relevance of the retirement age seems to stem to a large degree from general considerations of fairness: beyond the membership of the union, discrepancies in life expectancy across the United Kingdom mean that different parts of the country will be affected so differently that a higher retirement age imposes unfairly distributed penalties, especially on low-income regions and areas. On the other hand, because of the GMB's membership and their access to occupational pensions, the GMB doesn't take a clear oppositional stance.

Further removed from this group are Unite and the NUT. The NUT is the National Union of Teachers, and compared to the German organizations it most closely matches the GEW in terms of its membership. However, it has a rather different stance on the state pension than its German counterpart. According to the NUT interview, the retirement age is more or less irrelevant to the organization, and it is not particularly opposed to the measure either. In the Unite interview, the retirement age is considered slightly more relevant, leading to a score around the 1 mark, but Unite has the least oppositional stance on the retirement age out of all the British unions in the sample.

Previously discussed types of argumentation are also present in the NUT interview: members generally have access to occupational pensions, occupational pensions make up the bulk of retirement age income and are far more relevant to the members, and the state pension is more relevant for knock-on effects than anything else. The NUT also deals with the government as the employer of all their members; while teachers are employed by local

education boards and not the government as such, the government is the chief funder of these occupational pensions (Interview NUT). Similarly to Unison, linkage of occupational pension schemes to the conditions of the state pension is considered a bigger problem than what is happening to the state pension itself, but this does not translate to a high relevance score. It is perhaps worth noting here that the NUT had previously achieved a pension settlement with the government that actually addressed issues of longevity, and addressed them in a way where most of the burden of improving longevity is going to fall on the teachers, in the form of higher contribution rates. At the time of the interview, the representatives of the NUT expressed a relatively high satisfaction with the compromise settlement and considered the need to address the longevity further as low.

In comparison with the other exclusively public sector union, Unison, one might wonder whether the white collar nature of the teaching profession has any impact, in the sense that the problem of physically demanding work past the age of 65 does not apply. But similar to the GEW, the NUT representatives cautioned against weighing physical strain against mental strain, and were very explicit about the impossibility of teachers to work past the age of 65. So the opposition to a higher de-facto retirement age for its membership is clear, but it does not translate into very vocal opposition to a higher state pension age, because of the state pension's low relevance to its members.

Unite came out of the merger of Amicus and the Transport and General Workers' Union and is the biggest British union at the moment, organizing over 1.4 million members.¹¹ Like the GMB, it also organizes in the private and in the public sector. It has the lowest opposition score out of all the trade unions in the sample, in both countries. Argumentations on the relevance of the state pension versus the relevance of occupational provisions are similar, with occupational pensions making up the bulk of Unite's members upon retirement as well: "an occupational pension can determine whatever [...] the retirement age will be." Concerns around the raising of the retirement age focuses on people in certain kind of jobs who would not be able to work past the current retirement age, and people being forced to work longer for economic reasons, meaning people who do not have the occupational arrangements to allow them an early exit. What comes through here is that the de-facto retirement age is expected to change very little, or at least not for a while. Again, a main concern would be an automatic linking of the state retirement age to employer-provided schemes.

We have concerns about it in that that would be coupled with employers moving the retirement age of their own pension schemes, which means that access to a pension, means that people won't necessarily have the choice of whether they go at 65, they will have to continue working because if they stop working they can't get their pension until they're 67, 68, that's a problem.	Unite
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¹¹ <http://www.unitetheunion.org/growing-our-union/about-us/>

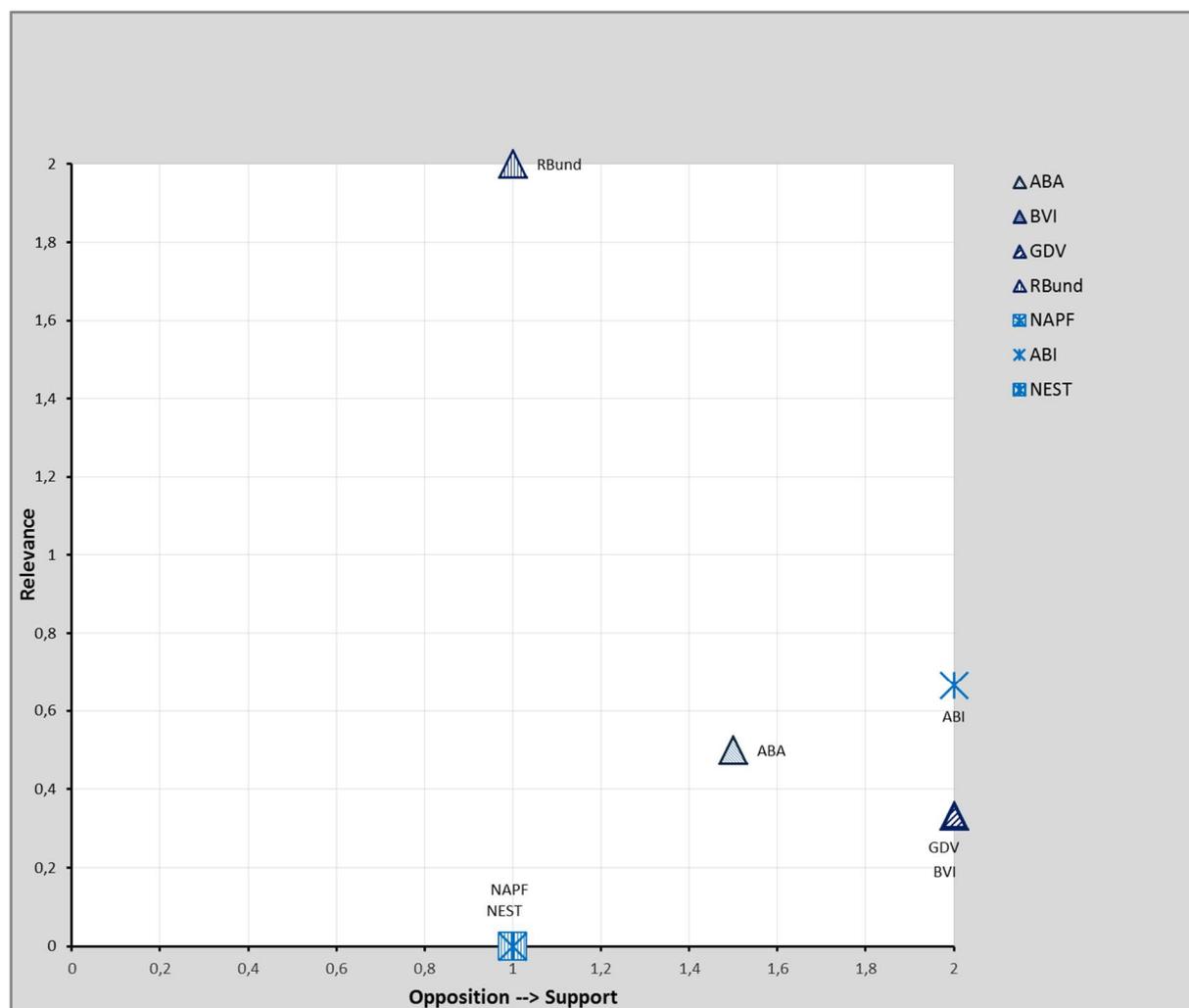
Even though the actual opposition scores for the British trade unions are lower than for the German ones, there are still arguments in opposition of a higher retirement age, and there are similarities across the unions. Most importantly there is the issue of fairness, where even organisations that concede not having campaigned vigorously against the raising of the retirement age are concerned about impact inequalities across socio-economic groups.

The argument from the trade unions was that [working longer] is not fair as long as there is differential life expectancy. So that in some parts of Britain and in lower socio-economic groups life expectancy is lower. So that, if you stipulate that, everybody has to work longer, people who are poor anyway and who are less likely to have occupational pensions to supplement their income, and less likely to have property and other assets will be the ones who will have to work longer and draw their state pension for a shorter time. So the unions as a whole have never subscribed to the arguments about raising the state pension age.

TUC

In general, the British unions in the sample showed less opposition to the higher retirement age than the German ones. Some of the most comparable unions, like the two teacher unions, have the biggest differences, but the peak organizations too are noticeably apart.

5.2.3 Providers



(Data: interviews 2011-2012, Julia Klitzke)

Despite the different pension systems, one can note that the four genuine interest organizations (leaving aside NEST and the Rentenversicherung Bund as providers as such) score similarly, and noticeably different from the employers and the trade unions, though their scores also differ to some degree, as can be seen by how spread out they are in one corner of the graph.

One key theme in the interviews is the question of relevance, which is already reflected in the scoring and the visualising graph. Perhaps in line with expectations, the raising of the state pension age is not really of high relevance to the providers of supplementary private provision. There is a theme of relatively strong support for a higher retirement age, but political restraint and boundaries for getting involved in the political debate.

In general we think it is sensible that people work longer. In general we think it makes sense that state pension age should rise but we haven't been terrifically actively involved in the debate.	ABI
Also auch hier ist erstmal: klare politische Entscheidung. Das ist keine Sache, die wir hier besonders zu bewerten hätten aus, aus rein sachlich-fachlicher Sicht ist es natürlich richtig, und das trifft ja die Privatvorsorge genauso wie die gesetzliche.	GDV
Da haben wir keine Position zu. Das ist auch nicht unser Job. Wir haben eine Position zum frühestmöglichen Zeitpunkt des Bezuges einer Betriebsrente.	aba

The NAPF does not regard the state pension age as an issue for lobbying, but there is some more clear criticism of the government's timetable and concern over raising the state pension age too fast.

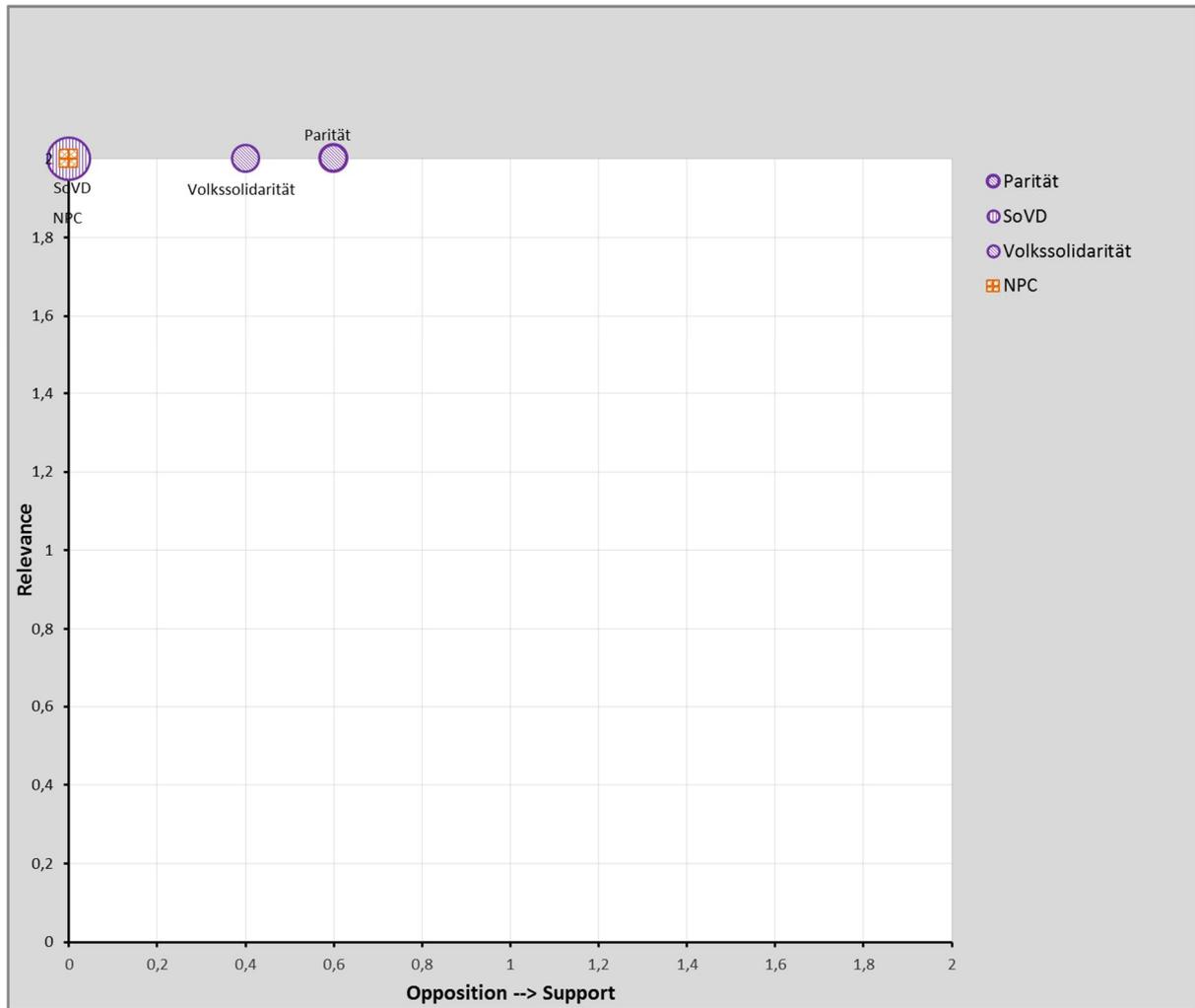
The political restraint on, and lack of relevance of, the issue of a higher retirement age is in interesting contrast with certain arguments emerging out of the trade union discourse. The British trade unions' state that the state pension is not as relevant to their members because people time their retirement according to their occupational pensions, and some German trade unions are discovering the retirement age as an issue of collective bargaining; one might therefore assume that the idea that people who do not wish to work until 65 or 67 might want to make up the shortfall through additional private provisions, i.e. that a higher retirement age might create a new market here. But this has either not occurred in the private insurance discourse, or their representatives do not admit to.

The GDV and the ABI both strongly favour a higher retirement age. Looking at the in-depth argumentation, they base their arguments on their general views on what is most beneficial to the pension system (or the state) as a whole. The NAPF is more neutral on the raising of the retirement age, while the aba is moderately in favour of it. The aba also considers it more irrelevant than not, while the NAPF considers the state pension age not relevant to its membership at all. Hardly surprisingly, the aba is more invested in regulations concerning occupational pensions and is very much against a higher minimum age for drawing an occupational pension; the statutory retirement age reform only has a knock-on effect on those occupational pension schemes that are tied to the statutory retirement age, but tax regulations have been pushing the default minimum age for an

occupational pension from 60 to 62 (Kemper et al 2014: 19f; Kemper and Kisters-Kölkes 2008: 7f). This may be an indicator that the *aba* is aware of the possibility of occupational pensions not merely affording people a more comfortable retirement but allowing them to retire earlier than they could on the state pension alone. On the other hand, given the still relatively large percentage of retirement income that the state pension forms for the average German pensioner, it seems unlikely that the *aba* would assume that pensioners can live on their occupational pension alone for any number of years.

The NAPF is less actively in favour of a higher retirement age than any of the other provider organizations. In fact on the policy question itself, it is closer to the more moderate trade unions than the ABI or the employer organizations. Looking at the interview data, this seems due to the problem of people employed in the kinds of job that they cannot continue to do past a certain age, which remains unsolved. On the other hand, the policy issue of the state pension age is not considered relevant at all, which fits with some of the union strands of argument. However, the NAPF is strongly supportive of the 2012 state pension reform (under discussion as a White Paper at the time of the interviews), whereby the basic state pension would be raised to a significantly higher level; the aim of this policy is to provide a better basis for additional saving, and apparently on the question of incentivising people to save, the state pension is relevant even to occupational pension providers, as one important part of getting the general pensions framework to work.

5.2.4 Social organisations



(Data: interviews 2011-2012, Julia Klitzke)

Among the German social organisations, two themes are very clear and represented in all interviews: concern about certain types of workers not being able to work until 67, and opposition against the higher retirement age based on the job market situation of older employees.

Wir halten eine Rente mit 67 nach derzeitigem Stand nicht für vertretbar, die Arbeitsmarktsituation Älterer gibt das nicht her.	Parität
Wir sind nicht für die Anhebung der Regelaltersgrenze, wir sind nicht für die Rente mit 67. Das war unsere Position, ist nach wie vor auch unsere Position, wir müssen erstmal dafür Sorge tragen, dass wir jetzt einer Annäherung des tatsächlichen Renteneintrittsalters an die Regelaltersgrenze kommen.	SoVD
Wir sehen das nach wie vor sehr kritisch, und wir würden es auch befürworten, wenn man das beispielsweise aussetzen würde, um verstärkt die Bedingungen zu verbessern und damit auch mehr Menschen zu ermöglichen, überhaupt länger zu arbeiten.	Volkssolidarität

This strand of argument is very close to the trade union one. Though what becomes clear in the interviews is that the rejection of the higher retirement age is more specifically about

working conditions, which would need to be improved for people to be able to work until 67.

The social organizations have very clear positions on the relevance of and opposition to the higher retirement age, and are in both countries the most “radical” of the organizations in the sample. The two highest scores against the higher retirement age with a very high relevance are the overlapping ones of the British NPC and the German SoVD. The Paritätischer Gesamtverband is a peak organisation that includes the above-mentioned individual associations. All three German social organisations rate the retirement age as a highly relevant issue, but the level of opposition is different, with the Parität holding the most moderate position and the Volkssolidarität in the middle.

While the social organisations may not be that comparable between Germany and the United Kingdom (see 2.6), their positions and arguments still offer insights into the political landscape in their respective countries on pension issues. It is particularly interesting because while their membership consists (exclusively or predominantly) of pensioners, this is not tied to a particular field. On the question of the retirement age, there are explicit cooperations between the social associations and the trade unions, an alliance of actors whose members do not *necessarily* have the same basic interests: the trade unions may still represent largely labour market insiders, but the pensioner demographic of the social associations includes pensioners who were working in non-unionized sectors, who only worked in temporary and low-qualification jobs or who entered retirement from periods of unemployment. The combination of both types of organisations and seeing them all cluster around roughly the same scores, in the case of Germany, might suggest that there is a much broader base of representation for their arguments against a higher retirement age.

In the case of the United Kingdom, the trade unions themselves are already spread out much farther than the German trade unions. The contrast of trade union views to the NPC, which like in the German case represents pensioners in general, not pensioners from one specific employment background, is noticeable. It is also noticeable that the NPC scores so high on relevance – the interviewee arguing that both members and functionaries are directly affected by pension policies, pointing out that “the very people that are affected by the policies that come along are the people in charge” – when the British trade unions generally assign much lower relevance to the retirement age.

It is in general worth noting that the pensioner membership of the social associations in both countries is not actually going to be affected by the retirement age being raised, given the fact that they already entered retirement, and will not be retroactively affected. This applies more strongly to the NPC, which only has retired members, while some of the German social associations also have members “near retirement” (SoVD interview), who may or may not be affected by changes in legislation. But pensioners still make up the bulk of the membership even there, and lobbying against the raising of the retirement age has no material benefit to all or the majority of the members. In fact, if the pension formula is tied to a demographic factor, as it is in Germany, whereby the ratio of working people to

pensioners affects the yearly uprating of state pensions, *not* raising the retirement age could mean financial *disadvantages* for already retired people: for existing retirees, opposing a higher retirement age for future retirees is against their rational self-interest.

5.2.5 Positions on the retirement age: summary

As visualised in the graphs, the results on the organisations' positions on the retirement age are not counterintuitive: as a benefit cut of sorts, trade unions and social organisations are against it, employers and the insurance industry are in favour. The general impression maps onto a classic labour/capital split.

The more curious results lie in the variations within types of groups and in the specific argumentations. The different role occupational pensions play in the United Kingdom and Germany is reflected in the different priorities of the trade unions and in particular the relevance they attach to the retirement age.

The concerns over fairness based on life expectancy are by far more pronounced in the argumentation of the British opponents of a higher retirement age, and reflects that the variations in life expectancy, not just class-based but specifically region-based, in the United Kingdom are far more pronounced than in Germany. For example, in the 2010-2012 bracket, male life expectancy at birth was 82.9 years in the "highest" area (East Dorset) and 72.6 years in the "lowest" area (Glasgow City) – over ten years of difference in life expectancy. For women the difference was still over eight years (86.6 in Purbeck, 78.5 in Glasgow City) (ONS 2014: 3).¹²

The employers in the United Kingdom and Germany argue fairly similarly, though the British employers' support for using the savings of the state pension age change to raise the state pension is a surprising outcome.

In particular when comparing the stance of the social organisations and the trade unions, but also in the findings for the British employers, it becomes clear that the organisations are not always operating completely based on rational self-interest. As argued above, representatives of the already retired have no rational reason to care about the retirement age of future retirees. This suggests that there are other factors influencing these organisations' positions on the retirement age. One might assume, for example, that a more general view on how the pension system *should* be run has an impact on individual policy positions even where those individual policy positions are not immediately and directly beneficial to the organisation's membership.

This suggests a more general ideological slant that might be relevant here. For example, trade unions are often considered to be more "on the left" or "on the right", and employer organisations can be "more libertarian" or "more statist" in general perception and the media. In the case of pensions, left vs. right or liberal vs. statist would likely have an impact,

¹² The "Glasgow Effect" is well-known as the most dramatic case. Life expectancy is continuously lowest in Glasgow and apparently not linked to deprivation (Walsh et al. 2010). However, stark discrepancies exist even outside of this extreme case across the United Kingdom.

but a more concrete measure on the organisations' ideological stance on pensions as a whole can be found in the question of how the pension system should be organised and who has responsibility for ensuring people have adequate pension provisions upon retirement: the government, the employer or the people themselves.

6: Putting some social democracy into British liberalism and some liberalism into Bismarck?

The second set of reforms the interviews focused on are less comparable reform issues than the retirement age. They do, however, have in common that they (might) represent a departure from the systemic set-up of the pension system, and are arguably the biggest change to happen to each system in the last two decades. Comparing these two nominally different reforms highlights the country-specific issues and reform pressures and offers a perspective on structural issues that would not be possible by just looking at each case alone.

6.1 Systemic change in Germany: the Riester reform

The Riester reform of 2001 is often cited as the most surprising development of recent German pensions policy. It is a central piece of the post-2000 welfare reforms that disproved the theory of inertia and the German welfare state as forever stuck (Häusermann 2010: 126).

As briefly discussed in the historical chapter, the Riester reform represents the paradigm shift in the German pension system: a shift from the assumption that statutory, insurance-based state pensions will guarantee a continuation of working-life living standard into retirement, to the assumption that living standard can only be maintained if supported by a supplementary pension. It also represents a shift in policy from prioritizing what the statutory pension is supposed to do on the output side – provide sufficient retirement income – to prioritizing revenue and limiting spending in order to keep contribution rates in check (Hinrichs 2010: 60).

To provide more context for the position analysis, this section will present an overview of the political process that led to the enactment of the reform. While political processes are not the focus of this thesis, developments within the Social Democratic party were an important factor in the shape the Riester reform took. This section will then also lay out how organised interests were involved (or not) as per the literature, and what their interests were at the time, in order to provide context for the interview-based analysis that follows.

6.1.1 The political context and the Social Democratic Party

The Riester reform is frequently described as a surprise because this paradigmatic reform was carried out while Social Democrats were leading the government. It was also not the most expected leap from the pension policy developments that had immediately preceded it. The 1997 reform proposed by the previous, Conservative-led government had contained the demographic factor that in the long run would have led to a reduction in the replacement rate. But even this reform was still decidedly within the framework of the German statutory pension system and was in fact explicitly committing to its underlying principles (Schulze and Jochem 2007: 683).

The fact that the Riester reform was carried out by a Social Democrat-led government is relevant to its success with regard to the social partners. It is also relevant to the durability

of the reform: the major party most likely to object to privatisation of the pension system in theory was the one to carry it out and has a continued stake in not repealing its own legislation. Therefore the following will describe the political process in more detail.

Pensions played a major role in the electoral defeat of the CDU/CSU in 1998, as the issue was highly salient among the electorate, and many voters had lost confidence in the conservative parties' ability to safeguard pensions. In the 1998 election campaign, the Social Democratic Party campaigned against the 1999 reform on social justice grounds and promised, if elected, to repeal the demographic factor. The new coalition of Social Democrats and Greens kept this promise upon coming into office, and also undid the changes to invalidity pensions the Kohl government had enacted. Furthermore, the Red-Green coalition's early and immediate responses to the financial troubles of the pension system focused on strengthening the revenue base by extending insurance coverage to atypical types of employment (Schludi 2005: 145).

At this point, nothing about the pension policy orientation of the Social Democrats necessarily suggested path departure. However, conflict over the future development in pensions was already latent within the party.

In response to the 1997 Conservative reform, the SPD had set an intra-party commission to work on potential pension reforms, under the leadership of its social policy spokesman Rudolf Dreßler. It recommended structural reform over benefit retrenchment and suggested expanding coverage and trying to raise the employment quota. Lowering the general benefit level was rejected (Wehlau 2009: 99). But during the election campaign, when Schröder presented his shadow cabinet, the selection of Walter Riester over the long-term social policy spokesman Dreßler already indicated that the chancellor-to-be favoured a different approach to pensions.

There was no consensus in the party over the course of pension policy beyond these corrective measures. In opposition, obvious differences between the party's "traditional" and "modernising" factions could be ignored and came secondary to the goal of winning the election (Schludi 2005: 141). Once in office, and with the problem of long-term sustainability of the state pensions far from dealt with, the strategy was less obvious. The appointment of Walter Riester, a former vice-chairman of the IG Metall, as Labour Minister after the election, and the snub this represented for the traditional social policy section of the Social Democratic party, pointed towards the reformist elements gaining momentum in the party.

The Social Democratic party as well as the government generally shifted towards a more reformist position when SPD chairman and Finance Minister Oskar Lafontaine resigned, marking an overall "win" of the reformer faction aligned with Chancellor Schröder. The new Finance Minister Hans Eichel was outspokenly in favour of tight fiscal policy (Schludi 2005: 146), which is in line with the pensions policy shift from being concerned about outcomes to the primacy of cost control. Wehlau (2009: 142) points out that the social

policy experts within the SPD were actually more closely integrated into the pensions policy process when the SPD was in opposition than during the Riester reforms.

The SPD was caught between the financial pressures on the pension system and its own election promises. While the literature concedes that the SPD “kept” its promise of repealing Blüm’s unpopular demographic factor, as it had promised, nearly everything else it did in the arena of pensions was a flat-out contradiction of the spirit, if not the phrasing, of its election promises.

As the man put in charge of pension reform, Riester early on made suggestions for a *Tarifrente*, which the employer associations largely supported and the trade unions and the financial services sector rejected. The suggestion also did not find much support in the SPD parliamentary caucus, so it ended up discarded before it could become very concrete (Wehlau 2009: 110f). Riester then argued for a development of a four pillar system. He argued that an independent old age income for women was necessary, as well as for the stabilization of the insurance contribution rates. There was a general consensus that the state pension would remain the central pillar, but as proposals emerged it became clear that the expansion of the second and third pillar could only happen at the expense of the first (Wehlau 2009: 111f).

His first proposals included the introduction of a new mandatory private pension pillar, which was supposed to be fully funded and based on contributions of 2.5% of gross earnings, a tax-financed and means-tested minimum pension, a reform of pension claims for married women, and a reform of disability pensions (Schludi 2005: 148). This was met with criticism from all political sides. The trade unions saw the principle of parity financing threatened. The draft had been developed largely in the Ministry of Labour; the parliamentary caucus of the SPD and the Greens were only marginally involved and largely underinformed. Upon publication, Riester faced severe criticism from both coalition parties (Wehlau 2009: 112f). Particular point of contention was the idea of a mandatory supplementary pension. As a result of this criticism, the Riester pension developed from a mandatory one to a voluntary one incentivized by subsidies.

Most elements of the reform proposal were amended repeatedly due to political pressure from various sides, including social actors. Schludi (2005: 150f) gives an overview of the concessions the government had to make during the course of the reform process. The proposal to make the new private pension mandatory was abandoned first. Trade unions in particular were opposed to the idea of a mandatory pension pillar funded solely on employees’ contributions, as they regarded this as the abandonment of the parity principle. However, trade unions were not the only ones opposing the idea. The Christian Democratic opposition, the Greens as well as important segments of the media positioned themselves against the idea of making the private pillar pension mandatory (Schludi 2005: 149).

The compensation factor intended to keep expenditure in check was also amended. In the original draft it was only supposed to affect future generations with a lowering of the

replacement rate down to 54%. First this floor of the replacement rate was raised to 64%, and then a new factor was introduced that would affect current and future pensioners. In the final legislative act, a guaranteed floor of a 67% replacement rate was added (Schludi 2005: 150). On the savings side, the original draft had also suggested far more stringent cuts to widow's pensions than what was finally enacted. The Schröder government also took back the consumer price indexing and went back to wage indexing for pensions. As for the design of the new funded pillar, this moved from a mandatory provision to a voluntary one. The subsidies should originally apply to 2.5% of gross wages and thus specifically entice low earners. This was expanded to 4%, and amended to either direct subsidies or tax relief, broadening the scope of appeal to medium and higher earners. An entitlement to convert 4% of gross earnings into an occupational pension was added due to pressure from the trade unions. The political negotiation process in German's bicameral legislature led to home ownership being included in the subsidized savings vehicles (Schludi 2005: 150f.)

Part of the reform package was also the introduction of a new means-tested minimum pension (*Grundsicherung*). This was, however, not technically part of the pensions legislation, but was passed as its own law in the context of social assistance reform. The level of support was roughly in line with social assistance, but in contrast to general social assistance, this age-specific benefit would have a much more generous means-test, in which financial responsibility of children for their parents only kicked in upwards of incomes of €100.000 per year (Blank 2011: 83).

The Social-Democratic-led government originally sought the support of the Conservative opposition for its reforms, and was willing to make concessions to that end. But given the SPD's election campaign had been focused on criticising the previous government's modest pension cuts, the Conservative parties were not inclined to support the government despite these concessions (Wehlau 2009:126).

Not wanting to push the reform through without any additional political support at all, and given that the Christian Democrats continued to reject the reform proposal, the SPD had to make sure its own left wing as well as the trade unions were on board. This was not an easy task by that point. The change in the stabilizing factor happened due to pressure from the trade unions. Another concession to the trade unions was that occupational provision was to be given precedence over private provision (*Tarifvorbehalt*) (Schludi 2005: 154f).

6.1.2 Trade unions and employers

The position of the trade unions in the years preceding the Riester reform between the different political parties had become somewhat complicated. Schludi (2005) describes that as late as 1996, the Conservative-Liberal government consulted the trade unions on reforming early retirement, and in doing so sidelined the Social Democrats (Schludi 2005: 136). This highlights that the trade unions and the SPD were not automatic allies after the erosion of the pension consensus. On the other hand, the Conservative-Liberal government passed the Growth and Employment Promotion Act in the same year, which contained provisions such as cutting sick pay that were completely unacceptable to the trade unions

(Schludi 2005: 137), and caused a rift between the trade unions and the government parties; Schludi argues that the trade unions might have reacted differently to the modest pension cuts proposed in the 1999 pension reform proposal, had it not been for the souring of that relationship. Instead, they turned down the possibility of achieving minor concessions and supported the SPD in the election campaign instead (Schludi 2005: 142). It would make sense to assume that this state of the relationships between the political actors would have made it harder for the trade unions to then oppose the reforms put forward by the SPD government.

On the role of the social partners in the Riester reform process in particular, Wiß (2011) highlights the diverging interests among the trade unions as the Riester plans took shape. In the general German trade union landscape, Wiß identifies two camps: the social policy oriented camp, which includes the IG Metall and ver.di's direct predecessors¹³, and the collective bargaining oriented camp, which includes the IG BCE and IG BAU. Within the DGB, industrial trade unions tended to dominate, but due to the change towards a service economy and the fusion of several smaller unions into ver.di, ver.di has become a rival player to the industrial unions IG Metall and IG BCE (Wiß 2011: 99).

By the time the Red-Green government came into office, there was no consensus, in particular between the IG BCE and the IG Metall, about the future of the German pension system. The IG BCE had already started to include retirement provision in their collective bargaining strategies, while at the time the IG Metall was calling for a retirement age of 60. The IG BCE in particular was unique among the trade unions in calling for a reform of the pension system. Rather than being in line with other trade unions, the IG BCE was actually closer to the chemical industry employers, leading to inter-class alliances (Wiß 2011: 152f). The IG Metall, on the other hand, tended to pursue a more leftist redistributive approach. It was not as wedded to the equivalency principle and tends to favour of redistributive elements in the statutory pension insurance. The conflict between the IG Metall and the IG BCE on pension issues led to threats of the IG BCE to leave the DGB (Wiß 2011: 100).

In general, in light of the concessions the trade unions were able to affect, the trade unions did not respond to the final Riester reform package with enthusiasm, but the state subsidies for the supplementary pensions and the strengthening of occupational provisions made it acceptable to them (Wiß 2011: 167).

There were some divergent interests among the employers as well, though not to the degree that diverging interests divided the trade unions. German employers are most prominently represented by the BDA and the BDI. The BDA in general represents employer and industry interests in social policy as part of a division of labour, but there have also been differences between the two organisations. In the 1990s the BDI adopted a more neoliberal slant, while the BDA was still attached to its role as a social partner and did not wish to

¹³ Verdi did not exist yet at the time, but came out of a merger of five DGB unions and the previously independent white-collar union DAG in 2001.

weaken the collective bargaining system. An important factor here is the size of the companies. The bigger companies preferred general, generous social insurance systems, while smaller and medium-sized companies were hit harder by rising social insurance contributions (Wiß 2011: 105).

When the reform plans were first suggested, the employers along with other actors opposed the idea of an obligatory supplementary pension. Suggestions by the IAB to go with a British opt-out model were also considered too much of a burden on employers. But in general, the employers welcomed the reform proposal. They were not opposed to the paradigm change and were in particular keen to avoid rising payroll taxes, rejecting claims that the paradigm change might lead to a return of old age poverty in Germany (Wiß 2011: 154ff).

6.1.3 The insurance industry

Other relevant actors in the Riester reform process are the parties that stood to gain hugely from a new influx of customers for their products: the insurance and financial industry.

Wehlau (2009) puts forward an in-depth analysis of the Riester reform process with a focus on the influence the financial industry exerted over it. This includes both an analysis of the lobbying process that took place and a detailed presentation of the positions and political logic of the insurance industry at the time. Important organisations here are the GDV, representing the insurance sector, and the banking and investment sector, which is represented by the BVI and the Bundesverband deutscher Banken.

Banks and investment firms have a similar natural interest as insurance companies when it comes to the pension system. A more basic state provision that incentivizes private saving benefits their business interests. The generous German state pension had so far more or less crowded out a private pension market (Ebbinghaus 2011a: 8). In the Riester reform process, both the insurance sector and the banking sector expected to benefit from cuts to the public pension and a subsequent strengthening of the third pillar, both directly through tax incentives and indirectly through weakening of the first pillar. Wehlau (2009) presents the way the two sectors brought their arguments into the reform discourse and shows that they were clearly both arguing in the same direction, albeit with different nuances: the insurance industry argued from the point of view of looking out for the pensions system as a whole, and presented reform suggestions outside of their narrow purview, while the investment and banking sector discussed mostly the opportunities and expected returns of investing in funds (Wehlau 2009: 188f). Both, on the other hand, vocally expected the state pension to be unable to withstand the pressures of demographic ageing and considered it in urgent need of reform.

Beyond their shared interest and main aim of strengthening the third pillar, the insurance sector and the banking sector have also been in competition with each other. Traditionally, the insurance sector had the biggest share in third pillar retirement provision in Germany. The most popular vehicle of private provision for old age was life insurance, whether with conversion into an annuity or without. In 2002, over 91 million life insurance policies were currently active (Wehlau 2009: 160), which is more than Germany had inhabitants at the

time. Saving into stock-based pension funds, on the other hand, was still relatively uncommon.

As a result, insurance companies had far greater experience with retirement savings products, and by the time the Riester reform passed, they were ready to get in on the business, as they had been developing products fitting the Riester criteria throughout the on-going legislative process. They also had an advantage over banks and investment companies as their products already matched the type of product supported by Riester subsidies (Wehlau 2009: 172). They were therefore strong proponents of minimum quality standards for Riester products, which their existing products were likely to meet anyway and which did not run counter their functional logic, thus safeguarding their share of third pillar pension savings against the banking and investment sector, for which these minimum quality criteria were largely alien and harder to achieve (Wehlau 2009: 189f).

The banking and investment sector was in a much less primed position. Until 1998, stock-based investments were not even officially recognized as retirement savings (Wehlau 2009: 178). Even after retirement saving funds were recognized as a retirement savings vehicle, contributions still did not enjoy the same tax privileges as contributions to life insurance. Therefore one of their main aims during the restructuring of the German pension system in 2001 was to achieve the same tax incentives for their products that life insurance policies and insurance-based retirement savings had enjoyed for years (Wehlau 2009: 176f).

The success of their products was also more threatened by drafted provisions to make Riester contracts safe for future retirees. One particular point of contention was the aspect of security and securing contributions. The BVI continuously rejected the idea of a guaranteed minimum interest on retirement savings vehicles, arguing that almost all investment funds de facto deliver that level of interest, whereas the guarantee itself leads to lower returns on the investment, thereby harming the future retiree (Wehlau 2009: 181). Originally the Riester plans had also included a guarantee that every ten years, the fund provider would have to be able to pay out the accumulated contributions. The banking and investment sector was in strong opposition to such a regulation, citing the great administrative cost and accusing the government of sacrificing the opportunities of market-based retirement savings on the altar of a German need for security. The government, on the other hand, did not budge on the idea of guarantees in principle, and after negotiations a compromise was reached. According to the compromise, the providers did not have to be able to pay out accumulated contributions every ten years, but they did have to guarantee it upon the end of the savings phase and entry into retirement (Wehlau 2009: 182ff).

The positions these organisations took during the reform process and, in the case of the GDV, in the years leading up to it, make it clear what their main interests are regarding the pensions architecture: both the insurance and the banking industry have an interest in a lower state pension, putting an end to the crowding-out (Ebbinghaus 2011a: 8) of private provision in generous Bismarckian systems. The insurance industry favours regulations that work well with insurance products and insurance logic, and that discourage a transfer of

those savings into investment funds; the banking and investment industry on the other hand favours a low degree of regulations in order to be able to offer its products based on the functional logic of the market.

6.1.4 The positions of organised interest on Riester

For the following analysis, the representatives of the organisations in the interview sample were questioned on their organisation's take on the Riester reform (see chapter 1.6). This was in some ways a more complex question and interviewees answered on different axes, which I have attempted to reflect in the coding.

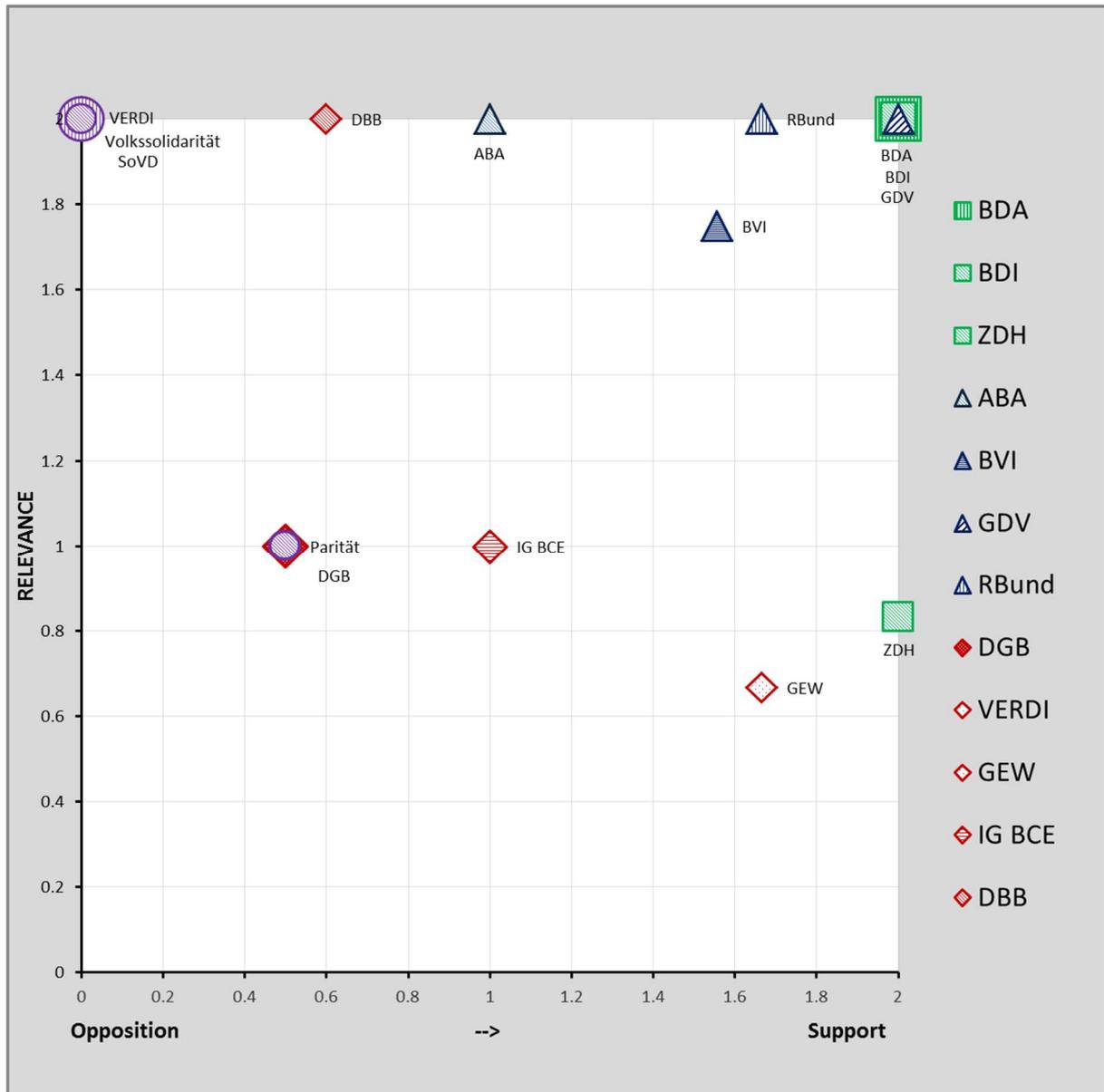
Both the Riester reform and the 2007 legislation that would raise the retirement age were of course reforms in the past, and on one level interviewees were asked to give an answer in retrospect. However, as shown above, the question of the higher retirement age is, despite existing legislation that came into effect shortly before the interviews, an ongoing issue that at the time of the interviews was still being debated, and has since then been subject to more legislation. The Riester reform is both a further look back and a rather settled issue; even opponents of privatization do not really expect a roll-back of the structural changes and the new role of private provision introduced by the reform.

So replies on the Riester reform, and the Riester pension, generally carry several aspects that are related and often overlapping, but mean different things for the organisation's current position: whether an organisation was in support of the reform, whether it would still support it "now", and whether the organisation would consider the reform a success.

The look back on an organisation's position and strategy at the time of the Riester reform is interesting for a qualitative analysis of the historical situation, but because of the hindsight perspective, I did not deem this consistent or reliable enough to take it as the organisation's position as such.

Instead I chose to focus the coding on two aspects: whether the organisation supported the *principle* behind Riester, meaning a strengthening of subsidised funded private pensions at the expense of the PAYG state pension, and whether they judged the literal Riester reform as successful in what it set out to do. This means that for example support for the Riester reform at the time but a questioning of the principles behind it in hindsight is coded as opposition, whereas support for the reform at the time with no present day qualifiers is coded as support. As with the retirement age coding, I coded support 2 and opposition as 0. I also coded for relevance of the policy issue again, with a high relevance meaning a score of 2 and irrelevance meaning a score of 0.

A graph of the results of the organisations positions on the Riester pension and the principles behind it and how relevant they consider it as a policy issue reveal some clusters, but also some more surprising closeness and distance.

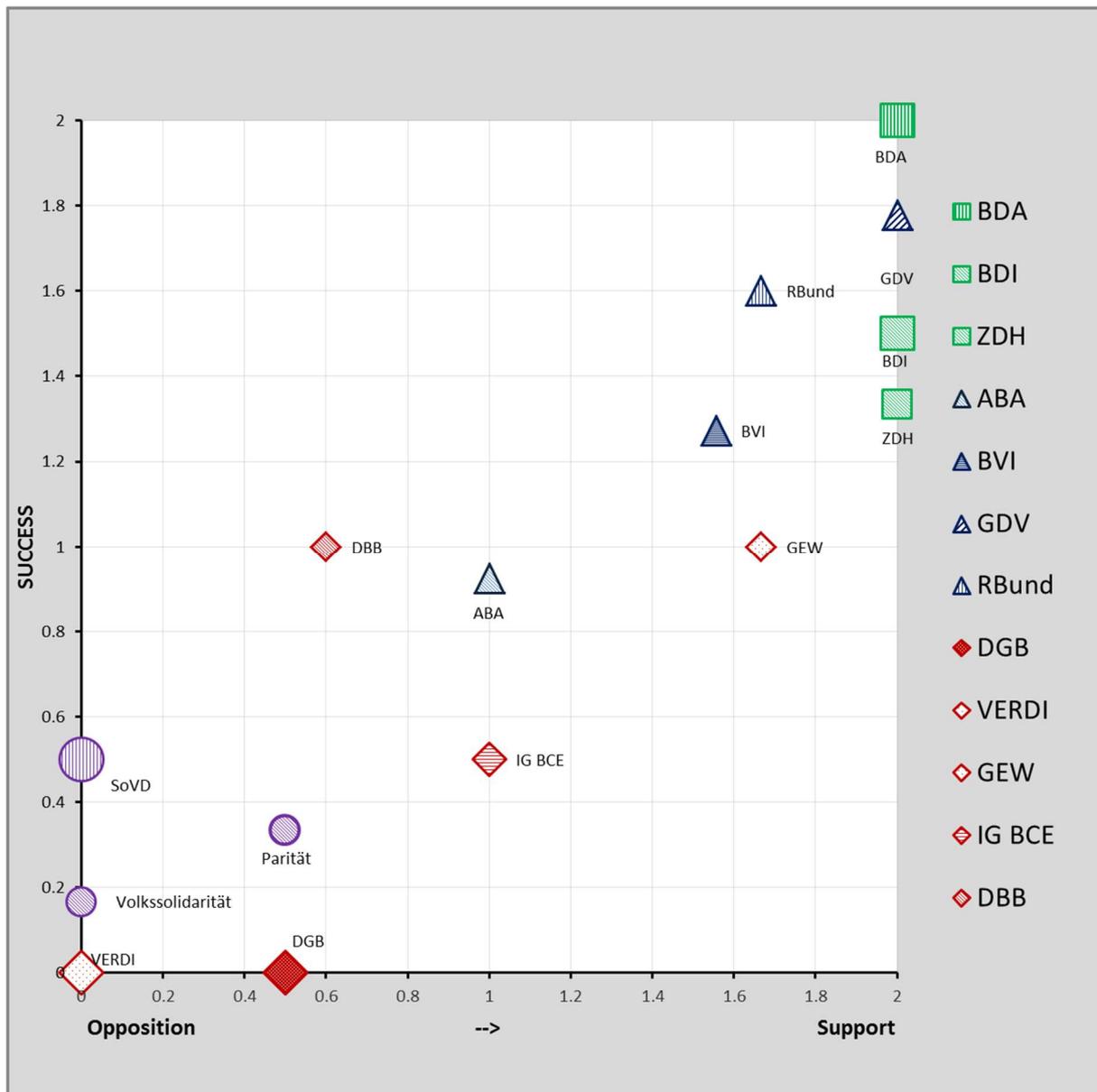


(Data: interviews 2012, Julia Klitzke)

The overall picture is not as intuitive as the distribution and clustering looked for the retirement age. While certain positions are not surprising, particularly on the side of the employers, the spread of the trade unions is more pronounced than it was for the German unions on the retirement age, and the connection between trade unions and social associations is not nearly as strong.

In the case of the Riester reform, the organisations were also asked how successful they rated the Riester pension and how well it was delivering what it was intended to, roughly ten years after its introduction. In the distribution of organisations here, it is clear that those who consider the measure unsuccessful are also very critical of it, but there is still some variation: critics who concede that the Riester pensions are working roughly as intended, and supporters who think the Riester pensions do not work well enough yet.

A second chart changes the relevance dimension (Y axis) to how successful an organisation rates the Riester reform.



(Data: interviews 2012, Julia Klitzke)

Those organisations who rate the Riester reform as a success are also generally those who support it and its underlying principle, while those who see it largely as a failure are opposed to it, leading to this constellation along the diagonal line of the plot. The correlation is very visually obvious. However, looking at the scores in detail, there are still quite noticeable differences and distances, and some quite noticeable outliers within in their groups.

6.1.5 The employers

The clearest and least surprising cluster is that of the employers and the GDV, the association of private insurers. BDA, BDI and GDV overlap on relevance and support: all three assign high relevance to the issue of a private addition to the pension system and all three are very much in favour of the principle behind Riester. BDI and ZDH are equally supportive, but their lower relevance scores and slightly lower success scores have them positioned slightly differently.

Much as with the retirement age, the employers are first and foremost concerned with the contribution rate, and since the entire architecture of the Riester reform was designed around keeping future contribution rates to the state pension within certain limits, it also makes sense that they support this type of arrangement *and* that this is highly relevant to them.

Both the BDA and the BDI stress in their argumentation the need for balancing the state pension with new funded private provisions. Their chief reason in favour of the Riester pension is that a shift away from *sole* reliance on the state pension is necessary, and that the Riester pension was the right way to achieve this. For instance, the BDA representative argues:

Das Bewusstsein zur Eigenvorsorge für das Alter ist sicherlich gestiegen und auch das Bewusstsein, dass die Sozialsysteme in ihrer Leistungsfähigkeit begrenzt sind. Auch aus diesen Gründen war es ein wichtiger und richtiger Schritt; die unverzichtbare - schrittweise und zeitlich gestreckte - Absenkung des Rentenniveaus der gesetzlichen Rentenversicherung mit dem Auf- und Ausbau einer staatlich geförderten privaten und kapitalgedeckten Zusatzvorsorge, also der Riester-Rente, zu begleiten.	BDA
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It is very noticeable that in arguments in support of Riester type pensions, even the strong proponents stress the importance of the state pension. Proponents of the Riester pension are arguing for a mixed system, or rather a differently mixed system. As the interviewee from the BDI puts it:

Der BDI hat sich eigentlich immer für eine Mischform aus Umlage- und Kapitaldeckungssystem ausgesprochen. Wir haben immer gesagt, wir verteilen die Risiken, aber eben auch die Vorteile aus den Systemen und steigen da nicht komplett um, sondern bauen zusätzliche Säulen auf, die dann eben auch wirklich privat oder betrieblich sind, wo der Staat keine direkte Verfügungsgewalt über das Geld hat. [...] Von daher waren die Riesterreformen, eben die rot-grünen Reformen, schon wichtig.	BDI
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Both organisations subscribe to the three pillars model, with private and occupational pensions supposed to make up the shortfall from a reduced state pension.

The final employer organisation in the sample, the ZDH, does not land in exactly the same spot the way the BDA and BDI do. The apparent distance in the graph is due to the ZDH assigning much lower relevance to the Riester reform, but the support for the principle of the reform as such is as unequivocal as for the other two employer groups. For instance, the lowering of the level of state pension is seen as just as relevant, and the Riester pension is important in making that politically possible.

Einer der wichtigsten Gründe für die Einführung der Riester-Rente war, dass man mit diesem Instrument erlauben konnte, dass das Rentenniveau schrittweise sinkt. Ohne dieses Gegeninstrument, ob es die Leute nun machen oder nicht, wäre es viel schwieriger gewesen, die Absenkung des Rentenniveaus zu beschließen.	ZDH
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The lower relevance for the ZDH is largely due to the *Entgeltumwandlung* being seen as more important to its membership, meaning a specific form of occupational pension. This is in

line with the results presented in 5.3 on the question of how the organisation would like to see responsibility distributed between public, occupational and private.

Despite the lower relevance score of the ZDH, it is very obvious from the materials that the employers across the board as well as the insurance industry are very focused in their support for a funded private pension replacing a layer of the PAYG state pension. The Riester pension is presented as a sensible response to the future lowering of the state pension, which in turn is not opposed but regarded as a sensible political move.

This is in total alignment with the impetus behind the Riester reform.

6.1.6 The trade unions

In comparison, the trade unions are literally all over the map on the Riester pension. On the issue of the retirement age there were relevant distances between groups of trade unions; on this issue, these distances span from the very end of the opposition scale (ver.di with a score of 0) to nearly full support (GEW with 1.66).

In the excerpts of the representatives' arguments, there are fewer themes that stand out as being central to all the trade union actors. The Riester pension is seen as positive especially compared to the hypothetical alternative of lowering the replacement rate *without* flanking it with a promoted and subsidized additional provision vehicle, but the assessment of whether this was a good thing in general varies widely.

Der Grundgedanke, dass neben der gesetzlichen Altersvorsorge, die vergangenheitsbezogen immer Existenzsicherung zum Ziel hatte, weitere Versorgungssäulen entwickelt werden, um individuelle Lebensstandardsicherung, wie man das auch immer definiert, zu erreichen, dieser Gedanke ist im Riester-Modell hinterlegt und auch nicht falsch.	IG BCE
Der Vorteil, und das, was man schon anerkennen muss, ist, dass man 2001 gesagt hat, okay, wir senken das Rentenniveau, wir wollen es aber den Menschen erleichtern, zusätzlich vorzusorgen. Das ist der Unterschied zur Blüm-Reform, die ein paar Jahre vorher lief, wo man im Grunde das selbe Rentenniveau wie in der Riester-Reform angestrebt hat, ohne aber den Menschen zu sagen, was sie denn jetzt tun können. Und man hat versucht, eine Reform zu machen, die insbesondere Leuten mit niedrigen Einkommen hilft, das mit der Vorsorge irgendwie hinzukriegen.	DGB
Also, ich weiß, dass die GEW sich positiv [zur Einführung der Riester-Rente] verhalten hat. Diese Position war allerdings keine, die stark Mitgliederinteressen vertreten hat, weil die GEW den Bedarf in dem Bereich selber für sich gar nicht gesehen hat.	GEW
Wir haben uns in der Tat an der Stelle sehr kritisch geäußert. Und würden an der Kritik auch nichts zurücknehmen wollen. Wenn man sich die Bilanz jetzt nach zehn Jahren mal anschaut, dann sehen wir uns da auch außerordentlich bestätigt.	dbb

The coding on Riester is also complicated by a greater degree of if/then (i.e. "if the lowering of the replacement rate happened, then Riester would be a desirable measure") and by assessments that differ from the historical position the organisation took.

Verdi is a good example of this complexity, with a current (at the time of the interview) position that differs from the retrospective the time. The interviewee explains that Verdi (or rather its predecessors, as Verdi did not yet exist at the time) did not strictly oppose the reform at the time, but would now take a different position and is rejecting the underlying principle that was the whole point of the reform:

Also, [unsere Position] ist ein bisschen schwieriger zu erklären. Es ist so, dass wir niemals die Riester-Rente ganz abgelehnt haben. Der Widerstand insgesamt der Gewerkschaften und des DGBs bei Einführung der Riester-Rente war sehr schmal, sag ich mal. Aus heutiger Sicht muss ich sagen, leider, sehr sehr schmal. Besser wäre es gewesen, damals Maßnahmen auch zu initiieren, die die gesetzliche Säule gestärkt hätten. Mit der Riester-Rente haben wir die gesetzliche Säule geschwächt, was dazu führt, dass aufgrund dieser Rentenreform das Rentenniveau bis 2030 auf 43% abgesenkt wird.	Ver.di
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The lowering of the state pension replacement rate is described as a profound mistake. This is something that was already touched upon in the question on the three pillars, and reflects the position of ver.di that the state pension should play a more important role in the future than it currently does (and that private pensions should play a smaller role than they currently do as well). The ver.di interviewee describes the complex situation the trade unions found themselves in at the time with one of their own, Walter Riester, at the helm of the reform, and argues that the trade unions *could* have mobilised against the reform but (regrettably) chose not to. This regretful perspective might partly explain why the opposition to the underlying principle of funded private provision is so clear and pronounced.

On the other end of the spectrum, the GEW interview offers the perspective of a trade union that did not have a huge stake in the issue at the time. Their low opposition score is also partly due to the GEW actively promoting among their members to take up Riester pensions, and partly probably due to the architecture of the reform: in the context of the three pillar issue, the GEW has a strong preference for a status maintenance pension out of a combination of state and occupational pension, with no mandatory role for private pensions being desired; apparently the trade-off on occupational pensions in the Riester context is enough to make the reform palatable.

Two specific points of criticisms are raised by the peak organisations that touch upon the functional logic of Riester in the pension system and question its basic sensibility. If the purpose of the introduction of Riester was to lower contribution rates, argues the dbb representative, it makes no sense to add the Riester contribution rate on top of the state pension rate and for at least the employee side to be just as burdened as without Riester. The DGB representative points out the difficulty of an individual making informed decisions on something as complicated and long-term as pension finance.

Insbesondere, wenn man sieht, wie stark auch künftig noch das Rentenniveau absinken wird und auf der anderen Seite, wenn man die 4% Riester draufpackt auf den Rentenbeitrag, man ja nicht weit jedenfalls von dem weg ist, was Zielmarke beim Beitragssatz gewesen wäre, wenn man gänzlich ohne Reform geblieben wäre, ja? Dann ist das natürlich schon ein Punkt, den man als Arbeitnehmervertreter nach wie vor	dbb
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thematisieren muss.	
Für Normalsterbliche sind das Ratespiele, welches Produkt man wählen soll. Und darauf kann man unseres Erachtens keine Sozialpolitik aufbauen, das ist einfach wirklich unverantwortlich. Wenn es wirklich zusätzliche Vorsorge wäre, kann man darüber reden. Aber das ist ersetzende Vorsorge, und dann kann man nicht so ein Vabanquespiel mit den Versicherten betreiben.	DGB

While the trade unions, in line with what one would expect, are generally not in favour of any further shifts from state provision to private provision, there is no unified rejection of the Riester pension to be found, neither historically nor in the more recent ex post facto assessment.

6.1.7 The providers

On the provider side, the assessment of Riester is generally positive, with a clear slant of those who represent actual Riester providers. There is a general consensus that the principle of the reform and the paradigm shift was either welcome or at least unavoidable.

Ich wüsste gar nicht, wo ein Nachteil der Riester-Rente für das Rentensystem wäre.	GDV
Riester ist die gesetzliche Antwort darauf, dass eine Versorgungslücke bestehen wird. Die Einführung der Riester-Rente ist eine große Reform gewesen. Und das System ist im Grunde auch richtig.	BVI
Aber wir würden sagen, als Deutsche Rentenversicherung Bund, diese Riester-Rente, so wie sie heute besteht, ist ein grundsätzlich interessantes und sinnvolles Instrument. Diese Reform, die damals stattgefunden hat, ist von uns im Prinzip unterstützt worden, mit ein bisschen Knirschen im Bauch und zwischen den Zähnen, aber sie ist unterstützt worden, und zwar deswegen, weil wir gesagt haben, das, was ansonsten an Beitragssatzanstieg zu erwarten wäre in Zukunft, ist letztlich nicht zumutbar.	RVBund
Das heißt, die damalige, Reform, ist ganz entscheidend gewesen hinsichtlich dieses Umschwenks zu einem besseren Mix, und auch zu einer besseren Propagierung der kapitalgedeckten Vorsorge, aber auch da muss man halt eben wieder sagen, der Sündenfall, der da drin liegt, ist letztlich eben der gewesen, dass man viel zu spät an die betriebliche Altersversorgung gedacht hat.	aba

As is clear from these examples, the most critical voice on the provider side is that which lobbies for occupational pensions. The aba rates the Riester reform as a success not because of what is generally regarded as Riester pensions, but because as part of the reform, it was possible to achieve Entgeltumwandlung and have it treated as a quasi-equal to Riester pensions. Their early criticism of the reform was that it did not choose occupational pensions as the supplementary pension to focus on, but the private pillar. Criticisms of Riester pensions include the problem of complexity and the problem of less than desirable business practices by individual insurance agents, which were heavily discussed in the media around the time of the interviews. Echoing arguments of the trade unions, the aba also points out the problems financial laypersons face when trying to make informed decisions about something as complex as the Riester pension.

Wenn ich bei den Nachteilen anfangen, sage ich ganz klar, sie ist aus meiner Sicht doch für den Einzelnen so kompliziert, dass er ohne fremde Hilfe nicht für sich sorgen kann, in der Regel jedenfalls nicht, er braucht dazu Beratung, bestenfalls muss er dazu noch Finanztest lesen.	aba
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The representative further points out that it is problematic “dass man ein privat individualisiertes Modell zum Ersatz eines Teils der Leistungsabsenkung der gesetzlichen Rente gemacht hat”.

The GDV, representing insurance companies that among other things offer Riester policies, is the most vocal advocate of the Riester pension with the strongest refutation of any criticism. In assessing the success of Riester, the glass is at least “half full”; given the lack of an obligatory component, the take-up rates for the Riester pension can be regarded as very high. Most criticisms of Riester as a pensions vehicle, they argue, are not actually a problem with the Riester principle. For the GDV this is a fairly obvious stance to take, as it represents insurers that directly benefitted from the new type of subsidised pension insurance. It makes perfect sense that they would be in favour of such private provisions, and that this is highly relevant to them. The GDV’s criticism, or area of improvement for the Riester pension, is that subsidies should be raised, and at the very least adjusted for inflation.

The BVI on the other hand shares the aba criticism of complexity. The BVI considers it a great success that contrary to initial Riester reform drafts, the products offered by its members were included equally with the more traditional insurance products in subsidies, but their representative actually defines the Riester pension as a supplemental state pension due to its state subsidies and argues for more (genuinely) private pension provision. In general, the degree of private pension saving in Germany is considered way too low:

Riester reicht noch nicht aus. Denn Riester hat noch einige Unzulänglichkeiten, die einem größeren Aufkommen an privatem Sparvermögen entgegenstehen. [...] Neben Riester ist es sinnvoll, dass Vorsorgesparer zusätzliche Rücklagen für das Alter bilden.	BVI
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The RVBund representative rejects ideas floating in the critical discussion of Riester to abolish Riester subsidies and reallocate the funds to the state pension, expressing doubt that the funds would actually be used to support the state pension. The issue still in need of reform is transparency, in particular with regard to cost.

6.1.8 The social associations

Most noticeable is perhaps the strong position of the social associations. While Parität was not yet involved enough in the pensions discourse for an explicit stance at the time (“Wir haben uns da beteiligt, und sehr zurückhaltend geäußert. Eine umfassende rentenpolitische Positionierung hatten wir zu diesem Zeitpunkt aber noch nicht. Das lag daran, dass der Paritätische zu dem Zeitpunkt als rentenpolitischer Akteur noch nicht so aktiv war.”) from the current perspective all three interviewed associations emphasise the problems with the

Riester pension, stressing social fairness, and questioning the usefulness of the three pillar model in general.

Und ein zweiter Punkt in der Rentenversicherung ist, dass man dringend Korrekturen braucht an dem Paradigmenwechsel, der 2000/2001 durchgeführt worden ist, das heißt, mit dem Übergang zu einem Drei-Säulen-System. Und zwar deshalb, weil dieses Drei-Säulen-System nicht ausreichend absichert.	Volkssolidarität
Es ist auch unstrittig, dass die Riester-Rente sicherlich für einen Teil möglicherweise eine Chance bietet zu einem höheren Gesamtversorgungsniveau im Alter. Man muss aber ganz deutlich sagen, dass, das ist unsere Überzeugung, der ganz überwiegende Teil [der Bevölkerung] sind die Verlierer dieser Reform.	SoVD
Aus unserer Sicht geht das Ganze an den zentralen Bedürfnissen vorbei. Bei den Geringverdienern beteiligen sich ja weniger als ein Viertel der Versicherten an der Riester-Rente, gerade die bräuchten das aber in besonderem Maße.	Parität

Thematically the social associations highly doubt the success of Riester. One particular criticism is also that the paradigm change and the lowering of the replacement rate of the state pension has the potential to call into question the legitimacy of the state pension as a whole (“Nach wie vor ist die Rendite in der umlagefinanzierten gesetzlichen Rentenversicherung noch größer, ob das so bleiben wird, ist, wenn die Rentenniveauabsenkung weitergeht natürlich fraglich. Aber dann steht überhaupt die Legitimation der gesetzlichen Rente auf dem Spiel.” Interview Volkssolidarität.)

What also stands out in the graph is the relative distance of the social associations to the trade unions. While on the retirement age their opposition in total was also more pronounced than that of the trade unions, it is even more obvious here. This distance is also reflected and corroborated in the interviews with the social associations explicitly. The interviewee from Volkssolidarität sums it up like this:

Ich glaube, die Sozialverbände haben sich sehr engagiert damals und sehr deutlich ihre Bedenken vorgebracht. Aber sie haben sich nicht durchsetzen können. Und sie machen ja auch heute ihre Bedenken deutlich und mahnen auch heute dringend Korrekturen an, aber da gibt es noch andere Akteure, die vielleicht wichtig wären, die aber wegen anderer Interessenlagen sehr zurückhaltend sind. [Interviewer: Wer denn?] Zum Beispiel die Gewerkschaften.	Volkssolidarität
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This is also reflected in the SoVD interview, in the context of resistance against the Riester reform at the time of its political implementation:

Wir haben es schon deutlich versucht, auch mit unserer Kritik. Also ich rede jetzt von den Sozialverbänden, jetzt nicht so sehr von den Gewerkschaften.	SoVD
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The social associations have the most stringent and most principled objections to the paradigm change that happened with the Riester reform, and concede that they were unsuccessful in their protest at the time. When comparing this outcome to the results of the “three pillars” question (see 5.3), it is noticeable that several of the trade unions express a much stronger preference in principle for a heavy emphasis on the state pension than the

social associations. But in the concrete case of the Riester pension, it is the social associations taking the less compromising (if ultimately futile) opposing position.

6.2 Systemic change in the UK? Auto-enrolment and the new state pension

6.2.1 Second-tier pensions, take three – auto-enrolment

The reform of the retirement age in both Germany and the United Kingdom is about containment of cost in the face of increased longevity, and questions of sustainability and cost containment were also motivators for the structural reform of the German pension system in the Riester reform discussed above. The fourth reform discussed in this thesis, on the other hand, is one that at the very least is not conceived as a cost containment measure, and could perhaps even be regarded as an expansive pension reform.

The introduction of auto-enrolment is the most major change to happen to the British pension system in recent decades. After its staged introduction, by 2017 every employed person above a certain income level will be automatically enrolled into an occupational pension which will be designated by their employer, but which has to fulfil minimum criteria. This is mandatory for employers, but allows employees to opt out of the offered pension after the fact.

As discussed in the theoretical and historical chapters, the post-war British pension system was based on the concept of an existential minimum provided by the state, and additional pension savings being up to the individual. This can include both saving into a company pension or private provision, though rather obviously, saving into an occupational pension is not really up to the individual's choice if the employer does not provide one.

The historical chapter describes the policy measures intended to provide a second, income-related tier of pension provision. The most extensive of these policy measures in terms of replacement rate was the introduction of SERPS, which provided rather substantial occupational pensions for a certain cohort. As a state pension it was mandatory, not relying on voluntarism, but retained a liberal element in the contracting-out option that allowed people to change to a different savings vehicle. With the dismantling of SERPS on the one hand, and a decline of voluntary employer-sponsored pensions on the other, how to improve occupational or private pension savings became a pressing policy problem, as the emphasis on voluntarism did not seem to bring the desired results (Taylor-Gooby 2006; Bridgen and Meyer 2011).

The next major attempt to fix the problem of lacking or insufficient second-tier pensions was made by the New Labour government with the introduction of the State Second Pension. The State Second Pension transformed the remainders of SERPS into a more targeted benefit, retaining the incentives for opting out while trying to improve the coverage for low-income earners (Blake 2003: 18). The technocratic nature of the State Second Pension and its subsequent failure would be worthy of its own analysis, but in the context of the British pension system, it played an insignificant role. This is also reflected in the fact

that it is hard to find in-depth analyses of the State Second Pension in the literature. One of the interviewees, an expert in British pensions, describing the State Second Pension, stated, “Most people have no idea what they’re going to get from the contracted-out bit or from the State Second Pension, because the formula is so complicated that practically nobody on the planet other than three civil servants who invented it actually know how it works. I mean, I work in the industry and I can’t work out what I’m due from it.”

Another attempt to strengthen pension savings was New Labour’s introduction of the Stakeholder Pension. The Stakeholder Pension relied on entirely voluntary savings by employees, with employers recommending, but not contributing to, such a Stakeholder Pension. The insurance industry was not interested in marketing these schemes, and the take-up rates for Stakeholder Pensions were so low that they were never seen as successful (Casey and Dostal 2013: 289).

Auto-enrolment was the next major attempt to tackle the problem of pension undersaving. Unlike SERPS and the State Second Pension, auto-enrolment was not supposed to bring about an unfunded state pension but an occupational pension with a degree of compulsion and automatism and government subsidies. The Pensions Policy Institute referred to this as the “second and a half” tier of pensions (Curry 2008: 239). Unlike the previous second-tier pension reforms, this reform came out of a consensus process and was not the work of one political party. Both the government and the opposition at the time, as well as employers, trade unions and consumer groups supported the reform. Despite this consensus, early expectations especially in the literature regarding auto-enrolment’s success were low.

Auto-enrolment was part of the 2008 Pensions Act passed by the Labour government at the time, and another element of the compromise worked out in the Pensions Commission besides the raising of the retirement age. The proposal suggested a new form of pension provision that would involve both employer and employee, as well as a government contribution in the form of tax relief. Employers will be required to contribute 3% within a band of earnings, employees 4%, and the government will add 1% in the form of tax relief (Pensions Act 2008).

Automatic enrolment is to apply to those workers who do not already have a workplace pension scheme, who are 22 years old or older, but under state pension age, and whose earnings are higher than a minimum earnings threshold. The 8% contribution rate will apply to a band of earnings. Auto-enrolment would start in 2012. The reform was phased in in multiple ways. For the employers, the obligation to enrol employees was “staged” based on company size, with the biggest companies starting in 2012, and the smallest employers joining in February 2018 (Thurley 2016: 4). In addition, the contributions were not payable in full from the moment of the policy coming into effect, but were also phased in over time, with initial employer contributions at 1%.

It was a reform that aimed to make use of people’s inertia, the logic being that it is harder to get people to join a pension scheme if they have to take action themselves, than to keep them from leaving it if they are automatically enrolled. The opt-out provision would keep

the scheme from being truly mandatory, which fits in with the spirit of voluntarism permeating the British pension setup. But employers are not allowed to encourage people to quit the pension scheme and they are not allowed to ask their employees beforehand whether they wish to join or not.

A requirement for auto-enrolment to work is of course the availability of a savings vehicle that can work in this framework, and deliver pensions to the target group. The impetus behind auto-enrolment was specifically to get people who did not already have access to occupational pensions to start saving into a pension. While not targeted exclusively at lower-income earners, it is not a stretch to assume that at least a sizeable percentage of those not being offered an occupational pension prior to auto-enrolment were on the lower income scale. Combined with a relatively low contribution rate of 8% of wages in total, this meant that the new pension payments would make for relatively small pension pots. The Pension Commission's research showed that it would not be profitable for the pensions industry to cater to lower earners, specifically those working for smaller employers (Johnson et al. 2010: 14). For the logic of auto-enrolment to work, a new kind of savings vehicle was required.

The Pensions Commission recommended a National Pension Savings Scheme. In the original policy, the envisaged savings vehicles were called "personal accounts" (Curry 2008: 238). This developed into the body of the National Employment Savings Trust (NEST). NEST is one of the organisations interviewed, if not as an interest organisation as such then for their expert perspective. It was established as a savings vehicle for employers who did not have the size or resources to set up their own pension scheme. It was designed to provide easily accessible, "no-frills" pension schemes that meet the requirements of auto-enrolment at a low cost. It is currently working as an arms-length body from government, set up with a government loan but supposed to be financially independent in very short order.

NEST was designed to enable pension saving on low incomes and minimum contributions, providing a low-cost alternative to the products offered by the pensions industry, but it was also constrained to serve largely this purpose and not far beyond, so as not to pose a new competitor to existing pension schemes provided by the pensions industry. For this reason, there is a cap built into the NEST architecture (£3,600 a year in 2005/6 values) on contributions. This was imposed in order to prevent unfair (because government-sponsored) competition with existing pension schemes and to insure NEST focuses on the target market (Johnson et al. 2010: 7).

Despite the broad consensus on auto-enrolment, there were concerns over its introduction both on specific details as well as on the consequences of auto-enrolment in general. The general concerns, or criticisms, came down to essentially three points: the question of opt-out rates, the concern over "levelling down", and the question of whether it is even beneficial to enrol everyone automatically.

Even strong proponents of auto-enrolment, like the NAPF and the government itself, were braced for opt-out rates of over 40% (NAPF 2013: 3). Such forecasts were not as such

questions of political agreement or disagreement, but it was clear that a high opt-out rate would indeed undermine the efficacy and legitimacy of the policy scheme. A policy response to this could of course be to prevent opting out by making the scheme compulsory, and this was indeed the argument of the trade unions at the time of the pensions compromise (Interview NEST). But auto-enrolment was the highest degree of compulsion that was politically feasible in the United Kingdom then. With exact predictions being impossible and no real precursor to the scheme existing, a “wait and see” approach was taken both by both critical and enthusiastic proponents (Interviews ABI, CBI, NAPF).

Levelling down is the idea that employers would be motivated by the reform to lower existing pension contributions to the auto-enrolment minimum. The auto-enrolment minimum contributions are comparatively low when looking at established “good” occupational schemes. Similar to semi-compulsion, this was due to the measure being a compromise and the need for political as well as financial feasibility. The concern about levelling down of better schemes to the level of the minimum assumes two potential logics that could influence employers: one idea was that employers would adjust their existing pension schemes downwards because auto-enrolment set a new standard, and employers would feel that this standard would be sufficient and they would not be required to do more. This argument is on the one hand rather doubtful given that the employers this concerns are already exceeding requirements by offering a pension at all. On the other hand, research indicates that employer behaviour towards workplace benefits is not without its idiosyncrasies and that herd behaviour can occur (Bridgen and Meyer 2005). The version of levelling down that depends less on psychological factors is a scenario in which an employer has previously enrolled some classes of employees into a company pension, and when having to enrol all (who do not opt out), the employer will attempt to not exceed the level of the previous expense, and lower existing pension contributions to offset the costs caused by new pension scheme entrants. The Pensions Policy Institute conducted research into projected employer behaviour, testing various scenarios of an increase in pension saving, a stagnation but reallocation, and a decline of pension savings (Curry 2008: 343f) but a definitive prediction remained impossible.

The final main issue with auto-enrolment was whether it would pay to save, i.e. whether the people it targets will actually have an objective benefit, and the potential disincentive to save this would represent. The same research by the Pensions Policy Institute classifies potential savers into “risk groups”, differentiating those who are likely to benefit the most if they are auto-enrolled and stay enrolled and those who are likely to benefit the least. People expected to benefit most from saving into personal accounts would be single people in their 20s in 2012 who will have had full working histories, as well as single men in their 40s and 50s who have had full working histories and as well as substantial additional savings; the “high risk” group ~ people who would benefit the least if they were auto-enrolled and stayed there ~ would consist of single people who do not own their housing but are still renters by the time they retire, and people in their 40s and 50s who are on lower incomes and self-

employed. In a medium risk group are those who have interrupted working biographies and/or low incomes (Curry 2008: 238f).

It is quite obvious that these projected risk groups map rather well onto the traditional pensions risk groups. People who start saving in their twenties and have uninterrupted working biographies, as well as people in middle age who have had uninterrupted working biographies and already managed to save up substantially, are already at a lower risk of insufficient funds in retirement when compared to the profiles in the “high risk” group. As a result, the policy scheme as set up seemed to have problems with serving the actually underserved in pension savings. Research by the Pensions Policy Institute in 2008 assumed that upon the full maturation of new NEST accounts, 50% of pensioners would still be reliant on means-tested benefits, reducing or eliminating the benefit of their saving into NEST, which is only 10% fewer than in a current scenario (Casey and Dostal 2013: 294).

At the heart of the question on whether it “pays to save”, i.e. whether it would have an objective benefit for certain risk groups to save into a pension on the level of the personal accounts, later NEST, is the role of means-tested benefits in old age. The people deemed at high or medium risk to have little to gain from paying into an auto-enrolled minimum-contributions pension are also exactly the people most likely to apply for some sort of benefit that, under the system of 2008, would be means-tested: renters because of housing benefit; people with interrupted working biographies because their pension entitlements from occupational pensions are unlikely to exceed what they would be entitled to from general social assistance or even more targeted pensioner benefits. Essentially, despite its innovative approach to getting more people to save into an occupational pension, auto-enrolment would struggle with the same structural problems that affected all type of occupational pension saving especially at the lower end of the income scale: the gap between the basic state pension and an actual existence minimum, and that benefits intended to fill that gap tend to be means-tested.

The impact of means-testing on pensions was not a focus of pension discussion until it garnered attention in the late 1980s. A first attempt to address savings incentives for those likely to fall under the means-test in old age was made by the New Labour government as part of their pension reform agenda, with the introduction of the Pension Savings Credit scheme in 2003. This replaced the “marginal tax rate” by which pension savings were subject to the means test and “taxed away” from 100% to 40% (Casey and Dostal 2013: 293). The Pension Savings Credit replaced the Minimum Income Guarantee and thus exempted a percentage of accrued-but-insufficient pensions from the means-test. However, the underlying problem of the “pay to save” question remained the low basic state pension, and despite growing support for a higher state pension among employers, trade unions and financial industry actors, New Labour held on to not reforming the basic state pension for most of its tenure (Meyer and Bridgen 2012: 387). The Pensions Act of 2007 re-introduced pensions uprating based on earnings, which over the long run would have raised the level of the state pension somewhat, but one can doubt whether this constitutes a significant overhaul that would have addressed the general problem of the low state pension.

When the Conservative-Liberal coalition government under Prime Minister Cameron came into office in 2010, it replaced the Labour government that had brought in the auto-enrolment legislation. Despite auto-enrolment being the outcome of a wide consensus, there was initial concern whether the new government would step back from this reform, especially in light of businesses still protesting the compulsion on employers.

The coalition government set up a review of auto-enrolment in 2010, and this did lead to some changes in the auto-enrolment legislations that were passed into law in the 2011 Pensions Act. The review investigated the burdens and efficacy of the proposed auto-enrolment legislation and tried to answer whether the proposed set-up would be likely to deliver on the aims (Johnson et al. 2010: 2). The requests taken on board at this late stage mainly reflected employer and insurance industry concerns. As a concession to requests from employers, the review instituted an optional waiting period before employees had to be auto-enrolled. However, other demands by the business community, in particular from the Federation of Small Businesses, to exempt the smallest employers from auto-enrolment requirements were rejected. The review came down against excluding micro-employers, citing as reasons the potential exclusion of 1.2 million employees, the practical problem of determining a micro-employer, and the potential disincentive it could create for employers to expand and hire more people (Johnson et al. 2010: 5). However, small businesses were given more “time to prepare”, with their staging dates being moved back: employers with fewer than 50 employees were not to be affected before 2015 (Thurley 2014: 7f). The review also suggested raising the earning threshold for automatic enrolment to the personal allowance for income tax and raised the lower end of the band of earnings. The projected impact of this was that roughly one million fewer workers, a 10% reduction from the original proposal, would be eligible for auto-enrolment (Thurley 2014: 5). The review further recommended an easy certification process for existing occupational pension scheme in order to keep cost and administrative difficulties in particular for small employers to a minimum.

On the whole, the basic principle of auto-enrolment was upheld. The feature of across-the-board applicability, regardless of employer size, can be regarded as critical.

The higher threshold was also a reflection of the review’s investigation into the “pays to save” question, which still dogged the scheme.

This fundamental issue was tackled in a different reform the Conservative-Liberal coalition undertook, underwriting auto-enrolment with a reform of the state pension, in a way that many in the pensions industry saw as a prerequisite for getting auto-enrolment to work at all. In a Green Paper in 2011, the Department for Work and Pensions announced that the basic state pension would be raised significantly; technically a merger of the basic state pension and a flat-rated state second pension, the first and second tier of state provision would be taken together and paid out as a new flat-rate state pension roughly at the level of the old BSP and the maximum S2P taken together. At £140 per week in 2008 value, protected against devaluation by a triple-locked uprating mechanism, by which the future

pension would be uprated either based on inflation, wages, or 2.5%, whichever is highest, the new state pension would arguably offer an actual existence minimum, and would in general exceed or at least not fall below the level of means-tested benefits in old age. A new state pension at that level would dramatically reduce the “pay to save” question (DWP 2011: 29f).

The state pension reform would partly be financed by abolishing the rebates on national insurance contributions for occupational defined benefit schemes (contracting out) (Casey and Dostal 2013: 302), which was cause for concern among those currently paying into these defined benefit schemes. This concern is reflected in the interview responses when it comes to the state pension reform plans.

The new state pension as enacted in 2014 was set at slightly lower than in the 2011 proposals, at £144 per week in 2012/13 prices (ONS 2013: 4). The triple-lock to ensure its durability has remained in place, though it has recently come under fire already from the Institute of Fiscal Studies for being too expensive and privileging pensioners over working people in times of recession.¹⁴ The new state pension will only apply to future pensioners, not current ones or those entering retirement before 2016.

The new state pension has garnered relatively little attention in the literature so far. This is in all likelihood still due to the relatively recent timeframe, but possibly also related to the transient nature of previous British pension reforms and concerns over whether this one will truly “stick”. There has also not yet been a lot of literature analysing auto-enrolment after it has started to come into effect, though some of the actors involved in pensions have studied the success to date. The true test of the universality of auto-enrolment will come with the staging dates of small and micro employers in 2017, and perhaps then this policy will become the focus of more thorough academic discussion.

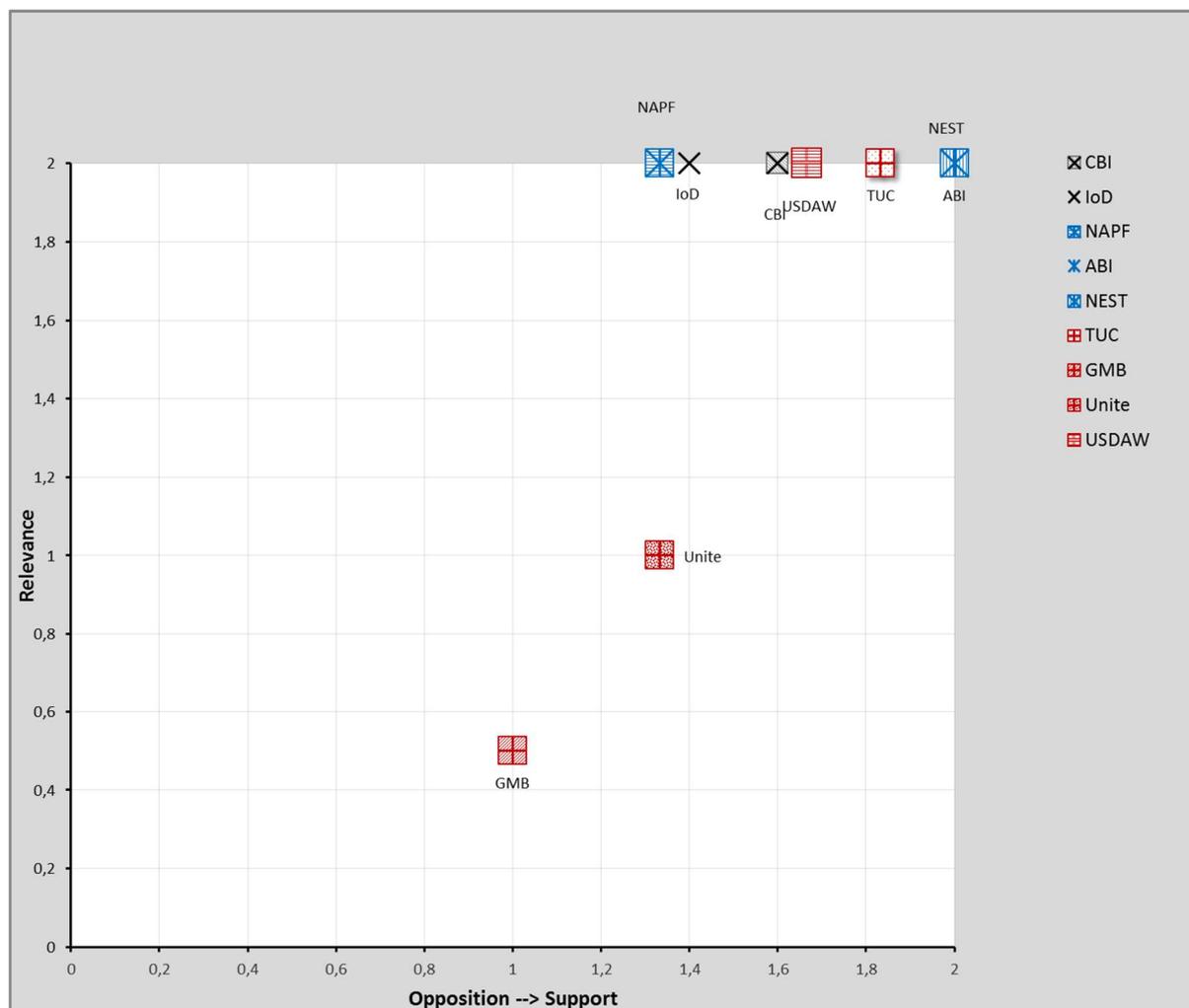
The interviews that are the basis for the following analysis were all carried out in the midst of the transition process of 2011/2012, one literally on the day the Green Paper about the state pension reform was announced. This is reflected in interviewees’ attitudes towards auto-enrolment (as well as the very freshly proposed new state pension) and the uncertainty about its success upon implementation.

6.2.2 The positions of organised interest on auto-enrolment

The coding scheme of support and opposition on the first axis, and relevance on the other, was applied to the interview materials on auto-enrolment. Some of the results are rather intriguing, and will be put in context in the qualitative discussion.

¹⁴ "Scrap triple lock that protects state pensions, says thinktank chief", 20.10.2015, <<http://www.theguardian.com/money/2015/oct/20/pensions-state-scrap-triple-lock-protect-paul-johnson-ifs>>.

As in the previous graphs, a position in the upper right corner would indicate strong support and high relevance; a position in the lower left corner would indicate strong opposition and low relevance.



[Not listed due to insufficient data: CWU, Unison, NPC, NUT.]

It is clear that nearly all of the organisations in the sample ascribe very high relevance to the reform, and literally no organisation falls into the opposition side of the graph: the opposition side is completely empty. However, four organisations are not represented in this graph because auto-enrolment was irrelevant to their members to the point, so that it was not possible to code for a position.

With only two outliers, it is clear from the visualisation of the positions that a majority of these actors in the British pensions field consider this reform both highly relevant and are strongly in favour of it.

This consensus is directly addressed in the interviews. Unlike the German pension consensus of old, pensions in the United Kingdom have not been marked by an exceptionally high degree of consensual policy making. However, auto-enrolment appears to have garnered a high level of consensus among pensions actors. The CBI representative puts it as follows:

For example on auto-enrolment, there is a national agreement. Obviously there are differences here and there, but the TUC and CBI agree on that particular issue. So does government, so do all the political parties, basically everyone but the Federation of Small Businesses, everyone agrees with that.	CBI
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This statement would appear to be supported by these findings from the interviews, with literally none of the interviewed organisations being in opposition to the reform. (It was unfortunately not possible to interview a representative of the Federation of Small Businesses.) The slightly lower support scores of the IoD, the NAPF, the GMB and Unite are actually not explained by hesitations about the principle of the reform but by doubts about details of the implementation, and doubts about the legislation's *success*.

There are a few misgivings around the introduction of auto-enrolment, but they do not rise to any sort of fundamental objection to the principle of the new pension provision. These misgivings center around three themes: complexity, efficacy and opt-out rates.

In terms of complexity, it is mostly the employer representatives arguing that in particular smaller employers might be overwhelmed by the paperwork and regulation around auto-enrolment. Doubts about efficacy are raised regarding the low contributions and whether auto-enrolment will even be able to have the desired effect given that at an 8% contribution rate, the eventual pension payoff is still going to be too low. The third aspect that had a negative impact on organisations' support for the reform was the general question of how successful it would be, meaning how high the opt-out rates among the newly-enrolled employees would be. Nearly everyone in the sample expressed concerns about this, but there were differences both in how likely high opt-out rates were considered and whether this made the reform itself unappealing (or dead on arrival).

6.2.3 The employers

Both interviewed employer organisations were strongly in favour of auto-enrolment. The concern over complexity is particularly strong on the employer side, and there has also been some lobbying on achieving legislative adjustments to ease the burden on employers. On the business side of the things, the burden on employers is reflected in this statement from the IoD interview:

We also think that auto-enrolment as we have it today is so complex a system and administrative mechanism that most smaller employers are going to struggle to cope with it. Just by way of illustration: the recent guidance from the pensions regulator on how to deal with auto-enrolment was 120 pages long. Now, you know, a small employer is just going to collapse when they see that. Even larger employers are going to find it difficult.	IoD
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While it was not possible to interview someone from the Federation of Small Businesses, auto-enrolment being a concern for small businesses in particular is a theme in the interview with the CBI, and also the focus of opt-out concerns.

The three-months waiting period, which the trade unions are highly sceptical about (see below), is a welcome adjustment to the employers, allowing for some flexibility with regard to seasonal work and specific types of employees.

Now that is great for example for a retailer because, say, in the Christmas period, you hire a lot of people who come in, who are not going to stay in the company, they're only working for the month that is Christmas and then they're going. What they want is a salary, they don't want to have to lose 5% of their salary into a pension that they're going to leave in a month and is never gonna build up further than that.	CBI
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On the issue of contributions, and thus efficacy of the scheme as a whole, the IoD interviewee goes farther than some of the other interviewees and identifies the focus on the employee as main contributor as one of the weaknesses of the concept:

The other problem is that we are proposing to put the main burden for contributing to this pension onto the employee, at 4%. This will mean that employees will notice this and will be rather more likely to opt out. We believe that most mid-range employees are very tightly constrained financially right now today. Combine that contribution with a view of pensions as toxic, and unfortunately our central case for opt-out is round about the 40% mark. If that is the case, the auto-enrolment policy will be seen as a failure.	IoD
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On compulsion, an interesting perspective appears in the IoD interview, which for a long time and very vehemently argued against compulsion. While employers felt strongly about the idea of compulsion when it was a possibility (or rather a threat) as something to be fought against, in the face of the realities of the compromise solution of auto-enrolment plus opt-out, the hindsight perspective might look different. As the IoD interviewee puts it, "When I've taken boards of companies through how auto-enrolment is going to work, every single board has gone, 'Oh for goodness sake, why didn't they just make it compulsory and get it done with?'"

This perspective, while somewhat anecdotal, provides a hint that there may be more room to manoeuvre on compulsion than one would assume from the British political culture and the employers' expected initial refusal.

A further concern, and one which is shared across the political spectrum in this sample, too, is the question of people on low incomes being discouraged from saving by the means-test, "because if you're a modest earner, if you save into a pension, you are simply saving pound for pound to deny yourself the means tested benefits to which you would otherwise have been entitled had you done nothing" (IoD). This is the "pays to save" question, which was a shared concern across most of the interviews. On the employer side, the support for the reform of the basic state pension is unequivocal, both from the point of view of providing an incentive to save and to abolish the complexity of the means-tested system.

We've welcomed that proposal and, you know, there are things that need to be ironed out in terms of details but the overall idea is a good one.	CBI
We think we can go to a decent universal basic state pension so that people can understand that that is all they're going to get from the state in retirement. That	IoD

and no more. Maybe some council tax benefit, maybe a bit of something else but that's it. And if you know that that's all you're going to get in retirement, if you want more than that, you have to save, so it provides the clearest possible incentive to save.	
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The IoD response to the Green Paper goes further here too in suggesting applying a reformed state pension to existing pensioners, not just future ones. Regarding receipt, the IoD representative makes a case for a residency test rather than social insurance contribution history.

6.2.4 The trade unions

The scepticism towards auto-enrolment is higher on the trade union side, where the only significant outliers can be found. In particular Unite, where auto-enrolment was not considered as relevant as in the other interviews but still viewed positively, and the CWU (not in the graph), where the representative argued that the reform was not relevant to their members, the overwhelming majority of which were already in long-established pension schemes; for the CWU this essentially became a non-result, since the irrelevance was so pronounced that the interview did not yield any substantial results beyond the lack of relevance.

The TUC has an almost identical score as auto-enrolment's strongest proponents, lowered only by misgivings over certain changes made to the legislation by the Conservative-Liberal government shortly before it started to come into effect.

The trade unions in general have reservations about the implementation of auto enrolment and argue that with the changes the Conservative-Liberal government made to the original legislation, the thresholds are too high, so that people who would have started saving under the original draft are no longer being auto-enrolled; this disadvantages, they argue, in particular the low income earners this legislation (and flanking it with the establishment of NEST) was supposed to bring into pensions savings (TUC, GMB). This means that the legislation will not actually accomplish what it set out to do. On the union side, there are also reservations around enforceability. With employers having to auto-enrol all their employees, the possibility to "avoid" paying contributions rests on the employee and their opting out of the new pension. This raises the question of whether employees will be protected from undue pressure by their employers.

The other issue with auto-enrolment is how it's going to be enforced. We're very concerned that it's not going to be enforced sufficiently so employers will just sort of get around it. It doesn't have the mandatory strength of the minimum wage and people get around that.	GMB
We also fear that employers will seek to persuade [employees to opt out], although it's illegal to do so. But I think a lot of employers, particularly the smaller ones, will certainly not encourage [their employees] to join.	Unite

“Nobody really knows,” was the assessment of the GMB interviewee, but they suspected that opt-out rates would be higher than expected.

Compulsion would also have allies on the union side, who in discussions on compulsion by and large come down in favour of it. The TUC in particular had been in favour of a compulsive element to occupational pensions, but had found it a struggle to even argue for the kind of “soft” compulsion that the auto-enrolment legislation represents. Describing the campaigning for compulsive occupational pensions, the interviewee says:

I'm not quite sure where I'm going back to now, ten years maybe, we were the only organization in Britain arguing for a new system of pension saving in the occupational area that involved compulsion, and nobody agreed with us. [...] We were ferociously opposed by other employer organizations [except the Engineering Employers Federation], and anybody else who had anything to say. So we felt very pleased that what was then proposed was the auto-enrolment with the contingent compulsion.	TUC
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An awareness that contributions might not be high enough is also present on the trade union side. For example, the interviewee from Unite argues, “Eight percent is not enough, in terms of saving for a pension. I mean, we reckon that twice that is needed.”

The trade unions are also more sceptical about the state pension reform underpinning the introduction to auto-enrolment. A common theme is the concern that there will be hidden trade-offs, or the view that the cuts supposed to counter-finance the reform will not be worth it in real financial terms (TUC, Unite, GMB, Unison, CWU).

The government is trying to move in the right direction, but we thought that they are doing it at cost-neutral value and that it doesn't include current pensioners meant that there were two big blocks [in the policy]. It just was very problematic for us.	TUC
If that's at the expense of the second state pension, the winter fuel allowance, other means-tested benefits, pension credits, savings' guarantee and so forth, then a lot of people are going to be no better off. Some are going to be worse off. And only relatively few are going to be better off.	GMB
Well, it's giving with one hand and taking away with another. Because it's quite a clever kind of public relations, it looks as though they're giving something. But if you for example relied on a state pension you got a second small pension, that's gone. And also many of the benefits to older people and family credits have also gone. So the reality is you're worse off.	Unison

The trade unions are also more sceptical that the reform will happen as proposed in general, even though the interviews took place roughly in the same timeframe as the interviews with the employer and industry representatives. At the same time as the reform of the state pension, changes to public sector pension schemes were under discussion, and it comes through in the interviews that this topic preoccupied the unions' pensions officers at the time.

The USDAW representative is generally the most welcoming of the Green Paper, but is concerned about the knock-on effects the reform will have on contracting out, which will be used in part to finance the reform. This concern is also explicit in the NUT interview. In

the CWU interview, it becomes clear that although the state pension generally plays an important role for its members, the scepticism about what will be “taken away” in exchange for a higher state pension weighs heavier.

In general, on the trade union side concern for the financial bottom line (reduction of other benefits) and the knock-on effects on occupational pensions (contracting out) seems to outweigh arguments of the functional logic (“pays to save”, means-test avoidance) the state pension reform is meant to address.

6.2.5 The providers

For the organisations who already deal with pensions and how they are provided, the level of contributions is one of the chief concerns. If people save into a recommended pension assuming this will be sufficient for their retirement, “there will be a big issue for people entering NEST and other people whose employers set up pension schemes if all they get is an 8 % contribution rate, because it really won’t be enough” (NAPF).

Support is high among both provider representative organisations, despite some concerns over the success of auto-enrolment that lowers the NAPF’s score. Even if newly auto-enrolled workers are not enrolled into existing pension schemes but into NEST, the provider representatives are generally supportive of more pension saving, whether it is into the schemes of their members or not.

The other concern, but one where most interviewees do not feel confident enough to make a prediction, is opting out. The ABI interviewee stated, “It is very, very difficult to know whether or not people will opt out. It’s a big social experiment.” Concerns were that people on small incomes would see too small a benefit in staying in the pension scheme they would be auto-enrolled into, as opposed to people whose employers were already providing pensions arrangements and where higher employer contributions served as a stronger incentive to stay in (ABI). The NAPF, while one of the strongest proponents of auto-enrolment, also were the ones expecting roughly 40% of newly enrolled people to opt out again (see above).

There is also the awareness of the problem with low pension returns and the means-test on the provider side.

It was perfectly possible that people on low salaries in particular would have joined the scheme, save all their lives, have their employers save all their life and then the benefits would just be kind of means tested away from them when they got to retirement, because of the way means testing works.	ABI
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So while auto-enrolment could have gotten more people into saving, at the time the legislation was set up the surrounding pensions architecture was such that the expected returns – at least on the base contribution rate of 8% – would be so low that it might still have created the problem of saving up not making economic sense for low-income earners.

Consequently, the provider representatives are also explicitly supportive of the reform of the basic state pension meant to underpin auto-enrolment. The NAPF has been arguing for

a long time for a higher state pension and is pleased by the government tackling that reform, though surprised by the abolition of opting out. Getting state pension reform on the agenda is counted as a major win. The ABI representative sums up support in the industry for the reform thus:

For us in the industry, we're quite comfortable with it because, again, it gives us a clear pays-to-save message, we can go out, we can sell to employers, we can sell to individuals and say, "Look, you're going to get this flat-rate pension, it's not going to be interfered with, whatever you save you get to keep." The difficulty was always cost.	ABI
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The British provider organisations have no trouble at all with the state pension crowding out anything; they still clearly have an interest in having more people save into private and occupational pensions. On the one hand, the abolishing of contracting out would have a negative impact on some of the existing schemes they represent; on the other, through the reform architecture as a whole, they are likely to gain more clients.

6.2.6 The social organisations

The results for the National Pensioners' Convention on auto-enrolment were so inconclusive they are not included in the graphic representation. The NPC is the organisation in the sample with arguably *the* strongest position on the state pension, and the strongest focus on the state pension as at the centre of the pension system, which is reflected in auto-enrolment being not that salient an issue to them.

However, on the reform of the basic state pension, the NPC much like the trade unions meets the Green Paper with scepticism and concern over other benefits being cut to finance the reform. The NCP representative argues that the state pension should be raised to 178 pounds a week; uprating the state pension according to earnings in the future is not sufficient, because the state pension had been allowed to deteriorate too far. The state second pension should continue to exist on top of that. It is therefore obvious that the NPC is dissatisfied with the proposed state pension reform, even as it goes in the right direction. At the very least, the reformed state pension should be applied to existing pensioners, not just future pensioners.

That's the weakness of the Green Paper. It looks forward, doesn't look where you are now and forward as well, it says, well, today's pension system, we'll just leave that, and we'll sort something out for the future. One of the weaknesses of the Green Paper is that it creates three, more than three, but three obvious systems. Existing people who've already retired, people like me who will have a combination of the existing system and the new system, and people in the future, like my children, who will only have the future system. And there at one point will be three systems running and yet the document claims it's a simplification.	NPC
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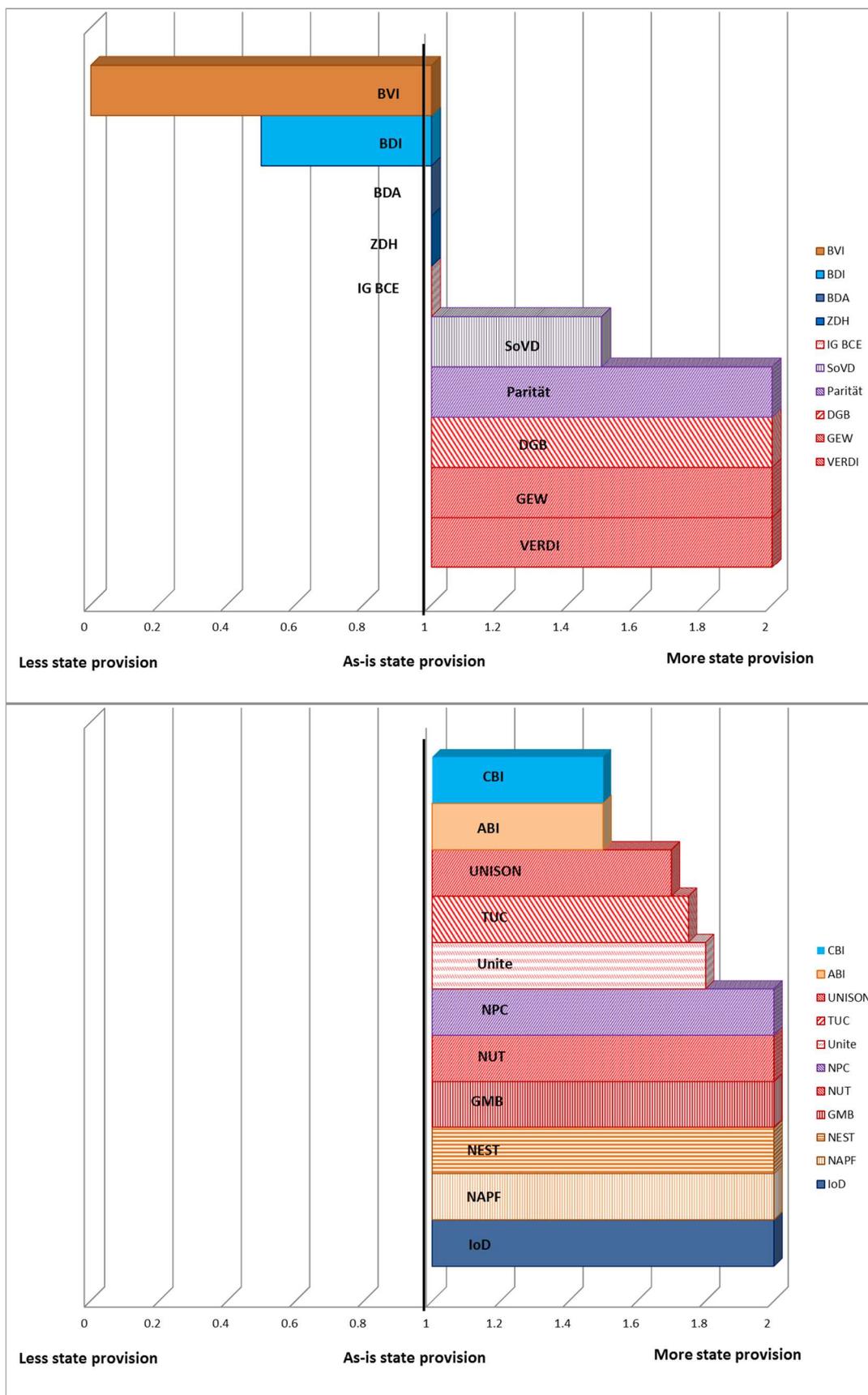
6.4 Systemic change: the shape of the three pillars

In the following section, I introduce an additional layer of information extracted from the interviews, which will put the results of the systemic reform question into a richer context. As part of the interviews, the representatives of the organisations were also asked how their organisation wants the weights of pension provision distributed in the future between state pensions, occupational pensions and individuals making their own private arrangements. This question is removed from one specific reform. Instead it asks about general desired reform direction. The interviewees were asked to make a normative judgement on behalf of their organisation: it is a pension-specific ideological measurement of what pension system would be considered “good” and in which direction the pension system “should” develop.

In certain respects, the results go significantly against expectations, and they illuminate the results for the question about specific reforms.

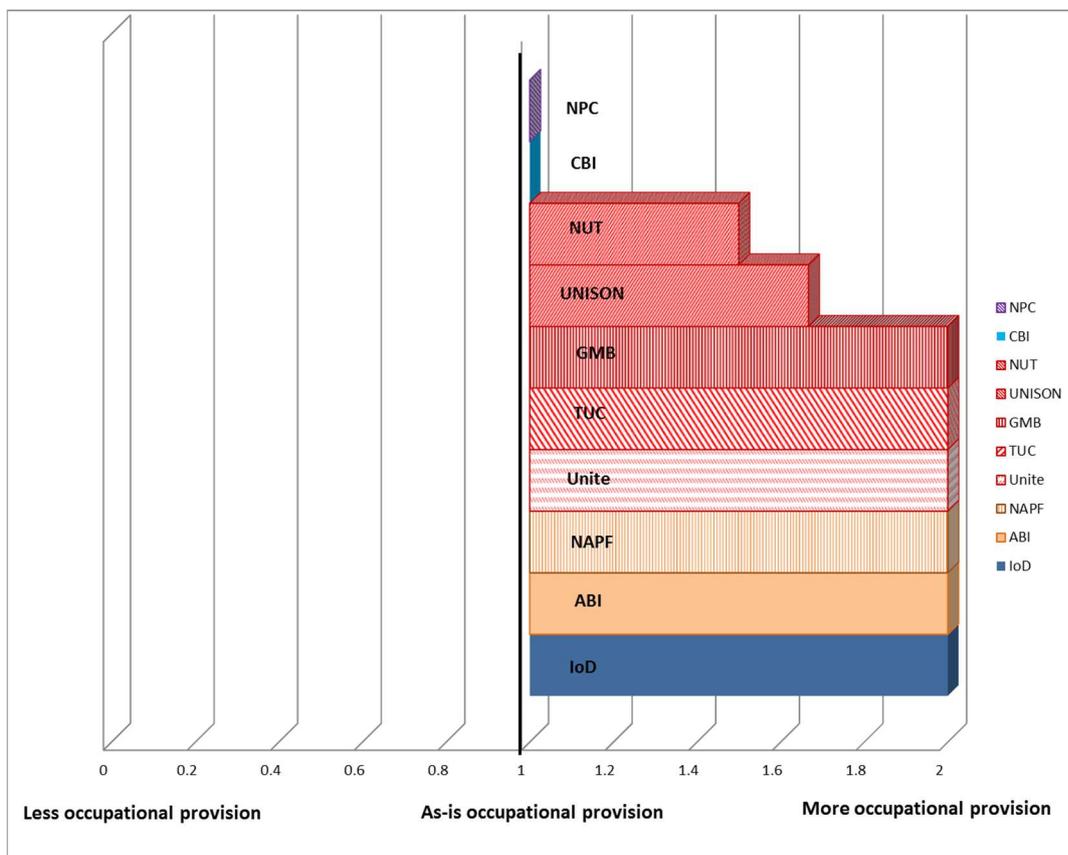
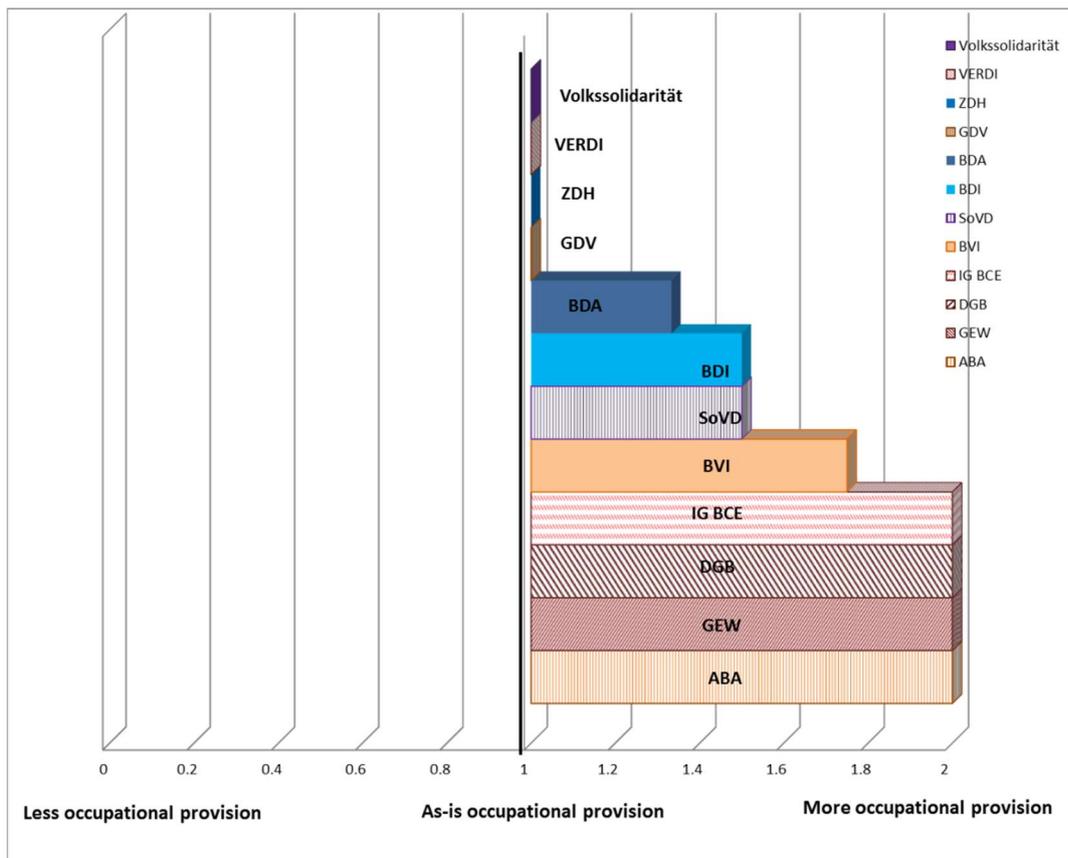
The interviewees’ answers were again coded in a simple 2-0 scheme, where 2 stood for “more” of X, 0 for “less”, and 1 for “things should stay as they are”. The following graphics present those results for the organisations sorted by scores. It should be stressed that the questions were asked relative to existing provisions. A direct comparison between British and German answers provides insight, but has to be read against the fact that the interviewees are grading on a curve: a British organisation in favour of “more state responsibility” wishes for more state responsibility in comparison to the current British case, and might mean significantly less desired state responsibility as a German organisation that also favours “more state responsibility”, or, in fact, less state responsibility in absolute terms than a German organisation that wants *less* state responsibility. Unless they also directly compare their country’s pension system to foreign pension systems, all the answers stayed relative not absolute. This goes for all three pillars.

6.4.1 Three pillars: state pension



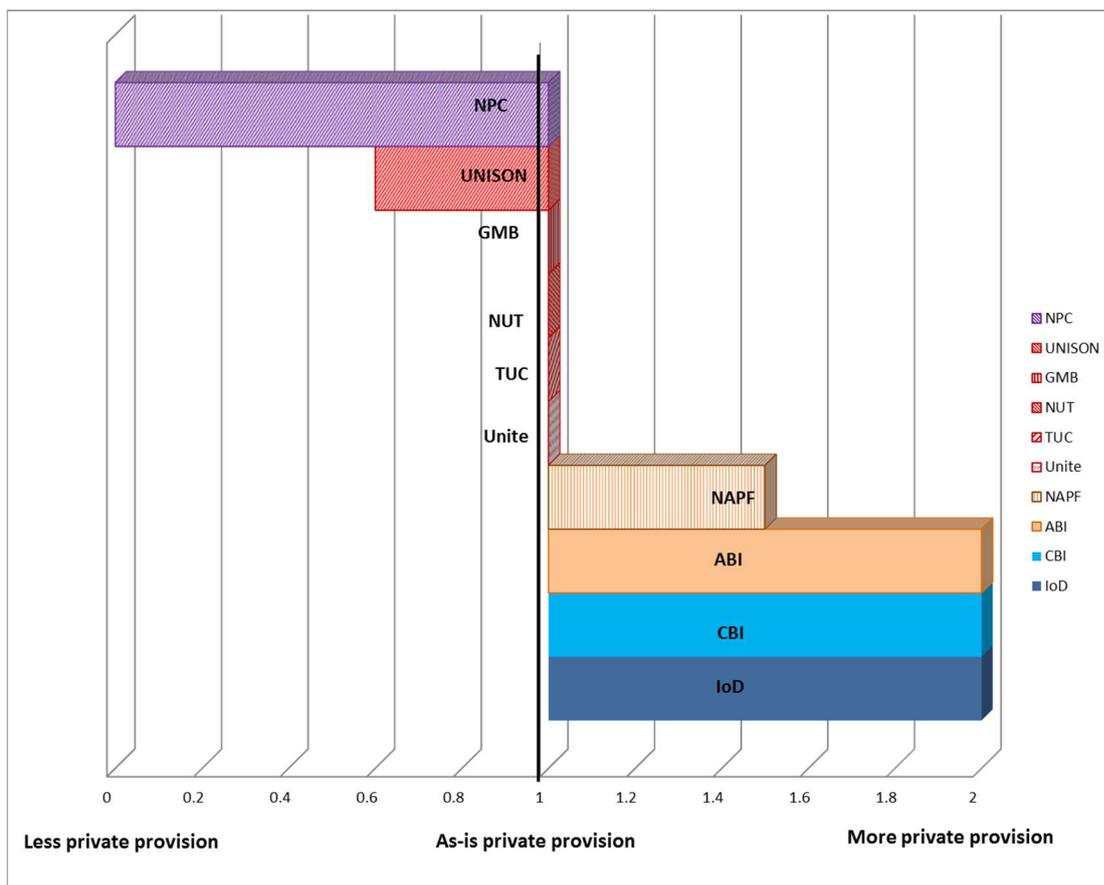
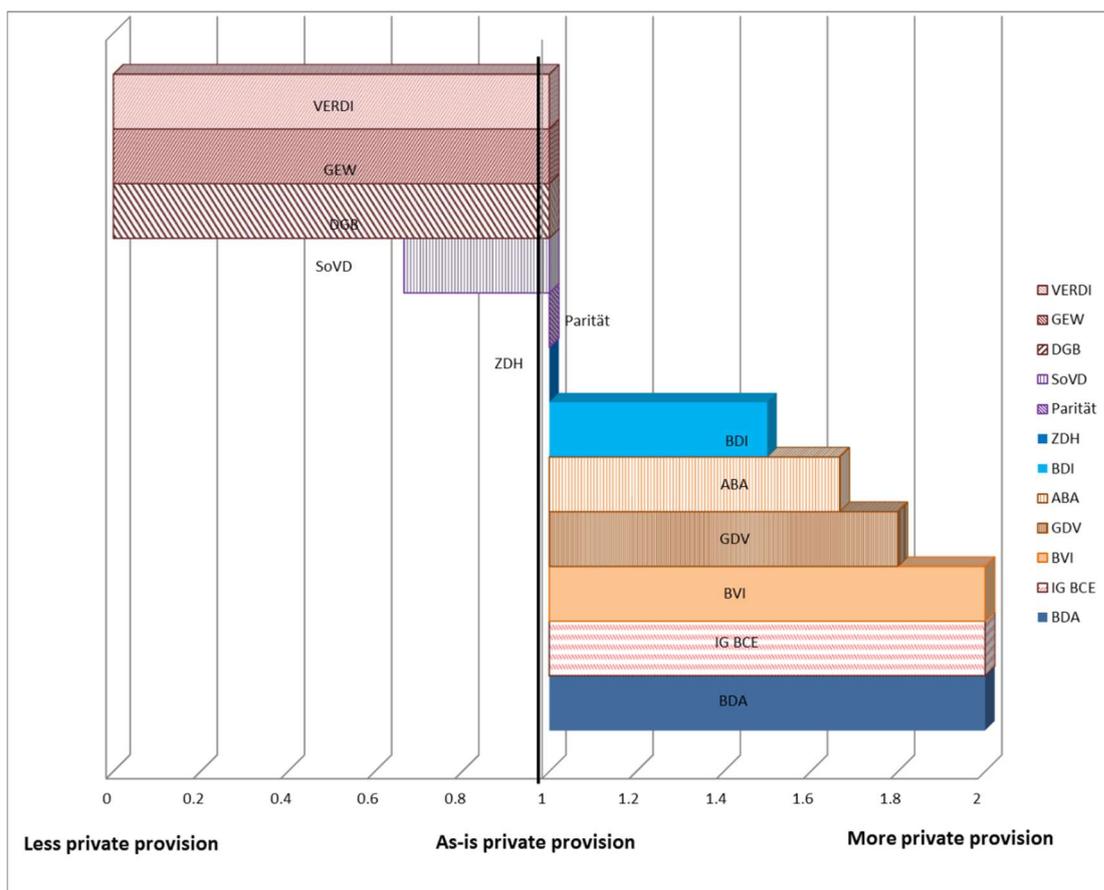
(Data: interviews 2011-2012, Julia Klitzke)

6.4.2 Three pillars: occupational provision



(Data: interviews 2011-2012, Julia Klitzke)

6.4.3 Three pillars: private provision



(Data: interviews 2011-2012, Julia Klitzke)

6.4.4 Three pillars: discussion

These diagrams visualise which organisations want the various pension layers to become more or less important. Again, it should be stressed that it is not a visualisation of the desired distribution of the entire pensions pie or of absolute amounts of money that should be paid out. Rather a score of 2 or close to 2 on a column means that this pensions layer should become more important vis-à-vis the current situation, a score of 1 that it should retain the same weight, and a score under 1 that it should become less important. The line at the “1” mark thus represents the status quo of the respective pension pillar.

One can conclude that the consequences of the architecture of each pension system are clearly reflected in the scores. The British organisations throughout have very high scores on the question of whether the state pension should become more important or not. Employers and insurance industry are well above the neutrality point, and have in fact higher “more state pension” scores than some German unions. This is undoubtedly not due to rampant pro-state ideology among British businesses, but rather reflects that all across the pensions field, interest organisations consider the state pension too low regardless of their ideological stance.

In fact, if one takes the results of all three pillars combined, it becomes rather striking how the British organisations want more pension effort (and money spent) on state pension *and* occupational pensions *and* private provision.

This ideological “context” question offers potential insights for the concrete pension reform items discussed in this thesis, both the organisations’ positions on the retirement age (as discussed in the previous chapter) and their responses to systemic change, discussed in this chapter.

On the question of the retirement age, for Germany there is clear overlap between organisations who score high on higher retirement age opposition and those who want to (re-)emphasize the role of the state pension. Both trade unions which score relatively low on the opposition score, the dbb and the IG BCE, also score neutral (no change required) on the state pension. There seems to be no clear connection between where an organisation stands on a greater role for occupational pensions (see the DGB, GEW and IG BCE high scores) and where they position themselves regarding the retirement age. In the British case, on the other hand, with everyone but the CBI scoring at least 1.5 or higher on the question of “more state pension”, this seems to say relatively little on where the organisations stand with regard to the higher retirement age, perhaps suggesting that the state of the British state pension skews the results for otherwise liberal-leaning actors in a liberal system.

Moreso than for the retirement age, the results on the three pillar question are a relevant backdrop to the results on the second set of reforms, the Riester reform and auto-enrolment. As has become clear in the discussion of the interview results, auto-enrolment is generally favoured across the board. The actors one would expect most to be in opposition to auto-enrolment, such as the employer and business association, are cautiously welcoming it. While according to the coding, their support for auto-enrolment is not as enthusiastic as

that of other actors, the qualitative discussion points out that this is because of perceived flaws in the reform, not the underlying idea of the reform – a finding supported by the IoD and CBI’s positions on “more occupational pension” in this three pillars question. As became clear in the qualitative discussion, these same actors also support a reform of the state pension that raises the level of the state pension while reducing its complexity. This unexpected result correlates with the likewise unexpected result of IoD and the CBI being in favour of a greater role of the state pension.

Less surprisingly, the British trade unions are also in favour of “more state pension” and “more occupational pension”. That the scepticism towards auto-enrolment is high on the trade union side and that the significant outliers in the support/opposition coding are two trade unions suggests that, at the time of the interviews, at least part of the trade unions wanted “more occupational pensions” but not this shape of “more occupational pensions”.

Regarding the Riester reform, the results on the three pillars question reflect the position of the BDA and the BDI and the insurance industry. They also reflect the spread of positions on the trade union side, though the nuances are different: for example, the IG BCE expressed support for “more private provision”, but is neutral on the concrete measure of the Riester reform, while ver.di, GEW and DGB are strongly in favour of “less private provision”, but are less fundamentally opposed to the Riester reform.

6.5 Positions on systemic change: summary

In the results for the Riester reform, the positions of the employers and the insurance industry are not far apart, though unlike with the retirement age, the labour/capital split is less obvious, due to the varied positions of the trade unions. Some of these distances on the trade union side, such as the IG BCE being more in favour of the Riester reform and rating it as more successful, are in line with expectations from the literature (Wiß 2011: 153), while results like the GEW’s are more surprising.

It becomes very clear that even those actors advocating more private provision wish for the state pension to remain the basic pillar of pension provision. But how basic that basic pillar should be varies between the organisations; the idea of a basic floor (a minimum pension) seems unappealing.

For a discussion of the Riester reform, of course the incentives in particular for low-income earners should not be disregarded. The policy as constructed incentivises the take-up of a Riester pension, in particular for low-income earners, and as the DGB representative argues, this was a factor in gaining trade union support for the reform. On the other hand, the ten years since the introduction of the Riester pension have shown that take-up is not actually high enough among particularly low-income earners to make up for the drop in state pension level (Meyer 2013: 21; Hagen and Kleinlein 2011: 3f).

The idea of making Riester pensions, or a similar private pension, obligatory in response to low take-up rates is rejected strongly by all but two of the organisations in the sample; the two interviewees who do not dismiss it out of hand (one trade union, one social association)

would be cautiously open to “thought experiments” and treat the idea as a hypothetical, not a concrete political aim.

Among the trade unions, criticism at the time of the interviews is occasionally stronger than it was at the time of the reform. But it is especially noticeable that the social associations have a much stronger opposition to the Riester reform than the trade unions, even though several of the trade unions more strongly favour “more state pension” on the question of how a pension system should be set up in general (see above, 6.4). It is clear in the interviews that concern over future pensioner poverty is highly relevant to the trade unions and the social associations (see 2.3.2 and 2.6.1), some of which in response call for a reform of the reform of the replacement rate. Systemically, this would mean a strengthening or restoration of the functional logic of the Bismarckian pension system.

Another issue that is raised not only on the side of the opponents is the problem of complexity. An informed choice on Riester pensions is not really possible for a person with a “normal” degree of financial literacy (DGB, *aba* interviews). The issue of complexity is very familiar from the British discourse, where a plurality of actors argue that the complexity of the British pension system is putting people off engaging with pensions, and putting them off saving.

From the point of view of most British interviewees, the original problem of the British pension system on the lower income end has not necessarily been solved by auto-enrolment. The balancing act between providing a safety net for people who did undersave for whatever reason and not *discouraging* saving is a thorny question in many welfare states and has, for instance, increasingly become a focus in Germany as well. It has been a specifically sore issue in the British welfare context, though, because of the British state pension being below the poverty threshold, and means-tested additional benefits accordingly playing a big role for poorer pensioners. Most interviewees were very conscious of this problem. Among providers and employers, the reform of the basic state pension proposed in the 2011 Green Paper was generally seen to address this problem, while the unions and the pensioner associations were more sceptical.

Preliminary findings on opt-out rates of the first year and a half of staged auto-enrolment were released by the Department for Work and Pensions in April 2014, and for the big employers, the opt-out rates were low: between 9 and 10% of newly enrolled employees chose to opt out (DWP 2014b). There is some concern that this rate will not be maintained: the first employers becoming subject to the auto-enrolment legislation were all large enterprises (2% of employers responsible for 26% percent of all employees in the private sector) and the report also found that a majority of these employers chose to enrol employees into an existing pension scheme, which generally indicates a pension scheme above the (employer) contribution levels of NEST. But figures for 2015 still supported the low opt-out rates: by August 2015, the opt-out rate was still at 10% (DWP 2015b: 3). Whether figures will be so successful for small and smallest employers, where the incentives to opt out discussed above apply far more, remains to be seen.

In general, while some organisations clearly had reservations about aspects of the reform, the concept as such is supported by a very broad coalition. As can be seen from the discussion above, even those reservations are by and large due to concern over whether the legislation will be successful *enough*. Especially the support of employers (in this sample) is quite remarkable, when they are the ones having constraints and financial demands imposed on them. On the other hand, they were able to effect adjustments, such as a raising of the auto-enrolment thresholds, that are likely to make the reform more palatable to them. This is also where the results for the “three pillars” question (6.4) are further illuminating. The broad coalition that supported auto-enrolment is also reflected the across-the-board perception that the British pension system needs more state pension provision *and* more occupational pension provision (as well as more private provision).

In this context, the more interesting finding is perhaps who would take the principle of the reform further.

At the time of the original legislation, compulsion – i.e. auto-enrolment without the opt-out – was discussed and favoured by some, but was not part of the compromise suggestion then developed by the Pensions Commission. The expert view of the NEST representative provides a good insight into the positions of the players at the time as well as the role of political culture:

<p>The trade unions would have preferred compulsion. I suspect the industry might have preferred compulsion because it is probably simpler. It was the Pensions Commission actually who decided to recommend automatic enrolment rather than compulsion to the Government. I think the arguments are that compulsion resonates quite badly with people because it feels a bit like a tax, ‘I’ve got no choice,’ whereas actually choice felt politically and culturally quite important. The other problem with compulsion is the possible problem of over-saving, for example where people who already have other means of making provision for their retirement, it <i>could</i> be that actually saving in a pension isn’t necessarily the right thing for those individuals to do.</p>	<p>NEST</p>
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With fears of high opt-out rates and concern over the efficacy of the scheme as such, the question of compulsion was also discussed in the interviews conducted for this study. The positions were very mixed. Against compulsion were the CBI, Unite and USDAW, while ABI and NEST were neutral. In favour were the TUC, the GMB, and with reservations the IoD. So both the trade unions and the employers seem split on the issue, should it arise.

In the CBI interview, the issue of the new pension provision functioning like a tax is considered a deciding factor against compulsion (“If you make it compulsory it’s a tax.”), as well as leaving the final say to the individual. But there is also the theme of whether it is fair to force people into a scheme they might not ultimately benefit from.

The answer on the question of compulsion are a particularly interesting point given that auto-enrolment turned out probably the most consensual reform in the sample, just a few years after the passing of the legislation and right at the brink of its implementation. While on the one hand, the relatively low opt-out rates so far mean that auto-enrolment as such is

working without the need for further compulsion, on the other hand, as the actors (and the public) get used to the concept and see it bear fruit, there might be room for further (consensual) strengthening of occupational pensions, perhaps in the shape of higher contribution rates but also perhaps in “hard” compulsion becoming more palatable as the sceptical stakeholders adjust to the soft version of it.

7. Comparing Beveridge and Bismarck: the moving British and German pensions landscape

The previous chapters have contrasted two prototypical European pension systems after major reforms have taken place. Germany’s Bismarckian pension system and the United Kingdom’s Beveridge system have both undergone considerable changes. Some trends have been similar due to common demographics problems, some very specific to their pensions architecture. Thus far, the common view embraced the image of a stagnating and immobile German pension system (Hinrichs 2000; Kitschelt and Streeck 2004), and of the British pension system as malleable in a perpetual reform process (Pemberton et al 2006, Marier 2008). This study’s analysis investigated what type of institutional change was enacted and how the reforms fit into models of institutional change; what the systemic consequences are for the German and British pension system; and how organised interests cope with and adapt to these changes.

The historical chapters have presented the different developments of the two pension systems. They discussed the emerging problem narratives that focus on cost for Germany and insufficiency for the United Kingdom (see also 1.2 and 1.3). The empirical chapters show the relevance of the parametric (chapter 5) and paradigmatic (chapter 6) reforms of recent years within their respective pension systems. Thereafter the reforms have been presented through the lens of how social actors, who have a stake in the welfare system and who claim to represent the major societal interests, position themselves in relation to them. The systematically coded positions have shown which social interests have positioned themselves in line with recent reforms as well as the degree of relevance these reforms have for the interviewed organisations. The qualitative discussion has elaborated on why these positions were taken, as well as offered the organisations’ views on problem narratives and future reform issues.

The results of this analysis, in response to the main research questions, can be summarized as follows:

- The Riester reform in Germany is a classic example of gradual change through layering. While many developments in the British pension system resemble models of gradual change, in particular drift, the auto-enrolment reform rather resembles the exception. It has been a quasi-expansive reform that was mainly possible through a build-up of fortuitous circumstances; it can be regarded as a system-stabilising reform. The raising of the retirement age can be seen as a calibrating reform

intended to stabilise the system, but could also be transformative if it undoes the by-now established concept of a general, expected period of not having to work in old age while still being in good enough health to enjoy an active retirement.

- The Riester reform changed the functional logic of the German pension system from one where the state pension would guarantee status maintenance to one where only the state pension plus voluntary private provision could do so. Moreover, the lowering of the state pension replacement rate that was subsequently enacted undercut even this amended goal. The reforms of the early 2000s introduced liberal elements into a conservative system, but in an awkward fit that did not lead to a coherent new functional logic. In contrast, the auto-enrolment reform in the United Kingdom introduced greater collective elements into a liberal system. By retaining the element of individual choice, this reform is not technically at odds with the functional logic of the system. In fact, the accompanying reform of the state pension strengthens the basic functional logic of the British pension system considerably. The raising of the retirement age technically has no bearing on the nature of the pensions architecture of either country, but it will have systemic implications if it leads to the return of quasi-disability pensions.
- On the whole, organised interests' positions on recent pension reforms are in line with expectations of the classical labour/capital divide. But when looking at individual organisations, there is great variation and a number of unexpected findings. The position analysis, but also the qualitative results support the suggestion of a public/private divide within labour. There is also a clear difference between the two countries. Moreover, feedback effects of the pensions architecture on the social actors can be surmised from their positions. The organisations are frequently caught between a bottom-line and a systemic (or ideological) orientation. This will be a major factor in how the organisations will respond to the changes in the future.

In the following, I will present the findings of the comparison between the two countries and the two different sets of interest organisations in more detail. Table 3 (p. 200) gives a further contrasting overview of these results. The “more comparable” reform primarily reveals insights into how the actors respond. This actually puts into question whether this is truly a “mere” parametric reform. The discussion of the Riester reform and the changes introduced into the German pension system and of the potential meaning of auto-enrolment for the British pension system puts an emphasis on the functional logic of the two systems. It asks how the newly introduced elements interfere with how the systems themselves are *supposed* to work. For this reason, the following analysis will put the reforms in the context of theoretical frameworks of welfare state analysis. While both countries have introduced hybrid elements into their pension systems, in the German case this undercuts the Bismarckian logic, while in the British case the original idea behind the Beveridgian pension system has been strengthened by the reform. I will further argue that especially these “less comparable” reforms reveal parallels and potential parallels for the two pension

systems going forward, and that their comparison is especially of interest from the point of view of the social actors.

7.1 System departure and system reinforcement: the Beveridge straitjacket and the Bismarckian hybrid

Before the more recent reforms discussed in this thesis, the German and British pension systems fit very well into Esping-Andersen's (1990) three worlds of welfare capitalism classification of European welfare states. The British basic flat-rate pension as a means of poverty alleviation and the expectation of private provision in line with individual responsibility does map well onto the Liberal welfare state model. Germany's pre-reform pensions with a high replacement rate provided a high level of security for those well-integrated into the labour market and decommodified benefits for their dependents, which was in line with the principles of the Conservative welfare state regime.

The question of whether Esping-Andersen's classification still applies despite significant changes as part of a major overhaul in the age of austerity is a common debate in the post-reform literature (Hinrichs 2010, Meyer and Bridgen 2011). It is hardly a new finding that Germany on the whole has moved away from a Conservative welfare state and has increased the Liberal elements in its welfare architecture (Palier 2010), and this applies especially in the fields of labour market and pensions policy. When comparing the systemic changes to both the British and the German pension systems in the context of Esping-Andersen's typology, it is also evident that the systemic repercussions of the reforms are quite different in the two countries; these become more apparent by way of comparison (see also "On the institutional outcome," table 3, p. 200).

Meyer and Bridgen (2011) argue that the two systems are not converging, but moving in opposing directions, with the United Kingdom moving towards Social Democracy and Germany towards Liberalism. The auto-enrolment reform is potentially expansive and definitely statist (see 6.2.1). Auto-enrolment introduces a compulsion for employers to contribute to an occupational pension if the employee wishes (i.e. does not opt out), and so definitely steps away from the principle of leaving supplementary pension provision entirely to the market and/or private initiative. The auto-enrolment reform in fact explicitly acknowledges the shortcomings of an entirely Liberal approach by attempting to "harness inertia", which accepts that a degree of government interference is more likely to lead to the desired results than the purely Liberal approach.

However, while acknowledging the greater degree of government regulation and government action, I would still argue that functionally, auto-enrolment reform does not move the United Kingdom towards a more Continental or Social Democratic model. In fact what auto-enrolment and the reform of the basic state pension that complemented it two years later represent is an attempt to bring the British pensions architecture more properly in line with the original Beveridgian ideal.

A Beveridgian pension system is not incompatible with a Social Democratic welfare state. Pension systems in Scandinavian Social Democratic welfare states operate on the functional logic of a flat-rate basic pension, and they too are counted as “Beveridge” systems (Meyer 2013: 21). In order for the British pension system to move towards a more Social Democratic model, it would not technically have to change its functional principles (post-2014). However, what makes the difference between a Liberal flat-rate and a Social Democratic flat-rate pension model is the generosity of the benefit, the coverage, and the degree of compulsion imposed on the second and third pension pillars. The Social Democratic variant of a Beveridge pension system is further characterised by the fact that it also serves the interests of the middle classes (Esping-Andersen 1990), which a state pension at the level of the British one most likely does not achieve. Here the bottom line outcome determines the classification: the specifics of the implementation make two very different kinds of systems possible even as they their functional logic can be traced back to the same concept of a “flat-rate pension.”

The improved coverage of occupational pensions (through government interference) and a higher state pension (directly from the government) do not amount to a systemic shift in the United Kingdom. Instead I argue that in addressing exactly those problems that were at the heart of the diagnosis of what is wrong with the British pension system, the reforms were system-affirming rather than system-changing.

The diagnosis of the problems of the British pension system goes back to its origins, spanning the postwar development from 1946 onwards (see chapter 4). Since the modern British pension system was established, the problem narrative has always been the insufficiency of old age provision and that the combination of a subsistence-level state pension plus private savings based on individual responsibility simply was not working out for enough people in reality. In looking at the origins of the British pension system, it becomes very clear that the original concept of a Beveridgian pension was never fully realised due to cost. Therefore the basic element of the British pension system never reached the subsistence levels it was meant to provide. The recent combined reform efforts to bring more people into supplementary pensions by way of auto-enrolment and underwriting this with an actual subsistence-level state pension (see 4.9) are intended to mend this original dysfunction. Depending on compliance, enforcement, and the ability of politicians to refrain from tinkering with the triple lock and re-introducing erosion for the sake of saving money, these reform efforts might in fact be able to consolidate a functioning pension system in the original logic of the Beveridge system.

Despite the higher degree of regulation and government interference that came with auto-enrolment, the supplementary pensions as required by auto-enrolment are indeed a minimum because contribution rates are set so low that without additional savings effort, income maintenance is really a very distant goal. Furthermore, despite compulsory elements, auto-enrolment does not mean such pensions are compulsory for the individual. Employers *are* compelled to pay occupational pension contributions for their employees, and there is

no denying that this introduces a higher degree of collective responsibility for pensions. But while the legislation is built on the realisation that leaving pension saving up entirely up to individual *initiative* does not work, it still leaves scope for individual *choice* in the form of the opt-out possibilities. Auto-enrolment is therefore a hybrid construct with elements that are in line with the Liberal tradition, others that strengthen a collective approach to pensions, and a very limited financial scope.

That is not to say that arguments that locate systemic change in the auto-enrolment legislation entirely lack merit. The compulsion elements of auto-enrolment, in particular with the relatively stringent implementation across all types and sizes of employers, are indeed a departure from a purely Liberal concept of voluntary supplementary pensions. Not only has the problem narrative across the political spectrum conceded that the purely Liberal model of pension saving has failed to deliver; the realisation has prompted a consensual reform that turns this concession into actual policy, a policy which is supported by most major stakeholders, across the political parties, and, if one takes the opt-out rates of the first few years of implementation as indicative, the enrolled workers themselves. The “liberal test-case” (Taylor-Gooby 2006) has conceded the failure of purely liberal pensions architecture to deliver.

In contrast, there can be little doubt that the introduction of the Riester pension and the subsequent changes to the German state pension represent a paradigm shift (see 6.1). Since its defining systemic reform in 1957 the functional logic of the German pension system had been that state provision is sufficient to generally retain one’s living standard in retirement. This principle was abandoned when the Riester pension was introduced and the state pension was lowered with the explicit aim that the old pension level should in future be only attainable with a Riester pension or equivalent on top.

The two major systemic reforms of the German and the British pension system addressed very different reform pressures, and in placing these reforms in the context of systemic change, I differentiate between a system that is “troubled” and one that is “broken”. By this I do not necessarily mean a difference in severity of the flaw, but in the quality of the flaw. The trouble the German pension system of 1999 was in that led to the reforms of the early 2000s was financial viability in the context of the welfare system as a whole. The Beveridgian model as practiced in the United Kingdom had the overriding problem that it did not actually deliver the outcome it had been intended to deliver.

The Bismarckian pension system had not in fact been in any state of brokenness, at least not regarding its functions as a *pension* system. In contrast to the British system, it was delivering what it had been set up to deliver in 1957. As a welfare system it was very popular. It had, however, become too expensive in times of austerity. This is not a small or insignificant problem, and characterising this as a different type of flaw than the underperformance of the British pension system does not negate the serious reform pressures. Those reform pressures led to the Riester reforms and the subsequent complementing reforms, which prioritized contribution levels over output, breaking with

fundamental principles of the Bismarckian pension system. They did not, however, move it towards a Beveridgian logic. They also did not replace the Bismarckian logic with any *other* functional logic. Instead, the reforms created a kind of stump version of a Bismarckian pension system that still has recognisable outlines but whose ability to fulfil its intended functions further into the future comes with many question marks attached.

The Liberal system is introducing more Social Democratic elements and the Conservative system is introducing more Liberal elements, which supports arguments of increased hybridity (see 1.1.1). But where the two systems are also moving in opposite directions is on the level of functionality: the systemic reforms of the 2000s have moved the German pension system towards greater brokenness, while the British pension system has moved towards greater systemic cohesion.

7.2 Change and stability?

After having discussed the major reform issues in Germany and the United Kingdom after 2000, Pierson's (2001) path dependence seems to apply to neither of the two pension systems in any strict reading. While path dependence can be observed in the 1980s and 1990s, where increasing reform pressures kept clashing with an apparent inability to effect far-reaching reforms, the Riester reform and its complements have fundamentally altered the German pensions architecture despite all the vested interests and constituencies that had a stake in the old system. The British pension system as part of a liberal welfare state has been in a continuous state of change for decades. One might argue that pension reform in the United Kingdom has always been under a liberal political paradigm, but this is based on a particular political tradition and the electoral make-up of the United Kingdom rather than any kind of institutional "stickiness". It is clear that change has happened despite path dependency claims, and in the case of Germany, against the interests of large existing constituencies (Häusermann 2010).

Also "sticky" in their own way are certain underlying principles. While new ideas and concepts entered the German welfare politics discourse (Bleses and Seeleib-Kaiser 2004), facilitating change, other ideas are very entrenched at least among the social actors. Those recent German pension reforms have arguably left behind chief principles of a Bismarckian pension system, yet an actual system switch has been deemed impossible, even as future problems of Germany's post-Bismarckian pension system are obvious to most actors. While trade unionists, for example, are acutely aware that the sinking replacement rate and the insufficient supplementary pensions will eventually lead to retirement incomes below social assistance level – this is their chief argument when calling for a reform of the reform, after all – the idea of a minimum guarantee pension is still alien to most of them. Similarly, the employers, while arguing that the state pension should fulfil a basic function in the three pillar model that provides minimum protection, are strongly against an actual minimum pension (Wiß 2011: 146). The equivalency principle is so entrenched that even when the

basic function of the state pension is no longer being fulfilled it seems unthinkable to give it up.

As laid out in the theoretical framework, models of gradual change can be very persuasive to explain institutional change. Streeck and Thelen's (2005)'s typology can be observed for several significant developments of the two pension systems. For example, historically the British basic state pension is a clear example of political drift. The failure to uprate it in particular during the Conservative government years led to such a drop in value that if it had ever come close to providing a basic subsistence protection, it certainly did not anymore by the 1990s. This is also reflected in how stakeholders like the British trade unions consider the state pension less relevant to their members and are focusing on occupational provision instead. So without the state pension being abolished, its relevance was reduced drastically over time in the pension framework. However, where policy drift is intentional, the plan is probably not an improved restoration a few years down the line, which is what happened in the case of the basic state pension – the situation became seen as so dire that it will now be revamped with the purpose of restoring its position in the original Beveridgian framework.

The auto-enrolment reform and the subsequent reform of the basic state pension are more difficult to locate in this typology, largely because of its expansive elements. On the one hand, auto-enrolment happened very consensually and with a moderate scope to start with, and is clearly gradual in its setup, and not the result of an exogenous shock. On the other hand, it does represent a significant overhaul addressing long-term problems that might exceed being a small and incremental change.

One might make an argument that auto-enrolment and the state pension reform fit the criteria of the change model of conversion, where existing institutions are converted to new (or in this case: recovered) functions. These two reforms take institutions that already exist, such as the basic state pension, the second-tier state pension, and occupational provisions, and change the parameter so that, should the reforms be allowed to mature, a new pensions architecture will develop. The basic state pension will be an actual subsistence floor, while the prospect of auto-enrolment promises the higher occupational coverage that will make up for the low state pensions. This would not be the first time that British lawmakers tried to go the conversion route in improving old-age income for British retirees. The Labour government's various attempts to introduce post-retirement means-tested benefits were an ongoing attempt to adapt new institutions – the various means-tested benefits – to the function of providing retirement income that the basic state pension clearly was not doing to a sufficient degree. However, these attempts at conversion cannot be counted as successful since the underlying problems of low benefits and undesired incentives remained the same. As a non-liberal reform, auto-enrolment might be a case where political mobilization and fortuitous timing (Streeck and Thelen 2005: 33) was indeed given, and such a reform did not require the political strategies of gradual change.

In contrast, in the German case the introduction of the Riester pension is a very clear example of layering. (For this contrast, see also “On institutional change”, table 3, p. 200.) The introduction of an additional layer of pension provision in conjunction with the gradual lowering of the statutory pension pillar introduced a new paradigm on top of the old one, without outright replacing it. Similarly, the lowering of the replacement rate happened gradually and in reform “layers”. The subsidies that came along with the Riester pension and the right to save into an occupational pension were elements that made the reform palatable even to those generally opposed to the paradigm shift, thereby softening resistance. The success of the Riester reform – in terms of getting it passed – despite the far-reaching implications is a good example of how layering can work when an outright abolition or more direct cut might have prompted more or stronger opposition.

7.3 Who wants change: actors and their responses

The analysis in this thesis did not include the political process and so does not cover all the actors of the reform process. It presents certain types of actors, organised interests, whose actual involvement in the decision-making process varies, but which nevertheless reflects certain typologies (see 1.1.3). More successful in lobbying work, both by their own accounts and by comparing their demands to the eventual policy outcome (Wehlau 2009, interviews), employers and insurance industry can probably be assumed to have been actors in the process. The trade unions and social organisations are more reactive in adapting strategies after the fact.

The observation of layering in Germany and potentially conversion in the United Kingdom falls in line with the theory of the actors involved in gradual institutional change as proposed by Mahoney and Thelen (2010). Germany as a political system with many veto points is a candidate for layering, while the United Kingdom’s political system makes conversion easier.

In examining the actors, this typology also fits well with the example of Riester. The actors most associated with layering are what Mahoney and Thelen call “subversives,” actors who on the surface support the original institutions but are waiting for a chance to move into an oppositional stance. Despite the magnitude of change that the Riester reform represents for the German pension system, the arguments favoured by most of its proponents were about safeguarding the existing system, in particular the insurance industry, which benefits from the state pension being truncated but not abolished.

Of interest are also the reactions of other actors after the reforms have been passed. The trade unions gave for the most part grudging assent to the 2001 reform, but they were not its driving actors. Yet as they rallied – some faster than others – they have found or are finding alternate strategies to address the changes brought on by the Riester reform, such as a greater involvement of trade unions due to new roles for occupational pensions. In particular the IG BCE, which was an early developer with regard to collective bargaining solutions to state pension problems, has taken recent state pension reforms and tried to

turn them to its advantage. One might ask whether the trade unions, as they move away from being defenders of the status quo to being proactive actors in the new system, fulfil the role of symbionts as Mahoney and Thelen describe, in benefiting from existing (altered) structures while establishing their own more preferred ones.

In a contextualised comparison, the reaction of the different types of actors across the two countries to these reforms and how they position themselves gives further insights into the role the actors play. In Germany, the results on the Riester pension are not surprising for the employers and the financial industry, as the outcomes were largely in line with what they called for in the reform process. Auto-enrolment finds a high degree of support across nearly all of the organisations in the sample, regardless of whether they are employers or trade unions. This is of course in line with the reform coming out of a consensual negotiation process and its basis in the second report of the Pensions Commission.

The Riester reform is an attempt to achieve through private provision what is deemed unsustainable through a statutory pension system. The private savings in Riester are entirely voluntary, if incentivized. Only a few years after Germany chose to depart from its Bismarckian path and put its future eggs in the private provision basket, the decidedly and continuously liberal pension system in the United Kingdom introduced a semi-compulsory occupational pension. The generally most pro-liberal actors in the United Kingdom, the employers, are (by now) supporting this reform, which will put compulsion on employers because previous attempts to rely on just “the market” or private initiative or the generosity of employers are regarded as unsuccessful.

7.3.1 The employers: Varieties of Capitalism

The results for the employers both in Germany and the United Kingdom seem to be in line with expectations of Varieties of Capitalism (Hall and Soskice 2001), though it does not explain why these actors take the positions they took.

Germany has long been a good example for a coordinated market economy in line with the Varieties of Capitalism approach. Employers saw benefit in the protection afforded to German workers in that it helped them maintain a skilled workforce. As a consequence German employers used to support the German welfare state arrangements, and pensions policy with its long consensual history is a prime example.

The move of employers away from maintaining the Bismarckian system and towards embracing a paradigm change can be read as the result of a changed cost-benefit analysis. The same demographic projections and projected future costs of the German state pension that spooked government actors into action had an effect on employers, for whom the prospect of pension contributions of upwards of 30% began to outweigh the benefits of the established Bismarckian system.

The role and position of British employers on the state pension and on auto-enrolment is one of the more surprising results of this study. On the one hand this result supports the Varieties of Capitalism thesis: welfare state arrangements become possible when employers see a benefit to them and begin to support the policy. On the other hand, it raises the

question of what the benefit is. British employers and British business tend to operate from a liberal market perspective; both the reform of the state pension and the introduction of auto-enrolment strengthen statist elements in the British pension system. They also, at least temporarily, put costs on the employers. It stands to reason then that British employers do see a benefit in trading the very liberal residual system for one slightly less so. Going back to the interview analysis, it stands out that there is at least some support in the British business community for a construction of the British state pension that would have gone farther than the reform that was passed.

This perhaps raises the question of whether the German employers, in calling for a reduction of current provisions but without a switch to a new functional logic, in particular the lack of a bottom floor of a minimum pension, are working towards a situation which their British counterparts are eager to get away from. A minimum pension in the shape of the *Grundsicherung*, while certainly helpful to those in receipt of it and a tool for absolute poverty prevention, by its very nature as a means-tested benefit points in exactly the same direction: importing a functional problem that British policy makers and the British pensions discourse struggled with for decades.

Without engaging in reflexive doom-and-gloom predictions, it cannot yet be argued that the German state pension is comparable to the pre-2012 British pension system. But the chipping away at Bismarckian principles without replacing them with any sort of coherent policy is pointing towards genuine future problems, especially the problem of undersaving and the conflict of a “pays to save” question that arises when the minimum protection is too low and/or means-tested. A look at various post-Riester reform efforts – the retirement age aside – reveals that this is not news to policymakers, and the spectre of old age poverty for future generations is looming. It is indeed possible that German employers, having abandoned the cooperative principles of the conservative welfare state, will eventually find themselves faced with similar problems that have turned British employers into pro-state-pension actors.

Employers have indeed on occasion acted against their own long-term interests in pension policy. A particularly strong case for this is the development of early retirement in Germany, which took on dynamics of its own (Trampusch 2005) beyond what employers eventually found acceptable. Early retirement policy in Germany has been a classic free rider problem. For companies as a whole, early retirement is detrimental, because higher pension costs drive up payroll taxes, which negatively affects employers. For individual companies, on the other hand, shedding older workers in a socially acceptable way and gaining flexibility through early retirement options in Germany’s pre-2000 inflexible labour market was a welcome tool. This led to the opposition between what individual companies wanted and what the employer association BDA advocated with regard to the retirement age (Wiß 2011: 106f).

The “collusion” (Ebbinghaus 2006a: 48) between employers and trade unions was a major factor in the spread of early retirement and its institutionalization as the norm. There is

therefore a contradiction in employers now being strong proponents of raising the retirement age and their own earlier role; the conflict between the policy advocated by employer representatives and the policies of individual firms remains.

In the case of British employers, it is suggested in the interviews that making auto-enrolment compulsory might have been cheaper and easier *especially* for employers, seeing as the opt-out framing put compulsion on them anyway. But for them particular, a truly mandatory second-tier earnings-related pension system was simply not palatable, even if the end result would have been easier and cheaper for them than the opt-out hybrid the policy turned out to be. Like the trade unions (see below) the employers can find themselves caught between influence logic and membership logic.

7.3.2 The trade unions: bottom line vs. pensions architecture

Both employers and trade unions can experience tension between what is logically consistent for an organised interest group in the pension system and what the membership of this interest group demands individually. This becomes especially apparent in the qualitative analysis and the trade union emphasis on the financial “bottom line” for their members. The German and the British trade unions have in common that they emphasise much more strongly the bottom-line pay-out than systemic concerns. This becomes very obvious in the positions around the higher basic state pension in order to underwrite auto-enrolment. In fact this is where the contrast between the systemic arguments and the bottom-line arguments is most pronounced. Most of the British trade unions express doubt that anybody will be really better off in real terms; the arguments that the supporters of a higher basic state pension bring forward, such as an encouragement to save for individuals and a great simplification of the benefit system, are not *unwelcome* but they are no overriding priority.

In the German case, the systemic ramifications of the Riester reform are indeed a concern. What is noticeable, though, is the much stronger and more vocal opposition to the parametric reform of the retirement age, when in the long run the changes around the Riester pension and the state pension replacement rate will have by far the more serious consequences.

As these are membership organisations who answer to their members, their strategic choices are of course driven by what the members’ immediate interests are. It might indeed not matter to the individual British pensioner on the lower end of the income scale whether he receives the same amount as part of a Pension Credit benefit or as a state pension. Similarly it is not hard to see that the prospect of working for two additional years for the same pension is subjectively more immediately “felt” and more viscerally anticipated than a systemic shift that has an impact on the replacement rate formula and is as far off in the future to current workers as the retirement age but much more theoretical, technical, and complicated. That these priorities impact how the trade unions position themselves is in line with membership logic (see also table p. 200).

In the German case, an awareness of the systemic deficiencies that are likely to become more obvious as the modified stump version of the Bismarckian pension system matures is actually reflected in the number of organisations listing the low replacement rate of the state pension as a political priority for reform. But this is somewhat at odds with the emphasis on the retirement age, certainly if one accepts the notion that the retirement age reform is one that addressed existing systemic problems *without* leading towards systemic departure.

On the other hand, what this comparison has shown particularly for the trade unions is that the absence of sufficient state pension provision can leave room for a new sphere of influence for trade unions, namely occupational pensions. If the British example is any indication, by focusing on occupational pensions and protecting specific sectors, trade unions can carve out a new sphere of relevance for themselves. This realisation might well be of strategic importance to trade unions in an age of membership decline.

To some degree, similarities with the British trade union strategy can already be observed among the German trade unions. In particular the IG BCE and (not part of this sample) the IG Metall have responded to changes in the German state pension system by offering their own solutions to the workers in their sectors. This is not to say that German trade unions are imitating the British trade unions, but that under similar pressures, they are beginning to consider similar strategies. However, much like in the United Kingdom, the trade unions who even have this option are the ones who represent workers in (relatively) well-organised sectors. These are not the same sectors in both countries. In Germany, with its much stronger manufacturing sector, it is the strong manufacturing trade unions that traditionally have the most pull, and seem most able or willing to attempt alternative solutions to achieving their goals via policy lobbying. In the more service-oriented economy of the United Kingdom, the best-organised sector is the public sector, and trade union strength reflects this fact. So if the German trade unions choose response strategies similar to those of British trade unions, it seems likely that this would add to similar cleavages as in the British case, and a similar division of haves and have-nots in the field of occupational pensions.

7.4 The retirement age: systemic implications?

It has been stated from the beginning that the reforms in this analysis are not of a kind. In the context of institutional change, the raising of the retirement age (for retirement age policy, see 5.1.2 and 5.1.4) is a qualitatively different question than the Riester and auto-enrolment reforms. Arguably a fiscal tweak, raising the retirement age adapts to higher life expectancy (Hills 2006; Schulze and Jochem 2007). This kind of measure to adjust to an exogenous development can be regarded as a quintessential parametric change, and as such leading to no institutional change at all. It fits awkwardly with a discussion of systemic development. On the other hand, the response on at least one side of the pensions debate suggests that it is not seen as a parametric reform at all.

Germany and the United Kingdom had a similar history of retirement ages. Both started out with their first state pensions being low benefits paid at 70 years of age, which was lowered to 65 for men in subsequent years. In both countries early retirement possibilities led to a lowering of the actual retirement age. But because of more generous pensions in general and a multitude of early retirement pathways, in addition to a higher potential for collusion between employers and trade unions in Germany's corporatist welfare state, early retirement became even more the default in the German system, and became regarded as an acquired social right (Ebbinghaus 2006a).

It becomes clear in the analysis of the actors' positions that this issue is highly salient to them. By the trade union in particular it is in fact perceived as much more severe than a mere adjustment of an actuarial threshold would suggest. The narrative especially on the trade union side suggests that there exists a fundamental perception of injustice in the higher retirement age, and that in fact something more fundamental is at stake. The trade union narrative about the retirement age, which hones in on the juxtaposition of the previous retirement age and a "work till you drop" concept, suggests that there is a very specific good that is perceived as under attack here, namely the right to a certain number of years of healthy, financially secure retirement.

Both systems as they emerged after the Second World War, the more generous Bismarckian one and the more residual Beveridgian one, moved away from the idea of pensions as an invalidity benefit and operated for decades on the norm of retirement *before* one's ability to work expires. Special early retirement provisions for the disabled existed, but the general old age pension was no longer assumed to be based on an inability to work. A period of good health in which the necessity to work was no longer given became the norm and an acquired social right.

Whether a retirement age of 67 in Germany or 68 in the United Kingdom really means the end of this model is questionable. This judgment is highly dependent on a person's occupation, on where they live, and furthermore highly subjective according to personal experience and observation. Demographic research of course suggests that not only do people live longer, but they also stay healthy for longer, making a raising of the retirement age a perfectly logical political consequence. But both in the general discourse of the trade unions on this issue and in the interviews, the perception within the trade unions seems clearly different, especially when it comes to traditional blue-collar jobs, but also in the teaching profession. If this is more than political posturing to improve a negotiation position, and a raising of the retirement age really means that people in these jobs will not "make it" to retirement, this could then in fact mean a return to a retirement culture that's based on disability. If a timespan spent in retirement but generally healthy becomes the privilege of the lucky few or the white-collar office salariat, this would indeed represent a further paradigmatic shift away from the pension model as established in both the United Kingdom and Germany after the end of the Second World War.

There is an added gender aspect to early retirement and the retirement age in the United Kingdom that does not apply to that extent in the German case. Because the official British retirement age for women was 60 for a long time, women of a certain cohort are hit double by both efforts to harmonize the retirement ages of men and women and by the general political aim to raise the retirement age. Closures of early retirement pathways in Germany have included the abolition of the possibility for women to retire at 60, but this is no longer a salient issue in the contemporary discourse on the retirement age. In their efforts to curb early retirement, Germany was more successful overall than the United Kingdom was in raising the retirement age of women (Ebbinghaus and Hofäcker 2013).

The results of the qualitative analysis of the interviews regarding the retirement age were that the general logic of who is in favour and who is against a higher retirement age applies in both Germany and the United Kingdom despite their different pension systems.

In both countries, in the employer camp the inconsistencies in their response to the development of the pension age are hard to ignore. As discussed above, employers were very much involved in the spread of early retirement and pushing the actual age of retirement downwards, as well as shaping people's expectations. The free rider problem where this benefits an individual company's employment strategy but distributes the cost onto the entire social security system has been discussed. The clarity of the positions that the employer organisations take, however, suggests that this struggle of interests between the collective level and the individual firm level has in the meantime been settled in favour of the former.

The inconsistency on the British side is the simultaneous call for the raising of the retirement age and strong protest against the abolition of the default retirement age. The argument put forward here is that the default retirement age gave employers a path of non-fault redundancy for employees no longer able to carry out their tasks (Interview CBI). This contradiction highlights the simultaneous preferences of employers for freedom to act in accordance with business needs and for keeping costs low.

For both the British and the German employer organisations, these issues around the retirement age are obviously a matter of having to negotiate with their members, be they sectoral employer organisations or individual companies. The German employers consider themselves a leading force in raising the retirement age. Nothing about the development of these policies suggests that they advocated compromise to their members in order to maintain their political influence. In fact, the employers' self-assessment that they were successful in getting retirement age policies enacted that matched their preferences seems quite correct. The dialogue with member organisations or firms on these preferences seems to represent the split between the individual actor concerned with their specific current situation and a more generalist and long-term approach of the interest organisation.

In the British case, the employer organisations are explicitly open to raising the retirement age even further. The contradiction between the argument that people are living longer and more healthy, but that a default retirement age should be maintained to enable employers

to dismiss older employees without fault, remains unresolved, though as the abolition of the default retirement age has been decided, political realities have done away with this contradiction.

The most notable difference between the employers in Germany and the United Kingdom has been their reasoning for wanting a higher retirement age. In short, German employers are concerned about rising payroll taxes; British employers are concerned about costs as well, but see a higher retirement age as a trade-off for a higher state pension, which links this issue to the more structural reforms (discussed in chapter 6).

The differences between trade unions are more pronounced, and the intra-system differences are revealing. It has been shown that German trade unions with a very different membership structure (such as the white-collar education union GEW and the service sector-heavy ver.di) oppose the raising of the retirement age quite strongly.

The biggest outlier among the German trade unions is the IG BCE. This fits with the IG BCE's perception in the literature. Although their membership is largely comprised of people in physically demanding jobs, they are generally seen as to the right of other German trade unions. As such the more neutral stance on the retirement age can be considered in line with that. But the position of the IG BCE is particularly interesting because of the IG BCE's own strategies and the role occupational pensions play for them. Here, the international comparison becomes relevant. It is clear from the coding as well as interview narratives that British trade unions are not as concerned about the statutory retirement age as long as it does not have knock-on effects for occupational pensions, of which they are far more protective.

If one treats the IG BCE as a frontrunner rather than an outlier, then German trade unions might be moving towards strategies already employed by British trade unions.

Regarding the British trade unions, one of the most notable results is that the peak organisation, the TUC, both opposes the higher retirement age more strongly and considers it more relevant than most of its member unions. A potential reason might be that the TUC has a different position in the public eye, and takes a wider view of the interests of working people. In contrast, individual trade unions are more concerned with the direct and more explicit interests of their members, who rely more on their occupational than the state pension for retirement, and whom the statutory retirement age obviously does not affect as much. This is also highlighted in the clear difference between most of the British unions and USDAW, the one union with a high percentage of lower-income earners in the private sector. For their members the state pension will make up a much higher percentage of their retirement income and is thus more relevant. The TUC is considered an actor in the wider political context, and thus might be compelled to position itself on a wider range of issues as a matter of principle.

The financial industry actors' positions on the retirement age seem to come from a similar wider policy view, in that the issue is not directly relevant to them, but they support a raising of the retirement age for reasons of fiscal restraint. At least in the German case,

however, this lack of interest and relevance might be somewhat surprising. As trade unions are potentially discovering a new field of influence for themselves in turning to occupational pensions as a bridge to circumvent the state retirement age, the natural complement to this would be those providing the framework and the products for such a bridge, the pension insurers. The German financial industry has shown that it has a clear interest in state provisions being curtailed, as was obvious with the Riester reform (Wehlau 2009). As a higher retirement age is so hugely unpopular among the population, it is surprising that private provision offering an alternative – and a new field of business for the private pension providers – played no role in the interviews conducted for this research.

The “general political view” can also be seen in the position of the social associations, whose members are in both countries by and large already retired. Their opposition to a higher retirement age in fact could be explained by an ideological point of view impacting this policy position or by solidarity with younger generations rather than rational self-interest, if not both. While the social organisations are important voices in the pension network, it is probably also a factor that they are less likely to be involved in administration and consultations. It would stand to reason that they do not have to negotiate membership logic versus influence logic to the degree that trade unions do, and are thus freer to take a more radical position.

7.5 Where is the journey going: points of convergence?

The problem narratives of the British and the German pension systems have been quite different. As much as Germany and the United Kingdom could serve as prototypes of their respective welfare state regimes, so do their problems in the field of pensions represent the typical shortcomings of these. This ties in with their contrasting development over time. To summarize, the German pension system in its generally recognised form was established in 1957, and then remained relatively stable until the 2001 Riester reforms and the years that followed. Decades of pension consensus kept it stable; until the 1980s most reforms were expansive and until the 1990s they remained entirely within the Bismarckian paradigm. The British pension system in its prototypical form was established in 1946 and has since then undergone almost constant revision, generally within the liberal paradigm but with a brief period of more Social Democratic tendencies (Meyer and Bridgen 2011), and with a much lower degree of stability.

As has been laid out in the introduction (see sections 1.4 and 1.5), the problems that are the backdrop to pension reform efforts in Germany used to focus primarily around how to keep a generous and popular social policy financially viable, while in the United Kingdom reform efforts have centered around the insufficient retirement provisions for a large percentage of pensioners, and how to improve them.

Since the original set-up of the Beveridge system – but even more so after the abandonment of SERPS, the most Social Democratic element the British pension system ever contained, and the conservative-neoliberal turn of the 1980s – attempts to improve the income

situation of British retirees have been based on liberal ideology, with a minimum of government interference and a strong reliance on private initiative and voluntary occupational pensions by employers. The liberal dogma also informed the New Labour reforms on pensions; an attempt at a more imaginative and even redistributive pension, the State Second Pension, suffered from being kept as cheap as possible and being overly complicated. The state of British pensions by the time the Pensions Commission took up its work suggests that the repeated attempts to achieve satisfactory retirement provision and coverage within the liberal dogma did, in fact, not work.

The outcome of one case can of course not simply be applied to predict the consequences of one element in another. But as Taylor-Gooby (2006) writes, the United Kingdom is as close to a liberal test case as it gets. The outcome does at least cast doubts on whether recourse to a liberal model of private initiative is likely to yield the desired results in Germany. On the one hand, given the prevalence of life insurance policies in Germany there is certainly a “savings culture” to be taken into account. On the other, the take-up rates for Riemer pensions, especially among the targeted lower-income earners, have been disappointing. (Hagen and Kleinlein 2011: 3f, Meyer 2013: 21). This is more suggestive of a pessimistic view of how much retrenchment private initiative is likely to compensate for.

The proposed solutions for Germany have sometimes included widening the pool of contributors, by for example extending coverage to non-standard types of employment. But in general there has been a focus on a greater degree of liberalisation: the aim to decrease government expenditure and making up for this with a higher degree of private but voluntary retirement saving, supported by some tax incentives.

The gender aspect of pension reform in the United Kingdom and Germany reveals structural similarities, but also significant differences. As outlined above, despite its liberal tradition the post-war British welfare state was originally based on the same social conditions as the German one: the male breadwinner family. The pension coverage of women, or more specifically the insufficient pension coverage of women, stemming from women being more likely to be in atypical employment and being more likely to take time out of the labour market and thus less likely to build up sufficient pension entitlements, is a reform issue in both welfare states.

But a major difference between the United Kingdom and Germany is the gender fault line in occupational pension coverage. Occupational pensions in Germany were traditionally available to labour market insiders in big industrial companies, as their purpose was mainly to bind skilled labour. After the shake-up of the Riemer reform, the role of occupational pensions shifted as well, and in some sectors they became part of collective bargaining agreements and strategies by the trade unions. Those trade unions with the most advanced occupational pension strategies, however, are still in sectors that are predominantly male, and both the IG BCE and the IG Metall, forerunners in occupational pension agreements, are still male-dominated (see 2.3.2).

In the United Kingdom, the occupational pension division runs largely between the public and the private sector, a division that also aligns with high and low degrees of unionization. As a result of the high percentage of women working in the public sector, women also represent a high percentage of trade unions members (and trade union officials). Consequently, in some areas the pension coverage of women is actually on par with or better than men's, and definitely in comparison to the situation in Germany. In the gender context, the development and strength of the trade unions is therefore highly important.

The perception of what is wrong with the British pension system generally seems in consensus across the political spectrum. In the German case, while there is a general concern about keeping the system financially viable, there is a much wider discrepancy in perception.

Beyond the question of whether German policy-makers are imitating a failed liberal policy strategy, however, there are other interesting points of potential convergence. On the whole, the evolution of the German pension system into a hybrid mixture (see above) means that the systems are not really converging in their functional logic. (It remains to be seen whether they will converge in pensioner poverty rates.) But on the level of the social actors, examples of the United Kingdom can be seen in more nascent stages in Germany.

The strong division in the United Kingdom between the private sector and the public sector in terms of pension coverage does not apply in Germany. But as the trade unions experience a change in purpose, both in reality and in their self-image, and as occupational pensions become more relevant to future German pensioners, a similar gap could develop between unionized and non-unionized sectors. If occupational pensions increasingly become subject to collective bargaining agreements, this could both equip German unions with a new relevance, and make their role more similar to the ones played by British public sector unions.

A realignment of who-does-what in pensions in Germany could also mean changing salience for different policy issues. The retirement age as analysed in this thesis is a prime example. While no trade union in this sample was particularly enthusiastic at the prospect of a higher retirement age, the British trade unions assigned a much lower relevance to the issue than the German ones. As previously discussed this is directly related to which pension provision is dominant for trade union members. In a sector where the relevance of occupational pensions far outstrips the relevance of the state pension, the statutory retirement age becomes negligible compared to the age at which the occupational pension can be drawn, a subject open to negotiation between the social partners. Depending on perspective the endeavours of the IG BCE can be seen as an outlier or an early adopter among the German trade unions: it offers its members a bridge towards retirement that renders the higher state retirement age irrelevant.

However, this is not to suggest confusing cause and effect. While there is historical precedent for workers' representatives to be sceptical of state pensions, in the case of the post-war pension systems trade unions have certainly never advocated lower benefits or a

reduced role for the state pension. The decision to regard state provision as less relevant to their political strategies comes largely out of conceding there is no chance of getting the policy they want (a higher British state pension; a German state pension just as it was pre-1999) and adjusting strategy accordingly.

What the comparison shows for Germany is that the social policy actors who have been relatively successful in getting their policy aims heard by policy makers might be ultimately acting against their own interests. The German employers were the ones most concerned about the cost of the state pension, and were fully supportive of the cost-cutting measures of the early 2000. But they are also, generally, supportive of the state pension remaining the foundation of pension saving in Germany. Whether the cuts to the German state pension without a minimum floor and without an overall coherent architecture still allow this to be possible is an open question. The fact that British employers were starting to actively lobby for a higher state pension should perhaps be telling as to where the journey might be going and what German employers might want to guard against.

Table 3: Summary of main results

Summary	Germany	United Kingdom
On institutional change	Riester reform as convincing example of gradual change through layering. Opponents found Riester reform harder to oppose than retirement age reform. Proponents of change argue in the language of protecting the old system.	Auto-enrolment as the consequence of fortuitous timing and the build-up of an unusual consensus. Consensus built on shared problem perceptions. Main reform is gradual in nature, but its passage represents a major and distinct innovation.
On the institutional outcome	Hybrid-Bismarckian system with liberal elements. State pension as retirement foundation, additional private saving necessary for status maintenance. Private saving incentivized by subsidies. State pension as foundation doubtful.	Beveridgian system with basic state pension State pension as subsistence pension, private and occupational saving for income-proportional pension. Additional saving facilitated by auto-enrolment. Future developments depending on maturation.
Social actors		
Membership logic	Most pronounced on the question of the retirement age for both unions and employers.	Most pronounced on the question of the retirement age and the default retirement age for employers.

Cleavages on pensions	Labour/Capital overall, with some variations. Unionized/non-unionized sectors expected to have different pension outcomes in future.	Labour/Capital overall, with significant variations. Public/private in current pensions.
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7.6 The ghost of pensions future – a broken Bismarckian system?

Finally, we should consider how these pension systems develop in the future. The critical question for the British pension system will be whether the 2012 framework will be allowed to mature, or will be eroded by further tinkering and short-term cost-saving or voter-courting measures. The centrality of this question is supported by the views voiced by those supportive of the 2012 framework and the scattershot history of British pensions. It is particularly critical in the more combative and less continuous Westminster system.

Pensions policy with its long time horizon is the ultimate delayed gratification policy. More than probably any other welfare policy issue, pensions require a degree of basic trust; a statutory pension system requires trust to maintain its legitimacy, while a voluntary pension system requires trust so people can be bothered to participate. But it is not only the contributions payers, in the widest sense, who delay gratification. With the exception of immediately expansive reforms, which in modern times are not terribly likely, even an ultimately hugely successful pension reform will not bring immediate political gain to the political actors who initiate it. For the same reason that pension policy lends itself well to strategies of blame avoidance, grabbing political credit for measures that will improve pension stability twenty years down the line would also be difficult. The long time horizon means that a pension benefit from a consensual style of politics, at least from a consensus on pensions. The genesis of the British reforms support this: a wide consensus was able to effect far-reaching but future-oriented reforms that could transform the British pensions landscape. Whether the reforms will be allowed to mature is, I would argue, now also a matter of whether this consensus will hold.

The British political system is by design not built for consensus and continuity, but for competition and an alternation of political ideas. Without any judgment of what this means for other policy sectors, it is safe to conclude that this is not the most beneficial political setup for pensions. Moreover, beyond the principles of the polity, the United Kingdom is currently experiencing more political turmoil than when the last set of reforms was conceptualised. At the time of writing, the British party system has fractured permanently from a two-and-a-half party system to a multi-party system, but is still struggling to adapt in its political culture. One of the main and oldest party, the Labour Party, might be facing a split in the near future. Regional divisions are running deeper than ever and membership in the European Union is becoming doubtful, all at the same time. The time horizon for the

maturation of the auto-enrolment reform and NEST pensions might stretch beyond the existence of the United Kingdom in its current geographical form.

This is not to say that a continued pension consensus is impossible. But the success of the 2012 framework will in large part depend on whether a consensual approach to, but in particular a consensual leaving-alone of, the new pensions arrangement can be maintained in the face of some radical political transformations up to constitutional rearrangements, and on whether politicians on any side in the turmoil can resist the political temptation of giving concessions or cutting costs for short term gain that will damage the overarching construct before it can mature.

As for the future development of the German pension system, much will depend on whether new systemic flaws will be counteracted before they have a chance to mature and change the German pension system substantially. While the general German pensions architecture still tends to provide more generous bottom-line coverage than the British one, the problems looming on the horizon resemble the problems the United Kingdom is trying to leave behind.

The pitfalls are built into the current pensions architecture. The post-Riester system lacks coherence, and when the changes to employment policy and the post-reunification labour market carry over into people's retirement, this is likely to apply in more than just theory, and to more people than an unlucky few.

The lack of a minimum floor pension within a system of statutory insurance with high level contributions is a concern for the future. The concern is part of the current political debate, but it has not been addressed with any sort of coherent policy. The basic problem has been recognised, and the introduction of the *Zuschussrente* was an attempt to offer a minimum pension at least to those who have made private additional savings. But these attempts have been piecemeal and technocratic, and so limited in scope that they cannot serve as a systemic repair.

The Riester reform introduced a more liberal approach to pension saving in Germany and was supposed to strengthen private saving. But if the British example is indicative of anything, it is that a purely liberal approach to getting people to save for retirement does not work. Neither does it work to encourage private saving without a solid foundation. In general, present day Germany does not seem to suffer from an underdeveloped savings culture. But an increased reliance on means-tested benefit and an increasing lack of trust in the pension system, and the pension system's ability to deliver sufficient pensions, might in fact erode that savings culture. While the supporters of the Riester reform, in particular the employers and the insurance industry, are arguing that the paradigm shift is a necessary step towards ensuring sustainability of the system, the extent of the cuts and the lack of systemic coherence threaten to put the German pension system at a wholly different risk.

Similarly, the trade unions might ultimately regret focussing on opposition to the parametric reform and not reacting strongly enough on the paradigmatic one. The solution proposed by the trade unions ~ restoring the higher replacement rate ~ is politically unlikely;

whether it would really establish a minimum existence floor will depend on future developments of the labour market. The British example also shows that a fractured pension system leaves individual actors room to manoeuvre and spheres of influence, and in the medium-term, the trade unions might be well advised to try and capitalise on these changes by becoming important actors in negotiating occupational pensions.

But even in a system where occupational pensions historically played such an important role as in the United Kingdom, without a coherent pensions architecture around it occupational pensions could not fill the gap for a significant section of the population. The example of the British pension system shows the limitations of a purely liberal approach and its history shows the consequences of an incoherent logic. Whether the German pension system is about to embark on an equally long journey of systemic incoherence, legislative fiddling and erosion of public trust in pensions remains to be seen.

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Organisation websites

news.cbi.org.uk

www.aba-online.de

www.abi.org.uk

www.arbeitgeber.de

www.bdi.eu

www.bvi.de

www.cwu.org

www.deutsche-rentenversicherung.de

www.dgb.de

www.en.gdv.de

www.nestpensions.org.uk

www.npcuk.org

www.plsa.co.uk

www.sovd.de

www.tuc.co.uk

www.volkssolidaritaet.de

www.zdh.de

Appendix

List of interviews

Interview outline: United Kingdom

Interview outline: Germany

List of interviews

June 2011 Interview Trades Union Congress (1)
June 2011 Interview Institute of Directors
June 2011 Interview National Pensioners' Convention
June 2011 Interview National Association of Pension Funds (1)
June 2011 Interview Association of British Insurers
June 2011 Interview Communication Workers Union
June 2011 Interview National Association of Pension Funds (2)
June 2011 Interview National Union of Teachers
June 2011 Interview Confederation of British Industry
June 2011 Interview Trades Union Congress (2)
July 2011 Interview National Employment Savings Trust
July 2011 Interview UNISON
July 2011 Interview Union of Shop, Distributive and Allied Workers
October 2011 Interview Unite the Union
October 2011 National Union of General and Municipal Workers
March 2012 Interview Arbeitsgemeinschaft für betriebliche Altersversorgung e.V. (1)
March 2012 Interview Arbeitsgemeinschaft für betriebliche Altersversorgung e.V. (2)
April 2012 Interview dbb Beamtenbund und Tarifunion
April 2012 Interview Vereinte Dienstleistungsgewerkschaft ver.di
April 2012 Interview Bundesvereinigung der Arbeitgeberverbände
April 2012 Interview Deutscher Gewerkschaftsbund
April 2012 Interview Gesamtverband der deutschen Versicherungswirtschaft e.V.
April 2012 Interview Der Paritätische Wohlfahrtsverband e.V.
April 2012 Interview Zentralverband des Deutschen Handwerks e.V.
April 2012 Interview Bundesverband der Deutschen Industrie e.V.
April 2012 Interview Bundesverband Investment und Asset Management e.V.
May 2012 Interview Gewerkschaft Erziehung und Wissenschaft
May 2012 Interview Sozialverband Deutschland e.V.
May 2012 Interview Rentenversicherung Bund
May 2012 Interview Volkssolidarität e.V.
October 2012 Interview Industriegewerkschaft Bergbau, Chemie, Energie

Interview outline: United Kingdom

Warm-up question:

Could you briefly describe your position and responsibilities within [organisation]?

Question: Introduction	
1a) Compared to other countries, the UK has relatively low pension expenditures. Has the UK 'solved the pension problem'?	
1b) In your opinion, what are the features of a good pension system? How should the UK pension system be organised? <i>["... a pension system that is possible to realise given current conditions."]</i>	
1c) Do you think the British pension system is in need of reform? [What sorts of reform?]	
<i>Interest: who should pay for whom? How high should pensions be?</i>	
Ground to cover	Follow-up questions
Demographic change	Do you think the UK pension system as it stands is sustainable in the long term? (If yes: Why?)
Social cleavages	What are the social consequences of the way the UK pension system is currently organised?
Community vs. individual responsibility	To what degree should a sufficient income in old age be the responsibility of the state? How important is individual responsibility? With [over a third] of British retirees relying on <i>some</i> kind of means-tested benefit, past reforms seem to have failed. Would you agree with such a statement? Why do you think people don't save enough for their retirement? Do you think the old age poverty problems will be ameliorated by the new auto-enrolment provisions?
1d) In your opinion, what was the most important pension reform in the UK in the last ten years? ["We're mostly interested in what you would consider the most important change, regardless of whether it was a positive or a negative one."]	
... and what would be a [positive/negative] example?	

Question: Retirement Age	
2. The UK is going to raise the retirement age first to 66, then 68. What is [your organisation]'s "take" on this?	
ALT, if already mentioned:	To pick up the topic of the state pension retirement age: What is your [union/organisation]'s stance on this?
<i>Position on retirement age 68, relationship between organisation and members</i>	
Ground to cover	Follow-up questions
'right' pension age	What would you consider an <i>appropriate</i> pension age?
	Has [organisation]'s position on raising the retirement age changed in the last few years?
	How would you solve the demographic problem?
Members' perceptions	Do you know what your members think of the new retirement age?
	How do you learn about your members' interests? Could you describe that process?
Political partners	On questions of the retirement age, who do you approach? With whom do you not even need to bother?
Question: Abolition of the mandatory retirement age	
3. The Coalition Government has recently abolished the mandatory retirement age. Is this a step [your organisation] welcomed?	
Relevant for whom?	Who do you think benefits from abolishing the mandatory retirement age? Does your membership benefit?
Advantages/disadvantages	What do you think the drawbacks/disadvantages are of abolishing the mandatory retirement age?
Perception of political actors	What do you think was the motivation behind this reform?
Consequences	What do you estimate will be the consequences of this reform? (Can we already observe some consequences?)

Question: Pension Act 2007 and Pension Act 2008	
4. The Pension Acts in 2007 and 2008 made qualifying for the Basic State Pension easier and introduced credits for the State Second Pension for care-givers and parents. Did you approve of those changes?	
<i>Low income earners, women & atypical employment, automatic enrolment</i>	
Ground to cover	Follow-up questions
Low income earners, atypical employment histories	Where do you see advantages and disadvantages of these changes?
	Do you think this reform has done enough to protect people with atypical employment histories from poverty in old age?
	Do you think the combination of the BSP and the S2P will be enough to lift future retirees out of poverty?
	UNIONS: How relevant were these changes for your membership?
4b) Employers will also be required to offer enrolment in an occupational pension scheme to virtually all employees. What is your take on this reform?	
Occupational pensions: automatic enrolment	Given how often people change jobs in the modern economy, is the emphasis on occupational pensions in recent reforms outdated?
	Which advantages and disadvantages do you see with regard to automatic enrolment in occupational pensions?
	UNION: Would you expect a significant share of your membership to opt out of occupational pensions?
	BUSINESS: Would you expect a significant share of British employees to opt out of occupational pensions?
	How important will occupational pensions be for future retirees?
Cost	Do you think the British pension system has become less sustainable through these reforms?
	Do you think British businesses are well-prepared for the new automatic enrolment regime? (Do you think it is worth it?)
Politics	Did/do you expect any take-backs with regard to NEST by the new Coalition government?

<p>Specifically for TUC and CBI (former presidents/DGs in key positions of pension commission)</p>	<p>The 2002 Pension Commission recommended among other things a generous flat-rate pension for all in order to alleviate old age poverty and encourage spending. Why is this not really reflected in the reforms that followed? (Would you like to see it reflected?)</p>
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Question: Reforms and the political landscape	
5. In pension politics, how and where does [your organisation] try to influence the political process?	
<i>Political landscape, perception of other actors</i>	
Ground to cover	Follow-up questions
	<p>Could you describe the process of how you influence policy?</p> <p>Could you give me an example of where your organisation was successful in influencing policy?</p> <p>Do you think British policy makers consult the social actors enough?</p> <p>Were you or your organisation involved in the 2007 and 2008 Pension Acts?</p> <p>How are you involved in the discussion on the retirement age?</p> <p>Who are your most important opponents?</p> <p>Who are your partners on pension questions?</p> <p>How do you try to sway public opinion?</p> <p>What would you say has been your biggest achievement in pension policy?</p> <p>And what was your most serious defeat? (... in the last ten years)</p> <p>UNIONS: Would you say you were consulted more under the Labour government?</p> <p>Has the change in government changed your options regarding influencing policy?</p>

Question: Members	
Next I would like to ask you a few questions about your membership.	
6. Would you say that the [organisation's] members generally support the [organisation's] position on pensions?	
<i>Perception of members, relationship members – organisation, perceived representation</i>	
Ground to cover	Follow-up questions
Membership perception	Who are your members? Which professional groups would you say are most important?
	Are there difficulties in recruiting younger members? BUSINESS: Do you find it difficult to get new firms to join?
	What do you think is the most pressing concern of your membership with regard to pensions?
	Do your members <i>understand</i> the British pension system? Do they understand all their entitlements?
	Were the Pension Acts of the Labour government very relevant for your members' future retirement?
Relationship between members and organisation	Do you believe you are thoroughly informed about the opinions of your membership?
	Is there an information gap between your members and the organisation's representatives?
	Has there ever been tension between the official position of [organization] and its members?
	Are your members generally content with how they're being represented?
Membership development, Fairness	TRADE UNION: Why should someone who's just entering the workforce join your union?
	BUSINESS ASSOCIATION: Why should a new/small or medium sized enterprise join your association?
	What does inter-generational fairness mean to you?

Question: Europe	
7. How do you think the UK pension system fares in comparison with other European countries?	
	Follow-up questions
	<p>Compared to the Scandinavian countries, or Germany and France, more British pensioners have incomes below the poverty line. Why is that? [Whose fault is that?]</p> <p>Do you think the UK could learn something from other European countries in terms of pension policy?</p> <p>Do you think other European countries could learn something from the UK?</p> <p>Do you expect the European Union to cause convergence in the individual countries' pension systems?</p> <p>Is there cooperation between European [trade unions/employers associations] in the field of pension politics?</p>

End
<p>You have heard a few things about our project and the topics we're interested in. Can you think of anyone you would say we should definitely talk to?</p> <p>That would be all from me. Is there anything you'd like to bring up or add?</p>

<p>Thank you for the interview...</p> <p>It would further help us if we could ask you to fill in a brief questionnaire, not longer than one page, and send it back to us.</p>

Interview outline: Germany

Leitfrage: Einstieg	
1a) Wo sehen Sie aus Sicht Ihrer Organisation aktuell den größten Reformbedarf in der Rentenpolitik in Deutschland?	
1b) Wie sieht ein ideales Rentensystem aus?/Wie sollte Ihrer Meinung nach das deutsche Rentensystem gestaltet sein? [Auf Nachfrage ideal vs. realistisch: "... ein optimales Rentensystem, das sich unter den gegebenen Bedingungen auch realisieren läßt."]	
<i>Erkenntnisinteresse: Wer soll für wen bezahlen? Wie hoch soll die Rente sein?</i>	
Interesse (Stichwörter)	Anknüpfungsfragen
Demographie	Glauben Sie, dass das heute Rentensystem nachhaltig tragbar ist? [Auf Nachfrage: "in den nächsten 20 Jahren"]
	Durch den demografischen Wandel entstehen für das Rentensystem finanzielle Lasten: wie sollen diese Probleme gelöst werden?
Sozialer Ausgleich	Wie sehr ist dabei der soziale Ausgleich zu berücksichtigen?
Gemeinschaft vs. Eigenverantwortung	Welchen Stellenwert soll die Eigenverantwortung für die Absicherung im Alter haben?
1c) Was war für Sie die wichtigste Rentenreform in den letzten Jahren? [Auf Nachfrage positiv oder negativ: "Uns geht es vor allem um die für Sie wichtigste Reform, unabhängig davon, ob Sie diese als negativ oder positiv einschätzen."]	
... und welche Rentenreform war aus Ihrer Sicht ein positives / negatives Beispiel?	

Leitfrage: R67	
2. Einige Reformen sind ja auch schon in den vergangenen Jahren beschlossen worden... Wenn wir zum Beispiel die „Rente mit 67“ betrachten:	
ALT, falls bereits angesprochen:	Wenn wir die “Rente mit 67” jetzt genauer betrachten: Wie steht Ihre Organisation zu dieser Rentenaltersgrenze?
<i>Erkenntnisinteresse: Verhältnis Mitgliedermeinung u. Organisationsmeinung, Position zu Rente mit 67</i>	
Interesse (Stichwörter)	Anknüpfungsfragen
‘bestes’ Rentenalter	Was ist für Sie ein angemessenes Renteneintrittsalter?
	Viele Arbeitnehmer würden lieber geringere Bezüge erhalten, aber dafür früher in Rente gehen. Wie steht Ihre Organisation dazu?
	Hat sich die Position Ihrer Organisation zu einem höheren Rentenalter in den letzten Jahren verändert?
Mitgliedermeinung	Was passiert Ihrer Meinung nach, wenn die Rente mit 67 für mehrere Jahre aufgeschoben wird? Was wären die Folgen?
	Wissen Sie, welche Meinung Ihre Mitglieder zur „Rente mit 67“ haben?
	Wie erfahren Sie von den Interessen Ihrer Mitglieder? Wie können Sie diese bei der Entscheidungsfindung berücksichtigen?
Verhältnis zu Mitgliedern	Wie einflussreich und wichtig sind die Mitgliederinteressen für die Politik Ihrer Organisation?
Verhältnis zu anderen Interessenorganisationen, Akteure	Wenn es um die „Rente mit 67“ geht, wer sind Ihre Ansprechpartner? Mit wem brauchen Sie erst gar nicht zu reden? <i>[Auf Nachfrage: “unter anderen Akteuren in der Politik, (andere Organisationen oder Politiker)”]</i>

Leitfrage: Riester	
3. Wenn wir als nächstes auf die Riester-Rente eingehen könnten: Sind Sie der Meinung, dass die Riester-Rente das deutsche Rentensystem nachhaltig verändert hat?	
<i>Erkenntnisinteresse: Position zur Riester-Rente, Rückblick auf damalige Diskussionen.</i>	
Interesse (Stichwörter)	Anknüpfungsfragen
Vorteile/Nachteile	<p>Worin sehen Sie Vorteile der Riester-Rente? Und was sind die Nachteile?</p> <p>Hat die jüngste Finanzmarktkrise eine Auswirkung auf [die kapitalgedeckte Riester-Rente/private Altersvorsorge]?</p> <p>Wer profitiert Ihrer Meinung nach von der Riester-Rente?</p> <p>Hätten die Gewerkschaften die Riester-Reformpläne verhindern oder abändern können?</p> <p>Reicht die staatliche Förderung aus?</p> <p>Sind Ihre Mitglieder ausreichend über die Riesterrente und die staatliche Förderung informiert?</p> <p>Und die Bevölkerung insgesamt?</p>
Bedeutung für zukünftiges Rentensystem	<p>Ist die Riester-Rente richtungsweisend für die weitere Entwicklung des deutschen Rentensystems?</p> <p>Wäre eine obligatorische Riester-Rente nicht besser? / Wie steht Ihre Organisation zu der Idee einer obligatorischen privaten Vorsorge?</p>
Drei Säulen -- Betriebsrente	<p>Wie schätzen Sie die Zukunft der betrieblichen Altersvorsorge in Konkurrenz zur Riester-Rente ein?</p> <p>Wie sehen Sie die zukünftige Aufteilung der drei Säulen: staatliche Rente -- Betriebsrente -- private Vorsorge?</p>

Leitfrage: Reformen und politisches Umfeld

4. Wie bringt sich Ihre Organisation zu Rententhemen in den Politikprozess ein? Können Sie mir ein Beispiel nennen, bei dem Ihre Organisation die Gesetzgebung beeinflussen konnte?

Erkenntnisinteresse: politisches Umfeld, Wahrnehmung anderer Interessenorganisationen. Einordnung von Riester und R67 in allgemeine Reformlandschaft

Interesse (Stichwörter)	Anknüpfungsfragen
	<p>Wo würden Sie ansetzen, um politischen Einfluss auszuüben?</p> <p>Wer sind Ihre stärksten Widersacher?</p> <p>Wer sind Ihre wichtigsten Partner bei Rentenreformen?</p> <p>[Falls erwähnt aber wenig Inhalt zu Parteien: Könnten Sie mir das Verhältnis [Ihrer Organisation] zu den Parteien noch näher erläutern?]</p> <p>Gibt es Unterschiede zwischen Bundes- und Landesebene?</p> <p>Wie ist in Rentenfragen Ihr Verhältnis zu den Parteien?</p> <p>Können Sie mir die Zusammenarbeit mit anderen Gewerkschaften näher beschreiben?</p> <p>Können Sie mir die Konflikte mit anderen Gewerkschaften näher beschreiben?</p> <p>Können Sie mir an einem Beispiel beschreiben, wie Sie mit den Arbeitgebern in Rentenfragen verhandelt haben?</p> <p>Was waren Ihrer Meinung nach die größten Erfolge Ihrer Organisation in der Rentenpolitik?</p> <p>Was war die größten Niederlage in den letzten Jahren?</p> <p>[Auf Nachfrage: "in den letzten zehn Jahren"]</p>

Leitfrage: Mitglieder	
Als nächstes möchte ich noch einmal auf Ihre Mitglieder eingehen:	
5. Wie groß ist die Zustimmung unter Ihren Mitgliedern zu der Position ihrer [Organisation] in der Rentenpolitik?	
<i>Erkenntnisinteresse: Verhältnis Mitglieder u. Organisation, Wahrnehmung von Mitgliedern, Vertretungsanspruch</i>	
Interesse (Stichwörter)	Anknüpfungsfragen
Mitglieder – Wahrnehmung	Wer sind Ihre Mitglieder? Welche Berufsgruppen sind besonders wichtig?
	Gibt es Probleme, jüngere Mitglieder (Wirtschaftsverbände: neue Firmen) zu rekrutieren?
Verhältnis Mitglieder und Organisation	Glauben Sie, dass Sie die Interessen Ihrer Mitglieder umfassend kennen?
	Gibt es ein Informationsgefälle zwischen Verbandsleitung und Mitgliederbasis? [Warum?]
	Woran ließe sich erkennen, dass Ihre Organisation eine Position in der Rentenpolitik vertritt, die nicht den Vorstellungen Ihrer Mitglieder entspricht?
	Sind Ihre Mitglieder mit der Vertretung durch Ihre Organisation zufrieden? [Falls Einstiegsfrage zu ausweichend beantwortet.]
Mitgliederentwicklung, Demographie	GEWERKSCHAFT: Warum sollte ein 25jähriger Berufsanfänger in eine Gewerkschaft eintreten?
	WIRTSCHAFTSVERBAND: Warum sollt ein neues bzw mittelständisches Unternehmen in den Verband eintreten.
	Was verstehen Sie unter Generationengerechtigkeit?

Leitfrage: Ausland	
6. Wenn man ins Ausland schaut, könnte man meinen, andere europäische Länder sind in der Rentenpolitik schon weiter.	
	Anknüpfungsfragen
	<p>Welches Land sehen Sie als besonders positives Beispiel von dem Deutschland lernen könnte.</p> <p>Einige Länder haben ja eine Grundrente. Kann Deutschland von diesem Modell lernen?</p> <p>Länder wie Großbritannien oder die Niederlande haben die Rente auch sehr viel stärker privatisiert. Kann Deutschland hier etwas lernen über private Zusatzrenten?</p> <p>Denken Sie, dass die Europäische Union eine Vereinheitlichung in der Rentenpolitik herbeiführen wird? Warum?</p> <p>Arbeiten die [Gewerkschaften / Wirtschaftsverbände] im Bereich der Rentenpolitik auf europäischer Ebene zusammen?</p>

Abschlussfrage
Nachdem Sie jetzt etwas über unser Projekt bescheid wissen, mit wem sollten wir <i>Ihrer</i> Meinung noch sprechen?
Das wäre es erstmal von meiner Seite. Gibt es Ihrerseits noch etwas, das Sie gerne ansprechen würden?

Vielen Dank für das Interview
Es wäre für uns sehr wichtig, wenn ich Ihnen noch einen Fragebogen zusenden könnte, der nicht länger als eine Seite ist. Wären Sie damit einverstanden?
[Auf Nachfrage "Welche Fragen zum Beispiel": einige demographische Angaben, einige standardisierte Fragen zu Rentenalter und ähnlichem]